

Annual Report
2025

 **CBC FINANCE**

A Fully Owned Subsidiary of Commercial Bank of Ceylon PLC



ONWARD AND UPWARD

Onward and Upward

In 2025, CBC Finance moved forward with clear priorities: strengthen the portfolio, expand responsibly, and improve returns with discipline. We grew our asset base and lending book, deepened retail penetration through secured products, and improved margins while maintaining cost efficiency and capital adequacy. The inaugural listed debenture issue enhanced market credibility and funding flexibility. With stronger foundations and a wider footprint, we are prepared for the next stage of sustainable growth.



CONTENT

Overview

About the Report	4
About Us	5
Our Journey	6

Year in Review

Highlights	9
Message from the Chairman	10
Executive Director/Acting Chief Executive Officer's Review	14
Financial Review	18

Our Model

Stakeholder Relationships	24
Operating Environment	26
How We Create Value	30

Our Impact

Intellectual Capital	33
Human Capital	37
Social and Relationship Capital	41

Our Stewardship

Board of Directors' Profiles	48
Leadership Team	54
Corporate Governance	57
Board Audit Committee Report	114
Board Integrated Risk Management Committee Report	117
Board Nominations and Governance Committee Report	119
Board Human Resources and Remuneration Committee Report	120
Board Related Party Transactions Review Committee Report	121
Board Credit Committee Report	123

Board Information Technology Committee Report	125
Managing Risk	127
Annual Report of the Board of Directors on the Affairs of the Company	139
Directors' Responsibility for Financial Reporting	145
Directors' Statement on Internal Control over Financial Reporting	146
Independent Assurance Report to the Board of Directors of CBC Finance PLC	148

Financial Reports

Independent Auditor's Report	152
Statement of Profit or Loss and Other Comprehensive Income	156
Statement of Financial Position	157
Statement of Changes in Equity	158
Statement of Cash Flows	160
Notes to the Financial Statements	162

Supplementary Information

Branch Network	239
Eight Year Summary	240
Notice of Meeting	242
Form of Proxy	Enclosed
Corporate Information	Inner Back Cover

OVERVIEW

About the
Report
4

About Us
5

Our
Journey
6



ABOUT THE REPORT



We are pleased to present the Annual Report of CBC Finance PLC for the financial year from January 01, 2025 to December 31, 2025. This Report provides a comprehensive account of the Company's performance, strategic direction and value creation over a year defined by progress, resilience and strengthened stakeholder confidence.

It reflects our continued commitment to building a business that is commercially disciplined and ethically grounded. The Report highlights the key strategies, operational priorities and governance practices that shaped our progress during the year, while outlining our approach to risk management, financial stewardship and stakeholder engagement.

We have also detailed our approach to human capital, including employee development, performance management and reward mechanisms. In addition, our commitment to responsible business practices is addressed through our disclosures on governance, compliance, stakeholder engagement and the broader impacts of our operations.

Report Boundary

This Report covers the operations of CBC Finance PLC (referred to as CBCF or "the Company") and includes both financial and non-financial disclosures for the twelve-month period from January 01, 2025 to December 31, 2025. The reporting period is consistent with the financial year of our parent company, Commercial Bank of Ceylon PLC.

Regulatory Compliance

CBC Finance PLC operates in strict compliance with all relevant laws, regulations, directions and standards, as mandated by its regulatory authorities. The Company's primary oversight body is the Non-Bank Financial Institutions (NBFI) Supervisory Department of the Central Bank of

Sri Lanka (CBSL). Upholding sound corporate governance remains a key priority, and the Board of Directors assumes responsibility for the accuracy and integrity of disclosures presented in this Report.

Reporting Framework

Although this is not a fully integrated report, it adheres to recognised reporting frameworks and guidelines to support comprehensive and transparent disclosure, including:

- Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- Applicable laws and regulatory directions of the Central Bank of Sri Lanka relevant to NBFIs
- Directives issued by the Department of Inland Revenue
- The International Integrated Reporting Framework now part of the IFRS Foundation (or "formerly issued by the International Integrated Reporting Council (IIRC), now part of the IFRS Foundation")
- The Smart Integrated Reporting Methodology™ (Smart Annual Report – 4th Edition)
- The Code of Best Practice on Corporate Governance issued by CA Sri Lanka

Contact for Queries and Feedback

We welcome your feedback and any queries regarding this Report. Please contact:

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ABOUT US

CBC Finance PLC is a licensed Non-Bank Financial Institution (NBFI) and a fully-owned subsidiary of Commercial Bank of Ceylon PLC, Sri Lanka's largest private sector commercial bank and one of the most recognised financial institutions in the region. Backed by the strength, reputation and resources of our parent, CBC Finance has grown into a trusted provider of financial solutions that support households, entrepreneurs and businesses across the island.

Originally incorporated in 1987 as Indra Finance Ltd., the Company was established to serve the expanding vehicle financing market. Following a series of strategic transformations – including its acquisition by Commercial Bank of Ceylon PLC in 2014 as part of the Central Bank's Financial Sector Consolidation Plan and a subsequent rebranding as Serendib Finance Ltd., the Company adopted its current identity as CBC Finance Ltd. in December 2020. This name change affirmed the Company's close affiliation with the Commercial Bank Group and its resolve to leverage the parent's institutional expertise, infrastructure and brand equity.

Today, CBC Finance operates a diversified product portfolio, providing credit and deposit solutions that serve individuals, micro-entrepreneurs and businesses across a wide range of economic sectors. From vehicle financing and gold loans to fixed deposits and savings products, our offerings are designed to expand access to finance while supporting productive economic activity.

CBC Finance PLC is licensed by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011 and holds a credit rating of A(lka)/Stable from Fitch Ratings Lanka Ltd., reflecting the soundness of our financial position and the robustness of our governance practices.

During 2025, the Company recorded strong growth across key performance indicators and strengthened its platform for the next phase of scale, supported by disciplined execution and the governance standards of the Commercial Bank Group.



Our Vision

To be a Financial Institution thriving on public confidence.



Our Mission

Growth and stability within a regulated market.



Our Values

- Derive customer confidence through superior service.
- Be innovative and creative in delivering tangible value.
- Ensure all activities are subject to risk management.
- Deliver superior financial returns to attract and retain capital.

Ownership structure

CBC Finance PLC is a fully-owned subsidiary of Commercial Bank of Ceylon PLC



OUR JOURNEY

1987

Indra Finance (Pvt) Ltd. founded as a subsidiary of Indra Traders (Pvt) Ltd. to provide vehicle finance in Sri Lanka.

2002

Re-registered as Indra Finance Ltd. (Reg. N(PVS/PBS)3261).

2007

Registered as a specialised leasing company under the Finance Leasing Act, subsequently re-registered under the Companies Act (PB276).

2008

Launched a fully automated in-house system to support the lease financing process.

2010

Opened the first branch at Hingurakgoda (September 16).

2013

Registered as a finance company by the Central Bank (May 8), upgraded the core system to "e-financial", Head Office relocated to No. 187, Katugastota Road, Kandy

2014

Commercial Bank of Ceylon PLC acquired full ownership (September 01) under the Financial Sector Consolidation Plan.

2015

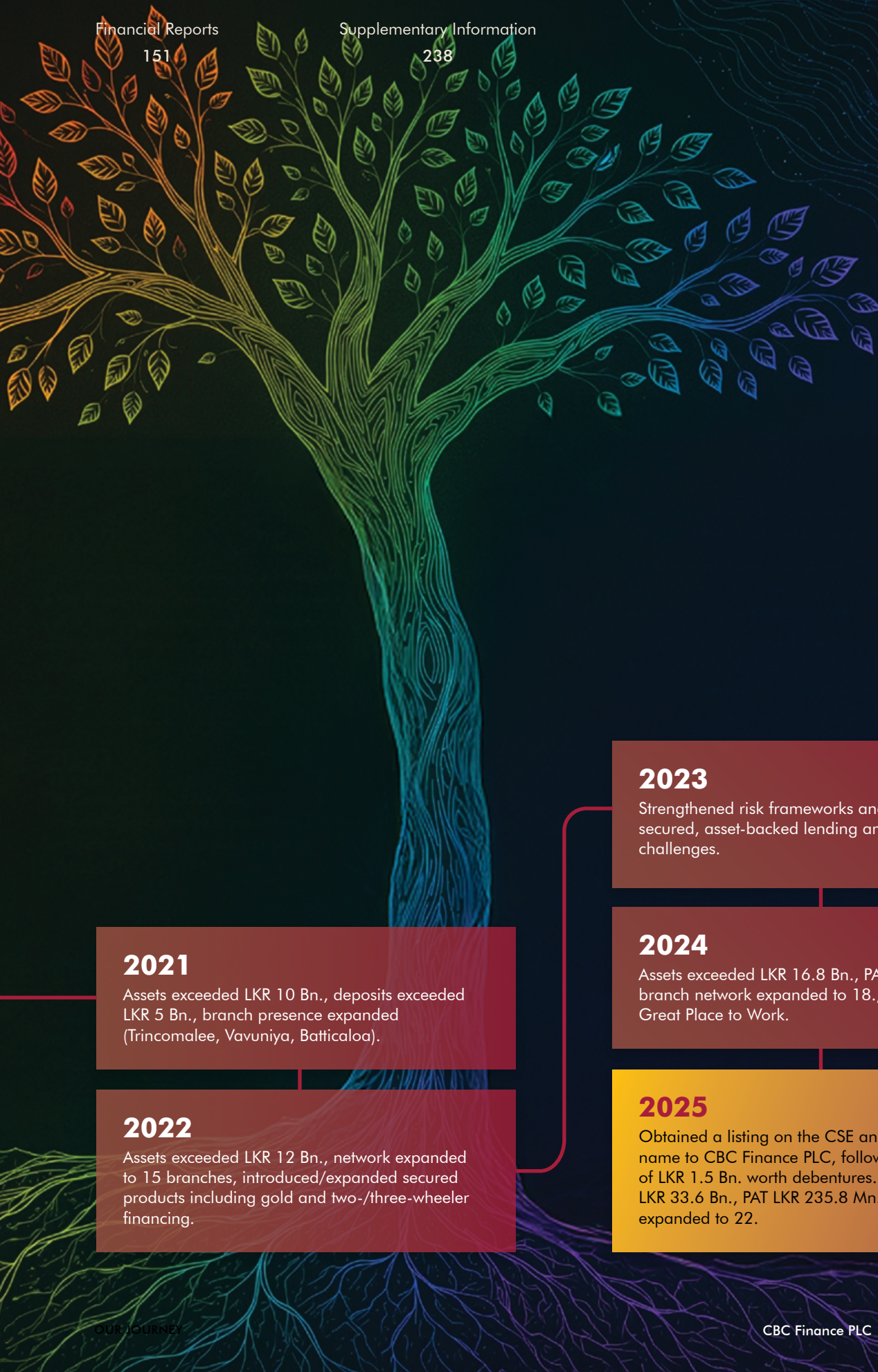
Rebranded as Serendib Finance Ltd., website launched, Fitch assigned A+ (lka) rating.

2019

Migrated to the Fiserv ICBS core banking platform.

2020

Renamed CBC Finance Ltd. (December), aligning with the Commercial Bank Group identity.



2021

Assets exceeded LKR 10 Bn., deposits exceeded LKR 5 Bn., branch presence expanded (Trincomalee, Vavuniya, Batticaloa).

2022

Assets exceeded LKR 12 Bn., network expanded to 15 branches, introduced/expanded secured products including gold and two-/three-wheeler financing.

2023

Strengthened risk frameworks and shifted toward secured, asset-backed lending amid economic challenges.

2024

Assets exceeded LKR 16.8 Bn., PAT LKR 81.5 Mn., branch network expanded to 18., recognised as a Great Place to Work.

2025

Obtained a listing on the CSE and changed the name to CBC Finance PLC, following the issuance of LKR 1.5 Bn. worth debentures. Assets exceeded LKR 33.6 Bn., PAT LKR 235.8 Mn., branch network expanded to 22.

YEAR IN REVIEW

Highlights
9

Message from the
Chairman
10

Executive Director/
Acting Chief
Executive Officer's
Review
14

Financial Review
18



HIGHLIGHTS

	2025	2024	Variance %
Financial Performance (LKR Mn.)			
Income	3,718.80	2,661.37	39.73
Net Interest Income	1,460.75	872.08	67.50
Net Operating Income	1,686.11	1,003.28	68.06
Profit Before Taxes	562.44	260.47	115.94
Profit After Tax	235.82	81.54	189.20
Position as at the year end (LKR Mn.)			
Loans & Receivables	25,958.05	13,445.18	93.07
Total Assets	33,648.33	16,860.64	99.57
Total Equity	4,288.39	3,058.91	40.19
Deposit Liability	13,970.13	10,311.26	35.48
Due to Banks and Other Financial Institutions	12,015.56	3,050.17	293.93
Profitability Ratios			
Net interest margin (%)	6.51	5.17	25.92
Return on Assets (PBT) (%)	2.48	0.94	163.83
Return on Equity (PAT) (%)	6.25	2.67	134.08
Cost to income ratio (%)	56.38	59.90	(5.88)
Capital Adequacy and Liquidity			
Capital Adequacy Ratio (%)			
– Tier 1	13.73	15.71	(12.60)
– Total Capital	19.40	15.71	23.49
Liquid Assets Ratio (Times)	2.66	1.53	73.86
Advances to Deposits Ratio (%)	185.81	130.39	42.50
Other Ratios			
Gross stage 3 loans ratio (%)	14.71	24.95	(41.03)
Net stage 3 loans ratio (%)	8.79	15.04	(41.56)
Stage 3 impairment cover ratio (%)	40.24	39.74	1.25
Manufactured Capital			
Number of Branches	22	18	22.22
Human Capital			
Total Workforce	442	318	38.99

MESSAGE FROM THE CHAIRMAN



Growth is not simply about expanding assets; it requires disciplined returns, prudent cost management, and a funding strategy that supports resilience through cycles.

It gives me great pleasure to present the Annual Report of CBC Finance PLC for the year 2025, an exceptionally significant year in the Company's growth journey. Building on the foundations we reinforced in 2024, we entered 2025 with greater clarity, rigorous discipline, and renewed confidence. Encouragingly, the macroeconomic stability that emerged in the latter part of 2024 continued into 2025, supporting borrower affordability, depositor confidence, and business momentum across the financial services industry. In particular, the reopening of vehicle imports created meaningful opportunities for regulated finance companies to contribute towards the renewed economic activity while maintaining prudent credit discipline.

A year that confirmed our trajectory

From the Board's perspective, 2025 was a landmark year not only because the Company recorded strong growth across key indicators, but also because it demonstrated that CBC Finance has a clear and executable game plan. The Company's rise from 23rd to 19th position among NBFIs, benchmarked by total assets, was a tangible affirmation of momentum and capability. It strengthened investor confidence in our strategic direction, reinforced belief across our teams, and expanded our ability to attract talent from the industry to support the next phase of growth.

This performance reflected the Company's ability to accurately read market conditions, set strategies decisively, and execute consistently month-on-month. During the year, CBC Finance grew new lending volumes steadily, and the vehicle-based lending revival contributed materially to business expansion. Total vehicle-based new disbursements in 2025 amounted to LKR 19.6 Bn., while the vehicle backed lease and loan portfolio increased to LKR 20.4 Bn. by year-end. Alongside this, the gold loan portfolio grew close to LKR 4 Bn., reinforcing a high-yielding, asset-backed product line.

At the balance sheet level, the progress was particularly notable. Total loans and advances increased to LKR 28 Bn. from LKR 15 Bn. at end 2024, and total assets expanded to LKR 34 Bn. from LKR 17 Bn. at end 2024. This scale-up was supported by sustained improvements in funding: the deposit base increased to LKR 14 Bn. from LKR 10 Bn., reflecting strengthened depositor confidence and expanded product positioning. Importantly, core capital increased by approximately LKR 1 Bn., further strengthening Tier 1 capital and enhancing internal capacity for growth.

Stability, opportunity and discipline

The continuation of macroeconomic stability into 2025 was a welcome backdrop for financial intermediation. Market interest rate stability, supported by CBSL policy decisions and improved affordability encouraged customers to consider structured financing solutions. The removal of restrictions on vehicle imports resulted in a substantial revival in the vehicle market, one of the most important demand drivers for regulated finance companies. CBC Finance responded with a deliberate strategy: improve product delivery speed, enhance the product mix, and compete effectively while remaining disciplined.

At the same time, the year also reminded the industry of the importance of regulatory discipline. New Loan-to-Value (LTV) rules imposed certain constraints, but they also served as a timely reminder to revisit credit risk profiles and ensure that portfolio growth is grounded in prudence. We view such developments not as limitations, but as healthy guardrails that support customer protection, long-term stability, and the sustainability of the sector.

In line with CBSL requirements, the NPL classification basis shifted to a 90-days past-due threshold at the beginning of 2024, which created industry-wide pressure on reported ratios. Notwithstanding the operational challenges in recovery arising from Cyclone Ditwah, the Company maintained the NPL ratio of its vehicle portfolio below the industry benchmark [(CBCF 4.2%) vs (industry 6.2%)].

The increase in gold prices during 2025 supported the expansion of the gold loan portfolio, an area that remains one of the Company's strongest yield contributors. While gold loans provide a high-margin product line, they also play a broader economic role by helping households and small entrepreneurs manage liquidity needs. Our approach has been to grow this segment responsibly, within defined collateral standards, product discipline, and customer service expectations.

Strengthening market credibility, capital and governance

A core focus of the Board is to ensure that growth translates into sustainable profitability and stronger internal capital generation. Growth is not simply about expanding assets; it requires disciplined returns, prudent cost management, and a funding strategy that supports resilience through cycles.

In 2025, CBC Finance also strengthened its market credibility through a major milestone: the Company obtained a listing on the CSE and changed its name to CBC Finance PLC, following the issuance of LKR 1.5 Bn. worth debentures to strengthen Tier II capital. This milestone reflects both diversification of funding sources and a deliberate step towards broader market discipline and transparency.

Looking ahead, our strategic intent is clear: to drive aggressive but quality-led growth, strengthen profitability to support internal capital generation, and attract investor confidence to enhance capital capacity. The Board's ambition is to secure a top-10 position among market players within the next three years, supported by strong governance and a culture aligned to our parent institution.

As CBC Finance scales, expectations around governance and control effectiveness rise accordingly. During 2025, the Board strengthened the governance framework to oversee a larger and more complex lending book by enhancing Board and sub-committee effectiveness and broadening the depth of oversight. We reinforced risk management and audit practices, including Information Systems audit coverage, and improved the quality of reporting to support more effective Board-level monitoring. Our aim is not merely to be compliant, but to be recognised as one of the best-regulated finance companies in Sri Lanka, with standards comparable to those of our parent, Commercial Bank of Ceylon PLC.

Delivering value to stakeholders

The Board remained focused on ensuring that the Company's growth translated into meaningful value for all stakeholders, strengthening profitability and governance to support shareholder returns; expanding deposit mobilisation while maintaining trust, reliability and service consistency for depositors; improving customer experience through diversified lending propositions, faster delivery and disciplined credit practices for borrowers; enhancing employee value through clearer HR standards, refined remuneration, performance-linked incentives and welfare initiatives; and reinforcing regulatory confidence through stronger policies, improved compliance discipline and constructive engagement with regulators and other stakeholders.

Digitalisation and technology enablement

Digitalisation is reshaping the NBFII sector, raising expectations around convenience, speed, reliability, and security. In 2025, the Company progressed on key digital initiatives, including the commencement of work on a mobile app and debit card offering with ATM access, targeted for launch by mid-2026. Core system updates were carried out in consultation with the parent to strengthen data security and resilience. Internal digital solutions were implemented to support day-to-day business operations, with support from the Group IT arm, Orsys Ltd.

Contribution to national development and inclusion

CBC Finance remains committed to supporting economic participation and inclusion. During 2025, we commenced lending for two-wheelers and three-wheelers, targeting youth employment and supporting micro and small enterprises that rely on mobility and productive assets. We expanded our branch network to make financial services more accessible. We also continued to support SMEs and commercial customers, particularly in acquiring vehicles essential for business activity, while advising customers to maintain appropriate financial discipline as they scale their livelihoods.

Outlook and priorities ahead

The Board's outlook remains optimistic but grounded in discipline. We intend to sustain growth momentum in 2026 and beyond, building on what worked in 2025. Management has demonstrated that targeted loan growth can be achieved with disciplined execution. We plan to expand the branch network further and build capacity to support a larger loan and deposit franchise. Deposit mobilisation strategies mapped in the latter part of 2025 will be strengthened, and we will enhance deposit product mix, including savings products that integrate digital platforms and ATM access through debit cards. In addition, we plan to introduce additional consumer and personal loan products to broaden support to SMEs and households, and to explore green financing initiatives in line with emerging expectations for sustainable finance and social responsibility.

Over the next three to five years, our ambition is to position CBC Finance among the leading NBFIs in Sri Lanka, distinguished by unique features and governance comparable to our parent. This ambition will be pursued standards through quality-led credit growth, strong profitability and capital discipline, technology enablement, and culture-building. In addition, the Company is planning to shift the Head Office and registered office from Kandy to Colombo, reflecting the operational requirements of a growing listed entity and improving integration with the country's central business ecosystem.

Sustainability and readiness for future reporting expectations

Sustainability expectations in financial services are evolving rapidly, and we are preparing accordingly. The Company has progressed Group-level initiatives, including IT platform improvements supported by our parent and recommendations from Ernst & Young. Required information for Group reporting has been shared, and training and updates from the parent are ongoing to support readiness for SLFRS S1 and S2 standards when they become applicable.

Our intent is to approach sustainability not as a reporting exercise, but as a discipline of governance, risk awareness and opportunity identification, particularly as the sector begins to integrate climate and broader sustainability considerations into credit, operations and long-term resilience.

Acknowledgements

On behalf of the Board of Directors, while welcoming Mr Delakshan Hettiarachchi, our Acting Chief Executive Officer/Executive Director who joined the Company in September 2025, I extend my sincere appreciation to our Senior Management team for their strong execution during a year of significant scale-up. I thank all employees across the branch network and head office functions for their commitment, effort, and professionalism in delivering results and supporting customers. I also take this opportunity to thank Mr Chamilantha Fernando, our former Managing Director/CEO who resigned during the year, for his leadership.

I also extend my sincere appreciation to my colleagues on the Board for their guidance and stewardship, and for their roles as Chairs and members of Board sub-committees as we strengthened governance in line with the Company's evolving scale and listing obligations. We gratefully acknowledge the continued guidance and support of our regulators and the constructive engagement that supports good governance in the sector.

Above all, I thank our customers and depositors for their trust, and our parent, Commercial Bank, for its confidence in CBC Finance's direction.

As we look forward to the year ahead, we do so with clarity of purpose and confidence in our strategy, committed to shaping the next chapter of CBC Finance's growth with discipline, integrity, and a long-term perspective.



Sharhan Muhseen

Chairman

Colombo
April 23, 2026

EXECUTIVE DIRECTOR/ ACTING CHIEF EXECUTIVE OFFICER'S REVIEW



Growing the book by 93% while improving credit quality required deliberate structural discipline, strengthened underwriting standards and a more focused asset-backed portfolio.

In 2025, CBC Finance PLC delivered a year of accelerated execution. We doubled the size of the balance sheet, grew the net lending book by 93% to LKR 26 Bn., strengthened our deposit base to LKR 14 Bn., and lifted Profit After Tax to LKR 236 Mn., an increase of 189% over 2024. We also achieved a defining market milestone: the successful issue of our first listed debenture and the transition of the Company to a listed PLC, reinforcing market discipline and widening our long-term funding options.

Those outcomes did not occur by chance. They were the result of a clear game plan, strengthened execution capabilities across the network, and the steady support of our parent, Commercial Bank of Ceylon PLC, in areas that matter most to scale—capital, risk governance, technology direction and institutional discipline.

While the Chairman’s Message sets out the Board’s perspective on our trajectory, my purpose here is to provide an operational account of how we executed—what worked, what we learned, and what we must now strengthen as we transition from a turnaround story to a scaled, medium-sized NBFi with higher expectations around controls, consistency and customer experience.

The environment we navigated

The economic momentum that emerged in late 2024 continued into 2025. Interest rate stability and improving borrower confidence supported stronger demand for structured financing. The reopening of vehicle imports became a major catalyst for regulated finance companies and created a meaningful market opportunity, particularly in vehicle-backed lending propositions.

At the same time, we operated in a competitive landscape where the largest NBFIs continue to defend market share aggressively, often with pricing-led strategies. We also navigated regulatory and market shifts, including revisions to Loan-to-Value ratios for vehicle financing and adjustments in deposit rate ceilings and tenors. These required active management of our product mix and liability profile to protect margins and maintain funding stability.

Importantly, we remained mindful that growth and responsibility must coexist. When Cyclone Ditwah affected communities across the country, we supported customers in alignment with CBSL relief guidelines. This was not simply a compliance response; it reflected our intent to build an institution that can scale while retaining a strong customer ethic.

A year of record achievements

Balance sheet and portfolio growth

During the year, total assets reached LKR 34 Bn., up from LKR 16.86 Bn. in 2024, an expansion of around 100%. Our gross lending book reached LKR 28.02 Bn., closely tracking the internal target of LKR 28.3 Bn., and net loans and advances stood at LKR 26 Bn.

Monthly disbursements exceeded LKR 2 Bn. on a sustained basis, with select months reaching LKR 3 Bn. This was supported by deliberate execution improvements, strengthened sales and origination capacity, enhanced credit evaluation capabilities, and a branch expansion programme aligned to market potential rather than expansion for its own sake.

Our product mix evolved in a way that was both market-responsive and margin-supportive. Vehicle financing volumes accelerated strongly following import liberalisation, and we complemented this with purposeful growth in gold-backed lending and two- and three-wheeler leases. In addition, we launched four new products during the year, while a fifth was deliberately deferred to 2026 to ensure operational readiness and control embedding.

Profitability, margins and efficiency

Profit After Tax increased to LKR 236 Mn., representing a 189% improvement over 2024 and a full recovery from the loss recorded in 2023. Net Interest Income increased by 67% to LKR 1,461 Mn., driven primarily by loan growth and improved yield management. Net Interest Margin expanded to 6.51% from 5.17%, reflecting product mix optimisation and disciplined pricing.

We also improved operating efficiency despite expanding the network and investing in people and technology. The cost-to-income ratio was maintained around 56%, a material improvement from the prior year, supported by disciplined expense management and productivity gains across key operating processes. As a result, ROA improved to 2.48% and ROE to 6.25%.

These numbers matter not merely as performance outcomes, but because they indicate that scale is beginning to translate into operating leverage, provided we continue to strengthen controls and process discipline as volumes rise.

Funding strength and capital actions

Funding stability is a strategic requirement in a high-growth year. Our funding mix at end 2025 comprised deposits, borrowings and debenture funding at approximately 50%, 44% and 6% respectively. We grew the deposit base to LKR 14 Bn., reflecting strengthened depositor confidence and improved product positioning, particularly for corporate and individual fixed deposits under prevailing market conditions.

The successful issuance of the first listed debenture of LKR 1.5 Bn. strengthened Tier 2 capital and introduced a new funding channel with longer-term potential. In addition, LKR 1 Bn. in equity capital was injected in two tranches to support growth while maintaining regulatory capital adequacy.

Recognising that high growth increases liquidity complexity, we established a dedicated Treasury function during the year, strengthening cash flow planning and liquidity discipline. This function now supports annual cash flow budgeting and short-term forecasting, enabling more structured balance sheet management.

Credit quality: scaling with discipline

Growing the book at 93% while improving credit quality required deliberate structural discipline. The full migration to the 90-day NPL classification standard in 2024 created industry-wide pressure on reported NPL ratios. Despite this, we reduced the Gross Stage 3 ratio from 24.95% to 14.71%, a 41% improvement.

This improvement reflects multiple actions: strengthened underwriting standards for new originations, product mix prioritisation toward asset-backed retail lending, and a more structured credit administration framework. Notably, the NPL ratio of our newer asset-backed retail portfolio remains around 4%, which is below the broader industry benchmark, and the portfolio has now completed a multi-year lifecycle, providing confidence that underwriting standards are holding through repayment cycles.

For the legacy book, recovery remained a key focus area. We continued our joint recovery strategy with Commercial Bank's recovery function, supported by dedicated Regional Recovery Managers maintaining daily oversight. The combination of strengthened recovery discipline and improved new-book quality is essential to achieving a structurally healthier portfolio over time.

Climbing the industry ranks

Our improvement in industry ranking – from 23rd to 19th by asset size – was a visible signal of momentum, but it was underpinned by less visible operational shifts.

First, we chose a clear “game plan” for the year: focus on segments where CBC Finance can compete with a genuine advantage, asset-backed products, speed of delivery, disciplined pricing and enhanced service experience. The analogy used internally was a “T20 strategy”: make decisive moves based on ground conditions and execute consistently rather than chasing every opportunity.

Second, we strengthened leadership and specialist capability. Critical roles in credit administration, deposits, regional management and credit evaluation were strengthened with industry expertise. We reinforced the risk and internal audit functions as essential second and third lines of defence, recognising that scaling the balance sheet must be matched with scaling controls.

Third, we expanded the footprint deliberately. We opened four new branches in 2025 (with an additional branch as of April 2026), but where conditions limited physical expansion we compensated through virtual business channels and direct origination partnerships. This ensured that growth did not depend solely on a physical model, while still preserving the service discipline and oversight that branches provide.

Finally, we invested in customer acquisition and brand visibility. For the first time in our history, the Company ran TV and radio advertising campaigns, complemented by sustained social media engagement. Marketing activity was linked to measurable outcomes—dealer campaigns, targeted promotions with selected motor brands and partners, and improved digital presence through website enhancements.

Customer experience

As the NBFi sector evolves, customer expectations are increasingly shaped by speed, clarity and convenience—not only price. During the year, we pursued several measures to strengthen customer experience beginning with the decentralisation of approving authorities. Backed by appropriate controls, this shift successfully reduced turnaround times to ensure we compete effectively. We also introduced standardised service practices and clearer internal accountabilities across credit origination and documentation. To further enhance accessibility, we expanded digital and remote options, enabling customers to service loans and place deposits seamlessly without visiting a physical branch.

Considering these internal shifts, branch branding was upgraded for all new locations, supporting a consistent service identity, and we strengthened partnerships with motor dealers and insurance partners to improve origination experience and after-sales support.

Digital and technology enablement

Technology is not only about customer channels; it is also about productivity, auditability and control maturity. In 2025, we progressed on both fronts.

On customer-facing digitalisation, we piloted a savings product among staff in 2025, and the broader rollout commenced in early 2026. A debit card offering with ATM access and a mobile app is in active development. These initiatives are important not only to modernise the depositor experience, but also to strengthen funding depth and reduce reliance on single funding channels over time.

On internal digitisation, we implemented a KPI Management System built by our own IT team to enable paperless performance evaluation and clearer accountability. Progress on the Loan Origination System (LOS) reached UAT stage, with a targeted live launch in August 2026, replacing email-based approvals and

reducing processing time. The roadmap includes ECL automation by December 2026, a credit appraisal interface in mid-2026, and CRM and data analytics capabilities in 2027.

Digital enablement is a strategic priority because it directly supports three outcomes critical to our next phase: (i) faster service delivery, (ii) stronger controls through standardised workflows, and (iii) better decision-making through improved data visibility.

Scaling the organisation responsibly

Growth on this scale requires people capacity, not just balance sheet capacity. One of the challenges we faced during 2025 was high staff turnover, which we addressed by strengthening HR operations and improving staff benefits and engagement mechanisms.

We expanded headcount materially during the year, strengthened sales and recovery capacity, and implemented more structured performance and incentive mechanisms aligned to operational targets. The objective is to build a culture that combines growth ambition with discipline, particularly in credit origination, documentation quality, customer fairness and conduct.

As we grow, our performance framework reinforces not only business outcomes but also risk and conduct expectations, ensuring that the quality of growth is sustainable and repeatable.

Integrating sustainability and inclusion

Sustainability expectations for financial services are evolving quickly. For CBC Finance, our approach is grounded in practical integration—what we finance, how we operate, and how we prepare for future disclosure expectations.

In 2025, we contributed Scope 1 and Scope 2 operational data to Commercial Bank's Group sustainability disclosures for the first time. Scope 3 assessment, covering the emissions profile of our lending portfolio, is planned as part of a longer-term roadmap. A hybrid solar financing product is expected to launch in the first half of 2026, alongside expansion of electric vehicle financing.

We also recognise that inclusion is part of sustainability in a finance company context. Our two- and three-wheeler products and gold loan propositions serve households and small entrepreneurs who often have limited alternatives for liquidity and productive asset financing. By expanding these products responsibly—within collateral standards and customer service expectations—we contribute to livelihoods and economic participation.

A CSR budget has been allocated for 2026 to formalise community contributions, but our broader sustainability contribution is rooted in responsible credit, customer fairness and disciplined growth.

Looking ahead to the next phase of execution

The Chairman's Message sets out the Board's priorities and outlook. From a management perspective, our operational priorities for 2026 are focused on converting scale into stronger, repeatable profitability while strengthening systems and controls.

Key priorities include:

1. deepening funding stability through deposit product expansion, including savings products and debit card/ATM access;
2. launching key technology systems (LOS, credit appraisal interface and ECL automation) to strengthen workflow control and processing speed;
3. continuing disciplined portfolio growth while reducing residual legacy asset quality pressures; and
4. strengthening productivity and capability across branches as the network expands.

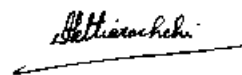
The business has demonstrated that it can execute a high-growth year with improving asset quality, enhanced governance and stronger market discipline. The next phase requires the same execution energy, paired with a higher standard of process maturity, data discipline and control robustness.

Acknowledgements

I extend my sincere appreciation to our Board of Directors for their guidance, challenge and confidence, and for the direct engagement with our business through branch visits and independent observations that make us sharper.

To Commercial Bank of Ceylon PLC, thank you for the ongoing support through systems, capital, risk expertise and institutional knowledge. To our depositors and investors, thank you for your trust. Every funding and liquidity decision we make is taken with your interests in mind. To our customers, thank you for choosing us and for growing with us. And to our team – our branch managers, sales teams, recovery officers, credit analysts and support colleagues—2025 belongs to you. The outcomes we achieved were delivered through your discipline, effort and commitment.

We enter the next year with momentum, clarity and a strong foundation, committed to building CBC Finance into a scaled, trusted and well-governed finance company – delivering growth with discipline and value with integrity.



Delakshan Hettiarachchi

Executive Director/Acting Chief Executive Officer

Colombo

April 23, 2026

FINANCIAL REVIEW

This Financial Review provides an analysis of the performance of CBC Finance PLC for the year ended December 31, 2025, and should be read together with the Financial Statements on pages 151 to 237.

Macroeconomic context and implications for the Company

As elaborated in the Operating Environment on pages 26 to 29, Sri Lanka’s macroeconomic environment improved during 2025, supporting borrower confidence and credit demand. The easing interest rate environment improved affordability for customers, while the reopening of vehicle imports created strong demand for vehicle-backed financing. The operating environment also reinforced the importance of risk discipline as regulatory parameters such as Loan-To-Value (LTV) ratios evolve and as certain customer sectors remain sensitive to shocks and climate-related events.

Accordingly, the Company continued to prioritise secured lending growth, strengthened portfolio monitoring, and maintained prudential provisioning overlays where appropriate. Maintaining this balance between opportunity capture and prudence will remain central to sustaining performance through cycles.

Overview of performance

FY2025 was a year of significant scale-up for the Company. Total assets nearly doubled to LKR 33,648 Mn. (2024: LKR 16,860 Mn.), reflecting strong growth in the lending portfolio and a broadened funding base. Net loans and advances expanded by 93% to LKR 25,958 Mn. (2024: LKR 13,445 Mn.), driven primarily by secured retail growth, particularly in vehicle-backed and gold-backed products, supported by improved origination capabilities and expanded branch reach.

Funding grew in tandem with assets. Customer deposits increased by 35.5% to LKR 13,970 Mn. (2024: LKR 10,311 Mn.) while borrowings rose to LKR 13,516 Mn. (2024: LKR 3,050 Mn.), reflecting deliberate funding diversification to support rapid book growth and liquidity discipline. Profitability improved materially with Profit After Tax increasing to LKR 235.82 Mn.

(2024: LKR 81.54 Mn.), supported by higher net interest income, improved margin performance and stronger fee generation, while maintaining cost discipline.

This performance is also reflected in improved key ratios, including a higher Net Interest Margin (NIM) and an improved cost-to-income ratio, reinforcing the quality of earnings as the balance sheet scaled. Segment disclosures indicate that growth was led primarily by Leasing, Motor Draft and Vehicle Loans, which together represented the largest share of segment assets and were the main drivers of revenue expansion during the year.

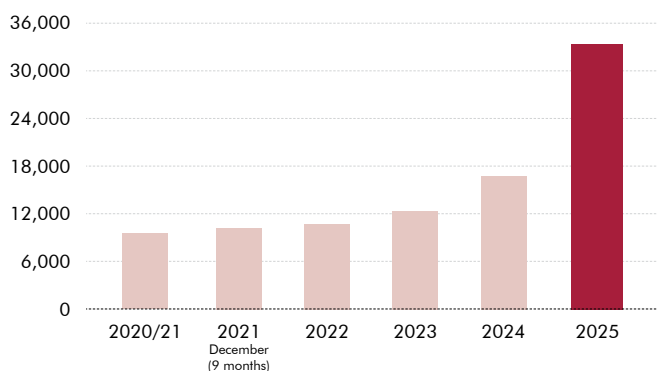
Balance sheet performance

Total assets

Total assets increased by 99.6% to LKR 33,648 Mn. (2024: LKR 16,860 Mn.). The key driver was the expansion of loans and advances, supported by an increase in liquid assets and treasury placements to maintain liquidity buffers during a period of accelerated growth. Investments in Government Securities increased as surplus liquidity was placed in low-risk instruments while supporting liquidity management and compliance requirements.

The quality of growth matters as much as the pace. In FY2025, asset growth was concentrated in secured lending propositions, which generally provide better collateral cover and more stable risk-adjusted yield dynamics, particularly when portfolio expansion is rapid.

Total Assets (LKR Mn.)



Loans and advances

Net loans and advances increased to LKR 25,958 Mn. (2024: LKR 13,445 Mn.), reflecting a 93% year-on-year expansion. This growth was supported by three operational enablers:

1. stronger origination and relationship coverage at branch level;
2. product focus on secured retail propositions; and
3. improvements in credit administration discipline, including closer monitoring of disbursement quality and documentation completion.

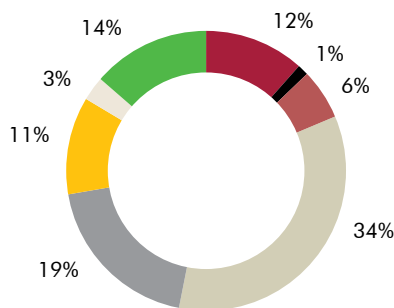
Segment disclosures given in Note 42.2 further indicate that Leasing, Motor Draft and Vehicle Loans expanded materially during the year and together represent the most significant concentration of segment assets as at December 31, 2025, underscoring the vehicle-led scale-up of the balance sheet.

The Company’s approach during the year was to prioritise growth where there is a clear advantage in execution, such as speed of delivery, collateral-backed propositions, and service responsiveness, while maintaining credit parameters aligned to the risk appetite and regulatory expectations.

Loans and advances mix

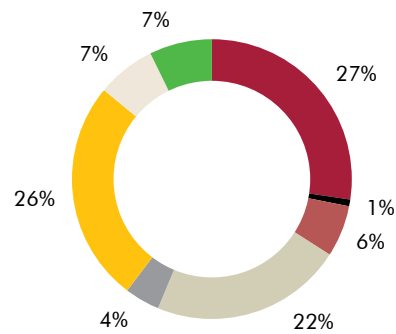
The portfolio mix continues to evolve with greater emphasis on secured, asset-backed retail, which supports both scale and margin management, as shown in the table / graph below:

Loans & Advances mix 2025 (%)



- Finance leases
- 2 Wheeler leases
- 3 Wheeler leases
- Motor drafts
- Vehicle loans
- Secured loans
- Unsecured loans
- Gold loans

Loans & Advances mix 2024 (%)



- Finance leases
- 2 Wheeler leases
- 3 Wheeler leases
- Motor drafts
- Vehicle loans
- Secured loans
- Unsecured loans
- Gold loans

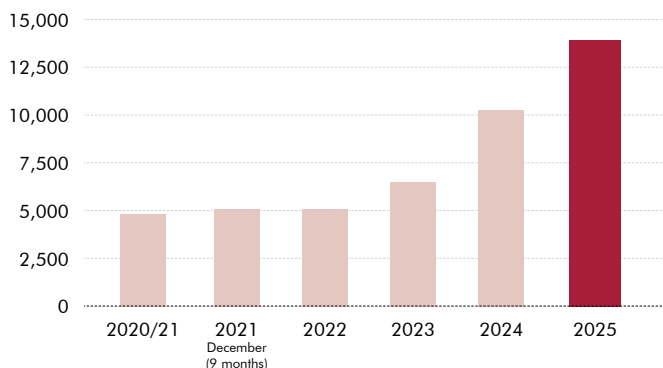
Funding and liquidity

Deposits

Customer deposits increased by 35.5% to LKR 13,970 Mn. (2024: LKR 10,311 Mn.). As advances expanded faster than deposits during the year, deposit mix strengthening and disciplined maturity management remained important to avoid over-reliance on wholesale funding and to maintain stable liquidity buffers. Deposit growth reflected strengthened depositor confidence, increased market visibility following the Company’s improved performance trajectory, and active relationship management. Deposit mobilisation remained important not only as a funding source but also as a stabilising factor for liquidity and maturity management.

As rates moderated relative to the peak conditions in prior years, deposit mobilisation required active product positioning and service consistency. Maintaining depositor confidence depends not only on pricing, but also on reliability of servicing, responsiveness, and clear communication. The Company continued to strengthen these service fundamentals through branch network improvements and operating discipline.

Deposit Liability (LKR Mn.)



Borrowings and funding mix

Borrowings increased to LKR 13,516 Mn. (2024: LKR 3,050 Mn.), reflecting expanded funding lines to support portfolio growth. This shift underscores that FY2025 growth was supported by a more diversified funding mix, rather than being dependent on a single channel. In a high-growth environment, funding diversification reduces refinancing concentration risk and strengthens the ability to manage maturity mismatches.

While borrowings increase absolute funding costs, the strategy is effective when:

- funding tenors are aligned with asset durations,
- liquidity buffers are preserved, and
- pricing discipline ensures spreads remain adequate after considering credit cost and operating expense.

Liquidity governance

Liquidity oversight was strengthened through ALCO monitoring of maturity gaps, funding requirements and pricing discipline. With the balance sheet expanding rapidly, liquidity management shifts from a routine finance function to a core strategic discipline. The focus during 2025 was to maintain adequate liquidity buffers, diversify funding sources, and ensure funding availability supports growth plans without creating undue refinancing or concentration risk.

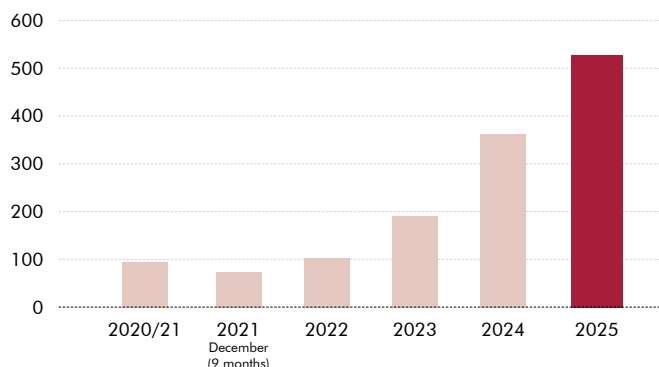
Profitability and income composition

Net interest income and margin performance

Interest income increased to LKR 3,171 Mn. (2024: LKR 2,271 Mn.), reflecting growth in the earning asset base. Interest expense increased to LKR 1,710.94 Mn. (2024: LKR 1,399.06 Mn.) due to higher funding volumes (deposit growth and borrowings). The growth in interest income outpaced the rise in interest expense, resulting in a strong increase in Net Interest Income to LKR 1,460.75 Mn. (2024: LKR 872.08 Mn.), a 67.5% improvement. In ratio terms, this was supported by an improved NIM for the year, reflecting stronger asset yields and product mix optimisation, while maintaining pricing discipline on the funding base.

This performance indicates disciplined pricing and product mix management. Importantly, margin improvement should not be evaluated only through NIM; it should be assessed alongside credit cost movement and operating expense growth, since rapid expansion can mask underlying spread pressures if credit costs rise disproportionately.

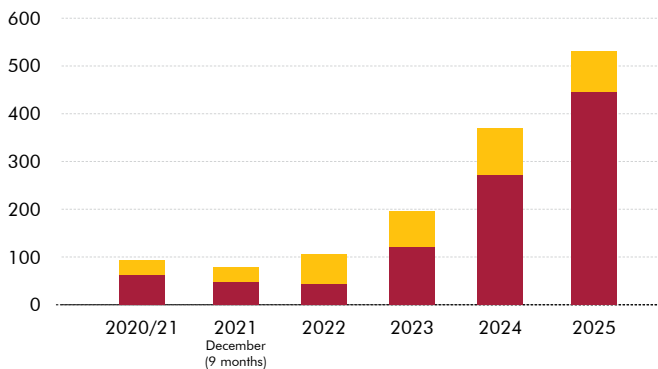
Net interest income (LKR Mn.)



Fee and other income

Non-interest income continued to strengthen, reflecting higher business volumes and improved fee capture. Net fee and commission income increased by 66.2% to LKR 447.60 Mn. (2024: LKR 269.26 Mn.), driven by higher origination volumes and related service activity. Other operating income declined to LKR 84.70 Mn. (2024: LKR 98.80 Mn.), reflecting year-on-year movement in non-core income lines. Overall, fee growth improves income resilience and reduces reliance on spread-only profitability.

Non-interest income (LKR Mn.)



● Non-Interest Income ● Total Operating Income

Profitability

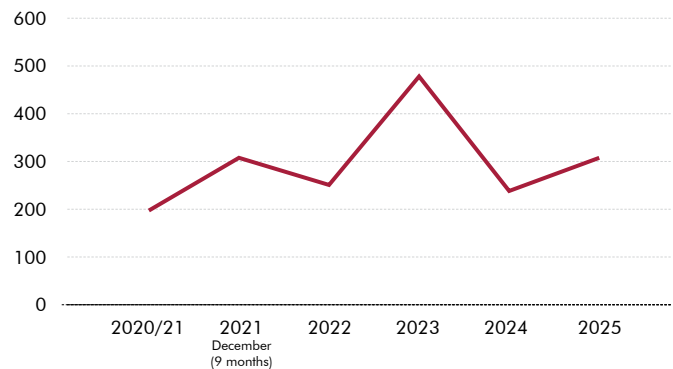
Profit Before Tax increased to LKR 562.44 Mn. (2024: LKR 260.47 Mn.) and Profit After Tax increased to LKR 235.82 Mn. (2024: LKR 81.54 Mn.). This improvement reflects both balance sheet scale and improved operating leverage. As the Company enters the next phase, sustaining profitability will require continued discipline across three levers: (i) spreads, (ii) credit cost, and (iii) cost-to-income performance.

Impairment and asset quality

Impairment charges

Impairment charges increased to LKR 306.95 Mn. (2024: LKR 236.86 Mn.), a 29.6% increase. Segment disclosures indicate that impairment charges were concentrated mainly in Draft & Vehicle Loans and Leasing, which is consistent with the rapid scaling of the vehicle-backed portfolio during the year. This concentration does not necessarily signal deterioration, but it reinforces the need to ensure that early-warning triggers, collections capacity and collateral discipline scale in step with growth in these segments. While impairment increased in absolute terms, it remained measured relative to the 93% expansion in net loans and advances. This indicates that portfolio growth has not been accompanied by a proportionate deterioration in expected loss.

Impairment charges (LKR Mn.)



During the year, the Company enhanced aspects of its impairment methodology and management judgement framework to better reflect portfolio risk characteristics, including PD/LGD refinements and targeted provisioning for selected segments within the legacy book. These enhancements support a more credible and forward-looking impairment assessment, which becomes increasingly important as the portfolio scales.

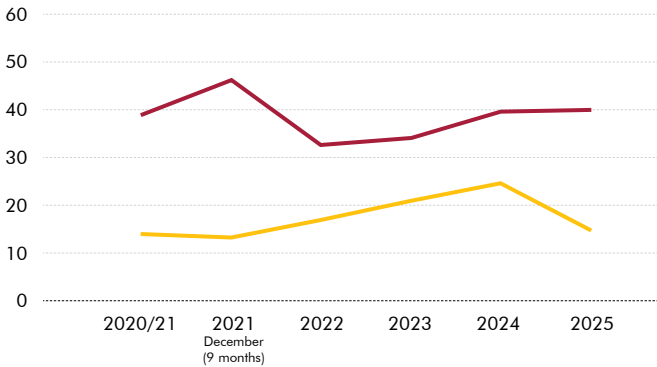
Stage 3 ratio and coverage

The Company reduced its Stage 3 ratio to 14.71% (2024: 24.95%), reflecting improved underwriting discipline, a healthier product mix, and continued recovery focus. Stage 3 provision coverage improved marginally to 40.24% (2024: 39.74%). While coverage remains an area for ongoing strengthening, the combination of lower Stage 3 ratio and stable/improving coverage indicates progress in portfolio health.

Asset quality

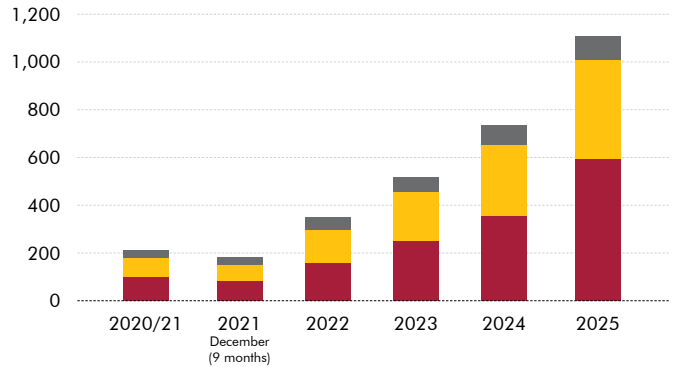
While the Stage 3 ratio improvement is positive, the Company understands that sustaining it requires consistency in underwriting standards for new growth and continued progress on legacy recovery. As the book scales, early-warning monitoring and collections capacity will be expanded proportionately.

Quality of loan portfolio (%)



● Stage 3 Provision Cover ● Stage 3 ratio

Operating expenses (LKR Mn.)



● Personnel Cost ● Depreciation ● Administrative and Other Costs

Operating expenses and efficiency

Operating expenses increased to LKR 1,123.66 Mn. (2024: LKR 742.81 Mn.) reflecting investments required to support scale, viz. branch expansion, workforce growth, increased business volumes, and customer acquisition efforts. During the year, the Company expanded the branch network through new openings in Tissamaharama, Kaduwela, Maharagama and Panadura, improving geographic reach and service access. Headcount increased to 442, strengthening branch delivery, sales capability, operational coverage, and control capacity. Despite the absolute increase in cost, efficiency improved as income growth outpaced cost growth. The cost-to-income ratio improved to 56.38% (2024: 60%), indicating early evidence of operating leverage. A key forward priority will be to sustain this discipline as volumes rise and as digitalisation initiatives shift the operating model towards more scalable workflows.

Capital adequacy and capital management

The Company maintained capital ratios above regulatory minimums during the year, supporting both growth capacity and resilience. Tier 1 capital stood at LKR 3,948 Mn. (minimum requirement: LKR 2,500 Mn.) while Risk-Weighted Assets increased to LKR 26,245 Mn. (2024: LKR 15,185 Mn.) in line with portfolio expansion. The Tier 1 Capital Ratio was 13.73% (minimum: 8.50%) and the Total Capital Ratio was 19.40% (minimum: 12.50%). The moderation in the Tier 1 ratio alongside the stronger Total Capital ratio is consistent with rapid RWA expansion during the year and highlights the importance of disciplined capital consumption as the Company continues to scale.

Capital adequacy is not only a compliance metric; it influences risk appetite, growth pacing, and funding flexibility. As the Company scales towards medium-sized NBF1 status, capital planning will remain a key discipline, balancing growth ambition with prudent capital consumption and maintaining buffers for volatility.

Summary

CBC Finance PLC closed FY2025 with strong balance sheet growth, materially improved profitability, and measurable progress in asset quality. The year demonstrated the Company's ability to scale while strengthening funding capacity, operational execution and governance discipline. Going forward, sustaining this trajectory will require continued focus on funding diversification, disciplined credit growth, further progress in legacy portfolio recovery, and ongoing efficiency improvements supported by technology and process maturity.

OUR MODEL

Stakeholder
Relationships
24

Operating
Environment
26

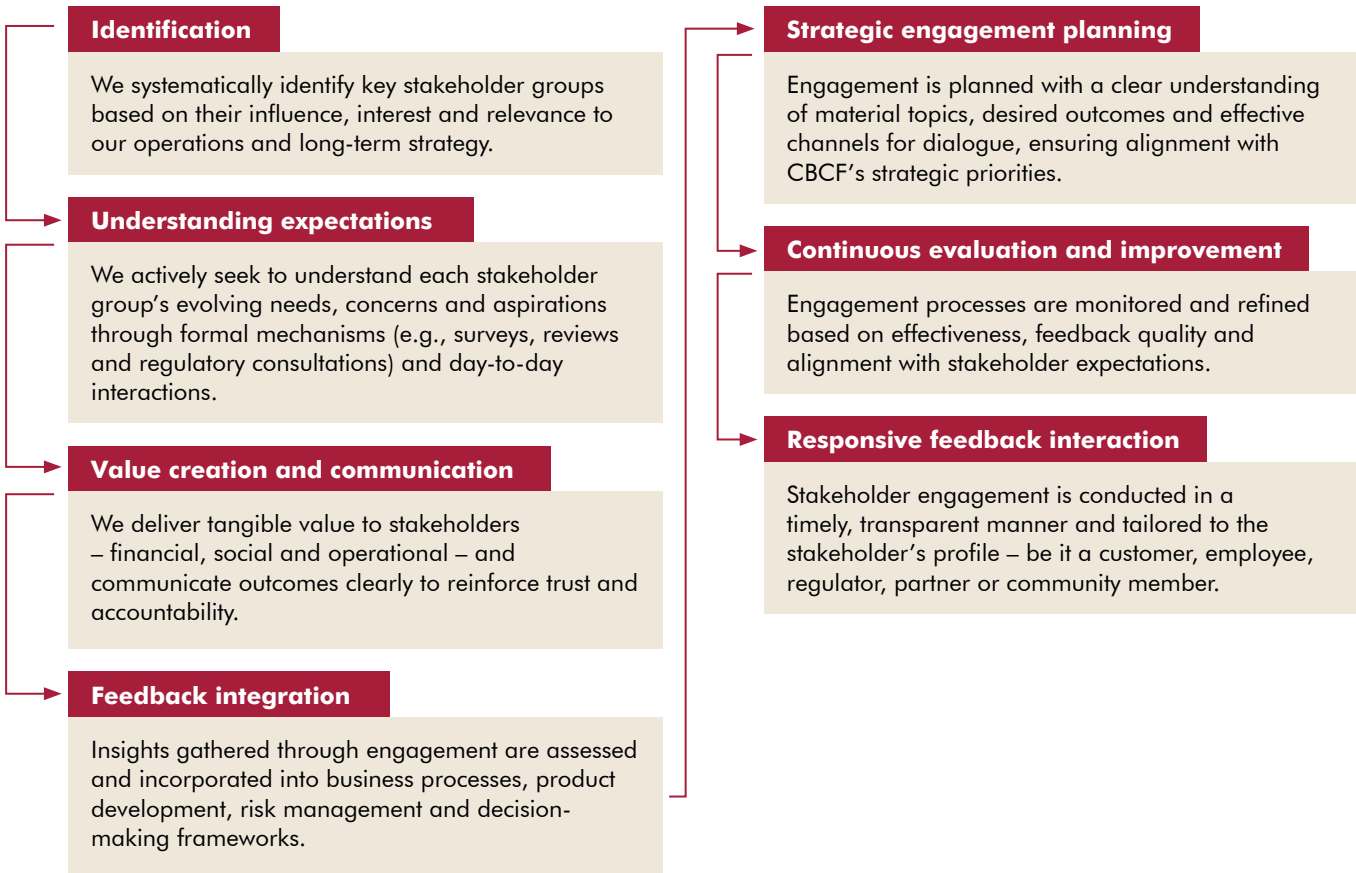
How We Create
Value
30



STAKEHOLDER RELATIONSHIPS

Robust stakeholder relationships form the foundation of sustainable growth for CBC Finance PLC. Mindful of this, we maintain a purposeful, inclusive and value-driven approach to stakeholder engagement across our business operations, creating lasting value that nurtures our growth aspirations while responding to the needs of each stakeholder group. Our stakeholder engagement process remains insight-driven, focused on meaningful and mutually beneficial interactions that strengthen trust, accountability and long-term resilience.

Stakeholder Engagement Process



As macroeconomic conditions stabilised further in 2025, CBC Finance focused on strengthening service delivery, expanding responsibly and enhancing stakeholder confidence through disciplined execution and improved governance and risk practices. This approach enabled CBCF to remain a trusted financial partner and a responsible corporate citizen while scaling its operations.

The table below outlines our approach to engaging each core stakeholder group, reflecting recent commitments and forward-looking actions that position us for long-term resilience and renewal.

