

# EMPOWERING **Sri Lanka** *THROUGH DIGITAL FINANCE*

ANNUAL REPORT 2025





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## Our Vision

To be Sri Lanka's No.1 Fintech Company

## Our Mission

To provide innovative, cutting-edge and technologically driven financial solutions to all segments of society, creating long-term value for all stakeholders – from shareholders and partners to customers, employees and the entire economic and social fabric of the country, while upholding the high standards we have set for service excellence.

## Our Core Values

- Create the Future
- Exceptional Performance
- Uncompromising Integrity
- One Team
- Champions of Change
- Service from the Heart

## About Us

Dialog Finance PLC, is a subsidiary of Dialog Axiata PLC.

Registered by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011, Dialog Finance PLC offers an array of financial products tailored to meet the needs of diverse customer segments, including consumers, retailers & merchants, and SMEs.

Fitch Ratings Lanka has rated Dialog Finance PLC a national long-term rating of 'AA(lka)' with a stable outlook; the highest rating thus far assigned in the industry.

Dialog Finance PLC is setting itself to be at the forefront of innovation in the finance industry in Sri Lanka and has a vision to propel the nation's finance technology to a level of advancement on par with the developed world. Dialog Finance PLC recognises the need to deliver convenient, accessible, and affordable financial tools to the unbanked and underbanked segments of society and continues steadfast with its unifying mission in introducing cutting edge technology to launch industry-leading products and services.

# Financial Highlights

	Year ended 31 December 2025	Year ended 31 December 2024	Change (%)
<b>Operating results for the year (Rs. '000)</b>			
Gross income	3,223,677	1,641,040	96
Total operating income	2,366,391	1,145,467	107
Impairment charges for loans and advances	307,851	114,248	169
Operating expenses	1,621,029	987,170	64
Operating profit before taxes on financial services	437,511	44,049	893
Profit / (loss) for the year	159,727	(41,083)	489
<b>Assets and liabilities (Rs. '000)</b>			
Customer deposits	5,896,562	4,044,853	46
Loans and receivables	9,158,595	5,171,335	77
Total assets	11,951,867	7,385,099	62
Total liabilities	9,188,979	4,782,156	92
Shareholders' funds	2,762,888	2,602,943	6
<b>Profitability ratios (%)</b>			
Net interest margin	15.01	12.90	2.11
Return on assets (ROA)	4.66	-0.65	5.31
Return on equity (ROE)	6.00	-1.58	7.58
<b>Investors' information (Rs.)</b>			
Market price	93.70	47.80	96
Net assets per share	23.53	22.17	6
Earnings per share	1.36	-0.35	489
<b>Regulatory ratios (%)</b>			
<b>Capital adequacy ratios</b>			
Tier I (minimum ratio – 31 December 2025 – 8.5%, 31 December 2024 - 8.5%)	17.03	28.47	-11.44
Tier I + Tier II (minimum ratio – 31 December 2025 – 12.5%, 31 December 2024 - 12.5%)	17.03	28.47	-11.44
<b>Other key indicators (%)</b>			
Non performing loan ratio (gross)	5.68	5.21	0.47
Cost to income ratio	68.50	86.18	-17.68
Fitch rating	AA(Ika)	AA(Ika)	



# Chairperson's Message



## **My Dear Shareholders,**

It is my pleasure to present the Annual Report of Dialog Finance PLC for the year ended 31 December 2025, a year of meaningful progress for the Company. As Sri Lanka continued to navigate its economic recovery characterised by resilience, recalibration, and renewal the country moved steadily toward a more stable and growth-oriented future. Against this backdrop, Dialog Finance PLC leveraged this momentum to strengthen its strategic positioning and accelerate its growth trajectory.

The year 2025 marked an important inflection point. Following several years of investment in digital capabilities, platforms, and operating foundations, these efforts translated into tangible financial performance, with the Company achieving profitability during the year.

## **Operating Context**

Sri Lanka's economic performance in 2025 reflected a continuation of its recovery, supported by easing inflation, improved external balances, and the gradual restoration of economic activity. The domestic economy demonstrated encouraging

signs of stabilisation, with GDP growth estimated at around 5%, underpinned by a rebound in key sectors such as construction, tourism, and export-oriented manufacturing.

Inflation remained within single-digit levels, supported by prudent fiscal and monetary measures, improved supply conditions, and relative exchange rate stability. A gradual moderation in interest rates further supported a measured recovery in private sector credit and investment activity, while foreign reserves strengthened through tourism earnings, worker remittances, and multilateral inflows.

These gains, however, were realised against an external environment characterised by uneven global growth, persistently high interest rates in advanced economies, and evolving trade dynamics, which continued to create uncertainty for emerging markets such as Sri Lanka. In this context, adherence to the reform agenda remained critical in preserving macroeconomic stability, with improving fiscal balances and external sector performance laying the foundation for a more durable growth trajectory.

**"Sri Lanka's economic performance in 2025 reflected a continuation of its recovery, supported by easing inflation, improved external balances, and the gradual restoration of economic activity. The domestic economy demonstrated encouraging signs of stabilisation, with GDP growth estimated at around 5%, underpinned by a rebound in key sectors such as construction, tourism, and export-oriented manufacturing."**

Accordingly, 2025 represents a pivotal transition year, one in which recovery is becoming more entrenched, yet remains dependent on sustained policy discipline, productivity enhancement, and deeper integration into an increasingly complex global economy. Further recovery remains uneven and vulnerable to shocks. Events such as Cyclone Ditwa highlighted the continued exposure of communities and businesses, reinforcing the importance of resilience within the financial sector.

At the same time, the national focus on digital transformation has accelerated. Initiatives such as GovPay and LANKA QR are driving the adoption of digital payments, creating a strong foundation to expand access to formal financial services.

### **Financial Performance & Resilience**

The Company recorded sustained profitability from the first quarter of 2025 onwards, culminating in a profit after tax of LKR 159.7 million. This reflects improved operating leverage, stronger core earnings,

and the successful scaling of digital-led business lines, marking a clear transition from an investment phase to sustainable performance.

Operating income increased to LKR 2,366.3 million, representing a growth of 106.6% compared to 2024, driven primarily by fee income, digital device financing and small business lending. Consequently, operating profit before all taxes rose to LKR 437.5 million, reflecting a growth of 893.2%.

Total assets expanded to LKR 11.9 billion, with the lending portfolio increasing by 77.1% year-on-year to LKR 9,158.6 million, supported by continued growth in digitally originated lending across consumer and MSME segments. Asset quality remained well managed through disciplined underwriting, ongoing refinement of credit models, and strengthened portfolio oversight, with gross non-performing loans (NPLs) maintained at 5.68% at year-end.

The Company's funding base strengthened, with deposits increasing to LKR 5,896.5 million, reflecting sustained customer confidence and growing adoption of digital investment channels. Capital adequacy and liquidity ratios remained robust and comfortably above regulatory requirements at 8.5% and 12.5% respectively.

Ongoing digitisation initiatives further enhanced operational efficiency, reduced reliance on manual processes, and improved turnaround times, supporting scalable growth while maintaining cost discipline.

These outcomes underscored the value of prior strategic investments and positioned the Company on a stronger and more resilient financial footing.

### **Strengthening Strategic Direction**

Operating within this evolving landscape, Dialog Finance remained focused on reinforcing its strategic relevance within Sri Lanka's financial ecosystem. The year was characterised by deliberate decisions to

### **"Dialog Finance PLC continues to play a catalytic role in shaping a more inclusive and connected financial ecosystem. The rapid expansion of digital payment infrastructure is transforming how individuals and businesses engage with financial services, creating new opportunities to expand access and participation."**

sharpen our positioning as a fintech-driven financial services provider, enabling a more agile response to structural industry shifts.

A key milestone was the strategic exit from the leasing business, allowing for the reallocation of capital and management focus toward more scalable, digitally aligned opportunities. This reflects a clear commitment to aligning our business model with the future of financial services, where agility and technology integration are critical.

The Company also repositioned its MSME strategy toward an integrated model combining digital payments with working capital financing, enabling more holistic support for businesses through improved access to capital and enhanced transaction capabilities. Complementing this, the continued expansion of our

device financing portfolio has improved access to smartphones and digital tools, supporting broader participation in digital financial services among the emerging mass market.

The strengthening of our digital payments ecosystem remained a priority, supported by participation in national initiatives such as GovPay and LANKA QR, alongside the continued expansion of our own capabilities. We also refined existing offerings, including the reengineering of our Quick Loan portfolio to better align with evolving customer needs and long-term sustainability considerations.

#### **Advancing a Digital Financial Ecosystem**

As Sri Lanka enters a defining phase in its digital transformation journey, Dialog Finance PLC continues to play a catalytic role in shaping a more inclusive and connected financial ecosystem. The rapid expansion of digital payment infrastructure is transforming how individuals and businesses engage with financial services, creating new opportunities to expand access and participation.

Digital payments are increasingly viewed not merely as a transactional tool, but as an entry point into a broader financial ecosystem. As adoption deepens, customers establish financial visibility and data trails, enabling access to savings, credit, and other services over time. This underpins our long-term vision of building an integrated ecosystem that supports seamless financial engagement and shared growth.

This vision is enabled through the thoughtful application of technology and analytics, alongside a continued focus on responsible financial practices and customer empowerment.

## Chairperson's Message

### Expanding Access with Purpose and Creating Long-Term Value

Financial inclusion remains central to our strategic agenda. Through our digital platforms, including Genie and Genie Business, we continue to reduce barriers to access by delivering convenient, user-friendly, and affordable financial solutions. These platforms enable individuals within the emerging mass market and MSME segments to participate more actively in the formal financial system, extending our reach to underserved communities with greater efficiency and scale.

Our approach extends beyond access to encompass usability, transparency, and financial awareness. We recognise that meaningful inclusion requires equipping customers with the knowledge and confidence to make informed financial decisions. Accordingly, we continue to enhance user experience, simplify product structures, and promote responsible financial behaviour through targeted engagement and education initiatives.

In parallel, enhancements to our offering for depositors particularly first-time savers are helping to foster a culture of saving and long-term financial planning, strengthening financial resilience at both individual and community levels.

Through these efforts, the Company remains committed to supporting economic participation, financial well-being, and sustainable national development.

### Sustainability and Responsible Growth

Sustainability is embedded within our strategic framework, shaping how we create enduring value. Through our focus on inclusion, responsible lending, and strong governance practices, we contribute to broader economic development while aligning growth with the evolving needs of our stakeholders.

**"The strengthening of our digital payments ecosystem remained a priority, supported by participation in national initiatives such as GovPay and LANKA QR, alongside the continued expansion of our own capabilities. We also refined existing offerings, including the reengineering of our Quick Loan portfolio to better align with evolving customer needs and long-term sustainability considerations."**

### Governance and Board Leadership

Underlying this performance is a strong governance framework that continues to serve as the foundation for sustainable value creation. The Board remains committed to upholding the highest standards of integrity, accountability, and transparency, supported by robust internal controls and disciplined oversight.

At the same time, governance is viewed not as a constraint, but as an enabler of responsible innovation. Strategic initiatives are encouraged, while being rigorously evaluated within clearly defined risk parameters, ensuring that growth is pursued in a prudent and sustainable manner.

**"Sustainability is embedded within our strategic framework, shaping how we create enduring value. Through our focus on inclusion, responsible lending, and strong governance practices, we contribute to broader economic development while aligning growth with the evolving needs of our stakeholders."**

During the year, governance frameworks were further strengthened in line with the Company's evolving digital strategy, with particular emphasis on risk governance, regulatory compliance, and cybersecurity oversight. This balanced approach of integrating strong governance with forward-looking innovation positions the Company to navigate complexity with confidence while delivering long-term value.

### Shaping the Future

Looking ahead, we remain encouraged by the continued momentum in digital transformation, including the expansion of digital payments and the digitisation of public services. Dialog Finance envisions playing a catalytic role in this journey.

With the expansion of infrastructure through initiatives such as GovPay, P2P QR, and LANKA QR, and the push for digitizing of small ticket transactions, we see significant opportunities to expand access and increase participation in the formal financial system. Our long-term vision is to build an integrated ecosystem that connects consumers and businesses, enabling seamless interaction and shared growth.

Continued investment in advanced analytics and technology, including AI-driven capabilities, will enhance customer experience, improve efficiency, and strengthen risk management. These capabilities will also support more informed lending models, particularly for underserved segments, while reinforcing safeguards against emerging risks in cybersecurity and financial risks.

As we expand access, we remain equally committed to promoting financial literacy and responsible usage, ensuring that increased inclusion is accompanied by greater awareness and long-term financial well-being.

### Appreciation

Trust remains the foundation of our business, shaping our relationships with customers, regulators, and shareholders.

I wish to acknowledge The Governor and officials of the Central Bank of Sri Lanka for their continued support in fostering a stable regulatory environment. I also extend my sincere appreciation to our parent company, Dialog Axiata PLC, for its strategic support in strengthening our capabilities in technology, cybersecurity, and artificial intelligence.

I thank my fellow Board members for their guidance and stewardship, and extend my gratitude to our management team and employees, led by the Chief Executive Officer, whose dedication and commitment have been instrumental in delivering our strategic priorities.



**Ms. Renuka Fernando**  
Chairperson  
Dialog Finance PLC

06 May 2026



# Chief Executive Officer's Review



## Dear Shareholders,

The year 2025 marked another important milestone in the evolving journey of Dialog Finance. Throughout the year, the Company remained focused on adapting to a rapidly changing financial landscape while strengthening its role within Sri Lanka's digital financial ecosystem. With a clearer strategic focus and disciplined execution, Dialog Finance continued to innovate, expand access to financial services, and position itself to support the next phase of growth within Sri Lanka's increasingly digital economy.

Despite the economic challenges experienced in recent years, the gradual stabilisation of the economy and the accelerating adoption of digital services created new opportunities for the Company to deepen its engagement with customers, merchants, and businesses across the country. Our focus remained firmly on building a sustainable digital financial ecosystem that supports financial inclusion, responsible lending, and long-term value creation.

## Financial Performance – Building Momentum

Our performance in the year 2025 reflects the impact of strategic investments made in previous years particularly in digital innovation, operational efficiency, and customer-centric solutions. As economic conditions improved and digital transactions increased, these investments have translated into stronger financial outcomes.

During the year we witnessed stronger financial momentum with improved performance. With increasing adoption of digital platforms and the continued strengthening of our product portfolio, the Company achieved notable growth in revenue and profitability to LKR 2,366 million and LKR 159.7 million respectively demonstrating a 106.6% and 488.8% of growth in revenue and profitability. Loan book growth recorded a staggering 77.1% while deposits grew by 45.8% compared to 2024. Our focus remains on sustaining this momentum while maintaining prudent financial management, ensuring that growth is both responsible and sustainable.

**"During the year we witnessed stronger financial momentum with improved performance. With increasing adoption of digital platforms and the continued strengthening of our product portfolio, the Company achieved notable growth in revenue and profitability to LKR 2,366 million and LKR 159.7 million respectively demonstrating a 106.6% and 488.8% of growth in revenue and profitability."**

### **Advancing a Digital Financial Ecosystem**

Digital innovation continues to be at the core of Dialog Finance's strategic direction. Over the past year, we made steady progress in aligning our business with the evolving dynamics of Sri Lanka's financial and digital landscape. Our strategy remains anchored on expanding financial access, strengthening customer trust, and delivering solutions that empower individuals and businesses to access, transact, and grow within an increasingly digital financial ecosystem.

Our flagship digital platforms, Genie and Genie Business, continued to play a pivotal role in advancing financial inclusion by simplifying how customers interact with financial services. Through seamless, secure, and convenient digital transactions, these platforms have helped reduce reliance on cash-based processes while encouraging broader participation in the formal financial system.

The continued expansion of digital infrastructure together with increasing smartphone penetration across Sri Lanka has further strengthened this transformation. These developments have enabled more individuals and small businesses to access financial services conveniently and consistently, accelerating the country's transition toward a more digitally connected financial ecosystem.

### **Supporting Businesses and Entrepreneurs**

During the year, Dialog Finance further strengthened its presence within the SME and retail business segments by enhancing digital payment capabilities and progressively expanding access to financing. Small and medium-sized enterprises remain a vital pillar of Sri Lanka's economy, contributing significantly to employment generation and economic activity.

During the year, we also launched a comprehensive payment suite through Genie Business, enabling merchants to seamlessly accept digital payments, manage transactions, and integrate financial services into their day-to-day operations. This initiative represents an important step in strengthening our merchant ecosystem while supporting the growth of digital commerce across Sri Lanka.

By combining payments, merchant services, and financing capabilities within a single platform, Dialog Finance continues to build an integrated digital financial ecosystem that connects merchants, consumers, and businesses, enabling greater efficiency, transparency, and growth within Sri Lanka's evolving digital economy.

Through these initiatives, we continue to support businesses in managing payments more efficiently, accessing working capital, and participating more actively in the digital economy.

**"During the year, we also launched a comprehensive payment suite through Genie Business, enabling merchants to seamlessly accept digital payments, manage transactions, and integrate financial services into their day-to-day operations. This initiative represents an important step in strengthening our merchant ecosystem while supporting the growth of digital commerce across Sri Lanka."**

### **Empowering Savers and Consumers**

Another key focus area during the year was expanding access to savings and deposit products, particularly for first-time savers. Through digital enablement, Dialog Finance has simplified the process of opening and managing savings and fixed deposit products, enabling customers to begin their financial journey with smaller and more accessible investment amounts.

By offering enhanced transparency, competitive returns, and convenient digital access, we continue to encourage more disciplined saving behaviour while supporting greater participation in the formal financial system.

### **Expanding Access to Technology**

One of the most notable developments during the year was the continued expansion of our device financing portfolio. Access to smartphones and digital devices has become a critical gateway to participation in the digital economy, enabling individuals to access financial services, digital payments, and online commerce.

By improving affordability through accessible financing solutions, Dialog Finance has helped broaden access to mobile technology, supporting both digital inclusion and economic participation across the country.

Another important milestone during the year was the integration of our services with GovPay, the national digital payment platform for government services. This initiative aligns closely with Sri Lanka's broader digitalisation agenda and reinforces Dialog Finance's commitment to supporting the Government's vision of building a digitally connected and transparent economy.

### **Strengthening Risk Governance and Operational Resilience**

As we continue to innovate and expand, maintaining strong governance and risk discipline remains fundamental to our operations. During the year, Dialog Finance further strengthened its credit risk and fraud risk management capabilities while enhancing monitoring frameworks and internal controls.

In parallel, we continued to strengthen cybersecurity frameworks and operational resilience across the organisation. These efforts are supported by a strong culture of risk awareness, ensuring that governance and accountability remain embedded throughout the Company as we continue to scale our digital financial ecosystem.

### **Standing with Communities**

At Dialog Finance, our commitment extends beyond financial services to the communities we serve. Regions of Sri Lanka experienced adverse weather conditions that affected livelihoods and small businesses.

In accordance with the guidance issued by the Central Bank of Sri Lanka, the Company extended relief measures to affected customers, providing temporary financial support to help them navigate challenging circumstances. These initiatives reflect our belief that financial institutions must play a supportive role during times of national difficulty.

**"At Dialog Finance, our commitment extends beyond financial services to the communities we serve. Regions of Sri Lanka experienced adverse weather conditions that affected livelihoods and small businesses."**

### **Our People and Culture**

At the heart of Dialog Finance's continued progress, is its people. The financial services industry is evolving rapidly, requiring new capabilities, fresh perspectives, and innovative thinking.

We therefore remain committed to building a workforce that is digitally savvy, customer-focused, and forward-thinking. By fostering a culture that encourages collaboration, continuous learning, and innovation, we are creating an environment where our people can contribute meaningfully to shaping the future of financial services.

### **Looking Ahead**

As we look to the future, Dialog Finance remains optimistic about the opportunities ahead. With Sri Lanka's economy gradually stabilising and digital adoption accelerating across industries, the Company is well positioned to contribute meaningfully to the country's financial transformation.

We will continue investing in digital innovation, strengthening our payments and financing ecosystem, and expanding access to financial services across the country. Our ambition is to remain at the forefront of Sri Lanka's digital financial ecosystem by developing solutions that address both current needs and emerging opportunities.

Through these efforts, Dialog Finance will continue to empower individuals, enable businesses, and contribute to the development of a more connected, inclusive, and resilient financial ecosystem in Sri Lanka.

### **A Note of Appreciation**

I wish to express my sincere gratitude to our Chairperson, Ms. Renuka Fernando and the Board of Directors for their strategic direction, wisdom and guidance. I also extend my heartfelt appreciation to the dedicated Dialog Finance team for their unwavering passion, commitment, and relentless pursuit of excellence.

We are deeply grateful to our customers for their continued trust and to our regulators for their ongoing support and constructive engagement. I extend my sincere appreciation to the Government of Sri Lanka, the Governor and staff of the CBSL, the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange for their invaluable support and cooperation.

I would like to extend my heartfelt thanks to our business partners and stakeholders for their unwavering loyalty. Our achievements are the result of shared effort and collective ambition. Every stakeholder, whether a shareholder, employee, partner, or customer has played a crucial role in advancing our mission and for that, I am truly grateful.



**Mr. Nazeem Mohamed**  
Director / Chief Executive Officer  
Dialog Finance PLC

06 May 2026

# Board of Directors



**Ms. Renuka Fernando**

Chairperson / Non-Independent,  
Non-Executive Director



**Mr. Supun Weerasinghe**

Non-Independent,  
Non-Executive Director



**Ms. Lim Li San**

Non-Independent,  
Non-Executive Director



**Mr. Alexander Löwbäck**

Independent,  
Non-Executive Director



**Mr. Shivaan Kanag-Isvaran**

Independent,  
Non-Executive Director



**Mr. Uditha Jayasinghe**

Independent,  
Non-Executive Director



**Mr. Nazeem Mohamed**

Chief Executive Officer  
Non-Independent, Executive Director

## Board of Directors

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### **Ms. Renuka Fernando**

**Chairperson / Non-Independent, Non-Executive Director**

Ms. Renuka Fernando was appointed as the Chairperson of Dialog Finance PLC and a member of the Board of the Company on 22 May 2020.

Ms. Fernando who currently serves as the Group Chief Digital Services Officer of Dialog Axiata PLC (Dialog), is a highly experienced, successful and well-regarded business leader who has very significant business experience spanning 40 years in the banking sector and vast expertise in growing and developing banking with a special focus on Digital Banking.

Prior to joining Dialog in April 2020, she headed Nations Trust Bank PLC (NTB) as the Director/Chief Executive Officer from 2012 and has played a pivotal role in bringing the organization to where it is today. During her stint with NTB she played many senior leadership roles including Deputy Chief Executive Officer, DGM – Retail & Consumer Banking and AGM – Corporate Financial Solutions. Prior to joining NTB, Renuka held the positions of Vice President / Head Global Transactional Services and Head of Consumer Banking at ABN AMRO Bank N.V, Sri Lanka. She has also worked at Banque Indosuez, Sri Lanka as Manager Corporate Banking and at Nederlandsche Middenstands Bank - Hong Kong.

In addition to playing key leadership roles in the corporate sector, Ms Fernando has also functioned as the Vice President – American Chamber of Commerce and has previously served as Director of Lanka Clear (Pvt) Ltd and Chairperson of the Sri Lanka Bankers Association.

Ms. Fernando is an Associate of the Chartered Institute of Bankers, UK. She is also an Alumni of the Advanced Management Program at Harvard Business School.

### **Mr. Supun Weerasinghe**

**Non-Independent, Non-Executive Director**

Mr. Supun Weerasinghe is the Executive Director and Group Chief Executive at Dialog Axiata PLC (Dialog), a position he holds since 2017.

His career in telecommunications began with Dialog in 1999, where he progressed through various key roles, including Head of Strategy, CEO of the Mobile Business and Group Chief Operating Officer.

In 2013, Mr. Weerasinghe functioned as the Group Chief Strategy Officer at Axiata Group Berhad in Malaysia. He then led Robi Axiata Limited in Bangladesh as the CEO and Managing Director from 2014 to 2016. Mr. Weerasinghe serves on the Boards of Hemas Holdings PLC, the Ceylon Chamber of Commerce and UNGC Network, Sri Lanka.

He is a Fellow Certified Management Accountant, Sri Lanka, Fellow Member of the Chartered Institute of Management Accountants, UK, and holds a Bachelor of Science in Accountancy and Financial Management from the University of Sri Jayewardenepura, Sri Lanka. Mr. Weerasinghe also holds an MBA from the University of Western Sydney, Australia, and is an alumnus of the Harvard Business School.

### **Ms. Lim Li San**

**Non-Independent, Non-Executive Director**

Ms. Lim Li San currently serves as the Group Chief Operating Officer of Dialog Axiata PLC (“Dialog”).

Ms. Li San has been with Dialog’s parent company, the Axiata Group of Companies since 2015. Before joining Dialog, Ms. Li San was the Group Head of Business Operations of Axiata Group Berhad (“Axiata”), where she was responsible for portfolio performance management and board governance of all its operating companies. Prior to this stint,

## Board of Directors

Ms. Li San headed the Axiata Group CEO's Office where she supported the President & Group CEO in strategy development, target setting for senior leaders, stakeholder engagement and strategic project management. Preceding that, she spent three years in Group Strategy where she led Group Research and spearheaded the annual long-term strategy exercise, competitive analyses, strategic projects and M&A evaluation. She was also a Non-Executive Director and Board Audit Committee Member at Smart Axiata Co. Ltd., the leading mobile service provider in Cambodia. Before joining Axiata, Ms. Li San spent the formative years of her career with British American Tobacco where she took on various roles within finance.

Ms. Li San graduated from the university of South Australia with a Bachelor of Commerce and Applied Finance. She is a Certified Practicing Accountant through CPA Australia and has completed her executive education with Harvard, INSEAD and IMD as part of the Axiata talent development programme.

### **Mr. Alexander Löwbäck** Independent, Non-Executive Director

Mr. Alexander Löwbäck is the Co-Founder and Chairman of Lucytech (Pvt) Ltd. which provides Software Engineers for European Clients.

Prior to this Mr. Löwbäck functioned as the CEO of ikman.lk – Sri Lanka's Largest Marketplace. He was instrumental in building the organization from scratch and established all necessary functions, employing +350. Prior to this he worked at ScandCap, Stockholm, Sweden Corporate as a finance associate and the Royal Bank of Scotland, Stockholm, Sweden as a Nordic Investment Banking analyst with focus on M&A

Mr. Löwbäck holds a Masters in Business and Administration (MBA) from the University of Cambridge, Cambridge, United Kingdom, B.Sc in Business and Economics, specialized in Management / Accounting & Financial Management from Stockholm School of Economics, Stockholm, Sweden.

### **Mr. Shivaan Kanag-Isvaran** Independent, Non-Executive Director

Mr. Shivaan Kanag-Isvaran is a Barrister-at-Law of Lincoln's Inn (2000), a graduate in Law from the University of Warwick (1998), holds a Masters in Law in International Business Law from the London School of Economic and Political Science (1999) and is an Attorney-at-Law of the Supreme Court of Sri Lanka (2002).

Mr. Kanag-Isvaran has over 24 years of extensive practice on the civil side in both the original and appellate courts and specialized in several areas of law including Constitutional law, Corporate Law, Intellectual Property Law, Banking and Finance Law, Telecommunication and Tax Law.

Specializing in International Commercial Arbitration, Mr. Kanag-Isvaran represented clients both locally and internationally and is experienced in advising in connection with infrastructure and construction projects.

Mr. Kanag-Isvaran is an Accredited Mediator of the Singapore International Mediation Institute as well as the International Alternative Dispute Resolution Centre, Sri Lanka.

Mr. Kanag-Isvaran served as a member of the Special Committee of the Bar Association of Sri Lanka appointed to examine matters related to the Winding-Up Rules and its implementation.

He is a member of the Academic & Governing Council of the Bandaranayake Academy for Leadership & Public Policy and currently serves as a Lecturer for the Diploma Course in Arbitration conducted by the Institute for the Development of Commercial Law and Practice.

At present Mr. Kanag-Isvaran serves on the Board of Directors of Ceylon Cold Stores PLC as an Independent Non-Executive Director.

## Board of Directors

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### **Mr. Uditha Jayasinghe**

**Independent, Non-Executive Director**

Mr. Uditha Jayasinghe is a Chartered Accountant with over 20 years of experience, having held key financial leadership roles, including Finance Manager, Financial Controller, Head of Finance, Group Finance Manager, and Chief Operating Officer. His expertise in financial reporting and accounting spans multiple industries, including telecommunications, industrial manufacturing, apparel, and travel & tourism.

He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA) and an Associate Member of the Society of Certified Management Accountants of Sri Lanka (ACMA). Additionally, he is a Fellow Member of the Sri Lanka Institute of Credit Management (FICM) and a Life Member of the Association of Accounting Technicians of Sri Lanka (MAAT).

Mr. Jayasinghe holds a Second Upper Bachelor's Degree in Accountancy & Financial Management (BSc) from the University of Sri Jayewardenepura. He also earned his Master of Business Administration (MBA) with distinction from the University of West London, United Kingdom.

Uditha is a committed lecturer with over a decade of experience teaching undergraduate, postgraduate, and professional exam students. He currently holds visiting lecturer positions at several leading private universities and institutes.

### **Mr. Nazeem Mohamed**

**Chief Executive Officer / Non-Independent, Executive Director**

Mr. Nazeem Mohamed is a seasoned fintech leader with over 25 years of experience in senior management roles spanning banking, financial services, startups, and fintech industries. He has a proven track record in business development, transformation, and innovation, with strong expertise in business strategy, delivery, partnerships, and financial product innovation.

Since February 2021, Mr. Mohamed serves as the CEO and Executive Director of Dialog Finance PLC. Prior to this role, he led Frimi by Nations Trust Bank PLC (NTB) as Senior Vice President, where he played a pivotal role in establishing Sri Lanka's first digital bank. Mr. Mohamed has also held key leadership positions, including CEO at UPay, Director and Country Head at Global Payments for Sri Lanka & Maldives, and Head of Cards Acceptance at HSBC Sri Lanka & Maldives.

Mr. Mohamed holds an MBA from Cardiff Metropolitan University, UK.

# Management Discussion and Analysis

## OPERATING ENVIRONMENT

Overall, 2025 had represented a transitional year for Sri Lanka moving from macroeconomic stabilisation toward a more sustainable, digitally enabled growth trajectory. While vulnerabilities in fiscal space and external buffers had remained, continued reforms, improving macroeconomic stability, and rapid digitalisation across both public and financial services had strengthened the foundation for medium-term recovery and resilience.

### Global Operating Environment

In 2025, the global economy expanded at a moderate yet uneven pace, with growth estimated at approximately 3.2% according to IMF projections. While inflation eased considerably from the elevated levels seen during 2022–2023, underlying pressures particularly within the services sector remained persistent across several advanced economies. This led central banks to maintain a cautious “higher-for-longer” interest rate stance, shaping global liquidity conditions, moderating investment flows, and tempering consumer demand.

Global trade dynamics continued to evolve amid rising geopolitical fragmentation and ongoing supply chain realignments. Nations and corporations increasingly prioritised resilience over efficiency, diversifying sourcing strategies and accelerating the regionalisation of trade. This shift marked a gradual move away from broad-based global integration toward more localised and strategic economic partnerships.

Energy markets remained volatile throughout the year, influenced by geopolitical tensions and supply-side uncertainties. At the same time, climate-related disruptions intensified, placing additional pressure on food security and commodity price stability, further complicating the global inflation outlook.

The global digital economy expanded significantly in 2025, driven by the rapid adoption of digital payments, fintech ecosystems, and AI-enabled financial services. These advancements enhanced operational efficiency while deepening financial inclusion across both developed and emerging markets. Asia continued to

serve as a key engine of global growth, underpinned by robust domestic demand, sustained infrastructure investment, and accelerating digital adoption.

### Local Operating Environment

In 2025, Sri Lanka’s economy continued its gradual stabilisation and recovery following the earlier macroeconomic adjustment period. Inflation had declined sharply from crisis levels to low single digits (CBSL estimates), supported by tighter monetary policy, improved supply conditions, and relative exchange rate stability. External sector conditions had improved, with rising tourism inflows, steady remittances, and improved foreign exchange liquidity contributing to a gradual rebuilding of reserves.

Economic activity had recorded steady but moderate growth, estimated in the low-to-mid single-digit range, led primarily by the services sector, including tourism, transport, and financial services. Industrial activity had shown gradual recovery, while construction remained subdued but stabilising. Fiscal consolidation efforts had continued under the IMF-supported reform programme, with improved revenue mobilisation and expenditure rationalisation.

**GDP Growth :** In 2025, Sri Lanka’s economic activity continued its path of gradual recovery, supported by improved macroeconomic stability, easing inflationary pressures, and renewed business confidence. Growth was underpinned by a rebound in services, particularly tourism and financial services, while industry and agriculture showed mixed performance due to external demand conditions and climate-related disruptions.

Although the recovery was not uniform across sectors, the economy demonstrated resilience, with domestic demand gradually strengthening alongside improving investment sentiment. This recovery trajectory was further supported by policy stability and the normalisation of economic activity following previous years of contraction.

# Management Discussion and Analysis

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**Interest Rate :** The monetary environment in 2025 was characterised by a broadly accommodative stance aimed at supporting economic recovery. Market interest rates, including lending and deposit rates, continued to decline during most of the year in line with improved liquidity conditions and the Central Bank's expansionary policy direction.

However, towards the latter part of the year, short-term lending rates showed a modest upward adjustment, reflecting renewed private sector credit demand and gradual normalisation in financial intermediation. Overall, the interest rate environment remained supportive of investment and consumption while maintaining financial system stability.

**Exchange Rate :** The Sri Lanka Rupee experienced depreciation pressures during 2025, reflecting increased import demand, particularly from the resumption of vehicle imports, and ongoing external debt servicing obligations. Global currency movements and tightening external financial conditions also contributed to exchange rate volatility.

Despite these pressures, the exchange rate remained broadly stable under a managed flexibility framework. The Rupee closed the year at Rs. 309.99 per USD, compared to Rs. 292.58 per USD at end-2024, with stability supported by Central Bank interventions and sustained foreign exchange inflows.

**External Sector :** The external sector demonstrated continued resilience, supported by strong inflows from tourism and remittances. Tourist arrivals exceeded 2.36 Mn, marking a record performance and reinforcing Sri Lanka's position as a recovering tourism destination. Tourism earnings rose to USD 3,219 Mn, reflecting steady sectoral recovery.

Worker remittances recorded strong growth of 22.8%, providing a critical buffer to external liquidity. As a result, the external current account is estimated to have recorded a surplus for the third consecutive year, underscoring a meaningful structural improvement in external stability.

**Fiscal Position :** Sri Lanka's fiscal performance strengthened in 2025, driven by improved revenue collection and disciplined expenditure management. The budget deficit narrowed significantly during the year, while the primary balance recorded a substantial surplus compared to the previous year.

This fiscal consolidation enhanced macroeconomic stability and created valuable policy space for the Government to respond to unforeseen shocks, including climate-related events. The improved fiscal trajectory also reinforced investor confidence and supported broader economic stabilisation efforts.

**Foreign Reserves :** Gross official reserves improved to USD 6.8 Bn by end-December 2025, supported by net foreign exchange purchases by the Central Bank of Sri Lanka and inflows from multilateral partners. This improvement in reserve buffers contributed to greater external sector resilience and supported exchange rate stability amid global uncertainties.

## Performance of the Non Bank Financial Institution (NBFI) Sector

The NBFI sector sustained robust credit expansion momentum through 2025, while continuing to demonstrate resilience across liquidity, profitability, and capital adequacy indicators. The sector's growth trajectory reflects both renewed economic activity and improved credit demand across key secured lending segments.

**Accelerated Lending Growth :** Gross loans and advances expanded sharply by 56% year-on-year at end-2025, significantly higher than the 22.6% growth recorded in 2024. This acceleration underscores a marked intensification of lending activity across the sector. Growth was primarily driven by secured lending portfolios, with vehicle-backed lending increasing by 56.3% and gold-backed lending recording a strong expansion of 64.1% year-on-year.

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**Asset Quality Improvement :** Supported by enhanced recoveries and strengthened credit management practices, asset quality improved notably during the year. The sector's gross stage 3 loan ratio declined sharply to 6.1% at end-2025, compared to 11.5% at end-2024, reflecting improved portfolio health and more effective risk containment measures.

**Liquidity Remains Stable Amid Deployment of Funds :** Liquidity conditions remained comfortably above regulatory thresholds throughout the year, underscoring continued financial stability. However, surplus liquid assets declined to Rs. 74.3 Bn at end-2025 from Rs. 105.1 Bn a year earlier, primarily reflecting the accelerated deployment of funds into lending activities as credit growth gathered pace.

**Strengthening Profitability Performance :** Profitability in the sector strengthened significantly, supported by expanding lending volumes and improved credit performance. Profit after tax amounted to Rs. 88.5 Bn for the 2025/26 financial year, representing a strong 49.9% year-on-year increase.

**Capital Position Remains Strong :** Despite rapid credit expansion, the sector maintained a solid capital base, although the total capital adequacy ratio moderated to 18.7% at end-2025 from 21.3% at end-2024. This moderation largely reflects balance sheet expansion rather than a deterioration in capital strength, with capital buffers remaining well above regulatory requirements.

## Digital Transformation and Public Payment Ecosystem

A key structural development in 2025 had been the continued acceleration of Sri Lanka's digital transformation, particularly in public finance and payments.

The Government's GovPay platform gained significant traction during the year, marking a major milestone in digital public service delivery. By the end of 2025.

- GovPay had processed over Rs. 2 Bn in digital transactions since its launch in February 2025.
- The platform had expanded to support over 3,300 government services across more than 200 institutions, significantly broadening digital access to public payments.
- Transaction volumes had grown rapidly, reflecting strong user adoption and institutional onboarding across the public sector.

In parallel, broader digital payment adoption across the economy had continued to strengthen. Mobile banking, internet banking, and QR-based payments had expanded steadily, supported by improved smartphone penetration and enhanced digital infrastructure. Initiatives led by the Central Bank and LankaPay had further strengthened interoperability and real-time payment capabilities across banks and financial institutions.

As a result, Sri Lanka's payment ecosystem had continued its transition from cash-based transactions toward a more digital, transparent, and efficient financial system, supporting both financial inclusion and formalisation of economic activity.

## Way Forward

Sri Lanka's operating environment is gradually shifting from stabilisation to a reform phase. Structural reforms and the accelerating digital economy supported by initiatives such as GovPay and QR-based payments are improving efficiency, inclusion, and transparency.

Going forward, private sector participation, MSME revival, and export growth will be key to sustaining momentum. Despite global uncertainties, the outlook is increasingly anchored on reform execution, digital transformation, and productivity-led recovery .

# Management Discussion and Analysis

## OUR PRODUCT PORTFOLIO

During the year under review, Dialog Finance continued to advance its integrated digital financial ecosystem. Aligned with Sri Lanka's national vision of building a digitally empowered economy, Government-led initiatives continue to reshape the financial services landscape. The rollout and scaling of platforms such as GovPay which has already surpassed LKR 2 billion in transaction value within its first year reflects strong momentum a transparent and inclusive financial ecosystem.

