

# TRANSCENDING HORIZONS 20 YEARS OF EXCELLENCE

Siyapatha Finance PLC | Annual Report 2025



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Siyapatha Finance

(Finance Company of Sampath Bank Group)



## **TRANSCENDING HORIZONS: 20 YEARS OF EXCELLENCE**

As Siyapatha Finance PLC commemorates two decades of distinguished progress, the Company reflects on a journey shaped by resilience, disciplined growth, and the steady strengthening of its institutional foundations. Over the years, the organisation has evolved into a trusted financial partner, consistently adapting to a dynamic economic landscape while upholding the principles of stability, service excellence, and sound financial stewardship.

Entering its third decade, the Company remains well positioned to advance its strategic ambitions through measured expansion, digital advancement, strengthened governance, and a continued commitment to delivering trusted, customer-centric financial solutions.

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As Siyapatha Finance PLC enters its third decade, the Company remains firmly positioned for sustained growth through strategic expansion, digital integration, strengthened governance frameworks, and a continued focus on customer-centric, asset-backed lending.



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The results of 2025 signify a definitive pivot from defensive resilience to an offensive growth trajectory, as Siyapatha broke through its traditional performance ceilings, entering a phase of rapid, yet meticulously managed, expansion.

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# ABOUT US

## Our Values

Loyalty

Openness

Trust

Unity

Service Excellence

## Our Vision

To be the most innovative and trusted premier financial services provider.

## Our Mission

To provide flexible and creative solutions to customers and generate greater values to our stakeholders while assuring corporate governance through an empowered professional team.



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Siyapatha Finance

( Finance Company of Sampath Bank Group )

### Company Profile

Siyapatha Finance PLC, formerly known as Sampath Leasing & Factoring Limited a fully owned subsidiary of Sampath Bank PLC, was established in March 2005 as a specialized leasing company, licensed and regulated by the Central Bank of Sri Lanka (CBSL) to service the lower end of the SME/ Retail customer segment. Over its 20 Years in operation, Siyapatha Finance has grown into the largest subsidiary of Sampath Bank and in September 2013 the entity was rebranded to its current name subsequent to receiving the finance company license by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011. The company's lending portfolio consists of finance leases, hire purchase financing, fast draft, vehicle credit facility, loans, gold financing, factoring (debt financing) operations and deposits.

Siyapatha Finance PLC is a key player in the country's Non-Bank Financial Institutions sector with a network of 61 branches in principal cities and towns, powered by a dynamic team of 1172 employees.

Rating (Issued by Fitch Ratings Lanka):  
National Long-Term Rating of 'A(Ika)'  
Outlook - Stable

## MILESTONES

# 2005

- ◆ Incorporation of the Company & obtained 'Specialized Leasing Company' status
- ◆ Opening of branches in Kandy & Matara

# 2010

- ◆ Appointment of new Corporate Management

# 2013

- ◆ Received the "Registered Finance Company" Status
- ◆ Re-branded as "Siyapatha Finance Limited"
- ◆ Launch of Gold Financing business
- ◆ Expanded the branch network to 18 branches

# 2014

- ◆ Appointment of New chairman to Board of Directors
- ◆ Issuance of its first listed, rated, unsecured, subordinated, redeemable debentures to the value of LKR 1Bn

# 2019

- ◆ Appointment of new Managing Director and two New Directors to the Board of Directors
- ◆ Issuance of listed, rated, unsecured, subordinated, redeemable debentures to the value of LKR 1.5Bn
- ◆ Addition of 5 branches to the network - Piliyandala, Chilaw, Moratuwa, Jaffna and Pettah
- ◆ Branch network expanded to 35 branches
- ◆ Relocation of Anuradhapura Branch

# 2020

- ◆ Appointment of new Chairman and three New Directors to the Board of Directors
- ◆ Issuance of listed, rated, unsecured, senior, redeemable, debentures to the value of LKR 2 Bn
- ◆ Addition of 5 branches to the network - Kohuwela, Nittabuwa, Matale, Maibabe, Dambulla
- ◆ Branch network expanded to 40 branches
- ◆ Relocation of Avissawella Branch

# 2021

- ◆ Recorded a profit after tax of Rs. 1.1 Bn
- ◆ Moving into the new Head Office building - Siyapatha Tower
- ◆ Fitch upgrades Siyapatha Finance credit rating to "A(lka) with a Stable outlook from A-(lka)
- ◆ Siyapatha Finance was recognized and certified as a "Great Place to Work" in Sri Lanka in the year 2021. Further Siyapatha is among the Top 10 best workplaces in the Banking, Finance and Insurance Industry in Sri Lanka.
- ◆ Siyapatha won the Transformation Excellence Golden Award at the InfoSys Finacle Innovation Awards 2021
- ◆ Issuance of listed, rated, unsecured, subordinated, redeemable, debentures to the value of LKR 1.5 Bn
- ◆ Revamped the Official Siyapatha Website
- ◆ Islandwide CSR project covering 11 hospitals in the country

# 2015

- ◆ Changed the name to "Siyapatha Finance PLC"
- ◆ Commenced Deposit Mobilization from the general public

# 2016

- ◆ Appointment of new Chairman and Managing Director
- ◆ Launch of Personal and Business loans
- ◆ Relocation of Negombo Branch
- ◆ Expansion of branch network to 24 branches. Opened branches in Gamapaha, Kalutara, Trincomalee and Wellawatte
- ◆ Issuance of second listed, rated, unsecured, senior, redeemable debentures to the value of LKR 2.5Bn

# 2017

- ◆ Addition of two branches to the branch network - Galle & Panadura
- ◆ Launch of first corporate campaign along with corporate logo and "Trust Assured"
- ◆ Issuance of rated, unsecured, subordinated, redeemable debentures to the value LKR 1Bn
- ◆ Relocation of Kurunegala Metro Branch
- ◆ Taking initiatives to implement "Finacle Core Banking System" to become the first in the NBF sector 2017
- ◆ Appointment of new Chairman and two Directors to the Board of Directors

# 2018

- ◆ Appointment of two Directors to the Board of Directors
- ◆ Successful Rights Issue to increase the Tier 1 Capital of the company
- ◆ Addition of four branches to the Branch network - Kiribathgoda, Maharagama, Wattala and Hatton
- ◆ Branch network expanded to 30 branches
- ◆ Commenced construction of new head office building

# 2022

- ◆ Recognized and awarded as one of "Sri Lanka's Best 50 Workplaces in 2022". Recognized as one of the "Best Workplaces for Millennials™ in Sri Lanka for 2022. Siyapatha ranked "No.54 on the Best Workplaces in Asia™ in 2022" list in the Large size category
- ◆ Addition of 3 Branches to the network - Nawam Mawatha, Polonnaruwa and Kilinochchi
- ◆ Relocation of Kandy Branch
- ◆ Branch network expanded to 43 branches

# 2023

- ◆ Launch of the new products of "Sampath Siyapatha" co-branded credit card, Siyapatha fast draft and Siyapatha Smart pay
- ◆ Addition of 05 branches to the network which are Dehiwala, Embilipitiya, Akkaraipattu, Badulla, Puttalam
- ◆ Branch network expanded to 48 branches
- ◆ Commencement of "Siyapathen Mihikathata" (Tree planting) CSR program
- ◆ Awarded a gold Award in the technologies-led innovation category at the Infosys Finacle Innovation Award 2023 for Digitalized Delinquency Management Process
- ◆ Awarded a Gold Award from the SLAQQP - Sri Lanka Association for the Advancement of Quality and Productivity (SLAQQP) from their Annual National Convention of Quality and Productivity

# 2024

- ◆ Recorded a profit after tax of Rs. 1.2Bn
- ◆ Addition of 05 branches to the network which are Nawalpitiya, Valaichchenai, Homagama, Mathugama and Deniyaya
- ◆ Branch network expanded to 53 branches
- ◆ Issuance of Listed, Rated, Senior, Unsecured, Redeemable debentures to the value of LKR 4Bn.
- ◆ Siyapatha Achieved the "Best Employer Brand Award 2024" at 10th Employer Branding Awards Ceremony conducted by the Employer Branding Institute in India and UK.

# 2025

- ◆ In 2025, as Siyapatha Finance PLC celebrated its 20th Anniversary, the Company recorded its highest-ever Profit After Tax of LKR 1.6 Bn.
- ◆ During the year, the branch network was expanded to 61 locations with the addition of eight new branches in Kaduwela, Ambalangoda, Mahiyanganaya, Thabuththegama, Mannar, Minuwangoda, Warakapola, and Nikaweratiya.
- ◆ The Company successfully obtained ISO 9001:2015 Quality Management System (QMS) certification for its Head Office Tower, valid from 21 November 2025 to 21 November 2028.
- ◆ Siyapatha Finance PLC issued Listed, Rated, Senior, Unsecured, Redeemable Debentures amounting to LKR 5.0 Bn.
- ◆ The Company was honoured with the title of "Sri Lanka Best Employer Brand 2025" for the third consecutive year at the Employer Branding Awards 2025.

# FINANCIAL HIGHLIGHTS

|   | 2025   | 2024   | Change % |
|---|--------|--------|----------|
| <b>Profitability - [LKR Mn]</b>                     |        |        |          |
| Gross income  | 13,253 | 11,289 | 17.4     |
| Total operating income                              | 7,344  | 5,977  | 22.9     |
| Operating expenses & impairment charges             | 3,682  | 3,069  | 20.0     |
| Operating profit before taxes on financial services | 3,662  | 2,908  | 25.9     |
| Taxes on financial services                         | 1,002  | 803    | 24.9     |
| Profit before income tax                            | 2,660  | 2,105  | 26.3     |
| Income tax expense                                  | 1,103  | 902    | 22.3     |
| Profit for the year                                 | 1,556  | 1,203  | 29.3     |
| <b>Assets &amp; Liabilities [LKR Mn]</b>            |        |        |          |
| Customer deposits                                   | 36,951 | 32,197 | 14.8     |
| Other borrowings                                    | 33,774 | 15,771 | 114.2    |
| Gross loans & receivables                           | 73,316 | 48,972 | 49.7     |
| Total equity  | 10,035 | 8,453  | 18.7     |
| Total liabilities                                   | 74,705 | 51,255 | 45.8     |
| Total assets  | 84,740 | 59,709 | 41.9     |
| <b>Investor Information</b>                         |        |        |          |
| Net asset value per share (LKR)                     | 99.79  | 84.18  | 18.5     |
| Earnings per share - Basic /Diluted (LKR)           | 15.48  | 11.97  | 29.3     |
| Total dividend per share (LKR)                      | 0.15   | 0.12   | 25.0     |
| Gross dividend (LKR Mn)                             | 15.08  | 12.05  | 25.1     |
| Dividend payout ratio (%)                           | 1.00   | 1.00   | -        |
| <b>Regulatory Ratios [%]</b>                        |        |        |          |
| Capital funds to deposit liabilities ratio          | 54.89  | 47.63  | 7.3      |
| Liquid assets ratio                                 | 20.81  | 25.47  | (4.7)    |
| <b>Other Ratios [%]</b>                             |        |        |          |
| Total Impairment on loans as a % of gross loans     | 3.12   | 6.00   | (2.9)    |
| Gross stage 3 loans ratio                           | 5.57   | 9.88   | (4.3)    |
| Net stage 3 loans ratio                             | 2.99   | 4.29   | (1.3)    |
| Net stage 3 loans to core capital ratio             | 23.02  | 26.09  | (3.1)    |
| Stage 3 impairment coverage ratio                   | 46.28  | 56.59  | (10.3)   |
| Cost to income ratio                                | 51.67  | 53.64  | (2.0)    |

| Key performance indicators                      | 2025  | 2024  | 2023  | 2022  | 2021  |
|---|-------|-------|-------|-------|-------|
| Profit for the year (LKR Mn)                    | 1,556 | 1,203 | 710   | 755   | 1,095 |
| Return on average assets (ROA) (%)              | 2.17  | 2.24  | 1.55  | 1.68  | 2.59  |
| Return on average shareholders' funds (ROE) (%) | 16.79 | 15.32 | 10.41 | 11.82 | 19.16 |
| Growth in total assets (%)                      | 41.92 | 29.13 | 4.87  | 3.14  | 2.88  |
| <b>Capital adequacy ratios</b>                  |       |       |       |       |       |
| Tier I capital ratio [%]                        | 14.91 | 17.54 | 17.06 | 16.11 | 14.74 |
| Total capital ratio (Tier I+ Tier II) (%)       | 15.45 | 18.97 | 20.17 | 20.95 | 21.36 |

## CHAIRMAN'S MESSAGE

As Siyapatha Finance PLC enters its third decade, the Company remains firmly positioned for sustained growth through strategic expansion, digital integration, strengthened governance frameworks, and a continued focus on customer-centric, asset-backed lending.

**Sumith Cumaranatunga**  
**Chairman**  
 SIYAPATHA FINANCE PLC



### The Vanguard of a New Era An Anniversary of Institutional Maturity

The financial year 2025 serves as a quintessential milestone in the storied odyssey of Siyapatha Finance PLC. As we commemorate two decades of unwavering service, we find ourselves at a remarkable intersection of heritage and prophecy. What began in 2005 as a focused vision—born from the institutional DNA of our parent, Sampath Bank PLC—has blossomed into a formidable pillar of the Sri Lankan financial architecture. This year's performance is not merely a fiscal triumph; it is a profound testament to an institutional maturity that has allowed us to move beyond conventional boundaries. We have evolved from a company that simply navigates the market into an entity that actively shapes its future, setting a benchmark for the entire Non-Banking Financial Institution (NBFI) sector.

A definitive hallmark of this maturity was the successful attainment of the **ISO 9001:2015 Certification** for our Quality Management Systems. This prestigious international accreditation is far more than a technical badge—it is a strategic seal of excellence that covers our entire administrative and operational spectrum. From leasing and factoring to gold loans and deposits, our Head Office departments and back-office functions now operate under a globally recognised framework of precision. This certification ensures that our "Trust Assured" promise is backed by a rigorous, quality-driven architecture, providing our stakeholders with the certainty that every internal process is audited against the highest global standards. It serves as the bedrock upon which we build our future scalability, ensuring that as we grow, the integrity of our service remains uncompromised by the complexities of expansion.

Our journey has been characterised by a relentless drive to surpass the limits of the traditional. In an era often defined by volatility, Siyapatha has remained a constant—a sanctuary of stability for our depositors and a catalyst of ambition for our borrowers. As we reflect on this bi-decadal legacy, we do not view our past achievements as a resting place, but rather as the foundation upon which we are constructing a future of limitless potential. We are entering a phase of unbounded growth, where our sophisticated understanding of the Sri Lankan market, combined with an aggressive digital mandate, positions us to move beyond every horizon previously thought to be the ceiling of our industry. This excellence is not a static state but a continuous pursuit of the "next", ensuring that our stakeholders remain the primary beneficiaries of our upward trajectory.

## TRANSCENDING HORIZONS: 20 YEARS OF EXCELLENCE

### A Synthesis of the Macro-Economic Tapestry

The fiscal landscape of 2025 presented a complex but rewarding tapestry for the astute financial observer. Sri Lanka moved decisively beyond the rudimentary stages of recovery, entering a phase of structural consolidation and deliberate growth. The year was marked by a sophisticated stabilisation of the monetary environment, where calibrated policies and the adherence to a Flexible Inflation Targeting (FIT) framework successfully anchored inflation expectations. This systemic easing facilitated a significant reduction in the cost of capital, invigorating the entrepreneurial spirit of the nation and fostering a broad-based credit expansion primarily led by the private sector—a segment where Siyapatha Finance has long maintained a dominant and empathetic presence.

The broader economic indicators speak of a nation in a state of positive transformation. The strengthening of the external sector, bolstered by record-breaking tourist arrivals and resilient export performance, provided a sturdy buffer against global shocks. Domestically, the systematic restructuring of the sovereign debt profile has restored international investor confidence, trickling down to a more vibrant local capital market. For Siyapatha Finance, this environment acted as a strategic tailwind. We leveraged this newfound stability to optimise our cost of funds and refine our lending portfolios, ensuring that our growth was not just rapid, but also qualitatively superior. We have been proactive in identifying emerging economic corridors, positioning our resources to support the industries that will drive the nation's GDP in the coming decade.

Our ability to perceive these shifts before they become mainstream is what allows us to keep moving toward new horizons of opportunity.

However, this period of growth was also a stern test of national resilience through the onset of **Cyclone Ditwah**. Impacting 22 districts across the island, the storm presented a severe challenge to the country's physical and economic infrastructure. In this high-stakes context, Siyapatha Finance demonstrated remarkable structural resilience. Despite the storm's extensive geographical reach, our branch network sustained only minor or insignificant damage. This outcome was not a result of chance, but a testament to our **Prudent Site Selection Strategy**, where environmental risks and topographical data are meticulously analysed before any expansion is commissioned.

Beyond business continuity, our response to the disaster was a masterclass in corporate empathy. As a responsible corporate entity, we moved swiftly to the vanguard of relief efforts, deploying resources to support affected communities. Most movingly, the **staff of Siyapatha Finance voluntarily contributed one day's salary** to provide immediate aid to those impacted by the cyclone. This collective gesture of sacrifice from our employees, matched by the Company's institutional support, underscores a culture where the "human touch" is not just a slogan, but a lived reality. We protect our assets so that we can better protect our people, ensuring that our presence in 22 districts remains a source of strength rather than a liability during times of crisis.

### The Architectonics of Strategic Expansion: Bricks and Clicks

In 2025, our strategic priorities shifted from defensive resilience to offensive expansion. Having fortified our foundation over the preceding two decades, we embarked on a mission to redefine "accessibility". The notion of a "branch" has evolved under our stewardship; it is no longer merely a physical point of transaction, but a hub of financial literacy and community empowerment. We successfully expanded our physical presence to **61 branches**, with the inauguration of our 60th branch serving as a symbolic beacon of our reach. This expansion was not random—it was a calculated move into underserved geographical peripheries, ensuring that the Siyapatha promise of "Trust Assured" is a national reality.

However, our expansion is not limited to geography; it extends into the digital stratosphere. We have invested heavily in the **"Virtual Horizon"**, developing a digital ecosystem that mirrors the reliability of our physical branches. This journey toward technological transcendence is not merely about adoption, but also about the intelligent integration of innovation with our core values. We are building a sophisticated **"Bricks and Clicks"** hybrid model of finance—one that retains the warmth of human interaction while preparing to leverage the precision of emerging technologies to minimise risk and maximise efficiency. We are laying the critical groundwork to ensure our internal data architectures are refined to support the future "velocity" of our service delivery, ensuring that Siyapatha remains relevant to the digital natives who will dictate the market dynamics of tomorrow.

## Intellectual Capital and the Culture of Excellence

At the heart of our success story lies our most valuable asset: our intellectual capital. Siyapatha Finance has cultivated a culture that transcends the traditional employer-employee relationship. We have fostered an environment of “**Intrapreneurship**”, where every member of the Siyapatha family is encouraged to think like an owner. In 2025, we redoubled our commitment to the holistic development of our workforce, recognising that in an age of automation, the human touch remains our ultimate competitive advantage.

Our training programmes have moved beyond technical proficiency into the realms of emotional intelligence and strategic agility. We have empowered our leadership tiers with the tools to navigate a world characterised by “**VUCA**” (Volatility, Uncertainty, Complexity, and Ambiguity). By fostering a diverse and inclusive workplace, we have tapped into a reservoir of creativity that continues to drive our product innovation. The resilience we displayed this year—particularly the collective empathy shown during the cyclone—is a direct reflection of the grit and passion of our team. As we look toward the next era, we are committed to being the “**Employer of Choice**” in the financial sector, attracting and retaining the brightest minds to lead our charge into the new frontier.

## The Stewardship of Sustainability: A Legacy of Responsibility

At Siyapatha Finance PLC, we perceive sustainability not as an elective corporate social responsibility initiative, but as a fundamental pillar of our institutional identity. As we commemorate our anniversary of excellence, we recognise that

our long-term viability is inextricably linked to the prosperity of our communities and the resilience of our environment. In 2025, we elevated our commitment by proactively initiating the preliminary steps toward the alignment with the **Central Bank of Sri Lanka’s Sustainable Finance Roadmap 2.0** and the burgeoning global standards of climate-related financial reporting. The Board has established a clear strategic trajectory to achieve full adoption of the **SLFRS S1 and S2** frameworks by 2027, ensuring that our governance architecture is prepared to lead the NBF sector in transparency and systemic resilience well before the mandatory horizon.

Our milestone anniversary served as a profound opportunity to harmonise our corporate success with national interests. Through strategic initiatives aligned with the **United Nations Sustainable Development Goals (SDGs)**, we have sought to transcend the traditional boundaries of finance by fostering environmental stewardship and financial literacy across the island. These efforts—ranging from nationwide ecological preservation projects like our tree-planting initiatives at every new branch to regional empowerment programmes—are designed to create a ripple effect of positive change.

Beyond the social dimension, we are systematically integrating Environmental, Social, and Governance (ESG) considerations into our core risk management frameworks. We are transitioning toward a future where our capital acts as a catalyst for a green economy, supporting pivotal transitions in renewable energy and sustainable agriculture. While we have commenced the sophisticated process of quantifying our environmental footprint to establish a

baseline for future carbon neutrality, our primary focus remains on the architectonics of long-term value creation. By building a “**Future-Ready**” institution that balances profitability with a profound sense of purpose, we are safeguarding the horizons of the generations to come.

## Business Performance: Reaching New Altitudes

The financial results of 2025 are a resounding validation of our strategic choices and the inherent strength of our business model. In a year that many viewed as a period of cautious recovery, Siyapatha Finance delivered a performance that can only be described as extraordinary. We have achieved a historic “**double-peak**”—the highest profitability in our twenty-year history and the most robust balance sheet expansion we have ever recorded.

On the statement of financial position, our total assets experienced a phenomenal **42% expansion** compared to 2024, a testament to our aggressive yet disciplined market penetration. This growth was spearheaded by our lending portfolio, which saw a staggering increase of **LKR 25 billion**, representing a growth of **54%**. This expansion was managed with a sophisticated eye on the macroeconomic horizon; to mitigate the risks associated with interest rate volatility, the Company strategically increased its **variable-rated portfolio** to a healthy and resilient level, ensuring our margins remain protected across shifting rate cycles.

For the financial year ended 31st December 2025, Siyapatha Finance recorded a Profit After Tax (PAT) of **LKR 1,556 Mn**, an astounding growth of **29.34%** compared to the previous year. This trajectory was driven by a robust increase in Net Interest Income (NII), further augmented by

## CHAIRMAN'S MESSAGE

a significant contribution from **Other Operating Income**. Our funding strategy remained diversified and stable, anchored by successful deposit mobilisation, strategic bank borrowings, and the issuance of debt instruments—including our successful **LKR 5 billion** debenture issue—ensuring a balanced and cost-effective liquidity profile.

Perhaps most importantly, we achieved this growth while simultaneously improving our asset quality—a feat that speaks to our disciplined credit culture. Our Gross NPL ratio saw a commendable reduction to **5.57%**, achieved through a proactive “early-warning” system and a highly effective recovery mechanism that emphasises customer rehabilitation over litigation. In line with our parent company’s long-term vision of wealth creation and capital compounding, the Board has proposed a dividend of **LKR 0.15 per share** to be distributed in the form of a **scrip dividend**. By retaining these funds within the institutional ecosystem, we are fortifying our capital base and ensuring that the prosperity generated is utilised to seize the emerging opportunities of the third decade. This approach reflects the unwavering support of our parent company, **Sampath Bank PLC**, and their commitment to Siyapatha’s long-term growth trajectory over short-term distribution.

### A Transition in Leadership: Passing the Torch

The conclusion of 2025 marks a significant and sentimental transition in our executive leadership. Our Managing Director, **Ananda Seneviratne**, retired from the Company at the end of the financial year, marking the culmination of a distinguished tenure characterised by visionary leadership and unwavering integrity. Under his stewardship,

Siyapatha Finance underwent a profound transformation, evolving from a resilient player into an industry powerhouse. His legacy is etched into the very fabric of our success, and on behalf of the Board, I extend our most profound gratitude for his dedicated service. He has left the Company not just larger and more profitable, but also more principled and prepared for the future.

As we bid farewell to an era of excellence, we also welcome a new chapter that perfectly encapsulates our theme of transcending horizons. At the beginning of 2026, the Board was pleased to appoint **Mathisha Hewavitharana** as our new Chief Executive Officer. His appointment is a proud milestone for the institution, as he is a “**homegrown**” leader—a true product of Siyapatha who has grown alongside the Company since its early years. While he holds the distinction of having the longest service record within the organisation, he simultaneously emerges as the youngest Chief Executive in the industry.

This unique combination of deep institutional memory and youthful, visionary energy positions him as the ideal architect for our third decade. He brings a fresh, energetic perspective and a modern leadership style that resonates with the digital age, yet his decisions remain rooted in the core values that have defined us. We are confident that under his stewardship, Siyapatha Finance will continue to surpass the boundaries of the past, leveraging our solid foundation to scale even greater heights of excellence. The Board is fully committed to supporting this new executive leadership as they steer the Company toward a future of “**Unstoppable**” impact and sustained value creation.

### Looking Ahead: The Third Decade of Impact

As we stand on the precipice of our third decade, our vision is clearer than it has ever been. We are not content with being a leader in the current market; we intend to define the market of the future. The next horizon of finance is one where the lines between “banking” and “lifestyle” are increasingly blurred. Siyapatha Finance is preparing for this shift by investing in a “**Lifestyle-First**” financial ecosystem, where our products are seamlessly integrated into the daily lives of our customers.

In 2026 and beyond, we will place a significant emphasis on “**Financial Democratisation**”. We believe that sophisticated financial tools should not be the exclusive domain of the urban elite. Through the strategic synergy of our digital platforms and our extensive rural branch network, we will bring advanced entrepreneurship support systems and inclusive credit facilities to the doorstep of every Sri Lankan. By empowering the grassroots economy with these resources, we are ensuring that the nation’s growth is truly participatory. Furthermore, we are exploring the potential of advanced data analytics and secure digital architectures to further enhance the speed, transparency, and integrity of our transactions. Our goal is to be “**unstoppable**” in our pursuit of innovation, always staying one step ahead of the curve to redefine the boundaries of the NBF sector.

### Appreciation and Closing Thoughts

A legacy of such magnitude is not built by a single individual; it is the work of many hands. I wish to express my deepest gratitude to the **Board of Directors** of Siyapatha Finance PLC. Their diverse expertise and unwavering commitment to

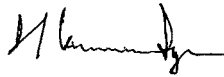
the highest standards of corporate governance have been my greatest support. I particularly value our rigorous Boardroom debates, which ensure that every strategic move is thoroughly vetted for risk and reward.

To our **Management Team**, I offer my sincere congratulations. You have taken a bold vision and turned it into record-breaking reality. Your ability to lead with both your "head and your heart" is what makes Siyapatha a unique place to work. To our **Employees**, you are the ambassadors of our brand. Whether you are on the front lines in a rural branch or working in the back office, your contribution is what makes this "Excellence" possible.

We are profoundly grateful to our parent company, **Sampath Bank PLC**. Their heritage of innovation and stability provides us with a significant competitive advantage and a constant source of inspiration. We also thank the Governor and the officials of the **Central Bank of Sri Lanka** for their proactive and supportive regulatory stance.

Most importantly, we thank our **Customers and Depositors**. You are the reason we exist. Your trust is our greatest asset, and we promise to continue working tirelessly to justify that trust every single day. As we transcend the horizons of the past and look toward the excellence of the future, we do so with a sense of purpose that is stronger than ever.

The journey thus far has been magnificent, but for Siyapatha Finance, this is just the beginning.



**Sumith Cumararatunga**  
Chairman

25th February 2026

# CHIEF EXECUTIVE OFFICER'S REVIEW



The results of 2025 signify a definitive pivot from defensive resilience to an offensive growth trajectory, as Siyapatha broke through its traditional performance ceilings, entering a phase of rapid, yet meticulously managed, expansion.

**Mathisha Hewavitharana**  
**Chief Executive Officer**  
 SIYAPATHA FINANCE PLC

## Navigating the Vanguard: A New Epoch of Excellence

### A Landmark Transition at the Two-Decade Horizon

It is with a profound sense of responsibility, humility, and strategic optimism that I present my inaugural review as the Chief Executive Officer of Siyapatha Finance PLC. The financial year 2025 is not merely another chapter in our corporate history; it represents a dual milestone of significant proportions: the celebration of our 20th anniversary and the commencement of a new leadership era. As a "homegrown" leader who has had the privilege of witnessing the evolution of this institution from its formative years in 2005, I am deeply honoured to steer Siyapatha as we transcend traditional boundaries to become the undisputed vanguard of the Sri Lankan non-banking financial sector.

The results of 2025 signify a definitive pivot from defensive resilience to an offensive growth trajectory. While the previous years necessitated a focus on stabilising our core, this year saw Siyapatha break through its traditional performance ceilings, entering a phase of rapid yet meticulously managed expansion. Drawing strength from the operational excellence and values of our parent, Sampath Bank PLC, we have recalibrated our internal systems to meet more ambitious digital and community-centric goals.

In this review, I outline the mechanics behind our twenty-year milestone—a foundation of reliability that we are now utilising as a springboard for exponential growth. We are moving with purpose to transform Siyapatha from a traditional finance entity into a high-velocity, tech-enabled

leader. By redefining our operational boundaries, we are ensuring that the next chapter of our journey is marked by bold innovation and a relentless pursuit of new market frontiers, reinforcing our status as a cornerstone of stability within Sri Lanka's shifting economic tides.

### Regulatory Alignment and Financial System Resilience

In aligning our internal operational trajectory with the national financial agenda, it is pertinent to examine the broader sector's performance as highlighted in the **Central Bank of Sri Lanka (CBSL) Policy Agenda**. During 2025, the finance company sector demonstrated significant resilience and recorded notable improvements, characterised by enhanced asset quality, stronger profitability, and improved operational efficiency. Supported by stabilising

macroeconomic fundamentals and the gradual easing of post-crisis spillover effects, institutions across the sector successfully rebuilt their capital buffers, ensuring that liquidity and capital adequacy levels remained well above regulatory thresholds.

Throughout the year, the Central Bank prioritised systemic stability by strengthening risk-based supervision and analytical capabilities to better monitor interconnectedness and contagion risks. Siyapatha Finance has been at the forefront of this movement. We recognise that in a volatile global economy, compliance is not merely a regulatory obligation—it is a competitive advantage. We have ensured our internal risk frameworks not only meet but exceed these evolving standards, institutionalising a culture of proactive compliance that permeates every level of our 61-branch network.

Furthermore, as the sector navigated the challenges posed by **Cyclone Ditwah** in late 2025, we remained steadfast in our commitment to the regulator’s mandate for social stability and systemic resilience. During the immediate aftermath of the crisis, Siyapatha Finance adopted a proactive stance, prioritising the assessment of our portfolio’s exposure in the most affected regions. Instead of a passive approach, our branch teams engaged in direct dialogue with impacted clients to understand their immediate financial pressures, ensuring that our risk management strategies were informed by real-time ground realities.

This period of internal mobilisation allowed us to streamline our administrative readiness and evaluate potential support frameworks, ensuring that the Company was positioned to respond with agility once formal regulatory guidelines

were established. By maintaining this high level of operational alertness and continuing to align with the Central Bank’s Master Plan for consolidation and stability, we have solidified our position as a stable, future-proof entity capable of sustained, healthy competition within the Sri Lankan financial landscape. Our commitment to this alignment—balancing regulatory foresight with empathetic client engagement—is the cornerstone of the trust that has allowed us to transcend two decades of excellence.

### The Architecture of Innovation and Operational Excellence

As we transcend the horizons of our first twenty years, the focus has shifted toward institutionalising excellence through a sophisticated blend of global standards and digital audacity. A defining milestone in this journey was the attainment of the **ISO 9001:2015 Certification** for our Quality Management Systems (QMS). By benchmarking our entire operational spectrum—from leasing and factoring to gold loans and deposits—against international standards, we have moved beyond intuitive management into an era of audited, data-driven precision. This institutional maturity provides the “operational insurance” necessary to scale our network without compromising the integrity of the customer experience, ensuring that our growth is both rapid and resilient.

This pursuit of excellence is mirrored in our technological transformation, which I view as the primary engine of our future growth. We have repositioned our information technology infrastructure from a support function to a strategic vanguard. By recruiting a dedicated **Head of IT Security**, we have centralised our defence strategy, ensuring that the

sanctity of our stakeholders’ data remains impenetrable against an increasingly sophisticated global threat landscape. The deployment of advanced network solutions like **SD-WAN** and enhanced endpoint protection has not only fortified our digital perimeter but has also significantly optimised our operational velocity, reducing latency and improving the “time-to-market” for our financial products.

As we progress toward the migration to **Finacle version 10.2.25**, we are not merely upgrading a software platform—we are building a high-velocity engine that will allow us to look beyond traditional boundaries. This new core banking architecture will offer hyper-personalised services, real-time risk analytics, and seamless omnichannel experiences that set a new benchmark in the NBFi sector. Parallel to our digital evolution, our physical reach has expanded to democratise financial empowerment across the island. In 2025, we successfully inaugurated eight new branches in **Kaduwela, Ambalangoda, Mahiyanganaya, Thambuttegama, Mannar, Minuwangoda, Warakapola, and Nikaweratiya**, bringing our total network to 61 locations. To mark this era of expansion, we officially unveiled the Siyapatha Flag, a symbol of our unified identity that now flies at every branch as a beacon of our twenty-year legacy. This physical growth is complemented by a deep-rooted commitment to social inclusion. Through thirteen regional financial literacy programmes, we have moved beyond transactional lending to focus on **Education-Led Engagement**, cultivating a loyal, informed, and high-quality portfolio that will sustain our growth in the decades to come.

## CHIEF EXECUTIVE OFFICER'S REVIEW

### Fiscal Prowess: A Blueprint for Resilient Growth

The financial narrative of 2025 is a testament to Siyapatha's ability to transcend historical performance ceilings while maintaining a robust and agile balance sheet. We achieved a record **Profit After Tax (PAT) of LKR 1,556.4 million**, reflecting our operational efficiency and strategic pricing power in a stabilising market. This bottom-line success was underpinned by a **41.92% expansion in Total Assets**, which crossed the **LKR 84.7 billion** milestone. This growth was not merely a result of market momentum but a deliberate, data-driven pivot toward high-yield, secured lending portfolios, specifically within the Gold Loan and Fast Draft segments.

Our funding strategy in 2025 evolved toward greater institutional maturity and market sophistication. We successfully diversified our capital base by leveraging the capital markets through **strategic debenture issuances and securitisations**, including a significantly oversubscribed **LKR 5 billion debenture issue**. These instruments allowed us to optimise our cost of funds and effectively match our asset-liability horizons, insulating the Company against interest rate volatility. Parallel to this, our deposit base remained a bedrock of stability. **Customer Deposits grew by 14.77% to reach LKR 36.9 billion**, a clear indicator of the public's enduring trust in the Siyapatha brand as we celebrated two decades of excellence.

Asset quality and recovery excellence remained central to my executive mandate. In an environment where credit risk is a constant variable, we institutionalised a "Performance-

Driven Recovery Culture" that turned risk management into a core profitability driver. A landmark achievement this year was the **impairment reversal of LKR 110.9 million**, supported by a proactive reduction in our Non-Performing Loan (NPL) movement. Our recovery tenacity was further evidenced by a **79.32% increase in written-off collections**, contributing **LKR 230 million** back to our core earnings. Despite our aggressive expansion, we have remained committed to financial prudence, maintaining a **Tier 1 Capital Ratio of 14.91%** and a **Total Capital Ratio of 15.45%**. These ratios provide **adequate and resilient buffers** that align with our long-term expansion strategy, ensuring Siyapatha remains a stable, liquid, and high-performing institution.

### Human Capital: Empowering the Architects of Our Legacy

Our people are the true architects of Siyapatha's twenty-year odyssey. In 2025, our commitment to human-centric management was validated on an international stage as we were honoured with a **Merit Award at the Great HR Awards 2025**, organised by the **Chartered Institute of Personnel Management (CIPM)** in collaboration with **Mercer India**. This specific recognition is a testament to the technical rigor of our HR frameworks and our success in benchmarking our internal culture against global standards. We believe that to transcend horizons, we must first empower the individuals who navigate them.

To ensure our leadership remains at the vanguard of the global financial landscape, we made a strategic investment in our intellectual capital by providing **specialised leadership training at world-ranked top universities** for members of our

Corporate Management Team. By exposing our senior executives to high-level strategic frameworks and global best practices, we are institutionalising a culture of "limitless thinking". This initiative ensures that the decisions driving Siyapatha are informed by world-class insights, enabling us to navigate the complexities of the next two decades with confidence and sophisticated foresight.

This high-level development is disseminated through the **Siyapatha Finance Digital Learning Academy**, ensuring that a culture of lifelong learning permeates every level of the organisation. Beyond professional development, our collective identity is forged through empathy and social responsibility. This was most evident during the crisis of **Cyclone Ditwah**, where we launched the "Siyapathin Senehasa" initiative. Under this concept, our employees voluntarily contributed one day's salary to provide immediate relief and support to affected families. This blend of global leadership training and the localised empathy of "Siyapathin Senehasa" defines the Siyapatha spirit—a team that possesses the intellect to transcend horizons and the heart to remain grounded in our community.

### Transcending the Horizon of Responsibility: Our ESG Compliance Roadmap

As we commemorate twenty years of excellence, our commitment to sustainability has transitioned from voluntary corporate citizenship into a rigorous, regulated framework. We are acutely aware of the evolving regulatory landscape in Sri Lanka, particularly the roadmap for the mandatory adoption of **sustainability disclosure standards by 2027**. To ensure Siyapatha Finance is not

merely compliant but a leader in this transition, we have already initiated the foundational work required to integrate sustainability-related financial disclosures into our core reporting architecture.

A pivotal step in this journey has been the institutionalisation of our **Greenhouse Gas (GHG) quantification exercise**. By moving toward a scientific assessment of our carbon footprint, we are transitioning from anecdotal environmental efforts to a data-driven strategy. This quantification is the cornerstone of our climate-related risk management that enables us to measure and manage our operational impact in line with global protocols. This technical readiness ensures that Siyapatha is prepared to meet the stringent reporting requirements of the coming years with transparency and precision.

Our environmental mandate, “**Siyapathen Mihikathata**”, continues to manifest through high-impact conservation efforts. In 2025, we intensified our focus on preserving Sri Lanka’s sacred natural heritage by continuing the **Sri Pada Cleaning and Preservation Project**. Having already initiated formal discussions with the relevant provincial and environmental authorities, we are committed to a structured, long-term intervention to manage waste and restore the ecological balance of this sensitive sanctuary. This project, alongside our nationwide reforestation efforts of planting over **10,000 trees**, proves that our environmental strategy is both technically grounded and culturally resonant. By aligning these grassroots initiatives with our 2026 compliance goals, we are ensuring that Siyapatha Finance transcends the traditional boundaries of finance to become a true steward of a sustainable and resilient Sri Lanka.

### Future Outlook: The Next Frontier of Growth

The milestones achieved in 2025—our historic profits, digital maturation, and proactive sustainability roadmap—have created the necessary momentum for Siyapatha to transition into its next phase of evolution. As we look toward 2026, our strategy is defined by a singular, ambitious objective: to **transcend the LKR 100 billion Asset Base milestone**. This target is not merely a numerical goal; it represents our arrival as a heavyweight in the NBFi sector, driven by a diversified lending portfolio and a relentless focus on high-yield, secured assets. We are entering an era where scale and stability must go hand-in-hand.

To fuel this expansion, we have programmed an aggressive physical and digital scaling strategy. In 2026, we plan to **inaugurate 12 new branches**, which will bring our total network to **73 locations** island-wide. This expansion is designed to capture emerging economic hubs and strengthen our presence in regions where financial inclusivity remains a critical need. By deepening our physical footprint, we are not only expanding our deposit mobilisation capabilities but also positioning Siyapatha as the primary catalyst for the SME and micro-entrepreneurship sectors—the true engine room of the Sri Lankan economy.

The path to 2026 will be defined by a commitment to hitting our next level of profitability through operational efficiency. By leveraging our upgraded **Finacle** ecosystem and the global leadership expertise now embedded within our management tier, we will continue to optimise our cost-to-income ratios and refine our risk-based pricing. We are not merely aiming for a larger balance sheet; we

are architecting a high-velocity, future-proof institution that redefines the role of finance in a digital society. The first twenty years were the foundation, and the journey to the 100 billion horizon is where our masterpiece truly begins.

### Appreciation: Honouring a Twenty-Year Legacy

As I conclude my review of this landmark year, I am filled with profound gratitude for the individuals and partners who have enabled Siyapatha Finance to transcend its boundaries. Our achievements in 2025 are not merely the result of a single year’s effort, but the culmination of two decades of trust, resilience, and a shared vision of excellence.

I wish to express a deeply personal and heartfelt note of gratitude to our recently retired Managing Director, Mr. Ananda Seneviratne. To many of us within the Siyapatha family, he was far more than a corporate leader; he was a fathering figure whose warmth, wisdom, and empathy shaped the very soul of this institution. His mentorship provided the steady, guiding hand that allowed us to navigate through many challenges, and his legacy of kindness and integrity is woven into the fabric of our culture. We carry forward the torch he passed with a profound sense of honour, forever grateful for the human-centric leadership he personified.

To the **Board of Directors**, I extend my sincere appreciation for your visionary leadership and for the confidence you have placed in me as I took the helm of this institution. Your strategic guidance has been the compass that allowed us to navigate a dynamic landscape while maintaining our commitment to sustainable, high-velocity growth. I would also like to acknowledge the exceptional efforts of our **Corporate Management Team**.

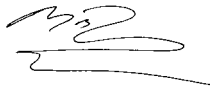
## CHIEF EXECUTIVE OFFICER'S REVIEW

Your unwavering commitment and ability to navigate complexities have been the backbone of our success. Your tireless work has not only driven operational excellence but has also inspired confidence across the organisation.

The true strength of Siyapatha lies in its people. To our **1,150+ employees** across 61 locations, I express my deepest gratitude. Your passion, resilience, and dedication have been the driving force behind our achievements. Every challenge was met with determination, and every milestone was a reflection of your hard work and collective spirit. You embody the values that define Siyapatha, and for that, I am truly thankful. I am also profoundly grateful to **Sampath Bank PLC**, our parent company, for your steadfast support and collaboration. Your guidance has been invaluable in shaping our strategic direction and fostering synergies that drive growth.

I extend my appreciation to the **Central Bank of Sri Lanka and the Department of Non-Bank Financial Institutions Supervision** for your continued guidance and understanding. Your partnership has been essential in ensuring that we operate with integrity and compliance, contributing to the stability and growth of the financial sector. As we look to the future, I am filled with optimism and confidence. Together, we have laid

a strong foundation for continued progress, and I am excited about the opportunities that lie ahead. Your ongoing support and commitment will be crucial as we navigate the evolving financial and economic landscape and strive for new heights of success. Thank you for being an integral part of our journey. Together, we will continue to build a legacy of excellence and create a brighter future for Siyapatha Finance PLC and the communities we serve.



**Mathisha Hewavitharana**  
Chief Executive Officer

25th February 2026

# MANAGEMENT DISCUSSION AND ANALYSIS

## COMPANY OVERVIEW:

### Institutional Maturity and Strategic Inflection

Marking two decades of transformative growth, Siyapatha Finance PLC has reached a definitive strategic inflection point, evolving from a specialised subsidiary of Sampath Bank PLC into a diversified financial powerhouse. The 2025 fiscal year transcended mere numerical expansion, representing a period of Structural Consolidation and institutional maturity. A hallmark of this evolution was the achievement of the ISO 9001:2015 Quality Management Systems (QMS) certification. Meticulously focused on the Head Office's administrative, back-office, and operational functions—including Leasing, Factoring, Deposits, and Gold Loans—this accreditation anchors our "Trust Assured" promise within a scientifically verified architecture of precision.

Despite a volatile domestic market and recalibrated interest rate regimes, the Company set new benchmarks for fiscal resilience, safeguarding stakeholder interests through proactive capital management and forensic credit oversight. By integrating digital financial intermediation with a conservative approach to asset quality, we have refined our leadership in the non-bank financial sector. As we advance, our commitment to innovation and transparency remain the bedrock of our strategy, ensuring we continue to generate tangible value and drive sustainable prosperity across the diverse communities we serve.

### Product Portfolio

- **Leasing:** Designed to support Corporates, SMEs, Self-Employed Professionals, and Executives, these specialised leasing options facilitate business growth and personal advancement. With
- **Micro Leasing:** We provide individuals and small businesses with tailored Micro Leasing solutions for three-wheelers, motorcycles, and buddy trucks, enabling enhanced mobility and fostering business growth.
- **Fast Draft:** The Fast Draft service provides a convenient option for accessing cash from customers' vehicles, with interest paid monthly and the principal due at maturity. Flexible terms allow for early partial repayments at any time.
- **Vehicle Credit Facility:** The Vehicle Credit Facility is an asset-backed secured term loan granted against the mortgage of a motor vehicle. Structured as a loan rather than a lease, it provides flexible financing while maintaining secured credit exposure for the Company.
- **Fixed Deposits & Savings:** Our Fixed Deposits and Savings accounts provide competitive interest rates, ensuring optimal returns on investments while prioritising financial security and growth.
- **Gold Financing:** The Gold Loan and Business Gold Loan facilities provide customised, short-term financing solutions that are carefully crafted to meet the diverse and evolving needs of clients, offering flexibility and reliability in delivering effective financial support.
- **Factoring:** Our Factoring services provide customised working capital solutions that support

competitive rates and flexible terms, the comprehensive portfolio ensures a seamless financing experience across a diverse range of assets.

business continuity, ensuring smooth financial operations and improved cash flow for clients.

- **Loans:** A diverse range of loan solutions, including personal, auto, educational, and business loans, is designed with a customer-focused approach to meet various financial needs effectively.

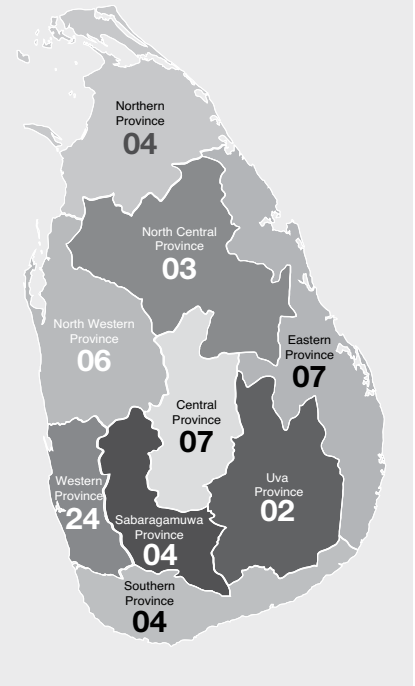
### Strategic Geographical Expansion: Redefining Accessibility

In 2025, Siyapatha Finance PLC aggressively executed its mandate of geographical democratisation, acknowledging that physical proximity remains a vital catalyst for financial inclusion in Sri Lanka's burgeoning regional economies. The Company successfully commissioned eight new strategic service points, located in Kaduwela, Ambalangoda, Mahiyanganaya, Thambuttegama, Mannar, Minuwangoda, Warakapola, and Nikaweratiya. This expansion was not merely a quantitative increase in footprint but a qualitative deployment of resources into high-potential economic corridors. By establishing a presence in these diverse locales—ranging from the industrial hubs of the Western Province to the agricultural and fishing heartlands of the North and North-Central regions—we have significantly enhanced the accessibility of SME financing and asset-backed lending for underserved communities.

## MANAGEMENT DISCUSSION AND ANALYSIS

This expansionary phase was governed by a rigorous topographical-economic filter, ensuring that each new branch serves as a hub for regional resilience and sustainable growth. The strategic inclusion of Mannar and Mahiyanganaya, for instance, reinforces our commitment to supporting the primary sectors of the economy, providing farmers and entrepreneurs with secure investment avenues and sophisticated credit facilities. By bridging the gap between urban financial centres and rural peripheries, Siyapatha Finance continues to consolidate its role as a national partner in economic advancement.

Looking ahead to 2026, the Company is poised to further transcend its current horizons by extending its footprint with an additional 12 strategic branches. This upcoming phase of expansion will prioritise data-driven site selection to optimise service delivery in high-velocity trade zones. By integrating our expanding physical network with enhanced digital touchpoints, we aim to create a “phygital” ecosystem that provides unparalleled convenience. This forward-looking strategy is designed to ensure that the Siyapatha brand remains synonymous with trust and accessibility, empowering businesses and individuals nationwide as we move toward an increasingly resilient tomorrow.



### Branch Locations and Addresses

| Branch              | Address   |
|---------------------|---|
| 1 Head Office       | No. 534 & 111, Dudley Senanayake Mawatha, Colombo 08      |
| 2 Katugastota       | No. 274A, Katugastota Road, Kandy                         |
| 3 Peliyagoda        | No. 304, Negombo Road, Peliyagoda                         |
| 4 Ampara            | No. 32, D.S. Senanayake Street, Ampara                    |
| 5 Kurunegala        | No. 254 C, Colombo Road, Kurunegala                       |
| 6 Negombo           | No. 287, Main Street, Negombo                             |
| 7 Matara            | No. 5B, Hakmana Road, Matara                              |
| 8 Nuwara Eliya      | No. 28/1, Kandy Road, Nuwara Eliya                        |
| 9 Anuradhapura      | No. 10, Maithripala Senanayake Mawatha, Anuradhapura      |
| 10 Kuliyaipitiya    | No. 50/52, Kurunegala Road, Kuliyaipitiya                 |
| 11 Sainthamaruthu   | No. 1610, Main Street, Sainthamaruthu                     |
| 12 Nugegoda         | No. 181, 181-1/1, Stanley Thilakarathne Mawatha, Nugegoda |
| 13 Ratnapura        | No. 186, Main Street, Ratnapura                           |
| 14 Kegalle          | No. 137, Kandy Road, Kegalle                              |
| 15 Avissawella      | No. 16, Colombo Road, Avissawella                         |
| 16 Kandy            | No. 28, Hill Street, Kandy                                |
| 17 Kurunegala Metro | No. 36, Negombo Road, Kurunegala                          |
| 18 Kalmunai         | No. 172/4, Batticaloa Road, Kalmunai                      |
| 19 Batticaloa       | No. 257, 259, Trinco Road, Batticaloa                     |
| 20 Vavuniya         | No. 156, Bazar Road, Vavuniya                             |
| 21 Gampaha          | No. 03/A, Mangala Road, Gampaha                           |
| 22 Kalutara         | No. 169, 169/1/1, Main Street, Kalutara                   |
| 23 Trincomalee      | No. 273A, 273/1/1, Central Road, Trincomalee              |
| 24 Wellawatta       | No. 226, Galle Road, Wellawatta                           |
| 25 Galle            | No. 27, Old Matara Road, Pettigalawatta, Galle            |
| 26 Panadura         | No. 414, Galle Road, Panadura                             |
| 27 Kiribathgoda     | No. 211/1/1, Kandy Road, Kiribathgoda                     |

### THE LOCAL ECONOMY 2025: NAVIGATING MONETARY NORMALISATION

The year 2025 represented a transformative phase for the Sri Lankan economy, characterised by the successful transition from a state of crisis management to a regime of calibrated macro-stability. The economic landscape was largely governed by the successful execution of the third and fourth reviews under the IMF’s Extended Fund Facility (EFF), which acted as a catalyst for renewed institutional confidence. A defining feature of the year was the normalisation of the monetary environment; as the Central Bank adopted a Flexible Inflation Targeting (FIT) framework, headline inflation (CCPI) remained anchored at approximately 2.1% by December 2025. This disinflationary trend, despite temporary supply-side disruptions from Cyclone Ditwah late in the year, provided the necessary room for policy rate reductions that lowered the Average Weighted

| Branch | Address  |
|--------|--|
| 28     | Maharagama No. 137, Piliyandala Road, Maharagama               |
| 29     | Wattala No. 540, Negombo Road, Wattala                         |
| 30     | Hatton No. 07, Circular Road, Hatton                           |
| 31     | Piliyandala No. 88, Moratuwa Road, Piliyandala                 |
| 32     | Chilaw No. 111/A, Colombo Road, Chilaw                         |
| 33     | Moratuwa No. 168, Galle Road, Idama, Moratuwa                  |
| 34     | Pettah No. 341, Main Road, Colombo 11                          |
| 35     | Jaffna No. 388, Hospital Road, Jaffna                          |
| 36     | Kohuwala No. 69, 69/01, S. De S. Jayasinghe Mawatha, Kohuwala  |
| 37     | Nittambuwa No. 195, Colombo Road, Nittambuwa                   |
| 38     | Malabe No. 793/C, Kaduwela Road, Thalangama North, Malabe      |
| 39     | Matale No. 313,315, Trincomalee Street, Matale                 |
| 40     | Dambulla No. 705, Anuradhapura Road, Dambulla                  |
| 41     | Nawam Mawatha No. 46/12, Nawam Mawatha, Colombo 02             |
| 42     | Polonnaruwa No. 804, Main Street, Kaduruwela, Polonnaruwa      |
| 43     | Kilinochchi No. 317, Kaka Kadai Junction, A9 Road, Kilinochchi |
| 44     | Puttalam No. 113/1A, Kurunegala Road, Jaya Mawatha, Puttalam   |
| 45     | Embilipitiya No. 74, Main Street, Pallegama, Embilipitiya      |
| 46     | Dehiwala No. 249, Galle Road, Dehiwala                         |
| 47     | Badulla No. 65, Lower Street, Badulla                          |
| 48     | Akkarapattu No. 130, Sagama Road, Akkarapattu                  |
| 49     | Nawalapitiya No. 54, Gampola Road, Nawalapitiya                |
| 50     | Valaichchenai Main Street, Valaichchenai                       |
| 51     | Matugama No. 41, Kalutara Road, Matugama                       |
| 52     | Deniyaya No. 310/2, Pallegama Road, Deniyaya                   |
| 53     | Homagama No. 134, Station Road, Homagama                       |
| 54     | Kaduwela No.585, 585 A, Avissawella Road, Kaduwela             |
| 55     | Ambalangoda No. 29, Galle Road, Ambalangoda                    |
| 56     | Mahiyanganaya No. 08, Padiyathalawa Road, Mahiyanganaya        |
| 57     | Thambuttegama No. 17/S, Rajina Junction, Thambuttegama.        |
| 58     | Mannar No. 122, Main Street, Sinna Kaddei, Mannar              |
| 59     | Minuwangoda No. 14, 14 1/1, Veyangoda Road, Minuwangoda.       |
| 60     | Warakapola No. 151, Kandy Road, Warakapola                     |
| 61     | Nikaweratiya No. 48E, Heelogama Road, Nikaweratiya             |

Lending Rate (AWLR) to approximately 11.5%, stimulating private sector credit appetite and industrial output.

In the external sector, the economy achieved a significant milestone with the finalisation of the External Debt Restructuring (EDR) process. This achievement facilitated a sovereign rating upgrade, which effectively reopened international trade credit lines and reduced the risk premium for domestic financial institutions. The Sri Lankan Rupee maintained a trajectory of relative stability, ending the year near LKR 300/USD, underpinned by a robust surplus in the current account. This was driven

by a record-breaking performance in the tourism sector—exceeding 2.36 million arrivals—and a steady surge in workers' remittances, which collectively bolstered the Gross Official Reserves to over USD 6.5 billion.

The real economy witnessed a synchronised recovery with GDP growth projected at 4.5% for the year. The agricultural sector, despite a slight contraction in Q1, rebounded in the latter half of the year, while the manufacturing and construction sectors saw a resurgence in demand following the relaxation of vehicle import restrictions. However, the period also demanded high levels

of fiscal stewardship to navigate the complexities of a revamped tax regime and a targeted primary surplus of 2.3% of GDP. As the nation pivots toward a growth-oriented agenda, Siyapatha Finance PLC remains strategically aligned with this national roadmap, leveraging the stabilised environment to catalyse sustainable value for its stakeholders.

## INDUSTRY PERFORMANCE 2025: RESILIENCE AND STRUCTURAL REVIVAL

The Sri Lankan Licensed Finance Company (LFC) industry demonstrated profound structural resilience throughout the year 2025. Transitioning from a phase of crisis recovery to one of synchronised expansion, the sector's total asset base successfully crossed the LKR 2,488 billion threshold by 30 September 2025, maintaining a robust upward trajectory from the LKR 1,928 billion recorded at the end of the previous year. This momentum was underpinned by strengthening macroeconomic fundamentals and the gradual easing of the spillover effects from the prior economic crisis.

A defining characteristic of 2025 was the resurgence of credit appetite, which was broad-based across key economic sectors. This growth was particularly pronounced in the household sector, mirroring strengthening demand conditions and an overall reduction in market interest rates. The Average Weighted Lending Rate (AWLR) declined to approximately 11.5%, incentivising private sector borrowing. Domestically, credit pressures were further influenced by the release of pent-up demand for vehicle imports following the relaxation of restrictions—a shift that occurred at a scale higher than anticipated and contributed to a substantial expansion in the lending book. While the leasing

## MANAGEMENT DISCUSSION AND ANALYSIS

segment returned to growth, the year also saw a strategic concentration in gold-backed financing, which accounted for approximately 19% of the total credit portfolio as institutions capitalised on elevated global gold prices.

A landmark achievement for the industry in 2025 was the significant improvement in asset quality and operational efficiency. Following the peaks of the prior period, the Stage 3 Loans ratio (Non-Performing Loans) demonstrated a sustained downward trend, falling from approximately 11.5% to 6.8% by the third quarter of 2025. This improvement was facilitated by an enhanced recovery environment and stronger business cash flows. Profitability metrics reflected this healthier landscape, with the sector recording a steep improvement in Profit After Tax (PAT). This was primarily driven by enhanced Net Interest Margins (NIM) and a sharp reduction in impairment charges, which enabled institutions to rebuild their capital buffers effectively.

The sector maintained a position of strength regarding its prudential buffers, with Capital Adequacy Ratios (CAR) remaining well above regulatory minimums. Deposit mobilisation remained a cornerstone of stability, with total deposits exceeding LKR 1,200 billion by September 2025. A critical test of this resilience occurred in late 2025 following Cyclone Ditwah, which caused severe devastation across multiple provinces. In response, the Central Bank directed the provision of relief measures, including moratoria for affected borrowers. Despite this exogenous shock and temporary asymmetries in liquidity distribution, the Regulatory Liquid Assets ratio ensured a robust buffer, and the financial system maintained overall stability.

CBSL continued to play a pivotal role through enhanced risk-based supervision and the advancement of the Master Plan for the Consolidation of Finance Sector. Monitoring under the revised scoring framework for Phase II ensured long-term sustainability and provided institutions with the scale necessary for complex investments. Furthermore, the launch of the Sustainable Finance Roadmap 2.0, alongside updated Loan-to-Value (LTV) ratios and accelerated digital adoption, has positioned the LFC sector as a sophisticated partner in Sri Lanka's long-term economic reconstruction. This digital evolution, leveraging data analytics for refined credit assessments, ensures the sector is well-equipped to manage cyclical and climate-related risks moving into 2026.

### Sector Outlook 2026 and Beyond: From Recovery to Resilience

As the Sri Lankan NBF sector enters 2026, the industrial narrative has shifted decisively from "crisis management" to a focus on long-term structural resilience. While 2025 provided the necessary stabilisation, 2026 is poised to be an inflection point where the sector must navigate a complex interplay of domestic reconstruction and global macroeconomic headwinds. CBSL's forecast of a 4-5% GDP growth for 2026 provides a fertile backdrop for credit expansion; however, the industry remains vigilant regarding the lingering supply-side effects of Cyclone Ditwah and the potential for increased global trade volatility.

A primary focus for the industry in 2026 will be the fortification of capital architectures through the Countercyclical Capital Buffer (CCyB) framework. This macroprudential tool is designed to ensure that Licensed

Finance Companies (LFCs) build sufficient equity during periods of growth to absorb potential future shocks. Furthermore, the launch of the Sustainable Finance Roadmap 2.0 signals a sectoral pivot towards "Green Financing". For the NBF sector, this means integrating climate risk assessments into credit underwriting and developing innovative products to support the transition to a low-carbon economy—a necessity highlighted by the increasing frequency of domestic climate-related disruptions.

The sector remains the primary engine for financial inclusion in Sri Lanka, particularly as the Central Bank begins the formulation of Phase II of the National Financial Inclusion Strategy (NFIS) in 2026. The industry is expected to leverage digital democratisation to bridge the credit gap for underserved segments, including women-led SMEs and rural agri-businesses. By modernising digital transaction systems and adopting Artificial Intelligence (AI) for more granular risk profiling, NBFs are evolving into "phygital" entities—combining a physical regional presence with sophisticated, high-velocity digital service delivery.

The ongoing execution of the Master Plan for Consolidation is expected to result in a more streamlined and robust industry by late 2026. This consolidation, coupled with the introduction of a benchmark intra-day reference exchange rate and enhanced market conduct supervision, will foster a more transparent and competitive operating environment. As the sector moves forward, the emphasis will remain on maintaining price stability and disciplined asset-quality management. For the LFC sector, 2026 represents an opportunity to consolidate the hard-earned gains of

the post-crisis era and play a pivotal, transformative role in Sri Lanka's journey towards sustainable, inclusive prosperity.

## FINANCIAL REVIEW

### Profitability Scales New Heights

The 2025 financial year marked a defining advancement in earnings performance, as record profitability levels were achieved, extending the strong upward momentum built in the preceding year. Profit Before Tax (PBT) reached an all-time high of LKR 2.66 billion, surpassing the previous milestone and establishing a new peak in financial performance.

Profit for the year increased to LKR 1.56 billion from LKR 1.20 billion in 2024, reflecting a notable growth of 29.34% and reaffirming the consistency of bottom-line expansion. This uplift was supported by measured portfolio growth, enhanced operational discipline, and improved efficiency in resource deployment.

The Company's balance sheet recorded a steady expansion during the year, anchored by a strengthened equity base that enhanced capital resilience and supported long-term financial stability. Growth in the lending portfolio, funded through long-term borrowings and customer deposits, remained the principal funding catalyst, reflecting continued confidence among both depositors and lenders while reinforcing overall liquidity strength.

Collectively, these outcomes highlight a year in which strategic execution translated into measurable financial advancement, strengthening the institution's earnings capacity and positioning it for continued value creation in an increasingly competitive financial landscape.

### Net Interest Income (NII)

Siyapatha Finance PLC reported a Net Interest Income (NII) of LKR 5.56 billion for the financial year 2025, representing a notable increase from LKR 4.53 billion recorded in 2024 that reflects a robust growth of 22.68%. This performance underscores the Company's strategic ability to optimise its interest-earning asset base amidst intensifying market competition.

The expansion in NII was supported by a 16.48% increase in interest income from the lending portfolio, driven by growth in advances and improved asset yields. However, this was partially offset by an 11.19% increase in interest expenses, primarily attributable to the elevated cost of long-term borrowings during the year.

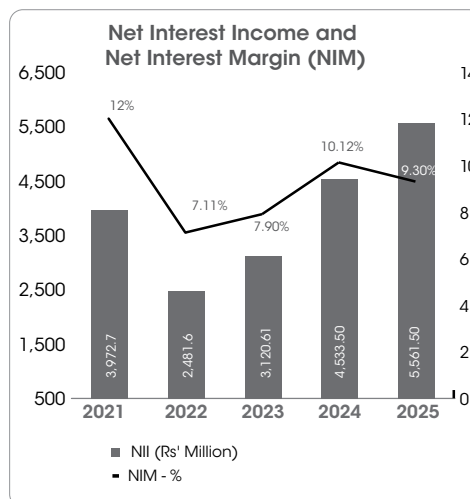
Despite these funding cost pressures, the Company maintained disciplined revenue and expense management across its interest-bearing operations, resulting in the Net Interest Margin (NIM) being sustained at 9.30% in 2025, compared to 10.12% in 2024. This moderation reflects prevailing market rate dynamics during the year, while continuing to demonstrate

the Company's ability to convert its interest-earning assets into stable returns through prudent balance sheet repricing and effective funding cost management.

### Fee and Commission Income and Other Operating Income

Fee and commission income together with other operating income increased to LKR 1.78 billion for the financial year 2025, reflecting a notable growth of 23.49% compared to LKR 1.44 billion recorded in 2024. This performance was predominantly driven by a substantial recovery of bad debts previously written off, which rose by 79.32% year-on-year, alongside increased fee-based income generation in line with the continued expansion of the lending portfolio.

The sustained growth in non-interest income streams underscores the Company's strategic focus on broadening its revenue base beyond core interest income, thereby strengthening earnings quality, improving income stability, and reinforcing financial resilience within an increasingly competitive operating landscape.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Credit Loss and Asset Quality

During the financial year 2025, the Company recorded a net impairment reversal of LKR 111 million on loans and advances, compared to a net impairment reversal of LKR 137 million recognised in 2024. The year-on-year moderation in impairment reversals reflects evolving credit risk dynamics within certain portfolio segments, despite continued recovery efforts and improved borrower performance observed during the period.

Additional impairment provisions were recognised during the latter part of the year following a comprehensive reassessment of the loan portfolio, primarily influenced by increased credit risk arising from the adverse impact of Cyclone Ditwah experienced across several regions of the country toward the end of the year.

Further supporting improvements in asset quality, Stage 3 loans and advances declined by 14.7% year-on-year to LKR 3.58 billion as at year-end. Consequently, the impairment coverage ratio for Stage 3 exposures adjusted to 46.28% from 56.59% in 2024, reflecting the combined effect of recoveries, write-offs, and changes in portfolio composition during the period.

These developments underscore the Company's disciplined credit risk assessment practices and proactive portfolio management initiatives, which have collectively strengthened overall portfolio resilience. The Company remains committed to sustaining asset quality improvements through continuous monitoring, targeted recovery strategies, and prudent risk management interventions in the period ahead.

### Operating Expenses

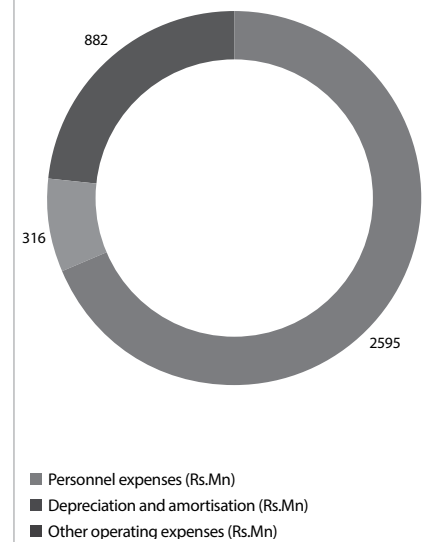
Operating expenses recorded during 2025 increased in line with Siyapatha Finance's strategic initiatives aimed at business expansion and operational scaling, with total operating expenses rising by 18.32% year-on-year to LKR 3.79 billion.

Personnel expenses continued to represent the largest component of operating costs, accounting for 68.41% of the total. These expenses increased by 23.70% to LKR 2.59 billion, primarily driven by the expansion of the Company's operational footprint and the strengthening of its workforce to support growing business volumes.

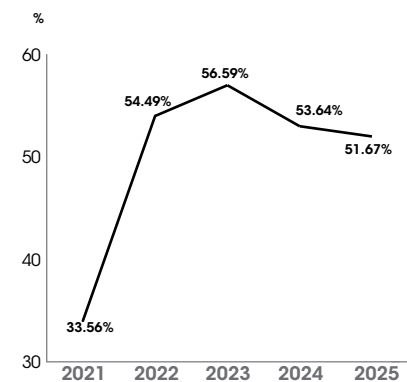
Other operating expenses, including depreciation, amortisation, and general administrative costs, increased by 8.13% compared to the previous year. Importantly, the cost-to-income ratio improved from 53.64% to 51.67% during the year, demonstrating improved cost efficiency and stronger income generation relative to operating expenses.

The increase in expenditure was primarily driven by continued investments in infrastructure, technology, and operational capacity, reflecting Siyapatha Finance's focus on improving long-term efficiency and enabling sustainable growth. These initiatives are anticipated to further enhance the Company's operational strength and maintain its competitive position within an evolving business environment.

Composition of Operating Expense - Year 2025



Cost to Income Ratio

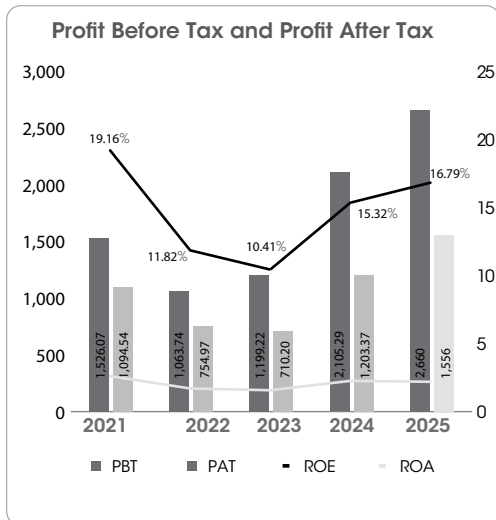


### Profit Before Tax and Profit After Tax

Siyapatha Finance demonstrated a notable improvement in financial performance during 2025, supported by enhanced operational efficiency and effective cost management initiatives implemented across the business. Profit Before Tax increased by 26.33% to LKR 2,660 million from LKR 2,105 million recorded in 2024, reflecting the Company's strengthened earnings capacity and improved utilisation of its operational resources.

In line with the growth in profitability, income tax expenses increased to LKR 1,103 million for the year. Consequently, Profit After Tax recorded a growth of 29.34%, rising from LKR 1,203 million in 2024 to LKR 1,556 million in 2025. The overall improvement in profitability reflects the Company's continued focus on enhancing operational efficiency and managing costs effectively during the year.

|     | 2025   | 2024   |
|-----|--------|--------|
| ROE | 16.79% | 15.32% |
| ROA | 2.17%  | 2.24%  |



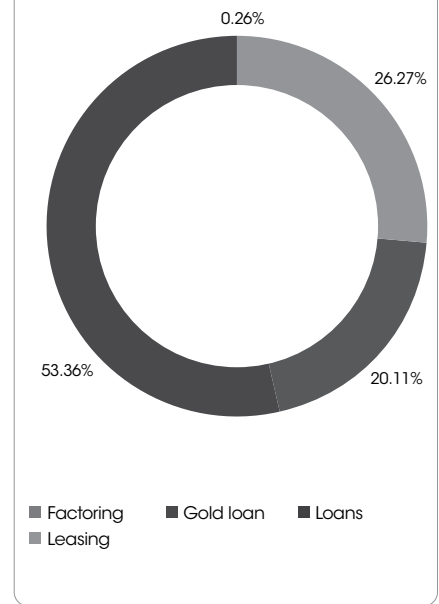
### Total Assets

As at 31 December 2025, Siyapatha Finance PLC reported a significant expansion in its asset base, with total assets increasing by 41.92% to LKR 84.74 billion from LKR 59.71 billion recorded in 2024. This growth was largely driven by the continued expansion of the Company's net lending portfolio, which grew by 54.22% to LKR 71.03 billion from LKR 46.05 billion in the previous year.

Leasing remained the largest contributor to the net lending portfolio, accounting for 53.36% of total exposures, while gold loans represented 26.27% of the portfolio. Both segments recorded notable growth during the year, with the gold loan portfolio increasing by 63.47% and the leasing portfolio expanding by 23.38%. The Fast Draft portfolio also recorded a significant growth of 222.07% during the year, while the Vehicle Credit Facility introduced in 2025 contributed a net portfolio value of LKR 3.2 billion as at year-end.

The strong growth in the Company's lending portfolio played a key role in enhancing income generation during the year, thereby contributing to the overall improvement in profitability. The expansion of these core lending segments reflects Siyapatha Finance's focused growth strategy and its continued emphasis on strengthening its asset base through prudent portfolio management.

### Composition of Net Lending Portfolio - Year 2025



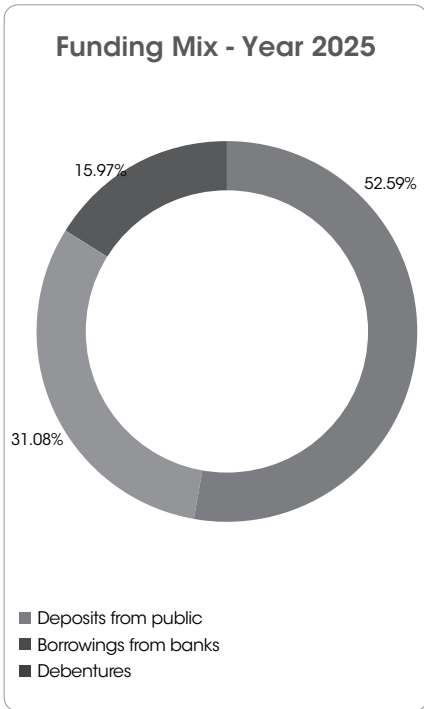
### Total Liabilities

As at 31 December 2025, the Company's total liabilities stood at LKR 74.70 billion, representing a year-on-year increase of 45.75% from LKR 51.26 billion recorded in 2024. This increase was primarily driven by the Company's funding requirements to support the expansion of its lending portfolio and the continued growth in business operations during the year.

Total borrowings increased by 113.44% to LKR 33.39 billion, reflecting increased funding obtained to facilitate the growth in earning assets. Meanwhile, the deposit base expanded by 14.77%, increasing by LKR 4.75 billion to reach LKR 36.95 billion as at end-2025.

**MANAGEMENT DISCUSSION AND ANALYSIS**

The growth in both borrowings and customer deposits reflects the strong level of confidence placed in the Company by its lending partners and depositors, enabling it to secure the necessary funding to support portfolio expansion and business growth during the year.



**Capital**

The Company’s total equity base strengthened during the year, with stated capital, retained earnings, and other reserves increasing by 18.71% to LKR 10,035 million as at 31 December 2025. Stated capital increased to LKR 2,883 million, reinforcing the overall capital structure and supporting future business growth.

As at year-end, the Company maintained Tier 1 and Total Capital Adequacy Ratios of 14.91% and 15.45%, respectively. Both ratios remained comfortably above the minimum regulatory requirements, reflecting the Company’s strong

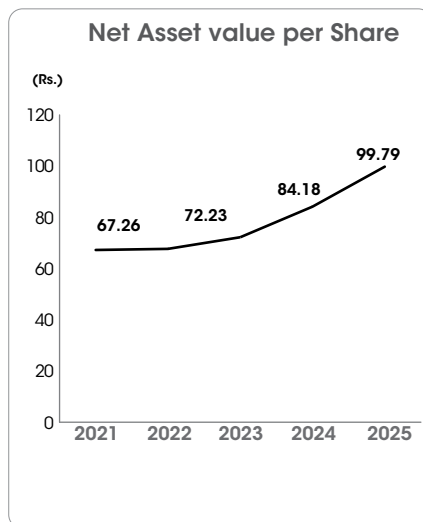
capital position and its continued focus on maintaining adequate capital buffers to support ongoing operations and portfolio expansion.

**Net Asset Value per Share and Earnings per Share**

During the financial year ended 31 December 2025, Earnings per Share (EPS) increased to LKR 15.48 from LKR 11.97 recorded in 2024. The improvement in EPS was primarily driven by the growth in Profit After Tax during the year, alongside the increase in the number of issued shares following the scrip dividend.

Net Asset Value (NAV) per share also recorded an increase, rising to LKR 99.79 as at end 2025 from LKR 84.18 in the previous year. The growth in NAV per share reflects the strengthening of the Company’s equity base through retained earnings generated during the year.

The upward movement in both EPS and NAV per share indicates the Company’s improved profitability and enhanced capital position, demonstrating its continued ability to generate shareholder value through sustained earnings growth and effective capital management.



**Dividends**

Reflecting the Company’s improved earnings performance during the year, the dividend per share increased to LKR 0.12 in 2025 from LKR 0.07 in the previous year. Consistent with the prior year, the dividend was declared in the form of a scrip dividend, in line with the Company’s capital management objectives.

The adoption of a scrip dividend enabled the Company to reward shareholders while retaining capital to support the continued expansion of its lending portfolio and business operations. This approach facilitated the strengthening of internal capital buffers, thereby supporting future growth initiatives without compromising financial stability.

The continued utilisation of scrip dividends demonstrates the Company’s balanced approach toward enhancing shareholder returns while maintaining an adequate capital base to support its long-term strategic objectives.

**OPERATIONAL REVIEW - 2025**

During the year 2025, Siyapatha Finance PLC continued to strengthen its operational performance within a gradually stabilising macroeconomic environment, supported by the normalisation of interest rates and a recovery in private sector credit demand. The easing of monetary conditions provided a favourable landscape for expanding lending activities, particularly within asset-backed financing segments.

The growth recorded across key portfolios was instrumental in driving the expansion of the net lending portfolio, contributing significantly to the Company’s improved financial performance.

Operational efficiency remained a priority, with continued emphasis on disciplined credit evaluation, proactive recovery strategies, and effective portfolio monitoring. These measures bolstered asset quality and portfolio resilience, particularly amidst the adverse weather conditions experienced during the latter part of the year.

In line with its growth strategy, the Company expanded its branch network, enhancing accessibility to financial services across emerging regional markets. This expansion supported customer acquisition and facilitated greater financial inclusion by extending lending solutions to underserved communities.

Through continued investments in technology, operational infrastructure, and process improvements, Siyapatha Finance remained focused on managing increasing business volumes efficiently while maintaining service quality and operational agility. These initiatives have positioned the Company to effectively capitalise on emerging growth opportunities within the evolving operating environment.

### **Risk Environment and Portfolio Resilience – 2025**

Siyapatha Finance PLC operated within a progressively stabilising yet evolving economic environment during 2025, supported by the normalisation of interest rates and the gradual recovery in private sector credit demand. While inflationary pressures moderated during the year, residual effects of prior economic disruptions, together with adverse weather conditions experienced toward the latter part of the year, continued to influence repayment capacity across certain customer segments.

Against this backdrop, the Company adopted a proactive approach to managing emerging credit risks through strengthened credit evaluation processes, enhanced portfolio monitoring, and targeted recovery strategies aimed at containing forward slippages and minimising impairment exposure. Focused management of early-stage delinquencies, strengthened oversight of high-risk contracts, and accelerated legal recovery actions contributed to improved asset quality and a reduction in Non-Performing Assets during the year.

Operational risks arising from increased business volumes, technological advancements, and evolving customer expectations remained key focus areas. Accordingly, the Company continued to invest in process enhancements, improved recovery governance structures, and digital monitoring tools to strengthen control mechanisms and operational efficiency.

Recovery operations continued to face challenges, particularly in vehicle repossession amid market volatility and price fluctuations. These were mitigated through improved co-ordination mechanisms and enhanced negotiation capabilities of recovery personnel.

The expansion of the branch network and introduction of new lending products required strengthened oversight across operational, compliance, and reputational risk dimensions. Robust internal controls and continued adherence to regulatory requirements remained integral to safeguarding financial stability and maintaining stakeholder confidence.

With the growing reliance on digital platforms, cybersecurity risk management was further prioritised through enhanced system safeguards to ensure the integrity and confidentiality of customer information.

For further details, please refer to the Risk Management section on pages 137 to 155.

### **Integrated Marketing and Stakeholder Engagement Initiatives Amid a Transforming Operating Landscape**

Siyapatha Finance PLC continued to strengthen its market presence in 2025 through a series of integrated marketing and communication initiatives, implemented against a backdrop of a gradually stabilising yet externally vulnerable economic environment. While accommodative monetary policy supported domestic growth momentum, moderating global demand, geopolitical tensions, energy price volatility, and adverse weather conditions—including Cyclone Ditwah and subsequent floods—posed downside risks across several operational regions.

Despite these external pressures and fluctuating interest rates, the Company advanced its brand positioning and stakeholder engagement through a strategically aligned marketing agenda anchored around its 20th Anniversary milestone. Anniversary initiatives were executed island-wide with the objective of reinforcing stakeholder trust, enhancing corporate visibility, and deepening long-standing customer relationships.

## MANAGEMENT DISCUSSION AND ANALYSIS

Multi-religious observances and community outreach initiatives underscored the Company's commitment to inclusivity and social responsibility. Employee engagement remained central to the celebrations, strengthening internal alignment and corporate identity during this milestone year.

Parallel to branch expansion, community-based initiatives were implemented across newly established regions, focusing on educational support, environmental awareness, and disaster relief assistance to communities affected by adverse weather events. Financial literacy programmes conducted across 13 regions further strengthened community engagement while promoting responsible financial management and financial inclusion.

At the product level, targeted marketing support facilitated the introduction of the Vehicle Credit Facility and the revamping of Factoring and Sub Loan products, enhancing responsiveness to evolving customer financing needs. Dealer branding initiatives, sector-specific awareness programmes, and geographically targeted promotional campaigns strengthened market penetration within priority asset-backed lending segments.

Digital engagement continued to expand through anniversary-themed campaigns, short-form video content, and sustainability-focused messaging, enabling broader outreach beyond traditional channels. In line with its customer-centric strategy, the Company also advanced plans to implement a comprehensive Customer Relationship Management (CRM) system and introduce enhanced digital communication platforms to improve responsiveness, service personalisation, and relationship management.

The Company's structured complaint management framework, aligned with Financial Consumer Protection regulatory requirements, further reinforced stakeholder confidence through systematic issue resolution and continuous service improvement.

Through the disciplined execution of these integrated marketing and stakeholder engagement strategies, Siyapatha Finance PLC reinforced brand equity, strengthened customer loyalty, and sustained portfolio growth momentum during a year marked by both opportunity and external volatility.

### Strengthening Digital Infrastructure to Enable Operational Resilience and Innovation

Siyapatha Finance PLC operates within a dynamic regulatory landscape where emerging requirements relating to data protection, cybersecurity, and technology risk management continue to elevate the importance of resilient and compliant digital systems. In response, the Company maintained a strong strategic focus on leveraging technology to enhance operational efficiency, reinforce system security, and improve customer experience during 2025.

### Core Banking System Enhancement

A key development during the year was the initiation of the migration of the Company's core banking platform from Finacle version 10.2.19 to the latest 10.2.25 release. This upgrade is expected to enhance system stability, deliver advanced functionality, and improve operational efficiency while strengthening supporting applications to enable faster service delivery and greater responsiveness to evolving market dynamics. Procurement

and vendor mobilisation were completed during 2025, with system development and user acceptance testing currently in progress. The go-live of the upgraded platform is scheduled for the first quarter of 2027. This initiative will ensure the continuity of operations beyond the support term of the existing system while positioning the Company to adopt future technological innovations and maintain its competitive edge.

### Network Modernisation through SD-WAN Implementation

Network modernisation was prioritised through the implementation of a Software-Defined Wide Area Network (SD-WAN) solution across the Company's branch network. This initiative enhanced application performance, strengthened network security, centralised network management, and improved overall operational efficiency by enabling greater visibility and control across branch-level infrastructure.

### Cybersecurity and Data Protection Enhancements

Cybersecurity remained a key priority during the year, reflecting the importance of safeguarding customer data and ensuring operational resilience. The Company implemented FortiMail to enhance email security and strengthen protection against phishing, malware, and other evolving cyber threats while enabling centralised policy management in support of regulatory compliance. Integration with the existing email infrastructure was completed in 2025, with full policy optimisation expected by the first quarter of 2026.

In addition, Kaspersky Endpoint Detection and Response (EDR) was deployed across all endpoints at the Head Office and branch network to enable real-time monitoring,

advanced threat detection, and improved incident response capabilities. Full deployment and operationalisation are expected by the first quarter of 2026, further strengthening the Company's cybersecurity framework.

### Regulatory Compliance and Reporting Automation

Regulatory compliance and reporting accuracy were further supported through the automation of credit facility classification for lease and loan products in line with Central Bank of Sri Lanka Direction No. 01 of 2022. This initiative is expected to improve the accuracy of asset classification and provisioning processes while reducing manual intervention. Additionally, the development of a CRIB Native IFF capability during the year will facilitate more efficient and timely credit information reporting.

### Embedding Sustainability into Strategic and Risk Management Practices

During the year under review, Siyapatha Finance PLC further strengthened its commitment to sustainable finance in alignment with the Sustainable Finance Roadmap 2.0 issued by the Central Bank of Sri Lanka. Financing continued to be extended to environmentally responsible initiatives, including solar energy systems, electric vehicles (EVs), waste management solutions, and sustainable agricultural projects, supporting the transition toward a low-carbon economy.

In commemoration of the Company's 20th Anniversary, several initiatives were undertaken in alignment with the United Nations Sustainable Development Goals (SDGs), with particular focus on SDG 1 – No Poverty and SDG 13 – Climate Action. These included the conduct of 20 school-based sustainability

awareness programmes island-wide, an environmental art competition themed "Greener Future – Sustainable Tomorrow", and tree planting initiatives at participating schools to promote long-term ecological benefits.

To advance social sustainability and financial inclusion, 13 financial literacy and awareness programmes were conducted across the Company's regional network to enhance responsible financial management and improve access to financial services.

Sustainability considerations were also embedded within operational practices. As a financial services provider with a relatively limited environmental footprint, the Company continued to monitor and manage energy, water, and paper consumption. Energy usage, comprising electricity from the national grid and fuel consumption for Company vehicles, was closely monitored, with energy-efficiency initiatives implemented across branches, including LED lighting upgrades and controlled outdoor lighting systems.

Water consumption, primarily for operational and sanitation purposes, was centrally monitored to ensure responsible utilisation. In support of waste management and digital transformation, the Company recycled 3,432 kg of waste paper during the year through its partnership with Sewn Recyclers (Pvt) Ltd, while continuing to promote paperless processes through digitalisation.

Tree planting initiatives at new branch openings further contributed to carbon offset efforts and the mitigation of greenhouse gas (GHG) emissions arising from operational activities.

Through these initiatives, the Company continues to integrate sustainability considerations into its strategic direction, risk management framework, and day-to-day operations, reinforcing its commitment to long-term environmental and social responsibility.



### Greenhouse Gas (GHG) Emissions

In the financial year 2025, Siyapatha Finance PLC carried out a greenhouse gas (GHG) emissions quantification exercise covering Scope 1 and Scope 2 emissions, in accordance with internationally recognised GHG accounting methodologies and reporting standards.

#### GHG Emission Summary – 2025

- ◆ **Scope 1 – Direct GHG Emissions:**  
Total emissions amounted to **96 tonnes of CO<sub>2</sub>e**,
- ◆ **Scope 2 – Indirect GHG Emissions:**  
Emissions from purchased electricity sourced from the national grid amounted to **648 tonnes of CO<sub>2</sub>e**.
- ◆ **Total Scope 1 and Scope 2 Emissions:**  
**744 tonnes of CO<sub>2</sub>e**

MANAGEMENT DISCUSSION AND ANALYSIS



This assessment provides a baseline for monitoring future emission reductions, tracking progress toward the Company’s GHG reduction and carbon neutrality targets, and supporting the Company’s climate risk management and reporting initiatives.

Alignment with SLFRS S1 and SLFRS S2

In a proactive move toward long-term value preservation, Siyapatha Finance PLC has initiated a structured transition toward the implementation of SLFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and SLFRS S2 (Climate-related Disclosures). Recognising the global shift toward rigorous non-financial reporting, the Company has commenced foundational actions well in advance of the mandatory 2027 reporting timeline. A Board-level Sustainability Steering Committee has been established to provide governance oversight of sustainability and climate-related matters, with sustainability performance and related initiatives being periodically reviewed and reported to the Committee.

In line with the requirements of SLFRS S2 – Climate-related Disclosures, the Company has initiated:

- ◆ Climate-related assessments to evaluate potential impacts on the Company’s business model and value chain

- ◆ Identification of short, medium, and long-term climate-related risks and opportunities
- ◆ Assessment of potential financial implications, including impacts on asset quality, operational resilience, and credit risk

These initiatives support the integration of climate-related considerations into the Company’s strategic planning and decision-making processes.

Climate Risk Management and Long-term Value Creation

Environmental, social, and governance (ESG) considerations have been progressively integrated into the Company’s risk management framework in accordance with the CBSL Sustainable Finance Roadmap 2.0, with particular focus on environmental risk management and climate-related risk assessment.

The adoption of SLFRS S2 principles strengthens the Company’s ability to assess the potential financial implications of climate-related risks, enabling proactive adaptation,

mitigation, and resilience-building measures. These efforts support regulatory compliance, contribute toward nationally determined climate commitments, and promote long-term value creation for stakeholders.

Financial literacy initiatives and responsible lending practices further reinforce the Company’s role as a responsible financial services provider, contributing to improved credit quality, reduced non-performing assets, and sustainable economic development.

National Context and Climate Resilience

Recent extreme weather events experienced within the national economic and environmental context did not have a material financial impact on the Company’s operations or financial performance. However, recognising the increasing potential for climate-related risks in the future, Siyapatha Finance PLC continues to strengthen its operational and financial resilience to ensure service continuity and effective customer support under adverse weather conditions.

Compliance with the CBSL Sustainable Finance Roadmap 2.0 Comparative Disclosure Table

| CBSL Roadmap 2.0 Requirement                  | Key Expectations  | Siyapatha Finance PLC Status & Actions   | Level of Compliance                   |
|---|---|--|---------------------------------------|
| Governance & Oversight                        | Board-level oversight of sustainable finance and ESG matters                            | A Board-level Sustainability Committee as BIRMC has been established to oversee sustainability strategy, climate-related risks, and disclosures. Regular reporting is provided to the Committee.   | In Progress / Substantially Compliant |
| Sustainable Finance Strategy                  | Integration of sustainability into business strategy and lending activities             | Financing extended to solar energy, EVs, waste management projects, sustainable agriculture, and other projects which are adding value to the environment & social supporting the low-carbon transition and sustainable economic activities. | Substantially Compliant               |
| Environmental & Social Risk Management (ESRM) | Identification, assessment, and management of environmental and social risks in lending | ESG factors are partially integrated into the risk management framework, including environmental risk considerations in credit appraisal to mitigate future NPAs and credit losses.  | In Progress                           |

| CBSL Roadmap 2.0 Requirement                   | Key Expectations   | Siyapatha Finance PLC Status & Actions  | Level of Compliance     |
|--|--|---|-------------------------|
| Climate-related Risk Assessment                | Assessment of climate risks and opportunities, including physical and transition risks | Climate analysis conducted to assess short, medium, and long-term climate impacts on the business model and value chain under SLFRS S2 implementation process.  | In Progress             |
| Climate-related Disclosures                    | Disclosure aligned with global standards (TCFD / IFRS S2)                              | The Company is implementing SLFRS S1 and S2 ahead of the mandatory 2027 timeline, with initial climate-related disclosures included in the Annual Report.   | In Progress             |
| GHG Measurement & Monitoring                   | Measurement and reporting of Scope 1, 2  | GHG quantification completed for Scope 1 and Scope 2 emissions for 2025, establishing a baseline for future emission reduction initiatives.   | Substantially Compliant |
| Greenhouse Gas Reduction Initiatives           | Initiatives to reduce operational emissions  | Tree planting initiatives conducted at every new branch opening; awareness programmes and operational efficiency measures initiated as early steps toward emission reduction.   | In Progress             |
| Capacity Building & Awareness                  | Staff and customer awareness on sustainable finance and ESG                            | 13 financial literacy programmes conducted across 13 regions to educate customers on responsible financial management and sustainability. For Employee awareness session on sustainability in orientation inductions. | Fully Compliant         |
| Social Sustainability & Financial Inclusion    | Promotion of inclusive finance and social responsibility                               | Financial literacy initiatives, anniversary programmes aligned with SDG 1, and responsible lending practices supporting inclusive economic growth.  | Fully Compliant         |
| Environmental Awareness & Biodiversity         | Promotion of environmental protection and biodiversity                                 | 20 school sustainability programmes, art competition themed "Greener Future – Sustainable Tomorrow", and tree planting at schools to promote environmental awareness.   | Fully Compliant         |
| Stakeholder Engagement                         | Engagement with customers, communities, and other stakeholders on sustainability       | Community engagement through financial literacy sessions, school programmes, and sustainability awareness campaigns.  | Substantially Compliant |
| National Climate Commitments                   | Alignment with national climate goals and NDCs   | SLFRS S2 implementation and climate risk assessment support alignment with Sri Lanka's NDCs and national sustainability targets.  | In Progress             |
| Monitoring, Reporting & Continuous Improvement | Periodic monitoring and enhancement of sustainable finance practices                   | Sustainability performance monitored through internal reporting and Board oversight, with continuous improvements planned as part of Roadmap 2.0 implementation.  | In Progress             |

Siyapatha Finance PLC continues to progressively align its sustainability framework with the CBSL Sustainable Finance Roadmap 2.0, with key focus areas including governance, climate risk management, sustainable lending, and transparency. While several requirements are already substantially compliant, further enhancements are planned to deepen ESG integration, expand climate-related metrics, and strengthen disclosure quality in line with regulatory expectations and global best practices.