Stakeholder	Key interests	Focus areas in 2025	Future focus
Customers	Accessible, responsive, and reliable financial services and credit relief during periods of hardship.	<ul style="list-style-type: none"> Expand the branch network and introduce business unit concept to improve customer service points. Introduce virtual loan service options. Speed up lease & loan disbursements with green channel. 	<ul style="list-style-type: none"> Further expand branch network including virtual business units. Debit card with ATM service. Online apps & mobile apps improve the accessibility of customers.

Stakeholder	Key interests	Focus areas in 2025	Future focus
		<ul style="list-style-type: none"> Real-time connectivity through call centers. Effective customer complaint management process. 	<ul style="list-style-type: none"> Speed up financial services through new loan originating system.
Employees	Career growth, wellbeing, recognition, and purpose.	<ul style="list-style-type: none"> Restructuring departments and identified potential promotions. Salary review based on industry survey. Strengthen staff welfare activities. Periodic rewarding system & award cash prizes. Enhance training opportunities. 	<ul style="list-style-type: none"> Other benefits (Staff loans, vehicle loans, staff insurance, etc). Restructuring employees' benefits in line with the industry based on an independent survey. Market accepted KPI based annual evaluation process.
Business partners	Transparent procurement, long-term collaboration, innovation readiness.	<ul style="list-style-type: none"> MOUs with vehicle agents based on long term business relationships. MOUs with Insurance Companies as a risk mitigation option and to maximise the benefits. Improved supplier registration system. 	<ul style="list-style-type: none"> Further enhance agreements with vehicle agents, insurance companies, and individual business introducers. Digital options to monitor the effectiveness of business.
Shareholder (Commercial Bank of Ceylon PLC)	<p>Capital strength, risk mitigation, strategic alignment.</p> <p>Shared services and governance support (risk, audit, IT, procurement and compliance).</p>	<ul style="list-style-type: none"> System support with more digital solutions and ideas. Consulting to strengthen the risk framework of the Company. Implemented periodic evaluation system of strategies via strategy tracker. Knowledge sharing when required (SLFRS updates, changes in tax laws, etc) 	<ul style="list-style-type: none"> Capital infusions. Support to strengthen CAR with suitable debt instruments. Support to introduce more digital solutions to the NBFIs sector with the expertise of the parent.
Society	Financial inclusion, ethical business, social value creation.	<ul style="list-style-type: none"> Individual CSR programmes. Conduct business channels targeting senior citizens in the country. 	<ul style="list-style-type: none"> Join CSR activities with the parent. Transition towards paperless office. Support emissions monitoring through the new SLFRS - S1 & S2.
Regulators	Regulatory compliance, sound governance, sectoral stability.	<ul style="list-style-type: none"> The Board established robust process and controls to meet regulatory requirements and to maintain the good governance in line with the parent's governance culture. 	<ul style="list-style-type: none"> Strengthen the governance and related reporting with the support of digital solutions (Automation of CBSL FINNET reporting, CSE reporting, tax remittances, etc).

Future Outlook

In the years ahead, CBC Finance will continue to anchor stakeholder engagement on transparency and accountability, inclusivity, sustainability and progressive partnerships. We will further integrate stakeholder feedback into decision-making and concentrate on long-term value creation through responsible business practices aligned with environmental, social and governance (ESG) principles. Accordingly, we remain committed to strengthening stakeholder trust and generating shared value as we contribute to a more resilient and inclusive financial ecosystem in Sri Lanka.

OPERATING ENVIRONMENT

Following the post-crisis rebound, Sri Lanka’s macroeconomic performance in 2025 reflected a continuation of the recovery momentum, with real GDP growth of 5%, supported by IMF-backed reforms, improved tourism earnings, and record-high foreign workers’ remittances exceeding USD 8 Bn. Inflation remained low and stable compared to the crisis period, while foreign reserves showed gradual improvement. Further, there was a marked improvement in fiscal conditions with actual government revenue outcomes exceeding the targets.

Global Economic Context

According to the IMF’s World Economic Outlook Update (January 2026), global economic developments in 2025 were marked by a steady growth of about 3.3%, with clear divergence across regions and major economies. Growth in advanced economies remained modest at around 1.5%, while emerging market and developing economies expanded at just above 4%, highlighting their continued role as the main drivers of global activity.

At the country level, the United States recorded moderate growth of around 2% in 2025, supported by resilient consumption, fiscal support, and strong investment, particularly in technology sectors such as artificial intelligence. In contrast, Europe (Euro Area) experienced weaker growth, of around 1-1.2%, reflecting tighter monetary policy, energy constraints, and subdued industrial performance.

Among major emerging economies, China grew at around 5% in 2025, consistent with IMF estimates, but its expansion remained constrained by structural challenges such as weakness in the property sector and softer domestic demand. Meanwhile, India continued to be the fastest-growing major economy, with growth of 6.4% in 2025, driven by strong domestic demand, investment, and improving economic fundamentals.

Overall, the IMF describes 2025 as a year of resilient yet uneven global expansion, where advanced economies, especially Europe, lagged behind, the United States showed moderate strength, and large emerging economies such as India and China remained key engines of global growth, albeit at differing speeds due to domestic and external constraints.

Sri Lankan Economy in 2025

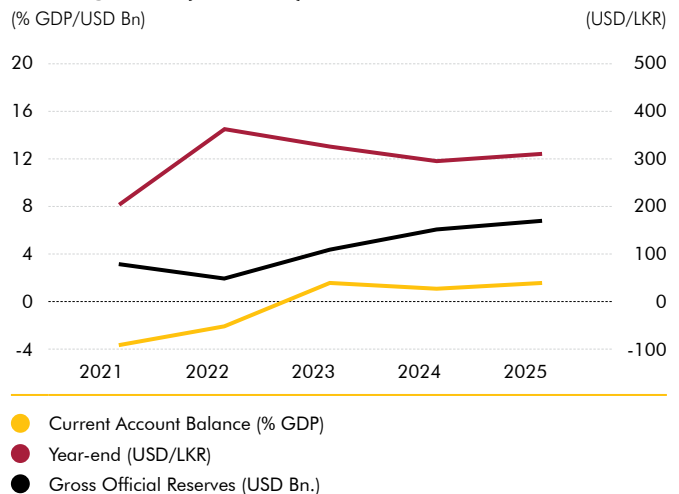
Sri Lanka’s macroeconomic performance in 2025 reflects a continued, broad-based recovery following the crisis period, with full-year indicators confirming improvements across real, monetary, external and fiscal sectors, albeit alongside persistent structural vulnerabilities. Real GDP grew by 5% in 2025. Sectoral performance indicates that industry

expanded by 7.8%, services by 3.3%, and agriculture by 1.4%, demonstrating that the recovery was driven primarily by industrial activity, construction and manufacturing, alongside gradual service-sector normalisation.

Price developments over the full year show a clear transition from deflation to low and stable inflation. Headline inflation (year-on-year), measured by the Colombo Consumer Price Index (CCPI), was -4.2% in February 2025 and it increased gradually to 2.1% by December 2025, while headline inflation (year-on-year), measured by the National Consumer Price Index (NCPI) rose from -3.9% to 2.9% over the same period. This underscores the effectiveness of earlier stabilisation measures in anchoring inflation expectations while allowing for gradual normalisation of price dynamics. Consistent with subdued inflation, monetary policy remained accommodative, with the Central Bank maintaining the Overnight Policy Rate at 7.75% from May through end-2025 to support economic activity and credit recovery. Labour market conditions improved modestly, with the unemployment rate declining to 3.8% in Q4 2025, although labour force participation remained at 48.8%, indicating that labour market recovery remained incomplete.

The external sector remained a key pillar of macroeconomic stabilisation in 2025. The current account recorded a surplus of USD 1.7 Bn. (1.6% of GDP) for the full year of 2025, marking the third consecutive year with a current account surplus, supported by strong inflows from tourism and workers’ remittances, while the merchandise trade deficit widened to USD 7.9 Bn. (7.3% of GDP), reflecting increased import demand alongside the recovery in domestic activity. Gross official reserves increased to USD 6.8 Bn. by end-2025, indicating improved external liquidity.

Current Account Balance, Gross Official Reserves and Exchange Rate (USD/LKR)



Exchange rate developments over the full year reflected moderate adjustment rather than instability: the Sri Lankan rupee depreciated by 5.95% against the US dollar in 2025, moving from LKR 292.58 per US dollar at end-2024 to LKR 309.99 per US dollar at end-2025, consistent with ongoing external sector rebalancing. These developments suggest that while external stability improved, structural trade imbalances persisted.

Fiscal developments in 2025 confirm continued consolidation under the IMF-supported reform programme. The government achieved a primary surplus of 5.4% of GDP in 2025 (2.2% in 2024), marking the third consecutive year with a primary surplus, while government revenue increased to 16.7% of GDP (13.6% in 2024), marking a significant improvement in revenue mobilisation compared to previous years. The overall budget deficit narrowed to 2.3% of GDP, compared to 6.8% in 2024. Despite these improvements, public debt remained elevated at an estimated 98.3% of GDP (103.2% in 2024), underscoring the need for sustained fiscal discipline and continued reform implementation.

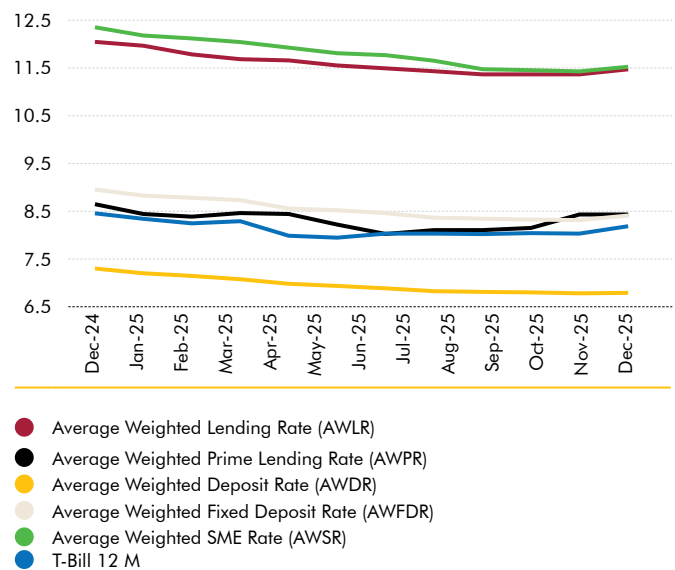
Overall, Sri Lanka’s macroeconomic performance in 2025 reflects a stabilisation phase characterised by stable economic growth, low inflation, improved external stability, and strengthened fiscal outcomes. However, the recovery remains fragile, with continued vulnerabilities stemming from high debt, external imbalances and socio-economic challenges, including elevated poverty and reduced household resilience.

Movement of Interest Rates

Interest rates in Sri Lanka during 2025 reflected an initial easing trend, followed by a moderate firming towards year-end as inflation turned positive and private sector credit growth strengthened. Key lending benchmarks, including the AWPR and AWLR, declined during the first half of the year before adjusting upward in the final quarter, while deposit rates followed a similar trajectory. Treasury bill yields also softened mid-year before edging higher by December.

For non-bank financial institutions, the lower interest rate environment in early 2025 supported credit growth and reduced funding costs, thereby improving net interest margins. However, the gradual upward adjustment in rates towards year-end signalled the beginning of normalisation, requiring careful asset-liability management to preserve spreads amid evolving liquidity and pricing conditions.

Movement of Interest Rates (%)



Overall, the interest rate cycle in 2025 supported sector recovery, while reinforcing the importance of prudent pricing discipline and dynamic ALM strategies in an increasingly competitive funding environment.

Financial Sector Overview

Sri Lanka’s financial sector in 2025 showed a clear transition from post-crisis stabilisation to recovery, supported by improved macroeconomic conditions, lower inflation, and accommodative monetary policy. The banking sector, which dominates the system, experienced strong growth in assets and credit, improved profitability, and stable capital adequacy. Licensed Finance Companies also expanded rapidly, benefiting from increased credit demand and easing interest rates.

The insurance industry continued to grow steadily, with increases in gross written premiums, assets, and capital levels, although overall market penetration remained relatively low. The equity market performed strongly, driven by improved investor confidence, macroeconomic stability, and better corporate earnings, although foreign participation remained limited.

Yields in the government securities market declined significantly compared to earlier crisis levels, (although there was an uptick in Treasury bill yields towards the end of 2025), due to improved fiscal conditions, reduced reliance on short-term borrowing, and accommodative monetary policy, although longer-term yields remained relatively elevated due to term premia. Financial infrastructure improved further with increased adoption of digital payments, strengthened RTGS and retail payment systems, and enhanced credit information systems through CRIB. The Central Bank of Sri Lanka played a key role through policy easing, strengthened macroprudential regulation (including D-SIB frameworks), financial consumer protection, digital-payment reforms, and the launch of Sustainable Finance Roadmap 2.0, supporting long-term financial stability and sustainability.

Licensed Finance Companies Sector

Sri Lanka's Licensed Finance Companies (LFC) sector recorded a strong recovery in 2025, supported by improved macroeconomic conditions, lower interest rates and renewed credit demand, which drove significant balance sheet expansion, improved asset quality and profitability gains. Total assets increased by 44.0% to LKR 2,776.7 Bn., while net loans and advances grew by 56.0% to LKR 2,227.9 Bn., driven by improved macroeconomic conditions, lower interest rates and stronger credit demand, particularly in vehicle financing following the relaxation of import restrictions. Lending remained concentrated in collateral-backed products, with leasing, hire purchase and vehicle loans accounting for 63.8% of portfolios and gold-backed (pawning) loans accounting for 20.2%, highlighting the continued importance of gold-backed lending which was supported by favourable gold prices, its short-tenor and secured nature. Asset quality improved significantly, with the gross non-performing (Stage 3) loan ratio declining from 11.5% to 6.1% and impairment coverage increasing to 47.8%, indicating a reduction in legacy credit stress and improved borrower repayment capacity. Profitability strengthened significantly during the year, with profit after tax rising by 45.0% year-on-year to LKR 61.5 Bn., supported by robust growth in net interest income. Consequently, return on assets (ROA) improved to approximately 6.9%, while return on equity (ROE) reached 15.2%, reflecting enhanced earnings capacity and operational efficiency.

Overall, the 2025 performance of Sri Lanka's LFC sector reflects a strong cyclical rebound characterised by improved asset quality with lower NPLs, higher profitability, and stronger returns as reflected by improved ROA and ROE.

Sector-Specific Developments

The operating environment for Sri Lanka's non-bank financial sector in 2025 reflected a continuation of the recovery momentum observed in 2024, underpinned by improved macroeconomic stability, easing inflationary pressures, and strengthening liquidity conditions. The Central Bank of Sri Lanka noted that domestic macrofinancial conditions strengthened further during the year, supporting a marked acceleration in credit growth, particularly towards the private sector, alongside improved financial intermediation.

The microfinance sector underwent a significant structural transformation in 2025. The Microfinance and Credit Regulatory Authority Act, No. 9 of 2026 which came into force in March 2026 established a new regulatory authority for microfinance and moneylending, while introducing stricter licensing, supervision, and borrower protection mechanisms.

Additionally, efforts to integrate Licensed Microfinance Companies into the Credit Information Bureau signal progress toward improved credit discipline and risk assessment across the sector. These developments, combined with sustained demand from underserved and rural segments, continued to support the growth of microfinance lending, albeit with a stronger emphasis on compliance and borrower protection.

In the leasing and asset financing segment, growth remained resilient, supported by improved business confidence, stabilised interest rates, and the gradual recovery of economic activity. Leasing and hire purchase portfolios continued to expand as financial institutions capitalised on renewed demand for vehicle and equipment financing, while maintaining a significant share of total loans and advances within the sector. The broader recovery in GDP growth and easing of inflation contributed to improved affordability and credit uptake, reinforcing the role of leasing as a key driver of private sector credit expansion.

The gold-backed lending segment experienced robust yet increasingly complex growth dynamics during 2025. Elevated global gold prices and persistent household liquidity constraints drove a sharp rise in demand for pawning facilities, with gold-backed loans estimated to have reached approximately LKR 356 Bn. by mid-2025. This expansion reflects both the attractiveness of gold as a readily monetisable asset and the continued financial strain faced by lower- and middle-income households.

Overall, the operating environment in 2025 reflects a maturing financial sector marked by improved macroeconomic stability, stronger regulatory oversight, and evolving credit demand patterns. While growth across microfinance, leasing, and gold-backed lending segments remained robust, the increasing complexity of borrower profiles and concentration risks underscores the importance of disciplined credit practices and adaptive regulatory frameworks to sustain sector resilience in the medium term.

For CBC Finance PLC, the improving macroeconomic environment and easing interest rate conditions supported portfolio expansion and asset quality normalisation during the year. However, heightened competition within the Licensed Finance Companies sector, evolving regulatory expectations, and concentration risks in collateral-backed segments continue to require disciplined underwriting and prudent risk management.

Regulatory Developments

Regulatory developments in Sri Lanka's financial sector in 2025 were driven by a continued post-crisis reform agenda focused on strengthening institutional credibility, financial stability, and regulatory oversight. A central pillar of these reforms was the ongoing implementation of the Central Bank of Sri Lanka Act No. 16 of 2023, which was operationalised through policy actions in 2025, reinforcing central bank independence, price stability mandates, and macroprudential oversight functions. Within this strengthened legal framework, the Central Bank of Sri Lanka (CBSL) intensified prudential supervision by introducing updated regulatory directions for licensed banks, including enhanced corporate governance requirements, stricter fit-and-proper criteria for directors and key management personnel, and the formal adoption of recovery planning frameworks for systemically important banks. These measures were complemented by revised methodologies for identifying Domestic Systemically Important Banks (D-SIBs), aimed at mitigating systemic risk and improving resilience in the banking sector.

In parallel, regulatory reforms extended to credit risk management and consumer protection. The CBSL introduced tighter loan-to-value (LTV) ratio restrictions on vehicle financing and strengthened disclosure and reporting requirements, including mandatory cybersecurity incident reporting, reflecting a shift toward risk-based and technology-aware supervision. In the non-bank financial sector, a significant development was the issuance of Finance Company Directions No. 01 of 2025, which established a structured framework for determining interest rates on deposits and debt instruments based on

benchmark rates such as Treasury bill yields and the Overnight Policy Rate. This reform aimed to enhance transparency, prevent excessive risk-taking, and ensure more consistent pricing practices across licensed finance companies.

The enactment of the new Microfinance and Credit Regulatory Authority in 2026 further strengthened regulatory oversight of the sector, introducing stricter licensing, supervision, and borrower protection mechanisms.

A major regulatory trend in 2025 was the acceleration of financial sector digitalisation and payment system reforms. The launch of the GovPay digital payment platform, supported by CBSL payment system circulars, introduced standardised rules for transaction fees and operational procedures for digital payments, thereby promoting efficiency, financial inclusion, and reduced reliance on cash transactions. These developments were aligned with broader national strategies to modernise financial infrastructure, improve cybersecurity resilience, and support a digital economy. Additionally, regulatory adjustments related to investment frameworks, particularly in the Colombo Port City, reflected a move toward more rules-based governance and rationalised incentives, consistent with IMF-supported structural reforms and fiscal discipline objectives.

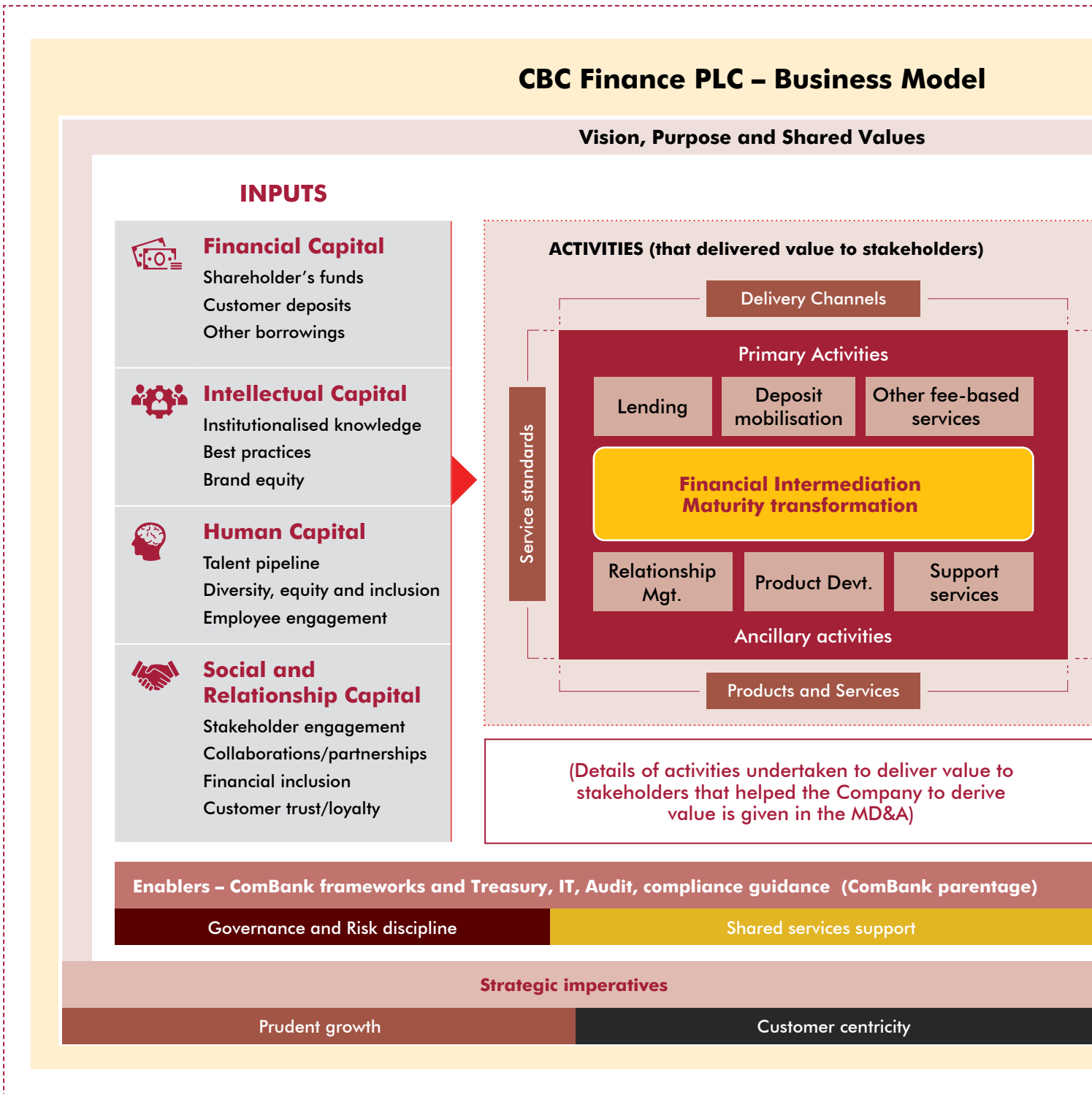
Overall, the regulatory developments in 2025 signal a structural strengthening of Sri Lanka's financial architecture, marked by enhanced prudential oversight, improved governance standards, digital payment modernisation, and risk-based supervision.

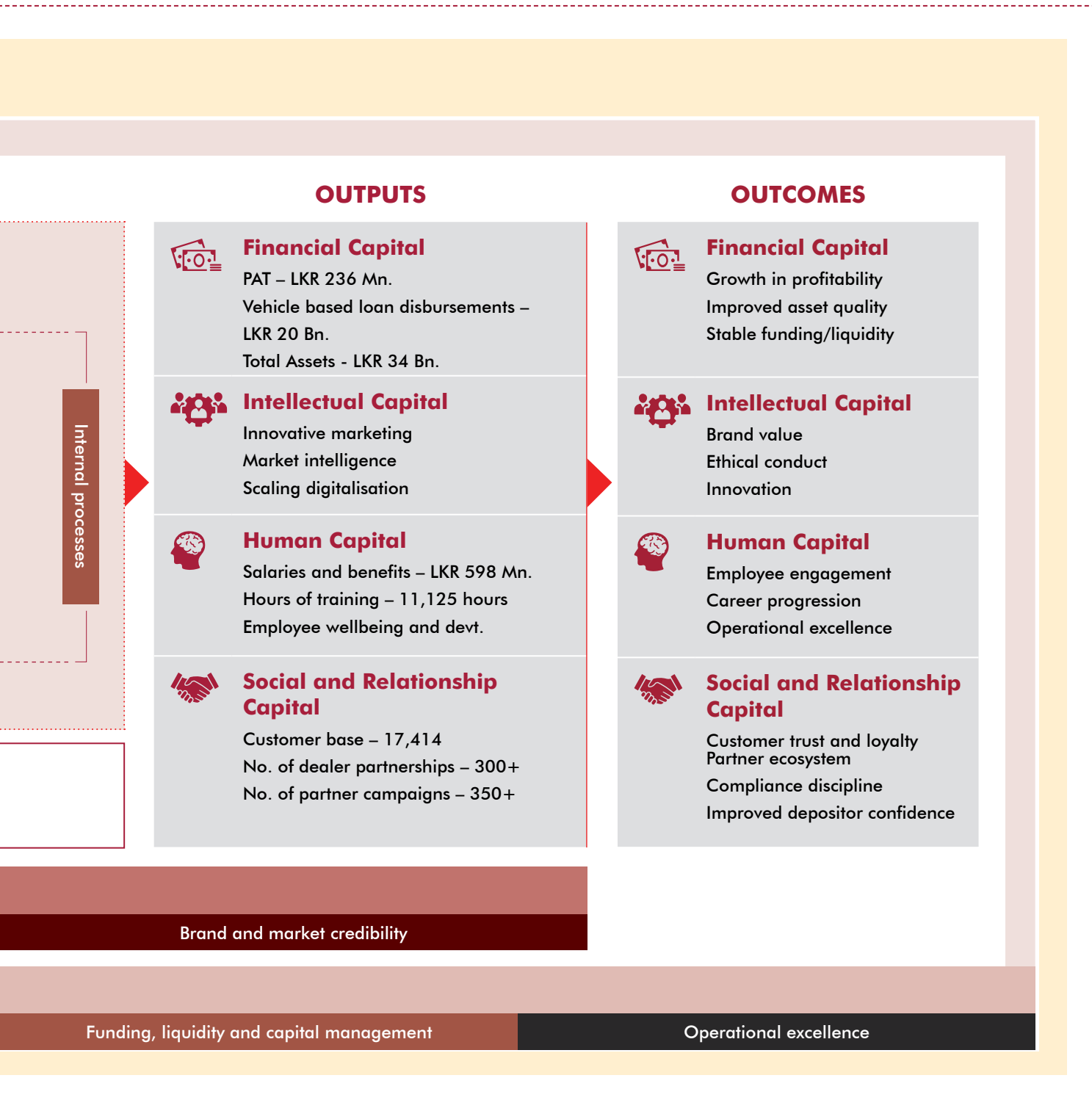
Navigating Challenges

Sri Lanka's macroeconomic outlook for 2026 is subject to heightened external uncertainty. Escalating geopolitical tensions in the Middle East may exert upward pressure on global oil prices, potentially widening the trade deficit and increasing foreign exchange outflows. These developments may also adversely impact tourism earnings, exports, and workers' remittances if global conditions deteriorate further. Additionally, evolving global trade dynamics, including increased tariff measures in major economies, could weigh on export-oriented sectors. Climate-related shocks remain an additional risk to agricultural output and overall economic stability.

In this evolving environment, CBC Finance PLC will continue to closely monitor macroeconomic and sectoral developments, maintaining prudent risk management practices while positioning the Company to capitalise on emerging opportunities.

HOW WE CREATE VALUE





OUR IMPACT

Intellectual
Capital
33

Human
Capital
37

Social and
Relationship
Capital
41



INTELLECTUAL CAPITAL

Intangible assets accumulated over the years and proprietary to the Company are referred to as Intellectual Capital. These include the expertise of our employees, HR practices including training and development, business processes, brand value and perception in the market, and other information that positions the Company a step ahead of its competition in an aggressively competitive market.

We are pleased to record the success we have had in developing and safeguarding our intellectual capital to ensure a sustainable business for the benefit of our stakeholders.

Creating a digital footprint

Over the years since its inception in 1987, CBCF has progressively invested in technology and expanded its digital footprint. Working within a well-laid-out plan, the Company's Information Security Policy (ISP) defines the structural demarcations, roles and responsibilities, and adherence to information security, in detail. This is further augmented by the support of the IT department of the Commercial Bank of Ceylon PLC (the Bank) and its Central System Support Department (CSSD), demonstrating the value addition derived from being a fully-owned subsidiary of the Bank.

Orysys Ltd, a fully-owned subsidiary of the Bank, is responsible for maintaining the Company's website, Credit Monitoring System, Quotation System and Memo Management System, adding great value to our digital journey.

CBC Finance has also initiated the internal development and deployment of several key systems, including a comprehensive dashboard, Info Hub, Customer Risk Profiling system, Reverse Screening system and a KPI management system, aimed at enhancing business operations. In addition, the IT department has internally developed and deployed an NPA (Non-Performing Assets) Monitoring Function, a Recovery Information module, and a Data Verification Function

specifically designed for the credit team, further strengthening the Company's risk management and operational capabilities. Further system developments are currently in progress.

Achievements

Customer Interface

Migration from E-Financial to ICBS system (Integrated Computerised Banking System) supported the asset and liability product range where deposits were canvassed. Spin off benefits included enhancing integration with the Bank's internally developed systems and procedures, and the establishment of audit trails allowing for transparency in all our transactions.

Several Core system enhancements and features were introduced. This initiative, supported by the CSSD, was implemented with the objective of delivering improved and efficient services to customers.

Being a fully-owned subsidiary, we were able to garner the Bank's support in implementing the Common Electronic Funds Transfer (CEFT) system from LankaClear (Pvt) Ltd and Recovery Modules in ICBS.

Lead generation process was revamped through system upgrades. A new quotation module speeds up the turnaround time for customer queries and an SMS alert system notifies customers of transactions in a timely manner.

Accuity system carries out the mandated regulatory requirement of screening the customers prior to onboarding, especially in line with AML regulations in the country as well as US Sanction Screening. Such technological advancements have contributed to onboarding a quality customer base to our portfolios, who are sustainable business partners for the future.

The Internally developed Customer Reverse Screening System is a crucial tool that aims to mitigate risks associated with customers who are potentially harmful to the Company in the long term. By implementing this system, businesses can proactively screen and filter out customers, who may not blend with the ethical business practices of the Company. This not only helps in avoiding future financial losses but also safeguards the business reputation and customer trust.

The internally developed Customer Risk Profiling System plays a critical role in strengthening the Company's overall risk management framework. By systematically assessing and categorising customers based on predefined risk parameters, the system enables proactive identification of potential risks at an early stage. This automated, process-driven approach ensures consistency, reduces manual errors, and enhances decision-making accuracy when onboarding new customers or monitoring existing ones. Overall, the Customer Risk Profiling System is an essential tool that empowers the Company to operate with greater confidence, security, and efficiency in a dynamic financial environment.

Operational excellence

The internally developed Asset Registry System automated manual asset management in the Company, which helps in effectively managing and maintaining the assets owned by the businesses.

We implemented numerous IT platforms that fast tracked the daily operation of our routine work processes. Among these, the Memo Management System, Server upgrades and back-up server systems, Credit Monitoring system and write off system, web filtering process and the BoardPAC Solution have transformed the way we work and enhancing the accuracy and efficiency of regulatory disclosure processes. Enhancing a single virtualised server environment to a cluster environment has offered several benefits to businesses. One of the most significant advantages is improved reliability and availability. With a cluster environment, multiple servers work together to provide a more robust and fault-tolerant overall system.

In line with our commitment to operational excellence and robust information security, CBC Finance has successfully implemented the globally recognised G Suite solution to streamline and manage day-to-day business operations effectively. This cloud-based productivity suite facilitates seamless collaboration across departments, enhances communication, and supports efficient workflow management.

To further strengthen our data security posture, we have integrated a comprehensive Data Loss Prevention (DLP) mechanism within the email system. This proactive feature helps prevent unauthorised disclosure of sensitive information, ensuring compliance with data protection regulations and safeguarding the Company's critical data assets.

The adoption of these advanced technological solutions reflects CBC Finance's dedication to leveraging innovative tools that drive efficiency, security, and sustainable growth.

The Company has introduced the BoardPAC solution for all board-level meetings, with the support of the Commercial Bank's IT team. This digital platform streamlines the entire board meeting process by reducing manual paperwork, enabling secure document sharing, and providing easy access to meeting materials from any location.

By adopting BoardPAC, the Company has enhanced the efficiency, accuracy, and confidentiality of board proceedings. The solution supports seamless scheduling, real-time updates, and simplified meeting management, significantly improving the overall governance process.

This implementation marks a key step in the Company's digital transformation journey, reinforcing its commitment to operational excellence and technological advancement.

People focus

The KPI Management System, internally developed by the Company's IT team, serves as a key performance evaluation tool to monitor and assess employee performance in a structured and automated manner. By aligning individual performance metrics with organisational goals, the system ensures transparency, objectivity, and consistency in performance assessments.

This automation not only reduces administrative workload but also enables real-time tracking of key indicators, helping management identify high performers, address performance

gaps, and make informed decisions on staff development and resource allocation. The system fosters a performance-driven culture and supports continuous improvement across all levels of the organisation. This KPI Management System is a strategic asset that contributes to enhanced operational efficiency and accountability within the Company.

CBCF Intranet and the Fin Directory, keep close contact among all areas of the Company, promoting camaraderie and belongingness.

Cyber Security

In an era where FinTech firms are generating dynamic software as a daily routine, we work closely with our parent, Commercial Bank, in ensuring core database safety. We recognise the significant responsibility that rests on us to protect our customer data as well as organisational data from hackers and cyber criminals. Given the evolving threat landscape, our commitment to strengthening cyber security controls remains continuous and uncompromising.

To this end, we installed and configured hardware firewalls at each branch and data center, segregated the primary firewall into different zones, which helps to improve the security of the Company's network, allocated unique virtual local area networks (VLANs) to each department to further isolate and secure different parts of the network, installed Multiprotocol Label Switching (MPLS) links for both the primary and secondary connections and created IPSec (Internet Protocol Security) VPNs over these MPLS links for additional security and privacy.

Further steps were taken to implement a process for performing daily anti-virus patch updates to all endpoints and servers. This can help to prevent the spread of malware, protect against phishing attacks, and prevent unauthorised access to sensitive data.

The Company has established a structured process for monitoring and reviewing cyber risk incidents through the implementation of FortiAnalyzer and Kaspersky Security Center. These advanced cybersecurity tools enable real-time threat detection, log analysis, and incident response management.

FortiAnalyzer provides centralised logging, analytics, and reporting capabilities that help identify potential threats and vulnerabilities across the network. Meanwhile, Kaspersky

Security Center supports the centralised management of endpoint security, allowing for efficient deployment of updates, monitoring of system health, and rapid response to security events.

Together, these tools enhance the Company's ability to proactively detect, analyse, and mitigate cyber threats, thereby strengthening its overall information security posture and ensuring compliance with cybersecurity best practices. The Company has implemented a Privileged Access Management (PAM) tool to effectively manage administrative users and safeguard against potential cyber incidents in the future.

Future Plans

We plan our digital strategy with a clear focus on aligning with the high standards maintained by our parent company, Commercial Bank of Ceylon PLC. In this ongoing journey, the contribution of Orsys Ltd has been of immense value, and we are confident that their continued support will play a critical role in our future technological advancements.

As part of our digital roadmap, we are currently implementing a Loan Origination System (LOS) and a new version of the Quotation Module with the support of Orsys Ltd, utilising their latest quotation module. These systems are designed to automate the entire credit process, from application to disbursement, significantly enhancing operational efficiency, reducing manual intervention, and improving the overall customer experience. In parallel, the IT department has been actively involved in supporting new branch openings, ensuring seamless system integration and connectivity, and has undertaken a comprehensive network upgrade across the Company to deliver faster, more reliable services to both customers and staff.

These initiatives reflect our commitment to innovation and operational excellence, while ensuring consistency with the best practices upheld by our parent company.

Our digital strategy for 2025/2026 encompasses a variety of work processes and customer interface systems.

CBC Finance is in the process of introducing savings accounts and Visa debit cards for its customers, with the implementation scheduled for the year 2026. This strategic initiative marks a significant milestone in the Company's product portfolio, aimed at enhancing the range of financial services offered to our clients.

By launching savings accounts, CBC Finance seeks to encourage a culture of savings among customers while providing them with secure and convenient deposit facilities. The introduction of Visa debit cards further complements this offering by enabling seamless, cashless transactions and access to a wide network of ComBank ATMs and merchants globally.

Together, these products will elevate CBC Finance's competitive position in the market, improve customer experience, and align the Company with industry best practices. This development underscores our commitment to continuous innovation and delivering value-added services, reinforcing our standing as a forward-looking financial institution.

A key strategic initiative currently underway is the development of a customer Mobile App, which is presently in active implementation. This application is designed to allow our teams to operate effectively with maximum functionality towards the customer, enabling customer onboarding, online leasing, and fixed deposit products. The Mobile App is on track for launch in the coming year, and forms a critical pillar of our ongoing digital transformation journey.

We are pleased with the expansion we have seen in our digital footprint and are committed to investing in information technology infrastructure, which is the future of any business organisation that is effective and sustainable.

Institutional Knowledge

A collaboration of banking and finance personnel, experienced and qualified in their respective disciplines and possessing the many soft skills that are currently needed in the marketplace, form the senior management of the Company. To this is added the strength of many other professionals, carefully recruited and remunerated and performing the daily routines of CBCF that builds up the strength of the Company for the future. We are pleased to state that from the management to the staff in operation areas, CBCF possesses a collective pool of talents and resources that in 2022, proved invaluable in facing the headwinds of the year to emerge resilient and stronger for the future.

Continuous Upgrading

At CBC Finance, we take a future-focused view while delivering value in the present. Accordingly, in 2025/26 we continued to enhance our technology platforms, introducing state-of-the-art systems, customer-relevant products and services, and streamlined internal processes that improve efficiency and staff productivity. These upgrades strengthen our ability to respond quickly to market needs while maintaining strong controls and service standards. Further details on our products and services are provided in the Stakeholder Relationships on pages 24 and 25.

A valuable collaboration

Being a fully-owned subsidiary of the most-awarded premier commercial bank in Sri Lanka, Commercial Bank of Ceylon PLC, is foundational to our strength and longevity, as we draw on the synergies of the two entities to continue the growth trajectory that we are on. The Bank contributes towards the operation of CBCF in many ways, especially on IT infrastructure development. During the past several years, we have advanced in leaps and bounds, due to the support we have received in this area that has helped position CBCF as an agile institution that is in touch with customers' latent and emergent needs. The Company the partnership immensely.

HUMAN CAPITAL

Overview

Human capital refers to the collective skills, experience and commitment of CBC Finance PLC’s workforce, which form a critical pillar of the Company’s sustained success. It encompasses the capabilities of employees across all levels, their alignment with the Company’s values and strategic priorities, and their ability to adapt, perform and deliver consistent service standards. Human capital is developed through structured learning, performance discipline, leadership development, an inclusive workplace culture, and effective talent management, contributing to productivity, service excellence and long-term value creation.

In 2025, the Company’s rapid business scale-up placed increased demands on capacity, consistency and execution. In response, the Human Resources function progressed its transition from primarily administrative delivery to a stronger strategic business partnering role, aligning workforce performance with business targets, strengthening capability-building, and initiating HR digitisation to support data-driven decision-making.

Human Capital Priorities in 2025

During the year, HR focused on initiatives designed to support growth while reinforcing a disciplined, performance-driven culture:

- **Performance discipline at scale:** Introduced KPI-based evaluations to improve objectivity and consistency across roles and locations, supported by a bell-curve approach to performance-related bonus allocation to strengthen merit-based differentiation.
- **Capability building through structured training:** Standardised “General Common Training” modules and progressed the formalisation of a dedicated Training Arm to improve consistency and depth of learning across the branch network.
- **Succession and continuity:** Advanced a governance-led succession framework and moved towards a “talent pool” model to strengthen continuity in critical roles supporting the lending business.
- **HR digitalisation:** Initiated steps towards implementing an HRIS to automate HR processes, reduce manual effort, and improve workforce analytics.

Staff Profile

As business scale increased, workforce planning focused on maintaining the appropriate balance between frontline capacity and critical support and control functions.

Staff Summary

Indicator	2025	2024
Total headcount (end of year)	442	318
Staff on secondment	0	0
Average headcount	380	294
New recruitments during the year	303	216
Female staff	140	126
Employees under age of 30 years	215	164
Staff exits during the year	172	166
Staff turnover rate (%)	46	56
Number of branches/service points	22	18

Staff Composition

Category	2025	2024
Frontline (Branches/Sales/Service)	299	193
Operations/Back office	101	90
Credit/Risk/Compliance/Control functions	27	24
IT/Digital	15	11
Total	442	318

Gender and Status

Category	2025	2024
Permanent staff	126	80
Contract staff	4	1
Seconded staff	0	0
Trainee assistants/ probationary staff	166	53
Interns	6	6

Age profile

Age Group	Male (Nos.)	Female (Nos.)
18 – 20 years	9	3
21 – 30 years	124	81
31 – 40 years	110	40
41 – 55 years	55	13
Over 55 years	4	3

Grade profile

Category	Male (Nos.)	Female (Nos.)
Senior Management and above	20	3
Executive staff	239	94
Junior executive staff	10	36
Minor staff	6	0
Other	27	7

Talent Acquisition and Retention

The external environment continues to influence HR strategies, including ongoing competition for skilled staff and migration trends in the wider labour market. In this context, CBC Finance continued to revamp talent acquisition and talent management practices to better align with business requirements and the evolving workforce profile, including Millennials and Generation Z employees.

Recruitment Snapshot

Metric	2025	2024
Total recruitments	303	216
Frontline hires	260	168
Control function hires	40	44
Management hires	3	4

Learning and Development

Training remains a critical enabler in a fast-paced financial services environment. During 2025, the Company strengthened training governance by standardising “General Common Training” modules across the branch network and progressing the formal establishment of a dedicated Training Arm.

Key training focus areas included:

- Gold Loan Operations
- Cashiering Excellence
- Credit Management
- Leadership Management
- Core IT Systems training
- Fixed Deposit and Back Office Operations

Training Metrics

Indicator	2025	2024
Total training hours delivered	11,125	303
Average training hours per employee	7	1
Employees covered by training	367	95
Number of programmes conducted	26	34

Training Hours by Category

Indicator	2025	2024
Senior Management and above	184	44
Executive staff	6,957	138
Junior Executive staff	3,944	121
Minor staff	40	0
Others	0	0

Training Hours by Programme Category

Key areas of focus in training	Training hours
Evaluation of Credit facility papers/Risk Management & Credit Operations	24
Debt Moratorium/Recovery Operations	2
Finance Operations	2
Fixed Deposits & Operations	7
Information Technology	17
Legal Operations	16
Gold Loan Operation	32
Operations	72

Performance Management and Rewards

As the Company scaled, the need for consistent and objective performance evaluation increased. In 2025, KPI-based evaluations were introduced to align individual contributions with business priorities and to reduce subjectivity in performance outcomes. The Company also implemented a bell-curve approach for performance-related bonus allocation, reinforcing a merit-based culture and rewarding high-impact performance. The performance framework reinforces risk and conduct expectations, particularly in credit origination and operations.

To ensure a seamless performance evaluation process, a custom KPI Management System was developed using internal IT resources. This system focuses on two primary objectives: transitioning to a paperless appraisal process for all staff and increasing efficiency to improve accuracy and efficiency of results.

In addition, a salary benchmarking exercise was initiated using comparator organisations, supporting the continued competitiveness of remuneration structures as the Company targets the next phase of growth.

Performance Outcomes

Rating Category	2025
Outstanding/Far Exceed Expectations	22
Exceed Expectations	77
Meet Expectations	153
Below Expectations	32

Compensation and Benefits

Description	2025 (LKR Mn.)	2024 (LKR Mn.)
Salaries paid	336	254
Benefits paid	205	71
Gratuity paid	8	6
Employer EPF/ETF contributions (15%)	49	31

Succession Planning and Leadership Continuity

During 2025, the Company initiated steps to strengthen succession planning and leadership continuity, recognising the importance of maintaining stability in key roles as the business scales. A governance-led succession planning framework was developed and formally presented to the Board Human Resources and Remuneration Committee (BHRRC) in early 2026 for review and oversight. The framework focuses on three pillars, viz. identification of critical roles, horizontal development, and Board-level governance, and is supported by a “talent pool” approach to build leadership readiness, strengthen operational resilience, and reduce key-person dependency, particularly in roles underpinning lending quality, operational discipline and customer service.

Culture, Engagement and Recognition

CBC Finance continued to foster a culture of performance, accountability and continuous improvement. Employee recognition initiatives, such as Best Salesperson and Best Branch, were implemented to reinforce performance behaviours, service standards, and teamwork across the network.

Where applicable, flexible work practices introduced during prior periods continued to support productivity and employee wellbeing.

Equal Opportunity and Inclusion

CBC Finance is an equal opportunity employer that does not discriminate on the basis of age or gender and promotes diversity and inclusion. We believe a diverse workforce strengthens our skill profile and supports long-term growth.

Indicator	2025	2024
Female employees (%)	32	34
Male employees (%)	68	66

Parental Leave

CBC Finance PLC ensures full compliance with all statutory requirements relating to parental leave. During 2025, 8 employees availed maternity leave and 7 returned to work, reflecting an 88% return-to-work rate.

Synergies with Commercial Bank of Ceylon PLC

As a fully-owned subsidiary of Commercial Bank of Ceylon PLC, CBC Finance benefits from group synergies that strengthen HR capability and institutional discipline. These synergies are most visible in talent acquisition practices, shared learning resources and facilities, and the broader employer brand. Training and development initiatives were conducted in tandem where appropriate, enabling cost efficiencies and consistent standards.

HR Digitalisation

To support scale and reduce the limitations of manual processing, the Company initiated steps towards procuring and implementing an HRIS. The HRIS is expected to automate key HR workflows, strengthen accuracy, and provide real-time analytics that support workforce planning, performance governance and capability-building.

Looking Ahead

Over the next period, the Company's human capital focus will remain centred on:

- strengthening KPI-driven performance discipline and merit-based rewards;
- scaling structured learning through the Training Arm and role-based modules;
- deepening succession readiness through the talent pool model;
- supporting retention in a competitive talent environment; and
- accelerating HR digitisation to enable more timely and informed decision-making as growth continues

SOCIAL AND RELATIONSHIP CAPITAL

Our Social and Relationship Capital reflects the quality of our relationships with customers, depositors, investors, dealer partners, regulators, and the communities where we operate. In FY2025, CBC Finance served over 17,000 active customers through 22 branches across Sri Lanka, raised its first capital market instrument, and for the first time in its history, ran advertising on television and radio. This section reports on what we did, what it produced, and what we plan to do next.

Highlights of the year

17,000+

Active customers

Borrowers and depositors as at Dec 2025

LKR 14 Bn.

Customer deposits

Up from LKR 10.31 Bn. in FY2024 (+35.8%)

LKR 1.5 Bn.

Debenture issued

First capital market instrument in CBCF history

19th

Industry ranking

By total assets – improved from 23rd

>50%

Profit paid as tax

Of pre-tax profit paid to government

Management Approach

CBC Finance’s approach to stakeholder relationships is grounded in the operating realities of the year. Our customers need financing that reaches them quickly, is correctly priced, and is supported during setbacks. Our depositors need a safe institution that pays on time. Our regulators need a company that complies with the rules. Our communities need a financial institution whose products create real economic opportunity, and not just credit. That is the standard against which we measure ourselves.

In FY2025 we made progress on each of these fronts. We grew the customer base, kept compliance intact through a year of multiple regulatory changes, listed our first debenture, and delivered on our core promise to depositors.

How Social and Relationship Capital Connects to our Other Capitals

Financial Capital	Human Capital	Intellectual Capital
Customer deposits (LKR 14 Bn.+) and debenture investor trust (LKR 1.5 Bn.) directly fund the lending book. Depositor confidence, anchored in the Commercial Bank parentage, reduced funding cost relative to standalone NBFIs.	Staff welfare fund and sports committee support staff retention. 10–15% of new sales hires were school leavers, bringing long-term loyalty. A positive employer reputation improving through FY2025 makes recruitment easier.	Dealer relationships and market presence enable CBC Finance to gather real-time intelligence on customer needs and competitor offerings. The CSE listing creates a new accountability discipline that sharpens reporting quality.

Customer Engagement

CBC Finance serves over 17,000 active customers across two broad groups: borrowers who use our vehicle leasing, gold loan, and micro leasing products; and depositors who place fixed deposits and, from early FY2026, savings accounts with us. We serve these customers through 22 branches, a field sales force of 150+ officers, virtual channels, and doorstep disbursement.

Our product range targets specific customer segments like salaried workers who need a vehicle to work, three-wheeler operators who depend on their vehicle for income, and low-income households who use gold loans for immediate cash needs. Getting money to these customers quickly and on agreeable terms is the core of what we do.

How we engage customers

Branch network	22 branches island-wide as at December 31, 2025. Four new branches were opened during FY2025. All branches offer gold loans; vehicle and micro leasing products vary by location. Branches in the North and the East mainly concentrate on gold lending.
Field sales	150+ retail sales officers, up from approximately 100 at the start of FY2025. Officers visit customers directly, particularly for vehicle and micro leasing facilities.
Virtual channels	Customers can apply for, and service, loans and deposits without visiting a branch. CBC Finance introduced this option during FY2025 to extend geographic reach beyond the physical network.
Doorstep service	Loan disbursements are made at the customer’s location on request. This became a key differentiator in mid-2025 when CBSL reduced vehicle LTV ratios to 50%, competing on speed and service.
Dealer partnerships	Island-wide promotional campaigns with authorised motor dealers: Toyota, TVS, and Ideal Motors. Selected insurance partners participate in bundled offers.
Brand and advertising	For the first time in CBCF’s history, the Company ran television and radio advertising campaigns in FY2025, alongside continuous social media and BTL promotions.

Product portfolio

Our lending products are designed around the assets our customers already own or want to acquire. Each product serves a different segment, as shown below.

Product	Portfolio Size (Dec 2025)	Who It Serves
Vehicle Leasing & Loans	LKR 20 Bn. +	Salaried workers, business owners, and entrepreneurs who need a car, van, or motorcycle for work or personal use. Also includes motor draft facilities for dealers.
Gold Loans	LKR 4 Bn.	Low-income households who need short-term cash – for school fees, medical expenses, or working capital – and have gold jewellery as security. Primarily served through branches in the North and the East.
Two-Wheeler Leases	LKR 2 Bn. (combined with 3W)	Salaried workers who use motorcycles for daily commuting or delivery. Provides affordable access to personal mobility.
Three-Wheeler Leases	LKR 2 Bn. (combined with 2W)	Small business operators who use three-wheelers to earn a living. For many of these customers, the lease is their primary business asset.
Fixed Deposits	LKR 14 Bn. +	Individual and corporate depositors who place funds for fixed tenors at competitive interest rates. The Commercial Bank parentage is the primary trust factor.
Savings Accounts	Pilot in FY2025	Piloted with staff in FY2025 to test operational controls. Extended to all leasing customers in early FY2026. A minor savings product for under-18s is planned for FY2026.

How we protected customers during FY2025

When CBSL reduced the Loan-to-Value ratio for new vehicle financing to 50%, many customers could not immediately contribute the higher equity portion. CBC Finance did not offer sub-loans. Instead, we maintained same-day disbursement and doorstep service as our competitive offer, and worked with customers within the new limits.

When the “Ditwah” cyclone affected parts of Sri Lanka, CBSL issued guidelines on relief for affected customers. CBC Finance implemented the required measures for eligible customers in full compliance with those instructions.

Value exchange with customers

Value we provide to customers	Value CBC Finance receives	Value created for the broader economy
<ul style="list-style-type: none"> • Same-day or next-day loan disbursement • Products designed for lower-income and SME segments • Access to a finance company backed by Sri Lanka’s largest private sector bank • Island-wide branch coverage with doorstep option • Fixed deposit rates competitive within CBSL ceilings • Savings product for leasing customers (from early FY2026). 	<ul style="list-style-type: none"> • Interest income on loans and advances • Fixed deposit funding at stable rates • Repeat business and customer retention • Market share growth (0.875% – ↑1.022% in FY2025) • Deposit base growth (LKR 10.31 Bn. ↑ LKR 14 Bn.+) 	<ul style="list-style-type: none"> • Mobility and income for salaried workers (2W leases) • Livelihood assets for SME operators (3W leases) • Liquidity access for low-income households (gold loans) • Investment returns for 10,000+ depositors • Government taxes and levies: >50% of pre-tax profit

Business Partners and Regulatory Engagement

Commercial Bank of Ceylon PLC – Parent Company

Commercial Bank of Ceylon PLC is the 100% shareholder of CBC Finance and Sri Lanka’s largest private sector bank. As a fully-owned subsidiary, CBC Finance benefits from the Bank’s capital support, risk management expertise, brand credibility, and institutional frameworks. This relationship is the most important enabler of CBC Finance’s growth.

Equity capital injection	LKR 1,000 Mn. in two tranches during FY2025 to maintain CBC Finance’s Capital Adequacy Ratio as the gross loan book grew from LKR 15.2 Bn. to LKR 28.02 Bn.
Legacy NPL recovery	Commercial Bank’s recovery department worked directly alongside CBC Finance on resolving the legacy mortgage and business loan portfolio. This contributed to the reduction in the Gross Stage 3 NPL ratio from 24.95% to 14.71%.
ESG and sustainability	Commercial Bank, working with Ernst & Young, provided the emissions data capture system used by CBC Finance to track electricity, fuel, and carbon data across the branch network. CBC Finance contributed this data to the Bank’s Group sustainability report.

Training and development	Key training programmes run for Commercial Bank employees were extended to include CBC Finance staff.
Brand and governance	The Commercial Bank name is cited by customers as a primary reason for depositing with CBC Finance and by job candidates as a reason for applying. The Bank’s governance standards and risk frameworks are the baseline for CBC Finance’s own internal controls.

Dealer and Trade Partners

CBC Finance works with authorised motor vehicle dealers like Toyota, TVS, Ideal Motors and selected insurance companies across the island. Dealers refer customers to CBC Finance for vehicle financing; CBC Finance provides same-day approvals and disbursements that allow dealers to close sales without delay.

In FY2025, vehicle portfolio growth to LKR 20 Bn.+ was supported in part by these partnerships, along with island-wide promotional campaigns at dealerships.

Regulatory Engagement

CBC Finance is regulated by the Central Bank of Sri Lanka (CBSL) as a licensed finance company, and by the Colombo Stock Exchange (CSE) following its debenture listing in FY2025. The Company met all regulatory requirements during the year without material breach.

Key regulatory events in FY2025

LTV ratio reduction	CBSL reduced the Loan-to-Value ratio for new vehicle financing to 50%. CBC Finance complied and chose not to offer compensating sub-loans, responding instead with faster service and doorstep disbursement.
Deposit rate ceilings	CBSL revised deposit rate ceilings multiple times during FY2025. CBC Finance adjusted its fixed deposit products and lending mix in response, within the prescribed limits.
NPL classification	CBSL moved to a 90-day past-due definition for NPL classification. Despite the stricter standard, CBC Finance reduced its Gross Stage 3 ratio from 24.95% to 14.71% during the year.
Ditwah cyclone relief	CBSL issued guidelines for customer relief following the Cyclone Ditwah. CBC Finance implemented the prescribed support measures for affected customers.
Liquidity ratio	The statutory minimum liquid assets ratio is > 1%. CBC Finance maintained this requirement throughout FY2025.
CSE listing obligations	Following the debenture listing, CBC Finance became a listed PLC and met all CSE disclosure and governance requirements on schedule throughout the year. IT infrastructure and data security were reviewed and strengthened.

Community Engagement

CBC Finance's most direct contribution to communities in FY2025 was through its lending activity. Three-wheeler leases gave small business operators access to income-generating assets. Gold loans provided low-income households with accessible credit backed by assets they already hold. Two-wheeler leases gave salaried workers affordable personal mobility. These are not incidental social outcomes. Instead they are the intended result of a product mix designed to reach segments that larger financial institutions do not always serve at this level of access and speed.

Beyond the loan book and staff welfare, formal CSR activity at CBC Finance was limited in FY2025. Most organisational resources were absorbed by the rapid growth of the business including staff expansion from 318 to 442, four new branches, and the first capital market listing in the Company's history. A CSR budget has been allocated for FY2026, and an action plan is being prepared in coordination with Commercial Bank.

Financial Inclusion

The table below shows how CBC Finance's products contributed to financial inclusion in FY2025.

Two-wheeler leases	Salaried employees, delivery riders, and small traders across Sri Lanka used two-wheeler leases to acquire motorcycles they could not otherwise afford. Part of the combined 2W/3W portfolio of LKR 2 Bn.
Three-wheeler leases	Three-wheeler operators, for whom the vehicle is the business, accessed leases through CBC Finance's micro leasing segment. These customers typically have no collateral other than the vehicle itself.
Gold loans	Low-income households used gold loans (LKR 4 Bn. portfolio) to meet school fees, medical costs, and short-term working capital needs. Branches in the North and the East are the primary delivery point.

School leaver recruitment	10 – 15% of new sales staff recruited in FY2025 were school leavers entering the formal financial sector for the first time. This practice will continue in FY2026.
Staff welfare fund	All employees contribute a fixed monthly amount to a staff welfare fund. Agreed amounts are paid out to members or their immediate family in cases of financial hardship, illness, or bereavement.
Sports committee	An active sports committee organises employee recreational activities across the branch network.