Within this evolving landscape, Dialog Finance is strategically positioned to play a catalytic role. Through its integrated digital ecosystem anchored by the Genie App, alongside virtual payment solutions, QR-enabled transactions, and seamless integration with national payment rails, the Company is enabling consumers and MSMEs to actively participate in Sri Lanka's digital economy.

### Consumer Proposition via Genie

At the consumer level, Genie continued to serve as the primary digital engagement platform for Dialog Finance, playing a pivotal role in expanding access to formal financial services across unbanked, underbanked, and mass-affluent segments. The platform further strengthened financial inclusion by enabling end-to-end digital financial management through a single mobile interface, significantly reducing reliance on traditional branch-based banking channels and improving accessibility, speed, and convenience.

During 2025, Dialog Finance enhanced its consumer product suite on the Genie platform with a comprehensive range of fully digital financial solutions, including :

### Consumer Financing Portfolio

Dialog Finance's consumer financing portfolio is designed to enhance affordability and expand access to credit through a fully digital ecosystem.

The portfolio comprises three core products:

- **LesiPay** : This product serves as the flagship device financing solution, enabling customers to purchase smartphones and tablets on instalment without credit cards or guarantors. Powered by internal scoring models and delivered through the Genie app, the product offers instant approvals, seamless onboarding, and flexible repayment via linked savings accounts. Since its launch in 2024, Lesipay has grown to over 120,000 active users.
- **Quick Loan** : This product provides a fully digital, short-term cash loans to a targeted customer segment. With approvals completed within hours, the product addresses immediate liquidity needs while maintaining disciplined credit assessment and repayment through integrated savings accounts.
- **Flexi Pay** : This loan product introduces embedded finance capabilities, allowing Dialog Finance smart account customers to convert their debit card transactions into installment plans with a single click. As a newer offering, it reflects the Company's focus on innovation and evolving customer convenience.
- **Loan Against Fixed Deposits** : Further enhanced during the year, this facility provided instant credit against fixed deposits with near real-time disbursement (under six seconds), significantly improving financial flexibility and customer convenience without breaking the fixed deposit.
- **Margin Trading** : This specialized offering allows investors to leverage existing capital to expand their portfolios without the need for additional funds. By enhancing purchasing power, it opens access to a wider range of investment opportunities beyond immediate financial capacity.

# Management Discussion and Analysis

Together, these solutions reinforce Dialog Finance's commitment to digital inclusion, responsible lending, and building a scalable, customer-centric financing ecosystem.

- **Digital Savings Accounts** : End-to-end paperless onboarding enabled customers to open savings accounts instantly through secure e-KYC, improving financial access and onboarding efficiency.
- **Savings Pockets** : A flexible digital savings feature allowing customers to create multiple interest-bearing pockets within a single account structure, supporting personalised budgeting and goal-based money management.
- **Fixed Deposits (FDs)** : Customers were able to open fixed deposits digitally with a minimum investment of Rs. 5,000, supported by a fully automated onboarding journey. The platform also enabled loans against fixed deposits, enhancing liquidity access for customers without breaking deposits.
- **Goal-Based Fixed Deposits** : Designed to encourage disciplined savings behaviour, this product enabled customers to define, track, and achieve specific financial goals through structured deposit planning.
- **GovPay on the Genie App** : GovPay, integrated within the Dialog Genie App, provides customers with a secure and convenient digital channel to fulfil a wide range of government-related payments. The platform enables seamless settlement of utilities, taxes, fines, and other statutory obligations, bringing essential public services into a single, accessible interface.

Designed to enhance efficiency and reliability, GovPay offers real-time processing and confirmation, ensuring greater transparency and ease of use for customers. By digitising everyday transactions, the solution supports improved compliance while reducing the need for physical interactions.

This initiative reflects Dialog Finance's continued commitment to advancing digital financial inclusion and supporting national efforts to modernise public service delivery through technology-driven solutions.

Customers are further supported with real-time financial tracking and intuitive management tools, enabling greater visibility and control over their finances. Complementing this, FlexiPay Instant Credit provides on-demand financial flexibility, allowing users to meet their needs with ease making every transaction smoother, smarter, and more convenient.

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## MSME Proposition via Genie Business and Sahasra

In parallel, Dialog Finance continued to strengthen its MSME proposition through Genie Business and Sahasra, reinforcing its commitment to enabling the digital transformation of small and medium enterprises. These platforms played a critical role in embedding digital financial services into business operations, improving efficiency, transparency, and cash flow management while reducing reliance on cash-based transactions.

## Genie Business: Integrated Digital Payment Solutions for MSMEs

Responding to the evolving needs of the MSME segment, Genie Business continued to serve as an all-in-one digital payment acceptance and business enablement platform. The solution empowered merchants to efficiently manage transactions, collections, and payments through a unified digital interface, thereby improving operational efficiency and financial control.

# Management Discussion and Analysis

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Key initiatives during 2025 included :

- **Tap-to-Pay (NFC Payments) :** Enabled contactless card acceptance through NFC-enabled devices, particularly supporting small retailers and on-the-go merchants.
- **QR Code Payments :** Fully integrated with LankaPay QR infrastructure, enabling secure, interoperable, and real-time digital transactions.
- **Payment Links & Internet Payment Gateway (IPG) :** Facilitated both domestic and international card-based payments, expanding merchant reach and e-commerce capabilities.
- **Multi-Currency Pricing :** Supported acceptance of foreign currency transactions, enabling MSMEs to serve international customers and expand market access.
- **E-Store Functionality :** Allowed SMEs to create and share digital storefronts via platforms such as WhatsApp, enabling rapid digital commerce adoption without the need for traditional websites.

In addition to payments infrastructure, Genie Business expanded its embedded financing ecosystem, offering MSMEs access and cash flow-based lending solutions. These offerings leveraged transaction data and behavioural insights to extend credit to underserved businesses, thereby strengthening financial inclusion and supporting sustainable enterprise growth.

## Sahasra: SME Digital Banking Enablement

Sahasra, Dialog Finance's SME internet banking platform, continued to provide secure and efficient digital banking services tailored to enterprise needs. The platform enabled real-time execution of bulk

financial transactions, supplier payments, and vendor settlements, significantly improving operational efficiency for SMEs.

By simplifying cash management and enabling greater transactional control, Sahasra continued to play a key role in strengthening SME financial discipline and supporting broader economic activity across Sri Lanka.

## Recognition and Accolades

Dialog Finance's continued commitment to digital innovation and financial inclusion was recognised for the second consecutive year at the LankaPay Technovation Awards 2025. The Company was honoured for delivering impactful digital financial solutions that expanded access and improved convenience for underserved communities.

## Way Forward

The growing acceptance of QR payments including LankaQR and emerging cross-border integrations is expected to drive higher transaction volumes, deepen merchant adoption, and improve financial accessibility for underserved segments.

Building on these developments, Dialog Finance will continue to strengthen its ecosystem by enhancing interoperability, expanding strategic partnerships, and delivering intuitive, customer-centric solutions. Aligned with the Government's digital economy agenda, and leveraging its robust suite of digital financial offerings, the Company is well positioned to accelerate digital adoption, drive sustained transaction growth, and create long-term value across the financial ecosystem.

# Management Discussion and Analysis

## CUSTOMER-CENTRICITY

During the financial year 2025, the Company continued to strengthen its position as a leading digital financial services provider, with more specific focus on enhancing customer experience and adoption in small and micro market segments. This was achieved through simplifying digital access and providing education across both consumer and merchant ecosystems.

Following national priorities on financial inclusion and digitalization, the Company launched multiple initiatives to facilitate accessibility, usability, and adoption of its digital platforms, while expanding its reach across underserved and emerging customer segments.

These initiatives were supported by investments in product innovation, merchant enablement, and customer-centric service enhancements, contributing to increased adoption of our solutions, improved transaction activity, and broader ecosystem participation.

### Enhancement of Digital Customer Platforms

During the year under review, the Company continued to enhance its flagship digital platform, Genie, with a focus on usability, accessibility, and value-added services.

Rather than large-scale system overhauls, the approach centered on continuous product refinement and feature enhancement, enabling improved friction-less customer journeys and increased platform engagement.

### Key Developments

- Improvements to the Device Loan facility "LesiPay", which recorded strong growth during the year.
- Introduction of home delivery services for purchased devices, allowing customers to complete end-to-end transactions remotely.

- Launch of bundled offerings, including device protection and insurance, enhancing product value and differentiation from other similar services.
- Introduction of FlexiPay, enabling customers to convert debit card transactions above LKR 5,000 into 3-to-6-months, instalment-based loan facility.

These initiatives collectively contributed to a measurable increase in customer acquisition and engagement, with monthly onboarding volumes increasing by 14%.

In line with these improvements, the Company rebranded its core savings product as the "Digital Smart Account" or "Smart Savings Account," reinforcing its positioning as a flexible, transaction-oriented account tailored to digitally active customers.

Offering further affordability and usability, the Company introduced up to 40 free interbank transfers (CEFTS) per month, benefiting the entire active customer base, which has enabled worry free CEFT transactions.

### Driving Digital Adoption and Financial Inclusion

The Company heavily prioritized digital adoption across both urban and rural segments during the last financial year, recognizing and addressing needs across customer groups.

### Adoption initiatives during the year

- Participation in Central Bank-led digital empowerment programs, including regional roadshows in Hambantota, Dambulla, Kurunegala, and Udawalawe.
- On-ground customer education and onboarding support, particularly targeting rural and first-time digital users.
- Digital marketing campaigns targeting younger, digitally native customer segments (aged 18–30)

# Management Discussion and Analysis

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While urban segments demonstrated faster onboarding through fully digital channels, rural segments showed strong acceptance following guided onboarding, with retention and usage levels improving post-registration.

The Company engaged the use of field agents to visit the merchants and users who were having trouble with using the app or getting through onboarding. Through this strategy, adoption rates were directly and positively impacted notably.

## Adoption Trends

- Higher initial uptake in urban, digitally literate segments.
- Strong long-term engagement potential in rural segments following assisted onboarding and education.
- The next day credit guarantee, (the merchant or individual will receive cash to their bank accounts on T+1) even on weekends, has been an attractive and encouraging feature for many users.
- Increasing acceptance driven by national digital initiatives and ecosystem developments. (Eg. GovPay)

## Expansion of Digital Payments Ecosystem

The Company played an active role in supporting Sri Lanka's transition towards a digital payments ecosystem, particularly through its integration with GovPay and Lanka QR.

## Key developments included

- Expanding GovPay acceptance across a wide network of active merchants.
- Enabling digital payments for government services.
- Integrating payments into everyday use cases such as bus and train travel, increasing usage frequency. In addition, the eZ Cash wallet was enhanced, allowing customers to upgrade from a LKR 10,000 basic wallet to a LKR 150,000 limit by completing advanced KYC requirements. Together, these initiatives drove a strong increase in digital transaction volumes, led by the growth in government-related payments.

## Merchant Ecosystem Development

The Company maintained a strategic focus on digitizing micro and small merchants, recognizing their critical role in driving financial inclusion and transaction growth.

## During the year, key initiatives included:

- Introduction and scaling of MPOS (Mini Point-of-Sale) devices, including
  - Bluetooth-enabled devices
  - Standalone MPOS terminals (enhanced deployment), addressing operational constraints faced by merchants

The transition to standalone devices significantly improved usability and adoption, particularly for merchants with multiple staff or operational dependencies. The flexibility of making remote sales through multiple sales agents was bottlenecked when the device was Bluetooth dependent and linked to a specific mobile device. Standalone devices completely eliminated this concern.

## Digital Onboarding and Accessibility

- Implementation of a fully digital, self-onboarding journey, available in trilingual formats.
- Simplified onboarding processes enabling wider accessibility across diverse merchant segments.

## Merchant Education and Acquisition

Recognizing the importance of behavioral and mindset change, the Company adopted a highly personal, on-ground acquisition strategy.

- Dedicated field teams conducting door-to-door merchant engagement.
- Hands-on demonstrations of payment solutions.
- Education on benefits of digital payments, including security, convenience, and access to financial services.

# Management Discussion and Analysis

## Merchant Engagement and Retention

The approach enhanced merchant awareness and accelerated onboarding, while gradually increasing transaction activity among newly onboarded merchants. More importantly, it helped build stronger trust and deepen relationships with Dialog Finance.

To enhance merchant activity and retention, the Company introduced

- Proactive engagement mechanisms (refer Driving Digital Adoption and Financial Inclusion), including outbound calls to low-activity merchants.
- Technical support and troubleshooting to address device issues (installation or technical) and onboarding issues.
- Continuous relationship management to improve trust and platform usage.

These efforts contributed to a marked improvement in merchant activation and transaction consistency.

## Incentivizing Digital Payment Adoption

To accelerate adoption, the Company introduced targeted incentives, like Zero MDR (Merchant Discount Rate) on Lanka QR transactions up to LKR 5,000. This helped to :

- Reduce cost barriers for merchants.
- Encourage adoption of QR-based payments.
- Supported national objectives to increase digital payment penetration.
- High reliance on cash within micro and small merchant ecosystems. (Most difficult to overcome)
- Limited digital familiarity among certain segments. (Progress made with education initiatives)
- Perceived tax implications associated with digital transactions.

There were gradual positive changes observed. Despite the above challenges, the below factors contributed to a rise in adoption.

- Customer demand for digital payment options.
- Improved awareness of security and convenience benefits.
- Ecosystem-wide digitalization efforts (Private and Public)

## Adoption Trends and Customer Behavior

During the year, adoption patterns reflected a combination of demographic, geographic, and behavioral factors (which were also affected by the importance and focus given by the Company).

- Urban segments demonstrated higher initial adoption through digital channels.
- Rural segments required assisted onboarding but showed strong post-adoption engagement.
- Younger customers (18–30) represented a key growth segment, driven by familiarity with digital platforms and social media.
- Merchant adoption remained progressive but gradual, with transaction activity increasing over time.

In particular, the rollout of GovPay services, especially police fine payments, resulted in a notable increase in digital transaction volumes, highlighting the importance of integrating digital payments into daily transactions.

## Way Forward

Looking ahead, the Company will continue to strengthen its digital ecosystem with a clear focus on scalability, inclusion, and innovation.

## Merchant Ecosystem Expansion

- Continued focus on on-ground education and acquisition strategies.
- Expansion of payment acceptance options, including international schemes such as Union Pay.

# Management Discussion and Analysis

## Ecosystem Growth and Financial Inclusion

- Strengthening the link between payments, savings, and lending, enabling merchants to access credit based on transaction data
- Supporting the transition from micro to small and medium enterprises, contributing to broader economic growth
- Alignment with national initiatives to drive digital payments adoption and financial inclusion.

## INFORMATION TECHNOLOGY

Dialog Finance PLC continued to strengthen its information technology capabilities during the financial year, recognising IT as a cornerstone of superior customer experience, operational resilience, and scalable growth.

During the year under review, the Company prioritised the enhancement of its digital platforms, the reinforcement of cybersecurity frameworks, and the optimisation of system performance to accommodate rising transaction volumes and evolving customer expectations. These initiatives were closely aligned with the Company's broader strategic objective of advancing digital financial inclusion and delivering seamless, technology-enabled financial solutions.

## Digital Platform Enhancement

A key focus area was the enhancement of customer-facing digital platforms, particularly the mobile application and web-based interfaces through which the majority of customer interactions are conducted.

Since the Company operates without traditional branch infrastructure, they continued to invest in the improvement of usability, speed, and scalability of its platforms. These enhancements resulted in improved customer experience, with simplified user journeys, faster transaction processing, and increased platform responsiveness.

System-level optimisations contributed to a notable reduction in transaction processing times, transitioning from multi-second processing durations to almost real-time execution measured in milliseconds. These improvements enabled customers to access services more efficiently while supporting higher transaction volumes.

The Company's flagship mobile platform continued to serve as the primary customer engagement channel, while parallel enhancements to enterprise-facing web platforms supported improved service delivery to business clients.

## Cybersecurity and Risk Management

Due to an increase in cybersecurity risks within the financial services sector, the Company placed significant emphasis on strengthening its cybersecurity capabilities.

Steps were taken to identify and mitigate system vulnerabilities, including obtaining services of independent third-party specialists to conduct penetration testing and security assessments. Findings from these assessments were systematically addressed.

Key enhancements include the implementation and strengthening of other safety controls such as multi-factor authentication, system hardening protocols, and enhanced access management frameworks. These initiatives contributed to improving the overall protection of the Company's digital infrastructure from growing threats.

In addition to technical controls, the Company made efforts to address emerging risks related to social engineering, recognizing the importance of customer awareness and managing behavioral risk to maintain a secure digital ecosystem.

# Management Discussion and Analysis

Cybersecurity needs to be closely aligned with the Company's Risk Management Framework, to ensure proactive identification and mitigation of technology-related risks.

## IT Infrastructure and Core Systems

The Company has adopted a measured approach to infrastructure investment, with a strategic focus on application-level enhancements and customer interface improvements.

While no significant capital investments were made in physical infrastructure during the year, the Board approved a major upgrade to the Company's core banking system to support future growth and increasing transaction volumes. This initiative is expected to enhance system scalability, integration capabilities, and overall operational efficiency.

The planned core banking upgrade will modernise backend systems, enabling improved interoperability with emerging technologies such as data analytics platforms, business rule engines, and digital integration frameworks.

This is to maintain a commitment to building a robust and scalable technology foundation to support long-term business growth.

## Integration and Digital Ecosystem

Integration with national and industry platforms has helped to strengthen the position within the digital financial system.

A key milestone during the year was the integration with government-led digital payment initiatives such as GovPay, enabling customers to access public payment services through the Company's digital platforms. The user interface for these payments was designed simply to have ease of use for a broad customer base.

Dedicated teams were engaged to support these integrations, ensuring alignment with national digitalisation initiatives and enabling the Company to play an active role in advancing financial inclusion.

The Company remains strong by leveraging future digital ecosystem developments, supported by its fully digital operating model and scalable platform architecture.

## Data and Analytics Capability

The Company continued to utilise data and analytics to enhance decision-making, improve customer experience, and support product development.

Data was aggregated from core banking, card management, and digital platforms to generate insights into customer behaviour and transaction patterns to help decision-making, improve customer experience, and support product development.

Plans are in place to establish a dedicated data warehouse and advanced analytics platform. This initiative is expected to grow the Company's ability to process and analyse data internally, to have more advanced business intelligence output and predictive capabilities.

The development of an in-house data platform is expected to play a key role in supporting future digital innovation and service delivery.

## Service Availability and Operational Strength

High levels of service availability remained a priority, because of the Company's fully digital operating model.

The Company maintained good system uptime levels during the year, supported by continuous monitoring. Improvements to system stability and performance contributed to better reliability across digital channels.

# Management Discussion and Analysis

In recognition of these efforts, industry awards were received during the year, including a Silver Award for Service Availability at a national technology forum.

The Company continues to strengthen its operational resilience framework through improved monitoring capabilities, better support structures, and strategic partnerships to support system operations.

## Way Forward

There are three key priority areas identified to further strengthen technological capabilities and support growth trajectory.

- 1) Implementation of the core banking system upgrade, which will establish a strong foundation to support future business. This initiative is expected to increase system performance, enable more advanced integrations, and support increasing transaction volumes.
- 2) Achievement of best-in-class service availability. The Company aims to elevate system uptime to benchmark levels, supported by proactive monitoring and strategic technology partnerships.
- 3) Continued improvement of cybersecurity capabilities. The Company will focus on addressing emerging risks related to social engineering through customer awareness initiatives and improved risk mitigation strategies.

Through these initiatives, Dialog Finance aims to build a resilient, secure, and scalable technology environment capable of supporting innovation, enhancing customer experience, and contributing to the advancement of Sri Lanka's digital financial ecosystem..

## NURTURING TALENT

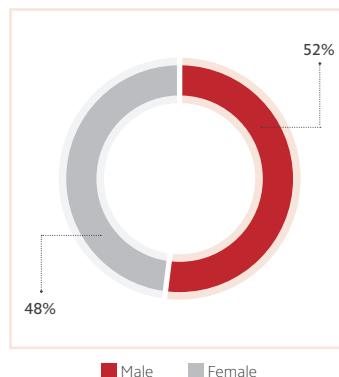
At Dialog Finance, we prioritise a holistic employee experience anchored in trust, transparency, and a shared sense of purpose. We continue to foster an inclusive and engaging workplace through open communication, structured engagement initiatives which nurture a strong team spirit. These efforts have strengthened a connected and motivated workforce, enhancing employee satisfaction, adaptability, and innovation which are key drivers in delivering sustained value to our stakeholders.

## Talent Strength and Composition

Our talent strength is a direct reflection of our strategic commitment to quality recruitment and professional excellence. With a workforce of 215 employees, comprising both permanent and contract-based staff, Dialog Finance benefits from a diverse blend of skills, experiences, and perspectives that drive organisational agility and performance.

During the year, we onboarded 52 new team members, deliberately balancing experienced professionals with emerging talent. This infusion of fresh thinking, alongside institutional expertise, continues to fuel innovation, strengthen execution, and support our long-term growth ambitions.

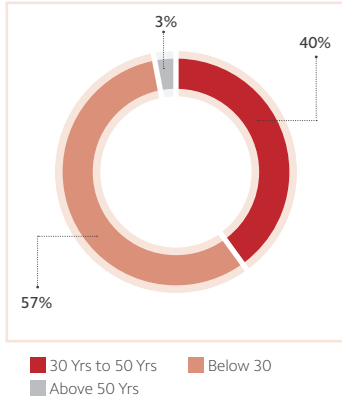
## Employee Composition by Gender



# Management Discussion and Analysis

Our workforce reflects a balanced gender representation, with 52% male and 48% female employees, reinforcing our commitment to inclusivity and equal opportunity.

## Employee Composition by Age



Our team spans multiple generations, creating a dynamic and resilient workforce:

- 40% aged between 18–25 years
- 38% aged between 26–35 years
- 19% between 36–50 years
- 3% above 50 years

This diversity enables a strong combination of youthful energy, mid-career expertise, and seasoned leadership.

## Talent Acquisition

To support its digital-first model, Dialog Finance PLC focused on hiring for digital capability and agility within the fintech sector. We have strategically expanded our talent outreach to industries that are closely aligned with technology, enabling us to attract individuals with fintech expertise, digital fluency, and an innovation-driven mindset. By leveraging targeted platforms such as LinkedIn and other specialized recruitment channels, we are engaging a high-calibre talent pool that reflects the evolving needs of our business.

Our approach is further strengthened through partnerships with headhunters, allowing us to access niche skill sets and experienced professionals who bring critical thinking and problem-solving capabilities.

Aligned with our growth ambitions, we have focused on recruiting talent into revenue-generating segments and key business verticals, ensuring that our human capital directly contributes to value creation. This strategic hiring approach supports our broader objective of leveraging technology as a core growth engine, driving efficiency, innovation, and sustainable business performance.

## Workforce Alignment with Business Strategy

The Company aligned its workforce planning with strategic priorities, focusing expansion on revenue-generating functions, product development, and digital delivery. Hiring targeted candidates with strong analytical and problem-solving skills to maintain a lean operational structure.

## Employee Retention and Value Proposition

With high competition for fintech talent, retention was the top priority.

Employees were offered cross-functional exposure and continuous learning opportunities to broaden their skills. The value proposition included market-aligned remuneration, a collaborative culture, and clear career development paths.

## Learning and Development (L&D)

The L&D strategy focused on building a future-ready workforce through competency development, role-specific training, mandatory compliance, and leadership development.

This year, there was a heavy emphasis on cybersecurity and information security to meet regulatory expectations. Employees also accessed resources within the broader Dialog ecosystem. To ensure cost efficiency, the Company increased its use of internal experts and shared learning platforms.

# Management Discussion and Analysis

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## Performance Management

The Company's performance management system promotes fairness, accountability and growth. In 2025, structured scorecard-based KPI assessments, transparent reward linkages and continuous feedback empowered employees to drive their development and contributed to building a high-performance culture. This KPI-based system aligns the individual's performance with business objectives. KPIs are established within the first quarter. Managers conduct regular check-ins to monitor progress, provide feedback, and identify development needs. The Company conducted a knowledge sharing session on KPI assessment to create detailed understanding on the evaluation process and the expectations.

Performance review includes weekly operational meetings, monthly reviews, and senior leadership discussions to ensure timely corrective actions.

## Grievance Handling and Whistle Blowing

We prioritise a culture of openness and trust, where every employee feels secure in voicing their concerns.

Our grievance handling and whistleblowing frameworks are characterised by:

- **Transparent Processes:** An open-door policy ensures that all concerns are addressed promptly and fairly.
- **Robust Whistleblowing Protocols:** Confidential channels are in place to report unethical behaviour, with assurances of protection and swift corrective actions.
- **Employee Feedback:** Regular surveys and feedback sessions enable us to monitor the effectiveness of these processes and continuously improve our work environment. These measures create a safe space for dialogue, enhancing trust and reinforcing our commitment to ethical practices and accountability.

## Rewards and Recognition

To boost motivation and retention, the Company introduced a quarterly bonus scheme linked to overall performance. This initiative improved both engagement and output.

Recognition programs are important to the people strategy to build a culture of excellence. Additionally, offsite team-building activities were conducted to improve collaboration and workplace relationships.

Recognition programs, such as "Employee of the Quarter," reinforced recognition. The Company gathered feedback through annual surveys and focus groups, using insights to improve compensation, learning, and operational processes.

## Employee Engagement and Culture

Dialog Finance maintained a high-performance culture through monthly team-building activities and well-being initiatives. The Sports Club is responsible for organising monthly engagement activities. Quarterly town halls were held during 2025 which provided a platform for the leadership to share business performance and strategic objectives directly with staff.

## Key Metrics

- Employee engagement score – **65%**
- Engagement survey participation rate – **81%**
- Average participation in monthly initiatives – **85%**

## Gender Parity and Diversity

We remain committed to building an inclusive workplace where all employees are respected, empowered and given equal opportunities. In 2025, women comprised 48% of our workforce, with five holding senior management roles as of 31st

# Management Discussion and Analysis

December 2025. We continued to implement inclusive hiring practices that minimise bias and ensure equal opportunity for all candidates. Diversity and inclusion principles are embedded in our policies, fostering a culture that values diverse perspectives and supports innovation-led growth.

## Compensation & Benefits

In 2025, the Company maintained a competitive and equitable compensation strategy, offering comprehensive packages that support both financial stability and employee well-being. Periodic salary reviews ensure alignment with industry standards, while benefits such as medical coverage, loan schemes and well-being support enhance employee satisfaction. This holistic approach to compensation plays a vital role in attracting, retaining, and motivating high-performing talent, supporting our broader organisational goals.

## Way Forward

Dialog Finance, as a forward-looking fintech with exponential growth ambitions, positions itself as a dynamic and exciting place to work, one that actively nurtures talent through continuous growth and development opportunities. The Company attracts individuals who are not only digitally savvy but also driven by innovation, creating a workforce aligned with the demands of a rapidly evolving financial landscape.

Talent development and retention remain top priorities as the Company grows. Future focus will be on improving the employee value proposition through clearer career paths, continuous learning, and cross-functional roles. Recruitment will continue to target high-quality talent to support expansion and manage natural attrition.

The Company aims to further strengthen its employer brand as an innovative fintech workplace. By investing in people and technology, Dialog Finance is committed to building a high-performing workforce that drives sustainable growth within Sri Lanka's digital financial ecosystem.

## VALUE CREATED FOR OUR INVESTORS

Dialog Finance delivered a strong financial performance in 2025, marking a transition to accelerated growth driven by its expanding loan portfolio and diversified revenue streams. Net Interest Income growth was supported by robust lending, while fee-based income surged on the back of device financing and digital payment solutions. Strategic funding optimisation and a focus on low-cost deposits helped preserve margins. Meanwhile, continued digitalisation improved operational efficiency, lowering the cost-to-income ratio. Strengthened risk management practices ensured asset quality resilience, positioning the Company on a solid foundation for sustainable and balanced growth.

### Net Interest Income (NII)

Dialog Finance reported a Net Interest Income (NII) of Rs 1.3 Bn for the financial year 2025, representing a notable increase of 71.9%.

The enhanced income from loans and advances saw a notable increase which emphasizes the robust growth of the net loan book by 77.1%. This represents Dialog Finance's strategic ability to optimise its diversified lending. Interest income from Investments declined during the year, reflecting the downward movement in market interest rates.

In improving its funding base, the Company was focused on low-cost funding through increase in Savings balance which grew by 28.5%. Focus on Bank borrowings increased during the year to support the loan growth, and the overall cost of same was in line with the overall fixed deposit cost which resulted in nil impact on the net interest income. Resultantly, the deposit funding mix of the portfolio reduced during the year.

# Management Discussion and Analysis

## Net Fees and Commission Income

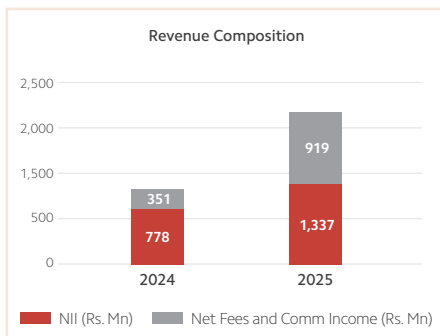
A growth of 161.9% in net fee and commission income to Rs 918.6 Mn was recorded in 2025, underscoring the Company's diversified revenue streams. This was primarily driven by increased credit growth, while the largest contributor for the growth stemmed from the flagship device finance solution which was followed by the fee income from the Integrated Digital Payment Solutions. Furthermore, the increase in other loans resulted in increased loan processing fee income. Additionally, the debit card fee income and saving deposits related service fees posted steady growth during the year.

## Other Income

Total other income, comprising net gains and losses from trading and other operating income, amounted to Rs. 110.2 Mn in 2025, compared to Rs. 16.4 Mn in 2024. This positive turnaround was primarily driven by the presence of one-off income stream from the disposal of a building which amounted to Rs. 71.1 Mn. However, adjustments to the outlier still show cases the improvements in the income stemming from core business activities.

## Total Operating Income

Driven by the growth in net interest income and fee-based income, total operating income grew by 106.6% YoY to reach Rs. 2,366.4 Mn for the year ended 31 December 2025, compared to total operating income of Rs. 1,145.5 Mn recorded in the previous year.



## Impairment charges

Impairment charges for the year ended 31 December 2025 increased by Rs. 193.6 Mn to reach Rs. 307.8 Mn for 2025 compared to Rs. 114.2 Mn for 2024. This increase was primarily attributable to higher impairment provisions on loans and advances in line with the expansion of the loan portfolio. However, there was improved underwriting and further intensified efforts on account of its collection and recoveries.

## Operating expenses

Total operating expenses amounted to Rs. 1,621.0 Mn for the year ended 31 December 2025, reflecting a 64.2% YoY increase compared to Rs. 987.2 Mn recorded in 2024. This increase was driven by both personnel expenses and other operating expenses. Personnel expenses increased by 47.1% to record Rs. 496.0 Mn for 2025 from Rs. 337.3 Mn for 2024 due to salary increments, other staff-related costs, and an expansion of the workforce to support business growth coupled with increase in transactional volumes. However, the Company focused on digitalization and automation proactively being in line with cost efficiencies, which resulted in a drastic decrease in cost to income ratio to 68.5% from 86.2% in 2024.

## Profit before and after taxes

Driven by prudent margin management, growth in net fee and commission income, enhanced asset quality and other operating income, the Company posted a robust financial performance in 2025. The Company's profit before tax grew to Rs 437.5 Bn while profit after tax expanded to Rs 159.7 Mn.

## Tax Management

Taxes for the year amounted to Rs 121.7 Mn, reflecting both current income tax of Rs 75.5 Mn and a deferred tax charge of Rs 46.2 Mn, compared with a total tax expense of Rs. 25.1 Mn in 2024 which was basically the deferred tax charge for the year. The income tax recognition for the year 2025 was made due to the Company transforming itself into cumulative taxable profit status in the history of the organization for the first time, which ultimately increased the taxation for

# Management Discussion and Analysis

the year 2025. The Social Security and Contribution Levy (SSCL) and VAT on Financial Services for the year 2025 amounted to Rs. 19.0 Mn and Rs. 137.0 Mn respectively.

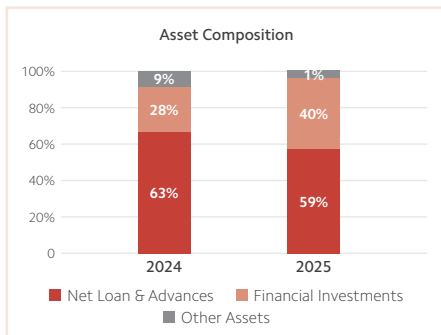
## Return on Assets (ROA) and Return on Equity (ROE)

Sustained strategic emphasis towards shareholder value creation throughout the years contributed to a Return on Equity of 6.0% in 2025 (2024: -1.58%), well above the industry benchmark of 17.5%. The improvement in Earnings per Share from Rs -0.35 in 2024 to Rs 1.36 in 2025, demonstrated the Company's solid earnings trajectory and reinforces its commitment to delivering sustained value creation.

## Analysis of Statement of Financial Position

### Total assets

The total asset base of the Company grew by 61.9%, reaching Rs. 11.9 Bn as at 31 December 2025, primarily driven by the expansion in the lending portfolio.



### Net Loans and advances

Due to strong credit expansion strategies, the net loans and advances recorded a notable growth of 77.1% YoY to Rs. 9.2 Bn as at 31 December 2025, compared to Rs. 5.2 Bn as at 31 December 2024. This growth was driven by strong performance in both consumer and retail and SME lending activities. The device financing portfolio saw significant growth with

heavy focus and shift towards the product lending mix during the year, while deliberate reductions in certain portfolios were noted during the year.

### Asset quality

Amid improved macroeconomic stability in Sri Lanka, the Company continued to maintain a strong risk management framework, a moderate risk appetite and efficient recovery strategies. These efforts enabled the Company to maintain Non-Performing Advances (NPAs) at levels well within its defined risk appetite of the Company.

Gross Non-Performing Advances (NPA) ratio increased to 5.68% as at the end of December 2025, from 5.21% recorded at the end of 2024. This remained significantly below industry benchmarks of 6.1% and within the Company's risk appetite. The Net NPA ratio decreased to 1.3% as at the end of 2025, compared to 1.4% at the end of the previous year. The total impairment coverage ratio (cumulative impairment provision for loans and advances as a percentage of the gross loan portfolio) stood at 63.3% as at 31 December 2025 (2024 – 58.7%). The Stage 2 and 3 loan stock for 2025 as a function of its total gross loans which was 0.7% and 3.6% at end 2025 as compared with 0.4% and 3.1% at end 2024. Notably, the Stage 3 Impairment Coverage Ratio (cumulative impairment provision for stage 3 loans and advances as a percentage of stage 3 loans and advances) significantly improved to 73% as at end 2025, from 68.4% as at end 2024, reflecting overall improvement in the quality of the loan book of the Company.

### Funding and Deposit Structure

The Company's funding base recorded strong upward momentum during 2025, with total liabilities increasing by 92.3% compared with the previous year. This growth was underpinned by the continued strengthening of the Company's digital deposit franchise and the effective diversification of Bank liability sources.

# Management Discussion and Analysis

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Both low cost and Fixed deposit growth were noted with sound savings to overall deposits ratio maintaining at 40.6%.

The deposit base increased significantly by 45.8%, reaching Rs. 5.9 Bn as at 31 December 2025, compared to Rs. 4.0 Bn recorded as at 31 December 2024. The deposits accounted for 49.3% of the funding base while borrowings accounted for 17.6% compared to the previous years of 54.8% and 1.4% respectively. During the year, the Company carried out deposit mobilisation mainly through digital channels, supported by a comprehensive funding strategy aimed at addressing both short-term and long-term liquidity and funding requirements.

## Shareholders' funds

Prudent liquidity management throughout the year ensured that the Company maintained a strong liquidity profile. The Tier I capital adequacy ratio (CAR) and Total CAR stood at 17.03% as at 31 December 2025, which were well above the CBSL's prescribed minimum thresholds of 8.5% for Tier I CAR and 12.5% for Total CAR.

The Company's core capital, represented by its total equity, amounted to Rs. 2,762.9 Mn as at 31 December 2025 which was well above CBSL's prescribed minimum threshold of Rs. 2,500 Mn.

## Net asset value per share and earnings per share

Net assets per share increased to Rs. 23.53 as at 31 December 2025, compared to Rs. 22.17 as at 31 December 2024. Earnings per share recorded as Rs. 1.36 for the year ended 31 December 2025 compared to Rs. (0.35) reported for the year ended 31 December 2024.

## Performance of the share

As at 31 December 2025, the Company's share price stood at Rs. 93.70, reflecting an increase of 96.03% compared to the closing price of Rs. 47.80 as at 31 December 2024. Throughout the year under review, the share price fluctuated between a high of Rs. 105.0 and a low of Rs. 70.0

## Way Forward

Dialog Finance will focus on sustaining growth through digital innovation, disciplined lending, and a strengthened funding base. Expanding its integrated digital ecosystem, the Company aims to drive customer acquisition and enhance fee-based income, particularly through device financing and payments. Emphasis will remain on increasing low-cost deposits to optimise funding costs and ensure balance sheet stability. Further, robust risk management and improved credit monitoring will safeguard asset quality. Continued investments in automation and data-driven processes will enhance efficiency, positioning the Company to capitalise on emerging opportunities in Sri Lanka's evolving financial landscape.

# Corporate Governance

## Introduction

Corporate Governance refers to the framework of rules, practices, and processes by which the Company is directed and controlled. The framework ensures the company's accountability, transparency, and fairness to all stakeholders, including shareholders, employees, customers and the community.

The Board of Directors (the Board) play a pivotal role in ensuring robust corporate governance within an organization. Tasked with oversight and strategic direction, they serve as custodians of the company's values and interests.

The Corporate Governance Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka (CBSL) as well as Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE) are key regulations which strengthen the Corporate Governance practices within the Company.

The following report sets out the extent of which the Company has complied with the minimum requirements set out in the aforementioned regulations during the year under review whereas the Board has obtained an assurance statement from the external auditors of the Company of the compliance with the said Direction.

## Board of Directors

The Board holds a critical responsibility in upholding and advancing Corporate Governance within the Company. They establish the ethical tone, governance structures, and oversight mechanisms necessary for fostering integrity and transparency throughout the Company. Responsibilities include appointing and monitoring management, overseeing risk and financial matters, engaging with stakeholders, and ensuring compliance with laws and ethical standards, continuously evaluating their own performance and governance practices to drive ongoing improvement.

In summary, the Board of Directors serves as the guardian of Corporate Governance, overseeing strategic direction, risk management, stakeholder

engagement, and ethical conduct within the Company. Through their leadership, diligence, and commitment to best practices, Board Members safeguard the interests of stakeholders and contribute to the long-term success and sustainability of the Company.

## Composition

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

Name of Director	Position	Date of Appointment
Renuka Nandini Kurukulasuriya Fernando (Chairperson)	Non-Independent, Non-Executive	22 May 2020
Wewage Viranga Supun Dep Weerasinghe	Non-Independent, Non-Executive	9 November 2017
Mohamed Hassen Nazeem Mohamed	Non-Independent, Executive	24 June 2022
Alexander Löwbäck (Senior Independent Director)	Independent, Non-Executive	11 October 2024
Lim Li San	Non-Independent, Non-Executive	11 October 2024
Shivaan Kanag-Isvaran	Independent, Non-Executive	5 March 2025
Uditha Chinthana Jayasinghe	Independent, Non-Executive	11 April 2025

The profiles of each Director are given on pages 13 to 16.