## HUMAN CAPITAL MANAGEMENT

### Human Resources Strategy and Alignment with Vision 2028

The Human Resources (HR) strategy of Siyapatha Finance PLC continued to evolve into a digitally enabled and employee-centric framework aligned with the Company's long-term strategic direction under Vision 2028. The strategy focuses on supporting digital transformation, strengthening employee engagement, optimising resource utilisation, and enhancing the overall employee experience, thereby ensuring that human capital priorities remain closely aligned with Siyapatha Finance's growth and transformation agenda.

A key strategic priority is the development of a high-performing and future-ready workforce capable of adapting to evolving industry dynamics and supporting business expansion while sustaining operational excellence, customer-centricity, and long-term sustainable growth. This is facilitated through initiatives that promote organisational agility, effective change management, continuous learning, and structured leadership development. The Learning

## MANAGEMENT DISCUSSION AND ANALYSIS

Management System (LMS) continues to play a central role in delivering accessible, scalable, and role-relevant capability-building opportunities across all employee groups.

The Company’s people agenda also emphasises the creation of an inclusive, diverse, and equitable workplace culture that promotes employee wellbeing and a sense of belonging. Flexible work arrangements, progressive HR policies, and targeted development programmes continue to support the establishment of an empowering work environment, enabling the organisation to respond effectively to the evolving expectations of the emerging workforce.

Through the integration of digital technology with progressive people practices, the HR function continues to enhance organisational capability, strengthen innovation, and support long-term competitiveness, ensuring

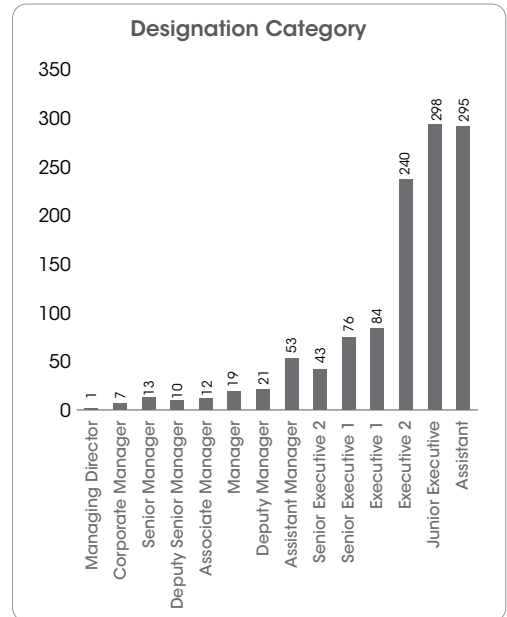
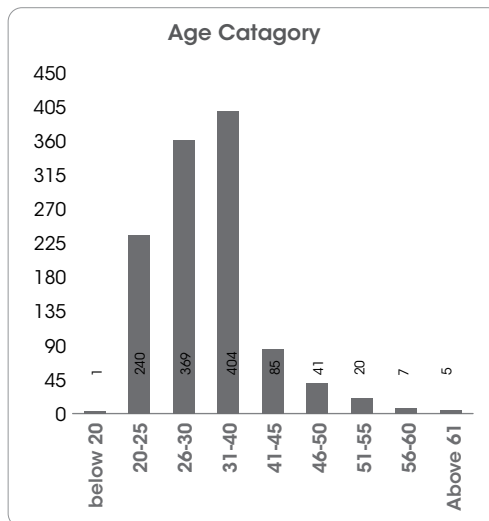
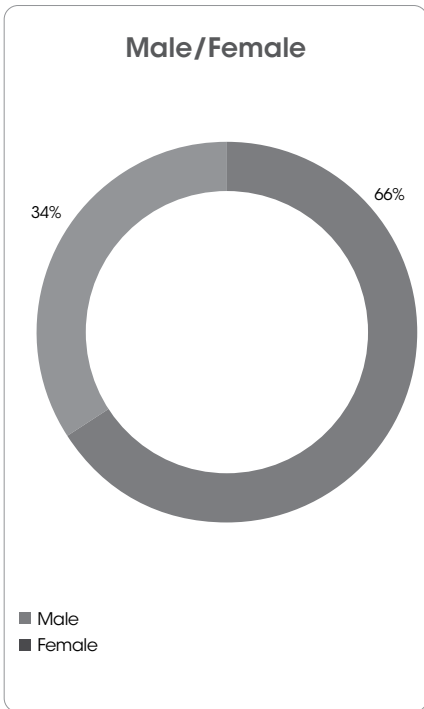
that Siyapatha Finance PLC remains resilient, performance-driven, and well-positioned to achieve its Vision 2028 aspirations.

### Talent Acquisition, Workforce Diversity, and Retention

The Company continued to prioritise the attraction and retention of high-calibre talent, recognising the importance of a capable and values-driven workforce in supporting long-term business sustainability. Recruitment initiatives remained aligned with structured workforce planning processes to address both immediate operational requirements and future organisational needs.

Selection processes extended beyond technical competencies to identify individuals whose values and professional aspirations were aligned with the Company’s culture, thereby strengthening organisational cohesion from the outset of employment.

As part of these efforts, over 360 new employment opportunities were created during the year, of which 46% were based outside the Western Province, supporting regional employment generation and inclusive workforce development. Female representation accounted for 32% of new recruits, reflecting the Company’s continued commitment to promoting gender diversity, equality, and empowerment across the organisation.



### Key Talent Acquisition Initiatives Implemented During the Year

- ◆ Strengthened a diversified and inclusive talent sourcing model through recognised job portals, employee referral programmes, targeted social media campaigns, and participation in job fairs and university career events.
- ◆ Enhanced employer branding through the development of structured talent pipelines to attract high-quality candidates and reinforce the Company's positioning as an employer of choice.
- ◆ Streamlined onboarding processes to improve hiring lead times and enhance the overall candidate experience.
- ◆ Collaborated with functional leadership and the branch network to proactively identify talent gaps and align recruitment efforts with business growth and expansion plans.
- ◆ Reinforced competency-based recruitment practices through structured interviews, standardised assessment tools, and enhanced background verification procedures to ensure consistency and quality in hiring decisions.
- ◆ Successfully onboarded critical leadership and specialised technical roles to support operational priorities.
- ◆ Strengthened decentralised recruitment practices to accelerate the development of regional talent pipelines in line with branch network expansion.
- ◆ Introduced digital screening tools to improve recruitment efficiency and support data-driven decision-making.

- ◆ Onboarded school leavers as marketing trainees, providing structured training, mentoring, and practical exposure to support entry into the corporate environment.
- ◆ Expanded structured career pathways to enhance female representation across marketing and frontline functions, supporting diversity, equity, and inclusion objectives.

### Employee Retention Framework and People-centric Initiatives

Employee retention remained a key strategic priority, supported through a structured and people-centric framework encompassing competitive rewards, employee wellbeing, engagement initiatives, digital enablement, and effective governance practices.

Key initiatives implemented during the year included:

#### Remuneration and Employee Benefits

- ◆ Maintained a competitive and equitable remuneration framework aligned with industry benchmarks and prevailing economic conditions.
- ◆ Strengthened performance-based incentive schemes to reinforce merit-based rewards.
- ◆ Expanded insurance coverage for employees and dependents.
- ◆ Enhanced allowance structures for frontline staff.

#### Work-Life Balance and Employee Wellbeing

- ◆ Introduced flexible working arrangements and supportive leave policies, including paternity leave for the first time in the Company's history.

- ◆ Implemented wellbeing initiatives addressing physical, mental, and financial health through wellness programmes, stress management support, and financial assistance schemes.
- ◆ Extended employee relief support through the *Siyapathen Senehasin* initiative to assist staff affected by adverse weather conditions.

### Reward and Recognition

- ◆ Strengthened recognition programmes to acknowledge individual and team contributions aligned with organisational values.
- ◆ Introduced the Managing Director's Award (MD's Award) to recognise exemplary performance and outstanding contributions.

### HR Digitalisation

- ◆ Enhanced the Human Resources Information System (HRIS) to improve data accuracy, reporting, and accessibility.
- ◆ Adopted AI-enabled tools to improve recruitment processes and workforce analytics.
- ◆ Introduced the Siyapatha Digital Learning Academy, powered by the Learning Management System (LMS), to support structured employee capability development.

### Employee Engagement and Inclusion

- ◆ Conducted structured engagement initiatives and employee forums to foster an inclusive and collaborative workplace culture.
- ◆ Continued implementation of diversity, equity, and inclusion principles across HR policies and practices.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Employee Relations and Governance

- ◆ Strengthened grievance handling mechanisms and disciplinary procedures to maintain a fair and compliant workplace.
- ◆ Ensured adherence to labour regulations and internal governance standards through structured policy communication.

### Workplace Health and Safety

- ◆ Established first aid and firefighting teams across operational locations.
- ◆ Conducted occupational health, safety awareness, and emergency preparedness programmes in line with regulatory requirements.

### Sustainability and Social Responsibility

- ◆ Enhanced Business Continuity Planning (BCP) frameworks to ensure operational resilience during disruptions.
- ◆ Supported community health and social upliftment initiatives including blood donation campaigns, disaster relief programmes, and educational support initiatives.

These retention strategies contributed to maintaining employee turnover below 19% as at December 2025, reflecting a stable, motivated, and performance-driven workforce aligned with organisational objectives.

### Talent Development and Continuous Learning

Talent development and continuous learning remained key priorities in strengthening workforce capability and supporting organisational

performance aligned with Vision 2028. The Company's learning strategy focused on enhancing technical expertise, leadership capability, digital proficiency, compliance awareness, and behavioural competencies required to operate effectively within an increasingly dynamic financial services environment.

The digital learning ecosystem, anchored by the Learning Management System (LMS), facilitated flexible and continuous learning through blended delivery models incorporating e-learning modules, virtual classrooms, instructor-led sessions, coaching, and experiential workshops. Partnerships with local and international training providers further expanded access to specialised technical and behavioural learning opportunities.

Selected employees also participated in overseas training programmes during the year, gaining exposure to global best practices, advanced technical knowledge, and leadership development initiatives, thereby strengthening the Company's internal leadership pipeline.

A total of 138 training programmes were conducted during the year, comprising 88 internal and 50 external sessions, covering 21,853 training hours and 3,946 participants. Through the LMS platform, 2,720 users accessed 89 training modules, including 44 in-house and 45 externally developed modules, resulting in the successful completion of 2,814 courses.

Enhanced induction programmes further supported faster onboarding, while targeted development initiatives were implemented for management trainees, school leavers, and employees transitioning into new roles.

These initiatives contributed to strengthening organisational capability through structured learning, digital enablement, and global exposure, enabling employees to contribute effectively toward business growth and operational excellence.



### Performance Alignment and Workforce Effectiveness

Cultivating a performance-driven culture remained central to organisational success at Siyapatha Finance PLC. The Performance Management System (PMS) was further strengthened during the year to enhance clarity, accountability, and alignment between individual performance objectives and the Company's strategic priorities under Vision 2028.

The framework incorporates probationary evaluations for new recruits and periodic performance reviews for permanent staff, supported by 180-degree and 360-degree feedback mechanisms to facilitate continuous improvement. Performance outcomes remain closely linked to rewards, recognition, and career progression.

During the year, the Company recorded the highest number of employee promotions in its history with 160 promotions, reinforcing a merit-based performance culture and supporting career advancement across the organisation.

In addition, the Performance Excellence Awards were introduced to recognise outstanding individual performance, leadership contributions, and service excellence across key functional areas. This structured recognition framework further strengthened alignment between individual performance and organisational objectives while promoting a culture of accountability and achievement.

#### **Leadership Sustainability and Succession Readiness**

Succession planning and leadership development remained integral to the Company's long-term strategic agenda, supporting sustained growth and leadership continuity across key business functions.

High-potential talent was systematically identified through structured talent reviews, competency assessments, and ongoing performance evaluations. These assessments informed the development of Individual Development Plans (IDPs) and Management Development Plans (MDPs), ensuring that identified employees received targeted developmental support aligned with organisational priorities.

Key initiatives implemented during the year included the continued enhancement of the Management Trainee Development Programme and the expansion of leadership

talent pools for branch managers and officers-in-charge. These initiatives, supported by targeted leadership development interventions, enabled emerging talent to acquire the skills, business acumen, and operational exposure required to assume future leadership roles.

This integrated leadership development framework strengthened internal mobility and enabled the Company to fill critical positions with well-prepared internal candidates, ensuring leadership continuity and supporting operational excellence in an evolving business environment.

#### **Employee Engagement and Workplace Culture**

Employee engagement remained a key focus area in fostering a collaborative, inclusive, and value-driven organisational culture. A range of initiatives were implemented during the year to promote employee wellbeing, strengthen teamwork, and enhance a sense of belonging across the organisation.

Engagement activities included employee recognition programmes, wellness and sports initiatives, knowledge-sharing forums, and corporate social responsibility (CSR) participation, enabling employees to contribute meaningfully to both organisational and community-focused initiatives.

Community outreach programmes, including healthcare support initiatives, educational assistance, and disaster relief activities, were carried out with active employee participation, reinforcing a culture of social responsibility and shared purpose.

In addition, structured engagement platforms such as branch visits and organisation-wide events were conducted to strengthen employee connectivity and encourage cross-functional collaboration across the branch network.

These initiatives supported the development of a positive workplace culture, contributing to improved employee morale, engagement, and organisational cohesion.

#### **20th Anniversary Commemorative Initiatives**

In celebration of its 20th Anniversary, Siyapatha Finance PLC commemorated its two-decade-long journey of service, growth, and trust through a series of employee engagement and community-focused initiatives that reflected the Company's values, cultural diversity, and commitment to social responsibility. These initiatives were designed to engage employees and their families, strengthen community relationships, and recognise the collective journey that has shaped the organisation's success over the past two decades.

Key initiatives undertaken during the year included:

##### **Pirith Ceremony and Other Religious Activities**

A Pirith Ceremony was conducted at Siyapatha Tower to invoke blessings for the Company, its employees, their families, and stakeholders as Siyapatha Finance PLC marked its 20th year of service. The ceremony symbolised gratitude for the Company's journey thus far and sought blessings for its future endeavours, reflecting respect for cultural and religious traditions.

## MANAGEMENT DISCUSSION AND ANALYSIS



To invoke blessings for the Company's future journey, a series of solemn religious observances were conducted at the nation's most venerated sites, reflecting the diverse spiritual heritage of our stakeholders. These commemorations included a worship ceremony at the historic Nagadeepa Purana Vihara, a Thanksgiving Holy Mass at the Cathedral of Our Lady of Mount Carmel in Chilaw, and traditional Hindu religious observances at the Nallur Kandaswamy Kovil in Jaffna. Furthermore, as a profound expression of our commitment to social equity and inclusivity, Islamic religious activities and a community outreach programme were conducted at the Muslim Children Development Centre in Kattankudy, with the active participation of both the Management and employees. By integrating these multi-religious observances into our 20th Anniversary celebrations, Siyapatha Finance PLC continues to consolidate its role as a socially responsible national partner, ensuring that our milestone of "Trust Assured" is shared across the rich cultural fabric of Sri Lanka.



### 20th Anniversary Flag Unveiling Ceremony and Signboard

The 20th Anniversary Flag and commemorative signboard were ceremonially unveiled to mark this significant milestone in the Company's history, symbolising its legacy, resilience, and continued commitment to progress.



### "Be a Life Saver" – Blood Donation Campaign

As part of its commitment to social responsibility, Siyapatha Finance PLC organised a blood donation campaign at Siyapatha Tower and across all six regions during the 20th Anniversary celebrations. Employees and members of the public participated voluntarily in support of a national healthcare initiative, with over 550 eligible donors contributing to this life-saving cause. The campaign reflected the Company's values of compassion and community care.



### Release of Balloons

A commemorative balloon release was organised as part of the 20th Anniversary celebrations to symbolise Siyapatha Finance PLC's legacy of service to the nation. Each balloon carried a gift voucher, which could be redeemed at the nearest branch or Head Office by members of the public, promoting community engagement during the anniversary celebrations.

### Distribution of Corporate Gifts to Employees

Commemorative corporate gifts were distributed to employees in appreciation of their contribution and commitment to the Company's long-term growth.

### Screen Saver Competition

A PC screen saver design competition was organised to encourage employee creativity and engagement, allowing participants to showcase their interpretation of the Company's 20-year journey and future aspirations.

### Poson Dansala

A Poson Dansala was organised to serve the community during the Poson season, reinforcing the Company's respect for local traditions and social values.



### Financial Literacy Programmes

As part of the 20th Anniversary celebrations, financial literacy programmes were conducted to enhance financial awareness among customers as well as small and medium-scale entrepreneurs (SMEs). The programmes were attended by long-standing customers, representatives from the state sector, and government officials, reflecting the Company's continued commitment to community empowerment through financial education.

### Long Service Awards

Siyapatha Finance PLC recognised employees who completed 20 years of dedicated service through the Long Service Awards as part of its anniversary celebrations. This initiative acknowledged their loyalty and significant contributions to the Company's growth while reinforcing a culture of recognition and employee engagement.

### 20th Anniversary TikTok Video Competition

A TikTok video competition was organised to encourage employee engagement through a creative digital platform, enabling participants to showcase teamwork, organisational culture, and the spirit of the anniversary celebrations.

### Kids Art Competition

A kids art competition was conducted for the children of employees to celebrate the anniversary in a family-inclusive manner. The initiative encouraged creativity while fostering a sense of belonging among employee families and supporting work-life balance.



### Workforce Resilience and Adaptive HR Practices

The Company continued to proactively address emerging workforce challenges arising from evolving employee expectations, digital transformation requirements, and regulatory developments during the year. A range of targeted human capital initiatives were implemented to strengthen workforce capability, enhance organisational agility, and support sustained business performance.

### Talent Shortages and Skill Gaps

Strengthened workforce planning initiatives and competency-based recruitment practices, supported by targeted hiring campaigns. Talent pipelines were further enhanced through management trainee and school leaver programmes, as well as partnerships with educational institutions to attract emerging professionals with relevant skill sets.

### Employee Retention in a Competitive Talent Market

Implemented structured career development pathways, enhanced learning and development initiatives, flexible work arrangements, employee wellbeing programmes, and recognition frameworks to improve workforce engagement and retention.

### Adapting to Digital Transformation

Expanded digital learning platforms through the Learning Management System (LMS), automated core HR processes, and introduced digital recruitment tools and HR analytics dashboards to support data-driven decision-making.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Maintaining Engagement within a Hybrid Workforce

Increased the frequency of virtual town hall meetings, employee surveys, and focus group discussions, alongside the implementation of inclusive engagement initiatives and team-building programmes to reinforce organisational culture.

### Compliance with Regulatory Requirements

Ensured continuous monitoring of labour laws and regulatory developments through structured policy updates, transparent communication, and consistent governance practices.

### Employee Wellbeing and Workplace Safety

Conducted medical screenings, wellness initiatives, and stress management programmes while strengthening workplace safety practices and emergency support mechanisms across operational locations.

Collectively, these measures enabled Siyapatha Finance PLC to maintain a resilient, skilled, and engaged workforce while aligning human capital practices with strategic business objectives amidst evolving organisational challenges.

### Strategic HR Initiatives Implemented During the Year

Siyapatha Finance PLC continued to strengthen its human capital framework during the year through the implementation of several strategic initiatives aimed at enhancing workforce capability, employee engagement, and organisational effectiveness in a dynamic business environment.

Key initiatives undertaken included:

#### Workforce Planning and Talent Management

Strengthened workforce planning and competency-based recruitment practices to attract and retain high-calibre talent aligned with organisational requirements. Employer branding initiatives and digital recruitment tools were enhanced to improve hiring efficiency and workforce retention.

#### Learning, Development, and Leadership Capability

Expanded digital learning platforms, including the Learning Management System (LMS), to support blended learning approaches encompassing technical, behavioural and leadership development. Targeted training programmes, management trainee development, and role-specific upskilling initiatives were implemented to strengthen leadership capability across key functional areas.

#### Employee Engagement and Organisational Culture

Implemented structured engagement initiatives supported by enhanced internal communication through regular town hall meetings, employee surveys, focus group discussions, and leadership interaction platforms to foster collaboration and organisational cohesion.

#### Performance Management and Rewards

Refined performance management frameworks to reinforce merit-based rewards and recognition aligned with individual performance outcomes and organisational objectives.

### HR Digitalisation and Process Improvements

Advanced HR digitalisation through automation of payroll, leave management, recruitment, and performance management workflows, supported by HR analytics dashboards and enhanced employee self-service platforms.

### Health, Safety, Wellbeing, and Compliance

Strengthened workplace health, safety, and wellbeing initiatives during the year while ensuring continuous monitoring of labour regulations to maintain compliance with statutory and governance requirements.

### HR Achievements and Recognition

During the year, Siyapatha Finance PLC received several recognitions reflecting the strength and maturity of its human capital practices and commitment to excellence in people management.

#### Best Employer Brand Award

For the second consecutive year, Siyapatha Finance PLC was honoured with the Best Employer Brand Award at the 20th Employer Branding Awards organised by the Employer Branding Institute, India. This recognition reflects the Company's sustained commitment to building a strong, value-driven employer brand supported by a compelling employee value proposition.



### CHRO of the Year Award

The Company's human capital leadership was further recognised with the conferment of the prestigious CHRO of the Year Lifetime Achievement Award on Mr. Prasad Udugampola by CHRO Asia. This accolade acknowledges his outstanding leadership, strategic contribution to human capital development, and enduring impact on the HR profession.



### Compliance Champions Quiz 2025 – Demonstrating Governance Excellence

Siyapatha Finance PLC secured 1st place at the Compliance Champions Quiz 2025 organised by the Compliance Forum of the

Finance Houses Association (FHA). The Company also partnered with the Compliance Forum in hosting the Compliance Quiz 2025, with active participation and support from cross-functional teams, reflecting strong employee engagement and a culture of regulatory awareness across the organisation.



### Merit Award at The Great HR Awards 2025

Siyapatha Finance PLC received a Merit Award at The Great HR Awards 2025, organised by the Chartered Institute of Personnel Management (CIPM) Sri Lanka, underscoring the effectiveness and maturity of the Company's HR practices.



### CRIB Award for Data Management and Compliance

Siyapatha Finance PLC was recognised by CRIB Sri Lanka as the Best Performer in Maintaining Highest Validity, reflecting its commitment to excellence in data governance, regulatory compliance, and operational integrity.

### Way Forward and HR Strategic Priorities – 2026

Aligned with Vision 2028, the Human Resources agenda for the year ahead will focus on building a future-ready, digitally enabled, and high-performing workforce to support the long-term growth and sustainability of Siyapatha Finance PLC. The HR function will continue to operate as a strategic partner to the business by strengthening leadership capability, accelerating digital transformation, enhancing employee engagement, and reinforcing a performance-driven culture across the organisation.

### Strategic Talent and Leadership Pipeline

Talent pipelines for critical leadership and specialised roles will be strengthened through structured succession planning and enhanced internal mobility frameworks, ensuring leadership continuity and retention of high-potential talent.

### Digital HR Transformation

The adoption of digital HR platforms, advanced analytics, and AI-enabled solutions will be accelerated to support data-driven workforce planning, improve process efficiency, and elevate the overall employee experience.

### Capability Building and Leadership Excellence

Blended and digital learning initiatives will be expanded to enhance technical, behavioural, and leadership competencies aligned with strategic priorities, supported by clearly defined leadership development pathways.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Employee Engagement and Culture

An inclusive, purpose-driven, and value-based culture will be fostered through targeted engagement, wellbeing, recognition, and CSR initiatives, underpinned by strong communication and feedback mechanisms.

### Performance, Rewards, and Wellbeing

Performance management and merit-based reward frameworks will be further refined to ensure alignment with Vision 2028 objectives while strengthening employee wellbeing, workplace safety, and regulatory compliance.

### Diversity, Equity, and Inclusion (DEI)

DEI will remain a strategic priority, embedding fair and inclusive practices across recruitment, development, and retention processes, supported by inclusive leadership initiatives and mentorship opportunities.

### Employee Experience and Employer Branding

The employee experience will be enhanced through structured onboarding, personalised career development pathways, and flexible work practices while strengthening the Company's employer brand within the non-banking financial services sector.

### Agile Workforce Planning and Future Skills

Agile workforce planning will be implemented to anticipate evolving business needs, identify future skill requirements, and deliver targeted reskilling and upskilling initiatives to maintain competitiveness and adaptability.

### Sustainability and Social Impact Integration

People strategies will increasingly align with corporate sustainability objectives by promoting volunteerism, environmental responsibility, and social value creation as part of the employee value proposition.

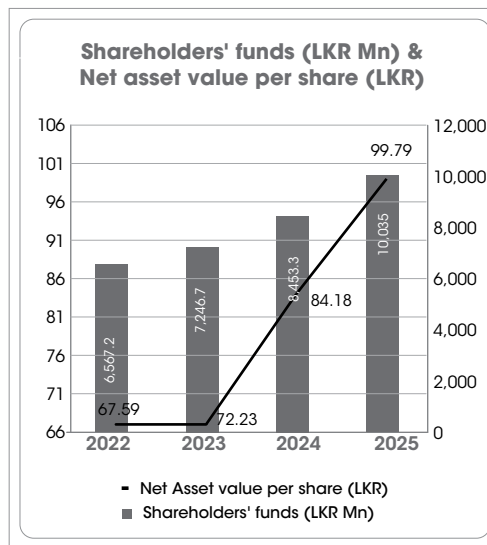
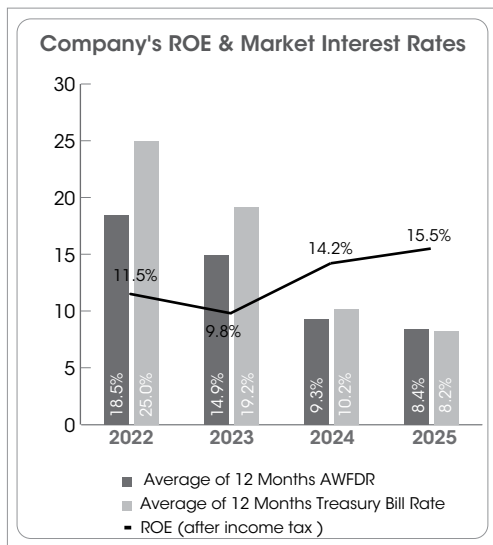
Through these strategic priorities, the HR function will continue to support organisational transformation by strengthening leadership and succession readiness, deepening employee engagement, embedding a culture of excellence, and advancing innovation and sustainability in line with the Company's long-term growth ambitions.

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# INVESTOR INFORMATION

| Value Creation for Shareholders | 2025  | 2024  | Change % |
|---------------------------------|-------|-------|----------|
| Net asset value per share (Rs)  | 99.79 | 84.18 | 18.5     |
| Earnings per share (Rs)         | 15.48 | 11.97 | 29.3     |
| Dividend per share (Rs)         | 0.15  | 0.12  | 25.0     |
| Dividend payout ratio (%)       | 1.00% | 1.00% | -        |

The board of Directors have recommended a script dividend of Rs. 0.15 per share on 100,556,566 ordinary shares, totaling to Rs. 15.08 Mn subject to approval of Shareholders of the Company.



## INFORMATION ON SHARES

|                 | As at 31 December 2025 |               | As at 31 December 2024 |               |
|-----------------|------------------------|---------------|------------------------|---------------|
|                 | Number                 | LKR           | Number                 | LKR           |
| Ordinary Shares | 100,556,566            | 2,883,089,339 | 100,421,363            | 2,872,846,361 |
| Total           | 100,556,566            | 2,883,089,339 | 100,421,363            | 2,872,846,361 |

## Shareholders' list as at 31 December 2025

| Name                        | No: of Shares | % Holding |
|-----------------------------|---------------|-----------|
| (01). Sampath Bank PLC      | 100,556,559   | 100.00%   |
| (02). Mr. P.S.Cumaranatunga | 01            | 0.00%     |
| (03). Mr.Y.S.H.R.S.Silva    | 01            | 0.00%     |
| (04). Mr.J.H.Gunawardena    | 01            | 0.00%     |
| (05). Mr.J.Selvaratnam      | 01            | 0.00%     |
| (06). Ms.H.S.R.Ranatunga    | 01            | 0.00%     |
| (07). Mr.D.Sooriyaarachchi  | 01            | 0.00%     |
| (08). Mr.W. S. C.Perera     | 01            | 0.00%     |
|                             | 100,556,566   | 100.00%   |

## INVESTOR INFORMATION

### PUBLIC HOLDINGS

The percentage of ordinary shares held by the public as at 31 December 2025 was 0%. Directors' / CEO's Holding in Shares as at 31 December 2025.

| Name                  | Position | No: of Shares |
|-----------------------|----------|---------------|
| Mr.P.S.Cumaranatunga  | Director | 01            |
| Mr.Y.S.H.R.S.Silva    | Director | 01            |
| Mr.J.H.Gunawardena    | Director | 01            |
| Mr.J.Selvaratnam      | Director | 01            |
| Ms.H.S.R.Ranatunga    | Director | 01            |
| Mr. D Sooriyaarachchi | Director | 01            |
| Mr.W. S. C.Perera     | Director | 01            |

### DISTRIBUTION OF SHARE OWNERSHIP

|                           | 31-12-2025          |         |               |         | 31-12-2024          |         |               |         |
|---------------------------|---------------------|---------|---------------|---------|---------------------|---------|---------------|---------|
|                           | No: of shareholders | %       | No: of shares | %       | No: of shareholders | %       | No: of shares | %       |
| 1-1,000 shares            | 7                   | 87.50%  | 7             | 0.00%   | 7                   | 87.50%  | 7             | 0.00%   |
| 1,001-10,000 shares       | -                   | 0.00%   | -             | 0.00%   | -                   | 0.00%   | -             | 0.00%   |
| 10,001-100,000 shares     | -                   | 0.00%   | -             | 0.00%   | -                   | 0.00%   | -             | 0.00%   |
| 100,001- 1,000,000 shares | -                   | 0.00%   | -             | 0.00%   | -                   | 0.00%   | -             | 0.00%   |
| over 1,000,000 shares     | 1                   | 12.50%  | 100,556,559   | 100.00% | 1                   | 12.50%  | 100,421,356   | 100.00% |
|                           | 8                   | 100.00% | 100,556,566   | 100.00% | 8                   | 100.00% | 100,421,363   | 100.00% |

### RECORD OF SCRIP ISSUES

| Year | Issue                         | Basis / Proportion | No. of Shares Issued | Consideration per share (LKR) | Consideration to Stated Capital (LKR Mn) | Reason for Issue        |
|------|-------------------------------|--------------------|----------------------|-------------------------------|--|-------------------------|
| 2019 | Final Scrip Dividend for 2018 | 1 for 116.28       | 625,111              | 50.00                         | 31.25                                    | Increase Stated Capital |
| 2020 | Final Scrip Dividend for 2019 | 1 for 25.28        | 2,899,663            | 49.30                         | 142.96                                   | Increase Stated Capital |
| 2021 | Final Scrip Dividend for 2020 | 1 for 37.44        | 2,035,594            | 60.53                         | 123.21                                   | Increase Stated Capital |
| 2022 | Final Scrip Dividend for 2021 | 1 for 17.71        | 5,192,855            | 63.23                         | 328.34                                   | Increase Stated Capital |
| 2023 | Final Scrip Dividend for 2022 | 1 for 30.71        | 3,163,526            | 60.83                         | 192.44                                   | Increase Stated Capital |
| 2024 | Final Scrip Dividend for 2023 | 1 for 1092.60      | 91,826               | 65.02                         | 5.97                                     | Increase Stated Capital |
| 2025 | Final Scrip Dividend for 2024 | 1 for 742.75       | 135,203              | 75.76                         | 10.24                                    | Increase Stated Capital |

### RECORD OF RIGHTS ISSUES

| Year | Issue             | Basis / Proportion | No. of Shares Issued | Price per share (LKR) | Consideration to Stated Capital (LKR Mn) |
|------|-------------------|--------------------|----------------------|-----------------------|--|
| 2018 | Rights Issue 2018 | 40 for 367 held    | 6,250,000            | 40.00                 | 250                                      |
| 2019 | Rights Issue 2019 | 44 for 308 held    | 9,090,910            | 44.00                 | 400                                      |
| 2021 | Rights Issue 2021 | 51 for 283 held    | 13,725,490           | 51.00                 | 700                                      |

**RELATED PARTY TRANSACTIONS EXCEEDING 10% OF THE EQUITY OR 5% OF THE TOTAL ASSETS OF THE COMPANY  
(DISCLOSURE AS PER SECTION 9 OF THE CSE LISTING RULES)**

None of the transactions carried out by the Company with the Related Parties have exceeded the aggregate monetary value of 10% of the shareholder's equity of the Company or 5% of the total assets of the Company as at 31 December 2025.

**INFORMATION ON LISTED DEBENTURES**

**(i).Market Values**

|                      | Highest (LKR.) |            | Lowest (LKR.) |            | Period End (LKR.) |            |
|----------------------|----------------|------------|---------------|------------|-------------------|------------|
|                      | 2025           | 2024       | 2025          | 2024       | 2025              | 2024       |
| Debentures-2021/2026 | Not Traded     | Not Traded | Not Traded    | Not Traded | Not Traded        | Not Traded |
| Debentures-2024/2029 | Not Traded     | Not Traded | Not Traded    | Not Traded | Not Traded        | Not Traded |
| Debentures-2025/2030 | Not Traded     | N/A        | Not Traded    | N/A        | Not Traded        | N/A        |

**(ii).Interest Rates**

|                       | 2025        |                | 2024        |                |
|-----------------------|-------------|----------------|-------------|----------------|
|                       | Coupon Rate | Effective Rate | Coupon Rate | Effective Rate |
| Debentures -2021/2026 | 9.46%       | 9.46%          | 9.46%       | 9.46%          |
| Debentures-2024/2029  | 13.20%      | 13.20%         | 13.20%      | 13.20%         |
| Debentures-2025/2030  | 11.40%      | 11.40%         | N/A         | N/A            |

**(iii).Interest rates of comparable Government Securities**

|                        | 2025-12-31 | 2024-12-31 |
|------------------------|------------|------------|
| 6 months treasury bill | 7.95%      | 8.77%      |
| 1 year treasury bill   | 8.19%      | 8.96%      |
| 5 year treasury bond   | 9.53%      | 10.75%     |

**(iv).Current Yield & Yield to maturity**

|   | 2025              |                       | 2024              |                       |
|---|-------------------|-----------------------|-------------------|-----------------------|
|   | Current Yield (%) | Yield to Maturity (%) | Current Yield (%) | Yield to Maturity (%) |
| Debentures Issued-September 2021                  |                   |                       |                   |                       |
| 5 year Fixed rated(9.46% p.a. payable annually)   | Not Traded        | Not Traded            | Not Traded        | Not Traded            |
| Debentures Issued-June 2024                       |                   |                       |                   |                       |
| 5 year Fixed rated(13.20% p.a. payable annually)  | Not Traded        | Not Traded            | Not Traded        | Not Traded            |
| Debentures Issued-June 2025                       |                   |                       |                   |                       |
| 5 year Fixed rated (11.40% p.a. payable annually) | Not Traded        | Not Traded            | N/A               | N/A                   |

**(v).Ratios**

|                              | 31-12-2025 | 31-12-2024 |
|------------------------------|------------|------------|
| Debt to Equity Ratio (Times) | 3.09       | 2.07       |
| Interest Cover(Times)        | 1.45       | 1.40       |
| Quick Asset Ratio (%)        | 130.20%    | 116.06%    |

## BOARD OF DIRECTORS



**MR. SUMITH CUMARANATUNGA**  
Chairman  
Independent Non-Executive Director

APPOINTED TO THE BOARD AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR ON 30 OCTOBER 2017 AND APPOINTED AS THE CHAIRMAN OF THE BOARD OF DIRECTORS ON 12 FEBRUARY 2020.

### QUALIFICATIONS, SKILLS AND EXPERIENCE:

He previously held the positions of Chairman and Managing Director of the David Pieris Group of Companies, where he served a tenure spanning thirty years and nine months. During this time, he functioned as a Director for 24 years and prior to that as the General Manager for two years. His journey with the Company began as an Accountant on 01 July 1985 and he subsequently retired as the Chairman on 31 March 2016.

During his tenure at the David Pieris Group of Companies, the organization transformed from a relatively small business unit in a single location with a turnover of LKR 43.3 Mn and a net profit of LKR 311,000 in 1985/86, to one of the most profitable, professionally managed conglomerates in Sri

Lanka, with a turnover of LKR 86.2 Bn and a net profit of LKR 11.1 Bn in 2015/16, an island-wide reach and a consistent track record of exceptional performance, successfully overcoming numerous challenges. The David Pieris Group of Companies was at the forefront of automotive, financial services, information technology and logistics businesses, with industry leadership in many spheres, breaching LKR 10 Bn in net profit thrice in five years, from 2011/12 to 2015/16.

He also served as the Chairman of Assetline Leasing Company from 13 October 2010 to 01 April 2015, during which period the Company was among the most profitable entities in the finance leasing industry.

He is a Chartered Management Accountant (CGMA ACMAUK), a Certified Practising Accountant (CPA), and a Member of the Chartered Institute of Marketing (DipM MCIM).

### CURRENT APPOINTMENTS:

Currently, he serves as the Chairman of Suvimie Associates (Pvt) Ltd, a Company engaged in global trading, plantations and sustainable energy.

### FORMER APPOINTMENTS:

He commenced his career as an Executive at Ceylon Shipping Lines Ltd in 1981. In 1985, he joined Richard Pieris and Company Ltd as the first Accountant of Richard Pieris Motor Company Ltd (subsequently David Pieris Motor Company Ltd). Throughout his career, he was extensively involved both strategically and operationally, in the disciplines of finance & accounting, sales & marketing, information communication technology and operations. He served as a Council Member of the University of Colombo from 27 January 2020 to 20 April 2022.

### MEMBERSHIP OF BOARD SUBCOMMITTEES:

He currently serves as a Member of the Board Audit Committee, the Board Human Resources and Remuneration Committee, and the Board Nominations and Governance Committee. During 2025, he served as a Member of the Board Integrated Risk Management Committee and the Board Human Resources and Remuneration Committee until 26 August 2025, and on the Board Nominations Committee until 30 September 2025. He was re-appointed to the Board Human Resources and Remuneration Committee, and appointed to the Board Nominations and Governance Committee on 2 February 2026.



**MR. RUSHANKA SILVA**  
Deputy Chairman  
Non-Independent Non-Executive Director

APPOINTED TO THE BOARD AS A NON-INDEPENDENT NON-EXECUTIVE DIRECTOR ON 1 JUNE 2018 AND SUBSEQUENTLY APPOINTED AS THE DEPUTY CHAIRMAN OF THE BOARD ON 26 MAY 2020.

### QUALIFICATIONS, SKILLS AND EXPERIENCE:

He is a dedicated professional with a solid background in Management Accounting, Marketing and Sales. An Associate Member of the Chartered Institute of Management Accountants, UK (ACMA). A strategic and creative thinker who has proven his ability to develop strong client relationships quickly and promote teamwork efficiently.

A leader with a rich mixture of experience and successes in the business world, having completed his secondary education at Trinity College, Kandy, holds a Masters in Business Administration from the University of Western Sydney, Australia and an alumnus of Harvard Business School (USA).

### CURRENT APPOINTMENTS:

He is the Chairman of Sampath Information Technology Solutions Ltd, the Deputy Chairman of Sampath Bank PLC, the Managing Director of Indra Traders (Pvt) Ltd, Director of Indra Motor Spares (Pvt) Ltd, Indra Property Development (Pvt) Ltd, Indra Service Park (Pvt) Ltd, Suntech Solutions (Pvt) Ltd, Mirigama Solar (Pvt) Ltd, the Chairman of Indra Hotels & Resort Kandy (Pvt) Ltd, Braybrooke Residential Properties (Pvt) Ltd and Braybrooke Residential Towers (Pvt) Ltd.

### FORMER APPOINTMENTS:

He was a Director of Sampath Center Limited and Non-Independent Non-Executive Director of Serendib Finance Limited.

### MEMBERSHIP OF BOARD SUBCOMMITTEES:

He currently serves as a Member of the Board Nominations and Governance Committee. During 2025, he was appointed as a Member of the Board Human Resources and Remuneration Committee on 26 August 2025 and served until 2 February 2026. He also served as a Member of the Board Nominations Committee until 30 September 2025.



### MR. ANANDA SENEVIRATNE

Managing Director  
Executive Director

APPOINTED AND ASSUMED DUTIES AS THE MANAGING DIRECTOR AND ALSO SERVED AS AN EXECUTIVE DIRECTOR OF SIYAPATHA FINANCE PLC FROM 1 MARCH 2019 UNTIL HIS RETIREMENT ON 31 DECEMBER 2025.

### QUALIFICATIONS, SKILLS AND EXPERIENCE:

Possessing over 37 years of working experience in various local and international institutions, a fellow member of the Institute of Chartered Accountants of Sri Lanka. He graduated in the Business Administration field from the University of Sri Jayewardenepura and holds a Masters in Business Administration from the University of Colombo. He served at Nestle Lanka Limited for a period of 17 years from May 1991 to June 2008, performing duties at various Senior Managerial levels. His tenure at Nestle commenced as the Head of Internal Audit and continued in the same position until 1995. Thereafter, he moved to the Financial Accounting Department as the Head of Financial Accounting in 1995 and in 1999 he was transferred to Nestle Middle East as the Business Excellence Manager until 2002 and

assumed duties as the Head of Procurement in Nestle Lanka Limited. In 2008, he joined Loadstar (Pvt) Ltd as Director/General Manager of Procurement and continued up until 2009. Subsequently, he joined Assetline Leasing Company Limited in 2009 as Director of Operations and promoted to Director/Chief Executive Officer in 2015. He was awarded the Pradheepa Panama Scholarly Award in 2025, by the Alumni of the University of Sri Jayewardenepura in recognition of his contributions to the country's finance sector.

### FORMER APPOINTMENTS:

Chairman of the Leasing Association of Sri Lanka from 2016 to 2018 and simultaneously he was a Board Member of the Credit Information Bureau of Sri Lanka (CRIB) and David Pieris Global Ventures (Pvt) Ltd. The Chairman of Finance Houses Association of Sri Lanka from 2022 to 2024. In addition, he served as ex-officio member of the Stakeholder Engagement Committee (SEC) of the Central Bank of Sri Lanka (CBSL) until 31 December 2024.

### MEMBERSHIP OF BOARD SUBCOMMITTEES:

He served as a Member of the Board Credit Committee and the Board Information Technology Committee.

During 2025, he also attended by invitation, meetings of the Board Human Resources and Remuneration Committee, the Board Nominations Committee, the Board Related Party Transactions Review Committee, the Board Integrated Risk Management Committee, the Board Corporate Governance Committee and the Board Audit Committee.

## BOARD OF DIRECTORS



**MR. JANAKAN SELVARTNAM**

**Non-Independent Non- Executive Director**

APPOINTED TO THE BOARD AS A NON-INDEPENDENT NON-EXECUTIVE DIRECTOR ON 18 DECEMBER 2018.

### QUALIFICATIONS, SKILLS AND EXPERIENCE:

In his last role, a career spanning 25 years with Citibank N.A., Sri Lanka, he was the Vice President heading the Local Corporate Bank & Public Sector for the Sri Lankan franchise. The scope of his responsibilities included the managing of client portfolios in corporate, multinational, non-banking financial and public sector segments. In addition, he has wide spread experience in corporate governance, compliance, credit and risk management and banking operations. Whilst at Citibank N.A., he was a member of the Bank's Management Committee and served on the Assets & Liability Committee, Bank's Integrated Risk Management Committee and the Credit Committee. He has received extensive training and exposure under the bank's executive development and leadership programs. He holds a Post Graduate Diploma in Business Administration from the University of Wales (Prifysgol Cymru) and a Diploma in Banking from the Institute of Bankers of Sri Lanka. He engages in business development and consultancies in the Banking, Non-

Banking Financial Institutions, Insurance Brokerage and Corporate Sectors.

### CURRENT APPOINTMENTS:

He serves as an Independent Non-Executive Director of Palm Garden Hotels PLC and Eden Hotel Lanka PLC w.e.f. 1 January 2025. He is the Chairman of the Nomination and Governance Committee and a member of the Audit Committee, Related Party Transaction Review Committee and Remuneration Committee of both Companies.

He also serves as an Independent member of the Board Audit Committee of the Hirdaramani Group.

### FORMER APPOINTMENTS:

He served as a Consultant to the Board Credit Committee of Sampath Bank PLC, providing advisory services on corporate and commercial banking credit risk evaluation and approval, as well as on strategy and credit quality expansion.

He commenced his career at Citibank N.A., Sri Lanka in 1990. He held several key leadership positions which include Head of Sales and Marketing for Commercial Banking and Vice President, Head Local Corporate Bank and Public Sector at Citibank N A until 2015. Subsequently, he served as Consultant on Risk Management to the Board of Directors of Richard Pieris Finance PLC and as a Consultant to Foresight Insurance Brokers (Pvt) Ltd.

### MEMBERSHIP OF BOARD SUBCOMMITTEES:

He currently serves as the Chairman of the Board Credit Committee and as a member of the Board Integrated Risk Management Committee and Board Related Party Transactions Review Committee. During 2025, he served as a member of the Board Nominations and Governance Committee from 30 September 2025 to 2 February 2026. He was a member of the Board Related Party Transactions Review Committee until 26 August 2025 and was reappointed on 2 February 2026.



**MR. JAYANTHA GUNAWARDENA**

**Independent Non-Executive Director**

APPOINTED TO THE BOARD AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR ON 29 JANUARY 2019.

### QUALIFICATIONS, SKILLS AND EXPERIENCE AND PREVIOUS APPOINTMENTS:

He had a distinguished career at Standard Chartered Bank, Colombo holding several senior managerial positions such as Imports Manager, Exports Manager, Manager Trade Services, and Senior Treasury Dealer, with extensive knowledge and experience in Trade Services (International Operations), Treasury Operations, Retail Banking Operations, Corporate Credit, Internal Control and Inspection and Credit Administration spanning over 23 years. At the time of his early retirement, he held the position of Manager Quality Control and Operational Risks where he was mainly responsible for maintaining a stronger Control environment in the Bank. Further, he was acting as the Anti-Money Laundering Monitoring Officer responsible for reporting suspicious transactions to the Financial Intelligence Unit of the Central Bank of Sri Lanka.

Subsequent to his early retirement from the Bank, he joined M/s. Ernst & Young Chartered Accountants, Colombo. At Ernst & Young, as the Investigations Manager, he was involved in investigations and Internal /External audits related to complex areas such as Treasury Operations, Trade Services, Retail and Corporate Banking Operations in leading licensed Commercial Banks of Sri Lanka such as People's Bank, Bank of Ceylon, Commercial Bank of Ceylon PLC, Sampath Bank PLC, National Savings Bank, NDB Bank, Merchant Bank of Sri Lanka and People's Merchant Bank.

He was also responsible for carrying out Corporate Governance Compliance Audits for number of years at several leading licensed Commercial Banks and Registered Finance Companies to comply with the CBSL directions.

Mr. Gunawardena holds a Postgraduate Diploma in Bank Management and AIB Sri Lanka Part 1 offered by the Institute of Bankers of Sri Lanka.

#### **MEMBERSHIP OF BOARD SUBCOMMITTEES:**

He currently serves as the Chairman of the Board Integrated Risk Management Committee and the Board Related Party Transactions Review Committee and a member of the Board Nominations and Governance Committee. He served as a Member of the Board Audit Committee until 26 August 2025 and was appointed as a Member of the Board Human Resources and Remuneration Committee on 2 February 2026.



#### **MR. DEEPAL SOORIYAARACHCHI**

##### **Non-Independent Non-Executive Director**

APPOINTED TO THE BOARD AS A NON-INDEPENDENT NON-EXECUTIVE DIRECTOR ON 20 NOVEMBER 2019, RE-DESIGNATED AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR WITH EFFECT FROM 23 FEBRUARY 2021 AND RE-CLASSIFIED AS A NON-INDEPENDENT NON-EXECUTIVE DIRECTOR W.E.F 2 FEBRUARY 2026.

#### **QUALIFICATIONS, SKILLS AND EXPERIENCE:**

Counts over 40 years' experience in Sales, Advertising, Marketing, Human Resources Development and Strategy with extensive experience in the field of Insurance. Out of that over 15 years at Board Level. A fellow Member of the Chartered Institute of Marketing UK and Sri Lanka Institute of Marketing. Holds a Masters of Business Administration from the University of Sri Jayewardenapura. Pioneered disseminating Management knowledge in Sinhala. Mr. Sooriyaarachchi is a leading Management Development Consultant, Author, Accredited Master Coach and Master Mentor.

#### **CURRENT APPOINTMENTS:**

Non-Executive Director of AIA Insurance Lanka Limited, Singer Sri Lanka PLC, Kelani Cables PLC, Prime Lands Residencies PLC, Lanka Shipping and Logistics (Pvt) Ltd, Non-Executive Director of Pan Asian Power PLC, Consulting Partner – RBL Group USA, a Member of the Board of Management of the Postgraduate Institute of Management (PIM), Managing Director of SAIT Human Development Institute (Pvt) Ltd.

#### **FORMER APPOINTMENTS:**

He served on the Board of Sampath Bank PLC as an Independent, Non – Executive Director. He was a past President of Sri Lanka Institute of Marketing, Managing Director of Aviva NDB Insurance PLC and Commissioner of the Sri Lanka Inventors' Commission.

#### **MEMBERSHIP IN BOARD SUBCOMMITTEES:**

He currently serves as a Member of the Board Information Technology Committee. He served as the Chairman of the Board Nominations and Governance Committee, the Board Related Party Transactions Review Committee, and the Board Human Resources and Remuneration Committee until 2 February 2026, and continues to serve as a member of these Committees.

## BOARD OF DIRECTORS



**MR. SHIRAN PERERA**

**Non-Independent Non-Executive Director**

APPOINTED TO THE BOARD AS A NON-INDEPENDENT NON-EXECUTIVE DIRECTOR ON 16 JANUARY 2020.

### QUALIFICATIONS, SKILLS AND EXPERIENCE AND FORMER APPOINTMENTS:

He counts over 25 years of corporate experience in the Information Technology and Engineering Industry. He holds an Honors degree in Engineering from the University of Moratuwa. He gained 25 years of experience by closely collaborating with CXOs, Consultants and Professional bodies and Industry groups to understand the market dynamics,

industry trends and adoption of technology to bring business values to organizations. He started his career in 1993 as a Manager of IBM World Trade Corporation, thereafter as Operations Manager to Stretchline (Pvt) Ltd - MAS Group, Chief Operating Officer to Stretchline - Indonesia - MAS Group, General Manager of IMAS Corporate Software - Ceylinco Group, Chief Executive Officer - Blue Chip Customer Engineering and Country General Manager - Hewlett Packard.

He was a Director of Hewlett Packard Lanka (Pvt) Ltd.

### CURRENT APPOINTMENTS:

He serves as a Non-Executive Director on the Board of Sampath Information Technology Solutions Ltd.

### MEMBERSHIP OF BOARD SUBCOMMITTEES:

He currently serves as the Chairman of the Board Information Technology Committee and a member of the Board Credit Committee, the Board Integrated Risk Management Committee, and the Board Human Resources and Remuneration Committee.



**MS. SRIYANI RANATUNGA**

**Independent Non-Executive Director**

APPOINTED TO THE BOARD AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR ON 28 JANUARY 2020.

### QUALIFICATIONS, SKILLS AND EXPERIENCE:

She is a Fellow Member of The Chartered Institute of Management Accountants, UK (FCMA-UK), Chartered Global Management Accountants (CGMA), and She holds an MBA from Postgraduate Institute of Management, University of Sri Jayewardenepura and She holds a MA in Economics from the University of Colombo. She retired from DFCC Bank PLC as a Vice President, after serving the bank for 20 years in the fields of Internal Audit, Credit Administration and Corporate Banking. Prior to DFCC Ms. Ranatunga has worked at several mercantile sector organizations in the fields of Accounting & Finance and commenced her career at Property Development Ltd (a subsidiary of Bank of Ceylon). She worked as an Accountant at Lanka Queen International (Pvt) Ltd,

Metropolitan Group of Companies, Bauer Ceylon (Pvt) Ltd, covering over 16 years of experience.

She served as a Council/Board member of CIMA Sri Lanka Division for over a period of 10 years and chaired a few committees such as Member Services Committee, Students Services Committee, IT Committee, Library Committee, Student Growth Committee etc.

She is a Past President of the Rotary Club of Cinnamon Gardens. She served as the Honorary Treasurer of the Rotary International District 3220 Sri Lanka and Maldives for the years to, 2014/15 & 2018/19 and 2019/20.

She has served as a Vice President of the Organisation of Professional Associations of Sri Lanka for three consecutive years from 2013/14 to 2015/16

#### **FORMER APPOINTMENTS:**

She served as a Council/Board member of CIMA Sri Lanka and as Vice President of the Organization of Professional Associations of Sri Lanka.

#### **MEMBERSHIP OF BOARD SUBCOMMITTEES:**

She currently serves as a Member of the Board Human Resources and Remuneration Committee and was appointed Chairperson with effect from 2 February 2026. She also serves as a member of the Board Credit Committee and the Board Related Party Transactions Review Committee. She is also a member of Board Integrated Risk Management Committee and the Board Nominations and Governance Committee with effect from 30 September 2025. She served as a member of the Board Audit Committee until 30 September 2025.



**MR. LAKNATH JAYAWICKRAMA**  
Independent Non-Executive Director

APPOINTED TO THE BOARD AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR ON 29 JANUARY 2024.

#### **QUALIFICATIONS, SKILLS AND EXPERIENCE:**

He is a Governing Council Member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) from 2022. He counts over 21 years of post-qualifying experience and spent over a decade with the Global Accounting Firm PricewaterhouseCoopers (PwC) in Sri Lanka, Southern Africa and in East Asia. Subsequently, he joined a conglomerate based in Singapore overseeing Tax & regulatory matters in number of countries including Indonesia, Malaysia, Singapore and India. He was admitted as a partner of a leading law firm in Sri Lanka before embarking as an Independent Practitioner. His practice areas include finance, tax, legal services and forensic accounting.

He has also been serving as a visiting lecturer for finance, tax and legal subjects in the University of Sri Jayawardenepura, General Sir John Kotelawala Defense University, SLTC Research University, Chartered Institute of Taxation, and the CA Sri Lanka. He has also been a resource person for a number of training programs conducted locally and overseas. Mr. Jayawickrama obtained B.Sc. (Accountancy & Financial Management) Special degree from the University of Sri Jayawardenepura and a Bachelor of Laws degree from the Open University of Sri Lanka. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. Further, he is also an attorney-at-Law at the Supreme Court of Sri Lanka.

#### **CURRENT APPOINTMENTS:**

He is the Chairman of the School of Taxation in CA Sri Lanka whereas he was the Chairman of its Business School during 2022-2023 period. He is a member of the Committee on Insolvency of the South Asian Federation of Accountants (SAFA). He is also a Commission Member of the Securities & Exchange Commission of Sri Lanka.

#### **MEMBERSHIP OF BOARD SUBCOMMITTEES:**

Currently, he serves as the Chairman of the Board Audit Committee and as a Member of the Board Information Technology Committee and the Board Related Party Transactions Review Committee of the Company. He has stepped down from the Board Integrated Risk Management Committee and the Board Corporate Governance Committee on 30 September 2025.

## BOARD OF DIRECTORS



### MR. DEEPTHI LOKUARACHCHI

#### Non-Independent Non-Executive Director

APPOINTED TO THE BOARD AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR ON 15 SEPTEMBER 2025 AND WAS RE-CLASSIFIED AS A NON-INDEPENDENT NON-EXECUTIVE W.E.F 2 FEBRUARY 2026.

#### QUALIFICATIONS, SKILLS AND EXPERIENCE:

He holds a Bachelor of Laws (LLB) from the University of Colombo and is an Attorney-at-Law of the Supreme Court of Sri Lanka. He is also an Associate Member of the Chartered Insurance Institute (ACII), United Kingdom. With over 32 years of Senior Leadership experience, he has built a distinguished career across Sri Lanka's Insurance and Healthcare Sectors. His expertise includes strategic leadership, Corporate Governance, financial turnaround, Risk Management, and Operational Excellence.

He most recently served as the Group Chief Executive Officer of Lanka Hospitals Corporation PLC until his retirement in July 2025. During his tenure, the organization delivered strong financial performance and earned significant industry recognition, including being rated the best-performing listed hospital in Sri Lanka for the 2023/2024 financial year. He is widely respected for driving

sustainable growth, strengthening governance frameworks, and successfully leading complex, highly regulated organizations.

#### CURRENT APPOINTMENTS:

He currently serves as an Independent Non-Executive Director of AIA Insurance Lanka Limited and People's Bank.

#### FORMER APPOINTMENTS:

He has held several Senior Executive and Board-level positions, including the Group Chief Executive Officer of Lanka Hospitals Corporation PLC (July 2020 – July 2025), the Managing Director and the Chief Executive Officer of HNB Assurance PLC and HNB General Insurance Ltd (May 2016 – July 2020), the Chief Executive Officer of Sri Lanka Insurance Corporation Ltd (April 2014 – April 2016), and the Chief Executive Officer of Orient Insurance Ltd (October 2011 – April 2014).

Earlier in his career, he served as the Assistant Managing Director of Hayleys AIG Insurance Ltd (July 2008 – October 2011) and held various Senior Management roles at AIA Insurance Lanka Limited (formerly known as Eagle Insurance PLC) from 1993 to 2008.

In addition, he has served as an Independent Non-Executive Director of Allianz Insurance Lanka Ltd and Allianz Life Insurance Lanka Ltd, President of the Insurance Association of Sri Lanka, and President of the Insurance Institute of Sri Lanka. He has also been a member of the Financial System Stability Consultative Committee of the Central Bank of Sri Lanka and a member of the Ministry of Defence Committee on Maritime Risk.

#### MEMBERSHIP OF BOARD SUBCOMMITTEES:

He currently serves as a Member of the Board Audit Committee and served as a member of the Board Human Resources and Remuneration Committee from 30 September 2025 to 2 February 2026

## KEY RESPONSIBLE PERSONS



**Mr. Mathisha Hewavitharana**  
Chief Executive Officer



**Mr. Rajeev De Silva**  
Chief Operating Officer



**Mr. Prasad Udugampola**  
Chief Human Resources Officer



**Mr. Ruwan Wanniarachchi**  
Chief Financial Officer



**Ms. Mahika Rajakaruna**  
Chief Compliance Officer



**Mr. Hisham Ziard**  
Chief Marketing Officer



**Mr. Thilak Adikari**  
Chief Recoveries Officer



**Mr. Kapila Jayasinghe**  
Head of Internal Audit



**Mr. Suranwan Wickramasuriya**  
Head of Information Security  
and Compliance

**KEY RESPONSIBLE PERSONS**

**Ms. Shamila Kalani**  
Acting Head of Risk

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**Ms. Arosha Berugoda**  
Company Secretary

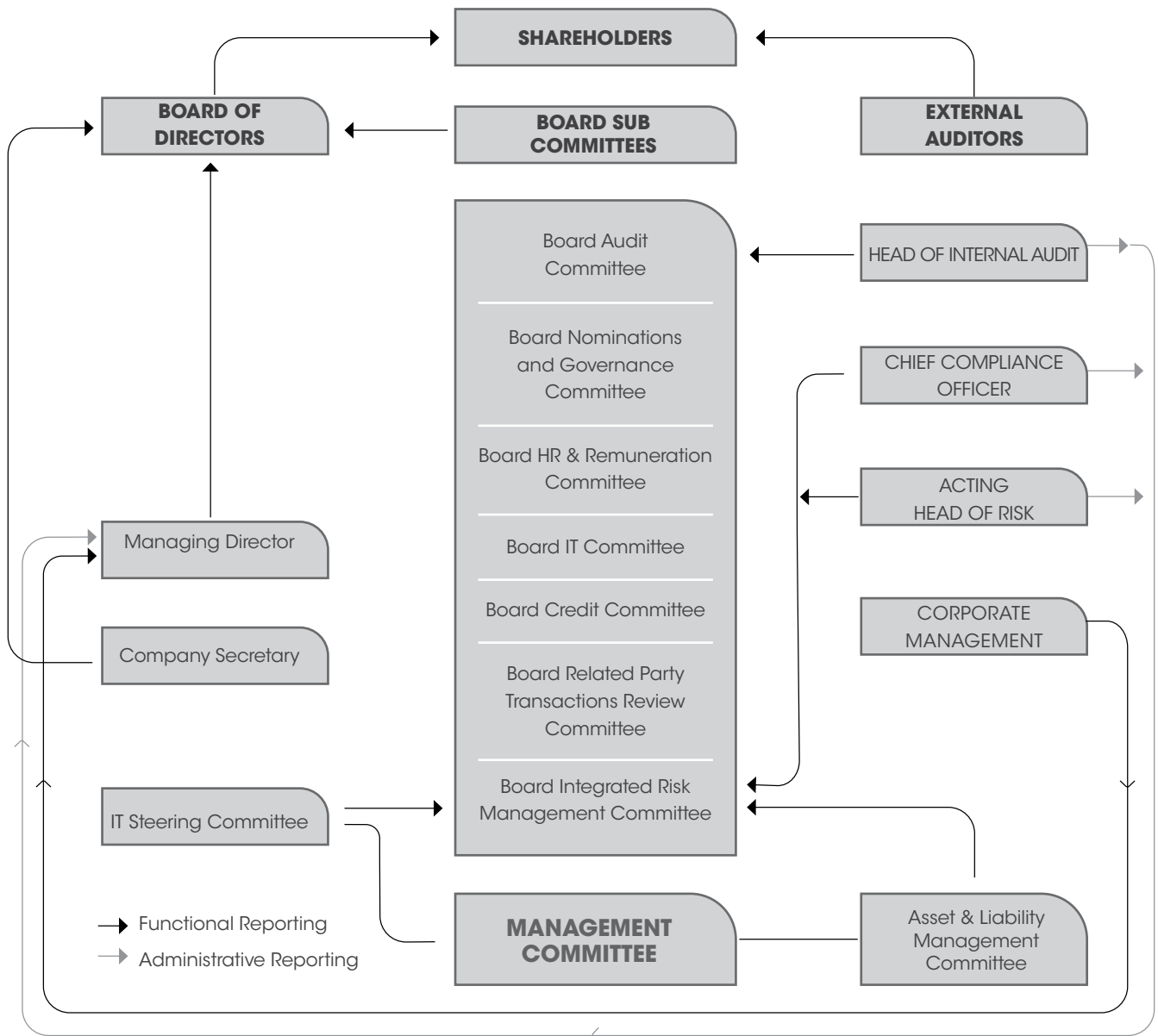
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# CORPORATE GOVERNANCE REPORT

Siyapatha Finance PLC recognizes that strong corporate governance is the foundation of long-term success, competitiveness and sustainable growth. As a Licensed Finance Company in Sri Lanka, we are committed to upholding the highest standards of governance, ensuring transparency, accountability and integrity across all our operations.

Our Corporate Governance Framework provides a structured approach to decision-making, oversight and risk management. Built on performance independence and compliance it guides the Board of Directors in fulfilling their fiduciary duties and meeting stakeholder expectations. The framework integrates regulatory requirements, best practice codes and internal policies, fostering trust among shareholders, customers, employees and other stakeholders.

## GOVERNANCE STRUCTURE



## CORPORATE GOVERNANCE REPORT

The Board of Directors is responsible for providing strategic direction, approving business plans and budgets, monitoring financial performance, overseeing risk management, risk appetite and internal controls and promoting ethical behavior and accountability. To support these responsibilities, the Board has established several sub-committees:

- Board Audit Committee
- Board Integrated Risk Management Committee
- Board Nominations and Governance Committee
- Board HR and Remuneration Committee
- Board IT Committee
- Board Credit Committee
- Board Related Party Transaction Review Committee

This report highlights Company's governance structures, board and committee responsibilities and risk management practices. By embedding good governance into all aspects of its operations, the Company aims to strengthen competitiveness, ensure stakeholder confidence and support sustainable growth.

### GOVERNANCE FRAMEWORK

Siyapatha Finance PLC's Corporate Governance framework complies with the following:

#### Regulatory Requirements

- Companies (Amendment) Act No. 23 of 2024.
- Finance Business Act No. 42 of 2011
- Finance Leasing Act No. 56 of 2000
- The Finance Companies Directions, rules, determinations, notices, and guidelines applicable to Licensed Finance Companies issued by the Central Bank of Sri Lanka in terms of the Finance Business Act Directions No.05 of 2021 on Corporate Governance and Finance Business Act Directions No.06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons.
- The Listing Rules of the Colombo Stock Exchange.

#### Voluntary Best Practices

- The Code of best Practice on Corporate Governance 2023 issued by CA Sri Lanka.

The Annual Report of the Board of Directors on the State of Affairs of the Company on pages 180 to 187 provides insights into how the Company complies with the requirements of the Companies (Amendment) Act No. 23 of 2024. Compliance with the Finance Business Act Directions No. 05 of 2021 on Corporate Governance is set out on pages 53 to 100 providing an overview of the governance mechanisms in place at the Company.

**The Finance Business Act Directions No.05 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka for Licensed Finance Companies.**

| Section  | Corporate Governance Principle  | Level of Compliance | Extent of Compliance  |
|----------|---|---------------------|---|
| <b>1</b> | <b>BOARD'S OVERALL RESPONSIBILITIES</b>   |                     |   |
| 1.1      | The Board shall have overall responsibility and accountability for the Finance Company (Company), including approving and overseeing management's implementation of the Company's corporate strategy, setting up the governance framework, establishing corporate culture and ensuring compliance with regulatory requirements. The Board shall carry out the functions listed in Direction 1.2 to 1.7 below in effectively discharging its responsibilities. | Complied            | The Board-approved Strategic Business Plan for 2025–2027 is in place, ensuring alignment with the Company's objectives. The Board and the Management are fully aware of the strategic objectives and the Company's values, which have been effectively communicated across the Company.<br><br>Additionally, the Strategic Plan for 2025–2027 has been approved by the Board and is now established, ensuring continuity and alignment with the Company's vision.   |
| 1.2      | Corporate Strategy and Governance Framework   |                     |   |
| 1.2.a    | Approving and overseeing the implementation of strategic objectives, including, the overall business strategy with measurable goals for at least the next three years and update annually in light of the current developments.   | Complied            | The Board approved Strategic Plan for 2025–2027 and projected financial statements/ budget for the year 2026 are in place.<br><br>The Board measures corporate performance against predetermined goals. The Company's Strategic Plan for 2025–2027 includes measurable goals for the next three years.  |
| 1.2.b    | Approving and implementing Company's governance framework in the light of the Company's size, complexity, business strategy and regulatory requirements.  | Complied            | The Board approved governance framework is in place.  |
| 1.2.c    | Assessing the effectiveness of its governance framework periodically  | Complied            | The governance framework is assessed annually by the Board of Directors.  |
| 1.2.d    | Appointing the chairman and the chief executive officer and define the roles and responsibilities.  | Complied            | The Board approved functions and responsibilities of the Managing Director and Chairman is in place which complies with the section 6.4 and 6.5 of the Finance Business Act Direction 05 of 2021.<br><br>The Chairman and Managing Director positions are held by separate individuals. The roles of the Chairman and the Managing Director are clearly distinct from one another.<br><br>The Board has clearly documented, defined and separated the functions of the Chairman and the Managing Director thereby preventing unfettered powers of decision-making being vested in one individual. |

## CORPORATE GOVERNANCE REPORT

| Section | Corporate Governance Principle   | Level of Compliance | Extent of Compliance  |
|---------|--|---------------------|---|
|         |  |                     | <p>There is a clear division of responsibilities between conducting the business of the Board and the day-to-day operations of the Company in order to ensure a balance of power and authority.</p> <p>The Chairman is responsible for leading the Board and ensuring its effectiveness.</p> <p>The Managing Director's role is primarily to conduct the business operations of the Company with the help of Corporate Management.</p>  |
| 1.3     | Corporate Culture and Values   |                     |   |
| 1.3.a   | Ensuring that there is a sound corporate culture within the Company which reinforces ethical, prudent and professional behavior                            | Complied            | <p>The Company invests in building Human Resources culture and there is a people management strategy in place that focuses on leadership and management culture, and embeds cultural values across all levels of the organization. A Board approved Code of Conduct for employees is in place.</p> <p>The Code of Conduct translates generic values into more specific policies and guidance, which in turn influences behaviour. The Code of Conduct emphasize that the Company sees the value in acting with integrity.</p> |
| 1.3.b   | Playing a lead role in establishing the Company's corporate culture and values, including developing a code of conduct and managing conflicts of interest. | Complied            | <p>The Board approved Code of Conduct is available to all employees including the Board of Directors.</p> <p>This Code focuses mainly on the following areas:</p> <p>Fair dealing, protection, and proper use of the Company's assets, record-keeping and reporting, accounting and financial reporting concerns, reporting illegal or unethical behaviour, discrimination and harassment, health and safety, discipline, etc.</p>  |

| Section | Corporate Governance Principle   | Level of Compliance | Extent of Compliance   |
|---------|--|---------------------|--|
| 1.3.c   | Promoting sustainable finance through appropriate environmental, social and governance considerations in the Company's business strategies.  | Complied            | Sustainable development goals are included in the Board approved Strategic Plan 2025 - 2027.   |
| 1.3.d   | Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, in the view of projecting a balanced view of the Company's performance, position and prospects in public and regulators. | Complied            | <p>The Board approved Communication Policy is in place which covers all stakeholders including Depositors, Creditors, Shareholders, and Borrowers.</p> <p>The Board of Directors, officers and employees comply with the policy in order to ensure effective communication for the best interests of all stakeholders.</p>   |
| 1.4     | Risk Appetite, Risk Management and Internal Controls   |                     |  |
| 1.4.a   | Establishing and reviewing the Risk Appetite Statement (RAS) in line with Company's business strategy and governance framework.  | Complied            | The Board approved Risk Appetite Statement (RAS) is in place which is in line with Company's business strategy and governance framework.   |
| 1.4.b   | Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.  | Complied            | Risk indicators and monitoring pertaining to Credit Risk, Market Risk, Operational Risks and other residual risks are discussed and appropriate mitigating actions are recommended at the BIRMC meeting.   |
| 1.4.c   | Adopting and reviewing the adequacy and the effectiveness of the Company's internal control systems and management information systems periodically.   | Complied            | The Board Audit Committee assists the Board in assessing the adequacy and integrity of the internal controls system, Management Information System (MIS) and financial reporting processes of the Company. The Internal Audit Department helps the process by carrying out audits to assess the internal controls over financial reporting and MIS. The Board reviews the adequacy and integrity of the MIS through the critical Management Information reports submitted by the Internal Audit Department of the Company. Further, the External Auditors were engaged in providing assurance on the Directors' Responsibility Statement on Internal Controls over financial reporting included in the annual report and their opinion was submitted to the Board. |

## CORPORATE GOVERNANCE REPORT

| Section | Corporate Governance Principle  | Level of Compliance | Extent of Compliance   |
|---------|---|---------------------|--|
| 1.4.d   | Approving and overseeing business continuity and disaster recovery plan for the Company to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.        | Complied            | Board approved comprehensive Business Continuity and Disaster Recovery Plan is in place. BCP is being reviewed by the BIRMC and the current status is updated at meetings.   |
| 1.5     | Board Commitment and Competency   |                     |  |
| 1.5.a   | All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the Company  | Complied            | The views of the Board of Directors on issues under consideration are ascertained and a record of such deliberations are reflected in the minutes. Further, the Board is in complete control of the Company's affairs and aware of its obligations to all shareholders and other stakeholders.   |
| 1.5.b   | All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience.  | Complied            | All members of the Board possess with knowledge, expertise and experience in different business sectors which has added value to the Company and their diversity of experience brought about better judgment in matters relating to strategy, performance and resources. The Profiles of the Directors are on pages 42 to 48.  |
| 1.5.c   | The Board shall regularly review and agree the training and development needs of all the members.   | Complied            | Directors have recognized the need for continuous training and take part in professional development as they consider it necessary in carrying out their duties as Directors. Market experts and professional services are obtained to share new knowledge from time to time. Any training programs relevant to the Board are communicated to the Board by the Company Secretary for the Directors' participation. |
| 1.5.d   | The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Boards as a whole and that of its committees and maintain records of such assessments. | Complied            | A process is in place for annual self-assessments to be undertaken by each Director, of its Board as a whole and that of its committees. The records of such assessments are maintained by the Company Secretary. The summary of the self-assessment is submitted to the Board, enabling Directors to discuss relevant matters, if any.  |
| 1.5.e   | The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the Company.   | Complied            | A Board approved policy is in place that enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense.  |

| Section | Corporate Governance Principle   | Level of Compliance | Extent of Compliance  |
|---------|--|---------------------|---|
| 1.6     | Oversight of Senior Management   |                     |   |
| 1.6.a   | Identifying and designating senior management, who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management. | Complied            | In line with the Finance Business Act Directions No. 05 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka, the Board of Directors, Chief Executive Officer (Designate), Chief Operating Officer, Chief Marketing Officer, Chief Human Resources Officer, Chief Financial Officer, Chief Compliance Officer, Chief Recovery Officer, Head of Internal Audit, Acting Head of Risk, Head of Information Security and Compliance and the Company Secretary, have been identified as Key Responsible Persons (KRPs).   |
| 1.6.b   | Defining the areas of authority and key responsibilities for the senior management.  | Complied            | Job Descriptions of the Key Responsible Personnel are approved by the Board and include the functions and responsibilities of the KRPs.<br><br>Areas and limits of authority of the KRPs are covered under the Delegation Authority (DA) limits assigned to them.   |
| 1.6.c   | Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the Company's strategic objectives.   | Complied            | The job description (JD) and job specification (JS) of a particular position of KRPs are approved by the Board of Directors. JD and JS include key responsibilities, skills, competencies, and required qualifications. The set of skills and competencies expected by the Company is determined through the recruitment process. A candidate is evaluated and verified during the interview process as per the recruitment policy. Information related to experience and qualifications is verified through their affidavit and declaration, which is submitted to the CBSL. Further, the physical documents/confirmations are verified and obtained from the candidates during the on-boarding process. |
| 1.6.d   | Ensuring there is an appropriate oversight of the affairs of the Company by senior management.   | Complied            | To safeguard better governance practices, the affairs of the Company are reviewed and monitored by the Board of Directors through the Managing Director.<br><br>To ensure better management, development and effective performance of the Company, KRPs make regular presentations to the Board on matters under their purview.   |

## CORPORATE GOVERNANCE REPORT

| Section   | Corporate Governance Principle   | Level of Compliance | Extent of Compliance  |
|-----------|--|---------------------|---|
| 1.6.e     | Ensuring the Company has an appropriate succession plan for senior management.   | Complied            | The Company has established a Board approved succession plan for all the KRPs.  |
| 1.6.f     | Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.   | Complied            | <p>The Managing Director and Chief Operating Officer are called to regular Board Meetings to review policies and monitor the progress towards the corporate objectives.</p> <p>The other KRPs attend Board meetings on invitation and make presentations, which provide the opportunity to share their views and contribute towards the performance of the Company.</p> |
| 1.7       | Adherence to the Existing Legal Framework  |                     |   |
| 1.7.a     | Ensuring that the Company does not act in a manner that is detrimental or prejudicial to the interests of, and obligations to, depositors, shareholders and other stakeholders.  | Complied            | The Board has adopted a governance framework in line with regulatory requirements to ensure that the company does not engage in any actions that are detrimental to any of its stakeholders.  |
| 1.7.b     | Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.   | Complied            | The Company adheres to the directions, regulations, rules and circulars issued by the Central Bank of Sri Lanka. Further, the Company ensures that all employees adhere to the internal policies and procedures. Additionally, the Board approved Code of Conduct for all employees is in place, and the Board regularly monitors compliance with the Code of Conduct.  |
| 1.7.c     | Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently  | Complied            | Civil liabilities are covered through "Director's and Officer's liability insurance policy. Continuous monitoring is in place to avoid criminal liabilities.  |
| <b>2.</b> | <b>GOVERNANCE FRAMEWORK</b>  |                     |   |
|           | <p>Board shall develop and implement a governance framework in line with these directions and including but not limited to the following;</p> <p>(a) role and responsibilities of the Board</p> <p>(b) matters assigned for the Board;</p> <p>(c) delegation of authority;</p> <p>(d) composition of the Board</p> | Complied            | A Board approved Governance Framework is in place.  |

| Section  | Corporate Governance Principle  | Level of Compliance | Extent of Compliance   |
|----------|---|---------------------|--|
|          | <p>(e) the Board's independence;</p> <p>(f) the nomination, election and appointment of directors and appointment of senior management.</p> <p>(g) the management of conflicts of interests</p> <p>(h) access to information and independent advice</p> <p>(i) capacity building of Board members;</p> <p>(j) the Board's performance evaluation;</p> <p>(k) role and responsibilities of the chairman and the chief executive officer</p> <p>(l) role of company secretary;</p> <p>(m) Board sub committees and their role</p> <p>(n) limits on related party transactions</p> |                     |  |
| <b>3</b> | <b>COMPOSITION OF THE BOARD</b>   |                     |  |
| 3.1      | The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the Company.  | Complied            | All members of the Board possess vast experience, qualifications, adequate skills and knowledge in the relevant fields.  |
| 3.2      | The number of directors on the Board shall not be less than 7 and not more than 13  | Complied            | <p>The Board consists of ten Directors in accordance with the regulatory requirement during the year under review.</p> <p>Mr. P S Cumararatunga (Chairman), Mr. Y S H R S Silva (Deputy Chairman), Mr. H M A Seneviratne (Managing Director), Mr. J Selvaratnam, Mr. J H Gunawardena, Mr. D Sooriyaarachchi, Mr. W S C Perera, Ms. H S R Ranatunga, Mr. P L C Jayawickrama, Mr. D P Lokuarachchi. (w.e.f 15th September 2025).</p> |
| 3.3      | The total period of service of a director other than a director who holds the position of Chief Executive Officer/ Executive Director shall not exceed nine years, subject to direction 3.4.  | Complied            | The Period of service of all Non-Executive Directors are less than nine (9) years during the year under review.  |

## CORPORATE GOVERNANCE REPORT

| Section | Corporate Governance Principle  | Level of Compliance | Extent of Compliance   |
|---------|---|---------------------|--|
| 3.4     | Non-executive directors, who directly or indirectly holds more than 10% of the voting rights or who are appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however number of Non- Executive Directors eligible to exceed 9 years are limited to one-fourth ( $\frac{1}{4}$ ) of the total number of directors of the Board.   | Complied            | In 2025, no such circumstance transpired.  |
| 3.5     | Executive Directors   |                     |  |
| 3.5.a   | Only an employee of a Company shall be nominated, elected and appointed, as an Executive Director of the Company, provided that the number of Executive Directors shall not exceed one-third ( $\frac{1}{3}$ ) of the total number of directors of the Board.   | Complied            | Mr. H. M.A. Seneviratne is the only Executive Director of the Company who currently holds the position of Managing Director. |
| 3.5.b   | A shareholder who directly or indirectly holds more than 10% of the voting rights of the Company, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the Company and may reappoint as a Non-Executive Director subject to provisions contained in direction 4.2 and 4.3. Existing Executive Directors without a contract of employment and functional reporting line need to step down from the position of Executive Director from the effective date of this direction and may reappoint as a Non-Executive Director subject to provisions contained in direction 4.2 and 4.3. | Complied            | In 2025, no such circumstance transpired.  |

| Section | Corporate Governance Principle   | Level of Compliance | Extent of Compliance   |
|---------|--|---------------------|--|
| 3.5.c   | In the event of presence of the Executive Directors, CEO shall be one of the Executive Directors and may be designated as the Managing Director of the Company.  | Complied            | Mr. H.M.A. Seneviratne is the only Executive Director of the Company who currently holds the position of Managing Director.  |
| 3.5.d   | All Executive Directors shall have a functional reporting line in the organization structure of the Company.   | Complied            | The Managing Director has a clear functional reporting line in place within the organizational structure of the Company.   |
| 3.5.e   | The Executive Directors are required to report to the Board through CEO.   | Complied            | The Managing Director reports to the Board and his performances are evaluated by the Board.  |
| 3.5.f   | Executive Directors shall refrain from holding Executive Directorships or Senior Management positions in any other entity.   | Complied            | Mr. H.M.A. Seneviratne (Managing Director) does not hold any Executive Directorships or Senior Management positions in any other Company.  |
| 3.6     | Non-Executive Directors  |                     |  |
| 3.6.a   | Non-Executive Directors (NED) shall possess credible track records, have necessary skills and experience to bring independent judgment to bear on issues of strategy, performance, resources and standards of business conduct | Complied            | The Non-Executive Directors of the Company possess vast experience and skills in the relevant fields. The Profiles of the Directors are on pages 42 to 48.   |
| 3.6.b   | A Non-Executive Director cannot be appointed or function as the CEO/Executive Director of the Company.   | Complied            | None of the Non-Executive Directors are appointed or function as the Executive Directors of the Company.   |
| 3.7     | Independent Directors  |                     |  |
| 3.7.a   | The number of independent directors of the Board shall be at least three or one third of the total numbers of directors, whichever is higher.  | Complied            | <p>During the year, the Board comprised of Six Independent Non-Executive Directors.</p> <p>Subsequently, the Independent status of Mr. D. Sooriyaarachchi and Mr. D.P. Lokuarachchi has been reclassified as 'Non - Independent' w.e.f. 2 February 2026.</p> <p>The composition of the Board of Directors is published on pages 42 to 48 of the Annual Report.</p> |
| 3.7.b   | Independent Directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience.  | Complied            | <p>All Independent Non-Executive Directors of the Company possess the highest caliber, professional qualifications, a proven track record and sufficient experience in their respective fields.</p> <p>The Profiles of the Directors are on pages 42 to 48.</p>  |

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| Section   | Corporate Governance Principle  | Level of Compliance | Extent of Compliance   |
|-----------|---|---------------------|--|
| 3.7.c     | A Non-Executive Director shall not be considered independent if such:   |                     |  |
| 3.7.c.i   | Director has a direct or indirect shareholding exceeding 5% of the voting rights of the Company or exceeding 10% of the voting rights of any other Company.   | Complied            | In 2025, no such circumstance transpired.  |
| 3.7.c.ii  | Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the Company, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the Company as shown in its last audited statement of financial position. | Complied            | In 2025, no such circumstance transpired.  |
| 3.7.c.iii | Director has been employed by the Company or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director.   | Complied            | In 2025, no such circumstance transpired.  |
| 3.7.c.iv  | Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the Company or its affiliates during the one year preceding the appointment as director.  | Complied            | In 2025, no such circumstance transpired.  |
| 3.7.c.v   | Director has a relative, who is a Director or Senior Management of the Company or has been a Director or Senior Management of the Company during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the Company or exceeding 20% of the voting rights of another Company.  | Complied            | In 2025, no such circumstance transpired.  |
| 3.7.c.vi  | Director represents a shareholder, debtor, or such other similar stakeholder of the Company;  | Complied            | In 2025, no such circumstance transpired.  |
| 3.7.c.vii | Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company or business organization, in which any of the other directors of the Company is employed or a director;   | Complied            | In 2025, no such circumstance transpired.<br><br>Subsequently, the Independent status of Mr. D. Sooriyaarachchi and Mr. D.P. Lokuarachchi has been reclassified as 'Non - Independent' w.e.f. 2 February 2026. |

| Section    | Corporate Governance Principle   | Level of Compliance | Extent of Compliance  |
|------------|--|---------------------|---|
| 3.7.c.viii | Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, which has a transaction with the Company as defined in direction 12.1(c), or in which any of the other directors of the Company has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the Company. | Complied            | In 2025, no such circumstance transpired.   |
| 3.7.d      | The Nomination Committee and the Board should determine whether there is any circumstance or relationship, which is not listed at direction 3.7, which might impact a director's independence, or the perception of the independence.  | Complied            | In 2025, no such circumstance transpired.<br><br>Subsequently, the Board Nominations and Governance Committee and the Board of Directors reviewed the Independence of Mr. D. Sooriyaarachchi and Mr. D.P. Lokuarachchi and reclassified them as 'Non - Independent' w.e.f. 2 February 2026.   |
| 3.7.e      | An independent director shall immediately disclose to the Board any change in his circumstances that may affect his status as an independent director. In such a case, the Board shall review his designation as an independent director and notify the Director, Department of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change his designation.   | Complied            | Declarations for the year 2025 have been obtained from the Directors regarding the status of their independence / non-independence against the specified criteria and copies of the same are under the custody of the Company Secretary for review.<br><br>There were no changes to the Directors' Independence status during 2025. Following this period, the reclassification of the independence status of Mr. D. Sooriyaarachchi and Mr. D.P. Lokuarachchi, effective 2 February 2026, has been duly communicated to the Director, Department of Supervision of Non- Bank Financial Institutions. |
| 3.8        | Alternate Directors  |                     |   |
| 3.8.a      | Representation through an alternate director is allowed only if,   | Complied            | There were no Alternate Director appointments.  |
| 3.8.a.i    | With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and   |                     |   |
| 3.8.a.ii   | If the current director is unable to perform the duties as a director due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad.   |                     |   |
| 3.8.b      | The existing directors of the Company cannot be appointed as an alternate director to another existing director of the Company.  |                     |   |

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| Section | Corporate Governance Principle  | Level of Compliance | Extent of Compliance   |
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| 3.8.c   | A person appointed as an alternate director to one of the directors cannot extend his role by acting as an alternate director to another director in the same Board   |                     |  |
| 3.8.d   | An alternate director cannot be appointed to represent an executive director  |                     |  |
| 3.8.e   | In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that apply to the independent director   |                     |  |
| 3.9     | Cooling off Periods   |                     |  |
| 3.9.a   | There shall be a cooling off period of six months prior to an appointment of any person as a director, CEO of the Company, who was previously employed as a CEO or director, of another Company. Any variation thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of a Company which needs restructuring, shall be made with prior approval of the Monetary Board. | Complied            | In 2025, no such appointments were made.   |
| 3.9.b   | A director, who fulfil the criteria to become an independent director, shall only be considered for such appointment after a cooling off period of one year if such director has been previously considered as non-independent under the provisions of this Direction.  |                     |  |
| 3.10    | Common Directorships  |                     |  |
| 3.10    | Director or a senior management of a FC shall not be nominated, elected or appointed as a director of another FC except where such FC is a parent company, subsidiary company or an associate company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).  | Complied            | No Directors or KRPs held positions in other Finance Companies during the year 2025. |

| Section   | Corporate Governance Principle   | Level of Compliance | Extent of Compliance   |
|-----------|--|---------------------|--|
| 3.11      | <p>The Board shall determine the appropriate limits for directorships that can be held by directors.</p> <p>However, a director of a Company shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/ societies/bodies, including subsidiaries and associates of the Company.</p> | Complied            | As per declarations given by the directors for the year 2025, none of the directors holds office as a director of more than 20 Companies.  |
| <b>4.</b> | <b>ASSESSMENT OF FIT AND PROPER CRITERIA</b>   |                     |  |
| 4.1       | No person shall be nominated, elected or appointed as a director of the Company or continue as a director of such Company unless that person is a fit and proper person to hold office as a director of such Company in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.   | Complied            | The Board has appointed Directors in accordance with the policy on Selection, Nomination, Appointment and Election of Directors in line with the Finance Business Act Direction No. 6 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons. |
| 4.2       | A person over the age of 70 years shall not serve as a director of a Company.  | Complied            | None of the Directors of the Company are above the age of 70 years.  |
| 4.3       | Notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to maximum of 75 years of age subject to the following,                      | Complied            | There are no Directors who are over seventy (70) years of age.   |
| 4.3.a     | Assessment by the Director/Department of Supervision of Non-Bank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.   | Complied            | In 2025, no such appointments occurred.  |
| 4.3.b     | Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3(a).   | Complied            | In 2025, no such appointments occurred.  |

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| Section   | Corporate Governance Principle   | Level of Compliance | Extent of Compliance   |
|-----------|--|---------------------|--|
| 4.3.c     | The maximum number of directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of directors.  | Complied            | In 2025, no such appointments occurred.  |
| 4.3.d     | The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.  | Complied            | In 2025, no such appointments occurred.  |
| <b>5.</b> | <b>APPOINTMENT AND RESIGNATION OF DIRECTORS AND SENIOR MANAGEMENT</b>  |                     |  |
| 5.1       | The appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction. | Complied            | <p>The Company conforms to the provisions of Finance Business Act Direction No.6 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons for appointments, resignations, or removals.</p> <p>The following changes took place during the year under review;</p> <ul style="list-style-type: none"> <li>● Mr. M. Hewavitharana, the Chief Marketing Officer promoted to the position of Chief Strategy Officer, Ms. M. Rajakaruna, the Head of Compliance was promoted to Chief Compliance Officer, Mr. I. Liyanage, Head of Risk was promoted to Chief Risk Officer and Mr.T. Adikari, Chief Recovery Officer, Mr. H. Ziard, Chief Marketing Officer has been appointed as new KRP's w.e.f. 17th February 2025.</li> <li>● Mr. I. Liyanage, Chief Risk Officer resigned w.e.f. 4th July 2025.</li> <li>● Ms. K. Shamila has been appointed as Acting Head of Risk w.e.f. 4th September 2025.</li> <li>● Mr. D. P. Lokuarachchi appointed as an Independent, Non-Executive Director w.e.f. 15th September 2025.</li> <li>● Mr. M. Hewavitharana re-designated as the Chief Executive Officer (Designate) w.e.f. 26th September 2025.</li> </ul> |

| Section   | Corporate Governance Principle  | Level of Compliance | Extent of Compliance   |
|-----------|---|---------------------|--|
| <b>6.</b> | <b>THE CHAIR AND THE CHIEF EXECUTIVE OFFICER</b>  |                     |  |
| 6.1       | There shall be a clear division of responsibilities between the chairperson and CEO and the responsibilities of each person shall be set out in writing.  | Complied            | The roles of the Chairman and the Managing Director are separated and not performed by the same individual.  |
| 6.2       | The chairperson shall be an independent director, subject to 6.3 below.   | Complied            | The Chairman, Mr. P.S.Cumaranatunga is an Independent, Non-Executive Director. Hence, the appointment of a Senior Director has not arisen.   |
| 6.3       | In case where the chairperson is not independent, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element.<br><br>Senior director will serve as the intermediary for other directors and shareholders. Non-executive directors including senior director shall assess the chairperson's performance at least annually. | Complied            | No such situation has arisen during the year 2025.   |
| 6.4       | Responsibilities of the Chairperson   | Complied            | Chairman's key responsibilities and duties have been approved by the Board. The self-evaluation process ensures that the said requirements are fulfilled.<br><br>Company Secretary prepares the agenda in consultation with the Chairman, as this function has been delegated to the Company Secretary by the Chairman.<br><br>The Board approved communication policy is in place for communication with all stakeholders including depositors, creditors, shareholders, and borrowers.<br><br>The Chairman does not engage in activities involving the direct supervision of senior management or any day-to-day operational activities. |
|           | The responsibilities of the chairperson shall at least include the following:   |                     |  |
| 6.4.a     | provide leadership to the Board;  |                     |  |