Contribution to Government and the National Economy

CBC Finance contributes to government revenue through taxes and levies. In FY2025, the Company paid LKR 326.6 Mn. in total taxes and levies which is more than 50% of pre-tax profit.

Taxes paid FY2025	LKR 326.6 Mn. (>50% of pre-tax profit)
Taxes paid FY2024	LKR 178.9 Mn. (>50% of pre-tax profit)

Investor and Depositor Engagement Depositors

Fixed deposits are CBC Finance’s largest single source of funding, representing 50% of the total funding mix as at December 2025. The deposit base grew from LKR 10.31 Bn. to LKR 14 Bn.+ during FY2025, a 35.8% increase. Growth was supported by the appointment of a dedicated Head of Deposits and an expanded mobilisation team from the beginning of the last quarter of the year. Competitive

fixed deposit rates within CBSL ceilings and the Company’s Commercial Bank parentage are the primary reasons depositors choose CBC Finance over other licensed finance companies.

Deposit base FY2025	LKR 14 Bn.+ (FY2024: LKR 10.31 Bn.)
Deposit mix	Corporate and individual depositors; predominantly short-term fixed deposits reflecting market preference during FY2025.
Savings product	Piloted with staff in FY2025. Extended to leasing customers from early FY2026. Minor savings product for under-18s planned.
Funding mix (December 2025)	Deposits 49%, bank and institutional borrowings 42%, listed debenture 5% , equity 4%.

Capital Market Investors

In FY2025, CBC Finance issued a LKR 1,500 Mn. listed debenture on the Colombo Stock Exchange. The first capital market instrument in the Company’s history. This created a new category of investor stakeholder for CBC Finance: capital market participants who now hold a listed instrument and receive regular disclosures.

All debenture interest obligations were met on schedule throughout FY2025. The listing also changed the Company’s public profile: its audited financials are now publicly accessible through the CSE, and the Company operates as a listed PLC with formal governance and disclosure obligations.

The debenture serves as Tier II regulatory capital, supporting the Company’s Capital Adequacy Ratio alongside the LKR 1,000 Mn. equity injection received from Commercial Bank during the year.

Future Outlook



The table below summarises CBC Finance’s commitments to its key stakeholder groups for FY2026.

Area	Plans for FY2026
Customers	<ul style="list-style-type: none"> • Expand branch network to cover more business locations island wide. • Launch mobile banking app, debit card, and savings product for leasing customers. • Introduce minor savings products for customers under 18. • Set service level agreements (SLAs) for all customer-facing processes. • Launch Loan Origination System (LOS) by H2 2026 to reduce credit approval time. • Introduce hybrid solar micro leasing product – H1 FY2026.
Depositors	<ul style="list-style-type: none"> • Grow fixed deposit base in line with lending book growth target. • Roll out savings products island-wide following the leasing customer launch. • Introduce debit cards to support savings account functionality.
Investors	<ul style="list-style-type: none"> • Meet all CSE disclosure and governance obligations on schedule. • Pay all debenture interest on time. • Evaluate further capital market instruments as total assets target LKR 60 Bn.+.
Commercial Bank (Parent)	<ul style="list-style-type: none"> • Continue capital augmentation planning to maintain CAR above regulatory minimums. • Advance SLFRS S1 and S2 sustainability data reporting as part of group requirements. • Use parent’s technology experience to support LOS and future digital systems.
Regulators	<ul style="list-style-type: none"> • Maintain all CBSL ratios as lending grows toward a target of LKR 53 Bn. gross loan book. • Complete automation of Expected Credit Loss (ECL) calculation by December 2026. • Maintain full CSE listing compliance.
Communities	<ul style="list-style-type: none"> • Execute FY2026 CSR action plan in partnership with Commercial Bank. • Conduct at least one to two standalone CBC Finance community activities. • Continue school leaver recruitment as the sales team grows from 170 toward 240 staff. • Review staff welfare fund benefit levels to reflect current cost of living.

OUR STEWARDSHIP

Board of Directors' Profiles
48

Leadership Team
54

Corporate Governance
57

Board Audit Committee
Report
114

Board Integrated Risk
Management Committee
Report
117

Board Nominations and
Governance Committee
Report
119

Board Human Resources
and Remuneration
Committee Report
120

Board Related Party
Transactions Review
Committee Report
121

Board Credit
Committee Report
123

Board Information Technology
Committee Report
125

Managing Risk
127

Annual Report of the Board of
Directors on the Affairs of the
Company
139

Directors' Responsibility
for Financial Reporting
145

Directors' Statement on
Internal Control over
Financial Reporting
146

Independent Assurance
Report to the Board of
Directors of CBC Finance PLC
148



BOARD OF DIRECTORS' PROFILES



Mr Sharhan Muhseen
Chairman (Non-Independent,
Non-Executive Director)



Mr Sarath Jayasuriya
Senior Director (Independent,
Non-Executive Director)



Mr Dimuthu Senerath Bandara
Independent,
Non-Executive Director



Mr Hasrath Munasinghe
Non-Independent,
Non-Executive Director



Mr M P Dharmasiri
Non-Independent,
Non-Executive Director



Mrs Sharmini Wickremasekera
Independent,
Non-Executive Director



Mr Delakshan Hettiarachchi
Executive Director
(Non-Independent)



Mr Nalin Samaranayake
Non-Independent,
Non-Executive Director



Mrs Oshadi Gunasekara
Company Secretary



Mr Sharhan Muhseen

Chairman (Non-Independent, Non-Executive Director)

Appointed as a Non-Independent/Non-Executive Director in September 2022 and as the Chairman of CBC Finance PLC in March 2023. He served as the Chairman of the Board Information and Technology Committee from October 2022 and as the Chairman of the Board Human Resources and Remuneration Committee from February 2023, subsequently relinquishing these responsibilities effective September 30, 2024, and March 23, 2025, respectively. He has served as the Deputy Chairman of the Board of Directors of the parent company, Commercial Bank of Ceylon PLC, since March 01, 2022, and became the Chairman of the Commercial Bank of Ceylon PLC in April 2024.

Mr Muhseen is a senior Investment Banker with comprehensive experience in the areas of Mergers and Acquisitions, Corporate Finance, and Capital Markets. He has served in a senior capacity working with company boards and senior leadership teams of financial institutions across Asia to help drive their Strategic Corporate Agenda and Roadmap. He is credited with some leading research reports, including reports on Banking sector efficiency, currency depreciation, and budget deficit in his role as Head of Sri Lanka Banking Sector Research and Lead Economist at Jardine Fleming. Mr Muhseen started out as a Management Trainee at Standard Chartered Bank in the Corporate Banking Division, and at Rodman and Renshaw, a stock and commodities broker based in Chicago.

In Mr Muhseen’s Investment Banking career extending over more than 22 years, he has completed landmark mergers and capital-raising transactions exceeding USD 100 Bn. The Asia FIG sectors team at Merrill Lynch and Credit Suisse has won the “FIG Asia House of the Year” awards from the Asset magazine for several years under his leadership. In addition, multiple transactions he led have been awarded as best country deals and best financial sector capital raise transactions. Mr Muhseen has experience at the policy level, working as a Team Leader at the National Council for Economic Development (NCED) under the Ministry of Finance, as well as a Director at the Task Force to Rebuild the Nation (TAFREN), the Presidential Task Force for rebuilding the economy after the 2004 Tsunami.

He has previously worked in best-in-class global investment banks, including Credit Suisse, Bank of America, Merrill Lynch, and J P Morgan, in leading regional coverage roles.

Mr Muhseen’s most recent role was as Managing Director, Head of South East Asia Financial Institutions Group, and Head of Asia Insurance at Credit Suisse based in Singapore. He was a Director of Merrill Lynch and an Associate Director of Deloitte. He was also a Senior Advisor to TPG and BNP Paribas.

He serves as the Chairman/Director of Platinum Advisors Pte Ltd., a Director of H2O One Pte Ltd., David Pieris Holdings (Pvt) Ltd., and Canary Wharf Holdings Pte Ltd. He is also an Independent Director of PCCW Limited, Hongkong, and a senior advisor to Great Eastern Holdings Ltd., Singapore. In addition, Mr Muhseen has served as a Director of the Lankan Angel Network, Gestetner Ceylon PLC, and Amana Takaful Life PLC.

Mr Muhseen holds a Master’s degree in Economics from the University of Colombo and a Bachelor of Business Administration (Hons) from Western Michigan University. He has completed the Corporate Finance training program with JP Morgan in New York, undertaken several programs in effective board leadership from the Singapore Management University, and holds an Executive Certificate in Directorship from the Singapore Institute of Directors and Singapore Management University (2024).



Mr Sarath Jayasuriya

Senior Director (Independent, Non-Executive Director)

Appointed as an Independent Non-Executive Director in December 2017, Mr Jayasuriya became the Chairman of the Board Audit Committee in July 2022 and the Chairman of the Board Nomination and Governance Committee and Board Integrated Risk Management Committee in February 2023 (he relinquished the Chairmanship of the BIRMC effective September 30, 2024) and the Chairman of the Board Human Resources and Remuneration Committee effective March 24, 2025. He was appointed as the Senior Director of CBC Finance PLC in March 2023.

Mr Jayasuriya is an Associate Member of the Institute of Bankers of Sri Lanka (AIB, 1998), a Fellow Member of the Chartered Institute of Management Accountants (FCMA) (UK, 2015), a Member of the Institute of Chartered Global Management Accountants (CGMA) (UK, 2015). He holds a Bachelor of Science Degree from the University of Sri Jayewardenepura.

Mr Jayasuriya has a proven track record of over 34 years in Banking, specialising in Treasury, Investment Banking, Finance and Planning. Prior to his retirement from the Bank of Ceylon, he held positions such as the Deputy General Manager (International, Treasury & Investment Banking) and Deputy General Manager (Finance & Planning). He has served as a Director and Audit Committee Chairman of the BOC Property Development Ltd. (PDL) and as a Director of Transnational Lanka Records Solutions (Private) Ltd., Ceybank Asset Management Ltd., and MBSL Insurance Co Ltd. In addition, he was an Alternative Director for BOC Property Development & Management (Pvt) Ltd. and the Credit Information Bureau of Sri Lanka (CRIB). He was the Chairman of the BOC Investment Committee, BOC Pension Fund, BOC Provident Fund, and BOC W&OP Fund as well. In addition, he has served as a member of the Standing Cabinet Appointed Procurement Committee (SCAPC), which is the body that approves all tenders for the procurement of petroleum and petroleum-related products for the Ministry of Petroleum Industry.

Mr Jayasuriya is an Independent, Non-Executive Director at Sierra Cables PLC w.e.f. December 2024 and holds Chairmanship of the Board Nomination and Governance Committee and a member of the Board Audit Committee.

He is an Independent, non-executive Director of AgStar PLC w.e.f. January 2025 and holds the Chairmanship of the Board Audit Committee and Board Related Party Transactions Review Committee.



Mr Dimuthu Senerath Bandara
Independent, Non-Executive Director

Appointed to the Board in December 2017, Mr Bandara is a Senior Attorney-at-Law having enrolled in the profession in December 1996, and counts over 29 years' experience as a Legal Practitioner in the Private Bar. His practice spans over both original and appellate court work. He is a Counsel and a Resource Person in the fields of Criminal Law and laws relating to Finance Leasing and Hire Purchase. He formerly served as the Chairman and the Deputy Chairman of the Criminal Law Committee of the Bar Association of Sri Lanka in recent years. He has also been a visiting lecturer for the postgraduate program at the Kotelawala Defence University.

Mr Bandara holds a Bachelor of Arts Degree from the University of Kelaniya (1998) and a Master of Laws degree from the University of Staffordshire, UK (2022).



Mr Hasrath Munasinghe
Non-Independent, Non-Executive Director

Mr Lasantha Hasrath Munasinghe served as a Non-Independent, Non-Executive Director on the Board of CBC Finance PLC from September 2020 until his resignation on April 24, 2026, as he assumed the position of Chief Operating Officer of the Parent Company. Mr Munasinghe previously held the position of Chairman of the Company's Board Information Technology Committee from November 2021 to October 2022 and was reappointed to this role effective October 01, 2024. Mr Munasinghe has served as Chairman of the Board Credit Committee since February 2023.

He was also a member of the Board Human Resources and Remuneration Committee.

Mr Munasinghe is a recipient of multiple awards, the most coveted being one of the "Ten Outstanding Young Persons in Sri Lanka" in 2013. He was listed amongst the "100 Most Talented Global Marketing Leaders" by the Chief Marketing Officers, Asia Council in 2014 and listed in the "New Establishment 100," the top new-generation business leaders in Sri Lanka by the Echelon Magazine in 2019. Mr Munasinghe possesses over fifteen academic and professional qualifications, including an MSc in IT from the University of Moratuwa (2011) and an MBA from the University of Southern Queensland, Australia (2008). He is a Fellow of the Chartered Institute of Marketing (CIM) UK (2010), a Fellow of the Sri Lanka Institute of Marketing (SLIM) (2012), a Fellow of the Institute of Bankers (FIB) Sri Lanka (2020), a Fellow of the Chartered Management Institute (CMI) UK (2021), and an Associate Chartered Management Accountant (ACMA) and Chartered Global Management Accountant (CGMA) from the Chartered Institute of Management Accountants (CIMA) UK (2021).

Mr Munasinghe was appointed as a Director of Global Compact Network Ceylon Guarantee Ltd. in May 2024.



Mr M P Dharmasiri

Non-Independent, Non-Executive Director

Appointed to the Board in September 2022, Mr Dharmasiri is an Associate Member of the Institute of Bankers of Sri Lanka (AIB), a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, and a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka.

In addition, Mr Dharmasiri holds a Master of Science in Management and a Bachelor of Science in Business Administration from the University of Sri Jayewardenepura and a Master of Arts in Financial Economics from the University of Colombo and counts over 36 years of experience in Banking.

Mr Dharmasiri joined the Commercial Bank of Ceylon PLC in March 1990 and currently serves as the Assistant General Manager – Planning, actively participating in the Strategic Planning process of the Commercial Bank. In addition, Mr Dharmasiri serves as Company Secretary of Orysys Ltd. (formerly CBC Tech Solutions Ltd.), one of our sister companies under the Commercial Bank Group.



Mrs Sharmini Wickremasekera

Independent, Non-Executive Director

Appointed as an Independent, Non-Executive Director in March 2024. Mrs Wickremasekera is an accomplished professional with an illustrious career spanning across a variety of roles. She has exhibited exceptional leadership skills and expertise in the areas of accounting, finance, auditing, IT governance, and risk management. She holds globally recognised credentials, viz. CISA (Certified Information System Auditor, 2008) and CRISC (Certified in Risk and Information Systems Control, 2008).

Mrs Wickremasekera began her journey at Ford Rhodes Thornton & Company and joined LOLC in 1983, where she started out as an Accounts Clerk and was successively promoted in recognition of her performance. She played a pivotal role in introducing standards in Internal Audit, IT Governance, Enterprise Risk Management, Business Continuity Management, and fraud prevention for the LOLC Group. She retired as the Chief Risk Officer of the LOLC Group in March 2023. Mrs Wickremasekera also served as the President of the ISACA Sri Lanka Chapter from 2007 to 2009, breaking barriers as the first female president to lead a professional IT association in Sri Lanka. Under her leadership, the Chapter was recognised as the Best Medium-sized Chapter in Asia.

Moreover, she held honorary positions on the boards of Sri Lanka CERT from 2007 to 2009 and the Infotel ICT Exposition from 2006 to 2009 as an Independent Non-Executive Director, further contributing to the information security landscape. Currently, she serves as an Independent Non-Executive Director at SUNTRUST Insurance Brokers (Pvt) Ltd, focusing on accounting and finance, and also at SUNTRUST Digital Innovation (Pvt) Ltd. Mrs Wickremasekera has gained international recognition as a representative and speaker on risk management, participating in conferences both locally and overseas. She has contributed her expertise as a presenter, panelist, and moderator in seminars such as Risk Minds Asia, national conferences, and Governance & Risk Programs organised by various professional bodies and corporates.

Her contributions and achievements have won numerous accolades. Notably, the ISACA SL Chapter was awarded the K. Wayne Snipes Award in 2009 for the best medium-sized chapter in Asia by ISACA (USA) and the Achievement Award for GRC in the USA by the OCEG in 2012 for her role in implementing GRC standards in LOLC. Mrs Wickremasekera was appointed as Chairperson of the Related Party Transactions Review Committee in June 2024 and assumed the role of Chairperson of the Board Integrated Risk Management Committee effective October 01, 2024.

In addition, she serves as a member of the Board Credit Committee, the Board Information Technology Committee, Board Human Resources and Remuneration Committee, and the Board Audit Committee.



Mr Delakshan Hettiarachchi

Executive Director (Non-Independent)

Appointed as an Executive Director of CBC Finance Ltd. with effect from September 11, 2025 and as the Acting Chief Executive Officer from October 10, 2025, Mr Hettiarachchi is a veteran banking professional with over four decades of experience in banking, SME development, and strategic leadership. His career spans a broad spectrum of responsibilities in the financial services sector, including personal banking, SME lending, development finance, and organisational management.

Mr Hettiarachchi served for over 41 years at Commercial Bank of Ceylon PLC, where he held key leadership roles including Deputy General Manager – Personal Banking, overseeing a national network of 272 branches. Under his leadership, the Bank achieved record-breaking growth in both deposits and advances. As Assistant General Manager – Personal Banking/SME, he played a pivotal role in scaling SME lending to become the largest portfolio in the country, while also introducing innovative capacity-building programs for SMEs.

Earlier in his career, Mr Hettiarachchi served as Senior Regional Manager – Central Region, Regional Manager – Southern Region, and Chief Manager – Development Credit. During this time, he led strategic initiatives that significantly increased the Bank’s refinance lending market share, from 0.8% to 37%, and introduced Sri Lanka’s first-ever development lending product within the commercial banking sector. He also designed and implemented the Microfinance business model for Commercial Bank of Ceylon PLC and was a key member of the team instrumental in setting up the Microfinance business in Myanmar.

Mr Hettiarachchi has been a Director of CBC Myanmar Micro Finance Co. (Pvt) Ltd. since 2018 and Commercial Insurance Brokers (Pvt) Ltd. since 2019. Beyond his corporate roles, he has been a sought-after trainer and resource person, conducting national-level training programs on topics such as project financing and lending techniques, including sessions at the Training Centre of the Central Bank of Sri Lanka.

He holds an MBA with Distinction from Cardiff Metropolitan University (UK, 2014). His professional credentials include being an Associate Member of the Chartered Institute of Marketing (ACIM, 2020), a Fellow of the Institute of Chartered Professional Managers (FCPM, 2025), and he obtained the Intermediate Certificate in Banking and Finance from the Institute of Bankers of Sri Lanka (1998).

Renowned for his expertise in SME banking, leadership development, and strategic planning, Mr Hettiarachchi continues to contribute to the financial services industry as a leadership coach, public speaker, and mentor, with a strong focus on organisational growth and people development.



Mr Nalin Samaranayake

Non-Independent, Non-Executive Director

Mr Hettige Don Nalin Chandana Samaranayake is a seasoned banking professional with 39 years of extensive experience in the financial sector. Currently serving in a Corporate Management capacity as the Assistant General Manager – Credit Supervision & Recoveries at Commercial Bank of Ceylon PLC, he specialises in high-stakes debt recovery, credit supervision, and business revival.

Throughout his tenure at Commercial Bank of Ceylon PLC, which commenced in 1987, he has held various leadership roles, including operational and administrative management within the Imports Department and Branch Management. He possesses proven expertise in managing Stage 3 advances, navigating complex legal frameworks, and implementing Central Bank directives for business rehabilitation.

Mr Samaranayake possesses extensive expertise in Credit Supervision, specifically in the proactive management of Non-Performing Advances (NPA) and Stage 3 portfolios. He is a specialist in Business Revival, having a proven track record in rehabilitating distressed SME and Corporate entities, which has been instrumental in turning around multiple client accounts while effectively preserving Bank capital. Furthermore, he

brings significant experience in Regulatory Compliance, having served as the Bank's Compliance Officer for the Credit Information Bureau (CRIB), and is highly competent in utilising Alternative Dispute Resolution (ADR) mechanisms to resolve delinquent accounts.

Mr Samaranyake was appointed to the Board of CBC Finance PLC as a Non-Independent, Non-Executive Director effective April 24, 2026, and concurrently appointed as the Chairman of the Board Credit Committee (BCC) effective April 24, 2026.

Mr Samaranyake holds an MBA from Cardiff Metropolitan University, United Kingdom (2016), and a Postgraduate Executive Diploma in Bank Management from the College of Banking & Finance, Institute of Bankers of Sri Lanka (2004/2005). He is also an Associate Member of the Institute of Bankers of Sri Lanka (1998).



Mrs Oshadi Gunasekara

Company Secretary

Appointed as the Company Secretary in September 2020, Mrs Gunasekara joined the Company in 2019. She is an Attorney-at-Law of the Supreme Court of Sri Lanka, having qualified through the Sri Lanka Law College and being called to the Bar in 2013. Her legal career includes practice within various bars across the country.

Her professional background includes serving as an Associate at M/s Paul Ratnayake Associates and a tenure at the Chambers of Dr Harsha Cabraal, President's Counsel. Her practice has focused on Commercial, Intellectual Property, Civil, and White-Collar criminal law across local and international jurisdictions. Additionally, she holds qualifications in Human Resource Management, is currently pursuing postgraduate specialization in Forensic Medicine, and serves as Senior Manager Legal at CBC Finance PLC, providing support to the litigation team.

LEADERSHIP TEAM



Mr Delakshan Hettiarachchi
Executive Director



Mr Krishantha Perera
Chief Operating Officer



Mr Rangana Shamil
Head of Sales and Marketing



Mr Purna Kandanaarachchi
Head of Finance
(Resigned on 7 May 2026)



Mr Mahasen Kamathewatte
Compliance Officer



Mr Shiran Punchihewa
Head of Internal Audit



Mr Rukmal Fernando
Chief Risk Officer



Mr Sanka Fernando
Head of Recoveries



Mrs Yashikala Nawagamuwa
Head of Legal



Ms Nayomi Seneviratne
Head of Deposits and Savings



Mr Nuwan Sardarathne
Chief Manager, Finance



Mr Chathuranga Suraweera
Chief Manager, Information Technology



Mr Keerthi Samararatunga
Chief Manager, HR and Administration
(Resigned 30 April 2026)



Mr Chamara Wickramaratne
Chief Manager, Credit



Mr Thusitha Ariyasinghe
Chief Manager, Credit Administration



Mr Lakmal Kalansooriya
Chief Manager, Gold Loan



Mr Raveendra Ranasinghe
Senior Manager, Micro Leasing



Mr Duminda Herath
Senior Manager, Administration



Mr Prasath Megavarnan
Senior Manager, Operations



Mr Duminda Karunaratne
Regional Manager,
North Central and Eastern



Mr Chaminda Peiris
Regional Manager, Central



Mr Nuwan Wickramathilaka
Regional Manager, Colombo



Mr Dilip Wickramasinghe
Regional Manager, Southern



Mr Anuradha Deshapriya
Regional Manager, Northern

CORPORATE GOVERNANCE

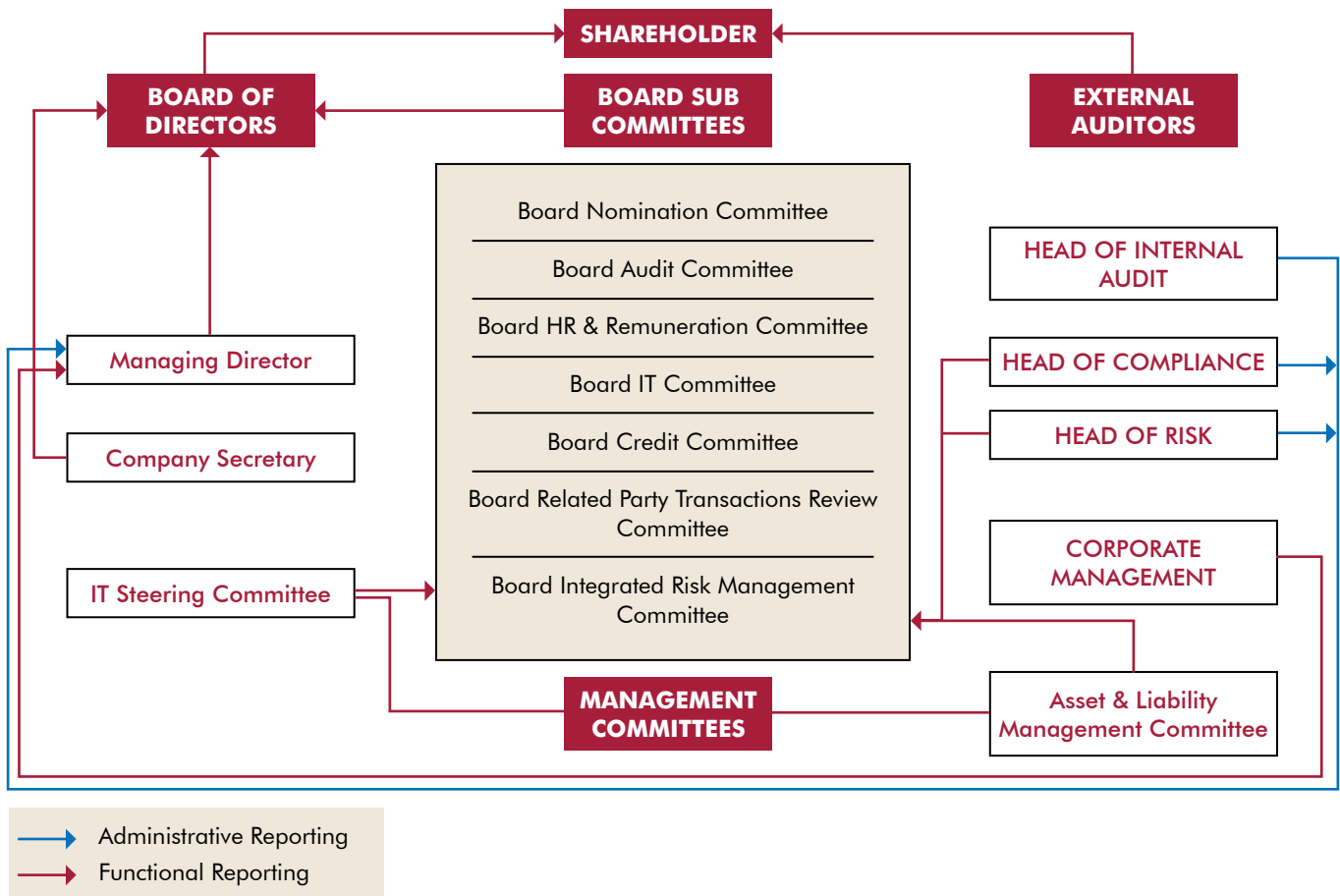
CBC Finance PLC (CBCF) continued to maintain high standards of governance and ethical business conduct across all aspects of its operations and decision-making processes during the 12 months from January 01, 2025 to December 31, 2025 under review. The Board of Directors bears ultimate responsibility for the affairs of the Company and has established an appropriate governance structure to facilitate the discharge of its duties. The Board Sub Committees assist the Board in its oversight functions in specialised areas or areas requiring significant attention. Accordingly, the Board Audit Committee and the Board Integrated Risk Management Committee have been established in line with the business requirements and compliance with the regulatory requirements. The other committees of the Board have been appointed in line with the Company’s business needs. Executing good corporate governance practices is essential to ensure a sustainable business, create value for its shareholder and other stakeholders, and maintain a healthy relationship between the shareholder and the Management.

Governance Structure

The governance structure of CBCF ensures alignment of its business strategy and direction through effective engagement and communication with its stakeholders, Board of Directors, Board Sub-Committees and Management with well-defined roles and responsibilities, accountability and clear reporting lines.

In this regard, the Company has promulgated a comprehensive set of policies in the area of Corporate Governance which provides a framework to guide the activities of its Board of Directors, the Chief Executive Officer (CEO), the Corporate Management Team, and the Senior Management Team, other levels of Management and rest of the employees. The Company’s Governance Structure demonstrates the distinction of the functions between the Board and the Management while at the same time fostering accountability and effective coordination.

CBC Finance PLC Governance Structure



Board Meetings

Meetings of the Board are held at monthly intervals enabling the Board to maintain close oversight of the Company's operations and provide effective direction. Prior to each meeting, monthly management accounts and a management report containing key statistics are circulated to Directors sufficiently in advance to facilitate informed deliberations. In addition, the Company Secretary provides at least three days of prior notice of scheduled meetings (and reasonable notice for special meetings) enabling Directors to prepare adequately.

Directors can propose matters for inclusion in the agenda through the Company Secretary. The Board discharges its responsibilities by overseeing and directing the Company in both the short term and the longer horizon, including strategy setting, policy formulation, review of performance and risk matters, and providing guidance to the Corporate Management for implementation and compliance. Meetings also include the review and approval of Board papers and circular resolutions, and the Board's recommendations concerning resolutions to be tabled at general meetings, where applicable.

Minutes of Board meetings are recorded by the Company Secretary and once confirmed, serve as the formal record of deliberations and decisions. The implementation of Board decisions is monitored through action tracking and periodic reporting to ensure timely follow-up and closure. Where urgent matters arise between meetings, resolutions may be adopted by circulation in accordance with the Company's governing documents and applicable regulatory requirements, with such decisions recorded and tabled at the next Board meeting for noting.

Any Director who has an actual, potential or perceived conflict of interest in relation to a matter under consideration is required to disclose such interest prior to discussion. The conflicted Director does not participate in deliberations or decision-making on the relevant agenda item, is not counted for quorum for that item, and the disclosure and non-participation are recorded in the minutes.

Board meetings held during the 12 months from January 01, 2025 to December 31, 2025, together with Directors' attendance at meetings, are given below:

Name of Director	Directorship Status	Number of meetings	
		Eligible to attend	Attended
Mr Sharhan Muhseen	Non-Independent (Chairman) Non-Executive Director (Appointed w.e.f. September 01, 2022)	12	12
Mr S M S C Jayasuriya	Independent Non-Executive Director/ Senior Director (Appointed w.e.f. December 05, 2017)	12	12
Mr D M D S S Bandara	Independent Non-Executive Director (Appointed w.e.f. December 05, 2017)	12	11
Mr L H Munasinghe	Non-Independent Non-Executive Director (Appointed w.e.f. September 16, 2020)	12	12
Mr M P Dharmasiri	Non-Independent Non-Executive Director (Appointed w.e.f. September 01, 2022)	12	12
Mr G A J C S Fernando	Managing Director/ Chief Executive Officer (Appointed w.e.f. October 13, 2023 and resigned on September 30, 2025)	8	8
Mrs S C D S Wickremasekera	Independent Non-executive Director (Appointed w.e.f. March 22, 2024)	12	12
Mr D J D P Hettiarachchi	Executive Director/ Acting CEO (Appointed Executive Director w.e.f. September 11, 2025 and appointed as Acting CEO w.e.f. October 10, 2025)	4	4

The Relationships amongst the Board of Directors:

As at December 31, 2025, the Board consists of seven Directors. The relationships among the Board Members are noted as follows:

1. The Company is a fully owned subsidiary of Commercial Bank of Ceylon PLC.
2. Mr Sharhan Muhseen, who is the Chairman of the Company is also the Chairman of Commercial Bank of Ceylon PLC.
3. Mr S M S C Jayasuriya, a Non-Executive Independent Director is the Senior Director of the Company.
4. Mr D M D S S Bandara is a Non-Executive Independent Director of the Company.
5. Mr L H Munasinghe, a Non-Executive Director of the Company, is also an employee of Commercial Bank of Ceylon PLC.
6. Mr M P Dharmasiri, a Non-Executive Director of the Company, is also an employee of Commercial Bank of Ceylon PLC.
7. Mr G A J C S Fernando was the Managing Director/ Chief Executive Officer (CEO) of the Company (from October 13, 2023 to September 30, 2025).
8. Mrs S C D S Wickremasekera is a Non-Executive Independent Director of the Company.
9. Mr D J D P Hettiarachchi is an Executive Director/Acting Chief Executive Officer (CEO) of the Company.
10. Accordingly, all transactions arising from these relationships are disclosed more fully in Note No. 41 to the Financial Statements.

The Chairman, the CEO or other members of the Board do not have any financial, family or other material relationships among themselves.

Sub-Committees of the Board

For effective governance, the Board has delegated authority to several sub-committees with a structure of having a minimum of three Directors in a committee, headed by a Director who fits the purpose of the Committee. The Board has considered each member's experience and expertise level when selecting them for these Committees.

The required delegated authority has been entrusted to the Management by the Board to effect policies and other strategic decisions to meet the objectives of the Company. The Management exercises its control within the framework stipulated by the Board. This is supported by Management's ethical, professional and statutory standards.

The Board Audit Committee

The Audit Committee oversees various matters, as explained in Section 10(2) of the Finance Companies (Corporate Governance) Direction No. 05 of 2021. The Committee also invites Internal Auditors to elaborate and discuss matters raised in their periodic reviews. The Committee further meets with External Auditors to obtain their feedback on their annual review.

Audit Committee meetings held during the 12 months from January 01, 2025 to December 31, 2025, together with attendance of its members shown below:

Name of Director	Directorship Status	Number of meetings	
		Eligible to attend	Attended
Mr S M S C Jayasuriya	Chairman of the Committee, Independent Non-Executive Director (Appointed w.e.f. December 05, 2017)	9	9
Mr D M D S S Bandara	Independent Non-Executive Director (Appointed w.e.f. December 05, 2017)	9	7
Mr M P Dharmasiri	Non-Independent Non-Executive Director (Appointed w.e.f. September 01, 2022)	9	9
Mrs S C D S Wickremasekera	Independent Non-Executive Director (Appointed w.e.f. March 22, 2024)	9	8

Board Integrated Risk Management Committee

An Independent Non-Executive Director chairs the Committee and comprises three other Board members. The Committee broadly focuses on avoiding or mitigating risks inherent to financial institutions. Accordingly, risks primarily related to interest rate, credit, operational and liquidity feature predominantly in its deliberations.

The Committee's role entails assessing overall risk to the institution in the described core risk categories. To mitigate such risk, the Committee reviews the risk management policies and oversees the effectiveness of the Management's risk handling process.

Committee meetings held during the 12 months from January 01, 2025 to December 31, 2025 and its members' attendance are given below:

Name of Director	Designation and Status	Number of meetings	
		Eligible to attend	Attended
Mrs S C D S Wickremasekera	Chairman of the Committee, Independent Non-Executive Director (Appointed w.e.f. March 22, 2024)	7	7
Mr S M S C Jayasuriya	Independent Non-Executive Director (Appointed w.e.f. December 05, 2017)	7	7
Mr D M D S S Bandara	Independent Non-Executive Director (Appointed w.e.f. December 05, 2017)	7	5
Mr M P Dharmasiri	Non-Independent Non-Executive Director (Appointed w.e.f. September 01, 2022)	7	7

Board Credit Committee

A Non-Independent Non-Executive Director chairs the Committee and comprises three other Board members. The Committee broadly focuses on credit risk management and approval of high-value credit facilities.

Committee meetings held during the 12 months from January 01, 2025 to December 31, 2025 and its members' attendance are given below:

Name of Director	Designation and Status	Number of meetings	
		Eligible to attend	Attended
Mr L H Munasinghe	Chairman of the Committee, Non-Independent Non-Executive Director (Appointed w.e.f. September 16, 2020)	12	12
Mr S M S C Jayasuriya	Independent Non-Executive Director (Appointed w.e.f. December 05, 2017)	12	12

Name of Director	Designation and Status	Number of meetings	
		Eligible to attend	Attended
Mr D M D S S Bandara	Independent Non-Executive Director (Appointed w.e.f. December 05, 2017)	12	12
Mrs S C D S Wickremasekera	Independent Non-executive Director (Appointed w.e.f. March 22, 2024)	12	11

Board Human Resources and Remuneration Committee

The Committee is chaired by an Independent Non-Executive Director who is also the Senior Director and comprises three other Board members. The Committee broadly focuses on strategic issues about the company's human resources and remuneration matters, along with approval and recommendation of remuneration payments and corporate and senior-level management personnel appointments.

Committee meetings held during the 12 months from January 01, 2025 to December 31, 2025 and its members' attendance are given below:

Name of Director	Directorship Status	Number of meetings	
		Eligible to attend	Attended
Mr S M S C Jayasuriya	Chairman of the Committee, Independent Non-Executive Director (Appointed w.e.f. December 05, 2017)	3	3
Mr Sharhan Muhseen	Non-Independent (Chairman) Non-Executive Director (Appointed w.e.f. September 01, 2022)	4	4
Mr L H Munasinghe	Non-Independent Non-Executive Director (Appointed w.e.f. September 16, 2020)	4	4
Mrs S C D S Wickremasekera	Independent Non-Executive Director (Appointed w.e.f. March 22, 2024)	4	4

Board Nomination and Governance Committee

The Committee is chaired by an Independent Non-Executive Director who is also the Senior Director and comprises two other Board members.

Committee meetings held during the 12 months from January 01, 2025 to December 31, 2025 and its members' attendance are given below:

Name of Director	Directorship Status	Number of meetings	
		Eligible to attend	Attended
Mr S M S C Jayasuriya	Chairman of the Committee, Independent Non-Executive Director (Appointed w.e.f. December 05, 2017)	2	2
Mr Sharhan Muhseen	Non-Independent (Chairman) Non-Executive Director (Appointed w.e.f. September 01, 2022)	2	2
Mr D M D S S Bandara	Independent Non-Executive Director (Appointed w.e.f. December 05, 2017)	2	2

Board Information Technology Committee

The Committee is chaired by a Non-Independent, Non-Executive Director and comprises three other Board members, including the Executive Director. The Committee broadly focuses on integrating technology risk into risk management, facilitating the adoption of new technology whilst establishing a governance structure, responsibilities and control measures for information technology.

Name of Director	Directorship Status	Number of meetings	
		Eligible to attend	Attended
Mr L H Munasinghe	Chairman of the Committee, Non-Independent Non-Executive Director (Appointed w.e.f. September 16, 2020)	5	5

Name of Director	Directorship Status	Number of meetings	
		Eligible to attend	Attended
Mrs S C D S Wickremasekera	Independent Non-Executive Director (Appointed w.e.f. March 22, 2024)	5	5
Mr D M D S S Bandara	Independent Non-Executive Director (Appointed w.e.f. December 05, 2017)	5	4
Mr G A J C S Fernando	Former MD/CEO (Appointed w.e.f. October 13, 2023)	3	3
Mr D J D P Hettiarachchi	Executive Director/ Acting CEO (Appointed w.e.f. October 10, 2025)	2	2

Board Related Party Transactions Review Committee

The Committee is chaired by an Independent, Non-Executive Director and comprises two other Board members. The Committee broadly focuses on Related Party Transactions of the Company.

Name of Director	Directorship Status	Number of meetings	
		Eligible to attend	Attended
Mrs S C D S Wickremasekera	Chairperson of the Committee, Independent Non-executive Director (Appointed w.e.f. March 22, 2024)	4	4
Mr S M S C Jayasuriya	Independent Non-Executive Director (Appointed w.e.f. December 05, 2017)	4	4
Mr M P Dharmasiri	Non-Independent, Non-Executive Director, (Appointed w.e.f. September 01, 2022)	4	4

Report on the Extent of Compliance with the Finance Companies (Corporate Governance) Direction No. 5 of 2021

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
1.	Responsibilities of the Board of Directors		
1.1	The Board shall assume overall responsibility and accountability for the Finance Company (FC) operations by setting up the strategic direction, and governance framework, establishing the corporate culture and ensuring compliance with regulatory requirements. The Board shall carry out the functions listed in Direction 1.2 to 1.7 below, but not limited to, in effectively discharging its responsibilities	Complied	The Board of Directors of CBC Finance PLC, in line with its Board Charter reviewed and approved by the Board on December 30, 2025, and the Finance Companies (Corporate Governance) Direction No. 5 of 2021, assumes full responsibility for setting the Company's strategic direction, establishing robust governance structures, and ensuring regulatory compliance.
1.2	<p>Business Strategy and Governance Framework</p> <p>(a) Approving and overseeing the implementation of the FC's overall business strategy with measurable goals for the next three years and updating it annually because of the developments in the business environment.</p> <p>(b) Approving and overseeing the implementation of the FC's governance framework commensurate with the FC's size, complexity, business strategy and regulatory requirements.</p> <p>(c) Assessing the effectiveness of its governance framework periodically.</p> <p>(d) Appoint the Chairperson and the Chief Executive Officer (CEO) and define the roles and responsibilities.</p>	Complied	<p>The Board of Directors is responsible for approving, overseeing, and monitoring the execution of the Company's strategic objectives, corporate values, overall business strategy, and policies. These matters are regularly discussed during monthly meetings involving the Board of Directors, Corporate Management, Senior Management, and other relevant groups.</p> <p>The Corporate Plan for the period 2026-2030 was approved by the Board on December 18, 2025.</p> <p>CBC Finance PLC has established a comprehensive governance framework to ensure sound management, regulatory compliance, and accountability across all levels of the organisation. At the core of this framework is the Board Charter, which sets out the roles, responsibilities, and operating procedures of the Board of Directors and its committees. The Charter serves as the foundation for the Company's governance structure, complemented by a suite of policies, procedures, and internal controls that guide decision-making and oversight. This integrated framework supports effective leadership, risk management, and sustainable value creation in alignment with regulatory expectations and corporate objectives.</p>

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
1.3	<p>Corporate Culture and Values</p> <p>(a) Ensuring that there is a sound corporate culture within the FC, which reinforces ethical, prudent and professional behaviour.</p> <p>(b) Playing a lead role in establishing the FC's corporate culture and values, including developing a code of conduct and managing conflicts of interest.</p> <p>(c) Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies</p> <p>(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 FC's performance, position and prospects in public and regulators</p>	Complied	<p>The Board of Directors of CBC Finance PLC promotes a strong corporate culture based on ethical, prudent, and professional conduct, as outlined in the Board Charter. A Code of Conduct is in place to guide behaviour and manage conflicts of interest, with regular oversight by the Board.</p> <p>The Company integrates environmental, social, and governance (ESG) considerations into its business strategy to support sustainable finance and responsible growth.</p> <p>While a formal Stakeholder Communication Policy is not yet established, the Board ensures transparent and timely engagement with all stakeholders in line with regulatory expectations and sound governance practices.</p>
1.4	<p>Risk Appetite, Risk Management and Internal Controls</p> <p>(a) Establishing and reviewing the Risk Appetite Statement (RAS) aligns with FC's business strategy and governance framework.</p> <p>(b) Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.</p> <p>(c) Adopting and reviewing the adequacy and effectiveness of the FC's internal control and management information systems periodically.</p> <p>(d) Approving and overseeing business continuity and disaster recovery plan for the FC to ensure stability and financial strength and preserve critical operations and services under unforeseen circumstances.</p>	Complied	<p>The Board approved the Risk Management Policy of the Company in March 2025 and approved the business continuity and disaster recovery plan of the Company in January 2026 and further, the Company's internal control systems were reviewed by the Board Audit Committee and approved by the Board of Directors on April 02, 2025.</p> <p>Risk indicators and monitoring of Credit Risk, Market Risk, Operational Risks, and other residual risks are discussed, and appropriate mitigating actions are recommended at the BIRMC meeting.</p> <p>The following policies were reviewed and approved by the Board of Directors on the respective dates:</p> <p>Social and Environmental Risk Assessment procedure - April 2025.</p> <p>Reputational Risk Management Policy – January 2026.</p> <p>Operational Risk Management Policy – October 2025.</p> <p>Market Risk Management Policy – January 2026.</p>

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
			<p>These approvals reflect the Company's commitment to strengthening the Company's risk management and governance practices.</p> <p>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 conducting audits to assess the internal controls over financial reporting and MIS.</p> <p>Board-approved comprehensive Business Continuity and Disaster Recovery Plan (BCP) is in place. The BIRMC reviews BCP, and the current status is updated at meetings.</p>
1.5	<p>Board Commitment and Competency</p> <p>(a) All members of the Board shall devote sufficient time to dealing with the matters relating to the affairs of the FC.</p> <p>(b) All members of the Board shall possess the necessary qualifications, adequate skills, knowledge, and experience.</p> <p>(c) The Board shall regularly review and agree on all members' training and development needs.</p> <p>(d) The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on the individual performance of its Board as a whole and that of its committees and maintain records of such assessments.</p> <p>(e) The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the FC.</p>	Complied	<p>The Board adopted a scheme of self-assessment to evaluate the effectiveness of the overall function, responsibilities and duties of the Board of Directors.</p> <p>The chairperson evaluated the effectiveness of the performances and the contribution of each director, filling out a questionnaire on the performance.</p> <p>All the individual directors assessed the chairperson's performance through a performance questionnaire.</p> <p>As per section 7.2 of the Finance Business Direction No. 6 of 2021, the Company submitted the annual information and documentation of the company's directors for obtaining the Central Bank approval for their fitness and propriety to be key responsible persons of the company on March 31, 2025 and approval received on May 30, 2025.</p> <p>The resolution concerning the summary of the Board assessment questioner was adopted at the Board meeting held on March 24, 2025.</p>

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
1.6	<p>Oversight of Senior Management</p> <p>(a) Identifying and designating senior management, who can significantly influence policy, direct activities, and control business operations and risk management.</p> <p>(b) Defining the areas of authority and critical responsibilities for the senior management.</p> <p>(c) Ensuring the senior management possesses the qualifications, skills, experience and knowledge to achieve the FC's strategic objectives.</p> <p>(d) Ensuring appropriate oversight of the affairs of the FC by senior management.</p> <p>(e) Ensuring the FC has an appropriate succession plan for senior management.</p> <p>(f) Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.</p>	Complied	<p>The Board has exercised oversight of the affairs of the Company during the board meetings.</p> <p>KMPs within the Management are present by invitation at all critical oversight meetings and Board meetings. Such meetings are held regularly, ranging from monthly to quarterly.</p> <p>In line with the Central Bank of Sri Lanka (CBSL) direction on Corporate Governance, the Board of Directors and MD/CEO, ED/Acting CEO, COO, and Head of Internal Audit, Head of Finance, Compliance Officer, CRO, Company Secretary and Head of Legal have been identified as Key Responsible Persons (KRPs).</p> <p>The Board approves Job Descriptions of the Key Responsible Personnel and includes the functions and responsibilities of the KRPs. Areas and limits of authority of the KRPs are covered under the Delegation Authority (DA) limits assigned to them.</p>
1.7	<p>Adherence to the Existing Legal Framework</p> <p>(a) Ensuring that the FC does not act detrimental to the interests of and obligations to depositors, shareholders and other stakeholders.</p> <p>(b) Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.</p> <p>(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.</p>	Complied	<p>The Board evaluated the effectiveness of Corporate Governance practice and agreed that the Company fully complied with regulatory requirements, relevant laws, regulations, and directions.</p> <p>The resolution concerning the summary of the assessment of the effectiveness of Corporate Governance practices in 2024 was adopted at the Board meeting held on March 24, 2025.</p>
2.	<p>Governance Framework</p>		
2.1	<p>The Board shall develop and implement a governance framework in line with these directions, 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>	Complied	<p>The Board of Directors of CBC Finance PLC has established a governance framework in line with regulatory requirements, addressing key areas such as Board responsibilities, delegation of authority, composition and independence, appointments, conflict of interest management, and oversight of sub-committees.</p>

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
	<ul style="list-style-type: none"> (d) Composition of the Board. (e) The Board’s independence. (f) The nomination, election and appointment of directors and appointment of senior management. (g) The management of conflicts of interests (h) Access to information and obtaining independent advice. (i) Capacity building of Board members. (j) The Board’s performance evaluation. (k) Role and responsibilities of the chairperson and the CEO. (l) Role of the company secretary. (m) Board sub-committees and their role; (n) Limits on related party transactions. 		<p>This framework is guided by the Board Charter, reviewed in line with the latest Corporate Governance Direction and approved by the Board on December 30, 2025.</p> <p>As part of this framework, the Board Nomination Committee, governed by an approved Terms of Reference, plays a key role in Board appointments and governance matters. The ToR was last reviewed and approved by the Board on December 30, 2025.</p>
3.	Composition of the Board		
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 FC’s size, complexity and risk profile.	Complied	The Board possesses the right skills, experience, diversity and independence to manage current and future critical issues.
3.2	The number of directors on the Board shall not be less than seven (07) and not more than thirteen (13).	Complied	There were 7 Directors on the Board as of December 31, 2025.
3.3	The total service period of a director other than a director who holds the CEO/executive director position shall not exceed nine years, subject to direction 3.4.	Complied	Based on the dates of appointment, the service of any non-executive director does not exceed nine years.
3.4	Non-executive directors, who directly or indirectly hold 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 nine 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. However, the number of non-executive directors eligible to exceed nine years is limited to one-fourth (%) of the total number of directors on the Board.	Complied	As at the reporting date, none of the directors of CBC Finance PLC, including executive and non-executive directors, have served more than nine years on the Board. Therefore, the provisions under Directions 4.2 and 4.3 of the Corporate Governance Direction regarding extended tenure do not apply. The Company remains fully compliant with the applicable regulatory requirements on Board composition and tenure.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
3.5	<p>Executive Directors</p> <p>(a) Only an employee of an FC shall be nominated, elected and appointed, as an executive director of the FC, provided that the number of executive directors shall not exceed one-third (1/3) of the total number of directors of the Board.</p> <p>(b) A shareholder who directly or indirectly holds more than 10% of the voting rights of the FC shall not be appointed as an executive director or senior management. However, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as executive directors/senior management until the retirement age of the FC. After that, they may reappoint as non-executive directors subject to provisions in directions 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the executive director position from the effective date of this direction. After that, they may reappoint as a non-executive director subject to provisions in directions 4.2 and 4.3.</p> <p>(c) In the event of the presence of the executive directors, the CEO shall be one of the executive directors and may be designated as the managing director of the FC.</p> <p>(d) All Executive directors shall have a functional reporting line in the organisation structure of the FC.</p> <p>(e) The executive directors are required to report to the Board through CEO.</p> <p>(f) Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.</p>	Complied	<p>The Company's CEO, who is also a full-time employee with a defined functional reporting line, was appointed as a non-independent Executive Director on September 11, 2025. The CEO serves as the sole Executive Director on the Board, keeping the number within the one-third limit. The Executive Director reports to the Board in accordance with the established governance framework.</p>

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
3.6	<p>(a) Non-executive directors shall possess credible track records and have the necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct.</p> <p>(b) A non-executive director cannot be appointed or function as the CEO/executive director of the FC.</p>	Complied	<p>All non-executive directors possess the required skills, experience, and professional integrity to provide independent judgment on matters of strategy, performance, governance, and conduct.</p> <p>There is only one Executive Director, who is also the acting CEO, appointed on September 11, 2025 in line with the requirement that non-executive directors shall not function as executive directors or the CEO.</p> <p>The Fitness and Propriety Assessment of the Board was conducted by the Central Bank based on the annual submission made on March 31, 2025 and approval was granted for the directors to continue their roles on the Board for the year 2025.</p>
3.7	<p>Independent Directors</p> <p>(a) The number of independent directors of the Board shall be at least three (03) or one-third (1/3) of the total number of directors, whichever is higher.</p> <p>(b) Independent directors appointed shall be of the highest calibre, with professional qualifications, proven track records and sufficient experience.</p> <p>(c) A non-executive director shall not be considered independent if such:</p> <p>i. Director has a direct or indirect shareholding exceeding 5% of the voting rights of the FC or exceeding 10% of the voting rights of any other FC.</p> <p>ii. Director or a relative has or had during one year immediately preceding the appointment as director, a material business transaction with the FC, as described in a direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position.</p>	Complied	<p>(a) As of December 31, 2025, the Board consisted of three independent and four Non-independent directors.</p> <p>(b) The three independent directors have complied with all these regulatory requirements to maintain their independency on the Board, which was indicated in the information included in the affidavit signed by the Directors to submit to the Central Bank as annual Information of key responsible persons of the company, on March 31, 2025.</p> <p>(c) It is complied with.</p> <p>(d) No such occasions raised.</p> <p>(e) No such occasions raised.</p>

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
	<ul style="list-style-type: none"> iii. The FC or its affiliates have employed Director or has been a director of any of its affiliates during the one year immediately preceding the appointment as director. iv. Director has been an advisor, consultant, or principal consultant/ advisor in the case of a firm providing consultancy to the FC or its affiliates during the one year preceding the appointment as director. v. Director has a relative who is a director or senior management of the FC or has been a director or senior management of the FC during the one year immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the FC or exceeding 20% of the voting rights of another FC. vi. The director represents a shareholder, debtor, creditor or other similar stakeholder of the FC. vii. A director is an employee or a director or has a direct or indirect shareholding of 10% or more of the voting rights in a company in which any of the other directors of the FC is employed or is a director. viii. A director is an employee or a director or has a direct or indirect shareholding of 10% or more of the voting rights in a company which has a transaction with the FC as defined in direction 12.1(c) or in which any of the other directors of the FC 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 FC. 		