As at 31 December 2025, the Board comprised of Seven (7) Directors, 6 of which were Non-Executive Directors and 1 Executive Director. The Non-Executive Directors possess industry knowledge, financial expertise, and governance experience. They maintain integrity while communicating effectively and

## Corporate Governance

promoting ethical leadership. These skills enable them to provide unbiased oversight and strategic guidance within the organization.

The Board has determined that three (3) of the Non- Executive Directors are ‘independent’ as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and the Corporate Governance Directions issued by CBSL. The other three (03) Non- Executive Directors are considered Non- Independent as they are nominees of Dialog Axiata PLC, the major shareholder of the Company.

Mr. Alexander Löwbäck was appointed as the Senior Independent Director (SID) of the Company with effect from 22 February 2025.

### Board Meeting and Attendance

The Board meets once a month unless the business exigencies demand the convening of special board meetings. Accordingly, Thirteen (13) Board meetings were held during the year under review. Members of the management and external advisors were invited as and when required to attend Board meetings to present papers and provide further clarity to the Board.

The attendance of Directors at the aforesaid meetings is set out in the table below:

Name of Director	Attendance
Ms. Renuka Fernando	13/13
Mr. Supun Weerasinghe	10/13
Mr. Roshaan Hettiaratchi	01/13*
Mr. Nazeem Mohamed	13/13
Mr. Alexander Löwbäck	13/13
Ms. Lim Li San	11/13
Mr. Shivaan Kanag-Isvaran	11/13**
Mr. Uditha Jayasinghe	09/13**
Mr. Ajith Akmeemana	03/13*

\* Mr. Lakshman Dileep Roshaan Hettiaratchi having completed nine (09) years of service on the Board, retired from the Board of Directors of the Company effective 09 February 2025 . Mr. Ajith Mahinda Akmeemana who was appointed to the Board on 07 February 2025 resigned with effect from 11 April 2025.

\*\* Mr. Shivaan Kanag-Isvaran and Mr. Uditha Jayasinghe were appointed as Independent, Non-Executive Directors of the Company with effect from 05 March 2025 and 11 April 2025 respectively.

### Delegation of Authority and Board Committees

The Board has delegated authority to its Board Committees and Management.

In compliance with the Finance Business Act (Corporate Governance) Direction No. 05 of 2021 as amended by the Central Bank of Sri Lanka and the Listing Rules of the CSE, the Board is supported by the following Board Committees :

- Audit Committee
- Related Party Transactions Review Committee
- Integrated Risk Management Committee
- Nominations and Governance Committee
- Remuneration Committee

All Board Committees have written Terms of Reference approved by the Board, and the Board receives reports of their proceedings and deliberations. Matters which Committees have no authority to decide on, are reserved for the Board and recommendations are made to the Board for deliberation and approval.

The reports of the above Committees for the year under review are set out in pages 101 to 111.

The Company has also established several Management Committees for Information Technology, Information Security, Recoveries, Credit, Assets and

# Corporate Governance

Liability Management and Customer Experience to oversee the specific areas and thereby ensuring that decision-making is on a participatory basis.

## The Senior Management

The Senior Management lead by the Chief Executive Officer, is responsible for executing the Company's strategic vision, overseeing day-to-day operations, and ensuring efficient resource allocation. They provide leadership, mentorship, and direction to teams, manage financial resources, and cultivate relationships with stakeholders. Additionally, they mitigate risks, foster innovation, and uphold ethical standards within the organization. In summary, senior management plays a critical role in driving the Company's success and sustainability across various fronts.

## Access to Information

Access to information is paramount for the Board in the decision-making processes. It enables them to gain insights, assess risks, and make informed strategic choices. By having comprehensive information, the Board can effectively fulfill their oversight responsibilities, enhance transparency, and steer the Company toward sustainable growth and success.

All Board Members have access to the advice and services of the Company Secretary. Furthermore, should the need arise, the members of the Board have access to independent professional advice at any juncture during the course of fulfilling their responsibilities, at the expense of the Company.

## Financial Disclosure and Transparency

The Company prepares its Financial Statements in accordance with the Sri Lanka Accounting Standards, the Companies Act No. 7 of 2007, the Finance Business Act No. 42 of 2011 and the directions and rules issued thereunder. The unaudited provisional quarterly statements of accounts are released to the CSE in compliance with the Listing Rules of the CSE. Messrs. Deloitte Partners served as the External Auditors of the Company for the year under review.

The external auditors act independently without intervention from the Management or the Board of the Company with regard to the financial statements of the Company. All the required information is provided for examination to the auditors.

## Ethical Standards

Ensuring compliance with ethical standards is essential for the Company to maintain trust, reputation, and sustainability. Key strategies deployed by the Company in achieving ethical compliance include establishing a robust Code of Conduct that outlines expected behavior, implementing comprehensive training programs to educate employees on ethical practices, fostering a culture of accountability and transparency, conducting regular audits and assessments to identify and address ethical risks, and empowering employees to report unethical behavior through confidential channels as set out in the Company's Whistle Blowing Policy and Procedure.

The Company has further developed and implemented the Anti-Bribery and Anti-Corruption ("ABAC Policy"). The objective of the ABAC Policy is to ensure that the Company conducts business with zero tolerance of any forms of bribery and corruption in line with the Company's core value of Uncompromising Integrity.

By prioritizing ethics and integrity in all aspects of operations, the Company demonstrate its commitment to ethical standards which foster stakeholder trust.

## Remuneration

The remuneration of non-executive directors comprises a monthly fixed allowance and meeting allowances paid in accordance with the number of meetings attended during the period.

## Statutory Payments

To the best of their knowledge and belief, the Directors are satisfied that all statutory payments due to the government, other regulatory institutions and in relation to the employees have been made.

# Corporate Governance

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## Compliance with Central Bank Regulations

To the best of the knowledge and belief of the Directors, the Company has not engaged in any activity contravening applicable laws and regulations.

Except as set out in the corporate governance checklist, the Compliance Officer of the Company ensures that the Company is in compliance with the Directions, Rules, Determination, Notices and Guidelines issued to the Licensed Finance Companies, Public Listed Companies and generally in business activities undertaken by the Company.

## Accountability and Disclosure

In the year under review, the members of the Board of Directors have reviewed in detail the Annual Financial Statements in order to satisfy themselves that they present a true and fair view of the affairs of the Company. A summary of Directors' Responsibilities in respect of the Annual Finance Statements are given on page 119.

## Respect for the Rights of Shareholders

The Company recognizes that safeguarding and respecting the rights of shareholders is crucial for maintaining trust, transparency, and accountability within the Company. Key steps taken by the Company to achieve this includes providing timely and accurate information to shareholders, ensuring equitable treatment of all shareholders regardless of size or ownership percentage, facilitating shareholder engagement through annual meetings and other communication channels, implementing effective corporate governance structures and practices, including independent Board oversight and shareholder voting rights, and adhering to regulatory requirements related to shareholder rights and protections. By prioritizing shareholder rights and actively involving them in the decision-making processes, the Company fosters a culture of trust and accountability while enhancing long-term shareholder value.

The Company communicates with the shareholders through the following means of communication :

### 1. The Annual General Meeting (AGM)

The AGM is a key event where shareholders gather to discuss Company performance, vote on important matters such as Board elections and executive compensation, and receive updates on financial results and strategic plans. It provides an opportunity for shareholders to engage with company management, ask questions, and voice concerns. The AGM is essential for transparency, accountability, and shareholder participation in corporate decision-making. The AGM is also attended by the External Auditors of the Company.

### 2. Announcements to the Colombo Stock Exchange (CSE)

Announcements of quarterly interim financial results and various announcements on corporate actions are disclosed to the CSE in a prompt and timely manner in compliance with the Listing Rules of the CSE.

### 3. Company Website

Information on the Company's performance, financial information, latest news, and other corporate information is made available on the Company's website at <https://www.dialogfinance.lk>.

### Major Transactions

There were no transactions during the year under review, deemed as a "major transaction" in terms of the definition stipulated in the Companies Act, No. 7 of 2007 which required shareholder approval.

# Corporate Governance

The Compliance Report on the adherence with the requirements of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021 (the 'Direction') are tabulated below.

Section	Requirement	Status of Compliance	Comments
<b>1. Board's Overall Responsibilities</b>			
1.1	The Board shall have overall responsibility and accountability for the Finance Company (FC), including approving and overseeing management's implementation of the FCs corporate strategy, setting up the governance framework, establishing corporate culture and ensuring compliance with regulatory requirements.	Complied	
<b>1.2 Business Strategy and Governance Framework</b>			
1.2.a	Approving and overseeing the implementation of the Company's overall business strategy with measurable goals for the next three years and update it annually in view of the business environment.	Complied	
1.2.b	Approving and implementing the Company's governance framework to commensurate with the Company's size, complexity, business strategy, and regulatory requirements.	Complied	
1.2.c	Assessing the effectiveness of the Company's governance framework periodically.	Complied	
1.2.d	Appointing the Chairperson and the Chief Executive Officer (CEO) and defining their roles and responsibilities.	Complied	
<b>1.3 Corporate Culture and Values</b>			
1.3.a	Ensuring that there is a sound corporate culture within the Company, which reinforces ethical, prudent, and professional behavior.	Complied	
1.3.b	Playing a lead role in establishing the Company's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	Complied	
1.3.c	Promoting sustainable finance through appropriate environmental, social, and governance considerations in the Company's business strategies.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
1.3.d	Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, with the view of projecting a balanced view of the Company's performance, position and prospects in public and regulators.	Complied	
<b>1.4 Risk Appetite, Risk Management and Internal Controls</b>			
1.4.a	Establishing and reviewing the Risk Appetite Statement (RAS) in line with the Company's business strategy and governance framework.	Complied	
1.4.b	Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	Complied	
1.4.c	Adopting and reviewing the adequacy and the effectiveness of the Company's internal control systems and management of information systems periodically.	Complied	
1.4.d	Approving and overseeing business continuity and disaster recovery plan for the Company to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	Complied	
<b>1.5 Board Commitment and Competency</b>			
1.5.a	All members of the Board shall devote sufficient time to deal with matters relating to affairs of the Company.	Complied	
1.5.b	All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience.	Complied	
1.5.c	The Board shall regularly review and agree with the training and development needs of all the members.	Complied	
1.5.d	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Board as a whole and that of its committees and maintain records of such assessments.	Complied	
1.5.e	The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the Company.	N/A	No such circumstances arose during the period under review

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
<b>1.6 Oversight of Senior Management</b>			
1.6.a	Identifying and designating senior management, who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management.	Complied	
1.6.b	Defining the areas of authority and key responsibilities for senior management.	Complied	
1.6.c	Ensuring the senior management possess the necessary qualifications, skills, experience, and knowledge to achieve the Company's strategic objectives.	Complied	
1.6.d	Ensuring that there is an appropriate oversight of the affairs of the Company by senior management.	Complied	
1.6.e	Ensuring the Company has an appropriate succession plan for senior management.	Complied	
1.6.f	Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	Complied	
<b>1.7 Adherence to the Existing Legal Framework</b>			
1.7.a	Ensuring that the Company does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders.	Complied	
1.7.b	Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions, and ethical standards.	Complied	
1.7.c	Acting with due care and prudence, and with integrity and being aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.	Complied	
<b>2. Governance Framework</b>			
2.1	The Board shall develop and implement a governance framework in line with the Direction.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
<b>3. Composition of the Board</b>			
3.1	The Board's composition shall ensure a balance of skills and expertise as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the Company.	Complied	
3.2	The number of directors of the Board shall not be less than 07 and not more than 13.	Complied	
3.3	The total period of service of a director other than a director who holds the position of CEO/executive director shall not exceed nine years	Complied	
3.4	Non-executive directors are eligible to hold office exceeding 9 years of service with prior approval of the Director of Supervision of Non-Bank Financial Institutions (DSNBFI) subject to the provisions of the Direction provided that the non-executive directors eligible to exceed 9 years are limited to ¼ of the total number of directors on the Board.	N/A	
<b>3.5 Executive Directors</b>			
3.5.a	Only an employee of the Company shall be nominated, elected and appointed as an executive director of the Company provided that the number of executive directors shall not exceed 1/3 of the total number of directors of the Board.	Complied	
3.5.b	A shareholder who directly or indirectly holds more than 10% shares of the Company shall not be appointed as an executive director or as senior management. Provided however that existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the Company and maybe appointed as a non-executive director subject to the provisions of the Direction.	N/A	The executive director or any of the members of the senior management are not shareholders who directly or indirectly hold more than 10% shares of the Company.
3.5.c	In the event of presence of the executive directors, CEO shall be one of the executive directors and maybe designated as the managing director of the Company.	Complied	The CEO is appointed as an executive director to the Board.

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
3.5.d	All executive directors shall have a functional reporting line in the organization structure of the Company.	Complied	
3.5.e	The executive directors are required to report to the Board through CEO.	Complied	
3.5.f	Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	Complied	
<b>3.6 Non-executive Directors</b>			
3.6.a	Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgement on the issues of strategy, performance, resources and standards of business conduct.	Complied	
3.6.b	A non-executive director cannot be appointed or function as the CEO/executive director of the Company.	Complied	
<b>3.7 Independent Directors</b>			
3.7.a	The number of independent directors of the Board shall be at least 3 or 1/3 of the total number of directors of the Board, whichever is higher.	Complied	
3.7.b	Independent directors appointed shall be of highest caliber, with professional track record and sufficient experience.	Complied	
3.7.c	Instances wherein a non-independent director shall not be considered independent.	Complied	
3.7.d	The nomination committee of the Board should determine whether there is circumstance or relationship, which is not listed in the Directions which might impact a director's independence, or the perception of independence.	Complied	
3.7.e	An independent director shall immediately disclose to the Board any change in circumstances that may affect the status as an independent director.	N/A	No such circumstances have arisen during the period under review.

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
<b>3.8 Alternate Directors</b>			
3.8.a	Instances under which representation through an alternate director is permitted under the Direction.	N/A	No alternate directors have been appointed to the Board.
3.8.b	The existing directors of the Company cannot be appointed as an alternate director to another existing director of the Company.	N/A	No alternate directors have been appointed to the Board.
3.8.c	A person appointed as an alternate director to one of the directors cannot extend the role as an alternate director to another director in the same Board.	N/A	No alternate directors have been appointed to the Board.
3.8.d	An alternate director cannot be appointed to represent an executive director.	N/A	No alternate directors have been appointed to the Board.
3.8.e	In the event an alternate director is appointed to represent an independent director; the person so appointed shall also meet the criteria that apply to an independent director.	N/A	No alternate directors have been appointed to the Board.
<b>3.9 Cooling off Period</b>			
3.9.a	There shall be a cooling off period of 6 months prior to an appointment of any person as a director, CEO of the Company, who was previously employed as a CEO or director of another LFC.	N/A	No such circumstances have arisen during the period under review.
3.9.b	A director who fulfills the criteria to become an independent director shall only be considered for such appointment after a cooling off period of 1 year if such director has been previously considered as non-independent under the provisions of the Direction.	N/A	No such circumstances have arisen during the period under review.

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
<b>3.10 Common Directorships</b>			
	Director or senior management of the Company shall not be nominated, elected or appointed as a director of another LFC except where such LFC is a parent company, subsidiary company or an associate company or has a joint arrangement with the first mentioned LFC subject to conditions stipulated in the Directions.	N/A	No such circumstances have arisen during the period under review.
3.11	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of the Company shall not hold office as a director or any other equivalent position (including alternate directors) in more than 20 companies/ societies/ bodies, including subsidiaries and associates of the Company.	N/A	No such circumstances have arisen during the period under review.
<b>4. Assessment of Fitness and Propriety Criteria</b>			
4.1	No person shall be nominated, elected or appointed as a director of the Company or continue as a Director of the Company unless that person is a fit and proper person to hold office as a director of the Company in accordance with the Finance Business Act (assessment of Fitness and Propriety of Key Responsible Persons) direction as amended.	Complied	
4.2	A person over the age of 70 years shall not serve as a director of the Company.	N/A	No directors in the Board have reached the age of 70.
4.3	A director who is already holding office at the effective date of the Direction, who attains the age of 70 on or before 31 March 2025, is permitted to continue in office as a director, exceeding 70 years of age up to maximum of 75 years of age subject to the provisions of the Direction.	N/A	No directors in the Board have reached the age of 70.
<b>5. Appointment and resignations of directors and senior management</b>			
5.1	The appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (assessment of Fitness and Propriety of Key Responsible Persons) directions.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
<b>6. The Chairperson and CEO</b>			
6.1	There shall be a clear division of responsibilities between the chairperson, and CEO, and the responsibilities of each person shall be set out in writing.	Complied	
6.2	The chairperson shall be an independent director subject to Section 6.3.	Complied	The chairperson is a Non-Independent, Non-Executive director and as such Mr. Alexander Löwbäck who is an Independent Non-Executive director has been appointed as a Senior Director
6.3	In case the chairperson is not independent Director, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element. Senior director will serve as a intermediary for other directors and shareholders. Non-executive directors, including senior director, shall assess the chairperson's performance at least annually.	Complied	The chairperson is a Non-Independent, Non-Executive Director and as such Mr. Alexander Löwbäck who is an Independent Non-Executive director has been appointed as a Senior Director
<b>6.4 Responsibilities of the Chairperson</b>			
6.4.a	Provide leadership to the Board.	Complied	
6.4.b	Maintain and ensure a balance of power between executive and non-executive directors.	Complied	
6.4.c	Secure effective participation of both executive and non-executive directors.	Complied	
6.4.d	Ensure the Board works effectively and discharges its responsibilities.	Complied	
6.4.e	Ensure that all key issues are discussed by the Board in a timely manner.	Complied	
6.4.f	Implement decisions / directions of the regulator.	Complied	
6.4.g	Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintain minutes in an orderly manner to the company secretary.	Complied	The Chairperson has delegated the function of preparing the agenda to the Company Secretary who carried out the function in consultation with the CEO and the Chairperson.

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
6.4.h	Not engage in activities involving direct supervision of senior management or any other day-to-day operational activities.	Complied	
6.4.i	Ensure appropriate steps are taken to maintain effective communication with shareholders, and that views of the shareholders are communicated to the Board.	Complied	
6.4.j	Annual assessment of the performance and contribution during the past 12 months of the Board and the CEO.	Complied	
<b>6.5 Responsibilities of the CEO</b>			
6.5.a	Implementing business and risk strategies to achieve the Company's strategic objectives.	Complied	
6.5.b	Establishing a management structure that promotes accountability and transparency through the Company's operations and preserves the effectiveness and independence of control functions.	Complied	
6.5.c	Promoting, together with the Board, a sound corporate culture and being accountable for accurate submission of information to the regulator.	Complied	
6.5.d	Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator.	Complied	
6.5.e	Strengthening the regulatory and supervisory compliance framework.	Complied	
6.5.f	Addressing supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner.	Complied	
6.5.g	The CEO must devote the whole of the professional time to the service of the Company and shall not carry on any other business, except as a non-executive director of another company, subject to the provisions of the Direction.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
<b>7. Meetings of the Board</b>			
7.1	The Board shall meet at least 12 times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.	Complied	
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	
7.3	A notice of at least 3 days shall be given for scheduled Board meeting. For all other Board meetings, reasonable notice shall be given.	Complied	
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	Complied	
7.5	A meeting of Board shall not be constituted, although the number of directors required to constitute the quorum at such meeting is present unless at least ¼ of the number of directors that constitute the quorum at such meeting are independent directors.	Complied	
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	
7.7	A director shall abstain from voting on any Board resolution in relation to a matter in which such director or relative or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.	N/A	No such circumstance has arisen during the period under review.
7.8	A director who has not attended at least 2/3 of the meetings in the period of 12 months immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the director's meetings through an alternate director shall be acceptable as attendance, subject to applicable provisions of the Direction.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
7.9	For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where director cannot attend on short notice, participation through electronic means is acceptable.	Complied	
<b>8. Company Secretary</b>			
8.1			
8.1.a	The Board shall appoint a company secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations.	Complied	
8.1.b	The Board shall appoint its company secretary, subject to transitional provisions in the Directions, 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 the Company and shall not be an employee of any other institution.	Complied	
8.2	All directors shall have access to advice and services of the company secretary with a view to ensuring the Board procedures, laws, directions, rules and regulations are followed.	Complied	
8.3	The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.	Complied	
8.4	The company secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings for a minimum period of 6 years.	Complied	
8.5	The company secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the Company.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
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. The minutes of the Board Meeting shall clearly include the information stipulated in the Directions.	Complied	
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice any director.	Complied	
<b>9. Delegation of Functions by the Board</b>			
9.1	The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the Company.	Complied	
9.2	In the absence of any of the sub-committees mentioned in the Directions, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	N/A	The sub-committees stipulated in the Directions have been established by the Board.
9.3	The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	Complied	
9.4	The Board shall not delegate any matters to a board sub-committee, executive directors or senior management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied	
9.5	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Company.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments									
<b>10. Board Sub-Committees</b>												
10.1												
10.1.a	For the purpose of specifying the requirements for Board Committees, the LFCs are divided into two categories based on the asset base as per the latest audited statement of financial position as LFCs with asset base more than Rs. 20 Bn and LFCs with asset base of less than Rs. 20 Bn subject to the transitional provisions of the Direction.	Complied										
	<table border="1"> <thead> <tr> <th></th> <th>Asset base more than Rs. 20 Bn</th> <th>Asset base less than Rs. 20 Bn</th> </tr> </thead> <tbody> <tr> <td><b>Board Sub-Committee</b></td> <td>Board Audit Committee (BAC) Board Integrated Risk Management Committee (BIRMC) Nomination Committee Human Resource and Remuneration Committee Related Party Transactions Review Committee (RPTRC)</td> <td>BAC BIRMC RPTRC</td> </tr> <tr> <td><b>Meetings</b></td> <td>BAC and BIRMC – once in 2 months Other committees – annually</td> <td>BAC and BIRMC – quarterly Other committees - annually</td> </tr> </tbody> </table>		Asset base more than Rs. 20 Bn	Asset base less than Rs. 20 Bn	<b>Board Sub-Committee</b>	Board Audit Committee (BAC) Board Integrated Risk Management Committee (BIRMC) Nomination Committee Human Resource and Remuneration Committee Related Party Transactions Review Committee (RPTRC)	BAC BIRMC RPTRC	<b>Meetings</b>	BAC and BIRMC – once in 2 months Other committees – annually	BAC and BIRMC – quarterly Other committees - annually		
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<b>Meetings</b>	BAC and BIRMC – once in 2 months Other committees – annually	BAC and BIRMC – quarterly Other committees - annually										
10.1.b	Each Board sub-committee shall have a board approved written terms of reference specifying clearly its authority and duties.	Complied										
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 Company.	Complied	A report on the performance of duties and functions of each Board sub-committee is included in the Annual Report of the Company.									

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
10.1.d	Each sub-committee shall appoint a secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records and carry out such other secretarial functions under the supervision of the chairperson of the committee.	Complied	
10.1.e	Each Board sub-committee shall consist of at least 3 Board members and shall only consist of members of the Board, who have the skills, knowledge and experience relevant to the responsibilities of the committee.	Complied	
10.1.f	The Board may consider occasional rotation of members and of the chairperson of Board sub-committees, as to avoid undue concentration of power and promote new perspectives.	N/A	
<b>10.2 Board Audit Committee (BAC)</b>			
10.2.a	The chairperson of BAC shall be an independent director who possesses qualifications and experience in accountancy and/or audit.	Complied	
10.2.b	The Board members appointed to the BAC shall be non-executive directors and majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC.	Complied	
10.2.c	The secretary to the BAC shall preferably be the Chief Internal Auditor (CIA).	N/A	The Company secretary functions as the secretary of BAC.
<b>10.2.d External Audit Function</b>			
10.2.d.i	The BAC shall make recommendations on matters in connection with the appointment of the auditor for audit services to be provided in compliance with the relevant statutes, the service period, audit fee and any resignation or dismissal of the auditor.	Complied	
10.2.d.ii	Engagement of an audit partner shall not exceed 5 years, and that the particular audit partner is not re-engaged for the audit before the expiry of 3 years from the date of the completion of the previous term. Further, the Company shall not use the service of the same external audit firm for not more than 10 years consecutively.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
10.2.d.iii	Audit partner of the Company shall not be a substantial shareholder, director, senior management or employee of the Company.	Complied	
10.2.d.iv	The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	Complied	
10.2.d.v	Audit partner shall not be assigned with any non-audit services with the Company during the same year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity.	Complied	
10.2.d.vi	The BAC shall before the audit commences discuss and finalize with the external auditors the nature and scope of the audit, including the matters set out in the Direction.	Complied	
10.2.d.vii	The BAC shall review the financial information of the Company, in order to monitor the integrity of the financial statements of the Company in its annual report, accounts and periodic reports prepared for disclosure, and the significant financial reporting judgements contained therein. In reviewing the Company's annual report and accounts and periodical reports before submission to the Board, the committee shall focus primarily on the matters set out in the Direction.	Complied	
10.2.d.viii	The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of senior management, if necessary.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
10.2.d.ix	The BAC shall review the external auditor's management letter and the management's response thereto within 3 months of submission of such, and report to the Board.	Complied	
10.2.e	The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	Complied	
10.2.f	The BAC shall ensure that the senior management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to internal audit function of the Company.	Complied	
<b>10.2.g Internal Audit Function</b>			
10.2.g.i	The committee shall establish an independent internal audit function 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	
10.2.g.ii	The internal audit function shall have a clear mandate, be accountable to the BAC, and be independent and shall have sufficient expertise and authority within the FC to carry out their assignments effectively and objectively.	Complied	
10.2.g.iii	The BAC shall take the steps morefully detailed in the Direction with regard to the internal audit function of the Company.	Complied	
10.2.h	The BAC shall review the statutory examination reports of the CBSL and ensure necessary corrective actions are taken on a timely manner and monitor the progress of implementing the time bound action plan quarterly.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
<b>10.2.i Meetings of the Committee</b>			
10.2.i.i	The BAC shall meet as specified in the Directions with due notice of its issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied	
10.2.i.ii	Other Board members, senior management or any other employee may attend Board meetings upon the invitation of the committee when discussing matters under their purview.	Complied	
10.2.i.iii	BAC shall meet at least twice a year with the external auditors without any other directors/ senior management/ employees being present.	Non-Compliant	The Audit Committee and the External Auditors held two meetings, one of which was conducted without the presence of the Company's Key Management Personnel to facilitate the confidential and independent discussions between the parties.
<b>10.3 Board Integrated Risk Management Committee</b>			
10.3.a	The BIRMC shall be chaired by an independent director. The Board members appointed to BIRMC shall be non-executive directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with senior management to closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	Complied	
10.3.b	The secretary to the committee may preferably be the CRO.	N/A	Company Secretary functions as the Secretary for IRMC.
10.3.c	The committee shall assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance and technology, to the Company at least once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
10.3.d	Developing the Company's risk appetite through the Risk Appetite Statement (RAS) which articulates the individual and aggregate level and types of risk that a Company will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include the relevant matters as provided in the Direction.	Complied	
10.3.e	The BIRMC shall review the Company's risk policies including RAS at least annually.	Complied	
10.3.f	The BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity, investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	Complied	Below management level committee decisions are briefed at BIRMC Meetings, - Asset and Liability Committee - Credit Committee - Information Technology and Security Steering Committee
10.3.g	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	Complied	
10.3.h	BIRMC shall annually assess the performance of the compliance officer and the CRO.	Complied	
<b>10.3.h.i Compliance Function</b>			
10.3.h.i.i	BIRMC shall establish an independent compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
10.3.h.i.ii	For LFCs with asset base of more than Rs. 20 Bn, a dedicated compliance officer considered to be senior management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer.	N/A	Company asset base is below Rs. 20 Bn, Compliance Officer of the Company also functions as the Head of Risk Management.
10.3.h.i.iii	For LFCs with asset base of less than Rs. 20 Bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.	Complied	
10.3.h.i.iv	The BIRMC shall ensure responsibilities of a compliance officer would broadly encompass the requirements as provided in the Direction.	Complied	
<b>10.3.j Risk Management Function</b>			
10.3.j.i	BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the Company.	Complied	
10.3.j.ii	For LFCs with asset base of more than Rs. 20 Bn, it is expected to have a separate risk management department and a dedicated CRO considered to be senior management shall carry out the risk management function and report to the BIRMC periodically.	N/A	Company's assets are less than Rs. 20 Bn.
10.3.j.iii	The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the Company's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
10.3.j.iv	The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers the relevant aspects of the Direction.	Complied	
10.3.j.v	The CRO shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc., and make recommendations on risk management.	Complied	
10.3.j.vi	The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	Complied	
10.3.j.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	
<b>10.4 Nomination Committee</b>			
10.4.a	The committee shall be constituted with non-executive directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee.	Complied.	
10.4.b	Secretary to the nomination committee may preferably be the company secretary.	Complied	
10.4.c	The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management are to be appointed with the recommendation of CEO, excluding CIA, CRO and compliance officer.	Complied	
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	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
10.4.e	The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities.	Complied	
10.4.f	The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the Company as a whole.	Complied	
10.4.g	The committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.	Complied	
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 has provided the relevant information as required under this Rule to the CSE at the time of appointing the relevant director.
10.4.i	The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the Company and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	Complied	
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	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
10.4.k	A member of the nomination committee shall not participate in decision making relating to own appointment/ reappointment and the Chairperson of the board should not chair the committee when it is dealing with the appointment of the successor.	Complied	
<b>10.5 Human Resource and Remuneration Committee</b>			
10.5.a	The committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors.	Complied	
10.5.b	The secretary to the human resource and remuneration committee may preferably be the company secretary.	Complied	
10.5.c	The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to executive directors and senior management of the Company and fees and allowances structure for non-executive directors.	Complied	
10.5.d	There shall be a formal and transparent procedure in developing the remuneration policy.	Complied	
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 of the Board, including when material changes are made.	Complied	
10.5.f	The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take excessive risk or to act in self-interest.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
10.5.g	The committee shall review the performance of the senior management (excluding chief internal auditor, compliance officer, chief risk officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.	Complied	
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	
<b>11. Internal Controls</b>			
11.1	The Company shall adopt well-established internal control systems, which include the Controls organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks.	Complied	
11.2	A proper internal control system shall: (a) promote effective and efficient operations; (b) provide reliable financial information; (c) safeguard assets; (d) minimize the operating 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	
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	Complied	
<b>12. Related Party Transactions</b>			
12.1	Board shall establish a policy and procedures for related party transactions.	Complied	
12.1.a	All FCs 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	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
12.1.b	All related party transactions shall be prior reviewed and recommended by the RPTRC.	Complied	
12.1.c	The business transactions with a related party that are covered shall be 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 FC or obtaining those services from the Company. 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.	Complied	
12.2	The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the categories of persons who shall be considered as "related parties" in the 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	
12.3	The committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the Company.	Complied	
<b>13. Group Governance</b>			
13.1	Responsibilities of the Company as a Holding Company.	N/A	The Company is not a holding company.
13.1.a	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.	N/A	The Company is not a holding company.

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
13.1.b	<p>The Board of the FC shall ensure that the</p> <p>i) Ensure that the group governance framework clearly defines the roles and responsibilities for the oversight and implementation of group-wide policies. ii) Ensure that the differences in the operating environment, including the legal and regulatory requirements for each company, are properly understood and reflected in the group governance framework. iii) Have in place reporting arrangements that promote the understanding and management of material risks and developments that may affect the holding FC and its subsidiaries. iv) Assess whether the internal control framework of the group adequately addresses risks across the group, including those arising from intra-group transactions; and v) Ensure that there are adequate resources to effectively monitor compliance of the FC and its subsidiaries with all applicable legal and regulatory requirements.</p>	N/A	The Company is not a holding company.
13.1.c	<p>The Company, as the apex entity, shall ensure that the group structure does not undermine its ability to exercise effective oversight. The Board shall establish a clearly defined process of approving the creation of new legal entities under its management and identifying and managing all material group-wide risks through adequate and effective policies and controls.</p>	N/A	The Company is not a holding company.
13.1.d	<p>The Board and senior management of the Company shall validate that the objectives, strategies, policies and governance framework set at the group level are fully consistent with the regulatory obligations of the Company and ensure that company-specific risks are adequately addressed.</p>	N/A	The Company is not a holding company.

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
13.1.e	The Company shall avoid setting up complicated structures that lack economic substance or business purpose that can considerably increase the complexity of the operations.	N/A	The Company is not a holding company.
13.2	If the LFC is a subsidiary of another financial institution subject to prudential regulation, LFC shall discharge its own legal and governance responsibilities.	N/A	The Company is not a subsidiary of another financial institution.
<b>14. Corporate Culture</b>			
14.1	The Company shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of company assets and fair treatment of customers.	Complied	
14.2	The Company shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity.	Complied	No such circumstances have arisen during the period of review.
14.3	The Company shall establish a Whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidence manner and without the risk of reprisal. The BAC shall review the policy periodically.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
<b>15. Conflicts of Interest</b>			
15.1			
15.1.a	Relationships between the directors shall not exercise undue influence or Interest coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.	Complied	
15.1.b	The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall include the relevant matters required by the Direction.	Complied	
<b>16. Disclosures</b>			
16.1	The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English. The Board shall ensure that the disclosures as required in the Direction are made in the Annual Report;	Complied	Annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards and such statements are published in the newspapers in Sinhala, Tamil and English.
16.1.i	Financial Statements In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include; <ul style="list-style-type: none"> <li>• A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.</li> <li>• A statement of responsibility of the Board in preparation and presentation of financial statements.</li> </ul>	Complied	This is disclosed in the 'Annual Report of the Board of Directors' and 'Directors' Responsibility for Financial Reporting' in pages 114 to 118 of the Annual Report.

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
16.1.ii	<p>Chairperson, CEO and Board related disclosures</p> <ul style="list-style-type: none"> <li>• Name, qualification, and a brief profile.</li> <li>• Whether executive, non-executive and/or independent director.</li> <li>• Details of the director who is serving as the senior director, if any.</li> <li>• The nature of expertise in relevant functional areas.</li> <li>• Relatives and/or any business transaction relationships with other directors of the company.</li> <li>• Names of other companies in which the Director/CEO concerned serves as a director and whether in an executive or non-executive capacity.</li> <li>• Number/percentage of board meetings of the FC attended during the year; and Names of board committees in which the director serves as the chairperson or a member.</li> </ul>	Complied	<p>Please refer profiles of the Board of Directors in pages 13 to 16 which discloses the names, qualifications, brief profiles including the nature of expertise in relevant function areas. The profiles of the Board of Directors also specifies whether the board member is an executive/non executive and/or independent director.</p> <p>The names of other companies in which the Director/CEO concerned serves as a director and whether in an executive or non-executive capacity has also been disclosed in the profiles of the Board of Directors.</p> <p>Details of the director serving as a Senior Director is disclosed under section 6.2 and 6.3 of this report.</p> <p>The Board members have declared in their annual self-assessments that they have no relatives and/or any business transaction relationships with other directors of the company.</p> <p>Please refer page 36 of this report which specifies the Number/ percentage of board meetings of the Company attended during the year; and refer committee reports in pages 101 to 113 where names of board committees in which the director serves as the chairperson or a member has been duly disclosed.</p>

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
16.1.iii	<p>Appraisal of Board Performance</p> <ul style="list-style-type: none"> <li>An overview of how the performance evaluations of the Board and its committees have been conducted.</li> </ul>	Complied	<p>A process is in place to conduct annual self-assessments by each director on individual performance, of its Board as a whole and that of its committees and the records of such assessments are maintained by the Company Secretary.</p>
16.1.iv	<p>Remuneration</p> <ul style="list-style-type: none"> <li>A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non- financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation)</li> <li>The aggregate values of remuneration paid by the Company to its directors and senior management.</li> </ul>	Complied	<p>The procedure for setting the remuneration at all levels is based on individual achievement, performance level against the set Key Performance Indicators during the performance year which are deriving from Annual Business Strategy, budgeting process and company scorecard. The procedure for remuneration for the Board, Senior Management and employees shall also be in relation with the long-term strategic focus, performance objectives, values and cost structure of the organization while following a market-based approach to ensure equitable and fair pay for everyone.</p> <p>The aggregate values of remuneration paid by the Company to the Board of Directors are disclosed in financial Note 41.</p> <p>Please refer page 68 for the aggregate values of remuneration paid by the Company to the board of directors and senior management.</p>

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
16.1.v	<p>Related Party Transactions</p> <ul style="list-style-type: none"> <li>The nature of any relationship [including financial, business, family, or other material/ relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board.</li> <li>Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's core capital.</li> <li>The aggregate values of the transactions of the 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 Company.</li> </ul>	Complied	<p>Declaration was obtained from the Board of Directors of the Company that there is no relationships with other Directors of the Company.</p> <p>Please refer Note 41 for net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's core capital.</p> <p>The aggregate values of the transactions of the Company with its senior management during the financial year provided below.</p> <p>Net accommodation granted – Nil Deposits – Rs. 12.4 Mn Investments - Nil</p> <p>Please refer below for the aggregate values of remuneration paid by the Company to the board of directors and senior management.</p> <p>The aggregate values of remuneration interest by the Company for Deposits – Rs. 1.8 Mn</p>

### Aggregate Remuneration paid to Directors

Form of Remuneration	Amount (Rs.000)
Basic Salaries	19,214.28
Board and sub-committee sitting fees	11,235.17
Bonuses	6,915.36
Fixed allowances	4,200.00
Variable allowances	84.00
<b>Total Remuneration paid to Directors</b>	<b>41,648.81</b>

### Aggregate Remuneration paid to Senior Management

Form of Remuneration	Amount (Rs.000)
Basic Salary	70,938.79
Fixed allowances	23,061.73
Bonuses	20,825.32
<b>Total remuneration paid to senior management</b>	<b>114,825.84</b>

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
16.1.vi	<p>Board appointed committees</p> <ul style="list-style-type: none"> <li>The details of the chairperson and members of the board committees and attendance at such meetings.</li> </ul>	Complied	Please refer committee reports in pages 101 to 113.
16.1.vii	<p>Group Structure</p> <ul style="list-style-type: none"> <li>The group structure of the Company within which it operates.</li> <li>The group governance framework.</li> </ul>	Complied	<p>The Company is 99.05% owned subsidiary of Dialog Axiata PLC.</p> <p>The Company fulfills its own governing obligations.</p>
16.1.viii	<p>Director's report</p> <p>A report, which shall contain the following declarations by the Board:</p> <ul style="list-style-type: none"> <li>The Company has not engaged in any activity, which contravenes laws and regulations.</li> <li>The directors have declared all related party transactions with the Company and abstained from voting on matters in which they were materially interested.</li> <li>The Company has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors.</li> <li>The business is a going concern with supporting assumptions; and</li> <li>The Board has conducted a review of internal controls covering material risks to the Company and have obtained reasonable assurance of their effectiveness.</li> </ul>	Complied	Disclosed in the "Annual Report of the Board of Directors" in pages 114 to 118 in the Annual Report.