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| Section | Corporate Governance Principle   | Level of Compliance | Extent of Compliance |
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| 6.4.b   | maintain and ensure a balance of power between executive and non- executive directors;   |                     |                      |
| 6.4.c   | secure effective participation of both executive and non-executive directors   |                     |                      |
| 6.4.d   | ensure that the Board works effectively and discharges its responsibilities  |                     |                      |
| 6.4.e   | ensure that all key issues are discussed by the Board in a timely manner   |                     |                      |
| 6.4.f   | Implement decisions/directions of the regulator.   |                     |                      |
| 6.4.g   | Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintain minutes in an orderly manner to the company secretary.                         |                     |                      |
| 6.4.h   | Not engage in activities involving direct supervision of senior management or any other day to day operational activities.   |                     |                      |
| 6.4.i   | Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.                                     |                     |                      |
| 6.4.j   | Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO.  |                     |                      |
| 6.5     | Responsibilities of the CEO  |                     |                      |
|         | The CEO shall function as the apex executive-in-charge of the day-to-day management of the Company's operations and business. The responsibilities of the CEO shall include:                   |                     |                      |
| 6.5.a   | implementing business and risk strategies in order to achieve the Company's strategic objectives;  |                     |                      |
| 6.5.b   | establishing a management structure that promotes accountability, and transparency throughout the Company's operations, and preserves the effectiveness and independence of control functions; |                     |                      |

| Section   | Corporate Governance Principle   | Level of Compliance | Extent of Compliance   |
|-----------|--|---------------------|--|
| 6.5.c     | promoting, together with the Board, a sound corporate culture within the Company which reinforces ethical, prudent and professional behavior   |                     |  |
| 6.5.d     | Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator   |                     |  |
| 6.5.e     | Strengthening the regulatory and supervisory compliance framework.   |                     |  |
| 6.5.f     | Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner.   |                     |  |
| 6.5.g     | CEO must devote the whole of the professional time to the service of the Company and shall not carry on any other business, except as a non-executive director of another company, subject to Direction 3.10.      |                     |  |
| <b>7.</b> | <b>MEETINGS OF THE BOARD</b>   |                     |  |
| 7.1       | <p>The Board shall meet at least twelve times a financial year at approximately monthly intervals.</p> <p>Obtaining the Board's consent through the circulation of papers shall be avoided as far as possible.</p> | Complied            | <p>The Board meetings are regularly held in monthly interval. The Board met 13 times during the financial year 2025.</p> <p>The Board approval was obtained via circular at 15 instances and those were ratified by the Board at the subsequent Board Meeting.</p> |
| 7.2       | The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the Board to be represented in the agenda for schedule board meetings.                                   | Complied            | The Board ensures that all proposals by directors are included in the agenda.  |
| 7.3       | A notice of at least 3 days shall be given for a scheduled Board Meeting to provide all directors an opportunity to attend. For all other Board meetings, a reasonable notice shall be given.                      | Complied            | <p>The Annual Board and Subcommittee meeting calendar is scheduled at the end of the previous year enabling the Board of Directors to attend meetings.</p> <p>The Directors are given a notice of a minimum of 3 days for regular Board Meetings.</p>              |

## CORPORATE GOVERNANCE REPORT

| Section | Corporate Governance Principle   | Level of Compliance | Extent of Compliance   |
|---------|--|---------------------|--|
| 7.4     | A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.   | Complied            | The views of the Board of Directors on issues under consideration are ascertained and a record of such deliberations are reflected in the minutes.   |
| 7.5     | A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one fourth of the number of directors that constitute the quorum at such meeting are independent directors.   | Complied            | In 2025, no such incidents occurred.   |
| 7.6     | The chairperson shall hold meetings with the non-executive directors only, without the executive directors being present, as necessary and at least twice a year.  | Complied            | Two meetings were conducted exclusively with the participation of Non-Executive Directors, without the presence of Executive Directors.  |
| 7.7     | A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.  | Complied            | In terms of the Company's Article 26, there is a requirement in place for the Directors to declare the nature of their interest. Directors' interests (if any) are disclosed to the Board and any Director who has a particular interest in matters set before the Board abstains from participating and voting. Further, there is a Board approved policy on Conflict of Interest in place for directors. |
| 7.8     | A director who has not attended at least two-thirds of the meetings in the period of 12 months, immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director.<br><br>Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance. However, continuous attendance (more than 6 meetings) through an alternate director will result in discontinuation of the directorship of the original director. | Complied            | The Board of Directors has fully complied with the requirement and each Director of the Board is well-informed and acquainted with their attendance. Further, the Company Secretary monitors attendance.<br><br>During the year 2025, none of the directors has been absent for three consecutive meetings. Details of the Director's attendance are set out on pages 135 to 136 of the Annual Report.     |
| 7.9     | Scheduled Board Meetings and Ad Hoc Board Meetings   |                     |  |

| Section   | Corporate Governance Principle   | Level of Compliance | Extent of Compliance  |
|-----------|--|---------------------|---|
|           | For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable.  | Complied            | <p>The attendance of the Directors are on pages 135 to 136.</p> <p>The Directors participation through electronic media has been recorded in the minutes.</p> <p>Please refer 'Directors' Attendance and Committee Memberships' table given on pages 135 to 136 of the Annual Report.</p> <p>Further, participation in person or through electronic media is clearly recorded in the minutes.</p> |
| <b>8.</b> | <b>COMPANY SECRETARY</b>   |                     |   |
| 8.1.a     | The Board shall appoint a company secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations.  | Complied            | Ms. A. Berugoda functions as the Company Secretary, Secretary to the Board Nominations and Governance Committee, the Board Related Party Transactions Review Committee and the Board Human Resources and Remuneration Committee.  |
| 8.1.b     | The Board shall appoint its company secretary, subject to transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the company secretary, such person shall become an employee of Company and shall not become an employee of any other institution. | Complied            |   |
| 8.2       | All directors shall have access to advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.   | Complied            | A Board approved Policy is in place.  |
| 8.3       | The company secretary shall be responsible for preparing the agenda in the event Chairperson has delegated carrying out such function.   | Complied            | The Company Secretary prepares the Agenda in consultation with the Chairman.  |

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| Section  | Corporate Governance Principle   | Level of Compliance | Extent of Compliance  |
|----------|--|---------------------|---|
| 8.4      | The Company Secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.   | Complied            | <p>The Company Secretary maintains the minutes of the Board meetings. The Minutes are reviewed by the Chairperson and then circulated to the other Board members for their review and observations. The Minutes of the previous meeting are tabled approved at the next Board Meeting.</p> <p>Company Secretary maintains the minutes of Board Meetings with sufficient details. Upon a reasonable request, any Director can inspect the minutes. Minutes of the Board meetings with all submissions to the Board are maintained for a minimum period of 6 years.</p> <p>Minutes are available for the inspection of the Directors. A Board approved procedure is available to inspect the minutes.</p> |
| 8.5      | The company secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the Company.   |                     |   |
| 8.6      | Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following: |                     |   |
| 8.6.a    | a summary of data and information used by the Board in its deliberations;  |                     |   |
| 8.6.b    | the matters considered by the Board;   |                     |   |
| 8.6.c    | the fact-finding discussions and the issues of contention or dissent including contribution of each individual director.   |                     |   |
| 8.6.d    | the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; directions  |                     |   |
| 8.6.e    | the Board's knowledge and understanding of the risks to which the Company is exposed and an overview of the risk management measures adopted;  |                     |   |
| 8.6.f    | the decisions and Board resolutions.   |                     |   |
| 8.7      | The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.   |                     |   |
| <b>9</b> | <b>DELEGATION OF FUNCTIONS BY THE BOARD</b>  |                     |   |
| 9.1      | The Board shall approve a DA and give clear directions to the senior management ,as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the Company.   | Complied            | The Board approved delegation authority limits is in place.   |

| Section   | Corporate Governance Principle   | Level of Compliance | Extent of Compliance  |
|-----------|--|---------------------|---|
| 9.2       | In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.   | Complied            | Board sub-committees are in operation.  |
| 9.3       | The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.   | Complied            | Asset and Liability Committee (ALCO) and IT & Security Steering Committee (ITSSC) are in operation.   |
| 9.4       | The Board shall not delegate any matters to a board sub-committee, executive directors or senior management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.  | Complied            | The Board's capacity to perform its duties has not been impacted by its delegation of authority.  |
| 9.5       | The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Company.  | Complied            | The delegation process is periodically reviewed to ensure it fulfills the demands of the Company.   |
| <b>10</b> | <b>BOARD SUB-COMMITTEES</b>  |                     |   |
| 10.1      | <p>For the purpose of specifying the requirements for Board Committees, Companies are divided into two categories based on asset base as per the latest audited SoFP. Companies with asset base of more than 20 bn considered as category A and Companies with asset base of less than 20 bn to be considered as category B.</p> <p><u>Board Sub-Committees</u></p> <p>Companies with an asset base of more than Rs. 20 bn</p> <p>Shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Nomination Committee, Human Resource and Remuneration Committee and Related Party Transactions Review Committee</p> | Complied            | <p>The Company has established Board approved seven (7) Sub-committees as follows; Board Audit Committee (BAC); Board Integrated Risk Management Committee (BIRMC), Board Nomination and Governance Committee (BNGC), Board Human Resource and Remuneration Committee (BHRRC); Board Related Party Transactions Review Committee (BRPTRC); Board Credit Committee (BCC); Board IT Committee (BITC).</p> <p>(Board Nominations Committee and the Board Corporate Governance Committee have been amalgamated as one w.e.f. 30th September 2025)</p> |

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| Section | Corporate Governance Principle  | Level of Compliance | Extent of Compliance  |
|---------|---|---------------------|---|
|         | Meetings - Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually  |                     | <p>Meetings of the Board Audit Committee, Board Integrated Risk Management Committee, Board Nominations and Governance Committee, Board HR and Remuneration Committee and Board Related Party Transactions Review Committee were held during the year in regular intervals.</p> <p>The attendance of those Committees are on pages 135 to 136. Please refer 'Directors' Attendance and Committee Memberships' table given on pages 135 to 136 of the Annual Report.</p>   |
| 10.1.b  | Each sub-committee shall have a Board approved written term of reference specifying clearly its authority and duties.   | Complied            | The Board approved Terms of References (ToRs) are in place for all Board Sub-committees specifying their authority and duties.  |
| 10.1.c  | The Board shall present a report on the performance of duties and functions of each committee, at the annual general meeting of the company.  | Complied            | Performance, duties, and functions of all subcommittees are disclosed on pages 156 to 177 of the Annual Report.   |
| 10.1.d  | Each sub-committee shall appoint a secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records and carry out such other secretarial functions under the supervision of the chairperson of the committee. | Complied            | <p>The Company Secretary functions as the Secretary to the Board Nominations and Governance Committee, Board Human Resources and Remuneration Committee, and Board Related Party Transactions Review Committee. Head of Internal Audit functions as the Secretary to the Board Audit Committee and Chief Risk Officer functioned as the Secretary to the Board Integrated Risk Management Committee. W.e.f 4th July 2025 and immediate meeting after his resignation, the Company Secretary functioned as the Secretary for the Meeting. Acting Head of Risk has been appointed as the Secretary with effect from 4th September 2025.</p> <p>Chief Compliance Officer functioned as the Secretary to the Board Corporate Governance Committee till 30th September 2025.</p> |

| Section | Corporate Governance Principle   | Level of Compliance | Extent of Compliance  |
|---------|--|---------------------|---|
|         |  |                     | <p>Further, Head of IT functions as the Secretary to the Board IT Committee and Manager – Risk functioned as the Secretary to the Board Credit Committee until 21st July 2025 and thereafter Assistant Company Secretary was appointed as the Secretary to the Committee.</p> <p>All Secretaries are maintaining the minutes of each Sub - committee and discharge their secretarial functions under the supervision of the Chairperson of the subcommittees.</p> |
| 10.1.e  | Each Board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge and experience relevant to the responsibilities of the board sub-committees. | Complied            | The composition of the Board sub committees are in line with the regulatory requirements. The skills, knowledge and experience are disclosed on pages 156 to 177 of the Annual Report.  |
| 10.1.f  | The Board may consider occasional rotation of members and of the Chairperson of Board sub- committees as to avoid concentration of the power and promote new perspective.  | Complied            | <p>When necessary, the Chairs and members of the Board's subcommittees will be taken into consideration for rotation.</p> <p>The Board Audit Committee, Board HR and Remuneration Committee, Board Integrated Risk Management Committee, Board Related Party Transactions Review Committee and Board Nominations and Governance Committee were re-constituted on 26th August 2025 and 30th September 2025.</p>  |
| 10.2    | Board Audit Committee (BAC)  |                     |   |
|         | The following shall apply in relation to the Audit Committee   |                     |   |
| 10.2.a  | The chairperson of the committee shall be an independent director who possesses qualifications and experience in accountancy and/or audit  | Complied            | Mr. P. L. C. Jayawickrama is the Chairman of the Board Audit Committee. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. Further, he is an Attorney-at-Law at the Supreme Court of Sri Lanka. He graduated from the University of Sri Jayawardenepura, Sri Lanka with an Accountancy & Financial Management Special degree.                                       |

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| Section    | Corporate Governance Principle   | Level of Compliance | Extent of Compliance   |
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| 10.2.b     | The Board members appointed to the BAC shall be non-executive directors and majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC.   | Complied            | All members of the Board Audit Committee are Independent Non-Executive Directors. Members are Mr. P.L.C. Jayawickrama, Mr. P.S.Cumaranatunga, Mr. J.H. Gunawardena (not a member of the BAC with effect from 26/08/2025) and Ms. H.S.R. Ranatunga (not a member of the BAC with effect from 30/09/2025).<br><br>Mr. D. P. Lokuarachchi was appointed as a member with effect from 30/09/2025.<br><br>All of them have expertise and knowledge in the fields of banking, finance, leasing, information technology, etc. |
| 10.2.c     | The secretary to the Audit Committee shall preferably be the Chief Internal Auditor (CIA)  | Complied            | Head of Internal Audit functions as the Secretary of the Audit Committee.  |
| 10.2.d     | External Audit Function  |                     |  |
| 10.2.d.i   | The BAC shall make recommendations on matters in connection with the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes, the service period, audit fee and any resignation or dismissal of the auditor.  | Complied            | The Auditor's appointments, service periods and fees are determined and recommended by the BAC at the end of each financial year.  |
| 10.2.d.ii  | Engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, Company shall not use the service of the same external audit firm for not more than ten years consecutively. | Complied            | M/s KPMG Sri Lanka functions as the External Auditor of the Company.   |
| 10.2.d.iii | Audit partner of a Company shall not be a substantial shareholder, director, senior management or employee of any Company.   | Complied            | M/s KPMG Sri Lanka functions as the External Auditor of the Company.   |
| 10.2.d.iv  | The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.  | Complied            | The BAC obtains representation from the External Auditors on their independence and that the audit is carried out in accordance with the applicable standards and best practices.  |

| Section    | Corporate Governance Principle  | Level of Compliance | Extent of Compliance   |
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| 10.2.d.v   | Audit partner shall not be assigned to any non-audit services with the Company during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity.  | Complied            | <p>There is a separate Board approved policy for "Engagements with External Auditors for Audit and Non-Audit Services".</p> <p>During the year 2025, the External Auditor provided the following non-audit services all of which conforms with the governance rules and requirements.</p> <ul style="list-style-type: none"> <li>● Report on Internal Controls over financial reporting for the year ended 31st December 2025.</li> <li>● Report on Corporate Governance for the year ended 31st December 2025.</li> <li>● Solvency Report.</li> <li>● Model validation on impairment provisioning.</li> </ul> |
| 10.2.d.vi  | <p>The BAC shall, before the audit commences, discuss and finalize with the external auditors the nature and scope of the audit, including:</p> <p>(i) an assessment of the Company's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.</p>  | Complied            | <p>The Board Audit Committee has discussed and finalized the nature and scope of the audit, with the External Auditors in accordance with Sri Lanka Auditing Standards. The Audit Engagement Letter for the year ending 31st December 2025 has been submitted to the Board Audit Committee.</p>  |
| 10.2.d.vii | The BAC shall review the financial information of the Company, in order to monitor the integrity of the financial statements of the Company in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgements contained therein. In reviewing the Company's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major judgemental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements. | Complied            | <p>Quarterly Financial Statements as well as year-end Financial Statements are discussed and recommended to the Board for approval by the Audit Committee. A detailed discussion focused on major judgemental areas, changes in accounting policies, significant audit judgements in the Financial Statements, going concern assumption and compliance with Accounting Standards and other legal requirements take place and required clarifications are obtained in respect of all areas before being recommended for Board's approval.</p>   |

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| 10.2.d.viii | The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of senior management, if necessary.   | Complied            | The Board Audit Committee discusses issues, problems and reservations arising from the interim and final audits with the External Auditors. During the year the Committee has held two meetings with the External Auditors, without the Executive Management being present, to discuss any matters (if any) the auditor may wish to discuss. |
| 10.2.d.ix   | The BAC shall review the external auditor's management letter and the management's response thereto within 3 months of submission of such, and report to the Board.   | Complied            | The Committee has reviewed the External Auditor's Management letter and management responses thereto, relating to the audit for the year ended 31st December 2024.   |
| 10.2.e      | The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.   | Complied            | The effectiveness of the Company's internal control mechanism has been certified by the Directors on pages 188 to 189 of the Annual Report under the heading "Directors' Statement on Internal Controls over Financial Reporting".   |
| 10.2.f      | The BAC shall ensure that the senior management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to internal audit function of an Company.  | Complied            | BAC monitors this through regular reporting from the Internal Audit Department.  |
| 10.2.g      | Internal Audit function:  |                     |  |
| 10.2.g.i    | The committee shall establish an independent internal audit function either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the Company's internal control, risk management, governance systems and processes | Complied            | There is an in house Internal Audit Department.  |

| Section    | Corporate Governance Principle   | Level of Compliance | Extent of Compliance   |
|------------|--|---------------------|--|
| 10.2.g.ii  | The internal audit function shall have a clear mandate, be accountable to the BAC, and be independent of the audited activities. It shall have sufficient expertise and authority within the Company to carry out their assignments effectively and objectively. | Complied            | There is a Board approved Internal Audit Charter that defines the purpose, authority and responsibility of the Internal Audit Function. The said mandate establishes the independence of the Internal Audit Department too. The Board Audit Committee has reviewed, discussed and approved the Annual Internal Audit Plan, Internal Audit Reports, with the management comments, and has recommended the Management to take actions to strengthen the internal controls. |
| 10.2.g.iii | The BAC shall take the following steps with regard to the internal audit function of the Company:  |                     |  |
|            | (i) Review the adequacy of the scope, functions and skills and resources of the internal audit department, and ensure that the department has the necessary authority to carry out its work;   | Complied            | Board Audit Committee has discussed the adequacy of the scope, functions and resources of the Internal Audit Department.   |
|            | (ii) Review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit ;  | Complied            | The Board Audit Committee has reviewed and approved the Annual Internal Audit Program. Internal Audit Reports, with the management comments, have been discussed at length and action is taken to rectify the same.  |
|            | (iii) Assess the performance of the head and senior staff members of the internal audit department;  | Complied            | The Board Audit Committee has carried out the performance appraisal of the Head of Internal Audit for the year 2025.   |
|            | (iv) Ensure that the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care;   | Complied            | In terms of the reporting structure of Siyapatha Finance PLC, the Head of Internal Audit reports directly to the BAC and the audit work has been performed impartially, proficiently and with due care.  |
|            | (v) Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies.   | Complied            | BAC reviews the annual audit plan to ensure the conduct of required audits by Internal Audit Function.   |
|            | (vi) Examine the major findings of internal investigations and management's responses thereto. ;   | Complied            | There is regular reporting to the BAC on the status of investigations.   |

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| 10.2.h  | Committee shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.  | Complied            | BAC reviews on a quarterly basis the progress of implementation of recommendations of CBSL on-site investigation report.   |
| 10.2.i  | Meetings of the Committee   |                     |  |
|         | i. The committee shall meet as specified in direction 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.  | Complied            | Every BAC meeting is duly recorded and minutes are submitted to the Board for its information.   |
|         | ii. Other Board members, senior management or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview.  | Complied            | Members of the Board Audit Committee, the Head of Internal Audit attend the meetings.<br><br>Managing Director, Chief Financial Officer, Chief Executive Officer (Designate) and Chief Operating Officer attend on invitation.   |
|         | iii. BAC shall meet at least twice a year with the external auditors without any other directors/ senior management/ employees being present.   | Complied            | 2 meetings were held with the External Auditors without any other directors / senior management being present.   |
| 10.3    | Board Integrated Risk Management Committee (BIRMC)  |                     |  |
|         | The following shall apply in relation to the BIRMC:   |                     |  |
| 10.3.a  | The committee shall be chaired by an independent director. The Board members appointed to BIRMC shall be non-executive directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with senior management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee. | Complied            | The Committee consists of five Non-Executive Directors. The Managing Director and Acting Head of Risk may attend the meetings upon invitation. The Committee closely works with Key Responsible Personnel and makes decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee. |
| 10.3.b  | The secretary to the committee may preferably be the CRO.   | Complied            | Chief Risk Officer functioned as the Secretary to the BIRMC till 30th June 2025.<br><br>Currently, Acting Head of Risk functions as the Secretary to the committee.  |

| Section | Corporate Governance Principle  | Level of Compliance | Extent of Compliance  |
|---------|---|---------------------|---|
| 10.3.c  | The committee shall assess the impact of risks, including credit, market, liquidity, operational and strategic, Compliance and technology to the Company at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board;  | Complied            | The Committee has an appropriate process to assess the impact of all risks periodically through identified risk indicators and management information. Further, the Committee makes recommendations on the risk strategies and the risk appetite to the Board.  |
| 10.3.d  | Developing Company's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a Company will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the Company is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision making and establishing the means to raise risk issues and strategic concerns throughout the Company.; | Complied            | The Company's risk appetite is developed through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that Siyapatha Finance PLC will accept or avoid, in order to achieve its strategic business objectives. The Risk Appetite is monitored via the Risk Register and includes quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation. Compliance risks as well as Money Laundering are also discussed at the meetings. |
| 10.3.e  | The BIRMC shall review the Company's risk policies including RAS, at least annually.  | Complied            | Risk policies including RAS are reviewed by the BIRMC on an annual basis.   |
| 10.3.f  | The BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.   | Complied            | In fulfilling its responsibilities, the Committee reviewed the adequacy and effectiveness of Management Committees to manage risks within quantitative and qualitative risk limits.<br><br>BIRMC assessed the adequacy and effectiveness of the Assets & Liabilities Committee (ALCO) and reviewed the IT Steering Committee to address specific risks.   |
| 10.3.g  | The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.  | Complied            | BCP is being reviewed by the BIRMC and the position is updated at meetings.   |
| 10.3.h  | BIRMC shall annually assess the performance of the Compliance Officer and the CRO.  | Complied            | BIRMC assessed the performance of the Chief Compliance Officer and Acting Head of Risk for the year 2025.   |

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| Section      | Corporate Governance Principle   | Level of Compliance | Extent of Compliance  |
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| 10.3.i       | Compliance function  |                     |   |
| 10.3.i (i)   | BIRMC shall establish an independent compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.   | Complied            | The BIRMC has established an independent Compliance Function.   |
| 10.3.i (ii)  | For Companies with asset base of more than Rs. 20 bn, a dedicated compliance officer considered to be senior management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer. | Complied            | A Compliance Officer has been appointed.  |
| 10.3.i (iii) | For Companies with asset base of less than Rs. 20bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.   | Complied            | Not applicable.   |
| 10.3.i (iv)  | The responsibilities of a compliance officer, would broadly encompass the following:   |                     |   |
|              | i) develop and implement policies and procedures designed to eliminate or minimize the risk of breach of regulatory requirements;  | Complied            | Board approved policies and procedures are in place.  |
|              | ii) ensure compliance policies and procedures are clearly communicated to all levels of the Company to enhance the compliance culture;   | Complied            | Board approved Compliance policy is in place and available on the intranet which is accessible to all the employees of the Company. |

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|             | iii) ensure that reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards;   | Complied            | Periodic reviews are conducted to assess the level of compliance with regulatory rules and internal compliance standards.   |
|             | iv) understand and apply all new legal and regulatory developments relevant to the business of Company;  | Complied            | The Company implements all new legal and regulatory developments that are applicable to its business.   |
|             | v) secure early involvement in the design and structuring of new products and systems, to ensure that they conform to regulatory requirements, internal compliance and ethical standards   | Complied            | Board approved new product policy is available to streamline the process of designing or redesigning a product in the Company.                                    |
|             | vi) highlight serious or persistent compliance problems and where appropriate, work with the management to ensure that they are rectified within an acceptable time; and   | Complied            | Compliance Audits are carried out periodically and action is taken to rectify if deviations are noted.  |
|             | vii) maintain regular contact and good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with highest integrity  | Complied            | With the regulators, a positive working relationship is upheld. There is maintenance of timely reporting and communications.                                      |
| 10.3.j      | Risk management function   |                     |   |
| 10.3.j (i)  | BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the Company.  | Complied            | The Company has established an Independent Risk Management function.  |
| 10.3.j (ii) | For Companies with an asset base of more than Rs.20 bn, it is expected to have a separate risk management department and a dedicated CRO considered to be senior management shall carry out the risk management function and report to the BIRMC periodically. | Complied            | A separate department for Risk Management Function is established, which is headed by the Acting Head of Risk. Reports / observations are submitted to the BIRMC. |

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| 10.3.j (iii) | The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the Company's risk management function is robust and effective to support its strategic objectives and to fulfil broader responsibilities to various stakeholders.   | Complied            | The Company has established Risk Management policies with relevant RAS and is in line with the strategic objectives of the Company.   |
| 10.3.j (iv)  | The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: <ul style="list-style-type: none"> <li>(a) various potential risks and frauds</li> <li>(b) possible sources of such risks and frauds;</li> <li>(c) mechanism of identifying, assessing, monitoring and reporting of such risks and frauds; includes quantitative and qualitative analysis covering stress testing</li> <li>(d) effective measures to control and mitigate risks at prudent levels; and</li> <li>(e) relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.</li> </ul> | Complied            | Risk Management controls are functioning in an integrated manner in the Company as required by the direction. A stress testing policy is established and testing results are presented at the BIRMC meetings periodically. The Risk Register has identified 94 various potential risks which are discussed at the Committee level. In addition, R& CSA reviews are carried out periodically to identify the potential risks in the Company. |
| 10.3.j (v)   | The chief risk officer shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc. and make recommendations on risk management   | Complied            | Acting Head of Risk is a part of the strategic planning session of the Company.   |
| 10.3.j (vi)  | The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.  | Complied            | The Risk Register is submitted to the BIRMC on a quarterly basis.   |

| Section         | Corporate Governance Principle  | Level of Compliance | Extent of Compliance   |
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| 10.3.j<br>(vii) | The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.   | Complied            | The Board of Directors have the ultimate responsibility for the risk management of the Company. Minutes of the BIRMC meetings and Risk Trajectory is tabled at the subsequent Board meeting and the Chairman of BIRMC briefs the main Board, on significant issues raised and decisions taken at the committee meetings, enabling the Board to make correct decisions.   |
| 10.4            | Nomination Committee  |                     |  |
|                 | The following shall apply in relation to the Nomination Committee:  |                     |  |
| 10.4.a          | The committee shall be constituted with non-executive directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee. | Complied            | The Board Nominations Committee has been combined with Board Corporate Governance Committee w.e.f. 30th September 2025 and named as Board Nominations and Governance Committee.<br><br>The committee is comprised of Non-Executive Directors and two third of the directors are independent. The members are Mr.D. Sooriyaarachchi (Chairman), Mr. Y.S.H.R.S. Silva, Mr. J. Selvaratnam, Mr. J. H. Gunawardena and Ms. H. S. R. Ranatunga. |
| 10.4.b          | Secretary to the nomination committee may preferably be the company secretary.  | Complied            | The Company Secretary functions as the Secretary of the Committee.   |
| 10.4.c          | The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management.<br><br>Senior management are to be appointed with the recommendation of CEO, excluding CIA, CRO and Compliance officer. | Complied            | A Board approved policy for the selection, nomination, appointment, and election of directors is in place.<br><br>Selection and appointment of KRPs are carried out with the recommendation of the Board Nominations and Governance Committee and in accordance with the Recruitment policy.   |

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| Section | Corporate Governance Principle  | Level of Compliance | Extent of Compliance   |
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| 10.4.d  | The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the FBA (Assessment of Fitness and propriety of Key Responsible Persons)   | Complied            | The Committee ensures that this has complied with the terms of FBA No. 6 of 2021 (Assessment of Fitness and Propriety of Key Responsible Persons)  |
| 10.4.e  | The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities.   | Complied            | The selection process is carried out to conform with the stated section.   |
| 10.4.f  | The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the Company as a whole.   | Complied            | The composition of the Board is not in any manner dominated by an individual or a small group of individuals.  |
| 10.4.g  | The committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.  | Complied            | The qualification and experience of the Managing Director and Senior Management have been documented in job descriptions (JDs) which were recommended by the BHRRC and approved by the Board of Directors. |
| 10.4.h  | Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the company secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent. | Complied            | The Company conforms to the stated section.  |
| 10.4.i  | The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the Company and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.   | Complied            | The Company conforms to the stated section.  |

| Section | Corporate Governance Principle   | Level of Compliance | Extent of Compliance   |
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| 10.4.j  | The committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring directors and senior management  | Complied            | The succession plan for senior management of the Company, has been reviewed by the Committee on an annual basis and that of the additional/ new expertise required.<br><br>Need has not arisen for a succession for retiring directors during the year 2025.                           |
| 10.4.k  | A member of the Nomination Committee shall not participate in decision making relating to own appointment/reappointment and the Chairperson of the Board should not chair  | Complied            | Members of the Board Nominations and Governance Committee is not involved in the decision-making process for their own appointment or reappointment. Moreover, the Board Chairperson abstains from the meeting when the topics of discussion concern the appointment of the successor. |
| 10.5    | Human Resources and Remuneration Committee:  |                     |  |
|         | The following shall apply in relation to the Human Resources and Remuneration Committee:   |                     |  |
| 10.5.a  | The committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors.   | Complied            | The Committee comprises of three Independent Non- Executive Directors and is chaired by Mr. D.Sooriyaarchchi. Other members of the committee are Mr. Y. S. H. R. S. Silva, Ms. H. S. R. Ranatunga, Mr. W. S. C. Perera and Mr. D. P. Lokuarachchi.                                     |
| 10.5.b  | The secretary to the human resource and remuneration committee may preferably be the company secretary.  | Complied            | The Company Secretary functions as the secretary to the committee.   |
| 10.5.c  | The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to executive directors and senior management of the Company and fees and allowances structure for non-executive directors. | Complied            | The Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the Executive Directors and senior management are decided by the BHRRC.   |

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| Section | Corporate Governance Principle   | Level of Compliance | Extent of Compliance  |
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| 10.5.d  | There shall be a formal and transparent procedure in developing the remuneration policy.   | Complied            | The Remuneration and Benefits Policy has been formulated and developed to achieve fair and equitable benefits with transparent guidelines which integrate with the market-related modern remuneration practices. Further, the Remuneration and Benefits Policy is reviewed annually by considering the material changes which are to be included in the policy. |
| 10.5.e  | The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the Company. The policy shall be subject to periodic review of the Board, including when material changes are made.   | Complied            | The remuneration and benefits policy is reviewed annually. The reviewed policy is recommended by the BHRRC and approved by the Board of Directors.  |
| 10.5.f  | The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of the Company. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take excessive risk or to act in self-interest. | Complied            | The remuneration structure is in line with the business strategy, objectives, values, long-term interests, and cost structure of the Company. It also includes measures to prevent conflicts of interest.   |
| 10.5.g  | The committee shall review the performance of the senior management (excluding chief internal auditor, compliance officer, chief risk officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.                   | Complied            | The performance of the senior management excluding the Head of Internal Audit, Acting Head of Risk and Chief Compliance Officer has been reviewed by the BHRRC. Financial benefits have been decided based on their performances.   |

| Section    | Corporate Governance Principle   | Level of Compliance | Extent of Compliance   |
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| 10.5.h     | The committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.  | Complied            | The committee adheres to the stated section.   |
| <b>11.</b> | <b>INTERNAL CONTROLS</b>   |                     |  |
| 11.1       | Companies shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks  | Complied            | The Board Audit Committee assists the Board in assessing the adequacy and the integrity of the Internal Controls System and the Management Information System and the financial reporting processes of the Company. Internal Audit Department helps the process by carrying out audits to assess the internal controls over financial reporting and management information systems. Board reviews the adequacy and integrity of the MIS through the critical management information reports submitted by the Internal Audit Department of the Company. Further, the External Auditors were engaged in providing assurance on the 'Directors' Responsibility Statement on Internal Controls over Financial Reporting included in the Annual Report', and their opinion is submitted to the Board. |
| 11.2       | A proper internal control system shall:<br>(a) promote effective and efficient operation;<br>(b) provide reliable financial information;<br>(c) safeguard assets;<br>(d) minimize the operating risk of loss from irregularities, fraud and errors;<br>(e) ensure effective risk management systems; and<br>(f) ensure compliance with relevant laws, regulations and internal policies. | Complied            |  |
| 11.3       | All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives   |                     |  |
| <b>12.</b> | <b>RELATED PARTY TRANSACTIONS</b>  |                     |  |
| 12.1       | Board shall establish a policy and procedures for related party transactions, which covers the following,  |                     |  |

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| Section     | Corporate Governance Principle   | Level of Compliance | Extent of Compliance  |
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| 12.1.a      | All Companies shall establish a Related Party Transactions Review Committee (RPTRC) and the chairperson shall be an independent director and the members shall consist of non- executive directors.  | Complied            | <p>The Board has established a Board Related Party Transactions Review Committee, in conformity with the Direction. The Composition of the committee was amended with effect from 26th August 2025.</p> <p>The Committee comprises of Independent, Non-Executive Directors. The members are Mr. D. Sooriyaarachchi (Chairman), Mr. J. H. Gunawardena, Ms. H. S. R. Ranatunga and Mr. P.L.C. Jayawickrama.</p> |
| 12.1.b      | All related party transactions shall be prior reviewed and recommended by the RPTRC.   | Complied            | <p>A Board approved mechanism is in place in this regard.</p> <p>There is a documented process approved by the Board which speaks on types of related party transactions for the Company to avoid any conflicts of interest that may arise from any transaction with the related parties.</p>   |
| 12.1.c      | The business transactions with a related party that are covered in this Direction shall be the following:  | Complied            | All related party transactions have been disclosed in the Financial Statements. No accommodation has been granted to Directors and/or their close relatives during the year 2025.   |
| 12.1.c i.   | Granting accommodation;  |                     |   |
| 12.1.c ii.  | Creating liabilities to the Company in the form of deposits, borrowings and any other payable;   |                     |   |
| 12.1.c iii. | Providing financial or non-financial services to the Company or obtaining those services from the Company; or  |                     |   |
| 12.1.c iv.  | Creating or maintaining reporting lines and information flows between the Company and any related party which may lead to share proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party. |                     |   |

| Section | Corporate Governance Principle  | Level of Compliance | Extent of Compliance  |
|---------|---|---------------------|---|
| 12.2    | The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the Company with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/ institutions identified as related parties, which is subject to periodic review as and when the need arises. | Complied            | The Board is well aware of the requirement of identification of related party transactions and a Board approved Related Party Transaction Procedure is in place which discusses categories of related parties and aids the Company to avoid any conflicts of interest that may arise from any transaction of the Company. |
| 12.2.a  | Directors and senior management.  |                     |   |
| 12.2.b  | Shareholders who directly or indirectly holds more than 10% of the voting rights of the Company.  |                     |   |
| 12.2.c  | Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the Company exert control over or vice versa  |                     |   |
| 12.2.d  | Directors and senior management of legal persons in paragraph (b) or (c).   |                     |   |
| 12.2.e  | Relatives of a natural person described in paragraph (a), (b) or (d).   |                     |   |
| 12.2.f  | Any concern in which any of the Company's directors, senior management or a relative of any of the Company's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest.  |                     |   |

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| Section    | Corporate Governance Principle   | Level of Compliance | Extent of Compliance   |
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| 12.3       | The Board shall ensure that the Company does not engage in business transactions with a related party in a manner that would grant such party "more favourable treatment" than that is accorded to other similar constituents of the Company. For the purpose of this paragraph, "more favourable treatment" shall mean: | Complied            | <p>There is a documented process approved by the Board which clearly defines related party transactions and ensures that the Company does not engage in such transactions in a manner that would grant such related parties "more favorable treatment" than what is accorded to other constituents of the Company carrying out similar transactions with the Company.</p> <p>The Company has a detective system that has been developed in house to monitor all RPT transactions where the Company inputs details of NIC numbers of related parties and Business Registration numbers of related party concerns to ensure that there are no favourable treatments offered to such related parties than that accorded to other constituents of the Company carrying on the same business.</p> |
| 12.3.a     | Granting of "total accommodation" to a related party, exceeding a prudent percentage of the Company's regulatory capital, as determined by the committee.  |                     |  |
| 12.3.b     | Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty;  |                     |  |
| 12.3.c     | Providing preferential treatment, such as favourable terms, that extends beyond the terms granted in the normal course of business with unrelated parties;   |                     |  |
| 12.3.d     | Providing or obtaining services to or from a related party without a proper evaluation procedure   |                     |  |
| 12.3.e     | Maintaining reporting lines and information flows between the Companies and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions               |                     |  |
| <b>13.</b> | <b>GROUP GOVERNANCE</b>  |                     |  |
| 13.1       | Responsibilities of the Company as a Holding Company.  | Complied            | Not applicable.  |
| 13.2       | Responsibilities as a Subsidiary   | Complied            | The Company is a fully owned subsidiary of Sampath Bank PLC. The Company fulfills its own legal and governing obligations.   |
|            | If the Company is a subsidiary of another financial institution subject to prudential regulation, Company shall discharge its own legal and governance responsibilities.   |                     |  |

| Section   | Corporate Governance Principle  | Level of Compliance | Extent of Compliance  |
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| <b>14</b> | <b>CORPORATE CULTURE</b>  |                     |   |
| 14.1      | A Company shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of company assets and fair treatment of customers.   | Complied            | The Company has developed a Code of Conduct for its directors and employees. The Code covers the areas of conflict of interest, accurate accounting and record keeping, confidentiality of information, fair dealing, protecting and proper use of the Company's assets, compliance with laws and regulations and encouraging the reporting of any illegal or unethical behaviour, etc. |
| 14.2      | The Company shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity.   | Complied            | The Company maintains records of breaches of the Code of Conduct. If any breach of the Code of Conduct is reported, the disciplinary procedure is implemented and subsequent actions are taken as per the gravity of such incidents.  |
| 14.3      | The Company shall establish a Whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidence manner and without the risk of reprisal. The BAC shall review the policy periodically. | Complied            | A Board approved Whistle Blowing Policy is in place. All employees are encouraged to raise any matter which they genuinely believe, constitutes a potential or existing wrongdoing such as a fraudulent activity, a breach of the Code of Ethics of the Company etc. Further, BAC reviews the policy on an annual basis.  |

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| <b>15.1</b> | <b>CONFLICTS OF INTEREST</b>   |                     |   |
| 15.1.a      | Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting. | Complied            | The Board is well aware of the requirement of identification of related party transactions and a Board approved Related Party Transaction Procedure is in place which speaks on categories of related parties and aids the Company to avoid any conflicts of interest that may arise from any transaction of the Company. |
| 15.1.b      | The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall,   | Complied            | The Board has adopted a policy on Managing Conflict of Interest which has ensured compliance with the stipulated requirements and the policy is reviewed periodically.  |
| 15.1.b.i    | Identify circumstances which constitute or may give rise to conflicts of interests.  |                     |   |
| 15.1.b.ii   | Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest.  |                     |   |
| 15.1.b.iii  | Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest.   |                     |   |
| 15.1.b.iv   | Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest.  |                     |   |
| 15.1.b.v    | Identify those responsible for maintaining updated records on conflicts of interest with related parties, and  |                     |   |
| 15.1.b.vi   | Articulate how any non-compliance with the policy to be addressed  |                     |   |

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| <b>16.</b> | <b>DISCLOSURES</b>   |                     |   |
| 16.1       | <p>The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English.</p> <p>The Board shall ensure that at least following disclosures are made in the Annual Report of the Company.</p>  | Complied            | Annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards. Further, such statements are published in the newspapers in Sinhala, Tamil and English. |
| 16.1.i     | <p>Financial statements-</p> <p>In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include,</p> <ul style="list-style-type: none"> <li>● A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.</li> <li>● A statement of responsibility of the Board in preparation and presentation of financial statements.</li> </ul> | Complied            | This is being disclosed in the "Annual Report of the Board of Directors on the state of affairs of the Company" appearing on pages 180 to 187 of the Annual Report.   |
| 16.1.ii    | <p>Chairperson, CEO and Board related disclosures-</p> <ul style="list-style-type: none"> <li>● Name, qualification and a brief profile.</li> <li>● Whether executive, non-executive and/or independent director.</li> </ul>   | Complied            | Details of the Directors including names and transactions with the Finance Company are given on pages 42 to 48 of the Annual Report.  |

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|          | <ul style="list-style-type: none"> <li>● Details of the director who is serving as the senior director, if any.</li> <li>● The nature of expertise in relevant functional areas.</li> <li>● Relatives and/or any business transaction relationships with other directors of the company.</li> <li>● Names of other companies in which the director/CEO concerned serves as a director and whether in an executive or non-executive capacity.</li> <li>● Number/percentage of board meetings of the Company attended during the year; and</li> <li>● Names of board committees in which the director serves as the Chairperson or a member.</li> </ul> |                     | Declaration was obtained from the Board of Directors of the Company and there is no business relationships with other Directors of the Company.   |
| 16.1.iii | Appraisal of board performance- <ul style="list-style-type: none"> <li>● An overview of how the performance evaluations of the Board and its committees have been conducted</li> </ul>  | Complied            | A process is in place for the annual self-assessments of Directors to be undertaken by each Director and the records of such assessments are maintained by the Company Secretary. The summary of the self assessment is submitted to the Board enabling Directors to discuss relevant matters if any. |
| 16.1.iv  | Remuneration- <ul style="list-style-type: none"> <li>● A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation)</li> </ul>  | Complied            | Performance driven remuneration and increments to the remuneration package shall depend on achievement of agreed performance standards or financial benchmarks which have been set as per the Annual Strategic Plan and the Budget. All employee's annual promotions, increments,                     |

| Section | Corporate Governance Principle   | Level of Compliance | Extent of Compliance  |
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|         | <ul style="list-style-type: none"> <li>The aggregate values of remuneration paid by the Company to its directors and senior management.</li> </ul>   |                     | <p>bonus are directly in relation with the employee's performance, contribution, commitment, professional conduct and behavior. The remuneration structure of the staff, Senior Management and Executive Directors shall be in line with the business strategy, objectives, values, long term interest, cost structure of the Company, incorporating prevention of conflict of interest in particular incentives embedded within the remuneration structures that does not incentivize employees to take excessive risk or act in self-interest.</p> <p>Aggregate values of remuneration paid for:</p> <p>Senior Management Remuneration - LKR. 215,953,102.26</p> <p>Directors fees are given in Note 44.3.1 of the financial statement.</p> |
| 16.1.v  | <p>Related party transactions-</p> <ul style="list-style-type: none"> <li>The nature of any relationship [including financial, business, family or other material/ relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board.</li> </ul> | Complied            | <p>Details of the Directors including names and transactions with the Finance Company are given on pages 42 to 48 of the Annual Report.</p> <p>Declaration was obtained from the Board of Directors of the Company and there is no business relationships with other Directors of the Company.</p>  |

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| Section   | Corporate Governance Principle  | Level of Compliance | Extent of Compliance  |
|-----------|---|---------------------|---|
|           | <ul style="list-style-type: none"> <li>Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's core capital.</li> <li>The aggregate values of the transactions of the Company with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the Company.</li> </ul> |                     | <p>There is no relationship between the Chairperson and the CEO and the relationship among members of the Board.</p> <p>Total of net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's core capital.</p> <p>Net accommodation for Directors – Nil</p> <p>Net accommodation for Senior Management / As a % of Core Capital = LKR. 20,877,661.08 / 0%</p> <p>The aggregate values of the transactions of the Company with senior Management is follows;</p> <p>Deposits – LKR . 484,108,270.90</p> |
| 16.1.vi   | <p>Board appointed committees-</p> <ul style="list-style-type: none"> <li>The details of the chairperson and members of the board committees and attendance at such meetings.</li> </ul>  | Complied            | Please refer 'Directors' attendance and Committee Memberships' tables given on pages 135 to 136 of the Annual report.   |
| 16.1.vii  | <p>Group Structure-</p> <ul style="list-style-type: none"> <li>The group structure of the Company within which it operates.</li> <li>The group governance framework.</li> </ul>   | Complied            | The Company is a fully owned subsidiary of Sampath Bank PLC. The Company fulfills its own legal and governing obligations.  |
| 16.1.viii | <p>Director's report-A report, which shall contain the following declarations by the Board:</p> <ul style="list-style-type: none"> <li>The Company has not engaged in any activity, which contravenes laws and regulations.</li> <li>The directors have declared all related party transactions with the Company and abstained from voting on matters in which they were materially interested.</li> </ul>  | Complied            | The Comprehensive report of the Board of Directors on affairs of the Company is available on pages 180 to 187.  |

| Section | Corporate Governance Principle  | Level of Compliance | Extent of Compliance                            |
|---------|---|---------------------|---|
|         | <ul style="list-style-type: none"> <li>● The Company has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors.</li> <li>● The business is a going concern with supporting assumptions; and</li> <li>● The Board has conducted a review of internal controls covering material risks to the Company and have obtained reasonable assurance of their effectiveness.</li> </ul>  |                     |   |
| 16.1.ix | <p>Statement on Internal Control-</p> <ul style="list-style-type: none"> <li>● A report by the Board on the Company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.</li> <li>● The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published.</li> <li>● A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances.</li> <li>● A statement of the regulatory and supervisory concerns on lapses in the Company's risk management, or non-compliance with the Act, and rules and directions</li> </ul> | Complied            | Given on pages 188 to 189 of the Annual Report. |

## CORPORATE GOVERNANCE REPORT

| Section   | Corporate Governance Principle   | Level of Compliance | Extent of Compliance  |
|-----------|--|---------------------|---|
| 16.1.x    | <p>Corporate governance report-</p> <ul style="list-style-type: none"> <li>● Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance Statement of the compliance with the Corporate Governance Direction.</li> </ul> | Complied            | <p>The Corporate Governance Report is set out on pages 51 to 136 of the Annual Report of the Company.</p> <p>The Company has obtained an independent assurance report from the External Auditors over compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance.</p>  |
| 16.1.xi   | <p>Code of Conduct -</p> <ul style="list-style-type: none"> <li>● Company's code of business conduct and ethics for directors, senior management and employees.</li> <li>● The Chairperson shall certify that the company has no violations of any of the provisions of this code.</li> </ul>                | Complied            | The Board approved Code of Conduct and business ethics for Directors and employees are in place.  |
| 16.1.xii  | <p>Management report -</p> <ul style="list-style-type: none"> <li>● Industry structure and developments</li> <li>● Opportunities and threats</li> <li>● Risks and concerns</li> <li>● Sustainable finance activities carried out by the company</li> <li>● Prospects for the future</li> </ul>               | Complied            | Please refer 'Management Discussion and Analysis' on pages 17 to 38 and Chief Executive Officer's Review on pages 12 to 16.   |
| 16.1.xiii | <p>Communication with shareholders -</p> <ul style="list-style-type: none"> <li>● The policy and methodology for communication with shareholders.</li> <li>● The contact person for such communication.</li> </ul>   | Complied            | The Board approved Communication Policy is in place which covers all stakeholders including Depositors, Creditors, Shareholders, and Borrowers. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication for the best interests of all stakeholders. The Company Secretary shall communicate with the shareholders through the Annual report, Quarterly Reports and by notices issued to the shareholders. |

**STATEMENT OF THE EXTENT OF COMPLIANCE UNDER SECTION 9 OF THE RULES OF THE CSE ON CORPORATE GOVERNANCE**

| Rule No. | Applicable Requirement  | Level of Compliance | Extent of Compliance  |
|----------|---|---------------------|---|
| 9.2      | Policies  |                     |   |
| 9.2.1    | <p>Listed Entities shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website;</p> <p>(a) Policy on the matters relating to the Board of Directors.</p> <p>(b) Policy on Board Committees - To mention regarding the TOR.</p> <p>(c) Policy on Corporate Governance, Nominations and Re- election.</p> <p>(d) Policy on Remuneration</p> <p>(e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities</p> <p>(f) Policy on Risk management and Internal controls</p> <p>(g) Policy on Relations with Shareholders and Investors</p> <p>(h) Policy on Environmental, Social and Governance Sustainability</p> <p>(i) Policy on Control and Management of Company Assets and Shareholder Investments</p> <p>(j) Policy on Corporate Disclosures</p> <p>(k) Policy on Whistle-blowing</p> <p>(l) Policy on Anti-Bribery and Corruption</p> | Complied            | The Board approved policies are in place and given in the website.                        |
| 9.2.2    | Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted by the Listed Entity shall be fully disclosed in the Annual Report.   | Complied            | No such waivers were granted during the year under review.                                |
| 9.2.3    | Listed Entities shall disclose in its Annual Report:  | Complied            | The availability of the approved list of policies are disclosed on the Company's website. |
|          | (i) the list of policies that are in place in conformity to Rule 9.2.1 above, with reference to its website.  |                     |   |
|          | (ii) details pertaining to any changes to policies adopted by the Listed Entities in compliance with Rule 9.2 above.  | Complied            | The Company has adopted the required policies as per Section 9.2.1 above.                 |

## CORPORATE GOVERNANCE REPORT

| Rule No. | Applicable Requirement  | Level of Compliance | Extent of Compliance   |
|----------|---|---------------------|--|
| 9.2.4    | Listed Entities shall make available all such policies to shareholders upon a written request being made for any such Policy.   | Complied            | Upon written request, a copy of the policy will be furnished to the shareholder.                           |
| 9.3      | Board Committees  | Complied            | The Board approved Board Sub Committees are in place.  |
| 9.3.1    | Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include;<br><br>(a) Nominations and Governance Committee<br>(b) Remuneration Committee<br>(c) Audit Committee<br>(d) Related Party Transactions Review Committee.  |                     |  |
| 9.3.2    | Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules.  | Complied            | The Company complies with the said requirement.  |
| 9.3.3    | The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.  | Complied            | The Company complies with the said requirement.  |
| 9.4      | Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders  | Complied            | The Company maintains records of all resolutions which are being considered at the Annual General Meeting. |
| 9.4.1    | Listed Entities shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Entity. The Entity shall provide copies of the same at the request of the Exchange and/ or the SEC.<br><br>(a) The number of shares in respect of which proxy appointments have been validly made;<br>(b) The number of votes in favour of the resolution;<br>(c) The number of votes against the resolution; and<br>(d) The number of shares in respect of which the vote was directed to be abstained. |                     |  |

| Rule No. | Applicable Requirement  | Level of Compliance | Extent of Compliance   |
|----------|---|---------------------|--|
| 9.4.2    | <p>Communication and relations with shareholders and investors</p> <p>(a) Listed Entities shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity.</p> <p>(b) Listed Entities shall disclose the contact person for such communication.</p> <p>(c) The policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders, and such process shall be disclosed by the Entity in the Annual Report and the website of the Entity.</p> <p>(d) Listed Entities that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange.</p>   | Complied            | The Board approved Communication policy and policy on Relations with Shareholders and Investors are in place to communicate with all Stakeholders. |
| 9.5.1    | <p>Policy on matters relating to the Board of Directors</p> <p>Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall:</p> <p>(a) recognize the need for a balance of representation between Executive and Non-Executive Directors and cover at minimum board composition, the roles and functions of the Chairperson and Chief Executive Officer or equivalent position (hereinafter commonly referred to as the CEO), Board balance and procedures for the appraisal of Board performance and the appraisal of the CEO.</p> <p>(b) where a Listed Entity decides to combine the role of the Chairperson and CEO,</p> <p>(i) set out the rational for combining such positions; and,</p> <p>(ii) require the Board Charter of the Listed Entity to contain terms of reference/functions of the Senior Independent Director (SID) and the powers of the SID, which should be equivalent to that of the Chairperson in the instance of a conflict of interest.</p> <p>(iii) set out the measures implemented to safeguard the interests of the SID.</p> | Complied            | The Board approved policy on matters relating to the Board of Directors are in place.  |

## CORPORATE GOVERNANCE REPORT

| Rule No. | Applicable Requirement   | Level of Compliance | Extent of Compliance  |
|----------|--|---------------------|---|
|          | <p>(c) require diversity in Board composition for Board effectiveness in terms of a range of experience, skills, competencies, age, gender, industry requirements and importance of objective selection of directors.</p> <p>(d) stipulate the maximum number of Directors with the rationale for the same</p> <p>(e) specify the frequency of Board meetings, having regard to the requirements under the Listing Rules.</p> <p>(f) provide mechanisms for ensuring that Directors are kept abreast of the Listing Rules and on-going compliance and/ or non-compliance by the Listed Entity with obligations arising under such Rules.</p> <p>(g) specify the minimum number of meetings, in numbers and percentage, that a Director must attend, in order to ensure consistent attendance at Board Meetings and to avoid being deemed to vacate such position.</p> <p>(h) provide requirements relating to trading in securities of the Listed Entity and its listed group companies and disclosure of such requirements.</p> <p>(i) specify the maximum number of directorships in Listed Entities that may be held by Directors.</p> <p>(j) Recognize the right to participate at meetings of the Board and Board Committees by audio visual means and for such participation to be taken into account when deciding on the quorum.</p> |                     |   |
| 9.5.2    | Listed Entities shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 above in the Annual Report and provide explanations for any non-compliance with any of the requirements with reasons for such non-compliance and the proposed remedial action.  | Complied            | The Company complies with the requirements stated in rule 9.5.1.  |
| 9.6      | Chairperson and CEO  | Complied            | The Chairperson is a Non-Executive Director and the positions of Chairperson and Managing Director are not held by the same individual. |
| 9.6.1    | The Chairperson of every Listed Entity shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual.  |                     |   |

| Rule No. | Applicable Requirement   | Level of Compliance | Extent of Compliance  |
|----------|--|---------------------|---|
| 9.6.2    | <p>A Listed Entity that is unable to comply with Rule 9.6.1 above shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an immediate Market Announcement from the date of non-compliance (if such date falls subsequent to the implementation of these Rules).</p> <p>Such Market Announcement shall include the following:</p> <p>(a) The reasons for non-compliance</p> <p>(b) The rationale for combining the positions of the Chairperson and CEO</p>  | Complied            | Not applicable.   |
| 9.6.3    | <p>The Requirement for a Senior Independent Director</p> <p>(a) A Listed Entity shall appoint an Independent Director as the SID in the following instances:</p> <ol style="list-style-type: none"> <li>i. The Chairperson and CEO are the same person</li> <li>ii. The Chairperson and CEO are Close Family Members or Related Parties</li> </ol> <p>Such appointment shall be immediately disclosed with reasons for such appointment, by way of a Market Announcement.</p> <p>(b) The Independent Directors shall meet at least once a year or as often as deemed necessary at a meeting chaired by the SID without the presence of the other Directors to discuss matters and concerns relating to the Entity and the operation of the Board. The SID shall provide feedback and recommendations from such meetings to the Chairperson and the other Board Members.</p> <p>(c) The SID shall chair a meeting of the Non-Executive Directors without the presence of the Chairperson at least annually, to appraise the Chairperson's performance and on such other occasions as are deemed appropriate.</p> <p>(d) The SID shall be entitled to a casting vote at the meetings specified in Rules 9.6.3. (b) and (c) above.</p> <p>(e) The SID shall make a signed explanatory disclosure in the Annual Report demonstrating the effectiveness of duties of the SID.</p> | Complied            | <p>The Chairman of the Board is an Independent Non-executive Director.</p> <p>The roles of the Chairman and the Managing Director are separated and not performed by the same individual.</p> |

## CORPORATE GOVERNANCE REPORT

| Rule No. | Applicable Requirement  | Level of Compliance | Extent of Compliance   |
|----------|---|---------------------|--|
| 9.6.4    | Until Listed Entities comply with Rule 9.6.1 above, such Entities shall be required to explain the reasons for non-compliance with Rule 9.6.1 in the Annual Report.   | Complied            | The company is in compliant with rule no. 9.6.1.   |
| 9.7      | Fitness of Directors and CEOs   | Complied            | The company is in compliant with rule no. 9.7.   |
| 9.7.3    | Fit and Proper Assessment Criteria:   | Complied            | The company is in compliant with rule no. 9.7.3.   |
| 9.7.4    | Listed Entities shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation.   | Complied            | The Company has obtained Fit and Proper Assessments from all Directors for the year under review.  |
| 9.7.5    | Disclosures in the Annual Report of Listed Entities<br>Listed Entities shall include the following disclosures/reports in the Annual Report;<br><br>(a) A statement that the Directors and CEO of the Listed Entity satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange.<br><br>(b) Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Listed Entity to rectify such non-compliance/s. | Complied            | The Company assess the Fitness and Propriety of the Directors annually as defined in the Finance Business Act Direction No.06 of 2021 and Section 9.7.3 of the Listing rules on Assessment of Fitness and Propriety of Key Responsible Persons.  |
| 9.8      | Board Composition   |                     |  |
| 9.8.1    | The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.  | Complied            | The Board consist of 10 Directors as stated below, which is within the statutory requirement.<br><br>Mr.PS. Cumaranatunga (Chairman), Mr.Y.S.H.R.S. Silva (Deputy Chairman), Mr. H.M.A. Seneviratne (Managing Director), Mr. J. Selvaratnam, Mr. J.H. Gunawardena, Mr. D. Sooriyaarachchi, Mr. W.S.C. Perera, Ms. H.S.R.Ranatunga, Mr. P.L.C. Jayawickrama, Mr. D.P. Lokuarachchi. |
| 9.8.2    | Minimum Number of Independent Directors:  | Complied            | During the year, the Board comprised six Independent Non-Executive Directors.  |
| 9.8.3    | Criteria for determining independence:  | Complied            | A declaration was obtained from each Independent Director for 2025, confirming their status in accordance with the criteria and format set out in Appendix 9A.   |

| Rule No. | Applicable Requirement   | Level of Compliance | Extent of Compliance   |
|----------|--|---------------------|--|
| 9.8.5    | <p>The Board of Directors of Listed Entities shall require:</p> <p>(a) Each Independent Director to submit a signed and dated declaration annually of his or her "independence" or "non-independence" against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein.</p> <p>b) Make an annual determination as to the "independence" or "non independence" of each Independent Director based on the Directors` declaration and other information available to it and shall set out the names of Directors determined to be 'independent' in the Annual Report.</p> <p>(c) If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof.</p> | Complied            | <p>A declaration was obtained from each Independent Director for 2025, confirming their status in accordance with the criteria and format set out in Appendix 9A.</p>  |
|          |  | Complied            | <p>No such circumstances occurred during the year 2025.</p> <p>Subsequently, the independence of Mr. D Sooriyaarachchi and Mr. D.P. Lokuarachchi has been reclassified as 'Non-Independent' with effect from 2 February 2026, and a Market Announcement has been made accordingly.</p> |
| 9.9      | Alternate Directors  | Complied            | There are no Alternate Directors in the Board.   |
| 9.10     | Disclosures relating to Directors  |                     |  |
| 9.10.1   | Listed Entities shall disclose its policy on the maximum number of directorships its Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above.   | Complied            | The company is in compliant with the rule no. 9.10.1   |
| 9.10.2   | Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following;   | Complied            | The Company is in compliant with the rule no. 9.10.2. A disclosure has been made to the Exchange on the Appointment of Mr. D. P. Lokuarachchi as an Independent, Non - Executive Director on 16th September 2025.  |
| 9.10.3   | Listed Entities shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.  | Complied            | The Company is in compliant with the rule no. 9.10.3. Disclosures have been made after the re-constitutions of Board Subcommittees on 27 August 2025 and 30th September 2025.  |
| 9.10.4   | Details relating to Directors in the Annual Report:  | Complied            | Directors Details are given on Pages 42 to 48.   |

## CORPORATE GOVERNANCE REPORT

| Rule No. | Applicable Requirement  | Level of Compliance | Extent of Compliance   |
|----------|---|---------------------|--|
| 9.11     | NOMINATIONS AND GOVERNANCE COMMITTEE  | Complied            | The Company amalgamated Board Nominations Committee and Board Corporate Governance Committee w.e.f 30th September 2025 and the Committee now functions as the Board Nominations and Governance Committee. A ToR for the committee is available defining its scope, roles and responsibilities etc.   |
| 9.12     | REMUNERATION COMMITTEE  | Complied            | The company has a Board Human Resources and Remuneration Committee in operation (BHRC).  |
| 9.12.1   | For the purposes of Rule 9.12, the term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received.  |                     |  |
| 9.12.2   | Listed Entities shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules.  |                     |  |
| 9.12.3   | The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration.   | Complied            | A Board approved remuneration policy is in place for Executive Directors and a fee structure is in place for Non - Executive Directors.  |
| 9.12.4   | Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired.   |                     |  |
| 9.12.5   | Remuneration Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.  | Complied            | A ToR for the committee is available defining its scope, roles and responsibilities etc.   |
| 9.12.6   | <p>Composition</p> <p>(1) The members of the Remuneration Committee shall;</p> <p>(a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity.</p> <p>(b) not comprise of Executive Directors of the Listed Entity.</p> <p>(2) In a situation where both the parent company and the subsidiary are 'Listed Entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary.</p> <p>(3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.</p> | Complied            | <p>The Committee is comprised of three Independent Non-Executive Directors and is chaired by Mr. D. Sooriyaarachchi. Other members of the committee are Mr. Y. S. H. R. Silva, Ms. H. S. R. Ranatunga, Mr. W.S.C. Perera and Mr. D.P. Lokuarachchi.</p> <p>Mr. S. Cumaranatunga stepped down from the Committee with effect from 26th August 2025.</p> |

| Rule No. | Applicable Requirement   | Level of Compliance | Extent of Compliance   |
|----------|--|---------------------|--|
| 9.12.7   | <p>Functions</p> <p>(1) The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/ or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations.</p> <p>(2) The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO</p> | Complied            | The Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the Executive Directors and Senior Management are decided by the BHRRC.   |
| 9.12.8   | Disclosure in Annual Report  | Complied            | The report of BHRRC is given on pages 163 to 165.  |
| 9.13     | AUDIT COMMITTEE  |                     |  |
| 9.13.1   | Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules.  | Complied            | The Company currently has two separate Committees in operation as Board Audit Committee (BAC) and as Board Integrated Risk Management Committee (BIRMC).   |
| 9.13.2   | The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.  | Complied            | Board approved Terms of References is in place.  |
| 9.13.3   | Composition  | Complied            | <p>All members of the Board Audit Committee are Independent Non-Executive Directors. Members are Mr. P.L.C. Jayawickrama, Mr. P.S.Cumaranatunga, Mr. J.H. Gunawardena (not a member of the BAC with effect from 26/08/2025) and Ms. H.S.R. Ranatunga (not a member of the BAC with effect from 30/09/2025).</p> <p>Mr. D. P. Lokuarachchi was appointed as a member with effect from 30/09/2025.</p> |
| 9.13.4   | <p>Functions</p> <p>(1) The functions of the Audit Committee shall include the following:</p> <p>(i) Oversee the Entity's compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.</p>   | Complied            | <p>BAC ensures the compliance to laws and regulations through Internal Audit activities conducted by the Internal Audit Department.</p> <p>Please refer the level of compliance under point number 10.2.d.vii of FBA Direction No 5 of 2021 in the Corporate Governance Report on page 77.</p>   |

## CORPORATE GOVERNANCE REPORT

| Rule No. | Applicable Requirement  | Level of Compliance | Extent of Compliance   |
|----------|---|---------------------|--|
|          | <p>(ii) Review the quarterly results and year-end financial statements of the Entity prior to tabling for the approval of the Board of Directors of the Entity with special reference to:</p> <p>(a) changes in or implementation of major accounting policy changes;</p> <p>(b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;</p> <p>(c) compliance with accounting standards and other legal requirements;</p> <p>(d) any related party transaction and conflict of interest situation that may arise within the Listed Entity or group including any transaction, procedure or course of conduct that raises questions of management integrity;</p> <p>(e) any letter of resignation from the external auditors of the Listed Entity; and,</p> <p>(f) whether there is reason (supported by grounds) to believe that the Listed Entity's external auditor is not suitable for re- appointment</p> |                     |  |
|          | <p>(iii) To make recommendations to the Board pertaining to appointment, reappointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.</p> <p>(iv) Obtain and review assurance received from:</p> <p>(a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Entity's operations and finances; and</p> <p>(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity's risk management and internal control systems.</p>  | Complied            | <p>Quarterly Financial Statements as well as year-end Financial Statements are discussed and recommended to the Board for approval by the Audit Committee. Detailed discussions focusing on major judgmental areas, changes in accounting policies, significant audit judgments in the Financial Statements, going concern assumption, and compliance with Accounting Standards and other legal requirements are conducted, and required clarifications are obtained in respect to all areas before recommending for Board's approval.</p> |

| Rule No. | Applicable Requirement  | Level of Compliance | Extent of Compliance   |
|----------|---|---------------------|--|
|          | (v) Review the internal controls in place to prevent the leakage of material information to unauthorized persons.   | Complied            | Currently, the Head of Information Security and Compliance oversees this aspect with the oversight of Board Information Technology Committee (BITC), at the second line of defence. Head of Internal Audit under the IS Audit scope reviews the effectiveness of controls to reduce the risk of information leakage and report to the BAC for information and necessary actions. |
|          | (vi) Oversee the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.   | Complied            | Complied with  |
|          | (vii) Review and assess the company's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks and updated business continuity plans.  | Complied            | Complied with  |
|          | (viii) Review the risk policies adopted by the Entity on an annual basis.   | Complied            | Complied with  |
|          | (ix) Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Listed Entity's policies and regulatory requirements.  | Complied            | BAC recommends the Management to take corrective actions to mitigate/ reduce the impact of risks.  |
|          | (x) Review the scope and results of the internal and external audit and its effectiveness, and the independence, performance and objectivity of the auditors.   | Complied            | The Board Audit Committee and the Board Integrated Risk Management Committee executes its tasks relevant to respective committees.   |
|          | (xi) To develop and implement policy on the engagement of the external auditor to supply non-audit services, at minimum taking into account relevant ethical guidance regarding the provision of non-audit services by an external audit firm; and to report to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps ought to be taken. |                     |  |

## CORPORATE GOVERNANCE REPORT

| Rule No. | Applicable Requirement   | Level of Compliance | Extent of Compliance  |
|----------|--|---------------------|---|
|          | <p>(xii) if a change of auditor is recommended by the Audit Committee in circumstances where the audit opinion of the immediately disclosed financial period or any period where subsequent disclosure of audit opinion is pending and such opinion carries a modification or an emphasis of matter of going concern, then the Audit Committee report shall include the rationale of the Audit Committee for recommending the removal of the auditor.</p> <p>(xiii) Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of a Listed Entity has not been satisfactorily resolved resulting in a breach of these Requirements, the Audit Committee shall promptly report such matter to the Exchange.</p> <p>(2) Where Listed Entities maintain two (02) separate Committees to carry out the Audit and Risk functions, the terms of reference of such Committees shall, at a minimum, include the respective functions stipulated in Rule 9.13.4 (1) above.</p> |                     |   |
| 9.13.5   | Disclosures in Annual Report   |                     |   |
|          | (1) The Audit Committee shall also prepare an Audit Committee Report which shall be included in the Annual Report of the Listed Entity. The Audit Committee Report shall set out the manner in which the Entity has complied with the requirements applicable to the Audit Committee during the period for which the Annual Report relates.  | Complied            | The Report of the Board Audit Committee is given on pages 156 to 158. |
|          | (2) The Audit Committee Report shall contain the following disclosures:  |                     |   |
|          | (a) the names of the Chairperson and the members of the Audit Committee, and the nature of directorships held by such members (or persons in the parent company's committee in the case of a group company);   |                     |   |
|          | (b) The status of risk management and internal control of the Listed Entity and as a Group (where applicable).   |                     |   |
|          | (c) A statement that it has received assurance from the CEO and the CFO of the Entity's operations and finances.   |                     |   |

| Rule No. | Applicable Requirement  | Level of Compliance | Extent of Compliance  |
|----------|---|---------------------|---|
|          | (d) An opinion on the compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.  |                     |   |
|          | (e) Whether the listed entity has a formal Audit Charter  |                     |   |
|          | (f) the manner in which internal audit assurance is achieved and a summary of the work of the internal audit function;  |                     |   |
|          | (g) Details demonstrating the effective discharge of its functions and duties for that financial year of the Listed Entity;   |                     |   |
|          | (h) a statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and   |                     |   |
|          | (l) a statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination. It shall also contain details on the number of years that the external auditor and the audit partner were engaged. If the external auditor provides non audit services, explanations must be made of how auditor objectivity and independence are safeguarded taking into consideration fees paid for non-audit services provided by the external auditor and affiliated parties. |                     |   |
| 9.14     | RELATED PARTY TRANSACTIONS REVIEW COMMITTEE   | Complied            | The Company has established its own BRPTRC.   |
| 9.14.2   | Composition   | Complied            | BRPTRC comprises a total of four Non- Executive Directors and all of them are Independent Directors. The Chairperson is also an Independent Director. |
| 9.14.3   | Functions   | Complied            | As per the Board approved Terms of Reference.   |
| 9.14.4   | General Requirements  | Complied            | BRPTRC meets quarterly and functions according to the Board approved Terms of Reference.  |
| 9.14.5   | Review of Related Party Transactions by the Related Party Transactions Review Committee   | Complied            | All transactions are reviewed by the BRPTRC.  |
| 9.14.6   | Shareholder Approval  | Complied            | No such situation has transpired in 2025.   |

## CORPORATE GOVERNANCE REPORT

| Rule No. | Applicable Requirement  | Level of Compliance | Extent of Compliance   |
|----------|---|---------------------|--|
| 9.14.7   | Disclosures   | Complied            | None   |
| 9.17     | Additional Disclosures  |                     |  |
|          | (1) The Board of Directors have declared all material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested;   | Complied            | Directors' interest register and Directors' interest in contracts or proposed contracts given on page 185.   |
|          | (2) they have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if unable to make any of these declarations an explanation on why it is unable to do so; | Complied            | Directors' Statement on Internal Control over Financial Reporting is given on pages 188 to 189.  |
|          | (3) they made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;  | Complied            | Given in Corporate Governance and Compliance with Laws and Regulations section of the Annual Report of the Board of Directors on the affairs of the company - page 187.<br><br>Given in the Corporate Governance Report - 'Governance Framework' section given on page 52.   |
|          | (4) disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations   | Complied            | Requirement under Rule 7.12.2 (b) (ii) of the Listing Rules of the CSE, which mandates immediate disclosure of any changes to debenture rating has been inadvertently overlooked.<br><br>Subsequently, a disclosure relating to the revision of the debenture rating has been made to the CSE on 28th May 2025. In accordance with Rule 7.12.2(c)(i) of the Listing Rules of CSE, the Company has submitted an explanation letter stating the reason for non-compliance to the CSE on 19th June 2025. In terms of Rule 7.12.2 (c) (iii) of the Listing Rules of the CSE, a penalty of LKR One Million (LKR 1,000,000/-) was imposed by the CSE and it was settled on 28/08/2025. |
| 9.18     | Enforcement Procedure for Non-Compliance with Corporate Governance Requirements.  | Complied            | None   |

Code of Best Practice on Corporate Governance 2023 was issued by the Institute of Chartered Accountants of Sri Lanka.

| Code of Best Practice Reference | Requirement  | Explanation of the Company   |
|---------------------------------|--|--|
| A.1                             | THE BOARD<br>The Board of Directors at Siyapatha Finance PLC (the "Company") represents professionals from different disciplines such as Legal, Marketing, Management, Finance, Engineering, Information Technology and they bring with them a wealth of business experience to provide leadership to the Company. |  |
| A.1.1                           | Board meetings   | <p>Board meetings are planned well ahead and dates of the monthly meetings are finalized at the end of the previous year. During the reviewed period 13 Board meetings were held.</p> <p>The Board meetings are mainly focused on reviewing the performance of the Company and more on strategic planning and the Company's future directions. Key officers in their monthly presentations to the Board, focus 100% on their performances and future plans to achieve the strategic goals. Special Board meetings are convened whenever necessary.</p> <p>These meetings ensure that prompt action is taken to align the business processes to achieve the expectations of all stakeholders.</p> <p>Please refer 'Directors' attendance and Committee Memberships' table given on pages 135 to 136 in the Annual report.</p> |
| A.1.2                           | Responsibilities of the Board  | <p>The Board while acting in line with the Company's values is responsible for the formulation of a sound business strategy for the organization. The Management formulates a three years strategic plan which addresses future challenges, which would be tabled, discussed, and approved by the Board.</p> <p>The Board takes necessary steps to fulfill the duties entrusted to them by securing the integrity of the information, managing risks, and implementing an effective internal control system. In this process, compliance ensures that all applicable laws and regulations and adherence to the Company's ethical standards and corporate values are met to ensure that all stakeholders' interests are taken into consideration in the corporate decision-making process.</p>                                |
| A.1.3                           | Agreed procedure on seeking independent professional advice  | A Board approved policy is in place for the directors to seek independent professional advice as and when required. The Board sub-committees advise the Board on various matters under their purview, when necessary.  |
| A.1.4                           | Advice and services of the Company Secretary   | The Board has explicitly defined and adopted a policy providing Board members full access to the Company Secretary in order to verify that all Board procedures are carried out and all applicable rules and regulations are complied with. Legal matters for which the Board needs clarification are referred to the Head of Legal through the Company Secretary. She provides such information after obtaining necessary professional advice whenever required.  |

## CORPORATE GOVERNANCE REPORT

| Code of Best Practice Reference | Requirement   | Explanation of the Company   |
|---------------------------------|---|--|
| A.1.5                           | Independent judgement of directors  | All directors are welcome to bring independent judgement to aid with the decision-making of the Company and for the decisions taken by the Board on issues of strategy, performance, resources, and standards of business conduct. Different arguments and ideas are recorded in detail by the Company Secretary with a view to indicate the rationale in which decisions are arrived at.  |
| A.1.6                           | Dedicating adequate time and effort by the directors  | All Directors dedicate adequate time and effort to Board and Committee meetings ensuring that their responsibilities are satisfactorily discharged. The Directors allocate sufficient time to review Board Papers, seek clarifications, and follow up on matters arising from meetings. They also dedicate time to understanding the Company's operations, risks, and controls, enabling effective governance and decision-making.   |
| A.1.7                           | Call for a resolution   | The Board acknowledges that one-third of its Directors may call for a resolution to be presented to the Board if they believe it is in the best interest of the Company.   |
| A.1.8                           | Training for new and existing directors   | Directors recognize the need for continuous training and participate in professional development as deemed necessary to carry out their duties effectively. Market experts and professional services are engaged periodically to share new insights. Any training programs relevant to the Board are communicated to Directors by the Company Secretary for their participation.   |
|                                 | <b>A.2 CHAIRMAN AND MANAGING DIRECTOR</b><br>Board of Directors does not intervene with the Company's day-to-day business and there is a clear division of responsibilities between conducting the business of the Board and day-to-day operations of the Company by the Executive Management, in order to ensure a balance of power and authority. The Chairman is responsible for leading the Board to drive towards the Company's Strategic Vision and to ensure the effectiveness of the Board. The Managing Director's role is to conduct the business operations of the Company with the help of the Corporate and Senior Management. Hence, the roles of the Chairman and the Managing Director are clearly distinct from one another. |  |
| A.2.1                           | Justification of combining the roles of Chairman & Managing Director  | There is a clear division of responsibilities between conducting the business of the Board and day-to-day operations of the Company in order to ensure a balance of power and authority. The Chairman is responsible for leading the Board and for its effectiveness. The Managing Director's role is primarily to conduct the business operations of the Company with the help of corporate management. The roles of the Chairman and the Managing Director are clearly distinct from one another. The Chairman and the Managing Director positions are held by two individuals and the functions of the Chairman and the Managing Director are clearly documented, defined, and separated by the Board, thereby preventing unfettered powers for decision-making being vested in one individual. |
|                                 | <b>A.3 CHAIRMAN'S ROLE</b><br>Chairman is responsible to ensure that all Board members make a full contribution to the Board's affairs and ensure that the Board acts as a team while discharging Board functions. He provides leadership to the Board and effectively manages the Board while preserving order and facilitating the effective discharge of Board functions.  |  |

| Code of Best Practice Reference | Requirement  | Explanation of the Company  |
|---------------------------------|--|---|
| A.3.1                           | Role/functions of the Chairman   | <p>The following functions of the Chairman were approved by the Board.</p> <ul style="list-style-type: none"> <li>● To provide leadership to the Board.</li> <li>● Maintain and ensure a balance of power between the Executive and Non-Executive Directors.</li> <li>● Secure effective participation of both Executive and Non-Executive Directors.</li> <li>● To ensure that the Board works effectively and discharges its responsibilities.</li> <li>● To ensure that all key issues are discussed by the Board in a timely manner.</li> <li>● To implement decisions/directions of the regulator.</li> <li>● Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and maintaining minutes in an orderly manner to the Company Secretary.</li> <li>● Not engage in activities involving direct supervision of senior management or any other day-to-day operational activities.</li> <li>● Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of the shareholders are communicated to the Board.</li> <li>● Annual assessment of the performance and the contribution during the past 12 months of the Board.</li> </ul> |
|                                 | <p><b>A.4 FINANCIAL ACUMEN</b></p> <p>The Code of Best Practice requires that the Board comprises members with sufficient financial acumen and knowledge to offer guidance on matters of finance. The Board of the Company has met the above requirement as four Board members out of nine directors are qualified accountants having professional qualifications and are equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.</p> |   |
| A.4                             | Financial acumen and knowledge   | <p>The Chairman of the Audit Committee, Mr. P. L. C. Jayawickrama is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. He obtained B.Sc. (Accountancy &amp; Financial Management) Special degree from the University of Sri Jayewardenepura and a Bachelor of Laws degree from the Open University of Sri Lanka. Further, he is also an attorney-at-Law at the Supreme Court of Sri Lanka.</p> <p>Mr. P.S. Cumararatunga is an Associate member of the Chartered Institute of Management Accountants of UK (ACMA, UK), holds a Chartered Global Management Accountants (CGMA) qualification, a Certified</p>   |

## CORPORATE GOVERNANCE REPORT

| Code of Best Practice Reference | Requirement  | Explanation of the Company   |
|---------------------------------|--|--|
|                                 |  | <p>Practicing Accountants (CPA) and is a Member of the Chartered Institute of Marketing (DipMMCIM).</p> <p>Mr. H.M.A. Seneviratne is a Fellow member of the Institute of Chartered Accountants of Sri Lanka (FCA), graduated in Business Administration from the University of Sri Jayawardenepura, and a holder of a Master's Degree in Business Administration (MBA) from the University of Colombo.</p> <p>Ms. H.S.R.Ranatunga is a Fellow member of the Chartered Institute of Management Accountants, UK (FCMA-UK), the Chartered Global Management Accountants (CGMA), has a Master Degree in Business Administration (MBA) from the Postgraduate Institute of Management, University of Sri Jayawardenepura and MA in Economics from the University of Colombo.</p> <p>These members of the Board have the ability to offer advice and guidance on matters of finance to the Board.</p> |
|                                 | <p>A.5 BOARD BALANCE</p> <p>The Code requires that a balance is maintained between the Executive and Non-Executive Directors (NEDs) thus no individual or a small group of individual directors is able to dominate the Board's decision making.</p> |  |
| A.5.1                           | Presence of a strong team of Non-Executive Directors (NEDs)  | Nine out of ten directors of the Board are NEDs  |
| A.5.2 & A.5.3                   | Independence of NEDs   | During the year under review, the Board comprised six Independent Non-Executive Directors. Pursuant to Section 3.7(c)(vii) of the Finance Business Act Directions No. 5 of 2021, and with effect from 2 February 2026, two Directors were reclassified as Non-Independent Non-Executive Directors. Consequently, the number of Independent Non-Executive Directors was reduced to four, with no change to the overall Board composition.   |
| A.5.4                           | Annual declaration of NEDs   | Every NED of the Company has made written declarations as to their independence against the specified criteria set out by the Company, which is in line with the requirements of Schedule C of this Code.  |
| A.5.5                           | Annual declaration by the Board on the independence of directors   | <p>The Board has determined the independence of Directors based on the declarations submitted by the Non-Executive Directors as a fair representation and evaluated their independence annually in line with the CBSL Directions and the Code of Best Practice on Corporate Governance. No circumstances arose during 2025 requiring the Board to determine independence beyond the criteria set out in the Code. During 2025, the Independent Non-Executive Directors were as follows: Mr. P.S. Cumararatunga, Mr. J. H. Gunawardena, Mr. D. Sooriyaarachchi, Ms. H.S.R. Ranatunga, Mr. P.L.C. Jayawickrama and Mr. D. P. Lokuarachchi.</p> <p>Subsequently, the Independent status of Mr. D. Sooriyaarachchi and Mr. D.P. Lokuarachchi has been reclassified as "Non-Independent" w.e.f. 2 February 2026.</p>  |
| A.5.6                           | Alternate Director   | At present, there are no alternate Directors.  |

| Code of Best Practice Reference | Requirement   | Explanation of the Company   |
|---------------------------------|---|--|
| A.5.7 & A.5.8                   | Requirement to appoint a 'Senior Non-Executive Director' and make himself available for confidential discussions.   | The Chairman of the Company is an Independent Non-Executive Director. As a result, the necessity to appoint a 'Senior Non-Executive Director' has not arisen.  |
| A.5.9                           | Chairman holds meetings with NEDs only without EDs  | During the year, the Chairman met with the Non-Executive Directors on two (02) occasions without the presence of the Managing Director.  |
| A.5.10                          | Recording of concerns in Board minutes  | The Company Secretary ensures that deliberations and concerns raised by the Directors during Board Meetings are adequately detailed in the minutes.<br><br>The Company Secretary ensures that all decisions are accurately documented in the minutes, capturing how they were reached. These minutes are maintained in a detailed and comprehensive manner.  |
|                                 | <b>A.6 SUPPLY OF INFORMATION</b><br>The Code requires the Company's management to submit timely information to the Board with sufficient information for making decisions that would enable it to discharge its duties. |  |
| A.6.1                           | Obligation of the Management to provide appropriate and timely information to the Board   | The Executive Management of the Company should ensure that the directors are provided with adequate information in a timely manner and make every effort to provide the information, as early as possible. The Board Papers are prepared by the Executive Management of the Company to provide adequate information to the Board enabling it to deliberate on all key issues concerning the Company. Directors are free to raise inquiries/ concerns for additional information, where necessary. In addition, key members of the Executive Management make their presentations at every Board meeting on their performance and issues of importance during the reviewed period. The Chairman ensures that all directors are briefed adequately on issues arising at Board meetings. |
| A.6.2                           | Adequate time for Board meetings  | According to the Articles of Association of the Company, all Board members are given notice well ahead of the meeting, and all Minutes of previous meetings, Agenda, and Board Papers are dispatched in advance. Further, adequate notice is given to all directors prior to emergency/special Board meetings. This ensures that the Board members have adequate time to study the related papers and prepare for a meaningful discussion at the meetings.   |
|                                 | <b>A.7 APPOINTMENT TO THE BOARD</b><br>Company has a formal and transparent procedure in place to appoint new Directors.  |  |

## CORPORATE GOVERNANCE REPORT

| Code of Best Practice Reference | Requirement   | Explanation of the Company  |
|---------------------------------|---|---|
| A.7.1 & A.7.2                   | Presence of a Nomination Committee and annual assessment of the composition of the Board.   | <p>The Company has established its own Board Nominations and Governance Committee, which is chaired by an Independent Director. Additionally, two-thirds of the Directors are independent.</p> <p>The Committee is authorized to implement a procedure to assess the skills, knowledge, and experience required for the selection and appointment of new Directors and the Managing Director for the Company. The final decision is taken by the Board in terms of the procedure approved by the Board to appoint new Directors which is a formal and transparent procedure.</p> <p>The Board assesses the composition of the Board to ensure that the combined knowledge and experience of the Board match the strategic demand of the market.</p>   |
| A.7.3                           | Succession plan for the CEO and Key Management Personnel and determine the training and development requirements  | The committee has ensured that a succession plan is in place for the Managing Director and all other Key Management Personnel. Furthermore, the committee has determined the necessary training and development requirements for those identified for succession.   |
| A.7.4                           | Disclosure of information to shareholders upon appointment of New Directors   | <p>All new appointments to the Board are communicated to the shareholders via the Colombo Stock Exchange together with brief resumes of such Directors. Such announcements set out the fields of the respective Director's expertise, his/her directorships in other companies, and the number of shares he/she holds in the Company, whether he/ she is appointed as an Executive Director or a Non-Executive Director, and whether as an Independent Director or as a Non-Independent Director.</p> <p>During the year, Mr. D. P. Lokuarachchi was appointed to the Board as an Independent Non-Executive Director with effect from 15 September 2025. Subsequent to the reporting period, with effect from 2 February 2026, he was reclassified as a Non-Independent Non-Executive Director.</p> |
| A.7.5                           | Identifying the Chairman and the members of the Nomination Committee in the Annual Report   | A report from the Board Nominations and Governance Committee is included in the annual report, outlining the functions and responsibilities of the Committee.   |
| A.7.6                           | Terms of reference for nomination committee are set out in schedule E of the code   | The Committee operates in accordance with the Board approved Terms of Reference.  |
|                                 | <p>A.8 RE-ELECTION</p> <p>The Code requires all Directors to submit themselves for re-election, at regular intervals and at least once every three years.</p> |   |

| Code of Best Practice Reference   | Requirement   | Explanation of the Company  |
|---|---|---|
| A.8.1 & A.8.2   | Re-election of Non-Executive Directors including Chairman and Directors   | The procedure adopted by the Company to re-elect by rotation is in compliance with Articles 24(7), 24(8) of the Articles of Association. In accordance with articles, at least one-third of the Directors retire at the (AGM).  |
| A.8.3   | Resignation of a director   | In the event of resignation before completing the term, the Director must inform the Board in writing, providing the reasons for resignation.<br><br>There were no resignations to the Board during the year under review.  |
| A.9 APPRAISAL OF BOARD PERFORMANCE<br>The Code requires the Board to appraise its own performance periodically to ensure that its responsibilities are satisfactorily discharged. |   |   |
| A.9.1   | Annual appraisal of the Board's performance and the performance of its Sub - Committees.                        | The Board has established a formal and rigorous process for the annual review of its performance and that of its committees. This process ensures that the Board and its committees operate effectively, identify areas for improvement, and align with best practices in corporate governance. The review includes self-assessments, feedback from Directors, and evaluation against established performance criteria.           |
| A.9.2   | Annual Self evaluation of the performance of the Board  | The Chairman and the Board of Directors evaluate the Board's performance. The Board Subcommittees carry out a self-assessment process annually to ensure they function effectively and efficiently to facilitate continuous improvement and align with good governance.<br><br>The summary of the Board self-assessment and Board Subcommittees assessments will be tabled at the Board Meeting.                                  |
| A.9.3   | A process to review the participation, contribution and engagement of each director at the time of re-election. | The Board has a process in place to review each Director's participation, contribution, and engagement at the time of re-election. This includes assessing attendance, involvement in discussions, committee contributions, peer feedback, and relevant skills. Directors also complete self-assessments to ensure alignment with the Board's objectives.   |
| A.9.4   | Disclosure of criteria used for performance evaluation  | The Board's performance evaluations are conducted by way of a questionnaire, and a summary of the results will be presented to the Board for their information.<br><br>The Company Secretary and the Board subcommittee secretaries submit the self-evaluation questionnaire to each Director and obtain their individual responses. A summary of the responses is submitted to the Board for further action if deemed necessary. |
| A.10 DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS<br>The Code requires that details of directors be disclosed in the Annual Report for information of the shareholders.      |   |   |

## CORPORATE GOVERNANCE REPORT

| Code of Best Practice Reference | Requirement   | Explanation of the Company   |
|---------------------------------|---|--|
| A.10.1                          | Disclosures on Directors in the Annual Report   | <p>The following details pertaining to each director are disclosed in the Annual Report</p> <p>(a) Brief profile with expertise and experience - pages 42 to 48.</p> <p>(b) Other business interests - pages 180 to 187.</p> <p>(c) Remuneration - Note 44.3.1 on page 278.</p> <p>(d) Status of independence - pages 42 to 48.</p> <p>Details of Board Meetings and Board Committee Meetings held during the year - pages 135 to 136.</p> |
|                                 | <p><b>A.11 APPRAISAL OF MANAGING DIRECTOR</b></p> <p>The Code requires the Board to assess the performance of the Managing Director at least annually to ascertain the degree to which the Managing Director met the pre-set financial and non-financial targets.</p> |  |
| A.11.1 & A11.2                  | Setting annual targets and the appraisal of the performance of the CEO/Managing Director  | <p>At the beginning of each financial year, the Board discusses the 3-year rolling budget with the Managing Director to be achieved within the course of that year.</p> <p>Assessment of the performance of the Managing Director is carried out by the Board on an ongoing basis to ensure that the performance of the Company is achieved.</p>   |
| <b>B.</b>                       | <b>DIRECTORS' REMUNERATION</b>  |  |
| B.1                             | REMUNERATION PROCEDURE  | This principle ensures that the Company has a well established formal and transparent procedure in place for developing an effective Remuneration Policy to avoid potential conflict of interest.  |
| B.2                             | REMUNERATION COMMITTEE  | The code requires a level and makeup of remuneration of both executive and non-executive directors that should be sufficient to attract and retain the directors needed to run the company successfully.   |
| B.2.1                           | Establishment of a Remuneration Committee   | <p>As per the Remuneration Policy &amp; Terms of Reference.</p> <p>The Company has a Board Human Resources and Remuneration Committee which has the power to evaluate, assess, and decide matters that may affect the Human Resources Management of the Company.</p>   |
| B.2.2                           | Composition of the Remuneration Committee   | <p>As per the Terms of Reference.</p> <p>As prescribed in this code, all members of the Board Human Resources and Remuneration Committee are Non-Executive Directors and the majority of the members are Independent. The Chairman of the Committee is an independent, Non-Executive Director appointed by the Board.</p>  |
| B.2.3                           | Remuneration of executive directors & senior management and access to professional advice when discharging their duties   | <p>As per the Terms of Reference.</p> <p>The Committee decides the remuneration of the Executive Director and the Senior Management. Additionally, the Committee has access to professional advice, both internal and external, to effectively discharge its responsibilities.</p>   |

| Code of Best Practice Reference | Requirement  | Explanation of the Company   |
|---------------------------------|--|--|
| B.2.4 & B.2.5                   | Remuneration packages of Executive Directors   | In terms of the Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the Directors and Senior Management are decided by the BHRRC.   |
| B.2.6                           | Comparison of remuneration with other companies in the industry  | As per the Remuneration Policy and Terms of Reference.<br><br>The BHRRC, when necessary, reviews the Company's remuneration structure in comparison to industry standards.   |
| B.2.7                           | Sensitivity to remuneration and employment conditions  | As per the Remuneration Policy and Terms of Reference.<br><br>The Remuneration Committee considers the remuneration and employment conditions of employees within the Company when determining annual salary increases. Individual remuneration details are strictly confidential. |
| B.2.8                           | Designing the performance-related remuneration of Chief Executive and Executive Directors  | As per the Remuneration Policy and Terms of Reference.<br><br>The remuneration of the Managing Director and the Senior Management will be based on the performance.  |
| B.2.9                           | Executive Share Options  | No Executive Share Options were granted during the year.   |
| B.2.10                          | Designing the performance related remuneration   | As per the Terms of Reference.<br><br>All increments and incentives will be based on the performance.  |
| B.2.11 & B.2.12                 | Early termination of Executive Directors   | As per the Remuneration Policy and Terms of Reference.<br><br>This is in line with the contract of appointment.  |
| B.2.13 & B.2.14                 | Levels of remuneration of Non-Executive Directors  | Allowances are decided in terms of the Remuneration and Benefits Policy.   |
| B.2.15                          | The chairman and members of the remuneration committee should be listed in the annual report each year.                          | The details of the members are provided in the BHRRC report in the Annual Report. Please refer BHRRC report on Pages pages 163 to 165.   |
| B.2.16                          | Terms of reference for remuneration committee  | The Board approved Terms of References is in place.  |
|                                 | <b>B.3 DISCLOSURE OF REMUNERATION</b>  |  |
|                                 | The Code requires the Company to disclose in its Annual Report the details of the remuneration paid and the Remuneration Policy. |  |
| B.3.1 B.3.2                     | Disclosures in the Annual report   | The details of the members, scope, number of meetings held during the year, etc. are given in the BHRRC report on pages 163 to 165 of the Annual Report.<br><br>Please refer Note 44.3.1 to the Financial Statements for the aggregate remuneration paid to Directors.             |
| <b>C.</b>                       | <b>RELATIONS WITH SHAREHOLDERS</b>   |  |
| C.                              | <b>C.1 CONSTRUCTIVE USE OF ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS</b>                                      |  |
|                                 | The Code requires the Board to use the AGM to communicate with shareholders and encourage their active participation.            |  |