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
	<p>(d) The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed in direction 3.7, which might impact a director's independence, or the perception of the independence.</p> <p>(e) An independent director shall immediately disclose to the Board any change in circumstances that may affect the status as an independent director. In such a case, the Board shall review such director's 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 the designation.</p>		
<p>3.8</p>	<p>Alternate Directors</p> <p>(a) Representation through an alternate director is allowed only;</p> <p>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</p> <p>ii. If the current director cannot perform the duties as a director due to prolonged illness or cannot attend more than three consecutive meetings due to being abroad.</p> <p>(b) The existing directors of the FC cannot be appointed as alternate directors to another existing director of the FC.</p> <p>(c) A person appointed as an alternate director to one of the directors cannot extend the role as an alternate director to another director on the same Board.</p> <p>(d) An alternate director cannot be appointed to represent an executive director.</p> <p>(e) If an alternate director is appointed to represent an independent director, the person appointed shall also meet the criteria that apply to an independent director.</p>	<p>Not Applicable.</p>	<p>Not Applicable.</p>

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
3.9	<p>Cooling off Periods</p> <p>(a) There shall be a cooling off period of six months before an appointment of any person as a director or CEO of the FC who was previously employed as a CEO or director of another FC. Any variation to that in exceptional circumstances where the expertise of such persons requires to reconstitute a Board of an FC which needs restructuring shall be made with prior approval of the Monetary Board.</p> <p>(b) A director, who fulfils the criteria to become an independent director, shall only be considered for such appointment after cooling off of one year if a such director has been previously considered non-independent under this Direction's provisions.</p>	Not Applicable.	No such occasions raised.
3.10	<p>Common Directorships</p> <p>The director or senior management of an 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).</p>	Not Applicable.	Not Applicable
3.11	<p>The Board shall determine the appropriate limits for directorships that directors can hold. However, a director of an FC 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 FC.</p>	Complied	None of the directors held office as directors or any other equivalent position in more than 20 companies.
4.	Assessment of Fitness and Propriety Criteria		
4.1	<p>No person shall be nominated, elected or appointed as a director of the FC or continue as a director of such FC unless that person is a fit and proper person to hold office as a director of such FC following the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.</p>	Complied	The relevant regulators have assessed, evaluated and approved all the Directors' appointments.
4.2	<p>A person over 70 years shall not serve as a director of an FC.</p>	Complied	It is complied with.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
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 March 31, 2025 is permitted to continue in office as a director exceeding 70 years of age up to a maximum of 75 years of age subject to the following, (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. (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). (c) The maximum number of directors exceeding 70 is limited to one-fifth (1/5) of the total number of directors. (d) The director concerned shall have completed a minimum period of 3 continuous years in office as of the first approval date.	Not Applicable.	Not applicable
5.	Appointment and resignation of directors and senior management		
5.1	The appointments, resignations or removals shall be made under the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	Complied	The appointment of Mr D J D P Hettiarachchi to the Company was made in line with the above Direction and the applicable Corporate Governance requirements. The necessary documentation was submitted to the Central Bank, and regulatory approval for his appointment was granted on September 11, 2025. Former MD/CEO Mr G A J C S Fernando resigned from the position with effect from September 30, 2025.
6.	The Chairperson and the CEO		
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 requirement is included in the approved Board Charter.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
6.2	The chairperson shall be an independent director, subject to 6.3 below.	Complied	In accordance with regulatory requirements, the Chairperson of CBC Finance PLC is not classified as an independent director due to his concurrent role as Chairperson of the parent company.
6.3	If 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 more significant independent element. The senior director will serve as the intermediary for other directors and shareholders. Non-executive directors, including senior directors, shall assess the chairperson's performance at least annually.	Complied	To ensure a stronger independent element on the Board, an independent non-executive director was appointed as Senior Director on March 03, 2023, with clearly defined responsibilities. This appointment aligns with the Corporate Governance Direction. The performance of the Chairperson is assessed annually by the non-executive directors, including the Senior Director.
6.4	<p>Responsibilities of the Chairperson The responsibilities of the chairperson shall at least include the following:</p> <ul style="list-style-type: none"> (a) Provide leadership to the Board. (b) Maintain and ensure a balance of power between executive and non-executive directors. (c) Secure, effective participation of both executive and non-executive directors. (d) Ensure the Board works effectively and discharges its responsibilities. (e) Ensure the Board discusses all critical issues promptly. (f) Implement decisions/directions of the regulator. (g) 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. (h) Not engage in activities involving direct supervision of senior management or any other day-to-day operational activities. (i) Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board. (j) Annual assessment of the Performance and contribution during the past 12 months of the Board and the CEO. 	Complied	The requirement is included in the approved Board Charter.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
6.5	<p>Responsibilities of the CEO</p> <p>The CEO shall function as the apex executive-in-charge of the day-to-day-management of the FC’s operations and business. The responsibilities of the CEO shall at least include the following:</p> <ul style="list-style-type: none"> (a) Implementing business and risk strategies to achieve the FC’s strategic objectives. (b) Establishing a management structure that promotes accountability and transparency throughout the FC’s operations preserves control functions’ effectiveness and independence. (c) Promoting a sound corporate culture within the FC, together with the Board, reinforcing ethical, prudent and professional behaviour. (d) Ensuring implementation of ethical compliance culture and being accountable for accurate submission of information to the regulator. (e) Strengthening the regulatory and supervisory compliance framework. (f) Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies promptly and appropriately. (g) CEO must devote all of the professional time to the service of the FC and shall not carry on any other business except as a non-executive director of another company, subject to Direction 3.10. 	Complied	The requirement is included in the approved Board Charter.
7.	<p>Meetings of the Board</p>		
7.1	The Board shall meet at least twelve times a financial year monthly. Obtaining the Board’s consent through the circulation of papers is to be avoided as much as possible.	Complied	The Company held 12 Board meetings during the period under review.
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 scheduled Board Meetings.	Complied	<p>The agenda is circulated to the members of the Board. Suppose any further matters are to be discussed. In that case, the Company Secretary is informed via formal communication by the Directors, and those are included under “Any Other Businesses” in the agenda.</p> <p>Directors can include matters in the agenda before the circulation of the same.</p>

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
7.3	A notice of at least three days shall be given for a scheduled Board meeting. For all other Board meetings, a reasonable notice shall be given.	Complied	It is complied with.
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	Complied	It is complied with.
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 (1/4) of the number of directors that constitute the quorum at such meeting are independent directors.	Not Applicable.	No such occasions arose.
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	The Chairman held two meetings with the non-executive directors, without the presence of executive directors, during the year. These meetings were conducted on June 23, 2025 and December 22, 2025, facilitating independent discussion and oversight.
7.7	A director shall abstain from voting on any Board resolution concerning a matter in which such director or relative or a concern in which he has a substantial interest is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.	Not Applicable.	No such occasions arose.
7.8	A director who has not attended at least two-thirds (2/3) of the meetings in 12 months immediately preceding or has not attended three consecutive meetings shall cease to be a director. Participation at the directors' meetings through an alternate director shall be acceptable as attendance, subject to appropriate directions for alternate directors.	Not Applicable.	No such occasions arose.
7.9	Scheduled Board Meetings and Ad Hoc Board Meetings For the scheduled meetings, participation in person is encouraged, and for ad hoc meetings where the director cannot attend on short notice, participation through electronic means is acceptable.	Complied	It is complied with.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
8.	Company Secretary		
8.1	<p>(a) The Board shall appoint a company secretary, considered senior management, whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and regulations.</p> <p>(b) The Board shall appoint its company secretary, subject to the 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 FC and shall not become an employee of any other institution</p>	Complied	A company's senior management member was appointed Company Secretary on September 13, 2020.
8.2	All directors shall have access to the advice and services of the company secretary to ensure the Board procedures, laws, directions, rules and regulations are followed.	Complied	It is complied with.
8.3	The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated to carry out such function.	Complied	<p>Further, the Chairman has delegated the function of preparing the agenda to the Company Secretary.</p> <p>Secretary prepares the agenda, and Chairman is responsible for reviewing and confirming the agenda before the board meeting.</p>
8.4	The company secretary shall maintain minutes of the Board meetings with all submissions to the Board and voice recordings/video recordings for at least six years.	Complied	It is complied with.
8.5	The company secretary is responsible for maintaining minutes orderly and following the proper procedure in the Articles of Association of the FC.	Complied	It is complied with.
8.6	Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties.	Complied	The requirement is included in the approved Board Charter.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
	The minutes of a Board meeting shall include the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent, including the contribution of each director; (d) the explanations and confirmations of relevant parties, which indicate compliance with the Board's strategies and policies and adherence to relevant laws, regulations, directions; (e) the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions.		
8.7	The minutes shall be inspected at any reasonable time on reasonable notice by any director.	Complied	It is complied with.
9.	Delegation of the Functions by the Board		
9.1	The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management as to the matters that the Board shall approve before decisions are made by senior management on behalf of the FC.	Complied	It is complied with.
9.2	In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the Board itself shall carry out the functions stipulated under such committees.	Not Applicable.	No such occasions were raised.
9.3	The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	Complied	The company has formulated executive-level committees such as ECC, ALCO, MAC, EIRMC, and ITSC comprising senior management members.
9.4	The Board shall not delegate any matters to a board sub-committee, executive directors or senior management to the extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied	It is complied with.
9.5	The Board shall review the delegation processes in place periodically to ensure that they remain relevant to the needs of the FC.	Complied	It is complied with.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
10.	Board Sub-Committees		
10.1 (a)	To specify the requirements for board committees, FCs are divided into two categories based on the asset base as per the latest audited statement of financial position as FCs with an asset base of more than LKR 20 Bn. and FCs with an asset base of less than LKR 20 Bn., subject to transitional provisions stated in direction.	Complied	The Board has appointed seven sub-committees: Audit Committee, Integrated Risk Management Committee, Nomination Committee, Credit Committee, Human Resources and Remuneration Committee, Board Technology Committee and the Related Party Transactions Review Committee
10.1 (b)	Each Board sub-committee shall have board-approved written terms of reference specifying its authority and duties.	Complied	<p>BIRMC TOR – reviewed and Board approval obtained on March 25, 2025.</p> <p>BAC TOR- reviewed, and Board approval was obtained on November 28, 2024.</p> <p>BCC TOR- reviewed and Board approval obtained on April 26, 2024.</p> <p>BHR & RC- TOR- reviewed, and Board approval obtained on March 26, 2026.</p> <p>BITC TOR- reviewed and Board approval was obtained on October 27, 2025.</p> <p>BNC TOR- reviewed and Board approval obtained on December 30, 2025.</p> <p>RPTRC TOR- Committee was formulated and the TOR was approved by the Board, on June 25, 2024.</p>
10.1 (c)	The Board shall present a report on the performance of duties and functions of each Board sub-committee at the annual general meeting of the FC.	Complied	Included in this annual report (on pages 114 to 126)
10.1 (d)	Each sub-committee shall appoint a secretary to arrange its meetings, maintain minutes, voice or video recordings, maintain records and carry out such other secretarial functions under the supervision of the chairperson of the committee.	Complied	It is complied with.
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 committee’s responsibilities.	Complied	All the Board Sub-Committees consist of three Board members.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
10.1 (f)	The Board may consider the occasional rotation of members and the chairperson of Board sub-committees to avoid undue concentration of power and promote new perspectives.	Complied	Following a comprehensive reconstitution of the Board Subcommittees in October 2024, the composition of the Board Human Resources and Remuneration Committee was further updated in March 2025. This change included the appointment of a Senior Independent Director as the Committee's Chairman.
10.2	Board Audit Committee		
10.2 (a)	The chairperson of BAC shall be an independent director with qualifications and experience in accountancy and/or audit.	Complied	Appointed to the Board in December 2017, Mr Jayasuriya is an Independent Non-Executive Director. An Associate Member of the Institute of Bankers of Sri Lanka (AIB), a Fellow Member of the Chartered Institute of Management Accountants (FCMA) (UK), a Member of the Chartered Global Management Accountants (CGMA) (UK) and also a Member of the Chartered Shipbrokers (MICS) (UK). Mr Jayasuriya holds a Bachelor of Science Degree from the University of Sri Jayewardenepura and counts over 33 years of experience in Banking, specialised in Treasury, Investment Banking and International Banking.
10.2 (b)	The Board members appointed to the BAC shall be non-executive directors, and the majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC.	Complied	All members of the audit committee are Non-Executive Directors.
10.2 (c)	The secretary to the BAC shall preferably be the Chief Internal Auditor (CIA).	Complied	From January to July 2024, the Company Secretary served as the Secretary to the Committee. Effective August 2024, the Head of Internal Audit assumed this responsibility, thereby ensuring the continued facilitation of the Committee's functions in accordance with Section 10.2(c) of the Finance Business Act Direction No. 5 of 2021 on Corporate Governance
10.2 (d) (l)	The BAC shall make recommendations on matters concerning the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes, the service period, the audit fee and any resignation or dismissal of the auditor.	Complied	It is complied with.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
10.2 (d) (II)	Engagement of an audit partner shall not exceed five years, and 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, FC shall not use the service of the same external audit firm for not more than ten years consecutively.	Complied	<p>All engagements are confirmed based on the recommendations of the Board Audit Committee.</p> <p>Before the appointment of External Auditors for audit services, necessary action is taken by the Audit Committee to ensure compliance with applicable legal & statutory requirements.</p> <p>The Company has complied with the Corporate Governance requirements relating to the appointment and rotation of external auditors. The engagement period of the audit partner did not exceed five (05) consecutive years, and the required cooling-off period of three (03) years was duly observed. Further, the engagement of the external audit firm did not exceed ten (10) consecutive years., in line with the applicable Corporate Governance requirements.</p> <p>The Committee has discussed the engagement letter and fee proposal submitted by external auditors for statutory audit for 12 months from January 01, 2025 to December 31, 2025, and recommendations were given at the meeting held on December 31, 2025.</p> <p>The Committee has discussed the engagement letter and fee proposal submitted by external auditors for the Corporate Governance Report and Internal Control Report reviews after the statutory audit for 12 months, from January 01, 2025 to December 31, 2025. Recommendations were given at the meeting held on December 31, 2025.</p>
10.2 (d) (III)	The audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.	Complied	It is complied with.
10.2 (d) (IV)	The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes following applicable standards and best practices.	Complied	<p>All engagements are confirmed based on the recommendations of the Board Audit Committee.</p> <p>Before the appointment of External Auditors for audit services, necessary action is taken by the Audit Committee to ensure compliance with applicable legal & statutory requirements.</p>

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
10.2 (d) (V)	The audit partner shall not be assigned to any non-audit services with the FC during the same financial year 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 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>Policy on engagement of external auditors to provide non-audit services was approved by the Board on January 26, 2026.</p> <p>If the Management believes that the independence is likely impaired, such non-audit services are not awarded to External Auditors.</p> <p>Further, the relevant information is obtained from External Auditors to ensure that their independence is not impaired due to providing any non-audit services.</p>
10.2 (d) (VI)	<p>The Committee shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including</p> <ul style="list-style-type: none"> i an assessment of the relevant establishment compliance with Directions issued under the Act and the Management's internal controls over financial reporting; ii The preparation of financial statements following applicable accounting principles and reporting obligations; and iii The coordination between auditors where more than one auditor is involved. 	Complied	<p>The Auditors presented at the Board Audit Committee meeting with details of the proposed Audit Plan and the scope at the Audit Committee meeting held on January 27, 2025. Members of the Board Audit Committee obtain clarifications regarding the contents of the presentation if deemed necessary.</p> <p>Since there is only one auditor, coordination between auditors was not required.</p>
10.2 (d) (VII)	The BAC shall review the financial information of the FC to monitor the integrity of the financial statements of the FC in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the FC's annual report and accounts and periodical reports before submission to the Board, the committee shall focus mainly on (i) major judgmental 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	It is complied with.
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 that may need to be discussed in the absence of senior management, if necessary.	Complied	The meetings was held on June 25, 2025 and December 02, 2025.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
10.2 (d) (IX)	The BAC shall review the external auditor's management letter and the management's response within three months of submission of such and report to the Board.	Complied	It is complied with.
10.2 (e)	The BAC shall at least annually review the effectiveness of the system of internal controls.	Complied	It is complied with.
10.2 (f)	The BAC shall ensure that the senior management is taking necessary corrective actions promptly to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies concerning the internal audit function of the FC.	Complied	It is complied with.
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 FC's internal control, risk management, governance systems and processes.	Complied	It is complied with.
10.2 (g) (II)	The internal audit function shall have a clear mandate, be accountable to the BAC, be independent, and have sufficient expertise and authority within the FC to carry out its assignments effectively and objectively.	Complied	It is complied with.
10.2 (g) (III) (I)	Review the adequacy of the internal audit department's scope, functions, skills and resources and ensure the internal audit department has the necessary authority to carry out its work.	Complied	It is complied with.
10.2 (g) (III) (II)	Review the internal audit program and results of the internal audit process and, where necessary, ensure appropriate actions are taken on the internal audit recommendations.	Complied	It is complied with.
10.2 (g) (III) (III)	Assess the performance of the internal audit department's head and senior staff members.	Complied	It is complied with.
10.2 (g) (III) (IV)	Ensure the internal audit function is independent, and activities are performed with impartiality, proficiency and due professional care.	Complied	It is complied with.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
10.2 (g) (III) (V)	Ensure the internal audit function conducts periodic reviews of compliance functions and regulatory reporting to regulatory bodies.	Complied	It is complied with.
10.2 (g) (III) (VI)	Examine the significant findings of internal investigations and management's responses to them.	Complied	It is complied with.
10.2 (h)	The BAC shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL), ensure corrective actions are taken promptly, and monitor the time-bound action plan's progress quarterly.	Complied	It is complied with.
10.2 (i)(I)	The BAC shall meet as specified in 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied	It is complied with.
10.2 (i) (II)	Other Board members, senior management or any other employee may attend meetings upon the committee's invitation when discussing matters under their purview.	Complied	It is complied with.
10.2 (i) (III)	BAC shall meet at least twice a year with the external auditors without other directors/senior management/employees being present.	Complied	It is complied with.
10.3	Board Integrated Risk Management Committee (BIRMC)		
10.3.(a)	An independent director shall chair the BIRMC. The Board members appointed to BIRMC shall be non-executive directors with knowledge and experience in banking, finance, and risk management issues and practices. In addition, 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	It is complied with.
10.3.(b)	The secretary to the committee may preferably be the CRO.	Complied	The CRO was appointed as secretary to the committee on March 01, 2022.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
10.3 (c)	The committee shall assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance and technology, to the FC at least once every 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 documentation process for the risk management process has been streamlined since April 2015. Therefore, with effect from May 2015, these risks are analysed and presented in a report to the BIRMC.
10.3 (d)	Developing FC's risk appetite through a Risk Appetite Statement (RAS) articulates the individual and aggregate level and types of risk a FC will accept, or avoid achieving 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 following which the FC 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 FC.	Complied	It is included in the Risk management Policy.
10.3 (e)	The BIRMC shall review the FC's risk policies, including RAS, at least annually.	Complied	It is complied with.
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 manage those risks within the committee's quantitative and qualitative risk limits.	Complied	It is complied with.
10.3 (g)	The committee shall assess all aspects of risk management, including updated business continuity and disaster recovery plans.	Complied	It is complied with.
10.3 (h)	BIRMC shall annually assess the performance of the compliance officer and the CRO.	Complied	It is complied with.
10.3 (i) (l)	Compliance Function BIRMC shall establish an independent compliance function to assess the FC's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.	Complied	It is complied with.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
10.3 (i) (II)	For FCs with an asset base of more than LKR 20 Bn., a dedicated compliance officer considered senior management with sufficient seniority, 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	It is complied with.
10.3 (i) (III)	For FCs with an asset base of less than LKR 20 Bn., an officer with adequate seniority considered senior management shall be appointed compliance officer, avoiding any conflict of interest.	Complied	It is complied with.
10.3 (i) (IV)	The BIRMC shall ensure responsibilities of a compliance officer would broadly encompass the following: (i) develop and implement policies and procedures designed to eliminate or minimise the risk of breach of regulatory requirements; (ii) ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture; (iii) ensure reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards; (iv) understand and apply new legal and regulatory developments relevant to the business of FC; (v) secure early involvement in the design and structuring of new products and systems, to ensure conformity with the regulatory requirements, internal compliance and ethical standards; (vi) highlight severe or persistent compliance issues and where appropriate, work with the management to ensure that they are rectified within an acceptable time; and (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	It is complied with.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
10.3 (i) (I)	Risk Management Function BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC.	Complied	It is complied with.
10.3 (i) (II)	For FCs with an asset base of more than LKR 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	The CRO was appointed since on March 01, 2022 A separate department for Risk Management Function is established, which is headed by the Chief Risk Officer. Reports/observations are submitted to the BIRMC
10.3 (i) (III)	The CRO is primarily responsible for implementing the Board approved risk management policies and processes, including RAS, to ensure the FC's risk management function is robust and effective to support its strategic objectives and fulfil broader responsibilities to various stakeholders.	Complied	Prepared and obtained Board Approval for the Risk management Policy March 2025.
10.3 (i) (IV)	The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: (i) various potential risks and frauds; (ii) possible sources of such risks and frauds; (iii) mechanism of identifying, assessing, monitoring and reporting of such risks which includes quantitative and qualitative analysis covering stress testing ; (iv) effective measures to control and mitigate risks at prudent levels; and (v) relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.		It is complied with. Prepared and obtained Board Approval for the Risk Management Policy March 2025.
10.3 (i) (V)	The CRO shall also participate in crucial decision-making processes such as capital and liquidity planning, new product or service development, etc., and make recommendations on risk management.	Complied	The CRO attend the meetings of ALCO, EIRMC, and MAC, assisting the decision-making process at the executive level.
10.3 (i) (VI)	The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC quarterly.	Complied	It is complied with.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
10.3 (i) (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	It is complied with.
10.4	Nomination Committee		
10.4 (a)	The committee shall comprise non-executive directors; preferably, the majority may be independent. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee.	Complied	It is complied with.
10.4 (b)	Secretary to the nomination committee may preferably be the company secretary.	Complied	It is complied with.
10.4 (c)	The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management is to be appointed with the recommendation of the CEO, excluding the CIA, CRO and Compliance Officer.	Complied	It is complied with.
10.4 (d)	The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	Complied	Every director appointment has been deliberated, evaluated and recommended by the Board Nomination Committee, and based on such recommendation, the Board decides upon the appointment.
10.4 (e)	The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfil their responsibilities on the board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to carry out their responsibilities fully.	Complied	The Board Nomination Committee considers all the relevant criteria and assesses the capability, competence and Director's suitability for the job role.
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 FC as a whole.	Complied	The Board has never been influenced, or dominated by any individual or a group of individuals detrimentally to the shareholder's interest.
10.4 (g)	The committee shall set the criteria, such as qualifications, experience and critical attributes required for eligibility, to be considered for appointment to the CEO and senior management post.	Complied	The qualification and experience of MD and senior management have been documented in job descriptions (JDs) which were recommended by the BHRRC and approved by the Main Board.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
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 secretary tabled a comprehensive Board paper that includes the required information of the director at the Board meeting that the Shareholder representatives attend.
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 FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	Complied	It is complied with.
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	With the recommendation of BHRRC, the Succession of the senior management has been approved by the Board.
10.4 (k)	A member of the nomination committee shall not participate in decision-making relating to their appointment/reappointment, and the Chairperson of the board should not chair the committee when it is dealing with the appointment of the successor.	Complied	The Company conforms to the stated section.
10.5	Human Resource and Remuneration Committee		
10.5 (a)	A non-executive director shall chair the committee, and most members shall consist of non-executive directors.	Complied	The Committee comprises of Non-Executive Directors and is chaired by an Independent, Non-Executive Director.
10.5 (b)	The human resource and remuneration committee secretary may preferably be the company secretary.	Complied	The company secretary was appointed as secretary to the committee on February 22, 2022.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
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 FC and the fees and allowances structure for non-executive directors.	Complied	The Remuneration and Benefits of the Company, the salaries, allowances, and other financial benefits related to the Executive Directors and senior management are decided by the BHRRC.
10.5 (d)	There shall be a formal and transparent procedure in developing the remuneration policy.	Complied	It is complied with.
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 FC. The policy shall be subject to periodic review by the Board, including when material changes are made.	Complied	The HR Policy is reviewed annually. The reviewed policy is recommended by the BHRRC and approved by the main Board.
10.5 (f)	The remuneration structure shall align with the FC's business strategy, objectives, values, long-term interests and cost structure. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivise employees to take excessive risks or to act in self-interest.	Complied	The remuneration structure is in line with the company's business strategy, objectives, values, long-term interests, and cost structure.
10.5 (g)	The committee shall review the performance of the senior management (excluding the chief internal auditor, compliance officer, and 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 Manager Audit, the CRO and the Compliance Officer, has been reviewed by the BHRRC.
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	It is complied with.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
11.	Internal Controls		
11.1	FCs shall adopt well-established internal control systems, including the organisational structure, segregation of duties, clear management reporting lines and adequate operating procedures to mitigate operational risks.	Complied	The Board Audit Committee assists the Board in assessing the adequacy and integrity of the Internal Controls System and the Management Information System, and the Company's financial reporting processes. In addition, the Internal Audit Department helps the process by conducting audits to assess the internal controls over financial reporting and management information systems.
11.2	A proper internal control system shall: (a) promote effective and efficient operations; (b) provide reliable financial information; (c) safeguard assets; d) minimise the operational risk of losses from irregularities, fraud and errors; e) ensure effective risk management systems; and (f) ensure compliance with relevant laws, regulations, directions and internal policies.	Complied	Further, the External Auditors were engaged in assuring the "Directors' Responsibility Statement on Internal Controls over Financial Reporting included in the Annual Report", and their opinion was submitted to the Board.
11.3	All employees shall be responsible for internal controls as part of their accountability for achieving objectives.	Complied	
12.	Related Party		
12.1	Board shall establish a policy and procedures for related party transactions, which covers the following.	Complied	
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	The Board has established a Board Related Party Transactions Review Committee, in conformity with the relevant CBSL Direction. Attendance details of the Directors at meetings are provided on page 113.
12.1 (b)	All related party transactions shall be prior reviewed and recommended by the RPTRC.	Complied	A Board approved mechanism is in place in this regard.
12.1 (c)	The business transactions with a related party that are covered in this Direction shall be the following: <ul style="list-style-type: none"> i Granting accommodation; ii Creating liabilities to the Company in the form of deposits, borrowings and any other payable; iii Providing financial or non-financial services to the Company or obtaining those services from the Company; or 	Complied	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. 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.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
	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		
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 policy and conflict of Interest policy 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.	Complied	
12.2 (b)	Shareholders who directly or indirectly holds more than 10% of the voting rights of the Company.	Complied	
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.	Complied	
12.2 (d)	Directors and senior management of legal persons in paragraph (b) or (c).	Complied	
12.2 (e)	Relatives of a natural person described in paragraph (a), (b) or (d).	Complied	
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.	Complied	

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
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	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 favourable treatment” than what is accorded to other constituents of the Company carrying out similar transactions with the Company.
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	Complied	
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;	Complied	
12.3 (c)	Providing preferential treatment such as favorable terms that extend beyond the terms granted in the normal course of business with unrelated parties;	Complied	
12.3 (d)	Providing or obtaining services to or from a related party without a proper evaluation procedure	Complied	
12.3 (e)	Maintaining reporting lines and information flows between the Company 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	Complied	
13.	Group Governance		
13.1	The FC is responsible for exercising adequate oversight over its subsidiaries and associates while complying with the independent legal, regulatory and governance responsibilities that apply to them.	Complied	The Company is a fully owned subsidiary of Commercial Bank of Ceylon PLC. Further, the Company does not have subsidiaries or associates.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
13.2	Responsibilities as a Subsidiary If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its legal and governance responsibilities.	Complied	The Company is a fully owned subsidiary of Commercial Bank of Ceylon PLC. Accordingly, the Company fulfils its own legal and governing obligations.
14.	Corporate Culture		
14.1	An FC shall adopt a Code of Conduct, which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, the integrity of reporting, protection and proper use of company assets and fair treatment of customers.	Complied	Board-approved Code of Ethics provides required guidelines for confidentiality, conflicts of interest, reporting integrity, protection and proper use of company assets and fair treatment of customers.
14.2	The FC shall maintain records of code of conduct breaches and address such breaches in a manner that upholds high standards of integrity.	Not Applicable	No such occasion was raised. 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	An FC shall establish a Whistleblowing policy that identifies avenues for objectively investigating and addressing legitimate concerns. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidential manner and without the risk of reprisal. The BAC shall review the policy periodically.	Complied	The whistleblowing policy was approved and implemented on January 26, 2026.
15.	Conflicts of Interest		
15.1 (a)	Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution concerning a matter in which such director or any of the relatives or a concern in which such director has a substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.	Not Applicable	No such occasion arose.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
15.1 (b)	<p>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,</p> <ul style="list-style-type: none"> i. Identify circumstances which constitute or may give rise to conflicts of interest. ii. Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest. 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. iv. Implement a rigorous review and approval process for the director and senior management to follow before they engage in certain activities that could create conflicts of interest. v. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and vi. Articulate how any non-compliance with the policy is to be addressed. 	Complied	<p>The Board approved a Conflict of Interest Policy on January 26, 2026, reinforcing our commitment to ethical conduct. The policy sets out clear guidelines for identifying, disclosing, and managing conflicts involving directors, senior management, and related parties.</p>
16.	Disclosure		
16.1	<p>The Board shall ensure that:</p> <ul style="list-style-type: none"> (a) annual audited financial statements and periodic financial statements are prepared and published under 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>The Board shall ensure that at least the following disclosures are made in the Annual Report of the FC.</p>	Complied	<p>Annual audited financial statements and periodic financial statements are prepared and published following the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards.</p> <p>Further, such statements are published in Sinhala, Tamil and English newspapers.</p>

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
	<p>i. Financial Statements- 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"> • A statement that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, including specific disclosures. • A statement of the Board’s responsibility in preparing and presenting financial statements. 	Complied	This is disclosed in the “Annual Report of the Board of Directors on the State of the Company” on pages 139 to 144.
	<p>ii. Chairperson, CEO and Board-Related Disclosures</p> <ul style="list-style-type: none"> • Name, qualification and a brief profile. • Whether executive, non-executive and/or independent director. • Details of the director serving as the senior director, if any. • The nature of expertise in relevant functional areas. • Relatives and/or any business transaction relationships with other company directors. • Names of other companies in which the director/ CEO is a director, whether in an executive or non-executive capacity. • Number/percentage of board meetings of the FC attended during the year; and • Names of board committees in which the director serves as the Chairperson or a member. 	Complied	<p>Details of the Directors, including names and transactions with the Finance Company, are given on pages 48 to 53 of the Annual Report.</p> <p>The declaration was obtained from the Company’s Board of Directors, and there is no business relationship with other Directors of the Company.</p>
	<p>iii. Appraisal of Board Performance</p> <ul style="list-style-type: none"> • An overview of how the performance evaluations of the Board and its committees have been conducted 	Complied	A process is in place for the annual self-assessments of Directors to be undertaken by each Director, and the Company Secretary maintains the records of such assessments. The summary of the self-assessment is submitted to the Board, enabling Directors to discuss relevant matters if any

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
	<p>iv. Remuneration</p> <ul style="list-style-type: none"> A statement on the 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) The aggregate values of remuneration paid by the FC to its directors and senior management. 	Complied	<p>Performance-driven remuneration and increments to the remuneration package shall depend on the achievement of agreed performance standards or financial benchmarks set as per the Annual Strategic Plan and the Budget.</p> <p>All employee’s annual promotions, increments, and bonuses directly relate to the employee’s performance, contribution, commitment, professional conduct and behaviour. The remuneration structure of the staff, Senior Management and Executive Directors shall align with the Company’s business strategy, objectives, values, long-term interest, and cost structure.</p> <p>Directors’ fees are given in Note 15 of the financial statement</p>
	<p>v. Related Party Transactions</p> <ul style="list-style-type: none"> 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. Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in each category of related parties as a percentage of the FC’s core capital. The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted and deposits or investments made in the FC. 	Complied	<p>Details of the Directors, including names and transactions with the Finance Company, are given on pages 217 to 218 of the Annual Report. The declaration was obtained from the Company’s Board of Directors, and there is no business relationship with other Directors of the Company.</p> <p>The nature of the relationship, if any, between the Chairperson and the CEO and the relationship among members of the Board.</p> <p>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 FCs core capital.</p> <p>Net accommodation for Directors – Nil</p> <p>Net accommodation for Senior Management - Nil</p> <p>The aggregate values of the transactions of the FC with senior Management is follows;</p> <p>Deposits – LKR 68.98 Mn.</p>

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
	vi. Board Appointed Committees <ul style="list-style-type: none"> The details of the chairperson and members of the board committees and attendance at such meetings. 	Complied	Please refer "Directors' attendance and Committee Memberships" tables given on page 113 of the Annual report.
	vii. Group Structure <ul style="list-style-type: none"> The group structure of the FC within which it operates. The group governance framework 	Complied	The Company is a fully-owned subsidiary of Commercial Bank of Ceylon PLC. Accordingly, the Company fulfils its own legal and governing obligations.
	viii. Director's Report - A report which shall contain the following declarations by the Board <ul style="list-style-type: none"> The FC has not engaged in any activity contravening laws and regulations. The directors have declared all related party transactions with the FC and abstained from voting on matters they were materially interested in. The FC has endeavored to ensure fair treatment for all stakeholders, particularly the depositors. The business is a going concern with supporting assumptions; and The Board has conducted a review of internal controls covering material risks to the FC and has obtained reasonable assurance of their effectiveness 	Complied	Given on pages 139 to 144 of the Annual Report.
	ix. Statement of Internal Control <ul style="list-style-type: none"> A report by the Board on the FC's internal control mechanism confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes has been done following relevant accounting principles and regulatory requirements. The external auditor's assurance statement on the effectiveness of the internal control mechanism referred to above, in respect of any statement prepared or published. 	Complied	Given on pages 146 to 147 of the Annual Report.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level	Extent of Compliance
	<ul style="list-style-type: none"> A report detailing the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. A statement of the regulatory and supervisory concerns on lapses in the FC's risk management or non-compliance with the Act and rules and directions. 		
x.	<p>Corporate Governance Report</p> <ul style="list-style-type: none"> Shall disclose the manner and extent to which the company has complied with the Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction. 	Complied	The Corporate Governance Report is set out on pages 57 to 113 of the Company's Annual Report. In addition, the Company has obtained an independent assurance report from the External Auditors regarding compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance.
xi.	<p>Code of Conduct</p> <ul style="list-style-type: none"> FC's business conduct and ethics code for directors, senior management and employees. The Chairperson shall certify that the company has no violations of this code's provisions. 	Complied	A Board-approved Code of Ethics for directors and all employees are in place. Please refer to the Chairperson's message on pages 10 to 13 that the Company has no violations of any of the provisions of this code.
xii.	<p>Management Report</p> <ul style="list-style-type: none"> Industry structure and developments. Opportunities and threats. Risks and concerns. Sustainable finance activities carried out by the company. Prospects for the future. 	Complied	Please refer Managing Director's Review on pages 14 to 17.
xiii.	<p>Communication with Shareholders</p> <ul style="list-style-type: none"> The policy and methodology for communication with shareholders. The contact person for such communication. 	Complied	The Board-approved Communication Policy (on July 29, 2025) is in place, which covers all stakeholders, including Depositors, Creditors, Shareholders, and Borrowers. The Board of Directors, corporate management, and employees comply with the policy to ensure effective communication for the best interests of all stakeholders.

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>Policy on Anti-Bribery and Corruption</p>	Complied	The Board approved policies are in place and published on the Company website. https://cbcfinance.lk/wp-content/uploads/2026/01/Section-9-of-the-Listing-Rules-Policies-1.pdf
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	<p>Listed Entities shall disclose in its Annual Report:</p> <p>i. the list of policies that are in place in conformity to Rule 9.2.1 above, with reference to its website.</p> <p>ii. details pertaining to any changes to policies adopted by the Listed Entities in compliance with Rule 9.2 above.</p>	Complied	<p>The availability of the approved list of policies are disclosed on the Company’s website.</p> <p>The Company has adopted the required policies as per Section 9.2.1 above.</p>
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.

Rule No.	Applicable Requirement	Level of Compliance	Extent of Compliance
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; (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (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. (a) The number of shares in respect of which proxy appointments have been validly made; (b) The number of votes in favour of the resolution; (c) The number of votes against the resolution; and (d) The number of shares in respect of which the vote was directed to be abstained.		
9.4.2	Communication and relations with shareholders and investors (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. (b) Listed Entities shall disclose the contact person for such communication.	Complied	The Board approved Communication policy and policy on Relations with Shareholders and Investors are in place to communicate with all Stakeholders.

Rule No.	Applicable Requirement	Level of Compliance	Extent of Compliance
	<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>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>		
9.5	Policy on matters relating to the Board of Directors		
9.5.1	<p>Listed Entities shall establish and maintain a formal policy governing matter relating to the Board of Directors and such policy shall:</p> <p>(a) recognise 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> <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>	Complied	The Board approved policy on matters relating to the Board of Directors are in place.

Rule No.	Applicable Requirement	Level of Compliance	Extent of Compliance
	<p>(f) Provide mechanisms for ensuring that Directors are kept abreast of the Listing Rules and ongoing 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) Recognise 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 noncompliance 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.		
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 noncompliance (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 The rationale for combining the positions of the Chairperson and CEO</p>	Complied	Not applicable.

Rule No.	Applicable Requirement	Level of Compliance	Extent of Compliance
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> <ul style="list-style-type: none"> i. The Chairperson and CEO are the same person ii. The Chairperson and CEO are Close Family Members or Related Parties <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>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 Non-Independent Non-executive Director further more senior independent director also appointed to the board.</p> <p>The roles of the Chairman and the Managing Director are separated and not performed by the same individual.</p>
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	It is complied with.
9.7	Fitness of Directors and CEOs	Complied	It is complied with.
9.7.3	Fit and Proper Assessment Criteria:	Complied	It is complied with.
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.

Rule No.	Applicable Requirement	Level of Compliance	Extent of Compliance
9.7.5	<p>Disclosures in the Annual Report of Listed Entities</p> <p>Listed Entities shall include the following disclosures/ reports in the Annual Report;</p> <p>(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.</p> <p>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.</p>	Complied	It is complied with.
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	<p>The Board consist of 7 Directors as stated below, which is within the statutory requirement.</p> <p>Mr Sharhan Muhseen (Chairman), Mr S M S C Jayasuriya, Mr D M D S S Bandara, Mr L H Munasinghe, Mr M P Dharmasiri, Mr G A J C S Fernando, Mrs S C D S Wickremasekera, Mr D J D P Hettiarachchi (Acting CEO)</p>
9.8.2	Minimum Number of Independent Directors:	Complied	During the year, the Board comprised three 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.
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>	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
	<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	No such circumstances occurred during the year 2025.
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 it's 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	It is complied with.
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	It is complied with.
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	It is complied with.
9.10.4	Details relating to Directors in the Annual Report:	Complied	Directors Details are given on pages 42 to 53.
9.11	Nomination and Governance Committee	Complied	It is complied with.
9.12	Remuneration Committee	Complied	
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.		The company has a Board Human Resources and Remuneration Committee in operation (BHRRC).
9.12.2	Listed Entities shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules.		

Rule No.	Applicable Requirement	Level of Compliance	Extent of Compliance
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>	Complied	<p>The Committee comprises two Independent Non-Executive Directors and two Non-independent Non-Executive Directors and is chaired by Mr S M S C Jayasuriya. There are no Executive Directors in the Committee.</p> <p>Other members of the committee are Mr Sharhan Muhseen, Mr L H Munasinghe, Mrs S C D S Wickremasekera.</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>An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.</p>		
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>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.

Rule No.	Applicable Requirement	Level of Compliance	Extent of Compliance
9.12.8	Disclosure in Annual Report	Complied	The report of BHRRC is given on page 120.
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	The Committee is comprised of two Independent Non-Executive Directors and two Non independent Non-Executive Directors and is chaired by Mr S M S C Jayasuriya. Other members of the committee are Mr D M D S S Bandara, Mr M P Dharmasiri, Mrs S C D S Wickremasekera.
9.13.4	Functions (1) The functions of the Audit Committee shall include the following: 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. 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: (a) changes in or implementation of major accounting policy changes; (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; (c) compliance with accounting standards and other legal requirements;	Complied	BAC ensures the compliance to laws and regulations through Internal Audit activities conducted by the Internal Audit Department. 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 81.

Rule No.	Applicable Requirement	Level of Compliance	Extent of Compliance
	<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>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	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>v. Review the internal controls in place to prevent the leakage of material information to unauthorised persons.</p>	Complied	Currently, the Head of Finance oversees this aspect with the oversight of Board Audit Committee. 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.
	<p>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.</p>	Complied	Complied with
	<p>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.</p>	Complied	Complied with

Rule No.	Applicable Requirement	Level of Compliance	Extent of Compliance
	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.		
	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.		
	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.		
	(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.		

Rule No.	Applicable Requirement	Level of Compliance	Extent of Compliance
9.13.5	Disclosures in Annual Report		
	<p>(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.</p> <p>(2) The Audit Committee Report shall contain the following disclosures:</p> <p>(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);</p> <p>(b) The status of risk management and internal control of the Listed Entity and as a Group (where applicable).</p> <p>(c) A statement that it has received assurance from the CEO and the CFO of the Entity's operations and finances.</p> <p>(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.</p> <p>(e) Whether the listed entity has a formal Audit Charter</p> <p>(f) the manner in which internal audit assurance is achieved and a summary of the work of the internal audit function;</p> <p>(g) Details demonstrating the effective discharge of its functions and duties for that financial year of the Listed Entity;</p> <p>(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</p>	Complied	The Report of the Board Audit Committee is given on pages 114 to 116.

Rule No.	Applicable Requirement	Level of Compliance	Extent of Compliance
	(i) 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	The Committee is comprised of two Independent Non-Executive Directors and one Non independent no executive Director and is chaired by Mrs S C D S Wickremasekera. Other members of the committee are Mr L H Munasinghe, Mr D M D S Bandara.
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.
9.14.7	Immediate Disclosures	Complied	No situation requiring immediate disclosure as per the revised CSE listing rules has arisen.
9.14.8	Disclosures in the Annual Report		Disclosure requirements are covered in the Related Party Transactions Review Committee Report given on pages 121 to 122.

Rule No.	Applicable Requirement	Level of Compliance	Extent of Compliance
9.14.9	Acquisition and disposal of assets from/to related parties		The Company has not acquired or disposed of substantial assets from or to related parties.
9.14.10	Exempted related party transactions		The Committee considers the provisions of the relevant sections when evaluating related party transactions
9.16	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	None
	(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 146 to 147.
	(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 - pages 139 to 144. Given in the Corporate Governance Report - "Governance Framework" section given on page 57.
	(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	None
9.17	Enforcement Procedure for Non-Compliance with Corporate Governance Requirements.	Complied	None

Attendance at Board and Subcommittee Meetings

	Board	Board Audit Committee	Board Integrated Risk Management Committee	Board Credit Committee	Board Human Resources and Remuneration Committee	Board Information and Technology Committee	Board Nominations Committee	Board Related Party Transactions Review Committee
	12 Meetings	9 meetings	7 meetings	12 meetings	4 meetings	5 meetings	2 meetings	4 meetings
Mr Sharhan Muhseen	12/12	–	–	–	4/4	–	2/2	–
Mr S M S C Jayasuriya*	12/12	9/9	7/7	12/12	3/3	–	2/2	4/4
Mr D M D S S Bandara	11/12	7/9	5/7	12/12	–	4/5	2/2	–
Mr L H Munasinghe	12/12	–	–	12/12	4/4	5/5	–	–
Mr M P Dharmasiri	12/12	9/9	7/7	–	–	–	–	4/4
Mrs S C De S Wickremasekera	12/12	8/9	7/7	11/12	4/4	5/5	–	4/4
Mr G A J C S Fernando**	8/8	–	–	–	–	3/3	–	–
Mr D J D P Hettiarachchi**	4/4	–	–	–	–	2/2	–	–

* Mr S M S C Jayasuriya, SID, was appointed to the BHR & RC as its Chairman w.e.f. March 24, 2025.

** Mr G A J C S Fernando, former MD/CEO, resigned on September 30, 2025 and Mr D J D P Hettiarachchi was appointed as the Executive Director w.e.f. September 11, 2025.

BOARD AUDIT COMMITTEE REPORT

Composition of the Committee

The Board Audit Committee (BAC) appointed by the Board of Directors comprised the following members during the year under review.

Mr S M S C Jayasuriya	Independent Non-Executive Director (Appointed as Chairman of BAC w.e.f. July 01, 2022)
Mr D M D S S Bandara	Independent Non-Executive Director (Appointed w.e.f. January 12, 2021)
Mr M P Dharmasiri	Non-Independent Non-Executive Director (Appointed w.e.f. October 01, 2022)
Mrs S C De S Wickremasekera	Independent Non-Executive Director (Appointed w.e.f. April 26, 2024)

Brief profiles of the members are given from pages 49 to 53 of the Annual Report.

The Chairman of the Committee, Mr S M S C Jayasuriya, an Independent, Non-Executive Director, is a qualified senior banker by profession and a Fellow Member of the Chartered Institute of Management Accountants (FCMA -UK) and a member of Chartered Global Management Accountants (CGMA - UK). Mr Jayasuriya counts over 34 years of service in Banking, specialised in Treasury, Investment Banking and International Banking and Finance he has been serving on our Board as an Independent, Non-Executive Director since December 2017.

The Head of Internal Audit assumed the role of the Secretary to the BAC, thereby ensuring the continued facilitation of the Committee's functions in accordance with Section 10.2(c) of the Finance Business Act Direction No. 5 of 2021 on Corporate Governance.

Conduct of meetings

The Committee held nine meetings during the year ended December 31, 2025. The proceedings of these meetings, with adequate details of matters discussed, were minuted and regularly reported to the Board of Directors. The Managing Director/Chief Executive Officer, the Chief Operating Officer, the Head of Finance, the Chief Risk Officer and the Compliance Officer attended the Committee meetings by invitation with adequate safeguards to ensure that their presence does not impair the independence of the internal audit function. Representatives of the Company's External

Auditors, M/s EY also participated in a BAC meeting during the period by invitation and the BAC members had private meetings with them in the absence of the Company management in compliance with the Section 10.2. (h) (iii) of the Finance Business Act Direction No 5 of 2021 on Corporate Governance. In addition, the Deputy General Manager – Management Audit of the Bank or in his absence, an experienced officer from the Inspection Department attended the meetings regularly. The Assistant General Manager – Compliance/Compliance Officer of the Bank too attended meetings by invitation of the Committee.

Charter of the Committee

The Board-approved Charter of the BAC clearly defines the Terms of Reference of the Committee. It is reviewed annually by the Committee to ensure that new developments relating to the functions of the Committee are addressed and submitted to the Board for approval. The Audit Charter of the Committee was last reviewed in line with the latest CBSL Direction No. 5 of 2021 on Corporate Governance and approved by the Board in February 2026.

The Committee assists the Board in discharging its responsibilities and exercising oversight function of the following:

- The integrity of the Company's financial statements
- The Company's compliance with legal and regulatory requirements
- The external auditor's engagement, qualifications and independence
- The establishment of a sound system of internal control
- The performance of the Company's internal audit function and the Company's external Audit.

Reporting of Financial Position and Performance

The Board Audit Committee assisted the Board of Directors in its oversight on the preparation of Financial Statements to present a true and fair view of the Company's financial position and performance. This process is based on the Company's accounting records and in accordance with the stipulated requirements of the Sri Lanka Accounting Standards. Accordingly, the Committee reviewed the following:

- Adequacy and effectiveness of the internal controls, systems and procedures to provide reasonable assurance that all transactions are accurately and completely recorded in the books of accounts.
- Effectiveness of the financial reporting systems to ensure the reliability of the information provided to the stakeholders.

- Selection of the most appropriate accounting policies after considering the alternatives available.
- Processes in place to ensure compliance with Sri Lanka Accounting Standards (SLFRSs/LKASs) and other regulatory provisions relating to financial reporting and disclosures.
- Financial Statements in the Annual Report and Interim Financial Statements prepared for publication, before submission to the Board.

External Audit

The Committee ensured the independence, objectivity and effectiveness of the audit process in accordance with applicable standards, regulations, Corporate Governance principles and/or best practices.

The Committee assisted the Board in engaging External Auditors for Audit Services, in compliance with the Direction.

Based on the statutory directions provided in Section 10.2 (d) (vi) of the Finance Business Act Direction No 5 of 2021 on Corporate Governance, the Committee discussed the audit plan and scope of the audit before commencing the Audit.

During the period, the Committee met the Partner of M/s EY, who is in charge of the Audit of the Company and reviewed the Company's ECL allowance for the year ended December 31, 2025.

Further, the Committee engaged M/s EY to attend to the Company's Corporate Governance reporting and Internal Control reporting as required by Section 16.1 of the Finance Business Act Direction No. 05 of 2021 of the Central Bank of Sri Lanka.

In June 2025, the Committee reviewed the Management Letter of the External Auditors for the year ended December 31, 2024 and instructed the management to initiate necessary action to rectify the issues highlighted.

Internal Audit Function

Internal Audit is an independent, objective assurance and consultative activity managed within the Company as an integral part of its control procedures concerning governance, risk management, compliance, information systems, and financial reporting. It assists the management in accomplishing its corporate objectives by bringing a systematic, disciplined approach to assess and improve internal controls. In that regard, Internal Audit:

- Ensures that the internal controls are in place and functioning effectively;

- Evaluates the adequacy of measures and controls to ensure compliance with policies, plans, procedures and business objectives and that they are sufficiently robust and in place to minimise the risk of fraud, errors and other irregularities;
- Provides reliable, valued and timely assurance to the Board and the Corporate Management over the effectiveness of controls mitigating current and evolving high risks and in so doing enhances the control culture within the Company;
- Reviews/identifies and recommends changes where necessary to the business processes and procedures and internal control mechanisms in place that add value;
- Provides an independent and objective assurance that risk management measures recommended by the Risk Management function are in place and they are reviewed from time to time;
- In a consultative capacity, advises on the efficiency of controls and effectiveness of structure on new initiatives and during change management processes and carries out the post-implementation audits.

The Committee ensured that the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care.

The internal audit function was instituted jointly by the Company's Internal Audit department and the Inspection Department of Commercial Bank of Ceylon PLC consequent to migrating the Core Operating System to ICBS in 2020. This enabled online monitoring of Company operations by the Bank's Inspection Department, thereby enhancing the scope to mostly near real-time auditing on set frequency and providing an opportunity to the Company to address audit observations proactively on a near real-time basis.

During the period, the Committee initiated the following actions regarding the internal audit function:

- Approved the Program of Internal Audits for 2025 formulated jointly by the Internal Audit Dept. and Commercial Bank's Inspection Dept. and reviewed its progress of implementation regularly.
- Considered the onsite and online inspection reports of the Company's operations conducted by the Internal Audit Dept. and the Inspection Dept. of the Bank, which highlighted the operational deficiencies, risks and recommendations.
- Reviewed significant findings, recommendations related to IT Governance, Network Security, Physical, logical access management, and IT system Administration made in the reports on Information Systems carried out by the Information Systems Audit Unit of Commercial Bank.

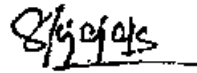
- Reviewed the job description for the internal auditor.
- Conducted comprehensive quarterly reviews of the Lease and Motor Draft portfolios, complemented by physical and procedural verifications of the Gold Loan department.
- Executed ad-hoc investigations and strategic assignments as specifically directed by the Board Audit Committee.
- Monitored and reviewed the status of outstanding insurance premium paid and recovery processes to ensure financial safeguards are maintained.
- Evaluated the implementation status of management-agreed actions arising from previous audit observations to ensure timely risk mitigation
- Successfully completed comprehensive audits across all branch locations during the 2025 financial year, with a specific focus on the rigorous assessment of the gold loan portfolio.
- In addition, the Committee initiated the following actions to enhance the effectiveness of internal control systems of the Company:
 - Reviewed the Impairment Policy of the Company.
 - Monitored the progress on implementing the recommendations made in the Statutory Examination report of the Central Bank of Sri Lanka through regular follow up.

Oversight on Regulatory Compliance

The Committee continuously monitored the extent of compliance with statutory and other compliance requirements and ensured that the systems and procedures are in place to ensure compliance with such requirements. In addition, the Internal Audit function conducts independent test checks to verify the extent of compliance by the Company and reports any exceptions to the Committee.

Evaluation of the Committee

The other members of the Board carried out an independent evaluation of the effectiveness of the Committee during the year. Considering the overall conduct of the Committee and its contribution to the overall performance of the Company, the Board has strongly agreed and concluded that the Committee was effective in discharging its responsibilities.



S M S C Jayasuriya

Chairman – Board Audit Committee

April 23, 2026

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

In accordance with Section 8(3) of the Finance Companies (Corporate Governance) Direction, No. 3 of 2008 (and subsequent amendments to same), issued by the Central Bank of Sri Lanka and in accordance with the Finance Business Act No. 42 of 2011, the Board established a Board Integrated Risk Management Committee (BIRMC). The scope and functions of the Committee adhere to the provisions outlined in sections 10.3(a) to (j) of the Finance Business Act Directions No. 05 of 2021. The Terms of Reference for the BIRMC were reviewed and updated in compliance with Section 10.3 of the Finance Business Act Direction No. 5 of 2021, issued by the CBSL on December 31, 2021.

Composition of the Committee

The Board Integrated Risk Management Committee, appointed by the Board of Directors, comprises the following members:

Board Members and attendance

Mrs S C De S Wickremasekera*	Chairperson
Mr S M S C Jayasuriya*	Senior Director
Mr D M D S S Bandara*	Director
Mr M P Dharmasiri	Director

Regular attendees by invitation

Mr D Hettiarachchi	Executive Director/Acting Chief Executive Officer – Since October 01, 2025
Mr S K K Hettihamu	Chief Risk Officer – Commercial Bank of Ceylon PLC
Mrs R M C K Siyambalagastenne	Compliance Officer – Commercial Bank of Ceylon PLC
Mr G A J C S Fernando	Managing Director/Chief Executive Officer – Up to September 30, 2025
Secretary to the Committee	Chief Risk Officer of the Company

*Independent Non-Executive Director

The BIRMC assists the Board of Directors in overseeing the Company's risk management framework and activities, including the review of major risk exposures and the steps taken to monitor and control those exposures. The duties of the BIRMC include evaluating the adequacy and effectiveness of these measures and ensuring the Company's actual risk profile aligns with the Board-defined desirable risk profile.

The BIRMC supports the Board in determining the Company's risk appetite and ensures significant risks are managed appropriately. This includes assessing the impacts of risks such as credit, market, liquidity, operational, strategic, compliance, and technology through appropriate risk indicators and management information, and making recommendations on risk strategies and appetite to the Board.

The Committee held seven (7) meetings during the financial year under review. Attendance details for each member are provided on page 60 of the Annual Report.

The Committee has delegated the executive-level risk management function to the Executive Integrated Risk Management Committee (EIRMC), which includes members from core divisions such as Risk, Compliance, Credit, Recoveries, Legal, Operational, and Finance. The Chief Executive Officer chairs the EIRMC.

All Key Management Personnel report to the EIRMC regarding risk management issues in their operational areas. This reporting is facilitated by the Executive Credit Committee (ECC), Asset and Liability Committee (ALCO), and Information Technology Steering Committee (ITSC), which meet regularly to address risk management issues and decision-making.

Critical functions performed during the year under review:

- **Business Strategy Review:** The Committee reviewed the Company's new business strategy, focusing on asset-based lending strategies such as leases, motor drafts, three-wheeler, two-wheeler financing, and gold loans. Strategic decisions were made to improve net interest income moving forward.
- **Risk Management Continuity:** Continued integrated risk management functions and reviewed periodic management reports on risk metrics, ensuring risks are monitored and managed appropriately.

- **Framework Improvements:** Recommended improvements to the Company's Risk Management Framework and related policies and procedures, considering anticipated changes in the economic and business environment.
- **Key Risk Indicators:** Regularly reviewed the adequacy of Key Risk Indicators (KRIs) designed to monitor specific risks and ensure they meet intended risk management objectives.

Credit risk

- Reviewed and recommended the Credit Policy, Valuation Policy and Lending Guidelines for Board Approval.
- Introduced a Stress Testing Policy and commenced Stress Testing
- Assessed the portfolio quality of the Company and focused on improving the high NPA ratio through actions decided by the Board and Management level committees.
- Evaluated updates on Collections, Recoveries, Loan Review Mechanism, and the activities of the Credit and Risk Management Committees.

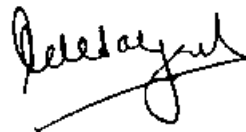
Operational risk

- Conducted the half-yearly Risk Control Self-Assessment (RCSA) process covering the main departments of Credit, Operations, Finance, IT, Compliance and Risk.
- Reviewed Operational Risk reports, including significant risks, incidents, and losses.
- Addressed Key Risk Indicator breaches related to Human Resources, Information Technology, Finance, Compliance, and Business lines.
- Ensured the Company's Business Continuity Management (BCM) policy was in place, including a Business Continuity Plan (BCP) and an IT Disaster Recovery Plan (IT DRP).
- Reviewed and recommended the Reputational Risk Management Policy and Operational Risk Management Policy for Board approval.

Market and liquidity risk

- Reviewed and recommended the Company's Market Risk policy for board approval.
- Implemented Stress Testing to evaluate and manage the Company's liquidity position.
- Reviewed exposures and information and monitored the effectiveness of the management of Market and Asset Liability Risk Management, including, strategies and other relevant issues related to financial market activities and the business environment.
- Analysis of Asset Liability Committee (ALCO) reports and decisions taken by each committee and assessment of the effectiveness of the committees in line with relevant TORs.

In addition to the above, the Committee performed other functions necessary to discharge its duties, and the Committee plans to gradually expand the review process further to strengthen its prudent and effective risk management parameters.



Mrs S C De S Wickremasekera
Chairperson
Board Integrated Risk Management Committee

April 23, 2026

BOARD NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

The Committee is responsible for establishing and maintaining a formal and transparent procedure for the evaluation, selection, and appointment of Directors and Key Management Personnel (KMP), ensuring they meet “Fit and Proper” criteria while overseeing Board diversity, leadership succession planning, and the overall corporate governance framework to maintain compliance with regulatory requirements. During the year, the Committee was renamed from the “Board Nominations Committee” to the “Board Nominations and Governance Committee,” effective December 22, 2025, in line with the requirements of CSE Listing Rule 9.3.1(a). The Committee continued to operate under a formal Terms of Reference (ToR) approved by the Board, ensuring strict compliance with the Finance Business Act Directions issued by the Central Bank of Sri Lanka and the evolving regulatory requirements necessitated by the Company’s transition to Public Limited Company (PLC) status.

The Committee is composed exclusively of Non-Executive Directors, with a majority of members being Independent Directors to ensure objective and impartial deliberations. The Committee is chaired by an Independent Director, and the Company Secretary acts as the secretary to the Committee, with the Managing Director/Chief Executive Officer participating by invitation to provide necessary management insights. During the year under review, the Committee held formal sessions on December 22 and December 30, 2025 to address key strategic and governance mandates.

Composition of the Committee

As at December 31, 2025, the Committee comprised the following members:

Mr S M S C Jayasuriya	Chairman, Independent, Non-Executive Director (appointed w.e.f. February 01, 2023)
Mr Sharhan Muhseen	Member, Non-Independent Non-Executive Director (appointed w.e.f. September 01, 2022)
Mr D M D S S Bandara	Member, Independent Non-Executive Director (appointed w.e.f. December 01, 2017)

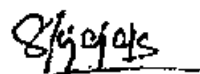
A primary focus for the Committee in 2025 was the comprehensive review of the Board Charter, Version 1.5, which was updated to integrate Section 9 of the CSE Listing Rules. This revision formalises critical governance mechanisms, such as the nine-year tenure cap for Non-

Executive Directors, the prohibition of Executive Directors from chairing mandatory committees, and the requirement for all four mandatory committees to be chaired by Independent Directors. Furthermore, the Committee oversaw the finalisation and publication of the 12 mandatory corporate governance policies on the corporate website and established new protocols for the Compliance Officer to submit annual reports confirming adherence to these frameworks.

In addition to the Board Charter, the Committee conducted a thorough review of its own ToR to ensure alignment with CSE Listing Rule 9.11. This updated ToR, approved by the Committee, explicitly excludes Executive Directors from membership, introduces a new governance mandate to review the overall Corporate Governance Framework periodically, and incorporates the 70-year age limit and 9-year tenure cap for Independent Directors. These amendments significantly strengthen the Committee’s oversight of Board composition and director independence.

In response to the Company’s recent listing on the Colombo Stock Exchange and the issuance of debentures, the Committee approved the establishment of a Board Investment Committee (BIC). This new body is mandated to provide high-level strategic oversight of the Company’s capital market activities, asset allocation limits, and the maintenance of capital adequacy through Tier 1 and Tier 2 instruments. Concurrently, the Committee reviewed and updated the Senior Independent Director (SID) Terms of Reference to incorporate the Central Bank’s mandate requiring an SID appointment when the Chairperson is not an Independent Director, and to expand the SID’s role in leading independent evaluations of Board performance.

Recognising the “continuity issue” arising from directors completing their nine-year tenures in December 2026, the Committee initiated a proactive recruitment strategy to identify new directors with specialised expertise in accounting and information technology to lead the Board Audit and IT Committees, respectively. Through these initiatives, the Committee remains committed to fostering a fit-for-purpose, diverse, and highly competent leadership team dedicated to the long-term strategic success of CBC Finance PLC.



S M S C Jayasuriya

Chairman

Board Nominations and Governance Committee

April 23, 2026

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

Roles and Responsibilities

The Board Human Resources and Remuneration Committee (the “Committee”) is responsible for overseeing the Company’s human capital management, including executive appointments, remuneration policies, organisational structure, and staff development strategies. The Committee operates under the authority delegated by the Board and in compliance with the applicable regulatory frameworks of the Central Bank of Sri Lanka and the Colombo Stock Exchange (CSE) Listing Rules.