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
16.1.ix	<p>Statement on Internal Control</p> <ul style="list-style-type: none"> <li>• A report by the Board on the Company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.</li> <li>• The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published.</li> <li>• A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances.</li> <li>• A statement of the regulatory and supervisory concerns on lapses in the Company's risk management, or non-compliance with the Act, and rules and directions.</li> </ul>	Complied	Disclosed in the "Directors' Statement on Internal Controls over Financial Reporting" in pages 120 to 122 in the Annual Report.
16.1.x	<p>Corporate Governance report</p> <ul style="list-style-type: none"> <li>• Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction.</li> </ul>	Complied	This report covers the requirement.
16.1.xi	<p>Code of Conduct</p> <ul style="list-style-type: none"> <li>• The Company's code of business conduct and ethics for directors, senior management and employees.</li> <li>• The Chairperson shall certify that the company has no violations of any of the provisions of this code.</li> </ul>	Complied	<p>A Board approved Code of Conduct for directors and for all employees are in place.</p> <p>Please refer the Chairperson's message on pages 04 to 08 which certify that the Company has no violations of any of the provisions of this code.</p>

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
16.1.xii	<p>Management Report</p> <ul style="list-style-type: none"> <li>• Industry structure and developments</li> <li>• Opportunities and threats</li> <li>• Risks and concerns</li> <li>• Sustainable finance activities carried out by the Company</li> <li>• Prospects for the future</li> </ul>	Complied	Please refer the Management Discussion and Analysis in pages 17 to 34.
16.1.xiii	<p>Communication with Stakeholders</p> <ul style="list-style-type: none"> <li>• The policy and methodology for communication with shareholders.</li> <li>• The contact person for such communication.</li> </ul>	Complied	<p>The key communication method and general policy with regard to communication with shareholders are disclosed in this report.</p> <p>Ms. Nipuni Fernando, the Company Secretary of the Company was the contact person for shareholder communications till 30 April 2026 and upon her resignation the acting Company Secretary Ms. Padasna Pallegamgoda has taken over and will be the contact point for shareholders until further notice.</p>

## Corporate Governance

The Compliance Report on the adherence with the requirements of the Listing Rules of the Colombo Stock Exchange (the 'Listing Rules') effective 01st October 2023, are tabulated below.

Section	Requirement	Status of Compliance	Comments
<b>9.2</b>	<b>Policies</b>		
9.2.1	<p>The Company 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 Company on its website;</p> <p>(a) Policy on the matters relating to the Board of Directors</p> <p>(b) Policy on Board Committees</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 Whistleblowing</p> <p>(l) Policy on Anti-Bribery and Corruption</p>	Complied	
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted by the Company shall be fully disclosed in the Annual Report.	Complied	No such waivers or exemptions granted during the period under review.
9.2.3	<p>The Company shall disclose in its Annual Report:</p> <p>(i) the list of policies that are in place in conformity Rule 9.2.1 above, with reference to its website.</p> <p>(ii) details pertaining to any changes to policies adopted by the Company in compliance with Rule 9.2 above.</p>	Complied	
9.2.4	The Company shall make available all such policies to shareholders upon a written request being made for any such Policy.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
<b>9.3</b>	<b>Board Committees</b>		
9.3.1	The Company 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; <ul style="list-style-type: none"> <li>(a) Nominations and Governance Committee</li> <li>(b) Remuneration Committee</li> <li>(c) Audit Committee</li> <li>(d) Related Party Transactions Review Committee.</li> </ul>	Complied	
9.3.2	The Company shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules.	Complied	
9.3.3	The Chairperson of the Board of Directors of the Company shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	Complied	
<b>9.4</b>	<b>Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders</b>		
9.4.1	The Company shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Company. The Company shall provide copies of the same at the request of the Exchange and/or the SEC. <ul style="list-style-type: none"> <li>(a) The number of shares in respect of which proxy appointments have been validly made</li> <li>(b) The number of votes in favour of the resolution</li> <li>(c) The number of votes against the resolution; and</li> <li>(d) The number of shares in respect of which the vote was directed to be abstained</li> </ul>	Complied	
<b>9.4.2</b>	<b>Communication and relations with shareholders and investors</b>		
9.4.2(a)	The Company 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 Company	Complied	
9.4.2(b)	Listed Entities shall disclose the contact person for such communication	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
9.4.2(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 Company in the Annual Report and the website of the Company.	Complied	
9.4.2(d)	If the Company conducts any shareholder meetings through virtual or hybrid means the Company shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange.	Complied	
<b>9.5</b>	<b>Policy on matters relating to the Board of Directors</b>		
9.5.1	The Company shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy covers the requirements detailed in the rules (a) through (j).	Complied	
9.5.2	The Company shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 above in the Annual Report and provide explanations for any non-compliance with any of the requirements with reasons for such non-compliance and the proposed remedial action.	Complied	
<b>9.6</b>	<b>Chairperson and CEO</b>		
9.6.1	The Chairperson of the Company shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual.	Complied	
9.6.2	If the Company unable to comply with Rule 9.6.1 above shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an immediate Market Announcement from the date of non-compliance (if such date falls subsequent to the implementation of these Rules).  Such Market Announcement shall include the following:  (a) The reasons for non-compliance (b) The rationale for combining the positions of the Chairperson and CEO	N/A	
9.6.3	The Requirement for a Senior Independent Director ('SID')	N/A	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
9.6.3(a)	<p>The Company shall appoint an Independent Director as the SID in the following instances:</p> <ul style="list-style-type: none"> <li>i. The Chairperson and CEO are the same person</li> <li>ii. The Chairperson and CEO are Close Family Members or Related Parties</li> </ul> <p>Such appointment shall be immediately disclosed with reasons for such appointment, by way of a Market Announcement</p>	N/A	
9.6.3(b)	<p>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 Company 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>	N/A	
9.6.3(c)	<p>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>	N/A	
9.6.3(d)	<p>The SID shall be entitled to a casting vote at the meetings specified in Rules 9.6.3.(b) and (c) above.</p>	N/A	
9.6.3(e)	<p>The SID shall make a signed explanatory disclosure in the Annual Report demonstrating the effectiveness of duties of the SID.</p>	N/A	
9.6.4	<p>Until the Company 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.</p>	N/A	
<b>9.7</b>	<b>Fitness of Directors and CEOs</b>		
9.7.1	<p>The Company shall take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in terms of these Rules:</p> <p>In evaluating fitness and propriety of the persons referred in these Rules, the Company shall utilize the 'Fit and Proper Assessment Criteria' set out in Rule 9.7.3</p>	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
9.7.2	The Company shall ensure that persons recommended by the Nominations and Governance Committee as Directors are fit and proper as required in terms of these Rules before such nominations are placed before the shareholders' meeting or appointments are made.	Complied	
9.7.3	Fit and Proper Assessment Criteria	Complied	
9.7.4	The Company 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	
9.7.5	Disclosures in the Annual Report of the Company The Company shall include the following disclosures/reports in the Annual Report;	Complied	
9.7.5(a)	A statement that the Directors and CEO of the Company satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange.	Complied	
9.7.5(b)	Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Company to rectify such non-compliance/s	N/A	
<b>9.8</b>	<b>Board Composition</b>		
9.8.1	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors	Complied	
9.8.2	Minimum Number of Independent Directors;  (a) The Board of Directors of the Company shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Company at any given time, whichever is higher.  (b) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
9.8.3	Criteria for determining independence in terms of rules 9.8.3 (i) through (ix).	Complied	
9.8.4	Definitions applied for the purposes of Rule 9.8.3.	N/A	
9.8.5	The Board of Directors of Listed Entities shall require: <ul style="list-style-type: none"> <li>(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.</li> <li>(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.</li> <li>(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.</li> </ul>	Complied	
9.9	Alternate Directors  If the Company provides for the appointment of Alternate Directors, it shall be required to comply with the requirements in rules 9.9 (a) through (f) and such requirements shall also be incorporated into the Articles of Association of the Company.	N/A	No Alternate Directors have been appointed
<b>9.10</b>	<b>Disclosures relating to Directors</b>		
9.10.1	The Company shall disclose its policy on the maximum number of directorships its Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Company shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
9.10.2	<p>The Company shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following;</p> <ul style="list-style-type: none"> <li>i. a brief resume of such Director;</li> <li>ii. his/her capacity of directorship; and,</li> <li>iii. Statement by the Company indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Company.</li> </ul>	Complied	
9.10.3	<p>The Company 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</p>	Complied	
9.10.4	<p>The Company shall disclose the requirements of rules (a) through (i) in relation to the Directors in the Annual Report.</p>	Complied	
<b>9.11</b>	<b>Nominations and Governance Committee</b>		
9.11.1	<p>The Company shall have a Nominations and Governance Committee that conforms to the requirements set out in Rule 9.11 of these Rules.</p>	Complied	
9.11.2	<p>The Company shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee.</p>	Complied	
9.11.3	<p>The Nominations and Governance Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.</p>	Complied	
9.11.4	Composition		
9.11.4.1	<p>The members of the Nominations and Governance Committee shall;</p> <ul style="list-style-type: none"> <li>(a) comprise of a minimum of three (03) Directors of the Listed Company, out of which a minimum of two (02) members shall be Independent Directors of the Listed Company.</li> <li>(b) not comprise of Executive Directors of the Listed Company.</li> </ul>	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
9.11.4.2	An Independent Director shall be appointed as the Chairperson of the Nominations and Governance Committee by the Board of Directors.	Complied	
9.11.4.3	The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Listed Company.	Complied	
9.11.5	The functions of the Nominations and Governance Committee shall include the requirements of rules (i) through (x).	Complied	
9.11.6	The Annual Report of the Company shall contain a report of the Nominations and Governance Committee signed by its Chairperson. The said report shall include the requirements of rules (a) through (m).	Complied	
<b>9.12</b>	<b>Remuneration Committee</b>		
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.	Complied	
9.12.2	the Company shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules.	Complied	
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	
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.	Complied	
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	
9.12.6	Composition		

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
9.12.6.1	The members of the Remuneration Committee shall;  (a) comprise of a minimum of three (03) Directors of the Listed Company, out of which a minimum of two (02) members shall be Independent Directors of the Listed Company.  (b) not comprise of Executive Directors of the Listed Company.	Complied	
9.12.6.2	In a situation where both the parent company and the subsidiary are 'the Company', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary.	N/A	
9.12.6.3	An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.	Complied	
9.12.7	Functions		
9.12.7.1	The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Company and/ or equivalent position thereof to the Board of the Listed Company which will make the final determination upon consideration of such recommendations	Complied	
9.12.7.2	The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO	Complied	
9.12.8	The Annual Report should set out the following:		
9.12.8(a)	such members (or persons in the parent company's Remuneration Committee in the case of a group company);	Complied	
9.12.8(b)	A statement regarding the remuneration policy; and	Complied	
9.12.8(c)	The aggregate remuneration of the Executive and Non-Executive Directors	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
<b>9.13</b>	<b>Audit Committee</b>		
9.13.1	Where the Company do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such the Company shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules	N/A	The Company has a separate Board Integrated Risk Committee which has oversight of the risk function
9.13.2	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties	Complied	
9.13.3	Composition		
9.13.3.1	The members of the Audit Committee shall <ul style="list-style-type: none"> <li>(a) comprise of a minimum of three (03) directors of the Listed Company, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors.</li> <li>(b) not comprise of Executive Directors of the Listed Company.</li> </ul>	Complied	
9.13.3.2	The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors.	Complied	
9.13.3.3	The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market.	Complied	
9.13.3.4	If both, the Parent Company and the subsidiary are 'the Company', the Audit Committee of the Parent Company may function as the Audit Committee of the subsidiary..	N/A	
9.13.3.5	An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
9.13.3.6	<p>Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of the Listed Company shall attend the Audit Committee meetings by invitation.</p> <p>Provided however where the Listed Company maintains a separate Risk Committee, the CEO shall attend the Risk Committee meetings by invitation.</p>	Complied	
9.13.3.7	<p>The Chairperson of the Audit Committee shall be a Member of a recognized professional accounting body.</p> <p>Provided however, this Rule shall not be applicable in respect of Risk Committees where a Listed Company maintains a separate Risk Committee and Audit Committee.</p>	Complied	
9.13.4	Functions		
9.13.4.1	The functions of the Audit Committee shall include the requirements of rules (i) through (xiii).	Complied	
9.13.4.2	Where the Company 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.	Complied	
9.13.5	Disclosures in Annual Report		
9.13.5.1	The Audit Committee shall also prepare an Audit Committee Report which shall be included in the Annual Report of the Listed Company. The Audit Committee Report shall set out the manner in which the Company has complied with the requirements applicable to the Audit Committee during the period for which the Annual Report relates	Complied	Audit Committee report is provided in the annual report
9.13.5.2	The Audit Committee Report shall contain the following disclosures;		
9.13.5.2(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);	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
9.13.5.2(b)	The status of risk management and internal control of the Listed Company and as a Group (where applicable).	Complied	
9.13.5.2(c)	A statement that it has received assurance from the CEO and the CFO of the Company's operations and finances.	Complied	
9.13.5.2(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.	Complied	
9.13.5.2(e)	whether the Listed Company has a formal Audit Charter;	Complied	
9.13.5.2(f)	the manner in which internal audit assurance is achieved and a summary of the work of the internal audit function;	Complied	
9.13.5.2(g)	Details demonstrating the effective discharge of its functions and duties for that financial year of the Listed Company;	Complied	
9.13.5.2(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	Complied	
9.13.5.2(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.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
<b>9.14</b>	<b>Related Party Transactions Review Committee</b>		
9.14.1	the Company shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Rule 9.14 of these Rules	Complied	
9.14.2	Composition		
9.14.2.1	The Related Party Transactions Review Committee shall comprise of a minimum of three (03) Directors of the Listed Company, out of which two (02) members shall be Independent Directors of the Listed Company. It may also include executive directors, at the option of the Listed Company. An Independent Director shall be appointed as the Chairperson of the Committee.	Complied	
9.14.2.2	If a parent company and the subsidiary are the Company, the Related Party Transactions Review Committee of the parent company may be permitted to function as the Related Party Transactions Review Committee of the subsidiary.	N/A	
9.14.3	Functions		
9.14.3.1	the Company shall have a Related Party Transactions Review Committee which shall be responsible for reviewing the Related Party Transactions as set out herein.	Complied	
9.14.3.2	The objective of these Rules on Related Party Transactions is to ensure that the interests of shareholders as a whole are taken into account by a Listed Company when entering into Related Party Transactions. These Rules further provide specific measures to prevent Directors, CEOs or Substantial Shareholders taking advantage of their positions.	Complied	
9.14.3.3	When applying these Rules on Related Party Transactions, the objective and the economic and commercial substance of the Related Party Transactions should take precedence over the legal form and technicality.	Complied	
9.14.3.4	The Related Party Transactions Review Committee shall establish and maintain a clear policy, procedure and process in place for the identification, clarification and reporting the Related Party Transactions on an end-to-end basis across the Company's operations	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
9.14.4	General Requirements		
9.14.4.1	The Related Party Transactions Review Committee shall meet at least once a calendar quarter. It shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.	Complied	
9.14.4.2	The members of the Related Party Transactions Review Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions, and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person.	Complied	
9.14.4.3	Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction.	Complied	
9.14.4.4	If a Director of the Listed Company has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not: <ul style="list-style-type: none"> <li>(a) be present while the matter is being considered at the meeting; and,</li> <li>(b) vote on the matter.</li> </ul>	Complied	
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	Complied	
9.14.5.1	Subject to the exemptions given in terms of Rule 9.14.10, the Related Party Transactions Review Committee shall review in advance all proposed Related Party Transactions.	Complied	
9.14.5.2	In the event of any material changes to a previously reviewed Related Party Transaction in terms of Rule 9.14.5 (1) above, such proposed material changes shall also be reviewed by the Related Party Transactions Review Committee prior to the completion of the transaction.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
9.14.5.3	The Related Party Transactions Review Committee shall be provided with all the facts and circumstances of the proposed Related Party Transaction by the senior management to facilitate the review of a Related Party Transaction. Such information shall include the requirements set out in rules (i) through (v).	Complied	
9.14.5.4	In determining whether to obtain the approval of the Board of Directors for a Related Party Transaction, the Related Party Transactions Review Committee shall take into account the requirements set out in rules (i) through (iii), among other factors it deems appropriate.	Complied	
9.14.5.5	No Director shall participate in any discussion of a proposed Related Party Transaction in which he or she is a Related Party, except that the Director, at the request of the Committee, may participate in discussions for the express purpose of providing information concerning the Related Party Transaction to the Committee. Where deemed necessary considering the issues of potential conflict, which were presented to the Committee, the Committee may recommend the creation of a special committee to review and approve the proposed Related Party Transaction	Complied	
9.14.5.6	If a Related Party Transaction will be ongoing (a Recurrent Related Party Transaction), the Related Party Transactions Review Committee may establish guidelines for the senior management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee, on an annual basis, shall review and assess ongoing relationships with the Related Party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remains appropriate	Complied	
9.14.6	Shareholder Approval		
9.14.6.1	the Company shall obtain shareholder approval by way of a Special Resolution for the following Related Party Transactions	N/A	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
9.14.6.1(a)	<p>If a non-recurrent transaction;</p> <ul style="list-style-type: none"> <li>i. Any Related Party Transaction of a value equal to, or more than: <ul style="list-style-type: none"> <li>a. one third (1/3) of the Total Assets of the Company as per the latest Audited Financial Statements of the Company; or</li> <li>b. one third (1/3) of the Total Assets of the Company as per the latest Audited Financial Statements of the Company, when aggregated with other non-recurrent transactions entered into with the same Related Party during the same financial year.</li> </ul> </li> <li>ii. If the Company acquires a substantial asset from, or disposes of a substantial asset to, any Related Party of the Company or its associates</li> </ul>	N/A	No such Non-Recurrent Related Party Transactions were entered into by the company
9.14.6.1(b)	<p>If a recurrent transaction,</p> <p>Any recurrent Related Party Transaction of a value equal to, or more than:</p> <ul style="list-style-type: none"> <li>i. one third (1/3) of the gross revenue (or equivalent term for revenue in the Income Statement) and in the case of group entity consolidated group revenue of the Company as per the latest Audited Financial Statements of the Company; or</li> <li>ii. one third (1/3) of the gross revenue (or equivalent term for revenue in the Income Statement) and in the case of group entity consolidated group revenue of the Company as per the latest Audited Financial Statements of the Company, when aggregated with other recurrent transactions entered into with the same Related Party during the same financial year, And;</li> <li>iii. the transactions are not in the ordinary course of business and in the opinion of the Related Party Transactions Review Committee, are on terms favorable to the Related Party than those generally available to the public</li> </ul>	N/A	No such Recurrent Related Party Transactions were entered into by the company
9.14.6.2	In relation to Rules 9.14.6 (1) (A) (i) (b) and 9.14.6 (1)(B) (ii) above, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation	N/A	No Related Party Transactions that require shareholder approval were entered into by the company

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
9.14.6.3	If a transaction requires shareholder approval as set out in the Rules above, it must be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction	N/A	No Related Party Transactions that require shareholder approval were entered into by the company
9.14.7	Disclosures		
9.14.7.1	<p>Immediate Disclosures</p> <p>i. A Listed Company shall make an immediate Market Announcement to the Exchange;</p> <p>a. of any non-recurrent Related Party Transaction with a value exceeding 10% of the Equity or 5% of the Total Assets whichever is lower, of the Company as per the latest Audited Financial Statements; or</p> <p>b. of the latest transaction, if the aggregate value of all non-recurrent Related Party Transactions entered into with the same Related Party during the same financial year amounts to 10% of the Equity or 5% of the Total Assets whichever is lower, of the Company as per the latest Audited Financial Statements. the Company shall disclose subsequent non-recurrent transactions which exceed 5% of the Equity of the Company, entered into with the same Related Party during the financial year.</p> <p>The Market Announcement to the Exchange shall include the requirements set out in rules (i) through (vii).</p>	N/A	No Related Party Transactions that require an immediate Market Announcement were entered into by the company
9.14.8	Disclosures in the Annual Report		
9.14.8.1	In the case of Non-recurrent Related Party Transactions: if the aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets of the Listed Company, whichever is lower, as per the latest Audited Financial Statements the information set out in the rule must be presented in the Annual Report in the tabular format set out in the rule.	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
9.14.8.2	<p>In the case of Recurrent Related Party Transactions: if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Company must disclose the aggregate value of recurrent Related Party Transactions entered into during the financial year in its Annual Report.</p> <p>The name of the Related Party and the corresponding aggregate value of the Related Party Transactions entered into with the same Related Party must be presented in the tabular format provided in the rule.</p>	Complied	
9.14.8.3	<p>The Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following;</p> <ol style="list-style-type: none"> <li>i. The names of the Directors comprising the Committee;</li> <li>ii. A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated its comments/observations to the Board of Directors.</li> <li>iii. The policies and procedures adopted by the Committee for reviewing the Related Party Transactions</li> </ol>	Complied	
9.14.8.4	<p>An affirmative declaration by the Board of Directors in the Annual Report that these Rules pertaining to Related Party Transactions have been complied with or if the Company has not entered into any Related Party Transaction/s a negative statement to that effect</p>	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
<b>9.14.9</b>	<b>Acquisition and Disposal of Assets from/to Related Parties</b>		
9.14.9.1	<p>Except for transactions set out in Rule 9.14.10, the Company shall ensure that neither the Listed Company nor any of its subsidiaries, acquires a substantial asset from, or disposes of a substantial asset to, any Related Party of the Company without obtaining the approval of the shareholders of the Company by way of a Special Resolution.</p> <p>An asset is substantial if its value or the value of the consideration relating to such asset exceeds 1/3 of the Total Assets of the Company as per the latest Audited Financial Statements</p>	N/A	
9.14.9.2	If a transaction requires shareholder approval as set out in Rule 9.14.9(1) above, such approval shall be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction	N/A	
9.14.9.3	<p>Rule 9.14.9(1) does not apply to:</p> <ul style="list-style-type: none"> <li>i. a transaction between the Listed Company and a wholly owned subsidiary.</li> <li>ii. a transaction between wholly owned subsidiaries of the Listed Company.</li> <li>iii. a takeover offer made by the Listed Company in accordance with Takeovers and Mergers Code 1995 (as amended).</li> <li>iv. any transaction entered into by the Listed Company with a Bank as principal, on arm's length terms and in the ordinary course of its banking business</li> </ul>	N/A	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
9.14.9.4	<p>The members of the Related Party Transactions Review Committee should obtain 'competent independent advice' from independent professional experts with regard to the value of the substantial assets of the Related Party Transaction under consideration. A person who is in the same group of the Listed Company or who has a Significant Interest in or Financial Connection with the Listed Company or the relevant Related Party shall not be eligible to give such advice.</p> <p>For the purpose of this Rule;</p> <p>"Significant Interest" means a shareholding carrying not less than 10% of the voting rights of the Listed Company.</p> <p>"Financial Connection" means a relationship resulting in transaction value equivalent to 10% of the turnover of the Listed Company or business</p>	N/A	
9.14.9.5	The competent independent advice obtained in terms of Rule 9.14.9 (4) above should be circulated with the notice of meeting to obtain the shareholder approval as set out in Rule 9.14.9 (1) above.	N/A	
9.14.9.6	The competent independent advice required in terms of Rule 9.14.9 (4) shall include the requirements listed in the rules (a) through (f).	N/A	
9.14.10	The Related Party Transactions listed through (a) through (f) shall not fall within the ambit of these Rules;	Complied	
9.15	Definitions applied for the purposes of Section 9.14;	Complied	
9.16	The following additional declarations by the Board of Directors to be included in the Annual Report;		
9.16.i	They have declared all material interests in contracts involving in the Company and whether they have refrained from voting on matters in which they were materially interested;	Complied	

## Corporate Governance

Section	Requirement	Status of Compliance	Comments
9.16.ii	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	
9.16.iii	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	
9.16.iv	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 Company has operations	Complied	

# Corporate Governance

Disclosures as per Section 168 issued by the Companies Act No.07 of 2007

Section	Rule	Reference
168.1(a)	any change to the Company during the accounting period in the nature of the business of the company or any of its subsidiaries or the classes of business in which the company has an interest, whether as a shareholder of another company or otherwise	N/A
168.1(b)	include financial statements for the accounting period completed and signed in accordance with section 151	Refer pages 129 to 197
168.1(c)	where an auditor has been appointed by the Company, include that auditor's report on the financial statements and any group financial statements	Refer pages 125 to 128
168.1(d)	describe any change in accounting policies made during the accounting period	Refer Note 4 to the Financial Statements given pages 136 to 138
168.1(e)	state particulars of entries in the interests register made during the accounting period	<p>The Company maintains the Directors' Interest Register as required under the provisions of Section 168 (1) (e) of the Companies Act No.7 of 2007.</p> <p>These interests have been recorded in the Interest Register which is available for inspection in terms of the Act. The Directors have no direct or indirect interest in a contract or a proposed contract with the Company other than those disclosed.</p>
168.1(f)	state the remuneration and other benefits of directors during the accounting period	Refer Note 41 to the Financial Statements.
168.1(g)	state the total amount of donations made by the Company during the accounting period	Refer page 117
168.1(h)	state the names of the persons holding office as directors of the Company as at the end of the accounting period and the names of any persons who ceased to hold office as directors of the Company during the accounting period	Refer page 116
168.1(i)	state the amounts payable by the Company to the person or firm holding office as auditor of the company as audit fees and as a separate item, fees payable by the Company for other services provided by that person or firm	Refer page 118
168.1(j)	state the particulars of any relationship (other than that of auditor) which the auditor has with or any interests which the auditor has in, the proposed company or any of its subsidiaries	Refer page 118
168.1(k)	The disclosure required by 168.1(j) be signed on behalf of the Board by two directors of the Company	Refer page 130 to Statement of Financial Position

# Risk Management

## 1. Overview

The Sri Lankan economy demonstrated a strong recovery in 2025, recording a growth rate of approximately 5%, supported by improved macroeconomic conditions and the successful implementation of IMF-led reform measures under the Extended Fund Facility (EFF). Despite external shocks, including Cyclone Ditwah in late 2025, the economy showed notable resilience.

Key contributors to economic growth included increased tax revenues, recovery in tourism, and higher worker remittances. Foreign reserves improved to USD 6.8 Bn by end-2025, strengthening external stability.

Inflation, measured by the Colombo Consumer Price Index (CCPI), moderated to 2.1% in December 2025, remaining within the Central Bank's target range. The first half of the year experienced mild deflation, followed by stable low inflation thereafter.

Globally, economic growth was estimated at 3.2%, with resilience observed despite geopolitical uncertainties and trade-related risks. Commodity prices continued a downward trend during the year.

The global commodity prices continued the declining trend in 2025 as indicated in Figure 1.0

### Global Commodity Prices

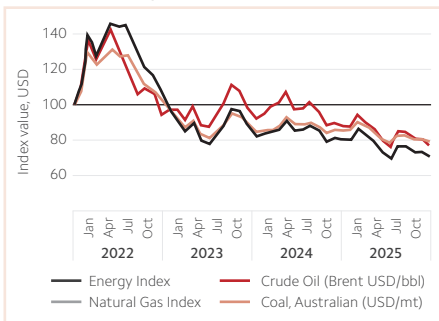


Figure 1.0  
Sources: World Bank FAO

### In 2025

- a) Sri Lanka economy growth fast tracked to 5%.
- b) Country recorded an inflation of 2.1% in December 2025.
- c) Global Economic Growth 3.2%.

### License Finance Companies (LFCs) performance

The LFC sector recorded strong growth and improved asset quality in 2025. Total assets increased by 26% to Rs. 2,776 Bn, while loans and advances grew by 51.9% to Rs. 2,217 Bn, driven primarily by vehicle-backed and gold-backed lending following the easing of import restrictions.

The sector's Gross Stage 3 Loan Ratio improved significantly to 6.1% from 11.5% in 2024, reflecting strengthened credit quality.

The Gross stage 3 Loans Ratio improved significantly to 6.15% in 2025 from 11.5% in 2024.

### Asset Quality Indicators

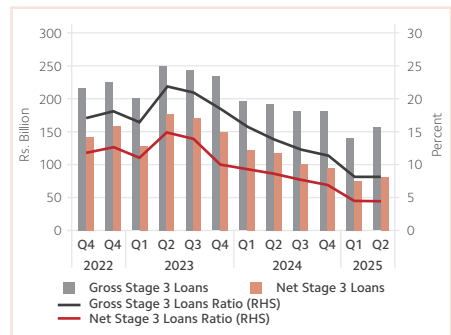


Figure 1.1

Source: Financial system stability review 2025 by CBSL

# Risk Management

## 1.2 Managing the Macro Economic conditions

The Company leveraged favourable economic conditions by expanding its fintech-driven product offerings, supporting portfolio growth while embedding robust risk management practices.

Risk considerations are integrated into strategic planning, ensuring all business initiatives are aligned with the Company's risk appetite. The Risk Management Framework is built on the three lines of defence model, enabling structured risk identification, assessment, and mitigation.

## 2. Risk Governance

### 2.1 Risk Governance Structure

The following diagram stipulates the Risk Governance structure in the Company.

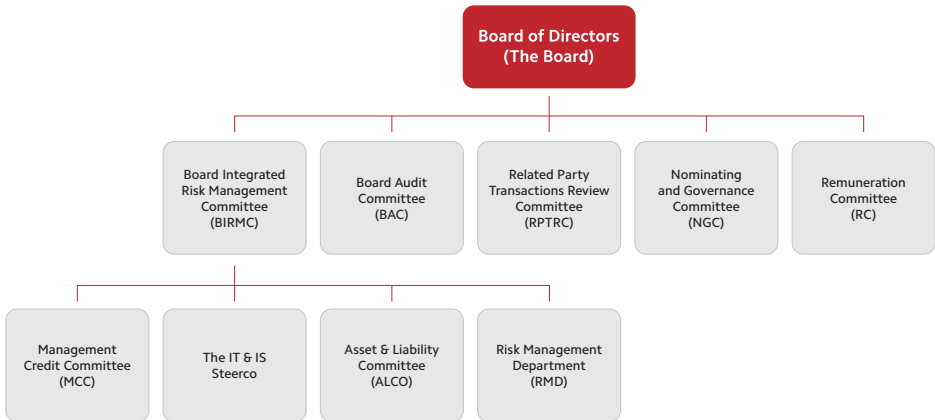


Figure 2.0

The Board of Directors retains ultimate responsibility for ensuring the effectiveness of the Company's risk management framework, in line with Finance Business Act (Corporate Governance) Direction No. 5 of 2021.

Oversight responsibility is delegated to the Board Integrated Risk Management Committee (BIRM).

### 2.2 Board Integrated Risk Management Committee (BIRM)

The BIRM comprises three Non-Executive Directors and meets quarterly. During 2025, five meetings were held.

#### The Committee:

- Ensures risks are managed within the approved risk appetite
- Reviews key risk exposures and mitigation strategies
- Oversees inputs from ALCO, Credit Committee, Risk Management Department (RMD) and Information Technology and Security Steering Committee.

### 2.3 Asset and Liability Committee (ALCO)

ALCO is responsible for managing balance sheet risks, including liquidity and interest rate risk. It met 12 times during the year.

#### Key focus areas included:

- Interest rate risk management
- Funding strategy and liquidity planning
- Product pricing adjustment

# Risk Management

## 2.4 Credit Committee

The Credit Committee oversees credit risk management and operates within delegated authority from the Board.

Responsibilities include:

- a. Credit approvals within policy limits
- b. Monitoring credit portfolios
- c. Ensuring alignment with risk appetite

## 2.5 Information Technology and Information Security Steering Committee

This Committee oversees IT governance, cybersecurity, and digital initiatives. It met 12 times during the year and reports key developments to the BIRMC.

Key IT decisions, Cyber Security measures and projects status are appraised to the BIRMC on a quarterly basis.

## 2.6 Risk Management Department (RMD)

The RMD operates independently and is responsible for:

- a. Implementing the risk framework
- b. Monitoring risk exposure
- c. Conducting risk assessments
- d. Managing business continuity and disaster recovery

A full disaster recovery drill was successfully completed in January 2025.

## 2.7 Risk Appetite

The Board defines the Company's risk appetite, setting quantitative thresholds aligned with strategic objectives. Performance against these limits is monitored and reported monthly.

The performance of the risk limits set in the risk appetite is monitored by RMD and reported to the Board via the risk assessment report monthly.

## 3. Risk Management Framework and Principles

### 3.1 The Three Lines of Defence Model

The Company adopts the three lines of defence model in governing the responsibilities for managing risk incidents as outlined below in table 1.

Lines of Defence	Risk Control Function	Responsible person / Function
1 <sup>st</sup> Line of Defence	Each department within the Company will ensure that identifying, assessing, monitoring & reporting all risks associated within their respective area of responsibility	<ul style="list-style-type: none"> <li>• Department Heads / Internal Business functions</li> </ul>
2 <sup>nd</sup> Line of Defence	Developing, implementing risk framework and monitoring activity will be carried out by Risk Management and Compliance Departments	<ul style="list-style-type: none"> <li>• Head of Risk &amp; Compliance</li> <li>• RMD</li> <li>• BIRMC</li> </ul>
3 <sup>rd</sup> Line of Defence	Ensuring that all internal controls implemented to mitigate risks are functioning accordingly by Internal Audit Function	<ul style="list-style-type: none"> <li>• Chief Internal Auditor</li> <li>• Board Audit Committee</li> </ul>

Table 1

# Risk Management

## 3.2 Risk Policy and Risk Management Framework

The Risk policy and Risk Management framework is implemented by the RMD.

### 3.2.1 Overview of the Risk Management Framework

The Risk Management framework involves a system of identifying risks, analysing the risk in relation to its impact and likelihood, evaluating the risk, identifying and implementing appropriate risk treatment and carrying out continuous follow-up.

All risk incidents are recorded in the risk registers, monitored, and reviewed on a continuous basis. The Company uses the Risk Register and the Risk Matrix as tools to implement its Risk Management Framework. The RMD carries out the Risk Assessment of the Company on a periodical basis which includes the review of internal controls.

Figure 3.0 provides an overview of the Risk Management Framework adopted by the Company.

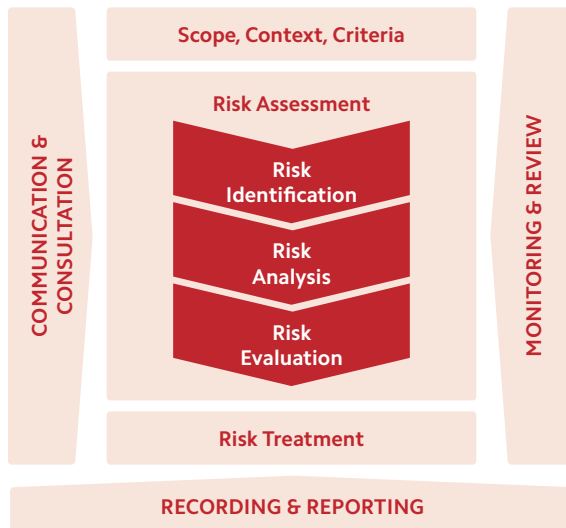


Figure 3.0

Key risks managed by the Company during the period under review are outlined below.

# Risk Management

## 4. Credit Risk

Credit risk remains the Company's most significant risk. Loan portfolio increased to Rs. 9.2 Bn (2024: Rs. 5.2 Bn)

NPL ratio stood at 5.68%, below industry level of 6.1%

### Key Risk Management Practices

1. Behavioural scoring models for consumer lending
2. Risk-based assessment for SME and corporate clients
3. Use of data analytics for portfolio monitoring
4. Early warning systems to detect potential defaults

The marginal increase in NPLs towards year-end was attributed to the economic impact of Cyclone Ditwah and temporary rescheduling of affected loans.

Figure 4 outlines the NPL performance during the period under review.

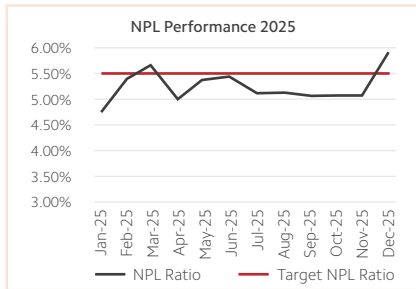


Figure 4.0

## 4.1 Impairment Charges

The Company applies IFRS 9 Expected Credit Loss (ECL) methodology:

- Individual assessment for significant exposures
- Collective assessment for homogeneous portfolios

Further information is available under Notes to the Financial Statements Note 42.2 – Credit Risk on the process of Impairment and ECL calculations.

## 5. Operational Risk

The losses arising due to the risk of failures of internal processes/systems and human errors, or any external events is known as Operational Risk. In addition to financial losses, Operational Risk can result in reputational damage to the Company.

### Operational risk is managed through:

- a. Strong internal controls
- b. Staff training and awareness
- c. Business continuity planning

A full disaster recovery drill was conducted, and backup systems are maintained across multiple locations.

Internal Audit provides independent assurance on control effectiveness.

## 6. Cybersecurity Risk

The Company strengthened its cybersecurity posture in 2025 through:

- Updated Information Security policies
- Enhanced email and network security controls
- User access reviews
- PDPA readiness and gap analysis
- Staff awareness and phishing simulations

No data breaches were reported during the year.

## 7. Market Risk – Interest Rate Risk

Interest rate risk is actively managed through ALCO.

### Key actions:

- a. Repricing of lending and deposit products
- b. Monthly stress testing
- c. Monitoring of interest rate movements

# Risk Management

The Company maintained its Net Interest Margin (NIM) despite rate fluctuations.

Stress testing on Interest rates are carried out monthly and discussed at ALCO meetings.

Further information is available under Notes to the Financial Statements Note 42.3 – Market risk on the analysis of Interest Rate Risk.

## 8. Liquidity Risk

Liquidity risk is managed through:

- a. ALM policy framework
- b. Regular monitoring by ALCO
- c. Diversified funding sources

The Company maintained liquidity levels above regulatory requirements and effectively managed funding costs amid declining interest rates.

The Company maintained a well-diversified funding base as illustrated below.

### Funding Mix as at 31 December 2025

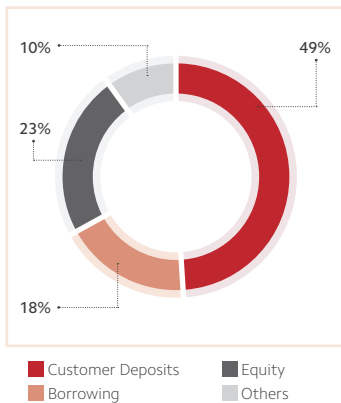


Figure 5.0

Further information is available under Notes to the Financial Statements Note 42.4 – analysis on managing the liquidity risk of the Company.

## 9. Compliance Risk

The Company maintained full compliance with:

- Central Bank regulations
- SEC and CSE requirements

### Key initiatives:

- Staff training on AML/CFT, ABAC, and Code of Conduct
- Establishment of Gifts and Donations Committee
- Regular Board reporting on compliance status

Senior Management and the Board of Directors attended the annual mandatory training session on Anti Money Laundering, ABAC, Risk Management and Whistle blower policies of the Company.