## CORPORATE GOVERNANCE REPORT

| Code of Best Practice Reference   | Requirement   | Explanation of the Company  |
|---|---|---|
| C.1.1   | Notice of the AGM   | The Company has given the required notice period for the AGM, which is held annually.   |
| C.1.2   | A separate resolution at the AGM on each substantially separate issue and adoption of Annual Report Accounts. | Sampath Bank PLC (Parent Company) holds 99.99% of the shares. Refer to investor information on page 39.<br><br>Adoption of the Annual Report of the Board of Directors on the affairs of the Company, Statement of Compliance, and the Financial Statements together with the Report of the Auditors thereon are considered separately. |
| C.1.3   | Proxy Votes   | The Parent Company holds 99.99% of the shares.  |
| C.1.4   | Availability of Board Subcommittee Chairpersons.  | The Board Subcommittee Chairpersons are available at the AGM, to answer any questions raised at the AGM.  |
| C1.5  | Adequate Notice of AGM to shareholders together with a summary of the procedure governing voting.             | Annual Reports are dispatched to all shareholders of the Company, whereas a form of proxy together with the Notice of Meeting detailing the summary of procedure as per legal requirements giving adequate notice is dispatched to shareholders.  |
| C.2 COMMUNICATION WITH SHAREHOLDERS<br>The Code requires effective communication with shareholders. The Company is a fully owned subsidiary of Sampath Bank PLC.  |   |   |
| C.2.1   | Channel to reach all shareholders of the Company  | By circular to shareholders and by notice of shareholder meetings.  |
| C.2.2   | Policy and methodology for communication  | By circular to shareholders and by notice of shareholder meetings.  |
| C.2.3   | Implementation of the policy and methodology for communication with shareholders                              | By circular to shareholders and by notice of shareholder meetings.  |
| C.2.4   | Contact person in relation to shareholder matters   | The main contact person is the Company Secretary.   |
| C.2.5 & C.2.6   | Process to make all directors aware of major issues and concerns of shareholders                              | Any major issue of concern of shareholders are informed to the Board Members by the Managing Director.  |
| C.2.7   | Process responding to shareholder matters   | All shareholder matters will be referred to the Company Secretary.  |
| C.3 MAJOR AND MATERIAL TRANSACTIONS<br>The Code requires the Directors to disclose to the shareholders all proposed material transactions which would materially alter the net asset position of the Company if entered into. |   |   |
| C.3.1   | Disclosures on proposed major, transactions   | There were no major transactions involving the acquisition or disposal of assets greater than half of the net asset value of the Company.   |
| C.3.2   | Provisions of the Companies Act 07 of 2007 for Limited Liability Companies                                    | The Company did not enter into any major transactions during the year.  |
| C.3.3   | Disclosure Requirements   | No disclosures were made regarding the major transactions during the year.  |

| Code of Best Practice Reference | Requirement   | Explanation of the Company   |
|---------------------------------|---|--|
| <b>D.</b>                       | <b>ACCOUNTABILITY AND AUDIT</b>   |  |
|                                 | D.1 FINANCIAL REPORTING<br>This Principle requires the Board of the Company to present a balanced and understandable assessment of the company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.   |  |
| D.1.1                           | Financial and Business Reporting (Annual Report)  | Refer pages 180 to 187.  |
| D.1.2                           | Board's Responsibility for Statutory and Regulatory Reporting   | Refer pages 180 to 187.  |
| D.1.3                           | Declaration on the level of compliance and accurateness of the Financial Statements   | Refer pages 180 to 187.  |
| D.1.4                           | Declarations by Directors in the Directors' Report  | Please refer the Annual Report of the Board of Directors on the state of affairs of the Company on pages 180 to 187.   |
| D.1.5                           | Statements by Directors' and Auditors' on responsibility for financial reporting  | The 'Responsibility for Financial Statements for the preparation and presentation of financial statements is given in Note 2.2 on page 199. Please also refer pages 191 to 193 for the Independent Auditor's Report.   |
| D.1.6                           | Management Discussion and Analysis  | Please refer 'Management Discussion and Analysis' (MD&A) set out on pages 17 to 38, presented as an integrated report covering all aspects referred to in the code.  |
| D.1.7                           | Requirement to Summon an Extraordinary General Meeting (EGM) to notify serious loss in net assets (capital)   | Not applicable & no such event occurred during the financial year.   |
| D.1.8                           | Declaration by Board on Related Party Transactions  | Each Director and KRP have declared their interest in transactions with the Company during the year ended 31st December 2025, if any.<br><br>Internal controls are placed within the Company to identify, record, and disclose related party transactions.<br><br>All Related Party Transactions as defined in Sri Lanka Accounting Standards - LKAS 24 (Related Party Transactions) are disclosed in Note 44 to the Audited Financial Statements. |
|                                 | D.2 RISK MANAGEMENT AND INTERNAL CONTROL<br>The Code requires the Company's Board to establish a policy for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives and ensure that an effective system of internal controls, which safeguards the Company's assets to protect the interest of shareholders is in place. |  |
| D.2.1                           | Risk Management Framework   | The company has implemented a comprehensive risk management framework to assess and monitor the principal risks facing the company. Risk assessments are carried out on an ongoing basis with reports submitted to the Board for deliberation, ensuring that potential threats are proactively identified and mitigated. The company also performs scenario analyses and stress testing to evaluate the impact of risks under various conditions.  |
| D.2.1.1                         | Robust assessment of principle risks  |  |

## CORPORATE GOVERNANCE REPORT

| Code of Best Practice Reference | Requirement   | Explanation of the Company  |
|---------------------------------|---|---|
| D.2.1.2                         | Disclosure of Risk Management Framework in the Annual Report  | The Board has established a well defined risk management framework that outlines the processes and responsibilities. The company's Annual Report provides a detailed description of the risk management framework, processes, and responsibilities, as well as how these risks are being managed or mitigated.  |
| D.2.1.3                         | Establishment of Risk Management Committee  | The Board acknowledges its ultimate responsibility for risk management and has established a dedicated Risk Management Committee, known as the Board Integrated Risk Management Committee (BIRMC), to oversee the company's risk management processes.  |
| D.2.1.4                         | Consideration of regulatory requirements and sector/ industry specific business risks   | Board Integrated Risk Management Committee (BIRMC), which oversees sector and industry-specific business risks in alignment with regulatory requirements. This committee ensures that the company's risk management approach is tailored to the unique challenges and risks of the industry.  |
| D.2.1.5                         | Composition on the BIRMC  | The Company's Board Integrated Risk Management Committee (BIRMC) is comprised of five members, all of whom are non-executive directors. The committee is chaired by an independent non-executive director, ensuring compliance with the requirement for independent oversight.  |
| D.2.1.6                         | TOR of the BIRMC  | The Board Integrated Risk Management Committee (BIRMC) operates under a clearly defined written Terms of Reference (ToR) that outlines its authority, duties, and responsibilities.   |
| D.2.1.7                         | Report of the BIRMC   | The annual report includes a dedicated section for the Board Integrated Risk Management Committee (BIRMC), detailing its role and the manner in which it has discharged its responsibilities.   |
| D.2.1.8                         | Composition, scope, roles and responsibilities of the risk committee and guidance on establishing a risk management framework | As a regulated entity, the company has carefully considered applicable laws and regulatory requirements in determining the composition, scope, roles, and responsibilities of the Board Integrated Risk Management Committee (BIRMC).   |
| D.2.2                           | Design of the Internal Control system   | Board has delegated its authority to the Board Audit Committee to ensure the effectiveness of the design and implementation of internal controls to achieve corporate objectives. Board Audit Committee reviews the Internal Audit plan and progress of the annual audit plan in discharging its responsibilities towards the Board.  |
| D.2.2.1                         | Effectiveness of the Internal Control System  | The Board Audit Committee assists the Board in assessing the adequacy and the integrity of the Internal Controls System and the financial reporting processes of the Company. Internal Audit Department helps the process by carrying out audits to assess the internal controls over financial reporting.<br><br>Further, the External Auditors were engaged in providing assurance on the 'Directors' Responsibility Statement on Internal Controls over Financial Reporting included in the Annual Report', and their opinion is submitted to the Board. |
| D.2.2.2                         | Internal Control function   | There is an in-house Internal Audit Department.   |
| D.2.2.3<br>D.2.2.4              | Reviewing the process of Internal Control and Sound system of Internal Control  | The Board Audit Committee assists the Board in assessing the adequacy and the integrity of the Internal Controls System and the financial reporting processes of the Company. Internal Audit Department helps the process by carrying out audits to assess the internal controls over financial reporting.  |

| Code of Best Practice Reference | Requirement  | Explanation of the Company  |
|---------------------------------|--|---|
|                                 | D.3 AUDIT COMMITTEE<br>The Code requires the Board to have formal and transparent arrangements in selecting and applying the accounting policies, financial reporting, internal control principles and risk management, ensure compliance with laws and regulations and ensuring the independence of the company's auditors. |   |
| D.3.1                           | Composition of the Audit Committee   | All members of the Board Audit Committee are Independent Non-Executive Directors. Members are Mr. P.L.C. Jayawickrama (BAC Chairman), Mr. P.S.Cumaranatunga, Mr. J.H. Gunawardena (not a member of the BAC with effect from 26/08/2025) and Ms. H.S.R. Ranatunga (not a member of the BAC with effect from 30/09/2025).<br><br>Mr. D. P. Lokuarachchi was appointed as a member with effect from 30/09/2025.<br><br>All of them have expertise and knowledge in the fields of banking, finance, leasing, information technology, etc. |
| D.3.2                           | Terms of Reference of the Audit Committee  | Board Audit Committee (BAC) is governed and operated through a written and approved Terms of Reference.<br><br>The Board Audit Committee has reviewed, discussed and recommended the BAC Terms of Reference for Board's approval.   |
| D.3.3                           | Report by the Audit Committee  | The Report of the Board Audit Committee is given in pages 156 to 158.   |
|                                 | D.4 RISK COMMITTEE<br>The board should establish a procedure for risk management including how they determine risk culture, risk appetite, risk identification and classification, rating and management of risk.  |   |
| D.4.1                           | Composition of BIRMC   | The Board Integrated Risk Management Committee (BIRMC) is comprised of five members, all of whom are non-executive directors, with the committee chaired by an independent non-executive director. In line with the Code of Best Practice, the Managing Director (MD) and Chief Operating Officer (COO) attend BIRMC meetings by invitation. Additionally, other heads of units are invited to attend meetings as necessary to contribute to discussions on specific risks affecting their areas of responsibility.                   |
| D.4.2                           | Terms of Reference of the Committee  | The Board Integrated Risk Management Committee (BIRMC) operates under a detailed Terms of Reference (ToR) that outlines its authority and responsibilities in supporting the oversight of the company's risk management framework. The ToR specifies the committee's role in defining and promoting the company's risk culture, determining risk appetite, and establishing risk management processes, practices, and policies.   |
| D.4.3                           | BIRMC Meetings   | BIRMC meets six times a year. Currently, the Acting Head of Risk serves as the secretary to the committee.  |
| D.4.4                           | Seeking External Professional advice   | BIRMC has the authority to seek external professional advice as needed to fulfill its responsibilities effectively.   |
| D.4.5                           | Disclosures made in the Annual Report  | The company's annual report includes a dedicated section for BIRMC, detailing its role and how it discharged its responsibilities over the past year.   |

## CORPORATE GOVERNANCE REPORT

| Code of Best Practice Reference | Requirement  | Explanation of the Company  |
|---------------------------------|--|---|
|                                 | D.5 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE  |   |
|                                 | The board should establish a procedure to ensure that the company does not engage in transactions with "related parties" in a manner that would grant such parties "more favourable treatment" than that accorded to third parties in the normal course of business.   |   |
| D.5.1                           | Related Parties and Related Party Transactions   | The Board approved sub committee is established to review related party transactions of the Company.  |
| D.5.2                           | Composition of BRPTRC  | The Board has established a Related Party subcommittee to review related party transactions of the Company.<br><br>Board Related Party Transactions Review Committee (BRPTRC) comprises of Mr. D. Sooriyaarachchi (Chairman), Mr. J. H. Gunawardena, Ms. H. S. R. Ranatunga and Mr. P. L. C. Jayawickrama.<br><br>Mr. J. Selvaratnam stepped down from the Committee w.e.f. 26th August 2025. |
| D.5.3                           | The TOR of the Committee   | The Committee is governed by the Board approved Terms of References.  |
|                                 | D.6 CODE OF BUSINESS CONDUCT AND ETHICS  |   |
|                                 | The Code requires the Company to adopt an internal Code of Conduct and Ethics to be adhered to by all directors, members of the senior management of the Company, and all other employees including but not limited to dealing with shares of the company; compliance with listing rules; bribery and corruption; and confidentiality, encouraging that any illegal, fraudulent and unethical behaviour be promptly reported to those charged with governance. |   |
| D.6.1                           | Disclosures on the Code of Business Conduct and Ethics, whistle-blowing policy, Anti-bribery and corruption policy   | A Board approved policy on Code of Conduct and a Board approved policy on Anti-Bribery and Corruption are available.  |
| D.6.2                           | Reporting of material and price sensitive information  | A Board approved Policy on Corporate Disclosure is in place.  |
| D.6.3                           | Policy on trading of shares by Directors, KRPs, and Employees  | Policy on Code of Conduct contains the details pertaining to trading of Company shares by the Directors.  |
| D.6.4                           | Whistle-blowing procedure  | A Board approved Whistle-blowing Policy is in place and concerns raised under this policy are independently investigated by the Internal Audit Department.<br><br>BAC reviews the policy on an annual basis.  |
| D.6.5                           | Training on Code of Conduct and Ethics   | A Board approved Learning and Development Policy is available.  |
| D.6.6                           | Dissemination of the policy  | A Board approved policy on Code of Conduct is available.  |
| D.6.7                           | Affirmative Statement by the Chairman  | Please refer to the Chairman's message for details on pages 7 to 11.  |
|                                 | D.7 CORPORATE GOVERNANCE DISCLOSURES   |   |
|                                 | Directors of the Company disclose annually the Company's adherence to the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka, the Central Bank of Sri Lanka (CBSL) Finance Business Act Directions No. 05 of 2021 on Corporate Governance and Section 9 of the Listing rules of the Colombo Stock Exchange on Corporate Governance.  |   |

| Code of Best Practice Reference  | Requirement   | Explanation of the Company  |
|----------------------------------|---|---|
| D.7.1                            | Annual Corporate Governance Report in the Annual Report   | Corporate Governance report is given on pages 51 to 136 in the Annual Report.   |
| <b>SECTION 2 : SHAREHOLDERS</b>  |   |   |
| <b>E.</b>                        | <b>INSTITUTIONAL INVESTORS</b>  |   |
| <b>E.1</b>                       | SHAREHOLDER VOTING<br>Due to the Parent Company holding 100% of the equity of the Company, the requirement of disclosures to institutional investors has not arisen from an equity point of view. In the event such a need arises from the perspective of accountability and transparency, all material disclosures would be made to strengthen the positive relationship between management and institutional investors. |   |
| E.1.1                            | Communication with shareholders   | Currently the Company shares are not listed. The Parent Company acts as the major shareholder of the Company, holding 99.99% stake in the Company.<br><br>All required information to the Parent Company is provided in a timely manner.  |
|                                  | E.2 EVALUATION OF GOVERNANCE DISCLOSURES<br>The Code requires the Company to encourage institutional investors to give due weight to all relevant factors drawn to their attention.   |   |
| E.2.                             | Encourages Institutional Investors to give due weight to relevant governance arrangements   | The Parent Company acts as the major shareholder of the Company, holding 99.99% stake in the Company.   |
| <b>F.</b>                        | <b>OTHER INVESTORS;</b>   |   |
| <b>F.1</b>                       | INVESTING/DIVESTING DECISION  |   |
| F.1.1                            | Seek independent advice in investing or divesting decisions.  | Sampath Bank PLC holds 99.99% stake in the Company.   |
| <b>F.2</b>                       | SHAREHOLDER VOTING  |   |
| F.2.1                            | Encourage voting by Individual Investors in general meetings  | Sampath Bank PLC holds 99.99% stake in the Company.   |
| <b>SECTION 3 : OTHER MATTERS</b> |   |   |
| <b>G.</b>                        | <b>INTERNET OF THINGS AND CYBERSECURITY</b>   |   |
| G.1                              | Identify the process of connecting to the organization's network and related cyber risks  | Siyapatha Finance PLC maintains a comprehensive inventory of devices that may connect to the network. This includes devices connecting internally and outside the organization. Siyapatha Finance PLC have implemented stringent controls to manage connectivity and security controls.   |
| G.2                              | Appoint a CISO and allocate budget to implement a cyber-security policy   | Head of Information Security and Compliance with a reporting line to the Chief Operating Officer, has been appointed effective 02nd September 2025.<br><br>Cyber-security risk: Siyapatha Finance PLC board has approved the procedures and policies that address and contain cyber threats, rapid recovery and business continuity, a structured governance framework to monitor the policy's effectiveness. |

## CORPORATE GOVERNANCE REPORT

| Code of Best Practice Reference | Requirement   | Explanation of the Company   |
|---------------------------------|---|--|
| G.3                             | Include cyber risk management on Board agenda   | <p>The Board Information Technology Committee (BITC) is presented quarterly with the Risk Registry, providing a comprehensive assessment of information security risks, their impact, and mitigation strategies. Information security incidents, along with their root causes, business impact, and remedial actions, are analyzed, with significant threats escalated to the BITC and BIRMC. Audit findings from internal and external reviews, as well as the status of corrective actions, are reported to ensure compliance with regulatory standards. Additionally, updates on security projects are presented to BITC, ensuring continued oversight of risk management, security, and compliance across the Company.</p> <p>Key discussions and decisions from BITC meetings are communicated to the Board as necessary, reinforcing governance, risk management, and compliance efforts across the Company.</p> |
| G.4                             | Obtain periodic review and assurance on the effectiveness of the cybersecurity Risk Management  | Siyapatha Finance PLC ensures the effectiveness of cybersecurity risk management through bi-annual vulnerability assessments, security reviews and audits.   |
| G.5                             | Disclosure in the Annual Report ; the process of identifying and managing cyber security risks.   | The board has allocated dedicated budgets for cybersecurity. Findings are reviewed by the Board Information Technology Committee (BITC) and the Board Integrated Risk Management Committee (BIRMC), where cybersecurity risks are discussed, assessed, and guidance issued to strengthen organizational safeguards.  |
| <b>H.</b>                       | <b>SUSTAINABILITY: ESG RISK AND OPPORTUNITIES</b>   |  |
|                                 | Sustainability is a business approach that creates long-term stakeholder value. It focuses on managing risks arising from economic, environmental, and social aspects. Sustainability reporting aims towards the goals of sustainable development in the context of business strategy and activities. |  |
| H.1                             | ESG Risk and Opportunities  | The Board Integrated Risk Management Committee (BIRMC) oversees all ESG and sustainability matters per SLFRS S1 and S2. We've presented climate risks and opportunities to the BIRMC in line with SLFRS S2. A manual ESG risk rating system will enhance risk assessment for lending. We're promoting financial literacy nationwide and setting science-based targets to reduce GHG emissions ahead of SLFRS S2's 2027 reporting. BIRMC will be regularly updated on green initiatives, climate action, ESG products, and regulatory compliance to ensure sustainable, resilient growth aligned with global and local standards.   |
| H.1.1                           | Impact of ESG risks and opportunities   | BIRMC will receive quarterly reports on climate impacts, ESG risks, sustainable portfolio value and mitigation efforts, all with Board approval. Climate risks are being assessed by evaluating their likelihood and financial impact. Reports will also cover green initiatives, strategy progress, CBSL compliance, and details of ESG products.   |

| Code of Best Practice Reference | Requirement  | Explanation of the Company  |
|---------------------------------|--|---|
| H.2                             | Views of stakeholders  | The Board, through the BIRMC, actively engages stakeholders to manage sustainability and ESG risks and opportunities. Quarterly reports to the BIRMC cover climate impacts on financial performance, ESG risks, sustainable portfolio value, and mitigation progress, all under strict Board oversight. Climate risks and opportunities are assessed for their financial impact, with a focus on low-carbon and circular economy trends. Reports also update on green initiatives, CBSL compliance, and ESG product development. Customer-focused sustainable products, community projects, and strict ESG lending guidelines support responsible growth. This integrated approach strengthens ESG governance, ensuring long-term resilience and stakeholder confidence.  |
| H.2.1                           | Process to recognize significant stakeholders  | In line with SLFRS S1 and S2, the company uses a double materiality approach to identify key climate-related risks and opportunities affecting both finances and society. This informs the sustainability strategy by reflecting stakeholder concerns. Communication is tailored by stakeholder group, with detailed reports for investors and targeted programs for customers and communities. This approach ensures transparency, responsiveness, and effective ESG risk management for long-term sustainable value.  |
| H.3                             | Governance Framework and structure which includes conformance, performance and sustainability/ESG factors. | The Board Integrated Risk Management Committee (BIRMC) oversees sustainability and ESG initiatives, ensuring alignment with risk and performance management. BIRMC has proposed the establishment of branch-level KPIs and incentives aimed at growing the green portfolio and mitigating transition risks.   |
| H.3.1                           | Sustainability factors   | The company manages sustainability through strong environmental and social governance under the oversight of the BIRMC, aligning with SLFRS, CBSL guidelines, and global standards. Key efforts include GHG emissions tracking, net-zero strategies, green financial products and community programs like financial literacy and CSR initiatives. ESG risks are assessed in lending with strict controls. This integrated approach supports risk management, opportunity identification and long-term value creation.   |
| H.3.1.1                         | Environmental Governance   | The organization integrates environmental governance into all business areas, guided by SLFRS S1 & S2, CBSL's Sustainability Roadmap, and global standards. A board-approved sustainability policy and Environmental and Social Management Policy addresses health, climate change, pollution and biodiversity. Initiatives include GHG emissions tracking, science-based targets, tree planting, and island-wide cleanups. An ESG scoring system ensures responsible lending, avoiding harmful projects. New branch sites consider climate risks and green products support low-carbon investments. Operations focus on resource efficiency, while transparency is maintained through impact disclosures and stakeholder education. This approach embeds sustainability into strategy, risk management and long-term value creation. |

## CORPORATE GOVERNANCE REPORT

| Code of Best Practice Reference | Requirement   | Explanation of the Company  |
|---------------------------------|---|---|
| H.3.1.2                         | Social Governance<br>Relationship with Community<br>Relationship with customers<br>Labour practice Governance<br>Suppliers and outsourced providers | Community engagement is central to our sustainability efforts, including initiatives like "Siyapathen Mihikathata," support for underprivileged schools and nationwide financial literacy programs. Our CSR framework aligns with national goals, fostering trust and shared value. Ethical business practices and fair competition are embedded company-wide. Customer relations and HR manage feedback, product responsibility and employee welfare, supporting our broader social governance. This approach ensures sustainable development and long-term stakeholder value.           |
| H.4                             | Establishment of a governance structure to support ESG factors  | A Board approved sustainability policy and Environmental and Social Management Policy establish a strong sustainability framework. The Board Integrated Risk Management Committee (BIRMC) oversees ESG and sustainability matters, ensuring integration into governance and alignment with SLFRS S1 and S2 and the Central Bank of Sri Lanka's Sustainability Roadmap. The committee focuses on managing climate risks, ESG exposures and sustainability opportunities to support long-term value creation and risk management across financial and non-financial metrics.                |
| H.4.1                           | Recognition of Key resources/<br>Capital  | Governance best practices continue through Treasury and ALCO oversight, managing financial and other key capitals—human, intellectual, natural, and social—while integrating stakeholder views. Comprehensive financial and non-financial metrics track performance, enabling optimized resource use and long-term value creation.  |
| H.4.2                           | Process in ascertaining, assessing and managing ESG factors   | A structured process manages sustainability and ESG factors, including climate resilience in branch site selection and quantifying GHG emissions with science-based reduction targets. Lending supports clean energy and sustainable projects. These efforts are integrated into risk management to mitigate ESG risks, capture opportunities and drive sustainable value.  |
| H.4.3                           | Establishment of Financial and non-financial measures   | Following SLFRS S1 and S2, the company uses a double materiality approach to manage key ESG issues with financial and non-financial measures. Financial metrics track ESG impacts on portfolio, profits, NPA, cost of capital and sustainable finance value. Non-financial metrics include GHG emissions, reduction progress, ESG scoring, clean energy financing and climate-resilient infrastructure. Social metrics cover financial literacy and CSR projects. These are reviewed by the BIRMC, ensuring transparent ESG risk management aligned with the CBSL Sustainability Roadmap. |
| H.5                             | Disclose ESG Risks and opportunities  | The company's annual report provides detailed disclosures on ESG risks and opportunities per SLFRS S1, S2 and CBSL guidelines. It covers governance by the BIRMC, ESG impacts on business and finance, risk management including ESG scoring and key data like GHG emissions and reduction progress. This transparent reporting enables stakeholders to assess sustainability performance and climate risk resilience.  |

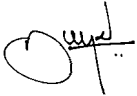
| Code of Best Practice Reference | Requirement   | Explanation of the Company  |
|---------------------------------|---------------|---|
| H.5.1                           | ESG Reporting | ESG considerations are embedded across the company's strategy, operations, governance and risk management, directly influencing financial performance. Integration of sustainability enhances access to green funding, reduces costs through clean energy and efficiency and supports long-term resilience through climate-resilient infrastructure. Community engagement and responsible products strengthen brand value, while a diverse, supportive workplace aids talent retention. ESG-focused credit assessments improve portfolio quality and reduce NPA risk. Disclosures aligned with SLFRS S1 and S2 ensure transparency, reinforcing investor confidence and positioning ESG as a key driver of sustainable value and competitive advantage. |
| H.5.2                           | ESG Reporting | ESG factors are embedded in the company's strategy, business model and risk management, influencing both financial and non-financial performance. Environmental efforts focus on clean energy, green lending and GHG reductions, while social and governance practices enhance brand value, employee retention and stakeholder trust. ESG risks are managed per SLFRS S1 and S2 with BIRMC oversight, using tools like double materiality, ESG scoring and climate-informed decisions. Annual reports provide transparent updates on governance, strategy, risks and targets, demonstrating long-term resilience and sustainability.  |
| H.5.3                           | ESG Reporting | The company complies with mandatory and voluntary governance codes, including SLFRS S1, S2 and the CBSL Sustainability Roadmap. ESG oversight is led by the BIRMC across all time horizons. The business model aligns with sustainable finance, climate resilience and stakeholder-focused decisions, ensuring long-term value, trust and transparency.   |
| H.5.4                           | ESG Reporting | <p>Sustainability and ESG reporting is overseen by the Board via the BIRMC, ensuring alignment with strategy and long-term value creation. Though SLFRS S1 and S2 reporting becomes mandatory in 2027, SLFRS S2-aligned disclosures are already in progress.</p> <p>The monthly green portfolio value will be reported to the BIRMC and ESG risks and metrics, along with ESG ratings applied to each contract will be reported monthly to the BIRMC in the future. This ensures transparent, credible reporting aligned with global and local standards, supporting sustainable growth.</p>  |

## CORPORATE GOVERNANCE REPORT

| Code of Best Practice Reference | Requirement   | Explanation of the Company   |
|---------------------------------|---|--|
| <b>I.</b>                       | <b>SPECIAL CONSIDERATIONS FOR LISTED ENTITIES</b>   |  |
| I.1                             | ESTABLISHMENT AND MAINTENANCE OF POLICIES   |  |
| I.1                             | Establishment and maintenance of Policies and other requirements  | All Policies are in place as required by the code.   |
| I.1.1                           | Establishment of policies   |  |
| I.1.2                           | Disclosure in the Annual Report regarding any waivers from compliance with the internal code of business conduct and ethics | No waivers from compliance with the internal code of business conduct and ethics nor exemptions have been granted by the Company during the year 2025.   |
| I.1.3                           | Disclosure in the Annual Report   | <p>The following policies are published on the Company website,</p> <ul style="list-style-type: none"> <li>● Policy on the matters relating to the Board of Directors</li> <li>● Policy on Board Subcommittees</li> <li>● Policy on Selection, Nomination, Election, Appointment and Resignation of Directors</li> <li>● Policy on Remuneration</li> <li>● Policy on Internal Code of Business Conduct and Ethics for <ul style="list-style-type: none"> <li>- Directors</li> <li>- Policy on Employee Code of Conduct</li> </ul> </li> <li>● Policy on Risk management and Internal controls <ul style="list-style-type: none"> <li>- Integrated Risk Management Policy and Framework</li> <li>- Credit Risk Management Policy</li> <li>- Operational Risk Management Policy and Framework</li> </ul> </li> <li>● Policy on Relations with Shareholders and Investors</li> <li>● Policy on Environmental, Social and Governance Sustainability</li> <li>● Policy on Control and Management of Company Assets and Shareholder Investments</li> <li>● Policy on Corporate Disclosures</li> <li>● Policy on Whistleblowing</li> <li>● Policy on Anti-Bribery and Corruption</li> </ul> |
| I.1.4                           | Availability of policies to shareholders upon a written request   | Upon written request, a copy of the policy will be furnished to the shareholders.  |

| Code of Best Practice Reference | Requirement  | Explanation of the Company  |
|---------------------------------|--|---|
| I.2                             | POLICY ON MATTERS RELATING TO THE BOARD OF DIRECTORS                           |   |
| I.2.1                           | Establishing policies relating to the Board of Directors                       | Policy on the matters relating to the Board of Directors is in place.   |
| I.2.2                           | Confirming compliance with the requirements of the policy in the annual report | The relevant disclosures / publications are made in the Annual Report in compliance with the requirements of the said policy. |

On behalf of the Board Nomination and Governance Committee



**Mr. D. Sooriyaarachchi**

Chairperson - Board Nomination and Governance Committee

31 January 2026

**Directors' Attendance and Committee Memberships**

| Director                    | Board Meetings | Non-Executive Directors Meetings | Board Audit Committee | Board Integrated Risk Management Committee | Board Credit Committee | Board HR & Remuneration Committee | Board Related Party Transaction Review Committee | Board IT Committee | Board Corporate Governance Committee | Board Nomination Committee | Board Nominations and Governance Committee |
|-----------------------------|----------------|----------------------------------|-----------------------|--|------------------------|-----------------------------------|--|--------------------|--------------------------------------|----------------------------|--|
| Mr. P.S. Cumaranatunga      | 13 (C)         | 2 (C)                            | 11[M]                 | 4[M]                                       | -                      | 4 (M)                             | -  | -                  | -                                    | 2(M)                       | -  |
| Mr. Y. S. H. R. S. Silva    | 12 (M)         | 2 (M)                            | -                     | -  | -                      | 3(M)                              | -  | -                  | -                                    | 2(M)                       | 1(M)                                       |
| Mr. H. M. A. Seneviratne    | 13 (M)         | -                                | -                     | -  | 12(M)                  | -                                 | -  | 10 [M]             | -                                    | -                          | -  |
| Mr. J. Selvaratnam          | 12 (M)         | 2 (M)                            | -                     | 6[M]                                       | 13(C)                  | -                                 | 3(M)   | -                  | 5 [M]                                | -                          | 1(M)                                       |
| Mr. J. H. Gunawardena       | 13 (M)         | 2 (M)                            | 7[M]                  | 7[C]                                       | -                      | -                                 | 4(M)   | -                  | 5 [M]                                | -                          | 1(M)                                       |
| Mr. D. Sooriyaarachchi      | 13 (M)         | 2 (M)                            | -                     | -  | -                      | 8(C)                              | 3 (C)  | 10 [M]             | -                                    | 2(C)                       | 1(C)                                       |
| Mr. W.S.C. Perera           | 13 (M)         | 2 (M)                            | -                     | 7[M]                                       | 13(M)                  | 2(M)                              | -  | 12 [C]             | -                                    | -                          | -  |
| Ms. H. S. R. Ranatunga      | 13 (M)         | 2 (M)                            | 7[M]                  | 2[M]                                       | 12(M)                  | 8(M)                              | 4(M)   | -                  | 5 [C]                                | -                          | 1(M)                                       |
| Mr. P. L. C. Jayawickrama   | 12 (M)         | 2 (M)                            | 11[C]                 | 5[M]                                       | -                      | -                                 | 3(M)   | 12 [M]             | 5 [M]                                | -                          | -  |
| Mr. D. P. Lokuarachchi      | 4 (M)          | 1 (M)                            | 3[M]                  | -  | -                      | 2(M)                              | -  | -                  | -                                    | -                          | -  |
| <b>Total No of Meetings</b> | <b>13</b>      | <b>2</b>                         | <b>11</b>             | <b>7</b>                                   | <b>13</b>              | <b>8</b>                          | <b>4</b>   | <b>12</b>          | <b>5</b>                             | <b>2</b>                   | <b>1</b>                                   |

**Directors' Attendance for the Year 2025**

1. The Board Audit Committee had 9 meetings during the year 2025 and 2 Board Audit Committee meetings were held without the Executive Director and the senior management being present.
2. The Chairperson of the Board held 2 meetings with the Non-Executive Directors without the Executive Director being present.

## CORPORATE GOVERNANCE REPORT

### Directors' Attendance and Committee Memberships

| Director                    | Board Meetings | Non-Executive Directors Meetings | Board Audit Committee | Board Integrated Risk Management Committee | Board Credit Committee | Board HR & Remuneration Committee | Board Related Party Transaction Review Committee | Board IT Committee | Board Corporate Governance Committee | Board Nomination Committee | Board Nominations and Governance Committee |
|-----------------------------|----------------|----------------------------------|-----------------------|--|------------------------|-----------------------------------|--|--------------------|--------------------------------------|----------------------------|--|
| Mr. P.S. Cumararatunga      | 13/13          | 2/2                              | 11/11                 | 4/4  | -                      | 4/5                               | -  | -                  | -                                    | 2/2                        | -  |
| Mr. Y. S. H. R. S. Silva    | 12/13          | 2/2                              | -                     | -  | -                      | 3/3                               | -  | -                  | -                                    | 2/2                        | 1/1  |
| Mr. H. M. A. Seneviratne    | 13/13          | -                                | -                     | -  | 12/13                  | -                                 | -  | 10/12              | -                                    | -                          | -  |
| Mr. J. Selvaratnam          | 12/13          | 2/2                              | -                     | 6/7  | 13/13                  | -                                 | 3/3  | -                  | 5/5                                  | -                          | 1/1  |
| Mr. J. H. Gunawardena       | 13/13          | 2/2                              | 7/7                   | 7/7  | -                      | -                                 | 4/4  | -                  | 5/5                                  | -                          | 1/1  |
| Mr. D. Sooriyaarachchi      | 13/13          | 2/2                              | -                     | -  | -                      | 8/8                               | 3/4  | 10/12              | -                                    | 2/2                        | 1/1  |
| Mr. W.S.C. Perera           | 13/13          | 2/2                              | -                     | 7/7  | 13/13                  | 2/2                               | -  | 12/12              | -                                    | -                          | -  |
| Ms. H. S. R. Ranatunga      | 13/13          | 2/2                              | 7/8                   | 2/2  | 12/13                  | 8/8                               | 4/4  | -                  | 5/5                                  | -                          | 1/1  |
| Mr. P. L. C. Jayawickrama   | 12/13          | 2/2                              | 11/11                 | 5/5  | -                      | -                                 | 3/4  | 12/12              | 5/5                                  | -                          | -  |
| Mr. D. P. Lokuarachchi      | 4/4            | 1/1                              | 3/3                   | -  | -                      | 2/2                               | -  | -                  | -                                    | -                          | -  |
| <b>Total No of Meetings</b> | <b>13</b>      | <b>2</b>                         | <b>11</b>             | <b>7</b>                                   | <b>13</b>              | <b>8</b>                          | <b>4</b>   | <b>12</b>          | <b>5</b>                             | <b>2</b>                   | <b>1</b>                                   |

(C - Chairman / Chairperson, M - Member)

- Mr. P.S. Cumararatunga stepped down as a member from the Board Human Resources and Remuneration Committee w.e.f. 26th August 2025.
- Mr. Y. S. H. R. S. Siiva appointed as a member of the Board Human Resources and Remuneration Committee w.e.f. 26th August 2025.
- Mr. D. P. Lokuarachchi and Mr. W. S. C. Perera appointed as members of the Board Human Resources and Remuneration Committee w.e.f. 30th September 2025.
- Mr. J. H. Gunawardena stepped down as a member from the Board Audit Committee w.e.f. 26th August 2025.
- Ms. H. S. R. Ranatunga stepped down as a member from the Board Audit Committee w.e.f. 30th September 2025.
- Mr. D. P. Lokuarachchi appointed as a member of the Board Audit Committee w.e.f. 30th September 2025.
- Mr. J. Selvaratnam stepped down as a member from the Board Related Party Transaction Review Committee w.e.f. 26th August 2025.
- Mr. P.S. Cumararatunga stepped down as a member from the Board Integrated Risk Management Committee w.e.f. 26th August 2025.
- Mr. P. L. C. Jayarvickrama stepped down as a member of the Board Integrated Risk Management Committee w.e.f. 30th September 2025.
- Ms. H. S. R. Ranatunga appointed as a member of the Board Integrated Risk Management Committee w.e.f. 30th September 2025.
- The Board Nominations Committee and Board Corporate Governance Committee amalgamated as one committee w.e.f. 30th September 2025, now known as the Board Nominations and Governance Committee. Mr. D. Sooriyaarachchi has been appointed as the Committee Chairman and the members are Mr. Y. S. H. R. S. Siiva, Mr. J. Selvaratnam, Mr. J. H. Gunawardena and Ms. H. S. R. Ranatunga.

# INTEGRATED RISK MANAGEMENT REPORT 2025

Siyapatha Finance PLC is a non-banking financial institution operating under the regulatory oversight of the Central Bank of Sri Lanka and remains firmly committed to strong and disciplined risk management practices that support financial stability, consistent performance, long-term value creation, and regulatory compliance. Trusted by its stakeholders, the Company regards risk management as a core element of its strategy and governance framework, ensuring that risks are identified, assessed, and managed in a timely and effective manner across the organization.

Risk management at Siyapatha Finance PLC is guided by an Integrated Risk Management framework aligned with the regulatory expectations of the Central Bank of Sri Lanka and embedded into strategic planning, decision-making, and day-to-day operations. The framework follows a structured and continuous process covering risk identification and assessment, risk analysis and estimation, risk mitigation, and risk monitoring and reporting. It is underpinned by the Company's risk strategy, risk appetite, and comprehensive policies and procedures, and supported by a strong risk governance structure. In addition, the framework places strong emphasis on building risk awareness and a sound risk culture, encouraging employees at all levels to proactively identify and manage risks within their areas of responsibility.



During the year, heightened volatility in macroeconomic conditions and operating environments underscored the importance of agility and resilience. In response, the Company strengthened its risk assessment methodologies, enhanced monitoring mechanisms, and increased the use of data-driven insights to manage key risk exposures, including credit, liquidity, market, operational risks, and information security. These measures enabled the Company to

maintain regulatory compliance while supporting business continuity and sustaining customer confidence.

Looking ahead, Siyapatha Finance PLC remains committed to further strengthening its risk management framework, developing a strong risk culture, enhancing integration with the business, and embracing appropriate innovation to support sustainable growth and reinforce its position as a trusted financial partner.

## Economic Conditions and Key Risks in 2025

In 2025, the global economy navigated a slow and uncertain growth phase, constrained by geopolitical tensions, elevated trade policy risks, and climate-related disruptions that are tempering investment and trade flows. Meanwhile, Sri Lanka's economy continued its fragile recovery from the 2022 financial crisis, supported by IMF programs and structural reforms showing moderate growth and improving macroeconomic stability, yet still grappling with high poverty, exposed external vulnerabilities, and the severe impacts of climate shocks such as Cyclone Ditwah that threaten to slow progress and deepen social risks.

## Impacts of economic, social, political and environmental trends on Sri Lankan financial sector.

The economic recovery and macroeconomic shifts in 2025 have significantly influenced Sri Lanka's financial sector. Continued GDP growth with real economic expansion around 4.6–5.4% in 2025 supported by industry, services, tourism, and remittances has underpinned stronger banking activity and credit demand, as private sector credit expanded

## INTEGRATED RISK MANAGEMENT REPORT 2025

rapidly and lending rates moderated. Workers' remittances reached record levels, with inflows up more than 19% by mid 2025, helping to strengthen foreign exchange reserves above USD 6 billion and improve external stability. These healthier external balances and inflows have supported bank liquidity, contributed to narrowing bid ask spreads in forex markets, and supported credit growth to households and businesses. However, the merchandise trade deficit widened due to increased imports, exerting pressure on reserves, while slow deflationary pressures early in the year and monetary policy aimed at stabilising inflation around the 5% target continue to shape credit and interest rate conditions.

Social, political, and environmental trends have also exerted material effects on the financial sector. Persistent social vulnerabilities; including elevated poverty and uneven labour market rebounds constrain credit uptake and risk appetite among lower income households, while political priorities such as fiscal adjustments and public finance reforms influence investor confidence and sovereign credit perceptions. After Cyclone Ditwah in late 2025, severe damage to infrastructure and agriculture led to urgent fiscal needs and calls for external assistance, prompting discussions among economists about debt servicing capacity and emergency finance. This disaster stressed insurance and credit portfolios, with increased claims and heightened risk assessments in agriculture and personal lending segments.

### Risk Management at Siyapatha Finance PLC

In the financial year 2025, Siyapatha Finance PLC further strengthened its risk management framework in response to an increasingly complex and evolving financial environment. The Company remained focused on safeguarding the interests of its stakeholders while supporting stable and sustainable growth, in line with regulatory expectations applicable to non-banking financial institutions in Sri Lanka. The Risk Management Department continued to play a central role in enhancing operational resilience, reinforcing governance, and ensuring prudent risk-taking across the organization.

During the year, emphasis was placed on refining risk management processes, strengthening analytical and monitoring capabilities, and enhancing early warning mechanisms to enable timely identification and effective management of risks. Enhanced collaboration between the Risk Management Department and business units ensured that risk considerations were embedded into strategic and operational decision-making, supporting disciplined growth and efficient execution of business activities. Policies, controls, and risk mitigation measures were reviewed and strengthened to maintain their relevance in a changing economic and regulatory landscape.

The Company continued to promote a strong risk-aware culture by reinforcing accountability and awareness at all levels of the organization. A structured, enterprise-wide risk management framework

was applied to identify, assess, and manage key risk categories, including credit, operational, liquidity, and market risks. In addition, increased attention was given to emerging risks arising from economic, regulatory, and technological developments. Through continuous monitoring and proactive risk mitigation, Siyapatha Finance PLC enhanced its ability to manage uncertainty and support long-term value creation for its stakeholders.

### Board of Directors

The Board of Directors has primary responsibility for establishing and maintaining a sound and effective risk management framework within the Company. This responsibility includes approving the overall risk management framework, policies, strategies, systems, and methodologies, and ensuring that risk management is fully embedded across the organization. The Board works closely with the Board Integrated Risk Management Committee and senior management to ensure that risk management practices remain aligned with the Company's strategic objectives, regulatory requirements, and recognised industry practices.

### Board Integrated Risk Management Committee (BIRMC)

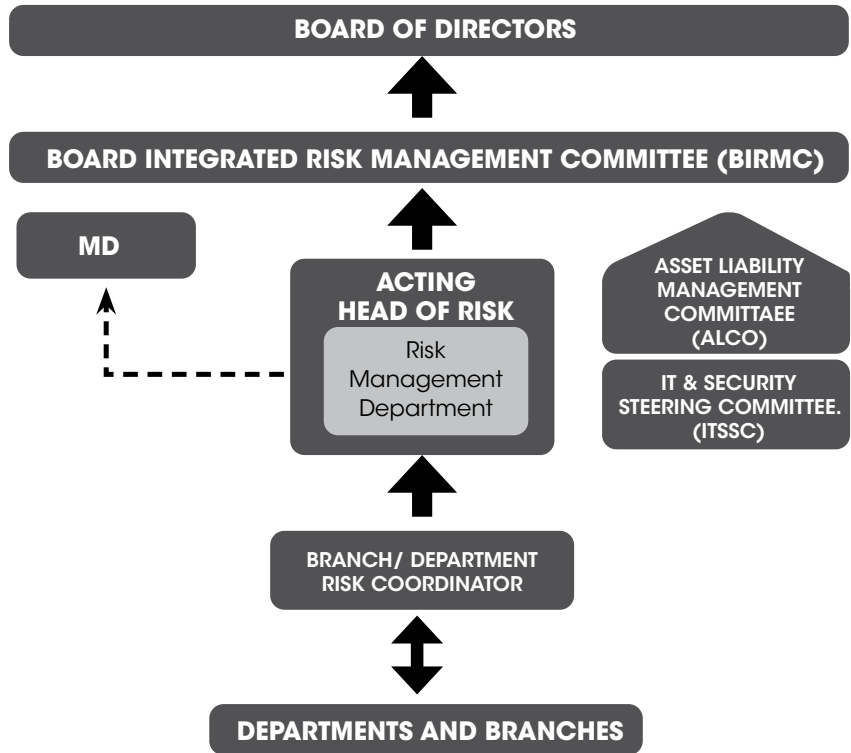
The Board Integrated Risk Management Committee is a dedicated subcommittee of the Board that oversees the implementation and ongoing effectiveness of the Company's risk management framework. The Committee reviews and recommends risk-related policies for Board approval and provides direction on the identification,

assessment, and mitigation of material risks. It maintains regular coordination with the Managing Director, as well as the Board Audit Committee, Board Credit Committee, and Board IT Committee, to promote a consistent and integrated approach to risk governance. The Committee comprises Board members and senior management representatives, with relevant executives participating as invitees, enabling comprehensive oversight of credit, operational, market, financial, recovery, and deposit-related risks. The Acting Head of Risk Management serves as Secretary to the Committee, supporting effective reporting and governance processes.

**Risk Management Department**

The Risk Management Department operates independently of business units and is responsible for implementing risk management processes at the operational level. The Department monitors and evaluates the Company’s overall risk profile using Key Risk Indicators, supported by the risk register and risk matrix, to facilitate informed decision-making. It is also responsible for the continuous review and enhancement of risk policies and frameworks to ensure their relevance in a changing business and regulatory environment. In addition, the Department provides risk assessments and advisory support for new products, strategies, and initiatives, and works closely with the Board Integrated Risk Management Committee to ensure that enterprise-wide risk controls are effectively implemented and integrated into the Company’s governance and strategic planning processes for 2025.

**RISK MANAGEMENT REPORTING STRUCTURE**



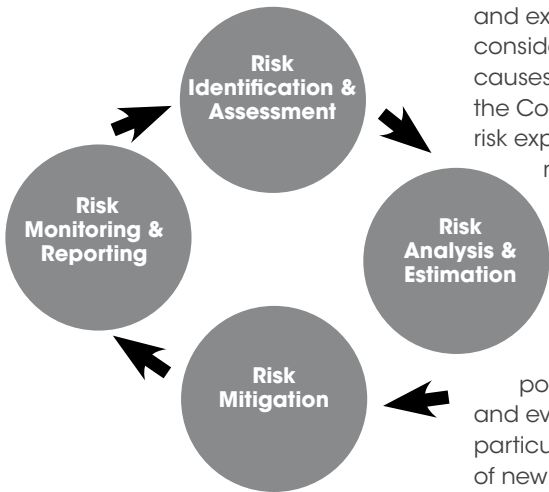
**Three Lines of Defense**

The three lines of defense model provides a clear and structured approach to risk governance by defining roles and responsibilities for risk ownership, oversight, and independent assurance across the organization. The following outlines how the three lines of defense model is applied at Siyapatha Finance PLC to ensure effective risk management and control.

**INTEGRATED RISK MANAGEMENT REPORT 2025**



**RISK MANAGEMENT PROCESS**



and external factors. This process considers the sources of risk, their root causes, and the potential impact on the Company's strategy and overall risk exposure. The Company primarily relies on tools such as the risk register and risk matrix to systematically identify and assess risks. In addition, ongoing coordination between risk owners and monitoring teams ensures that potential risks are recognized and evaluated at an early stage, particularly prior to the introduction of new products, activities, or operational processes.

**Risk Identification & Assessment**

Risk identification and assessment involve a structured process of recognizing and evaluating a broad range of potential risks that may arise from both internal operations

**Risk Analysis & Estimation**

The Company applies various qualitative and quantitative techniques to analyze and evaluate identified risks. These include analytical reviews, scenario-based assessments, and stress testing exercises designed to measure the potential impact of adverse conditions on the Company's performance.

**a) Risk Appetite**

Risk appetite represents the level and nature of risk the Company is prepared to assume in pursuit of its strategic objectives. It is determined using a combination of qualitative judgments and quantitative metrics and is reviewed periodically to reflect changes in the business environment, market conditions, and macroeconomic developments affecting the Company.

**b) Stress Testing**

Stress testing is employed to evaluate the Company's resilience under extreme but plausible adverse scenarios. The stress testing framework is approved by the Board of Directors, and the outcomes are reviewed and deliberated at the Board Integrated Risk Management Committee. These assessments focus on key risk drivers and their potential impact on financial performance, with particular emphasis placed on the gold financing portfolio due to its heightened sensitivity to market fluctuations.

## Risk Mitigation

Risk mitigation refers to the identification and implementation of measures aimed at managing risks through acceptance, avoidance, limitation, or transfer. These measures are intended to support effective capital and liquidity management while enabling sustainable business growth in a dynamic operating environment. The Risk Management Department leads the execution of risk control activities, working closely with relevant business units across the organization.



## Risk Treatment Approaches

Siyapatha Finance PLC adopts a structured and disciplined approach to managing identified risks through clearly defined risk treatment options. Once risks are assessed, appropriate responses are determined based on their nature, impact, and likelihood, in line with the Company's risk appetite and strategic objectives. The key risk treatment approaches applied are outlined below.

### Risk Mitigation

Risk mitigation involves taking proactive measures to reduce the potential impact of a risk event should it occur. This is achieved through the implementation of controls, process improvements, system enhancements, and monitoring mechanisms designed to minimise losses and operational disruption while allowing the Company to continue its activities within acceptable risk limits.

### Risk Avoidance

Risk avoidance refers to decisions taken to eliminate exposure to certain risks by refraining from activities or transactions that fall outside the Company's risk appetite. This approach is applied where the potential risk is considered unacceptable or where effective controls cannot be established to manage the risk to an acceptable level.

### Risk Transfer

Risk transfer involves shifting all or part of the risk exposure to a third party through mechanisms such as insurance, outsourcing arrangements, or contractual agreements. This approach enables the Company to manage potential financial or operational impacts while maintaining business continuity.

## Risk Acceptance

Risk acceptance is applied where risks are assessed to be within approved tolerance levels and the cost or practicality of further mitigation outweighs the potential benefit. Such risks are not subject to immediate corrective action but are continuously monitored to ensure they remain within acceptable limits.

These risk treatment options enable Siyapatha Finance PLC to manage risks in a balanced and cost-effective manner, supporting operational resilience, regulatory compliance, and sustainable long-term performance.

## Risk Monitoring & Reporting

Effective risk monitoring and reporting are central to Siyapatha Finance PLC's risk management framework, enabling timely oversight of risk exposures and supporting informed decision-making. Through structured monitoring mechanisms and regular reporting, the Company ensures that emerging risks are identified early and managed within approved tolerance levels, in line with regulatory requirements and strategic objectives.

## Key Risk Indicators

Key Risk Indicators are quantitative and qualitative measures used to monitor changes in the Company's risk profile and provide early warning signals of potential adverse developments. KRIs are reviewed on a regular basis to detect emerging risks and trends, allowing management to take timely corrective actions and strengthen the effectiveness of risk controls.

## INTEGRATED RISK MANAGEMENT REPORT 2025

### Risk Tolerance and Limits

The Company has established clearly defined risk tolerance levels and limits that specify acceptable thresholds for risk exposure across key risk areas, including credit and funding risks. These limits are formulated with due consideration to business growth objectives, prevailing market conditions, and regulatory expectations. Actual risk exposures are monitored continuously against approved limits to ensure compliance and maintain an appropriate balance between risk and return. The Board Integrated Risk Management Committee approves these limits and reviews them periodically, or more frequently where required, to ensure their continued relevance and effectiveness.

### New Strategies adopted by the division.

- Develop and implement a comprehensive Enterprise Risk Management framework for the Company.
- Organize a virtual risk-based quiz competition called "RISK CHAMPIONSHIP" to promote

awareness of Risk Management among the staff of the company.

- Monitor key risks using Risk Registers, KRIs, and SAQs, and share insights with business units.
- Track economic and industry environment risks impacting the Company.
- Monitor credit risk, NPAs, and early warning indicators, and provide timely recommendations.
- Conduct gold loan stress testing and maturity portfolio analysis using Tableau dashboards.
- Continues monitoring gold loan trends and market vulnerabilities for timely decision making.
- Analyse vehicle market trends and conduct stress testing on the exposures.
- Perform Factoring Credit Risk Analysis.
- Conduct the Annual Risk Management Training Program for Risk Coordinators.
- Review unpaid first rental cases, including detailed root cause analysis.
- Conduct Fast Draft Analysis to strengthen credit monitoring.
- Carry out scenario analysis for operational risk and portfolio stress testing.
- Conduct on-site branch control reviews and issue branch visit reports.
- Review and risk-rate Company policies, manuals, and procedures, and share recommendations with departments.
- Conduct risk assessments for the Core Banking System and other critical systems.
- Provide risk advisory on controls and procedures across functions.
- Promote a risk-aware culture through training and engagement initiatives.

### Expansion and Development in 2025

During 2025, the Risk Management Department of Siyapatha Finance PLC continued to strengthen and expand its risk management framework, with a clear focus on enhancing resilience, supporting sustainable growth, and safeguarding stakeholder interests. Operating in an evolving financial and regulatory environment, the Department remained committed to strengthening risk governance, improving mitigation practices, and embedding risk awareness across the organization while ensuring compliance with applicable regulatory requirements.

### Strengthening a Risk Management Culture

The cultivation of a strong risk-aware culture remained a key priority during the year. The Risk Management Department successfully conducted Tomorrow's Risk Managers – Chapter 3,

the annual risk management training programme for Risk Coordinators. The programme was delivered over two days, with separate sessions for Branch and Department Risk Coordinators. Interactive learning methods, including practical

exercises, staff engagement activities, and audio-visual materials, were used to enhance effectiveness. Each session concluded with an assessment, with awards presented to the top performers. Participant feedback reflected a high level

of satisfaction, with the majority recognising the programme's value in strengthening practical risk mitigation skills and alignment with the Company's strategic objectives.



Branch Risk Coordinators: after the successful awareness session of "Tomorrow's Risk Managers Chapter 3" - Day 01



Department Risk Coordinators: after the successful awareness session of "Tomorrow's Risk Managers Chapter 3" - Day 02

### Enhancing the Role of Regional Risk Analysts

Building on the initiatives introduced in 2024, Siyapatha Finance PLC further strengthened the role of Regional Risk Analysts in 2025 to improve coordination, oversight, and consistency in risk management across branches and departments.

Supported by six dedicated Regional Risk Analysts, the Risk Management Department played an active role in implementing and coordinating risk management processes throughout the organization. Through regular engagement with branch and departmental teams, these efforts reinforced the consistent application

of risk management practices, strengthened working relationships, and encouraged effective knowledge sharing across the network.

### Risk Championship: Virtual Risk-Based Quiz Competition

In February 2025, Siyapatha Finance PLC successfully conducted its first

## INTEGRATED RISK MANAGEMENT REPORT 2025

Virtual Risk-Based Quiz Competition, marking a significant milestone in risk awareness within the non-banking financial sector. The competition attracted teams from branches and departments across the organization, making it the largest risk awareness initiative undertaken by the Company to date. Performance outcomes highlighted a strong level of risk understanding, with the majority of participants scoring above 50 marks. The initiative contributed to increased engagement, awareness, and maturity of risk management practices across the organization.

### On-Site Risk Evaluations

To enhance operational-level risk oversight, the Risk Management Department carried out on-site risk evaluations through branch visits across the network. These visits enabled direct engagement with branch operations and staff, providing real-time insights into operational practices, control effectiveness, and potential risk exposures. Observations from on-site evaluations supported the identification of emerging risks and control gaps, leading to practical and targeted risk mitigation measures tailored to individual branches.

### Enhancements to Risk Analysis and Reporting

Significant improvements were made to risk analysis and reporting during the year to strengthen decision-making and enhance risk visibility. Enhanced analytical reports, including the Gold Analysis Report and other dashboards developed using Tableau, provided more dynamic and data-driven insights. Additional analyses covering non-performing advances trends, early warning indicators, root cause analysis of first rental defaults, fast draft analysis, and detailed branch visit reports were introduced. The

scope of reporting was further expanded to include factoring credit risk analysis and risk assessments related to the Core Banking System, ensuring comprehensive monitoring of both business and technology-related risks.

### Risk Awareness through E-Flyers

The Risk Management Department continued to strengthen enterprise-wide risk awareness through the enhanced RiskInsights e-flyer initiative. The 2025 series focused on more analytical and in-depth themes, including risk appetite, scenario analysis with an emphasis on operational risk, and risk management controls. These e-flyers were designed to move beyond basic awareness and promote practical understanding of risk management principles and their application in daily operations, reinforcing a strong risk-conscious culture across the organization.

**RiskInsights**  
Manage Risk with Confidence...  
Internal Volume 30

**RISK MANAGEMENT CONTROLS**

Internal controls are the backbone of a strong Risk Management Framework. They not only prevent mistakes, but they help to detect, correct, and deter potential issues before they escalate. In Risk Management, CONTROLS refer to the measures, processes, or actions put in place to reduce the Likelihood or Impact of Risks. The controls are commonly categorized into four types:

**PREVENTIVE CONTROLS**  
Preventive controls are implemented to help prevent incidents from happening in the first place. Most preventive controls are best practices that came from correcting detected activity or incidents.  
Ex: Dual key Controls, System access controls, Segregation of duties

**DETECTIVE CONTROLS**  
Detective controls are intended to help an organization find problems. Many detective controls are focused on users, entities, information systems, and data.  
Ex: Surprise Cash & Gold articles verification, Reconciliations, CCTV monitoring

**CORRECTIVE CONTROLS**  
Corrective controls are implemented after an incident has been detected. Many organizations are reactive when it comes to incidents and excel at disciplinary action and corrective controls.  
Ex: Error corrections, Business continuity and Disaster Recovery plan

**DETERRENT CONTROLS**  
Deterrent controls are security measures designed to discourage individuals from engaging in undesirable or illegal behavior.  
Ex: Code of Conduct, Penalties, Warning banners, Awareness

**RISK MANAGEMENT DEPARTMENT**  
Please share with your team members

### E-Learning Risk Management Modules

As part of the Siyapatha Finance Digital Academy initiative, the Risk Management Department developed two structured e-learning modules during 2025. These modules provided comprehensive coverage of core risk management concepts, regulatory expectations, and practical applications relevant to the financial sector. Online examinations were conducted to assess understanding, supported by the provision of model answers to reinforce learning. These digital learning initiatives supported consistent risk awareness across the organization and strengthened employees' ability to make risk-informed decisions in a dynamic operating environment.

**RiskInsights**  
Manage Risk with Confidence...  
Internal Volume 23

**THE THREE LINES OF DEFENCE IN RISK MANAGEMENT**

The Three Lines of Defence model is a key framework for effective Risk Management and Governance.

**First Line of Defense:** This consists of the branches and Departments who directly manage risks in their daily operations and are responsible for carrying out the approved risk management procedures, identifying risks within their own areas, and taking action to address them.

**Second Line of Defense:** is made up of the Risk Management Department, which provide oversight to ensure that the first line of defense is effectively implementing the risk and control procedures.

**The Internal Audit function acts as the Third line of defense,** offering independent assurance to the Board and its sub-committees that both the first and second lines of defense are effectively adhering to the Board-approved Risk Management Framework.

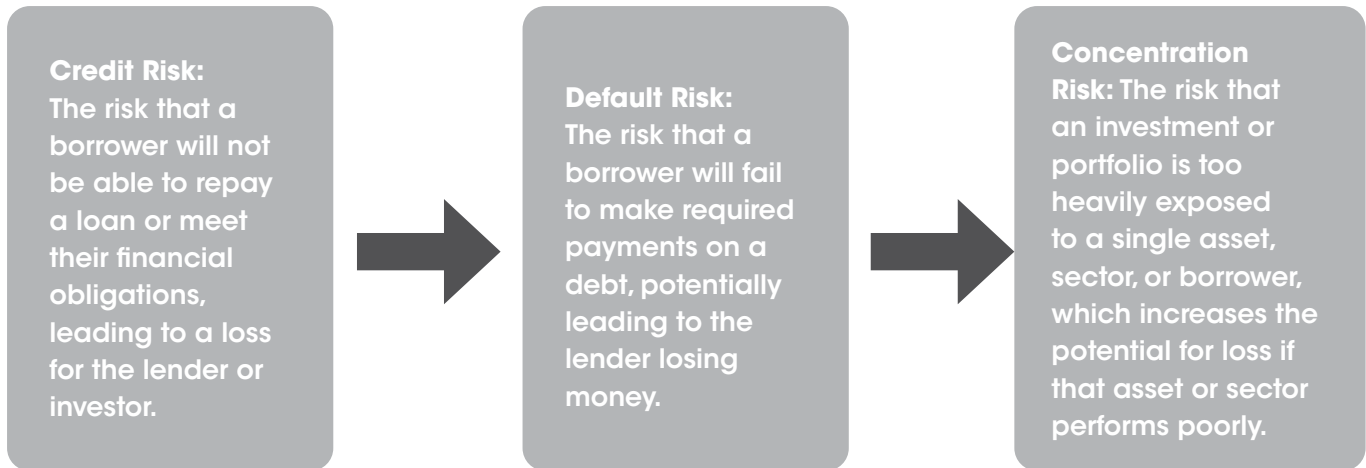
| Branch/Department    | Risk Management Department      | Internal Audit                  |
|----------------------|---------------------------------|---------------------------------|
| 3 <sup>rd</sup> Line | 2 <sup>nd</sup> Line of Defense | 3 <sup>rd</sup> Line of Defense |
| 2 <sup>nd</sup> Line | Risk Control                    | Risk Assurance                  |
| 1 <sup>st</sup> Line | Risk Ownership                  |                                 |

**IMPORTANCE OF THE 1<sup>st</sup> LINE OF DEFENCE IN RISK MANAGEMENT**  
(Branches and Departments)

- Direct Ownership of Risk**  
Business units are directly responsible for identifying and managing risks in their daily operations.
- Early Risk Detection**  
They are the first to notice potential issues and can take action before those risks escalate.
- Execution of Controls**  
Business units implement internal controls to ensure processes are carried out properly and in compliance with policies.
- Real-Time Risk Monitoring**  
They continuously monitor operations and respond quickly to changes in the risk environment.
- Enhances Risk Awareness Culture**  
By taking ownership of risk, the business group promotes a strong risk awareness culture across the organization.
- Provides Input for Risk Reporting**  
They supply valuable risk-related data that supports the reporting and analysis done by the 2nd line (Risk Management Department).
- Supports Better Collaboration**  
An active first line ensures effective coordination with Risk and Audit teams, strengthening overall Risk Management.

**RISK MANAGEMENT DEPARTMENT**  
Please share with your team members

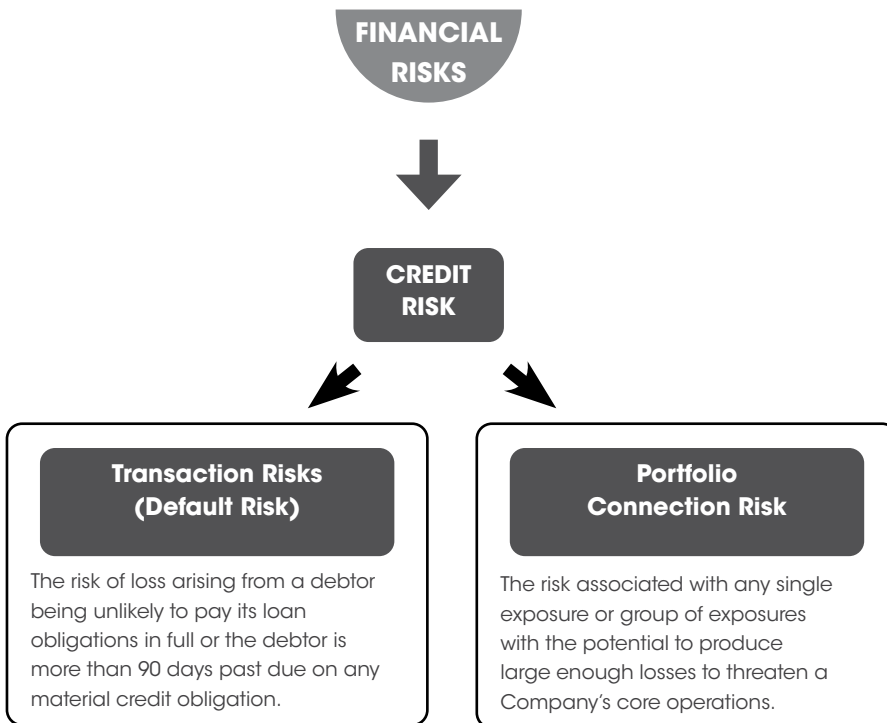
## Credit Risk



### Identification and Assessment

Credit risk represents the potential for financial loss arising from a borrower’s or counter-party’s failure to meet contractual or financial obligations to the Company. It primarily arises from loans and receivables to customers, finance leases, hire purchase facilities, gold financing and factoring exposures. Credit risk also encompasses credit default risk and concentration risk. Credit Risk is classified as a financial risk due to its direct impact on the Company’s profitability, asset quality, and capital adequacy.

If credit risk is not effectively managed, the Company may experience a deterioration in loan portfolio quality, increased Non-Performing Advance (NPA), higher credit losses, and reduced profitability. Over time, these effects could place pressure on capital adequacy and weaken the Company’s ability to deliver sustainable returns to shareholders.



### Credit Risk Management Framework

During the year under review, the Company continued to strengthen its credit risk management framework in line with Company’s strategy. The accuracy and consistency of credit decisions across all products and facilities were enhanced, supported by improved credit assessment standards and monitoring mechanisms. The Company also adopted a deliberate portfolio diversification strategy by expanding exposures across different asset classes such as gold loans, leases, and loans and across multiple economic sectors, thereby reducing overall concentration risk.

## INTEGRATED RISK MANAGEMENT REPORT 2025

Close monitoring of asset quality and NPA ratios across all product segments, supported by effective recovery initiatives, contributed to a further reduction in the overall NPA ratio during the year.

### Credit Governance and Oversight

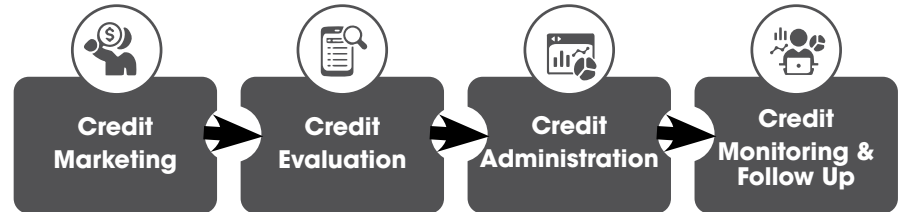
Credit risk oversight is exercised through a structured governance framework led by the Board of Directors and key management-level committees. The Board approves the Company's Credit Risk Framework, Credit Policy, and Credit Risk Appetite limits, which together define the standards, limits, and governance expectations for managing credit risk.

The Board Credit Committee is responsible for evaluating credit proposals within delegated authority limits, approving facilities, and monitoring the overall quality and performance of the credit portfolio. This governance structure promotes a strong risk culture, ensures consistent application of credit policies across the organization, supports strategic objectives, and ensures compliance with regulatory and prudential requirements.

### Credit Approval and Lending Process

The Company's credit lending process is designed to ensure that facilities are granted based on a thorough assessment of customers' financial capacity, repayment ability, and risk profile. Credit screening and initial assessments are conducted at the branch level, followed by approvals in accordance with clearly defined delegation of authority limits based on facility type, exposure level, security coverage, and risk rating.

### CREDIT PROCESS



Credit risk is mitigated through appropriate collateral and/or guarantees in line with approved policies. A multi-tiered approval structure ensures that credit pricing and terms appropriately reflect the underlying risk profile, while escalation mechanisms are applied for higher-risk or higher-value facilities.

### Monitoring, Early Warning, and Portfolio Review

The Company continuously monitors credit risk through a comprehensive monitoring framework that includes regular portfolio reviews, early warning signal (EWS) monitoring, periodic reviews of NPA and delinquency trends, sector and concentration risk analysis, credit risk rating reviews, stress testing, and scenario analysis.

Enhanced the credit quality and monitoring mechanisms, supported by the Credit Operations, Operations, Risk, Recovery, and Business Intelligence (BI) Departments enable timely identification of early warning signals.

Branch-wise, province-wise, sector-wise, and marketing officer-wise NPA positions and sector exposures are monitored on a daily and monthly basis, with periodic reporting to

Management and the Board. These processes support proactive follow-up actions and timely recovery strategies, thereby strengthening overall asset quality.

### Asset Quality and Portfolio Composition

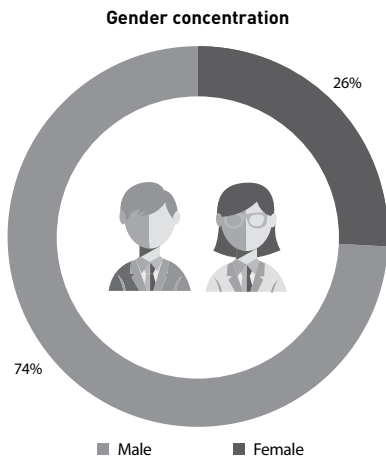
The Company's product portfolio comprises finance leases, hire purchase facilities, loans, gold financing, and factoring services, serving primarily salaried individuals and small- to medium-sized enterprises (SMEs). Effective risk management is supported through the segregation of credit origination, approval, and monitoring functions, ensuring robust control over the credit lifecycle and mitigating risks arising from diverse products and customer segments.

Approval authority levels and credit sanctioning structures are periodically reviewed and aligned with portfolio performance and asset quality trends to maintain a high-quality loan book.

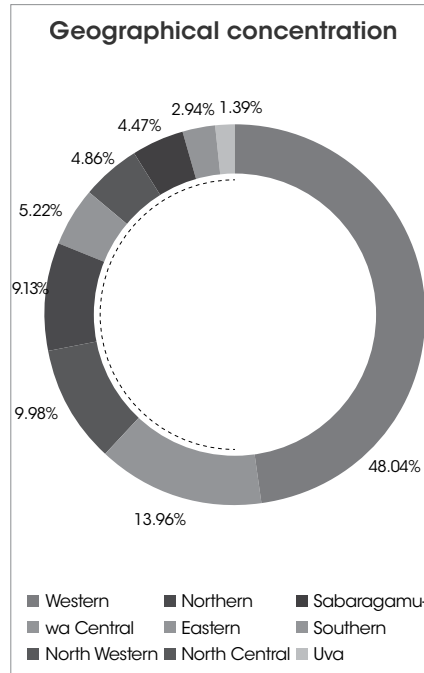
### Concentration Risk

Concentration risk arises when exposures are excessively concentrated in specific products, industries, customer segments, or geographical regions. To mitigate

potential contagion effects from defaults, the Company places strong emphasis on maintaining a diversified portfolio across asset classes, sectors, and locations.



The graph illustrates the gender composition of the Company's leasing portfolio, with male customers accounting for approximately 74% and female customers representing about 26%. While the portfolio demonstrates a higher concentration in male borrowers, the presence of a diversified female customer segment contributes to overall portfolio diversification and helps mitigate concentration.



The pie chart shows the geographical distribution of the Company's portfolio. The Company maintains a nationwide presence, with the Western Province accounting for nearly 50%, followed by the Central Province at around 14%. The Eastern, Northern, and North Western Provinces each contribute about 9%, while the Southern Province accounts for approximately 5%, and the remaining provinces each represent less than 5%, with Uva Province having the smallest share.

**Monitoring of Concentration Risk**

Concentration risk is monitored using Key Risk Indicators (KRIs) with defined tolerance limits, including:

**Portfolio Concentration:** Appetite and tolerance limits are reviewed annually in line with market trends and the Company's strategic direction. In addition, detailed portfolio concentration analyses are conducted on a monthly and

quarterly basis to monitor emerging risks and ensure ongoing compliance with approved limits.

**Asset Concentration:** Exposure limits by asset class, product type and sector are reassessed based on prevailing market conditions and the macroeconomic environment.

**Branch Concentration:** Branch level exposure and growth limits are reviewed periodically based on branch performance, maturity, asset quality, recovery effectiveness and staff performances.

**Impairment and NPA Performance**

NPA levels remained below the budgeted plan throughout the year and recorded a further decline in December 2025, reflecting the effectiveness of the Company's credit risk management and recovery strategies. This downward trend reflected continued improvements in portfolio quality, driven by strengthened credit appraisal standards, proactive early warning signal (EWS) monitoring, timely follow-up on delinquent accounts, and coordinated recovery actions supported by disciplined credit monitoring.

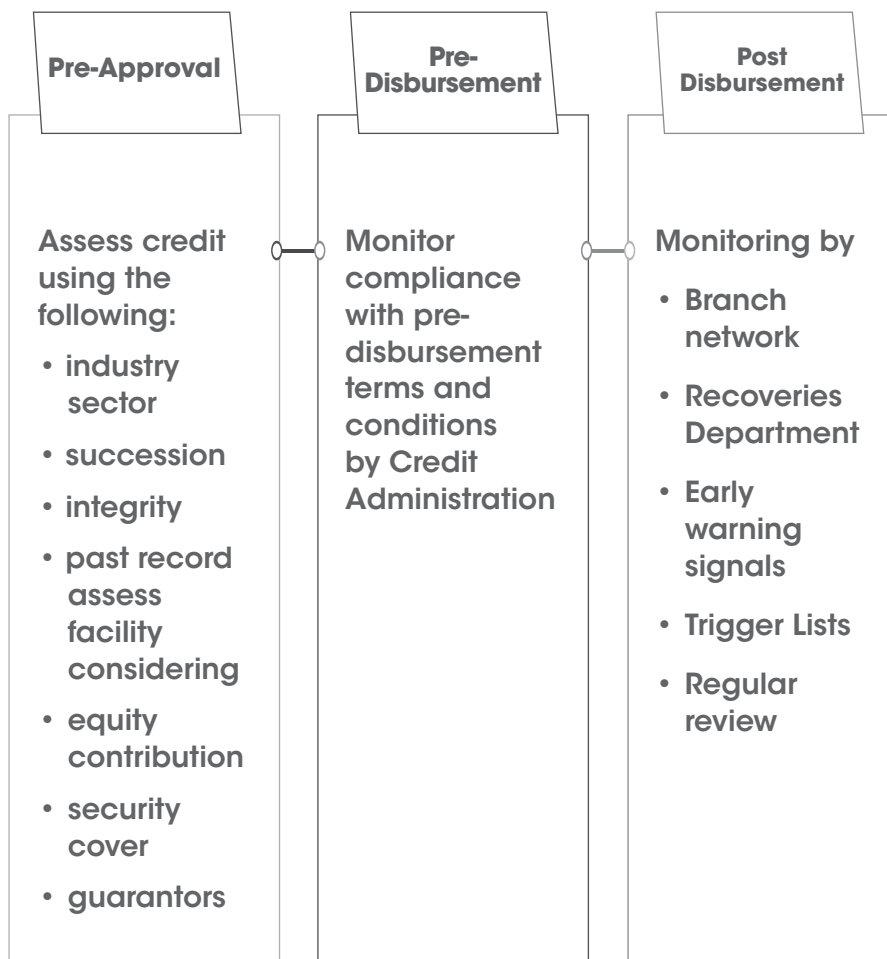
In accordance with SLFRS 9 (aligned with IFRS 9), the Company applies the three-stage expected credit loss (ECL) impairment model:

The Company's impairment and write-off policies are aligned with its internal Credit Risk Appetite and support capital adequacy, regulatory compliance, and sustainable business growth.

## INTEGRATED RISK MANAGEMENT REPORT 2025

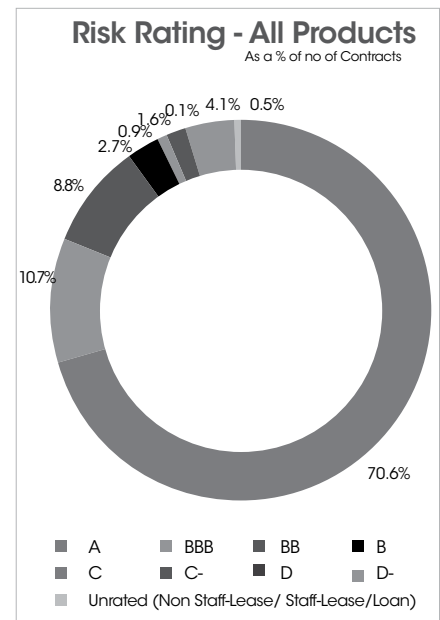
### Credit Risk Across the Loan Life-cycle

Credit risk management covers the entire loan and lease lifecycle, from origination to settlement. The Company continuously monitors the financial performance of borrowers and lessees throughout the facility tenure, enabling early identification of potential credit deterioration and timely remedial actions. Clearly defined approval limits and escalation procedures are applied based on risk ratings, assessed risk levels, and facility values, enhancing recovery prospects in the event of default.



determined using a Board-approved methodology, with ratings ranging from A, BBB, BB, B, C, C-, D, and D-.

These ratings are reviewed quarterly and compared against initial ratings to identify changes in the credit risk profile.



### Risk Rating and Reclassification

Risk rating classification for all products, including loans, leases, factoring, and gold loans categorizes exposures according to their respective risk levels. This classification supports effective pricing, provisioning, monitoring, and risk mitigation.

In line with regulatory requirements, risk rating reclassification is applied to leasing contracts through periodic post-disbursement reviews. Reclassification ratings are maintained as sub-ratings in the system, while the initial customer risk rating assigned at inception remains unchanged. Reclassification is

## Operational Risk

**Operational Risk: The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes IT risk and legal risk, but excludes strategic and reputational risk**

**Operational risk incidents include internal frauds, external frauds, employment practices and workplace safety, clients, -products and business practices, damage to physical assets, business disruptions and system failures etc.**

Effective management of operational risk is a fundamental component of Siyapatha Finance PLC's day-to-day operations and is essential to maintaining a sound risk profile. The Company has established a comprehensive Operational Risk Management Policy in line with regulatory guidelines, providing a structured and consistent approach to identifying, assessing, measuring, mitigating and monitoring operational risks.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events.

operational risk includes IT risk and legal risk but excludes strategic and reputational risk. The policy is structured around seven standard risk categories, namely execution, delivery and process management; internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; damage to physical assets; and business disruption and system failures. This structured approach supports the effective management of operational risks in line with the Company's business activities and risk appetite.



### Identification and Assessment

Operational risks are identified and assessed through regular evaluations of internal controls, process reviews, and audits, which highlight control weaknesses and potential vulnerabilities. This enables the Company to take proactive measures to prevent adverse events and minimise potential losses. Key areas monitored include losses arising from fraud, misconduct, or

negligence; deficiencies in credit and legal documentation; the volume and nature of customer complaints and legal actions; and the frequency and impact of system disruptions.

### Control and Monitoring

The Operational Risk Management Policy clearly defines the roles and responsibilities of all functions involved in managing operational risk. Given that operational risk events may have significant financial, operational, and reputational consequences, the Company places strong emphasis on robust controls and continuous monitoring. Board-approved manuals covering company-wide processes ensure that key activities are properly documented and consistently applied. The Company also conducts regular assessments of cyber security risks and audits of IT systems to identify vulnerabilities, with findings used to strengthen system controls. In addition, a Board-approved Business Continuity Plan, including Disaster Recovery arrangements, is in place and subject to periodic testing to ensure operational resilience.

### Operational Risk Management Tools

A range of tools is used to support effective operational risk management across the organization. Key Risk Indicators and Self-Assessment Questionnaires are conducted on a monthly basis to capture changes in the operating environment and identify emerging risk trends. Root Cause Analysis is undertaken for significant operational risk events in collaboration with relevant business units to identify underlying causes and implement corrective actions. Annual Risk and Control Self-Assessments are carried out by branches and departments to promote ownership of risks and

## INTEGRATED RISK MANAGEMENT REPORT 2025

controls, with results reviewed by the Board Integrated Risk Management Committee.

The Company also encourages timely reporting of operational incidents and potential risks through clearly defined reporting channels, including the Whistle Blowing mechanism, to promote transparency and accountability. Customer complaints are analyzed to identify root causes and risk trends, with findings reported to the Board Integrated Risk Management Committee and escalated to relevant units for corrective action.

### Strategic Risk

**Strategic Risk: the risk of losses that might arise from pursuit of an unsuccessful business plan**

#### Identification and Assessment

Strategic risk arises from ineffective strategic decisions, weak execution, inadequate allocation of resources, or an inability to respond promptly to changes in the external business environment. Siyapatha Finance PLC manages strategic risk through a structured and forward-looking approach that supports informed decision-making and long-term sustainability. The Company has developed a clearly defined three-year strategic roadmap, which is reviewed periodically to ensure continued alignment with corporate objectives, market dynamics, and regulatory expectations. The formulation of the strategic plan is a collaborative process involving contributions from across

departments and management levels, strengthening organizational agility and ensuring that strategic decisions are well informed and responsive to evolving market conditions.

During 2025, the Company strengthened its financial position and market presence through key strategic initiatives, including the Board-approved issuance of listed, rated, senior unsecured debentures to support portfolio growth and long-term funding stability. In addition, Fitch Ratings upgraded the Company's National Long-Term Rating to 'A(Ika)' with a Stable Outlook, reflecting improved credit strength and strategic resilience. These developments reinforced the Company's capacity to pursue growth opportunities while maintaining financial discipline.

#### Control and Monitoring

Strategic risks are monitored through regular reviews of the strategic plan at both Board and management levels. Throughout the year, these reviews enabled timely adjustments in response to economic developments, market conditions, and other external factors. The strategic monitoring framework incorporates detailed analysis of key performance indicators, trend movements, and scenario-based assessments to track progress against strategic objectives and identify potential implementation challenges at an early stage. Through strengthened control and monitoring mechanisms, Siyapatha Finance PLC ensured that its strategic initiatives remained aligned with its long-term vision while retaining the flexibility to adapt effectively to a changing business environment.

## Reputational Risk

**Reputational Risk: the threat to the profitability or sustainability of a business or other entity that is caused by unfavorable public perception of the organization or its products or services**

#### Identification and Assessment

Reputation is a critical asset for deposit-mobilizing financial institutions and plays a vital role in sustaining stakeholder confidence. As a subsidiary of a leading banking group, Siyapatha Finance PLC places strong emphasis on good governance, ethical conduct, and transparency across all its operations. The Company recognizes that reputational risk may arise from lapses in governance, communication, or stakeholder engagement, and therefore remains committed to building and preserving trust through responsible business practices. Clear, timely, and effective communication with stakeholders is a core element of this approach, supporting openness and accountability in all dealings.

#### Control and Monitoring

Reputational risk is managed through robust controls over both external and internal activities. External communications are developed through a structured review process involving relevant stakeholders and are subject to multiple levels of approval to ensure accuracy, consistency, and alignment with the Company's values and

regulatory expectations. Internally, a comprehensive internal control framework is in place to monitor employee conduct and ensure adherence to approved policies, codes of ethics, and compliance requirements. Through these measures, Siyapatha Finance PLC actively safeguards its reputation and reinforces stakeholder trust, supporting the long-term sustainability of the Company.

## Legal Risk

**Basel II classified legal risk as a subset of operational risk. Legal Risk is the risk of losses arising from an unintentional or negligent failure to meet a professional (legal) obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product.**

Legal risk, a key element of operational risk, arises from potential adverse outcomes due to poorly drafted contracts, errors in execution, the absence of formal agreements, or deficiencies in existing agreements. It also encompasses risks related to regulatory actions, including fines, penalties, reprimands, punitive damages, and financial implications of private settlements. Siyapatha Finance addresses legal risk through a strong focus on regulatory compliance across all business activities.

The company's legal risk management strategy is anchored in strict adherence to applicable laws and regulations in all transactions and engagements with individuals and institutions. This includes ensuring that each transaction is supported by comprehensive and accurate documentation, thereby minimizing the likelihood of legal disputes.

To proactively manage the risk of regulatory non-compliance, Siyapatha Finance has established a robust framework to verify that all operations conform to the legal and regulatory environment. This systematic approach not only mitigates potential legal repercussions but also reinforces the company's commitment to integrity, transparency, and full compliance with applicable laws in all its activities.

### ESG (Environmental, Social and Governance) Risk

As sustainability becomes a central focus in the financial sector, Environmental, Social, and Governance (ESG) risk—also referred to as sustainability risk—has emerged as a key consideration. ESG risks encompass both the potential impact of stakeholders, including customers, suppliers, employees, and the environment, on the company, as well as the effects of the company's activities on these stakeholders and the broader environment. When realized, ESG risks can adversely affect assets, financial performance, earnings, and the company's reputation.

Siyapatha Finance identifies ESG risk as arising from inadequate management of environmental, social, and governance factors, which

may result in financial losses and reputational damage. The company adopts a holistic approach to ESG risk management by identifying the most material risks across its value chain and integrating mitigation strategies into business operations, ensuring alignment with its sustainability objectives.

A central component of the ESG risk framework is the Environmental and Social Risk Management process, which provides for thorough assessment, monitoring, and oversight of environmental and social risks associated with credit operations throughout the tenure of financial agreements.

### Key Initiatives in 2025

#### Enhanced ESG Risk Integration in Credit Operations

As part of ESG risk management, an ESG risk rating is incorporated into the credit appraisal and monitoring processes. This assessment is applied across leasing, loan, and fast-draft facilities to evaluate the potential environmental, social, and governance impacts of financing activities. ESG risks are monitored throughout the credit lifecycle to ensure responsible and sustainable lending practices.

#### ESG Exclusion List

The Company follows an ESG exclusion list to avoid financing activities and projects identified as environmentally or socially harmful. This approach supports effective risk mitigation, reputational protection, and alignment with sustainable finance principles.

## INTEGRATED RISK MANAGEMENT REPORT 2025

### Greenhouse Gas (GHG) Quantification and Climate Initiatives

The Company has commenced the quantification of its greenhouse gas (GHG) emissions as part of strengthening environmental risk management practices. In addition, initiatives are in progress to work towards science-based targets (SBTi) for GHG emission reduction, along with the implementation of energy efficiency mechanisms across operations.

Through these initiatives, Siyapatha Finance demonstrates a strong commitment to sustainability, managing ESG risks proactively and responsibly while contributing to long-term stakeholder value creation.

### Interest Rate Risk

**Interest Rate Risk:** the risk that arises from the fluctuation of interest rates

Potential impacts on earnings, valuation of assets, cost of borrowings

#### Identification and Assessment

Interest rate risk arises primarily from imbalances between a company's assets and the liabilities used to fund them, particularly when these instruments carry different interest rates or reprice at different intervals. Changes in market interest rates can impact the value and cash flows of assets and liabilities unevenly, affecting net interest income in the

short term and the economic value of equity over the long term. Finance companies, including Siyapatha Finance, are especially exposed to this risk due to the diversity of assets and funding sources, which often carry varying fixed or floating rates.

In 2025, Siyapatha Finance focused on active management of interest rate risk, recognizing that market-driven rate fluctuations can influence earnings stability, asset and liability valuations, off-balance-sheet positions, and overall cash flows. The company maintained a structured and disciplined approach to safeguard earnings and minimize exposure to adverse financial outcomes, ensuring that returns remained consistent with its risk appetite.

Stress testing continued to be a central element of the interest rate risk management framework. By simulating different interest rate scenarios, the company evaluated the potential impact on net interest income and the re-pricing profiles of interest-sensitive assets and liabilities. This analysis provided critical insights for management to implement effective mitigation strategies and maintain resilient financial performance amid volatile rates.

Siyapatha Finance also closely monitored macroeconomic trends, market developments, and key economic indicators, allowing proactive adjustments to strategies in response to anticipated market shifts. During 2025, significant growth in the deposit base enhanced the stability of the funding strategy, reducing reliance on external borrowings and strengthening liquidity. Equity

and alternative financing sources continued to reinforce the capital base, providing flexibility to respond to market changes and supporting sustainable long-term growth.

The Asset Liability Management Committee (ALCO) maintained oversight of interest rate exposures, ensuring that market volatility was leveraged prudently while maintaining sound liquidity.

### Control and Monitoring

#### Volatile Liability Dependency Ratio:

This ratio measures variable rate borrowings as a percentage of the total lending portfolio to monitor sensitivity to interest rate movements.

#### Key Risk Indicators (KRIs):

**Appetite Limit:** The Volatile Liability Dependency Ratio is maintained at prudent levels in line with company policy.

**ALCO Oversight:** ALCO regularly reviews interest rate trends and structures for both lending and borrowings, providing guidance for necessary adjustments.

**Product Innovation:** The introduction of shorter-tenure products and an increased focus on fixed-rate borrowings has improved the company's ability to manage re-pricing mismatches and mitigate interest rate risk.

Through these measures, Siyapatha Finance has strengthened its capacity to navigate interest rate fluctuations, maintain a well-balanced funding structure, and sustain financial stability in an evolving market environment.

## Liquidity and Funding Risk

**Liquidity Risk: an institution's incapability to meet its financial commitments**

**Arises due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.**

### Identification and Assessment

Liquidity risk refers to the potential inability of an institution to meet its financial obligations, which could affect overall stability. In 2025, Siyapatha Finance continued to prioritize the development and enhancement of a robust framework to identify funding requirements, ensuring that funds are available when needed and at optimal cost.

A cornerstone of the company's liquidity risk management strategy is the continuous assessment of current and anticipated funding needs. This includes meeting debt obligations and preparing for contingencies across various scenarios. To address challenges arising from cash flow mismatches, Siyapatha Finance closely monitors cash flows and maintains sufficient liquid assets to meet all obligations.

Key liquidity risk indicators, such as the liquid asset ratio, maturity gap analysis, capital adequacy ratios, and the Volatile Liability Dependency Ratio, are regularly tracked. The Asset Liability Management Committee (ALCO) provides oversight of these metrics, enabling proactive management of potential risks and ensuring the company maintains a healthy liquidity position. This approach allows Siyapatha Finance to remain responsive to changing market conditions while safeguarding financial stability.