Composition of the Committee

As at December 31, 2025, the Committee comprised the following members:

Mr S M S C Jayasuriya	Chairman (Independent Non-Executive Director) (Appointed w.e.f. March 24, 2025)
Mr Sharhan Muhseen	Non-Independent Non-Executive Director (Appointed as the Chairman w.e.f. February 01, 2023 and stepped down from the Chairmanship w.e.f. March 23, 2025)
Mr L H Munasinghe	Non-Independent Non-Executive Director (Appointed w.e.f. January 12, 2021, ceased to be a member w.e.f. April 24, 2026)
Mrs S C De S Wickremasekera	Independent Non-Executive Director (Appointed w.e.f. October 01, 2024)

The Managing Director/Chief Executive Officer, the Chief Operating Officer and the Chief Manager – Human Resources attended meetings by invitation, while the Company Secretary served as the Secretary to the Committee.

Meetings

During the year under review, the Committee met four times to deliberate on matters within its purview.

Key Focus Areas in 2025

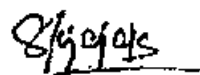
During 2025, the Committee oversaw a significant restructuring of the Company’s organisational hierarchy to align with a modern non-bank financial institution (NBFI) model, prioritising business lines and revenue generation. To mitigate operational risks and support the Company’s asset growth, the Committee approved the establishment of a Centralised Operations Department (COD). Furthermore, the Committee endorsed key leadership appointments and

structural changes, including the formalisation of roles within Credit Operations and Recoveries, as well as the re-designation of field-based management roles to align with industry standards. Recruitment for specialised roles was also authorised to support the Company’s ongoing digital transformation initiatives.

In the realm of Human Resources and Remuneration, the Committee remained committed to fostering a high-performance culture through structured governance and merit-based rewards. 2025 marked the first year in which individual Key Performance Indicators (KPIs) were assigned to all staff members, and the Committee ensured that the performance appraisal process was integrated into the KPI system to reduce manual intervention. Following a comprehensive market benchmarking study conducted by independent consultants, the Committee approved salary adjustments for all confirmed staff to ensure internal equity and market competitiveness. Furthermore, the Committee approved modernised sales incentive structures across various departments, ensuring these rewards were linked directly to quality-led business growth and non-performing asset (NPA) management.

Regarding Talent Development and Governance, the Committee formalised the recruitment and retention strategy, which now includes a mandatory non-solicitation clause in employment documentation. A more robust disciplinary framework was implemented, including the formalisation of misconduct definitions such as misappropriation and workplace harassment, with the Committee overseeing the enforcement of organisational integrity policies. Furthermore, the Committee ensured compliance with regulatory requirements by identifying and recognising Key Management Personnel (KMP) in accordance with the Finance Business Act. Finally, the Committee reviewed and updated its Terms of Reference (ToR) to ensure full compliance with the updated CSE Listing Rules, and mandated that leadership training be integrated into the performance management framework to ensure all managerial staff are equipped with the skills necessary to drive the Company’s future growth.

The Committee monitored implementation progress and ensured that changes were supported by appropriate governance, controls, and policy updates.



S M S C Jayasuriya
Chairman

Board Human Resources and Remuneration Committee
April 23, 2026

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Board Related Party Transactions Review Committee (BRPTRC), established on June 25, 2024, assists the Board in ensuring that related party transactions are identified, reviewed, approved and disclosed in a fair and transparent manner, in accordance with regulatory requirements in the section 9 of Listing Rules of the Colombo Stock Exchange (CSE) and Section 12 of Finance Companies (Corporate Governance) Direction No. 5 of 2021, issued by the Central Bank of Sri Lanka (CBSL).

Composition

The Committee is composed of three members and is chaired by an Independent Non-Executive Director. The remaining membership comprises one Independent Non-Executive Director and one Non-Independent Non-Executive Director.

The Committee members during the reporting period ended December 31, 2025 were:

Mrs S C De S Wickremasekera	Chairperson – Independent, Non-Executive Director (Appointed w.e.f. July 25, 2024)
Mr S M S C Jayasuriya	Independent Non-Executive Director (Appointed w.e.f. July 25, 2024)
Mr M P Dharmasiri	Non-Independent, Non-Executive Director (Appointed w.e.f. July 25, 2024)

Detailed profiles of Committee members are available on pages 49 to 53 of the Annual Report.

The Managing Director/Chief Executive Officer attends meetings by invitation. To facilitate comprehensive oversight, the Chief Operating Officer, the Compliance Officer, the Chief Risk Officer, and the Head of Internal Audit are present for discussions when their specific expertise is required. The Head of Finance serves as the Committee Secretary, ensuring accurate documentation and administrative support for all proceedings.

Meetings

The Committee convened on four (04) occasions during the financial year 2025. Detailed individual attendance records for these meetings are set out in the table on page 113 of this Annual Report.

Terms of Reference

The Committee operates under a formal mandate established by the Board-approved Terms of Reference and the Related Party Transactions Policy. Together, these frameworks provide a robust mechanism for identifying, evaluating, approving, and disclosing related party transactions, ensuring full transparency and unwavering compliance with regulatory requirements.

Role and Responsibilities

The Committee's mandate is rooted in the Company's corporate governance framework and aligned with all applicable regulatory requirements. Its primary mission is to uphold the highest standards of transparency, accountability, and fairness in all related party dealings.

To fulfil this purpose, the Committee is entrusted with the following key responsibilities.

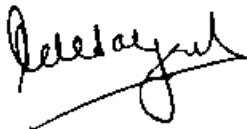
- As per Section 12.1 of the Finance Business Act Direction No. 5 of 2021, and subject to the exceptions given under rule 27, in the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka, the Committee shall review in advance all proposed Related Party Transactions.
- At each subsequent scheduled meeting of the Committee, the management shall update the Committee as to any proposed material changes in any previously reviewed Related Party Transactions and seek approval of the Committee for such proposed material changes prior to the completion of the transaction.
- The Company maintains an internal framework for the identification and reporting of Related Party Transactions (RPTs). Relevant Heads of Departments (HODs) are responsible for identifying potential RPTs at their inception and escalating them to the Committee via the Head of Finance (HOF). The HOF is tasked with implementing effective controls and providing the Committee with the comprehensive facts and circumstances of any proposed transaction to ensure a transparent and informed review process.

- d) No director shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, except that the director, at the request of Related Party Transactions Review Committee, may participate in discussions for the express purpose of providing information concerning the Related Party Transaction to the Committee. Where deemed necessary because of the potential conflict issues presented, the Committee may recommend the creation of a special committee to review and approve the proposed Related Party Transaction.
- e) For Recurrent Related Party Transactions, the Committee may establish specific guidelines for the respective Heads of Departments (HODs) to follow in their ongoing dealings with the related party. On an annual basis, the Committee shall review and assess these ongoing relationships to ensure strict adherence to the established guidelines and to confirm that the transactions remain appropriate and in the best interest of the Company.
- f) The Committee shall be provided with adequate resources and shall have the authority to procure the services of independent experts in carrying out its mandate.

Declaration

The Committee ensures that all related party transactions are conducted in a manner that upholds the best interests of all stakeholders, maintaining a high level of transparency throughout the review and approval processes. All reviewed transactions are duly communicated to the Board of Directors for its information and guidance, as appropriate. A formal declaration by the Board, affirming compliance with the applicable Directions issued by the Central Bank of Sri Lanka for Licensed Finance Companies, is provided on pages 90 to 92 of this Annual Report.

On behalf of the Board Related Party Transactions Review Committee



Mrs S C De S Wickremasekera

Chairperson

Board Related Party Transactions Review Committee

April 23, 2026

BOARD CREDIT COMMITTEE REPORT

For the Year Ended December 31, 2025

The Board Credit Committee (the “Committee”) is a sub-committee appointed by and accountable to the Board of Directors (the “Board”). The Committee is entrusted with supporting the Board in effectively discharging its responsibilities pertaining to credit strategy, credit risk oversight, and adherence to credit policies and lending guidelines. It plays a pivotal role in fostering sound credit practices and ensuring compliance with all relevant regulatory requirements.

The composition of the Committee is determined by the Board from time to time. Meetings are convened monthly, with a minimum quorum of two members, at times and venues as decided by the Committee. During the year under review, the Committee convened twelve (12) times. Member attendance at these meetings is detailed on page 113 of this report.

The Executive Credit Committee (ECC), chaired by the Executive Director/Acting Chief Executive Officer, has been delegated authority for day-to-day credit management, operating under the overarching framework and oversight of the Board Credit Committee.

Composition of the Committee (as at December 31, 2025)

Mr L H Munasinghe	Non-Independent Non-Executive Director (Appointed with effect from February 17, 2024)
Mr S M S C Jayasuriya	Independent Non-Executive Director (Appointed with effect from December 05, 2017)
Mr D M D S S Bandara	Independent Non-Executive Director (Appointed with effect from January 12, 2021)
Mrs S C De S Wickremasekera	Independent Non-Executive Director (Appointed with effect from May 01, 2024)

Scope and Responsibilities

The Committee supports the Board in shaping and guiding the Company’s credit direction and lending policies to uphold prudent lending standards. It ensures that credit decisions and exposures are in line with regulatory expectations and the Company’s strategic objectives.

Key Responsibilities Include:

- Providing oversight on credit strategy and lending objectives.
- Reviewing and monitoring credit risk management practices.
- Recommending portfolio limits consistent with the Company’s credit risk appetite.

Functions of the Committee

- Reviewing and approving changes to credit policy and lending guidelines.
- Evaluating the effectiveness of credit risk controls and pricing of lending proposals.
- Ensuring compliance of credit proposals with internal policies and external regulations.
- Assessing and recommending high-value or strategic credit proposals to the Board.
- Reviewing sectoral exposure and making appropriate recommendations.
- Monitoring reporting requirements as mandated by the Board.
- Setting lending directions in response to economic developments.

Delegated Authority Levels

The Board defines the Delegated Authority (DA) levels of the Committee. Any revisions to these authority levels require the approval of the Board of Directors.

Reporting to the Board

Following each meeting, the Committee submits a comprehensive report to the Board outlining discussions, decisions, and recommendations relating to its mandate. Where necessary, the Committee makes further recommendations to enhance credit governance or mitigate emerging risks.

Key Activities Undertaken During 2025

During the period from January 01 to December 31, 2025, the Committee performed the following activities:

Portfolio Management & NPA Performance

- Monitored the successful downward trend of the new portfolio's non-performing asset ratio, reflecting improved credit quality and robust post-disbursement supervision.
- Initiated a structured recovery plan specifically for the "Legacy Portfolio" to address risk concentrations within mortgage and unsecured facilities.
- Recommended a substantial write-down of non-performing facilities that were fully provisioned, thereby cleaning the balance sheet without impacting the Company's profitability.
- Reviewed the overall asset quality against budgeted targets to ensure strategic alignment with the Company's long-term financial health.

Policy and Delegated Authority (DA) Revisions

- Approved comprehensive revisions to Delegated Authority limits to enhance operational efficiency and accelerate facility approval turnaround times.
- Instructed a formal restructuring of credit streams and settlement terms to ensure greater transparency and institutional accountability.
- Revised product guidelines for high-risk segments to better align with evolving market dynamics and maintain competitive positioning.

Strategic Recoveries and Legal Actions

- Established a collaborative framework with the parent bank's recovery team to prioritise the regularisation of high-value irregular facilities.
- Implemented the use of court-sanctioned consent motions to mandate disciplined repayment track records prior to reclassifying facilities as performing.
- Oversaw recovery actions, including the enforcement and realisation of security and where appropriate conducted a root-cause analysis of legacy defaults, identifying systemic issues such as collateral due diligence deficiencies and lack of immediate recovery tools for formal documentation.

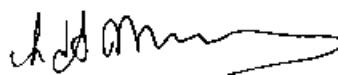
New Product and Business Development

- Evaluated and recommended the relaunch of bundled credit products featuring revolving options to better serve the needs of primary clients and their families.
- Reviewed and facilitated the progress of staff-related credit schemes, ensuring alignment with internal governance and human resource frameworks.
- Approved comprehensive business targets and marketing strategies aimed at reactivating distribution networks and increasing brand visibility.

Monitoring and Control

- Mandated the inclusion of formal written justifications for all facilities classified with elevated risk profiles to ensure strict adherence to credit evaluation best practices.
- Directed the development of a comprehensive strategic plan to manage high-volume recovery segments and optimise resource allocation.

Looking ahead, the Committee remains committed to enhancing the robustness of the Company's credit governance framework and ensuring resilience in credit risk management.



L H Munasinghe
Chairman
Board Credit Committee

April 23, 2026

BOARD INFORMATION TECHNOLOGY COMMITTEE REPORT

The Board Information Technology Committee (BITC) is responsible for overseeing the Company’s technology strategy, Information Security, governance, digital transformation, and IT risk management. The Committee ensures that technology initiatives are aligned with CBC Finance PLC’s strategic objectives and comply with regulatory requirements, particularly those issued by the Central Bank of Sri Lanka (CBSL).

Committee Composition

As at December 31, 2025, the Committee comprised the following members:

Mr L H Munasinghe	Chairman, Non-Independent, Non-Executive Director (Appointed as Chairman: October 01, 2024)
Mr D M D S S Bandara	Independent, Non-Executive Director (Appointed: October 29, 2021)
Mrs S C De S Wickremasekera	Independent, Non-Executive Director (Appointed: October 01, 2024)
Mr D J D P Hettiarachchi	Acting CEO/Executive Director (Appointed w.e.f. October 01, 2025)
Mr G A J C S Fernando	Chief Executive Officer/Managing Director (Served: October 01, 2023 – September 30, 2025)

The Committee convened five meetings during the year to review progress on the IT roadmap and digital strategy.

Key Focus Areas in 2025

Technology Governance and Strategy

The Committee emphasised structured accountability by implementing a comprehensive Action Tracker to systematically monitor all action items. A significant milestone was the formal approval and signing of a Service Level Agreement (SLA) with the parent company for shared IT services, provided to the Company free of charge. To address resourcing challenges,

the Committee directed the strengthening of internal IT capacity through the planned appointment of a dedicated Project Manager and additional software developers.

Information Security and Regulatory Compliance

The Committee reviewed and approved Version 1.9 of the Information Security Policy (ISP), incorporating critical updates for Data Classification, Incident Management, and Privileged Access Management (PAM). Regarding the CISO function, the Committee initiated a secondment strategy involving the parent company’s CISO team to ensure robust oversight of both Bank-hosted and standalone systems, with the formalisation process currently ongoing. Regulatory compliance was further supported through the successful completion of the annual Disaster Recovery (DR) drill as planned and the initiation of a comprehensive IS Audit by Messrs. Ernst & Young, which is currently underway.

Digital Transformation and Product Development

In line with the Company’s digital roadmap, the Committee granted finalised approvals for several key initiatives:

Core System Enhancements-

Approval was granted to enable the EFT license in the core ICBS system, establishing the 24x7 operational foundation required for digital banking services.

Debit Card Implementation-

The introduction of VISA Debit Cards was approved, following a cost-effective proposal from the Bank’s Digital Banking Unit that included significant fee waivers.

Loan Origination System (LOS)-

The Committee approved the implementation of a customised LOS with Orysys Limited (formerly CBC Tech Solutions Limited), which includes mobile tablet integration to automate customer onboarding and enhance field productivity.

Mobile Application-


A strategic “Way Forward Plan” was finalised to leverage the parent company’s “Flash” digital platform architecture for an independent, branded mobile application tailored to NBFI requirements.

IT Infrastructure and Resilience

The Committee oversaw the deployment of internally developed systems that have significantly enhanced operational efficiency. These include InfoHub, providing field staff with instant customer data retrieval, and a real-time Management Dashboard for monitoring portfolio performance. Furthermore, the Committee monitored the completion of the PAM project and the implementation of Data Loss Prevention (DLP) rules within the email solution to safeguard critical data assets.

Looking Ahead

In 2026, the Committee will focus on the live launch of the CBCF Mobile Application and the VISA Debit Card product. Efforts will continue towards finalising the LOS project and the version update of the Quotation Module to further modernise the credit process. The Committee remains committed to ensuring that technology is a key enabler of CBC Finance PLC's innovation, growth, and risk resilience in an increasingly digital financial landscape.



L H Munasinghe

Chairman
Board Information Technology Committee

April 23, 2026

MANAGING RISK

Risk Management Framework Overview

Risk management is integral to CBC Finance’s business model and decision-making processes, enabling the Company to achieve its strategic objectives while maintaining financial soundness and operational resilience. The Company has established an integrated risk management framework aligned with regulatory expectations of the Central Bank of Sri Lanka (CBSL), the Colombo Stock Exchange Listing Rules and internationally accepted best practices, including principles issued by the Basel Committee on Banking Supervision.

The framework supports the systematic identification, assessment, monitoring, and mitigation of risks across all business lines, ensuring that risk exposures remain within the Board-approved risk appetite. Effective risk management also supports sustainable earnings, capital efficiency, and stakeholder confidence, thereby contributing to long-term value creation.

To support its oversight responsibilities, the Board has established a structured risk governance framework comprising Board and Management-level committees:

Committee	Key Objectives
Board Integrated Risk Management Committee (BIRMC)	Assists the Board in overseeing the risk management framework and ensuring alignment with the approved risk appetite.
Board Credit Committee (BCC)	Approves high-value credit exposures and oversees credit risk management processes.
Board Audit Committee (BAC)	Oversees financial reporting, internal controls, compliance and internal audit functions.
Executive Integrated Risk Management Committee (EIRMC)	Monitors and evaluates risk exposures and management actions across key risk areas in accordance with the BIRMC guidelines.
Executive Credit Committee (ECC)	Reviews and approves credit proposals within delegated authority.
Asset Liability Committee (ALCO)	Optimises financial resources and manages liquidity, funding and market risks.
IT Steering Committee (ITSC)	Oversees technology strategy and IT-related risks.

As a fully owned subsidiary of Commercial Bank of Ceylon PLC, CBC Finance aligns its risk management practices with Group-level policies, with the Bank’s risk management framework serving as the apex policy.

Operating in a competitive and risk-intensive financial services environment, CBC Finance adopts a proactive and disciplined approach to risk management, supported by advances in risk analytics, systems, and data capabilities. This enables the Company to respond effectively to evolving market conditions while maintaining prudent risk-taking practices.

Risk Governance and Management Structure

The Board of Directors holds ultimate responsibility for overseeing the Company’s risk management framework. This includes setting the risk appetite, approving key risk policies, and ensuring that an effective system of internal control is in place. The internal control system is designed to provide reasonable assurance regarding the achievement of business objectives, the reliability of financial reporting, and compliance with applicable laws and regulations.

Risk Management Objectives:

The main objectives of risk management in the Company are:

1. Establishing a process for identifying, measuring, monitoring, analysing, documenting and reporting all the current and future risks to the Management and the Board of Directors.
2. Disaggregating risks to identify trends and emerging exposures.
3. Adopting necessary tools, controls and strategies for managing and mitigating the identified risks, enhancing transparency and accountability to protect earnings and economic value of assets and liabilities for ensuring financial soundness and protection of the Company's reputation.
4. Defining and documenting the overall risk appetite and the corresponding tolerance levels for each risk type and implementing processes to ensure that these limits are not breached.
5. Ensuring efficient capital allocation and availability of comfortable liquidity at optimum cost to support the business activities and future expansion.
6. Acting as a restraint against excessive risk-taking, thereby promoting sustainable growth of the Company through prudent risk management.
7. Inculcate a risk awareness culture and understanding of risks involved in carrying out the Company's business activities across the entire organisation to manage risks effectively.
8. Establishing KPIs designed to drive functional and business unit behaviour in alignment with the Company strategy and rewarding effective articulation and management of critical risks.
9. Identifying gaps in the management of risks based on changes in Company objectives, strategies and the operating environment and ongoing monitoring, communication and review.
10. Ensuring compliance with applicable laws, rules and regulations through adopting best practices and fostering a culture of good governance and ethical conduct.

Risk Management Overview in 2025

During 2025, the Company continued to operate in a gradually stabilising yet still challenging economic environment, with improved credit conditions and lower inflation supporting portfolio performance. As a fast growing medium-sized Non-Bank Financial Institution, the Company maintained a prudent and forward-looking approach to risk management to safeguard its financial strength and ensure sustainable growth.

Integrated Risk Management Department (IRMD)

The Integrated Risk Management Department (IRMD) plays a central role in overseeing and managing the Company's overall risk profile, supporting business growth while ensuring that risks are maintained within acceptable thresholds. As the Company continues its growth trajectory, IRMD remains responsible for identifying, monitoring and mitigating the elevated risks that accompany such expansion, achieved through the continuous enhancement of risk management tools, frameworks and resources at its disposal.

The Department adopts a structured and disciplined approach to risk management through regular risk-control self-assessments, ongoing evaluation of risk management processes and tools, and close monitoring of Key Risk Indicators (KRIs), while ensuring strict compliance with applicable laws, regulatory requirements and internal controls across all operations.

During the year, improvements in portfolio quality were driven by a strategic shift towards asset-backed lending, particularly movable asset-based products such as vehicle leasing (including two- and three-wheelers), vehicle loans and motor draft facilities, supported by strengthened pre-approval credit screening and enhanced post-disbursement monitoring. In parallel, the expansion of property and other security-backed facilities since 2022 has enabled the Company to grow its lending portfolio with a stronger risk profile, resulting in a marked improvement over the legacy (pre-2022) portfolio.

Key Risk Management Initiatives Adopted in 2025

To further improve the risk management framework in the Company, the following initiatives were implemented during the year.

1. Introduced a Stress Testing Policy and commenced Stress Testing:

The Company commenced 'Stress Testing' covering multiple stresses and scenarios to assess the Company's resilience to withstand 'shocks/financial strains' and their impact on credit, liquidity, profitability and capital adequacy.

2. Loan Review Mechanism (LRM) process:

A structured LRM process was introduced by strengthening the human resources in the IRMD. The LRM process shall review a minimum of 30% of the lending portfolio of each branch.

3. Enhanced Operational Risk Monitoring:

Improved systems were introduced to capture and analyse Operational risk incidents, supporting timely mitigation and prevention.

Risk Management Approach and Governance

CBC Finance’s risk management approach is supported by an Integrated Risk Management Framework (IRMF) that is aligned with CBSL guidelines and follows the ‘Three Lines of Defence’ model. This structured framework clearly defines the roles and responsibilities of various departments within the Company, ensuring coordinated efforts to strengthen overall risk management effectiveness. It covers all categories of risk exposures and is reinforced by strong organisational structures, systems, processes, procedures and industry best practices. The IRMF enables the proactive identification and management of potential risks, losses and uncertainties faced by the Company, thereby ensuring a resilient risk management approach consistent with international standards.

The IRMF is regularly reviewed to ensure its relevance and responsiveness to changes in regulatory requirements and operating environment.

Risk governance at the Company is designed to ensure prudent risk taking within the defined risk appetite limits whilst adhering to regulatory directions and the Company’s business objectives. To effectively facilitate risk governance, a structured organisational framework is in place to maintain high standards of governance in risk-related decision-making which includes committees, regulations, processes and mechanisms that guide risk-related activities. The primary objective of risk governance is to foster a robust risk culture to effectively oversee and manage risks across the organisation.

The implementation of the ‘Three Lines of Defence’ model has enhanced the risk culture of the Company with clear accountability at every level. The Board of Directors plays a pivotal role in establishing a strong governance framework that integrates corporate governance best practices with risk management principles. This governance structure encompasses Board committees, executive functions, and empowered committees, ensuring accountability for risk management across all levels of the organisation. Decision-making in risk management is supported through various risk management committees, ensuring an integrated and cohesive approach that aligns with CBC Finance’s strategic objectives and risk management goals.

Risk Management Model of the CBC Finance

First Line of Defence Strategic Business Units	Second Line of Defence Risk Management & Compliance functions	Third Line of Defence Audit function
<p>Department Heads / Branch Managers</p> <ul style="list-style-type: none"> • Takes ownership of and manages risks directly associated with daily operations. • Assesses risks using informed judgment, ensuring they align with the Company’s risk appetite and policies. • Implements robust internal controls and fosters a culture of risk awareness throughout the organisation. 	<p>Risk Management Department / Compliance Department</p> <ul style="list-style-type: none"> • Independently oversees the implementation of the risk management framework. • Promotes a culture of heightened risk awareness across all departments and ensures adherence to established risk management policies. • Develop and maintain a risk management policy framework. 	<p>Internal Audit / External Audit</p> <ul style="list-style-type: none"> • Includes internal audit, external audit, and regulatory reviews to provide objective assurance to the Board regarding the effectiveness of the First and Second Lines of Defence. • Upholds rigorous governance and control standards. • Delivers timely reports of findings to Management and the Board Audit Committee, supporting informed decision making processes.

First Line of Defence:

At CBC Finance, the first line of defence comprises the strategic business units supported by centralised support functions. These units engage in various activities that expose the Company to diverse risks, managed through clearly-documented procedures, internal controls, and limits approved by the Board. Front-office and back-office teams diligently execute their responsibilities in alignment with regulatory requirements and approved internal policies, procedures and controls. These functions not only identify emerging risks and control gaps, but also nurture a culture of risk awareness, thereby enhancing overall risk management practices across the organisation.

Second Line of Defence:

The second line of defence includes the Executive Integrated Risk Management Committee (EIRMC), the Risk Management Department and the Compliance Department. This line plays a critical role in the effective oversight and management of risk, ensuring that risk-taking remains within the defined risk appetite. The EIRMC oversees the identification and assessment of primary and emerging risks, events, and outcomes that could significantly impact profitability and reputation. The Committee oversees the implementation of appropriate controls and provide regular updates to the Board of Directors through the Board Integrated Risk Management Committee (BIRMC).

The Compliance Department serves a crucial function by coordinating risk management processes and embedding sound risk management and internal control systems across the organisation. It provides assurance to the EIRMC and the Audit Committee on regulatory compliance and risk appetite and tolerance levels. Additionally, they establish robust policies, processes, and procedures to ensure compliance with regulations issued by the Central Bank of Sri Lanka (CBSL) and other relevant regulatory bodies.

Third Line of Defence:

The third line of defence consists of internal and external audit functions, providing independent assurance on the effectiveness of controls and governance processes. Internal auditors provide independent assurance through regular reporting to the Board Audit Committee. The Board Audit Committee thoroughly assesses financial reporting, evaluates the effectiveness of internal controls, and monitors the Company’s adherence to statutory and regulatory requirements, including the established code of conduct.

The collaboration among these three lines of defence at CBC Finance ensures a robust risk management framework where risks are systematically identified, evaluated, and addressed throughout the organisation. This multi-layered approach enhances risk mitigation, promotes regulatory compliance, fortifies the control environment, instills stakeholder confidence, and fosters sustainable growth.

Risk Management Process

The risk management process enables risk identification, assessment, evaluation, and control. This approach ensures proactive risk mitigation and informed decision-making throughout the Organisation.



Risk Identification

The process of identifying potential risks involves regular interactions with all the departments and the business lines across the Company to assess risks that may arise from the Company’s business activities and transactions. The Risk Department and the Senior Management continuously monitor the macroeconomic, market, technological and regulatory developments to identify external risks that could affect the Company.

Risk Assessment

The risk assessment process is a structured approach to measure the potential impact and likelihood of a risk materialising. The process involves data gathering and analysis relating to external and internal fraud, operational process lapses and gaps, evaluating IT system vulnerabilities and failures and monitoring market conditions. At CBC Finance, the following key elements of the risk assessment process are considered during the risk assessment:

– **Risk Appetite Evaluation:**

The Company’s risk appetite is measured using both qualitative and quantitative parameters and these parameters are evaluated from time to time and adjusted to reflect the vulnerabilities in the market and the macroeconomic conditions the Company is confronted with.

– **Gathering and Analysing Data on External and Internal Fraud:**

CBC Finance diligently collects and analyses data related to external and internal fraud incidents. This includes investigating the underlying reasons behind such frauds and assessing the conduct and control-related issues of the staff involved. By understanding the root causes of fraud, the Company can implement appropriate measures to mitigate the risk of future occurrences.

– **Regular Review of Operational Processes:**

CBC Finance reviews its operational processes to identify any potential gaps or weaknesses. This allows for the timely detection and rectification of operational risks, ensuring that processes are efficient, effective, and aligned with industry best practices.

– **Analysis and Review of IT System Failures and Vulnerabilities:**

CBC Finance pays close attention to IT system failures, such as system outages, power disruptions, and malfunctions in CCTV and alarm systems. These evaluations help identify vulnerabilities and weaknesses in the IT infrastructure. Additionally, physical controls, access controls, and network vulnerabilities are evaluated to ensure the reliability and security of the IT systems.

– **Review of Market Conditions:**

CBC Finance recognises the impact of ever-changing market conditions on its operations. Accordingly, regular reviews of market conditions and trends are conducted to assess potential risks arising from market dynamics and enable proactive decision-making and the implementation of appropriate risk management strategies to mitigate possible adverse effects.

Key Risk Indicators (KRIs)

Key Risk Indicators (KRIs) serve as early warning signals for CBC Finance by highlighting potential adverse events or threshold breaches that could impact the Company. KRIs are developed based on identified key risk areas and are regularly monitored to detect emerging risks and support timely management action.

Risk Appetite and Tolerance Limits

Risk appetite at CBC Finance refers to the amount and type of risk the Company is willing to accept in pursuit of its strategic objectives. In support of business decision-making, CBC Finance utilises appropriate metrics to measure risk appetite, ensuring alignment with strategic priorities and regulatory requirements. Risk tolerance limits, on the other hand, define the maximum level of risk the Company is prepared to tolerate. These limits are established at the enterprise level, covering key risk areas such as credit and funding, and are continuously monitored against actual exposure levels to minimise the likelihood of regulatory breaches while enabling the Company to capitalise on business opportunities.

Risk Control & Mitigation

Risk control and mitigation involve implementation of policies, procedures and control mechanisms designed to avoid, minimise, transfer or manage risks effectively. These measures may also extend to risk transfer and risk financing arrangements. CBC Finance adopts four key risk mitigation strategies: acceptance, avoidance, limitation and transference.

- **Risk Acceptance:** Risk acceptance involves evaluating risk-return trade-offs and considering the costs and benefits of alternative risk management options such as avoidance or limitation, before assuming certain categories of risk, including credit risk. Examples include established credit approval procedures, pre-disbursement controls, and approval processes relating to borrowings.
- **Risk Avoidance:** Risk avoidance refers to the deliberate decision to eliminate exposure to a particular risk. For example, declining credit facilities that do not meet predefined approval criteria represents a form of risk avoidance.
- **Risk Limitation:** Risk limitation involves reducing exposure to risk through specific control measures. This approach enables the Company to manage risks within acceptable levels while limiting excessive exposure. Examples include setting transaction-level limits based on size or duration and establishing single borrower limits to control aggregate exposure assumed by the Company.
- **Risk Transference:** Risk transference entails transferring risk to a willing third party. Common methods include outsourcing certain activities to external service providers and obtaining insurance coverage to mitigate potential financial losses.

Identifying and categorising types of risk

To facilitate the process of effective risk identification and assessment, CBC Finance employs a structured risk categorisation framework to classify the various risks faced by the Company. These categories enable a structured approach to understanding and addressing the risks that may affect the achievement of the Company’s objectives. The following risk categories have been established at CBC Finance:

Credit Risk

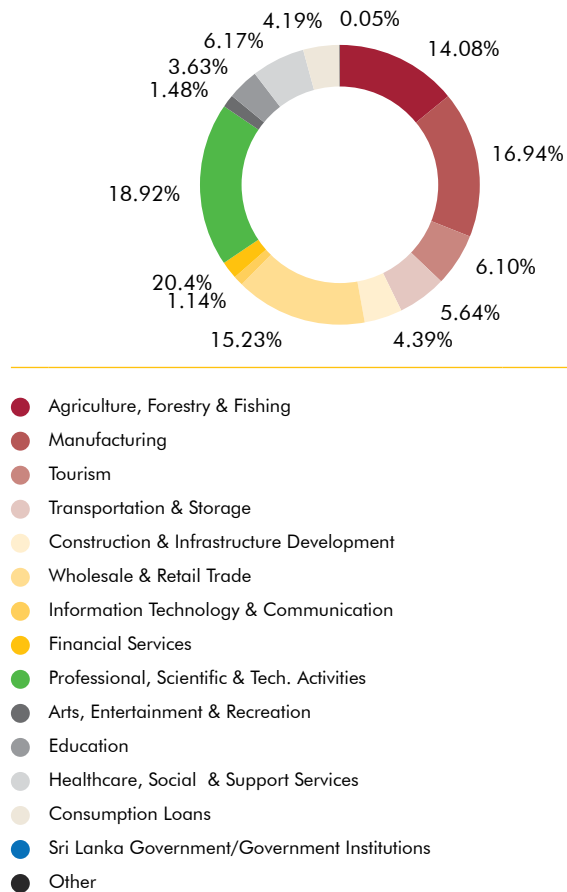
Credit risk remains a key focus area for the Company, reflecting the potential for losses resulting from borrower or counterparty defaults on contractual obligations. In response, the Company is committed to maintaining a high-quality lending portfolio by operating within its defined risk appetite and proactively managing non-performing loans in line with industry standards.

The Company’s strong credit risk management framework is anchored by its Credit Policy, which is approved by the Board of Directors. This framework provides the fundamental guidance for all lending activities and is supported by comprehensive guidelines and circulars that govern lending responsibilities. Periodic reviews of the Credit Policy and Lending Guidelines ensure they remain aligned with the evolving financial landscape, enabling the Company to effectively achieve its business objectives.

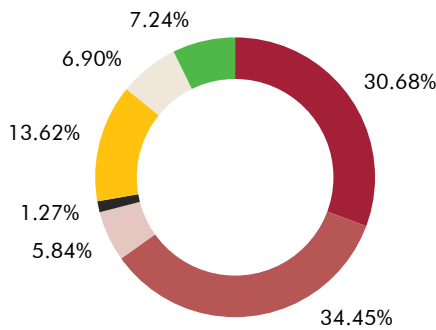
During the year 2025, the macroeconomic conditions remained relatively stable compared to the previous year. Market interest rates remained stable with low inflation coupled with improved affordability of the general public supported credit growth as well as improved recoveries of problem advances. Against this backdrop, the Company continued to adapt to the evolving operating environment through proactive measures such as close monitoring of credit facilities under stress, intensifying recovery initiatives, enhancing scrutiny in credit assessments, rationalising credit exposures through thorough analysis and initiating post-sanction monitoring and recovery efforts. Early Warning Signals (EWS) systems were employed to identify stressed borrowers at an early stage, enabling timely intervention to mitigate potential credit risks.

In tandem with the comprehensive credit risk management framework guiding the Company in managing both new and existing exposures, the Company exercises prudence in customer, product, industry, segment and geographic selection. Continuous monitoring of loan age analysis and movement across overdue loan categories allows the Company to take timely action, effectively mitigating default risks.

Industry Sectorwise distribution of Lending Portfolio (%)



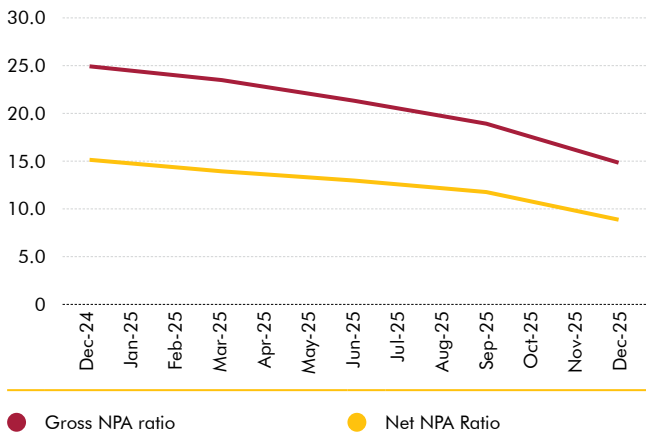
Product Mix - December 31, 2025 (%)



- Lease and Vehicle Loans (Excl. 2Wheel and 3Wheel)
- Motor Drafts
- Three Wheel Lease
- Two Wheel Lease
- Gold Loans
- Property Mortgage backed Loans
- Others

Non-Performing Advances - Trend Analysis

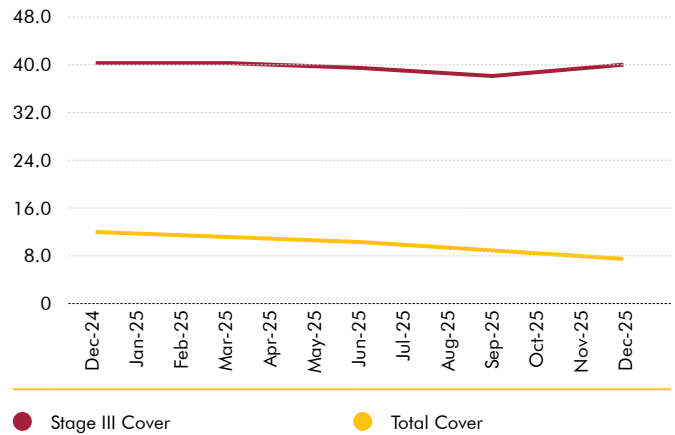
(December 31, 2024 to December 31, 2025) (%)



- Gross NPA ratio
- Net NPA Ratio

Impairment Cover

(December 31, 2024 to December 31, 2025) (%)



- Stage III Cover
- Total Cover

Operational Risk

Operational risk represents a key risk area for CBC Finance’s business operations, referring to the potential for losses arising from inadequate or failed internal processes, system breakdowns, human error, and external events, including legal risks. The effective management of operational risk is essential to the Company’s continued stability and operations and requires the implementation of strong controls and mitigation practices.

The governance of operational risk at CBC Finance is structured around the Three Lines of Defence model, designed to protect the Company, its customers and shareholders from financial loss and reputational harm. This framework promotes transparency, accountability, and a clear segregation of responsibilities across the risk management structure.

CBC Finance has established an Operational Risk Management Policy in line with regulatory requirements, which clearly outlines the roles and responsibilities of each function in managing operational risk. Operational loss incidents are systematically identified, recorded, and monitored to support effective risk oversight.

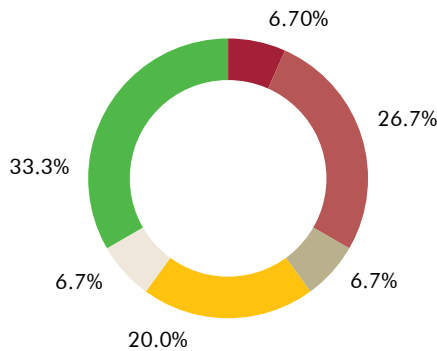
Operational risk events can result in significant losses, with consequences extending beyond financial impact to potentially affect the Company’s overall business continuity and reputation. Key challenges in managing operational risk include establishing appropriate risk parameters, handling large volumes of data and complex processes, and achieving a comprehensive, enterprise-wide risk perspective. Board-approved manuals provide extensive coverage of all organisational processes, ensuring proper documentation and consistent adherence to established operational standards.

In addition to internal risk management measures, CBC Finance adopts risk transfer mechanisms to further reduce operational risk exposure. This includes maintaining insurance coverage against events such as fire, natural disasters, theft, robbery, and fraud. The Risk Management and Insurance functions work in coordination to ensure the adequacy of insurance coverage and to verify that appropriate controls are in place prior to outsourcing activities.

Incident Reporting and Investigation Procedures

Incident reporting and investigation procedures have been implemented to promptly identify, report and address operational incidents. This proactive approach helps ensure that potential incidents are swiftly identified, appropriately assessed, and effectively mitigated to minimise their impact on operations.

Operational risk incidents – type of incident (%)



- Internal Frauds
- External Frauds
- Employment Practices & Work Place Safety
- Clients, Products & Business Practices
- Damage to Physical Assets
- Business Disruption & System Failures
- Execution, Delivery & Process Management

Business Continuity Plans:

CBC Finance maintains Business Continuity Plans (BCPs) to ensure continuity of critical operations during disruptions. Enhancements included conducting regular BCP testing and simulations to validate effectiveness and identify areas for improvement, establishing redundant systems and alternative work arrangements to minimise disruptions

during emergencies or unforeseen events and collaborating closely with key vendors and partners to ensure that their BCP frameworks are aligned with CBC Finance’s continuity objectives and expectations.

Continuous Monitoring and Review of Operational Processes:

CBC Finance engages in continuous monitoring and review of operational processes, systems, and controls to identify gaps, operational inefficiencies and improvement opportunities.

Regular Review and Update of Operational Risk Policies: CBC Finance regularly reviews and updates its operational risk policies and frameworks to align with evolving industry practices and regulatory requirements.

Market Risk

Market risk at CBC Finance encompasses the potential losses arising mainly from on-balance sheet positions. This includes risks such as Interest Rate Risk (IRR), Equity Price Risk and Commodity Price Risk. Managing market risk effectively is crucial for CBC Finance to protect its financial positions and ensure stability.

The Asset and Liability Management Committee (ALCO) assumes a central role in overseeing market risk management at CBC Finance, particularly focusing on interest rate, liquidity, and equity price risks. To guide these efforts, CBC Finance has established robust risk management policies, including the Market Risk Management Policy and the Asset and Liability Management Policy. These policies provide a structured framework for identifying, assessing, and mitigating various market risks.

The Integrated Risk Management Department and Finance Department collaborate closely to develop and implement effective market risk management strategies. They define guidelines for risk measurement methodologies, establish risk limits and implement appropriate risk management techniques. This collaborative approach ensures consistency and coherence across all aspects of market risk management within the organisation.

CBC Finance remains particularly sensitive to fluctuations in market interest rates, which can significantly impact its net interest income and net interest margin. The Company’s exposure to interest rate risk primarily arises from its borrowing activities, which predominantly consist of floating-rate borrowings. Despite a relatively low proportion of floating-rate lending facilities, CBC Finance manages repricing risk stemming from differences in interest rate adjustment

frequencies between its borrowing and lending portfolios. Additionally, unexpected shifts in the market yield curve could further amplify the Company’s exposure to interest rate fluctuations. Therefore, the Market Risk Management Policy guides comprehensive measures to proactively manage these risks, ensuring CBC Finance’s financial stability amid market uncertainties.

Liquidity Risk

At CBC Finance, managing liquidity risk is pivotal to ensuring the Company’s ability to meet financial obligations promptly, regardless of market conditions. The Company aims to optimise liquidity to safeguard against unacceptable losses and maintain financial resilience.

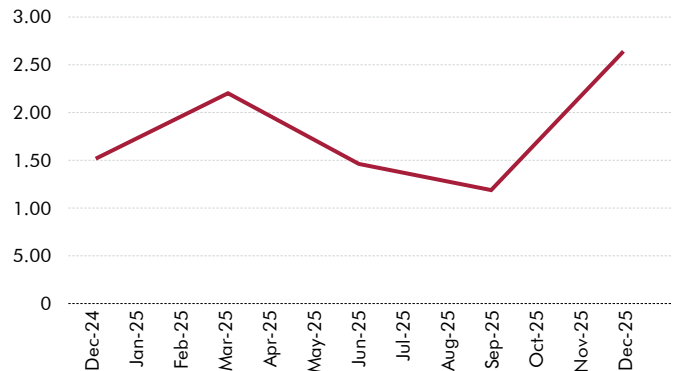
The Company’s approach to liquidity management emphasises maintaining sufficient liquidity to support business operations and accommodate growth while minimising funding costs. The Asset and Liability Management Committee (ALCO) oversees this process, analysing and monitoring liquidity risk across market cycles. The Company maintains statutory liquid asset ratios and adheres strictly to the Asset and Liability Management Policy to manage daily liquidity risk effectively.

Monitoring liquidity risk involves assessing key indicators such as the liquid asset ratio, conducting maturity gap analyses and evaluating funding concentrations. These assessments are an integral part of the monthly ALCO meetings, where liquidity risk management remains a priority agenda item. ALCO ensures robust liquidity management through strategies that attract deposits at competitive rates and secure low-cost funding, balancing the lending and borrowing portfolios to mitigate maturity mismatches.

Given the dynamic economic landscape, forecasting cash flows under various stress scenarios is essential. This proactive approach enables us to closely monitor liquidity positions and adjust strategies as needed. By diligently managing liquidity risk and anticipating potential stressors, CBC Finance protects its financial stability and enhances its value proposition to stakeholders.

Liquid Asset Ratio

(December 31, 2024 to December 31, 2025) (Times)



Information Technology/Cyber Risk

Cyber risk refers to the potential for financial loss, disruption, or damage to an Organisation caused by issues with the information technology systems used in business operations. While cyber risks can have significant consequences for an Organisation, they most commonly arise due to operational lapses. The high level of the Company’s digital footprint entails a heightened Information Technology and cyber risks including system disruptions, data security, cybersecurity and vulnerabilities associated with third-party IT service providers.

CBC Finance has given high priority to managing IT and cyber risks and continues to strengthen its cybersecurity strategies to protect both the Company and its customers from evolving cyber threats. CBC Finance’s cybersecurity strategy is focused on securely enabling new technology and business initiatives while maintaining a persistent focus on protecting critical systems and information assets of the Company.

To mitigate cybersecurity risks, the Company conducts regular IT audits to identify and address potential vulnerabilities. The outcomes of these audits support continuous enhancements to the existing IT infrastructure. A Board-approved Business Continuity Plan (BCP), which incorporates Disaster Recovery (DR) arrangements, is in place. In addition, the Company conducts periodic testing of its Disaster Recovery capabilities to evaluate effectiveness and preparedness.

Reputational Risk

Reputational risk encompasses the potential harm to CBC Finance's reputation arising from events that negatively affect stakeholder confidence, including negative publicity related to business practices, conduct or financial stability. Such adverse publicity, whether justified or otherwise, has the potential to erode public trust in CBC Finance, leading to legal challenges, diminished customer loyalty, and reduced business opportunities. In the financial sector, effective reputational risk management involves proactive forecasting and evaluation of potential reputational risks, coupled with the implementation of strategies to mitigate their impact. This comprehensive approach enables financial institutions to actively shape public perceptions of their products, services, and brand, thereby fostering trust and confidence among stakeholders.

The reputational risk management process adopted by CBC Finance encompasses the identification, assessment, control, monitoring and reporting of reputational risks. Through this structured approach, CBC Finance aims to safeguard its reputation and uphold its commitment to transparency, integrity and customer satisfaction. The Reputational Risk Management Policy serves as a guiding framework for these efforts, ensuring diligent oversight and mitigation of reputation-related challenges.

Stress Testing and Capital Adequacy

Stress testing and scenario analysis were conducted periodically to assess the potential impact of adverse economic conditions on the Company's capital and liquidity positions. The insights derived from these exercises supported proactive decision-making and the implementation of appropriate risk mitigation strategies.

Description	Impact on CAR		
	Minor	Moderate	Severe
Credit Risk – Credit Concentration (HHI)	0.00%	0.00%	0.00%
Credit Risk – Increase in Stage 3 facilities (Non-Performing Credit facilities over the Performing Credit Facilities)	-1.05%	-3.00%	-4.22%
Credit Risk – Sensitivity analysis on the impairment provisions on Product Portfolio (Increase in Probability of Default and Loss Given Default)	-0.83%	-1.67%	-3.53%
Liquidity Risk (LKR) – Deposit Run (Withdrawal of specific 'Percentages' from the public deposits held with the company and its impact)	0.00%	-0.08%	-0.29%

The Company managed to maintain a healthy Capital Adequacy ratio well above the regulatory requirements as of 31.12.2025.

Capital Adequacy Ratio	Regulatory Minimum	Internal Minimum	Actual as of 31.12.2025
Tier 1	8.5%	9.5%	13.73%
Total	12.5%	14.0%	19.40%

Risk Governance & Risk Culture

The Company further strengthened its risk governance framework through regular risk reviews at both Management and Board levels, while continuing to promote a strong risk culture by embedding risk awareness into day-to-day operations in line with the Company's policies and risk appetite.

Key Risk Indicators of the Company

Ratio	Dec-2025	Dec-2024	Regulation/Budget 2025
Gross NPA	14.71%	24.95%	<13%
Net NPA	8.79%	13.10%	<9%
Infection Ratio	0.12%	0.25%	<1%
Stage III Cover	40.24%	40.43%	>44%
Total Cover	7.37%	11.16%	>7%
Aggregate of exposures exceeding 2.5% of capital	5.37%	15.27%	<50% of the total portfolio
Loan-to-value ratio of the Mortgage portfolio (Market value)	Below 75%	Below 75%	<=75%
Loan-to-value ratio of the Leasing Portfolio (Market value)	Below 80%	Below 80%	<=80%
Unsecured Loans to Total Loans	0.67%	7.56%	<5%
Advance to deposits & debt ratio	94%	100%	<110%
Fixed Rate: Floating Rate	100% Fixed rate	100% Fixed rate	100% Fixed rate
Single Borrower Limit	Not breached	Not Breached	Individual – 12.5% of the Core Capital Base
Debits to income statement o/a operational losses	Nil	Nil	<5% of avg. gross income for the last 3 audited years
Staff Turnover Rate (Monthly)	3.64%	5.26%	<5%
Net Interest Margin	6.64%	5.94%	>8.84%
Net Interest Spread	6.26%	4.88%	>7.3%
Financial leverage/Gearing Ratio	2.47 times	1.15 times	< 5 times
Liquid Assets ratio (times)	2.12 times	1.53 times	>1.10 times
Borrowings to Total Assets	40.21%	18.12%	<22.0%
Wholesale deposits to Total deposits ratio (%)	53.97%	51.81%	Below 60%
Top 10 Depositors to Total Deposits (%)	26.09%	29.67%	Below 40%
ROA (PBT)	2.54%	0.88%	>2.66%
ROE (PAT)	5.50%	2.01%	>9.07%
Total capital adequacy ratio	18.90%	15.37%	>12.5%
Net Advances to Total Assets	77%	80%	<84%

Company's Priorities for 2026

In order to further strengthen the integration of strategy, risk management and capital planning, the IRMD is planning to introduce the following initiatives:

1. Implementation of the ICAAP Process:

CBC Finance aims to implement the Internal Capital Adequacy Assessment Process (ICAAP), aligning strategic focus with risk management plans in a structured manner.

2. Enhancement of Risk Reporting:

Risk reporting process will be enhanced to ensure relevance, focus, and quality. This enhancement shall specifically be focused on reporting of operational risk events/incidents to provide timely and insightful information to support effective decision-making across the Company.

3. Improvement of the Risk Registry:

The Company will update and validate its Risk Registry to ensure it accurately reflects the current risk landscape and supports informed decision-making and risk mitigation efforts.

4. Strengthening IT/Cyber Risk monitoring:

Strengthening the IT/Cyber Risk function will be done through the acquisition of suitably qualified resources and capacity building of the existing resources.

5. Developing a succession plan:

Development of a succession plan across key functions within IRMD through upskilling, enhancing capacity and better alignment of accountability over time to operate a robust risk management function.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

For the twelve months ended December 31, 2025

The details set out herein provide the information required by the section 168 (1) of the Companies Act No. 7 of 2007 and recommended best accounting practice.

1. General

The Directors have pleasure in presenting to the member their Report together with the audited Financial Statements and the Audit Report thereon of CBC Finance PLC (CBCF) (formerly CBC Finance Ltd., Serendib Finance Limited and Indra Finance Limited), a limited liability company incorporated in Sri Lanka under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007 and operating as a Licensed Finance Company under the Finance Business Act No. 42 of 2011.

The Financial Statements were authorised for issue by the Directors on February 25, 2026.

2. Review of Business

2.1 Principal Activities:

The Company has obtained the license to carry on finance business as per the Finance Business Act No. 42 of 2011. The principal activities of the Company comprise finance leasing, hire purchase financing, gold financing, other credit financing, trading of leased assets and accepting public deposits.

Other than the above, there have been no significant changes in the nature of the principal activities of the Company during the twelve months period under review.

2.2 Financial Statements:

The Financial Statements of the Company have been duly certified by the Head of Finance and approved by two Directors in compliance with the requirements of the sections 151, 152 and 168 (1) (b) of the Companies Act No. 07 of 2007.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement, Significant Accounting Policies and Notes thereto have been prepared in accordance with

the requirements of the Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs) and Lanka Accounting Standards (LKASs) promulgated by The Institute of Chartered Accountants of Sri Lanka, and the provisions in the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011.

2.3 Auditors' Report:

Company's Auditors, Messrs Ernst & Young performed the audit on the Financial Statements for the twelve months period ended December 31, 2025 and the Auditors' Report on the Financial Statements is attached hereto which forms an integral part of this Report as required by Section 168 (1) (c) of the Companies Act No. 07 of 2007.

2.4 Significant Accounting Policies and Changes during the Period:

The Significant Accounting Policies adopted in the preparation of Financial Statements are presented in the notes to the financial statements as required by Section 168 (1) (d) of the Companies Act No. 07 of 2007. The changes in these accounting policies during the period under review are also disclosed therein. All other policies are consistent with those adopted in the previous financial year as required by Sri Lanka Accounting Standards.

2.5 Interests Register:

An Interests Register is maintained by the Company, as per the requirements of the Companies Act No. 07 of 2007. All Directors have made declarations as provided for in Section 192 (2) of the Companies Act aforesaid. The related entries were made in the Interests Register during the period under review. Entries were made in the Interests Register on share issuance, Directors' interest in contracts and remuneration paid to the Directors etc. The Interests Register is available for inspection as required by Section 119 (1) (d) of the Companies Act No. 07 of 2007.

2.6 Directors' Remuneration and other Benefits:

Directors' remuneration and other benefits, in respect of the Company for the twelve months period ended December 31, 2025 is given in Notes to the Financial Statements as required by section 168 (1) (f) of the Companies Act No. 07 of 2007.

2.7 Information on Directorate:

List of Directors

The Board of Directors of the Company as at December 31, 2025 was as follows:

- Mr Muhseen Mohamed Sharhan Mohamed (Chairman)
- Mr Subasinghe Mudiyanseelage Sarath Chandralal Jayasuriya
- Mr Danapala Mudiyanseelage Dimuthu Sanjeewa Senarath Bandara
- Mr Lasantha Hasrath Munasinghe
- Mr Megelheewage Pushpakumara Dharmasiri
- Mrs Sharmini Cynthia De Sayrah Wickremasekera
- Mr Don Jude Delakshan Primal Hettiarachchi

Names of the Directors, who were the Directors at any time during the twelve months ended December 31, 2025 of the Company as required by the section 168 (1) (h) of the Companies Act No. 07 of 2007 are given below:

- Mr Muhseen Mohamed Sharhan Mohamed (Chairman)
- Mr Subasinghe Mudiyanseelage Sarath Chandralal Jayasuriya

- Mr Danapala Mudiyanseelage Dimuthu Sanjeewa Senarath Bandara
- Mr Lasantha Hasrath Munasinghe
- Mr Megelheewage Pushpakumara Dharmasiri
- Mrs Sharmini Cynthia De Sayrah Wickremasekera

New Appointments and Resignations:

New Appointments

- Mr Don Jude Delakshan Primal Hettiarachchi (Appointed on September 11, 2025)

Resignations

- Mr Gardiyawasan Albratulage Jagath Chamilantha Sampath Fernando (Resigned on September 30, 2025)

2.8 Gross Income:

The income of the Company for the twelve months period ended December 31, 2025 was LKR 3,718 Mn. An analysis of the income is given in Notes to the Financial Statements attached hereto.

3. Dividends and Reserves:

3.1 Profit and Appropriations

The details of profit of the Company are given below.

For the period ended 31 December	12 months period ended December 31, 2025 LKR '000	12 months period ended December 31, 2024 LKR '000	12 months period ended December 31, 2023 LKR '000	12 Months period ended December 31, 2022 LKR '000
Profit/(Loss) before Tax	365,634	157,664	(320,604)	9,726
Taxation	(129,816)	(76,123)	95,427	29,857
Net other Comprehensive Income	(3,910)	(2,523)	(305)	5,846
Total Comprehensive Income after tax	231,908	79,018	(225,483)	45,429
Unappropriated Profit brought forward	(610,441)	(431,325)	(205,842)	(138,979)
Surcharge levied under Surcharge Act	-	-	-	(110,313)
Profit/(Loss) available for Appropriation	(378,533)	(352,308)	(431,325)	(203,863)
(Transfers)/reversals to/from Reserves	15,794	(258,134)	-	(1,979)
Final Dividend Paid	-	-	-	-
Unappropriated Profit/(Loss) carried forward	(362,740)	(610,441)	(431,325)	(205,842)

4. Dividends on Ordinary Shares

The Board has not declared any dividends for the twelve months period ended December 31, 2025 and financial years 2023 and 2024.

4.1 Provision for taxation

Income tax for the twelve months period ended December 31, 2025 has been provided at 30% on taxable income arising from the operations of the Company and has been disclosed in accordance with Sri Lanka Accounting Standards.

Information on income Tax Expenses and Deferred Taxes is given in respective Notes to the Financial Statements attached hereto.

4.2 Reserves

The Company's total reserves as at December 31, 2025 amounted to LKR 396 Mn. (December 31, 2024 – LKR 414 Mn.). The movement of the reserves is given in the Statement of Changes in Equity and Notes to the Financial Statements attached hereto.

5. Property, Plant and Equipment, Leasehold Property and Intangible Assets

Cumulative capital expenditure on property, plant and equipment net of accumulated depreciation is as follows;

Period	2025	2024	2023	2022	Nine months period ended December 31, 2021
	(LKR Mn.)	(LKR Mn.)	(LKR Mn.)	(LKR Mn.)	(LKR Mn.)
Property, Plant and Equipment	469.0	432.5	408.5	316.8	276

Details are given in relevant notes to the financial statements.

6. Market value of freehold properties

The value of freehold properties owned by the Company as at December 31, 2025 is included in the financial statements at LKR 249.6 Mn. (December 31, 2024 – LKR 249.6 Mn.). Latest Revaluation of the Company's freehold properties was carried out as of December 31, 2023, and Directors are of the opinion that the carrying value of properties is more fully in line with the current market values.