In addition, the Compliance Officer of the Company updates the Board on compliance with Anti Money Laundering and Terrorist Financing (AML/TF) regulations and provides a summary of the Company risk status on ML/TF risks.

## 10. Environment, Social and Governance Risk (ESG)

The Company recognises ESG as a key strategic priority.

# Risk Management

The table 2 below provides a snapshot of the Company's exposure to ESG risks and mitigation activities.

Risk	Mitigation Activity
Environmental Risk	1. Environmental risk assessments in lending decisions
Social Risk	1. Strong employee practices and ethical standards 2. Responsible vendor selection
Governance Risk	1. Adherence to CBSL and CSE governance requirements. 2. Robust AML/CFT compliance 3. This Compliance requirement is set out in pages 35 to 93 of this Annual Report.

Table 2

The Company continues to promote digital and paperless financial solutions, supporting sustainable finance and financial inclusion.

# Audit Committee Report

The Audit Committee ('the Committee') is a formally constituted sub-committee of the Board of Directors ('the Board'). The Committee reports to and is accountable to the Board.

## Composition of the Committee

During the year under review, the Committee comprised of three (3) Non-Executive Directors, of whom two (2) are Independent Directors in compliance with applicable regulatory requirements under the Finance Business Act (Corporate Governance) Direction No.05 of 2021. The Company Secretary functions as the Secretary to the Committee.

The Members of the Committee as of 01 January 2025 were as follows:

1. Mr. Priyan Edirisinghe – Independent, Non-Executive Director (Chairman)
2. Mr. Roshan Hettiaratchi – Independent, Non-Executive Director
3. Mr. Supun Weerasinghe – Non-Independent, Non-Executive Director

Mr. Priyan Edirisinghe and Mr. Roshan Hettiaratchi, having completed nine (09) years of service on the Board, retired from the Board of Directors of the Company effective 19 January 2025 and 09 February 2025, respectively.

Pursuant to the above, the Board reconstituted the Committee on 22 February 2025, appointing Mr. Ajith Akmeemana, Independent, Non-Executive Director, as the Chairman of the Committee until his resignation on 11 April 2025.

The Committee was subsequently reconstituted by the Board, effective 23 April 2025 and the current composition of the Committee is composed of the following Board members:

1. Mr. Uditha Jayasinghe – Independent, Non-Executive Director (Chairman)
2. Mr. Alexander Löwbäck – Independent, Non-Executive Director
3. Ms. Renuka Fernando – Non-Independent, Non-Executive Director

The Chairman of the Committee, Mr. Uditha Jayasinghe, is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. The profiles of the current members are given on pages 16 to 18 of the Annual Report.

## Meetings

The Committee held eight (08) meetings during the year ended 31 December 2025. The details of the attendance of the Committee Members at these meetings are given below.

Name of Member	Attendance
Mr. Uditha Jayasinghe – Chairman	6/8
Mr. Alexander Löwbäck	8/8
Ms. Renuka Fernando	8/8
Mr. Ajith Akmeemana – Former Chairman	2/8

Representatives of the External Auditors, Messrs. Deloitte Partners, attended two meetings, while representatives of Messrs. Ernst & Young, the Company's outsourced Internal Auditors for general audits, attended three meetings by invitation. In addition, representatives of Trust Vault, the outsourced service provider for Information Systems (IS) audits, attended one meeting by invitation during the financial year. The Chief Executive Officer, Chief Internal Auditor, Head of Corporate Finance, Budgeting, ALM and Treasury Management, and other members of Senior Management also attended meetings as required.

# Audit Committee Report

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During the year ended 31 December 2025, the Audit Committee and the External Auditors held two meetings, one of which was conducted without the presence of the Company's Key Management Personnel to facilitate the confidential and independent discussions between the parties.

## The Terms of Reference

The Committee operated under written Terms of Reference (ToR), which outline its authority and responsibilities. The ToR was reviewed and approved by the Board on 19 December 2024 to ensure continued alignment with regulatory and governance developments.

## Functions of the Committee

The roles and responsibilities of the Committee are governed by the Finance Business Act (Corporate Governance) Direction No. 5 of 2021, relevant Directions and Guidelines applicable to Licensed Finance Companies issued by the Central Bank of Sri Lanka, and the Listing Rules of the Colombo Stock Exchange.

The Committee supports the Board in overseeing financial reporting, internal controls, and internal and external audit functions and provides periodic updates to the Board on these matters.

## Activities for the year ended 31 December 2025

### 1. Financial Reporting

- The Committee assisted the Board to effectively carry out its supervisory responsibilities by reviewing accounting and financial information of the Company, in order to monitor the integrity of its financial statements, annual report, accounts and periodical reports prepared for disclosure requirements.

- The Committee reviewed the interim and annual financial statements, including the acceptability and appropriateness of accounting policies, reasonableness of significant estimates and judgements.
- The Committee reviewed the policy decisions relating to the adoption of Sri Lanka Accounting Standards (SLFRSs / LKASs) applicable to the Company and will continue to monitor the compliance with relevant accounting standards.
- The Committee reviewed the adequacy of provision for Expected Credit Loss (ECL) recognized in the financial statements by factoring the potential impacts of the current macro-economic situation of the country, and the adjustments made to the economic factors in line with the adverse macro-economic conditions.
- The Committee obtained assurances from the Director/Chief Executive Officer and Head of Corporate Finance, Budgeting, ALM and Treasury Management, confirming that the financial statements provided a true and fair view of the operations and financial position of the Company.

### 2. Internal Controls over Financial Reporting

The Company is required to comply with section 10 (2) (e) of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021 and assess the effectiveness of internal control over financial reporting as at 31 December 2025.

The Statement of Internal Controls over Financial Reporting is reviewed by the Committee prior to endorsement by the Board.

The Committee is satisfied that the financial reporting system is effectively designed to provide accurate, appropriate, and timely information to the Board, regulatory authorities and management and the adequacy, efficiency and effectiveness of risk management measures, internal controls and governance processes are adequate to avoid, mitigate and transfer current and evolving risks.

# Audit Committee Report

## 3. Internal Audit

The Committee exercised oversight over the in-house internal audit function and the outsourced services provided by Messrs. Ernst & Young and Trust Vault, ensuring their independence, effectiveness, and alignment with the Company's strategic objectives. The annual internal audit plan for 2025 was reviewed and approved by the Committee. The Company strengthened its internal audit capability by recruiting a Lead Operations Auditor in September 2024, who was subsequently appointed as Chief Internal Auditor with effect from January 2026 and reports directly to the Committee.

The Committee continued to fulfil its mandate as per the ToR, which is to review the adequacy of the scope and functions of the internal audit prior to commencement of the annual audit plan.

The Committee reviewed significant internal audit findings and the related management action plans and evaluated their effectiveness in terms of timely implementation and the recurrence of audit issues.

## 4. External Audit

Overseeing the appointment, compensation, resignation, and dismissal of the External Auditors is vested with the Committee. The functions are inclusive of the review of the external audit function, its costs and effectiveness and monitoring the External Auditors' independence to ensure that the engagement of the Audit Partner shall not exceed five (5) years and that the Audit Partner is not re-engaged for audit before the expiry of three (3) years from the date of completion of the previous term.

The following were among the activities carried out by the Committee during the year ended 31 December 2025.

- Discussion with the External Auditors on the scope of the audit, audit approach, and procedures, including the scope of work and fees related to the annual audit for the year ended 31 December 2025.
- Review of the Management Letter issued at the conclusion of the audit for the year ended 31 December 2024, along with the responses provided.
- Review of the External Auditor's declaration regarding their independence, confirming compliance with the Code of Conduct and Ethics of the CA Sri Lanka.
- Evaluation of the External Auditor based on the audit deliverables and the quality assurance initiatives and recommendations.
- Review of the Letter of Representation provided by the Management to the External Auditor.

Messrs. Deloitte Partners. Chartered Accountants were re-appointed as the External Auditors of the Company at the Annual General Meeting held on 09 June 2025.

The independence and objectivity of the External Auditors were reviewed by the Committee, which held the view that the services outside the scope of the statutory audit provided by the External Auditors have not impaired their independence. The Committee received confirmation from the Auditors that they adhere to the independence guidelines in the Code of Ethics of CA Sri Lanka. The Committee is satisfied that no conflicts of interest exist between the Company and the Auditor, which might undermine the Auditor's independence and objectivity.

# Audit Committee Report

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In line with corporate governance best practices, the total fees paid to the external auditors, including those for audit and non-audit services, are disclosed in Note 13 of the financial statements. Having reviewed the effectiveness of the External Auditors, the Committee has recommended to the Board the re-appointment of Messrs. Deloitte Partners as the External Auditors of the Company for the financial year ending 31 December 2025, subject to the approval of the Shareholders at the Annual General Meeting.

## 5. Annual Corporate Governance Report

The Company is required to comply with Section 16 (1) of the Finance Companies (Corporate Governance) Direction No. 5 of 2021 and publish the Annual Corporate Governance Report for the year ended 31 December 2025.

The findings of the Corporate Governance Report were reviewed by the Committee and were consistent with the matters disclosed in the report on pages 35 to 93.

### Reporting to the Board

The proceedings of the meetings of the Committee with adequate details of matters discussed are regularly reported to the Board.

### Conduct, Ethics and Good Governance

The Committee is consistently apprised on maintaining ethical values of the staff. In this regard, the Company has a Code of Ethics, a Whistleblower's Policy and an Anti-Bribery and Anti-Corruption Policy in place, which encourage all staff members to be ethical, transparent, and accountable in their practices and resort to whistleblowing if they suspect any wrongdoings or other improprieties.

Highest standards of corporate governance and adherence to the Company's Code of Ethics are ensured and the Whistleblower Policy assures the maintenance of strict confidentiality of the identity of the whistleblowers.

All appropriate practices were in place to conduct independent investigations into incidents reported through whistleblowing or identified through other means.

### Professional Advice

The Committee is authorized to seek external professional advice on matters within its scope and exercise this authority, as necessary.

### Conclusion

The Committee is satisfied that the Company's accounting policies, internal controls, and risk management systems are adequate and effective in providing reasonable assurance that the Company's financial affairs are conducted in accordance with accepted accounting standards and regulatory requirements.

On behalf of the Audit Committee.



**Mr. Uditha Jayasinghe**  
Chairman – Audit Committee

06 May 2026

# Nominations and Governance Committee Report

## Role of the Committee

The Nominations and Governance Committee (NGC) is a formally constituted sub-committee of the Board of Directors of the Company (the Board). It was established on 1st October 2024 in compliance with the requirements of the Colombo Stock Exchange Listing Rules, following the dissolution of the Nominating and Remuneration Committee on 30th September 2024. The NGC reports to the Board and is accountable to the Board.

The primary role of the NGC is to establish and maintain a formal and transparent process for appointing/selecting new Directors and Senior Managers. Also to ensure that the composition of the Board and its committees align with the entity's strategic objectives and governance requirements. The NGC is also responsible for evaluating and recommending the corporate governance framework, ensuring compliance with the Listing Rules, regulatory requirements, and applicable best practices, as well as providing oversight on matters related to Board composition, succession planning, Board evaluation, and corporate governance practices.

## Composition

The NGC comprises of three (03) Directors, of whom two are Independent Directors. The Company Secretary functions as the Secretary to the Committee.

The Members of the Committee as of 01 January 2025 were as follows:

1. Mr. Roshan Hettiaratchi - Independent, Non-Executive Director (Chairman)
2. Mr. Priyan Edirisinghe - Independent, Non-Executive Director
3. Mr. Supun Weerasinghe – Non-Independent, Non-Executive Director

Mr. Priyan Edirisinghe and Mr. Roshan Hettiaratchi having completed nine (09) years of service on the Board, retired from the Board of Directors of the Company effective 19 January 2025 and 09 February 2025 respectively.

Pursuant to the above, the Board reconstituted the Committee on 22 February 2025 and Mr. Alexander Löwbäck was appointed as the Chairman to the Committee. Mr. Ajith Akmeemana, Independent, Non-Executive Director, served as a member from 22 February 2025 until his resignation on 11 April 2025.

The Committee was subsequently reconstituted by the Board effective 23 April 2025, appointing Mr. Shivaan Kanag-Isvaran as the Chairman to the Committee. The current composition of the Committee composed of the following Board members :

1. Mr. Shivaan Kanag-Isvaran – Independent, Non- Executive Director (Chairman)
2. Mr. Alexander Löwbäck – Independent, Non- Executive Director
3. Ms. Lim Li San – Non-Independent, Non-Executive Director

The profiles of the current Members are given on pages 13 to 16 of the Annual Report. The Committee had one meeting during the year under review.

## Policy And Processes for Director Nominations

The NGC operates under a documented policy and defined processes for the nomination of Directors. These include:

- Overseeing the identification, evaluation, and recommendation of candidates for appointment to the Board of Directors. The NGC strives to ensure that the candidate pool reflects a diversity of experience, skills, gender, ethnicity, and perspectives that align with the Company's strategic goals and governance standards.

# Nominating and Governance Committee Report

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- Ensuring that candidates possess the required expertise, experience, integrity, and independence necessary to fulfil the responsibilities of a board member.
- Emphasizing the need for candidates to possess key qualifications, including relevant industry knowledge, financial literacy or expertise, leadership experience, the ability to contribute to the Company's long-term strategy, and adherence to the Company's ethical standards.

## Re-election of Directors

In accordance with the Company's Articles of Association, directors who were appointed during the year must submit themselves to the shareholders for re-election at the first AGM following their appointment. There are no Directors eligible for re-election at the Forty Fifth Annual General Meeting of the Company.

## Board Diversity

The Company considers Board diversity a critical factor in ensuring the Board's effective performance. It is committed to maintaining a diverse Board across the following dimensions that align with its strategic goals:

- Experience: Representation of varied professional backgrounds and industry expertise.
- Skills: Inclusion of technical, financial and leadership competencies.
- Age: Balanced distribution across different age groups.
- Gender: Commitment to gender diversity, with female representation on the Board.

## Effective Implementation of Policies and Processes

The effectiveness of the policies and processes relating to the appointment and re-appointment of Directors is demonstrated by:

- Comprehensive due diligence conducted on all prospective candidates, which may include interviews, reference checks, and reviews of their past performance, particularly if the candidate has prior board experience.
- Structured evaluations of Board members' performance, including attendance, engagement, and contributions to the Board's work, are carried out to ensure the director continues to bring value to the Company and aligns with its objectives before the re-election of a sitting director.
- Regular reviews of Board composition are undertaken to address skill and diversity gaps.
- Engagement with external advisors, where appropriate, is used to identify and assess potential candidates.

## Periodic Review of the Board and the CEO

The NGC confirms that the annual evaluation of the performance of the Board of Directors and the CEO has been conducted. This assessment ensures alignment with the organization's strategic objectives and supports continuous improvement in governance and leadership effectiveness.

## Process on the flow of Information to Independent Directors on Major Issues

The Company ensures Independent Directors are informed through a structured communication framework, including regular Board and Committee meetings, with detailed agendas and relevant documents shared in advance. Directors receive periodic updates on key financial, operational, and strategic matters, with direct access to senior management. Special briefings address critical issues, and a secure online portal provides ongoing access to important updates. Strategy sessions, orientation, and training programs keep Directors informed on industry trends and governance. Crisis communication protocols ensure timely updates during significant events, supporting effective oversight and contribution to the Company's objectives.

# Nominating and Governance Committee Report

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## Induction and Orientation Programs

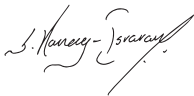
The Company provides induction programs for newly appointed directors, covering operations, governance, regulations, strategic objectives, financial performance, and key policies. Continuous development is encouraged to keep directors informed of industry trends and regulatory changes. Updates are also provided to the Board on corporate governance, regulatory developments, and relevant laws, ensuring compliance, effective risk management, and alignment with legislative amendments to protect shareholder interests.

The NGC confirms that the Independent Directors meet the criteria for independence as stipulated in the CSE Rules.

## Conclusion

The Committee is satisfied that the Company has fully complied the corporate governance requirements outlined in the CSE Listing Rules and Central Bank of Sri Lanka regulations.

On behalf of the Board Nominations and Governance Committee.



### Mr. Shivaan Kanag-Isvaran \*

Chairman - Board Nominations and Governance Committee

06 May 2026

*Note*

*\* Chairman of the committee with effect from  
23 April 2025*

# Remuneration Committee Report

## Role of the Committee

The Board of Directors of the Company ('the Board') have formally constituted the Remuneration Committee ("The Committee") in conformity with the Finance Business Act (Corporate Governance) Direction No.05 of 2021. The Committee is established to determine the remuneration policy relating to the executive directors and senior management of the Company, and the fees and allowances structure of the non-executive directors.

The primary role of the Committee is to periodically review the remuneration philosophy of the company and recommend / approve recommendations on staff bonus and annual increments.

## Composition

The Committee comprises of three (03) Directors, of whom two are Independent Directors. The composition meets the requirements stipulated in the Finance Business Act (Corporate Governance) Direction No.05 of 2021. The Company Secretary functions as the Secretary to the Committee.

The Members of the Committee as of 01 January 2025 were as follows:

1. Mr. Roshaan Hettiaratchi - Independent, Non-Executive Director (Chairman)
2. Mr. Priyan Edirisinghe - Independent, Non-Executive Director
3. Mr. Supun Weerasinghe – Non-Independent, Non-Executive Director

Mr. Priyan Edirisinghe and Mr. Roshaan Hettiaratchi having completed nine (09) years of service on the Board, retired from the Board of Directors of the Company effective 19 January 2025 and 09 February 2025 respectively.

Pursuant to the above, the Board reconstituted the Committee on 22 February 2025. Mr. Ajith Akmeemana, Independent, Non-Executive Director, served as a member from 22 February 2025 until his resignation on 11 April 2025.

The Committee was subsequently reconstituted by the Board effective 23 April 2025 and the current composition of the Committee composed of the following Board members:

1. Mr. Alexander Löwbäck - Independent, Non-Executive Director (Chairman)
2. Mr. Shivaan Kanag-Isvaran - Independent, Non-Executive Director
3. Ms. Renuka Fernando - Non-Independent, Non-Executive Director

The profiles of the current Members are given on pages 13 to 16 of the Annual Report.

## Meetings

The Committee held one (01) meeting during the financial year under review. The details of the attendance of the committee members at the said meeting is given below.

Name of Member	Attendance
Mr. Alexander Löwbäck – Chairman	1/1
Mr. Ajith Akmeemana	1/1
Mr. Supun Weerasinghe	0/1
Mr. Shivaan Kanag-Isvaran*	0/1
Ms. Renuka Fernando*	0/1

### Note

\* Not a member as of the date of the meeting – 27 March 2025.

# Remuneration Committee Report

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The CEO and Head of HR and Administration attend the meetings by invitation.

The Board is apprised by the Chairman to the Committee of the significant issues deliberated, considered and the recommendations made by the Committee during its meeting.

## Summary of Principal Activities of the Committee During the Year

During the year under review, the Committee reviewed and recommended the annual bonus and increments of the staff.

## Conclusion

The Committee is satisfied with the overall Rewards and Remuneration framework adopted by the Company

On behalf of the Remuneration Committee.



**Alexander Löwbäck\***

Chairman – Remuneration Committee

06 May 2026

*Note*

*\*Chairman of the committee with effect from  
22 February 2025*

# Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee ('the Committee') was established by the Board of Directors ('the Board') in terms of the Listing Rules of the Colombo Stock Exchange ('the Rules'), the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka ('the Code') and the Finance Business Act Direction No 5 of 2021 issued by Central Bank of Sri Lanka ('the Direction'). The Committee is a formally constituted sub-committee of the Board of Directors ('the Board') and reports to the Board.

## Composition

The Committee comprises of three (03) Directors, of whom two are Independent Directors. The composition meets the requirements stipulated in the Finance Business Act (Corporate Governance) Direction No.05 of 2021. The Company Secretary functions as the Secretary to the Committee.

The Members of the Committee as of 01 January 2025 were as follows:

1. Mr. Priyan Edirisinghe - Independent, Non-Executive Director (Chairman)
2. Mr. Roshaan Hettiaratchi - Independent, Non-Executive Director
3. Mr. Supun Weerasinghe – Non-Independent, Non-Executive Director

Mr. Priyan Edirisinghe and Mr. Roshaan Hettiaratchi having completed nine (09) years of service on the Board, retired from the Board of Directors of the Company effective 19 January 2025 and 09 February 2025 respectively.

Pursuant to the above, the Board reconstituted the Committee on 22 February 2025, appointing Mr. Ajith Akmeemana, Independent, Non-Executive Director as the Chairman to the Committee, until his resignation on 11 April 2025.

The Committee was subsequently reconstituted by the Board effective 23 April 2025 and the current composition of the Committee composed of the following Board members :

1. Mr. Uditha Jayasinghe – Independent, Non-Executive Director (Chairman)
2. Mr. Alexander Löwbäck –Independent, Non- Executive Director
3. Mr. Shivaan Kanag-Isvaran – Non-Independent, Non- Executive Director

The profiles of the current Members are given on pages 13 to 16 of the Annual Report.

## Meetings

The Committee had four (04) meetings during the year 2025. The meeting attendance of the members is set out in the table below.

Name of Member	Attendance
Mr. Uditha Jayasinghe – Chairman	4/4
Mr. Alexander Löwbäck	4/4
Mr. Shivaan Kanag-Isvaran	4/4

## Terms of Reference

The role and functions of the Committee are regulated by the Code and the Rules. The Terms of Reference (TOR) of the Committee was formulated and approved by the Board on 16 June 2016. The TOR is regularly reviewed to ensure new developments relating to Committee functions are addressed.

The Chief Executive Officer and Head of Corporate Finance, Budgeting, ALM and Treasury Management attended the Committee meetings by invitation. The Senior Management of the Company too participated in the meetings from time to time when required.

## Role and Responsibilities

The mandate of the Committee is derived from the Code and the Rules and includes mainly the following:

1. Formulate and review that the Related Party Transactions (RPTs) Policy is consistent with the provisions of the Code and the Rules for adoption by the Board.

# Related Party Transactions Review Committee Report

2. Review all proposed and executed RPTs in compliance with the provisions of the Code and the Rules.
3. Updating the Board on the RPTs of the Company as and when required.
4. Advise the Board on making immediate market disclosures and disclosures in the Annual Report where necessary, in respect of RPTs, in compliance with the provisions of the Code, the Rules, Procedures and Directives/ Guidelines adopted.
5. Ensure that Procedures/ Directives/ Guidelines are issued to compel all RPTs to be referred to the Committee for review.

The primary objective of the Committee is to ensure good corporate governance within the Company through:

- Avoiding favorable treatments to Related Parties in granting credit facilities, offering interest rates for deposits, providing and obtaining financial and non-financial services.
- Implementing regulations relating to RPTs issued by the CSE, Central Bank of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.
- Ensuring that the interests of shareholders are considered by a listed entity when entering RPTs.
- Ensuring that there are appropriate safeguards in place to prevent the Directors, the Chief Executive Officer or Substantial Shareholders taking unfair advantage of their positions.

## Activities carried out during the year under review

The Committee reviewed all RPTs carried out during the year on a quarterly basis. Further, the Committee reviewed recurrent and non-recurrent RPTs prior to the transaction being entered into or if the transaction was expressed to be conditional on such review, prior to the completion of the transaction and the recommendation communicated to the Board for consideration.

Declaration obtained from each Director of the Company for the purpose of identifying parties related to them.

RPTs for the year ended 31 December 2025 (as defined in LKAS 24 - 'Related parties Disclosures') are set out in Note 41 to the financial statements.

## Reporting to the Board

The proceedings of the meetings of the Committee with adequate details of matters discussed are regularly reported to the Board.

## Conclusion

The Committee is satisfied that all RPTs of the Company during the year under review were in compliance with the Rules, the Code and Direction and were at arm's length terms and not prejudicial to the interests of the Company and its minority shareholders and the observations of the Committee have been duly communicated to the Board.

On behalf of the Related Party Transactions Review Committee.



## Mr. Uditha Jayasinghe\*

Chairman – Related Party Transactions Review Committee

06 May 2026

Note

*\*Chairman of the committee with effect from 23 April 2025*

# Board Integrated Risk Management Committee Report

## Role of the Committee

The Board of Directors of the Company (the Board) have established and formally constituted the Board Integrated Risk Management Committee (The Committee) in conformity with the Finance Business Act (Corporate Governance) Directions No. 05 of 2021. The Board of Directors have delegated appropriate authority and responsibility of the oversight function of risk management of the Company to this Committee. The Committee is a sub-committee of the Board of Directors. The Committee is responsible for managing all risks related to the Company. The Board will have oversight responsibility for managing the risks of the Company. The Committee reports to and is accountable to the Board.

The primary role of the Committee is to assess all risks, i.e., credit, market, liquidity, operational and strategic risks of the Company on a quarterly basis through appropriate risk indicators and management information. The Committee reviews the adequacy of management level committees such as the Asset and Liability Committee (ALCO), the Credit Committee and the Information Technology and Security Steering Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.

The Terms of Reference of the Committee is periodically reviewed and revised when necessary.

## Composition

The Committee comprises of three (03) Non-Executive Directors, of whom two are Independent Directors. The composition meets the requirements stipulated in the Finance Business Act (Corporate Governance) Direction No.05 of 2021. The Company Secretary functions as the Secretary to the Committee.

The Members of the Committee as of 01 January 2025 were as follows:

1. Mr. Roshaan Hettiaratchi - Independent, Non-Executive Director (Chairman)
2. Mr. Priyan Edirisinghe - Independent, Non-Executive Director
3. Mr. Supun Weerasinghe – Non-Independent, Non-Executive Director

Mr. Priyan Edirisinghe and Mr. Roshaan Hettiaratchi having completed nine (09) years of service on the Board, retired from the Board of Directors of the Company effective 19 January 2025 and 09 February 2025 respectively.

Pursuant to the above, the Board reconstituted the Committee and Mr. Alexander Löwbäck was appointed as the Chairman to the Committee. Mr. Ajith Akmeemana, Independent, Non-Executive Director, served as a member from 22 February 2025 until his resignation on 11 April 2025.

The Committee was subsequently reconstituted by the Board effective 23 April 2025 and the current composition of the Committee composed of the following Board members:

1. Mr. Alexander Löwbäck – Independent, Non-Executive Director (Chairman)
2. Mr. Uditha Jayasinghe – Independent, Non-Executive Director
3. Ms. Lim Li San – Non-Independent, Non-Executive Director

Mr. Shivaan Kanag-Isvaran resigned on 23rd April 2025 and Mr. Uditha Jayasinghe was appointed to the BIRMC with effect from 23rd April 2025.

# Board Integrated Risk Management Committee Report

The profiles of the current Members are given on pages 13 to 16 of the Annual Report.

## Meetings

The Committee held five (05) meetings during the financial year under review. The meeting attendance of the Members are set out in the table below :

Name of Member	Attendance
Mr. Alexander Löwbäck	5/5
Mr. Uditha Jayasinghe	4/5
Ms. Lim Li San	5/5
Mr. Ajith Akmeemana	1/5
Mr. Shivaan Kanag-Isvaran	1/5

The Executive Director/ Chief Executive Officer and the Head of Risk and Compliance attended the meetings by invitation. The Senior management of the Company also participated in the meetings by invitation, when required.

The Board is apprised by the Chairman of the Committee of the significant issues deliberated, considered and the recommendations made by the Committee during its meeting.

## Summary of Principal Activities of the Committee during the Year

During the year under review, the Committee attended to the following principal activities:

1. Approval for the Company's Risk Appetite.
2. Reviewing and approval of the updated Risk Management Policy of the Company.
3. Approval of the Entity Risk Assessment for 2025.
4. Reviewing of all the risk assessments of the Company and providing advice to the Head of Risk and Compliance and to the Management.
5. Provision of guidance to the management of the Company on decisions made by the Credit Committee.

6. Reviewed decisions taken by the Asset and Liability Committee (ALCO).
7. Followed up on Information Technology Risk related to Disaster Recovery (DR) and the Company was successful in completing a full DR drill in January 2025.
8. Reviewing the Company's risk exposure to Anti-Money Laundering (AML) and providing advice to the Management on AML controls to be initiated by the Company.
9. Reviewing and discussing the department wise risk registers with Risk Owners.
10. Addressing the management on the steps to resolve Cybersecurity risks.
11. Discussing the root causes of Customer Complaints received by the Company.
12. Approving the Compliance test plan for 2025.
13. Approval of the updated Anti-Money Laundering and Terrorist Financing Policy of the Company.
14. Reviewed the financials of the Company and provided valuable feedback.

## Conclusion

The Committee is satisfied with the overall Enterprise Risk Management framework adopted by the Company, and it is in line with the Risk Policy of the Company and the financial regulations issued by the CBSL.

On behalf of the Board Integrated Risk Management Committee.



**Mr. Alexander Löwbäck**

Chairman – Board Integrated Risk Management Committee

06 May 2026

# Annual Report of the Board of Directors for the Year ended 31 December 2025

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The Board of Directors of Dialog Finance PLC (‘the Company’) is pleased to present its Annual Report on the State of Affairs of the Company for the year ended 31 December 2025, together with the audited financial statements of the Company.

This report contains the information required in terms of the Companies Act, No. 07 of 2007, Finance Business Act, No. 42 of 2011 and Directions issued there under and the Listing Rules of the Colombo Stock Exchange.

## The Company

The Company bearing the registration No. PB 765 PQ, is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 475, Union Place, Colombo 02 and the principal place of business is located at No. 57, Srimath Anagarika Dharmapala Mawatha, Colombo 03.

The Company was incorporated on 25 November 1981, under the Companies Ordinance (Chapter 145), bearing the name Silvereen Finance Company Limited. The Company changed its name to People’s Merchant Finance Company Limited on 30 September 2009 and Capital Alliance Finance Limited on 16 September 2011. The Company was re-registered under the provisions of the Companies Act, No. 07 of 2007 on 21 November 2011 and was accordingly renamed as Capital Alliance Finance PLC. On 22 December 2015, the Company changed its name to Colombo Trust Finance PLC and following the acquisition by Dialog Axiata PLC, the Company changed its name to Dialog Finance PLC on 15 September 2018.

The Company is a Licensed Finance Company under the Finance Business Act, No. 42 of 2011 and the ordinary shares of the Company were listed on the Colombo Stock Exchange (“CSE”) on 4 October 2011.

## Principal Business Activities

The Company offers a comprehensive range of financial services which include device financing, Merchant and SME loans, fixed and savings deposits, margin trading facilities, payment services and other financial facilities.

## Financial Statements

The financial statements of the Company as set out on pages 129 to 197, comprise of the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements of the Company. They have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs & LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka, in compliance with the requirements of the Companies Act, No. 07 of 2007 (“the Companies Act”) and the Finance Business Act, No. 42 of 2011.

The aforementioned financial statements for the year ended 31 December 2025 are duly signed by the Chief Executive Officer, Head of Corporate Finance/ Budgeting/ALM/Treasury Management and two other Directors of the Company.

## Independent Auditor’s Report

The Independent Auditors of the Company are Messrs. Deloitte Partners (“Deloitte”), Chartered Accountants. Deloitte carried out the audit on the financial statements of the Company for the year ended 31 December 2025 and their report on the financial statements, is set out on pages 125 to 128.

## Material Accounting Policies

The significant accounting policies adopted in the preparation of the financial statements are given on pages 134 to 154.

## Directors’ Responsibility for Financial Reporting

The Directors are responsible for the preparation of the financial statements of the Company to reflect a true and fair view of its state of affairs. The Directors are of the view that these financial statements appearing on pages 129 to 197 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act, the Finance Business Act, No.42 of 2011 and amendments thereto and the Listing Rules of the Colombo Stock Exchange.

The detailed Statement of Directors’ Responsibility for Financial Reporting is set out on page 119.

# Annual Report of the Board of Directors for the Year ended 31 December 2025

## Property, Plant and Equipment

The details of property, plant & equipment are given on Note 27 to the financial statements.

### [A]. Capital Expenditure

The total capital expenditure made on acquiring property, plant and equipment and intangible assets of the Company amounted to Rs. 186.65Mn (For the year ended 31 December 2024 – Rs. 61.69Mn) and the details are given in Notes 27 and 28 to the financial statements.

### [B]. Capital Commitments

The capital expenditure approved and contracted for, as at the reporting date is given in Note 38 to the financial statements.

### Reserves

The aggregate value of reserves and their composition are set out in the Statement of Changes in Equity of the Company on page 131 to the financial statements.

### [A] Statutory reserve fund

The statutory reserve fund is a capital reserve which consists of profits transferred as required by section 3 (b) (ii) of Central Bank Direction No. 1 of 2003.

### Stated Capital

The Stated Capital of the Company as at 31 December 2025 amounted to Rs. 2,934,582,100 consisting of 117,399,866 ordinary shares (31 December 2024 – Rs. 2,934,582,100 consisting of 117,399,866 ordinary shares).

### [A]. Shareholdings of the Company

The parent company, Dialog Axiata PLC, held 99.05% of the Ordinary shares in issue of the Company as at 31 December 2025. The main shareholders of the Company and corresponding holding percentages are set out below.

Name of Shareholder	31 December 2025	
	No. of Shares	% Holding
1. Dialog Axiata PLC	116,290,376	99.05
2. Hatton National Bank PLC / Dawi Investment Trust (Pvt) Ltd	131,541	0.11
3. GF Capital Global Limited	81,376	0.07
4. J.B. Cocoshell (Pvt) Ltd	44,203	0.04
5. Senkadagala Finance PLC / G.B.R.P.Gunawardana	35,511	0.03
6. Mr. P. Poongunaseelan	34,554	0.03
7. Citizens Development Business Finance PLC / D.M.H.B.Dasanayake	30,000	0.03
8. Commercial Bank of Ceylon PLC / P. Gajendra	27,301	0.02
9. Mr. A.P. Dhammika	27,000	0.02
10. Seylan Bank PLC / S.R. Fernando	26,872	0.02
11. Golden Top Far East Limited	25,000	0.02
12. Mr. R. J. K. I. Ranathunga	24,123	0.02
13. Senkadagala Finance PLC / A.N.S.Bandara	20,959	0.02
14. People's Leasing & Finance PLC / C.D.Kohombanwickramage	19,452	0.02
15. Mr.M.K. Gunawardena / Mr.M.K. Gunawardena (Joint)	16,190	0.01
16. Mr. M.A.T. Raaymakers	16,030	0.01
17. Citizens Development Business Finance PLC / K.D.C. Somalatha and K. Nandasiri	15,980	0.01
18. Senkadagala Finance PLC / A.K.G.Indika	15,100	0.01
19. Mr. P.S.M. Fernando	15,000	0.01
20. Mr.G.D.M. Ranasinghe / Mrs.O.R.K. Ranasinghe (Joint)	14,029	0.01
Others	489,269	0.44
<b>Total</b>	<b>117,399,866</b>	<b>100.00</b>

### [B]. Minimum Public Holding Requirement

The percentage of shares held by the public as at 31 December 2025 was 0.95%, in the hands of 926 public shareholders (31 December 2024 – 0.95% in the hands of 848 public shareholders)

# Annual Report of the Board of Directors for the Year ended 31 December 2025

The Company is not compliant with the Minimum Public Holding requirement under section 2 of Rule 7.14.1(b) of the Listing Rules of the Colombo Stock Exchange (“CSE”). Accordingly, the Company was transferred to the Second Board on 10 February 2020.

## [C]. Equitable Treatment to Shareholders

The Company has at all times ensured that all shareholders treated equitably.

## Board of Directors

The Board of Directors of the Company comprise of 7 Directors (31 December 2024 - 7) with wide financial and commercial knowledge and experience.

The classification of Directors into Executive (ED), Non-Executive (NED), Independent (IND) and Non-Independent Directors (NID) is given against the names as per Listing Rules and Corporate Governance Rules of the CSE and the Finance Business Act Direction No 05 of 2021 and subsequent amendments thereto issued by the Central Bank of Sri Lanka.

The Directors of the Company as at 31 December 2025 were;

Name	Classification (NED/NID/ED)	Remarks (Appointed date, change of directorate to chairman etc)
Ms. Renuka Fernando (Chairperson)	NID/NED	22 May 2020
Mr. Supun Weerasinghe	NID/NED	09 November 2017
Ms. Lim Li San	NID/NED	11 October 2024
Mr. Shivaan Kanag-Isvaran	IND/NED	05 March 2025
Mr. Udiitha Chinthana Jayasinghe	IND/NED	11 April 2025
Mr. Alexander Löwbäck	IND/NED	11 October 2024
Mr. Nazeem Mohamed	NID/ED	24 June 2022

## Board Subcommittees

The Board, while assuming the overall responsibility and accountability for the management oversight of the Company, has also appointed Board Sub Committees to ensure that the activities of the Company are conducted with the highest ethical standards and the best interest of its stakeholders at all times. The Board has formed many sub committees including the following.

- Board Audit Committee
- Nominations and Governance Committee
- Remuneration Committee
- Board Integrated Risk Management Committee
- Related Party Transactions Review Committee
- Board Credit Committee

## Directors’ Interest in Contracts and Proposed Contracts

Directors of the Company have made necessary declarations of their interest in contracts or proposed contracts, in terms of the Section 192(1) and 192(2) of the Companies Act. These interests have been recorded in the interest register which is available for inspection in terms of the Companies Act. The Directors have no direct or indirect interest in a contract or a proposed contract with the Company other than those disclosed.

## [A]. Directors’ Interest in Shares of the Company

None of the Directors and their close family members directly held any shares in the Company as at 31 December 2025. (As at 31 December 2024 – Nil).

## Directors’ Remuneration

The details of Directors’ emoluments and other benefits paid in respect of the Company during the year under review are given in Note 41 to the financial statements.

## Related Party Transactions

The Directors have disclosed transactions if, any that could be classified as related party transactions in terms of Sri Lanka Accounting Standards – LKAS 24 (Related Party Disclosure) which is adopted in the preparation of the financial statements. The details of all related party transactions carried out during the period are disclosed in Note 41 to the financial statements.

# Annual Report of the Board of Directors for the Year ended 31 December 2025

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31 December 2025 and that such transactions with the Company if any, have been disclosed while abstaining from voting on any matters of material interest.

## Outstanding Litigation

In the opinion of the Directors and in consultation with the Company lawyers, there were no pending litigations against the Company as at 31 December 2025 which would have a material impact on the reported financial results, or future operations, of the Company.

## Statutory Payments

The Directors, to the best of their knowledge and having made adequate inquiries from management, confirm that all taxes, duties, levies and statutory payments payable by the Company on behalf of and in respect of the employees of the Company as at the date of the statement of financial position have been duly paid, or where relevant, have been provided for, except as disclosed in Note 38 to the financial statements.

## Risk Management and Internal Control

### [A]. Internal Controls

The Directors of the Company have taken reasonable steps to safeguard the financial operations of the Company to prevent and detect fraud and any other irregularities. For this purpose, the Directors consider that the system of internal controls is appropriately designed for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the period and it is being regularly reviewed by the Board of Directors. The Directors further confirm that this is an on-going process to identify, evaluate and manage significant business risk.