### Control and Monitoring

- Volatile Liability Dependency Ratio (Maturity): This ratio measures interest-bearing liabilities maturing within 12 months as a percentage of the total lending portfolio, providing insight into short-term funding pressures.
- In 2025, the company enhanced its liquidity monitoring framework by strengthening internal controls and implementing real-time tracking mechanisms, ensuring that emerging risks are promptly identified and addressed.
- Siyapatha Finance remains committed to aligning its liquidity management practices with regulatory requirements and industry best practices, supporting operational resilience and sustainable growth.

### People/ Conduct Risk

Human capital, the skills, knowledge, and intangible assets of individuals—remains central to Siyapatha Finance's success. In a service-driven organization, a competent and

motivated workforce is essential for delivering effective financial solutions and achieving strategic objectives.

In 2025, people risk continued to be a significant factor in the financial services industry. Siyapatha Finance strengthened its proactive measures to manage potential challenges and ensure minimal disruption to operations. These risks often arise from gaps in recruitment, inadequate performance evaluation mechanisms, employee misconduct, unplanned absenteeism, or negligence.

### Identification and Assessment

Siyapatha Finance maintains a rigorous screening and recruitment process to ensure that only highly qualified candidates join the organization. In 2025, onboarding programs were further enhanced to emphasize the company's Code of Ethics and corporate values. New employees were closely monitored during their probationary period to detect and address potential risks early.

The company also reinforced employee engagement through coaching and mentoring programs, while HR visits to branches facilitated open dialogue and early identification of concerns. The continuation of an open-door grievance policy, along with structured exit interviews, further strengthened the company's capacity to identify and manage people-related risks promptly.

### Control and Monitoring

In 2025, induction programs were refined to clearly communicate performance expectations,

## INTEGRATED RISK MANAGEMENT REPORT 2025

particularly regarding internal processes and ethical conduct. Performance assessment and compensation systems were optimized to reward excellence, while a robust disciplinary framework continued to govern professional behavior and ensure adherence to standards.

Through these initiatives, Siyapatha Finance has built a resilient and agile workforce, effectively managing people and conduct risks while supporting the organization's long-term stability and growth.

### Technology Risk

**Technology Risk: any potential for technology failures to disrupt business such as information security incidents or service outages.**

**Arises from the use, ownership, operation, involvement, influence and adoption of IT within an organization.**

In a rapidly evolving business environment, technology is central to driving innovation and operational efficiency. However, reliance on technology introduces inherent risks that, if not managed effectively, can result in financial losses, operational disruptions, and reputational damage.

At Siyapatha Finance, proactive management of technology risk remains a priority to safeguard information assets and maintain their integrity.

Technology risk includes unauthorized access to systems or data, IT system failures, and reliance on outdated technology. Recognizing the strategic importance of information, the company has intensified efforts to mitigate cyber threats and vulnerabilities. Measures are designed to prevent unauthorized access, enforce need-to-know protocols, preserve confidentiality, maintain data integrity, support business continuity, and minimize overall operational risk. These initiatives align with strategic objectives of maximizing return on investment and protecting critical information assets.

The company categorizes IT risk, a subset of operational risk, into Internal IT Risk, External IT Risk, and Business Continuity Risk, with further evaluation focused on Loss of Integrity, Loss of Availability, and Loss of Confidentiality. The Information Security and Compliance division plays a central role in implementing a consistent operating model across all IT domains. Risk-related information is systematically reported to support decision-making, accountability, and objective-setting. High-risk incidents and non-compliance are promptly escalated to the Board Information Technology Committee (BITC) and the Board Integrated Risk Management Committee (BIRMC).

The Board of Directors and senior management actively engage in technology risk management, ensuring clear accountabilities,

allocating necessary resources, and making IT decisions within the defined risk appetite. In 2025, the company enhanced its technology policies to address emerging threats and align with industry best practices.

### Identification and Assessment

Amid a dynamic digital landscape and ongoing business growth, Siyapatha Finance continued to invest in IT system enhancements and security features. Routine assessments of IT systems were conducted throughout the year to ensure operational continuity and to identify potential vulnerabilities to cyber threats. This proactive approach reinforces the company's commitment to maintaining a resilient and secure technological infrastructure.

### Control and Monitoring

In 2025, the company strengthened the security of its computing infrastructure through advanced antivirus and anti-spyware solutions, secure firewalls, and regular software updates. Data backup processes, including off-site storage, were optimized to enhance resilience. New products underwent thorough technological evaluation during development, ensuring alignment with operational and security requirements. Post-implementation IT audits identified vulnerabilities and enabled timely corrective actions.

Through these initiatives, Siyapatha Finance continues to leverage technology effectively while safeguarding information assets, ensuring secure and sustainable operations in a constantly evolving digital environment.

## Compliance Risk

**Compliance Risk: the risk of losses arising from violations or infringement of laws and regulations applicable to the Company.**

**Siyapatha Finance's robust risk management framework ensures resilience, safeguards stakeholder interests, and supports sustainable growth in a dynamic business environment.**

The Compliance Department is entrusted with safeguarding Siyapatha Finance from potential losses, both financial and reputational, that may arise from non-compliance with laws, regulations, directives, or self-regulated organizational standards pertinent to the company's operations.

### Identification and Assessment

In 2025, the company continued to recognize the broad impact of compliance risks, which can affect earnings, business opportunities, reputation, and legal standing. Processes for identifying and assessing compliance risks were further strengthened to address evolving regulatory requirements and heightened industry expectations.

### Control and Monitoring

Siyapatha Finance maintained strict adherence to all applicable regulations, including directives from the Central Bank of Sri Lanka and the Colombo Stock Exchange. The Chief Compliance Officer, operating independently and reporting directly to the Board Integrated Risk Management Committee (BIRMC), oversaw all compliance activities.

Instances of non-compliance were promptly reported to the BIRMC and the Board, ensuring timely corrective action. The Compliance Department continued to issue targeted internal circulars to communicate regulatory directives effectively across the organization.

To reinforce monitoring, the department implemented enhanced reporting mechanisms and conducted comprehensive audits to ensure consistent adherence to regulatory frameworks. This proactive and transparent approach has been central to mitigating compliance risks and sustaining Siyapatha Finance's reputation for regulatory excellence.

# COMMITTEE REPORTS

## BOARD AUDIT COMMITTEE REPORT

The Board Audit Committee (the Committee) is appointed by the Board of Directors of Siyapatha Finance PLC (the Company). The Committee comprises of four Independent, Non-Executive Directors who conducted Committee proceedings in accordance with the Terms of Reference of the Committee approved by the Board of Directors of the Company.

### COMPOSITION

The Committee's composition during the period ended by 31 December 2025 is as follows:

#### Mr. P. L. C. Jayawickrama

(ID/NED) - Chairman  
(Appointed as the Chairman of the Committee w.e.f 31 January 2024)

#### Mr. P. S. Cumararatunga

(ID/NED) - Member  
(Appointed as a Member w.e.f 1 June 2018)

#### Mr. J. H. Gunawardena

(ID/NED) - Member  
(Appointed as a Member w.e.f 12 February 2019 and served until 26 August 2025)

#### Ms. H. S. R. Ranatunga

(ID/NED) - Member  
(Appointed as a Member w.e.f 23 April 2020 and served until 30 September 2025)

#### Mr. D. P. Lokuarachchi

(ID/NED) - Member  
(Appointed as a Member w.e.f 30 September 2025)

[ID - Independent Director, NED – Non-Executive Director]

The Chairman of the Committee is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. Further, he is an Attorney-at-Law at the Supreme Court of Sri Lanka. He graduated from the University of Sri Jayewardenepura, Sri Lanka with a special degree in B.Sc. (Accountancy & Financial Management).

Brief profiles of the members are given on pages 42 to 48 of the Annual Report.

### MEETINGS

The Committee met on nine (9) occasions during the year 2025. Details of attendance of the Committee members at these meetings are given in the table on pages 135 to 136 of the Annual Report. The Head of Internal Audit functions as the Secretary to the Committee. The other members of the Board, the Managing Director, the management members and representative from the external audit may also attend meetings upon the invitation of the Committee.

Two (02) meetings were held between the Committee and the External Auditors during the year, without any other Directors, Senior Management and employees being present.

Proceedings of the Committee meetings, with adequate details of matters discussed, were reported regularly to the Board to assist the Board in its general oversight of financial reporting, internal controls and functions relating to internal and external audits.

### THE TERMS OF REFERENCE

The Terms of Reference of the Committee are clearly spelt out in the Charter of the Board Audit Committee, which is approved by the Board of Directors. These terms are being reviewed annually and approved by the Board of Directors, after incorporating best practices relating to the functions of the Committee.

### FUNCTIONS OF THE COMMITTEE

The Committee assists the Board of Directors to effectively carry out its supervisory responsibilities by reviewing accounting and financial information of the Company, in order to monitor the integrity of its annual and quarterly Financial Statements, Annual Report, Management Accounts and other periodical reports prepared for publication, including the critical accounting estimates and judgments contained therein.

The Committee is empowered to examine the adequacy and effectiveness of internal control systems, assess risk management processes and compliance with regulatory requirements, review the adequacy of the scope and functions of the Internal Audit Department, assess the internal audit program and results of the internal audit process. The Committee also evaluates the performance of External Auditors and recommends their appointment and remuneration.

### REGULATORY COMPLIANCE

The Committee assessed the Company's compliance with financial reporting requirements and information requirements under the Companies Act No. 7 of 2007 (as

Amended), Finance Business Act No. 42 of 2011, Listing Rules issued by Colombo Stock Exchange (CSE), and other relevant financial reporting regulations/frameworks, such as LKASs/SLFRS.

## ROLES AND RESPONSIBILITIES

The Committee is responsible for;

- a) Review the integrity of Interim Financial Statements and the Annual Financial Statements prepared for disclosure, prior to submission to the Board of Directors.
- b) Ensure adherence to applicable accounting standards, statutory and regulatory compliance requirements and best practices.
- c) Overseeing the appointment of the External Auditor for audit services in compliance with the relevant statutes; approval of the audit fee, service period and any matters relating to resignation or dismissal of Auditors.
- d) Ensure that the internal audit function is independent of the activities it audits, and it is performed with impartiality, proficiency and due professional care.
- e) Review the internal audit program, comment on the audit findings, recommend appropriate action, ensure coordination between the Internal and External Auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.
- f) Ensure that the Committee is apprised of the resignation of senior staff members of the Internal Audit Department including the Head of Internal Audit and any outsourced

service providers and provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resignations.

- g) Review the Company's statement on internal control systems before endorsement by the Board, and to make sure of the adequacy and effectiveness of the internal control systems in the Company.

## SUMMARY OF ACTIVITIES DURING 2025 FINANCIAL REPORTING

The Committee reviewed the integrity of Interim Financial Statements and the Annual Financial Statements on behalf of the Board of Directors. The review included the adequacy and effectiveness of the internal control systems over financial reporting, the clarity of the disclosures, extent of compliance with financial reporting standards, and the reasonableness of significant estimates and judgmental areas.

## EXTERNAL AUDIT

The Committee ensured the independence, objectivity and the effectiveness of the audit processes in accordance with applicable standards, regulations, corporate governance principles and/or best practices. The Committee has reviewed the policy on engagement of External Auditor for Audit and Non-Audit Services and recommended for the approval of the Board. The auditors are also given the opportunity to meet the Committee separately without the presence of any other Directors, Senior Management and employees being present to discuss any concerns and express their opinion on any matter. The Committee was informed by

External Auditor that there are no specific concerns for them to report to or discuss with the Committee and the Management has provided all information and explanation requested by the Auditors.

The Committee discussed the audit plan, approach and scope of the audit before commencing the audit. The Committee reviewed the audited Financial Statements with the External Auditor, who is responsible for expressing an opinion on whether the Company's financial statements give a true and fair view over the financial position, financial performance and cash flows of the Company. The Committee also reviewed the Management Letter issued by the External Auditor with the Management responses.

The Committee conducted a comprehensive review of the revised Policy on the Engagement of External Auditors in October 2024. In accordance with both the policy and Finance Business Direction No. 05 of 2021, the company is mandated not to engage the services of the same external audit firm for more than ten consecutive years. Consequently, Messrs. KPMG, Chartered Accountants, has been appointed as the External Auditor for the financial year ending December 31, 2025. This appointment was approved by the Board of Directors and approved by shareholders at the 20th Annual General Meeting.

The Committee conducted a review of the non-audit services provided by the auditor, aiming to ensure that such services do not compromise the External Auditor's independence or objectivity. The Committee is content that no conflicts of interest

## COMMITTEE REPORTS

### BOARD AUDIT COMMITTEE REPORT

exist between the Company and the Auditor, which might undermine the Auditor's independence and objectivity. The revised policy governing the engagement of non-audit services by the External Auditor was reviewed and approved by the Board of Directors in October 2024.

#### INTERNAL AUDIT

During the year, the Committee reviewed the adequacy of the scope, functions, resources and independency of the Internal Audit Department, and satisfied itself that the department had the necessary authority and independence to carry out its work. The risk-based audit plan was reviewed and approved by Committee at the beginning of the year and monitored the implementation of the audit plan throughout the period to ensure the effectiveness of the entire processes of the company. The Committee reviewed the internal audit program, significant audit findings and management action plan for the audit recommendations and evaluated the effectiveness of the management action plan in terms of timely implementation of the action plan and repetitive of audit issues. The Committee also reviewed the resource requirement of the Internal Audit Department and evaluated the performance of the Head of Internal Audit.

#### WHISTLEBLOWING

The Company's whistleblowing Policy serves as a mechanism to manage risks pertaining to corporate fraud. There is a provision under this policy for any staff member, who has a legitimate concern on an existing or potential "wrongdoing", such as improprieties in financial reporting, internal control or other matters committed by any person within the Company, to bring such concerns in confidence to the notice of the Chairman of the Board Audit Committee. The Board assigned a separate email address for 'whistleblowing' to be directed to the Chairman of BAC, who in turn would keep a record of it and address it to the Board Audit Committee. A process is also in place for such concerns to be investigated, while maintaining the confidentiality of the identity of the whistleblower. The Committee is empowered under the Terms of Reference to monitor this process. The whistleblowing policy has been reviewed by the Committee during the year 2025 and circulated among staff.

#### EVALUATION OF THE COMMITTEE

The annual self-evaluation of the effectiveness of the Committee was carried out by the Members of the Committee and concluded that the Committee had carried out its

responsibilities in an effective and satisfactory manner and further, The Board undertakes an annual performance evaluation of the Committee as required by the Finance Business Act Direction No. 05 of 2021

#### REPORTING TO THE BOARD

Approved minutes of the Committee meetings are tabled at Board meetings, enabling all Board members to have access to them.

#### PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters within its purview.

On behalf of the Board Audit Committee



**P.L.C. Jayawickrama**  
Chairman-Board Audit Committee  
Siyapatha Finance PLC

27 January 2026

## BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

Siyapatha Finance PLC's Board Integrated Risk Management Committee, acting on behalf of the Board of Directors, remains steadfast in its commitment to evaluating and improving the company's risk profile. During the year 2025, the Committee prioritized the development of comprehensive risk strategies, policies, and frameworks in close collaboration with Key Responsible Persons. Key Risk Indicators were meticulously reviewed using a standardized risk grid, in alignment with the Integrated Risk Management Policy. The Committee maintains a keen eye on external political, economic, and social developments, subjecting the portfolio to rigorous stress tests to ensure adaptability. Through this proactive approach, Siyapatha Finance PLC is well-positioned to navigate the dynamic risk landscape.

### COMPOSITION

The Board Integrated Risk Management Committee is chaired by an Independent Non-Executive Director and comprises of three Independent Non-Executive Directors and two Non-Independent Non-Executive Directors. In compliance with Section 10.3(a) of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka,

The Committee's composition during the period ended 31 December 2025 as follows:

#### Mr. J. H. Gunawardena

(ID/NED) - Chairman  
(Appointed as a Member w.e.f. 29 January 2019 and Chairman of the Committee w.e.f. 28 April 2020)

#### Mr. J. Selvaratnam

(NID/NED) - Member  
(Appointed as a Member w.e.f. 18 December 2018)

#### Mr. S. Perera

(NID/NED) - Member  
(Appointed as a member w.e.f. 16 January 2020)

#### Ms. S. Ranatunga

(ID/NED) - Member  
(Appointed as a Member w.e.f. 30 September 2025)

#### Mr. S. Cumaranatunga

(ID/NED) - Member  
(Appointed as a Member w.e.f. 30 October 2017 and served until 26 August 2025)

#### Mr. L. Jayawickrama

(ID/NED) - Member  
(Stepped down on 30/09/2025)  
(Appointed as a Member w.e.f. 31 January 2024 and served until 30 September 2025)

(NID – Non-Independent Director, ID – Independent Director, NED – Non-Executive Director)

The Chairman of the Committee is a veteran banker with over 23 years of experience at Standard Chartered Bank, where he specialized in Treasury, Trade Services, and Operational Risk. He later served as Investigation Manager at Ernst & Young, overseeing complex audits and corporate governance for Sri Lanka's leading commercial banks. An expert in AML monitoring and internal controls, he

holds a Postgraduate Diploma in Bank Management from the Institute of Bankers of Sri Lanka.

Brief profiles of the members are given on pages 42 to 48 of the Annual Report.

The Managing Director\*, Chief Executive Officer (Designate) \*\*, Chief Operating Officer, Chief Financial Officer, Chief Compliance Officer and Head of Treasury attend meetings by invitation.

Ms. S. Kalani, the Acting Head of Risk, functions as the Secretary of the Committee.

\* The Managing Director retired w.e.f. 31st December 2025

\*\* Chief Executive Officer appointed w.e.f. 1st January 2026

### MEETINGS

During the year the Committee met six (06) meetings. The attendance of Committee Members at these meetings is provided in the table on pages 135 to 136 of the Annual Report

### SUMMARY OF ACTIVITIES DURING THE YEAR

The Committee focused on several key areas during the year, as outlined below.

#### Strengthening the Policy Framework

- The Integrated Risk Management Policy and the Operational Risk Management Policy were reviewed and updated to reflect operational developments and regulatory changes, following which they were approved by the Board.

## COMMITTEE REPORTS

### BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

- The Credit Risk Policy was revised in line with the Company's updated credit risk management strategies.
- Risks arising from new strategic initiatives introduced by the Company were reviewed and monitored.
- To foster a forward-looking risk management culture, training programmes on key risk areas—Business Continuity Planning (BCP) and Cybersecurity—were conducted. In addition, Risk Championship, a company-wide quiz competition and the first of its kind in the NBF sector, was successfully held for all staff of SFPLC.
- Risk and Control Self-Assessments (R&CSA) were completed for all branches and departments.

#### Credit Risk

- Quarterly progress reviews were carried out for asset categories with high Non-Performing Asset (NPA) ratios to support continuous improvement in asset quality.
- Facilities sanctioned by the Company were evaluated against prevailing industry conditions to assess portfolio resilience.
- Segmental monitoring was further strengthened through the introduction of both industry-specific and geographical analysis of the portfolio.
- Emerging credit risks were identified and discussed, along with appropriate mitigating actions.

#### Treasury

- The Committee reviewed and monitored liquidity risk, liquidity gaps, core deposit ratios, volatile liability dependency ratios, forecasted cash flows, and interest rate risk, and recommended appropriate mitigating actions.

#### Compliance Function Overview

The Compliance Department operates under the purview of the Board Integrated Risk Management Committee (BIRMC), ensuring that the Company adheres to all regulatory requirements, internal policies, and industry best practices. The department plays a critical role in the overall risk management framework by monitoring regulatory developments, assessing compliance-related risks, and implementing appropriate controls to mitigate them.

Compliance activities include overseeing AML/CFT obligations, reviewing and updating policies and procedures, monitoring transaction alerts, coordinating regulatory reporting (including goAML submissions), facilitating branch-level compliance reviews, and conducting staff awareness and training programmes. The department also provides regular updates to the BIRMC and to the Board on key regulatory changes, compliance gaps, monitoring outcomes, and emerging risks that may impact the organisation.

Through these functions, the Compliance Department contributes significantly to strengthening the Company's governance structure, regulatory alignment, and risk-aware culture.

#### ROLES AND RESPONSIBILITIES

The approved Terms of Reference of the Committee stipulates the authority, structure, responsibilities and tasks of the Committee. Accordingly, the primary responsibilities of the Committee include,

- Establish and oversee an independent risk management function tasked with managing risk-taking activities across the Company.
- Ensure that the Acting Head of Risk is accountable for developing and implementing a Board-approved integrated risk management framework.
- The Committee shall assess all risks such as credit, market, liquidity, operational and strategic risks to the Company on at least quarterly basis through appropriate risk indicators and management information.
- The Committee shall review the adequacy and effectiveness of all management level committees such as Asset & Liability Committee (ALCO) to address specific risks and management those risks within quantitative and qualitative risk limits specified by the Committee.
- The Committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the Board, recommended by the Committee on the basis of the Companies policies, regulatory and supervisory requirements.

- f) The Committee shall assess all aspects of Risk Management and Compliance in the Company including those of the Business Continuity Plan.
- g) The Committee shall establish a compliance function headed by a dedicated Compliance Officer to assess the Company's compliance with the laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations.
- h) The Committee shall recommend setting-up risk appetite/tolerance limits of the Company at enterprise and strategic business unit levels.
- i) The Committee shall recommend all Risk, Compliance and control group policies for Board approval.
- j) The Committee shall maintain continuous awareness of any changes in the Company's risk profile.
- k) The Committee shall ensure that there are clear and independent reporting lines, responsibilities for the overall business activities and risk management functions.
- l) The Committee shall cultivate a pro-active risk management culture throughout the Company.
- m) The Committee shall periodically review, the risk exposures of the Company to be in line with the Company's objectives, business strategies and risk appetite limits.
- n) The Committee shall review and formulate the strategy and methodology for allocation of risk/economic capital, including recommend same for Board approval.
- o) The Committee shall ensure adequacy of tools, systems and resources for the successful risk management and compliance function within the Company and to recommend the financial budget for the provision of adequate tools and systems to support the risk management functions.
- p) The Committee shall review risk related public disclosures to be made under CBSL directives.
- q) The Committee shall submit a Risk Assessment Summary Report of each meeting to the next immediate Board meeting seeking the Board's views, concurrence and/or specific directions.
- r) The Committee may also undertake other functions as deemed necessary or appropriate for the fulfillment of its duties.
- s) Develop the Company's Risk Appetite through a Risk Appetite Statement (RAS), clearly defining the individual and aggregate levels and types of risk the Company will accept or avoid to achieve its strategic business objectives.
- t) The Committee members shall conducted the annual self-evaluation of the Committee's effectiveness.

## ROLES AND RESPONSIBILITIES ON SUSTAINABILITY

- a) Ensure appropriate strategies are in place to respond to sustainability-related risks and opportunities (SRROs) and Climate Related Risk and Opportunities (CRROs)
- b) Ensure the availability or development of appropriate skills and competencies to oversee strategies designed to respond to SRROs and CRROs
- c) Establish mechanisms to promptly escalate SRROs and CRROs to the Committee.
- d) Ensure the Main Board is sufficiently informed about SRROs and CRROs when overseeing the Company's strategies, its decisions on major transactions, and its risk management processes and related policies, including the trade-offs associated with those risks and opportunities.
- e) Oversee the establishment of targets related to SRROs and CRROs and monitor progress towards those targets, including the inclusion of related performance metrics in remuneration policies.
- f) Advising the Board on sustainability trends, risks, opportunities, and regulatory changes.
- g) Ensuring that sustainability is integrated into the Company's business model, culture, and operations.
- h) Reviewing and guiding sustainability initiatives, environmental practices, and ethical conduct.

## COMMITTEE REPORTS

### BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

- i) Evaluating and overseeing reporting on sustainability to stakeholders, including sustainability reports, disclosures, and communication methods complying with the statutory requirements and best practices.
- j) Review the independent external auditors' scope of work, approach and internal coordination for non-financial / sustainability disclosures assurance process.
- k) Review and provide guidance on management's role in the governance processes, controls and procedures used to monitor, manage and oversee SRROs and CRRROs.
- l) Facilitating continuous improvement in the Company's non-financial reporting / sustainability disclosures and performance.

#### ANNUAL PERFORMANCE EVALUATION OF THE COMMITTEE

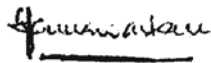
In compliance with the Finance Business Act Direction No. 5 of 2021, the Committee members conducted the annual self-evaluation of the Committee's effectiveness. The assessment, undertaken in accordance with the criteria set out in the Committee's Terms of Reference (ToR), reaffirmed that the Committee has performed effectively during the period under review. A summary of the evaluation has been submitted to the Main Board for its consideration.

#### REPORTING TO THE BOARD

Approved minutes of Committee meetings are tabled at the Board for their review, enabling all Board members to have access to them. Furthermore, the Committee shall submit a risk trajectory report to the Board highlighting the key discussions from Committee meetings for information and seeking the Board's views, concurrence and/or specific directions.

I would like to take this opportunity to extend my sincere appreciation to Mr. P.S. Cumaranatunga and Mr. L. Jayawickrama, on behalf of the Board Integrated Risk Management Committee, for their valuable contributions made at the meetings. Their insightful guidance, strategic perspective, and steadfast commitment to strengthening the organization's risk governance framework have been instrumental in supporting the Committee's work.

I also wish to express my gratitude to the Siyapatha Finance management team and the members of the Board Integrated Risk Management Committee for their unwavering support throughout the year.



**J.H. Gunawardena**  
Chairman  
Board Integrated Risk Management  
Committee

27 January 2026

## BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

The Board Human Resources and Remuneration Committee (the Committee) of Siyapatha Finance PLC was established by the Board of Directors to provide strategic oversight and guidance on all matters relating to human resource governance and compensation. The Committee is responsible for formulating, reviewing, and ensuring the effective implementation of a fair, transparent, and performance-driven remuneration framework. This framework is closely aligned with the Company's Human Capital Management Strategy and is designed to attract, develop, and retain high calibre talent essential for sustainable business growth.

In fulfilling its responsibilities, the Committee oversees key aspects of employee development, succession planning, leadership capability building, and the promotion of a supportive and inclusive workplace culture. The Committee also ensures that remuneration structures are equitable, market competitive, and linked to both individual and organisational performance, while upholding principles of accountability, compliance, and good governance.

### COMPOSITION

The Committee comprises three (03) Independent, Non-Executive Directors and two (02) Non-Independent, Non-Executive Directors. The Committee is chaired by Mr. D. Sooriyaarachchi, an Independent Non-Executive Director. It operates independently of management and remains free from any business, personal, or other relationships that could compromise its independent and impartial judgment.

The Committee was reconstituted twice during the year, in August and September 2025. On 26 August 2025, Mr. P.S. Cumaranatunga (Independent, Non-Executive Director) stepped down and Mr. Y. S.H.R.S. Silva (Non-Independent Non-Executive Director) was appointed. Subsequently, on 30 September 2025, Mr. W.S.C. Perera (Non-Independent, Non-Executive Director) and Mr. D.P.Lokuarachchi (Independent, Non-Executive Director) were appointed to the Committee.

The Committee's composition during the period ended 31 December 2025 was as follows:

#### Mr. D. Sooriyaarachchi

(ID/NED) - Chairman  
(Appointed as a Member w.e.f. 17 December 2019 and Chairman of the Committee w.e.f. 24 February 2024)

#### Mr. P.S. Cumaranatunga

(ID/NED) - Member  
(Appointed as a Member w.e.f. 1 November 2017 and served until 26 August 2025)

#### Ms. H.S.R. Ranatunga

(ID/NED) - Member  
(Appointed as a Member w.e.f. 12 February 2020)

#### Mr. Y. S.H.R.S. Silva

(NID/NED) - Member  
(Appointed as a Member w.e.f. 26 August 2025)

#### Mr. W. S. C. Perera

(NID/NED) - Member  
(Appointed as a Member w.e.f. 30 September 2025)

#### Mr. D. P. Lokuarachchi

(ID/NID) - Member  
(Appointed as a Member w.e.f. 30 September 2025)

(NID - Non-Independent Director, ID - Independent Director, NED - Non Executive Director)

The Chairman of the Committee, Mr. D Sooriyaarachchi counts over 30 years of experience across Marketing, Strategy, and Insurance, having served as a prominent leader in the corporate sector. A Fellow of the Chartered Institute of Marketing (UK) with an MBA, he is a renowned Management Development Consultant, Author, and Accredited Master Coach.

Brief profiles of the members are given on pages 42 to 48 of the Annual Report.

Ms. A. Berugoda, Company Secretary, functions as the Secretary of the Committee.

### MEETINGS

The Committee met seven (07) times during the year 2025. The attendance of Committee Members at these meetings is provided in the table on pages 135 to 136 of the Annual Report. The Managing Director, the CEO (Designate), and the Chief Human Resources Officer attended

## COMMITTEE REPORTS

### BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

meetings by invitation and provided relevant information to assist the Committee's deliberations, except in instances where matters relating to their own compensation or other personal matters were under review.

#### THE TERMS OF REFERENCE

The Committee operates within the Board approved Terms of Reference which contains the role and functions of the Committee under relevant regulated statutes.

#### ROLES AND RESPONSIBILITIES

The responsibilities of the Committee include the following;

- a) To provide recommendations to the Board on the Remuneration Policy of the Company.
- b) Advise on the compensation and benefits for the Managing Director and Executive Directors.
- c) To determine the remuneration and incentive framework including any equity incentive awards, terminal benefits/ pension rights relating to the Managing Director (MD) and the Key Responsible Persons. The aggregate fees paid to Non-Executive Directors from 1 January 2025 to 31 December 2025 are set out on page 278 of the Annual Report.
- d) Periodically evaluate the performance of the Managing Director and Key Responsible Persons (KRPs) against set targets and goals and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.
- e) Advise the Managing Director on all aspects of Human Resources functions, including staff salary revisions, major organizational changes, and succession planning for the Company.
- f) Oversee significant changes to employee remuneration and benefit structures across the Company, reviewing relevant matters as required.
- g) Establish and maintain a robust remuneration framework for Senior Management and other employees, ensuring that rewards align with performance, skills, experience, and responsibilities.
- h) Monitor and evaluate any significant changes to employee remuneration and benefits plans within the Company.
- i) Provide recommendations on other related matters referred to the Committee by the Board of Directors.

#### FUNCTIONS OF THE COMMITTEE

The Board of Directors has entrusted the Committee with the responsibility of formulating Human Resources Policies designed to attract, develop, and retain the talent needed to achieve the Company's objectives. Additionally, the Committee is tasked with overseeing the implementation of these policies.

During the year the Committee reviewed the performance of the Managing Director and Senior Management based on the targets set in the previous year and determined the bonus payable and the annual increments.

#### REMUNERATION AND BENEFITS POLICY

The Remuneration and Benefits Policy establishes a framework for compensating employees with equitable and competitive remuneration aligned with industry standards. Its objective is to attract, retain, and motivate a talented workforce by offering a comprehensive benefits package that supports employee well-being and fosters professional growth.

The policy adopts a performance-driven approach, linking remuneration to both individual and organisational achievements. Salary structures are reviewed periodically to ensure fairness and competitiveness in line with market trends. In addition to base salaries, the policy incorporates performance bonuses, incentives, and recognition programs to reward exceptional contributions.

Moreover, the policy underscores the significance of non-monetary benefits, such as health insurance, retirement plans, and opportunities for professional development. By cultivating a supportive and engaging work environment, the organisation seeks to enhance employee satisfaction and productivity, ultimately driving business success.

The policy undergoes regular evaluations to ensure its alignment with organisational goals and evolving market conditions. The Remuneration and Benefits Policy is formally approved by the Board.

**EVALUATION OF THE COMMITTEE**

The Committee conducted its annual self-evaluation to assess its effectiveness, and a summary of the findings was submitted to the Board for their information.

**REPORTING TO THE BOARD**

The minutes of the Committee meetings are presented to the Board of Directors, ensuring that Board members are informed of the Committee's deliberations.

**PROFESSIONAL ADVICE**

The Committee has the authority to seek appropriate professional advice in-house and externally as and when it is considered necessary.

**DECLARATION**

The Committee has complied with the applicable provisions of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance and Listing Rules of the Colombo Stock Exchange. The details are given on pages 51 to 135.

**APPRECIATION**

I would like to express my sincere appreciation to all Committee members and the Management team for their consistent support, dedication, and collaborative efforts throughout the year. I would also like to extend special appreciation to Mr. P.S. Cumaranatunga, who stepped down from the Committee on 26 August 2025 following its re-constitution, for his valuable contributions during his tenure.

On behalf of the Board Human Resources and Remuneration Committee

**D. Sooriyaarachchi**

Chairman  
Board Human Resources and  
Remuneration Committee

27 January 2026

## COMMITTEE REPORTS

### THE BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Board Related Party Transactions Review Committee (the Committee) was established by the Board on 27 January 2015. It operates in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange (the 'CSE Rules'), to strengthen the Company's internal controls and mitigate conflicts of interest in transactions involving related parties.

#### COMPOSITION

The Committee is chaired by an Independent Non-Executive Director and comprises four (04) Independent Non-Executive Directors. During the year, a change in membership occurred following the reconstitution of the Committee, whereby Mr. J. Selvaratnam stepped down with effect from 26 August 2025.

The Committee's composition during the period ended 31 December 2025 was as follows:

#### Mr. D. Sooriyaarachchi

(ID/NED) - Chairman

(Appointed as Chairman of the Committee w.e.f 1 June 2020)

#### Mr. J.H. Gunawardena

(ID/NED) - Member

(Appointed as a Member w.e.f 24 February 2021)

#### Mr. J. Selvaratnam

(NID/NED) - Member

(Appointed as a Member w.e.f 11 September 2019 and served until 26 August 2025)

#### Ms. H.S.R. Ranatunga

(ID/NED) - Member

(Appointed as a Member w.e.f 12 February 2020)

#### Mr. P.L.C. Jayawickrama

(ID/NED) - Member

(Appointed as a Member w.e.f 31 January 2024)

[ID - Independent Director, NED - Non-Executive Director, NID - Non-Independent Director]

The Chairman of the Committee, Mr. D Sooriyaarachchi counts over 30 years of experience across Marketing, Strategy, and Insurance, having served as a prominent leader in the corporate sector. A Fellow of the Chartered Institute of Marketing (UK) with an MBA, he is a renowned Management Development Consultant, Author, and Accredited Master Coach.

Brief profiles of the members are given on pages 42 to 48 of the Annual Report.

The Managing Director, CEO-Designate, Chief Financial Officer and Chief Compliance Officer attend meetings by invitation.

Ms. A. Berugoda, Company Secretary, functions as the Secretary of the Committee.

#### MEETINGS

During the year 2025, the Committee met four (04) times. Attendance of the Committee members at meetings are

given in the table on pages 135 to 136 of the Annual Report.

#### THE TERMS OF REFERENCE

The Committee operates within the framework of its Terms of Reference (ToR) and the Related Party Transactions Procedure, as approved by the Board of Directors. The ToR outlines guidelines for handling Related Party Transactions and their reporting, except for exempted transactions.

#### ROLE AND RESPONSIBILITIES

The mandate of the Committee has been defined pursuant to the directives issued by the relevant regulatory authorities and comprises the following key responsibilities:

- a) The Committee shall review all Related Party Transactions (RPTs) prior to the transaction being entered into as required by Finance Business Act Directions No. 05 of 2021 on Corporate Governance.
- b) The Committee shall identify and report all recurrent and nonrecurrent related party transactions as required in Section 9.14.6 of CSE Rules for shareholder approval as necessary.
- c) The Committee shall identify related party transactions that require immediate disclosures, in terms of Section 9.14.7 of CSE Rules, and ensure that required disclosures are made by the Company Secretary to CSE.
- d) The Committee shall ensure that there is an adequate, effective and efficient process/system in place at the Company to capture the information with regard to related party transactions relevant to its review function.

- e) The Committee shall adopt an acceptable process to ensure that conflict of interest situations are avoided, in exercising the review function.
- f) To publish required disclosures in the Annual Report.
- g) The Committee shall consider any other areas and enlarge its scope of review if the Board desires to do so.
- h) To carry out an annual evaluation of the Committee's performance by its members to determine its effectiveness and report to the Board.

### FUNCTIONS OF THE COMMITTEE

Review of all relevant Related Party Transactions by the Committee takes place prior to the transaction being entered and the Committee communicates its observations to the Board whenever necessary. RPTs are published in Note 44 to the Financial Statements. A system has been developed internally to monitor the RPTs of the Company. The related party information is updated in the system on a quarterly basis, based on the declarations made by Key Responsible Persons, information obtained from the Company Secretary, Human Resources Department, and the Finance Department of the Company and that of Sampath Bank PLC.

### POLICIES AND PROCEDURES

The Company has adopted a Related Party Transactions (RPTs) Guide in respect of the following:

- a) Review, approval/ratification of related party transactions.

- b) Compliance with reporting requirements of related party transactions.
- c) Disclosure requirements of related party transactions.

The Committee ensures that all transactions with related parties are in the best interests of all stakeholders, adequate transparency in processes is maintained and in compliance with the SEC Rules, CSE Rules, Code of Best Practice on Corporate Governance 2023 and as per relevant Directions issued by the Central Bank of Sri Lanka as applicable to Licensed Finance Companies.

### EVALUATION OF THE COMMITTEE

The annual self-evaluation on the effectiveness of the Committee is carried out by the members of the Committee and a summary is submitted to the Board for their information.

### REPORTING TO THE BOARD

The approved minutes of the Committee meetings are regularly presented to the Board of Directors, ensuring that Board members are informed of the Committee's deliberations.

### DECLARATION

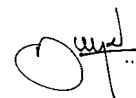
The Committee ensures that all transactions with related parties are in the best interests of all stakeholders, adequate transparency in processes is maintained, and the reviewed transactions are communicated to the Board of Directors for their comments and observations. A declaration by the Board of

Directors as an affirmative statement of the compliance with the SEC Code, CSE Rules, and as per relevant Directions issued by the Central Bank of Sri Lanka as applicable to Licensed Finance Companies is given on pages 51 to 135 of the Annual Report.

### APPRECIATION

I would like to express my sincere appreciation to all Committee members and the Management team for their consistent support, dedication, and collaborative efforts throughout the year, and to extend special appreciation to Mr. J Selvaratnam, who stepped down from the Committee on 26 August 2025 following its reconstitution, for his valuable contributions during his tenure.

On behalf of the Board Related Party Transactions Review Committee.



### D. Sooriyaarachchi

Chairman  
Board Related Party Transactions  
Review Committee

27 January 2026

## COMMITTEE REPORTS

### BOARD NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

The Board Corporate Governance Committee (BCGC) and the Board Nominations Committee (BNC) functioned as two distinct Subcommittees until their amalgamation into a single Committee on 30 September 2025 to comply with Section 9.3.1 of the Listing Rules of the Colombo Stock Exchange. This amalgamation ensures adherence to the regulatory requirement and provides a unified structure for matters relating to nominations and governance.

#### COMPOSITION

Prior to the amalgamation of the Board Nominations Committee and the Board Corporate Governance Committee, the composition of each Committee were as follows;

#### Board Nominations Committee

##### Mr. D. Sooriyaarachchi

(ID/NED) – Chairman  
(Appointed w.e.f as a member 1 January 2020 and Chairman of the Committee from 24 September 2024)

##### Mr. P.S. Cumaranatunga

(ID/NED) – Member  
(Appointed as a Member w.e.f. 1 September 2018, Chairman of the Committee w.e.f 1 January 2020 and served until 24 September 2024)

##### Mr. Y. S.H.R.S. Silva

(NID/NED) – Member  
(Appointed as a Member w.e.f 26 April 2022)

#### Board Corporate Governance Committee

##### Ms. H.S.R. Ranatunga

(ID/NED) – Chairperson  
(Appointed as a Member w.e.f. 12 February 2020 and Chairperson of the Committee w.e.f 1 December 2020)

##### Mr. J. H. Gunawardena

(ID/NED) – Member  
(Appointed as a Member w.e.f 8 May 2019)

##### Mr. J. Selvaratnam

(NID/NED) – Member  
(Appointed as a Member w.e.f 11 September 2019)

##### Mr.P.L.C. Jayawickrama

(ID/NED) – Member  
(Appointed as a Member w.e.f 31 January 2024)

[ID - Independent Director, NID - Non-Independent Director, NED - Non-Executive Director]

Following the amalgamation of the aforesaid Committees, the new committee comprises of four (05) Non - Executive Directors, three (03) of whom are Independent Directors. The Committee is chaired by Mr. D. Sooriyaarachchi, who is an Independent, Non-Executive Director.

The composition of the newly constituted Committee for the year ended 31st December 2025 was as follows:

##### Mr. D. Sooriyaarachchi

(ID/NED) – Chairman  
(Appointed as a Member and the Chairman of the Committee w.e.f 30 September 2025)

##### Mr.Y. S. H. R. S. Silva

(NID/NED) – Member  
(Appointed as a Member w.e.f 30 September 2025)

##### Mr. J Selvaratnam

(NID/NED) – Member  
(Appointed as a Member w.e.f 30 September 2025)

##### Mr. J H Gunawardena

(ID/NED) – Member  
(Appointed as a Member w.e.f 30 September 2025)

##### Ms. H S R Ranatunga

(ID/NED) – Member  
(Appointed as a Member w.e.f 30 September 2025)

[NID — Non-Independent Director, ID - Independent Director, NED — Non-Executive Director, ED - Executive Director]

The Chairman of the Committee, Mr. D Sooriyaarachchi counts over 30 years of experience across Marketing, Strategy, and Insurance, having served as a prominent leader in the corporate sector. A Fellow of the Chartered Institute of Marketing (UK) with an MBA, he is a renowned Management Development Consultant, Author, and Accredited Master Coach.

Brief profiles of the members are on pages 42 to 48 of the Annual Report.

Ms. A. Berugoda, Company Secretary, functions as Secretary of the Committee.

#### MEETINGS

Prior to the amalgamation, the Board Nominations Committee met two (02) times and Board Corporate Governance Committee met five (05) times. Following the amalgamation of the two Committees, the Board Nominations and Governance

Committee met once. The attendance of the Committee Members at these meetings is set out in the table on pages 135 to 136 of the Annual Report. The Managing Director and CEO-Designate (w.e.f. 01 October 2025) attends meetings by invitation, except when matters relating to them are under review.

### THE TERMS OF REFERENCE

The Committee is governed by the Board approved Terms of Reference of which contains the role and functions of the Committee, under relevant regulated statutes.

### ROLES AND RESPONSIBILITIES

The Committee is responsible for overseeing matters relating to Corporate Governance, Board and Senior Management appointments, and compliance with relevant regulatory requirements. Its key roles and responsibilities include:

### CORPORATE GOVERNANCE AND COMPLIANCE

- Review developments in Corporate Governance and proactively ensure that the Company remains aligned with Best Practices.
- Ensure that effective procedures, codes of ethics, and other internal policies/guidelines are in place and compliant with relevant regulatory and legal requirements.
- Monitor the effectiveness of compliance with regulatory and legal requirements and make recommendations to the Board on corrective actions, as deemed appropriate.
- Make recommendations on any other matters delegated by the Board.

### BOARD AND SENIOR MANAGEMENT APPOINTMENTS

- Recommend to the Board the appointment of Directors, the Managing Director, and Corporate Management Personnel, considering skills, knowledge, expertise, experience, independence, objectivity, integrity, and reputation.
- Identify and recommend successors for resigning or retiring Directors and Corporate Management Personnel.
- Review and recommend the re-election of Directors due for reappointment annually, taking into account their performance, contribution to the Board, and strategic requirements of the Company.
- Ensure that Directors and Corporate Management Personnel are fit and proper persons to hold office in compliance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons, Direction No. 6 of 2021) and relevant CBSL guidelines.
- Implement a formal and transparent procedure for the selection and appointment of new Directors and Corporate Management Personnel, based on recommendations from the Managing Director, except for the Head of Internal Audit, Acting Head of Risk and Chief Compliance Officer.
- Establish criteria for eligibility, including qualifications, experience, and key attributes, for appointment or promotion to the posts of Managing Director and Corporate Management Personnel.

- Review and recommend the requirements for additional or new expertise and succession planning for retiring Directors and Corporate Management Personnel.

### COMMITTEE PERFORMANCE AND GOVERNANCE

- Carry out an annual evaluation of the Committee's performance to determine its effectiveness.
- Ensure that a Committee member does not participate in decisions relating to his/her own appointment or reappointment.
- Ensure that the Chairperson of the Board does not chair the Committee when dealing with the appointment of his/her successor.

### PERFORMANCE OF THE COMMITTEE

Prior to the amalgamation, the Board Nominations Committee undertook certain actions;

- Appointment of Mr. D P Lokuarachchi to the Board in terms of the Finance Companies Act Direction No. 05 of 2021 and Policy on Selection, Nomination, Appointment and Election of Directors;
- Appointment of Mr. M Hewavitharana as CEO (Designate), being the successor of the Managing Director who will be retiring in December 2025;
- Nomination of Mr. S Wickramasuriya, Head of Information Security and Compliance as a Key Responsible Personnel;

## COMMITTEE REPORTS

### BOARD NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

- Reviewed and considered the declarations submitted by the Non-Executive Directors regarding their independence/ non-independence in terms of Listing Rules of the Colombo Stock Exchange and the Fitness and Propriety of Directors based on the assessment criteria stipulated by the said rules.
- Assessment of Fitness and Propriety of Directors in accordance with the Finance Companies Act Direction No. 6 of 2021.
- Recommendation to re-elect Mr. P. S. Cumaranatunga, Mr. Y. S. H. R. S. Silva and Mr. W. S. C. Perera to the Board, in terms of the Articles 24(7) and (8) of the Articles of Association and election of Mr. D P Lokuarachchi as a Director, appointed during the year, in terms of Articles 24(2) of the Articles of Association at the Annual General Meeting to be held on 31st March 2026, based on their performance and the contribution made to achieve the strategic initiatives of the Company.

| Name of the Director  | Board Sub-Committee Memberships | Date of First Appointment as a Director | Date of last Re-election as a Director | Directorships in Other Listed Entities   | Material Relationships |
|-----------------------|---------------------------------|---|--|--|------------------------|
| Mr. P S Cumaranatunga | BAC                             | 30 October 2017                         | 26 March 2024                          | <u>Commitments over the preceding three years</u><br>NIL<br><u>Present Commitments</u><br>Details are given on pages 42 - 48                               | NIL                    |
| Mr. Y S H R S Silva   | BNGC<br>BHRRC                   | 1 June 2018                             | 25 April 2023                          | <u>Commitments over the preceding three years</u><br>Sampath Bank PLC - Deputy Chairman<br><u>Present Commitments</u><br>Details are given on pages 42- 48 | NIL                    |
| Mr. W S C Perera      | BITC<br>BHRRC<br>BCC<br>BIRMC   | 16 January 2020                         | 26 March 2024                          | <u>Commitments over the preceding three years</u><br>NIL<br><u>Present Commitments</u><br>Details are given on pages 42 - 48                               | NIL                    |

(BAC - Board Audit Committee, BNGC - Board Nominations and Governance Committee, BHRRC - Board HR and Remuneration Committee, BITC - Board IT Committee, BCC - Board Credit Committee, BIRMC - Board Integrated Risk Management Committee)

### GOVERNANCE FRAMEWORK

The Governance Framework provides an overview of the Corporate Governance Structure, Principles, Policies, and Practices of the Board of Directors [‘the Board’] of Siyapatha Finance PLC [the Company], which enables them to meet the governance requirements of the Department of Supervision of Non - Bank Financial Institutions of the Central Bank of Sri Lanka [‘DSNBFI’], the Colombo Stock Exchange [‘CSE’], and the Securities and Exchange Commission of Sri Lanka [‘SEC’].

### BOARD OF DIRECTORS

The Board of Directors is the apex body responsible for the execution of the Company’s Corporate Governance Framework. The Board is responsible for setting out the strategic objectives and management guidelines for the Company, monitoring general performance, defining and applying the Corporate Governance rules, and scrutinizing Internal Audit procedures. The Board is tasked with approving the Strategic Plan, reviewing the adequacy and

integrity of the internal control systems, management information systems, governance structures, overall risk policy, risk management procedures and mechanisms, policies, and procedures, identifying and designating Key Responsible Persons and their successors, defining the areas of authority and responsibility of the Board and Key Responsible Persons, and providing a framework for decision-making, among others.

The Board manages the activities of the Company in a way that would achieve its Corporate

aspiration. Further, as the highest governance body of the Company, it is expected to use its skills and expertise to determine the wider social, environmental, and economic implications that may arise from all business decisions. The Board is therefore the principal authority providing oversight to the Corporate Management Team, which directs and executes all operational functions within the Company.

The Board of Directors meets with the Key Responsible Persons on a regular basis or when a need arises to exercise appropriate oversight of the affairs of the Company. The Directors abstain from voting on any Board resolution relating to a matter in which they or any of their relatives or concerns have a substantial interest, and they are not counted in the quorum at the Board meeting or the Board Sub Committee Meetings for the relevant agenda item.

## BOARD MEETINGS

The Board of Directors held (14) meetings during the 12 months period ended 31st December 2025 and 02 meetings were held only with the participation of Non - Executive Directors. Meanwhile, the Board's Subcommittees held a total of 63 meetings during the same period under review.

## BOARD SUB-COMMITTEES

A number of Board Subcommittees have been formed to assist the Board in its supervisory role. As an integral component of the Company's Corporate Governance Framework, each Board Subcommittee reports to the main Board with detailed information on its activities. The Board Subcommittees comprise of a combination of Board members and is attended by a number of Key

Responsible Persons required by the Terms of Reference of the respective committee and in terms of the regulatory guidelines.

Board subcommittee members are selected from a combination of Board members, in compliance with the Finance Business Act Direction No.05 of 2021 and Section 9 of the Listing Rules of the Colombo Stock Exchange.

Members of each Board Subcommittee are collectively responsible for their designated area of activity. Currently, the Board has established a total of seven Board Subcommittees functioning as the Board Audit Committee, the Board Integrated Risk Management Committee, the Board Human Resources and Remuneration Committee, the Board Related Party Transactions Review Committee, the Board Nominations and Governance Committee, the Board Credit Committee, and the Board Information Technology Committee to carry out specific functions. Each Board Subcommittee is headed by a Non- Executive Director.

The above Board Subcommittees come under the purview of the Board. The Board Subcommittees function in, oversight the different Key Responsible Persons under their purview. In this context, the Head of Internal Audit reports to the Board Audit Committee, Acting Head of Risk and Chief Compliance Officer report to the Board Integrated Risk Management Committee to ensure their independence and impartiality.

## COMPANY SECRETARY

The Company Secretary whose primary responsibility is to handle the secretarial services for the

Board, shareholder meetings and accomplish other functions specified in the statutes and other regulations. Further, the Company Secretary is responsible for liaising with the Registrar of Companies and other relevant regulators and advising the Board members as and when required.

Ms. A. Berugoda functions as the Company Secretary. She is the Secretary to the Board Nominations and Governance Committee, the Board Related Party Transactions Review Committee, and the Board Human Resources and Remuneration Committee. The Head of Internal Audit, Acting Head of Risk, Head of IT and Assistant Company Secretary function as secretaries to the Board Audit Committee, Board Integrated Risk Management Committee, and Board IT Committee and Board Credit Committee respectively. Minutes of the Board and Board Subcommittees are retained in the custody of the relevant Secretaries. The Company Secretary and Subcommittee Secretaries prepare the minutes of meetings within a reasonable time, and there is a documented process for the minutes to be inspected by the Directors whenever necessary. Written Terms of Reference are available for each Board Subcommittee approved by the Board that complies with the Corporate Governance requirements.

## STRATEGIC PLANNING PROCESS

The Strategic Planning process is a disciplined effort involving key stakeholders within the Company where an assessment is made of both the internal and external environment, with careful evaluation of various strategic options prior to presenting it to the Board of Directors for review and ratification.

## COMMITTEE REPORTS

### BOARD NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

All members of the Corporate Management team are directed to implement the strategic objectives outlined by the Board. Implementation and achievement of the segmental strategies are monitored by each department.

#### CODE OF CONDUCT

All employees, including the Board of Directors are bound by the ethics, values, and expectations set out in the Code of Conduct. The Code is made available to all employees and to the Board of Directors to ensure that the highest standards of integrity and conduct are maintained in dealings and interactions with all stakeholders. The Code of Conduct addresses a range of fair dealing and compliance matters, among others.

#### WHISTLE BLOWING POLICY

The policy serves as an early warning mechanism to identify the improprieties in financial reporting, internal control, or other matters of corporate fraud or risk by encouraging employees to report their genuine concerns in relation to activities which are undue or illegal, or otherwise harmful to the interests of the Company, its employees, customers or any other stakeholders. Further, the Board Audit Committee [the BAC] ensures that proper arrangements are in place for a fair and independent investigation of such matters, appropriate follow-up action, and the protection of the whistle-blower. If there are any matters which the Board Audit Committee reckons with risk exposure, they will be forwarded to the Board Integrated Risk Management Committee. The BAC Chairman is to receive in confidence any whistle-blowing messages.

#### COMMUNICATION POLICY

The Company strives at all times to maintain its Corporate credibility and instill investor confidence in the Company by practicing a robust Communication Policy approved by the Board which covers all stakeholders; including depositors, creditors, shareholders, and borrowers.

It spells out the process through which timely, transparent, consistent, and credible information on corporate strategies, operational performance, and financial data is disseminated.

#### REPORTING TO THE BOARD

The approved minutes of the Committee meetings are tabled at Board meetings, enabling all Board members to have access to them.

#### DISCLOSURES BY THE COMMITTEE

The Board of Directors conducts an annual self-assessment to evaluate both individual performance and the overall effectiveness of the Board as a collective body.

The newly appointed Directors receive regular briefings during Board meetings and Board Subcommittee meetings, covering Corporate Governance, Listing Rules, and other relevant laws and regulations. These programs also offer an introduction to the Company's key focus areas. Additionally, the Board is periodically updated on Corporate Governance, Listing Rules, regulations, and other applicable legal requirements as necessary.

#### DECLARATIONS BY THE COMMITTEE

The Company has established a process for the periodic evaluation of the performance of the Board of Directors and the Managing Director, ensuring the effective fulfillment of their responsibilities.

Corporate Governance requirements stipulated under the Section 9 of the CSE Listing Rules have already been met by the Company.

#### ANNUAL PERFORMANCE EVALUATION

The Board in compliance with the Finance Business Act Direction No.05 of 2021 conducts an annual performance of the subcommittees. At the end of the year, the members of the BNC and BCGC conducted the Committee's annual self-evaluation, which confirmed that its performance was effective. Further, the Board adopted an annual self-assessment by each Director on individual performance and as of its Board as a whole.

#### APPRECIATION

I would like to express my gratitude to the management team and to the members of the Board Nominations Committee and the Board Corporate Governance Committee, for their unwavering support during the year. I would also like to extend special thanks to Ms. H S R Ranatunga, the Chairperson of the Board Corporate Governance Committee, for her exemplary stewardship, thoughtful guidance, and commitment to best practice governance during this period of transition

On behalf of the Board Nominations and Governance Committee,



#### D. Sooriyaarachchi

Chairman  
Board Nominations and Governance  
Committee

27 January 2026

## BOARD CREDIT COMMITTEE REPORT

The Board Credit Committee (the Committee) is a Board-appointed committee and is responsible for providing oversight in the formulation of credit policies, credit strategies, reviewing the credit approvals and the post-credit monitoring processes in consultation with the business lines and ensuring that the overall credit quality is maintained.

### COMPOSITION

The Committee comprises of three Non-Executive and a Executive Director out of which one is an Independent, Non-Executive Director. Following the retirement of Mr. H. M. A. Seneviratne, the Managing Director (Member of the Committee), Mr. M Hewavitharana, Chief Executive Officer has been appointed as an Ex officio Member with effect from 1 January 2026. The Committee's composition may be determined by the Board from time to time. Key members of the Corporate Management may be invited to attend the Committee meetings as and when desired.

The Committee's composition during the period ended 31 December 2025 was as follows;

#### Mr. J. Selvaratnam

(NID/NED) - Chairman  
(Appointed as Chairman of the Committee w.e.f 18 December 2018)

#### Mr. H.M.A. Seneviratne

(ED) - Managing Director/Member  
(Appointed as a Member w.e.f 1 March 2019)

#### Mr. W.S.C. Perera

(NID/NED) - Member  
(Appointed as a Member w.e.f 28 January 2020)

#### Ms. H.S.R. Ranatunga

(ID/NED) - Member  
(Appointed as a Member w.e.f 28 January 2020)

#### Mr. M. Hewavitharana

(CEO) - Ex-officio Member  
(Appointed as an Ex-officio Member w.e.f. 1 January 2026)

[NID - Non-Independent Director, ID - Independent Director, NED - Non-Executive Director, ED - Executive Director and CEO - Chief Executive Officer]

The Chairman of the Committee, Mr. J Selvaratnam counts 25 years at Citibank N.A, where he served as Vice President and Head of Local Corporate Bank and Public Sector. He was a key member of the bank's Management and Credit Committees, specializing in risk management, strategic planning, and corporate governance. He holds a Post Graduate Diploma in Business Administration from the University of Wales and currently provides consultancy services across the financial and corporate sectors.

Brief profiles of the members are given on pages 42 to 48 of the Annual Report.

Ms. D.Tharangani, the Assistant Company Secretary, acts as the Secretary of the Committee since 19 August 2025, prior to that Ms. K. Shamila, Manager - Risk, functioned as the Secretary of the Committee.

### MEETINGS

During the year, the Committee convened physical meetings and met on Thirteen (13) occasions. The attendance of the Committee members is listed on pages 135 to 136 of the Annual Report. The Committee meetings are held once a month and additional meetings are held if deemed necessary. The Chairman

of the Committee in consultation with the Secretary to the Committee schedules all meetings with the majority of the meetings being held during the third week of each month. The Committee approves credit proposals deemed urgent due to business requirements via circulation and in such instances, the consent of the majority of the members is mandatory, with the decision being ratified at the subsequent Committee meeting.

### THE TERMS OF REFERENCE

The Committee is governed by the Board approved Terms of Reference of which outlines the roles and responsibilities, scope, duties and the functions of the Committee.

### ROLES AND RESPONSIBILITIES

The Committee provides oversight to the Credit Management Process of the Company, including reviewing internal credit policies and establishing portfolio limits in consultation with the Board Integrated Risk Management Committee.

The Committee is responsible for reviewing the overall credit strategy, quality and performance of the Company's credit portfolio, focusing on key metrics such as infection ratios, non-performing ratios, movements in arrears buckets, collection efficiencies, monitoring significant credit exposures and related management information. It ensures that all credit decisions are made with due diligence, appropriate risk assessment, and adherence to prudent lending practices. Additionally, the Committee monitors the progress of yard vehicles, assesses the status of the portfolio of defaulters in terms of legal actions and hardcore recovery collections and recommends write-offs proposed

## COMMITTEE REPORTS

### BOARD CREDIT COMMITTEE REPORT

by the line management to the Board of Directors as required.

The Committee ensures proper oversight of the credit process by regularly reviewing the credit approval framework in terms of evaluations of the performance of Delegated Authority, assigning appropriate credit limits and setting caps on facility limits in alignment with the Company's strategy, credit appetite and market trends.

The Committee reviews and recommends proposals for new lending products, ensuring that these products align with the Company's strategy, risk appetite, meet regulatory and compliance standards.

Some of the key oversight activities performed by the Committee during the year under review;

#### Credit Process and Portfolio Quality

The Committee continued to monitor and assess the overall credit quality of the Company, ensuring effective oversight through regular engagement with senior management and key team members involved in the lending process. Managing asset quality amidst challenging economic conditions, posed a significant hurdle.

The Committee ensures that a proactive approach is in place for managing non-performing assets, with clearly defined procedures for early detection, classification and recovery. Regular reviews ensure that watch listed customers are properly managed, provisions are made in line with regulatory requirements.

Further, periodic stress testing and scenario analysis are conducted to evaluate the portfolio's resilience under adverse conditions, enabling proactive management of credit risk.

Additionally, the Committee remained actively engaged in overseeing the gold financing portfolio, which is particularly sensitive to market fluctuations. Through timely and informed decision-making, the team achieved exceptional portfolio performance.

Given the challenging economic environment, the Committee placed significant emphasis on improvements in the Risk Rating Process, closely monitoring Infection Ratios across products, and ensuring the appropriateness of credit limits through quarterly reviews of Delegated Authority limits and overall portfolio behavior.

Key market penetration strategies undertaken by the Company to enhance portfolio growth despite the difficult economic conditions included the relaunch of loan products across various competitive avenues and strengthening the central credit evaluation process. Efforts to enhance service standards, particularly through reduced service time for the gold financing portfolio, further reinforced these initiatives.

#### Collections and Recoveries

Collections and recoveries remained a critical focus area for the Committee. The recovery process was significantly strengthened to address the collection challenges posed by unfavorable economic and social changes. Various

strategies were implemented, including preventive and reversal measures, increased awareness, and improved training and education for the team to enhance customer service in recoveries. Transition to a performance driven culture with proactive recognition by the Senior Management, motivated the team. Recovery strategies included negotiation, legal action where necessary, and realization of collateral in a fair and transparent manner. Periodic reviews of the recovery portfolio and its performance and continuous improvement of collection practices ensure that losses are minimized and the overall portfolio quality is maintained.

As a result, the team achieved one of the highest collection efficiency ratios, making a substantial contribution to the reduction of non-performing advances, with the support from the Hardcore and Legal teams.

The revamping of the legal team, strengthening of the Hardcore Collections team, and realignment of processes created greater cohesiveness within these groups, enabling the Company to close out and settle long-outstanding cases.

#### Information Technology Initiatives

During the year, the Company continued to strengthen its information technology framework to enhance customer convenience and improve the effectiveness of credit and recovery processes. Key initiatives included the development of customer convenience platforms such as WhatsApp based solutions, to enable faster communication,

service requests and status updates, thereby improving customer engagement and responsiveness. In parallel, the Company enhanced end-to-end credit processing and recovery workflows through system integrations across origination, monitoring and collection platforms. These integrations will improve data accuracy, reduce manual intervention, enhance the decision-making process, and strengthen portfolio monitoring, contributing to greater operational efficiency and more effective risk management.

### **EVALUATION OF THE COMMITTEE**

The annual self-evaluation of the effectiveness of the committee has been carried out by the members of the Committee and a summary of the evaluation is submitted to the Board for their information.

### **REPORTING TO THE BOARD**

The approved minutes of the Committee meetings are tabled at Board meetings, enabling all Board members access to them.

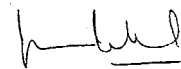
### **DECLARATION**

This is a Board approved Committee and governed by the Terms of Reference.

### **APPRECIATION**

I would like to express my sincere appreciation to all Committee members and the Management team for their consistent support, dedication, and collaborative efforts throughout the year. The Committee extends a special appreciation to Mr. H.M.A. Seneviratne, who retired w.e.f 31 December 2025, for his valuable contribution during his tenure.

On behalf of the Board Credit Committee



**Janakan Selvaratnam**

Chairman - Board Credit Committee

27 January 2026

## COMMITTEE REPORTS

### BOARD IT COMMITTEE REPORT

The Board Information Technology Committee ("the Committee") is a Board-appointed Committee established on 24 April 2018 to leverage information technology as an enabler for implementing the Company's strategic business objectives.

#### COMPOSITION

The following Directors served on the Committee during the financial year under review;

##### Mr. W S C Perera

(NID/NED) - Chairman  
(Appointed as Chairman of the Committee w.e.f 28 January 2020)

##### Mr. H M A Seneviratne

(ED) - Managing Director/Member  
(Appointed as a Member w.e.f 1 October 2019)

##### Mr. D Sooriyaarachchi

(ID/NED)- Member  
(Appointed as a Member w.e.f 1 June 2020)

##### Mr. P L C Jayawickrama

(ID/NED) - Member  
(Appointed as a Member w.e.f 31 January 2024)

[ID – Independent Director, NID – Non-Independent Director, NED – Non-Executive Director and – ED – Executive Director]

The Chairman of the Committee, Mr.W.S.C. Perera, holds an Honours Degree in Engineering from the University of Moratuwa.

Brief profiles of the members are given on pages 42 to 48 of the Annual Report.

The Committee comprises an Executive Director and three Non-Executive Directors, two of whom are independent. Proceedings are conducted in accordance with the Board-approved Terms of Reference, with the Committee's composition subject to periodic review by the Board. Members of Corporate Management may be invited to attend meetings as deemed necessary by the Committee.

#### MEETINGS

The Committee met twelve (12) times during the year, with member attendance detailed on pages 135 to 136 of the Annual Report. The Committee meetings are scheduled by the Secretary in consultation with the Committee Chairman

#### THE TERMS OF REFERENCE

The Committee operates under Board-approved Terms of Reference, which outline its role and responsibilities in accordance with relevant regulatory statutes.

#### KEY ACHIEVEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2025

- Provided effective governance oversight of technology initiatives through senior management and the Board Information Technology Committee, ensuring alignment with business strategy, regulatory requirements, and the enterprise risk management framework
- Commenced a core banking system migration program to a newer release, strengthening system stability, improving operational efficiency, and supporting long-term technology sustainability. In parallel, existing

front-end transaction processing systems are being upgraded to deliver enhanced functionality, greater flexibility, and improved ease of operation.

- As part of our network modernization, Initiated the rollout of an SD-WAN solution across 63 branches. The implementation is expected to be completed by March 2026, delivering improved performance, security, visibility, and operational efficiency.
- Strengthened the Bank's cybersecurity posture through the implementation of an enterprise-grade email security gateway across 1,300 mailboxes, significantly reducing exposure to spam, phishing, and malware threats.
- Commenced deployment of Endpoint Detection and Response (EDR) capabilities across head office and branch endpoints. The initiative is on track for full operationalization by March 2026, enhancing real-time threat detection and accelerating incident response.
- Advanced regulatory compliance through the automation of credit facility classification for lease and loan products in line with Finance Business Act, Direction No. 01 of 2020.
- Developed CRIB Native IFF capability to improve the timeliness, accuracy, and efficiency of credit information reporting
- Successfully upgraded the legacy Navision system to Microsoft Dynamics 365, providing a modern enterprise platform with enhanced accessibility, advanced automation and analytics capabilities, and strengthened security and compliance.

## ROLES AND RESPONSIBILITIES

- a) Reviewing and approving the organization's IT strategy to ensure alignment with overall business goals.
- b) Overseeing IT governance policies and ensuring compliance with regulatory and statutory requirements.
- c) Implementing an IT Risk Framework to monitor and strengthen technology risk within the infrastructure.
- d) Ensuring compliance with Banking Act Direction No. 01 of 2022 on Technology Risk Management and Resilience.
- e) Aligning IT and cybersecurity strategies, security policies, and risk management frameworks, supported by adequate technical resources and effective communication.
- f) Protecting personal data in accordance with the Personal Data Protection Act.

## KEY ACTIVITIES

The Committee is dedicated to achieving the following IT strategic goals:

- Develop information security policies and procedures to ensure strong governance over digital and physical IT assets.
- Safeguard the confidentiality, integrity, and availability of information.
- Enhance operational efficiency and reduce manual processes.
- Develop and maintain cost-effective information systems.
- Improve customer service through the strategic use of technology.

- Minimize the cost of IT services.
- Foster product innovation aligned with business objectives.
- Build a business partner ecosystem to design, develop, and integrate IT systems for seamless operations.

## EVALUATION OF THE COMMITTEE

The annual self-evaluation of the effectiveness of the committee was carried out by the members of the Committee and a summary is submitted to the Board for their information.

## REPORTING TO THE BOARD

The approved minutes of the Committee meetings are tabled at Board meetings, enabling all Board members to have access to them.

## DECLARATION

The requirements stipulated under the Finance Business Act Directions No. 01 of 2022 Technology Risk Management and Resilience are complied with.

## APPRECIATION

I would like to express my sincere appreciation to all Committee members and the Management team for their consistent support, dedication, and collaborative efforts throughout the year.

On behalf of the Board IT Committee



**W.S.C. Perera**

Chairman - Board IT Committee

27 January 2026

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# FINANCIAL CALENDAR

## FINANCIAL CALENDAR 2025

|  |                           |
|--|---------------------------|
| Audited Financial Statements for the year ended 31st December 2024 signed on   | <b>14th February 2025</b> |
| 20th Annual General Meeting held on  | <b>25th March 2025</b>    |
| Publication of half yearly Financial Statements (2nd half of year 2024) (audited) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language | <b>27th February 2025</b> |
| LKR 0.12 per share Scrip Dividend for 2024 distributed on  | <b>25th March 2025</b>    |
| Publication of half yearly Financial Statements (1st half of year 2025) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language           | <b>31st July 2025</b>     |
| Interim Financial Statements in terms of Rules 7.4 of the Colombo Stock Exchange published on  |                           |
| 1st Quarter ended 31st March 2025  | <b>02nd May 2025</b>      |
| 2nd Quarter ended 30th June 2025   | <b>30th July 2025</b>     |
| 3rd Quarter ended 30th September 2025  | <b>29th October 2025</b>  |
| 4th Quarter ended 31st December 2025   | <b>13th February 2026</b> |
| 21st Annual General Meeting to be held on  | <b>31st March 2026</b>    |

## PROPOSED FINANCIAL CALENDAR 2026

|  |  |
|--|--|
| Publication of half yearly Financial Statements (2nd half of year 2025) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language           | <b>26th February 2026</b>              |
| LKR 0.15 per share Scrip Dividend for 2025 to be declared on*  | <b>31st March 2026</b>                 |
| Publication of half yearly Financial Statements (1st half of year 2026) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language           | <b>On or before 31st August 2026</b>   |
| Publication of half yearly Financial Statements (2nd half of year 2026) (audited) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language | <b>On or before 28th February 2027</b> |
| Interim Financial Statements in terms of Rules 7.4 of the Colombo Stock Exchange to be published   |  |
| 1st Quarter ended 31st March 2026  | <b>On or before 15th May 2026</b>      |
| 2nd Quarter ended 30th June 2026   | <b>On or before 15th August 2026</b>   |
| 3rd Quarter ended 30th September 2026  | <b>On or before 15th November 2026</b> |
| 4th Quarter ended 31st December 2026   | <b>On or before 28th February 2027</b> |
| Audited Financial Statements for the year ended 31st December 2026 to be signed in   | <b>February 2027</b>                   |
| 22nd Annual General Meeting to be held in  | <b>March 2027</b>                      |

\*Subject to confirmation by Shareholders

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors of Siyapatha Finance PLC has the pleasure of presenting its Annual Report on the State of Affairs of the Company to the Shareholders of Siyapatha Finance PLC for the financial year ended 31 December 2025, together with the Audited Financial Statements of the Company and the Independent Auditors' Report on the said Financial Statements, conforming to the relevant statutory requirements. The Financial Statements, reviewed and recommended by the Board Audit Committee, were approved by the Board of Directors on 13 February 2026. The Report includes the information required by the Companies Act No.7 of 2007 (as Amended), Finance Business Act Direction No.05 of 2021 on Corporate Governance, and the Listing Rules of the Colombo Stock Exchange, and is also guided by the Recommended Best Practices on Corporate Governance.

This report was approved by the Board of Directors on 13th February 2026.

The appropriate number of copies of the Annual Report will be submitted to the Central Bank of Sri Lanka, the Colombo Stock Exchange and the Registrar of Companies within the statutory deadlines.

## GENERAL

Siyapatha Finance PLC ("the Company"), bearing registration No. PB 917 PQ, was incorporated on 03 March 2005 under the Companies Act No. 17 of 1982, as a Specialized Leasing Company under the name 'Sampath Leasing and Factoring Limited' and the Company was re-registered under the provisions of the Companies Act No. 07 of 2007. Thereafter the Company changed its name to 'Siyapatha Finance Limited' on 02 September 2013 simultaneous to obtaining the 'Registered Finance Company' status from the Central Bank of Sri Lanka on 25 September 2013. Upon the listing of the unsecured, subordinated, redeemable debentures on the Colombo Stock Exchange on 31 December 2014, the status of the Company was changed

from Siyapatha Finance Limited to Siyapatha Finance PLC with effect from 02 January 2015.

The Company is the largest fully owned subsidiary of Sampath Bank PLC.

The Company's unsecured subordinated redeemable debentures and unsecured senior redeemable debentures are listed on the Colombo Stock Exchange. Fitch Rating Lanka Limited has affirmed the Company's National Long-Term Rating at "A (lka)" with a stable outlook. The agency has also affirmed the National Long-Term Rating on Siyapatha's subordinated unsecured debentures at "BBB+(lka)". The registered office of the Company is located at No. 111, Dudley Senanayake Mawatha, Colombo 08.

As per the requirements set out in Section 168 of the Companies Act No.07 of 2007, the following information is disclosed in this Report for the year under review.

| Information required to be disclosed  | Reference the Companies Act | Extent of compliance by the Company |
|---|-----------------------------|-------------------------------------|
| I) The nature of the business of the Company, together with any change thereof during the accounting period.  | Section 168 (1) (a)         | Refer page 181                      |
| II) Completed and signed Financial Statements of the Company for the accounting period completed.   | Section 168 (1) (b)         | Refer pages 194-283                 |
| III) Auditor's Report on Financial Statements of the Company.   | Section 168 (1) (c)         | Refer pages 191-193                 |
| IV) Any changes made to the accounting policies during the year under review.   | Section 168 (1) (d)         | Refer page 181                      |
| V) Particulars of the entries in the Interests Registers of the Company during the accounting period.   | Section 168 (1) (e)         | Refer page 185                      |
| VI) Remuneration and other benefits paid to the Directors of the Company during the period.   | Section 168 (1) (f)         | Refer page 278                      |
| VII) Total amount of donations made by the Company during the period.   | Section 168 (1) (g)         | Refer page 187                      |
| VIII) Information on Directorate of the Company during and at the end of the accounting period.   | Section 168 (1) (h)         | Refer page 183-186                  |
| IX) Separate disclosure on amounts payable by the Company to the Auditor as Audit Fees and fees for other services rendered during the accounting period. | Section 168 (1) (i)         | Refer page 187                      |
| X) Auditors' relationship or any interest with the Company  | Section 168 (1) (j)         | Refer page 187                      |
| XI) Acknowledgment of the contents of this report/signatures on behalf of the Board by two Directors and the Secretary of the Company                     | Section 168 (1) (k)         | Refer page 187                      |

## CORPORATE VALUES

The Company's vision, mission, and values are provided on page 03 of the Annual Report. Business activities of the Company are conducted in an environment adhering to a high level of compliance while conforming to ethical practices.

## PRINCIPAL ACTIVITIES

The Company's principal activities during the year included the acceptance of customer deposits, providing finance leases, vehicle loan facilities, mortgage loans, gold loans, revolving loans, personal/business loans, debt factoring and fast draft loans. There were no significant changes in the nature of the principal activities of the Company during the year under review.

## REVIEW OF OPERATIONS

A review of the financial and operational performance of the Company, together with significant events that took place during the year 2025, is stated in the Chairman's Message on pages 07 to 11, Chief Executive Officer's Review on pages 12 to 16 and Management Discussion and Analysis on pages 17 to 38, which form an integral part of this report.

## FUTURE DEVELOPMENTS

An overview of the future developments of the Company is given in the Chairman's Message on pages 07 to 11 and the Chief Executive Officer's Review on pages 12 to 17. These reports form an integral part of the Annual Report of the Board of Directors on the affairs of the Company.

## FINANCIAL STATEMENTS

The Financial Statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs & LKAs) laid down by the Institute

of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, and regulatory requirements, including specific disclosures.

The aforementioned Financial Statements for the year ended 31 December 2025, duly signed by the Chief Financial Officer, Chief Executive Officer, and two Directors of the Company, are given from page 194 to page 283. These Financial Statements form an integral part of this Annual Report of the Board of Directors.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of its state of affairs.

The Directors are of the view that the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements appearing from pages 194 to 283 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and its amendments, directions, and guidelines issued under the Finance Business Act No. 42 of 2011, and the Listing Rules of the Colombo Stock Exchange.

The Statement of Directors' Responsibility for Financial Reporting is given on page 199 and forms an integral part of the Annual Report of the Board of Directors on the affairs of the Company.

## DIRECTORS' STATEMENT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Board has issued a statement on the internal control mechanism of the Company as per Section 16.1(ix) of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance. The said statement, which forms an integral part of the Annual Report of the Board of Directors on the affairs of the Company, is provided on pages 180 to 187. The Board has obtained an Assurance Report from the Independent Auditors on the Directors' Statement on Internal Control over Financial Reporting as referenced on page 190.

## AUDITORS' REPORT

The Auditors of the Company, Messrs KPMG, Chartered Accountants, carried out the audit on the Financial Statements of the Company for the year ended 31 December 2025, and their report on the said Financial Statements is presented on pages 191 to 193.

## SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES DURING THE YEAR

The significant accounting policies adopted in the preparation of the Financial Statements are provided on pages 199 to 283. There were no significant changes to the accounting policies used by the Company during the year under review compared to the previous year.

## FINANCIAL RESULTS AND APPROPRIATIONS

### Interest Income

The total interest income of the Company for the year ended 31 December 2025 was LKR 11,464,929,337/- (compared to LKR 9,842,826,112/- in 2024). An analysis of the interest income is provided in Note 06 to the Financial Statements.

## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

### Profit and Appropriations

The Company recorded a 26.33% increase in profit before tax and a 29.34% increase in profit after tax in 2025 compared to 2024. The Company's Total Comprehensive Income (net of tax) for the year was LKR 1,583,368,776 (compared to LKR 1,207,643,956 in 2024). A detailed breakdown of the profits and appropriations of the Company is provided below.

dividend is subject to approval by the shareholders at the Annual General Meeting to be held on 31 March 2026.

As required by Section 56 of the Companies Act, the Directors have certified that they are satisfied that the Company will, immediately after the said distribution is made, satisfy the solvency test in accordance with the Companies Act. The

| For the year ended 31 December                               | 2025<br>LKR.000  | 2024<br>LKR.000 |
|--|------------------|-----------------|
| Profit before tax  | 2,659,608        | 2,105,285       |
| Less: Income tax expense                                     | (1,103,201)      | (901,912)       |
| Net profit after tax   | 1,556,407        | 1,203,373       |
| Actuarial(losses)/gains on defined benefit plans, net of tax | (2,003)          | 4,271           |
| Unappropriated balance brought forward from previous year    | 5,051,180        | 3,911,559       |
| Profit available for appropriation                           | 6,605,584        | 5,119,203       |
| <b>Appropriations</b>  |                  |                 |
| Transfer to Statutory Reserve Fund                           | (80,000)         | (61,000)        |
| <b>Dividend</b>  |                  |                 |
| Final scrip dividend paid-2023 (LKR. 0.07 per share)         | -                | (7,023)         |
| Final scrip dividend paid-2024 (LKR. 0.12 per share)         | (12,051)         |                 |
| <b>Unappropriated balance carried forward</b>                | <b>6,513,533</b> | 5,051,180       |
| <b>Proposed dividend</b>                                     |                  |                 |
| Final scrip dividend-2024 (LKR. 0.12 per share)              |                  | 12,051          |
| Final scrip dividend-2025 (LKR. 0.15 per share)              | (15,083)         |                 |

### TAXATION

The Income Tax rate applicable to the Company's operations is 30%. Additionally, the Company is liable for VAT on financial services at 18% and the Social Security Contribution Levy at 2.5%.

The Company has provided deferred taxation on all known temporary differences under the liability method, as permitted by the Sri Lanka Accounting Standard-LKAS 12 (Income Taxes)

Company provided the Statement of Solvency to the Auditors and obtained the Certificate of Solvency from the Auditors regarding the dividend payment, conforming to statutory provisions.

Further details are provided in Note 15 to the Financial Statements.

### RESERVES

A summary of the Company's reserves is provided below:

| As at 31 December      | 2025<br>LKR.000  | 2024<br>LKR.000 |
|------------------------|------------------|-----------------|
| Statutory Reserve Fund | 455,000          | 375,000         |
| Revaluation Reserve    | 183,260          | 154,295         |
| Retained Earnings      | 6,513,534        | 5,051,180       |
| <b>Total</b>           | <b>7,151,793</b> | 5,580,475       |

### DIVIDEND

The Directors have recommended a scrip dividend of LKR 0.15 per share (compared to LKR 0.12 per share in 2024) to be paid for the financial year ended 31 December 2025. This

### CAPITAL EXPENDITURE

The total capital expenditure on the acquisition of property, plant, and equipment and intangible assets of the Company amounted to LKR 285,883,343/- (compared to LKR 226,147,017/- in 2024). Details are provided in Notes 26 and 29 of the Financial Statements.

### CAPITAL COMMITMENTS

The capital expenditure approved and contracted for, as at the reporting date, is detailed in Note 42.3 to the Financial Statements.

### PROPERTY, PLANT AND EQUIPMENT (PPE)

Details of property, plant, and equipment are provided in Note 26 to the Financial Statements.

### MARKET VALUE OF FREEHOLD LAND

The Company applies the Revaluation Model as per Sri Lanka Accounting Standard - LKAS 16 (Property, Plant, and Equipment) to its freehold land. The freehold land is revalued every three years or more frequently if the fair value is substantially different from the carrying value. Accordingly, the freehold land of the Company was revalued at the end of 2025 by a professionally qualified independent valuer. The result of this valuation was incorporated into the Financial Statements to ensure that the carrying amount of such freehold land reflected the prevailing market price at the end of the year.

## STATED CAPITAL AND DEBENTURES

### Stated Capital

As of 31 December 2025, the Stated Capital of the Company amounted to LKR 2,883,089,339, consisting of 100,556,566 ordinary shares (compared to LKR 2,872,846,360 consisting of 100,421,363 ordinary shares in 2024). The number of shares issued by the Company increased from 100,421,363 ordinary shares to 100,556,566 ordinary shares as a result of the payment of the Scrip Dividend for 2024.

### Debt Capital

During the year ended 31 December 2025, the Company issued rated, subordinated, unsecured, redeemable debentures to the value of LKR 5,000,000,000. Details of the debentures outstanding as at 31 December 2025 are provided in Note 31.4 to the Financial Statements.

## SHARE INFORMATION

Information relating to earnings, dividends, and net assets is available in the Financial Highlights on page 06 and in the Investor Information section on pages 39 to 40

## SHAREHOLDING

The Company has eight shareholders, and their details are appended below:

| Name                   | No of Shares       | % of Issued Share Capital |
|------------------------|--------------------|---------------------------|
| Mr. P.S. Cumaranatunga | 1                  | >0.00                     |
| Mr. Y.S.H.R.S. Silva   | 1                  | >0.00                     |
| Mr. J. Selvaratnam     | 1                  | >0.00                     |
| Mr. J.H. Gunawardena   | 1                  | >0.00                     |
| Ms. H.S.R. Ranatunga   | 1                  | >0.00                     |
| Mr. W.S.C. Perera      | 1                  | >0.00                     |
| Mr. D. Sooriyaarachchi | 1                  | >0.00                     |
| Sampath Bank PLC       | 100,556,559        | 100.00                    |
| <b>Total</b>           | <b>100,556,566</b> | <b>100.00</b>             |

## EQUITABLE TREATMENT TO STAKEHOLDERS

The Company has always ensured equitable treatment for all stakeholders, with particular attention to depositors.

names in accordance with the Listing Rules of the Colombo Stock Exchange and the Finance Business Act Direction No.05 of 2021, along with subsequent amendments issued by the Central Bank of Sri Lanka. Brief profiles of the Directors are available on pages 42 to 48 of the Annual Report.

## THE BOARD OF DIRECTORS

The Board of Directors of the Company comprises 10 Directors as at 31 December 2025 (2024: 09), each possessing extensive financial and commercial knowledge and experience. The names of the Directors who held office during the financial year from 1 January 2025 to 31 December 2025 are listed below. The classification of Directors is provided next to their

Mr. D. P. Lokuarachchi has appointed as an Independent Non-Executive Director with effect from 15 September 2025 and Mr. H.M.A. Seneviratne, the Managing Director retired with effect from 31 December 2025.

| Name                    | Classification                          | Remarks<br>(Appointed date, etc.) |
|-------------------------|---|-----------------------------------|
| Mr. P.S. Cumaranatunga  | Independent, Non-Executive Director     | 30.10.2017                        |
| Mr. Y.S.H.R.S. Silva    | Non-Independent, Non-Executive Director | 01.06.2018                        |
| Mr. H.M.A. Seneviratne  | Executive Director                      | 01.03.2019                        |
| Mr. J. Selvaratnam      | Non-Independent, Non-Executive Director | 18.12.2018                        |
| Mr. J.H. Gunawardena    | Independent, Non-Executive Director     | 29.01.2019                        |
| Mr. D. Sooriyaarachchi  | Independent, Non-Executive Director *   | 20.11.2019                        |
| Mr. W.S.C. Perera       | Non-Independent, Non-Executive Director | 16.01.2020                        |
| Ms. H.S.R. Ranatunga    | Independent, Non-Executive Director     | 28.01.2020                        |
| Mr. P.L.C. Jayawickrama | Independent, Non-Executive Director     | 29.01.2024                        |
| Mr. D. P. Lokuarachchi  | Independent, Non-Executive Director *   | 15.09.2025                        |

\* The Independence status of Mr. D. Sooriyaarachchi and Mr. D. P. Lokuarachchi has been reclassified as "Non Independent" w.e.f. 2 February 2026"

## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

### Annual Assessment of Continuing Directors

The affidavits of the Directors have been submitted to the Director, DSNBFI, for the assessment year 2025 in accordance with Finance Business Act Directions No. 06 of 2021 on the Assessment of Fitness and Propriety of Key Responsible Persons.

### Changes in Directorate

In accordance with Section 168(1)(h) of the Companies Act No. 7 of 2007, the names of the persons holding office as Directors at the end of the accounting period have been disclosed.

### RETIREMENT AND RE-ELECTION / REAPPOINTMENT OF DIRECTORS IN TERMS OF ARTICLE 24 (2), (7), AND (8)

Mr. D. P. Lokuarachchi who was appointed to the Board with effect from 15th September 2025, offers himself for reelection in accordance with Article 24(2) of the Articles of Association of the Company.

In accordance with Articles 24(7) and 24(8) of the Articles of Association of the Company, Mr. P. S. Cumararatunga, Mr. Y. S. H. R. S. Silva and Mr. W. S. C. Perera retire by rotation and, being eligible, offer themselves for re-election on the unanimous recommendation of the Board of Directors.

### Directors' Declarations in terms of the Finance Business Act Directions No. 05 of 2021 on Corporate Governance

The Chairman and the Directors of the Company have made declarations as per the requirements in Section 16.1 (v) of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance, stating that there is no financial, business, family, or other material/relevant relationship(s) between the Chairman and the Managing Director and/or amongst the members of the Board.

### REGISTER OF DIRECTORS AND SECRETARIES

As required under Section 223(1) of the Companies Act No. 7 of 2007, the Company maintains a Register of Directors and Secretaries. This register contains the name, surname, former name (if any), residential address, business, occupation, dates of appointment, and dates of resignation (if applicable) of each Director and the Secretary.

### BOARD SUB-COMMITTEES

The Board of Directors of the Company has formed eight Board Sub-Committees in compliance with the Finance Business Act Directions No. 05 of 2021 on Corporate Governance, the Securities and Exchange Commission of Sri Lanka, and the Listing Rules of the Colombo Stock Exchange. This adherence also aligns with the recommended Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka.

The following Directors served as members of the Board Sub-Committees:

#### Board Audit Committee

- Mr. P L C Jayawickrama - *Committee Chairman*
- Mr. P S Cumararatunga
- Mr. D. P. Lokuarachchi

Mr. J. H. Gunawardena stepped down from the Committee w.e.f. 26 August 2025. Ms. H. S. R. Ranatunga stepped down and Mr. D. P. Lokuarachchi appointed to the Committee w.e.f. 30 September 2025.

The Report of the Board Audit Committee appears on pages 156 to 158.

### Board Integrated Risk Management Committee

- Mr. J H Gunewardena - *Committee Chairman*
- Mr. J Selvaratnam
- Mr. W S C Perera
- Ms. H. S. R. Ranatunga

Mr. P. S. Cumararatunga stepped down from the Committee w.e.f. 26 August 2025. Mr. P. L. C. Jayawickrama stepped down and Ms. H. S. R. Ranatunga appointed to the Committee w.e.f. 30 September 2025.

The Report of the Board Integrated Risk Management Committee appears on pages 159 to 162.

### Board Human Resources and Remuneration Committee

- Ms. H. S. R. Ranatunga - *Committee Chairman*
- Mr. P. S. Cumararatunga
- Mr. J. H. Gunawardena
- Mr. W. S. C. Perera
- Mr. D. Sooriyaarachchi

Mr. P. S. Cumararatunga stepped down and Mr. Y. S. H. R. S. Silva appointed to the Committee w.e.f. 26 August 2025. Mr. W. S. C. Perera and Mr. D. P. Lokuarachchi appointed to the Committee w.e.f. 30 September 2025.

The following changes were made subsequently, effective from 2 February 2026;

Mr. D. Sooriyaarachchi stepped down as the Chairman of the Committee and Ms. H. S. R. Ranatunga appointed as the Chairperson.

Mr. P.S. Cumaranatunga and Mr. J H Gunawardena appointed as members of the Committee

Mr. D P Lokuarachchchi stepped down from the Committee.

The Report of the Board Human Resource and Remuneration Committee appears on page 163 to 165.

### Board Credit Committee

- Mr. J Selvaratnam - *Committee Chairman*
- Mr. W S C Perera
- Ms. H. S. R. Ranatunga
- Mr. M. Hewavitharana

Mr. H. M. A. Seneviratne retired w.e.f. 31 December 2025. Mr. M. Hewavitharana appointed to the Committee w.e.f. 1 January 2026 as an Ex-Officio member.

The Report of the Credit Committee appears on pages 173 to 175.

### Board Related Party Transactions Review Committee

- Mr. J H Gunawardena - *Committee Chairman*
- Mr. J. Selvaratnam
- Ms. H. S.R. Ranatunga
- Mr. P.L.C. Jayawickrama

Mr. J. Selvaratnam stepped down from the Committee w.e.f. 26 August 2025, and re-appointed as a member w.e.f. 2nd February 2026

Mr. D Sooriyaarachchi stepped down as the Chairman and Mr. J. H. Gunawardena appointed as the Chairman w.e.f. 2 February 2026.

The Report of the Board Related Party Transactions Review Committee appears on pages 166 to 167

### Board Nominations and Governance Committee

- Ms. H.S.R. Ranatunga - *Committee Chairman*
- Mr. P.S. Cumaranatunga
- Mr. Y.S.H.R.S. Silva
- Mr. J. H. Gunewardena
- Mr. D Sooriyaarachchi

Board Nominations Committee and Board Corporate Governance Committee amalgamated into a single Committee w.e.f. from 30 September 2025.

Mr. D. Sooriyaarachchi stepped down as the Chairman and Ms. H. S. R. Ranatunga appointed as the Chairperson w.e.f. 2 February 2026. Mr. J Selvaratnam stepped down from the Committee w.e.f. 2 February 2026.

The Report of the Board Nominations and Governance Committee appears on pages 168 to 172.

### Board IT Committee

- Mr. W S C Perera - *Committee Chairman*
- Mr. D Sooriyaarachchi
- Mr. P L C Jayawickrama
- Mr. M. Hewavitharana

Mr. H. M. A. Seneviratne retired w.e.f. 31 December 2025. Mr. M. Hewavitharana appointed to the Committee w.e.f. 1 January 2026 as an Ex-Officio member.

The Report of the Board IT Committee appears on page 176 to 177.

### DIRECTORS' MEETINGS

Details of the Board meetings, the Board Sub-Committee meetings, and the attendance of the Directors at these meetings are provided in the Corporate Governance Report on pages 51 to 136 of the Annual Report.