Details of these are given in relevant Notes to the Financial Statements attached hereto.

7. Stated Capital

The stated capital of the Company as at December 31, 2025 was LKR 4,255 Mn. comprising 293 Mn. ordinary shares (December 31, 2024 – LKR 3,255 Mn., comprising 221.7 Mn. ordinary shares). The details of the stated capital are given in relevant Notes to the financial statements attached hereto.

8. Share Information

Details of share-related information are given in relevant notes and information relating to earnings and dividends per share is given in respective notes to the financial statements attached hereto.

8.1 Issue of Shares

During the twelve-month period ended December 31, 2025, the Company completed two tranches of share issuances, totaling 71,315,291 shares for an aggregate consideration of LKR 999,999,987.76.

- First Tranche (January 8, 2025): Issuance of 36,496,350 shares for a total consideration of LKR 499,999,995.
- Second Tranche (October 23, 2025): Issuance of 34,818,941 shares for a total consideration of LKR 499,999,992.76.

9. Substantial Shareholding

All the shares of the Company are owned by Commercial Bank of Ceylon PLC.

9.1 Equitable Treatment to all Stakeholders

We value the patronage of all our stakeholders and the Company has made all endeavours to ensure equitable treatment to all of them.

10. Directors

10.1 Information on Directors

The names of the persons who were Directors of the Company at any time during the twelve months period ended December 31, 2025 are given in section 2.7 of this Report.

10.2 Board subcommittees

Information with regard to Board subcommittees is as follows.

<p>Board Audit Committee:</p> <ul style="list-style-type: none"> • Mr Subasinghe Mudiyanseelage Sarath Chandralal Jayasuriya (Chairman) appointed with effect from July 01, 2022 • Mr Danapala Mudiyanseelage Dimuthu Sanjeewa Senarath Bandara • Mr M P Dharmasiri • Mrs Sharmini Cynthia De Sayrah Wickremasekera 	<p>Board Integrated Risk Management Committee:</p> <ul style="list-style-type: none"> • Mrs Sharmini Cynthia De Sayrah Wickremasekera – appointed as the Chairperson w.e.f. October 01, 2024 • Mr Subasinghe Mudiyanseelage Sarath Chandralal Jayasuriya • Mr Danapala Mudiyanseelage Dimuthu Sanjeewa Senarath Bandara • Mr M P Dharmasiri
<p>Board Credit Committee:</p> <ul style="list-style-type: none"> • Mr Lasantha Hasrath Munasinghe (Chairman) appointed w.e.f. February 17, 2023 • Mr Subasinghe Mudiyanseelage Sarath Chandralal Jayasuriya • Mr Danapala Mudiyanseelage Dimuthu Sanjeewa Senarath Bandara • Mrs Sharmini Cynthia De Sayrah Wickremasekera 	<p>Board Nominations Committee:</p> <ul style="list-style-type: none"> • Mr Subasinghe Mudiyanseelage Sarath Chandralal Jayasuriya – appointed as the chairman w.e.f. February 01, 2023 • Mr Muhseen Mohamed Sharhan Mohamed • Mr Danapala Mudiyanseelage Dimuthu Sanjeewa Senarath Bandara
<p>Board Human Resources and Remuneration Committee:</p> <ul style="list-style-type: none"> • Mr Subasinghe Mudiyanseelage Sarath Chandralal Jayasuriya – appointed as the chairman w.e.f. March 24, 2025) • Mr Muhseen Mohamed Sharhan Mohamed (Stepped down w.e.f. March 24, 2025) • Mr Lasantha Hasrath Munasinghe • Mrs Sharmini Cynthia De Sayrah Wickremasekera 	<p>Board Information and Technology Committee:</p> <ul style="list-style-type: none"> • Mr Lasantha Hasrath Munasinghe – appointed as the Chairman w.e.f. October 01, 2024 • Mr Dimuthu Senarath Bandara • Mrs Sharmini Cynthia De Sayrah Wickremasekera • Mr Gardiyawasan Albratulage Jagath Chamilantha Sampath Fernando (Resigned w.e.f. September 30, 2025)
<p>Board Related Party Transactions Review Committee</p> <ul style="list-style-type: none"> • Mrs Sharmini Cynthia De Sayrah Wickremasekera – Chairperson (Appointed as Chairperson w.e.f. July 25, 2024) • Mr Subasinghe Mudiyanseelage Sarath Chandralal Jayasuriya • Mr M P Dharmasiri 	

11. Disclosures of Directors' dealings in shares

11.1 Directors' Interest in Ordinary Shares

Directors did not hold any shares of the Company as at December 31, 2025.

12. Directors' interest in contracts or proposed contracts

Directors have no direct or indirect interest in any contract or proposed contract with the Company for the twelve months period ended December 31, 2025, other than those disclosed in relevant notes to the financial statements attached hereto.

13. Environmental Protection

The Directors to the best of their knowledge and belief are satisfied that the Company has not engaged in any activities, which have caused adverse effects on the environment and it has complied with the relevant environmental regulations.

14. Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to the Government and employees have been made/provided for up to date.

15. Events after the reporting date

There have been no material events that occurred after the reporting date that would require adjustments to or disclosure in the Financial Statements other than those disclosed, if any, in relevant Notes to the Financial Statements attached hereto.

16. Going Concern

The Board of Directors reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Company have been prepared based on the going concern concept.

17. Appointment of External Auditors

The Financial Statements for the period have been audited by Messrs Ernst & Young, Chartered Accountants. Accordingly, pursuant to the Section 10.2 (d)(ii) of Finance Business Act Direction No. 05 of 2021 (Corporate Governance), a resolution to re-appoint Messrs Ernst & Young as Auditors will be proposed at the Annual General Meeting.

18. Auditors' remuneration and interest in contracts with the Company

The Auditors were paid LKR 4.58 Mn. (2024 – LKR 2.21 Mn.) as audit and related fees by the Company during the period. Apart from this, the Company has engaged external Auditors for several other permitted non-audit services.

As far as the Directors are aware, the Auditors do not have any other relationship or interest in contracts with the Company.

19. Risk Management and System of Internal Controls

19.1 Risk Management

Specific steps that have been taken by the Company in managing both business risk and financial risk are detailed in managing risk chapter and the relevant disclosure Notes to the financial statements attached to this report.

19.2 System of Internal Controls

The Board of Directors has established an effective and comprehensive system of internal controls to ensure that proper controls are in place to safeguard the assets of the Company, to detect and prevent frauds and irregularities, to ensure that proper records are maintained and Financial Statements presented are reliable. Monthly management accounts are prepared, providing management with relevant, reliable and up-to-date financial statements and key performance indicators.

The Audit Committee reviews on a regular basis, the reports, policies and procedures to ensure that a comprehensive internal control framework is in place.

19.3 Audit Committee

The composition of the Audit Committee is given above in Section 10.2 of this report.

20. Corporate Governance

The Company is committed to high standards of Corporate Governance. The main corporate governance practices of the Company are in compliance with the Finance Business Act Directions No. 05 of 2021 (Corporate Governance) and subsequent amendments thereto issued by the Central Bank of Sri Lanka.

21. Human Resources

The Company continues to regard communication with its employees as a key aspect of its policies. Information is given to employees about employment matters and about the financial and economic factors affecting the Company's performance. Employees are encouraged to discuss operational and strategic issues with their line management and to make suggestions aimed at improving performance.

22. Compliance with applicable laws and regulations

To the best of our knowledge there has been no violation or possible violation of laws or regulations in any jurisdiction, the effect of which should be disclosed. There have been no irregularities involving management or employees that could have a material financial effect or otherwise.

23. Outstanding litigation

In the opinion of the Directors and in consultation with the Company's Lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or future operations of the Company.

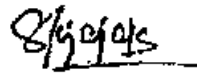
24. Notice of Meeting

The details of the Annual General Meeting are given in the Notice of Meeting.

25. Acknowledgement of the Contents of the Report

As required by section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledges the contents of the report.

For and on behalf of the Board



Director



Company Secretary

April 23, 2026

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Board of Directors ("the Board") of CBC Finance PLC ("the Company") presents this report, in compliance with Section 16.1 of the Finance Business Act Direction (Corporate Governance) No. 5 of 2021 and the Listing Rules of the Colombo Stock Exchange (CSE).

As required by Sections 148 (1) and 151 (1) of the Companies Act No. 07 of 2007, the Directors are responsible for ensuring that the Company keeps proper books of account of all the transactions and prepares Financial Statements that give a true and fair view of the Company's financial position and performance for the period.

Accordingly, the Directors have caused the Company to maintain proper books of account and review the financial reporting process through the Board and the Board Audit Committee. The Board Audit Committee Report is given on page 114 of this Report. The Financial Statements for the period ended December 31, 2025 prepared and presented in this Report are consistent with the underlying books of account. They conform with the requirements of the Companies Act, Sri Lanka Accounting Standards, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Finance Leasing Act No. 56 of 2000 and the Finance Business Act No. 42 of 2011. In accordance with Listing Rule 9.13.4, the Board has obtained and reviewed assurance from 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 Company's operations and finances. In preparing the Financial Statements exhibited on page 156 onwards, the Directors believe that they have adopted accounting policies consistently and supported by reasonable and prudent judgements and estimates.

The Directors are also responsible for ensuring that the Company maintains adequate general supervision, control and administration of the affairs and business of the Company. The Board has conducted a review of the internal controls covering financial, operational, and compliance controls and risk management and has obtained reasonable assurance regarding their effectiveness and adherence thereto. The Directors further confirm that they have 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.

The Directors and the CEO of the Company satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange. Each Director has declared all material interests in contracts involving the Company and has refrained from voting on matters in which they were materially interested. Furthermore, the Board declares that the Company has complied with the Rules pertaining to Related Party Transactions as set out in Rule 9.14.

The Company has established and maintains all mandatory policies required under Rule 9.2.1, including policies on Remuneration, Risk Management, Whistleblowing, and Anti-Bribery and Corruption, which are available on the Company's website.

To the best of their knowledge, the Directors confirm that all taxes, dues to or on behalf of employees, statutory dues and levies payable by the Company as of the balance sheet date have been paid or, where relevant, provided for. There have been no material non-compliances with laws or regulations, nor any material fines imposed by any government or regulatory authority.

The Company's External Auditors, Messrs Ernst & Young, conduct their audit in accordance with Sri Lanka Auditing Standards and, in doing so, obtain an understanding of internal controls relevant to the preparation of Financial Statements. The Board Audit Committee has obtained written assurance from the external auditors confirming their independence throughout the conduct of the audit engagement. Messrs Ernst & Young have examined the Financial Statements made available by the Board of Directors with all the financial records, related data, and the Shareholder and Directors' meeting minutes. They have expressed their opinion, which they reported on page 152 of this report.

Accordingly, the Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board.



H D U O Gunasekara
Company Secretary

February 26, 2026

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Board's Responsibility:

This Report on Internal Control has been presented under section 16.(1) (ix) of the Finance Business Act Directions No. 5 of 2021 (Corporate Governance) of the Central Bank of Sri Lanka.

The Board of Directors is responsible for the adequacy and effectiveness of the CBC Finance PLC internal control system on financial reporting. However, the internal control system is designed to manage the Company's key risk areas within an acceptable risk profile rather than to eliminate the risk of failure to achieve the Company's policies and objectives. Hence, the Company's internal control system can only provide reasonable but not absolute assurance against material misstatements of Management and financial information and records or financial losses.

The Board has established an ongoing process for identifying, evaluating and managing material risks. This process includes enhancing the system of internal control when needed in line with changes in the business environment or regulations. The Management of the Company assists the Board in implementing the policies and procedures on risk and control by identifying and assessing the risks faced and in the design, operation and monitoring of appropriate internal controls to control risks.

The process adopted by the Board in applying and reviewing the design and effectiveness of the internal control over financial reporting:

The key processes that have been established for reviewing the adequacy and integrity of the system of internal controls of financial reporting are as follows:

- The Board established various committees, including those mandatory committees as required by the Finance Business Act Directions No. 5 of 2021 (Corporate Governance) of the Central Bank of Sri Lanka and the Listing rules of the Colombo Stock Exchange. This is to assist the Board in ensuring the effectiveness of the Company's daily operations and that the Company's operations are conducted in line with the corporate objectives, strategies and annual budget, as well as the policies and business directions that have been approved.
- Policies are developed covering all functional areas of the Company, which are recommended by Board appointed Committees and approved by the Board. Such policies are reviewed and approved at least annually.
- Relevant Heads of Departments have been delegated the task of applying controls to capture their related transactions onto a defined and structured information recording system supporting financial reporting. At the same time, the Finance Department headed by the Head of Finance has been delegated to prepare the Accounts and Annual Financial Statements in line with applicable Sri Lanka Accounting Standards, other applicable regulations and industry best practices.
- The Company has reorganised and strengthened the Internal Audit Department, which is entrusted with the task of carrying out the Company's internal audit function periodically to verify compliance with policies and procedures and the effectiveness of the internal control systems and providing feedback on such reviews to the Board Audit Committee on any non-compliance and recommendations for improvements.
- The Internal Audit Department has sought confirmations from the Management on internal controls adopted in the respective processes they handled and confirmed to the Board upon testing such controls.

As a 100% owned subsidiary of Commercial Bank of Ceylon PLC, the Company is subject to audit and review by the Internal Audit Department of CBCF, in collaboration with the Inspection Department of the Bank. The Internal Audit Department is responsible for conducting regular inspections of the Company's operations to verify compliance with policies and procedures, as well as the effectiveness of internal control systems. It also provides feedback to the Board Audit Committee regarding any instances of non-compliance and offers recommendations for improvements.

In addition to onsite inspections, the Internal Audit Department of CBCF has initiated an online monitoring system to oversee CBCF's daily operations following the implementation of the ICBS. Similarly, oversight functions are also carried out by the Information Systems Audit Department and the Integrated Risk Management Department of the Bank, based on the engagement framework outlined herein.
- The Board Audit Committee of the Company, which is set up on Terms of Reference approved by the Board of Directors, meets regularly to review internal control issues identified by Internal Auditors in their periodic reviews, queries raised by the External Auditors following their statutory audit and other matters brought up by the Management. In addition, the Committee evaluates the adequacy and effectiveness of the Company's internal control systems.

- The Board Audit Committee further reviews the work of Internal Auditors on their scope and quality of audits. The Committee follows up on matters with the Management and, in turn, provides feedback to the Board on matters of concern for their deliberation and resolution.
- Other sub-committees appointed by the Board assist the Board in reviewing the effectiveness of areas relevant to such committees. This includes ensuring that related operations follow corporate objectives, policies and established procedures and would help provide feedback to the Board on any shortcomings.
- The matters highlighted by the External Auditors relating to the internal controls in the year ended December 31, 2025 were attended to, and corrective measures were initiated to rectify such concerns.
- The recommendations made by the External Auditor in the financial year ended December 31, 2025 including repeated items from 2024 in connection with the internal control system will be addressed on a priority basis

Since adopting the Sri Lanka Accounting Standard - SLFRS 09 on "Financial Instruments" on April 01, 2018, processes required to comply with the latest requirements of recognition, measurement, presentation and disclosures were introduced and implemented as necessary. Continuous monitoring is in progress, and steps are being taken to improve the processes and enhance effectiveness and efficiency.

The existing models to calculate Expected Credit Losses (ECL) are inherently complex, and judgement is applied to determine the correct construction of the models. Several critical assumptions are also used in the models, including the selection and input of forward-looking information. External consultants reviewed these models independently, and their opinions were considered for model improvements. The Company has documented the relevant processes relating to SLFRS 09 in the procedure manual which continues to be applied, whilst any necessary changes will be proposed by Management, reviewed by the BAC and submitted to the Board for approval prior to implementation.

In addition, the Company is closely monitoring the impact of the extraordinary macroeconomic circumstances on its customers, incorporating separate management overlays to the ECL model and stressing the qualitative factors used to assess forward-looking macroeconomic indicators.

The Board obtains assurance on the effectiveness of internal control over financial reporting through quarterly updates to the Board Audit Committee/Board on the ICFR framework and key control matters, regular reporting of internal and external audit findings with tracked remediation plans and

closure status, periodic Management representations on the design and operating effectiveness of controls, and follow-up monitoring of repeat findings and outstanding action items until satisfactorily resolved.

Confirmation by the Board:

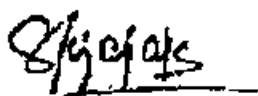
The Board believes that the system of internal controls is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting. Accordingly, based on the established internal control mechanism explained above, the Board confirms that the financial reporting system of the Company has been designed and continuously upgraded to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes is done in line with Sri Lanka Accounting Standards and as per the requirements of the industry regulator.

During the year under review, the Company tested the adequacy of internal controls with the help of the internal auditor, who accordingly tested the essential internal controls and confirmed the same to the Board of Directors.

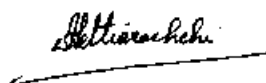
The Company is continuously reviewing policies/ procedures manuals for the key processes and the recommendations made by the auditors on the internal controls of the Company, which are continually dealt with.

External Auditor's Review of the Statement:

The External Auditors have reviewed the above Directors' Statement on Internal control for December 31, 2025. They reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the design and effectiveness of the internal control system of the Company over financial reporting.



Sarath Jayasuriya
Chairman – Board Audit Committee



Delakshan Hettiarachchi
Executive Director

February 26, 2026

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF CBC FINANCE PLC



Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

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Fax : +94 11 768 7869
Email : eysl@lk.ey.com
ey.com

WDPL/RA/JJ

Report on the Statement on Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control

We were engaged by the Board of Directors of CBC Finance PLC ("The Company") to provide assurance on the Statement of Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control for the year ended December 31, 2025 ("The Statement") included in the annual report for the year ended December 31, 2025.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Licensed Finance Companies/ Finance Leasing Companies on the Directors' Statement on Internal Control" issued in compliance with section 16 (1) (ix) of Finance Companies Corporate Governance Direction No. 05 of 2021, by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities and compliance with SLSAE 3051

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 Company/Finance Leasing Company on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

This Standard required that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purpose of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

Partners: D K Hulangamuwa FCA FCMA LLB (London), Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA, M U M Mansoor ACA

Principals: T P M Ruberu FCMA FCCA MBA, G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

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Summary of work performed

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for directors, and appropriately reflected the process the directors have adopted in reviewing the system of internal control over financial reporting of the Company.

The procedures performed were limited primarily to inquiries of Company personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

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 judgement, 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 in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Company.

A handwritten signature in black ink that reads 'Ernst & Young'.

February 26, 2026
Colombo

Overview
3

Year in Review
8

Our Model
23

Our Impact
32

Our Stewardship
47





FINANCIAL REPORTS

Independent Auditor's
Report
152

Statement of Profit or Loss
and Other Comprehensive
Income
156

Statement of Financial
Position
157

Statement of Changes
in Equity
158

Statement of Cash Flows
160

Notes to the
Financial Statements
162

INDEPENDENT AUDITOR'S REPORT



Shape the future
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WDPL/RA/TW

TO THE SHAREHOLDERS OF CBC FINANCE PLC

Report on the audit of the Financial Statements

Opinion

We have audited the Financial Statements of CBC Finance PLC (Formerly known as CBC Finance Ltd) ("the Company"), which comprise the statement of financial position as at December 31, 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the Financial Statements, including accounting policy 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 judgement, were of most significance in the audit of the Financial Statements of the current period. These matters were addressed in the context of audit of the Financial Statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Partners: D K Hulangamuwa FCA FCMA LLB (London), Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA, M U M Mansoor ACA

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Key Audit Matter	How our audit addressed the key audit matter
<p>Allowances for Expected Credit Losses of Loan and Advances measured at amortised cost</p> <p>Allowances for expected credit losses of Loans and Advances measured at amortised cost as disclosed in Note 23.1 is determined by management based on the accounting policies described in Note 3.2.2 to the Financial Statements.</p> <p>This was a key audit matter due to;</p> <ul style="list-style-type: none"> the significant management judgements, assumptions and estimation uncertainty involved in assessing the future recoverability of Loans and Advances; and the materiality of the reported amount of allowance of expected credit losses. <p>Key areas of significant judgements, assumptions and estimates used by management in the assessment of the impairment for expected credit losses included determining whether significant increase in credit risk has occurred, use of a broad range of forward looking macroeconomic inputs and their associated weightages which are subject to inherently heightened levels of estimation uncertainty and subjectivity.</p> <p>Further information on the key estimates, assumptions and judgements is disclosed in Notes 23.</p>	<p>In addressing the allowances for expected credit losses of loan and advances measured at amortised cost, our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> Assessed the alignment of the Company’s allowances for expected credit loss computations with the underlying methodology and related accounting policies, based on the best available information up to date of our report. Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses. Assessed the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board of Directors and management. Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records of the Company. Evaluated the reasonableness of qualitative and quantitative factors used in credit quality assessments and related stage classifications. In addition to the above, the following procedures were performed: For loans and advances assessed on a collective basis for impairment: <ul style="list-style-type: none"> Tested the key inputs and the calculations used in the allowances for expected credit losses. Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays including consideration of impact arising from the “Ditwah” cyclone. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each scenario.



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Key Audit Matter	How our audit addressed the key audit matter
<p>Information Technology (IT) system related internal controls over financial reporting</p> <p>Company’s financial reporting process is significantly reliant on IT system with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT system, that are compiled and formulated with the use of spreadsheets.</p> <p>Accordingly, IT system and related internal controls over financial reporting were identified as a key audit matter.</p>	<p>Assessed the adequacy of the related financial statement disclosures set out in notes 3.2.2 and 23.1.</p> <p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of the internal control environment of the processes and tested relevant key controls relating to financial reporting and related disclosures. • Involved our internal specialised resources and; • Identified, evaluated and tested the design and operating effectiveness of IT system related internal controls, including those related to user access and change management, and • Obtained a high-level understanding of the cybersecurity risks affecting the bank and the actions taken to address these risks primarily through inquiry. <p>Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.</p>

Other Information included in the 2025 Annual Report

Management is responsible for other information. The other information comprises the information included in the 2025 Annual Report but does not include the Financial Statement and our auditor’s report thereon. The 2025 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 do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information 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.

Responsibilities of the 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.



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with confidence

As part of an audit in accordance with SLAuSs, we exercise professional judgement 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 8513.

A handwritten signature in black ink that reads 'Ernst & Young'.

February 26, 2026
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31,	Notes	2025 LKR	2024 LKR
Gross income	9	3,718,795,504	2,661,366,764
Interest income		3,171,698,985	2,271,136,833
Interest expenses		(1,710,944,363)	(1,399,057,829)
Net interest income	10	1,460,754,622	872,079,004
Fee and commission income		462,392,756	291,433,391
Fee and commission expenses		(14,795,283)	(22,167,639)
Net fee and commission income	11	447,597,473	269,265,752
Other operating income	12	84,703,763	98,796,540
Total operating income		1,993,055,858	1,240,141,296
Impairment charges and other losses	13	(306,950,359)	(236,864,852)
Net operating income		1,686,105,499	1,003,276,444
Operating expenses			
Personnel expenses	14	(598,198,892)	(362,379,028)
Depreciation and amortisation		(104,882,620)	(81,544,128)
Other operating expenses	15	(420,579,498)	(298,887,425)
Operating profit before taxes on financial services		562,444,489	260,465,863
Taxes on financial services	16	(196,810,274)	(102,802,202)
Profit before taxation		365,634,215	157,663,661
Income tax expense	17	(129,816,475)	(76,122,654)
Profit for the year		235,817,740	81,541,007
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefit plans, net of tax			
Actuarial gain/(losses) on defined benefit plans	32	(5,585,737)	(3,605,250)
Deferred tax reversal/(charge) on actuarial losses	34	1,675,721	1,081,575
		(3,910,016)	(2,523,675)
Unquoted equity securities, net of tax			
Net change in fair value of FVOCI financial assets	40.1	147,126	172,960
Deferred tax (charge) on fair value reserve	34	(44,138)	(51,888)
		102,988	121,072
Items that are or may be reclassified to profit or loss			
Net change in fair value of FVOCI financial assets		(3,613,672)	3,482,780
Deferred tax (charge)/reversal on fair value reserve	34	1,084,102	(1,044,834)
		(2,529,570)	2,437,946
Other comprehensive income for the period, net of tax		(6,336,598)	35,343
Total comprehensive income for the period		229,481,142	81,576,350
Basic earnings per share	18	0.89	0.37

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 162 to 237 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at December 31,	Notes	2025 LKR	2024 LKR
Assets			
Cash and cash equivalents	20	686,120,299	166,599,890
Financial investments at fair value through other comprehensive income	21	1,020,110,586	1,634,253,594
Financial investments at amortised cost	22	3,893,527,270	–
Loans and advances	23	25,958,048,767	13,445,176,774
Investment properties	24	775,060,000	680,900,000
Property, plant and equipment	25	469,048,015	432,503,997
Intangible assets	26	30,880,078	33,576,762
Right-of-use assets	27	216,163,278	68,159,813
Current tax assets	35	–	394,940
Deferred tax assets	34	313,244,617	283,122,147
Other assets	28	286,126,802	115,951,395
Total assets		33,648,329,712	16,860,639,312
Liabilities			
Financial liabilities at amortised cost - Due to Depositors	29	13,970,125,394	10,311,261,790
Financial liabilities at amortised cost – Due to banks and other financial institution	30	12,015,563,277	3,050,169,109
Debenture	31	1,499,691,229	–
Employee benefits	32	33,340,393	23,097,606
Lease liabilities	33	213,633,599	74,210,693
Current tax liabilities	35	145,867,258	–
Other liabilities	36	1,481,714,849	342,987,530
Total liabilities		29,359,935,999	13,801,726,728
Equity			
Stated capital	37	4,254,999,952	3,254,999,964
Accumulated losses	38	(362,740,104)	(610,441,417)
Other reserves	39	396,133,865	414,354,037
Total equity		4,288,393,713	3,058,912,584
Total liabilities and equity		33,648,329,712	16,860,639,312

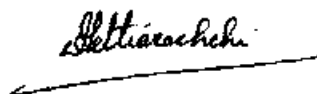
The Accounting Policies and Notes on pages 162 to 237 form an integral part of these Financial Statements.

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

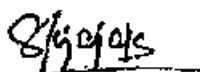


Purna Kadanaarachchi
Head of Finance

The Board of Directors is responsible for these Financial Statements. Approved and signed for and on behalf of the Board,



Delakshan Hettiarachchi
Executive Director/Acting Chief Executive Officer



S M S C Jayasuriya
Director

February 26, 2026
Kandy

STATEMENT OF CHANGES IN EQUITY

	Other reserves								Total equity LKR
	Stated capital	Capital reserve	Revaluation reserve	Statutory reserve fund	Fair value reserve	General reserve	Regulatory loss allowance reserve	Retained earnings/ (accumulated losses)	
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	
Balance as at January 01, 2024	3,254,999,964	50,000	98,517,078	33,328,578	1,667,900	20,097,889	-	(431,325,175)	2,977,336,233
Comprehensive income									
Profit for the year	-	-	-	-	-	-	-	81,541,007	81,541,007
Other comprehensive income for the year net of tax	-	-	-	-	2,559,018	-	-	(2,523,675)	35,343
Total comprehensive income	-	-	-	-	2,559,018	-	-	79,017,332	81,576,350
Transactions recognised directly in Equity									
Transfers during the year	-	-	-	4,077,050	-	-	254,056,524	(258,133,574)	-
	-	-	-	4,077,050	-	-	254,056,524	(258,133,574)	-
Transactions with owners of the Company									
Issue of ordinary shares	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2024	3,254,999,964	50,000	98,517,078	37,405,628	4,226,918	20,097,889	254,056,524	(610,441,417)	3,058,912,583

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 162 to 237 form an integral part of these Financial Statements.

	Other reserves									Total equity LKR
	Stated capital	Capital reserve	Revaluation reserve	Statutory reserve fund	Fair value reserve	General reserve	Regulatory loss allowance reserve	Retained earnings/ (accumulated losses)		
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	
Balance as at January 01, 2025	3,254,999,964	50,000	98,517,078	37,405,628	4,226,918	20,097,889	254,056,524	(610,441,417)	3,058,912,583	
Comprehensive income										
Profit for the year	-	-	-	-	-	-	-	235,817,740	235,817,740	
Other comprehensive income for the year net of tax	-	-	-	-	(2,426,582)	-	-	(3,910,016)	(6,336,598)	
Total comprehensive income	-	-	-	-	(2,426,582)	-	-	231,907,724	229,481,142	
Transactions recognised directly in equity										
Transfers during the year	-	-	-	11,790,887	-	-	(27,584,476)	15,793,589	-	
	-	-	-	11,790,887	-	-	(27,584,476)	15,793,589	-	
Transactions with owners of the Company										
Issue of ordinary shares	999,999,988	-	-	-	-	-	-	-	999,999,988	
Balance as at December 31, 2025	4,254,999,952	50,000	98,517,078	49,196,515	1,800,336	20,097,889	226,472,048	(362,740,104)	4,288,393,713	

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 162 to 237 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended December 31,	Notes	2025 LKR	2024 LKR
Cash flows from operating activities			
Profit before taxation		365,634,215	157,663,661
Adjustments for:			
Interest expenses	10.2	1,710,944,363	1,399,057,829
Impairment charges and other losses	13	306,950,359	236,864,852
Interest income from bank deposits and government securities	10.1	(65,318,335)	(131,941,469)
Dividend income	12	(247,520)	(228,565)
Depreciation	25	53,034,541	47,377,080
Amortisation		51,848,079	34,167,048
Provision for defined benefit plans	32.1	8,281,325	5,526,345
(Profit)/loss on sale of property, plant and equipment		430,739	(13,478,345)
(Profit)/loss on sale of investment property		2,900,000	3,225,000
Fair value loss/(gain) on investment properties	24	(10,400,000)	550,000
Operating profit before working capital changes		2,424,057,766	1,738,783,436
Increase in loans and receivables		(12,819,822,352)	(3,685,441,895)
Increase in other assets		(272,835,407)	(110,394,816)
Increase in deposit liabilities		2,440,690,851	2,596,808,888
Increase in other liabilities		1,138,727,317	271,997,551
Cash generated from/(used in) operations		(7,089,181,825)	811,753,164
Taxes paid	35	(10,961,060)	(3,000,000)
Gratuity paid	32.1	(3,624,275)	(1,728,903)
Net cash flows generated from/(used in) operating activities		(7,103,767,160)	807,024,261
Cash flows from investing activities			
Purchase of property, plant and equipment	25	(90,207,212)	(72,372,911)
Proceeds from sale of property, plant and equipment		197,914	14,531,065
Proceeds from sale of investment property		16,000,000	9,000,000
Proceeds from sale and maturity of financial investments – FVOCI		610,676,462	(918,573,985)
Purchase of financial investments - at amortised cost		(3,893,527,270)	-
Purchase of intangible assets	26	(2,857,518)	(6,996,620)
Interest received		65,318,335	131,941,469
Dividend received	12	247,520	228,565
Net cash flows (used in) from investing activities		(3,294,151,769)	(842,242,417)

For the year ended December 31,	Notes	2025 LKR	2024 LKR
Cash flows from financing activities			
Loans obtained during the period	30	19,760,000,000	5,425,000,000
Repayments of loans during the period	30	(10,787,131,852)	(5,309,829,031)
Interest paid on loans		(287,356,538)	(210,588,357)
Interest paid on overdraft		(7,582,847)	(5,074,420)
Issue of ordinary shares		999,999,988	–
Debenture obtained during the period		1,486,973,875	–
Repayment of lease liabilities	33	(68,315,993)	(33,259,587)
Net cash flows (used in)/generated from financing activities		11,096,586,633	(133,751,395)
Net increase in cash and cash equivalents		698,667,704	(168,969,551)
Cash and cash equivalents at the beginning of the year		(40,521,298)	128,448,253
Cash and cash equivalents at the end of the year*		658,146,406	(40,521,298)
Analysis of cash and cash equivalents at the end of the year*			
Cash and bank balances	20	686,120,299	166,599,890
Bank overdraft	30	(27,973,893)	(207,121,188)
		658,146,406	(40,521,298)

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 162 to 237 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

1.1 General

CBC Finance PLC (“the Company”), regulated under the Finance Business Act No. 42 of 2011, was incorporated in 1987 as a Limited Liability Company domiciled in Sri Lanka under provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No 7 of 2007.

Upon the listing of the rated, unsecured, subordinated, redeemable debenture on the Colombo Stock Exchange on December 11, 2025, the status of the Company was changed from CBC Finance Limited to CBC Finance PLC with effect from December 30, 2025 under the Company Registration No. PQ00351120.

The registered office and the principal place of business of the Company is located at No. 187, Katugastota Road, Kandy.

1.2 Principal activities and nature of operations

The principal activities of the Company are granting of Lease Facilities, Mortgage Loans and Other credit facilities, whilst accepting public deposits from customers. There were no significant changes in the nature of the principal activities of the Company during the financial period under review.

1.3 Parent entity and ultimate parent entity

The Company’s parent enterprise and the ultimate parent enterprise is Commercial Bank of Ceylon PLC.

1.4 Number of employees

The number of employees as at December 31, 2025 is 442 (December 31, 2024: 318).

2. Basis of Preparation

2.1 Statement of compliance

The Financial Statements of the Company which comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and Accounting Policies and Notes, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No.

07 of 2007 and the Finance Business Act No. 42 of 2011 and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE).

2.2 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended December 31, 2025 were approved and authorised for issue by the Board of Directors in accordance with the resolution of the Directors on February 26, 2026.

2.3 Basis of measurement

The Financial Statements of the Company have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:

- Financial Assets classified as Fair Value through Other Comprehensive Income are measured at fair value.
- Liabilities for defined benefit obligations are recognised at the present value of the defined benefit obligation.
- Land and buildings measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation.
- Right-of-use assets measured at cost and lease liability measured at the present value of the lease payments that are not paid.
- Investment property measured at cost at the time of acquisition and subsequently at fair value.

2.4 Functional and presentation currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The Financial Statements are presented in Sri Lankan Rupees, which is the Company’s functional and presentation currency.

Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 01 on “Presentation of Financial Statements”

2.5 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statements of Financial Position are 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 Note 38.

2.6 Materiality and aggregation

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.

Offsetting

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 statement of profit or loss and other comprehensive income unless required or permitted by an Accounting Standard.

2.7 Comparative information

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

2.8 Use of judgements and estimates

The preparation of Financial Statements of the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgements, 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.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Financial Statements is included in the following notes:

- Note 3.2 - classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are Solely Payment of Principal and Interest (SPPI) on the principal amount outstanding.
- Note 3.2.2 - establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Loss (ECL) and selection and approval of models used to measure ECL.
- Note 11 – revenue recognition: whether revenue is recognised over time or at a point in time;

a) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties as at December 31, 2025 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 3.2.2 – Impairment of financial assets;
- Note 3.9 – Impairment of non-financial assets;
- Note 3.6.2 – Fair value of investment property;
- Note 3.7.4 – revaluation of property, plant and equipment;
- Note 3.11.1.1 – measurement of defined benefit obligations: key actuarial assumptions;
- Note 3.12 and 3.13 – provisions and contingencies;
- Note 5.1 – recognition of current tax expense;
- Note 5.1.2 – recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised and
- Note 7 – Determination of the fair value of financial instruments with significant unobservable inputs.

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. 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 directors are satisfied that the Financial Statements continue to be prepared on going concern basis.

3. Material Accounting Policies – Statement Of Financial Position

Material accounting policies applied by the Company in the preparation of the Financial Statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements of the Company, unless otherwise indicated.

In addition, the Company adopted Disclosures of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) from January 01, 2023. The amendments require the disclosure of "material", rather than "significant", accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information.

3.1 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

3.2 Financial instruments

Recognition and initial measurement

Loans and advances are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

"Day 1" Profit or Loss

When the transaction price of the instrument 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 as a "Day 1" profit or loss. 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 profit or Loss when the inputs become observable, or when the instrument is derecognised.

Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as, measured at: amortised cost; FVOCI (Fair value through OCI) – debt investment; FVOCI – equity investment; or FVTPL (Fair value through profit or loss).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

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

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

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

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

Financial assets classified as measured at FVOCI and amortised cost and financial liabilities classified as measured at amortised cost are presented in Note 19.

Financial assets - Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment of whether contractual cash flows are solely payments of principal and interest

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

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

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model.

3.2.1 Modifications of financial assets and financial liabilities

Financial assets

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

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

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

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

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

Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

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

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3.2.2 Identification and measurement of Impairment of financial assets

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised cost; and
- debt investments measured at FVOCI.

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 60 days past due.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). Financial instruments for which a 12-month ECL is recognised are referred to as "Stage 1 financial instruments". Financial instruments allocated to stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit impaired.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as "Stage 2 financial instruments".

Financial instruments for which a lifetime ECL is recognised but which are credit-impaired are referred to as "Stage 3 financial instruments".

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company has provided reliefs such as deferment of repayment terms of credit facilities, for the affected businesses and individuals due to COVID-19 and prevailing extraordinary

macroeconomic circumstances in line with the directions issued by the CBSL. Given the high degree of uncertainty and unprecedented circumstances in the short-term economic outlook, the Management exercised judgements in the assessment of the impact of the COVID-19 outbreak and economic downturn on the loans and advances portfolio of the Company, relying more on the long-term outlook as evidenced by past experience and taking into consideration various relief measures.

The impact of the outbreak and economic downturn has been assessed and adjusted in these Financial Statements based on the available information and assumptions made as at reporting date in line with the guidelines issued by the CBSL and the CA Sri Lanka. Accordingly, customers operating in risk elevated industries were assessed for lifetime ECL unless such exposures have specifically been identified as Stage 1 reflecting forward looking view of the economy in relation to the business.

The management decided to increase the weightings assigned for worst case scenario while decrease the weightings assigned for base case scenario and best case scenario when assessing the probability weighted forward looking macro-economic indicators. In addition, management overlay adjustment on the ECL computation, based on the qualitative indicators on forward looking macro-economic factors were considered with the objective of capturing recovery from the impact of economic downturn related uncertainties and volatilities.

	2025	2024
Base case	30%	30%
Best case	5%	5%
Worst case	65%	65%

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Individual assessment of impairment

For financial assets above a predetermined threshold (i.e. for individually significant financial assets), if there is objective evidence that an impairment loss had been incurred, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that

had not been incurred). The carrying amount of the asset was reduced through the use of a provision account and the amount of impairment loss was recognised in profit or loss. Interest income is accrued and recorded in "interest income" on the reduced carrying amount/impaired balance for stage 3 loans and others to be continued on gross carrying amount and was accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The present value of the estimated future cash flows was discounted at the financial asset's original EIR.

Collective assessment of impairment

Those financial assets for which, the Company determined that no provision was required under individual impairment, are then collectively assessed for any impairments that had been incurred but not identified. For the purpose of a collective evaluation of impairment, financial assets were grouped on the basis of similar risk characteristics such as collateral type and product type. Future cash flows on a group of financial assets that were collectively evaluated for impairment, are estimated based on the historical loss experiences of assets with similar credit risk characteristics to those in the group.

Collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letter of guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and to fall in line with the CBSL directives. 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 values 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.

Restructured/Rescheduled financial assets

The Company renegotiates loans to customers in financial difficulties (referred to as "rescheduled/restructured") to maximise collection opportunities and minimise the risk of default. Under the Company's policy, loan rescheduled/restructured is granted on a selective basis if the customer is currently in default on its debt or if there is a high risk of default, there is evidence that the customer made all reasonable efforts to pay under the original contractual terms and the customer is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The Company Credit Committee regularly reviews reports on rescheduled/restructured activities.

For financial assets modified as part of the Company's rescheduled/restructured policy, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the previous experience of similar forbearance action. As part of this process, the Company evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of rescheduled/restructured may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour as agreed under the modified contractual terms over a period as specified in the Central Bank directives before the exposure is no longer considered to be credit-impaired/in default such that it upgrade to Stage 1 or 2 by the Company's Recovery Department based on their independent evaluation of the customers.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental

impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Purchased or originated credit impaired financial assets

Originated credit impaired assets are financial assets that are credit impaired on initial recognition. They are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Presentation of allowance for ECL in the statement of financial position

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

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

Write-Off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. 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. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in other operating income in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3.3 Cash and cash equivalents

"Cash and cash equivalents" include notes and coins in hand and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.4 Loans and advances

"Loans and advances" captions in the statement of financial position include:

- loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and
- finance lease/hire purchase receivables.

When the Company purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Company's financial statements.

3.5 Financial investments

The "financial investments" caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Company elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

3.6 Investment Property

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date.

3.6.1 Classification of investment property

Management uses its judgement to determine whether a property qualifies as an investment property. A property that is held either to earn rental income or for capital appreciation or both and thus generates cash flows largely independently of the other assets held by the Company are classified as investment property. On the other hand, a property used in

production or supply of goods and services or administrative purposes and thus generates cash flows that are attributable not only to property but also to other assets used in the production or supply process are classified as property, plant and equipment. The Company assesses the accounting classification of its investment properties on an annual basis, taking into consideration the current use of such properties.

3.6.2 Fair valuation of investment property

Fair valuation of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of similar location and category. They have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location.

3.6.3 Gain or loss on disposal of investment property

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by a Chartered valuation surveyor. Any gain or loss arising from a change in fair value is recognised through profit or loss.

3.6.4 Derecognition of investment property

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Company considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer, if any.

3.6.5 Transfer in and out of investment property

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3.7 Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Company applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 (Property, Plant and Equipment) in accounting for these assets.

3.7.1 Recognition

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.

3.7.2 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, or service it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring 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.

3.7.3 Cost model

The Company applies cost model to property, plant and equipment except for freehold land and buildings and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

3.7.4 Revaluation model

The Company applies the Revaluation Model for the entire class of freehold land and buildings for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Freehold land and buildings of the Company are revalued by independent professional valuers every three years or more frequently if the fair values are

substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the Reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in Revaluation Reserve in Equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to profit or loss. In this circumstance, the increase is recognised as income only to extent of the previous write down in value. Any decrease in the carrying amount is recognised as an expense in profit or loss or charged to Revaluation Reserve in equity through OCI, only to the extent of any credit balances existing in the Revaluation Reserve in respect of that asset, is not transferred any part of revaluation reserve to Retained Earnings on retirement or disposal of the asset.

3.7.5 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 day to day servicing of property, plant and equipment are charged to profit or loss as incurred. Costs incurred in using or redeploying an item is not included under carrying amount of an item.

3.7.6 Derecognition

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 or disposal. The gain or loss arising from de-recognition of an item of property, plant and equipment is included in profit or loss 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 inspections is derecognised.

3.7.7 Depreciation

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 of the different types of assets. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The periods of depreciations based on the estimated useful lives are as follows:

Class of asset	Period
Buildings	30 - 35 years
Furniture and Fittings	8 years
Office Equipment	8 years
Motor Vehicles	5 years
Computers and Accessories	5 years
Telephone System	4 years
Electrical Equipment	8 years
Sign Boards	8 years
Fixtures and Fittings	8 years

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at the end of each reporting period.

3.7.8 Changes in estimates

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

3.8 Intangible assets

An intangible asset is an identifiable monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

3.8.1 Basis of recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost.

3.8.2 Computer software

Cost of all computer software licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it is probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category Intangible Assets and carried at cost less accumulated amortisation and any accumulated impairment losses.

3.8.3 Subsequent expenditure

Expenditure incurred on software is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

3.8.4 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 derecognition of an item of intangible asset is included in profit or loss when the item is derecognised.

3.8.5 Amortisation of intangible assets

Intangible assets, except for goodwill, are amortised on a straight line basis in profit or loss from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Company. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The Company assumes that there is no residual value for its intangible assets.

Class of asset	Period
Computer software	10 years

3.8.6 Lease

At inception of a contract, the Company assesses whether a 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 consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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 at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset 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 the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements 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's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

Overview	Year in Review	Our Model	Our Impact	Our Stewardship
3	8	23	32	47

- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured 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 that do not meet the definition of investment property in "Right of use assets" and lease liability in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Company acts as a lessor, it determines at lease 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, then 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 asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies SLFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from SLFRS 16.

3.9 Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss

was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

3.10 Share capital

3.10.1 Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with LKAS 12.

3.10.2 Dividends payable

Provision for final dividends is recognised at the time the dividend recommended and declared by the Board of Directors, is approved by the shareholders. Interim dividends payable is recognised when the Board approves such dividend in accordance with the Companies Act No. 7 of 2007.

Dividends for the period that are declared after the reporting date are disclosed in Notes to the Financial Statements as an event after the Reporting Period in accordance with the Sri Lanka Accounting Standard – LKAS 10 (Events after the Reporting Period).

3.11 Employee benefits

3.11.1 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan' as defined in the Sri Lanka Accounting Standard – LKAS 19 (Employee Benefits).

3.11.1.1 Defined benefit plan – gratuity

All the employees of the Company are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983.

Employees those who have resigned or whose services are terminated other than by retirement are eligible to receive the terminal gratuity under the Payment of Gratuity Act No. 12 of 1983 at the rate of one half of the Gross Salary applicable to the last month of the reporting period in which the employment is terminated or resigned, for each year of completed service, for those who have served in excess of 05 years.

The defined benefits obligation is calculated annually by Independent actuary using Projected Unit Credit Method as recommended by LKAS 19 (Employee Benefits).

The assumptions based on which the results of actuarial valuation was determined, are included in Note 32.1.2 to the Financial Statements.

3.11.1.2 Recognition of actuarial gains or losses

Actuarial gains or losses are recognised in the OCI in the period in which they arise.

3.11.1.3 Funding arrangements

The Gratuity liability is not externally funded.

3.11.2 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 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 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.

3.11.2.1 Employees' Provident Fund

The Company and the Employees contribute 12% and 8% respectively on the salary of each employee to the Government Provident Fund.

3.11.2.2 Employees' Trust Fund

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

3.12 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

3.13 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 recognised in the Statement of Financial Position but are disclosed unless the probability of settlement is remote.

3.14 Earnings per Share (EPS)

The Company presents Basic Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.15 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues 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 and assess its performance, and for which discrete financial information is available.

For management purposes, the Company has identified four operating segments based on products and services, as follows:

- Leasing and Hire Purchases
- Draft and Vehicle Loans
- Personal, Business and Other Unsecured Loans
- Investments and Others

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. Income taxes are managed on a Company basis and are not allocated to operating segments.

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income and expense.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Company's total revenue in December 31, 2025 or December 31, 2024.

4. Recognition of Income and Expenses

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. The following specific recognition criteria must also be met before revenue is recognised:

4.1 Interest income and interest expenses

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The "gross carrying amount of a financial asset" is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost; and
- interest on debt instruments measured at FVOCI.

Other interest income presented in the statement of profit or loss and OCI includes interest income on finance leases.

Interest expense presented in the statement of profit or loss and OCI include financial liabilities measured at amortised cost.

4.2 Fee and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate

Other fee and commission income – including sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Company's financial statements may be partially in the scope of SLFRS 9 and partially in the scope of SLFRS 15. If this is the case, then the Company first applies SLFRS 9 to separate and measure the part of the contract that is in the scope of SLFRS 9 and then applies SLFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

4.3 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 other revenue based on the underlying classification of the equity investment.

4.4 Expenditure recognition

Expenses are recognised in the Statement of Profit or Loss and Other Comprehensive Income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the period.

5. Taxation

5.1 Income tax

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 profit or loss except to the extent it relates to items recognised directly in "Equity" or "other comprehensive income (OCI)", in which case it is recognised in Equity or in OCI.

5.1.1 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 period and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the Reporting date.

Accordingly, Provision for taxation is based on the profit for the period adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and the amendments thereto.

5.1.2 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 of the Company.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each Reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rate enacted or substantively enacted at the Reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5.1.3 Tax exposures

In determining the amount of current and deferred tax, the Company considers the favourable/adverse impact to the tax liability due to assessments, revision to legislature etc. Such changes to tax liabilities could impact the tax expense in the period in which such revision is considered, as an over or under provision.

As per Notice dated December 15, 2022 issued by the Inland Revenue Department on "Changes to the Inland Revenue Act No. 24 of 2017", effective from October 01, 2022, Corporate Income Tax rate was revised from 24% to 30%. Such revised tax rate been considered in computing the income tax liabilities and deferred taxation.

5.2 Value Added Tax (VAT) on financial services

VAT on Financial Services is calculated in accordance with Value Added Tax 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 of employees computed at 18%.

The VAT on Financial service is recognised as expense in the period it becomes due.

5.3 Social Security Contribution Levy (SSCL)

Social Security Contribution Levy shall be paid by any person carrying on the business of supplying of financial services, on the liable turnover specified in the second schedule of the Social Security Contribution Levy Act No. 25 of 2022, at the rate of 2.5% with effect from October 01, 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 to in Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

5.4 Regulatory Provisions

5.4.1 Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from April 01, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

The CIL is recognised as expense in the period it becomes due.

5.4.2 Deposit Insurance and Liquidity Support Scheme

All Licensed Finance Companies were required to insure their deposit liabilities in the “Sri Lanka Deposit Insurance and Liquidity Support Scheme” in terms of the regulations, No. 2 of 2021, issued on August 06, 2021, and accordingly, the Company paid a premium of 0.15% of the eligible deposits as deposit insurance premium.

5.4.3 Surcharge Tax

As per provisions of the Government Bill issued on February 07, 2022, if the aggregate of the taxable income of the holding company and all subsidiaries in a group of companies, for the Year of Assessment 2020/21, exceed rupees two thousand million (LKR 2 Bn.), each company in the group of companies is liable to pay Surcharge Tax calculated at 25% on the taxable income (after deducting profit from dividends received from subsidiaries included in the taxable income). The surcharge tax was paid in two equal instalments on March 31, and June 30, of 2022, to the Commissioner General of Inland Revenue.

6. Statement of Cash Flows

The cash flow statement has been prepared by using “The Indirect Method” in accordance with the Sri Lanka Accounting Standard – LKAS 7 “Statement of Cash Flows”, whereby operating activities, finance activities and investing activities have been recognised. Cash and cash equivalents comprise 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. The cash and cash equivalent include cash in hand and balances with banks.

7. Fair Value Measurement

7.1 Fair value measurement

“Fair value” is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 to 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 value of measurement of a non-financial asset takes in to 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. External professional valuers are involved for valuation of significant assets such as land and buildings.

7.2 Fair value hierarchy

The Company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1

Inputs that are unadjusted quoted market prices in an active market for identical instruments.

When available, the Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within Level that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

This category includes instruments valued using;

- (a) quoted market prices in active markets for similar instruments,
- (b) quoted prices for identical or similar instruments in markets that are considered to be less active, or
- (c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's value.

Valuation techniques include net present value and discounted cash flow models comparison with similar instruments for which observable market prices exists and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and government securities such as treasury bills and bonds. Availability of observable prices and model inputs reduces the need for management judgement and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect spread for bid and ask prices to reflect cost to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ("Day 1 profit or loss") is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

8. New Accounting Standards Issued but not Effective as at the Reporting Date

The following new or amended standards and interpretations have been issued, but not yet effective, as at the reporting date of the Financial Statements. These are not expected to result in material impact to the Company's financial statements on adoption.

SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005.

SLFRS 17 is effective for annual reporting periods beginning on or after January 01, 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

SLFRS 18 Presentation and Disclosure in Financial Statements

SLFRS 18, which replaces LKAS 1, introduces significant enhancements to the way financial information is organised and communicated. The standard establishes new categories and subtotals in the statement of profit or loss to improve consistency and comparability across entities and to disclose management-defined performance measures (as specified in the standard), together with clear explanations and reconciliations.

SLFRS 18, and consequential amendments to the other accounting standards, are effective for annual reporting periods beginning on or after January 01, 2027. Early application is permitted.

The potential impact of SLFRS 18 on the Financial Statements and the related notes is currently being identified and evaluated.

Classification and Measurement of Financial Instruments - Amendments to SLFRS 9 and

SLFRS 7

The amendments introduce enhancements to the classification, measurement, derecognition, and disclosure requirements for financial instruments. Their objective is to strengthen transparency, promote greater consistency in financial reporting, and respond to emerging market developments – particularly features such as sustainability-linked terms and nature-dependent electricity contracts.

These amendments are effective for annual reporting periods beginning on or after January 01, 2026. Early application is permitted.

9. Gross Income

For the year ended December 31,	Notes	2025 LKR	2024 LKR
Interest income	10.1	3,171,698,985	2,271,136,833
Fee and commission income	11.1	462,392,756	291,433,391
Other operating income	12.	84,703,763	98,796,540
Total income		3,718,795,504	2,661,366,764

10. Net Interest Income

10.1 Interest income

For the year ended December 31,	2025 LKR	2024 LKR
Cash and cash equivalents	3,781,855	6,295,024
Financial investments measured at FVOCI	61,536,480	125,646,445
Financial investments at amortised cost	91,545,968	-
Loans and advances	3,014,834,682	2,139,195,364
Total interest income	3,171,698,985	2,271,136,833

10.2 Interest expenses

For the year ended December 31,	2025 LKR	2024 LKR
Interest on deposit liabilities	1,218,172,753	1,180,272,268
Interest on bank borrowings	466,612,699	210,672,750
Interest on debentures	12,717,354	-
Interest expense on lease liabilities	13,441,557	8,112,811
Total interest expenses	1,710,944,363	1,399,057,829
Net interest income	1,460,754,622	872,079,004

The amounts reported above include interest income and expense, calculated using the effective interest method, that relate to the following financial assets and financial liabilities.

For the year ended December 31,	2025 LKR	2024 LKR
Financial assets		
Financial assets measured at amortised cost	3,110,162,505	2,145,490,388
Financial assets measured at FVOCI	61,536,480	125,646,445
Total	3,171,698,985	2,271,136,833
Financial liabilities measured at amortised cost	1,710,944,363	1,399,057,829

11. Net fee and Commission Income

11.1 Disaggregation of fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of SLFRS 15 is disaggregated by major type of services. The table also includes a reconciliation of the disaggregated fee and commission income.

For the year ended December 31,	2025 LKR	2024 LKR
Fee and commission income		
Loans and advances related services	136,328,611	67,543,341
Other financial services	326,064,145	223,890,050
Total fee and commission income	462,392,756	291,433,391
Fee and commission expenses		
Loans and advances related services	12,613,931	21,354,348
Other financial services	2,181,352	813,291
Total fee and commission expenses	14,795,283	22,167,639
Net fee and commission income	447,597,473	269,265,752

The fees and commission presented in this note include income of LKR 462.4 Mn. (December 31, 2024: LKR 291.4 Mn.) and expense of LKR 14.8 Mn. (December 31, 2024: LKR 22.1 Mn.) relating to financial assets and financial liabilities not measured at FVTPL. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities.

11.2 Performance obligations and revenue recognition policy

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15
Retail and corporate finance service	<p>The Company provides lending services to retail and corporate customers, including provision of other loan facilities.</p> <p>Transaction-based fees for interchange and loans are charged to the customer's account when the transaction takes place.</p>	Revenue related to transactions is recognised at the point in time when the transaction takes place.

12. Other Operating Income

For the year ended December 31,	2025 LKR	2024 LKR
Dividend income	247,520	228,565
Recoveries of loans written-off	71,865,130	81,168,521
Profit on disposal of property, plant and equipment	933	13,478,345
Rental and other income	2,190,180	3,921,109
Fair value gain on investment properties	10,400,000	–
Total	84,703,763	98,796,540

13. Impairment Charges and Other Losses

For the year ended December 31,	Note	2025 LKR	2024 LKR
Loans and advances			
Collective impairment	23.1	298,355,639	281,568,782
Direct write-off for the year		46,433,847	12,947,278
Total impairment charges – Loans and advances		344,789,486	294,516,060
Other financial assets			
Interest unwinding on stage three contracts		(37,839,127)	(54,380,820)
Total impairment charges		306,950,359	236,864,852

14. Personnel Expenses

For the year ended December 31,	Note	2025 LKR	2024 LKR
Salaries and other related expenses		335,897,988	254,335,003
Employer's contribution to Employees' Provident Fund		39,281,001	24,972,011
Employer's contribution to Employees' Trust Fund		9,820,250	6,264,752
Gratuity charge	32.1	8,281,325	5,526,345
Other staff related expenses		204,918,328	71,280,917
Total		598,198,892	362,379,028

15. Other Operating Expenses

For the year ended December 31,	2025 LKR	2024 LKR
Directors' emoluments	8,580,000	7,890,000
Auditors' remuneration – Audit and audit related services	4,585,281	2,211,062
Auditors' remuneration – Non-audit related services	1,263,262	1,147,513
Professional and legal expenses	4,700,698	2,646,904
General insurance expenses	12,577,030	6,803,910
Office administration and establishment expenses	335,639,061	259,642,058
Fair value loss on investment property	–	550,000
Disposal loss on sale of investment property	2,900,000	3,225,000
Loss on disposal of property, plant and equipment	431,672	–
Sales, marketing and business promotional expenses	49,902,494	14,770,978
Total	420,579,498	298,887,425

16. Taxes on Financial Services

For the year ended December 31,	2025 LKR	2024 LKR
Value added tax on financial services (FS VAT)	172,809,021	90,265,348
Social Security Contribution Levy (SSCL)	24,001,253	12,536,854
	196,810,274	102,802,202

17. Income Tax Charge/(Reversal)

17.1 Amounts recognised in profit or loss

For the year ended December 31,	2025 LKR	2024 LKR
Current tax expense		
Provision for the year	157,223,258	–
	157,223,258	–
Deferred tax expense		
Origination of deferred tax assets	(27,406,783)	76,122,654
Total	129,816,475	76,122,654

17.2 Amount recognised in OCI

For the year ended December 31,	2025 LKR	2024 LKR
Tax loss brought forward	122,815,736	238,753,926
Set off against the current taxable income	(122,815,736)	(115,938,190)
Tax loss carried forward	–	122,815,736

17.3 Reconciliation of effective tax rate

	Effective tax rate %	2025 LKR	Effective tax rate %	2024 LKR
(Loss)/profit for the year		235,817,740		81,541,007
Income tax charge		129,816,475		76,122,654
(Loss)/profit before taxation		365,634,215		157,663,661
Tax using the domestic corporation tax rates of 30%	30	109,690,265	30	47,299,098
Tax effect of aggregate disallowable items	53	195,387,564	84	132,308,242
Tax effect of aggregate allowable expenses	-30	(111,009,850)	-94	(148,390,660)
Tax effect of capital portion of rentals	0	–	1	969,705
Tax effect on B/F tax losses	-10	(36,844,721)	-20	(32,186,385)
Deferred tax charge/(reversal) due to temporary difference	-7	(27,406,783)	48	76,122,654
	36	129,816,475	48	76,122,654

17.4 Amounts recognised directly in equity

There were no items recognised directly in equity during the year ended December 31, 2025.