### [B]. Corporate governance and compliance with laws and regulations

The Directors of the Company are committed towards maintaining an effective Corporate Governance Framework and implementing processes with respect to the management and operations of the Company in order to develop and nurture sustainable growth

and long-term relationships with key stakeholders.

The Directors confirm that the Company is compliant with Section 7.10 of the Listing Rules of the CSE and the Directions on Corporate Governance issued by the Central Bank of Sri Lanka (CBSL).

The Company has not engaged in any activity that contravenes any applicable law or regulation, and to the best of the knowledge of the Directors the Company has been in compliance with all prudential requirements, regulations and laws.

## Environmental Protection

The Company makes every endeavour to comply with the relevant environmental laws, regulations and best practices applicable in the country. After making adequate inquiries from the management, the Directors are satisfied that the Company operates in a manner that minimises the detrimental effects on the environment and provides products and services that have a beneficial effect on customers and the communities within which the Company operates.

To the best of the knowledge of the Board of Directors, the Company has not engaged in any activity which is harmful or hazardous to the environment and complies with the relevant environmental laws and regulations.

## Donations

The Company has not made any donations during the year ended 31 December 2025. (For the year ended 31 December 2024 – Nil).

## Taxation

Provision for taxation has been computed in accordance with income tax legislations and applicable tax rates are given in Note 15 to the financial statements.

## Dividends

The Directors have not recommended a dividend for the year ended 31 December 2025. (For the year ended 31 December 2024 – Nil).

# Annual Report of the Board of Directors for the Year ended 31 December 2025

## Going Concern

The Directors after making necessary inquiries and reviews including reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks and cash flows are satisfied that the Company has adequate resources to continue operations into the foreseeable future. Accordingly, the going concern basis is adopted in preparing the financial statements of the Company.

## Auditors

The Independent Auditors of the Company during the year were Messrs. Deloitte Partners, Chartered Accountants.

The audit fees to the Auditors Messrs. Deloitte Partners for the year ended 31 December 2025 amounted to Rs. 2,027,000 (For the year ended 31 December 2024 – Rs. 1,843,000). In addition to the above, Rs. 1,318,028 was payable for the year ended 31 December 2025 (For the year ended 31 December 2024 – Rs. 1,171,000) for other permitted services.

Based on the declaration provided by Messrs. Deloitte Partners, and as far as the Directors are aware, the Independent Auditors do not have any relationship or interest with the Company that would impair their independence and objectivity.

Messrs. Deloitte Partners have expressed their willingness to continue as the Independent Auditors of the Company and a resolution proposing their re-appointment, as Auditors will be proposed at the forthcoming Annual General Meeting.

## Employment Policy

The Company believes that its potential rests on the skilled & competent workforce in the rapidly changing environment. As at 31 December 2025, the number of employees on the payroll of the Company was 215 (31 December 2024 – 169).

Modern Human Resources Management practices are adopted respecting each and every individual and providing equitable opportunities for career advancement for all employees. The Company complies with its policy of non-discrimination in terms of gender, race or religion in the matter of employment.

## Fair Treatment to Stakeholders

The Board of Directors declare that the Company has taken necessary measures to ensure the fair and equitable treatment of all stakeholders, including its shareholders and depositors.

## Events after the Reporting Period

No circumstances have arisen since the Statement of Financial Position date which would require adjustments to, or disclosure in the financial statements other than those disclosed in Note 39 to the financial statements.

By order of the Board



**Ms. Renuka Fernando**  
Chairperson



**Ms. Nipuni Fernando**  
Company Secretary

Colombo  
06 February 2026

# The Statement of Directors' Responsibility

The responsibility of Directors in relation to the financial statements of Dialog Finance PLC ("the Company") is set out in the following statements. The responsibility of the Independent Auditor in relation to the financial statements prepared in accordance with the Companies Act, No.07 of 2007 ("the Companies Act"), is set out in the Independent Auditor's Report on pages 125 to 128.

## The financial statements comprise of the following :

- The statement of financial position, which presents a true and fair view of the state of affairs of the Company as at 31 December
- The statement of profit or loss and other comprehensive income, which present a true and fair view of the profit or loss and other comprehensive income of the Company for the year ended 31 December
- Statement of changes in equity, Statement of cash flow and Notes to the financial statements

## In preparing these financial statements, the Directors are required to ensure that:

- Appropriate accounting policies have been selected and applied in consistent manner and material departures, if any, have been disclosed and explained.
- All applicable accounting standards, as relevant, have been followed.
- Reasonable and prudent judgements and estimates have been made so that the form and substance of transactions are properly reflected.
- Information required by the Companies Act, Finance Business Act No. 42 of 2011 and the Continuing Listing Rules of the Colombo Stock Exchange has been disclosed.

The Directors are satisfied that the Company has adequate resources to continue in operation and justify applying going concern principle in the preparation of the financial statements.

The financial statements of the Company have been certified by Head of Corporate Finance/Budgeting/ALM/Treasury Management, the officer responsible for the preparation and the Chief Executive Officer and have been signed by two Directors on 06 February 2026 in conformity with the requirements of the Companies Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view of preventing and detecting fraud and other irregularities.

## Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the date of the statement of financial position have been paid, or where relevant provided for, except as disclosed in Note 38 to the Financial Statements covering contingent liabilities.

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

By Order of the Board



**Ms. Nipuni Fernando**  
Company Secretary

Colombo  
06 February 2026

# Directors' Statement on Internal Controls Over Financial Reporting

## 1. Purpose

The Board of Directors ('the Board') of Dialog Finance PLC ('the Company') presents this report on Internal Controls over Financial Reporting in compliance with the Finance Business Act (Corporate Governance) Direction No. 5 of 2021 issued by the Central Bank of Sri Lanka (CBSL).

## 2. Responsibility

The Board is responsible for the implementation of an adequate and effective internal control mechanism and the continuous reviewing of its design and effectiveness.

An ongoing process has been established within the Company to identify, evaluate and manage the significant risks faced by the Company which is inclusive of enhancing the system of internal controls over financial reporting as and when there are changes to the business environment or regulatory guidelines. These processes are regularly reviewed by the Board and Board appointed sub committees.

The said design and effectiveness of internal control processes are to maintain proper accounting records and generate reliable financial information, safeguard the assets of the Company, and eliminate the risk of failure to achieve business goals and objectives of the Company. Such processes can only provide reasonable but not absolute assurance against errors and material misstatement of management and financial information and records or against financial losses or fraud.

The Board is satisfied that the system of internal controls over financial reporting which is in place is sound and adequate to obtain reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory principles. Such systems are designed to manage, rather than eliminate, the risks identified to acceptable levels.

The management of the Company implements the Board approved policies on risk and control to identify and assess risks faced, and in the design, operation and monitoring of suitable internal control to mitigate and control these risks.

## 3. Key Features of the Process Adopted in Applying and Reviewing the Design and Effectiveness of the Internal Control System over Financial Reporting

- **Scope of Board Appointed Sub Committees** - Board sub committees assist the board in evaluating the effectiveness of the Company's daily operations in conformity with corporate objectives, strategies and annual budgets as well as with the policies and directions approved by the Company.
- **Role of the Board Audit Committee**
  - Reviews the significant audit findings by internal and external auditors and regulatory authorities of the Company. The comments made by the external auditors in connection with the internal control system over financial reporting in previous years through issue of management letters were reviewed during the period and appropriate steps were taken to address and rectify the concerns raised. The recommendation which will be made by the external auditors for the period ending 31 December 2025, in connection with internal control over financial reporting, will be dealt with in the future.
  - Reviews of whether appropriate infrastructure is placed within the Company and senior officers have been made responsible for collating procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Company.
  - Ensures the adequacy and effectiveness of internal audit functions of the Company referring to the scope and required quality. Activities carried out by the Audit Committee are set out in the Audit Committee Report on pages 101 to 104.

# Directors' Statement on Internal Controls Over Financial Reporting

- **Internal Audit Function** - The Company established an in-house audit function during the later part of year 2024. In addition, the Company engaged Messrs. Ernst & Young Chartered Accountants and Trust Vault to obtain outsourced general internal audit services and information system audit services respectively, ensuring a comprehensive review of internal controls and risk management. The annual internal audit plan is reviewed and approved by the Audit Committee. The audit procedures are designed in such a way to ensure compliance with policies and procedures using samples and rotational procedures. The internal auditors provide independent and objective audit reports, highlighting significant findings on non-compliance. The frequency of such audits is determined based on the level of risk assessment.
- **Implementation of Accounting Standards and Other Regulatory Changes**
  - The Company adopted the new Sri Lanka Accounting Standards comprising LKAS and SLFRS in 2012. Based on the feedback received from the external auditors, internal auditors, regulators and the Audit Committee, the processes to comply with requirements of recognition, measurement, classification and disclosure were further strengthened during the year.
  - Since the implementation of SLFRS 09 "Financial Instruments" which became effective from 1st January 2018, the Company implemented and continued to improve the processes which are required to comply with the requirements of recognition, measurement, presentation and disclosures under the above accounting standard. The Company continuously refined the Expected Credit Loss (ECL) models while validating the appropriateness of the underlying assumptions, adjustments made to the micro economic factors and forward-looking statements and incorporating the potential impacts of the current macro-economic situation of the country. The Board Audit Committee continually advises the management on the strengthening of processes and controls required in management information systems to maintain the level of compliance with SLFRS 9 and related disclosures.

## 4. Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of the financial reporting system of the Company and the financial statements for the year ended 31st December 2025, are prepared and presented in conformity with the requirements of the following.

- Sri Lanka Accounting Standards
- Companies Act No. 07 of 2007 (Companies Act)
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Finance Business Act No. 42 of 2011 and amendments thereto
- Listing Rules of the Colombo Stock Exchange (CSE)
- Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

## 5. Statement on Prudential Requirements, Regulations and Laws

There is no material non-compliance with prudential requirements, regulations, laws and internal controls affecting the Company except the Minimum Public Holding requirement under option 2 of Rule 7.13.1(b) of the Listing Rules of the Colombo Stock Exchange (CSE). Accordingly, the Company was transferred to the Second Board on 10 February 2020.

There were no lapses which caused supervisory concern on the Company's Risk Management Systems or non-compliance with these directions which led to them being pointed out by the Director of Non-Bank Supervision of the Central Bank of Sri Lanka and which have caused the Monetary Board to give directions that they be disclosed to the public. Since there have been no such lapses or instances of non-compliance and since no such directions have been given by the Monetary Board, the issue of measures to be taken does not arise and there is nothing to disclose in this regard.

## Directors' Statement on Internal Controls Over Financial Reporting

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The recommendations made in the Statutory Examination Reports by the CBSL were continuously reviewed and necessary steps were taken to address them with regular reports from the management and updates to the Audit Committee and the Board, where appropriate.

### 6. Review of the Statement by External Auditors

The external auditors, Messrs. Deloitte Partners has reviewed the above Directors' Statement of Internal Controls over Financial Reporting included in the Annual Report for the year ended 31 December 2025 and reported to the Board that nothing has come to their attention that causes the Board to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in the design and effectiveness of the Internal Control over Financial Reporting of the Company.

By order of the Board



**Ms. Renuka Fernando**

Chairperson



**Mr. Uditha Jayasinghe**

Chairman – Audit Committee

Colombo

06 February 2026

# Independent Assurance Report on the Directors' Statement on Internal Control Over Financial Reporting

# Deloitte.

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To the Board of Directors of Dialog Finance PLC

## Report on the Directors' Statement on Internal Control over Financial Reporting

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

### Management's responsibility for the statement of internal control

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

### Our Independence and Quality Management

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

The firm applies Sri Lanka Standards on Quality Management 1 and accordingly maintains a comprehensive system of quality Management 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 Companies and Finance Leasing Companies on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

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

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

**C S Manoharan FCA, T U Jayasinghe FCA, M D B Boyagoda FCA, H A C H Gunarathne FCA, M P M T Gunasekera FCA, N R Gunasekera FCA, M S J Henry FCA, M M R Hilmy FCA, H P V Lakdeva FCA, K M D R P Manatunga ACA, M M M Manzeer FCA, L A C Tillekeratne ACA, D C A J Yapa ACA**

Regd. Office: P.O. Box 918, 100 Braybrooke Place, Colombo 02, Sri Lanka. Reg. No.: w/4179

# Independent Assurance Report on the Directors' Statement on Internal Control Over Financial Reporting

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To the Board of Directors of Dialog Finance PLC  
(Contd.)

Report on the Directors' Statement on Internal  
Control over Financial Reporting (Contd.)

## 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.

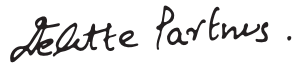
SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's 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 have adopted in the review of the design and effectiveness of internal control of the Company.



CHARTERED ACCOUNTANTS

Colombo  
06 May 2026

# Independent Auditor's Report to the Shareholders



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## TO THE SHAREHOLDERS OF DIALOG FINANCE PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Dialog Finance PLC (the Company) which comprise the statement of financial position as at 31 December 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 material 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 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent

of the Company in accordance with the *Code of Ethics for Professional Accountants* issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics") and we have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**C S Manoharan** FCA, **T U Jayasinghe** FCA, **M D B Boyagoda** FCA, **H A C H Gunarathne** FCA, **M P M T Gunasekera** FCA, **N R Gunasekera** FCA, **M S J Henry** FCA, **M M R Hilmy** FCA, **H P V Lakdeva** FCA, **K M D R P Manatunga** ACA, **M M M Manzeer** FCA, **L A C Tillekeratne** ACA, **D C A J Yapa** ACA

Regd. Office: P.O. Box 918, 100 Braybrooke Place, Colombo 02, Sri Lanka. Reg. No.: w/4179

# Independent Auditor's Report to the Shareholders

To the Shareholders of Dialog Finance PLC (Contd.)

Report on the Audit of the Financial Statements (Contd.)

Key Audit Matters (Contd.)

Key audit matter	How our audit addressed the Key audit matter
<p>Impairment of loans and advances</p> <p>Refer to the accounting policy Section 5.3: Impairment of financial assets and Notes 10 and 22 to the financial statements.</p> <p>As at 31 December 2025, total gross amount of loans and advances amounted to LKR 9,702 million, with a total allowance for impairment of LKR 543 million. Total net amount of loans and advances contribute 77% to the total assets.</p> <p>Management assesses whether the credit risk of loans and advances to customers have increased significantly since their initial recognition and applies a three-stage impairment model to calculate their Expected Credit Loss ("ECL"). ECL is calculated on either an individual basis or a collective basis. Collective impairment is calculated incorporating key parameters, including probability of default, loss given default, exposure at default and discount rates. Individual impairment is determined using discounted cash flows:</p> <p>The impairment of loans and advances using the ECL model was considered as a key audit matter due to factors such as:</p> <ul style="list-style-type: none"> <li>• The ECL model involves complex calculations with key variables used in the model requiring significant management judgment and use of assumptions.</li> <li>• The magnitude of the reported amounts of loans and advances to customers and the impairment allowances thereof.</li> </ul>	<p>The audit procedures performed to assess the adequacy of the impairment allowance for credit losses on loans and advances to customers in line with SLFRS 9 adopted, included the following:</p> <ul style="list-style-type: none"> <li>• Understanding, evaluating and testing the design and operating effectiveness of key controls in the lending and credit risk mitigation process including information systems;</li> <li>• Assessing the appropriateness of the criteria used by management to determine whether customer credit facilities are impaired;</li> <li>• Assessing the appropriateness of the design and implementation of the ECL model, including the reasonableness of significant judgement made and assumptions used by management;</li> <li>• Checking the reasonability of the macro-economic and other forward-looking information used by management, by comparing them against reliable publicly available information;</li> <li>• For loans and advances individually impaired, assessing the reasonability on a sample basis, future cash flows forecasted by management and the discount rates supporting the loss allowance computation;</li> <li>• Checking the mathematical accuracy of the model and inputs used in the model on a sample basis;</li> <li>• Assessing the accuracy and sufficiency of related disclosures.</li> </ul>

# Independent Auditor's Report to the Shareholders

## Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report but does not include the financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

When we read the Annual Report of the Company, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions based on the circumstances.

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

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

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

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

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

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

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional scepticism 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.

# Independent Auditor's Report to the Shareholders

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## To the Shareholders of Dialog Finance PLC (Contd.)

### Auditor's Responsibilities for the Audit of the Financial Statements (Contd.)

- 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 6355.

*Deloitte Partners*

**DELOITTE PARTNERS**  
**Chartered Accountants**  
Colombo

06 February 2026

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December, (All amounts in Sri Lanka Rupees thousands)	Note	2025	2024
Interest income	6.1	1,742,461	1,038,173
Less: Interest expense	6.2	(404,973)	(259,932)
<b>Net interest income</b>	<b>6</b>	<b>1,337,488</b>	<b>778,241</b>
Fee and commission income	7.1	1,370,959	586,450
Less: Fee and commission expenses	7.2	(452,313)	(235,641)
<b>Net fee and commission income</b>	<b>7</b>	<b>918,646</b>	<b>350,809</b>
Net gains from trading	8	750	759
Other operating income	9	109,507	15,658
<b>Total operating income</b>		<b>2,366,391</b>	<b>1,145,467</b>
Less: Allowance for expected credit losses	10	(307,851)	(114,248)
<b>Net operating income</b>		<b>2,058,540</b>	<b>1,031,219</b>
<b>Less: Operating expenses</b>			
Personnel expenses	11	(496,030)	(337,319)
Depreciation and amortisation	12	(89,093)	(62,890)
Other expenses	13	(1,035,906)	(586,961)
<b>Operating profit before taxes on financial services</b>		<b>437,511</b>	<b>44,049</b>
Less: Taxes on financial services	14	(156,068)	(59,984)
<b>Profit / (Loss) before tax for the year</b>		<b>281,443</b>	<b>(15,935)</b>
Income tax expense	15	(121,716)	(25,148)
<b>Profit / (Loss) for the year</b>		<b>159,727</b>	<b>(41,083)</b>
Basic / diluted profit / (loss) per share for losses attributable to the ordinary equity holders of the Company (Rs.)	16.1	<b>1.36</b>	<b>(0.35)</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
- Changes in the fair value of equity investments at fair value through other comprehensive income (Note 23)		147	173
- Remeasurement of defined benefit obligations (Note 32.1 a)		596	(1,265)
- Deferred tax effect on other comprehensive income (Note 15.1)		(525)	353
<b>Other comprehensive income, net of tax</b>		<b>218</b>	<b>(739)</b>
<b>Total comprehensive income / (loss) for the year, net of tax</b>		<b>159,945</b>	<b>(41,822)</b>

The notes on pages 133 to 197 form an integral part of these financial statements.

# Statement of Financial Position

As at 31 December, (All amounts in Sri Lanka Rupees thousands)	Note	2025	2024
<b>Assets</b>			
Cash and cash equivalents	18	602,236	252,167
Placements with financial Institutions	19	161,800	168,488
Securities purchased under repurchase agreements	20	625,521	509,924
Financial assets at fair value through profit or loss	21	3,976	257,224
Financial assets at amortised cost - loans and advances	22	9,158,595	5,171,335
Financial assets at fair value through other comprehensive income	23	2,505	2,358
Financial investments at amortised cost	24	400,714	387,959
Other assets	25	496,161	249,528
Current tax receivable		-	6,255
Right-of-use assets	26	92,624	36,308
Property, plant and equipment	27	58,115	53,518
Intangible assets	28	303,626	197,337
Deferred tax asset	29	45,994	92,698
<b>Total assets</b>		<b>11,951,867</b>	<b>7,385,099</b>
<b>Liabilities</b>			
Financial liabilities at amortised cost - due to customers	30	5,896,562	4,044,853
Financial liabilities at amortised cost - due to banks	31	2,109,980	100,296
Lease liabilities	26	97,457	40,286
Retirement benefit obligations	32	14,241	11,759
Current tax payable		69,283	-
Other liabilities	33	1,001,456	584,962
<b>Total liabilities</b>		<b>9,188,979</b>	<b>4,782,156</b>
<b>Equity</b>			
Stated capital	34	2,934,582	2,934,582
Statutory reserve	35	24,674	16,688
Fair value through other comprehensive income	36	3,102	3,301
Accumulated losses	36	(199,470)	(351,628)
<b>Total equity</b>		<b>2,762,888</b>	<b>2,602,943</b>
<b>Total equity and liabilities</b>		<b>11,951,867</b>	<b>7,385,099</b>
Net asset per share (Rs.)	16.4	23.53	22.17
Commitments and contingencies	38	112,842	458,542

We certify that these Financial Statements have been presented in compliance with the requirements of the Companies Act, No. 07 of 2007.



Head of Corporate Finance, Budgeting,  
ALM and Treasury Management

06 February 2026



Chief Executive Officer

06 February 2026

The Board of Directors is responsible for the preparation and presentation of these Financial statements.

Approved and signed for and on behalf of the Board of Directors.



Director

06 February 2026



Director

06 February 2026

The notes on pages 133 to 197 form an integral part of these financial statements.

# Statement of Changes in Equity

For the year ended 31 December,	Note	Stated capital	Statutory reserve	Retained earnings / (accumulated losses)	Fair value through OCI reserve	Total
<i>(All amounts in Sri Lanka Rupees thousands)</i>						
Balance at 1 January 2024		2,934,582	16,688	(309,659)	3,154	2,644,765
Loss for the year		-	-	(41,083)	-	(41,083)
Other comprehensive income, net of tax		-	-	(886)	147	(739)
<b>Total comprehensive income for the year</b>		-	-	<b>(41,969)</b>	<b>147</b>	<b>(41,822)</b>
Transferred to statutory reserve	35	-	-	-	-	-
<b>Balance at 31 December 2024</b>		<b>2,934,582</b>	<b>16,688</b>	<b>(351,628)</b>	<b>3,301</b>	<b>2,602,943</b>
<b>Balance at 1 January 2025</b>		<b>2,934,582</b>	<b>16,688</b>	<b>(351,628)</b>	<b>3,301</b>	<b>2,602,943</b>
Profit for the year		-	-	159,727	-	159,727
Other comprehensive income, net of tax		-	-	417	(199)	218
<b>Total comprehensive income for the year</b>		-	-	<b>160,144</b>	<b>(199)</b>	<b>159,945</b>
Transferred to statutory reserve	35	-	7,986	(7,986)	-	-
<b>Balance at 31 December 2025</b>		<b>2,934,582</b>	<b>24,674</b>	<b>(199,470)</b>	<b>3,102</b>	<b>2,762,888</b>

The notes on pages 133 to 197 form an integral part of these financial statements.

# Statement of Cash Flows

For the year ended 31 December, (All amounts in Sri Lanka Rupees thousands)	Note	2025	2024
<b>Cash flows from operating activities</b>			
Profit / (Loss) before income tax		281,443	(15,935)
<b>Adjustment for,</b>			
Interest expenses	6.2	404,973	259,932
Gain on disposal of property, plant and equipment	9	(71,153)	-
Impairment charges and other losses	10	307,851	114,248
Provision for retirement benefits obligation	11	4,713	3,969
Depreciation of property plant and equipment	12	19,859	14,097
Depreciation of right-of-use assets	12	28,174	14,472
Amortisation of intangible assets	12	41,060	34,321
Interest on lease liabilities	26.2	6,864	2,609
Net gains on financial asset at fair value through profit or loss	8	(750)	(759)
<b>Cash generated from operations before changes in operating assets and liabilities</b>		<b>1,023,034</b>	<b>426,954</b>
Increase in loans and advances	22	(4,295,111)	(2,242,813)
Increase in other assets	25	(246,633)	(181,404)
Increase in amounts due to customers	30	1,851,709	1,428,087
Increase in other liabilities	33	416,494	456,792
<b>Cash used in operations</b>		<b>(1,250,507)</b>	<b>(112,384)</b>
Interest paid		(410,941)	(348,715)
Retirement benefits paid	32.1	(1,636)	(2,607)
<b>Net cash used in operating activities</b>		<b>(1,663,084)</b>	<b>(463,706)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property plant and equipment and intangible assets	27/28	(186,653)	(61,690)
Proceeds from sale of property plant and equipment	27	86,000	-
Net investment in treasury bills	24	(12,755)	862,062
Net placements with financial institutions	19	6,688	(55,099)
Net investment in unit trust	21.2	253,998	865,746
Net cash flows from securities purchased under repurchased agreement	20	(115,597)	(510,114)
<b>Net cash generated from investing activities</b>		<b>31,681</b>	<b>1,100,905</b>
<b>Cash flows from financing activities</b>			
Net proceeds from bank borrowings	31	2,009,684	(401,821)
Repayment of lease liabilities	26.3	(27,319)	(11,811)
<b>Net cash generated from / (used in) financing activities</b>		<b>1,982,365</b>	<b>(413,632)</b>
<b>Net increase in cash and cash equivalents</b>		<b>350,962</b>	<b>223,567</b>
Cash and cash equivalents at the beginning of the year		311,570	88,003
<b>Cash and cash equivalents at the end of the year</b>		<b>662,532</b>	<b>311,570</b>
<b>Analysis of cash and cash equivalents at the end of the year</b>			
Cash and bank balances	18	602,321	252,249
Placements with financial institutions (less than 90 days)	19	60,211	59,321
		<b>662,532</b>	<b>311,570</b>
Less: Impairment provision		(123)	(116)
<b>Cash and cash equivalents at the end of the year</b>		<b>662,409</b>	<b>311,454</b>

The notes on pages 133 to 197 form an integral part of these financial statements.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 1. Corporate information

### 1.1 General

Dialog Finance PLC ('the Company'), is a public limited liability company incorporated and domiciled in Sri Lanka, incorporated under the Companies Ordinance (Chapter 145), and was re-registered with the Registrar General of Companies as per the requirements of the Companies Act No. 07 of 2007. It is a Licensed Finance Company under the Finance Business Act No. 42 of 2011 and amendments thereto.

The Company is listed on the Colombo Stock Exchange since 4 October 2011.

The registered office of the Company is located at No. 475, Union Place, Colombo 02. The principal place of business is located at No. 57, Srimath Anagarika Dharmapala Mawatha, Colombo 03.

### 1.2 Principal activities

The Company offers a comprehensive range of financial services which include device financing, merchant and SME loans, fixed and savings deposits, margin trading facilities, payment services and other financial facilities.

### 1.3 Parent entity and ultimate parent entity

The Company's immediate parent is Dialog Axiata PLC and the Company's ultimate parent undertaking and controlling party is Axiata Group Berhad, a company incorporated in Malaysia.

### 1.4 Number of employees

The staff strength of the Company as at 31 December 2025 is 215 (31 December 2024 - 169).

### 1.5 Approval of financial statements by directors

The financial statements of the Company, for the year ended 31 December 2025, were authorised for issue by the Board of Directors on 06 February 2026. The Directors have the power to amend and reissue the financial statements.

## 2. Basis of preparation

### 2.1 Statement of compliance

The financial statements of the Company, which comprise of the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements are prepared in accordance with the Sri Lanka Accounting Standards (LKAs and SLFRSs) laid down by the Institute of Chartered Accountants of Sri Lanka, and in compliance with the requirements of the Companies Act, No. 7 of 2007, and provide appropriate disclosures as required by the Central Bank of Sri Lanka and Listing Rules of the Colombo Stock Exchange.

### 2.2 Responsibility for financial statements

The Board of Directors is responsible for the preparation and presentation of the financial statements of the Company as per the provisions of the Companies Act No. 07 of 2007, the Sri Lanka Accounting Standards and provide appropriate disclosures as required by the Central Bank of Sri Lanka and the listing rules of the Colombo Stock Exchange. The responsibility of the Directors in relation to the financial statements is set out in detail in the statement of Directors' responsibility report in the annual report.

### 2.3 Basis of measurement

The financial statements have been prepared on a historical cost basis, except for following material items in the statement of financial position;

- Financial assets at fair value through other comprehensive income [Note 23];
- Financial assets at fair value through profit or loss [Note 21];
- Liabilities for defined benefit obligations are recognised at the present value of defined benefit obligation based on actuarial valuation [Note 32].

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 2. Basis of preparation (Contd.)

### 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'). Financial statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency.

### 2.5 Presentation of financial statements

The assets and liabilities of the Company presented in the statement of financial position are grouped by nature and listed in 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 44.

The amounts in the financial statements have been rounded-off to the nearest rupees thousands, except where otherwise indicated as permitted by LKAS 1 "Presentation of Financial Statements".

### 2.6 Materiality and aggregation

In compliance with 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 present separately, unless they are immaterial.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by an accounting standard.

### 2.7 Statement of cash flows

The cash flow statement has been prepared using the indirect method of preparing cash flows in accordance with LKAS 7 'Statement of Cash Flows', whereby operating, investing and financial activities have been separately 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 equivalents include cash in-hand, balances with banks and short-term deposits with banks (less than 3 months).

## 3. Significant accounting judgements, estimates and assumptions

In preparing the financial statements of the Company in conformity with SLFRSs and LKASs, the management has made judgements, estimates and assumptions which 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 prospectively.

Significant areas of critical judgements, assumptions and estimation uncertainty, in applying Accounting Policies that have most significant effects on the amounts recognised in the Financial Statements of the Company are as follows:

### 3.1 Going concern

The Directors have made an assessment of the Company's ability to continue a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and does not intend either to liquidate or to cease operations. Therefore, the financial statements continue to be prepared on a going concern basis.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 3.2 Impairment losses on loans and advances

The measurement of impairment losses under SLFRS 9 'financial instruments' across all categories of financial assets require judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's expected credit loss (ECL) calculations are output of complex models with a number of underlying assumptions regarding the choice of variable inputs and their independencies. The elements of the ECL models that are considered accounting judgements and estimates include,

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss (LTECL) basis and the qualitative assessment.
- The segmentation of financial assets of their fair values when their ECL is assessed on a collective basis.
- Development of ECLs, models including various formulas and choice of inputs, such as multiple economic scenarios and collateral values and the effect on the probability of default (PDs), Exposure at Default (EADs) and loss given default (LGDs).

## 3.3 Fair value of financial instruments

The determination of fair value of financial assets and financial liabilities recorded on the statement of financial position for which there is no observable market price are determined using a variety of valuation techniques that includes the use of mathematical models. The valuation of financial instrument is described in Note 37 to the financial statements. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is also given in Note 37.3 to the financial statements.

## 3.4 Financial assets and financial liabilities classification

The Company's accounting policies provide scope for assets and liabilities to be classified, at the inception into different accounting categories. The classification of financial instrument is disclosed in Note 17.

## 3.5 Taxation

### (a) Income taxes

Judgment is involved in determining the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognise liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters results in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred income tax provisions in the period in which such determination is made.

### (b) Deferred income tax assets

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. This involves judgment regarding future financial performance of a particular entity in which the deferred income tax asset has been recognised.

## 3.6 Defined benefit obligation

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost / (income) for defined benefit plan include the discount rate, future salary increase rate, mortality rate, withdrawal and disability rates and retirement age. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The Company determine the appropriate discount rate at the end of each financial reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows, expected to be required to settle the defined benefit plan. In determining the appropriate discount rate,

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 3. Significant accounting judgements, estimates and assumptions (Contd.)

### 3.6 Defined benefit obligation (Contd.)

the Company considers the interest yield of long-term Government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related defined benefit plan. Other key assumptions for defined benefit plan are based in part on current market conditions as disclosed in Note 32 to the financial statements.

### 3.7 Estimated useful lives of property, plant and equipment (PPE) and intangible assets

The Company reviews annually the estimated useful lives of PPE and intangible assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of PPE and intangible assets would increase the recorded depreciation charge and decrease the carrying value of PPE and intangible assets.

### 3.8 Commitment and contingent liabilities

Determination of the treatment of contingent liabilities in the financial statements is based on the management's view of the expected outcome of the applicable contingency. The Company consults with legal counsel on matters related to litigation and other experts both within and outside the Company with respect to matters in the ordinary course of business.

## 4. Changes in accounting policies

### 4.1 New standards and amendments – applicable after 1 January 2025

The Company has applied the following amendments for the first time for their reporting period commencing 1 January 2025:

(a) Amendments to LKAS 21 The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability  
The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so.

When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique.

### 4.2 New standards, amendments and interpretations issued but not yet adopted in 2025 by the Company

The Company has not applied the following new and revised accounting standards that have been issued but are not yet effective for annual reporting period ending 31 December 2025.

(a) Amendments to SLFRS 9 and SLFRS 7 - Classification and Measurement of Financial Instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system. These amendments further clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion.

These amendments add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

The Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods.

## (b) SLFRS 18 Presentation and Disclosures in Financial Statements.

ISLFRS 18 replaces LKAS 1, carrying forward many of the requirements in LKAS 1 unchanged and complementing them with new requirements. In addition, some LKAS 1 paragraphs have been moved to LKAS 8 and SLFRS 7. Furthermore, the IASB has made minor amendments to LKAS 7 and LKAS 33 Earnings per Share.

SLFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation.

An entity is required to apply SLFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to LKAS 7 and LKAS 33, as well as the revised LKAS 8 and SLFRS 7, become effective when an entity applies SLFRS 18. SLFRS 18 requires retrospective application with specific transition provisions.

The Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods.

## (c) IFRS 19 Subsidiaries without Public Accountability: Disclosures

SLFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying SLFRS Accounting Standards in its financial statements.

A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with SLFRS Accounting Standards. SLFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply SLFRS 19 if, at the end of the reporting period:

- it is a subsidiary (this includes an intermediate parent)
- it does not have public accountability, and
- its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with SLFRS Accounting Standards.

Eligible entities can apply SLFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply SLFRS 19 in its consolidated financial statement may do so in its separate financial statements. The new standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted.

The directors of the company do not anticipate that SLFRS 19 will be applied for purposes of the Company's financial statements.

## (d) Annual improvements to IFRS – Volume 11

Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 4. Changes in accounting policies (Contd.)

### 4.2 New standards, amendments and interpretations issued but not yet adopted in 2024 by the Company (Contd.)

- SLFRS 1 First-time Adoption of International Financial Reporting Standards;
- SLFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing SLFRS 7;
- SLFRS 9 Financial Instruments;
- SLFRS 10 Consolidated Financial Statements; and
- LKAS 7 Statement of Cash Flows

These annual improvements are effective for annual periods beginning on or after 1 January 2026 with earlier application permitted.

The Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods.

#### (e) Contracts Referencing Nature-dependent Electricity – Amendments to SLFRS 9 and SLFRS 7

The amendments apply only to contracts that reference nature-dependent electricity; the amendments:

- Clarify the application of the 'own-use' requirements for in-scope contracts
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows

The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the SLFRS 7 disclosure amendments must be implemented alongside the SLFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures.

The directors of the company anticipate that the application of these improvements may not have an impact on the group's/company's consolidated financial statements in future periods.

#### (f) Amendment to LKAS 21 - Translation to a Hyperinflationary Presentation Currency

These narrow-scope amendments specify the translation procedures for an entity whose presentation currency is that of a hyperinflationary economy. The entity applies the amendments if:

- its functional currency is that of a non-hyperinflationary economy and it is translating its results and financial position into the currency of a hyperinflationary economy; or
- it is translating into the currency of a hyperinflationary economy the results and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy.

The amendments aim to improve the usefulness of the resulting information in a cost-effective manner. Developed in response to stakeholder feedback, these amendments are expected to reduce diversity in practice and provide a clearer basis for reporting in a hyperinflationary currency.

The amendments are effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted.

The directors of the company anticipate that the application of these improvements may not have an impact on the group's/company's consolidated financial statements in future periods.

## 5. Summary of material accounting policies

The accounting policies set out below have been consistently applied the accounting policies to all periods presented in these financial statements.

### 5.1 Financial instruments – initial recognition, classification and subsequent measurement

#### (a) Date of recognition

All financial assets and liabilities are initially recognised when and only when the company becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

## (b) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value plus or minus in the cost of financial asset not at fair value through profit and loss (FVTPL), the transaction costs that are directly attributable to the acquisition of the financial assets. Transaction cost of financial assets at FVTPL are expensed in the profit and loss.

## (c) Classification and subsequent measurement of financial assets

The Company classifies its financial assets in the following measurement categories;

- Amortised cost,
- Fair value through other comprehensive income (FVOCI) or
- Fair value through profit or loss. (FVTPL)

## (i) Financial assets at amortised cost:

The Company only measures loans, receivables, and other financial investments, at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal.

The details of the above conditions are outlined below.

### Business model assessment

The Company determines its business model at the level that best reflect how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair values of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

### The SPPI test

As a second step of its classification process, the Company assesses the contractual terms of the financial assets to identify whether they meet the SPPI test.

For the purpose of this test,

'Principal' is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium / discount).

'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, as well as profit margin.

The most significant elements of interest within a lending arrangement are typically the consideration

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 5. Summary of material accounting policies (Contd.)

### 5.1 Financial instruments – initial recognition, classification and subsequent measurement (Contd.)

#### (c) Classification and subsequent measurement of financial assets (Contd.)

for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms of that introduce a more than de minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

#### (ii) Financial assets at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under LKAS 32 'Financial Instruments: Presentation' and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Currently, the Company has recorded its non-quoted equity investments FVOCI at fair value. The details of equity instruments at FVOCI are given in Note 23 to the financial statements.

#### (iii) Financial assets at fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss.

Currently, the Company has recorded its quoted equity investments at fair value through profit or loss. The details of quoted equity instruments are given in Note 21 to the financial statements.

#### (d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in liabilities in the statement of financial position.

Details of cash and cash equivalents are given in Note 18 to the financial statements.

#### (e) Classification and subsequent measurement of financial liabilities

Financial instruments issued by the Company, that are not designated at fair value through profit or loss, are classified as liabilities under 'Due to customers (Deposits from customers) and other borrowings', where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued, and other borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR). Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

#### (f) Reclassifications of financial assets and financial liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Classification of financial liabilities is changed where the business model is changed. The Company did not reclassify any of its financial assets or liabilities in for the financial year ended 31 December 2025.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## (g) Derecognition of financial assets and financial liabilities.

### (i) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset, if and only if, either:

- the Company has transferred its contractual rights to receive cash flows from the financial asset or,
- it retains the rights to cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset or,
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

On derecognition of a financial asset other than an equity instrument designated as fair value through other comprehensive income, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises as associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 5. Summary of material accounting policies (Contd.)

### 5.1 Financial instruments – initial recognition, classification and subsequent measurement (Contd.)

(g) Derecognition of financial assets and financial liabilities. (Contd.)

(i) Derecognition of financial assets (Contd.)

the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

### 5.2 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1** - The fair value of financial instruments traded in active markets (such as publicly traded equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

**Level 2** - The fair value of financial instruments that are not traded in an active market (for example, over-the-counter securities) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3** - If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The disclosure of fair value of financial instruments is disclosed in Note 37 to the financial statements.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 5.3 Impairment of financial assets

### (i) Overview of the expected credit loss (ECL) principles

The Company recognises expected credit losses for all loans and other debt financial assets not held at fair value through profit or loss, together with loan commitments, financial guarantee contracts, placements with financial institutions and cash and cash equivalents. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12m ECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 42.2.

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12m ECLs are calculated on either an individual basis or collective basis, depending on the nature of the underlying portfolio of financial instruments. Asset classes where the Company calculates ECL on individual basis include credit impaired facilities of individually significant customers. Those financial assets for which, the Company determines that no provision is required under individual impairment are then collectively assessed for ECL. Financial assets are grouped based on similar risk characteristics for the purpose of ECL calculation on collective basis. Loans and advances to other customers are grouped into homogeneous portfolios, based on a combination of product and customer characteristics.