### DIRECTORS' INTEREST REGISTER AND DIRECTORS' INTEREST IN CONTRACTS OR PROPOSED CONTRACTS

The Company maintains the Directors' Interest Register as required under the provisions of Section 168(1)(e) of the Companies Act No. 7 of 2007 (as Amended). The Directors have made necessary declarations of their interest in contracts or proposed contracts in accordance with Sections 192(1) and (2) of the Companies Act No. 7 of 2007. These interests have been recorded in the Interest Register, which is available for inspection in compliance with the terms of the Companies Act No. 7 of 2007 (as Amended).

The particulars of the Directors' Interest in Contracts are provided on page 186 of the Annual Report and form an integral part of the Annual Report of the Board of Directors. As a practice and in accordance with Corporate Governance principles, the Directors have refrained from voting on matters in which they were materially interested. The Directors have no direct or indirect interest in a contract or a proposed contract with the Company other than those disclosed in the notes to the Financial Statements.

### RELATED PARTY TRANSACTIONS

The Directors have disclosed transactions, if any, that could be classified as Related Party Transactions in accordance with Sri Lanka Accounting Standard – LKAS 24 (Related Party Disclosure), which are detailed in the Financial Statements.

## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

These transactions disclosed by the Directors are provided in Note 44 to the Financial Statements, forming an integral part of the Annual Report of the Board of Directors on the affairs of the Company. The Board Related Party Transactions Review Committee has reviewed all related party transactions requiring their review for the year ended 31 December 2025, ensuring compliance with the relevant listing rules.

### DIRECTORS' INTEREST IN ORDINARY SHARES AND DEBENTURES

The Directors' shareholding and their relevant interests in the shares of the Company as at 31 December 2025 and 31 December 2024 are as follows:

| Name                   | Position | No of Shares |            | No of Debentures |            |
|------------------------|----------|--------------|------------|------------------|------------|
|                        |          | 31/12/2025   | 31/12/2024 | 31/12/2025       | 31/12/2024 |
| Mr. P.S. Cumararatunga | Chairman | 01           | 01         | 450,000          | 300,000    |
| Mr. Y.S.H.R.S. Silva   | Director | 01           | 01         | -                | -          |
| Mr. J. Selvaratnam     | Director | 01           | 01         | -                | -          |
| Mr. J.H. Gunawardena   | Director | 01           | 01         | -                | -          |
| Mr. D. Sooriyaarachchi | Director | 01           | 01         | -                | -          |
| Mr. W.S.C. Perera      | Director | 01           | 01         | -                | -          |
| Ms. H.S.R. Ranatunga   | Director | 01           | 01         | -                | -          |

### DIRECTORS' REMUNERATION

Details of Directors' emoluments and other benefits paid in respect of the Company during the financial year under review are provided in Note 44.3 to the Financial Statements.

### APPRAISAL OF BOARD PERFORMANCE

A scheme of self-assessment is undertaken annually by each Director in conformity with Section 4(1) of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance. This is done by answering a selfassessment questionnaire. The responses are collated and submitted to the Board for discussion and further evaluation.

The Board also conducts an annual self-evaluation of its own performance and that of the Sub-Committees. This ensures that they discharge their duties and responsibilities satisfactorily in accordance with the Companies Act No. 7 of 2007 (as Amended), Finance Business Act Directions No. 05 of 2021 on Corporate Governance, Listing Rules of the Colombo Stock Exchange, and Best Practices on Corporate Governance. Board and Sub-Committee evaluations for the year under review were discussed at the Board Meeting held in January 2026.

### OUR TEAM MEMBERS

The Company recognizes that its

true potential lies in the strength and capabilities of its team members in an everevolving environment. All efforts are focused on nurturing a motivated and skilled workforce to achieve the projected results outlined in the Strategic Plan and Budget. As of 31 December 2025, the number of employees on the Company's payroll was 1,172 (2024: 967).

### ENVIRONMENTAL PROTECTION

To the best of the Board's knowledge, the Company has not engaged in any activities harmful or hazardous to the environment. The Directors also confirm that, to the best of their knowledge and belief, the Company has complied with relevant environmental laws and regulations.

### STATUTORY PAYMENTS

The Directors affirm, to the best of their knowledge and belief, that all statutory payments due to the Government, other regulatory bodies, and related to employees have been made in a timely manner.

### OUTSTANDING LITIGATION

In the opinion of the Directors, and in consultation with the Company's legal counsel, litigation pending against the Company is not expected to have a material impact on the reported financial results or the future operations of the Company. Details of pending litigation are provided in Note 42.4 to the Financial Statements.

### EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the date of the Statement of Financial Position that would require adjustments to, or disclosure in, the accounts.

### GOING CONCERN

After conducting necessary inquiries and reviews, including assessments of the budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows, and other matters required by the Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka & the Institute of Chartered Accountants of Sri Lanka 2023, as well as the Finance Business Act Directions No. 05 of 2021 and subsequent amendments thereto issued by the CBSL, the Directors are satisfied that the Company has adequate resources to continue operations into the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

## DONATIONS

During the year, the Company made donations totaling LKR. 650,000/- (compared to LKR. 510,000/- in 2024). It's worth noting that the Company does not make donations for political purposes.

## RISK MANAGEMENT AND INTERNAL CONTROL

### Material Foreseeable Risk Factors

The Company maintains an ongoing process to identify, evaluate, and manage the risks it faces. This process is detailed in the Risk Management Report on pages 137 to 155.

The Directors regularly review this process through the Board Integrated Risk Management Committee.

### Internal Controls

The Directors have taken reasonable steps to safeguard the Company's assets and to prevent and detect fraud and other irregularities. To achieve this, they have established effective and comprehensive systems of internal controls. These systems encompass internal reviews, internal audits, and a framework of financial and operational controls designed to identify, record, evaluate, and manage significant risks faced by the Company. They are regularly reviewed by the Board of Directors to ensure their effectiveness.

These measures aim to maintain the orderly operation of the Company, safeguard its assets, prevent and detect fraud and other irregularities, and ensure the accuracy and reliability of its records to the extent practicable.

## CORPORATE GOVERNANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

The Directors of the Company are dedicated to upholding an effective

Corporate Governance Framework by implementing processes to ensure compliance with the Code of Best Practices on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka 2023, the Finance Business Act Directions No.05 of 2021 and subsequent amendments issued by the CBSL, and Requirements of the Listing Rules of the Colombo Stock Exchange. Further details are provided in the Corporate Governance Report on pages 51 to 136 of this Annual Report.

Additionally, the Board of Directors affirms that the Company adheres to prudential requirements, regulations, laws, and internal controls. Measures have been implemented to rectify any material non-compliances.

## AUDITORS

The Auditors of the Company during the year were Messrs. KPMG, Chartered Accountants. The audit fees for KPMG for the year ended 31 December 2025 amount to LKR 2,250,000/- (compared to LKR 2,000,000/- paid in 2024). Additionally, fees for non-audit-related services amount to LKR 3,675,000/- to Messrs. KPMG (compared to LKR 4,659,817/- paid in 2024). Details of the audit fees are provided in Note 11.1 to the Financial Statements.

Based on the declaration provided by Messrs KPMG, and to the best of the Directors' knowledge, the Auditors do not have any relationship or interest with the Company that may affect their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

Upon the recommendations of the Board Audit Committee, the Board has recommended to the shareholders to

re-appoint Messrs. KPMG, Chartered Accountants, as Auditors of the Company for the ensuing year.

## NOTICE OF MEETING

The Annual General Meeting of the Company will be held at Siyapatha Tower, 111, Dudley Senanayake Mawatha, Colombo 08, at 9.00 a.m. on 31 March 2026. The Notice of Meeting is provided on page 293 of this Annual Report.

As required by Section 168(1)(k) of the Companies Act, the Board of Directors hereby acknowledge the contents of this report.

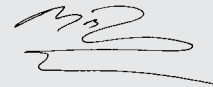
For and on behalf of the Board of Directors,



**P.S. Cumararatunga**  
Chairman



**Y.S.H.R.S. Silva**  
Deputy Chairman



**Mathisha Hewavitharana**  
Chief Executive Officer



**Ms. A. Berugoda**  
Company Secretary

**Siyapatha Finance PLC**  
13 February 2026

# DIRECTORS' STATEMENT ON INTERNAL CONTROL

## DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

### Responsibility

The Board of Directors ("the Board") of Siyapatha Finance PLC (the Company) presents this report on Internal Control over Financial Reporting, in compliance with Section 16 (1) (ix) of Finance Companies Corporate Governance Direction No 5 of 2021.

The Board is responsible for ensuring the adequacy and effectiveness of the internal control mechanism of the Company. This mechanism is designed to provide a reasonable assurance to maintain proper accounting records, generate reliable financial information and safeguard assets of the Company. The internal control mechanism can therefore provide only reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the mechanism of Internal Control over Financial Reporting as and when there are changes to business environment or regulatory guidelines.

Reviews of this process are conducted by the Board on a regular basis. On the basis of such reviews the Board expresses the view that the internal control mechanism over financial reporting in place is adequate to provide reasonable assurance regarding reliability of financial reporting and that the preparation of Financial Statement for external purpose is in accordance with relevant accounting principles and regulatory requirements.

The Board's policies and procedures pertaining to Internal Control over Financial Reporting have been documented. The implementation of such policies and procedures is carried out with the assistance of the Management. In order to assess the internal control system over financial reporting, identified officers of the company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statement of the Company. The Internal Audit Department of the Company observes and checks them annually for suitability of design and operating effectiveness.

Given below are the key processes which have been established to review the adequacy and integrity of internal control, with respect of financial reporting:

- Establishment of various sub committees to assist the Board with a view to ensuring the effectiveness of the Company's daily operations and such operations conform to the Company's corporate objectives, strategies and the annual budget as well as policies and business directions approved by the Board.
- Policies and Procedures are developed to capture all functional areas of the company, which are recommended by the relevant Board Sub Committees and approved by the Board. These Policies and Procedures are reviewed periodically and approved by the Board.
- The Internal Audit Department of the company verifies whether policies and procedures of the Company are being complied with, while ascertaining

effectiveness of the internal control mechanism, on an ongoing basis during their process audits. The risk-based audit approach is adopted by the company and the entire audit universe is reviewed annually in accordance with the annual audit plan approved by the Board Audit Committee. Initiatives have been taken by Internal Audit Department to apply data analytics to review the large volume of transactions in a systematic manner and to enhance the real time monitoring. Independent and objective reports covering significant observations of the Internal Audit Department are also tabled for review by the Board Audit Committee, at their periodic meetings.

- The Board Audit Committee also reviews the internal audit functions, with particular reference to the scope and quality of the audits. Minutes of all the Board Audit Committee meetings are submitted to the Board for review. In addition, periodic summaries submitted by the Internal Audit Department indicating the functions carried out are reviewed by the Board Audit Committee.
- Evaluation of adequacy and effectiveness of Internal Controls over Financial Reporting is carried out by the Board Audit Committee through review of internal control issues identified by the Internal Audit Department, the External Auditors, Regulatory Authorities and the Management. In order to ensure that key management personnel comply with laid down systems and procedures and implement the required internal control systems at their work locations, a procedure has been

introduced to obtain an annual certification from the respective officers.

- In order to assess the internal control mechanism, all procedures and controls which are connected with significant accounts and disclosures of the Financial Statements of the Company are continuously reviewed and updated by identified officers of the Company. The Internal Audit Department verifies the suitability of design and operating effectiveness of such procedures and controls, on an ongoing basis.
- The Company further strengthened its internal control processes to ensure that the impact of the economic crisis is accurately captured in the financial reporting by providing adequate impairment provisions for expected credit losses.

### Confirmation

Based on the above process, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements of the Central Bank of Sri Lanka.

### Review of the Statements by External Auditors

The external Auditors, Messrs. KPMG, have reviewed the above Directors' statement on Internal Control over Financial Reporting included in this Annual Report of the Company for the year ended 31 December 2025 and reported to the Board that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the Internal Controls over Financial Reporting of the Company. Their report on the Statement of Internal Control over Financial Reporting is given on page 190 of this Annual Report.

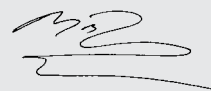
### STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

There are no material non-compliances to prudential regulatory requirements, laws and internal controls affecting the Company.

There were no lapses which caused supervisory concern on the Company's Risk Management Systems or non-compliance with these directions which led to them being pointed out by the Director of Non-Bank Supervision of the Central Bank of Sri Lanka and which have caused the Monetary Board to give directions that they be disclosed to the public.

Since there have been no such lapses or instances of non-compliance and since no such directions have been given by the Monetary Board, the issue of measures to be taken does not arise and there is nothing to disclose in this regard.

By order of the Board,



**Mathisha Hewavitharana**  
Chief Executive Officer



**P.S. Cumararatunga**  
Chairman



**P.L.C. Jayawickrama**  
Chairman -Board Audit Committee

**Siyapatha Finance PLC**  
13 February 2026

# AUDITORS' ASSURANCE REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL

TO THE BOARD OF DIRECTORS OF SIYAPATHA FINANCE PLC



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300, Sri Lanka.

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Internet www.kpmg.com/lk

## Report on the Directors' Statement on Internal Control

We were engaged by the Board of Directors of Siyapatha Finance PLC ("the Company") to provide assurance on the Director's Statement on Internal Control ("the Statement") included in the Annual Report for the year ended 31st December 2025.

### Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance by the Institute of Chartered Accountants of Sri Lanka.

### Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

The firm applies Sri Lanka Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

### Our Responsibilities

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance

Engagements SLSAE 3051, Assurance Report for Licensed Finance Companies on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

This standard requires that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purposes of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed and audit or review of the financial information.

### Summary of work performed

Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the system of internal control for the Company.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures:

- Enquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the annual report.
- Reviewed the documentation prepared by the Directors to support their Statement made.
- Related the Statement made by the Directors to our knowledge of the Company obtained during the audit of the financial statements.
- Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.
- Attended meetings of the Audit Committee at which the annual report, including the

Statement on Internal Control is considered and approved for submission to the Board of Directors.

(f) Considered whether the Director's Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.

(g) Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included on pages 188 to 189 of this annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Company.

**CHARTERED ACCOUNTANTS**  
Colombo

25 March 2026

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C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
R.M.D.B. Rajapakse FCA  
M.N.M. Shameel FCA  
Ms. P.M.K. Sumanasekara FCA

T.J.S. Rajakarier FCA  
W.K.D.C. Abeyrathne FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Ms. C.T.K.N. Perera ACA  
R.G.H. Raddella ACA

W.W.J.C. Perera FCA  
G.A.U. Karunaratne FCA  
R.H. Rejan FCA  
A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA (UK), LL.B., Attorney-at-Law, H.S. Coonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FCTI, K. Somsundaram ACMA (UK), Ms. D. Corea Dharmaratne

# INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SIYAPATHA FINANCE PLC



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
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## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Siyapatha Finance PLC ("the Company"), which comprise the statement of financial position as at December 31, 2025, and the statement of income, 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 policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2025, and of its financial

performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Allowance for Expected Credit Losses of Financial Assets measured at Amortized Cost.

| Risk Description  | Our Response:   |
|---|---|
| <p>Allowance for expected credit losses of financial assets measured at amortized cost as stated in Note 40.4.1 is determined by management in accordance with the accounting policies described in Note 3.1.7.</p> <p>The Company uses the Expected Credit Loss (ECL) model to calculate the allowance for expected credit losses in accordance with SLFRS 9 – Financial Instruments (SLFRS 9).</p> <p>A high degree of complexity and judgement are involved in estimating ECL. There are also a number of key assumptions made by the Company in applying the requirements of SLFRS 9 to the models, including the identification of loss stage, forward-looking probability of default (PD), loss given default (LGD), macroeconomic scenarios including their weighting, and judgements over the use of data inputs required.</p> <p>Additional subjectivity and judgement are required due to the heightened uncertainty associated with the impact of the economic outlook and its impact on customers, increasing our audit effort thereon.</p> <p>We have identified the allowance for expected credit losses as a key audit matter due to the significance of the loans and advances to these financial statements, the inherent complexity of the Company's ECL models used to measure ECL allowances.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Assessing the methodology inherent within the impairment models against the requirements of SLFRS 9, specifically taking into consideration the prevailing uncertain and volatile macro-economic environment;</li> <li>Challenging the key assumptions in the ECL models, including staging, PD, and LGD, and evaluating the reasonableness of management's key judgements and estimates;</li> <li>Testing the accuracy and completeness of the data inputs to the systems and ECL models, including the economic information used within, and weightings applied to, forward-looking scenarios;</li> <li>Recalculating the ECL on sample basis, by using the key assumptions used in the models, such as PD and LGD;</li> <li>Assessing the reasonableness of the Company's considerations of the prevailing uncertain and volatile macro-economic environment;</li> <li>Working with internal FRM specialists in order to assess the management computation of ECL models including staging, PD, LGD, and appropriateness of incorporating the forward-looking factors and assumptions to the ECL model;</li> <li>Assessing the adequacy of disclosures made in the financial statements in compliance with relevant accounting standards requirements.</li> </ul> |

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Principals: S.R.I. Perera FCMA (UK), LL.B., Attorney-at-Law, H.S. Coonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FCIT, K. Somsundaram ACMA (UK), Ms. D. Corea Dharmaratne

## INDEPENDENT AUDITOR'S REPORT



## Information Technology (IT) Systems Controls over Financial Reporting

| Risk Description  | Our Response:   |
|---|---|
| <p>The Company's businesses utilize many interdependent Information Technology (IT) systems to process and record a high volume of transactions.</p> <p>The controls over access, changes to and operation of IT systems are key to the recording of financial information and the preparation of financial statements, which provide a true and fair view of the Company's financial position and performance.</p> <p>The IT systems and controls, as they impact the recording and reporting of financial transactions, is a key audit matter as our audit approach could significantly differ depending on the effectiveness of the Company's IT controls.</p> | <p>We worked with our internal IT specialists to perform audit procedures to test the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems which link the technology-enabled business processes.</p> <p><b>Our further audit procedures included:</b><br/> <b>General IT controls design, observation and operation:</b></p> <ul style="list-style-type: none"> <li>● Assessing the governance and higher-level IT controls in place across the IT Environment, including those regarding policy design, policy review and awareness, and IT risk management practices;</li> <li>● Obtaining an understanding and testing operating effectiveness of the sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, monitor system integrity, program development and computer operations; and</li> <li>● Data integrity of critical system reporting used by us in our audit to select samples and analyze data used by management to generate financial statements.</li> </ul> <p><b>Application controls</b><br/> Design and operating effectiveness testing of key automated business process controls, including those relating to enforcing segregation of duties to avoid conflicts from inappropriate role combinations within IT applications.</p> <ul style="list-style-type: none"> <li>● On sample basis, re-performed selected automated computations and compared our results with those from the system and the general ledger.</li> </ul> <p><b>User access controls operation</b><br/> Design and operating effectiveness testing of key controls across the user access management.</p> <ul style="list-style-type: none"> <li>● Assessing the management's evaluation of access rights granted to applications relevant to financial accounting and reporting systems.</li> <li>● Evaluate the design and operating effectiveness of IT controls, including those related to user access and change management and</li> <li>● Assessing the operating effectiveness of controls over granting, removal and appropriateness of access rights.</li> </ul> |

## Other Information

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

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it

becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation of financial statements that give

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

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



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

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

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on

the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2,599.

**KPMG**  
Colombo, Sri Lanka

13 February 2026

# INCOME STATEMENT

| For the year ended 31 December                             |      | 2025               | 2024        |
|--|------|--------------------|-------------|
|  | Note | Rs.'000            | Rs.'000     |
| Interest income  |      | <b>11,464,929</b>  | 9,842,826   |
| Less: Interest expenses                                    |      | <b>(5,903,434)</b> | (5,309,323) |
| <b>Net interest income</b>                                 | 6    | <b>5,561,495</b>   | 4,533,503   |
| Fee and commission income                                  |      | <b>504,097</b>     | 349,015     |
| Less: Fee and commission expenses                          |      | <b>(5,446)</b>     | (2,905)     |
| <b>Net fee and commission income</b>                       | 7    | <b>498,651</b>     | 346,110     |
| Other operating income                                     | 8    | <b>1,283,714</b>   | 1,097,165   |
| <b>Total operating income</b>                              |      | <b>7,343,860</b>   | 5,976,778   |
| Less: Impairment (Charges)/Reversals                       | 9    | <b>110,923</b>     | 136,912     |
| <b>Net operating income</b>                                |      | <b>7,454,783</b>   | 6,113,690   |
| <b>Less: Operating expenses</b>                            |      |                    |             |
| Personnel expenses   | 10   | <b>(2,594,838)</b> | (2,097,640) |
| Other operating expenses                                   | 11   | <b>(1,198,155)</b> | (1,108,098) |
| <b>Operating profit before taxes on financial services</b> |      | <b>3,661,791</b>   | 2,907,952   |
| Less: Taxes on financial services                          | 12   | <b>(1,002,183)</b> | (802,667)   |
| <b>Profit before income tax</b>                            |      | <b>2,659,608</b>   | 2,105,285   |
| Less: Income tax expense                                   | 13   | <b>(1,103,201)</b> | (901,912)   |
| <b>Profit for the year</b>                                 |      | <b>1,556,407</b>   | 1,203,373   |
| <b>Basic/Diluted earnings per share (Rs.)</b>              | 14   | <b>15.48</b>       | 11.97       |
| <b>Dividend per share (Rs.)</b>                            | 15   | <b>0.12</b>        | 0.07        |

The Accounting policies and Notes to the Financial Statements from pages 199 to 283 form an integral part of these Financial Statements.

# STATEMENT OF COMPREHENSIVE INCOME

| For the year ended 31 December   | Note | 2025<br>Rs.'000  | 2024<br>Rs.'000 |
|--|------|------------------|-----------------|
| <b>Profit for the year</b>   |      | <b>1,556,407</b> | 1,203,373       |
| <b>Other comprehensive income/ (expenses)</b>                                  |      |                  |                 |
| <b>Other comprehensive income not to be reclassified to profit or loss:</b>    |      |                  |                 |
| Actuarial gains/(losses) on defined benefit plan                               | 34.3 | <b>(2,861)</b>   | 6,103           |
| Deferred tax effect on actuarial gains/(losses)                                | 28   | <b>858</b>       | (1,832)         |
|  |      | <b>(2,003)</b>   | 4,271           |
| Surplus from revaluation of property, plant & equipment                        | 26.1 | <b>41,378</b>    | -               |
| Deferred tax effect on Surplus from revaluation of property, plant & equipment |      | <b>(12,413)</b>  | -               |
|  | 37   | <b>28,965</b>    | -               |
| <b>Other comprehensive income for the year, net of tax</b>                     |      | <b>26,962</b>    | 4,271           |
| <b>Total comprehensive income for the year, net of tax</b>                     |      | <b>1,583,369</b> | 1,207,644       |
| <b>Attributable to :</b>   |      |                  |                 |
| Equity holders of the parent company   |      | <b>1,583,369</b> | 1,207,644       |
|  |      | <b>1,583,369</b> | 1,207,644       |

The Accounting policies and Notes to the Financial Statements from pages 199 to 283 form an integral part of these Financial Statements.

# STATEMENT OF FINANCIAL POSITION

| As at 31 December   | Note | 2025<br>Rs. '000  | 2024<br>Rs. '000 |
|---|------|-------------------|------------------|
| <b>Assets</b>   |      |                   |                  |
| Cash and bank balances  | 17   | <b>483,200</b>    | 260,579          |
| Securities purchased under repurchase agreements                    |      | <b>8,732,389</b>  | 5,001,843        |
| Factoring receivables   | 18   | <b>187,307</b>    | 95,417           |
| Gold loan receivables   | 19   | <b>18,655,679</b> | 11,412,292       |
| Assets held for sale  |      | <b>24,577</b>     | 24,838           |
| Loan receivables  | 20   | <b>14,284,209</b> | 3,829,072        |
| Lease receivables   | 21   | <b>37,898,922</b> | 30,717,750       |
| Hire purchase receivables   | 22   | -                 | -                |
| Other assets  | 23   | <b>940,370</b>    | 812,692          |
| Equity instruments at fair value through other comprehensive income | 24   | <b>56</b>         | 56               |
| Debt instruments at amortized cost                                  | 25   | <b>56,732</b>     | 4,335,257        |
| Property, plant & equipment   | 26   | <b>2,582,523</b>  | 2,486,547        |
| Right-of-use assets   | 27   | <b>660,630</b>    | 482,732          |
| Deferred tax assets   | 28   | <b>190,628</b>    | 233,834          |
| Intangible assets   | 29   | <b>42,393</b>     | 16,033           |
| <b>Total Assets</b>   |      | <b>84,739,615</b> | 59,708,942       |
| <b>Liabilities</b>  |      |                   |                  |
| Bank overdraft  |      | <b>387,335</b>    | 128,514          |
| Due to other customers  | 30   | <b>36,950,983</b> | 32,197,075       |
| Debt issued and other borrowed funds                                | 31   | <b>33,386,427</b> | 15,642,339       |
| Other payables  | 32   | <b>3,044,661</b>  | 2,373,259        |
| Current tax liabilities   | 33   | <b>731,488</b>    | 754,721          |
| Retirement benefit obligations                                      | 34   | <b>203,838</b>    | 159,713          |
| <b>Total Liabilities</b>  |      | <b>74,704,732</b> | 51,255,621       |
| <b>Equity</b>   |      |                   |                  |
| Stated capital  | 35   | <b>2,883,089</b>  | 2,872,846        |
| Statutory reserve fund  | 36   | <b>455,000</b>    | 375,000          |
| Revaluation reserve   | 37   | <b>183,260</b>    | 154,295          |
| Retained earnings   | 38   | <b>6,513,534</b>  | 5,051,180        |
| <b>Total Equity</b>   |      | <b>10,034,883</b> | 8,453,321        |
| <b>Total Liabilities and Equity</b>                                 |      | <b>84,739,615</b> | 59,708,942       |
| Net asset value per share (Rs.)                                     |      | <b>99.79</b>      | 84.18            |
| Commitments and contingencies                                       | 42   | <b>124,820</b>    | 30,206           |

We certify that these Financial Statements are presented in compliance with the requirements of the Companies Act No.7 of 2007.

  
Chief Executive Officer

  
Chief Financial Officer

The Board of Directors is responsible for these Financial Statements. Approved and signed for and on behalf of the Board by,

  
Chairman

  
Director

The Accounting policies and Notes to the Financial Statements from pages 199 to 283 form an integral part of these Financial Statements.

13 February 2026  
Colombo

## STATEMENT OF CHANGES IN EQUITY

|  | Note | Stated<br>Capital | Statutory<br>Reserve<br>Fund | Revaluation<br>Reserve | Retained<br>Earnings | Total             |
|--|------|-------------------|------------------------------|------------------------|----------------------|-------------------|
|  |      | Rs'000            | Rs'000                       | Rs'000                 | Rs'000               | Rs'000            |
| <b>Balance as at 01 January 2024</b>         |      | 2,866,876         | 314,000                      | 154,295                | 3,911,559            | 7,246,730         |
| Profit for the year                          |      | -                 | -                            | -                      | 1,203,373            | 1,203,373         |
| Other comprehensive income, net of tax       |      | -                 | -                            | -                      | 4,271                | 4,271             |
| Total Comprehensive for the Year, Net of Tax |      | -                 | -                            | -                      | 1,207,644            | 1,207,644         |
| Transfer to Statutory Reserve Fund           | 36   | -                 | 61,000                       | -                      | (61,000)             | -                 |
| Scrip dividend paid                          |      | 5,970             | -                            | -                      | (7,023)              | (1,053)           |
| <b>Balance as at 31 December 2024</b>        |      | 2,872,846         | 375,000                      | 154,295                | 5,051,180            | 8,453,321         |
| Profit for the year                          |      | -                 | -                            | -                      | 1,556,407            | 1,556,407         |
| Other comprehensive income, net of tax       |      | -                 | -                            | 28,965                 | (2,003)              | 26,962            |
| Total Comprehensive for the Year, Net of Tax |      | -                 | -                            | 28,965                 | 1,554,404            | 1,583,369         |
| Transfer to Statutory Reserve Fund           |      | -                 | 80,000                       | -                      | (80,000)             | -                 |
| Scrip dividend paid                          |      | 10,243            | -                            | -                      | (12,051)             | (1,808)           |
| <b>Balance as at 31 December 2025</b>        |      | <b>2,883,089</b>  | <b>455,000</b>               | <b>183,260</b>         | <b>6,513,534</b>     | <b>10,034,883</b> |

The Accounting policies and Notes to the Financial Statements from pages 199 to 283 form an integral part of these Financial Statements.

# STATEMENT OF CASH FLOWS

| For the year ended 31 December  |      | 2025                | 2024        |
|---|------|---------------------|-------------|
|   | Note | Rs.'000             | Rs.'000     |
| <b>Cash flows from operating activities</b>                             |      |                     |             |
| <b>Profit before taxation from operations</b>                           |      | <b>2,659,608</b>    | 2,105,285   |
| Interest expenses   | 6.2  | <b>5,903,434</b>    | 5,309,323   |
| Fee & commission expenses   | 7    | <b>5,446</b>        | 2,905       |
| Credit loss expense on financial assets                                 | 9    | <b>(110,923)</b>    | (136,912)   |
| Provision for staff gratuity  | 34.2 | <b>50,954</b>       | 43,074      |
| Provision for depreciation  | 26.1 | <b>192,805</b>      | 164,379     |
| Amortization of software  | 29   | <b>11,128</b>       | 5,266       |
| Amortization expenses on right-of-use assets                            | 27   | <b>112,032</b>      | 89,172      |
| (Profit)/Loss on Disposal of Property, Plant and Equipment              |      | <b>(236)</b>        | (680)       |
|   |      | <b>6,164,640</b>    | 5,476,527   |
| <b>Operating profit before working capital changes</b>                  |      | <b>8,824,248</b>    | 7,581,812   |
| (Increase)/Decrease in lease receivables                                |      | <b>(7,139,111)</b>  | (3,911,427) |
| (Increase)/Decrease in hire purchase receivables                        |      | -                   | 936         |
| (Increase)/Decrease in factoring receivables                            |      | <b>(97,710)</b>     | 10,474      |
| (Increase)/Decrease in gold loan receivables                            |      | <b>(7,262,293)</b>  | (3,478,583) |
| (Increase)/Decrease in loan receivables                                 |      | <b>(10,269,835)</b> | (2,409,095) |
| Increase/(Decrease) in due to other customers                           |      | <b>4,237,598</b>    | 8,586,181   |
| (Increase)/Decrease in other assets                                     |      | <b>(504,806)</b>    | (303,426)   |
| Increase/(Decrease) in other payables                                   |      | <b>846,936</b>      | 945,987     |
|   |      | <b>(20,189,221)</b> | (558,952)   |
| <b>Cash generated from operating activities</b>                         |      | <b>(11,364,973)</b> | 7,022,860   |
| Interest expense paid   |      | <b>(5,042,836)</b>  | (5,154,724) |
| Gratuity paid   | 34.1 | <b>(9,690)</b>      | (15,214)    |
| Income tax paid   | 33   | <b>(1,094,781)</b>  | (626,347)   |
| Dividend tax paid   |      | <b>(1,808)</b>      | (1,053)     |
| <b>Net cash inflow from operating activities</b>                        |      | <b>(17,514,088)</b> | 1,225,521   |
| <b>Cash flow from investing activities</b>                              |      |                     |             |
| Net investments in government bonds & government securities             |      | <b>1,133,379</b>    | 1,897,145   |
| Purchase of property, plant and equipment and intangible assets         |      | <b>(285,884)</b>    | (226,148)   |
| Proceeds from sale of property, plant and equipment                     |      | <b>1,229</b>        | 36,019      |
| <b>Net cash outflow from investing activities</b>                       |      | <b>848,724</b>      | 1,707,016   |
| <b>Net cash inflow before financing activities</b>                      |      | <b>(16,665,364)</b> | 2,932,537   |
| <b>Cash flow from financing activities</b>                              |      |                     |             |
| Proceeds from long term loans & securitizations                         | 31.1 | <b>13,145,032</b>   | 2,000,000   |
| Repayments of long long term loans & securitizations                    | 31.1 | <b>(45,676)</b>     | (4,118,449) |
| Debentures redeemed   | 31.4 | -                   | (1,500,000) |
| Proceeds from Debentures  | 31.4 | <b>5,000,000</b>    | 4,000,000   |
| Net proceeds from short term borrowings                                 | 31.1 | <b>(705,000)</b>    | 2,000,000   |
| Repayment of principal portion of lease liabilities                     | 32.1 | <b>(179,788)</b>    | (147,165)   |
| <b>Net cash outflow from financing activities</b>                       |      | <b>17,214,568</b>   | 2,234,386   |
| <b>Net increase in cash and cash equivalents</b>                        |      | <b>549,204</b>      | 5,166,923   |
| <b>Cash &amp; cash equivalents at the beginning of the year</b>         |      | <b>8,279,152</b>    | 3,112,229   |
| <b>Cash and cash equivalents at end of the year</b>                     |      | <b>8,828,356</b>    | 8,279,152   |
| <b>Analysis of the cash and cash equivalents at the end of the year</b> |      |                     |             |
| Cash and bank balances (Note 17)  |      | <b>483,302</b>      | 260,681     |
| Securities purchased under repurchase agreements less than three months |      | <b>8,732,389</b>    | 5,001,841   |
| Investment in Government securities less than three months              |      | -                   | 3,145,144   |
| Bank overdraft  |      | <b>(387,335)</b>    | (128,514)   |
|   |      | <b>8,828,356</b>    | 8,279,152   |

The Accounting policies and Notes to the Financial Statements from pages 199 to 283 form an integral part of these Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 General

Siyapatha Finance PLC ("The Company"), formerly known as Siyapatha Finance Limited is a domiciled, public limited liability company incorporated in Sri Lanka on 03 March 2005 under the Companies Act No. 17 of 1982. The Company was re-registered with the Registrar General of Companies as per the requirements of the Companies Act No.7 of 2007. It is a Licensed Finance Company under the Finance Business Act No.42 of 2011 and amendments thereto. The registered office of the Company is located at. No. 111, Dudley Senanayake Mawatha, Colombo 08.

The debentures of the Company were initially listed on the Colombo Stock Exchange on 02 January 2015.

The staff strength of the Company as at 31 December 2025 was 1,172 (2024:967).

### 1.2 Principal Activities and Nature of Operations

The Company provides a comprehensive range of financial services encompassing accepting deposits, providing finance lease, vehicle loan facilities, mortgage loans, gold loan, debt factoring, revolving loans, business/personal loans, fast draft loans and vehicle credit facility.

### 1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking /ultimate parent

and the controlling party is Sampath Bank PLC, which is incorporated in Sri Lanka.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements of the Company, which comprise the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements, have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs & LKAs), Statements of Recommended Practices (SoRPs), Statements of Alternative Treatment (SoATs) and Financial Reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and in compliance with the requirements of the Companies Act No. 7 of 2007.

The presentation of these Financial Statements is also in compliance with the requirements of Finance Business Act No 42 of 2011 and amendments thereto and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange and the CBSL Guidelines.

### 2.2 Responsibility for Financial Statements

The Board of Directors is responsible for the Financial Statements as per Sri Lanka Accounting Standards and the provisions of the Companies Act No.7 of 2007.

### 2.3 Approval of Financial Statements by Directors

The Financial Statements of the Company as at and for the year ended 31 December 2025 were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 13 February 2026.

### 2.4 Basis of Measurement

The Financial Statements of the Company have been prepared on a historical cost basis, except for the following items in the Statement of Financial Position.

- Financial Assets at fair value through other comprehensive income at fair value (Note 24)
- Land and buildings, which are measured at cost at the time of acquisition subsequently, measured at revalued amounts, which are the fair values at the date of revaluation (Note 26)
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets (Note 34)

### 2.5 Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees (Rs), which is the currency of the primary economic environment in which Siyapatha Finance PLC operates. The Financial

## NOTES TO THE FINANCIAL STATEMENTS

information presented in Sri Lankan Rupees has been rounded to the nearest thousand unless indicated otherwise. There was no change in the Company's presentation and functional currency during the year under review.

### 2.6 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the Note 41 to the financial statements.

### 2.7 Materiality, Aggregation and Offsetting

In compliance with Sri Lanka Accounting Standard -LKAS 01 (Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset

the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by an Accounting Standard.

### 2.8 Comparative Information

The comparative information is re-classified whenever necessary to conform to the current year's classification in order to provide a better presentation.

### 2.9 Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the indirect method in accordance with the Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), whereby operating, investing and financial activities have been separately recognised. Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents include cash in hand, balances with banks, placements with banks (less than 3 months), money at call and short notice, net of unfavourable bank balances, securities purchased under repurchase agreement (less than three months) and investments in treasury bills (less than three months).

### 2.10 Significant Accounting Judgements, Estimates and Assumptions

The preparation of Financial Statements of the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Company are as follows:

#### 2.10.1 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. The Directors have considered the impact of the existing and anticipated effects of the current macroeconomic uncertainties on the entity's activities. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue

as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the Financial Statements continue to be prepared on the going concern basis.

### 2.10.2 Impairment losses on loans and receivables

The measurement of impairment losses under Sri Lanka Accounting Standard - SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company reviews its individually significant loans and advances at each financial reporting date to assess whether an impairment loss should be recorded in the Income Statement. In particular, the management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively by categorising them, into groups of assets with similar risk characteristics, to determine the expected credit loss on such loans and advances.

The Company's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their independencies. The elements of the ECL models that are considered for accounting judgements and estimates include,

- The Company's criteria for assessing if there has been a significant increase in credit risk upon which allowances for financial assets should be measured on a lifetime expected credit loss (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECLs, models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGDs).

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust whenever necessary. The above assumptions and judgements are discussed in detail under Note 3.1.7 to the Financial Statements.

During the review period, the Company conducted a reassessment of its loans and advances portfolio within the individually significant loans (ISL) category, considering both the financial resilience of customers and external macroeconomic pressures. Moreover, the proactive provisioning approach implemented by the Company in the previous financial year to address potential risks associated with customers has persisted throughout 2025. The collective impairment models applied in 2024 were continued in 2025 to ensure sufficient buffers were in place to mitigate any potential credit risks that may arise in the future. Additionally, in anticipation of the potential adverse economic impacts arising from Cyclone Dithwa, the Economic Factor Adjustment (EFA) has been revised to reflect the expected deterioration in key macroeconomic indicators. Furthermore, the probability weighting applied to the worst-case economic scenario was increased from 40% to 70% to capture the heightened uncertainty and downside risks associated with the cyclone's future economic implications.

A breakdown of the loans and advances of the Company classified under stage 2 and stage 3 is given in Note 40.4.1(h) and Note 40.4.1(i) respectively. Further, the sensitivity of the impairment provision of the Company to a feasible change in property realisation period, PDs, LGDs and forward looking macro-economic information is also given in Note 40.4.1(f).

## NOTES TO THE FINANCIAL STATEMENTS

### 2.10.3 Impairment of Other Financial Assets

The Company reviews its debt securities classified as amortised cost, at each reporting date to assess whether they are impaired. Objective evidence that a debt security held at amortised cost is impaired includes among other things significant financial difficulty of the issuer, a breach of contract such as a default or delinquency in interest or principal payments etc. Management judgement has been involved in determining whether there is significant increase in credit risk of these instruments or these instruments are impaired as at the reporting date.

Equity instruments classified as FVOCI are not subjective for impairment assessment.

### 2.10.4 Fair Value of Financial Instruments

The determination of fair values of financial assets and financial liabilities recorded in the Statement of Financial Position for which there is no observable market price on using a variety of valuation techniques that include the use of mathematical models. The valuation of financial instruments is described in Note 39 to the Financial Statements.

The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in Note 39 to the Financial Statements.

### 2.10.5 Financial Assets and Financial Liabilities Classification

The Company's accounting policies provide scope for assets and liabilities to be classified, at inception in to different accounting categories. The classification of financial instruments is given in Note 16 "Analysis of Financial Instruments by Measurement Basis".

### 2.10.6 Taxation

The Company is subject to income tax and judgement is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exist with respect to the interpretation of the applicable tax laws, at the time of preparation of these Financial Statements. The details of the deferred tax computation are given in Note 28 to the Financial Statements.

### 2.10.7 Defined Benefit Plans

The cost of defined benefit pension plan and the present value of its obligation are determined using actuarial valuation. The actuarial valuation involves making assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rate and expected future salary increase rate of the Company. The sensitivity of assumptions used in actuarial valuations are set out in Note 34 to the Financial Statements.

### 2.10.8 Fair Value of Property, Plant & Equipment

The freehold land and building of the Company is reflected at fair value at the date of revaluation less any accumulated impairment losses. The Company engages an independent valuation specialist to determine the fair value of freehold land and building in terms of Sri Lanka Accounting Standard –SLFRS 13, (Fair Value Measurement). The details of freehold land and buildings including methods of valuation are given in Note 26 to the Financial Statements.

### 2.10.9 Useful Life-time of the Property, Plant, Equipment and Intangible Assets

The Company reviews the residual values, useful lives and methods of depreciation and amortization of property, plant, equipment and intangible assets at each reporting date. The judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

#### 2.10.10 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. Details of commitments and contingencies are given in Note 42 to the Financial Statements.

#### 2.10.11 Classification of Investment Properties

Management requires using its judgment to determine whether a property qualifies as an investment property. The Company has developed criteria so it can exercise its judgment consistently. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Company are accounted for as investment properties. On the other hand, a property that is used for operations or in the process of providing services or for administrative purposes and which do not directly generate cash flows as a standalone asset are accounted for as property, plant and equipment. The Company assesses on an annual basis, the accounting classification of its properties taking into consideration the

current use of such properties. Currently the Company does not have any investment property.

#### 2.10.12 Assets-Held for Sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets held for sale are classified separately as current items in the statement of financial position.

#### 2.10.13 SLFRS 16 - Leases

The Company uses its judgment to determine whether an operating lease contract qualifies for recognition of right of-use assets. It also uses judgement in the determination of the discount rate in the calculation of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. As the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate to measure the lease liability. The incremental borrowing rate is the rate of interest that the Company would have to pay, to borrow an amount similar to the value of the lease asset, over a similar term and with similar security in similar economic environment. Further, the Company applies judgement in evaluating whether it is reasonably certain to renew or terminate the lease at the end of the lease term. That is, it considers all relevant factors that create an economic benefit for it to exercise, either the renewal or termination option.

#### 2.10.14 Impact of climate risk

The Company and its customers are exposed to the physical risks from climate change and risks of transitioning to a net-zero economy. These risks may involve refinancing and liquidity risks for certain customers in high-risk sectors where financial institutions may

## NOTES TO THE FINANCIAL STATEMENTS

seek to reduce their exposures in the future. However, the nature and location of the Company's counterparties and the underlying collateral limit the impact of this exposure. The following items and balances may be impacted by climate-related matters:

Expected credit losses (ECL): Customers and portfolios with exposure to climate risk may have a resultant deterioration in creditworthiness and a consequential impact on ECL. On the whole, the Company is of the view that the counterparties who have exposures to climate risk are not expected to be materially impacted by physical or transition risk associated with climate change. For example, the majority of the counterparties are not employed, or do not operate, in high-risk sectors, nor are they located in high-risk geographical areas. As a result, it was assessed that the magnitude of any impact of climate risk would not be material in the current reporting period.

Fair value measurement: The Company has assumed that any climate change variables incorporated in fair value measurement are those that market participants would consider when pricing the asset or liability, in line with SLFRS 13 Fair Value Measurement. Consequently, the Company concluded that climate risk has been adequately reflected within the fair value of its assets and liabilities. Where prices are observable, it is

assumed that the fair value already incorporates market's participants' view of climate risk variables.

### 3. MATERIAL ACCOUNTING POLICIES

#### Application of Accounting Policies

The Company has consistently applied the accounting policies for all periods presented in the financial statements. The Company has adopted the standards set out in Note 3 during the year. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective as given in Note 5.

Apart from the material accounting policies set out below, the specific accounting policies pertaining to each item in the financial statements have been presented within the respective notes to the financial statements. These material accounting policies have been applied consistently to all periods presented in the financial statements of the Company, unless otherwise indicated.

The accounting policies have been consistently applied by the entity where applicable and deviations if any have been disclosed accordingly. Further the changes in accounting policies due to adoption of new standards and interpretations have been presented in Note 4 to the financial statements.

### 3.1 Financial Instruments-Initial Recognition, Classification and Subsequent Measurement

#### 3.1.1 Date of Recognition

Financial assets and liabilities are initially recognised on the trade date. i.e. the date that the Company becomes a party to the contractual provisions of the instrument. This includes "regular way trades". Regular way trades means purchases or sales of financial assets with in the time frame generally established by regulation or convention in the market place.

#### 3.1.2 Initial measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, and except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for "Day 1 profit or loss", as described below.

##### 3.1.2.1 'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the

transaction price and fair value ('Day 1' profit or loss) in the Income Statement over the tenor of the financial instrument using effective interest rate method. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Income Statement when the inputs become observable, or when the instrument is derecognised.

### 3.1.3 Measurement categories of Financial Assets and Financial Liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost,
- Fair value through other comprehensive income (FVOCI) or
- Fair value through profit or loss (FVPL)

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

#### 3.1.3.1 Financial Assets at Amortised cost:

The Company only measures loans and advances, receivables, and other financial investments, at amortised cost if both of the following conditions are met:

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

Loans and Receivables consist of cash and bank balances, securities purchased under repurchase agreements, factoring receivables, lease receivables, loan receivables, gold loan receivables and other assets.

The details of the above conditions are outlined below.

#### 3.1.3.1 (a) Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair values of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

#### 3.1.3.1 (b) The SPPI test

As a second step of its classification process, the Company assesses the contractual terms of financial instrument to identify whether they meet the SPPI test.

## NOTES TO THE FINANCIAL STATEMENTS

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

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

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

### 3.1.3.2 Equity instruments at FVOCI

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

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in income statement as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Currently, the Company has recorded its non-quoted equity investments FVOCI. The details of equity instruments at FVOCI are given in Note 24 to the Financial Statements.

### 3.1.3.3 Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. The company does not have compound financial instruments which contains both a liability and an equity component and require separation as at the date of the issue.

Currently, the Company has recorded Debt issued and other borrowed funds as Financial Liabilities at Amortised Cost in the form of term loans, short term loans, securitizations and debentures.

### 3.1.3.4 Financial guarantees and undrawn loan commitments

The Company issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the Financial Statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and ECL Provision under SLFRS 9.

The premium received is recognised in the Income Statement in Net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. These contracts are in within the scope of the ECL requirements.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded - in the Statement of Financial Position. The nominal values of these instruments are disclosed in Note 42.

### 3.1.4 Classification and Subsequent Measurement of Financial Liabilities

Financial liabilities, other than loan commitments and financial guarantees, are measured as,

- (i) Financial liabilities at Fair Value through Profit or Loss (FVTPL)
  - a) Financial liabilities held for trading
  - b) Financial liabilities designated at fair value through profit or loss
- (ii) Financial liabilities at amortised cost, when they are held for trading, derivative instruments or the fair value designation is applied.

The subsequent measurement of financial liabilities depends on their classification.

#### i. Financial Liabilities at Fair Value Through Profit or Loss (FVTPL)

Financial Liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes therein recognized in the Income Statement.

#### ii. Financial Liabilities at Amortised Cost

Financial Instruments issued by the Company that are not designated at fair value through

profit or loss, are classified as financial liabilities at amortised cost under 'bank overdraft', 'due to other customers', 'debt issued and other borrowed funds' and 'other payables' as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial assets for a fixed number of own equity shares at amortised cost using EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Income Statement. Gains and losses are recognized in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

Currently, the Company has recorded Debt issued and other borrowed funds as Financial Liabilities at Amortised Cost in the form of term loans, short term loans, securitizations and debentures.

### 3.1.5 Derecognition of Financial Assets and Financial Liabilities

#### 3.1.5.1 Derecognition due to substantial modification of terms and conditions

The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans and advances are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit impaired at the date of inception.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Company considers the following factors.

- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

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### 3.1.5.2 Derecognition other than for substantial modification

#### 3.1.5.2 (a) Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset, if and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset

or

- It retains the rights to cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset

or

- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises as associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### 3.1.5.2 (b) Derecognition - Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the income statement.

#### 3.1.6 Determination of Fair Value

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

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that

is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The disclosure of fair value of financial instruments is disclosed in Note 39 to the Financial Statements.

#### 3.1.7 Impairment of Financial Assets

##### 3.1.7.1 Overview of the expected credit loss (ECL) principles

The Company calculates impairment allowances on financial assets in line with Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments) and as per the CBSL Directive No. 01 of 2020 on Classification and Measurement of Credit Facilities in Licensed

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Finance Companies (LFCs). Accordingly, the Company has been recording impairment (expected credit losses) for all loans and advances, debt & other financial instruments not held at FVPL, together with loan commitments, financial guarantee contracts, letter of credit and acceptances. Equity instruments are not subject to impairment 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 (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 40.4.1(b).

The 12mECL is the portion of LTECLs that represent 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 collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company 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.

Based on the above process, the Company groups its loans and advances into Stage 1, Stage 2, Stage 3 and POCI, as described below.

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

**Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 loans and advances also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

**Stage 3:** Loans and advances considered credit-impaired. The Company records an allowance for the LTECLs.

**POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Company 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.

### 3.1.7.2 The Calculation of Expected Credit Loss (ECL)

The Company calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfall (the base case, best case and the worst case), discounted at an approximation to the EIR. Each of these is associated with different loss rates. The assessment of multiple scenarios incorporates how defaulted loans and advances are expected to be recovered, including the probability that the loans and advances will cure and the value of collateral or the amount that might be received for selling the asset.

Key elements of the ECL calculations are outlined below.

**PD:** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in Note 3.1.7.4 (a).

**EAD:** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from

missed payments. The EAD is further explained in Note 3.1.7.4 (b).

**LGD:** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 3.1.7.4 (c).

With the exception of debt factoring and other revolving facilities, for which the treatment is separately set out in Note 3.1.7.7 the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Company has the legal right to call it earlier.

### 3.1.7.3 Calculation of ECLs for individually significant loans and advances

The Company first assesses ECLs individually for financial assets that are individually significant to the Company. In the event the Company determines that such assets are not impaired, moves in to a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of

impairment. The criteria used to determine whether individually significant customer is in default is discussed in Note 40.4.1 (a).

If the asset is impaired, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. In determining the expected future cash flows, the Company takes in to account the base case, the best case and the worst case scenarios considering various modes of settlement of the impaired credit facilities. The impairment on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses reassessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment is only released when there is reasonable and objective evidence of a reduction in the established loss estimate. Interest on individually impaired assets continues to be recognised through the unwinding of the discount.

When ECLs are determined for individually significant financial assets, following factors are considered:

- Aggregate exposure to the customer including any undrawn exposures;
- The viability of the customer's business model and their capacity to trade

successfully out of financial difficulties and generate sufficient cash flows to service debt obligations;

- The amount and timing of expected receipts and recoveries;
- The complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- The realizable value of security (or other credit mitigants) and likelihood of successful repossession;
- The likely deduction of any costs involved in recovery of amounts outstanding;
- The likely dividend available on liquidation or bankruptcy

### 3.1.7.4 Grouping financial assets measured on a collective basis

The Company calculates ECLs either on a collective or an individual basis. Asset classes where the Company calculates ECL on an individual basis include:

All customers whose exposure is more than or equal to the internal threshold for classifying them as individually significant. However, if the customer is determined to be not impaired such customers are moved back to collective ECL calculation.

For all other asset classes, the Company calculates ECL on a collective basis. The Company categorises these exposures into smaller

## NOTES TO THE FINANCIAL STATEMENTS

homogeneous portfolios, based on a combination of internal and external characteristics of the loans and advances, as described below:

- Product type
- Type of collateral
- Industry of the borrower
- Whether the facility is restructured/ rescheduled

### 3.1.7.4 (a) The internal rating and PD estimation process

The Company has its own internal rating models. These models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Although these PDs are used for regulatory purposes, the same is not used for PD estimation under SLFRS 9.

PD estimation for loans and advances under SLFRS 9 is largely based on the Days Past Due (DPD) of the customers which is common for most Banks and Non-Bank Financial Institutions in the country at present.

Accordingly, exposures are categorized among 5 groups based on the DPD as follows.

- Zero days past due
- 1 - 30 days past due
- 31 - 60 days past due
- 61 - 90 days past due
- Above 90 days past due

The movement of the customers into bad DPD categories are tracked at each account level over the periods and it is used to estimate the amount of loans and advances that will eventually be written off.

However, for loans granted to banks, debt & other financial instruments classified as amortised cost, the Company relies on external credit ratings in determining their respective PDs. Due to limited stage movements in loan portfolios under moratorium schemes, the Company has used additional assessments of SICR as explained in Note 40.4.1 (b) to build an allowance of overlay to better reflect the portfolio position.

### 3.1.7.4 (b) Exposure at default

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 Company assesses the possible default events within 12 months. However, if a Stage 1 loan that is expected to default within the 12 months from the balance sheet date is also expected to cure and subsequently default again, then all linked default events are considered. For Stage 2 and Stage 3 financial assets and credit impaired financial assets at origination, events over the lifetime of the instruments are considered. The Company 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 Company's models.

### 3.1.7.4 (c) Loss given default

LGD values are assessed at least annually for each material collateral type. The Company segregates its customer loan book based on following major types of collaterals when calculating the LGD.

- Secured against cash/ deposits held within the Company
- Secured against immovable property
- Secured against motor vehicles and other movable properties
- Secured against gold
- Secured against lease receivables

These LGD rates consider the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held. Historically collected loss data is used for LGD calculation and involves a wider set of transaction characteristics (e.g. product type, collateral type) as well as borrower characteristics. Further, recent data and forward-looking economic scenarios are used in order to determine the LGD for each collateral type. The LGD rates, where possible, are calibrated through back testing against recent recoveries.

### 3.1.7.5 Financial Guarantee contracts:

The Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose the Company estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability - weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognised within provisions.

### 3.1.7.6 Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to Income Statement. The accumulated loss recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

### 3.1.7.7 Debt factoring and revolving loans

The Company's product offering includes debt factoring and revolving loan facilities, in which the Company has the right to cancel and/or reduce the facilities within a short notice.

The Company does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Company's expectations of the customer behaviour, its likelihood of default and the Company's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Company's expectations, the period over which the Company calculates ECLs for these products, is limited to 12 months.

The ongoing assessment of whether a significant increase in credit risk has occurred for debt factoring and revolving loan facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in utilization.

### 3.1.7.8 Forward looking information

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rate
- Central Bank base rates
- Inflation

The Company revisited the weightages assigned for multiple economic scenarios under the Economic Factor Adjustment (EFA) and decreased the weightage for the worst-case scenario by considering the positive movements in major macro-economic variables. Further,

macro-economic variables such as GDP growth, inflation rate, interest rate, exchange rate etc., used in the EFA model were also revised to reflect the most recent economic data, available as at the reporting date.

|            | 2025 | 2024 |
|------------|------|------|
| Base Case  | 20%  | 40%  |
| Best Case  | 10%  | 20%  |
| Worst Case | 70%  | 40%  |

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.

To ensure completeness and accuracy, the Company obtains the above data primarily from the Central Bank of Sri Lanka. Other third party sources such as World Bank and International Monetary Fund etc. are also used when CBSL data is not available.

### 3.1.7.9 Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.1.7.10 Rescheduled and restructured loans and advances

The Company sometimes makes concessions or modifications to the original terms of loans and advances as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a loan renegotiated when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Reschedule/restructure may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of the terms.

It is the Company's policy to monitor rescheduled/restructured loans and advances to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3

rescheduled/restructured asset until it collected or written off.

When the loan has been rescheduled/restructured or modified but not derecognised, the Company also reassesses whether there has been a significant increase in credit risk, as set out in Note 40.4.1(b). The Company also considers whether the assets should be classified as Stage 3.

If modifications are substantial, the loan is derecognised as explained in Note 3.1.7.10.

### 3.1.7.11 Write-off of Financial Assets

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group procedures for recovery of amounts due.

### 3.1.7.12 Collateral Valuation

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, securities, letter of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as

netting arrangements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka.

To the extent possible, the Company uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuation specialists, Audited Financial Statements and other independent sources.

### 3.1.7.13 Collateral repossessed

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations will be transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. The Company did not transfer any repossessed assets to its property, plant and equipment during the years ended 31 December 2025 and 2024.

### 3.1.8 Offsetting Financial Assets and Liabilities

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 currently enforceable legal right to offset the recognised amounts and there is an intention to settle

on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of Financial Position. Income and expenses are presented on a net basis only when permitted under LKAS/SLFRS, or for gains and losses arising from a group of similar transactions such as in the group's trading activity.

### 3.1.9 Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

## 3.2 Leases

At inception of a contract, the Company assesses whether the contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company considers whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly and

should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- The Company has right to obtain substantially all of the economic benefits from use of asset throughout the period of use; and
- The Company has right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either;
- The Company has the right to operate the asset; or
- The Company designed the asset in a way that predetermines how and for what purpose it will be used.

### 3.2.1 Company as the Lessee

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the

underlying assets or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property plant and equipment and are in the range of 1 to 10 years.

In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company' incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments such as company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured

## NOTES TO THE FINANCIAL STATEMENTS

in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Company presents right of use assets under Note 27 to the financial statements while the corresponding lease liability is presented in Note 32, 'Other Liabilities'.

### 3.2.1 (a) Short term leases and leases of low value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short term leases (that have a lease term of 12 months or less) and leases of low value assets. The Company recognises lease payments associated with these leases as an expense on a straight line basis over the lease term.

### 3.2.2 Company as the Lessor

When the Company acts as a lessor, it determines at least inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease. If not it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the assets.

When the Company is the lessor under a finance lease contract, the amounts due under the leases, after deduction of unearned interest income, are included in Note 21, 'Lease receivables'. Interest income receivable is recognised in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

The Company recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of other income.

### 3.3 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its

obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

### 3.4 Operational Risk Events

Provisions for operational risk events are recognised for losses incurred by the Company which do not relate directly to the amounts of principal outstanding for loans and advances. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

### 3.5 Impairment of Non-Financial Assets

The carrying amounts of the Company's nonfinancial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An impairment loss is recognised if the carrying amount of an

asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

### 3.6 Recognition of Income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Specific recognition criteria that must be met before revenue is recognized is discussed under Note 6- Net Interest Income, Note 7- Net Fee and Commission Income, Note 8 - Other Operating Income.

### 3.7 Other Taxes

#### 3.7.1 Value Added Tax (VAT)

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

As per the Extraordinary Gazette Notification No. 2363/22 dated December 19, 2023, published under section 2A of the Value Added Tax Act No. 14 of 2002, VAT rate was revised with effect from January 01, 2024. Meanwhile, VAT Rate applicable on supply of financial services remains unchanged at Eighteen per centum (18%).

#### 3.7.2 Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No.25 of 2022 (SSCL Act) and amendments thereto, at the rate of 2.5%, with effect from 01 October 2022. SSCL is payable on 100% of the Value Addition attributable to financial services.

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

### 3.8 Regulatory provisions

#### 3.8.1 Deposit Insurance and Liquidity Support Scheme

In terms of the "Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations, No. 02 of 2021" issued on 06 August 2021, all Finance Companies are required to insure their deposit liabilities in the "Sri Lanka

Deposit Insurance and Liquidity Support Scheme".

The deposits to be insured shall include demand, time and savings and certificates of deposit liabilities inclusive of any interest accrued and exclude the following.

- Deposit liabilities to member institutions
- Deposit liabilities maintained individually or jointly with any other party, by Directors, Key Management Personnel, other related parties, excluding shareholders as defined in the Finance Companies Act (Corporate Governance) Direction, No. 3 of 2008 for Licensed Finance Companies
- Deposit liabilities maintained either individually or jointly with any other party, by former Directors or Key Management Personnel
- Deposits falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to the Central Bank of Sri Lanka in terms of the relevant Directions issued by the Monetary Board

Registered Finance Companies are required to pay a premium of 0.15% on total amount of eligible deposits as at end of

## NOTES TO THE FINANCIAL STATEMENTS

the month with in a period of 15 days from the end of the respective month.

### 3.8.2 Crop Insurance Levy (CIL)

In terms of the Finance Act No. 12 of 2013, all institutions under the purview of Banking Act No.30 of 1988, Finance Business Act No.42 of 2011 and Regulation of Insurance Industry Act No. 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund effective from 01 April 2013.

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments became effective on January 1, 2023.

### 4. NEW ACCOUNTING STANDARDS ISSUED DURING THE YEAR/CHANGES TO ALREADY EXISTING ACCOUNTING STANDARDS

The Company applied for the first-time certain standards and amendments, if applicable, which are effective for annual periods beginning on or after 1 January 2025 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The amendments to the following Accounting Standards, did not have a material impact on the Financial Statements of the Company.

- Lack of Exchangeability (Amendments to IAS 21)

### 5. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT 31 DECEMBER 2025

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

#### ■ SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 (Insurance Contracts). SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required.

The Financial Statements of the Company is not expected to have a material impact from SLFRS 17 - Insurance Contracts.

#### ■ IFRS 18 Presentation and Disclosure in Financial Statements

SLFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Company is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Company's statement of profit or loss, the statement

of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

■ **SLFRS S1 General requirements for disclosure of sustainability related financial information and SLFRS S2 Climate-related disclosures**

- SLFRS S1 General Requirements for Disclosure of Sustainability related Financial Information requires an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
- SLFRS S2 Climate-related Disclosures is to requires an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

- These standards will become effective for the Company from 1 April 2025. No financial impact is expected on the Company except for additional disclosures.

■ **Other accounting standards**

The following new and amended accounting standards are not expected to have a significant impact on the Company's consolidated financial statements.

- Classification and Measurement of Financial Instruments (Amendments to SLFRS 9 and SLFRS 7)

## NOTES TO THE FINANCIAL STATEMENTS

### 6. NET INTEREST INCOME

#### ACCOUNTING POLICY

##### Recognition of Interest Income

The Company recognises interest income for all financial instruments measured at amortised cost, financial instruments designated at FVPL and interest-bearing financial assets measured at FVOCI using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortised through interest and similar income in the income statement.

When a financial asset becomes credit-impaired (as set out in Note 40.4.1. (a)) and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis. Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate under net interest income.

##### Interest Income on Overdue Rentals

Interest from overdue rentals has been accounted for on cash received basis.

#### 6.1 Interest income

| <b>For the year ended 31 December</b>                                   | <b>2025</b>       | <b>2024</b>    |
|---|-------------------|----------------|
|   | <b>Rs.'000</b>    | <b>Rs.'000</b> |
| Interest income on lease receivables                                    | <b>6,314,955</b>  | 5,877,363      |
| Interest income on hire purchase receivables                            | -                 | 72             |
| Interest income on factoring receivables                                | <b>27,841</b>     | 20,468         |
| Interest income accrued on impaired financial assets (Note 18.5 & 18.6) | <b>366</b>        | 541            |
| Interest income on loan receivables                                     | <b>1,087,514</b>  | 419,863        |
| Interest income on gold loan receivables                                | <b>2,633,849</b>  | 1,877,449      |
| Interest income on government securities                                | <b>668,299</b>    | 862,378        |
| Interest income on overdue rentals                                      | <b>692,084</b>    | 757,691        |
| Interest income on staff loans  | <b>39,035</b>     | 26,126         |
| Interest income on placements with banks                                | <b>986</b>        | 876            |
| <b>Total interest income</b>  | <b>11,464,929</b> | 9,842,826      |

## 6.2 Interest expenses

| For the year ended 31 December | 2025<br>Rs.'000  | 2024<br>Rs.'000  |
|--------------------------------|------------------|------------------|
| Bank overdraft                 | 2,317            | 4,411            |
| Short term borrowings          | 388,807          | 409,983          |
| Lease liabilities (Note 32.1)  | 76,508           | 61,675           |
| Customer deposits              | 3,540,223        | 3,534,285        |
| Long term borrowings           | 916,619          | 666,460          |
| Securitization loans           | 7,940            | 63,196           |
| Redeemable debentures          | 971,020          | 569,313          |
| <b>Total interest expenses</b> | <b>5,903,434</b> | 5,309,323        |
| <b>Net interest income</b>     | <b>5,561,495</b> | <b>4,533,503</b> |

## 7. NET FEE AND COMMISSION INCOME

### ACCOUNTING POLICY

#### Fee Income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include professional fees, trade service fees, commission income and asset management fees etc. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate of the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

#### Fee Income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of an acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised as the related services are performed.

#### Other fee and commission expense

Other fee and commission expense relate mainly to transactions and services fees which are expensed as the services are received. Fee and commission expenses are recognised on an accrual basis.

| For the year ended 31 December           | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
|--|-----------------|-----------------|
| Documentation charges                    | 178,668         | 92,441          |
| Insurance commission                     | 167,551         | 145,965         |
| Service charges-Gold loan                | 149,920         | 106,446         |
| Processing fees                          | 2,019           | 444             |
| Fee based income-Savings                 | 4               | 1               |
| Other fee & commission income            | 5,935           | 3,718           |
| <b>Total fee and commission income</b>   | <b>504,097</b>  | 349,015         |
| <b>Fee and commission expenses</b>       |                 |                 |
| Guarantee fee                            | 207             | 96              |
| Processing fees - Bank loans             | 5,239           | 2,809           |
| <b>Total fee and commission expenses</b> | <b>5,446</b>    | 2,905           |
| <b>Net fee and commission income</b>     | <b>498,651</b>  | 346,110         |

## NOTES TO THE FINANCIAL STATEMENTS

### 8. OTHER OPERATING INCOME

#### ACCOUNTING POLICY

##### Dividend Income

Dividend Income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment.

##### Recovery of Bad Debts Written Off

Recovery of amounts written off as bad and doubtful debts is recognised when received.

##### Other Income

Other Income is recognised on an accrual basis.

| For the year ended 31 December       | 2025<br>Rs.'000  | 2024<br>Rs.'000  |
|--------------------------------------|------------------|------------------|
| Profit on early terminations         | 949,254          | 798,000          |
| Profit on disposal of motor vehicles | 236              | 680              |
| Recovery of bad debts written off    | 230,152          | 128,347          |
| Recovery of charges                  | 40,215           | 33,370           |
| Net Gain on Assets Held for Sale     | -                | 25,502           |
| Sundry income                        | 63,857           | 111,266          |
| <b>Total other operating income</b>  | <b>1,283,714</b> | <b>1,097,165</b> |

### 9. IMPAIRMENT CHARGES/ (REVERSALS)

#### ACCOUNTING POLICY

The accounting policies adopted in determining the impairment allowance for financial assets including loans and advances are given in Note 3.1.7. to the Financial Statements.

| For the year ended 31 December           | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
|--|-----------------|-----------------|
| Bank balances (Note 17.1)                |                 |                 |
| Stage 1                                  | -               | -               |
| Stage 2                                  | -               | -               |
| Stage 3                                  | -               | -               |
|  | -               | -               |
| Factoring receivables (Note 18.5 & 18.6) |                 |                 |
| Stage 1                                  | 7,742           | (3,141)         |
| Stage 2                                  | -               | -               |
| Stage 3                                  | (1,923)         | (6,782)         |
|  | 5,819           | (9,922)         |
| Gold loan receivables (Note 19.4 & 19.5) |                 |                 |
| Stage 1                                  | 17,685          | 5,682           |
| Stage 2                                  | (138)           | (561)           |
| Stage 3                                  | 1,359           | (8,604)         |
|  | 18,906          | (3,483)         |

| <b>For the year ended 31 December</b>                  | <b>2025</b>      | <b>2024</b>      |
|--|------------------|------------------|
|  | <b>Rs.'000</b>   | <b>Rs.'000</b>   |
| Loan receivables (Note 20.5 & 20.6)                    |                  |                  |
| Stage 1  | <b>83,177</b>    | 12,775           |
| Stage 2  | <b>22,633</b>    | (3,193)          |
| Stage 3  | <b>(291,111)</b> | (86,548)         |
|  | <b>(185,302)</b> | (76,966)         |
| Lease receivables (Note 21.6 & 21.7)                   |                  |                  |
| Stage 1  | <b>67,072</b>    | 17,314           |
| Stage 2  | <b>(82,356)</b>  | (1,522)          |
| Stage 3  | <b>(26,776)</b>  | (181,599)        |
|  | <b>(42,060)</b>  | (165,807)        |
| Hire purchase receivables (Note 22.6 & 22.7)           |                  |                  |
| Stage 1  | -                | -                |
| Stage 2  | -                | -                |
| Stage 3  | -                | (937)            |
|  | -                | (937)            |
| Repossessed stock (Note 23.1 & 23.2)                   |                  |                  |
| Stage 1  | -                | -                |
| Stage 2  | -                | -                |
| Stage 3  | <b>54,721</b>    | 110,858          |
|  | <b>54,721</b>    | 110,858          |
| Other receivables (Note 23.3)                          |                  |                  |
| Stage 1  | -                | -                |
| Stage 2  | -                | -                |
| Stage 3  | <b>32,739</b>    | 12,813           |
|  | <b>32,739</b>    | 12,813           |
| Credit related commitments & contingencies (Note 42.2) |                  |                  |
| Stage 1  | <b>4,254</b>     | (3,471)          |
| Stage 2  | -                | -                |
| Stage 3  | -                | -                |
|  | <b>4,254</b>     | (3,471)          |
|  | <b>(110,923)</b> | <b>(136,912)</b> |

## 10. PERSONNEL EXPENSES

### ACCOUNTING POLICY

#### Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay all employee benefits relating to employee services in the current and prior periods and the obligation can be estimated reliably.

#### Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund

## NOTES TO THE FINANCIAL STATEMENTS

does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods, as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

The contribution payable by the employer to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under 'Personnel expenses' as and when they become due. Unpaid contributions are recorded as a liability under 'Other liabilities'.

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund. Further, the Company also contributes 12% on the salary of each employee to the Employees' Provident Fund. The above expenses are identified as contributions to "Defined Contribution Plans" as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

### Defined Benefit Plan - Gratuity

All the employees of the company are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983, at the rate of one half of the Gross Basic Salary applicable to the last month of the financial year in which the employment is terminated or resigned, for each year of completed service, for those who have served in excess of 5 years.

An actuarial valuation is carried out at every year end to ascertain the full liability under gratuity.

### Funding Arrangements

The gratuity liability is not externally funded.

The Company determines the interest expense on this defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the defined benefit liability at the beginning of the annual period. The discount rate is the yield at the reporting date on government bonds (15 years) that have maturity dates approximating to the terms of the Company's obligations. During the year, treasury bond rates experienced a notable decrease attributed to a decline in risk premia. Accordingly, the discount rate used to measure the defined benefit liability has decreased due to this effect.

The increase in gratuity liabilities attributable to the services provided by employees during the year ended 31 December 2025 (current service cost) has been recognised in the Income Statement under 'Personnel expenses' together with the net interest expense. The Company recognises the total actuarial gain/loss that arises in calculating the Company's obligation in respect of gratuity in other comprehensive income during the period in which it occurs. There were no plan amendments or curtailments affecting the Company's gratuity liabilities during the year ended 31 December 2025 other than those disclosed in Note 34.4 to the Financial Statements.

The demographic assumptions underlying the valuation are retirement age (60 years), early withdrawals from service and retirement on medical grounds etc.

| For the year ended 31 December    | 2025             | 2024      |
|-----------------------------------|------------------|-----------|
|                                   | Rs.'000          | Rs.'000   |
| Salaries and bonus                | 1,910,481        | 1,626,609 |
| Contributions to EPF & ETF        | 149,031          | 116,915   |
| Provision on gratuity (Note 34.2) | 50,954           | 43,074    |
| Others                            | 484,372          | 311,042   |
|                                   | <b>2,594,838</b> | 2,097,640 |

## 11. OTHER OPERATING EXPENSES

| For the year ended 31 December                   | 2025             | 2024             |
|--|------------------|------------------|
|  | Rs.'000          | Rs.'000          |
| Directors' emoluments                            | 49,910           | 43,627           |
| Auditors' remuneration (Note 11.1)               | 5,925            | 6,660            |
| Professional & legal expenses                    | 30,645           | 28,685           |
| Depreciation & amortization expenses (Note 11.2) | 315,966          | 258,816          |
| Deposit insurance premium                        | 50,585           | 39,443           |
| Donations  | 650              | 510              |
| Office administration & establishment expenses   | 588,929          | 547,517          |
| Advertising expenses                             | 83,045           | 88,909           |
| Expenses on sustainable financial activities     | 900              | 1,369            |
| Other expenses                                   | 71,599           | 92,562           |
|  | <b>1,198,155</b> | <b>1,108,098</b> |

### 11.1 Auditors' remuneration

|                               |              |              |
|-------------------------------|--------------|--------------|
| Audit fees                    | 2,250        | 2,000        |
| Audit related fees & expenses | 1,875        | 2,535        |
| Non - audit expenses          | 1,800        | 2,125        |
|                               | <b>5,925</b> | <b>6,660</b> |

### 11.2 Depreciation & amortization expenses

#### ACCOUNTING POLICY

##### Depreciation of Property, Plant and Equipment

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates, on a straight-line basis, over the periods appropriate to the estimated useful lives, based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company. Freehold land of the Company not depreciated.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

| Asset Category                         | Depreciation Rate per Annum (%) |            |
|--|---------------------------------|------------|
|  | 2025                            | 2024       |
| Freehold buildings                     | 2.50                            | 2.50       |
| Office equipment *                     | 5.00-15.00                      | 5.00-15.00 |
| Computer equipment                     | 16.67                           | 16.67      |
| Office furniture                       | 15.00                           | 15.00      |
| Motor vehicles (except Motor Bicycles) | 12.50                           | 12.50      |
| Motor bicycles                         | 20.00                           | 20.00      |
| Fixtures **                            | 4.00-20.00                      | 4.00-20.00 |

\*Transformers, generator and mechanical ventilation & air conditioning system are depreciated at 5% per annum.

\*\*Fire protection system, elevators, and puzzle parking system depreciated at 4%, 5% and 6.67% per annum respectively.

## NOTES TO THE FINANCIAL STATEMENTS

### Amortisation of Intangible Assets

Intangible assets, except for goodwill, are amortised on a straight-line basis in the Income Statement from the date when the asset is available for use, over the best estimate of its useful economic life, based on a pattern in which the asset's economic benefits are consumed by the Company. The Company assumes that there is no residual value for its intangible assets.

| Asset Category               | Amortisation Rate per Annum (%) |       |
|------------------------------|---------------------------------|-------|
|                              | 2025                            | 2024  |
| Computer software & Licenses | <b>25.00</b>                    | 25.00 |

### Amortisation of Right-of-Use Assets

The right of use assets are depreciated using a straight-line method from the commencement date to the earlier of the end of the useful life of the right of use assets or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property plant and equipment and are in the range of 1 to 10 years.

| For the year ended 31 December                          | 2025           | 2024    |
|---|----------------|---------|
|   | Rs.'000        | Rs.'000 |
| Depreciation on property, plant & equipment (Note 26.1) | <b>192,805</b> | 164,379 |
| Amortization of intangible assets (Note 29)             | <b>11,128</b>  | 5,266   |
| Amortisation expenses on right-of-use assets (Note 27)  | <b>112,032</b> | 89,172  |
|   | <b>315,966</b> | 258,816 |

## 12. TAXES ON FINANCIAL SERVICES

### ACCOUNTING POLICY

#### Value Added Tax (VAT) on Financial Services

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

As per the Extraordinary Gazette Notification No. 2363/22 dated December 19, 2023, published under section 2A of the Value Added Tax Act No. 14 of 2002, VAT rate was revised to 18% from 15% with effect from January 01, 2024. Meanwhile, VAT Rate applicable on supply of financial services remains unchanged at Eighteen per centum (18%).

#### Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No.25 of 2022 (SSCL Act) and amendments thereto, at the rate of 2.5%, with effect from 01 October 2022. SSCL is payable on 100% of the Value Addition attributable to financial services.

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

| <b>For the year ended 31 December</b> | <b>2025</b>      | <b>2024</b>    |
|---------------------------------------|------------------|----------------|
|                                       | <b>Rs.'000</b>   | <b>Rs.'000</b> |
| Value added tax on financial services | <b>877,988</b>   | 704,781        |
| Social security contribution levy     | <b>124,195</b>   | 97,886         |
|                                       | <b>1,002,183</b> | 802,667        |

### 13. INCOME TAX EXPENSE

#### ACCOUNTING POLICY

As per Sri Lanka Accounting Standard - LKAS 12 (Income Taxes), tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognised in the Income Statement, except to the extent it relates to items recognised directly in equity or other comprehensive income in which case it is recognised in equity or in other comprehensive income. The Company applied IFRIC Interpretation 23 "Uncertainty over Income Tax Treatment" in the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over the income tax treatment. However, the application of IFRIC 23 did not have any significant impact on the financial statements of the Company to provide additional disclosures in the financial statements.

#### Current Taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto at the rates specified in Note 13.3 to the Financial Statements.

#### Deferred Taxation

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent it is probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intentions to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction. Details of current tax liabilities and deferred tax liabilities / (assets) are given in Note 33 and Note 28 to the Financial Statements respectively.

## NOTES TO THE FINANCIAL STATEMENTS

**13.1** The major components of income tax expense for the year ended 31 December are as follows.

### 13.1.1 Current tax expense

| For the year ended 31 December  | 2025             | 2024     |
|---|------------------|----------|
|   | Rs.'000          | Rs.'000  |
| Current tax based on profit for the year (Note 13.2)                                  | <b>1,079,997</b> | 846,223  |
| (Over)/Under provision in respect of previous years,including settlements (Note 13.2) | <b>(8,449)</b>   | 107,048  |
| Total current tax expense   | <b>1,071,548</b> | 953,271  |
| 13.1.2 Deferred tax expense   |                  |          |
| - Due to change in temporary differences (Note 28)                                    | <b>31,653</b>    | (51,359) |
| Total deferred taxation reversal (Note 28)  | <b>31,653</b>    | (51,359) |
| Income tax expense (Note 13.2)  | <b>1,103,201</b> | 901,912  |
| Effective tax rate  | <b>41.5%</b>     | 42.8%    |

### 13.2 Reconciliation of the accounting profit to current tax expense

| For the year ended 31 December  | 2025         |                  | 2024  |           |
|---|--------------|------------------|-------|-----------|
|   | %            | Rs.'000          | %     | Rs.'000   |
| <b>Profit before tax</b>  |              | <b>2,659,608</b> |       | 2,105,285 |
| Tax effect on accounting profit before tax                            | <b>30.0%</b> | <b>797,882</b>   | 30.0% | 631,586   |
| Tax effect of non deductible expenses                                 | <b>17.7%</b> | <b>470,924</b>   | 18.7% | 392,827   |
| Tax effect of other allowable credits                                 | <b>-7.1%</b> | <b>(188,809)</b> | -8.5% | (178,190) |
|   | <b>40.6%</b> | <b>1,079,997</b> | 40.2% | 846,223   |
| (Over)/ Under provision of current taxes in respect of previous years | <b>-0.3%</b> | <b>(8,449)</b>   | 5.1%  | 107,048   |
| Deferred tax charge/(reversal)  |              |                  |       |           |
| - Due to change in temporary differences                              | <b>1.2%</b>  | <b>31,653</b>    | -2.4% | (51,359)  |
|   | <b>41.5%</b> | <b>1,103,201</b> | 42.8% | 901,912   |

### 13.3 Applicable Income Tax Rates

|                            | 2025       | 2024 |
|----------------------------|------------|------|
| Applicable Income Tax Rate | <b>30%</b> | 30%  |

The Company was liable for income tax on local dividend received for the year 2025 at 15% (2024 -15%).

### 13.4 Income Tax Rate

#### 13.4.1 For the year ended 31 December 2025

The Company applied the 30% tax rate and other amendments in line with the Inland Revenue (Amendment) Act No. 45 of 2022 to calculate the income tax and deferred tax assets/liabilities as of 31 December 2025 and 31 December 2024.

### 14. EARNINGS PER ORDINARY SHARE - BASIC/DILUTED

#### ACCOUNTING POLICY

The Company presents basic /diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit attributable to the ordinary equity shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

|   | 2025<br>Rs.        | 2024<br>Rs. |
|---|--------------------|-------------|
| Profit attributable to ordinary shareholders (Rs.'000)            | <b>1,556,407</b>   | 1,203,373   |
| Weighted average number of ordinary shares during the year (14.1) | <b>100,556,566</b> | 100,556,566 |
| Basic/Diluted earnings per ordinary share (Rs.)                   | <b>15.48</b>       | 11.97       |

#### 14.1 Weighted average number of ordinary shares (basic)

|   | Outstanding No: of Shares |             | Weighted Average No: of Shares |             |
|---|---------------------------|-------------|--------------------------------|-------------|
|   | 2025                      | 2024        | 2025                           | 2024        |
| Number of shares in issue as at 01 January  | <b>100,421,363</b>        | 100,329,537 | <b>100,421,363</b>             | 100,421,363 |
| Add:  |                           |             |                                |             |
| Number of shares issued due to scrip dividend 2023                                  | -                         | 91,826      | -                              | -           |
| Number of shares issued due to scrip dividend 2024                                  | <b>135,203</b>            | -           | <b>135,203</b>                 | 135,203     |
| Number of shares in issue/weighted average number of ordinary shares at 31 December | <b>100,556,566</b>        | 100,421,363 | <b>100,556,566</b>             | 100,556,566 |

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements, which would require the restatement of EPS.

### 15. DIVIDEND PAID

#### ACCOUNTING POLICY

Dividends on ordinary shares are recognised as a liability and deducted in equity when they are recommended and declared by the Board of Directors and approved by the shareholders.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date in accordance with the Sri Lanka Accounting Standard – LKAS 10 on 'Events after the reporting period'.

## NOTES TO THE FINANCIAL STATEMENTS

|                                    | 2025        | 2024        |
|------------------------------------|-------------|-------------|
|                                    | Rs.         | Rs.         |
| Scrip dividends paid (Rs. 000)     | 12,051      | 7,023       |
| Number of Ordinary Shares          | 100,421,363 | 100,329,537 |
| Dividends per Ordinary Share (Rs.) | 0.12        | 0.07        |

A scrip dividend of Rs. 0.12 per share for the year 2024 was paid in March 2025. (A scrip dividend of Rs. 0.07 per share for the year 2023 was paid in March 2024).