17.5 Tax losses carried forward

For the year ended December 31,	2025 LKR	2024 LKR
Tax loss brought forward	122,815,736	238,753,926
Set off against the current taxable income	(122,815,736)	(115,938,190)
Tax loss carried forward	–	122,815,736

17.6 The income tax provision of the Company is calculated on its adjusted profits at the standard rate of 30% in accordance with the Inland Revenue Act No. 24 of 2017 and amendments thereto.

18. Basic Earnings/(Loss) Per Share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year.

For the year ended December 31,	2025 LKR	2024 LKR
Profit/(loss) attributable to ordinary shareholders (LKR)	235,817,740	81,541,007
Weighted average number of ordinary shares in issue	264,072,475	221,793,834
Basic earnings/(loss) per ordinary share (LKR)	0.89	0.37

18.1 Weighted average number of ordinary shares in issue

For the year ended December 31,	2025 LKR	2024 LKR
Weighted average number of ordinary shares in issue	221,793,834	221,793,834
Effect of shares issued on January 08, 2025 (36,496,350 ordinary shares)	35,696,430	–
Effect of shares issued on October 23, 2025 (34,818,941 ordinary shares)	6,582,211	–
	264,072,475	221,793,834

18.2 There were no potentially dilutive ordinary shares outstanding at any time during the year, hence diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share.

19. Analysis of Financial Instruments by Measurement Basis

As at December 31, 2025	At amortised cost	Fair value through OCI	Other financial liabilities at amortised cost	Total
Notes	LKR	LKR	LKR	LKR
Assets				
Cash and cash equivalents	686,120,299	–	–	686,120,299
Financial investments	3,893,527,270	1,020,110,586	–	4,913,637,856
Loans and advances	25,958,048,767	–	–	25,958,048,767
Other assets	28 32,633,127	–	–	32,633,127
Total financial assets				
Liabilities				
Deposit liabilities	–	–	13,970,125,394	13,970,125,394
Due to banks	–	–	12,015,563,277	12,015,563,277
Debenture	–	–	1,499,691,229	1,499,691,229
Lease liabilities	–	–	213,633,599	213,633,599
Other liabilities	36 –	–	9,827,563	9,827,563
Total financial liabilities				
	–	–	27,708,841,062	27,708,841,062

As at December 31, 2024	Notes	At amortised cost LKR	Fair value through OCI LKR	Other financial liabilities at amortised cost LKR	Total LKR
Assets					
Cash and cash equivalents		166,599,890	–	–	166,599,890
Financial investments		–	1,634,253,594	–	1,634,253,594
Loans and advances		13,445,176,774	–	–	13,445,176,774
Other assets	28	12,814,599	–	–	12,814,627
Total financial assets		13,624,591,263	1,634,253,594	–	15,258,844,885
Liabilities					
Deposit liabilities		–	–	10,311,261,790	10,311,261,790
Due to banks		–	–	3,050,169,109	3,050,169,109
Lease liabilities		–	–	74,210,693	74,210,693
Other liabilities	36	–	–	30,363,849	30,363,849
Total financial liabilities		–	–	13,466,005,441	13,466,005,441

20. Cash and Cash Equivalents

For the year ended December 31,	2025 LKR	2024 LKR
Cash in hand held in local currency	224,808,674	98,406,072
Balances with licensed commercial banks	461,311,625	68,193,818
Total	686,120,299	166,599,890

21. Financial investments at Fair Value through Other Comprehensive Income

21.1 Financial investments – FVOCI

For the year ended December 31,	Note	2025 LKR	2024 LKR
Investments in unquoted equities	21.2	2,505,128	2,358,002
Investments in government securities		1,017,605,458	1,631,895,592
Total		1,020,110,586	1,634,253,594

21.2 Unquoted equities

For the year ended December 31,	2025			2024		
	Number of shares LKR	Cost LKR	Carrying value/ fair value LKR	Number of shares LKR	Cost LKR	Carrying value/ fair value LKR
Credit Information Bureau	100	123,700	2,505,128	100	123,700	2,358,002
Total		123,700	2,505,128		123,700	2,358,002

These are investments held for regulatory purposes. When measuring fair values of Financial Investments the Company used the latest publicly available Financial Statements. No strategic investment were disposed of during the year and there were no transfers at any cumulative gain or loss with in equity relating to these investments.

22 Financial Investments at amortised cost

22.1 Financial Investments – Amortised Cost

For the year ended December 31,	2025 LKR	2024 LKR
Investments in Repurchase Agreements	3,893,527,270	–
Total	3,893,527,270	–

23. Loans and Advances

For the year ended December 31,	Notes	2025 LKR	2024 LKR
Loans and advances		33,689,188,061	18,943,150,100
Less: Unearned income		(5,666,596,218)	(3,724,614,129)
Gross loans and advances		28,022,591,843	15,218,535,971
Less: Allowance for impairment losses	23.1	(2,064,543,076)	(1,773,359,197)
Net loans and advances		25,958,048,767	13,445,176,774

23.1 Allowance for impairment losses

For the year ended December 31,	2025 LKR	2024 LKR
As at January 01,	1,773,359,197	1,495,236,365
Charge for the year – collective impairment	298,355,639	281,568,782
Write-off against the provision	(7,171,762)	(3,445,950)
As at December 31,	2,064,543,074	1,773,359,197

Loans and advances with the contractual amount of LKR 7,171,762.00 has written down during the 2025 are still subject to enforcement activity.

23.1.1 Analysis of allowance for impairment losses by product

For the year ended December 31,	Notes	2025 LKR	2024 LKR
Leases	23.2.1	435,172,663	374,389,583
Mortgage loans	23.2.2	516,001,830	477,540,312
Draft loans	23.2.3	159,184,003	62,642,639
Vehicle loans	23.2.4	110,426,606	10,088,357
Gold loans	23.2.5	22,102,847	3,068,734
Personal and business loans	23.2.6	821,655,127	845,629,572
		2,064,543,076	1,773,359,197

23.1.2 The Company assesses impairment based on collective models developed for specific products. Further Impairment has not been assessed based on individual impairment model for the years ended December 31, 2025 as lack of information to perform to back-testing to ensure the model accuracy due to unavailability of sufficient past data due to moratorium/concessions granted during the previous years based on the circular's issued from the Central Bank of Sri Lanka and limitations to re-assess the accuracy and reliability of estimated future cash flow projections and the other objective evidences and related assumptions under prevailing unstable economic situation of the country. Accordingly, impairment charge of LKR 298,355,639 recorded during the year over the total portfolio considered for impairment under collective approach.

23.2 Analysis by product

As at December 31,	Notes	2025 LKR	2024 LKR
Leases	23.2.1	4,781,151,966	4,795,591,393
Mortgage loans	23.2.2	1,417,043,044	2,580,991,155
Draft loans	23.2.3	9,493,230,523	3,318,810,785
Vehicle loans	23.2.4	5,263,077,142	606,656,486
Gold loans	23.2.5	3,793,197,863	1,098,200,687
Personal and business loans	23.2.6	1,210,348,228	1,044,926,267
		25,958,048,766	13,445,176,773

23.2.1 Leases

As at December 31,	Notes	2025 LKR	2024 LKR
Gross lease receivable			
Within one year	23.2.1(a)	2,006,818,893	1,947,667,091
One to five years	23.2.1(b)	3,209,505,736	3,222,313,885
		5,216,324,629	5,169,980,976
Less: Allowance for impairment losses		(435,172,663)	(374,389,583)
Net lease receivable		4,781,151,966	4,795,591,393

23.2.1 (a) Gross lease receivable within one year

As at December 31,	2025 LKR	2024 LKR
Total lease receivable within one year	3,009,521,751	2,885,472,570
Less: Unearned income	(1,002,702,858)	(937,805,479)
	2,006,818,893	1,947,667,091

23.2.1 (b) Gross lease receivable within one to five years

As at December 31,	2025 LKR	2024 LKR
Total lease receivable within one to five years	4,294,725,303	4,344,984,752
Less: Unearned income	(1,085,219,567)	(1,122,670,867)
	3,209,505,736	3,222,313,885

23.2.2 Mortgage loans

As at December 31,	Notes	2025 LKR	2024 LKR
Gross mortgage loans receivable			
Within one year	23.2.2(a)	1,383,324,808	1,637,234,677
One to five years	23.2.2(b)	542,643,680	1,303,609,818
Over five years	23.2.2(c)	7,076,386	117,686,972
		1,933,044,874	3,058,531,467
Less: Allowance for impairment losses		(516,001,830)	(477,540,312)
Net mortgage receivable		1,417,043,044	2,580,991,155

23.2.2 (a) Gross mortgage loans receivable within one year

For the year ended December 31,	2025 LKR	2024 LKR
Total mortgage loans receivable	1,516,820,028	1,957,994,954
Less: Unearned income	(133,495,220)	(320,760,277)
	1,383,324,808	1,637,234,677

23.2.2 (b) Gross mortgage loans receivable within one to five years

For the year ended December 31,	2025 LKR	2024 LKR
Total mortgage loans receivable	678,684,309	1,775,455,740
Less: Unearned income	(136,040,629)	(471,845,922)
	542,643,680	1,303,609,818

23.2.2 (c) Gross mortgage loans receivable over five years

For the year ended December 31,	2025 LKR	2024 LKR
Total mortgage loans receivable	7,236,000	128,888,099
Less: Unearned income	(159,614)	(11,201,127)
	7,076,386	117,686,972

23.2.3 Draft loans

For the year ended December 31,	Notes	2025 LKR	2024 LKR
Gross other loans receivable			
Within one year	23.2.3(a)	9,646,906,063	3,381,453,424
One to five years	23.2.3(b)	5,508,463	–
		9,652,414,526	3,381,453,424
Less: Allowance for impairment losses		(159,184,003)	(62,642,639)
Net draft loans receivable		9,493,230,523	3,318,810,785

23.2.3 (a) Gross draft loans receivable within one year

For the year ended December 31,	2025 LKR	2024 LKR
Total draft loans receivable	10,573,376,874	3,737,535,061
Less: Unearned income	(926,470,811)	(356,081,637)
	9,646,906,063	3,381,453,424

23.2.3 (b) Gross draft loans receivable within one to five years

For the year ended December 31,	2025 LKR	2024 LKR
Total draft loans receivable	7,138,696	–
Less: Unearned income	(1,630,233)	–
	5,508,463	–

23.2.4 Vehicle loans

For the year ended December 31,	Notes	2025 LKR	2024 LKR
Gross vehicle loans receivable			
Within one year	23.2.4(a)	1,153,850,277	129,955,601
One to five years	23.2.4(b)	4,219,653,471	486,789,242
		5,373,503,748	616,744,843
Less: Allowance for impairment losses		(110,426,606)	(10,088,357)
Net vehicle loans receivable		5,263,077,142	606,656,486

23.2.4 (a) Gross vehicle loans receivable within one year

For the year ended December 31,	2025 LKR	2024 LKR
Total vehicle loans receivable	1,891,745,813	219,958,946
Less: Unearned income	(737,895,536)	(90,003,345)
	1,153,850,277	129,955,601

23.2.4 (b) Gross vehicle loans receivable within one to five years

For the year ended December 31,	2025 LKR	2024 LKR
Total Vehicle loans receivable	5,438,707,665	636,539,629
Less: Unearned income	(1,219,054,194)	(149,750,386)
	4,219,653,471	486,789,242

23.2.5 Gold loans

For the year ended December 31,	Notes	2025 LKR	2024 LKR
Gross gold loans receivable			
Within one year	23.2.5(a)	3,815,300,710	1,101,269,421
		3,815,300,710	1,101,269,421
Less: Allowance for impairment losses		(22,102,847)	(3,068,734)
Net gold loans receivable		3,793,197,863	1,098,200,687

23.2.5 (a) Gross gold loans receivable within one year

For the year ended December 31,	2025 LKR	2024 LKR
Total gold loans receivable	3,903,839,443	1,117,461,580
Less: Unearned income	(88,538,733)	(16,192,159)
	3,815,300,710	1,101,269,421

23.2.6 Personal and business loans

For the year ended December 31,	Notes	2025 LKR	2024 LKR
Gross personal and business loans receivable			
Within one year	23.2.6(a)	1,176,287,203	1,329,139,991
One to five years	23.2.6(b)	723,587,288	452,552,203
Over five years	23.2.6(c)	132,128,864	108,863,645
		2,032,003,355	1,890,555,839
Less: Allowance for impairment losses		(821,655,127)	(845,629,572)
Net personal and business loans receivable		1,210,348,228	1,044,926,267

23.2.6 (a) Gross personal and business loans receivable within one year

For the year ended December 31,	2025 LKR	2024 LKR
Total personal and business loans receivable	1,443,558,428	1,435,834,367
Less: Unearned income	(267,271,225)	(106,694,376)
	1,176,287,203	1,329,139,991

23.2.6 (b) Gross personal and business loans receivable within one to five years

For the year ended December 31,	2025 LKR	2024 LKR
Total personal and business loans receivable	776,446,663	580,456,860
Less: Unearned income	(52,859,375)	(127,904,657)
	723,587,288	452,552,203

23.2.6 (c) Gross personal and business loans receivable over five years

For the year ended December 31,	2025 LKR	2024 LKR
Total personal and business loans receivable	147,387,087	122,567,542
Less: Unearned income	(15,258,223)	(13,703,897)
	132,128,864	108,863,645

24. Investment Properties

As at December 31,	2025 LKR	2024 LKR
Cost/Valuation		
As at January 01,	680,900,000	538,875,000
Additions during the year	102,660,000	154,800,000
Removal during the year	(18,900,000)	(12,225,000)
Fair value gain/(loss)	10,400,000	(550,000)
As at December 31,	775,060,000	680,900,000

Overview	Year in Review	Our Model	Our Impact	Our Stewardship
3	8	23	32	47

23.1 Details of investment properties

Location	Date of valuation	Number of buildings	Extent	
			Land (Perches)	Buildings (Square feet)
Lot 04, Plan No. 1,652, Bulumulla, Kiribathkumbura.	31.12.2025	–	18.70	–
Lot 01, Plan No. 1,366, Alapalawala, Handessa, Peradeniya.	31.12.2025	–	312.00	–
Lot 8, 247, Plan No. 7,790 C/5, 367, Suranimala Place, Pamankada, Thimbirigasyaya.	31.12.2025	3	–	5,280
Lots 5,112 and 5,113, Plan No. 224, No. 122/37, High level road, Kirulapone.	31.12.2025	–	22.81	–
Lots 01, Plan No. 896, Yatiwawala, Katugastota, Kandy.	31.12.2025	–	272.01	–
Lot 01, Plan No. 496, Polwatta, Mawanella.	31.12.2025	1	98.50	12550
Lot 02, Plan No. 2,648, Ballapana Pathabage, Galigamuwa.	31.12.2025	–	105.30	–
Lot 02, Plan No. 678, Iriyagama, Gangapalatha, Yatinuwara, Kandy.	31.12.2025	–	12.00	–
Lot 11, Plan No. 2,099, Mary Mount, Kandy Road, Kurunegala.	31.12.2025	1	13.50	3590
Lot 57, Plan No. 426, No. 40, Main Street, Pathana Bazar, Kotagala, Nuwara Eliya.	31.12.2025	1	8.50	2,942
Lot 1, 2 & 3 Plan No. 183-2013, Dewpahala, Kuruwita, Rathnapura.	31.12.2025	–	3992.00	–
Lot 1, Plan No. 7,183, Gorakagahawatta, Udahamulla Village, Maharagama.	31.12.2025	–	9.20	–
Lot 2, Plan No. 1,801, 1st Lane, Ramahera Mawatha, Kaduwela.	31.12.2025	–	55.34	–
Lot 1 A, Plan No. 3,867, Perakumba Road, Kadawatha Road, Nedimala, Dehiwala.	31.12.2025	–	7.00	–
Lot 1 to 6, Plan No. 911, Gonaramba, Ampagala, Ruwanwella.	31.12.2025	1	75.00	4,507
Lot 1, Plan No. 10284/A, Kannehepola village, Kurunegala.	31.12.2025	1	18.00	3,700
Lot 1, Plan No. 2218 & Lot 1, Plan No. 2219, Ganegoda village, Kurunegala.	31.12.2025	–	271.00	–

24.2 Measurement of fair value

The Company engages independent professional valuers for revaluation of its Investment Property and the valuation is carried out every financial year.

The fair value measurement for the investment properties of the Company has been categorised as a Level 3 fair value measurement based on the inputs to the valuation techniques used.

Price		Fair value of the investment property		Carrying value of investment property before fair valuation		Fair value gain/(losses) recognised in income statement	
Land (Perches) LKR	Buildings (Square feet) LKR	Land LKR	Building LKR	Land LKR	Building LKR	Land LKR	Building LKR
315,000	-	5,900,000	-	5,600,000	-	300,000	-
65,000	-	20,300,000	-	18,700,000	-	1,600,000	-
-	23,939	-	126,400,000	-	119,500,000	-	6,900,000
5,500,000	-	125,000,000	-	142,000,000	-	(17,000,000)	-
368,001	-	100,100,000	-	94,300,000	-	5,800,000	-
75,000	1,547	7,387,500	19,412,500	7,387,500	19,412,500	-	-
900,000	-	94,800,000	-	94,800,000	-	-	-
625,000	-	7,500,000	-	7,200,000	-	300,000	-
900,000	4,500	12,150,000	16,150,000	11,475,000	16,125,000	675,000	25,000
475,000	3,000	4,037,500	5,562,500	3,825,000	5,675,000	212,500	(112,500)
14,028	-	56,000,000	-	47,000,000	-	9,000,000	-
1,900,000	-	17,500,000	-	17,000,000	-	500,000	-
580,000	-	32,100,000	-	31,000,000	-	1,100,000	-
3,150,000	-	22,100,000	-	21,000,000	-	1,100,000	-
340,000	2,773	25,500,000	12,500,000	25,500,000	12,500,000	-	-
350,000	5,000	7,914,000	18,500,000	7,914,000	18,500,000	-	-
135,000	-	38,246,000	-	38,246,000	-	-	-

Details of the professional valuer	Location	Method of valuation and significant unobservable inputs
S A S Fernando Chartered Valuer FRICS (ENG.) IRRV (ENG.) FIV (S,L) MIV (R S,A) F.I.V. (Sri Lanka) R.N – F/100	Lot 04, Plan No. 1,652, Bulumulla, Kiribathkumbura.	Market comparable method price per perch
	Lot 01, Plan No. 1,366, Alapalawala, Handessa, Peradeniya.	Market comparable method price per perch
	Lot 8247, Plan No. 7,790 C/5, 367, Suranimala Place, Pamankada, Thimbirigasyaya.	Investment method – Gross monthly rental Years purchase
	Lots 01, Plan No. 896, Yatiwawala, Katugastota, Kandy.	Market comparable method – price per perch
	Lot 11, Plan No. 2,099, Mary Mount, Kandy Road, Kurunegala.	Market comparable method – price per perch – price per Sq.Ft
	Lot 2, Plan No. 1,801, 1st Lane, Ramahera Mawatha, Kaduwela.	Market comparable method – price per perch
	Lot 1 A, Plan No. 3,867, Perakumba Road, Kadawatha Road, Nedimala, Dehiwala.	Market comparable method – price per perch
D K S Premasiri Associate Incorporated Valuer B.Sc. (Estate Management & Valuation) (SP), (USJP) AIV (SL) No. A/750 AIV (SL) No. A/750	Lot 1 to 6, Plan No. 911, Gonaramba, Ampagala, Ruwanwella.	Market comparable method – price per perch – price per Sq.Ft
	Lot 01, Plan No. 496, Polwatta, Mawanella.	Market comparable method – price per perch – price per Sq.Ft – Depreciation rate
	Lot 02, Plan No. 2,648, Ballapana Pathabage, Galigamuwa.	Market comparable method – price per perch
	Lots 5,112 and 5,113, Plan No. 224, No 122/37, High level road, Kirulapone.	Market comparable method – price per perch
	Lot 02, Plan No. 678, Iriyagama, Gangapalatha, Yatinuwara, Kandy.	Market comparable method – price per perch
	Lot 57, Plan No. 426, No. 40, Main Street, Pathana Bazar, Kotagala, Nuwara Eliya.	Market comparable method – price per perch – price per Sq.Ft – Depreciation rate
	Lot 1, Plan No. 7,183, Gorakagahawatta, Udahamulla Village, Maharagama.	Market comparable method – price per perch
G M Gamini Senevirathne Chartered Valuer, F.I.V. (Sri Lanka) R.N – F/325	Lot 1, Plan No. 10284/A, Kannehepola village, Kurunegala.	Market comparable method – price per perch
	Lot 1, Plan No. 2218 & Lot 1, Plan No. 2219, Ganegoda village, Kurunegala.	Market comparable method – price per perch
	Lot 1, 2 & 3 Plan No. 183-2013, Dewpahala, Kuruwita, Rathnapura.	Market comparable method – price per perch

Range of estimate for significant unobservable inputs	Fair value of the Investment Property		Carrying value of Investment Property before Fair Valuation		Fair Value Gain/(Losses) recognised in Income Statement	
	Land LKR	Building LKR	Land LKR	Building LKR	Land LKR	Building LKR
LKR 315,000 p.p.	5,900,000	–	5,600,000	–	300,000	–
LKR 65,000 p.p.	20,300,000	–	18,700,000	–	1,600,000	–
LKR 185,000 p.m. 24.10	–	126,400,000	–	119,500,000	–	6,900,000
LKR 368,001 p.p.	100,100,000	–	94,300,000	–	5,800,000	–
LKR 900,000 p.p. LKR 4500 p.sq.ft	12,150,000	16,150,000	11,475,000	16,125,000	675,000	25,000
LKR 580,000 p.p.	32,100,000	–	31,000,000	–	1,100,000	–
LKR 3,150,000 p.p.	22,100,000	–	21,000,000	–	1,100,000	–
	25,500,000	12,500,000	25,500,000	12,500,000	–	–
LKR 75,000 p.p. LKR 1547 p.sq.ft 26%	7,387,500	19,412,500	7,387,500	19,412,500	–	–
LKR 900,000 p.p.	94,800,000	–	94,800,000	–	–	–
LKR 5,500,000 p.p.	125,000,000	–	142,000,000	–	(17,000,000)	–
LKR 625,000 p.p.	7,500,000	–	7,200,000	–	300,000	–
LKR 475,000 p.p. LKR 3000 p.sq.ft 37%	4,037,500	5,562,500	3,825,000	5,675,000	212,500	(112,500)
LKR 1,900,000 p.p.	17,500,000	–	17,000,000	–	500,000	–
LKR 350,000 p.p. LKR 3700 p.sq.ft	7,914,000	18,500,000	7,914,000	18,500,000	–	–
LKR 135,000 p.p.	38,246,000	–	38,246,000	–	–	–
LKR 14,028 p.p.	56,000,000	–	47,000,000	–	9,000,000	–
	576,535,000	198,525,000	572,947,500	191,712,500	3,587,500	6,812,500

Overview	Year in Review	Our Model	Our Impact	Our Stewardship
3	8	23	32	47

24.2.1 Valuation techniques and sensitivity of the fair value measurement

Valuation technique	Significant unobservable valuation inputs	Sensitivity of the fair value measurement to input
Market comparable method – This method to property valuation is an approach which uses the value of recently sold comparable assets to determine the value of a property.	Price per perch for land Price per square foot for building Depreciation rate for building	The estimated fair value would increase/(decrease) if price per perch/Sq.ft./Depreciation rate would higher/(lesser)
Investment method – This method consider the current market rent by an independent valuer to value the specific property.	Gross monthly rental Years purchase Void period	The estimated fair value would increase/(decrease) if monthly rental would higher/(lesser)

25. Property, Plant and Equipment

	Land LKR	Buildings LKR	Furniture and fittings LKR	Office equipment LKR
At cost/valuation				
Balance as at January 01, 2024	92,900,000	156,700,000	20,097,283	39,562,827
Additions	–	–	8,141,696	12,830,996
Disposals	–	–	–	–
Balance as at December 31, 2024	92,900,000	156,700,000	28,238,979	52,393,823
At cost/valuation				
Balance as at January 01, 2025	92,900,000	156,700,000	28,238,979	52,393,823
Additions	–	–	10,873,626	17,291,356
Disposals	–	–	(553,115)	(611,644)
Balance as at December 31, 2025	92,900,000	156,700,000	38,559,490	69,073,535
Accumulated Depreciation				
Balance as at January 01, 2024	–	–	9,586,469	14,423,572
Charge for the year	–	4,003,295	2,298,962	4,875,132
Disposals	–	–	–	–
Balance as at December 31, 2024	–	4,003,295	11,885,431	19,298,704
Accumulated Depreciation				
Balance as at January 01, 2025	–	4,003,295	11,885,431	19,298,704
Charge for the year	–	3,992,356	2,932,535	5,992,182
Disposals	–	–	(546,906)	(451,761)
Balance as at December 31, 2025	–	7,995,651	14,271,060	24,839,125
Net book value				
As at December 31, 2025	92,900,000	148,704,349	24,288,430	44,234,410
As at December 31, 2024	92,900,000	152,696,705	16,353,548	33,095,119

25.1 Acquisition of property, plant and equipment during the year

During the financial year, the Company acquired property, plant and equipment including transfer from the capital work-in-progress to the aggregate value of LKR 90,207,212 (Year ended December 31, 2024 – LKR 72,372,911).

Computers and accessories LKR	Sign boards LKR	Telephone system LKR	Electrical equipment LKR	Motor vehicles LKR	Fixtures and fittings LKR	Total LKR
133,104,125	6,750,892	4,834,655	26,228,620	23,349,550	24,132,387	527,660,339
29,915,079	1,949,958	3,411,760	10,403,967	–	5,719,455	72,372,911
(171,850)	–	–	–	(12,325,204)	–	(12,497,054)
162,847,354	8,700,850	8,246,415	36,632,587	11,024,346	29,851,842	587,536,196
162,847,354	8,700,850	8,246,415	36,632,587	11,024,346	29,851,842	587,536,196
38,387,093	3,205,332	2,729,056	10,833,656	–	6,887,093	90,207,212
(641,679)	(2,106,180)	–	–	–	(115,675)	(4,028,293)
200,592,768	9,800,002	10,975,471	47,466,243	11,024,346	36,623,260	673,715,115
56,839,532	2,751,677	1,673,394	7,389,487	19,958,574	6,476,748	119,099,453
25,365,735	861,246	1,378,265	3,645,906	1,766,191	3,182,348	47,377,080
(119,085)	–	–	–	(11,325,249)	–	(11,444,334)
82,086,182	3,612,923	3,051,659	11,035,393	10,399,516	9,659,096	155,032,199
82,086,182	3,612,923	3,051,659	11,035,393	10,399,516	9,659,096	155,032,199
28,435,989	1,000,230	2,038,624	4,756,504	232,225	3,653,896	53,034,541
(444,697)	(1,845,674)	–	–	–	(110,602)	(3,399,640)
110,077,474	2,767,479	5,090,283	15,791,897	10,631,741	13,202,390	204,667,100
90,515,294	7,032,523	5,885,188	31,674,346	392,605	23,420,870	469,048,015
80,761,172	5,087,927	5,194,756	25,597,194	624,830	20,192,746	432,503,997

25.2 Title restriction on property, plant and equipment

There are no restrictions that existed on the title of the property, plant and equipment of the Company as at the reporting date.

25.3 Capitalisation of borrowing costs

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year ended December 31, 2025 (Year ended December 31, 2024: Nil).

25.4 Amount of contractual commitments for the acquisition of property, plant and equipment

The Company had no contractual commitments for the acquisition of property, plant and equipment as at the reporting date (Year ended December 31, 2024: Nil).

25.5 Property, plant and equipment included fully depreciated assets amounting to LKR 82,457,473 as at December 31, 2025 (as at December 31, 2024 – LKR 78,077,528).

25.6 Measurement of fair values

The fair value of land and buildings was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's land and buildings every 3 years.

The fair value measurement of all of the land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

25.7 Information on valuation of freehold land and buildings of the Company

Date of valuation: December 31, 2023

Name of the professional valuer/ location and address	Location of the property	Extent		Method of valuation and significant unobservable inputs	Range of estimation for unobservable inputs	Carrying value before valuation of		Revaluation amount of		Revaluation gain Recognised on	
		Land (Perches)	Buildings (Square feet)			Land LKR	Buildings LKR	Land LKR	Buildings LKR	Land LKR	Buildings LKR
Sarith Fernando F.I.V. Chartered Valuer, Wattagama, Sri Lanka.	No. 187, Katugastota Road, Kandy.	11.93	10892	Valuation on Comparative Method. Useful life period of the building is 30 years	Useful life period is 30 years						
				Price per perch LKR 6,000,000	Price per perch LKR 13,700	65,630,000	106,726,655	71,600,000	127,000,000	5,970,000	20,273,345
	No. 182, Katugastota Road, Kandy.	3.29	3714	Price per square feet for building Depreciation rate	Useful life period of the building is 25 years Price per perch LKR 6,500,000 Price per sq.ft. LKR 10,000 Depreciation rate – 20%	18,100,000	31,974,002	21,300,000	29,700,000	3,200,000	(2,274,002)
						83,730,000	138,700,657	92,900,000	156,700,000	9,170,000	17,999,343

25.7.1 The carrying amount of Company's revalued assets that would have been included in these Financial Statements had these assets been carried at cost less accumulated depreciation is as follows:

For the year ended December 31,	2025			2024		
	Cost	Accumulated depreciation LKR	Carrying value LKR	Cost LKR	Accumulated depreciation LKR	Carrying value LKR
Land	40,313,868	–	40,313,868	40,313,868	–	40,313,868
Building	82,904,684	15,956,681	66,948,003	82,904,684	14,298,587	68,606,097
Total	123,218,552	15,956,681	107,261,871	123,218,552	14,298,587	108,919,965

25.8 Fair value measurement

Measurement of the fair value of the land and building is using the unobservable inputs, which need to be treated as Level 3 in accordance with SLFRS 13 Fair Value Measurement.

25.9 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at December 31, 2025 specially considering the present economic condition. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of property, plant and equipment. The management has taken necessary actions to safeguard the assets to ensure its future economic value would not diminish.

25.10 Property, plant and equipment pledged as security

Details of property, plant and equipment which have been pledged as securities as at the reporting date are disclosed in Note 30.5.

25.11 Market comparable method

The comparison method to property valuation is an approach which uses the value of recently sold comparable assets to determine the value of a property.

26. Intangible Assets

As at December 31,	2025 LKR	2024 LKR
Computer software		
Cost		
As at January 01,	63,263,619	56,266,999
Additions during the year	2,857,518	6,996,620
As at December 31,	66,121,137	63,263,619
Amortisation		
As at January 01,	29,686,857	24,539,259
Additions during the year	5,554,202	5,147,598
As at December 31,	35,241,059	29,686,857
Carrying value as at December 31,	30,880,078	33,576,762

27. Right-of-Use Assets

As at December 31,	2025 LKR	2024 LKR
As at January 01,	68,159,813	62,696,695
Additions during the year	194,297,342	34,482,568
Amortisation for the year	(46,293,877)	(29,019,450)
As at December 31,	216,163,278	68,159,813

28. Other Assets

As at December 31,	Notes	2025 LKR	2024 LKR
Financial			
Refundable deposits		32,633,127	12,814,599
Debtors		1,783,178	1,783,178
		34,416,305	14,597,777
Allowance for impairment losses – debtors & insurance premium receivable	28.1	(1,783,178)	(1,783,178)
		32,633,127	12,814,599
Non-financial			
Prepayments		36,716,839	29,126,130
Other receivables		216,776,836	73,367,855
WHT receivable		–	642,811
		253,493,675	103,136,796
Total		286,126,802	115,951,395

28.1 Allowance for impairment losses – debtors

As at December 31,	2025 LKR	2024 LKR
Debtors	(1,783,178)	(1,783,178)
	(1,783,178)	(1,783,178)

29. Financial Liabilities at Amortised Cost – Due to Depositors

As at December 31,	2025 LKR	2024 LKR
Savings deposits	352,202	–
Fixed deposits	13,969,773,192	10,311,261,790
	13,970,125,394	10,311,261,790

30. Financial Liabilities at Amortised Cost – Due to Banks and Other Financial Institution

As at December 31,	Notes	2025 LKR	2024 LKR
Bank overdrafts		27,973,893	207,121,188
Due to bank - Securitised borrowings	30.1	3,945,186,490	1,349,656,460
Due to bank -Unsecuritised borrowings	30.2	6,019,419,656	995,858,408
Other financial institution - Securitisation loans	30.3	2,022,983,238	497,533,053
Total		12,015,563,277	3,050,169,109

30.1 Due to bank – Securitised borrowings

For the year ended December 31, 2025	As at January 01, 2025 LKR	Loans obtained during the year LKR	Interest expense for the year LKR	Repayments during the year LKR	As at December 31, 2025 LKR
Direct bank borrowings					
Term loans					
Commercial Bank of Ceylon PLC	1,349,656,461	5,335,000,000	102,711,962	(4,792,925,528)	1,994,442,894
Sampath Bank PLC	–	1,500,000,000	–	(7,040,854)	1,950,743,596
Total	1,349,656,461	6,835,000,000	102,711,962	(4,799,966,382)	3,945,186,490

For the year ended December 31, 2024	As at January 01, 2024 LKR	Loans obtained during the year LKR	Interest expense for the year LKR	Repayments during the year LKR	As at December 31, 2024 LKR
Direct bank borrowings					
Term loans					
Commercial Bank of Ceylon PLC	2,170,195,258	3,260,000,000	162,584,491	(4,243,123,288)	1,349,656,461
Total	2,170,195,258	3,260,000,000	162,584,491	(4,243,123,288)	1,349,656,461

30.2 Due to bank – Unsecuritised borrowings

For the year ended December 31, 2025	As at January 01, 2025 LKR	Loans obtained during the year LKR	Interest expense for the year LKR	Repayments during the year LKR	As at December 31, 2025 LKR
Sampath Bank PLC	495,741,148	1,795,000,000	47,184,611	(1,379,489,118)	500,652,192
DFCC Bank PLC	–	750,000,000	502,329	–	750,502,329
Hatton National Bank PLC	500,117,260	5,970,000,000	116,849,688	(3,325,412,398)	3,261,554,550
Nations Trust Bank PLC	–	2,410,000,000	21,836,494	(1,427,675,579)	1,004,160,915
MCB Bank Limited Sri Lanka	–	500,000,000	13,818,848	(11,269,179)	502,549,670
Total	995,858,408	11,425,000,000	200,191,970	(6,143,846,274)	6,019,419,656

For the year ended December 31, 2024	As at January 01, 2024 LKR	Loans obtained during the year LKR	Interest expense for the year LKR	Repayments during the year LKR	As at December 31, 2024 LKR
Sampath Bank PLC	491,051,151	1,165,000,000	37,411,264	(1,197,721,267)	495,741,148
Bank Of Ceylon	71,620,570	–	1,442,262	(73,062,832)	–
DFCC Bank PLC	–	500,000,000	117,260	–	500,117,260
Total	562,671,721	1,665,000,000	38,970,786	(1,270,784,099)	995,858,408

30.3 Other financial institution - Securitisation loans

For the year ended December 31, 2025	As at January 01, 2025 LKR	Loans obtained during the year LKR	Interest expense for the year LKR	Repayments during the year LKR	As at December 31, 2025 LKR
Think Capital Partners (Pvt) Ltd	497,533,053	500,000,000	106,051,921	(115,875,000)	987,709,974
Capital One Partners	–	1,000,000,000	50,073,999	(14,800,735)	1,035,273,264
Total	497,533,053	1,500,000,000	156,125,920	(130,675,735)	2,022,983,238

For the year ended December 31, 2024	As at January 01, 2024 LKR	Loans obtained during the year LKR	Interest expense for the year LKR	Repayments during the year LKR	As at December 31, 2024 LKR
Think Capital Partners (Pvt) Ltd		500,000,000	4,043,053	(6,510,000)	497,533,053
Total	–	500,000,000	4,043,053	(6,510,000)	497,533,053

30.4 Institutional borrowings

Institution	As at January 01, 2025 LKR	Loan obtained during the year LKR	Interest expense for the year LKR	Repayments		As at December 31, 2025 LKR	Tenure of loan	Security offered	Prevailing interest rate %
				Capital LKR	Interest LKR				
Commercial Bank of Ceylon PLC	1,349,656,460	5,335,000,000	102,711,962	4,691,588,600	101,336,928	1,994,442,894	5 years/ revolving	Primary property mortgage & Mortgage over lease and loan receivables	9.14
Sampath Bank PLC	495,741,148	3,295,000,000	47,184,611	1,339,957,518	46,572,454	2,451,395,788	5 Years/ 4 Years/ revolving	Commercial Bank letter of Comfort /Mortgage over Vehicle loan receivables	10.00/ 9.94/ 7.95
DFCC Bank PLC	–	750,000,000	502,329	–	–	750,502,329	3 Months/ 6 Months	Commercial Bank letter of Comfort	12.39/ 12.14
Hatton National Bank PLC	500,117,260	5,970,000,000	116,849,688	3,225,000,000	100,412,398	3,261,554,550	3 years/ revolving	Commercial Bank letter of Comfort	9.19/ 9.90
Think Capital Partners (Pvt) Ltd.	497,533,053	500,000,000	106,051,921	105,735,000	10,140,000	987,709,974	3 years	Mortgage over lease receivables	11.40
Capital One Partners	–	1,000,000,000	50,073,999	14,800,735	–	1,035,273,264	3 years	Mortgage over lease receivables	10.25
Nations Trust Bank PLC	–	2,410,000,000	21,836,494	1,410,000,000	17,675,579	1,004,160,915	Revolving	Commercial Bank letter of Comfort	10.64
MCB Bank Limited Sri Lanka	–	500,000,000	13,818,848	50,000	11,219,178	502,549,670	Revolving	Commercial Bank letter of Comfort	9.00
	2,843,047,921	19,760,000,000	459,029,852	10,787,131,852	287,356,538	11,987,589,384			

30.5 Assets pledged

The following assets have been pledged as security for liabilities.

Nature of assets	Facility	2025 LKR	2024 LKR
Lease and loan receivable	Commercial Bank of Ceylon PLC – loans and bank overdraft	4,825,797,240	5,701,947,694
Property at No. 182 & 187, Katugastota Road, Kandy	Commercial Bank of Ceylon PLC – loan and bank overdraft	75,000,000	75,000,000
Lease and loan receivable	Think Capital	2,474,374,535	650,265,709
Lease and loan receivable	Sampath Bank	3,037,437,984	–
		10,412,609,759	6,427,213,403

31. Debenture

As at December 31,	2025		2024	
	Number of debentures LKR	Gross carrying value LKR	Number of debentures LKR	Gross carrying value LKR
	15,000,000	1,499,691,229	–	–
Total	15,000,000	1,499,691,229	–	–

31.1 Categories of the Debentures As at December 31, 2025

Categories	Interest payable frequency	Allotment date	Maturity date	Coupon Rate	Effective annual yield	Interest rate of comparable Government Security	Highest Market value	Lowest Market value	Period End Market value
				%	%	%	LKR	LKR	LKR
Fixed Rate Debentures Issued in 2025 Listed Rated Unsecured Subordinated Redeemable Debenture 2025/2030	Annually	03.12.2025	02.12.2030	11.50	11.50	9.73	Not traded during the period		1,499,691,229

(a) Last traded date – Not traded during the period

32. Employee Benefits

32.1 Defined benefit plans

As at December 31,	Notes	2025 LKR	2024 LKR
Movement in the present value of the defined benefit obligations			
As at January 01,		23,097,606	15,694,914
Included in profit or loss			
Current service cost		5,740,588	3,564,481
Interest cost		2,540,737	1,961,864
		8,281,325	5,526,345
Included in other comprehensive income			
Actuarial losses during the year	32.1.1	5,585,737	3,605,250
Payments made during the year		(3,624,275)	(1,728,903)
As at December 31,		33,340,393	23,097,606

32.1.1 Amount recognised for defined benefit obligation in other comprehensive income

As at December 31,	2025 LKR	2024 LKR
Cumulative (gain)/losses as at January 01,	908,786	(2,696,464)
Actuarial losses recognised during the year	5,585,737	3,605,250
Cumulative losses/(gain) as at December 31,	6,494,523	908,786

32.1.2 Actuarial assumptions

As at December 31,	2025	2024
Financial assumptions		
Discount rate	9.5%p.a.	11.0%p.a.
Salary increment rate	10.0%p.a.	10.0%p.a.
Demographic assumptions		
Staff turnover	17%	16%
Mortality	A 1967/70 Mortality Table	
Disability	10% of Mortality Table	
Retirement age	Normal retirement age, the employees who are aged over the specified retirement age have been assumed to retire on their respective next birthday.	

The average duration of the defined benefit plan obligation at the end of the reporting period is 5.5 years for the Company (2024 – 6.0 years)

An actuarial valuation of the gratuity was carried out as at December 31, 2025 by Mr M Poopalanathan, AIA, of Actuarial and Management Consultants (Pvt) Limited, a firm of professional actuaries. The valuation method used by the actuary to value the fund is the "Projected Unit Credit Method", recommended by LKAS 19.

32.1.3 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	2025		2024	
	Increase LKR	Decrease LKR	Increase LKR	Decrease LKR
Discount rate (1% movement)	(1,534,175)	1,695,432	(1,203,374)	1,343,246
Salary increment rate (1% movement)	1,827,317	(1,683,329)	1,352,745	(1,232,600)

33. Lease Liabilities

As at December 31,	2025 LKR	2024 LKR
As at January 01,	74,210,693	64,874,901
Additions during the year	194,297,342	34,482,568
Accrual of interest for the year	13,441,557	8,112,811
Payments made during the year	(68,315,993)	(33,259,587)
Balance as at December 31,	213,633,599	74,210,693

33.1 Amounts recognised in Financial Statements

33.1.1 Amounts recognised in profit or loss under SLFRS 16

As at December 31,	2025 LKR	2024 LKR
Interest on lease liabilities	13,441,557	8,112,811
Right-of-use asset amortisation	46,293,877	29,019,450
Expenses relating to short term leases	8,447,954	6,811,798

33.1.2 Amounts recognised in statement of cash flows under SLFRS 16

As at December 31,	2025 LKR	2024 LKR
Lease interest paid	(13,441,557)	(8,112,811)
Capital payment of lease liabilities	(54,874,436)	(25,146,776)

Overview	Year in Review	Our Model	Our Impact	Our Stewardship
3	8	23	32	47

33.1.3 Undiscounted lease payable

The following table sets out the maturity analysis of lease payment showing the undiscounted lease payments to be paid after the reporting date.

As at December 31,	2025 LKR	2024 LKR
Less than one year	65,807,513	33,553,735
One to two years	59,140,857	26,407,730
Two to three years	58,116,510	16,861,871
Three to four years	45,806,869	12,251,130
Four to five years	18,322,123	3,793,240
	247,193,872	92,867,706

34. Deferred Tax Assets

As at December 31,	Notes	2025 LKR	2024 LKR
As at January 01,		(283,122,147)	(359,259,949)
Origination/(reversal) of temporary differences			
– Recognised in profit or loss	34.2	(27,406,783)	76,122,655
– Recognised in other comprehensive income	34.2	(2,715,686)	15,147
As at December 31,		(313,244,617)	(283,122,147)

34.1 Summary of net deferred tax

As at December 31,	Note	2025		2024	
		Temporary difference LKR	Tax effect LKR	Temporary difference LKR	Tax effect LKR
Deferred tax liabilities					
Accelerated depreciation for tax purposes – Own assets		102,405,055	30,721,517	82,508,268	24,752,480
Accelerated depreciation for tax purposes – Right-of-use assets		216,163,278	64,848,983	68,159,813	20,447,944
Revaluation surplus on buildings		77,331,571	23,199,471	80,003,929	24,001,179
Tax on capital assets (lands)	34.3	52,586,132	15,775,840	52,586,132	15,775,840
Fair value gain on investment properties		13,238,367	3,971,510	6,918,367	2,075,510
Unrealised gain on FVOCI		2,571,903	771,571	6,038,453	1,811,536
		464,296,306	139,288,892	296,214,962	88,864,489

As at December 31,	2025		2024		
	Notes	Temporary difference LKR	Tax effect LKR	Temporary difference LKR	Tax effect LKR
Deferred tax assets					
Defined benefit plans		33,340,383	10,002,115	23,097,600	6,929,280
Carried forward tax losses		–	–	131,465,975	39,439,793
Carried forward unclaimed impairment losses		1,261,471,045	378,441,313	1,011,181,183	303,354,355
Amortisation of lease liabilities		213,633,599	64,090,080	74,210,693	22,263,208
		1,508,445,027	452,533,508	1,239,955,451	371,986,636
Net deferred tax assets as at December 31,		(1,044,148,720)	(313,244,616)	(943,740,489)	(283,122,147)

34.2 Deferred tax assets and liabilities are attributable to the following:

As at December 31,	Notes	Recognised in Profit or Loss		Recognised in Other Comprehensive Income		Statement of Financial Position	
		Year ended December 31, 2025 LKR	Year ended December 31, 2024 LKR	Year ended December 31, 2025 LKR	Year ended December 31, 2024 LKR	As at December 31, 2025 LKR	As at December 31, 2024 LKR
Deferred tax liabilities							
Accelerated depreciation for tax purposes – Lease assets	34.4	–	(969,705)	–	–	–	–
Accelerated depreciation for tax purposes – Own assets		5,969,037	3,102,927	–	–	30,721,517	24,752,480
Amortisation of right-of-use assets		44,401,039	1,638,935	–	–	64,848,983	20,447,944
Revaluation surplus on buildings		(801,708)	(801,709)	–	–	23,199,471	24,001,179
Revaluation surplus on lands	34.3	–	–	–	–	15,775,840	15,775,840
Fair value gain on investment properties		1,896,000	(165,000)	–	–	3,971,510	2,075,510
Unrealised gain on FVOCI		–	–	(1,039,965)	1,096,722	771,571	1,811,536
		51,464,368	2,805,448	(1,039,965)	1,096,722	139,288,892	88,864,489

As at December 31,	Recognised in Profit or Loss		Recognised in Other Comprehensive Income		Statement of Financial Position	
	Year ended December 31, 2025 Notes LKR	Year ended December 31, 2024 LKR	Year ended December 31, 2025 LKR	Year ended December 31, 2024 LKR	As at December 31, 2025 LKR	As at December 31, 2024 LKR
Deferred tax assets						
Defined benefit plans	(1,397,114)	(1,139,231)	(1,675,721)	(1,081,575)	10,002,115	6,929,280
Carried forward tax losses	39,439,793	32,534,598	-	-	-	39,439,793
Carried forward unclaimed impairment losses	(75,086,958)	44,722,578	-	-	378,441,313	303,354,355
Amortisation of right of use assets	(41,826,872)	(2,800,738)	-	-	64,090,080	22,263,208
Unrealised loss on FVOCI	-	-	-	-	-	-
Fair value losses on investment properties	-	-	-	-	-	-
	(78,871,151)	73,317,207	(1,675,721)	(1,081,575)	452,533,508	371,986,636
Deferred tax effect on statement of profit or loss and other comprehensive income	(27,406,783)	76,122,655	(2,715,686)	15,147		
Net deferred tax assets as at December 31,					(313,244,616)	(283,122,147)

34.3 As per the Inland Revenue Act No. 24 of 2017, which is effective from April 01, 2018, Capital Assets attract tax at applicable corporate tax rate on the gains at the time of disposal. Accordingly, deferred tax liability has been recognised at 30% (2024 – 30%) on the revaluation surplus relating to freehold land in these Financial Statements.

34.4 As per the Inland Revenue Act No. 24 of 2017, which is effective from April 01, 2018, Finance Lease agreements need to be considered as a loan granted by the lessor to the lessee. Accordingly, the previous method of calculating the profits from the business of finance lease has been changed and the leasing business would be subject to tax on profits derived from such operations being the lease interest less expenses.

However, any profit, loss, receipt or payment in respect of any finance lease agreement entered into, prior to April 01, 2018,

will be computed in accordance with the respective provisions of the Inland Revenue Act, No. 10 of 2006. Therefore, a deferred tax liability has been recognised on accelerated depreciation for tax purposes on lease assets as at December 31, 2025 which were entered into prior to April 01, 2018.

35. Current Tax Liabilities

As at December 31,	2025 LKR	2024 LKR
As at January 01,	(394,940)	2,605,060
Provision for the year	157,223,258	-
Payments made during the year	(10,961,060)	(3,000,000)
As at December 31,	145,867,258	(394,940)

36. Other Liabilities

As at December 31,	2025 LKR	2024 LKR
Financial		
Trade payables	9,827,563	30,363,849
	9,827,563	30,363,849
Non-financial		
Accrued expenses	1,470,837,931	308,938,016
Stamp duty payable	1,049,355	3,685,665
	1,471,887,286	312,623,681
Total	1,481,714,849	342,987,530

37. Stated Capital

As at December 31,	2025		2024	
	Number of shares	Value of shares LKR	Number of shares	Value of shares LKR
Fully paid ordinary shares				
As at January 01,	221,793,834	4,254,999,952	221,793,834	3,254,999,964
Issue of ordinary shares	71,315,291	-	-	-
As at December 31,	293,109,125	4,254,999,952	221,793,834	3,254,999,964

37.1 Shareholders as at

As at December 31,	2025 Holding %	2025 Number of shares	2024 Number of shares
Commercial Bank of Ceylon PLC	100	293,109,125	221,793,834
Total	100	293,109,125	221,793,834

The holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meetings of the shareholders or one vote per share in the case of a poll.

38. Accumulated Losses

As at December 31,	Note	2025 LKR	2024 LKR
As at January 01,		(610,441,417)	(431,325,175)
Profit for the year		235,817,740	81,541,007
Actuarial losses on defined benefits plans, after tax		(3,910,016)	(2,523,675)
Transferred to statutory reserve fund	39.1	(11,790,887)	(4,077,050)
Transferred to regulatory loss allowance reserve		27,584,476	(254,056,524)
As at December 31,		(362,740,104)	(610,441,417)

39. Other Reserves

As at December 31,	Note	2025 LKR	2024 LKR
Capital reserve		50,000	50,000
Statutory reserve fund	39.1	49,196,515	37,405,628
Revaluation reserve	39.2	98,517,078	98,517,078
Fair value reserve	39.3	1,800,335	4,226,918
General reserve	39.4	20,097,889	20,097,889
Regulatory loss allowance reserve		226,472,048	254,056,524
Total		396,133,865	414,354,037

39.1 Statutory reserve fund

As at December 31,	2025 LKR	2024 LKR
As at January 01,	37,405,628	33,328,578
Transferred from retained earnings	11,790,887	4,077,050
As at December 31,	49,196,515	37,405,628

“Statutory reserve fund” is a capital reserve which contains profits transferred as required by Department of Supervision of Non Bank Financial Institutions of Central Bank of Sri Lanka, under the Finance Companies (Capital Funds) Direction No. 01 of 2003. Accordingly, 5% of the net profit for the year is transferred to the Statutory reserve fund during the financial year.

39.2 Revaluation reserve

As at December 31,	2025 LKR	2024 LKR
As at January 01,	98,517,078	98,517,078
As at December 31,	98,517,078	98,517,078

The revaluation reserve relates to revaluation of freehold land and buildings and represents the fair value changes of the land and buildings, as at the date of revaluation.

39.3 Fair value reserve

The fair value reserve comprises;

- the cumulative net change in the fair value of equity securities designated at FVOCI and,
- the cumulative net change in fair value of debt securities at FVOCI until the assets are derecognised or reclassified. This amount is reduced by the amount of loss allowance.

39.4 General reserve

The purpose of setting up the general reserve is to meet potential future unknown liabilities and the balance comprises of the amounts appropriated by the Board of Directors as a general reserve.

40. Fair Value of Financial Instruments

The Company has an established control framework with respect to the measurement of fair values of investments. The Asset and Liability Committee (ALCO) has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements are carried out by the finance division, which include:

- Verification of observable pricing;
- Re-performance of model valuations;

- Quarterly calibration and back-testing of models against observed market transactions;
- Analysis and investigation of significant daily valuation movements; and Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 as explained below.

When third party information, such as broker quotes or pricing services, is used to measure fair value, documents of evidence are obtained from third parties to support the conclusion that such valuations meet the requirements of SLFRS/LKAS.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

December 31, 2025	Classification Note	Carrying amount LKR	Fair value			
			Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Financial assets measured at fair value						
Investment in unquoted shares	Fair value through OCI	2,505,128	–	–	2,505,128	2,505,128
Investments in government securities		1,017,605,458	–	1,017,605,458	–	1,017,605,458
		1,020,110,586				
Financial assets not measured at fair value						
Cash and cash equivalents		686,120,299	–	–	–	–
Loans and advances	Amortised cost	25,958,048,767	–	–	–	–
Other assets	27	32,633,127	–	–	–	–
		26,676,802,193	–	–	–	–
Financial liabilities not measured at fair value						
Deposit liabilities		13,970,125,394	–	–	–	–
Due to banks		12,015,563,277	–	–	–	–
Debenture	Amortised cost	1,499,691,229	–	–	–	–
Lease liabilities		213,633,599	–	–	–	–
Other liabilities	34	9,827,563	–	–	–	–
		27,708,841,062				

December 31, 2024	Classification Note	Carrying amount LKR	Fair value			Total LKR
			Level 1 LKR	Level 2 LKR	Level 3 LKR	
Financial assets measured at fair value						
Investment in unquoted shares	Fair value through OCI	2,505,128	–	–	2,505,128	2,505,128
Investments in government securities		1,017,605,458	–	1,017,605,458	–	1,017,605,458
		1,020,110,586				
Financial assets not measured at fair value						
Cash and cash equivalents	Amortised cost	154,177,733	–	–	–	–
Loans and advances		10,142,399,731	–	–	–	–
Other assets		27	23,836,965	–	–	–
		10,320,414,429				
Financial liabilities not measured at fair value						
Deposit liabilities	Amortised cost	10,311,261,790	–	–	–	–
Due to banks		3,050,169,109	–	–	–	–
Lease liabilities		74,210,693	–	–	–	–
Other liabilities		34	30,363,849	–	–	–
		13,466,005,441				

40.1 Financial assets measured at fair value

Methodologies and assumptions used to determine fair value of financial instruments which are already recorded at fair value in the Statement of Financial Position are as follows.

a. Investments in government securities

As Treasury Bills/Treasury Bonds are valued using Central Bank published rates, investments in government securities are classified under Level 2.

b. Unquoted shares

The unquoted shares, which are held for regulatory purposes, are valued based on internal management information derived from the audited Financial Statements based on the net asset value of the investee, which is a significant unobservable input in measuring the fair value and hence it is categorised under level 3 in the fair value hierarchy.

c. Level 3 fair values

Reconciliation of Level 3 fair value

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Note	Unquoted equity securities LKR
Balance as at January 01, 2024		2,185,042
– Net change in fair value (unrealised)		172,960
Balance as at December 31, 2024	21.1	2,358,002
Balance as at January 01, 2025		2,358,002
– Net change in fair value (unrealised)		147,126
Balance as at December 31, 2025	21.1	2,505,128

Fair value of the unquoted shares are derived based on the following unobservable input.

Significant unobservable input	Value of the inputs
Net assets value per share	LKR 25,051

38.2 Financial assets not measured at fair value

Methodologies and assumptions used to determine fair value of financial instruments which are not already recorded at fair value in the Statement of Financial Position are as follows.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost (e.g. fixed rate loans and receivables, fixed rate borrowings) are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorised under Level 3 in the fair value hierarchy.

Sensitivity of significant unobservable inputs used to measure fair value of fixed rate financial instruments

A significant increase/(decrease) in the market interest rate would result in lower/(higher) fair value being disclosed.

Assets for which fair value approximates carrying value

For financial assets and liabilities with short-term maturities or with short term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value.

38.3 Transfers between Level 1 and Level 2

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2025.

41. Maturity Analysis of Assets and Liabilities

Remaining contractual period to maturity as at the date of statement of financial position of the liabilities and shareholders' funds employed by the Company is detailed below.