The Company established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and Purchased or originated credit impaired (POCI), as described below.

**Stage 1** - When loans are first recognised, the Company recognises an allowance based on 12m ECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

**Stage 2** - When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

**Stage 3** - Loans considered credit-impaired. The Company records an allowance for the LTECLs.

**POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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

### (ii) The calculation of expected credit loss (ECL)

The key elements used in the ECL calculations are outlined below;

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

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 5. Summary of material accounting policies (Contd.)

### 5.3 Impairment of financial assets (Contd.)

(ii) The calculation of expected credit loss (ECL) (Contd.)

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

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

The mechanism of the ECL method are summarised below.

#### Stage 1:

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation of the original EIR.

#### Stage 2:

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

#### Stage 3:

For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

#### (iii) Loan commitments:

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

For factoring receivables and revolving loans that include both a loan and an undrawn commitment. ECLs are calculated and presented with the loan.

#### (iv) Financial Guarantee contracts:

The Company's liability under each guarantee is measured at the higher of the initially recognised less cumulative amortisation recognised in the statement of profit or loss, and the ECL provision. For this purpose, the Company estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within provisions.

#### (v) Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to statement of profit or loss. The accumulated loss recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## (vi) Debt factoring and revolving loans

The Company's product offering includes debt factoring and revolving loan facilities, in which the Company has the right to cancel and/or reduce the facilities within a short notice. The Company does not limit its exposure to credit losses to the contractual notice period, but instead calculates ECL over a period that reflects the Company's expectations of the customer behaviour, its likelihood of default and the Company's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Company's expectations, the period over which the Company calculates ECLs for these products, is limited to 12 months.

## (vii) Forward looking information

In the models, the Company relies on a broad range of forward - looking information as economic inputs, such as:

- Gross Domestic Product growth in the principal market for the asset or liability;
- Unemployment rates published by Central Bank of Sri Lanka;
- Central Bank rates such as exchange rates, interest rates; and
- Inflation rates published by Central Bank of Sri Lanka.

The input and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustment or overlays are occasionally made as temporary adjustment when such differences are significantly material are stated at historical cost less accumulated depreciation and impairment losses.

## 5.4 Modification of loans

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms.

If the terms are substantially different, the Company derecognises the original financial asset and recognises a new Effective Interest Rate asset at fair value and

recalculates a new (EIR) for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognised is deemed to be credit impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on de-recognition.

If the terms are not substantially different, the renegotiation or modification does not result in de-recognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit adjusted effective interest rate for purchased or originated credit impaired financial assets).

## 5.5 Write-off of loans and advances

Loans and advances are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

## 5.6 Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements; therefore, the related assets and liabilities are presented as gross in the statement of financial position.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 5. Summary of material accounting policies (Contd.)

### 5.7 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Company retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within 'repurchase agreements', reflecting the transaction's economic substance as a loan to the Company. The difference between the sale and re-purchase price is treated as interest expense and is accrued over the life of agreement using the EIR.

When the counter party has the right to sell or re-pledge the securities, the Company reclassifies those securities in its statement of financial position to 'Financial investments at amortised cost'. Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within 'reverse repurchase agreements', reflecting the transaction's economic substance as a loan by the Company.

### 5.8 Accounting for leases where the Company is the lessee

Leases are recognised as a right-of-use (ROU) asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

#### (a) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

#### (b) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Company presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in comprehensive income.

## (c) Remeasurement of lease liabilities

The Company is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

In determining the lease term, the Company consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

## (d) Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of low-value assets are recognised on a straight-line basis as an expense in comprehensive income.

## 5.9 Property, plant and equipment (PPE)

### (a) Measurement

PPE are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The cost of PPE comprises expenditure directly attributable to the acquisition of the item. These costs include the costs of dismantling, removal and restoration, and the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to comprehensive income during the reporting period in which they are incurred.

Borrowing costs directly incurred to finance the construction of PPE that takes more than twelve (12) months are capitalised as part of the cost of the assets during the period of time that is required to complete and prepare the qualified asset for its intended use.

Depreciation of asset begins when it is available for use. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to residual values over the estimated useful lives, in years as follows:

	Years
Buildings	40
Computer equipment	05
Office furniture	05
Office equipment	05
Mobile Point of Sales equipment (mPOS) & phones	02
Motor vehicles	05

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 5. Summary of material accounting policies (Contd.)

### 5.9 Property, plant and equipment (PPE) (Contd.)

#### (a) Measurement (Contd.)

Depreciation on assets under construction or capital work-in-progress commence when the assets are ready for their intended use.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating income' in the comprehensive income.

#### (b) Asset exchange transaction

PPE may be acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets and is measured at fair value unless;

- the exchange transaction lacks commercial substance; or
- the fair value of neither the assets received nor the assets given up can be measured reliably.

The acquired item is measured in this way even if the Company cannot immediately derecognise the assets given up. If the acquired item cannot be reliably measured at fair value, its cost is measured at the carrying amount of the asset given up.

#### (c) Repairs and maintenance

Repairs and maintenance are charged to the comprehensive income during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. This cost is depreciated over the remaining useful life of the related asset.

#### (d) Derecognition

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' or 'Other operating expenses' in the statement of profit or loss as appropriate in the year the asset is derecognised.

### 5.10 Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of four (4) to eight (8) years.

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Costs recognised as intangible assets are amortised using the straight-line method over their estimated useful lives, which do not exceed 8 years. An intangible asset which is not

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

yet available for use is tested for impairment annually irrespective of whether there is any indication of impairment.

## 5.11 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. The impairment loss is charged to comprehensive income. Any subsequent increase in recoverable amount is recognised in comprehensive income.

## 5.12 Stated capital

### (a) Classification

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity or liability according to the economic substance of the particular instrument. Distribution to holders of a financial instrument classified as an equity instrument is charged directly to equity.

Where the Company purchases the Company's, equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently re issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

### (b) Share issue expenses

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

### (c) Dividends on ordinary shares

Dividends distribution is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

## 5.13 Employee benefits

### (a) Short term employee benefits

Wages and salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

### (b) Defined contribution plans

For defined contribution plans, such as the Employees' Provident Fund and Employees' Trust Fund, the Company contribute 12% and 3% respectively, of basic or consolidated wage or salary of each eligible employee. The contributions are recognised as employee benefit expense when they are due. The Company have no further payment obligation once the contributions have been paid. The Company and the employees are members of these defined contribution plans.

### (c) Defined benefit plan - gratuity

Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The defined benefit plan comprises the gratuity provided under the payment of Gratuity Act, No. 12 of 1983.

The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yield rate of long-term government

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 5. Summary of material accounting policies (Contd.)

### 5.13 Employee benefits (Contd.)

bonds that have terms to maturity approximating to the terms of the related defined benefit obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligations and included in employee benefit expense in the comprehensive income. The current service cost of the defined benefit plan reflects the increase in the defined benefit obligations resulting from employee service in the current year. It is recognised in the comprehensive income in employee benefit expense, except where included in the cost of an asset. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in comprehensive income as past service costs.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the statement of financial position. The assumptions based on which the results of the actuarial valuation were determined, are included in Note 32 to the financial statements.

#### (d) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of LKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### 5.14 Statutory reserve fund

The reserves recorded in the equity on the Company's statement of financial position includes the 'Statutory reserve fund' which has been created in accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka.

### 5.15 Provisions

Provisions are recognised when the Company have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### 5.16 Recognition of income and expenses

#### (a) Interest income and interest expense

Interest income and interest expense is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. Interest income on interest bearing financial assets measured at fair value through other comprehensive income (FVTOCI) is also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

The EIR (and therefore, the amortised cost of the asset / liability) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income/expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset / liability are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the statement of financial position with an increase or reduction in interest income / interest expense. The adjustment is subsequently amortised through Interest income / Interest expense in the statement of profit or loss.

When a financial asset become credit - impaired (as set out in Note 42.2. (a)) and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit - impaired, the company reverts to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets mandatorily required to be measured at fair value through profit or loss FVTPL is recognised using the contractual interest rate under net interest income.

## (b) Fees and commission income and expenses

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income – including account servicing fees, transaction fees, investment management fees, 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.

The Company earns a fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided in to two categories.

### (i) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period.

### (ii) Fee expense incurred from services that are provided over a certain period of time

Fees arising from negotiating or participating in the negotiation of a transaction for a third party.

## (c) Other operating income

### (i) Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment.

### (ii) Recovery of bad debts written off

Recovery of amounts written off as bad and doubtful debts is recognised when received.

### (iii) Other income

Other income is recognised on an accrual basis.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 5. Summary of material accounting policies (Contd.)

### 5.16 Recognition of income and expenses (Contd.)

#### (d) 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 year.

#### (e) Personnel expenses

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay all employee benefits relating to employee services in the current and prior periods and the obligation can be estimated reliably.

### 5.17 Taxes

#### (a) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable comprehensive income. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries and associates where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### (b) Value Added Tax (VAT) on financial services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) Act No.14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT, SSCL and

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

income tax, adjusted for the economic depreciation and emoluments payable to employees including cash, non-cash benefits and provisions relating to terminal benefits.

The VAT on Financial service is recognised as expense in the period it becomes due.

## (c) Social Security Contribution Levy (SSCL) on financial services

SSCL on financial services is calculated in accordance with the Social Security Contribution Levy Act No.25 of 2002. The base for the computation of value added tax on financial services is the accounting profit before VAT, SSCL and income tax, adjusted for the economic depreciation and emoluments payable to employees including cash, non-cash benefits and provisions relating to terminal benefits.

The SSCL on Financial service is recognised as expense in the period it becomes due.

## (d) Withholding tax on dividends

Withholding Tax on Dividends Distributed by the Company that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised. At present, the rate of 15% is deducted at source.

## (e) Crop Insurance Levy (CIL)

In terms of the Finance Act No. 12 of 2013, all institutions under the purview of Banking Act No.30 of 1988, Finance Business Act No.42 of 2011 and Regulation of Insurance Industry Act No. 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund effective from 01 April 2013.

## 5.18 Deposit insurance and liquidity support scheme

In terms of sections 38, 39 and 41 of the Finance Business Act, No. 42 of 2011, all finance companies are required to insure their deposit liabilities under the deposit insurance scheme or under a body corporate authorised by the Monetary Board. Accordingly, all Finance Companies are required to insure their deposit liabilities in the "Sri Lanka Deposit Insurance and Liquidity Support Scheme" operated in Sri Lanka.

Deposit Insurance and Liquidity Support Scheme Regulations, No.02 of 2021 issued under the section 32E of the Monetary Law Act with effect from 6 August 2021.

The deposits to be insured shall include eligible demand, time and savings deposit liabilities as defined in the Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations, No.02 of 2021. Registered finance companies are required to pay a premium of 0.15% on total amount of eligible deposits as at end of the month within a period of 15 days from the end of the respective month.

## 5.19 Earnings per share

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

### (b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## 5.20 Operating segments

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 Board of Directors to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The Company has three reportable segments, consumer segment, MSME (Micro, Small and Medium Enterprises) segment and treasury which are the Company's strategic products / divisions. In line with the changes made to the reported segment during

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 5. Summary of material accounting policies (Contd.)

the year. Those offer different products and services and are managed separately based on the Company's management and internal reporting structure. For each of the strategic divisions, the Company's Board of Directors reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included in Note 45. Performance is measured based on segment profit before tax. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

### 5.21 Commitments and contingencies

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company. The Company does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

The Company recognises separately the contingent liabilities of the acquirers as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions. Subsequent to the initial recognition, the Company measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of LKAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less, when appropriate, cumulative amortisation.

### Undrawn loan commitment

Undrawn loan commitments are commitments under which, are over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirement.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 6. Net interest income

### 6.1 Interest income

	Year ended 31 December	
	2025	2024
Placements with banks and financial institutions	43,959	85,744
Securities purchased under repurchase agreements	27,069	11,241
Sri Lanka government securities	31,719	90,886
Lease receivable	68,147	77,197
Factoring and revolving loans	22,490	49,897
Margin trading receivables	127,304	107,645
Term loans	1,421,773	615,563
<b>Total interest income</b>	<b>1,742,461</b>	<b>1,038,173</b>

### 6.2 Interest expense

	Year ended 31 December	
	2025	2024
Deposits from customers	325,992	249,567
Bank borrowings	78,981	10,365
<b>Total interest expense</b>	<b>404,973</b>	<b>259,932</b>
<b>Net interest income</b>	<b>1,337,488</b>	<b>778,241</b>

## 7. Net fee and commission income

### 7.1 Fee and commission income

	Year ended 31 December	
	2025	2024
Loans & advances related services	532,519	206,881
Savings & debit card related services	128,567	85,222
Other financial services	709,873	294,347
<b>Total fee and commission income</b>	<b>1,370,959</b>	<b>586,450</b>

### 7.2 Fee and commission expenses

	Year ended 31 December	
	2025	2024
Other financial services	452,313	235,641
<b>Total fee and commission expenses</b>	<b>452,313</b>	<b>235,641</b>
<b>Net fee and commission income</b>	<b>918,646</b>	<b>350,809</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 8. Net gains/ (losses) from trading

	Year ended 31 December	
	2025	2024
<b>Equities</b>		
Net gains on financial assets at fair value through profit or loss (Note 21.1)	750	759
	<b>750</b>	<b>759</b>

## 9. Other operating income

	Year ended 31 December	
	2025	2024
Default charges	27,803	12,943
Recovery of bad debt written off	2,124	1,484
Gains from disposal of fixed assets	71,153	-
Dividend income (Note 23)	291	229
Other income	8,136	1,002
	<b>109,507</b>	<b>15,658</b>

## 10. Credit loss expense on financial assets and other losses

The table below shows the expected credit loss (ECL) charges/ (reversals) for financial assets for the year ended 31 December 2025 and for the year ended 31 December 2024 recorded in the income statement.

	Year ended 31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents (Note 18.1)	3	-	-	3
Placement with financial institutions (Note 19.1)	4	-	-	4
Securities purchased under repurchase agreements (Note 20.1)	(73)	-	-	(73)
Financial assets at fair value through profit or loss (Note 21.2.1)	(95)	-	-	(95)
Financial investments at amortised cost (Note 24.1)	-	-	-	-
Lease receivables (Note 22.1.c)	(1,823)	344	5,201	3,722
Factoring and revolving loans (Note 22.2.b)	(280)	211	6,500	6,431
Margin trading receivables (Note 22.3.b)	1,452	-	-	1,452
Term loans (Note 22.4.b)	79,162	43,810	173,435	296,407
	<b>78,350</b>	<b>44,365</b>	<b>185,136</b>	<b>307,851</b>

	Year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents (Note 18.1)	77	-	-	77
Placement with financial institutions (Note 19.1)	21	-	-	21
Securities purchased under repurchase agreements (Note 20.1)	190	-	-	190
Financial assets at fair value through profit or loss (Note 21.2.1)	(421)	-	-	(421)
Financial investments at amortised cost (Note 24.1)	-	-	-	-
Lease receivables (Note 22.1.c)	(4,262)	(4,984)	(5,435)	(14,681)
Factoring and revolving loans (Note 22.2.b)	(2,900)	(1)	13,344	10,443
Margin trading receivables (Note 22.3.b)	(921)	-	-	(921)
Term Loans (Note 22.4.b)	26,614	(16,341)	109,267	119,540
	<b>18,398</b>	<b>(21,326)</b>	<b>117,176</b>	<b>114,248</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 11. Personnel expenses

	Year ended 31 December	
	2025	2024
Wages, salaries and others	403,941	265,217
staff allowances and benefits	46,326	38,124
Contributions to defined contribution plans	41,050	30,009
Contributions to defined benefit plans (Note 32.1.(a))	4,713	3,969
	<b>496,030</b>	<b>337,319</b>

## 12. Depreciation and amortisation

	Year ended 31 December	
	2025	2024
Depreciation of property, plant and equipment (Note 27)	19,859	14,097
Amortisation of intangible assets (Note 28)	41,060	34,321
Depreciation of right-of-use assets (Note 26.2)	28,174	14,472
	<b>89,093</b>	<b>62,890</b>

## 13. Other Expenses

Profit from operations is stated after charging the following expenses.

	Year ended 31 December	
	2025	2024
Directors' emoluments	5,764	4,385
Independence auditor remuneration		
- Audit fees	2,027	1,843
- Non-audit and other services	1,318	1,171
Professional and legal expenses	42,789	22,662
Deposit insurance premium	4,855	4,091
Donations	-	-
Interest on lease liability (Note 26.2)	6,864	2,609
IT related expenses	217,238	178,718
Savings & payment services operating expenses	322,421	190,296
Advertising & sales promotion expenses	105,861	24,443
Unrecoverable VAT expenses	66,803	44,667
Office administration expenses	55,734	31,001
Operational risk loss provision (Note 25.1)	10,616	25,691
Other expenses	193,616	55,384
	<b>1,035,906</b>	<b>586,961</b>

## 14. Taxes on financial services

	Year ended 31 December	
	2025	2024
Value added tax on financial services	137,035	52,689
Social Security levy on financial services	19,033	7,295
	<b>156,068</b>	<b>59,984</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 15. Income tax expense

15.1 The major components of income tax expense for the year ended 31 December 2025 and for the year ended 31 December 2024 are as follows:

	Year ended 31 December	
	2025	2024
<b>Current tax expense</b>		
Current tax expense for the year	75,537	-
<b>Deferred tax reversal</b>		
Deferred tax reversal for the year (Note 29)	46,179	25,148
	<b>121,716</b>	<b>25,148</b>
<b>Deferred tax reversal / (charge) on other comprehensive income</b>	<b>(525)</b>	<b>353</b>
<b>Effective tax rate</b>	<b>43.25%</b>	<b>-157.82%</b>

## 15.2 Reconciliation of accounting profit and taxable income

A reconciliation between the tax expense and the accounting profit multiplied by the tax rate as per the Inland Revenue Act for the Years ended 31 March 2025 and 2024 is as follows.

	Year ended 31 December	
	2025	2024
Profit / (Loss) before tax	281,443	(15,935)
At the statutory income tax rate of 30%	84,433	(4,780)
Tax effect of non-deductible expenses	190,791	71,475
Tax effect of other allowable credits	(106,447)	(62,519)
Tax effect of losses claimed	(93,240)	(4,176)
	<b>75,537</b>	<b>-</b>

The Company's profit is subjected to a corporate tax of 30% during the year ended 31 December 2025 and during the year ended 31 December 2024.

## 16. Profit/(loss) per share – basic

### 16.1 Profit/(loss) per share

	Year ended 31 December	
	2025	2024
Profit / (loss) attributable to the equity holders of the Company	159,727	(41,083)
Weighted average number of ordinary shares during the year (Note 16.2)	117,399,866	117,399,866
<b>Basic / Diluted Earnings per Share (Rs)</b>	<b>1.36</b>	<b>(0.35)</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 16.2 Weighted average number of ordinary shares

	Number of shares		Weighted average number of shares	
	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024
Number of ordinary shares in issue as at 1 January	117,399,866	117,399,866	117,399,866	117,399,866
Number of shares in issue / weighted average number of ordinary shares as at 31 December	117,399,866	117,399,866	117,399,866	117,399,866

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements, which would require the restatement of EPS.

## 16.3 Diluted earnings per share

There was no dilution of ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is the same as basic earnings per share as shown above.

## 16.4 Net assets per share

	31 December	
	2025	2024
Total net assets	2,762,888	2,602,943
Weighted average number of ordinary shares during the year (Note 16.2)	117,399,866	117,399,866
Net assets per share (Rs.)	23.53	22.17

## 17. Analysis of financial instruments by measurement basis

As at 31 December 2025	Amortised cost	Equity instrument - FVTPL	Equity instrument - FVTOCI	Total
<b>Financial assets</b>				
Cash and cash equivalents	602,236	-	-	602,236
Placements with banks and financial institutions	161,800	-	-	161,800
Securities purchased under repurchase agreements	625,521	-	-	625,521
Financial assets at fair value through profit or loss	-	3,976	-	3,976
Financial assets at amortised cost - loans and advances	9,158,595	-	-	9,158,595
Financial assets at fair value through other comprehensive income	-	-	2,505	2,505
Financial investments at amortised cost	400,714	-	-	400,714
Other assets	496,161	-	-	496,161
<b>Total financial assets</b>	<b>11,445,027</b>	<b>3,976</b>	<b>2,505</b>	<b>11,451,508</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost - due to customers	5,896,562	-	-	5,896,562
Financial liabilities at amortised cost - due to banks	2,109,980	-	-	2,109,980
Lease liabilities	97,457	-	-	97,457
Other liabilities	1,001,456	-	-	1,001,456
<b>Total financial liabilities</b>	<b>9,105,455</b>	<b>-</b>	<b>-</b>	<b>9,105,455</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 17. Analysis of financial instruments by measurement basis (Contd.)

As at 31 December 2024	Amortised cost	Equity instrument - FVTPL	Equity instrument - FVTOCI	Total
<b>Financial assets</b>				
Cash and cash equivalents	252,167	-	-	252,167
Placements with banks and financial institutions	168,488	-	-	168,488
Securities purchased under repurchase agreements	509,924	-	-	509,924
Financial assets at fair value through profit or loss	-	257,224	-	257,224
Financial assets at amortised cost - loans and advance	5,171,335	-	-	5,171,335
Financial assets at fair value through other comprehensive income	-	-	2,358	2,358
Financial investments at amortised cost	387,959	-	-	387,959
Other assets	249,528	-	-	249,528
<b>Total financial assets</b>	<b>6,739,401</b>	<b>257,224</b>	<b>2,358</b>	<b>6,998,983</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost – due to customers	4,044,853	-	-	4,044,853
Financial liabilities at amortised cost - due to banks	100,296	-	-	100,296
Lease liabilities	40,286	-	-	40,286
Other liabilities	584,962	-	-	584,962
<b>Total financial liabilities</b>	<b>4,770,397</b>	<b>-</b>	<b>-</b>	<b>4,770,397</b>

## 18. Cash and cash equivalents

	31 December	
	2025	2024
Cash in hand	25	20
Cash in eZ cash wallet	49,787	57,295
Balances with banks	552,509	194,934
	<b>602,321</b>	<b>252,249</b>
Less: Allowance for expected credit loss (Note 18.1)	(85)	(82)
	<b>602,236</b>	<b>252,167</b>

### 18.1 The movement in provision for stage 1 expected credit losses are as follows;

	2025	2024
Balance as at 1 January	82	5
Charge for the year	3	77
<b>Balance as at 31 December</b>	<b>85</b>	<b>82</b>

### 18.2 Reconciliation to statement of cashflows

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2025	2024
Cash and cash equivalents as at 31 December	602,236	252,167
Placement with financial institutions (less than 3 months) (Note 19)	60,173	59,287
<b>Cash and cash equivalents at the end of the year</b>	<b>662,409</b>	<b>311,454</b>

There were no cash and cash equivalents held by the Company that were not available for use by the Company.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 19. Placements with financial institutions

	31 December	
	2025	2024
Placement with financial institutions (less than 3 months)	60,211	59,321
Placement with financial institutions (more than 3 months)	101,627	109,201
Less: Allowance for expected credit losses (Note 19.1)	(38)	(34)
	161,800	168,488

### 19.1 The movement in provision for stage 1 expected credit losses are as follows;

	2025	2024
Balance as at 1 January	34	13
Charge for the year	4	21
<b>Balance as at 31 December</b>	<b>38</b>	<b>34</b>

## 20. Securities purchased under repurchase agreements

	31 December	
	2025	2024
Repurchase agreements	625,637	510,114
Less: allowance for expected credit loss (Note 20.1)	(116)	(190)
	625,521	509,924

### 20.1 The movement in provision for stage 1 expected credit losses are as follows;

	2025	2024
Balance as at 1 January	190	-
(Reversal) / charge for the year	(74)	190
<b>Balance as at 31 December</b>	<b>116</b>	<b>190</b>

## 21. Financial assets at fair value through profit or loss

	31 December	
	2025	2024
Quoted equity shares (Note 21.1)	3,976	3,226
Investment in unit trust (Note 21.2)	-	253,998
	3,976	257,224

### 21.1 Quoted equity shares

	31 December 2025		31 December 2024	
	No of Shares	Fair Value	No of Shares	Fair Value
John Keells Hotels PLC	32,584	746	32,584	671
Balangoda Plantations PLC	22,000	1,567	22,000	1,767
Tokyo Cement Company (Lanka) PLC	8,972	1,018	8,972	628
The Kingsbury PLC	30,000	645	30,000	360
<b>Total market value</b>		<b>3,976</b>		<b>3,226</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 21. Financial assets at fair value through profit or loss (Contd.)

21.1.1 The amount of investment in quoted equity shares is as follows

	31 December	
	2025	2024
Balance at the beginning of the year	3,226	2,467
Fair value gain	750	759
<b>Balance at the end of the year</b>	<b>3,976</b>	<b>3,226</b>

21.2 The amount of Investment in unit trust is as follows

	31 December	
	2025	2024
Balance at the beginning of the year	254,093	1,119,839
Net investment during the year	(254,093)	(865,746)
	-	254,093
Less: Allowances for expected credit loss (Note 21.2.1)	-	(95)
<b>Balance at the end of the year</b>	<b>-</b>	<b>253,998</b>

21.2.1 The movement in provision for stage 1 expected credit losses are as follows;

	31 December	
	2025	2024
Balance as at 1 January	95	516
Reversal for the year	(95)	(421)
<b>Balance as at 31 December</b>	<b>-</b>	<b>95</b>

## 22. Loans and advances

	31 December	
	2025	2024
Gross loans and advances	9,701,967	5,406,695
Less: Allowance for expected credit losses	(543,372)	(235,360)
	<b>9,158,595</b>	<b>5,171,335</b>

	Notes	31 December	
		2025	2024
Lease receivables	22.1	418,100	341,806
Factoring and revolving loans	22.2	7,612	130,636
Margin trading receivables	22.3	1,167,735	632,682
Term loans	22.4	7,565,148	4,066,211
		<b>9,158,595</b>	<b>5,171,335</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 22.1 Lease receivable

	31 December	
	2025	2024
<b>At amortised cost</b>		
Total rental receivable		
Within one year	211,176	161,425
From one to five years	353,512	312,968
	<b>564,688</b>	<b>474,393</b>
Less: Unearned interest income	(124,962)	(114,683)
<b>Gross rentals receivable</b>	<b>439,726</b>	<b>359,710</b>
Less: Allowance for expected credit losses		
Stage 1	(1,565)	(3,388)
Stage 2	(4,300)	(3,956)
Stage 3	(15,761)	(10,560)
<b>Net rentals receivable</b>	<b>418,100</b>	<b>341,806</b>

The Company provides finance leasing facilities. No lease receivables as at 31 December 2025 have been assigned for funding arrangements (31 December 2024 - Nil).

### (a) Maturity analysis of net receivable

As at 31 December 2025	1 Year	1 - 5 Years	More than 5 Years	Total
Total rental receivable	211,176	353,512	-	564,688
Less: Unearned interest income	(55,317)	(69,645)	-	(124,962)
<b>Gross rentals receivable</b>	<b>155,859</b>	<b>283,867</b>	<b>-</b>	<b>439,726</b>
Less: Allowance for expected credit losses	(1,218)	(20,408)	-	(21,626)
<b>Net rentals receivable</b>	<b>154,641</b>	<b>263,459</b>	<b>-</b>	<b>418,100</b>

As at 31 December 2024	1 Year	1 - 5 Years	More than 5 Years	Total
Total rental receivable	161,425	312,968	-	474,393
Less: Unearned lease interest income	(48,086)	(66,597)	-	(114,683)
<b>Gross rentals receivable</b>	<b>113,339</b>	<b>246,371</b>	<b>-</b>	<b>359,710</b>
Less: Allowance for expected credit losses	(1,681)	(16,223)	-	(17,904)
<b>Net rentals receivable</b>	<b>111,658</b>	<b>230,148</b>	<b>-</b>	<b>341,806</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## (b) Analysis of receivable on maximum exposure to credit risk

As at 31 December 2025	Stage 1	Stage 2	Stage 3	Total
Receivables subject to Individually impairment	-	-	25,375	25,375
Receivable - subject to collective impairment	339,740	58,695	15,916	414,351
Allowance for expected credit losses	(1,565)	(4,300)	(15,761)	(21,626)
	<b>338,175</b>	<b>54,395</b>	<b>25,530</b>	<b>418,100</b>

As at 31 December 2024	Stage 1	Stage 2	Stage 3	Total
Receivables subject to Individually impairment	-	-	11,520	11,520
Receivable - subject to collective impairment	292,276	47,045	8,869	348,190
Allowance for expected credit losses	(3,388)	(3,956)	(10,560)	(17,904)
	<b>288,888</b>	<b>43,089</b>	<b>9,829</b>	<b>341,806</b>

## (c) Movement in allowance for expected credit losses

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2025	3,388	3,956	10,560	17,904
(Reversal) / charge to statement of profit or loss (Note 10)	(1,823)	344	5,201	3,722
<b>Balance as at 31 December 2025</b>	<b>1,565</b>	<b>4,300</b>	<b>15,761</b>	<b>21,626</b>

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	7,650	8,940	15,995	32,585
(Reversal) / charge to statement of profit or loss (Note 10)	(4,262)	(4,984)	(5,435)	(14,681)
<b>Balance as at 31 December 2024</b>	<b>3,388</b>	<b>3,956</b>	<b>10,560</b>	<b>17,904</b>

## (d) Interest income from lease contracts

The Company has earned following lease income from the lease contracts which the company acts as the lessor

	31 December	
	2025	2024
Interest income from leases the company acts as the lessor	68,147	77,197
	<b>68,147</b>	<b>77,197</b>

## 22.2 Factoring & revolving loans

	31 December	
	2025	2024
<b>Gross factoring &amp; revolving loan receivable</b>	<b>27,690</b>	<b>144,283</b>
Less: Allowance for expected credit losses		
Stage 1	(5)	(285)
Stage 2	(211)	-
Stage 3	(19,862)	(13,362)
	<b>7,612</b>	<b>130,636</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## (a) Analysis of factoring & revolving loan receivable on maximum exposure to credit risk

As at 31 December 2025	Stage 1	Stage 2	Stage 3	Total
Receivables subject to Individually impairment	-	449	24,768	25,217
Receivable - subject to collective impairment	2,287	-	186	2,473
Allowance for expected credit losses (ECL)	(5)	(211)	(19,862)	(20,078)
	<b>2,282</b>	<b>238</b>	<b>5,092</b>	<b>7,612</b>

As at 31 December 2024	Stage 1	Stage 2	Stage 3	Total
Receivables subject to Individually impairment	-	-	29,040	29,040
Receivable - subject to collective impairment	111,690	-	3,553	115,243
Allowance for expected credit losses (ECL)	(285)	-	(13,362)	(13,647)
	<b>111,405</b>	<b>-</b>	<b>19,231</b>	<b>130,636</b>

## (b) Movement in allowance for expected credit losses

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2025	285	-	13,362	13,647
(Reversal) / charge to statement of profit or loss (Note 10)	(280)	211	6,500	6,431
<b>Balance as at 31 December 2025</b>	<b>5</b>	<b>211</b>	<b>19,862</b>	<b>20,078</b>

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	3,185	1	18	3,204
(Reversal) / charge to statement of profit or loss (Note 10)	(2,900)	(1)	13,344	10,443
<b>Balance as at 31 December 2024</b>	<b>285</b>	<b>-</b>	<b>13,362</b>	<b>13,647</b>

## 22.3 Margin trading receivables

	31 December	
	2025	2024
Balance as at 1 January	635,179	724,350
Net payment and receipts	536,505	(89,171)
<b>Balance as at 31 December</b>	<b>1,171,684</b>	<b>635,179</b>
Less: Allowance for expected credit losses		
Stage 1	(3,949)	(2,497)
<b>Net margin trading receivables</b>	<b>1,167,735</b>	<b>632,682</b>

## (a) Analysis of Factoring receivable on maximum exposure to credit risk

As at 31 December 2025	Stage 1	Stage 2	Stage 3	Total
Receivables subject to Individually impairment	-	-	-	-
Receivable - subject to collective impairment	1,171,684	-	-	1,171,684
Allowance for expected credit losses	(3,949)	-	-	(3,949)
	<b>1,167,735</b>	<b>-</b>	<b>-</b>	<b>1,167,735</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 22. Loans and advances (Contd.)

### 22.3 Margin trading receivables (Contd.)

As at 31 December 2024	Stage 1	Stage 2	Stage 3	Total
Receivables subject to Individually impairment	-	-	-	-
Receivable - subject to collective impairment	635,179	-	-	635,179
Less: Allowance for expected credit losses	(2,497)	-	-	(2,497)
	<b>632,682</b>	-	-	<b>632,682</b>

#### (b) Movement in allowance for expected credit losses

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2025	2,497	-	-	2,497
(Reversal) / charge to statement of profit or loss (Note 10)	1,452	-	-	1,452
<b>Balance as at 31 December 2025</b>	<b>3,949</b>	-	-	<b>3,949</b>

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	3,418	-	-	3,418
(Reversal) / charge to statement of profit or loss (Note 10)	(921)	-	-	(921)
<b>Balance as at 31 December 2024</b>	<b>2,497</b>	-	-	<b>2,497</b>

### 22.4 Term Loans

	31 December	
	2025	2024
Gross investment in term loans	8,782,319	4,892,536
Term loans in arrears	822,938	277,580
	<b>9,605,257</b>	<b>5,170,116</b>
Unearned interest income	(1,542,390)	(902,593)
	<b>8,062,867</b>	<b>4,267,523</b>
Less: Allowance for expected credit losses		
Stage 1	(118,495)	(39,333)
Stage 2	(63,087)	(19,277)
Stage 3	(316,137)	(142,702)
<b>Net investment in term loans</b>	<b>7,565,148</b>	<b>4,066,211</b>

#### (a) Analysis of term loan receivable on maximum exposure to credit risk

As at 31 December 2025	Stage 1	Stage 2	Stage 3	Total
Receivables subject to Individually impairment	-	7,659	119,078	126,737
Receivables subject to collective impairment	7,266,096	375,666	294,368	7,936,130
Less: Allowance for expected credit losses	(118,495)	(63,087)	(316,137)	(497,719)
	<b>7,147,601</b>	<b>320,238</b>	<b>97,309</b>	<b>7,565,148</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

As at 31 December 2024	Stage 1	Stage 2	Stage 3	Total
Receivable subject to Individually impairment	-	12,355	72,884	85,239
Receivable subject to collective impairment	3,895,560	168,990	117,734	4,182,284
Less: Allowance for expected credit losses	(39,333)	(19,277)	(142,702)	(201,312)
	<b>3,856,227</b>	<b>162,068</b>	<b>47,916</b>	<b>4,066,211</b>

## (b) Movement in allowance for expected credit losses

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2025	39,333	19,277	142,702	201,312
(Reversal) / charge to statement of profit or loss (Note 10)	79,162	43,810	173,435	296,407
<b>Balance as at 31 December 2025</b>	<b>118,495</b>	<b>63,087</b>	<b>316,137</b>	<b>497,719</b>

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	12,719	35,618	55,189	103,526
(Reversal) / charge to statement of profit or loss (Note 10)	26,614	(16,341)	109,267	119,540
Amounts written off	-	-	(21,754)	(21,754)
<b>Balance as at 31 December 2024</b>	<b>39,333</b>	<b>19,277</b>	<b>142,702</b>	<b>201,312</b>

During the year there is no term loans and advances written off amount. (Loans and advances written off during the year ended 31 December 2024 amounted Rs. 21.75Mn).

## 23. Financial assets fair value through other comprehensive income

	31 December	
	2025	2024
Financial assets at fair value through other comprehensive income (FVOCI)	2,505	2,358
	<b>2,505</b>	<b>2,358</b>

(a) Financial assets at fair value through other comprehensive income consist of 100 shares invested in unquoted shares of Credit Information Bureau of Sri Lanka.

(b) During the year ended 31 December 2025, the Company received dividend of Rs. 291,200 from unquoted equity investments and recognized as other operating income (Dividend income for the year ended 31 December 2024 -Rs. 228,565).

## 24. Financial investments at amortised cost

	31 December	
	2025	2024
Government of Sri Lanka Treasury Bills	400,714	387,959
	<b>400,714</b>	<b>387,959</b>

The Company did not have any defaults of principal or interest or breaches with respect to its debt securities during the year ended 31 December 2025 and 31 December 2024.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 25. Other assets

	31 December	
	2025	2024
Amounts due from related companies (Note 41)	46,160	55,141
Deposits and prepayments	411,389	144,510
WHT receivables	23,638	20,152
Debit card inventory	4,022	3,260
Other receivable (Note 25.1)	10,952	26,465
<b>Total other assets</b>	<b>496,161</b>	<b>249,528</b>

### Note 25.1

The Company is continuing the recovery efforts on case relating to external financial fraud that occurred in June 2024. As at the reporting date, the gross outstanding amount to be recovered was LKR 37.7Mn and based on an assessment of recoverability, the Company has recognized a provision for loss of LKR 25.6Mn and LKR 8.3Mn in the statements of profit or loss in 2024 and 2025 respectively. Consequently, the net amount outstanding to be recovered as of the reporting date is LKR 3.7Mn, which is reported under "other assets" in the statement of financial position.

The Company is continuing the legal action and working with law enforcement authorities to recover the remaining funds. As of the reporting date, the investigation and recovery efforts are ongoing. The Company will continue to monitor the progress of these actions and will assess the recoverability of the outstanding receivables recognised at each reporting date.

## 26. Leases

This note provides information for leases where the Company is a lessee.