## 16. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

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

| As at 31 December 2025                           | Amortised<br>Cost | Fair value<br>through Other<br>Comprehensive<br>Income | Total             |
|--|-------------------|--|-------------------|
|  | Rs'000            | Rs'000   | Rs'000            |
| <b>Financial Assets</b>                          |                   |  |                   |
| Cash and bank balances                           | 483,200           | -  | 483,200           |
| Securities purchased under repurchase agreements | 8,732,389         | -  | 8,732,389         |
| Factoring receivables                            | 187,307           | -  | 187,307           |
| Gold loan receivables                            | 18,655,679        | -  | 18,655,679        |
| Loan Receivables                                 | 14,284,209        | -  | 14,284,209        |
| Lease receivables                                | 37,898,922        | -  | 37,898,922        |
| Hire purchase receivables                        | -                 | -  | -                 |
| Other assets                                     | 724,419           | -  | 724,419           |
| Equity instruments at fair value through OCI     | -                 | 56   | 56                |
| Debt instruments at amortised cost               | 56,732            | -  | 56,732            |
| <b>Total Financial Assets</b>                    | <b>81,022,856</b> | <b>56</b>  | <b>81,022,912</b> |
| <b>Financial Liabilities</b>                     |                   |  |                   |
| Bank overdraft                                   | 387,335           | -  | 387,335           |
| Due to other customers                           | 36,950,983        | -  | 36,950,983        |
| Debt issued and other borrowed funds             | 33,386,427        | -  | 33,386,427        |
| Other payables                                   | 2,482,223         | -  | 2,482,223         |
| <b>Total Financial Liabilities</b>               | <b>73,206,968</b> | <b>-</b>   | <b>73,206,968</b> |

| <b>As at 31 December 2024</b>                    | <b>Amortised<br/>Cost</b> | <b>Fair value<br/>through Other<br/>Comprehensive<br/>Income</b> | <b>Total</b>      |
|--|---------------------------|--|-------------------|
|  | <b>Rs'000</b>             | <b>Rs'000</b>  | <b>Rs'000</b>     |
| <b>Financial Assets</b>                          |                           |  |                   |
| Cash and bank balances                           | 260,579                   | -  | 260,579           |
| Securities purchased under repurchase agreements | 5,001,843                 | -  | 5,001,843         |
| Factoring receivables                            | 95,417                    | -  | 95,417            |
| Gold loan receivables                            | 11,412,292                | -  | 11,412,292        |
| Loan Receivables                                 | 3,829,072                 | -  | 3,829,072         |
| Lease receivables                                | 30,717,750                | -  | 30,717,750        |
| Hire purchase receivables                        | -                         | -  | -                 |
| Other assets                                     | 688,958                   | -  | 688,958           |
| Equity instruments at fair value through OCI     | -                         | 56   | 56                |
| Debt instruments at amortised cost               | 4,335,257                 | -  | 4,335,257         |
| <b>Total Financial Assets</b>                    | <b>56,341,168</b>         | <b>56</b>  | <b>56,341,223</b> |
| <b>Financial Liabilities</b>                     |                           |  |                   |
| Bank overdraft                                   | 128,514                   | -  | 128,514           |
| Due to other customers                           | 32,197,075                | -  | 32,197,075        |
| Debt issued and other borrowed funds             | 15,642,339                | -  | 15,642,339        |
| Other payables                                   | 1,829,797                 | -  | 1,829,797         |
| <b>Total Financial Liabilities</b>               | <b>49,797,725</b>         | <b>-</b>   | <b>49,797,725</b> |

## 17. CASH AND BANK BALANCES

### ACCOUNTING POLICY

Cash and bank balances comprise cash in hand, balances with banks, money at call and short notice that are subject to an insignificant risk of changes in their value. Cash and bank balances are carried at amortised cost in the Statement of Financial Position.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short term deposits as defined above, placements with banks (less than 3 months) net of unfavourable balances with local banks, securities purchased under repurchase agreement (less than three months) and investments in treasury bills (less than three months).

| <b>As at 31 December</b>                               | <b>2025</b>     | <b>2024</b>     |
|--|-----------------|-----------------|
|  | <b>Rs. '000</b> | <b>Rs. '000</b> |
| Cash in hand   | <b>355,387</b>  | 244,308         |
| Balances with local banks                              | <b>127,914</b>  | 16,373          |
| Less: Allowance for expected credit losses (Note 17.1) | <b>(102)</b>    | (102)           |
|  | <b>483,200</b>  | 260,579         |

## NOTES TO THE FINANCIAL STATEMENTS

### 17.1 The movement in provision for expected credit losses is as follows.

| As at 31 December                       | 2025     | 2024     |
|---|----------|----------|
|   | Rs. '000 | Rs. '000 |
| <b>Stage 1</b>                          |          |          |
| Balance as at 01 January                | 102      | 102      |
| Charge/(Reversal) for the year (Note 9) | -        | -        |
| Balance as at 31 December               | 102      | 102      |

### 18. FACTORING RECEIVABLES

| As at 31 December  | 2025           | 2024     |
|--|----------------|----------|
|  | Rs. '000       | Rs. '000 |
| Factoring receivables  | 214,689        | 142,982  |
| Less: VAT suspense   | (11)           | (39)     |
| Gross factoring receivable   | 214,678        | 142,943  |
| Less : Allowance for expected credit losses/ individual impairment (Note 18.3) | (15,530)       | (43,427) |
| Allowance for expected credit losses/ collective impairment (Note 18.4)        | (11,841)       | (4,099)  |
|  | <b>187,307</b> | 95,417   |

#### 18.1 Analysis of factoring receivables on maximum exposure to credit risk

| As at 31 December 2025                                 | Stage1         | Stage2   | Stage3     | Total          |
|--|----------------|----------|------------|----------------|
|  | Rs. '000       | Rs. '000 | Rs. '000   | Rs. '000       |
| Individually impaired factoring receivables            | -              | -        | 15,966     | 15,966         |
| Factoring receivables subject to collective impairment | 198,712        | -        | -          | 198,712        |
| Gross factoring receivables                            | 198,712        | -        | 15,966     | 214,678        |
| Allowance for expected credit losses (ECL) (Note 18.5) | (11,841)       | -        | (15,530)   | (27,371)       |
|  | <b>186,871</b> | -        | <b>436</b> | <b>187,307</b> |

#### 18.2 Analysis of factoring receivables on maximum exposure to credit risk

| As at 31 December 2024                                 | Stage1   | Stage2   | Stage3   | Total    |
|--|----------|----------|----------|----------|
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Individually impaired factoring receivables            | -        | -        | 45,312   | 45,312   |
| Factoring receivables subject to collective impairment | 97,336   | -        | 295      | 97,631   |
| Gross factoring receivables                            | 97,336   | -        | 45,607   | 142,943  |
| Allowance for expected credit losses(ECL) (Note 18.6)  | (4,099)  | -        | (43,427) | (47,526) |
|  | 93,237   | -        | 2,179    | 95,417   |

**18.3 Allowance for expected credit losses/Impairment**

|  | <b>2025</b>     | <b>2024</b>     |
|--|-----------------|-----------------|
|  | <b>Rs. '000</b> | <b>Rs. '000</b> |
| <b>Individually impaired loans</b>                   |                 |                 |
| Balance as at 01 January                             | <b>43,427</b>   | 50,755          |
| Charge/ (Reversal) to income statement               | <b>(1,923)</b>  | (6,781)         |
| Write-off during the year                            | <b>(25,609)</b> | -               |
| Interest income accrued on impaired loans (Note 6.1) | <b>(366)</b>    | (541)           |
| Other movements                                      | -               | (5)             |
| Balance as at 31 December                            | <b>15,530</b>   | 43,427          |

**18.4 Allowance for expected credit losses/Impairment**

|   | <b>2025</b>     | <b>2024</b>     |
|---|-----------------|-----------------|
|   | <b>Rs. '000</b> | <b>Rs. '000</b> |
| <b>Loans subject to collective impairment</b> |                 |                 |
| Balance as at 01 January                      | <b>4,099</b>    | 7,240           |
| Charge/ (Reversal) to income statement        | <b>7,742</b>    | (3,141)         |
| Balance as at 31 December                     | <b>11,841</b>   | 4,099           |

**18.5 Movement in allowance for expected credit losses**

| <b>As at 31 December 2025</b>                        | <b>Stage 1</b>  | <b>Stage 2</b>  | <b>Stage 3</b>  | <b>Total</b>    |
|--|-----------------|-----------------|-----------------|-----------------|
|  | <b>Rs. '000</b> | <b>Rs. '000</b> | <b>Rs. '000</b> | <b>Rs. '000</b> |
| Balance as at 01 January 2025                        | <b>4,099</b>    | -               | <b>43,427</b>   | <b>47,526</b>   |
| Charge/ (Reversal) to income statement (Note 9)      | <b>7,742</b>    | -               | <b>(1,923)</b>  | <b>5,819</b>    |
| Write-off during the year                            | -               | -               | <b>(25,609)</b> | <b>(25,609)</b> |
| Interest income accrued on impaired loans (Note 6.1) | -               | -               | <b>(366)</b>    | <b>(366)</b>    |
| Other movements                                      | -               | -               | -               | -               |
| Balance as at 31 December 2025                       | <b>11,841</b>   | -               | <b>15,530</b>   | <b>27,371</b>   |

**18.6 Movement in allowance for expected credit losses**

| <b>As at 31 December 2024</b>                        | <b>Stage 1</b>  | <b>Stage 2</b>  | <b>Stage 3</b>  | <b>Total</b>    |
|--|-----------------|-----------------|-----------------|-----------------|
|  | <b>Rs. '000</b> | <b>Rs. '000</b> | <b>Rs. '000</b> | <b>Rs. '000</b> |
| Balance as at 01 January 2024                        | 7,240           | -               | 50,755          | 57,995          |
| Charge/ (Reversal) to income statement (Note 9)      | (3,141)         | -               | (6,782)         | (9,923)         |
| Write-off during the year                            | -               | -               | -               | -               |
| Interest income accrued on impaired loans (Note 6.1) | -               | -               | (541)           | (541)           |
| Other movements                                      | -               | -               | (5)             | (5)             |
| Balance as at 31 December 2024                       | 4,099           | -               | 43,427          | 47,526          |

## NOTES TO THE FINANCIAL STATEMENTS

## 19. GOLD LOAN RECEIVABLES

| As at 31 December  | 2025<br>Rs. '000  | 2024<br>Rs. '000 |
|--|-------------------|------------------|
| Gold loan receivables  | 18,708,772        | 11,446,479       |
| Less : Allowance for expected credit losses/ collective impairment (Note 19.3) | (53,093)          | (34,187)         |
|  | <b>18,655,679</b> | 11,412,292       |

## 19.1 Analysis of gold loan receivables on maximum exposure to credit risk

| As at 31 December 2025                                  | Stage 1<br>Rs. '000 | Stage 2<br>Rs. '000 | Stage 3<br>Rs. '000 | Total<br>Rs. '000 |
|---|---------------------|---------------------|---------------------|-------------------|
| Gold loan receivables- subject to collective impairment | 17,643,370          | 914,725             | 150,677             | 18,708,772        |
| Allowance for expected credit losses(ECL) (Note 19.4)   | (44,342)            | (6,928)             | (1,823)             | (53,093)          |
|   | <b>17,599,028</b>   | <b>907,797</b>      | <b>148,854</b>      | <b>18,655,679</b> |

## 19.2 Analysis of gold loan receivables on maximum exposure to credit risk

| As at 31 December 2024                                  | Stage1<br>Rs. '000 | Stage2<br>Rs. '000 | Stage3<br>Rs. '000 | Total<br>Rs. '000 |
|---|--------------------|--------------------|--------------------|-------------------|
| Gold loan receivables- subject to collective impairment | 10,287,582         | 1,098,876          | 60,022             | 11,446,479        |
| Allowance for expected credit losses(ECL) (Note 19.5)   | (26,657)           | (7,065)            | (464)              | (34,187)          |
|   | 10,260,925         | 1,091,810          | 59,558             | 11,412,292        |

## 19.3 Allowance for expected credit losses/Impairment

| Loans subject to collective impairment | 2025<br>Rs. '000 | 2024<br>Rs. '000 |
|--|------------------|------------------|
| Balance as at 01 January               | 34,187           | 37,670           |
| Charge/ (Reversal) to income statement | 18,906           | (3,483)          |
| Balance as at 31 December              | <b>53,093</b>    | 34,187           |

## 19.4 Movement in allowance for expected credit losses

| As at 31 December 2025                          | Stage1<br>Rs. '000 | Stage2<br>Rs. '000 | Stage3<br>Rs. '000 | Total<br>Rs. '000 |
|---|--------------------|--------------------|--------------------|-------------------|
| Balance as at 01 January 2025                   | 26,657             | 7,065              | 464                | 34,187            |
| Charge/ (Reversal) to income statement (Note 9) | 17,685             | (138)              | 1,359              | 18,906            |
| Balance as at 31 December 2025                  | <b>44,342</b>      | <b>6,928</b>       | <b>1,823</b>       | <b>53,093</b>     |

### 19.5 Movement in allowance for expected credit losses

| <b>As at 31 December 2024</b>                   | <b>Stage1</b>   | <b>Stage2</b>   | <b>Stage3</b>   | <b>Total</b>    |
|---|-----------------|-----------------|-----------------|-----------------|
|   | <b>Rs. '000</b> | <b>Rs. '000</b> | <b>Rs. '000</b> | <b>Rs. '000</b> |
| Balance as at 01 January 2024                   | 20,975          | 7,627           | 9,068           | 37,670          |
| Charge/ (Reversal) to income statement (Note 9) | 5,682           | (561)           | (8,604)         | (3,483)         |
| Balance as at 31 December 2024                  | 26,657          | 7,065           | 464             | 34,187          |

### 20. LOAN RECEIVABLES

| <b>As at 31 December</b>   | <b>2025</b>       | <b>2024</b>     |
|--|-------------------|-----------------|
|  | <b>Rs. '000</b>   | <b>Rs. '000</b> |
| Revolving loan receivables   | <b>54,147</b>     | 67,707          |
| Fast draft loans receivables   | <b>10,512,617</b> | 3,252,784       |
| Vehicle Credit Facility  | <b>3,191,442</b>  | -               |
| Personal/Business loan receivables   | <b>1,143,917</b>  | 1,513,638       |
| Gross loan receivables   | <b>14,902,123</b> | 4,834,129       |
| Less : Allowance for expected credit losses/ individual impairment (Note 20.3) | <b>(404,037)</b>  | (847,939)       |
| Less : Allowance for expected credit losses/ collective impairment (Note 20.4) | <b>(213,877)</b>  | (157,118)       |
|  | <b>14,284,209</b> | 3,829,072       |

#### 20.1 Analysis of loan receivables on maximum exposure to credit risk

| <b>As at 31 December 2025</b>                         | <b>Stage1</b>     | <b>Stage2</b>    | <b>Stage3</b>    | <b>Total</b>      |
|---|-------------------|------------------|------------------|-------------------|
|   | <b>Rs. '000</b>   | <b>Rs. '000</b>  | <b>Rs. '000</b>  | <b>Rs. '000</b>   |
| Individually impaired loan receivables                | -                 | -                | <b>457,110</b>   | <b>457,110</b>    |
| Loan receivables subject to collective impairment     | <b>12,738,271</b> | <b>1,521,777</b> | <b>184,965</b>   | <b>14,445,013</b> |
| Allowance for expected credit losses(ECL) (Note 20.5) | <b>(105,143)</b>  | <b>(31,408)</b>  | <b>(481,363)</b> | <b>(617,914)</b>  |
|   | <b>12,633,128</b> | <b>1,490,369</b> | <b>160,713</b>   | <b>14,284,209</b> |

#### 20.2 Analysis of loan receivables on maximum exposure to credit risk

| <b>As at 31 December 2024</b>                         | <b>Stage1</b>   | <b>Stage2</b>   | <b>Stage3</b>   | <b>Total</b>    |
|---|-----------------|-----------------|-----------------|-----------------|
|   | <b>Rs. '000</b> | <b>Rs. '000</b> | <b>Rs. '000</b> | <b>Rs. '000</b> |
| Individually impaired loan receivables                | -               | 7,203           | 903,137         | 910,340         |
| Loan receivables subject to collective impairment     | 3,555,170       | 208,830         | 159,790         | 3,923,789       |
| Allowance for expected credit losses(ECL) (Note 20.6) | (21,966)        | (8,775)         | (974,316)       | (1,005,057)     |
|   | 3,533,204       | 207,258         | 88,611          | 3,829,072       |

## NOTES TO THE FINANCIAL STATEMENTS

### 20.3 Allowance for expected credit losses/Impairment

|  | 2025<br>Rs. '000 | 2024<br>Rs. '000 |
|--|------------------|------------------|
| <b>Individually impaired loans</b>     |                  |                  |
| Balance as at 01 January               | 847,939          | 915,774          |
| Charge/ (Reversal) to income statement | (242,060)        | (67,834)         |
| Write-off during the year              | (201,842)        | -                |
| Balance as at 31 December              | 404,037          | 847,939          |

### 20.4 Allowance for expected credit losses/Impairment

|   | 2025<br>Rs. '000 | 2024<br>Rs. '000 |
|---|------------------|------------------|
| <b>Loans subject to collective impairment</b> |                  |                  |
| Balance as at 01 January                      | 157,118          | 173,877          |
| Charge/ (Reversal) to income statement        | 56,759           | (9,132)          |
| Write-off during the year                     | -                | (7,628)          |
| Balance as at 31 December                     | 213,877          | 157,118          |

### 20.5 Movement in allowance for expected credit losses

| As at 31 December 2025                          | Stage1<br>Rs. '000 | Stage2<br>Rs. '000 | Stage3<br>Rs. '000 | Total<br>Rs. '000 |
|---|--------------------|--------------------|--------------------|-------------------|
| Balance as at 01 January 2025                   | 21,966             | 8,775              | 974,316            | 1,005,057         |
| Charge/ (Reversal) to income statement (Note 9) | 83,177             | 22,633             | (291,111)          | (185,301)         |
| Write-off during the year                       | -                  | -                  | (201,842)          | (201,842)         |
| Balance as at 31 December 2025                  | 105,143            | 31,408             | 481,363            | 617,914           |

### 20.6 Movement in allowance for expected credit losses

| As at 31 December 2024                          | Stage1<br>Rs. '000 | Stage2<br>Rs. '000 | Stage3<br>Rs. '000 | Total<br>Rs. '000 |
|---|--------------------|--------------------|--------------------|-------------------|
| Balance as at 01 January 2024                   | 9,191              | 11,968             | 1,068,492          | 1,089,651         |
| Charge/ (Reversal) to income statement (Note 9) | 12,775             | (3,193)            | (86,548)           | (76,966)          |
| Write-off during the year                       | -                  | -                  | (7,628)            | (7,628)           |
| Balance as at 31 December 2024                  | 21,966             | 8,775              | 974,316            | 1,005,057         |

## 21. LEASE RECEIVABLES

| As at 31 December<br>At Amortized cost  | 2025<br>Rs. '000 | 2024<br>Rs. '000 |
|---|------------------|------------------|
| Total lease rentals receivable  | 50,575,736       | 42,274,296       |
| Less: Unearned lease interest income  | (11,086,769)     | (9,727,455)      |
| Gross lease receivable  | 39,488,967       | 32,546,840       |
| Less: Allowance for expected credit losses/ collective impairment (Note 21.5) | (1,590,045)      | (1,829,090)      |
| Net lease receivable (Note 21.1 & 21.2)                                       | 37,898,922       | 30,717,750       |

Lease receivables include receivables amounting to Rs.21,897,471,345/- (2024- Rs.15,892,671,996/-) that have been assigned under term loan funding arrangement.

### 21.1 Maturity analysis of net lease receivable

| <b>As at 31 December 2025</b>  | <b>1Year</b>       | <b>1-5Year</b>     | <b>More than 5<br/>Year</b> | <b>Total</b>        |
|--|--------------------|--------------------|-----------------------------|---------------------|
|  | <b>Rs. '000</b>    | <b>Rs. '000</b>    | <b>Rs. '000</b>             | <b>Rs. '000</b>     |
| Total lease rentals receivable (Net of VAT suspense and prepaid rentals) | <b>21,071,366</b>  | <b>29,387,837</b>  | <b>116,532</b>              | <b>50,575,736</b>   |
| Less: Unearned lease interest income                                     | <b>(5,263,579)</b> | <b>(5,815,679)</b> | <b>(7,511)</b>              | <b>(11,086,769)</b> |
| Gross lease receivable   | <b>15,807,787</b>  | <b>23,572,158</b>  | <b>109,021</b>              | <b>39,488,967</b>   |
| Less: Allowance for expected credit losses                               | <b>(639,905)</b>   | <b>(945,767)</b>   | <b>(4,374)</b>              | <b>(1,590,045)</b>  |
| Net lease receivable   | <b>15,167,882</b>  | <b>22,626,392</b>  | <b>104,647</b>              | <b>37,898,922</b>   |

### 21.2 Maturity analysis of net lease receivable

| <b>As at 31 December 2024</b>  | <b>1Year</b>    | <b>1-5Year</b>  | <b>More than 5<br/>Year</b> | <b>Total</b>    |
|--|-----------------|-----------------|-----------------------------|-----------------|
|  | <b>Rs. '000</b> | <b>Rs. '000</b> | <b>Rs. '000</b>             | <b>Rs. '000</b> |
| Total lease rentals receivable (Net of VAT suspense and prepaid rentals) | 18,422,460      | 23,796,437      | 55,400                      | 42,274,296      |
| Less: Unearned lease interest income                                     | (4,775,799)     | (4,948,713)     | (2,944)                     | (9,727,456)     |
| Gross lease receivable   | 13,646,661      | 18,847,723      | 52,456                      | 32,546,840      |
| Less: Allowance for expected credit losses                               | (775,354)       | (1,050,811)     | (2,925)                     | (1,829,090)     |
| Net lease receivable   | 12,871,307      | 17,796,912      | 49,531                      | 30,717,750      |

### 21.3 Analysis of lease receivables on maximum exposure to credit risk

| <b>As at 31 December 2025</b>                             | <b>Stage1</b>     | <b>Stage2</b>     | <b>Stage3</b>    | <b>Total</b>       |
|---|-------------------|-------------------|------------------|--------------------|
|   | <b>Rs. '000</b>   | <b>Rs. '000</b>   | <b>Rs. '000</b>  | <b>Rs. '000</b>    |
| Gross lease receivables- subject to collective impairment | <b>21,108,772</b> | <b>15,833,244</b> | <b>2,546,950</b> | <b>39,488,967</b>  |
| Allowance for expected credit losses(ECL) (Note 21.6)     | <b>(201,847)</b>  | <b>(681,081)</b>  | <b>(707,117)</b> | <b>(1,590,045)</b> |
|   | <b>20,906,925</b> | <b>15,152,163</b> | <b>1,839,834</b> | <b>37,898,922</b>  |

### 21.4 Analysis of lease receivables on maximum exposure to credit risk

| <b>As at 31 December 2024</b>                             | <b>Stage1</b>   | <b>Stage2</b>   | <b>Stage3</b>   | <b>Total</b>    |
|---|-----------------|-----------------|-----------------|-----------------|
|   | <b>Rs. '000</b> | <b>Rs. '000</b> | <b>Rs. '000</b> | <b>Rs. '000</b> |
| Gross lease receivables- subject to collective impairment | 12,658,212      | 17,066,668      | 2,821,960       | 32,546,840      |
| Allowance for expected credit losses(ECL) (Note 21.7)     | (134,775)       | (763,438)       | (930,878)       | (1,829,090)     |
|   | 12,523,437      | 16,303,230      | 1,891,082       | 30,717,750      |

## NOTES TO THE FINANCIAL STATEMENTS

### 21.5 Allowance for expected credit losses/Impairment

|   | 2025<br>Rs. '000 | 2024<br>Rs. '000 |
|---|------------------|------------------|
| <b>Loans subject to collective impairment</b>   |                  |                  |
| Balance as at 01 January                        | 1,829,090        | 2,433,196        |
| Charge/ (Reversal) to income statement (Note 9) | (42,060)         | (165,807)        |
| Write-off during the year                       | (196,985)        | (438,299)        |
| Balance as at 31 December                       | 1,590,045        | 1,829,090        |

### 21.6 Movement in allowance for expected credit losses

| As at 31 December 2025                          | Stage1<br>Rs. '000 | Stage2<br>Rs. '000 | Stage3<br>Rs. '000 | Total<br>Rs. '000 |
|---|--------------------|--------------------|--------------------|-------------------|
| Balance as at 01 January 2025                   | 134,775            | 763,437            | 930,878            | 1,829,090         |
| Charge/ (Reversal) to income statement (Note 9) | 67,072             | (82,356)           | (26,776)           | (42,060)          |
| Write-off during the year                       | -                  | -                  | (196,985)          | (196,985)         |
| Balance as at 31 December 2025                  | 201,847            | 681,081            | 707,117            | 1,590,045         |

### 21.7 Movement in allowance for expected credit losses

| As at 31 December 2024                          | Stage1<br>Rs. '000 | Stage2<br>Rs. '000 | Stage3<br>Rs. '000 | Total<br>Rs. '000 |
|---|--------------------|--------------------|--------------------|-------------------|
| Balance as at 01 January 2024                   | 117,461            | 764,959            | 1,550,776          | 2,433,196         |
| Charge/ (Reversal) to income statement (Note 9) | 17,314             | (1,522)            | (181,599)          | (165,807)         |
| Write-off during the year                       | -                  | -                  | (438,299)          | (438,299)         |
| Balance as at 31 December 2024                  | 134,775            | 763,437            | 930,878            | 1,829,090         |

## 22. HIRE PURCHASE RECEIVABLES

| As at 31 December   | 2025<br>Rs. '000 | 2024<br>Rs. '000 |
|---|------------------|------------------|
| Total hire purchase rentals receivable  | 1,340            | 1,340            |
| Less: Unearned hire purchase interest income                                  | -                | -                |
| Gross hire purchase receivable  | 1,340            | 1,340            |
| Less: Allowance for expected credit losses/ collective impairment (Note 22.5) | (1,340)          | (1,340)          |
| Net hire purchase receivable (Note 22.1 & 22.2)                               | -                | -                |

No hire purchase receivables have been assigned under term loan funding arrangements as at 31 December 2025. (2024-Nil).

### 22.1 Maturity analysis of net hire purchase receivable

| As at 31 December 2025                       | 1 Year<br>Rs. '000 | 1-5 Year<br>Rs. '000 | More than<br>5 Year<br>Rs. '000 | Total<br>Rs. '000 |
|--|--------------------|----------------------|---------------------------------|-------------------|
| Total hire purchase rentals receivable       | 1,340              | -                    | -                               | 1,340             |
| Less: Unearned hire purchase interest income | -                  | -                    | -                               | -                 |
| Gross hire purchase receivable               | 1,340              | -                    | -                               | 1,340             |
| Less: Allowance for expected credit losses   | (1,340)            | -                    | -                               | (1,340)           |
|  | -                  | -                    | -                               | -                 |

## 22.2 Maturity analysis of net hire purchase receivable

| <b>As at 31 December 2024</b>                | <b>1 Year</b>   | <b>1-5 Year</b> | <b>More than 5 Year</b> | <b>Total</b>    |
|--|-----------------|-----------------|-------------------------|-----------------|
|  | <b>Rs. '000</b> | <b>Rs. '000</b> | <b>Rs. '000</b>         | <b>Rs. '000</b> |
| Total hire purchase rentals receivable       | 1,340           | -               | -                       | 1,340           |
| Less: Unearned hire purchase interest income | -               | -               | -                       | -               |
| Gross hire purchase receivable               | 1,340           | -               | -                       | 1,340           |
| Less: Allowance for expected credit losses   | (1,340)         | -               | -                       | (1,340)         |
|  | -               | -               | -                       | -               |

## 22.3 Analysis of hire purchase receivables on maximum exposure to credit risk

| <b>As at 31 December 2025</b>                                     | <b>Stage1</b>   | <b>Stage2</b>   | <b>Stage3</b>   | <b>Total</b>    |
|---|-----------------|-----------------|-----------------|-----------------|
|   | <b>Rs. '000</b> | <b>Rs. '000</b> | <b>Rs. '000</b> | <b>Rs. '000</b> |
| Gross hire purchase receivables- subject to collective impairment | -               | -               | 1,340           | 1,340           |
| Allowance for expected credit losses(ECL) (Note 22.6)             | -               | -               | (1,340)         | (1,340)         |
|   | -               | -               | -               | -               |

## 22.4 Analysis of hire purchase receivables on maximum exposure to credit risk

| <b>As at 31 December 2024</b>                                     | <b>Stage1</b>   | <b>Stage2</b>   | <b>Stage3</b>   | <b>Total</b>    |
|---|-----------------|-----------------|-----------------|-----------------|
|   | <b>Rs. '000</b> | <b>Rs. '000</b> | <b>Rs. '000</b> | <b>Rs. '000</b> |
| Gross hire purchase receivables- subject to collective impairment | -               | -               | 1,340           | 1,340           |
| Allowance for expected credit losses(ECL) (Note 22.7)             | -               | -               | (1,340)         | (1,340)         |
|   | -               | -               | -               | -               |

## 22.5 Allowance for expected credit losses/Impairment

|   | <b>2025</b>     | <b>2024</b>     |
|---|-----------------|-----------------|
| <b>Loans subject to collective impairment</b>   | <b>Rs. '000</b> | <b>Rs. '000</b> |
| Balance as at 01 January                        | 1,340           | 2,277           |
| Charge/ (Reversal) to income statement (Note 9) | -               | (937)           |
| Write-off during the year                       | -               | -               |
| Balance as at 31 December                       | 1,340           | 1,340           |

## NOTES TO THE FINANCIAL STATEMENTS

### 22.6 Movement in allowance for expected credit losses

| As at 31 December 2025                          | Stage1<br>Rs. '000 | Stage2<br>Rs. '000 | Stage3<br>Rs. '000 | Total<br>Rs. '000 |
|---|--------------------|--------------------|--------------------|-------------------|
| Balance as at 01 January 2025                   | -                  | -                  | 1,340              | 1,340             |
| Charge/ (Reversal) to income statement (Note 9) | -                  | -                  | -                  | -                 |
| Write-off during the year                       | -                  | -                  | -                  | -                 |
| Balance as at 31 December 2025                  | -                  | -                  | 1,340              | 1,340             |

### 22.7 Movement in allowance for expected credit losses

| As at 31 December 2024                          | Stage1<br>Rs. '000 | Stage2<br>Rs. '000 | Stage3<br>Rs. '000 | Total<br>Rs. '000 |
|---|--------------------|--------------------|--------------------|-------------------|
| Balance as at 01 January 2024                   | -                  | -                  | 2,277              | 2,277             |
| Charge/ (Reversal) to income statement (Note 9) | -                  | -                  | (937)              | (937)             |
| Write-off during the year                       | -                  | -                  | -                  | -                 |
| Balance as at 31 December 2024                  | -                  | -                  | 1,340              | 1,340             |

## 23. OTHER ASSETS

| As at 31 December  | 2025<br>Rs. '000 | 2024<br>Rs. '000 |
|--|------------------|------------------|
| <b>Financial Assets</b>                                  |                  |                  |
| Repossessed stock  | 134,008          | 81,882           |
| Less: Provision for repossessed stock (Note 23.1 & 23.2) | (134,008)        | (81,882)         |
| Insurance premium receivable                             | 461,839          | 416,038          |
| Less: Provision for insurance premium receivable         | (562)            | (999)            |
| Staff loan   | 248,999          | 194,201          |
| Less: Staff loan fair value adjustment                   | (36,589)         | (26,014)         |
| Insurance commission receivable                          | 53,796           | 138,357          |
| Less: Provision for insurance commission receivable      | (25,685)         | (50,676)         |
| Other financial assets                                   | 22,621           | 18,050           |
|  | <b>724,419</b>   | 688,958          |
| <b>Non Financial Assets</b>                              |                  |                  |
| Pre paid expenses  | 109,087          | 67,596           |
| Pre-paid staff cost (Note 23.4)                          | 36,589           | 26,014           |
| Advance payments   | 40,301           | 7,051            |
| Inventories  | 5,821            | 4,609            |
| Taxes receivable   | 284              | 284              |
| Other non financial assets                               | 23,869           | 18,179           |
|  | <b>215,951</b>   | 123,735          |
|  | <b>940,370</b>   | 812,692          |

### 23.1 Movement in provision for repossessed stock

| As at 31 December 2025                      | Lease<br>Rs.'000 | Hire purchase<br>Rs.'000 | Loan<br>Rs.'000 | Factoring<br>Rs.'000 | Total<br>Rs.'000 |
|---|------------------|--------------------------|-----------------|----------------------|------------------|
| Balance as at 01 January 2025               | 75,204           | 541                      | 5,239           | 897                  | 81,882           |
| Charge/ (Reversal) during the year (Note 9) | 53,649           | 279                      | (17)            | 810                  | 54,721           |
| Write-off during the year                   | (956)            | -                        | (1,536)         | (102)                | (2,594)          |
| Balance as at 31 December 2025              | 127,897          | 820                      | 3,686           | 1,605                | 134,008          |

### 23.2 Movement in provision for repossessed stock

| As at 31 December 2024                      | Lease<br>Rs.'000 | Hire purchase<br>Rs.'000 | Loan<br>Rs.'000 | Factoring<br>Rs.'000 | Total<br>Rs.'000 |
|---|------------------|--------------------------|-----------------|----------------------|------------------|
| Balance as at 01 January 2024               | 203,173          | 1,530                    | 4,271           | 332                  | 209,306          |
| Charge/ (Reversal) during the year (Note 9) | 109,022          | 303                      | 969             | 565                  | 110,858          |
| Write-off during the year                   | (236,991)        | (1,291)                  | -               | -                    | (238,282)        |
| Balance as at 31 December 2024              | 75,204           | 541                      | 5,240           | 897                  | 81,882           |

Repossessed stock of the Company and the corresponding ECL allowances are grouped under Stage 3.

### 23.3 Movement in provision for other receivables

|   | 2025<br>Rs. '000 | 2024<br>Rs. '000 |
|---|------------------|------------------|
| <b>Stage 3</b>                          |                  |                  |
| Balance as at 01 January                | 51,675           | 43,809           |
| Write-off during the year               | (58,167)         | (4,947)          |
| Charge/(Reversal) for the year (Note 9) | 32,739           | 12,813           |
| Balance as at 31 December               | 26,247           | 51,675           |

### 23.4 The movement in the pre-paid staff cost

|   | 2025<br>Rs. '000 | 2024<br>Rs. '000 |
|---|------------------|------------------|
| Balance as at 1 January                             | 26,014           | 13,794           |
| Add: Adjustment for new grants (net of settlements) | 25,530           | 20,669           |
| Charge to personnel expenses                        | (14,954)         | (8,449)          |
| Balance as at 31 December                           | 36,589           | 26,014           |

## 24. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| As at 31 December   | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
|---|-----------------|-----------------|
| Equity instruments at fair value through other comprehensive income (FVOCI) | 56              | 56              |
|   | 56              | 56              |

Unquoted equity instruments at FVOCI are recorded at cost, since there is no market value for these investments and the company intends to hold them for the long run.

## NOTES TO THE FINANCIAL STATEMENTS

### 25. DEBT INSTRUMENTS AT AMORTISED COST

| As at 31 December                           | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
|---|-----------------|-----------------|
| Government debt securities - treasury bills | <b>56,732</b>   | 4,335,257       |
|   | <b>56,732</b>   | 4,335,257       |

#### 25.1 Analysis of debt instruments at amortised cost

| As at 31 December     | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
|-----------------------|-----------------|-----------------|
| By collateralisation  |                 |                 |
| Pledged as collateral | -               | -               |
| Unencumbered          | <b>56,732</b>   | 4,335,257       |
|                       | <b>56,732</b>   | 4,335,257       |

### 26. PROPERTY, PLANT & EQUIPMENT

#### ACCOUNTING POLICY

##### Recognition

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment) in accounting for these assets. Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured.

##### Measurement

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

##### Cost Model

The Company applies the cost model to property, plant & equipment except for freehold land & buildings and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

##### Revaluation Model

The Company applies the revaluation model to the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being the fair value at the date of revaluation less any subsequent accumulated impairment losses. Freehold land and buildings of the Company are revalued every three years or more frequently if the fair values are substantially different from carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date. The Company revalued its freehold land and buildings as at 31 December 2025, the details of which are given in Note 26.3.

On revaluation of an asset, any increase in the carrying amount is recognised in 'Other comprehensive income' and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Income Statement. In these circumstances, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Income Statement or debited to the other comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset.

The decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

#### **Subsequent Cost**

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured. The costs of the day to day servicing of property, plant and equipment are charged to the Income Statement as incurred.

#### **Repairs and Maintenance**

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

#### **Capital Work -in -Progress**

Capital work in progress is stated at cost. It would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work in progress is stated at cost less any accumulated impairment losses.

#### **Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalised as part of the cost of the asset in accordance with Sri Lanka Accounting Standard - LKAS 23 (Borrowing Costs). A qualifying asset is an asset which takes substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### **De-recognition**

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of property, plant and equipment is included in the Income Statement when the item is derecognised. When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspection is derecognised.

Rates of depreciation for each category of property, plant and equipment are given in Note 11, 'Depreciation & amortization expenses'.

## NOTES TO THE FINANCIAL STATEMENTS

| 26.1 Cost  | Freehold Land & Buildings | Fixtures       | Office furniture | Office equipment | Motor vehicles | Computer equipment | Total            |
|--|---------------------------|----------------|------------------|------------------|----------------|--------------------|------------------|
|  | Rs. '000                  | Rs. '000       | Rs. '000         | Rs. '000         | Rs. '000       | Rs. '000           | Rs. '000         |
| Balance as at 31 December 2023                     | 1,825,192                 | 628,029        | 50,569           | 256,635          | 1,034          | 356,840            | 3,118,299        |
| Additions and improvements                         | -                         | 71,359         | 7,020            | 40,049           | 10,625         | 87,496             | 216,548          |
| Revaluation surplus                                | -                         | -              | -                | -                | -              | -                  | -                |
| Disposals/ Adjustments during the year             | 28,974                    | (42,604)       | (2,147)          | (20,563)         | -              | (7,868)            | (44,208)         |
| Revaluation adjustment on accumulated depreciation | -                         | -              | -                | -                | -              | -                  | -                |
| Transfers/Adjustments                              | -                         | -              | -                | -                | -              | -                  | -                |
| <b>Balance as at 31 December 2024</b>              | <b>1,854,166</b>          | <b>656,784</b> | <b>55,442</b>    | <b>276,121</b>   | <b>11,659</b>  | <b>436,468</b>     | <b>3,290,639</b> |
| Additions and improvements                         | -                         | 57,522         | 16,256           | 34,755           | 42,500         | 96,504             | 247,537          |
| Revaluation surplus                                | 41,378                    | -              | -                | -                | -              | -                  | 41,378           |
| Disposals/ Adjustments during the year             | -                         | -              | -                | -                | -              | (292)              | (292)            |
| Revaluation adjustment on accumulated depreciation | (110,516)                 | -              | -                | -                | -              | -                  | (110,516)        |
| Transfers/Adjustments                              | -                         | -              | -                | -                | -              | -                  | -                |
| <b>Balance as at 31 December 2025</b>              | <b>1,785,028</b>          | <b>714,306</b> | <b>71,698</b>    | <b>310,876</b>   | <b>54,159</b>  | <b>532,680</b>     | <b>3,468,746</b> |
| <b>Accumulated Depreciation</b>                    |                           |                |                  |                  |                |                    |                  |
| Balance as at 31 December 2023                     | 35,017                    | 286,128        | 42,208           | 104,956          | 1,034          | 183,607            | 652,950          |
| Depreciation charge for the year                   | 38,848                    | 50,910         | 4,468            | 16,319           | 583            | 53,250             | 164,379          |
| Disposals during the year                          | -                         | (1,356)        | (2,146)          | (2,792)          | -              | (6,941)            | (13,236)         |
| <b>Balance as at 31 December 2024</b>              | <b>73,865</b>             | <b>335,682</b> | <b>44,530</b>    | <b>118,482</b>   | <b>1,617</b>   | <b>229,916</b>     | <b>804,092</b>   |
| Depreciation charge for the year                   | 36,651                    | 53,480         | 12,660           | 22,548           | 3,031          | 64,435             | 192,805          |
| Disposals/Adjustments during the year              | -                         | -              | -                | -                | -              | (158)              | (158)            |
| Revaluation adjustment on accumulated depreciation | (110,516)                 | -              | -                | -                | -              | -                  | (110,516)        |
| <b>Balance as at 31 December 2025</b>              | <b>-</b>                  | <b>389,162</b> | <b>57,190</b>    | <b>141,030</b>   | <b>4,648</b>   | <b>294,193</b>     | <b>886,223</b>   |
| <b>Net book value as at 31 December 2025</b>       | <b>1,785,028</b>          | <b>325,144</b> | <b>14,508</b>    | <b>169,846</b>   | <b>49,511</b>  | <b>238,487</b>     | <b>2,582,523</b> |
| <b>Net book value as at 31 December 2024</b>       | 1,780,301                 | 321,102        | 10,912           | 157,639          | 10,042         | 206,552            | 2,486,547        |

26.2 The carrying amount of Company's revalued freehold land and buildings, if they were carried at cost less accumulated depreciation, would be as follows:

| As at 31 December  | 2025 Cost | 2025 Carrying value | 2024 Cost | 2024 Carrying value |
|--------------------|-----------|---------------------|-----------|---------------------|
|                    | Rs. '000  | Rs. '000            | Rs. '000  | Rs. '000            |
| Freehold land      | 204,079   | 204,079             | 204,079   | 204,079             |
| Freehold buildings | 1,400,691 | 1,319,150           | 1,400,691 | 1,355,800           |
| Total              | 1,604,770 | 1,523,229           | 1,604,770 | 1,559,879           |

### 26.3 Details of land and buildings stated at valuation

| Valuer/Location   | Date of Valuation | Method of Valuation | Net Book Value before Revaluation |              | Revaluation Amount |              | Revaluation Gain/(Loss) |           | Revaluation Gain/(Loss) Recognised in 2025 |           |
|---|-------------------|---------------------|-----------------------------------|--------------|--------------------|--------------|-------------------------|-----------|--|-----------|
|   |                   |                     | Land                              | Building     | Land               | Building     | Land                    | Building  | Income Statement                           | OCI       |
|   |                   |                     | Rs'Mn                             | Rs'Mn        | Rs'Mn              | Rs'Mn        | Rs'Mn                   | Rs'Mn     | Rs'Mn                                      | Rs'n      |
| C.Wellappilli No:111,<br>Dudley Senanayake<br>Mawatha, Colombo 08 | 31.12.2025        | Income basis        | 425                               | 1,319        | 450                | 1,335        | 26                      | 16        | -  | 41        |
| <b>Total</b>  |                   |                     | <b>425</b>                        | <b>1,319</b> | <b>450</b>         | <b>1,335</b> | <b>26</b>               | <b>16</b> | <b>-</b>                                   | <b>41</b> |

As per the valuation carried out on 31 December 2025 by an independent professional valuer, Mr. Chulananda Wellappilli, Chartered Valuation Surveyor, these properties were valued at their open market value using the income approach.

| <b>Significant unobservable inputs</b> | <b>Range (weighted average) 2025</b> |
|--|--------------------------------------|
| Estimated price per perch              | Rs.12.5 Million-Rs.25 Million        |

"Significant increases/ (decreases) of significant unobservable input (Estimated price per perch) would result in a significantly higher/ (lower) fair value".

### 26.4 Freehold land and buildings

| Location  | Land extent Perches | Buildings Sq.ft | No. of Buildings in the Location | Cost/Re-valuation of Land Rs'000 | Cost/Re-valuation of Building Rs'000 | Total Value Rs'000 | Accumulated Depreciation Rs'000 | 2025 Net Book Value Rs'000 | 2024 Net Book Value Rs'000 |
|---|---------------------|-----------------|----------------------------------|----------------------------------|--------------------------------------|--------------------|---------------------------------|----------------------------|----------------------------|
| No:111,<br>Dudley<br>Senanayake<br>Mawatha,<br>Colombo 08 | 29.1                | 61,370          | 1                                | 450,000                          | 1,335,028                            | 1,785,028          | -                               | <b>1,785,028</b>           | 1,780,300                  |
|   |                     |                 |                                  | 450,000                          | 1,335,028                            | 1,785,028          | -                               | <b>1,785,028</b>           | 1,780,300                  |

### 26.5 Fully Depreciated Property, Plant and Equipment

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

| <b>As at 31 December</b> | <b>2025<br/>Rs.'000</b> | <b>2024<br/>Rs.'000</b> |
|--------------------------|-------------------------|-------------------------|
| Computer equipment       | <b>112,895</b>          | 95,767                  |
| Fixtures                 | <b>224,421</b>          | 203,518                 |
| Motor vehicles           | <b>8,529</b>            | 8,529                   |
| Office equipment         | <b>84,856</b>           | 70,740                  |
| Office furniture         | <b>38,845</b>           | 32,060                  |
| Computer software        | <b>156,101</b>          | 144,232                 |
| <b>Total</b>             | <b>625,647</b>          | 554,847                 |

## NOTES TO THE FINANCIAL STATEMENTS

### 26.6 Temporarily idle Property, Plant and Equipment

The Company does not have any temporarily idle property, plant & equipment as at 31 December 2025 (2024: NIL).

### 26.7 Title restriction on Property, Plant and Equipment

There were no restrictions on the title of property, plant and equipment as at 31 December 2025 (2024: NIL).

### 26.8 Property, Plant and Equipment pledged as security against liabilities

The Company's freehold land and building have been pledged as collateral against a term loan arrangement with its Parent Company, Sampath Bank PLC.

### 26.9 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 (2024: NIL).

## 27. RIGHT-OF-USE ASSETS

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year.

| As at 31 December                          | 2025<br>Rs.'000  | 2024<br>Rs.'000 |
|--|------------------|-----------------|
| <b>Cost</b>                                |                  |                 |
| Balance as at 01 January                   | <b>1,060,775</b> | 869,450         |
| Additions and improvements                 | <b>289,930</b>   | 191,325         |
| Cost as at 31 December                     | <b>1,350,705</b> | 1,060,775       |
| <b>Accumulated amortisation</b>            |                  |                 |
| Balance as at 01 January                   | <b>578,043</b>   | 488,871         |
| Amortisation expenses for the year         | <b>112,032</b>   | 89,172          |
| Accumulated amortisation as at 31 December | <b>690,075</b>   | 578,043         |
| Net book value as at 31 December           | <b>660,630</b>   | <b>482,732</b>  |

### 27.1 Sensitivity of Right-of-Use Assets/Lease Liability to Key Assumptions

#### 27.1.1 Sensitivity to Discount Rates

1% increase/(decrease) in discount rate as at 31 December 2025 would have (decreased)/increased the lease liability by approximately Rs.44.39 Million with a similar (decrease)/increase in the right-of-use asset. Had the Company increased/(decreased) the discount rate by 1%, the Company's profit before tax for the year would have (decreased)/increased by approximately Rs.2.68 Million.

#### 27.1.2 Sensitivity to Lease Term

Had the lease term of all existing lease agreements been increased by further one year, lease liability of the Company as at 31 December 2025 would have increased by Rs. 73.01 Million with a similar increase in the right-of-use assets. Further, this would reduce the profit before tax of the Company by Rs. 6.04 Million.

## 28. DEFERRED TAX LIABILITIES/(ASSETS)

Deferred Tax (Assets), Liabilities and Income Tax relates to the following.

|  | Accelerated depreciation for tax purposes |               | Provision for loan losses | Revaluation on land | Retirement benefit obligation | Right of use assets | Lease liabilities | Total            |
|--|---|---------------|---------------------------|---------------------|-------------------------------|---------------------|-------------------|------------------|
|  | Property, plant & equipment               | Leased assets |                           |                     |                               |                     |                   |                  |
|  | Rs.000                                    | Rs.000        |                           |                     |                               |                     |                   |                  |
| Balance as at 01 January 2024          | 53,176                                    | 2,147         | (264,370)                 | 66,126              | (41,387)                      | -                   | -                 | (184,308)        |
| <b>Income statement</b>                |   |               |                           |                     |                               |                     |                   |                  |
| Due to change in temporary differences | 27,961                                    | (2,092)       | (45,635)                  | -                   | (8,358)                       | 144,821             | (168,057)         | (51,361)         |
| <b>Other comprehensive income</b>      |   |               |                           |                     |                               |                     |                   |                  |
| Due to change in temporary differences | -   | -             | -                         | -                   | 1,832                         | -                   | -                 | 1,832            |
| Balance as at 31 December 2024         | <b>81,137</b>                             | <b>55</b>     | <b>(310,005)</b>          | <b>66,126</b>       | <b>(47,913)</b>               | <b>144,821</b>      | <b>(168,057)</b>  | <b>(233,836)</b> |
| <b>Income statement</b>                |   |               |                           |                     |                               |                     |                   |                  |
| Due to change in temporary differences | <b>46,106</b>                             | <b>(55)</b>   | <b>609</b>                | <b>-</b>            | <b>(12,380)</b>               | <b>53,368</b>       | <b>(55,995)</b>   | <b>31,653</b>    |
| <b>Other comprehensive income</b>      |   |               |                           |                     |                               |                     |                   |                  |
| Due to change in temporary differences | -   | -             | -                         | <b>12,413</b>       | <b>(858)</b>                  | -                   | -                 | <b>11,555</b>    |
| Balance as at 31 December 2025         | <b>127,243</b>                            | <b>-</b>      | <b>(309,396)</b>          | <b>78,540</b>       | <b>(61,151)</b>               | <b>198,189</b>      | <b>(224,052)</b>  | <b>(190,628)</b> |

## 29. INTANGIBLE ASSETS

### ACCOUNTING POLICY

#### Recognition

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

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses if any.

#### Subsequent Expenditure

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

## NOTES TO THE FINANCIAL STATEMENTS

### Derecognition of Intangible Assets

The carrying amount of an item of intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of intangible asset is included in the Income Statement when the item is derecognised.

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

Intangible assets of the Company as at 31 December 2025 only include computer software and cost of licenses. Rates of amortization for computer software and licenses are given in Note 11.2, 'Depreciation & amortization expenses'.

| As at 31 December                          | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
|--|-----------------|-----------------|
| <b>Cost</b>                                |                 |                 |
| Balance as at 01 January                   | 166,963         | 161,731         |
| Additions and improvements                 | 38,347          | 9,600           |
| Disposals / adjustments                    | (859)           | (4,368)         |
| Cost as at 31 December                     | 204,451         | 166,963         |
| <b>Accumulated amortisation</b>            |                 |                 |
| Balance as at 01 January                   | 150,930         | 145,663         |
| Amortisation for the year                  | 11,128          | 5,266           |
| Accumulated amortisation as at 31 December | 162,058         | 150,930         |
| Net book value as at 31 December           | 42,393          | 16,033          |

### 30. DUE TO OTHER CUSTOMERS

| As at 31 December | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
|-------------------|-----------------|-----------------|
| Term deposits     | 36,535,500      | 31,929,041      |
| Saving deposits   | 415,483         | 268,034         |
|                   | 36,950,983      | 32,197,075      |

### 31. DEBT ISSUED AND OTHER BORROWED FUNDS

| As at 31 December            | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
|------------------------------|-----------------|-----------------|
| Loans (31.2)                 | 21,298,183      | 9,792,186       |
| Securitized (31.3)           | 942,941         | -               |
| Redeemable debentures (31.4) | 11,145,303      | 5,850,153       |
|                              | 33,386,427      | 15,642,339      |

The company has not had any default of principal, interest or other breaches with regard to any liability during 2025 & 2024.

### 31.1 Movement in Debt issued and other borrowed funds

|   | 2024       | Grantings /<br>Accrual | Repayments  | 2025              |
|---|------------|------------------------|-------------|-------------------|
|   | Rs.'000    | Rs.'000                | Rs.'000     | Rs.'000           |
| Long-term borrowings & securitizations                      | 967,665    | 13,145,032             | (45,676)    | <b>14,067,021</b> |
| Short-term borrowings                                       | 6,310,000  | -                      | (705,000)   | <b>5,605,000</b>  |
| Redeemable debentures                                       | 5,500,000  | 5,000,000              | -           | <b>10,500,000</b> |
| Capital outstanding of debt issued and other borrowed funds | 12,777,665 | 18,145,032             | (750,676)   | <b>30,172,021</b> |
| Interest on debt issued and other borrowed funds            | 2,864,673  | 2,363,211              | (2,013,479) | <b>3,214,405</b>  |
|   | 15,642,338 | 20,508,243             | (2,764,155) | <b>33,386,427</b> |

### 31.2 Loans - on terms

| As at 31 December        | Period        | Amortised cost    |           |
|--------------------------|---------------|-------------------|-----------|
|                          |               | 2025              | 2024      |
|                          |               | Rs.'000           | Rs.'000   |
| <b>Short term loans</b>  |               |                   |           |
| Sampath Bank PLC         | 06 Month      | <b>1,001,414</b>  | 1,750,770 |
| Hatton National Bank PLC | 01 Month      | <b>1,493,986</b>  | 1,751,819 |
| Nations Trust Bank PLC   | 01 Month      | <b>1,154,522</b>  | 301,235   |
| Seylan Bank PLC          | 01 Month      | <b>708,264</b>    | 1,250,456 |
|                          |               | <b>4,358,186</b>  | 5,054,280 |
| <b>Long term loans</b>   |               |                   |           |
| Sampath Bank PLC         | 60-240 Months | <b>1,496,957</b>  | 1,902,868 |
| Commercial Bank PLC      | 60 Months     | <b>7,362,342</b>  | 293,333   |
| Hatton National Bank PLC | 60 Months     | <b>1,715,656</b>  | -         |
| Nations Trust Bank PLC   | 60 Months     | <b>139,720</b>    | 475,415   |
| Seylan Bank PLC          | 60 Months     | <b>1,484,113</b>  | -         |
| Cargills Bank Limited    | 60 Months     | <b>292,072</b>    | 392,234   |
| Union Bank PLC           | 60 Months     | <b>3,168,907</b>  | -         |
| Commercial Bank PLC      | 50 Months     | <b>1,280,230</b>  | 1,674,057 |
|                          |               | <b>16,939,997</b> | 4,737,906 |
|                          |               | <b>21,298,183</b> | 9,792,186 |

#### 31.2.1 Loans - on maturity

| As at 31 December 2025                       | Payable<br>within 1 Year | Payable<br>after 1 Year | Total             |
|--|--------------------------|-------------------------|-------------------|
|  | Rs'000                   | Rs'000                  | Rs'000            |
| Short term loans and long term loans payable | <b>9,015,328</b>         | <b>12,282,854</b>       | <b>21,298,183</b> |
|  | <b>9,015,328</b>         | <b>12,282,854</b>       | <b>21,298,183</b> |

## NOTES TO THE FINANCIAL STATEMENTS

## 31.3 Securitizations

| <b>As at 31 December 2025</b> | <b>Payable<br/>within 1 year<br/>Rs'000</b> | <b>Payable<br/>after 1 year<br/>Rs'000</b> | <b>Total<br/>Rs'000</b> |
|-------------------------------|---|--|-------------------------|
| Securitizations payable       | <b>338,941</b>                              | <b>604,000</b>                             | <b>942,941</b>          |
|                               | <b>338,941</b>                              | <b>604,000</b>                             | <b>942,941</b>          |

## 31.4 Redeemable debentures - movement

| <b>As at 31 December</b>  | <b>2025<br/>Rs.'000</b> | <b>2024<br/>Rs.'000</b> |
|---------------------------|-------------------------|-------------------------|
| Balance as at 01 January  | <b>5,850,153</b>        | 3,127,410               |
| Debentures issued         | <b>5,000,000</b>        | 4,000,000               |
| Debentures redeemed       | -                       | (1,500,000)             |
|                           | <b>10,850,153</b>       | 5,627,410               |
| Interest payable          | <b>645,303</b>          | 572,896                 |
| Interest paid             | <b>(350,153)</b>        | (350,153)               |
| Balance as at 31 December | <b>11,145,303</b>       | 5,850,153               |

## 31.4.1 Redeemable debentures - maturity

| <b>As at 31 December 2025</b> | <b>Payable<br/>within 1 Year<br/>Rs'000</b> | <b>Payable<br/>after 1 Year<br/>Rs'000</b> | <b>Total<br/>Rs'000</b> |
|-------------------------------|---|--|-------------------------|
| Debentures payable            | <b>1,547,818</b>                            | <b>9,597,485</b>                           | <b>11,145,303</b>       |
|                               | <b>1,547,818</b>                            | <b>9,597,485</b>                           | <b>11,145,303</b>       |

## 31.4.2 Details of debentures issued

|  | No of<br>Debentures | Issue<br>Date | Maturity<br>Date | Rate of<br>Interest | Amortised cost    |           |
|--|---------------------|---------------|------------------|---------------------|-------------------|-----------|
|  |                     |               |                  |                     | 2025              | 2024      |
|  |                     |               |                  |                     | Rs.'000           | Rs'000    |
| Rated unsecured subordinated redeemable debentures | 40,000,000          | 06-Jun-24     | 06-Jun-29        | 13.20%              | <b>4,302,334</b>  | 4,302,334 |
| Rated unsecured senior redeemable debentures       | 15,000,000          | 01-Sep-21     | 01-Sep-26        | 9.46%               | <b>1,547,818</b>  | 1,547,818 |
| Rated unsecured subordinated redeemable debentures | 50,000,000          | 26-Jun-25     | 26-Jun-30        | 11.40%              | <b>5,295,151</b>  | -         |
|  |                     |               |                  |                     | <b>11,145,303</b> | 5,850,153 |

**32. OTHER PAYABLES**

| <b>As at 31 December</b>             | <b>2025</b>      | <b>2024</b>   |
|--------------------------------------|------------------|---------------|
|                                      | <b>Rs'000</b>    | <b>Rs'000</b> |
| <b>Financial Liabilities</b>         |                  |               |
| Vendor payable                       | <b>819,891</b>   | 271,200       |
| Insurance premium payable            | <b>470,555</b>   | 397,043       |
| Lease liabilities (Note 32.1 & 32.2) | <b>746,839</b>   | 560,189       |
| Other financial liabilities          | <b>444,938</b>   | 601,364       |
|                                      | <b>2,482,223</b> | 1,829,797     |
| <b>Non Financial Liabilities</b>     |                  |               |
| VAT payable                          | <b>3,013</b>     | 1,239         |
| Other taxes payable                  | <b>230,266</b>   | 160,849       |
| Accrued expenses                     | <b>103,735</b>   | 89,535        |
| Deposit insurance premium            | <b>4,518</b>     | 3,952         |
| Deferred guarantee income            | <b>6</b>         | 6             |
| Other non financial liabilities      | <b>220,900</b>   | 287,881       |
|                                      | <b>562,438</b>   | 543,462       |
|                                      | <b>3,044,661</b> | 2,373,259     |

**32.1 Movement of lease liabilities during the year is as follows.**

|                                  | <b>2025</b>      | <b>2024</b>   |
|----------------------------------|------------------|---------------|
|                                  | <b>Rs'000</b>    | <b>Rs'000</b> |
| Balance as at 01 January         | <b>560,189</b>   | 454,356       |
| Additions                        | <b>289,930</b>   | 191,325       |
| Accretion of interest (Note 6.2) | <b>76,508</b>    | 61,675        |
| Payments during the year         | <b>(179,788)</b> | (147,165)     |
| Balance as at 31 December        | <b>746,839</b>   | 560,189       |

**32.2 Maturity analysis of lease liabilities**

|   | <b>2025</b>    | <b>2024</b>   |
|---|----------------|---------------|
|   | <b>Rs'000</b>  | <b>Rs'000</b> |
| Less than 1 year                          | <b>247,997</b> | 210,267       |
| 1 to 5 years                              | <b>333,701</b> | 260,220       |
| More than 5 years                         | <b>165,141</b> | 89,702        |
| Total lease liabilities as at 31 December | <b>746,839</b> | 560,189       |

## NOTES TO THE FINANCIAL STATEMENTS

### 33. CURRENT TAX LIABILITIES

| As at 31 December  | 2025<br>Rs'000 | 2024<br>Rs'000 |
|--|----------------|----------------|
| Balance as at 01 January                                 | 754,721        | 427,797        |
| Current tax based on profit for the year (Note 13.1)     | 1,079,997      | 846,223        |
| Under provision in respect of previous years (Note 13.1) | (8,449)        | 107,048        |
| Payment of tax   | (1,094,781)    | (626,347)      |
| Balance as at 31 December                                | 731,488        | 754,721        |

### 34. RETIREMENT BENEFIT OBLIGATIONS

An actuarial valuation of the gratuity fund of the Company was carried out as at 31 December 2025 by Messrs. Piyal S Goonethilleke & Associates, a firm of professional actuaries. The valuation method used by the actuary to value the fund is the "Projected Unit Credit Actuarial Cost Method", recommended by Sri Lanka Accounting Standard-LKAS 19 (Employee Benefits).

#### 34.1 Defined benefit obligation reconciliation

| As at 31 December                                       | 2025<br>Rs'000 | 2024<br>Rs'000 |
|---|----------------|----------------|
| Balance as at 01 January                                | 159,713        | 137,957        |
| Amount recognised in the income statement (34.2)        | 50,954         | 43,074         |
| Amounts recognised in other comprehensive income (34.3) | 2,861          | (6,103)        |
| Benefits paid by the plan                               | (9,690)        | (15,214)       |
| Balance as at 31 December                               | 203,838        | 159,713        |

#### 34.2 Amount recognised in the Income Statement

| As at 31 December                           | 2025<br>Rs'000 | 2024<br>Rs'000 |
|---|----------------|----------------|
| Current service cost for the year           | 31,788         | 25,140         |
| Interest on the defined benefit liability   | 19,166         | 17,934         |
| Gain on plan amendment during the year      | -              | -              |
| Total amount recognised in income statement | 50,954         | 43,074         |

#### 34.3 Amounts recognised in Other Comprehensive Income (OCI)

| As at 31 December   | 2025<br>Rs'000 | 2024<br>Rs'000 |
|---|----------------|----------------|
| Actuarial (gain)/loss due to changes in assumptions         | 2,714          | 110            |
| Liability experience (gains)/losses arising during the year | 147            | (6,213)        |
| Total amount recognized in OCI                              | 2,861          | (6,103)        |

### 34.4 Assumptions

|                                | 2025                       | 2024                       |
|--------------------------------|----------------------------|----------------------------|
| <b>Financial assumptions*</b>  |                            |                            |
| Discount rate                  | 11.00%                     | 12.00%                     |
| Future salary increment rate   | 10.00%                     | 11.00%                     |
| <b>Demographic assumptions</b> |                            |                            |
| Mortality                      | GA 1983<br>Mortality Table | GA 1983<br>Mortality Table |
| Retirement age                 | 60 years                   | 60 years                   |

\*Discount rate used for the actuarial valuation was revised during the year due to changes in market interest rates. Future salary increment rate too was revised to fall in line with the change in market interest rates.

\* In absence of a deep market in long term bonds in Sri Lanka, a long -term interest rate of 11% p.a (2024-12% p.a) has been used to discount future retirement benefit liabilities.

Expected average future working life of the active participants is 16.2 years (2024: 16.3 years)

The weighted average duration of the defined benefit obligation is 13.9 years (2024:14.4 years)

### 34.5 Sensitivity assumptions employed in actuarial valuation

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

The sensitivity of the Income Statement and Gratuity liability is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

| Variable              | Rate Change | 2025  |  | 2024  |  |
|-----------------------|-------------|---|--|---|--|
|                       |             | Sensitivity Effect on Comprehensive Income-(Charge)/ Reversal (Rs. Mn.) | Sensitivity Effect on gratuity liability-Increase/ (Decrease) in the Liability (Rs. Mn.) | Sensitivity Effect on Comprehensive Income-(Charge)/ Reversal (Rs. Mn.) | Sensitivity Effect on gratuity liability-Increase/ (Decrease) in the Liability (Rs. Mn.) |
| Discount rate         | 1.00%       | 22.89 Million   | (22.89 Million)  | 18.40 Million   | (18.40 Million)  |
| Discount rate         | -1.00%      | (27.37 Million)   | 27.37 Million  | (22.00 Million)   | 22.00 Million  |
| Salary Increment rate | 1.00%       | (26.92 Million)   | 26.92 Million  | (21.66 Million)   | 21.66 Million  |
| Salary Increment rate | -1.00%      | 22.95 Million   | (22.95 Million)  | 18.45 Million   | (18.45 Million)  |

## 35. STATED CAPITAL

| As at 31 December                            | 2025          |           | 2024          |           |
|--|---------------|-----------|---------------|-----------|
|  | No. of shares | Rs.000    | No. of shares | Rs.000    |
| <b>Issued and Fully Paid-Ordinary shares</b> |               |           |               |           |
| Ordinary shares as at 01 January             | 100,421,363   | 2,872,846 | 100,329,537   | 2,866,876 |
| Rights issue                                 | -             | -         | -             | -         |
| Scrip dividend                               | 135,203       | 10,243    | 91,826        | 5,970     |
| Ordinary shares as at 31 December            | 100,556,566   | 2,883,089 | 100,421,363   | 2,872,846 |

The holders of ordinary shares are entitled to receive a dividend as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

### 36. STATUTORY RESERVE FUND

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 as Finance Companies Act (amended) issued to Registered Finance Companies. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly 5% of the net profit for the year is transferred to the Reserve Fund as long as the capital funds are not less than 25% of total deposit liabilities.

| <b>As at 31 December</b>  | <b>2025</b>    | <b>2024</b>   |
|---------------------------|----------------|---------------|
|                           | <b>Rs.000</b>  | <b>Rs.000</b> |
| Balance as at 01 January  | <b>375,000</b> | 314,000       |
| Transfer during the year  | <b>80,000</b>  | 61,000        |
| Balance as at 31 December | <b>455,000</b> | 375,000       |

### 37. REVALUATION RESERVE

Revaluation Reserve represents the fair value changes of freehold land and building as at the date of revaluation.

| <b>As at 31 December</b>        | <b>2025</b>    | <b>2024</b>   |
|---------------------------------|----------------|---------------|
|                                 | <b>Rs.000</b>  | <b>Rs.000</b> |
| Balance as at 01 January        | <b>154,295</b> | 154,295       |
| Revaluation surplus(net of tax) | <b>28,965</b>  | -             |
| Balance as at 31 December       | <b>183,260</b> | 154,295       |

### 38. RETAINED EARNINGS

This represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividends payable.

### 39. FAIR VALUE OF ASSET AND LIABILITIES

The following describes the methodologies and assumptions used to determine fair value of those financial instruments which are not already recorded at fair value in the financial statements.

#### Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than a year) it is assumed that the carrying amounts approximate their fair value.

#### Equity instruments at fair value through other comprehensive income

Equity instruments at fair value through other comprehensive income primarily consist of unquoted equity securities. Unquoted equity securities are carried at cost since it is the most reasonable value available to represent the price of such securities.

#### Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices.

#### Variable rate Financial Instruments

Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

Set out below is the comparison, by class, of the carrying amounts of fair values of the Company's financial instruments that are not carried at fair value and non financial assets carried at fair value in the financial statements.

|  | 2025                         |   |   |   | 2024                         |                   |   |   |   |                   |
|--|------------------------------|---|---|---|------------------------------|-------------------|---|---|---|-------------------|
|  | Rs. '000                     |   |   |   | Rs. '000                     |                   |   |   |   |                   |
|  | Fair value measurement using |   |   |   | Fair value measurement using |                   |   |   |   |                   |
|  | Carrying value               | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total                        | Carrying value    | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total             |
| <b>FINANCIAL ASSETS</b>                          |                              |   |   |   |                              |                   |   |   |   |                   |
| Factoring receivables                            | 187,307                      | -   | 187,307                                 | -   | 187,307                      | 95,417            | -   | 95,417                                  | -   | 95,417            |
| Gold loan receivables                            | 18,655,679                   | -   | 18,765,662                              | -   | 18,765,662                   | 11,412,292        | -   | 11,471,785                              | -   | 11,471,785        |
| Loan receivables                                 | 14,284,209                   | -   | 14,490,816                              | -   | 14,490,816                   | 3,829,072         | -   | 4,689,227                               | -   | 4,689,227         |
| Lease receivables                                | 37,898,922                   | -   | 39,996,839                              | -   | 39,996,839                   | 30,717,750        | -   | 33,787,111                              | -   | 33,787,111        |
| Debt instruments at amortised cost               | 56,732                       | -   | 56,732                                  | -   | 56,732                       | 4,335,257         | -   | 4,335,257                               | -   | 4,335,257         |
| Equity instruments at fair value through OCI     | 56                           | -   | -                                       | 56  | 56                           | 56                | -   | -                                       | 56  | 56                |
| Hire purchase receivables                        | -                            | -   | -                                       | -   | -                            | -                 | -   | -                                       | -   | -                 |
| <b>TOTAL FINANCIAL ASSETS</b>                    | <b>71,082,905</b>            | <b>-</b>                                  | <b>73,497,355</b>                       | <b>56</b>                                 | <b>73,497,411</b>            | <b>50,389,844</b> | <b>-</b>                                  | <b>54,378,795</b>                       | <b>56</b>                                 | <b>54,378,851</b> |
| <b>FINANCIAL LIABILITIES</b>                     |                              |   |   |   |                              |                   |   |   |   |                   |
| Due to other customers                           | 36,950,983                   | -   | 37,913,753                              | -   | 37,913,753                   | 32,197,075        | -   | 32,091,005                              | -   | 32,091,005        |
| Debt instruments issued and other borrowed funds | 33,386,427                   | -   | 33,742,922                              | -   | 33,742,922                   | 15,642,339        | -   | 15,688,625                              | -   | 15,688,625        |
| <b>TOTAL FINANCIAL LIABILITIES</b>               | <b>70,337,410</b>            | <b>-</b>                                  | <b>71,656,674</b>                       | <b>-</b>                                  | <b>71,656,674</b>            | <b>47,839,414</b> | <b>-</b>                                  | <b>47,779,629</b>                       | <b>-</b>                                  | <b>47,779,629</b> |

There were no transfers between levels of fair value hierarchy during 2025 and 2024.

The following table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair values because, for example, they are short term in nature or re-priced to current market rates frequently.

#### Assets

Cash and bank balances  
Securities purchased under repurchase agreements  
Placements with banks  
Other assets

#### Liabilities

Bank overdraft  
Other payables

## NOTES TO THE FINANCIAL STATEMENTS

### 40. RISK MANAGEMENT

#### 40.1 Introduction

Risk is inherent in the financial business and such risks are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company is mainly exposed to Credit Risk, Interest Rate Risk, Liquidity Risk, Operational Risk, Regulatory & Compliance Risk, Reputation Risk and Environmental Risk.

#### 40.2 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated its authority to Board Integrated Risk Management Committee (BIRMC), which is a sub-committee of the Board, oversees the risk management function in line with the Board approved policies and strategies. The Integrated Risk Management Committee shall develop the policy and operations for Company-wide risk management. The Committee comprises of Executive and Non-Executive Directors. Meeting of the BIRMC are held regularly, and the Board of Directors are duly updated of its activities.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, continuously updates and maintains a disciplined and constructive control environment, in which all employees are assigned and made to understand their respective roles and responsibilities.

Risk appetite of the Company is defined in both qualitative and quantitative terms. These risk appetite parameters are dynamic and subject to changes in line with the changing business strategies of the Company and changing market conditions. Risk appetite of the Company is defined through the Risk tolerance limits approved by the Board of Directors.

The BIRMC was set up to fulfil the requirement set out in the Finance Companies Direction No. 5 of 2021 on Corporate Governance for Finance Companies issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act, No. 42 of 2011.

The said Committee consists of such number of members, as the Board may determine from time to time. The Committee currently consists of membership of 4 Directors, Managing Director and key management personnel supervising broad risk categories, i.e. credit, market, liquidity, operational and strategic risks.

In addition to the BIRM Committee, the Risk Management function is managed by the Risk Management Department (RMD). The RMD is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The Department works closely with the Risk Committee to ensure that procedures are compliant with the overall framework. The RMD is also responsible for monitoring compliance with risk principles, policies and limits across the Company. This unit also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported on, where necessary, to the Risk Committee, and the relevant actions are taken to address exceptions and any areas of weakness.

### 40.3 Risk measurement & Reporting System and Risk Mitigation

Prudent management of risk exposures relevant to the Company's business operations would be ensured through a mechanism of "Three Lines of Defense". These levels consist of management of risk by the relevant risk-assuming function, independent risk management & compliance functions and internal & external audit functions.

The positioning map of each risk component is placed within the risk grid. Tolerance levels are set by using sustainable measurements and these are discussed at risk management meetings. The risk console indicates the severity of each component of risk. Tabulated below is the Risk Console that is used in identification of Key Risks and Risk Measures taken by the company together with mitigating measures suggested.

|                           |   |   |  |
|---------------------------|---|---|--|
| <b>Credit Risk</b>        | 1. Default Risk<br><br>Potential loss due to borrower/ counterparty unable or unwilling to meet its obligations       | <ul style="list-style-type: none"> <li>● Probability of Default</li> <li>● Loss Given Default</li> </ul>  | <ul style="list-style-type: none"> <li>● Board approved credit policies/ procedures/ framework and annual review</li> <li>● Delegated authority levels/ segregation of duties</li> </ul>   |
|                           | 2. Concentration Risk<br><br>Credit Exposure being concentrated to few sectors/ groups (insufficient diversification) | <ul style="list-style-type: none"> <li>● Sector / Asset / Client / Branch Concentrations of Lending Portfolio</li> <li>● Concentrations in Repossessed assets</li> <li>● Macro Credit Portfolio risk measures such as               <ul style="list-style-type: none"> <li>a) Provision Coverage</li> <li>b) Net NPL as a % of Equity Funds</li> </ul> </li> </ul>      | <ul style="list-style-type: none"> <li>● Setting Prudential limits on maximum exposure               <ul style="list-style-type: none"> <li>- Overall NPL Ratio setting based on risk appetite</li> <li>- Credit Limit Exposures (for Asset Type and Sector) that takes account of NPL / Infection ratios and movement in NPL ratios</li> <li>- Concentration limits for clients/ groups, asset types</li> </ul> </li> <li>● Monitoring of exposures against the limits</li> <li>● Trend analysis reported to BIRMC</li> </ul> |
| <b>Interest rate risk</b> | Adverse effect on Net Interest Income   | <ul style="list-style-type: none"> <li>● Net Interest Yield and Movement in Net Interest Yield</li> <li>● Lending to Borrowing Ratio</li> <li>● Tracking of Movements in Money Market rates</li> <li>● Marginal Cost of funds / Risk based Pricing</li> <li>● Gaps in asset Liability Re-Pricing</li> <li>● Cumulative Gaps as a % of Cumulative Liabilities</li> </ul> | <ul style="list-style-type: none"> <li>● Setting of Marginal Pricing with Risk Premiums for Different classes of Lending assets</li> <li>● Setting of Lending to Borrowing ratios</li> <li>● Gaps limits for structural liquidity,</li> <li>● Liquidity contingency planning and Limits of minimum stocks of high quality liquid assets</li> </ul>   |
| <b>Liquidity Risk</b>     | Inability to meet obligations as they fall due  | <ul style="list-style-type: none"> <li>● Gaps in dynamic liquidity flows</li> <li>● Stocks of high quality liquid assets</li> </ul>   | <ul style="list-style-type: none"> <li>● Volatile Liability Dependency measures</li> <li>● Balance sheet ratios</li> </ul>   |

## NOTES TO THE FINANCIAL STATEMENTS

### 40.4 Credit Risk

Credit risk is the risk of financial loss to the Company, if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's credit facilities given to customers and investments in debt securities. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances.

Credit risk is closely tied to the potential return, the most notable being that the yields on portfolios correlate strongly to their perceived credit risk. The strategy of Company is not to eliminate credit risk, but to maintain the same within pre-determined acceptance levels. The Company manages and controls credit risk by setting limits on the level of risk it is willing to accept for individual counterparties and industry concentrations, and by monitoring exposures in relation to such limits.

#### Management of Credit Risk

In credit risk management, the rigorous credit screening process adopted has been a core competency of the Company. The multiple layers of approving lines ensure that credit risk is mitigated in all aspects.

At the initial level, the credit facilities are preliminary screened at the branch level and a credit evaluation is done. Then based on the exposure the facility is escalated upwards for approval along with a credit risk assessment. In determining the borrower's credit risk the industry in which he performs, succession, integrity, past payment records inter alia are considered. In assessing the facility the equity contribution, security cover and guarantors are taken in to consideration.

Post approval pre-disbursement stage is covered by the Credit Administration department under which security documentation and disbursement is done. Post disbursement monitoring is efficiently carried out by both the branch network and the recoveries department based on the repayment pattern.

Early warnings signals captured through trigger lists done by credit risk management is also shared with respective departments to aid the post disbursement monitoring. Further timely reviews of facilities also ensure that any early warning signs are captured and required corrective steps are taken to arrest any unexpected default.

#### 40.4.1 Impairment Assessment

The methodology of the impairment assessment has explained in Note 3.1.7 under Accounting policies. The references below should be read in conjunction with those Accounting policies.

##### 40.4.1.(a) Definition of default and cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

## 40. RISK MANAGEMENT (Contd...)

### 40.4.1.(a) Definition of default and cure (Contd...)

- Internal assessment of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Company
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Company
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

### 40.4.1(b) Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have a significantly increased credit risk when it is past due for more than 30 days.

The Company is focused on supporting customers who are experiencing financial difficulties because of the unprecedented macro-economic conditions, offering a range of industry-wide financial assistance measures initiated by the Central Bank of Sri Lanka. All individually significant customers who were under moratorium for a prolonger period of time have been classified at least under stage 2 on a prudent basis when calculating the impairment provisions. Furthermore, a case-by-case analysis has been conducted on the most significant exposures and have been classified as stage 3 when the circumstances demand so. The exposures which are not individually significant have been moved to stage 2 based on the industry risk of the underlying borrowers. The Company has identified industries such as tourism, manufacturing, construction (including condominiums), and transportation as industries carrying an increased credit risk. Accordingly, exposures outstanding from the borrowers operating in these industries have been classified as stage 2 unless such exposures are individually significant and has specifically identified as stage 1. An analysis of the loans classified under stage 2 and stage 3 is given in Note 40.4.1(h) and Note 40.4.1(i) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

## 40.4.1 Assessment of Expected Credit Losses

40.4.1(c) Analysis of the total allowance for expected credit losses is as follows.

| As at 31 December                           | 2025    |         |           |           | 2024    |         |           |           |
|---|---------|---------|-----------|-----------|---------|---------|-----------|-----------|
|   | Stage1  | Stage2  | Stage3    | Total     | Stage1  | Stage2  | Stage3    | Total     |
|   | Rs.000  | Rs.000  | Rs.000    | Rs.000    | Rs.000  | Rs.000  | Rs.000    | Rs.000    |
| Cash & cash equivalents                     | 102     | -       | -         | 102       | 102     | -       | -         | 102       |
| <b>Loans &amp; Advances:</b>                |         |         |           |           |         |         |           |           |
| Factoring receivables                       | 11,841  | -       | 15,530    | 27,371    | 4,099   | -       | 43,427    | 47,526    |
| Gold loan receivables                       | 44,342  | 6,928   | 1,823     | 53,093    | 26,657  | 7,065   | 464       | 34,187    |
| Loan receivables                            | 105,143 | 31,408  | 481,363   | 617,914   | 21,966  | 8,775   | 974,316   | 1,005,057 |
| Lease receivables                           | 201,847 | 681,081 | 707,117   | 1,590,045 | 134,775 | 763,438 | 930,878   | 1,829,090 |
| Hire purchase receivables                   | -       | -       | 1,340     | 1,340     | -       | -       | 1,340     | 1,340     |
| Repossessed stock                           | -       | -       | 134,008   | 134,008   | -       | -       | 81,882    | 81,882    |
| Insurance premium receivable                | -       | -       | 562       | 562       | -       | -       | 999       | 999       |
| Insurance commission receivable             | -       | -       | 25,685    | 25,685    | -       | -       | 50,676    | 50,676    |
| Credit related commitments & contingencies  | 5,177   | -       | -         | 5,177     | 923     | -       | -         | 923       |
| Total impairment for expected credit losses | 368,452 | 719,417 | 1,367,428 | 2,455,296 | 188,522 | 779,278 | 2,083,982 | 3,051,783 |

## 40.4.1(d) Movement of the total allowance for expected credit losses during the year

|  | 2025      | 2024      |
|--|-----------|-----------|
|  | Rs.000    | Rs.000    |
| Balance as at 01 January   | 3,051,784 | 3,878,400 |
| Net charge to profit or loss (Note 9)                              | (110,923) | (136,912) |
| Write-off during the year  | (485,199) | (689,158) |
| Interest income accrued on impaired loans & receivables (Note 6.1) | (366)     | (541)     |
| Other movements  | -         | (5)       |
| Balance as at 31 December  | 2,455,296 | 3,051,784 |

The methodology used in the determination of expected credit losses is explained in Note 3.1.7 to Financial Statements.

#### 40.4.1(e) Credit exposure & provision for impairment movement-Loans & Advances

The following tables show reconciliations from the opening to closing balance of the gross carrying amounts and provision for impairment of loans and advances.

|   | 2025                  |                          |                       |                          |                       |                          |                       |                          |
|---|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
|   | Stage 1               |                          | Stage 2               |                          | Stage 3               |                          | Total                 |                          |
|   | Gross carrying amount | Provision for impairment | Gross carrying amount | Provision for impairment | Gross carrying amount | Provision for impairment | Gross carrying amount | Provision for impairment |
|   | Rs.000                | Rs.000                   | Rs.000                | Rs.000                   | Rs.000                | Rs.000                   | Rs.000                | Rs.000                   |
| <b>Loans and advances at amortised cost</b>   |                       |                          |                       |                          |                       |                          |                       |                          |
| Balance as at 1 January 2025  | 26,899,196            | 187,811                  | 18,545,999            | 779,278                  | 4,192,643             | 2,032,994                | 49,637,841            | 3,000,083                |
| - Transfer to stage 1   | 2,995,544             | 34,271                   | (643,156)             | (23,465)                 | (87,968)              | (10,044)                 | 2,264,420             | 762                      |
| - Transfer to stage 2   | (1,461,946)           | (18,370)                 | 1,799,785             | 50,315                   | (216,689)             | (31,315)                 | 121,150               | 630                      |
| - Transfer to stage 3   | (219,901)             | 21,747                   | (1,244,718)           | (76,158)                 | 1,573,648             | 106,056                  | 109,028               | 51,645                   |
| Net remeasurement of impairment   | -                     | 4,203                    | -                     | -                        | -                     | (4,593)                  | -                     | (390)                    |
| New financial assets originated or purchased  | 43,317,398            | 259,972                  | 9,714,892             | 313,263                  | 706,173               | 270,507                  | 53,738,463            | 843,743                  |
| Financial assets that have been derecognised  | (19,408,931)          | (126,147)                | (9,747,174)           | (323,815)                | (2,162,679)           | (596,917)                | (31,318,785)          | (1,046,879)              |
| Write-offs  | -                     | -                        | -                     | -                        | (427,244)             | (422,347)                | (427,244)             | (422,347)                |
| Interest accrued on impaired loans and advances                                       | -                     | -                        | -                     | -                        | -                     | (828)                    | -                     | (828)                    |
| Other changes   | -                     | -                        | -                     | -                        | -                     | 372                      | -                     | 372                      |
| Changes to contractual cash flows due to modifications not resulting in derecognition | -                     | -                        | -                     | -                        | -                     | -                        | -                     | -                        |
| Balance as at 31 December 2025  | 52,121,360            | 363,486                  | 18,425,627            | 719,418                  | 3,577,885             | 1,343,885                | 74,124,874            | 2,426,790                |

## NOTES TO THE FINANCIAL STATEMENTS

## 40.4.1(e) Credit exposure &amp; provision for impairment movement-Loans &amp; Advances (Contd...)

|   | 2024                  |                          |                       |                          |                       |                          |                       |                          |
|---|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
|   | Stage 1               |                          | Stage 2               |                          | Stage 3               |                          | Total                 |                          |
|   | Gross carrying amount | Provision for impairment | Gross carrying amount | Provision for impairment | Gross carrying amount | Provision for impairment | Gross carrying amount | Provision for impairment |
|   | Rs.000                | Rs.000                   | Rs.000                | Rs.000                   | Rs.000                | Rs.000                   | Rs.000                | Rs.000                   |
| <b>Loans and advances at amortised cost</b>   |                       |                          |                       |                          |                       |                          |                       |                          |
| Balance as at 1 January 2024  | 16,723,243            | 154,867                  | 15,827,375            | 784,554                  | 7,844,250             | 2,896,211                | 40,394,867            | 3,835,631                |
| - Transfer to stage 1   | 919,237               | 48,736                   | (715,113)             | (25,107)                 | (209,975)             | (20,735)                 | (5,850)               | 2,894                    |
| - Transfer to stage 2   | (1,370,687)           | (22,151)                 | 2,046,887             | 105,052                  | (686,874)             | (83,132)                 | (10,675)              | (230)                    |
| - Transfer to stage 3   | (280,252)             | (6,097)                  | (1,124,692)           | (74,204)                 | 1,225,785             | 27,599                   | (179,159)             | (52,701)                 |
| Net remeasurement of impairment   | -                     | (2,628)                  | -                     | -                        | -                     | (9,141)                  | -                     | (11,769)                 |
| New financial assets originated or purchased  | 22,446,924            | 100,148                  | 10,808,350            | 246,572                  | 336,128               | 535,588                  | 33,591,404            | 882,308                  |
| Financial assets that have been derecognised  | (11,539,269)          | (85,064)                 | (8,296,808)           | (257,590)                | (3,636,078)           | (636,264)                | (23,472,154)          | (978,918)                |
| Write-offs  | -                     | -                        | -                     | -                        | (680,593)             | (676,577)                | (680,592)             | (676,577)                |
| Interest accrued on impaired loans and advances                                       | -                     | -                        | -                     | -                        | -                     | (595)                    | -                     | (595)                    |
| Other changes   | -                     | -                        | -                     | -                        | -                     | 40                       | -                     | 40                       |
| Changes to contractual cash flows due to modifications not resulting in derecognition | -                     | -                        | -                     | -                        | -                     | -                        | -                     | -                        |
| Balance as at 31 December 2024  | 26,899,196            | 187,811                  | 18,545,999            | 779,277                  | 4,192,643             | 2,032,994                | 49,637,841            | 3,000,083                |

## 40.4.1(f) Sensitivity of factors used to determine impairment provisions

Management judgement is involved in the determination of impairment allowance for loans and advances. Key variables such as PD, LGD, EFA and properly foreclosure period for individually significant loans are affected by management judgement and changes in any variables can result in different levels of impairment allowance. The following table demonstrates the sensitivity of the impairment provision of the Company to the above variables, as at 31 December 2025 and 31 December 2024.

## 40.4.1(f) Credit exposure &amp; provision for impairment movement-Loans &amp; Advances (Contd...)

| As at 31 December 2025   | Sensitivity effect on Statement of Financial Position<br>[Increase/(Decrease) in impairment provision] |           |          |           | Sensitivity<br>effect on<br>Income<br>Statement<br>Rs.000 |
|--|--|-----------|----------|-----------|---|
|  | Stage 1  | Stage 2   | Stage 3  | Total     |   |
|  | Rs.000   | Rs.000    | Rs.000   | Rs.000    |   |
| <b>Change in Property realisation period of individually significant impaired customers</b>                    |  |           |          |           |   |
| - Advanced by one year   | -  | -         | (23,558) | (23,558)  | 23,558  |
| - Deferred by one year   | -  | -         | 18,152   | 18,152    | (18,152)  |
| <b>Change in Probability of Default (PD)</b>   |  |           |          |           |   |
| - Increase existing PD by 10% across all age buckets   | 267,375  | 132,410   | (660)    | 399,125   | (399,125)   |
| - Decrease existing PD by 10% across all age buckets   | (228,215)  | (132,260) | 410      | (360,065) | 360,065   |
| <b>Change in Loss Given Default (LGD)</b>  |  |           |          |           |   |
| - 1% increase  | 27,337   | 65,813    | 24,341   | 117,491   | (117,491)   |
| - 1% decrease  | (20,684)   | (58,945)  | (21,625) | (101,253) | 101,253   |
| <b>Change in Economic Factor Adjustment (EFA)</b>  |  |           |          |           |   |
| - Worse case 5% increase, best case 5% decrease, base case constant  | 8,821  | 6,928     | 345      | 16,094    | (16,094)  |
| - Worse case 5% decrease, best case 5% increase, base case constant  | (10,218)   | (6,694)   | (345)    | (17,257)  | 17,257  |
| <b>As at 31 December 2024</b>  |  |           |          |           |   |
| <b>Sensitivity effect on Statement of Financial Position<br/>[Increase/(Decrease) in impairment provision]</b> |  |           |          |           |   |
|  | Stage 1  | Stage 2   | Stage 3  | Total     | Sensitivity<br>effect on<br>Income<br>Statement<br>Rs.000 |
|  | Rs.000   | Rs.000    | Rs.000   | Rs.000    | Rs.000  |
| <b>Change in Property realisation period of individually significant impaired customers</b>                    |  |           |          |           |   |
| - Advanced by one year   | -  | (2,044)   | (31,815) | (33,859)  | 33,859  |
| - Deferred by one year   | -  | 826       | 25,923   | 26,749    | (26,749)  |
| <b>Change in Probability of Default (PD)</b>   |  |           |          |           |   |
| - Increase existing PD by 10% across all age buckets   | 183,913  | 138,102   | 2        | 322,017   | (322,017)   |
| - Decrease existing PD by 10% across all age buckets   | (177,186)  | (138,152) | (2)      | (315,340) | 315,340   |
| <b>Change in Loss Given Default (LGD)</b>  |  |           |          |           |   |
| - 1% increase  | 27,858   | 79,840    | 22,258   | 129,956   | (129,956)   |
| - 1% decrease  | (27,858)   | (79,767)  | (22,258) | (129,883) | 129,883   |
| <b>Change in Economic Factor Adjustment (EFA)</b>  |  |           |          |           |   |
| - Worse case 5% increase, best case 5% decrease, base case constant  | 1,352  | 4,213     | -        | 5,566     | (5,566)   |
| - Worse case 5% decrease, best case 5% increase, base case constant  | (1,392)  | (3,910)   | -        | (5,302)   | 5,302   |

## NOTES TO THE FINANCIAL STATEMENTS

### 40.4.1(g) Stage-wise analysis of collateral held against loans & advances

The following table sets out the principal types of collateral held by the Company against loans and advances. For each loan, the value of the collateral is capped at the amortised cost of the loan.

| As at 31 December             | 2025          |                          | 2024          |                          |
|-------------------------------|---------------|--------------------------|---------------|--------------------------|
|                               | Mix<br>Rs.000 | Amortised Cost<br>Rs.000 | Mix<br>Rs.000 | Amortised Cost<br>Rs.000 |
| <b>Stage 1</b>                |               |                          |               |                          |
| Cash Collateral               | 1%            | 332,565                  | 1%            | 314,588                  |
| Property, plant and machinery | 0%            | -                        | 0%            | -                        |
| Treasury Guarantee            | 0%            | -                        | 0%            | -                        |
| Vehicles                      | 65%           | 33,781,837               | 60%           | 16,019,785               |
| Gold Articles                 | 34%           | 17,643,370               | 38%           | 10,287,582               |
| Others                        | 1%            | 363,542                  | 1%            | 277,245                  |
| Unsecured                     | 0%            | -                        | 0%            | -                        |
|                               | <b>100%</b>   | <b>52,121,314</b>        | <b>100%</b>   | <b>26,899,200</b>        |
| <b>Stage 2</b>                |               |                          |               |                          |
| Cash Collateral               | 0%            | 54,773                   | 0%            | 37,012                   |
| Property, plant and machinery | 0%            | -                        | 0%            | -                        |
| Treasury Guarantee            | 0%            | -                        | 0%            | -                        |
| Vehicles                      | 95%           | 17,450,901               | 94%           | 17,398,377               |
| Gold Articles                 | 5%            | 914,725                  | 6%            | 1,098,876                |
| Others                        | 0%            | 5,160                    | 0%            | 11,730                   |
| Unsecured                     | 0%            | -                        | 0%            | -                        |
|                               | <b>100%</b>   | <b>18,425,559</b>        | <b>100%</b>   | <b>18,545,995</b>        |
| <b>Stage 3</b>                |               |                          |               |                          |
| Cash Collateral               | 1%            | 35,270                   | 1%            | 26,969                   |
| Property, plant and machinery | 7%            | 267,535                  | 7%            | 305,260                  |
| Treasury Guarantee            | 0%            | -                        | 0%            | -                        |
| Vehicles                      | 80%           | 2,878,884                | 73%           | 3,052,412                |
| Gold Articles                 | 4%            | 150,663                  | 1%            | 60,022                   |
| Others                        | 7%            | 244,913                  | 18%           | 747,979                  |
| Unsecured                     | 0%            | -                        | 0%            | -                        |
|                               | <b>100%</b>   | <b>3,577,265</b>         | <b>100%</b>   | <b>4,192,642</b>         |

#### Assets obtained by taking possession of collateral

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

#### 40.4.1(h) Breakdown of loans classified under stage 2

Loans classified under the Stage 2 includes contractually past due loans and loans which have been pushed to Stage 2 based on the criteria specified in the Note 40.4.1(b).

| As at 31<br>December  | 2025                          |                        |                  |                   | 2024                          |                        |                  |                   |
|-----------------------|-------------------------------|------------------------|------------------|-------------------|-------------------------------|------------------------|------------------|-------------------|
|                       | Not Contractually<br>Past due | Contractually Past due |                  | Total             | Not Contractually<br>Past due | Contractually Past due |                  | Total             |
|                       |                               | 31 - 60<br>Days        | 61 - 90<br>Days  |                   |                               | 31 - 60<br>Days        | 61 - 90<br>Days  |                   |
|                       | Rs.000                        | Rs.000                 | Rs.000           | Rs.000            | Rs.000                        | Rs.000                 | Rs.000           | Rs.000            |
| Gold loan receivables | -                             | 868,389                | 46,335           | 914,725           | -                             | 689,732                | 409,144          | 1,098,876         |
| Loan receivables      | -                             | 1,120,353              | 401,424          | 1,521,777         | -                             | 162,995                | 53,038           | 216,033           |
| Lease receivables     | 7,812,019                     | 5,352,403              | 2,668,823        | 15,833,245        | 9,769,646                     | 4,295,540              | 3,001,482        | 17,066,668        |
| Other receivables     | 68,898                        | 58,571                 | 28,344           | 155,813           | 107,288                       | 41,752                 | 42,742           | 191,782           |
|                       | <b>7,880,917</b>              | <b>7,399,716</b>       | <b>3,144,926</b> | <b>18,425,560</b> | <b>9,876,934</b>              | <b>5,190,018</b>       | <b>3,506,406</b> | <b>18,573,358</b> |

#### 40.4.1(i) Breakdown of loans classified under stage 3

Loans classified under the Stage 3 includes contractually past due loans and loans which have been pushed to Stage 3 based on the criteria specified in the Note 40.4.1(b).

|                           | 2025                   |                |                |                  | 2025             | 2024             |
|---------------------------|------------------------|----------------|----------------|------------------|------------------|------------------|
|                           | Contractually Past due |                |                |                  | Total            | Total            |
|                           | 0-30 Days              | 31 - 60 Days   | 61 - 90 Days   | Above 90<br>Days |                  |                  |
|                           | Rs.000                 | Rs.000         | Rs.000         | Rs.000           | Rs.000           | Rs.000           |
| Factoring receivables     | -                      | -              | -              | 15,966           | 15,966           | 45,607           |
| Gold loan receivables     | -                      | -              | -              | 150,663          | 150,663          | 60,022           |
| Loan receivables          | -                      | -              | -              | 642,075          | 642,075          | 1,062,927        |
| Lease receivables         | 145,728                | 214,746        | 377,533        | 1,808,944        | 2,546,951        | 2,821,959        |
| Hire purchase receivables | -                      | -              | -              | 1,339            | 1,339            | 1,339            |
| Other receivables         | 2,369                  | 2,985          | 5,765          | 209,115          | 220,234          | 200,788          |
|                           | <b>148,097</b>         | <b>217,731</b> | <b>383,298</b> | <b>2,828,102</b> | <b>3,577,228</b> | <b>4,192,641</b> |

#### 40.4.1(j) Overview of rescheduled / restructured loans and advances (except individually impaired loans and advances)

An analysis of rescheduled/restructured loans and advances of the Company which are in stage 2 and stage 3 is given below along with the impairment for ECL. This does not include individually significant impaired loans and advances for which ECLs have been derived by discounting future cash flows of such loans.

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| As at 31<br>December | 2025                 |                |                  |                   |               |                |                          | 2024                 |         |         |                   |         |         |                          |
|----------------------|----------------------|----------------|------------------|-------------------|---------------|----------------|--------------------------|----------------------|---------|---------|-------------------|---------|---------|--------------------------|
|                      | Gross Carrying Value |                |                  | Allowance for ECL |               |                | Net<br>Carrying<br>Value | Gross Carrying Value |         |         | Allowance for ECL |         |         | Net<br>Carrying<br>Value |
|                      | Stage2               | Stage3         | Total            | Stage2            | Stage3        | Total          |                          | Stage2               | Stage3  | Total   | Stage2            | Stage3  | Total   |                          |
|                      | Rs.000               | Rs.000         | Rs.000           | Rs.000            | Rs.000        | Rs.000         | Rs.000                   | Rs.000               | Rs.000  | Rs.000  | Rs.000            | Rs.000  | Rs.000  | Rs.000                   |
| Lease<br>receivables | 607,276              | 333,507        | 940,784          | 20,742            | 55,860        | 76,601         | 864,183                  | 390,864              | 396,340 | 787,205 | 15,755            | 94,266  | 110,021 | 677,184                  |
| Loan<br>receivables  | 215,983              | 75,610         | 291,593          | 7,500             | 23,048        | 30,548         | 261,045                  | 1,829                | 33,680  | 35,508  | 442               | 29,838  | 30,280  | 5,228                    |
|                      | <b>823,259</b>       | <b>409,117</b> | <b>1,232,377</b> | <b>28,242</b>     | <b>78,908</b> | <b>107,149</b> | <b>1,125,228</b>         | 392,693              | 430,020 | 822,713 | 16,197            | 124,104 | 140,301 | 682,412                  |

### 40.4.1(k) Overview of rescheduled/restructured loans & advances upgraded during the year

The Company upgrades rescheduled/restructured loans from Stage 3/Stage 2 to Stage 1 as per the upgrading policy described in Note 3.1.7.10 of the Financial Statements. During the year the Company upgraded Rs 57.0 Million worth of rescheduled/restructured loans to Stage 1. Due to this upgrade, the impairment provision against these loans decreased from Rs 1.26 Million as at 31 December 2024 to Rs 0.2 Million as at 31 December 2025.

### 40.4.2 Risks on Credit-related Commitments

The Company makes available to its customers, guarantees that may require the Company to make payments on behalf of customers and enters into commitments to extend credit lines to secure their liquidity needs. Letters of guarantees are commitments to make payments on behalf of customers in the event of a specific act. Such commitments expose the Company to risks similar to loans and are mitigated by the same control processes and policies.

### 40.4.3 Maximum Exposure to Credit Risk

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained include mortgages over residential properties, motor vehicles, gold etc.

Management monitors the market value of collateral and will request additional collateral if the market values are not sufficient in accordance with the underlying agreement. It is the Company's policy to dispose repossessed properties in an orderly manner. The proceeds are used to recover the outstanding claim.

There was no change in the Company's collateral policy during the year. Further, the Company did not observe any significant deterioration in the quality of the collaterals and other credit enhancements during the reporting period.

The Company does not provide for any allowances for ECL against financial assets secured by cash/deposits held within the Company. Further, no allowance for ECL has been recognised for government securities denominated in Sri Lankan rupees, other financial assets secured by government guarantees, treasury bills and treasury bonds.

The following table shows the maximum exposure and net exposure to credit risk by class of financial assets.

| As at 31 December                                | 2025                            |                  | 2024                            |              |
|--|---------------------------------|------------------|---------------------------------|--------------|
|  | Maximum Exposure To Credit Risk | Net Exposure     | Maximum Exposure To Credit Risk | Net Exposure |
|  | Rs.'000                         | Rs.'000          | Rs.'000                         | Rs.'000      |
| <b>Financial Assets</b>                          |                                 |                  |                                 |              |
| Cash and bank balances                           | <b>483,200</b>                  | <b>127,914</b>   | 260,579                         | 16,373       |
| Securities purchased under repurchase agreements | <b>8,732,389</b>                | -                | 5,001,843                       | -            |
| Factoring receivables                            | <b>187,307</b>                  | <b>138,623</b>   | 95,417                          | 56,071       |
| Gold loan receivables                            | <b>18,655,679</b>               | -                | 11,412,292                      | -            |
| Loan receivables                                 | <b>14,284,209</b>               | <b>281,346</b>   | 3,829,072                       | 344,142      |
| Lease receivables                                | <b>37,898,922</b>               | -                | 30,717,750                      | -            |
| Hire purchase receivables                        | -                               | -                | -                               | -            |
| Other assets                                     | <b>724,419</b>                  | <b>512,009</b>   | 688,958                         | 520,770      |
| Equity instruments at fair value through OCI     | <b>56</b>                       | <b>56</b>        | 56                              | 56           |
| Debt instruments at amortised cost               | <b>56,732</b>                   | -                | 4,335,257                       | -            |
| <b>Total Financial Assets</b>                    | <b>81,022,913</b>               | <b>1,059,948</b> | 56,341,224                      | 937,412      |

Approximately 98.2% (2024:96.5%) of the loans and receivables are secured against securities including movable property, gold, lease receivables etc. Further, 0.6% and 0.4% (2024:0.8% and 0.6%) of the loans and receivables of the Company are secured against immovable property and deposits held within the Company respectively.