	2025			2024		
	Within 12 months	After 12 months	Total as at December 31, 2025	Within 12 months	After 12 months	Total as at December 31, 2024
	LKR	LKR	LKR	LKR	LKR	LKR
Assets						
Cash and cash equivalents	686,120,299	-	686,120,299	166,599,890	-	166,599,890
Financial investments - FVOCI	1,017,605,458	2,505,128	1,020,110,586	1,631,895,592	2,358,002	1,634,253,594
Financial investments - Amortised cost	3,893,527,270	-	3,893,527,270	-	-	-
Loans and advances	17,769,232,790	8,188,815,977	25,958,048,767	8,416,607,060	5,028,569,714	13,445,176,774
Investment property	387,530,000	387,530,000	775,060,000	340,450,000	340,450,000	680,900,000
Property, plant and equipment	60,286,784	408,761,231	469,048,015	48,292,247	384,211,750	432,503,997
Intangible assets	5,676,813	25,203,265	30,880,078	5,323,695	28,253,067	33,576,762
Right-of-use assets	70,936,500	145,226,778	216,163,278	26,135,614	42,024,199	68,159,813
Current tax assets	-	-	-	394,940	-	394,940
Deferred tax assets	-	313,244,617	313,244,617	-	283,122,147	283,122,147
Other assets	109,767,429	176,359,373	286,126,802	37,583,510	78,367,885	115,951,395
Total assets	24,000,683,343	9,647,646,369	33,648,329,712	10,673,282,548	6,187,356,764	16,860,639,312
Percentage (%)	71%	29%	100%	63%	37%	100%
Liabilities						
Deposit liabilities	11,583,506,932	2,386,618,462	13,970,125,394	8,806,273,979	1,504,987,811	10,311,261,790
Due to banks	9,089,342,968	2,926,220,309	12,015,563,277	2,034,133,855	1,016,035,254	3,050,169,109
Debenture	2,051,319	1,497,639,910	1,499,691,229	-	-	-
Employee benefits	-	33,340,393	33,340,393	-	23,097,606	23,097,606
Lease liabilities	52,131,791	161,501,808	213,633,599	23,483,888	50,726,805	74,210,693
Current tax liabilities	145,867,258	-	145,867,258	-	-	-
Other liabilities	274,118,627	1,207,596,222	1,481,714,849	155,149,239	187,838,291	342,987,530
Total liabilities	21,147,018,895	8,212,917,104	29,359,935,999	11,019,040,961	2,782,685,767	13,801,726,728
Equity						
Stated capital	-	4,254,999,952	4,254,999,952	-	3,254,999,964	3,254,999,964
Retained earnings	-	(362,740,104)	(362,740,104)	-	(610,441,417)	(610,441,417)
Other reserves	-	396,133,865	396,133,865	-	414,354,037	414,354,037
Total equity	-	4,288,393,713	4,288,393,713	-	3,058,912,584	3,058,912,584
Total equity and liabilities	21,147,018,895	12,501,310,817	33,648,329,712	11,019,040,961	5,841,598,351	16,860,639,312
Percentage (%)	63%	37%	100%	65%	35%	100%

42. Related Party Transactions

The Company carried out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard LKAS 24 – “Related party disclosures”, the details of which are reported below.

42.1 Parent and ultimate controlling party

On September 01, 2014, Commercial Bank of Ceylon PLC fully acquired the CBC Finance PLC (formerly known as Indra Finance Limited and Serendib Finance Limited) and accordingly the ownership of the Company was transferred to the Commercial Bank of Ceylon PLC. Therefore in the opinion of Directors, Commercial Bank of Ceylon PLC became the parent and ultimate controlling party of the CBC Finance PLC from September 01, 2014 to as of date.

42.2 Transactions with Key Management Personnel (KMP)

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities directly or indirectly. Accordingly, the KMP include members of the Board of Directors of the Company and selected key employees who meet the criteria for KMP.

As Commercial Bank of Ceylon PLC is the ultimate parent of the Company and the Board of Directors of Commercial Bank of Ceylon PLC has the authority and responsibility of planning, directing and controlling the activities of the Company, the Directors of Commercial Bank of Ceylon PLC have also been identified as KMP of the Company.

42.2.1 Compensation of Key Management Personnel

Year ended December 31,	2025 LKR	2024 LKR
Short-term employee benefits	24,620,133	19,723,750
Post employment benefits	6,591,600	2,319,525

42.2.2 Transactions with KMP

42.2.2.1 Statement of financial position

Year ended December 31,	2025 LKR	2024 LKR
Deposit liabilities	340,971,620	17,693,393

42.2.2.2 Statement of profit or loss and other comprehensive income

Year ended December 31,	2025 LKR	2024 LKR
Interest on deposits	13,477,574	2,363,311

42.2.3 Transactions, arrangements and agreements involving Close Family Members (CFMs) of KMP

CFMs of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP’s domestic partner and children, children of the KMP’s domestic partner and dependents of the KMP or the KMP’s domestic partner.

42.2.3.1 Statement of financial position

Year ended December 31,	2025 LKR	2024 LKR
Deposit liabilities	74,635,782	54,573,782

42.2.3.2 Statement of profit or loss and other comprehensive income

Year ended December 31,	2025 LKR	2024 LKR
Interest on deposits	6,764,040	7,331,925

42.2.4 Transactions with the parent and related entities

Name of the Company	Nature of transactions	Value of transactions		Balance as at December 31,	
		Year ended December 31, 2025 LKR	Year ended December 31, 2024 LKR	2025 LKR	2024 LKR
Commercial Bank of Ceylon PLC (Parent)	Overdraft balance	-	-	(27,973,893)	(10,455,787)
	OD interest	2,244,943	410,665	-	-
	Loan balance	-	-	(1,994,442,894)	(1,349,656,460)
	Loan interest expense	102,711,962	162,584,491	-	-
	Loan interest paid	101,336,928	170,990,688	-	-
	Loans obtained	5,460,000,000	3,260,000,000	-	-
	Loan repayment	4,917,925,528	4,072,132,601	-	-
	Deposits/advances	-	-	335,090,930	(60,354,084)
	Interest on deposits/advances	3,781,855	6,295,024	-	-
	Investment in repo	-	-	2,500,000,000	-
	Interest on repo investment	3,408,545	-	-	-
	Building rent received	668,592	790,404	319,195	-
Commission for deposits	24,500	11,000	-	-	
Commercial Development Company PLC (Affiliate)	Deposits	-	-	(884,996,866)	(977,021,795)
	Investments in debentures	-	-	(233,020,000)	-
	New deposits, net of withdrawals	92,024,929	(332,021,795)	-	-
	Interest on deposits	94,504,022	107,805,959	(45,152,216)	(50,473,356)
	Interest on debenture	2,129,101	-	(2,129,101)	-
Orysys Ltd (Affiliate)	Deposits	-	-	(275,735,714)	(254,017,240)
	New deposits, net of withdrawals	(21,718,474)	(40,650,709)	-	-
	Interest on deposits	25,338,678	31,943,022	(15,324,466)	(14,117,426)
	Software development	11,992,631	6,803,639	-	-
Commercial Insurance Brokers (Affiliate)	Corporate agent fee	294,345	472,060	-	-

Commercial Bank of Ceylon PLC has provided letters of comfort to Sampath Bank PLC, DFCC Bank PLC, Hatton National Bank PLC, Nations Trust Bank PLC and Muslim Commercial Bank Ltd as security against the term loans obtained amounting to LKR 1.0 Bn., LKR 1.65 Bn., LKR 3.0 Bn., LKR 1.0 Bn. and LKR 0.5 Bn. respectively.

42.2.5 Related party disclosure

CBC Finance Ltd (the Company) carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per the Sri Lanka Accounting Standard – LKAS 24 “Related Party Disclosures”.

43. Risk Management

Introduction

Risk is inherent in the Company's activities but it managed through a process of ongoing identification, measurement and monitoring. 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 their responsibilities. The Company has exposure to the following risks arising from financial instruments.

- 1 Credit Risk
- 2 Liquidity Risk
- 3 Market Risk
- 4 Operational Risk

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 responsible for developing and monitoring Company's risk management policies. The Committee is headed by a non-executive director and comprises Executive and Non-Executive Directors. Meetings of BIRMC are held regularly, and the Board of Directors is duly updated of its activities.

The Company's 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 adherence to established 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.

The economic downturn prevailing in the country has resulted in significant erosion of purchasing power of households and led to decline in disposable income of the customers which had considerable impact on increase in default risk. The

Company has offered various forms of assistants to make sure that customer's ability to service contractual obligations do not deteriorate due to the prevailing economic crisis in the country. Significant increase in credit risk (SICR) has been evaluated based on the numerous measures like present financial position of the customer, future earning capacity and the sector in which they operates and facilities stress tested and required overlays reviewed considering the latest economic revival & reforms take place in the latter part of the financial year.

Maintaining a liquidity position during this uncertain period remains a key priority for the Company. The management has assessed the impact of the economic uncertainty on the performance and cash flows of the Company and has ensured the financial strength of the Company.

Senior Management involvement in Risk Management

The Business units (i.e. Credit Department, Recovery Department, Finance Department etc.) have primary responsibility for Risk Management. The Senior Management team comprising Managing Director/Chief Executive Officer, Chief Operating Officer, Chief Risk Officer, Compliance Officer, Head of Finance, Head of Sales and Marketing, Chief Manager Finance, Chief Manager IT, Chief Manager - Recovery, Chief Manager - Credit and Chief Manager - Credit Administration provide an independent oversight function and acts as the 2nd line of defence.

Risk Measurement & Reporting

The Company's Risks are measured using appropriate techniques based on the type of risk, and industry best practices. The Company also carries out procedures to identify the effect of extreme events/worst case scenarios in most of the major type of risks and the results are reported to BIRMC on a periodic basis. Monitoring and controlling risks is primarily performed based on policies, limits and thresholds established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept. The Corporate Management team meets every month and deliberates on matters of interest in risk management arising from operations. The monthly risk management meeting is held to shortlist matters to be forwarded to BIRMC.

Board Credit Committee

Board Credit Committee is chaired by the Non Independent Non-Executive Director and comprises solely by non-executive Directors. The Committee meets regularly to monitor and manage the Company's lending portfolio, asset quality and

Overview	Year in Review	Our Model	Our Impact	Our Stewardship
3	8	23	32	47

recovery actions. The Committee also periodically reviews the Company's credit policy and lending rates to different business segments, in light of prevailing market conditions and industry dynamics.

A separate Executive Credit Committee chaired by the Managing Director/Chief Executive Officer reports to the Board Credit Committee and is responsible for managing the Company's credit risk.

Board Audit Committee Oversight

The Board Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. A separate Management Audit Compliance Committee chaired by the Managing Director/Chief Executive Officer reports to the Board Audit Committee and is responsible for monitor compliance with the Company's risk management policies and procedures.

43.1 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 loans and advances to customers and investments in debt securities. Credit risk constitutes the Company's largest risk exposure category. This can be broadly categorised into two types; default and concentration risk.

Default risk is the risk of the potential financial loss resulting from the failure of customer or counterparty to meet its debt or contractual obligations and arises principally from the Company's loans and advances to customers.

Concentration risk is the credit exposure being concentrated as a result of excessive build up of exposure to a single counterparty, industry, product, geographical location or insufficient diversification.

43.1.1 Management of credit risk

The Board of Directors created the Board Credit Committee for the oversight of credit risk. A separate Executive Credit Committee, reporting to the Board Credit Committee, is responsible for managing the Company's credit risk, including the following.

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by the Company's Executive Credit Committee, Board Credit Committee or the Board of Directors, as appropriate.
- Reviewing and assessing credit risk: the Company's Executive Credit Committee and Board Credit Committee assess all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities)
- Developing and maintaining the Company's processes for measuring ECL: This includes processes for:
 - initial approval, regular validation and back-testing of the models used;
 - determining and monitoring significant increase in credit risk; and
 - incorporation of forward-looking information.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of portfolios are provided to Board Credit Committee, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

Each business unit is required to implement the Company's credit policies and procedures, with credit approval authorities delegated from the Board Credit Committee. The Executive Credit Committee reports on all credit-related matters to local management and the Board Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and the Company's credit processes are undertaken by Internal Audit.

43.1.2 Credit quality analysis

The following table sets out information about the overdue status of financial assets measured at amortised cost, FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms "Stage 1", "Stage 2" and "Stage 3" is included in Note 3.2.2.

As at December 31,	2025				2024 Total LKR
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR	
i. Loans and advances at amortised cost					
Current	14,853,694,970	–	–	14,853,694,970	6,021,934,440
Overdue less than 30 days	4,185,469,897	–	–	4,185,469,897	2,495,004,433
Overdue 30 to 90 days	–	4,860,658,322	–	4,860,658,322	2,904,043,020
Overdue more than 90 days	–	–	4,122,768,654	4,122,768,654	3,797,554,078
Gross carrying amount	19,039,164,867	4,860,658,322	4,122,768,654	28,022,591,843	15,218,535,971
Loss allowance	(157,991,827)	(247,654,640)	(1,658,896,609)	(2,064,543,076)	(1,773,359,197)
Carrying amount	18,881,173,040	4,613,003,682	2,463,872,045	25,958,048,767	13,445,176,774
ii. Debt investment securities at FVOCI					
Low-fair risk	1,020,110,586	–	–	1,020,110,586	1,631,895,592
Carrying amount – fair value	1,020,110,586	–	–	1,020,110,586	1,631,895,592
iii. Cash and cash equivalents at amortised cost					
Low-fair risk	686,120,299	–	–	686,120,299	166,599,890
Carrying amount	686,120,299	–	–	686,120,299	166,599,890
iv. Debt investment securities at amortised cost					
Low-fair risk	3,893,527,270	–	–	3,893,527,270	2,358,002
Carrying amount – fair value	3,893,527,270	–	–	3,893,527,270	2,358,002
v. Other assets at amortised cost					
Current	32,633,127	–	–	32,633,127	9,908,536
Overdue more than 30 days	–	–	1,783,178	1,783,178	19,968,688
Gross carrying amount	32,633,127	–	1,783,178	34,416,305	29,877,224
Loss allowance	–	–	(1,783,178)	(1,783,178)	(6,040,259)
Carrying amount	32,633,127	–	–	32,633,127	23,836,965

43.1.3 Collateral held and other credit enhancements

The Company holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	Gross receivable		Percentage of exposure that is subject to collateral requirements		Principal type of collateral
	2025 LKR	2024 LKR	2025 %	2024 %	
As at December 31,					
Loans and advances at amortised cost					
Leases	5,216,324,629	5,169,980,976	97.52	98.81	Motor vehicles, equipment.
Mortgage loans	1,933,044,874	3,058,531,467	84.51	94.78	Residential and commercial properties.
Draft loans	9,652,414,526	3,381,453,424	100.00	100.00	Motor vehicles
Vehicle loans	5,373,503,748	616,744,843	98.94	99.00	Motor vehicles
Gold loans	3,815,300,710	1,101,269,421	100.00	100.00	Gold articles
Personal and business loans	2,032,003,356	1,890,555,840	13.00	0.00	Personal guarantees, cash back loans
	28,022,591,843	15,218,535,971			
Other assets at amortised cost					
Refundable deposits	32,633,127	12,814,599	–	–	None
Debtors	1,783,178	1,783,178	–	–	None
	34,416,305	14,597,777			

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 has not been recognised allowance for ECL for government securities denominated in Sri Lankan rupees, other financial assets secured by government guarantees, treasury bills and treasury bonds. Except for the above, Company has recognised ECL for all other financial assets classified at amortised cost and debt instruments at FVOCI.

Loan-to-value analysis of loans and advances

The following tables stratify credit exposures from loans and advances by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The valuation of the collateral excludes

any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the forced sale value determined by the professional valuer.

As at December 31,	2025 LKR	2024 LKR
LTV Ratio		
Less than 50%	3,732,115,452	2,306,694,371
51% - 70%	8,234,260,409	3,880,595,628
71% - 90%	12,716,804,652	6,241,526,236
91% - 100%	448,138,748	317,050,466
More than 100%	1,971,653,868	1,493,353,915
Unsecured	919,618,714	979,315,355
	28,022,591,843	15,218,535,971

43.1.3 Collateral held and other credit enhancements

Credit-impaired loans

As at December 31,	2025 LKR	2024 LKR
LTV Ratio		
Less than 50%	611,413,272	453,533,787
51% - 70%	578,336,751	268,707,110
71% - 90%	751,747,119	757,082,158
91% - 100%	188,995,564	221,190,284
More than 100%	1,285,934,796	1,335,280,648
Unsecured	706,341,150	761,760,090
	4,122,768,652	3,797,554,078

Assets Obtained by taking Possession of Collateral

Details of financial and non-financial assets obtained by the Company during the year by taking possession of collateral held as security against loans and advances and held at the year end are shown below.

	2025 LKR	2024 LKR
Motor vehicles	89,780,708	49,637,242
	89,780,708	49,637,242

The Company's policy is to pursue timely realisation of the collateral in an orderly manner. The Company does not generally use the non-cash collateral for its own operations.

43.1.4 Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

Refer accounting policy in Note 3.2.2.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable

information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company uses three criteria for determining whether there has been a significant increase in credit risk:

- Quantitative test based on movement in PD;
- Qualitative indicators;
- A backstop of 30 days past due

Generating the term structure of PD

Days past due are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by type of product and borrower.

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors on the risk of default. For most exposures, key macro-economic indicators include : GDP growth, inflation, interest rate and unemployment. Based on consideration of a variety of external actual and forecast information, the Company formulates a "base case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Company then uses these forecast to adjust its estimates of PDs.

Overview	Year in Review	Our Model	Our Impact	Our Stewardship
3	8	23	32	47

Determining whether credit risk has increased significantly

The Company assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What is considered significant differs for different types of lending.

Using its expert credit judgement and where possible relevant historical loss experiences, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default and cure

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Company; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

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 material default criteria have been presented and the borrower is no longer considered as non-performing in accordance with the Directives of the Central Bank. The corresponding reduction in ECL due to the number of financial assets re-classified out of Stage 3 is recognised under "Impairment charge/reversal" in Note 13 to the Financial Statements.

Once cured, the decision whether to classify an asset as Stage 2 or Stage 1 mainly depends on the days past due, at the time of the cure. The Company's criterion for "cure" for rescheduled loans is more stringent than ordinary loans and is explained in Note 3.2.1.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Company formulates three economic scenarios: a base case, which is the median scenario assigned a 30% probability of occurring, and two less likely scenarios, one upside and other downside, each assigned a 5% and 65% probability of occurring respectively. The base case is aligned with information used by the Company for other purposes such as strategic planning and budgeting. Also stress the forecasted macro-economic elements to reflect fair forward looking information.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The Company has identified and documented key drivers of credit risk both quantitative and qualitative for various portfolio segments. Quantitative economic factors are based on economic data and forecasts published by CBSL and IMF.

Quantitative drivers of credit risk	Qualitative drivers of credit risk
GDP growth rate	Status of industry business
Rate of inflation	Regulatory impact
Interest rate (AWPLR)	Government policies
Unemployment	Management outlook

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading "Generating the term structure of PD".

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Loss allowance

The following table shows reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

Loans and advances at amortised cost

December 31,	2025			
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance as at January 01,	114,012,152	150,233,794	1,509,113,251	1,773,359,197
Transfer to Stage 1	111,460,068	(28,270,264)	(83,189,804)	–
Transfer to Stage 2	(20,590,184)	211,499,513	(190,909,329)	–
Transfer to Stage 3	(2,340,673)	(32,155,490)	34,496,163	–
Net remeasurement of loss allowance	(114,747,732)	(162,316,987)	528,952,760	251,888,041
New financial assets originated or purchased	120,571,334	159,743,586	47,997,794	328,312,714
Financial assets that have been derecognised	(50,373,138)	(51,079,513)	(180,392,464)	(281,845,115)
Write-offs	–	–	(7,171,761)	(7,171,761)
Balance as at December 31,	157,991,827	247,654,639	1,658,896,610	2,064,543,076

As at December 31,	2024			
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance as at January 01,	141,840,917	187,587,250	1,165,808,196	1,495,236,363
Transfer to Stage 1	73,718,987	(30,074,939)	(43,644,048)	–
Transfer to Stage 2	(25,920,826)	43,347,887	(17,427,061)	–
Transfer to Stage 3	(12,992,525)	(43,593,776)	56,586,302	–
Net remeasurement of loss allowance	(78,698,655)	(18,937,156)	440,769,637	343,133,826
New financial assets originated or purchased	75,770,564	73,101,409	18,864,863	167,736,836
Financial assets that have been derecognised	(59,706,309)	(61,196,881)	(108,398,688)	(229,301,878)
Write-offs	–	–	(3,445,950)	(3,445,950)
Balance as at December 31,	114,012,152	150,233,794	1,509,113,251	1,773,359,197

As at the reporting date, the Company has captured the impact on ECL due to affected borrowers amidst the prevailing extraordinary macro-economic circumstances via the modelled outcome as well as management overlays. Management overlays include additional ECL provisions of LKR 65 Mn. (approx.) on assessing lifetime ECL on the exposures outstanding from the borrowers operating in the risk elevated industries and impact on changing the probability weightages assigned for multiple economic scenarios and stressing the quantitative factors used to assess forward looking macro economic indicators on ECL amounting to LKR 9.5 Mn. (approx.).

Modified financial assets

Overview of rescheduled/restructured loans and advances upgraded during the year

The Company upgrades rescheduled/restructured loans from life time expected credit losses (Stage 3/Stage 2) to 12 months expected credit losses (Stage 1) as per the upgrading policy described in Note 3.2.2 of the Financial Statements. During the year the Company upgraded LKR 215.15 Mn. (2024: LKR 190.34 Mn.) worth of rescheduled/restructured loans to Stage 1. Due to this upgrade, the impairment provision against these loans decreased by LKR 8.29 Mn. from LKR 43.76 Mn. as at December 31, 2024 to LKR 35.47 Mn. as at December 31, 2025.

Purchased or originated credit impaired financial assets

The Company did not have originated credit impaired assets as at December 31, 2025 and 2024. The details of policy criteria is explained in Note 3.2.2.

Impact due to the uncertain and volatile macroeconomic condition

The Company analysed the current situation prevailing in the country and further considered the impact of cyclone Ditwah

and extensive flood related damages. In response to Ditwah, the Company carried out an internal assessment to capture the potential impact of Expected Credit Loss (ECL) of the customers directly or indirectly affected by carefully reviewing to identify the vulnerabilities and evaluating the extent of impact. Based on this assessment, the Company has made necessary model adjustments to ECL and the corresponding increase in impairment provisions has been reported under "Impairment charges/(reversal) and other losses" which is very minimal to the credit portfolio in overall.

The Company derives income by way of interest from its loan & advances and by way of financial assets, respectively. The Company has adequate liquid financial resources and unutilised financing sources with banks to service its financial obligations. Based on the expected economic downturn, the estimates and assumptions in Company's Expected Credit Loss model (ECL) have been reviewed, and respective impairments regarding loans & advances have been adequately assessed under a futuristic approach. We do not anticipate any impact on the fair value of our properties and investment properties because of its prime location, other than any future impact due to market conditions. Accordingly, we do not anticipate any decrease in the value of financial assets held by the Company. The Company also do not anticipate any material impairments in respect of any of the assets held by the Company as of date.

43.1.5 Analysis of credit risk concentration

Industry analysis

The following table shows the credit risk concentration by industry for the components of the Statement of Financial Position.

As at December 31, 2025	Cash and bank balances	Financial investments – FVOCI	Financial investments – amortised cost	Loans and advances	Other assets	Total financial assets
	LKR	LKR	LKR	LKR	LKR	LKR
Agriculture	–	–	–	607,557,440	–	607,557,440
Manufacturing	–	–	–	439,905,663	–	439,905,663
Tourism	–	–	–	262,884,584	–	262,884,584
Transport	–	–	–	1,570,238,881	–	1,570,238,881
Construction	–	–	–	392,401,172	–	392,401,172
Trading	–	–	–	19,200,216,181	–	19,200,216,181
Financial services	686,120,299	–	3,893,527,270	–	–	4,579,647,569
Government	–	1,020,110,586	–	–	–	1,020,110,586
Other	–	–	–	3,484,844,846	32,633,127	3,517,477,973
Total	686,120,299	1,020,110,586	3,893,527,270	25,958,048,767	32,633,127	31,590,440,049

As at December 31, 2024	Cash and bank balances LKR	Financial investments – FVOCI LKR	Financial investments – amortised cost LKR	Loans and advances LKR	Other assets LKR	Total financial assets LKR
Agriculture	–	–	–	1,217,011,630	–	1,217,011,630
Manufacturing	–	–	–	238,469,463	–	238,469,463
Tourism	–	–	–	449,146,721	–	449,146,721
Transport	–	–	–	289,486,302	–	289,486,302
Construction	–	–	–	508,415,934	–	508,415,934
Trading	–	–	–	1,481,581,981	–	1,481,581,981
Financial services	166,599,890	–	–	–	–	166,599,890
Government	–	1,631,895,592	–	–	–	1,631,895,592
Other	–	–	–	9,261,064,743	12,814,599	9,273,879,342
Total	166,599,890	1,631,895,592	–	13,445,176,774	12,814,599	15,256,486,855

Provincial breakdown for loans and advances within Sri Lanka is as follows.

As at December 31,	2025 LKR	2024 LKR
Province		
Central	2,530,559,243	2,005,680,376
North Central	2,933,828,509	1,713,827,135
North Western	2,270,619,016	1,071,689,488
Sabaragamuwa	1,652,974,149	1,573,162,163
Southern	3,482,811,941	1,099,193,769
Western	9,184,797,027	4,037,773,611
Eastern	1,991,419,078	1,094,927,182
Northern	1,513,285,977	848,923,050
Uva	397,753,827	–
Total	25,958,048,767	13,445,176,774

43.1.6 Cash and cash equivalents

The Company held Cash and cash equivalents, net of bank overdraft of LKR 658 Mn. as at December 31, 2025 (December 2024 – LKR 41 Mn.) which represents its maximum credit exposure on these assets.

Commercial Bank of Ceylon PLC – AA-(Ika)
Bank of Ceylon – AA-(Ika)
People’s Bank – AA-(Ika)

Sampath Bank PLC – AA-(Ika)
Hatton National Bank PLC – AA-(Ika)
Seylan Bank PLC – A+ (Ika)
NDB Bank PLC – A (Ika)
DFCC Bank PLC – A (Ika)
Cargills Bank Ltd – A (Ika)
Nations Trust Bank PLC – A (Ika)
MCB Bank Limited Sri Lanka – AA(Ika)

43.2 Liquidity risk

Liquidity risk refers to the possibility of Company not having sufficient cash to meet its payment obligations. This arises primarily due to mismatches in the maturity profile of Company’s assets and liabilities. Adequate liquidity is critical to meet the Company’s financial commitments and to accommodate additional funding needs of the growing business volumes.

Management of liquidity risk

The Company’s Board of Directors sets the Company’s strategy for managing liquidity risk and oversight of the implementation is administered by Asset and Liability Committee (ALCO). ALCO approves the Company’s liquidity policies and procedures. Finance department manages the Company’s liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of the Company.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always has 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 key elements of the Company's liquidity strategy are as follows:

- Maintaining a diversified funding and maintaining contingency facilities.

- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring maturity mismatches, behavioural characteristics of the Company's financial assets and financial liabilities, and the extent to which the Company's assets are encumbered and so not available as potential collateral for obtaining funding.

Furthermore the Company maintains the statutory liquid assets ratio at its required level as a method to measure and control daily liquidity risk and further, any unprecedented events.

43.2.1 Maturity analysis for financial assets and financial liabilities

Remaining contractual period to maturity of the financial assets and financial liabilities of the Company is as follows;

As at December 31, 2025	On demand	Less than 03 months LKR	03-12 months LKR	01-05 years LKR	Over 05 years LKR	Total LKR
Financial assets						
Cash and cash equivalents	224,808,674	461,311,625	–	–	–	686,120,299
Financial investments – FVOCI	–	1,024,373,932	–	–	123,700	1,024,497,632
Financial investments – Amortised cost	2,500,542,582	986,012,452	437,713,781	–	–	3,924,268,815
Loans and advances	–	5,413,552,644	13,269,735,715	11,329,248,027	154,623,087	30,167,159,473
Other assets	–	–	250,000	25,673,028	6,710,099	32,633,127
Total financial assets	2,725,351,256	7,885,250,653	13,707,699,496	11,354,921,055	161,456,886	35,834,679,346
Financial liabilities						
Deposit liabilities	136,152,772	4,757,432,375	7,176,971,112	3,010,354,342	–	15,080,910,601
Due to banks	66,317,364	1,378,340,314	8,239,085,796	3,461,505,856	–	13,145,249,330
Debenture	–	–	172,500,000	2,190,000,000	–	2,362,500,000
Lease liabilities	–	12,869,080	52,938,432	181,386,360	–	247,193,872
Other liabilities	–	9,827,563	–	–	–	9,827,563
Total financial liabilities	202,470,136	6,158,469,332	15,641,495,340	8,843,246,558	–	30,845,681,366
Total net financial assets/(liabilities)	2,522,881,120	1,726,781,320	(1,933,795,844)	2,511,674,497	161,456,886	4,988,997,980

Overview	Year in Review	Our Model	Our Impact	Our Stewardship
3	8	23	32	47

As at December 31, 2024	On demand	Less than 03 Months LKR	03-12Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial assets						
Cash and cash equivalents	98,406,072	68,193,818	-	-	-	166,599,890
Financial investments – FVOCI	-	1,658,529,575	-	-	123,700	1,658,653,275
Loans and advances	-	2,090,675,122	6,245,740,419	7,337,436,979	251,455,640	15,925,308,161
Other assets	-	100,000	-	12,295,000	419,599	12,814,599
Total financial assets	98,406,072	3,817,498,515	6,245,740,419	7,349,731,979	251,998,939	17,763,375,925
Financial liabilities						
Deposit liabilities	149,116,170	3,225,025,727	5,934,171,671	1,897,222,175	-	11,205,535,743
Due to banks	209,465,419	99,496,181	1,877,992,694	1,177,541,495	-	3,364,495,788
Lease liabilities	-	9,224,032	24,329,703	59,313,971	-	92,867,706
Other liabilities	-	30,363,849	-	-	-	30,363,849
Total financial liabilities	358,581,589	3,364,109,789	7,836,494,068	3,134,077,641	-	14,693,263,086
Total net financial assets/(liabilities)	(260,175,517)	453,388,727	(1,590,753,648)	4,215,654,339	251,998,939	3,070,112,839

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

As at December 31,	2025 LKR	2024 LKR
Financial assets		
Cash and cash equivalents	686,120,299	166,599,890
Financial investments – FVOCI	1,017,605,458	1,631,895,592
Financial investments – Amortised cost	3,893,527,270	-
Loans and advances	17,769,232,790	8,416,607,060
Other assets	250,000	100,000
	23,366,735,817	10,215,202,542
Financial liabilities		
Deposit liabilities	11,583,506,932	8,806,273,979
Due to banks	9,089,342,968	2,034,133,855
Debenture	2,051,319	-
Lease liabilities	52,131,791	23,483,888
Other liabilities	9,827,563	23,807,707
	20,736,860,573	10,887,699,429

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date.

As at December 31,	2025 LKR	2024 LKR
Financial assets		
Financial investments – FVOCI	2,505,128	2,358,002
Loans and advances	8,188,815,977	5,028,569,714
Other assets	32,383,127	12,714,599
	8,223,704,232	5,043,642,315
Financial liabilities		
Deposit liabilities	2,386,618,462	1,504,987,811
Due to banks	2,926,220,309	1,016,035,254
Debenture	1,497,639,910	–
Lease liabilities	161,501,808	50,726,805
	6,971,980,489	2,571,749,870

43.2.2 Liquidity reserves

The following table sets out the components of the Company's liquidity reserves.

As at December 31,	2025		2024	
	Carrying value LKR	Fair value LKR	Carrying value LKR	Fair value LKR
Cash and cash equivalents	686,120,299	686,120,299	166,599,890	166,599,890
Investment in government securities	1,017,605,458	1,017,605,458	1,631,895,592	1,631,895,592
Total liquidity reserves	5,597,253,027	5,597,253,027	1,798,495,482	1,798,495,482

43.2.3 Financial assets available to support future funding

The following table sets out the availability of the Company's financial assets to support future funding.

December 31, 2025	Encumbered		Unencumbered		Total LKR
	Pledged as collateral LKR	Other * LKR	Available as collateral LKR	Other ** LKR	
Cash and cash equivalents	–	–	686,120,299	–	686,120,299
Financial investments – FVOCI	–	–	1,017,605,458	2,505,128	1,020,110,586
Financial investments – Amortised cost	–	–	–	3,893,527,270	3,893,527,270
Loans and advances	10,337,609,759	–	15,620,439,008	–	25,958,048,767
Other assets	–	–	32,633,127	–	32,633,127
	10,337,609,759	–	17,356,797,892	3,896,032,398	31,590,440,049

December 31, 2024	Encumbered		Unencumbered		Total
	Pledged as collateral	Other *	Available as collateral	Other **	
	LKR	LKR	LKR	LKR	
Cash and cash equivalents	–	–	166,599,890	–	166,599,890
Financial investments – FVOCI	–	–	1,631,895,592	2,358,002	1,634,253,594
Loans and advances	5,701,947,694	–	7,743,229,080	–	13,445,176,774
Other assets	–	–	12,814,599	–	12,814,599
	5,701,947,694	–	9,554,539,161	2,358,002	15,258,844,857

* Represents assets that are not pledged but that the Company believes it is restricted from using to secure funding, for legal or other reasons.

** Represents assets that are not restricted for use as collateral, but that the Company would not consider readily available to secure funding in the normal course of business.

43.3 Market risk

Market risk refers to the possible losses to the Company that could arise from changes in market variables like interest rates, and equity prices. Among them, interest rate risk has been identified as the most critical risk given Company's business profile.

Management of market risks

Overall authority for market risk is vested in Board Integrated Risk Management Committee (BIRMC). BIRMC sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios. The Asset and Liability Committee (ALCO) is responsible for the development of detailed risk management policies (subject to review and approval by BIRMC) and for the day-to-day review of their implementation.

Exposure to currency risk

As at the reporting date, there were no any foreign currency exposure to the Company.

43.3.1 Interest rate risk

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate which arises from core business activities; granting of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the Company, the impact of interest rate risk is mainly on the interest margin of the Company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; basis risk which is the threat to income arising due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to Company's net interest income and net interest margin. Company's exposure to interest rate risk is primarily associated with factors such as;

- Repricing risk arising from a fixed rate borrowing portfolio where repricing frequency is different to that of the lending portfolio.
- Yield curve risk arising from unanticipated shifts of the market yield curve.

43.3.1.1 Interest rate exposure – sensitivity analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Company's financial assets and financial liabilities to various interest rate scenarios.

The following table demonstrates the sensitivity of the Company's Income Statement as at reporting date to a reasonable possible change in interest rates, with all other variables held constant.

	2025		2024	
	Increase in 100 bp LKR	Decrease in 100 bp LKR	Increase in 100 bp LKR	Decrease in 100 bp LKR
Net interest income				
As at December 31,	14,593,083	(14,596,002)	8,713,028	(8,714,770)
Average for the year	12,598,662	(12,601,182)	7,510,470	(7,511,972)
Maximum for the year	14,593,083	(14,596,002)	8,713,028	(8,714,770)
Minimum for the year	10,810,363	(10,812,525)	6,267,797	(6,269,051)

43.3.1.2 Interest rate risk exposure on financial assets and liabilities

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

As at December 31, 2025	Up to 03 months LKR	03-12 months LKR	01-03 years LKR	03-05 years LKR	Over 05 years LKR	Non- interest bearing LKR	Total as at December 31, 2025 LKR
Financial assets							
Cash and cash equivalents	686,120,299	-	-	-	-	-	686,120,299
Financial investments – FVOCI	1,017,605,458	-	-	-	2,505,128	-	1,020,110,586
Financial investments – Amortised cost	3,470,648,585	422,878,685	-	-	-	-	3,893,527,270
Loans and advances	7,370,675,092	10,398,557,698	5,199,271,435	2,860,595,133	128,949,409	-	25,958,048,767
Other assets	-	250,000	1,200,000	24,473,028	6,710,099	-	32,633,127
Total financial assets	12,545,049,434	10,821,686,383	5,200,471,435	2,885,068,161	138,164,636	-	31,590,440,049
Percentage	40%	34%	16%	9%	0%	0%	100%
Financial liabilities							
Deposit liabilities	2,572,974,784	9,010,532,148	1,965,659,152	420,959,310	-	-	13,970,125,394
Due to banks	1,254,347,883	7,834,995,085	2,544,916,362	381,303,947	-	-	12,015,563,277
Debenture	-	2,051,319	8,281,835	1,489,358,075	-	-	1,499,691,229
Lease liabilities	16,246,941	35,884,850	138,616,147	22,885,661	-	-	213,633,599
Other liabilities	9,827,563	-	-	-	-	-	9,827,563
Total financial liabilities	3,853,397,171	16,883,463,402	4,657,473,496	2,314,506,993	-	-	27,708,841,062
Percentage	14%	61%	17%	8%	0%	0%	100%
Interest sensitivity gap	8,691,652,263	(6,061,777,019)	542,997,939	570,561,168	138,164,636	-	3,881,598,987
Percentage	224%	-156%	14%	15%	4%	0%	100%

As at December 31, 2024	Upto 03 months	03-12 months	01-03 years	03-05 years	Over 05 years	Non- Interest bearing	Total as at December 31, 2024
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial assets							
Cash and cash equivalents	166,599,890	-	-	-	-	-	166,599,890
Financial investments - FVOCI	1,631,895,592	-	-	-	2,358,002	-	1,634,253,594
Loans and advances	4,019,394,173	4,397,212,887	3,233,452,108	1,594,966,088	200,151,518	-	13,445,176,774
Other assets	100,000	-	7,115,000	5,180,000	419,599	-	12,814,599
Total financial assets	5,817,989,655	4,397,212,887	3,240,567,108	1,600,146,088	202,929,119	-	15,258,844,857
Percentage	38%	29%	21%	10%	1%	0%	100%
Financial liabilities							
Deposit liabilities	3,355,589,404	5,450,684,575	1,380,132,032	124,855,779	-	-	10,311,261,790
Due to banks	1,259,197,455	774,936,400	797,363,453	218,671,801	-	-	3,050,169,109
Lease liabilities	6,335,495	17,148,393	41,830,998	8,895,807	-	-	74,210,693
Other liabilities	30,363,849	-	-	-	-	-	30,363,849
Total financial liabilities	4,651,486,203	6,242,769,368	2,219,326,483	352,423,387	-	-	13,466,005,441
Percentage	35%	46%	16%	3%	0%	0%	100%
Interest sensitivity gap	1,166,503,452	(1,845,556,481)	1,021,240,625	1,247,722,701	202,929,119	-	1,792,839,416
Percentage	65%	-103%	57%	70%	11%	0%	100%

41.4 Operational risk

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

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

The Board of Directors has established Board Integrated Risk Management Committee, which is responsible for the development and implementation of controls to

address operational risk. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;

- training and professional development;
- ethical and business standards;
- information technology and cyber risks; and
- risk mitigation, including insurance where this is cost-effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the Company’s Board Integrated Risk Management Committee, with summaries submitted to the Board Audit Committee and senior management of the Company.

43.5 Capital management

The primary objective of Company’s capital management strategy is to ensure that the Company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximise shareholder’s value.

The Company’s strategy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders’ returns is also recognised and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a stronger capital position.

The Company and its individually regulated operations have complied with all externally imposed capital requirements.

Capital Adequacy

Capital adequacy measures the Company’s aggregate capital in relation to the risk, which may arise from its assets and off balance sheet transactions, its dealing operations and its human activities, technology and natural incidents. The Central Bank of Sri Lanka has prescribed the minimum risk sensitive capital with effect from July 01, 2018. This guidelines requires the Company to maintain minimum capital ratio of 8.5% and minimum risk weighted core capital of 12.5%.

Capital and risk weighted assets	Minimum requirement		Ratio	
	2025 %	2024 %	2025 %	2024 %
Capital to risk weighted asset ratio				
Tier I capital	8.50	8.50	13.73	15.71
Total capital	12.50	12.50	19.40	15.71

44 Segmental Information

44.1 Basis of segmentation

The Company has the following four strategic divisions, which are its reportable segments. These divisions offer different services, and are managed separately because they require different credit risk management strategies.

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Leasing	Finance leases related transactions and balances with customers.
Draft and Vehicle loans	Draft and Vehicle loans related transactions and balances with customers.
Other loans	Mortgage loans, Gold Loans, Personal loans, Business loans and other Unsecured loans related transactions and balances with customers.
Investments and others	Financial investments kept for liquidity requirements and other short term-investments related transactions and balances.

The Company’s Board of Directors reviews the internal management reports of each division at least monthly.

44.2 Information about reportable segments

As at December 31,	Leasing		Draft and Vehicle Loans	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
External revenue				
Interest	1,051,031,972	926,380,996	1,161,272,977	505,581,241
Fees and commissions	225,912,118	142,437,145	98,902,215	28,153,282
Dividends	-	-	-	-
Other income	-	-	-	-
Total external revenue	1,276,944,090	1,068,818,141	1,260,175,192	533,734,523
Inter-segment revenue	-	-	-	-
Total revenue before impairment	1,276,944,090	1,068,818,141	1,260,175,192	533,734,523
Impairment (charges)/reversal	(60,783,080)	(30,363,537)	(196,172,972)	(1,561,571)
Net revenue	1,216,161,010	1,038,454,604	1,064,002,220	532,172,952
Profit before tax				
Income tax expenses				
Profit after tax				
Segment assets	11,004,043,272	6,578,953,625	11,402,291,497	3,371,491,790
Segment liabilities	10,081,489,212	5,542,842,160	9,949,098,558	2,767,922,908

45. Contingencies

There were no material contingent liabilities as at the reporting date, which require adjustments to or disclosures in the Financial Statements.

45.1 Litigations and claims

There have been no material litigations and claims as at the reporting date, which require adjustments or disclosures in the Financial Statements.

46. Commitments

There were no material commitments as at the reporting date, which require adjustments to or disclosures in the Financial Statements.

47. Events after the Reporting Period

There have been no material events occurring after the reporting date, which require adjustments to or disclosure in the Financial Statements.

48. Comparative Information

Comparative information has been reclassified where necessary to conform to current year's presentation.

49. Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements in accordance with Sri Lanka Accounting Standards.

Other loans		Investments and others		Total	
2025 LKR	2024 LKR	2025 LKR	2024 LKR	2025 LKR	2024 LKR
802,529,733	707,233,127	156,864,303	131,941,469	3,171,698,985	2,271,136,833
107,669,760	105,952,627	29,908,663	14,890,337	462,392,756	291,433,391
-	-	247,520	228,565	247,520	228,565
-	-	84,456,243	98,567,975	84,456,243	98,567,975
910,199,493	813,185,754	271,476,729	245,628,346	3,718,795,504	2,661,366,764
-	-	-	-	-	-
910,199,493	813,185,754	271,476,729	245,628,346	3,718,795,504	2,661,366,764
(49,994,307)	(208,210,132)	-	3,270,388	(306,950,359)	(236,864,852)
860,205,186	604,975,622	271,476,729	248,898,734	3,411,845,145	2,424,501,912
				365,634,215	157,663,661
				(129,816,475)	(76,122,654)
				235,817,740	81,541,007
8,235,648,508	3,832,720,801	2,456,370,208	1,576,855,861	33,648,329,712	16,860,639,312
7,186,036,132	4,217,144,254	2,143,312,097	1,273,817,406	29,359,935,999	13,801,726,728

SUPPLEMENTARY INFORMATION



Branch Network
239

Eight Year Summary
240

Notice of Meeting
242

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EIGHT YEAR SUMMARY

Results for the year (Rs. Mn)	2025	2024	2023	2022	2021 – December (9 Months)	2020/21	2019/20	2018/19	2017/18
Total Income	3,718.80	2661.37	1,991.47	1,636.16	944.67	1,058.00	1,211.00	871.80	981.65
Interest Income	3,171.70	2271.14	1,767.18	1,523.74	867.33	963.00	1,131.11	816.79	911.21
Interest Expenses	1,710.94	1399.06	1,270.70	986.33	334.44	480.98	572.37	470.46	572.63
Net Interest Income	1,460.75	872.08	496.48	537.41	532.89	482.02	558.74	346.33	338.58
Non-Interest Income	532.30	368.06	191.80	102.49	74.61	93.56	78.30	55.01	70.44
Total Operating Income	1,993.06	1240.14	688.28	639.90	607.50	575.59	637.04	401.33	409.02
Personal cost	598.20	362.38	253.18	164.81	89.54	104.42	92.16	74.83	73.69
Administrative & Other cost	420.58	298.89	212.29	139.84	68.43	82.34	69.99	75.74	76.68
Depreciation	104.88	81.54	61.80	47.20	27.28	29.80	20.72	10.34	11.34
Total Operational Expenses	1,123.66	742.1	527.27	351.85	185.25	216.57	182.86	160.91	161.71
Provision for Bad Debts/ Impairment	306.95	236.86	481.62	249.16	308.80	196.48	276.36	205.71	403.07
Taxes on Financial Services	196.81	102.8	-	29.17	25.34	33.10	49.77	14.63	-
Profit/(Loss) Before Tax	365.63	157.66	(320.60)	9.73	88.11	129.44	128.04	20.08	(155.76)
Taxation	129.82	76.12	(95.43)	(29.86)	54.87	64.95	59.07	0.38	(33.85)
Profit/(Loss) After Tax	235.82	81.54	(225.18)	39.58	33.24	64.49	68.98	19.70	(121.91)
Position as at (Rs. Mn)	2025	2024	2023	2022	2021– December	2020/21	2019/20	2018/19	2017/18
Cash & Cash Equivalents	686.12	166.60	154.18	96.31	154.60	324.31	56.38	60.92	227.00
Financial Investments	4,913.64	1,634.25	712.02	1,598.01	838.54	739.31	274.84	332.08	275.92
Loan & Advances (Net)	25,958.05	13,445.18	10,142.40	8,505.04	8,712.64	8,070.14	6,810.62	5,626.46	4,204.78
PPE & Intangible Assets	499.93	466.08	440.29	347.50	305.65	280.14	246.23	207.03	206.16
Other Assets	1,590.59	1,148.53	1,009.87	408.28	301.62	287.00	187.45	179.11	18.04
Total Assets	33,648.33	16,860.64	12,458.76	10,955.14	10,313.05	9,700.90	7,575.52	6,405.61	4,931.89
Deposit Liability	13,970.13	10,311.26	6,534.18	5,116.21	5,068.85	4,838.98	222.66	-	-
Due to Banks and other financial institutions	12,015.56	3,050.17	2,758.60	2,467.54	1,769.50	1,411.12	5,085.41	4,426.03	3,668.03
Debentures	1,499.69								
Other Liabilities	1,874.55	440.29	188.65	193.91	219.68	227.84	113.24	85.21	100.11
Total Liabilities	29,359.94	13,801.73	9,481.42	7,777.66	7,058.04	6,477.94	5,421.31	4,511.24	3,768.14
Total Equity	4,288.39	3,058.91	2,977.34	3,177.47	3,255.01	3,222.96	2,154.21	1,894.37	1,163.76
Total Liabilities & Equity	33,648.33	16,860.64	12,458.76	10,955.14	10,313.05	9,700.90	7,575.52	6,405.61	4,931.89

Ratio	2025	2024	2023	2022	2021 – December	2020/21	2019/20	2018/19	2017/18
Regulatory Capital Adequacy									
Core capital (Tier 1 capital) (Rs.Mn)	3,604.24	2,702.11	2,863.17	3,102.63	3,167.52	3,135.62	2,071.83	1,661.32	1,099.13
Total capital base (Rs.Mn)	6,091.22	2,702.11	2,863.17	3,102.63	3,167.52	3,135.62	2,071.83	1,661.32	1,099.13
Core capital adequacy ratio; core capital as % of risk weighted assets	13.73%	15.71%	19.57%	24.89%	25.49%	26.57%	21.82%	23.34%	24.48%
Total capital adequacy ratio; total capital as % of risk weighted assets	19.40%	15.71%	19.57%	24.89%	25.49%	26.57%	21.82%	23.34%	24.48%
Capital funds to total deposit liabilities ratio	28.01%	25.84%	43.52%	59.99%	62.49%	64.80%	967.49%		
Assets Quality (Quality of Loan Portfolio)									
Gross non performing accommodation ratio	14.71%	24.95%	21.04%	16.98%	13.14%	14.08%	22.56%	22.33%	26.86%
Net non performing accommodation ratio	8.79%	15.04%	8.19%	8.10%	1.30%	3.48%	9.07%	3.71%	7.46%
Profitability									
Return on assets (before tax)	2.48%	0.94%	-2.57%	0.09%	0.88%	1.50%	1.83%	0.35%	-2.94%
Return on equity (after tax)	6.25%	2.67%	-6.72%	1.25%	1.03%	2.40%	3.41%	1.29%	-13.41%
Earnings per share (LKR)	0.89	0.37	(1.02)	0.18	0.15	0.35	0.48	0.24	-3.36
Net Assets per Share (LKR)	14.63	13.79	13.42	14.33	14.68	14.53	14.22	13.63	21.81
Memorandum Information									
Number of employees	442	318	271	176	145	145	131	120	111
Number of branches	22	18	15	13	10	10	10	4	5
Number of service centers	0	0	0	0	0	0	0	6	6
Fitch Rating	A(lka) from Fitch Ratings Lanka Ltd.	BBB+(lka)/ Stable	BBB+(lka)/ Stable	A(lka)/ Negative	A(lka)/ Stable	A(lka)/ Stable	A+(lka)/ Negative	A+(lka)/ Stable	N/A

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the 24TH ANNUAL GENERAL MEETING of CBC FINANCE PLC will be held at the Conference Room of Commercial Bank of Ceylon PLC, No. 21, Sir Razik Fareed Mawatha, Colombo 01, on **Friday, MAY 29, 2026**, at 02.30pm for the following purposes

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company, the Statement of Compliance, and Audited Financial Statements of the Company for the year ended December 31, 2025 together with the Report of the Auditors thereon.
2. To re-appoint the retiring Auditors Messrs. Ernst and Young, Chartered Accountants, to hold office as the Company's External Auditors for the financial year ending December 31, 2026 and to authorize the Directors to determine their remuneration.

NOTE:

- 1) A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to participate in his/her stead and vote on a poll. A form of proxy accompanies this notice.
- 2) A proxy holder need not be a shareholder of the Company.
- 3) A proxy holder (who is not a Shareholder) may vote on a show of hands.
- 4) The completed form of proxy must be deposited at the Company's Registered Office at No. 187, Katugastota Road, Kandy, not less than 48 hours before the time fixed for the meeting.

By Order of the Board of C B C Finance PLC



H D U Oshadi Gunasekara

Company Secretary

May 4, 2026

Colombo

FORM OF PROXY

C B C FINANCE PLC (PQ 00351120)

I/We.....
of.....
being the Shareholder of C B C Finance PLC, hereby appoint

(N I C No. V) of whom failing:

- | | |
|---|--------------|
| Mr Muhseen Mohamed Sharhan Mohamed | whom failing |
| Mr Subasinghe Mudiyanseelage Sarath Chandralal Jayasuriya | whom failing |
| Mr Dhanapala Mudiyanseelage Dimuthu Sanjeewa Senarath Bandara | whom failing |
| Mr Megelhewage Pushpakumara Dharmasiri | whom failing |
| Mrs Sharmini Cynthia De Sayrah Wickremasekera | whom failing |
| Mr Hettige Don Nalin Chandana Samaranyake | whom failing |
| Mr Don Jude Delakshan Primal Hettiarachchi | |

As my/our proxy holder to represent me/us and to speak at the meeting and to vote on a show of hands or a poll on my/our behalf as indicated below at the ANNUAL GENERAL MEETING of the Company to be held on FRIDAY, MAY 29, 2026, AT 02.30 P.M. at the Conference Room of Commercial Bank of Ceylon PLC, No. 21, Sir Razik Fareed Mawatha, Colombo 01, and at any adjournment thereof. (Please indicate your preference with an "X" in the relevant box).

	For	Against
1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company, the Statement of Compliance and the Audited Financial Statements of the Company for the year ended December 31, 2025 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-appoint the retiring Auditors, Messrs Ernst and Young, Chartered Accountants, to hold office as the Company's External Auditors for the Financial Year ending December 31, 2026 and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this..... day ofTwo Thousand and Twenty-Six

.....
Signature of Shareholder

NOTES:

- (1) Please indicate with an "X" in the space provided how your Proxy is to vote. If there is doubt in the view of the proxy holder (by reason of how the instructions contained in the Proxy have been completed) as to how the proxy holder should vote, the proxy holder shall vote as he thinks fit.
- (2) A proxy holder need not be a Member of the Company.
- (3) Instructions as to completion appear overleaf.

INSTRUCTIONS AS TO COMPLETION

- 1) To be valid, this Form of Proxy must be deposited at the Registered Office of the Company at No. 187, Katugastota Road, Kandy not less than 48 hours before the time appointed for the holding of the meeting.
- 2) The instrument appointing a Proxy shall be signed by the appointer or by his Attorney in the case of an individual. In the case of a Company/ Corporation, the Proxy Form must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association or other constitutional documents.
- 3) If the Form of Proxy is signed under a Power of Attorney, the original Power of Attorney or a notarially certified copy thereof should also accompany the completed Form of Proxy if it has not already been registered with the Company.
- 4) The full name and address of the proxy holder and the Shareholder appointing the proxy holder should be entered legibly in the Form of Proxy.

CORPORATE INFORMATION

Name of Company

CBC Finance PLC

Company Registration Number

PQ 00351120

(Former Business Registration No. PB276)

Legal Form

Incorporated as a limited liability company in Sri Lanka on February 18, 1987 under the Companies Act No. 17 of 1982 and, re-registered under the Companies Act No. 07 of 2007. Also, licensed under the Finance Business Act No. 42 of 2011 and registered under the Finance Leasing Act No. 56 of 2000.

The Company was quoted on the Colombo Stock Exchange on December 11, 2025 and changed its legal status to a Public Limited Company on December 30, 2025.

CBC Finance PLC is a fully-owned subsidiary of the Commercial Bank of Ceylon PLC.

Credit Rating

"A(lka)/Stable" by Fitch Ratings Lanka Limited.

Registered Office

No. 187, Katugastota Road, Kandy.

Head Office

No. 187, Katugastota Road, Kandy.

Contact Details

Telephone (General): +94 81 221 3498

Email: info@cbcfinance.lk

Web: www.cbcfinance.lk

Financial Year

December 31

Tax Payer Identification Number (TIN)

114032611

Auditors

Messrs Ernst & Young
(Chartered Accountants),
Rotunda Towers,
No. 109, Galle Road,
P. O. Box 101,
Colombo 3

Board of Directors

Mr S Muhseen – Chairman
(Non-Independent/Non-Executive Director)

Mr S M S C Jayasuriya
(Independent/Non-Executive Director)

Mr D M D S S Bandara
(Independent/Non-Executive Director)

Mr L H Munasinghe
(Resigned w.e.f. April 24, 2026)
(Non-Independent/Non-Executive Director)

Mr M P Dharmasiri
(Non-Independent/Non-Executive Director)

Mrs S C De S Wickremasekera
(Independent/Non-Executive Director)

Mr H D N C Samaranyake
(Appointed w.e.f. April 24, 2026)
(Non-Independent/Non-Executive Director)

Mr D J D P Hettiarachchi, Acting CEO/
Non-Independent-Executive Director

Mr G A J C S Fernando
(Resigned w.e.f. September 30, 2025)
(Managing Director/Chief Executive Officer)

Board Subcommittees

Board Credit Committee

Mr H D N C Samaranyake – Chairman
(Appointed w.e.f. April 24, 2026)

Mr L H Munasinghe – Former Chairman
(Resigned w.e.f. April 24, 2026)

Mr S M S C Jayasuriya

Mr D M D S S Bandara

Mrs S C De S Wickremasekera

Board Integrated Risk Management Committee

Mrs S C De S Wickremasekera – Chairperson

Mr S M S C Jayasuriya

Mr D M D S S Bandara

Mr M P Dharmasiri

Board Audit Committee

Mr S M S C Jayasuriya – Chairman

Mr D M D S S Bandara

Mr M P Dharmasiri

Mrs S C De S Wickremasekera

Board Nomination Committee

Mr S M S C Jayasuriya – Chairman

Mr S Muhseen

Mr D M D S S Bandara

Board Human Resources and Remuneration Committee

Mr S M S C Jayasuriya – Chairman
(Appointed w.e.f. March 24, 2025)

Mr S Muhseen – former Chairman
(stepped down w.e.f. March 24, 2025)

Mr L H Munasinghe

Mrs S C De S Wickremasekera

Board Information Technology Committee

Mr L H Munasinghe – Chairman
(Resigned from the Board w.e.f. April 24, 2026)

Mr D M D S S Bandara

Mrs S C De S Wickremasekera

Mr D J D P Hettiarachchi

(Appointed w.e.f. October 1, 2025)

Mr G A J C S Fernando

(Resigned w.e.f. September 30, 2025)

Board Related Party Transaction Review Committee

Mrs S C De S Wickremasekera – Chairperson

Mr S M S C Jayasuriya

Mr M P Dharmasiri

Board Investment Committee

(Established on January 26, 2026)

Mr S M S C Jayasuriya – Chairman

Mrs S C De S Wickremasekera

Mr M P Dharmasiri

Company Secretary

Mrs H D U O Gunasekara

Compliance Officer

Mr K W M S B Kamathewatte

Bankers

Commercial Bank of Ceylon PLC

Bank of Ceylon

People's Bank

Sampath Bank PLC

Seylan Bank PLC

DFCC Bank PLC

Hatton National Bank PLC

Cargills Bank PLC

MCB Bank Limited Sri Lanka

Pan Asia Banking Corporation PLC

Nations Trust Bank PLC

CBC Finance PLC

No. 187, Katugastota Road, Kandy.
Tel: +94 81 221 3498
Email: info@cbcfinance.lk

Scan the QR code with your smart device or
login to www.cbcfinance.lk



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