#### 40.4.4 Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the Statement of Financial Position when the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### 40.4.5 Financial assets & liabilities not subject to offsetting

Amounts that do not qualify for offsetting include netting arrangements that only permit outstanding transactions with the same counterparty to be offset in an event of default or occurrence of other predetermined events. Such netting arrangements include repurchase arrangements and other similar secured lending and borrowing arrangements.

The amount of the financial collateral received or pledged subject to netting arrangements but not qualified for offsetting are disclosed below.

|                         | 2025           |   |                | 2024         |   |            |
|-------------------------|----------------|---|----------------|--------------|---|------------|
|                         | Gross amount   | Amount subject to netting but do not qualify for offsetting | Net amount     | Gross amount | Amount subject to netting but do not qualify for offsetting | Net amount |
|                         | Rs.'000        | Rs.'000   | Rs.'000        | Rs.'000      | Rs.'000   | Rs.'000    |
| <b>Financial Assets</b> |                |   |                |              |   |            |
| Loan receivables        | <b>422,593</b> | <b>48,685</b>   | <b>373,908</b> | 558,294      | 36,012  | 522,283    |

## NOTES TO THE FINANCIAL STATEMENTS

### 40.4.6 Analysis of Risk Concentration

The following table shows the risk concentration by sector for the Financial Assets components of the Statement of Financial Position, including geography of counterparty and industry.

| As at 31 December 2025                           |                  |                  |                  |                  |                  |                  |                  |                  |                        |                   |                | Rs' 000           |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------------|-------------------|----------------|-------------------|
|  | Manufacturing    | Tourism          | Agriculture      | Trade            | Construction     | Transport        | Services         | Government       | Financial Institutions | Consumers         | Others         | Total             |
| Cash and bank balances                           | -                | -                | -                | -                | -                | -                | -                | -                | 483,200                | -                 | -              | 483,200           |
| Securities purchased under repurchase agreements | -                | -                | -                | -                | -                | -                | -                | 8,732,389        | -                      | -                 | -              | 8,732,389         |
| Factoring receivables                            | 104,703          | -                | -                | 71,438           | -                | -                | 11,166           | -                | -                      | -                 | -              | 187,307           |
| Gold loan receivables                            | 101,102          | 60,682           | 4,935,765        | 2,063,290        | 635,341          | 111,770          | 1,013,180        | -                | 2,029,109              | 7,705,440         | -              | 18,655,679        |
| Loan receivables                                 | 352,576          | 326,523          | 137,470          | 1,248,847        | 2,416,098        | 1,040,266        | 472,074          | -                | 353,864                | 7,539,103         | 397,388        | 14,284,209        |
| Lease receivables                                | 1,581,514        | 1,071,359        | 2,854,279        | 3,956,500        | 5,200,719        | 5,628,424        | 3,842,824        | -                | 291,037                | 13,108,174        | 364,094        | 37,898,923        |
| Hire purchase receivables                        | -                | -                | -                | -                | -                | -                | -                | -                | -                      | -                 | -              | -                 |
| Other assets                                     | 21,506           | 13,224           | 34,085           | 48,106           | 63,167           | 67,895           | 66,243           | -                | 170,443                | 205,112           | 34,636         | 724,419           |
| Equity instruments of fair value through OCI     | -                | -                | -                | -                | -                | -                | -                | -                | 56                     | -                 | -              | 56                |
| Debt instruments of amortised cost               | -                | -                | -                | -                | -                | -                | -                | 56,732           | -                      | -                 | -              | 56,732            |
|  | <b>2,161,401</b> | <b>1,471,788</b> | <b>7,961,599</b> | <b>7,388,181</b> | <b>8,315,325</b> | <b>6,848,355</b> | <b>5,405,487</b> | <b>8,789,121</b> | <b>3,327,709</b>       | <b>28,557,829</b> | <b>796,118</b> | <b>81,022,913</b> |

| As at 31 December 2024                           |                  |                  |                  |                  |                  |                  |                   |                  |                        |                   |                | Rs' 000           |
|--|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------------|-------------------|----------------|-------------------|
|  | Manufacturing    | Tourism          | Agriculture      | Trade            | Construction     | Transport        | Services          | Government       | Financial Institutions | Consumers         | Others         | Total             |
| Cash and bank balances                           | -                | -                | -                | -                | -                | -                | -                 | -                | 260,579                | -                 | -              | 260,579           |
| Securities purchased under repurchase agreements | -                | -                | -                | -                | -                | -                | -                 | 5,001,843        | -                      | -                 | -              | 5,001,843         |
| Factoring receivables                            | 61,834           | -                | -                | 27,271           | -                | 363              | 5,949             | -                | -                      | -                 | -              | 95,417            |
| Gold loan receivables                            | 95,987           | 42,071           | 2,971,875        | 1,531,621        | 486,706          | 99,594           | 1,785,743         | -                | -                      | 4,398,695         | -              | 11,412,292        |
| Loan receivables                                 | 257,634          | 113,679          | 103,500          | 769,224          | 343,239          | 186,734          | 1,191,751         | -                | -                      | 863,312           | -              | 3,829,072         |
| Lease receivables                                | 2,445,603        | 1,094,475        | 3,460,149        | 5,511,192        | 1,917,000        | 3,423,801        | 7,819,231         | -                | -                      | 5,046,300         | -              | 30,717,750        |
| Hire purchase receivables                        | -                | -                | -                | -                | -                | -                | -                 | -                | -                      | -                 | -              | -                 |
| Other assets                                     | 36,074           | 57,649           | 45,744           | 64,843           | 32,546           | 13,758           | 270,317           | -                | -                      | 62,295            | 105,732        | 688,957           |
| Equity instruments of fair value through OCI     | -                | -                | -                | -                | -                | -                | -                 | -                | 56                     | -                 | -              | 56                |
| Debt instruments of amortised cost               | -                | -                | -                | -                | -                | -                | -                 | 4,335,257        | -                      | -                 | -              | 4,335,257         |
|  | <b>2,897,132</b> | <b>1,307,874</b> | <b>6,581,268</b> | <b>7,904,150</b> | <b>2,779,491</b> | <b>3,724,250</b> | <b>11,072,991</b> | <b>9,337,099</b> | <b>260,635</b>         | <b>10,370,602</b> | <b>105,732</b> | <b>56,341,224</b> |

The provisional breakdown for factoring, gold loan, loans, leasing, hire purchases is as follows.

## 40. RISK MANAGEMENT (Contd...)

### 40.4.6 Analysis of Risk Concentration (Contd...)

| As at 31 December | 2025              | 2024       |
|-------------------|-------------------|------------|
|                   | Rs.'000           | Rs.'000    |
| <b>Province</b>   |                   |            |
| Central           | <b>9,295,126</b>  | 6,336,501  |
| Eastern           | <b>7,179,744</b>  | 4,717,225  |
| North Central     | <b>2,689,391</b>  | 1,622,095  |
| North Western     | <b>7,299,845</b>  | 4,856,017  |
| Northern          | <b>2,563,933</b>  | 1,446,343  |
| Sabaragamuwa      | <b>3,802,679</b>  | 2,866,392  |
| Southern          | <b>5,134,905</b>  | 3,166,344  |
| Uva               | <b>1,388,257</b>  | 878,020    |
| Western           | <b>31,672,238</b> | 20,165,594 |
| <b>Total</b>      | <b>71,026,118</b> | 46,054,532 |

## 40.5 Interest Rate Risk

Interest Rate Risk is the potential negative impact on the Net Interest Income and it refers to the vulnerability of an institution's financial condition due to the movement in interest rates. Changes in interest rate affect earnings, value of assets, liability, off-balance sheet items and cash flow. Hence, the objective of interest rate risk management is to maintain earnings, improve the capability, ability to absorb potential loss and to ensure the adequacy of the compensation received for the risk taken.

The fluctuation of interest rates is an external factor which is beyond the control of the Company. Though the Company is affected by movements in interest rates to the extent that its asset / liability mismatches gives rise to interest paying liabilities being re-priced faster than its interest earning assets. This in turn affects Net Interest income and Net Interest Yields.

### Management of Interest Rate Risk

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing brands. ALCO is the monitoring body for compliance with these limits and assisted by Treasury Department. Monitoring includes changes in the Company's interest rate exposures, which include the impact of the Company's outstanding or forecast debt obligations. Management of interest rate risk aims at capturing the risks arising from the maturity and re-pricing.

Asset liability management encompasses the complete set of techniques used to manage interest rate risk within the broad risk management framework. Interest rate risk analysis is almost always based on simulating movements in one or more yield curve. The strategy of the Company is not to eliminate risk, but to maintain the same within pre-determined acceptance levels.

In setting the Tolerance levels for Interest rate risk, the following metrics are used.

- Minimum Net Interest Spread: In order to maintain the required Net Interest Spread at the budgeting level the required ROA, ROE are inputs. Further the NPL ratios for different categories of assets are used as a proxy for setting the risk premium.
- Setting the proportion of Variable Rated Borrowing's within the Overall Borrowing Mix. This would be set by using the extent to which Budgeted Net Interest Income (NII) is affected by the extensive use of Variable Rated Borrowings.

## NOTES TO THE FINANCIAL STATEMENTS

### 40.5.1 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's Income Statement & Equity.

| Currency of Borrowings/ Advance | 2025                                      | 2025  | 2025                     |
|---------------------------------|---|---|--------------------------|
|                                 | Increase<br>(Decrease) in<br>basis points | Sensitivity of<br>Profit or Loss<br><br>Rs. Million | Sensitivity of<br>Equity |
| Term Loans linked to AWPLR      | 1 / (-1)                                  | (64.97)/64.97                                       | 0.65%                    |
|                                 | 0.5 / (0.5)                               | (32.48)/32.48                                       | 0.32%                    |
|                                 | 0.25 / (0.25)                             | (16.24)/16.24                                       | 0.16%                    |
|                                 | 2024                                      | 2024  | 2024                     |
| Term Loans linked to AWPLR      | 1 / (-1)                                  | (15.24)/15.24                                       | 0.18%                    |
|                                 | 0.5 / (0.5)                               | (7.62)/7.62   | 0.09%                    |
|                                 | 0.25 / (0.25)                             | (3.81)/3.81   | 0.04%                    |

The base ratio considers in the Interest Rate Sensitivity Analysis is the AWPLR. Since 36.57% (2024-18.75%) of total borrowings are linked to AWPLR, the above sensitivity ratio indicates the impact on Income Statement and to Equity, due to changes in the Average Weighted Prime Lending Rate.

### 40.5.2 Interest Rate Risk Exposure On Non Trading Financial Assets & Liabilities

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

| As at 31 December 2025                           | Upto<br>03 Months | 03-12<br>Months   | 01-03<br>Years    | 03-05<br>Years   | Over<br>05 Years | Non<br>Interest<br>Bearing | Total             |
|--|-------------------|-------------------|-------------------|------------------|------------------|----------------------------|-------------------|
|  | Rs'000            | Rs'000            | Rs'000            | Rs'000           | Rs'000           | Rs'000                     | Rs'000            |
| <b>Financial Assets</b>                          |                   |                   |                   |                  |                  |                            |                   |
| Cash and bank balances                           | 483,200           | -                 | -                 | -                | -                | -                          | 483,200           |
| Securities purchased under repurchase agreements | 8,732,389         | -                 | -                 | -                | -                | -                          | 8,732,389         |
| Factoring receivables                            | 72,750            | 114,557           | -                 | -                | -                | -                          | 187,307           |
| Lease receivables                                | 4,814,095         | 10,353,786        | 16,341,764        | 6,284,630        | 104,647          | -                          | 37,898,922        |
| Hire purchase receivables                        | -                 | -                 | -                 | -                | -                | -                          | -                 |
| Gold loan receivables                            | 14,890,659        | 3,765,020         | -                 | -                | -                | -                          | 18,655,679        |
| Loan receivables                                 | 1,370,192         | 10,174,135        | 1,578,707         | 1,127,893        | 33,281           | -                          | 14,284,209        |
| Other assets                                     | 518,798           | 34,296            | 87,303            | 82,228           | 1,793            | -                          | 724,419           |
| Equity instruments at FVOCI                      | -                 | -                 | -                 | -                | 56               | -                          | 56                |
| Debt instruments at amortised cost               | -                 | 56,732            | -                 | -                | -                | -                          | 56,732            |
| <b>Total Financial Assets</b>                    | <b>30,882,083</b> | <b>24,498,526</b> | <b>18,007,774</b> | <b>7,494,751</b> | <b>139,777</b>   | <b>-</b>                   | <b>81,022,913</b> |

#### 40. RISK MANAGEMENT (Contd...)

##### 40.5.2 Interest Rate Risk Exposure On Non Trading Financial Assets & Liabilities (Contd...)

| As at 31 December 2025                           | Upto<br>03 Months | 03-12<br>Months    | 01-03<br>Years    | 03-05<br>Years     | Over<br>05 Years | Non<br>Interest<br>Bearing | Total             |
|--|-------------------|--------------------|-------------------|--------------------|------------------|----------------------------|-------------------|
|  | Rs'000            | Rs'000             | Rs'000            | Rs'000             | Rs'000           | Rs'000                     | Rs'000            |
| <b>Financial Liabilities</b>                     |                   |                    |                   |                    |                  |                            |                   |
| Bank overdraft                                   | 387,335           | -                  | -                 | -                  | -                | -                          | 387,335           |
| Due to other customers                           | 6,040,973         | 21,783,696         | 8,615,038         | 503,223            | 8,054            | -                          | 36,950,983        |
| Debt instruments issued and other borrowed funds | 4,613,596         | 6,881,122          | 8,956,826         | 12,934,884         | -                | -                          | 33,386,428        |
| Other payables                                   | -                 | -                  | -                 | -                  | -                | 2,482,223                  | 2,482,223         |
| <b>Total Financial Liabilities</b>               | <b>11,041,904</b> | <b>28,664,818</b>  | <b>17,571,864</b> | <b>13,438,107</b>  | <b>8,054</b>     | <b>2,482,223</b>           | <b>73,206,970</b> |
| <b>Interest Sensitivity Gap</b>                  | <b>19,840,179</b> | <b>(4,166,292)</b> | <b>435,911</b>    | <b>(5,943,356)</b> | <b>131,723</b>   | <b>(2,482,223)</b>         | <b>7,815,943</b>  |

| As at 31 December 2024                           | Upto<br>03 Months | 03-12<br>Months   | 01-03<br>Years    | 03-05<br>Years   | Over<br>05 Years | Non<br>Interest<br>Bearing | Total             |
|--|-------------------|-------------------|-------------------|------------------|------------------|----------------------------|-------------------|
|  | Rs'000            | Rs'000            | Rs'000            | Rs'000           | Rs'000           | Rs'000                     | Rs'000            |
| <b>Financial Assets</b>                          |                   |                   |                   |                  |                  |                            |                   |
| Cash and bank balances                           | 260,579           | -                 | -                 | -                | -                | -                          | 260,579           |
| Securities purchased under repurchase agreements | 5,001,843         | -                 | -                 | -                | -                | -                          | 5,001,843         |
| Factoring receivables                            | 43,542            | 51,875            | -                 | -                | -                | -                          | 95,417            |
| Lease receivables                                | 4,030,728         | 8,840,579         | 13,302,826        | 4,494,087        | 49,531           | -                          | 30,717,751        |
| Hire purchase receivables                        | -                 | -                 | -                 | -                | -                | -                          | -                 |
| Gold loan receivables                            | 8,361,688         | 3,050,604         | -                 | -                | -                | -                          | 11,412,292        |
| Loan receivables                                 | 562,718           | 3,052,860         | 136,924           | 76,570           | -                | -                          | 3,829,072         |
| Other assets                                     | 421,299           | 73,510            | 107,095           | 68,064           | 18,989           | -                          | 688,958           |
| Equity instruments at FVOCI                      | -                 | -                 | -                 | -                | 56               | -                          | 56                |
| Debt instruments at amortised cost               | 3,145,145         | 1,190,112         | -                 | -                | -                | -                          | 4,335,257         |
| <b>Total Financial Assets</b>                    | <b>21,827,541</b> | <b>16,259,540</b> | <b>13,546,844</b> | <b>4,638,721</b> | <b>68,576</b>    | <b>-</b>                   | <b>56,341,225</b> |
| <b>Financial Liabilities</b>                     |                   |                   |                   |                  |                  |                            |                   |
| Bank overdraft                                   | 128,514           | -                 | -                 | -                | -                | -                          | 128,514           |
| Due to other customers                           | 7,122,560         | 16,370,972        | 8,015,678         | 682,794          | 5,071            | -                          | 32,197,075        |
| Debt instruments issued and other borrowed funds | 8,409,021         | 375,008           | 2,391,675         | 4,466,636        | -                | -                          | 15,642,339        |
| Other payables                                   | -                 | -                 | -                 | -                | -                | 1,829,797                  | 1,829,797         |
| <b>Total Financial Liabilities</b>               | <b>15,660,094</b> | <b>16,745,980</b> | <b>10,407,353</b> | <b>5,149,430</b> | <b>5,071</b>     | <b>1,829,797</b>           | <b>49,797,725</b> |
| <b>Interest Sensitivity Gap</b>                  | <b>6,167,447</b>  | <b>(486,440)</b>  | <b>3,139,492</b>  | <b>(510,709)</b> | <b>63,505</b>    | <b>(1,829,797)</b>         | <b>6,543,499</b>  |

## NOTES TO THE FINANCIAL STATEMENTS

### 40.6 Liquidity Risk

Liquidity is generally defined as the ability of a financial institution to meet its debt obligations without incurring unacceptably large losses. Liquidity risk refers to the non-availability of sufficient cash balances to meet new lending targets as well as provide a flow of net liquid assets to meet contractual borrowings and other commitments.

An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causing counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity.

#### Management of Liquidity Risk

The Company's risk for managing liquidity risk and oversight of the implementation is administered by ALCO. Treasury Department manages the Company's liquidity position on a day to day basis.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required. A key element of these systems is monitoring and assessing the firm's current and future fund requirement including debt obligations and planning for any unexpected funding needs, regardless of whether they arise from firm-specific factors, or from systemic (economy-wide) factors.

The key elements of the Company's liquidity strategy are as follows.

Company assesses available lines of credit, GAP analysis and volatile liability dependency ratio in order to assess the liquidity risk. In setting the Tolerance levels for Liquidity risk, the following metrics are used.

- Available Lines of Credit (reckoned in months of new lending) to be set at a level equal to future lending targets. Further the maturities of the available lines of credit are matched with the average lending maturities.
- Cumulative Gaps as a % of Cumulative maturing Liabilities to be set in accordance with industry norms as well as considering re-pricing risks associated with maturing assets and liabilities.
- Volatile Liability Dependency ratio to be set at a level that does not affect short term liquidity and re-pricing risks (Interest bearing liabilities maturity within 01 year as a percentage of total lending assets).

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs. In addition, the Company maintains the liquidity ratio prescribed by Central Bank of Sri Lanka.

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more sensitive market conditions.

#### 40.6.1 Statutory Liquid Asset Ratio

Statutory Liquid Asset Calculation is performed based on the following calculations as prescribed in section 2, 3 & 4 of the Finance Companies (Liquid Assets) Direction No.04 of 2013 and amendments thereto.

The Company's liquid asset ratio is 20.81% (2024-25.47%) of average of month end deposit liabilities and borrowings of the twelve months of the preceding financial year (as per section 4 of the said direction and amendments thereto). Liquid assets are maintained with Sri Lanka Government securities.

#### 40. RISK MANAGEMENT (Contd...)

##### 40.6.2 Contractual Maturities of Undiscounted Cash Flows of Financial Assets & Financial Liabilities

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

The tables below summarise the maturity profile of the expected undiscounted cash flows of the Company's financial assets and financial liabilities as at 31 December 2025. However, the Company expects that many customers will not request repayment on the earliest date it could be required to pay and the tables do not reflect the expected cash flows indicated by its deposit retention history based on the behavioural pattern.

| As at 31 December 2025                           | Up to 03 Months<br>Rs'000 | 03-12 Months<br>Rs'000 | 01-03 Years<br>Rs'000 | 03-05 Years<br>Rs'000 | Over 05 Years<br>Rs'000 | Total<br>Rs'000   |
|--|---------------------------|------------------------|-----------------------|-----------------------|-------------------------|-------------------|
| <b>Financial Assets</b>                          |                           |                        |                       |                       |                         |                   |
| Cash and bank balances                           | 483,301                   | -                      | -                     | -                     | -                       | 483,301           |
| Securities purchased under repurchase agreements | 7,787,124                 | 1,021,082              | -                     | -                     | -                       | 8,808,206         |
| Factoring receivables                            | 82,078                    | 151,269                | -                     | -                     | -                       | 233,347           |
| Lease receivables                                | 6,547,119                 | 14,665,389             | 22,000,111            | 7,387,727             | 116,532                 | 50,716,878        |
| Hire purchase receivables                        | 1,664                     | -                      | -                     | -                     | -                       | 1,664             |
| Gold loan receivables                            | 14,941,153                | 3,772,962              | -                     | -                     | -                       | 18,714,115        |
| Loan receivables                                 | 1,640,499                 | 10,395,912             | 1,701,839             | 1,164,742             | 33,684                  | 14,936,676        |
| Other assets                                     | 565,757                   | 43,645                 | 97,177                | 101,496               | 121                     | 808,196           |
| Equity instruments at fair value through OCI     | -                         | -                      | -                     | -                     | 56                      | 56                |
| Debt instruments at amortised cost               | -                         | 60,000                 | -                     | -                     | -                       | 60,000            |
| <b>Total Financial Assets</b>                    | <b>32,048,695</b>         | <b>30,110,259</b>      | <b>23,799,127</b>     | <b>8,653,965</b>      | <b>150,393</b>          | <b>94,762,439</b> |
| <b>Financial Liabilities</b>                     |                           |                        |                       |                       |                         |                   |
| Bank overdraft                                   | 387,335                   | -                      | -                     | -                     | -                       | 387,335           |
| Due to other customers                           | 1,128,555                 | 20,978,570             | 12,629,158            | 5,115,673             | -                       | 39,851,956        |
| Debt instruments issued and other borrowed funds | 6,200,001                 | 7,599,552              | 11,950,779            | 13,689,322            | -                       | 39,439,655        |
| Other payables                                   | 1,451,500                 | 86,943                 | 196,091               | 137,610               | 165,141                 | 2,037,285         |
| <b>Total Financial Liabilities</b>               | <b>9,167,391</b>          | <b>28,665,065</b>      | <b>24,776,028</b>     | <b>18,942,605</b>     | <b>165,141</b>          | <b>81,716,230</b> |
| <b>Net Financial Asset/Liabilities</b>           | <b>22,881,304</b>         | <b>1,445,194</b>       | <b>(976,901)</b>      | <b>(10,288,640)</b>   | <b>(14,748)</b>         | <b>13,046,209</b> |

| As at 31 December 2024                           | Up to 03 Months<br>Rs'000 | 03-12 Months<br>Rs'000 | 01-03 Years<br>Rs'000 | 03-05 Years<br>Rs'000 | Over 05 Years<br>Rs'000 | Total<br>Rs'000   |
|--|---------------------------|------------------------|-----------------------|-----------------------|-------------------------|-------------------|
| <b>Financial Assets</b>                          |                           |                        |                       |                       |                         |                   |
| Cash and bank balances                           | 260,681                   | -                      | -                     | -                     | -                       | 260,681           |
| Securities purchased under repurchase agreements | 5,032,604                 | -                      | -                     | -                     | -                       | 5,032,604         |
| Factoring receivables                            | 177,166                   | 53,061                 | -                     | -                     | -                       | 230,227           |
| Lease receivables                                | 5,801,921                 | 12,880,784             | 18,405,965            | 5,390,472             | 55,400                  | 42,534,541        |
| Hire purchase receivables                        | 1,664                     | -                      | -                     | -                     | -                       | 1,664             |
| Gold loan receivables                            | 8,502,308                 | 3,456,962              | -                     | -                     | -                       | 11,959,271        |
| Loan receivables                                 | 7,335,587                 | 2,089,180              | 69,765                | 810,966               | -                       | 10,305,498        |
| Other assets                                     | 430,010                   | 91,141                 | 146,911               | 86,409                | 22,767                  | 777,237           |
| Equity instruments at fair value through OCI     | -                         | -                      | -                     | -                     | 56                      | 56                |
| Debt instruments at amortised cost               | 2,087,899                 | 2,336,789              | -                     | -                     | -                       | 4,424,688         |
| <b>Total Financial Assets</b>                    | <b>29,629,840</b>         | <b>20,907,917</b>      | <b>18,622,641</b>     | <b>6,287,847</b>      | <b>78,222</b>           | <b>75,526,468</b> |

## NOTES TO THE FINANCIAL STATEMENTS

| As at 31 December 2024                           | Up to<br>03 Months<br>Rs'000 | 03-12<br>Months<br>Rs'000 | 01-03<br>Years<br>Rs'000 | 03-05<br>Years<br>Rs'000 | Over 05<br>Years<br>Rs'000 | Total<br>Rs'000 |
|--|------------------------------|---------------------------|--------------------------|--------------------------|----------------------------|-----------------|
| <b>Financial Liabilities</b>                     |                              |                           |                          |                          |                            |                 |
| Bank overdraft                                   | 128,514                      | -                         | -                        | -                        | -                          | 128,514         |
| Due to other customers                           | 6,821,732                    | 17,407,192                | 10,297,378               | 877,541                  | -                          | 35,403,843      |
| Debt instruments issued and other borrowed funds | 4,097,151                    | 3,946,504                 | 4,623,494                | 5,778,381                | 1,402,835                  | 19,848,366      |
| Other payables                                   | 46,746                       | 70,868                    | 177,607                  | 129,028                  | 133,325                    | 557,574         |
| <b>Total Financial Liabilities</b>               | 11,094,143                   | 21,424,564                | 15,098,479               | 6,784,951                | 1,536,160                  | 55,938,297      |
| <b>Net Financial Asset/Liabilities</b>           | 18,535,697                   | (516,647)                 | 3,524,161                | (497,104)                | (1,457,938)                | 19,588,171      |

## 41. MATURITY ANALYSIS

| As at 31 December 2025                           | Up to 03<br>Months<br>Rs'000 | 03-12<br>Months<br>Rs'000 | 01-03<br>Years<br>Rs'000 | 03-05<br>Years<br>Rs'000 | Over 05<br>Years<br>Rs'000 | Total<br>Rs'000   |
|--|------------------------------|---------------------------|--------------------------|--------------------------|----------------------------|-------------------|
| <b>Assets</b>                                    |                              |                           |                          |                          |                            |                   |
| Cash and bank balances                           | 483,200                      | -                         | -                        | -                        | -                          | 483,200           |
| Securities purchased under repurchase agreements | 8,732,389                    | -                         | -                        | -                        | -                          | 8,732,389         |
| Factoring receivables                            | 72,750                       | 114,557                   | -                        | -                        | -                          | 187,307           |
| Gold loan receivables                            | 14,890,659                   | 3,765,020                 | -                        | -                        | -                          | 18,655,679        |
| Non current assets held for sale                 | 24,577                       | -                         | -                        | -                        | -                          | 24,577            |
| Loan receivables                                 | 1,370,192                    | 10,174,135                | 1,578,707                | 1,127,893                | 33,281                     | 14,284,208        |
| Lease receivables                                | 4,814,095                    | 10,353,786                | 16,341,764               | 6,284,630                | 104,647                    | 37,898,922        |
| Hire purchase receivables                        | -                            | -                         | -                        | -                        | -                          | -                 |
| Other assets                                     | 734,750                      | 34,296                    | 87,303                   | 82,228                   | 1,792                      | 940,369           |
| Equity instruments at fair value through OCI     | -                            | -                         | -                        | -                        | 56                         | 56                |
| Debt instruments at amortised cost               | -                            | 56,732                    | -                        | -                        | -                          | 56,732            |
| Property, plant & equipment                      | -                            | -                         | -                        | -                        | 2,582,523                  | 2,582,523         |
| Right-of-use assets                              | 66,445                       | 89,164                    | 200,230                  | 139,642                  | 165,150                    | 660,631           |
| Deferred tax assets                              | -                            | 190,628                   | -                        | -                        | -                          | 190,628           |
| Intangible assets                                | -                            | -                         | -                        | -                        | 42,393                     | 42,393            |
| <b>Total Assets</b>                              | <b>31,189,057</b>            | <b>24,778,318</b>         | <b>18,208,004</b>        | <b>7,634,393</b>         | <b>2,929,842</b>           | <b>84,739,615</b> |
| <b>Liabilities</b>                               |                              |                           |                          |                          |                            |                   |
| Bank overdraft                                   | 387,335                      | -                         | -                        | -                        | -                          | 387,335           |
| Due to other customers                           | 6,040,973                    | 21,783,696                | 8,615,038                | 503,223                  | 8,054                      | 36,950,984        |
| Debt instruments issued and other borrowed funds | 5,621,536                    | 5,878,036                 | 8,951,971                | 12,934,884               | -                          | 33,386,427        |
| Other payables                                   | 2,283,166                    | 255,566                   | 196,091                  | 137,610                  | 172,228                    | 3,044,661         |
| Current tax liabilities                          | -                            | 731,488                   | -                        | -                        | -                          | 731,488           |
| Retirement benefit obligations                   | -                            | -                         | -                        | -                        | 203,838                    | 203,838           |
| <b>Total Liabilities</b>                         | <b>14,333,010</b>            | <b>28,648,786</b>         | <b>17,763,100</b>        | <b>13,575,717</b>        | <b>384,120</b>             | <b>74,704,732</b> |

## 41. MATURITY ANALYSIS (Contd...)

| As at 31 December 2024                           | Up to 03<br>Months<br>Rs'000 | 03-12<br>Months<br>Rs'000 | 01-03<br>years<br>Rs'000 | 03-05<br>years<br>Rs'000 | Over 05<br>Years<br>Rs'000 | Total<br>Rs'000 |
|--|------------------------------|---------------------------|--------------------------|--------------------------|----------------------------|-----------------|
| <b>Assets</b>                                    |                              |                           |                          |                          |                            |                 |
| Cash and bank balances                           | 260,579                      | -                         | -                        | -                        | -                          | 260,579         |
| Securities purchased under repurchase agreements | 5,001,843                    | -                         | -                        | -                        | -                          | 5,001,843       |
| Factoring receivables                            | 43,542                       | 51,875                    | -                        | -                        | -                          | 95,417          |
| Gold loan receivables                            | 8,361,688                    | 3,050,604                 | -                        | -                        | -                          | 11,412,292      |
| Non current assets held for sale                 | 24,838                       | -                         | -                        | -                        | -                          | 24,838          |
| Loan receivables                                 | 562,718                      | 3,052,860                 | 136,924                  | 76,570                   | -                          | 3,829,072       |
| Lease receivables                                | 4,030,728                    | 8,840,579                 | 13,302,826               | 4,494,087                | 49,531                     | 30,717,750      |
| Hire purchase receivables                        | -                            | -                         | -                        | -                        | -                          | -               |
| Other assets                                     | 551,241                      | 67,298                    | 107,096                  | 68,065                   | 18,992                     | 812,692         |
| Equity instruments at fair value through OCI     | -                            | -                         | -                        | -                        | 56                         | 56              |
| Debt instruments at amortised cost               | 3,145,145                    | 1,190,112                 | -                        | -                        | -                          | 4,335,257       |
| Property, plant & equipment                      | -                            | -                         | -                        | -                        | 2,486,546                  | 2,486,546       |
| Right-of-use assets                              | 55,943                       | 74,142                    | 153,954                  | 108,885                  | 89,809                     | 482,732         |
| Deferred tax assets                              | -                            | 233,835                   | -                        | -                        | -                          | 233,835         |
| Intangible assets                                | -                            | -                         | -                        | -                        | 16,033                     | 16,033          |
| <b>Total Assets</b>                              | 22,038,265                   | 16,561,305                | 13,700,799               | 4,747,606                | 2,660,967                  | 59,708,942      |
| <b>Total Liabilities</b>                         |                              |                           |                          |                          |                            |                 |
| Bank overdraft                                   | 128,514                      | -                         | -                        | -                        | -                          | 128,514         |
| Due to other customers                           | 7,122,560                    | 16,370,972                | 8,015,678                | 682,794                  | 5,071                      | 32,197,075      |
| Debt instruments issued and other borrowed funds | 3,754,179                    | 3,101,460                 | 2,950,697                | 4,695,103                | 1,140,900                  | 15,642,339      |
| Other payables                                   | 1,694,974                    | 328,363                   | 151,774                  | 108,447                  | 89,702                     | 2,373,261       |
| Current tax liabilities                          | -                            | 754,721                   | -                        | -                        | -                          | 754,721         |
| Retirement benefit obligations                   | -                            | -                         | -                        | -                        | 159,713                    | 159,713         |
| <b>Total Liabilities</b>                         | 12,700,228                   | 20,555,516                | 11,118,149               | 5,486,345                | 1,395,386                  | 51,255,621      |

## NOTES TO THE FINANCIAL STATEMENTS

## 42. COMMITMENTS AND CONTINGENCIES

|   | 2025<br>Rs. '000 |                |           |                   |         | 2024<br>Rs. '000 |                |           |                   |        |
|---|------------------|----------------|-----------|-------------------|---------|------------------|----------------|-----------|-------------------|--------|
|   | On Demand        | Within 01 year | 1-5 years | More than 5 years | Total   | On Demand        | Within 01 year | 1-5 years | More than 5 years | Total  |
| <b>Credit related commitments &amp; contingencies</b>                               |                  |                |           |                   |         |                  |                |           |                   |        |
| Undrawn-direct credit facilities  |                  |                |           |                   |         |                  |                |           |                   |        |
| - Factoring   | 118,252          | -              | -         | -                 | 118,252 | 23,420           | -              | -         | -                 | 23,420 |
| -Revolving Loans  | -                | -              | -         | -                 | -       | -                | -              | -         | -                 | -      |
| Guarantees  | -                | 1,000          | -         | -                 | 1,000   | -                | 1,000          | -         | -                 | 1,000  |
| Impairment for expected credit losses - credit related commitments & contingencies  | (5,177)          | -              | -         | -                 | (5,177) | (923)            | -              | -         | -                 | (923)  |
|   | 113,075          | 1,000          | -         | -                 | 114,075 | 22,497           | 1,000          | -         | -                 | 23,497 |
| <b>Other commitments &amp; contingencies</b>  |                  |                |           |                   |         |                  |                |           |                   |        |
| Capital commitments(Note 42.3)  | -                | 10,745         | -         | -                 | 10,745  | -                | 6,709          | -         | -                 | 6,709  |
| <b>Commitments &amp; contingencies net of impairment for expected credit losses</b> | 113,075          | 11,745         | -         | -                 | 124,820 | 22,497           | 7,709          | -         | -                 | 30,206 |

## 42.1 Analysis of Credit Related Commitments and Contingencies based on the Exposure to Credit Risk

| As at 31 December                              | 2025    |        |        |         | 2024   |        |        |        |
|--|---------|--------|--------|---------|--------|--------|--------|--------|
|  | Rs'000  | Rs'000 | Rs'000 | Rs'000  | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
|  | Stage1  | Stage2 | Stage3 | Total   | Stage1 | Stage2 | Stage3 | Total  |
| Unutilised facilities-Direct credit facilities | 118,252 | -      | -      | 118,252 | 23,420 | -      | -      | 23,420 |
| Guarantees                                     | 1,000   | -      | -      | 1,000   | 1,000  | -      | -      | 1,000  |
| Impairment for Expected Credit Losses          | (5,177) | -      | -      | (5,177) | (923)  | -      | -      | (923)  |
|  | 114,075 | -      | -      | 113,075 | 23,498 | -      | -      | 22,497 |

## 42.2 Impairment for Expected Credit Losses- Credit Related Commitments and Contingencies

| As at 31 December                | 2025    |         |         |        | 2024    |         |         |         |
|----------------------------------|---------|---------|---------|--------|---------|---------|---------|---------|
|                                  | Rs'000  | Rs'000  | Rs'000  | Rs'000 | Rs'000  | Rs'000  | Rs'000  | Rs'000  |
|                                  | Stage 1 | Stage 2 | Stage 3 | Total  | Stage 1 | Stage 2 | Stage 3 | Total   |
| Balance as at 01 January         | 923     | -       | -       | 923    | 4,394   | -       | -       | 4,394   |
| Net charge for the year (Note 9) | 4,254   | -       | -       | 4,254  | (3,471) | -       | -       | (3,471) |
| Balance as at 31 December        | 5,177   | -       | -       | 5,177  | 923     | -       | -       | 923     |

## 42.3 Capital commitments

Capital expenditure approved by the Board of Directors, for which provisions have not been made in the Financial Statements are detailed below.

| As at 31 December               | 2025   | 2024   |
|---------------------------------|--------|--------|
|                                 | Rs'000 | Rs'000 |
| Approved and contracted for     | 10,745 | 6,709  |
| Approved but not contracted for | -      | -      |
|                                 | 10,745 | 6,709  |

## 42.4 Other Contingent Liabilities

### 42.4.1 Litigation against the Company

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken and in that light, the Company has formal controls and policies for managing and defending the legal actions instituted against it. Pursuant to obtaining professional advice and estimating any loss likely to be incurred, adjustments are made to the accounts of the Company in order to accommodate any adverse effects that such claims may have on its financial standing. There was no pending litigation against the Company as at 31 December 2025 which would have a material impact on the Financial Statements.

### 42.4.2 Litigation on Employment and Industrial Relations

There are no material legal issues outstanding against the Company on employment and industrial relations as at 31 December 2025.

## 43. EVENTS AFTER THE REPORTING PERIOD

### ACCOUNTING POLICY

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorized for issue. No circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the financial statements.

## 44. RELATED PARTY TRANSACTIONS

The Company carry out transactions in the ordinary course of business with the parties who are defined as related parties in the Sri Lanka Accounting Standards - LKAS 24 (Related Party Disclosures), the details of which are reported below.

### 44.1 Terms and Conditions

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

## NOTES TO THE FINANCIAL STATEMENTS

### 44.2 Parent and Ultimate Controlling Party

The Company is 100% owned by Sampath Bank PLC. Hence, Sampath Bank PLC is the parent company and the ultimate controlling party.

### 44.3 Transactions with Key Managerial Personnel (KMP)

As per Sri Lanka Accounting Standard - LKAS 24 (Related Party Disclosures), Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. According to the above definition, a person cannot be considered as a KMP unless such person has both the authority and responsibility to carry out all the three activities mentioned in the above definition (i.e. planning, directing and controlling the activities of the entity). Such KMPs include the Board of Directors of the Company, Managing Director and the KMPs of the Sampath Bank PLC.

#### 44.3.1 Compensation to KMP

| <b>For the year ended 31 December</b>          | <b>2025</b>    | <b>2024</b>   |
|--|----------------|---------------|
|  | <b>Rs'000</b>  | <b>Rs'000</b> |
| Directors' fees & short term employee benefits | <b>116,613</b> | 73,583        |
| <b>Total</b>                                   | <b>116,613</b> | 73,583        |

In addition to the above, the Company has also paid for fuel and medical benefits to KMP who are employees of the Company in line with the approved benefit plans of the Company.

#### 44.3.2 Transactions, Arrangements and Agreements involving KMP and their Close Family Members (CFMs)

CFMs of the KMP are those family members who may be expected to influence the KMP or be influenced by that KMP in their dealings with the entity. They may include KMP's spouse, children, domestic partner, children of the KMP's spouse/domestic partner and dependents of the KMP, KMP's spouse/domestic partner. Aggregate value of the transactions with KMP and their CFMs are disclosed below.

| <b>As at 31 December</b> | <b>2025</b>    | <b>2024</b>   |
|--------------------------|----------------|---------------|
|                          | <b>Rs'000</b>  | <b>Rs'000</b> |
| Term/Savings deposits    | <b>477,795</b> | 366,589       |
| Debentures               | <b>45,000</b>  | 30,000        |

| <b>For the year ended 31 December</b> | <b>2025</b>   | <b>2024</b>   |
|---------------------------------------|---------------|---------------|
|                                       | <b>Rs'000</b> | <b>Rs'000</b> |
| Interest on term/savings deposits     | <b>41,377</b> | 44,397        |
| Interest on Debentures                | <b>4,845</b>  | 2,891         |

#### 44.4 Transactions with Group Companies

##### 44.4.1 Sampath Bank PLC - Parent Company

The Company has obtained short term loans, term loans and overdraft facilities from the bank. All the transactions with the bank were on terms and conditions similar to facilities obtained through other banks.

| <b>As at 31 December</b>  | <b>2025</b>      | <b>2024</b>   |
|---|------------------|---------------|
|   | <b>Rs'000</b>    | <b>Rs'000</b> |
| <b>Investment in government securities - REPOs/Treasury bills</b> |                  |               |
| Opening Balance   | <b>2,047,667</b> | 2,918,469     |
| Matured during the year   | -                | (870,802)     |
| Net investments during the year                                   | <b>111,375</b>   | -             |
| Closing Balance   | <b>2,159,042</b> | 2,047,667     |
| Other payables  | <b>41</b>        | 19            |

| <b>As at 31 December</b>                                  | <b>2025</b>      | <b>2024</b>   |
|---|------------------|---------------|
|   | <b>Rs'000</b>    | <b>Rs'000</b> |
| <b>Term Loan (Only capital)</b>                           |                  |               |
| Opening Balance   | <b>1,899,566</b> | 2,783,333     |
| Granted during the year                                   | <b>405,066</b>   | -             |
| Less : Repayment during the year                          | <b>(810,132)</b> | (883,767)     |
| Closing Balance   | <b>1,494,500</b> | 1,899,566     |
| <b>Short Term Loan (Only capital)</b>                     | <b>1,000,000</b> | 1,750,000     |
| <b>Bank Overdraft</b>                                     | <b>386,554</b>   | 128,514       |
| Total Accommodation obtained                              | <b>2,881,054</b> | 3,778,080     |
| Less : Favorable balances in current accounts with bank   | <b>(67,988)</b>  | (11,167)      |
| <b>Net Accommodation</b>                                  | <b>2,813,066</b> | 3,766,913     |
| <b>Net Accommodation as a percentage of Capital Funds</b> | <b>28.03%</b>    | 44.56%        |

| <b>For the year ended 31 December</b>  | <b>2025</b>      | <b>2024</b>   |
|--|------------------|---------------|
|  | <b>Rs'000</b>    | <b>Rs'000</b> |
| <b>Expenses</b>  |                  |               |
| Interest expenses  | <b>286,100</b>   | 405,107       |
| Other expenses   | <b>4</b>         | 354           |
| <b>Income</b>  |                  |               |
| Fee for locating ATM machines at Company's branch premises operations                  | <b>698</b>       | 684           |
| Interest Income on short term government securities                                    | <b>2,159,042</b> | 386,865       |
| Interest Income on call/savings deposits   | <b>930</b>       | 875           |
| The company has invested in short term government securities through Sampath Bank PLC. |                  |               |
| <b>Issue of scrip dividend</b>   |                  |               |
| Scrip Dividend(Gross)-number of shares- 135,203 (2024-91,826)                          | <b>12,051</b>    | 7,023         |

## NOTES TO THE FINANCIAL STATEMENTS

### 44.4.2 Sampath Information Technology Solutions Ltd

Sampath Information Technology Solutions Ltd is a subsidiary of Sampath Bank PLC which is the parent undertaking of Siyapatha Finance PLC.

The Company has obtained Hardware/ Software maintenance services from SITS and payments were made as per the maintenance agreement. The Company has purchased Leasing/ Loan Management & Pawning software and the same is disclosed below.

| <b>As at 31 December</b> | <b>2025</b>    | <b>2024</b>   |
|--------------------------|----------------|---------------|
|                          | <b>Rs'000</b>  | <b>Rs'000</b> |
| Deposits                 | <b>318,092</b> | 298,275       |

| <b>For the year ended 31 December</b>       | <b>2025</b>   | <b>2024</b>   |
|---|---------------|---------------|
|   | <b>Rs'000</b> | <b>Rs'000</b> |
| Interest Income on leasing facility granted | -             | -             |
| Interest expense on deposits                | <b>29,800</b> | 33,515        |
| Hardware/Software maintenance paid          | <b>41,304</b> | 5,793         |

### 44.4.3 Sampath Centre Ltd

| <b>As at 31 December</b> | <b>2025</b>    | <b>2024</b>   |
|--------------------------|----------------|---------------|
|                          | <b>Rs'000</b>  | <b>Rs'000</b> |
| Facilities granted       | -              | -             |
| Deposits                 | <b>200,000</b> | 74,816        |

| <b>For the year ended 31 December</b>    | <b>2025</b>   | <b>2024</b>   |
|--|---------------|---------------|
|  | <b>Rs'000</b> | <b>Rs'000</b> |
| Interest income on loan facility granted | -             | -             |
| Interest expense on deposits             | <b>11,588</b> | 18,438        |

### 44.4.4 SC Securities (Pvt) Limited

| <b>As at 31 December</b>              | <b>2025</b>   | <b>2024</b>   |
|---------------------------------------|---------------|---------------|
|                                       | <b>Rs'000</b> | <b>Rs'000</b> |
| Deposits                              | -             | -             |
| <b>For the year ended 31 December</b> |               |               |
| Interest expense on deposits          | -             | 752           |

## 45. ASSETS PLEDGED

The following Financial assets have been pledged as securities against the long-term and short-term borrowings that have been disclosed under the Note 31.2 to the Financial Statements.

| Funding Institute  | Nature of Asset   | Nature of Liability              | Value of Assets Pledged<br>Rs'000 | Included Under   |
|--------------------|-------------------|----------------------------------|-----------------------------------|------------------|
| Sampath Bank       | Lending Portfolio | Long-Term Borrowings & Overdraft | 2,993,617                         | Gross Receivable |
| Commercial Bank    | Lending Portfolio | Long-Term Borrowings & Overdraft | 135,926                           | Gross Receivable |
| Commercial Bank    | Lending Portfolio | Long-Term Borrowings & Overdraft | 140,428                           | Gross Receivable |
| Commercial Bank    | Lending Portfolio | Long-Term Borrowings & Overdraft | 1,802,431                         | Gross Receivable |
| Commercial Bank    | Lending Portfolio | Long-Term Borrowings & Overdraft | 2,258,479                         | Gross Receivable |
| Commercial Bank    | Lending Portfolio | Long-Term Borrowings & Overdraft | 2,642,895                         | Gross Receivable |
| Commercial Bank    | Lending Portfolio | Long-Term Borrowings & Overdraft | 5,507,193                         | Gross Receivable |
| Nations Trust Bank | Lending Portfolio | Long-Term Borrowings & Overdraft | 1,304,686                         | Gross Receivable |
| Nations Trust Bank | Lending Portfolio | Long-Term Borrowings & Overdraft | 879,828                           | Gross Receivable |
| Seylan Bank        | Lending Portfolio | Long-Term Borrowings & Overdraft | 1,345,753                         | Gross Receivable |
| Seylan Bank        | Lending Portfolio | Long-Term Borrowings & Overdraft | 1,801,407                         | Gross Receivable |
| Cargills Bank      | Lending Portfolio | Long-Term Borrowings & Overdraft | 438,074                           | Gross Receivable |
| HNB Bank           | Lending Portfolio | Long-Term Borrowings & Overdraft | 2,387,581                         | Gross Receivable |
| Union Bank         | Lending Portfolio | Long-Term Borrowings & Overdraft | 2,104,697                         | Gross Receivable |
| Union Bank         | Lending Portfolio | Long-Term Borrowings & Overdraft | 2,506,002                         | Gross Receivable |

In the ordinary course of business, the Company enters into transactions that result in the transfer of financial assets to third parties. The information above sets out the extent of such transfers and retained interest in transferred assets.

The Company has transferred future receivables of lending portfolio, but has retained substantially all of the credit risk associated with the transferred assets. Due to the retention of substantially all the risk and rewards on these assets, the company continues to recognise these assets within Lending portfolio.

## 46. SEGMENT INFORMATION

### ACCOUNTING POLICY

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment.

For management purposes, the Company has identified three operating segments based on products and services, as follows.

- Leasing and hire purchase
- Gold Loan
- Others

Leasing, hire purchase represents the finance leasing, hire purchase businesses of the Company where as gold loan represents gold loan product offered to the customers. All other business activities other than the above are segmented under "Others".

## NOTES TO THE FINANCIAL STATEMENTS

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses, which in certain respects, are measured differently from operating profits or losses in the Financial Statements. Income taxes are managed on collective basis and not allocated to operating segments.

Revenue from transactions with a single external customer or counterparty did not exceed 10% or more of the Company's total revenue in 2025 & 2024.

The following table presents income, profit, total assets and total liabilities of the Company's operating segments.

| For the year ended 31 December   | Leasing and Hire Purchase |                   | Gold Loan         |                   | Others            |                   | Total             |                   |
|--|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | 2025                      | 2024              | 2025              | 2024              | 2025              | 2024              | 2025              | 2024              |
|  | Rs'000                    | Rs'000            | Rs'000            | Rs'000            | Rs'000            | Rs'000            | Rs'000            | Rs'000            |
| Interest Income  | 7,411,498                 | 7,245,428         | 2,796,903         | 2,055,693         | 1,256,529         | 541,705           | 11,464,929        | 9,842,826         |
| Less: Interest expenses  | (3,556,894)               | (3,749,783)       | (1,444,653)       | (1,098,049)       | (901,887)         | (461,490)         | (5,903,434)       | (5,309,323)       |
| Net interest income  | 3,854,604                 | 3,495,644         | 1,352,250         | 957,644           | 354,642           | 80,216            | 5,561,495         | 4,533,503         |
| Net fee and commission income  | 147,195                   | 208,911           | 149,920           | 106,446           | 201,536           | 30,753            | 498,651           | 346,110           |
| Other operating income   | 1,345,647                 | 1,051,565         | -                 | -                 | (61,933)          | 45,600            | 1,283,714         | 1,097,165         |
| <b>Total operating income</b>  | <b>5,347,446</b>          | <b>4,756,120</b>  | <b>1,502,170</b>  | <b>1,064,090</b>  | <b>494,245</b>    | <b>156,569</b>    | <b>7,343,860</b>  | <b>5,976,778</b>  |
| Less: Impairment (charges)/reversal on loans and losses                | (44,606)                  | 47,359            | (18,906)          | 3,483             | 174,435           | 86,071            | 110,923           | 136,912           |
| Net operating income   | 5,302,840                 | 4,803,479         | 1,483,264         | 1,067,572         | 668,680           | 242,640           | 7,454,783         | 6,113,691         |
| Less: Total operating expenses (Including Taxes on financial services) | (3,230,166)               | (2,980,782)       | (945,448)         | (723,045)         | (619,562)         | (304,579)         | (4,795,176)       | (4,008,406)       |
| <b>Operating profit before taxes</b>                                   | <b>2,072,674</b>          | <b>1,822,697</b>  | <b>537,816</b>    | <b>344,528</b>    | <b>49,118</b>     | <b>(61,939)</b>   | <b>2,659,608</b>  | <b>2,105,285</b>  |
| Less: Income tax expenses  |                           |                   |                   |                   |                   |                   | (1,103,201)       | (901,912)         |
| <b>Profit for the year</b>   |                           |                   |                   |                   |                   |                   | <b>1,556,407</b>  | <b>1,203,373</b>  |
| Non-controlling interest   |                           |                   |                   |                   |                   |                   | -                 | -                 |
| <b>Profit attributable to equity holders of the Company</b>            |                           |                   |                   |                   |                   |                   | <b>1,556,407</b>  | <b>1,203,373</b>  |
| <b>As at 31 December</b>   | <b>2025</b>               | <b>2024</b>       | <b>2025</b>       | <b>2024</b>       | <b>2025</b>       | <b>2024</b>       | <b>2025</b>       | <b>2024</b>       |
|  | Rs'000                    | Rs'000            | Rs'000            | Rs'000            | Rs'000            | Rs'000            | Rs'000            | Rs'000            |
| Segment assets   | 39,880,773                | 30,717,750        | 18,714,115        | 11,412,292        | 26,144,727        | 17,578,900        | 84,739,615        | 59,708,942        |
| <b>Total assets</b>  | <b>39,880,773</b>         | <b>30,717,750</b> | <b>18,714,115</b> | <b>11,412,292</b> | <b>26,144,727</b> | <b>17,578,900</b> | <b>84,739,615</b> | <b>59,708,942</b> |
| Segment liabilities  | 35,158,084                | 26,380,627        | 16,497,985        | 9,800,960         | 23,048,663        | 15,074,033        | 74,704,732        | 51,255,621        |
| <b>Total liabilities</b>   | <b>35,158,084</b>         | <b>26,380,627</b> | <b>16,497,985</b> | <b>9,800,960</b>  | <b>23,048,663</b> | <b>15,074,033</b> | <b>74,704,732</b> | <b>51,255,621</b> |

## 47. CAPITAL

The Company maintains an activity managed capital basis to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the company's capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

### Capital Management

The primary objective of Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

### Regulatory Capital

The Company manages its capital considering the regulatory capital requirements. The Central Bank of Sri Lanka (CBSL) sets and monitors capital requirements for licensed finance companies. Accordingly, finance companies in Sri Lanka need to maintain a minimum total capital adequacy ratio of 12.5% and a minimum core capital adequacy ratio (Tier I) of 8.5%. The Company has always maintained the Capital Adequacy Ratio above the minimum regulatory requirements.

## TEN YEAR SUMMARY

| Year ended 31 December   | 2016        | 2017        | 2018        | 2019        | 2020        | 2021        | 2022        | 2023        | 2024        | 2025               |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------------|
|  | Rs.000      | Rs.000      | Rs.000      | Rs.000      | Rs.000      | Rs.000      | Rs.000      | Rs.000      | Rs.000      | Rs.000             |
| <b>Interest income</b>   | 2,838,995   | 4,599,470   | 6,395,898   | 7,229,612   | 6,814,216   | 6,786,436   | 8,269,789   | 10,130,371  | 9,842,826   | <b>11,464,929</b>  |
| Interest expenses  | (1,620,783) | (2,764,290) | (3,680,060) | (4,230,657) | (3,856,315) | (2,813,728) | (5,788,151) | (7,009,764) | (5,309,323) | <b>(5,903,434)</b> |
| <b>Net interest income</b>   | 1,218,212   | 1,835,180   | 2,715,838   | 2,998,955   | 2,957,901   | 3,972,708   | 2,481,638   | 3,120,607   | 4,533,503   | <b>5,561,495</b>   |
| Other income   | 312,774     | 465,904     | 567,459     | 690,293     | 765,479     | 1,360,895   | 1,025,545   | 928,409     | 1,443,275   | <b>1,782,365</b>   |
| <b>Operating income</b>  | 1,530,986   | 2,301,083   | 3,283,298   | 3,689,248   | 3,723,380   | 5,333,603   | 3,507,182   | 4,049,016   | 5,976,778   | <b>7,343,860</b>   |
| Operating expenses   | (808,111)   | (1,048,290) | (1,328,499) | (1,433,411) | (1,462,546) | (1,789,998) | (1,910,966) | (2,290,840) | (3,205,738) | <b>(3,792,993)</b> |
| Operating profit   | 722,875     | 1,252,794   | 1,954,799   | 2,255,837   | 2,260,834   | 3,543,605   | 1,596,217   | 1,758,176   | 2,771,040   | <b>3,550,867</b>   |
| Impairment (charges)/<br>reversals/provision for<br>doubtful debts | (79,189)    | (236,744)   | (829,751)   | (1,050,938) | (1,356,264) | (1,618,176) | (131,671)   | (80,869)    | 136,912     | <b>110,923</b>     |
| Taxes on financial services  | (128,500)   | (230,810)   | (291,259)   | (406,369)   | (226,551)   | (399,355)   | (400,808)   | (478,089)   | (802,667)   | <b>(1,002,183)</b> |
| <b>Profit before taxation</b>                                      | 515,186     | 785,240     | 833,789     | 798,530     | 678,019     | 1,526,074   | 1,063,737   | 1,199,218   | 2,105,285   | <b>2,659,608</b>   |
| Tax expenses   | (187,904)   | (286,378)   | (317,268)   | (318,336)   | (268,528)   | (431,531)   | (308,768)   | (489,016)   | (901,912)   | <b>(1,103,201)</b> |
| <b>Profit for the year</b>   | 327,282     | 498,862     | 516,521     | 480,194     | 409,491     | 1,094,543   | 754,969     | 710,202     | 1,203,373   | <b>1,556,407</b>   |

| As at 31 December                                   | 2016       | 2017       | 2018       | 2019       | 2020       | 2021       | 2022       | 2023       | 2024       | 2025              |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------------|
|   | Rs.000     | Rs.000     | Rs.000     | Rs.000     | Rs.000     | Rs.000     | Rs.000     | Rs.000     | Rs.000     | Rs.000            |
| <b>Assets</b>                                       |            |            |            |            |            |            |            |            |            |                   |
| Cash and bank balances                              | 169,333    | 297,858    | 191,556    | 273,429    | 292,036    | 250,277    | 221,187    | 285,352    | 260,579    | <b>483,200</b>    |
| Securities purchased under<br>repurchase agreements | 777,438    | 1,200,981  | 1,768,461  | 2,304,392  | 2,781,162  | 1,839,911  | -          | 250,123    | 5,001,843  | <b>8,732,389</b>  |
| Investment in Fixed Deposits                        | -          | 65,699     | -          | -          | -          | -          | -          | -          | -          | <b>-</b>          |
| Factoring receivables                               | 1,979,243  | 1,899,702  | 1,332,310  | 655,141    | 261,944    | 153,483    | 112,793    | 95,969     | 95,417     | <b>187,307</b>    |
| Pawning / Gold loan<br>receivables                  | 1,768,922  | 2,563,352  | 3,548,666  | 5,011,268  | 4,769,716  | 5,781,780  | 8,666,076  | 7,930,227  | 11,412,292 | <b>18,655,679</b> |
| Loan receivables                                    | 743,740    | 2,724,776  | 2,481,575  | 1,533,713  | 1,750,116  | 1,643,806  | 993,460    | 1,343,011  | 3,829,072  | <b>14,284,209</b> |
| Lease receivables                                   | 13,851,890 | 19,873,470 | 25,601,932 | 29,023,194 | 29,017,672 | 29,088,209 | 24,862,538 | 26,640,517 | 30,717,750 | <b>37,898,922</b> |
| HP receivable                                       | 837,560    | 252,000    | 48,525     | 3,437      | 2,125      | 934        | 1,247      | -          | -          | <b>-</b>          |
| Other assets  | 662,612    | 932,742    | 1,193,305  | 2,142,771  | 2,676,889  | 3,991,848  | 9,237,263  | 9,695,301  | 8,391,990  | <b>4,497,910</b>  |
| <b>Total Assets</b>                                 | 20,790,738 | 29,810,580 | 36,166,330 | 40,947,345 | 41,551,660 | 42,750,248 | 44,094,563 | 46,240,500 | 59,708,942 | <b>84,739,615</b> |
| <b>Liabilities</b>                                  |            |            |            |            |            |            |            |            |            |                   |
| Bank overdraft                                      | 460,494    | 456,018    | 321,821    | 361,586    | 250,536    | 191,266    | 826,180    | 135,930    | 128,514    | <b>387,335</b>    |
| Customer deposits                                   | 3,362,662  | 9,333,622  | 9,672,008  | 13,221,026 | 17,279,614 | 17,114,923 | 19,342,046 | 23,565,911 | 32,197,075 | <b>36,950,983</b> |
| Debt issued and other<br>borrowed funds             | 14,187,266 | 16,310,778 | 21,391,367 | 21,342,227 | 17,049,706 | 17,077,514 | 15,585,788 | 13,148,267 | 15,642,339 | <b>33,386,427</b> |
| Other payables                                      | 849,956    | 1,231,877  | 1,240,142  | 2,006,680  | 1,845,839  | 2,140,451  | 1,773,374  | 2,143,662  | 3,287,693  | <b>3,979,988</b>  |
| <b>Total Liabilities</b>                            | 18,860,377 | 27,332,295 | 32,625,339 | 36,931,520 | 36,425,695 | 36,524,154 | 37,527,388 | 38,993,770 | 51,255,621 | <b>74,704,732</b> |

| <b>As at 31 December</b>                  | <b>2016</b>       | <b>2017</b>       | <b>2018</b>       | <b>2019</b>       | <b>2020</b>       | <b>2021</b>       | <b>2022</b>       | <b>2023</b>       | <b>2024</b>       | <b>2025</b>       |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | <b>Rs.000</b>     | <b>Rs.000</b>     | <b>Rs.000</b>     | <b>Rs.000</b>     | <b>Rs.000</b>     | <b>Rs.000</b>     | <b>Rs.000</b>     | <b>Rs.000</b>     | <b>Rs.000</b>     | <b>Rs.000</b>     |
| <b>Equity</b>                             |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Stated capital                            | 576,975           | 635,917           | 948,666           | 1,379,922         | 1,522,881         | 2,346,095         | 2,674,439         | 2,866,876         | 2,872,846         | <b>2,883,089</b>  |
| Share application money pending allotment | -                 | -                 | 400,000           | -                 | 700,000           | -                 | -                 | -                 | -                 | <b>-</b>          |
| Statutory reserve fund                    | 86,422            | 113,000           | 139,000           | 164,000           | 185,000           | 240,000           | 278,000           | 314,000           | 375,000           | <b>455,000</b>    |
| Revaluation Reserve                       | -                 | 56,823            | 107,763           | 117,951           | 117,951           | 124,504           | 154,295           | 154,295           | 154,295           | <b>183,260</b>    |
| Retained earnings                         | 1,266,964         | 1,672,545         | 1,945,562         | 2,353,952         | 2,600,133         | 3,515,495         | 3,460,441         | 3,911,559         | 5,051,180         | <b>6,513,534</b>  |
| <b>Total Equity</b>                       | <b>1,930,361</b>  | <b>2,478,285</b>  | <b>3,540,991</b>  | <b>4,015,825</b>  | <b>5,125,965</b>  | <b>6,226,094</b>  | <b>6,567,175</b>  | <b>7,246,730</b>  | <b>8,453,321</b>  | <b>10,034,883</b> |
| <b>Total Liabilities and Equity</b>       | <b>20,790,738</b> | <b>29,810,580</b> | <b>36,166,330</b> | <b>40,947,345</b> | <b>41,551,660</b> | <b>42,750,248</b> | <b>44,094,563</b> | <b>46,240,500</b> | <b>59,708,942</b> | <b>84,739,615</b> |

| <b>Year ended 31 December</b>                                | <b>2016</b>   | <b>2017</b>   | <b>2018</b>   | <b>2019</b>   | <b>2020</b>   | <b>2021</b>   | <b>2022</b>   | <b>2023</b>   | <b>2024</b>   | <b>2025</b>   |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | <b>Rs.000</b> | <b>Rs.000</b> | <b>Rs.000</b> | <b>Rs.000</b> | <b>Rs.000</b> | <b>Rs.000</b> | <b>Rs.000</b> | <b>Rs.000</b> | <b>Rs.000</b> | <b>Rs.000</b> |
| Growth in Interest Income                                    | 44%           | 62%           | 39%           | 13%           | -6%           | -0.41%        | 21.86%        | 22.50%        | -2.84%        | <b>16.48%</b> |
| Growth Interest Expenses                                     | 97%           | 71%           | 33%           | 15%           | -9%           | 27.04%        | 105.71%       | 21.11%        | -24.26%       | <b>11.19%</b> |
| Cost to income ratio with taxes on financial services (%)    | 61.18%        | 55.59%        | 49.33%        | 49.87%        | 45.36%        | 41.05%        | 65.92%        | 68.39%        | 67.07%        | <b>65.30%</b> |
| Cost to income ratio without taxes on financial services (%) | 52.78%        | 45.56%        | 40.46%        | 38.85%        | 39.28%        | 33.56%        | 54.49%        | 56.58%        | 53.64%        | <b>51.67%</b> |
| Interest Cover ratio   | 1.32          | 1.28          | 1.23          | 1.19          | 1.18          | 1.54          | 1.18          | 1.17          | 1.40          | <b>1.45</b>   |
| Growth in Operating Profit                                   | 3%            | 73%           | 56%           | 15%           | 0.2%          | 56.74%        | -54.95%       | 10.15%        | 57.61%        | <b>28.14%</b> |
| Growth in Profit After Tax(PAT)                              | -15%          | 52%           | 4%            | -7%           | -15%          | 167%          | -31%          | -6%           | 69%           | <b>29%</b>    |
| Earning/(Loss) Per Share-Rs.                                 | 6.14          | 8.70          | 8.43          | 6.56          | 5.37          | 12.35         | 7.52          | 7.07          | 11.98         | <b>15.48</b>  |
| Growth in Advances   | 42%           | 42%           | 21%           | 10%           | -1%           | 2.42%         | 5.57%         | 3.97%         | 27.89%        | <b>54.22%</b> |
| Growth in Deposits and Borrowings                            | 46%           | 45%           | 20%           | 11%           | -1%           | -0.57%        | 3.99%         | 3.07%         | 30.17%        | <b>47.44%</b> |
| Growth in Shareholder's Funds                                | 20%           | 28%           | 43%           | 13%           | 28%           | 21.46%        | 5.48%         | 10.35%        | 16.65%        | <b>18.71%</b> |
| Debt/Equity Ratio  | 9.33          | 10.53         | 8.86          | 8.70          | 6.75          | 5.52          | 5.44          | 5.09          | 5.67          | <b>7.05</b>   |
| Net Assets per Share-Rs.                                     | 35.67         | 44.43         | 55.68         | 54.78         | 67.26         | 67.69         | 67.59         | 72.23         | 84.18         | <b>99.79</b>  |
| Return on Average Total Assets                               | 2%            | 2%            | 2%            | 1%            | 1%            | 2.59%         | 1.68%         | 1.55%         | 2.24%         | <b>2.17%</b>  |
| Return on Average Equity                                     | 18%           | 23%           | 17%           | 13%           | 9.54%         | 19.16%        | 11.82%        | 10.41%        | 15.32%        | <b>16.79%</b> |

# CAPITAL ADEQUACY

## Capital Adequacy

Capital Adequacy is one of the key financial indicators which illustrates the soundness and the stability of a Company. It acts as a "cushion" or "buffer" in safeguarding the depositors' and lenders' funds by absorbing potential losses arising from key risks faced by the Company. The Capital Adequacy Ratio is a measure used to determine whether the Company has sufficient capital to withstand unexpected losses arising from various risks during the course of the business, such as credit risk, market risk, operational risk etc.

At present, Capital Adequacy Ratios of the finance companies in Sri Lanka are computed based on the Finance Business Act Direction No.3 of 2018 issued by the Central Bank of Sri Lanka (CBSL).

This Capital adequacy framework has introduced a more risk sensitive approach covering credit risk and operational risk. Market risk was not considered under this framework because the sector exposure to market risk was considered to be minimal.

In accordance with Finance Business Act (capital adequacy requirements) Direction No.03 of 2018 every finance company with asset less than LKR 100 Bn shall at all times maintain the minimum capital adequacy ratios of Tier I – 8.5% and Total Capital – 12.5% in relation to total risk weighted assets.

## Tier 1 - Core capital

Tier 1 capital represents core capital of the company. Core capital includes shareholder's equity and reserves

$$\bullet \text{ Tier I Capital Ratio} = \frac{\text{Tier 1 Capital}}{\text{Total Risk Weighted Amount}}$$

## Total of Tier 1 and Tier 2 Capital

Tier II capital represents supplementary capital such as instruments containing characteristics of equity and debt, revaluation gains and general provisioning/ impairment allowances.

$$\bullet \text{ Total Capital Ratio} = \frac{\text{Total Capital}}{\text{Total Risk Weighted Amount}}$$

## Risk Weighted Assets

Risk weighted assets are a measure of company's assets and off-balance sheet exposures, weighted according to their risks, with each asset class assigned a different risk weightage.

As at 31 December 2025, the Company maintained a Tier I ratio of 14.91% and a Total Capital ratio of 15.45%. Both ratios are well above the minimum regulatory requirements (Tier I – 8.5% and Total Capital – 12.5%) set by CBSL.

## Computation of Capital Ratios

| Item   | Amount Rs.'000    |
|--|-------------------|
| Tier 1 Capital                                   | 9,711,720         |
| <b>Total Capital</b>                             | <b>10,065,601</b> |
| <b>Risk Weighted Amount for Credit Risk</b>      | <b>58,182,062</b> |
| <b>Risk Weighted Amount for Operational Risk</b> | <b>6,949,220</b>  |
| <b>Total Risk Weighted Amount</b>                | <b>65,131,282</b> |
| Tier 1 Capital Ratio, %                          | 14.91             |
| <b>Total Capital Ratio, %</b>                    | <b>15.45</b>      |

# GLOSSARY OF FINANCIAL TERMS

## A

### Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

### Accrual Basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

### Actuarial Assumptions

An entity's unbiased and mutually compatible best estimates of the demographic and financial variable that will determine the ultimate cost of providing post-employment benefits.

### Allowance for Impairment

A provision held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss.

### Amortization

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

### Amortised Cost

The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or un-collectability.

### Asset and Liability Committee (ALCO)

A risk-management committee in a finance company that generally comprises the senior-management levels of the institution. The ALCO's primary goal is to evaluate, monitor and

approve practices relating to risk due to imbalances in the capital structure. Among the factors considered are liquidity risk, interest rate risk, operational risk and external events that may affect the finance company's forecast and strategic balance-sheet allocations.

### Assets held for sale

Non-current assets that a company intends to sell within a specific time frame, typically within one year, and are presented separately on the Statement of Financial Position at the lower of their carrying amount or fair value less costs to sell, with any resulting impairment losses recognized accordingly.

### Average Weighted Prime Lending Rate (AWPLR)

AWPLR is calculated by the Central Bank weekly, based on commercial banks' lending rates offered to their prime customers during the week.

## B

### Basis Point (BP)

One hundredth of a percentage point (0.01 per cent); 100 basis points is 1 percentage points: Used in quoting movements in interest rates or yields on securities.

## C

### Capital Adequacy Ratio

The relationship between capital and risk weighted assets as prescribed by the Central Bank of Sri Lanka.

### Cash

Cash comprises cash in hand and demand deposits.

### Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Cash Flows

Inflows and outflows of cash and cash equivalents.

### Collectively Assessed Impairment

Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

### Commercial Paper (CP)

An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. The debt is usually issued at a discount, reflecting prevailing market interest rates.

### Commitments

Credit facilities approved but not yet utilised by the clients as at the reporting date.

### Compounded Annual Growth Rate (CAGR)

The rate at which a variable would have grown if it grew at an even rate compounded annually.

### Contingencies

A condition or situation existing at the Balance Sheet date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

### Contract

An agreement between two or more parties that creates enforceable rights and obligations.

### Control

An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to

## GLOSSARY OF FINANCIAL TERMS

affect those returns through its power over the investee.

### Corporate Governance

The process by which corporate entities are governed, it is concerned with the way in which power is exercised over the management and direction of an entity, the supervision of executive actions and accountability to owners and others.

### Cost to Income Ratio

Operating expenses excluding loan/ lease loss provision as a percentage of total operating income.

### Credit Ratings

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

### Credit Risk

Credit risk is the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions.

### Credit Risk Mitigation

A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantee and credit protection.

### Customer Deposits

Money deposited by account holders. Such funds are recorded as liabilities.

## D

### Deferred Tax

Sum set aside for tax in the Financial Statements that may become payable/ receivable in a financial year other than the current financial year.

### Delinquency

A debt or other financial obligation is considered to be in a state of

delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as 'Arrears'.

### Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

### Derecognition

Removal of a previously recognized financial asset or financial liability from an entity's Statement of Financial Position.

### Discount Rate

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

### Dividend Cover

Profit after tax divided by gross dividend. This ratio measures the number of times dividend is covered by the current year's distributable profits.

### Dividend pay-out ratio

The percentage of earnings paid out to shareholders as dividends.

### Dividend per share (DPS)

Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of ordinary shares in issue; indicates the proportion of current year's dividend attributable to an ordinary share in issue.

### Dividend Yield

Dividend earned per share as a percentage of its market value.

## E

### Earnings per Share (EPS)

Profit attributable to ordinary shareholders divided by the number of ordinary shares in use.

### Economic Value Added (EVA)

A measure of productivity which takes into consideration cost of total invested equity.

### Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate a shorter period to the net carrying amount of the financial asset or financial liability.

### Effective Tax Rate

Provision for taxation expressed as a percentage of Profit before Tax.

### Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### Employee Retention Ratio

Represents the number of employees retained out of the employees attrition during the year as a percentage of average number of employees for the year end.

### Equity Method

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post- acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

### Events after the Reporting Period

Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue.

### Expected Credit Losses (ECLs)

ECLs are probability-weighted estimate of the present value of cash shortfalls (i.e. the weighted average credit losses, with respective risks of defaults occurring in a given time period used as the weights). ECL measurements are unbiased (i.e. neutral, not conservative and not biased towards optimism or pessimism) and are determined by evaluating a range of possible outcomes.

### Exposure

A claim, contingent claim or position which carries a risk of financial loss.

### Exposure at Default (EAD)

This 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 & interest and expected drawdowns of committed facilities.

## F

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### Factoring

Factoring is a time-honored financial tool used by companies worldwide. It is the purchase of account receivables (invoices) for immediate cash.

### Fair Value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### Fair Value through Profit or Loss

A financial asset/liability: Acquired/ incurred principally for the purpose of selling or repurchasing in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or a derivative (except for a derivative that is a financial guarantee contract)

### Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortize the capital outlay of the lessor. The lessor retains the ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

### Financial Asset

Any asset that is cash, an equity instrument of "another" entity or a contractual right to receive cash or another financial asset from another entity.

### Financial Guarantee Contract

A contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

### Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial Liability

A contractual obligation to deliver cash or another financial asset to another entity.

## G

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### Going concern

An entity shall prepare Financial Statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

### Group

A Group is a parent and all its subsidiaries.

### Gearing

Long term borrowings divided by the total funds available for shareholders.

### Gross Dividend

The portion of profits distributed to the shareholders including the tax withheld.

### Guarantees

A promise made by a third party (guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfill the contractual obligations.

## H

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### Hire purchase

A hire purchase is a contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

## I

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### International Financial Reporting Standards (IFRS)

A set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board (IASB).

### Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance.

### Interest Cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

### Interest Margin

Net Interest income expressed as a percentage of average interest earning assets.

## GLOSSARY OF FINANCIAL TERMS

### Interest Spread

Represents the difference between average interest rate earned on interest earning assets and the average interest rate paid on interest bearing liabilities.

### Interest in Suspense

Interest suspended on non-performing leases, hire purchases and other advances.

### Impairment

This occurs when the recoverable amount of an asset is less than its carrying amount.

### Impaired Loans

Loans where the company does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

### Impairment Allowances

Management's best estimate of losses incurred in the loan portfolios at the balance sheet date.

### Impairment Provisions

Provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss.

### Individually Assessed Impairment

Exposure to loss is assessed on all individually significant accounts and all other accounts that do not qualify for collective assessment.

### Individually Significant Loan Impairment Provision (Specific Impairment Provision)

Impairment is measured individually for assets that are individually significant to the company.

### Infection Rate

Describes the proportion of Loan or Lease on the portfolio that are not being effectively recovered. In other

words, It describes the relationship between Infected (arrears) portfolio and total portfolio.

### Integrated Reporting

A methodology of reporting an organisation's strategy, governance, financial performance and prospects in relation to the creation of value over the short, medium and long-term in its economic, social and environmental context.

### Interest Rate Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

### Investment Properties

Investment property is a property (land or a building - or part of a building - or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative services; or sale in the ordinary course of business.

### Investment Securities

Securities acquired and held for yield and capital growth purposes and are usually held to maturity.

## K

### Key Management Personnel

Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

## L

### Lending portfolio

Total value of lending products net of unearned income, amounts received in advance and allowance for impairment.

### Lifetime Expected Credit Losses

The expected credit losses that result from all possible default events over the expected life of a financial instrument.

### Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, bills of exchange, treasury bills.

### Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

### Loan/Credit Losses and Provisions

Amount set aside against possible losses on loans, advances and other credit facilities as a result of such facilities becoming partly or wholly uncollected.

### Loans and Receivables

Non derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intended to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.

### Loan to value ratio (LTV)

The LTV ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

### Loss Given Default (LGD)

The estimated ratio (percentage) of the loss on an exposure to the amount outstanding at default (EAD) upon default of counterparty.

## M

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### Market Risk

This refers to the possibility of loss arising from changes in a value of a financial instrument as a result in changes of market variables such as interest rate, exchange rates, credit spread and other asset prices.

### Materiality

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

## N

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### Net Assets per Share

Shareholders' funds excluding preference shares, if any, divided by the number of ordinary shares in issue.

### Net Interest Income

The difference between income earned on interest bearing assets and costs incurred on financial instruments/ facilities used for funding.

### Net Interest Margin (NIM)

Net interest income expressed as a percentage of average interest earning assets.

### Non Performing Advances

A lease, hire purchase or other advance placed on cash basis (i.e. interest income is only recognised when cash is received), because in the opinion of management, there is a reasonable doubt regarding the collectability of principal and/ or interest. Rentals receivable in arrears for more than six rentals have been categorised as non-performing. Non-performing advances are reclassified as performing when all arrears rentals are settled in full.

### NPA Ratio

The total non-performing leases, hire purchases and other advances expressed as a percentage of total loans and advances portfolio.

## O

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### Off- Balance Sheet Items

Items that are not recognised as assets or liabilities in the Statement of Financial Position, which give rise to commitments and contingencies in future.

### Offsetting of financial statements

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

### Operational Risk

Operational risk refers to the losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

## P

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### Parent Company

An entity that controls one or more subsidiaries.

### Past Due

A financial asset is past due when a counter party has failed to make a payment when contractually due.

### Power

The Power is the existing rights that give the current ability to direct the relevant activities.

### Probability of Default (PD)

The probability that an obligor will default within a one-year time horizon.

### Projected Unit Credit Method (PUC)

An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation (sometimes known as the accrued benefit method pro-rated on service or as the benefit/ years of service method).

### Provision Cover

Total provision for losses on loans, leases and advances expressed as a percentage of net non-performing loans before discounting for provision on nonperforming loans, leases and advances.

### Prudence

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under the conditions of uncertainty, such that asset or income are not overstated and liabilities or expenses are not understated.

## R

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### Related Parties

Parties where one party has ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

### Residual Value

The estimated amount that is currently realizable from disposal of the asset, after deducting estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

### Return on Average Assets (ROA)

Profit after tax expressed as a percentage of average assets.

## GLOSSARY OF FINANCIAL TERMS

### Return on Equity (ROE)

Net Profit after Tax less dividend on preference shares if any, expressed as a percentage of average ordinary shareholders' equity.

### Reverse Repurchase Agreements

Transactions involving the purchase of securities by the company and resale back to the seller at a future date and specified price.

### Right-of-use asset

An asset that represents a lessee's right to use an underlying asset for the lease term.

### Risk Weighted Assets

The sum of on balance sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

## S

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### Segmental Analysis

Analysis of financial information by segments of an enterprise specifically, the different industries and the different geographical areas in which it operates.

### Shareholders' Funds

The total of stated capital and capital and revenue reserves.

### Sri Lanka Financial Reporting Standards (SLFRSs)

Standards and Interpretations adopted by Institute of Chartered Accountants of Sri Lanka. They comprise of the following: Sri Lanka Accounting Standards (SLFRS & LKAS); and Interpretations adopted by the Council of ICASL (IFRIC and SIC).

### Staff Turnover Ratio

Represents the number of employee attrition during the year as a percentage of average number of employees for the year end.

### Stated Capital

All amounts received by the Company or due and payable to the Company - (a) in respect of the issue of shares, (b) in respect of calls on shares.

### Statutory Reserve Fund

A capital reserve created as per the provisions of Finance Companies (Capital Funds) Direction No. 1 of 2003

### Substance over Form

The consideration that the accounting treatment and the presentation in financial statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

### Subsidiary Company

An entity, including an unincorporated entity, which is controlled by another entity.

## T

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### Tier I Capital (Core Capital)

Tier I: Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

### Tier II Capital (Supplementary capital)

Representing general provisions and other capital instruments which combines certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

### Total Capital (Capital Base)

Capital base is the summation of the core capital (Tier I) and the supplementary capital (Tier II).

### Transaction Costs

Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

### Twelve Month Expected Credit Losses

The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

## U

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### Useful Life

The period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

## V

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### Value Added

Wealth created by providing financial and other services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to government by way of taxes and retained for expansion and growth.

### Volatile Liability Dependency Ratio

Short Term borrowings (of maturity less than 12 months) expressed as a percentage of the Total Advances (Lending) Portfolio.

## Y

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### Yield

Return of an investment in percentage terms, taking in to account annual income and any changes in capital value.

### Yield to Maturity

Discount rate at which the present value of future payments would equal the security's current price.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 21st Annual General Meeting of Siyapatha Finance PLC will be held on 31st March 2026 at 9.00 a.m. at Siyapatha Tower, 111, Dudley Senanayake Mawatha, Colombo 08, for the following purposes;

## AGENDA

1. To receive and consider the Annual Report of the Board of Directors on the Affairs of the Company and the Statement of Audited Accounts for the year ended 31st December 2025 with the Report of the Auditors thereon.
2. To re-elect Mr. P. S. Cumaranatunga as a Director in terms of Article 24(7) and (8) of the Articles of Association of the Company.
3. To re-elect Mr. Y. S. H. R. S. Silva as a Director in terms of Article 24(7) and (8) of the Articles of Association of the Company.
4. To re-elect Mr. W. S. C. Perera as a Director in terms of Article 24(7) and (8) of the Articles of Association of the Company.
5. To elect Mr. D. P. Lokuarachchi as a Director in terms of Article 24(2) of the Articles of Association of the Company.
6. To declare a Dividend of LKR. 0.15 per share for the financial year 2025 and if though fit, to pass the following resolution by way of an Ordinary Resolution.

"IT IS HEREBY RESOLVED THAT a dividend of LKR 0.15 per share be distributed in the form of a scrip dividend amounting to a total sum of Rupees Fifteen Million Eighty Three Thousand Four Hundred and Thirty One and Cents One only (LKR 15,083,431.01). The shares issued in the scrip dividend shall be valued at LKR 89.81 per share which results in one (01) share being issued for each existing 704.3946734 shares. Consequently the total number of shares to be issued under the scrip dividend shall be 142,756 Ordinary Shares."

7. To re-appoint Messrs KPMG, Chartered Accountants as the Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.
8. To authorize the Directors to determine donations for the year ending 31st December 2026 and up to the date of the next Annual General Meeting.

By order of the Board

**SIYAPATHA FINANCE PLC**



**Ms. Arosha Berugoda**  
COMPANY SECRETARY

13th February 2026

## Notes:

1. A shareholder is entitled to appoint a Proxy to attend and vote at the meeting on his/her behalf.
2. A Proxy need not be a shareholder of the Company.
3. A Form of Proxy accompanies this Notice.



# PROXY FORM

I/We\* ..... (holder of NIC/  
PP No.....) of.....being a shareholder/s  
of Siyapatha Finance PLC hereby appoint; .....  
(holder of NIC/PP No.....) of ..... or failing him/her;

|   |                     |
|---|---------------------|
| <b>Mr. P. S. Cumaranatunga of Colombo</b>   | <b>failing him*</b> |
| <b>Mr. Y. S. H. R. S. Silva of Kandy</b>    | <b>failing him*</b> |
| <b>Mr. J. Selvaratnam of Rajagiriya</b>     | <b>failing him*</b> |
| <b>Mr. J. H. Gunawardena of Ratmalana</b>   | <b>failing him*</b> |
| <b>Mr. D. Sooriyaarachchi of Rajagiriya</b> | <b>failing him*</b> |
| <b>Mr. W. S. C. Perera of Pelawaththa</b>   | <b>failing him*</b> |
| <b>Ms. H. S. R. Ranatunga of Colombo</b>    | <b>failing her*</b> |
| <b>Mr. P. L. C. Jayawickrama of Malabe</b>  | <b>failing him*</b> |
| <b>Mr. D. P. Lokuarachchi of Nugegoda</b>   |                     |

as my/our\* proxy to represent me/us\* to speak and to vote as indicated hereunder for me/us\* and on my/our\* behalf at 21st Annual General Meeting of the Company to be held on 31st March 2026 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

|   | <b>FOR</b>               | <b>AGAINST</b>           |
|---|--------------------------|--------------------------|
| (1) To re-elect Mr. P.S. Cumaranatunga as a Director in terms of Article 24(7) and (8) of the Articles of Association of the Company.   | <input type="checkbox"/> | <input type="checkbox"/> |
| (2) To re-elect Mr. Y. S. H. R. S. Silva as a Director in terms of Article 24(7) and (8) of the Articles of Association of the Company.   | <input type="checkbox"/> | <input type="checkbox"/> |
| (3) To re-elect Mr. W. S. C. Perera as a Director in terms of Article 24(7) and (8) of the Articles of Association of the Company.  | <input type="checkbox"/> | <input type="checkbox"/> |
| (4) To elect Mr. D. P. Lokuarachchi as a Director in terms of Article 24(2) of the Articles of Association of the Company.  | <input type="checkbox"/> | <input type="checkbox"/> |
| (5) To declare a Dividend of LKR. 0.15 per share for the financial year 2025<br>"IT IS HEREBY RESOLVED THAT a dividend of LKR 0.15 per share be distributed in the form of a scrip dividend amounting to a total sum of Rupees Fifteen Million Eighty Three Thousand Four Hundred and Thirty One and Cents One only (LKR 15,083,431.01 ).The shares issued in the scrip dividend shall be valued at LKR 89.81 per share which results in one (01) share being issued for each existing 704.3946734 shares. Consequently the total number of shares to be issued under the scrip dividend shall be 142,756 Ordinary Shares." | <input type="checkbox"/> | <input type="checkbox"/> |
| (6) To re-appoint Messrs KPMG, Chartered Accountants as the Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.   | <input type="checkbox"/> | <input type="checkbox"/> |
| (7) To authorize the Directors to determine donations for the year ending 31st December 2026 and up to the date of the next Annual General Meeting.   | <input type="checkbox"/> | <input type="checkbox"/> |

In witness my/our\* hands this ..... day of .....Two Thousand and Twenty Six.

.....  
Signature of Shareholder/s

\*Please delete what is inapplicable.

## PROXY FORM

### INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of Proxy by filling in legibly your full name and address by signing on the space provided and filling in the date of signature.
2. The completed form of Proxy should be deposited at the Head Office of the Company at No.111, Dudley Senanayake Mawatha, Colombo 08, not less than 48 hours before the appointed time for the holding of the meeting.
3. If you wish to appoint a person other than the Chairman, the Deputy Chairman or a Director of the Company as your proxy, please insert the relevant details in the space provided on the Proxy Form.
4. Article 16(6) of the Articles of Association of the Company provides that; A body Corporate which is a shareholder may appoint a representative to attend a meeting of shareholders or any class of shareholders on its behalf by resolution of its Director or other governing body.
5. Please indicate with an (x) in the space provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy, at his/her discretion, will vote as he/she thinks fit.
6. In the case of a Company/Corporation, the Proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
7. In the case of a Proxy signed by an Attorney, the Power of Attorney must be deposited at the Registered Office of the Company for registration.

# CORPORATE INFORMATION

## NAME OF THE COMPANY

Siyapatha Finance PLC  
(formerly known as Sampath Leasing and Factoring Limited)  
Registration No : PB 917PQ  
Telephone: +94117605605  
Fax: +94117605606  
E-mail: info@siyapatha.lk  
Website: www.siyapatha.lk

## LEGAL FORM

Sampath Leasing and Factoring Limited was incorporated on 03rd March 2005 under the Companies Act No. 17 of 1982 as a specialized leasing company and reregistered under the Companies Act No. 07 of 2007 on 18th March 2009. Sampath Leasing and Factoring Limited was renamed as "Siyapatha Finance Limited" on 02nd September 2013 upon being recognized as a Licensed Finance Company under the Finance Business Act No. 42 of 2011. Upon the listing of the unsecured subordinated redeemable debentures on the Colombo Stock Exchange on 31st December 2014, the status of the Company has changed from Siyapatha Finance Limited to Siyapatha Finance PLC with effect from 02nd January 2015.

## OWNERSHIP

Siyapatha Finance PLC is a fully owned subsidiary of Sampath Bank PLC.  
Siyapatha Finance PLC does not have any subsidiaries established.

## REGISTERED OFFICE

No: 111, Dudley Senanayake Mawatha, Colombo 08

## HEAD OFFICE

Siyapatha Tower,  
No: 111, Dudley Senanayake Mawatha, Colombo 08

## CREDIT RATING

Rating (Issued by Fitch Ratings Lanka): National Long-Term Rating of 'A (lka)', outlook - stable.

## OPERATING COUNTRIES

Operations are limited to Sri Lanka

## BOARD OF DIRECTORS

Mr. Sumith Cumaranatunga  
*Chairman*  
(Independent / Non-Executive)

Mr. Rushanka Silva  
*Deputy Chairman*  
(Non-Independent / Non-Executive)

Mr. Janakan Selvaratnam  
*Director*  
(Non-Independent / Non-Executive)

Mr. Jayantha Gunawardena  
*Director*  
(Non-Independent / Non-Executive)

Mr. Deepal Sooriyaarachchi  
*Director*  
(Non-Independent / Non-Executive)  
(Independent Status changed w.e.f. 2nd February 2026)

Mr. Shiran Perera  
*Director*  
(Non-Independent / Non-Executive)

Ms. Sriyani Ranatunga  
*Director*  
(Independent / Non-Executive)

Mr. Laknath Jayawickrama  
*Director*  
(Independent / Non-Executive)

Mr. Deepthi Lokuarachchi  
*Director*  
(Non-Independent / Non-Executive)  
(Independent Status changed w.e.f. 2nd February 2026)

## LAWYERS

Messrs Nithya Partners Attorneys-at-Law  
No: 97/A Galle Road, Colombo 03  
Tel: 0114 712 628

## COMPANY SECRETARY

Ms. Arosha Berugoda  
No: 111, Dudley Senanayake Mawatha, Colombo 08  
Tel: 0117 605 605

## AUDITORS

Messrs KPMG  
Chartered Accountants  
No: 32A Sir Mohomad Macan Markar Mawatha, Colombo 03  
Tel: 0115 426 426

## BANKERS

Sampath Bank PLC  
Commercial Bank of Ceylon PLC  
Hatton National Bank PLC  
Bank of Ceylon  
Nations Trust Bank PLC  
National Development Bank PLC  
Seylan Bank PLC  
Peoples Bank  
Cargills Bank PLC  
MCB Bank Limited  
Union Bank of Colombo PLC  
DFCC Bank PLC  
Pan Asia Banking Corporation PLC

## MEMBERSHIPS

Leasing Association of Sri Lanka  
Finance Houses Association of Sri Lanka  
Employers Federation of Ceylon (EFC)  
Credit Information Bureau of Sri Lanka

## MARKETS SERVED

Our operations are spread across the island covering all provinces. Our primary market segments are individual customers, SMEs and corporate clients.

## SIGNIFICANT CHANGES DURING THE REPORTING PERIOD

There were no significant changes to the organization size, structure, ownership or supply chain during the reporting period.



**සියපත ශ්‍රීකෘතස්**  
**ඡියපත පිනාන්ස්**  
**Siyapatha Finance**

*(Finance Company of Sampath Bank Group)*

**Siyapatha Finance PLC**

No - 111, Dudley Senanayake Mawatha, Colombo 08

Hotline : 0117 605 605 | 0777 605 605 Email: [info@siyapatha.lk](mailto:info@siyapatha.lk)

[www.siyapatha.lk](http://www.siyapatha.lk)