### 26.1 Amounts recognised in the statement of financial position

	31 December	
	2025	2024
<b>Right-of-use assets</b>		
Buildings	92,624	36,308
	92,624	36,308
<b>Lease liabilities</b>		
Current	31,907	16,942
Non-current	65,550	23,344
	<b>97,457</b>	<b>40,286</b>

### 26.2 Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Year ended 31 December	
	2025	2024
Depreciation charge of right-of-use assets (Note 12)	28,174	14,472
Interest expense (Note 13)	6,864	2,609

### 26.3 Amounts presented in the statement of cash flows

	Year ended 31 December	
	2025	2024
Total cash outflow for leases	34,183	14,420

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 26.4 Right-of-use (ROU) assets

	Year ended 31 December	
	2025	2024
At beginning of the year	36,308	18,708
Addition	84,490	32,072
Depreciation during the year	(28,174)	(14,472)
<b>At end of the year</b>	<b>92,624</b>	<b>36,308</b>

## 26.5 Lease liabilities

	Year ended 31 December	
	2025	2024
At beginning of the year	40,286	20,025
Payments during the year	(34,183)	(14,420)
Addition	84,490	32,072
Interest for the year	6,864	2,609
<b>At end of the year</b>	<b>97,457</b>	<b>40,286</b>

## 27. Property, plant and equipment

	Land and buildings	Furniture, fittings and other equipment	Motor vehicles	Computers	Total
<b>At 31 December 2025</b>					
Cost	-	52,680	240	139,145	192,065
Accumulated depreciation	-	(40,771)	(240)	(92,939)	(133,950)
<b>Net book amount</b>	<b>-</b>	<b>11,909</b>	<b>-</b>	<b>46,206</b>	<b>58,115</b>
<b>Year ended 31 December 2025</b>					
Opening net book amount	15,068	8,133	-	30,317	53,518
Additions	-	13,247	-	26,057	39,304
Disposals - Cost	(23,835)	-	-	-	(23,835)
Disposals - Accumulated depreciation	8,988	-	-	-	8,988
Depreciation charge	(221)	(9,470)	-	(10,168)	(19,859)
<b>Closing net book amount</b>	<b>-</b>	<b>11,909</b>	<b>-</b>	<b>46,206</b>	<b>58,115</b>
<b>At 31 December 2024</b>					
Cost	23,835	39,434	240	113,088	176,597
Accumulated depreciation	(8,767)	(31,301)	(240)	(82,771)	(123,079)
<b>Net book amount</b>	<b>15,068</b>	<b>8,133</b>	<b>-</b>	<b>30,317</b>	<b>53,518</b>
<b>Year ended 31 December 2024</b>					
Opening net book amount	15,365	12,114	-	19,710	47,189
Additions	-	2,179	-	18,247	20,426
Disposals - Cost	-	-	-	-	-
Disposals - Accumulated depreciation	-	-	-	-	-
Depreciation charge	(297)	(6,160)	-	(7,640)	(14,097)
<b>Closing net book amount</b>	<b>15,068</b>	<b>8,133</b>	<b>-</b>	<b>30,317</b>	<b>53,518</b>

### 27.1 Property, plant and equipment acquired during the financial year

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 39.30Mn. (31 December 2024 - Rs. 20.43 Mn).

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 27. Property, plant and equipment (Contd.)

### 27.2 Fully depreciated property, plant and equipment

Cost of fully-depreciated property, plant and equipment, which are still in use as at 31 December 2025 is Rs. 85.09Mn. (31 December 2024 - Rs.80.42 Mn).

27.3 There were no items of property plant and equipment pledge as security for liabilities of the company as at the reporting date.

### 27.4 Information on the freehold land and buildings of the Company

Address	Land extent (A-R-P)	Building extent (Sq.Ft.)	No of buildings	Cost of land and building 31 December		Carrying amount of land and building 31 December	
				2025	2024	2025	2024
No : 21, Kumara Veediya, within Ward No: 19 of Kandy Municipal Council, Kandy District, Central Province	OA-OR-4.75P	3040	1	-	23,835	-	15,068

27.5 On September 30, 2025, the Company sold above mentioned land for Rs. 86 million in cash, resulting in a gain of Rs. 71 million based on a carrying amount of Rs.15 million, recognized in other income for the year ended 31 December 2025.

## 28. Intangible assets

	Software	Capital work-in progress (CWIP)	Total
<b>At 31 December 2025</b>			
Cost	368,195	108,082	476,277
Accumulated amortisation	(172,651)	-	(172,651)
<b>Net book amount</b>	<b>195,544</b>	<b>108,082</b>	<b>303,626</b>
<b>Year ended 31 December 2025</b>			
Opening net book amount	186,195	11,142	197,337
Additions	42,784	104,565	147,349
Transfers	7,625	(7,625)	-
Amortisation charge	(41,060)	-	(41,060)
<b>Closing net book amount</b>	<b>195,544</b>	<b>108,082</b>	<b>303,626</b>
<b>At 31 December 2024</b>			
Cost	317,786	11,142	328,928
Accumulated depreciation	(131,591)	-	(131,591)
<b>Net book amount</b>	<b>186,195</b>	<b>11,142</b>	<b>197,337</b>
<b>Year ended 31 December 2024</b>			
Opening net book amount	164,627	25,767	190,394
Additions	38,319	2,945	41,264
Transfers	17,570	(17,570)	-
Amortisation charge	(34,321)	-	(34,321)
<b>Closing net book amount</b>	<b>186,195</b>	<b>11,142</b>	<b>197,337</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 28.1 Intangible assets acquired during the financial year

During the financial year, the Company acquired intangible assets (computer software) to the aggregate value of Rs. 147.35Mn. (31 December 2024: Rs. 41.26Mn).

## 28.2 Fully amortised intangible assets

Cost of fully depreciated intangible assets, which are still in use as at 31 December 2025 was Rs. 13.77Mn (31 December 2024: Rs. 13.76Mn).

## 29. Deferred tax asset

(a) The movement on the deferred income tax asset account is as follows:

	Accelerated depreciation for tax purposes						Total
	Property plant and equipment	Leased assets / liabilities	Equity securities FVTOCI	Provision for loan losses	Retirement benefit obligation	Tax on carried forward losses	
Balance as at 1 January 2025	(14,588)	858	(302)	17,433	3,528	85,769	92,698
Income statement (Note 15.1)	4,228	388	-	34,051	923	(85,769)	(46,179)
Other comprehensive income	-	-	(346)	-	(179)	-	(525)
<b>Balance as at 31 December 2025</b>	<b>(10,360)</b>	<b>1,246</b>	<b>(648)</b>	<b>51,484</b>	<b>4,272</b>	<b>-</b>	<b>45,994</b>
Balance as at 1 January 2023	(17,341)	(360)	(276)	24,395	2,741	108,334	117,493
Income statement (Note 15.1)	2,753	1,218	-	(6,962)	408	(22,565)	(25,148)
Other comprehensive income	-	-	(26)	-	379	-	(353)
<b>Balance as at 31 December 2024</b>	<b>(14,588)</b>	<b>858</b>	<b>(302)</b>	<b>17,433</b>	<b>3,528</b>	<b>85,769</b>	<b>92,698</b>

Deferred tax assets and liabilities are measured at the tax rate of 30% (2024-30%).

## 30. Financial liabilities at amortised cost – due to customers

	31 December	
	2025	2024
Savings deposits	2,094,960	1,639,433
Time deposits	3,801,602	2,405,420
	<b>5,896,562</b>	<b>4,044,853</b>

## 31. Financial liabilities at amortised cost – due to banks

	31 December	
	2025	2024
<b>Short-term Bank borrowings</b>		
DFCC Bank PLC	1,105,751	100,296
Hatton National Bank PLC	502,135	-
Seylan Bank PLC	502,094	-
	<b>2,109,980</b>	<b>100,296</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 32. Retirement benefit obligations

### 32.1 Defined benefit obligations

(a) The movement in the present value of defined benefit obligation over the year is as follows :

	31 December	
	2025	2024
At 1 January	11,759	9,133
Current service cost	3,537	2,781
Interest expense	1,176	1,187
<b>Total amount recognized in profit and loss</b>	<b>4,713</b>	<b>3,968</b>
<b>Amount recognized in other comprehensive income</b>		
Remeasurement (gain) / losses on defined benefit obligations	(595)	1,265
<b>Total amount recognized in other comprehensive income</b>	<b>(595)</b>	<b>1,265</b>
Benefits paid	(1,636)	(2,607)
<b>At 31 December</b>	<b>14,241</b>	<b>11,759</b>

This obligation is not externally funded.

An actuarial valuation of the gratuity fund was carried out as at 31 December 2025 by Ms. P Senevirathne, AIA of Messrs Actuarial & Management Consultants (Pvt) Ltd, a firm of professional actuary. The valuation method used by the actuary to value the fund is the "Projected Unit Credit Actuarial Cost Method", recommended by Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

### 32.2 Key assumptions used in the above valuation are as follows:

	31 December	
	2025	2024
Discount rate per annum	9.75%	10.00%
Future salary increment rate	8.00%	8.00%
Retirement age (years)	60 years	60 years
Mortality	A 1967/70 Mortality Table	A 1967/70 Mortality Table

Expected average future working life of the active participants is 2.7 years (31 December 2024 - 2.9 years).

### 32.3 The sensitivity of the defined benefit obligation to changes in the principal assumptions is as follows:

	Change in assumption	31 December 2025		31 December 2024	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 3.17%	Increase by 3.37%	Decrease by 3.57%	Increase by 3.83%
Future salary growth rate	1.00%	Increase by 3.57%	Decrease by 3.41%	Increase by 4.06%	Increase by 3.85%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 32.4 Maturity profile of defined benefit obligation

The distribution of the timing of undiscounted benefit payments is as follows:

	31 December	
	2025	2024
Within the next 12 months	3,574	2,067
Between 1-2 years	4,772	4,531
Between 3-5 years	4,460	4,009
Between 6-10 years	7,239	6,880
Beyond 10 years	623	774
	<b>20,668</b>	<b>18,261</b>
Weighted average duration of defined benefit obligation	3.6 years	4.00 years

## 33. Other liabilities

	31 December	
	2025	2024
Amounts due to related companies (Note 41)	84,155	38,788
Payable to margin trading customers	27,076	79,524
Accrued expenses	178,803	40,509
Vendor & other payables	636,132	394,367
Other payables	75,290	31,774
<b>Total other liabilities</b>	<b>1,001,456</b>	<b>584,962</b>

## 34. Stated capital

	31 December 2025		31 December 2024	
	Number of shares	Amount	Number of shares	Amount
<b>Authorized, Issued and fully paid Ordinary shares</b>				
Ordinary Shares as at 1 January	117,399,866	2,934,582	117,399,866	2,934,582
<b>Ordinary Shares as at 31 December</b>	<b>117,399,866</b>	<b>2,934,582</b>	<b>117,399,866</b>	<b>2,934,582</b>

34.1 The shares of the Company are quoted on the Colombo Stock Exchange. The holders of ordinary shares are entitled to one vote per share at General Meetings of the Company.

## 35. Statutory reserve funds

	31 December	
	2025	2024
Balance as at 1 January	16,688	16,688
Transfers during the year	7,986	-
<b>Balance as at 31 December</b>	<b>24,674</b>	<b>16,688</b>

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly 5% of the net profit for the year transferred to Reserve Fund as required by Section 3(b) ii of the said Direction.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 36. Other reserves

The movement of the reserves is as follows:

	Fair value through other comprehensive income	(Accumulated losses)	Total
<b>Balance at 1 January 2024</b>	<b>3,154</b>	<b>(309,659)</b>	<b>(306,505)</b>
Loss for the period	-	(41,083)	(41,083)
Other comprehensive income, net of tax	147	(886)	(739)
Total comprehensive income for the period	<b>147</b>	<b>(41,969)</b>	<b>(41,822)</b>
Transferred to retained earnings	-	-	-
<b>Balance as at 31 December 2024</b>	<b>3,301</b>	<b>(351,628)</b>	<b>(348,327)</b>
<b>Balance at 1 January 2025</b>	<b>3,301</b>	<b>(351,628)</b>	<b>(348,327)</b>
Profit for the period	-	159,727	159,727
Other comprehensive income, net of tax	(199)	417	218
Total comprehensive income for the period	<b>(199)</b>	<b>160,144</b>	<b>159,945</b>
Transferred to retained earnings	-	(7,986)	(7,986)
<b>Balance as at 31 December 2025</b>	<b>3,102</b>	<b>(199,470)</b>	<b>(196,368)</b>

36.1 The changes in fair value of unquoted equity securities are recognised in fair value through other comprehensive income (Note 23).

## 37. Fair value of asset and liabilities

The following describes the methodologies and assumptions used to determine fair value of those financial instruments which are not already recorded at fair value in the financial statements.

### Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than a year) it is assumed that the carrying amounts approximate their fair value.

### Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income primarily consist of unquoted equity securities. Determination of the fair value of unquoted equity is detailed in Note 37.2.

### Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices.

### Variable rate financial instruments

Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

## 37.1 Assets and liabilities measured at fair value and fair value hierarchy

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

The following table represents the fair value level of the financial assets and liabilities that are measured at fair value at the end of the reporting period.

	Level 1		Level 3		Total	
	2025	2024	2025	2024	2025	2024
<b>As at 31 December</b>						
<b>Financial Assets</b>						
Financial assets at FVTPL	3,976	257,224	-	-	3,976	257,224
Financial assets at FVTOCI	-	-	2,505	2,358	2,505	2,358
	<b>3,976</b>	<b>257,224</b>	<b>2,505</b>	<b>2,358</b>	<b>6,481</b>	<b>259,582</b>

## 37.2 Valuation inputs and relationship to fair value

The following table summaries the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value 31 December		Unobservable input	Range of inputs 31 December		Relationship of unobservable inputs to fair value
	2025	2024		2025	2024	
Unlisted equity securities	2,505	2,358	Adjusted net assets value per share	2,505	2,358	31 December 2025: increasing / decreasing adjusted net assets per share by 5% would change the fair value by Rs 125,255. 31 December 2024: increasing / decreasing adjusted net assets per share by 5% would change the fair value by Rs 117,900.

The following table summarises the movement of recurring FV measurement categorised within level 3.

	31 December	
	2025	2024
Amount as at the beginning of the year	2,358	2,185
Total gain / (loss) included under the other comprehensive income	147	173
<b>Amount as at the end of the year</b>	<b>2,505</b>	<b>2,358</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 37. Fair value of asset and liabilities (Contd.)

### 37.3 Financial instruments not measured at fair value and fair value hierarchy

The following table sets out the fair values of financial assets and liabilities not measured at fair value and related fair value hierarchy used:

	Carrying value	Quoted prices in active markets	Significant observable input	Significant unobservable inputs	Total
		Level 1	Level 2	Level 3	
<b>As at 31 December 2025</b>					
<b>Financial assets</b>					
Financial assets at amortised cost -					
Loans and advances	9,158,595	-	9,158,595	-	9,158,595
Financial investments at amortised cost (Treasury bills)	400,714	-	400,714	-	400,714
<b>Total financial assets</b>	<b>9,559,309</b>	<b>-</b>	<b>9,559,309</b>	<b>-</b>	<b>9,559,309</b>
<b>Financial liabilities</b>					
Financial liabilities at amortised cost - due to customers	5,896,562	-	5,896,562	-	5,896,562
Financial liabilities at amortised cost - due to banks	2,109,980	-	2,109,980	-	2,109,980
<b>Total financial liabilities</b>	<b>8,006,542</b>	<b>-</b>	<b>8,006,542</b>	<b>-</b>	<b>8,006,542</b>

	Carrying value	Quoted prices in active markets	Significant observable input	Significant unobservable inputs	Total
		Level 1	Level 2	Level 3	
<b>As at 31 December 2024</b>					
<b>Financial assets</b>					
Financial assets at amortised cost -					
Loans and advances	5,171,335	-	5,171,335	-	5,171,335
Financial investments at amortised cost (Treasury bills)	387,959	-	387,959	-	387,959
<b>Total financial assets</b>	<b>5,559,294</b>	<b>-</b>	<b>5,559,294</b>	<b>-</b>	<b>5,559,294</b>
<b>Financial liabilities</b>					
Financial liabilities at amortised cost - due to customers	4,044,853	-	4,044,853	-	4,044,853
Financial liabilities at amortised cost - due to banks	100,296	-	100,296	-	100,296
<b>Total financial liabilities</b>	<b>4,145,149</b>	<b>-</b>	<b>4,145,149</b>	<b>-</b>	<b>4,145,149</b>

The following table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair values since, they are short term in nature or re-priced to current market rates frequently.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## Assets

Cash and bank balances  
 Securities purchased under repurchase agreements  
 Placements with financial institutions  
 Other assets

## Liabilities

Other payables

All of the resulting fair value estimates are included in level 2, except for fair value hierarchies disclosed elsewhere in the financial statements, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

## 38. Commitments and contingencies

	31 December	
	2025	2024
<b>Commitments</b>		
<b>Commitment for unutilised facilities</b>		
- Factoring & revolving loans	2,713	425,176
Capital commitments	110,129	33,366
	112,842	458,542
<b>Contingent liabilities</b>		
Guarantees	-	-
<b>Total commitments and contingencies</b>	<b>112,842</b>	<b>458,542</b>

### 38.1 Commitment and contingencies

As at 31 December 2025	On demand	Within 01 year	1 - 5 years	More than 5 years	Total
<b>Commitments</b>					
<b>Commitment for unutilised facilities</b>					
- Factoring & revolving loans	2,713	-	-	-	2,713
Capital commitments	-	110,129	-	-	110,129
	2,713	110,129	-	-	112,842
<b>Contingent liabilities</b>					
Guarantees	-	-	-	-	-
<b>Total commitments and contingencies</b>	<b>2,713</b>	<b>110,129</b>	<b>-</b>	<b>-</b>	<b>112,842</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 38. Commitments and contingencies (Contd.)

### 38.1 Commitment and contingencies (Contd.)

As at 31 December 2024	On demand	Within 01 year	1 - 5 years	More than 5 years	Total
<b>Commitments</b>					
<b>Commitment for unutilised facilities</b>					
- Factoring & revolving loans	425,176	-	-	-	425,176
Capital commitments	-	33,366	-	-	33,366
	<b>425,176</b>	<b>33,366</b>	-	-	<b>458,542</b>
<b>Contingent liabilities</b>					
Guarantees	-	-	-	-	-
<b>Total commitments and contingencies</b>	<b>425,176</b>	<b>33,366</b>	-	-	<b>458,542</b>

### 38.2 Litigation filed by the Company / against the Company

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing. There were no pending litigations against the Company as at 31 December 2025 which would have a material impact on the financial statements.

## 39. Events after the reporting period

No circumstances have arisen since the statement of financial position date which requires adjustments to or disclosures in the financial statements.

## 40. Comparative information

The comparative information is reclassified wherever necessary to conform to the current period's presentation.

## 41. Related party transactions

The Company carried out transactions in the normal course of business at prices available at negotiated terms with the parties who are defined as Related Parties as per the LKAS 24. The names of these related parties, nature of these transactions and their total value have been set out in accordance with the provisions of LKAS 24: "Related Party Disclosure".

### 41.1 Parent and ultimate parent

Dialog Axiata PLC owns 99.05% of the total number of shares in issue of the Company. The remaining 0.95% of the shares are widely held. The ultimate parent of the Company is Axiata Group Berhad.

### 41.2 Transactions with key Management Personnel

According to Sri Lanka Accounting Standard-LKAS 24 (Related Party Disclosures), Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. According to the above definition a person cannot be considered as a KMP unless such person has both the authority and responsibility to carry out all of the three activities mentioned in the above definition (i.e. planning, directing and controlling the activities of the entity). Such KMPs include the Board of Directors of the Company.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

Close Family Members (CFMs) of KMPs are those family members who may be expected to influence or be influenced by that KMP in their dealings with the entity. CFMs may include the domestic partner and children of KMP's domestic partner and dependents of KMP and the KMP's domestic partner.

	31 December	
	2025	2024
<b>Statement of Financial Position</b>		
<b>Assets</b>		
Financial assets at amortised cost - Loans and advances	-	-
<b>Liabilities</b>		
Financial liabilities at amortised cost - Due to depositors	400,126	303,740
<b>Net accommodation as a % of Company's regulatory capital</b>		
Direct accommodation	0.0%	0.0%

	Year ended 31 December	
	2025	2024
<b>Statement of Profit or Loss</b>		
<b>Expenses</b>		
Directors' fees and short-term employee benefits	25,083	23,920
Interest expense	38,474	26,792

## 41.3 Transactions with related companies

### (a) Transactions with the parent company, Dialog Axiata PLC

	31 December	
	2025	2024
<b>Statement of Financial Position</b>		
<b>Assets</b>		
Cash in eZ cash wallet	49,787	57,295
Other assets	45,499	55,141
<b>Liabilities</b>		
Financial liabilities at amortised cost - Due to depositors	1,547,030	1,361,976
Other liabilities	49,072	24,849

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 41. Related party transactions (Contd.)

	Year ended 31 December	
	2025	2024
<b>Statement of Profit or Loss</b>		
<b>Income</b>		
Fee & commission income	604,429	233,453
<b>Expenses</b>		
Interest expense	53,838	51,112
Hosting fee	12,512	7,474
Commission expenses	21,910	5,055
Telecommunication services	3,641	2,312

### (b) Transactions with the Affiliates

	31 December	
	2025	2024
<b>Statement of Financial Position</b>		
<b>Assets</b>		
Purchase of intangible assets	-	4,838
Other assets	661	-
<b>Liabilities</b>		
Financial liabilities at amortised cost - Due to depositors	1,108	1,098
Other liabilities	35,083	13,939
<b>Net accommodation as a % of Company's regulatory capital</b>		
Direct accommodation	0.0%	0.0%

	Year ended 31 December	
	2025	2024
<b>Statement of Profit or Loss</b>		
<b>Income</b>		
Interest & Fee income	-	117
Lease rental	-	360
<b>Expenses</b>		
Interest expense	64	454
Telecommunication Services	115,420	93,673
Maintenance & support services	2,429	6,212

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 42. Risk management

### 42.1 Introduction

Risk is inherent in all aspects of financial business activities and whilst many of these risks cannot be eliminated, they can however be identified, quantified and controlled. Company had implemented a robust Enterprise Risk Management system for identifying, assessing, monitoring and managing material risk throughout the organisation which includes:

- Oversight of the risk management system.
- Examination of the Company's risk profile which contains a description of the material risks faced by the Company including financial and non-financial matters.
- Mechanism to review, at least annually, the effectiveness of the Company's implementation of the risk management system.

This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

#### (a) Risk governance

The Board of Directors have overall responsibility to ensure that an effective Risk Management framework is developed and implemented across the company and the Board have delegated this responsibility to the Board Integrated Risk Management Committee (BIRMC). The BIRMC was set up to fulfil the requirements set out in the Finance companies Direction No.5 of 2021 on Corporate Governance for Finance Companies issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act, No.42 of 2011. This subcommittee will be primarily responsible for the following,

- Assess all credit, market, liquidity, operation and strategic risk.
- Review the adequacy and effectiveness of all management level committees such as Asset and Liability Management Committee (ALCO) and Credit Committee.
- Adequacy of the Company's capital.
- Risk exposures and risk profiles of the company are within the Risk Appetite and to make recommendations to the Board of Directors on any action required.
- Ensure the company is compliant with relevant laws, regulations and standards.

The BIRMC Committee consists membership of 3 Directors (appointed by the Board), Chief Executive Officer and key management personnel from Risk Management, Finance and Operations.

The Assets and Liability Committee (ALCO) of the company meets every month to assess and discuss the Risk relating to Market, Liquidity, Assets and Liabilities. Investment related risks are also reviewed. Significant decisions made by ALCO is updated to the BIRMC and to the Board of Directors on a quarterly basis.

Further, Credit Committee decisions and credit related risks are also updated to BIRMC and to the Board of Directors on a quarterly basis.

Board approved Risk management policy provides the guidelines to identify analyse and manage the risks faced by the Company and to ensure the risks are maintained within the risk appetite of the company through necessary controls and setting of limits. The policy also stipulates the process of ongoing monitoring of the identified risks. Risk policy and Risk Management framework are reviewed regularly to reflect changes in the market conditions, products and services offered. Employees of the company are constantly provided with updates and are enlightened of their roles and responsibilities through training, procedures and disciplined control environment maintained by the Company.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 42. Risk management (Contd.)

### 42.1 Introduction (Contd.)

#### (a) Risk governance (Contd.)

The Company adopts the Three Lines of Defence model in managing risks. The oversight responsibilities are outlined below,

##### (i) 1st Line of Defence

Department Head / Manager should identify, assess, monitoring and reporting risks.

##### (ii) 2nd Line of Defence

BIRMC, ALCO, Head of Risk and Compliance and Head of Legal and Regulatory will develop, implement & monitor effective Enterprise Risk Management Framework to ensure risks are within the risk appetite of the company.

In addition to the BIRM Committee and ALCO, the Enterprise Risk Management function in the company is carried out by Risk Management Department (RMD). RMD is responsible for implementing and maintaining the risk management framework including, implementing the risk policy, maintaining the risk registers and ensuring risk mitigating actions are taken by closely working with the relevant departments in the company. This unit submits a monthly report to Board on identified key risks to the company.

##### (iii) 3rd Line of Defence

Oversight by Internal Audit and Board Audit Committee.

Based on the above the Company is exposed to Credit Risk, Market Risk- Interest Rate Risk, Liquidity Risk, Regulatory & Compliance Risk, Operations Risk and Reputation Risk.

### 42.2 Credit Risk

Credit risk, or default risk, is the risk that a financial loss will be incurred if a counterparty to a transaction does not fulfil its financial obligations in a timely manner. It is therefore a function of the following: the value of the position exposed to default (the credit or credit risk exposure); the proportion of this value that would be recovered in the event of a default; and the probability of default. The risk is primarily that of the lender and includes lost capital and interest, disruption to cash flows, and results in accelerated recovery costs.

The strategy of Company is not to eliminate credit risk, but to maintain the same within pre-determined acceptance levels. The Company manages and controls credit risk by setting limits on the level of risk it is willing to accept for individual counterparties and industry concentrations, and by monitoring exposures in relation to such limits.

#### Managing Credit Risk

The company manages its credit risk through a robust credit model that considers the behavioral pattern of individual customers. In addition, the company also carries out rigorous screening and review process of facilities granted to corporates and their loan limits are assigned considering the collateral, the repayment ability, Guarantors and financial position of the borrower.

Post disbursement of the facility, ongoing monitoring is carried out by Credit Risk Management Department whilst also carrying out monthly performance review of Corporate clients to identify potential warning signs of default and taking corrective action such as reporting to the relevant relationship managers.

# Notes to the Financial Statements

*(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)*

## **(a) Impairment Assessment**

The model of impairment assessment has been explained in Note 5.3 under Accounting policies. The references below should be read in conjunction with those Accounting policies.

### **(i) Definition of default and cure**

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal assessment of the borrower indicating default and near-default
- The borrower requesting emergency funding from the Company
- The borrower having past due liabilities to public creditors
- The borrower is deceased
- A material decreases in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decreases in the borrower's turnover or the loss of a major customer
- A covenant breach not waived off by the Company
- The debtor (or any legal entity within debtor's group) filing for bankruptcy
- Debtor's listed debt or equity is suspended at the primary exchange because of rumors or facts about financial difficulties.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

### **(ii) Significant increase in credit risk**

The Company continuously monitors all assets subject to ECLs. The Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significantly increased in credit risk basing on its age movements and the exposure defaults basing on the objective evidence.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 42. Risk management (Contd.)

### 42.2 Credit Risk (Contd.)

#### (b) Credit quality by class of financial assets

Assets	Note	At 31 December 2025				At 31 December 2024					
		Neither past due nor impaired	Past due but not individually impaired	Individually impaired	Total	Neither past due nor impaired	Past due but not individually impaired	Individually impaired	Total	%	
Cash and cash balances	18	602,321	-	-	602,321	252,249	-	-	252,249	5.02%	3.49%
Placements with banks	19	161,838	-	-	161,838	168,522	-	-	168,522	1.35%	2.33%
Securities purchased under repurchase agreements	20	625,637	-	-	625,637	510,114	-	-	510,114	5.22%	7.05%
Financial assets at fair value through profit or loss	21	3,976	-	-	3,976	257,319	-	-	257,319	0.03%	3.56%
Lease receivable	22.1	196,657	217,694	25,375	439,726	181,476	166,714	11,520	359,710	3.67%	4.97%
Factoring & revolving loans	22.2	-	2,473	25,217	27,690	111,690	3,553	29,040	144,283	0.23%	1.99%
Margin trading receivable	22.3	1,171,684	-	-	1,171,684	635,179	-	-	635,179	9.77%	8.78%
Term loans	22.4	6,173,359	1,762,771	126,737	8,062,867	3,289,461	892,822	85,240	4,267,523	67.22%	58.99%
Financial assets at fair value through other comprehensive income	23	2,505	-	-	2,505	2,358	-	-	2,358	0.02%	0.03%
Financial investment at amortised cost	24	400,714	-	-	400,714	387,959	-	-	387,959	3.34%	5.36%
Other financial assets	25	496,161	-	-	496,161	249,528	-	-	249,528	4.13%	3.45%
<b>Total financial assets</b>		<b>9,834,852</b>	<b>1,982,938</b>	<b>177,329</b>	<b>11,995,119</b>	<b>6,045,855</b>	<b>1,063,089</b>	<b>125,800</b>	<b>7,234,744</b>	<b>100.00%</b>	<b>100.00%</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

(i) Aging analysis of past due (i.e. facilities in arrears of 1 day and above) but not individually impaired loans by class of financial assets.

	31 December 2025					31 December 2024				
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Lease receivable	144,878	23,443	33,457	15,916	217,694	110,800	45,641	1,404	8,869	166,714
Factoring & revolving loans	2,287	-	-	186	2,473	-	-	-	3,553	3,553
Margin trading receivable	-	-	-	-	-	-	-	-	-	-
Term loans	1,010,556	371,308	89,785	291,122	1,762,771	489,513	242,938	49,961	110,410	892,822
<b>Total</b>	<b>1,157,721</b>	<b>394,751</b>	<b>123,242</b>	<b>307,224</b>	<b>1,982,938</b>	<b>600,313</b>	<b>288,579</b>	<b>51,365</b>	<b>122,832</b>	<b>1,063,089</b>

(c) Maximum exposure to credit risk

	At 31 December 2025		At 31 December 2024	
	Maximum exposure to credit risk	Net exposure	Maximum exposure to credit risk	Net exposure
<b>Financial assets</b>				
Cash and bank balances	602,321	602,236	252,249	252,167
Placements with banks	161,838	161,800	168,522	168,488
Securities purchased under repurchase agreements	625,637	625,521	510,114	509,924
Financial assets at fair value through profit or loss	3,976	3,976	257,319	257,224
Lease receivable	439,726	418,100	359,710	341,806
Factoring & revolving loans	27,690	7,612	144,283	130,636
Margin trading receivable	1,171,684	1,167,735	635,179	632,682
Term loans	8,062,867	7,565,148	4,267,523	4,066,211
Financial assets at fair value through other comprehensive income	2,505	2,505	2,358	2,358
Financial investment at amortised cost	400,714	400,714	387,959	387,959
Other financial assets	496,161	496,161	249,528	249,528
<b>Total financial assets</b>	<b>11,995,119</b>	<b>11,451,508</b>	<b>7,234,744</b>	<b>6,998,983</b>

99.74% of loans and advances are secured against securities including immovable property, movable property, deposits held within the Company and other securities as at end of 31 December 2025.  
(31 December 2024 – 99.99%)

(d) Collateral and other credit enhancements – Stage 3 Loans and advances

	31 December 2025				31 December 2024			
	Vehicles	Land Security	Other Security	Total	Vehicles	Land Security	Other Security	Total
Lease receivable	41,291	-	-	41,291	20,389	-	-	20,389
Factoring & revolving loans	-	186	24,768	24,954	-	186	18,531	18,717
Term loans	-	15,340	397,969	413,309	-	1,175	189,444	190,619
<b>Total</b>	<b>41,291</b>	<b>15,526</b>	<b>422,737</b>	<b>479,554</b>	<b>20,389</b>	<b>1,361</b>	<b>207,975</b>	<b>229,725</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 42. Risk management (Contd.)

### 42.2 Credit Risk (Contd.)

#### (e) Analysis of risk concentration

The following table shows the risk concentration by sector for the financial assets components of the statement of financial position.

As at 31 December 2025	Manu- facturing	Tourism	Agri- culture	Trade	Con- struc- tion	Transport	Services	Gover- nment	Financial Institutions	Con- sumption	Others	Total
Cash and bank balances	-	-	-	-	-	-	-	-	602,236	-	-	602,236
Placements with banks	-	-	-	-	-	-	-	-	161,800	-	-	161,800
Securities purchased under repurchase agreements	-	-	-	-	-	-	-	-	625,521	-	-	625,521
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	3,976	3,976
Lease receivable	96,155	20,271	-	105,780	6,051	31,956	47,527	-	42,213	68,147	-	418,100
Factoring & revolving loans	2,282	-	-	123	5,207	-	-	-	-	-	-	7,612
Margin trading receivables	-	-	-	-	-	-	-	-	1,167,596	139	-	1,167,735
Term loans	142,126	35,462	26,361	3,587,791	8,739	28,683	514,756	-	22,123	3,199,107	-	7,565,148
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	2,505	2,505
Financial investments at amortised cost	-	-	-	-	-	-	-	400,714	-	-	-	400,714
Other financial assets	-	-	-	-	-	-	-	-	-	-	496,161	496,161
<b>Total financial assets</b>	<b>240,563</b>	<b>55,733</b>	<b>26,361</b>	<b>3,693,694</b>	<b>19,997</b>	<b>60,639</b>	<b>562,283</b>	<b>400,714</b>	<b>2,621,489</b>	<b>3,267,393</b>	<b>502,642</b>	<b>11,451,508</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

As at 31 December 2024	Manu- facturing	Tourism	Agri- culture	Trade	Cons- truction	Transport	Services	Gover- nment	Financial Institutions	Con- sumption	Others	Total
Cash and bank balances	-	-	-	-	-	-	-	-	252,167	-	-	252,167
Placements with banks	-	-	-	-	-	-	-	-	168,488	-	-	168,488
Securities purchased under repurchase agreements	-	-	-	-	-	-	-	-	509,924	-	-	509,924
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	257,224	257,224
Lease receivable	52,783	-	-	31,349	274	9,119	61,211	-	-	187,070	-	341,806
Factoring & revolving loans	41,207	-	-	37,703	8,252	19,686	23,788	-	-	-	-	130,636
Margin trading receivables	-	-	-	-	-	-	-	-	632,682	-	-	632,682
Term loans	31,058	2,018	14,134	1,655,904	15,534	21,419	663,828	-	-	1,662,316	-	4,066,211
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	2,358	2,358
Financial investments at amortised cost	-	-	-	-	-	-	-	387,959	-	-	-	387,959
Other financial assets	-	-	-	-	-	-	-	-	-	-	249,528	249,528
<b>Total financial assets</b>	<b>125,048</b>	<b>2,018</b>	<b>14,134</b>	<b>1,724,956</b>	<b>24,060</b>	<b>50,224</b>	<b>748,827</b>	<b>387,959</b>	<b>1,563,261</b>	<b>1,849,386</b>	<b>509,110</b>	<b>6,998,983</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 42. Risk management (Contd.)

### 42.2 Credit Risk (Contd.)

(f) Credit exposure and provision for impairment movement - Loans & Advances

As at 31 December 2025	Subject to			
	Carrying amount	12 months ECL (Stage 1)	Life-time ECL not credit impaired (Stage 2)	Life-time ECL credit impaired (Stage 3)
<b>Financial assets at amortized cost – loans &amp; advances</b>				
Gross carrying amount as at 1 January 2025	5,406,695	4,934,705	228,390	243,600
Transfer to stage 1	-	60,578	(57,601)	(2,977)
Transfer to stage 2	-	(193,615)	196,026	(2,411)
Transfer to stage 3	-	(127,850)	(54,616)	182,466
New assets originated or purchased	17,082,177	15,999,136	478,406	604,635
Financial assets de-recognised or repaid	(12,786,905)	(11,893,147)	(348,136)	(545,622)
<b>Gross carrying amount as at 31 December 2025</b>	<b>9,701,967</b>	<b>8,779,807</b>	<b>442,469</b>	<b>479,691</b>

As at 31 December 2025	Subject to			
	Carrying amount	12 months ECL (Stage 1)	Life-time ECL not credit impaired (Stage 2)	Life-time ECL credit impaired (Stage 3)
<b>Financial assets at amortized cost – loans &amp; advances</b>				
Provision for impairment as at 1 January 2025	235,360	45,503	23,233	166,624
Transfer to stage 1	-	5,042	(3,884)	(1,158)
Transfer to stage 2	-	(2,118)	2,894	(776)
Transfer to stage 3	-	(2,978)	(8,575)	11,553
New assets originated or purchased	351,598	100,881	62,660	188,057
Financial assets de-recognised or repaid	(43,586)	(22,316)	(8,730)	(12,540)
<b>Provision for impairment as at 31 December 2025</b>	<b>543,372</b>	<b>124,014</b>	<b>67,598</b>	<b>351,760</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

As at 31 December 2024	Subject to			
	Carrying amount	12 months ECL (Stage 1)	Life-time ECL not credit impaired (Stage 2)	Life-time ECL credit impaired (Stage 3)
<b>Financial assets at amortized cost – loans &amp; advances</b>				
Gross carrying amount as at 1 January 2024	3,185,635	2,846,345	187,724	151,566
Transfer to stage 1	-	41,279	(32,839)	(8,440)
Transfer to stage 2	-	(92,757)	98,277	(5,520)
Transfer to stage 3	-	(63,294)	(50,464)	113,758
New assets originated or purchased	8,739,316	8,282,621	221,615	235,080
Financial assets de-recognised or repaid	(6,596,489)	(6,169,176)	(200,691)	(226,622)
Write-offs	(21,754)	-	-	(21,754)
Other movements (Reschedule facilities)	99,987	89,687	4,768	5,532
<b>Gross carrying amount as at 31 December 2024</b>	<b>5,406,695</b>	<b>4,934,705</b>	<b>228,390</b>	<b>243,600</b>

As at 31 December 2024	Subject to			
	Carrying amount	12 months ECL (Stage 1)	Life-time ECL not credit impaired (Stage 2)	Life-time ECL credit impaired (Stage 3)
<b>Financial assets at amortized cost – loans &amp; advances</b>				
Gross carrying amount as at 1 January 2024	142,733	26,972	44,559	71,202
Transfer to stage 1	-	6,056	(2,915)	(3,141)
Transfer to stage 2	-	(1,137)	3,210	(2,073)
Transfer to stage 3	-	(383)	(30,094)	30,477
New assets originated or purchased	105,164	38,152	17,273	49,739
Financial assets de-recognised or repaid	(47,088)	(10,746)	(10,320)	(26,022)
Write-offs	21,754	-	-	21,754
Other movements (Reschedule facilities)	12,797	(13,411)	1,520	24,688
<b>Gross carrying amount as at 31 December 2024</b>	<b>235,360</b>	<b>45,503</b>	<b>23,233</b>	<b>166,624</b>

## 42.3 Market risk

Market risk is the risk that arises from movements in stock prices, interest rates, exchange rates, and commodity prices. The company has identified that Interest Rate Risk as the most critical risk to the organisation.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 42. Risk Management (Contd.)

### 42.3 Market Risk (Contd.)

#### (a) Interest Rate Risk

Interest Rate Risk (IRR) is the loss of net interest income to the company due to changes in the market interest rates as the company is involved in lending to borrowers from the funds obtained as deposits from customers. It refers to the vulnerability of an institution's financial condition due to the movement in interest rates. Changes in interest rate affect earnings, value of assets, liability, off-balance sheet items and cash flow. Hence, the objective of interest rate risk management is to maintain earnings, improve the capability, ability to absorb potential loss and to ensure the adequacy of the compensation received for the risk taken.

#### Managing interest rate risk

Interest rate risk is managed principally through interest rate gaps and by having pre-approved limits for re-pricing products. ALCO is the monitoring body for compliance with these limits and assisted by Finance Department. Monitoring includes changes in the Company's interest rate exposures, which include the impact of the Company's outstanding or forecast debt obligations. Management of interest rate risk aims at capturing the risk arising from the maturity and re-pricing.

#### i. Interest rate risk exposure on non-trading financial assets & 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 reprising or maturity dates.

As at 31 December 2025	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
<b>Financial assets</b>							
Cash and cash equivalents	602,236	-	-	-	-	-	602,236
Placements with financial institution	60,173	101,627	-	-	-	-	161,800
Securities purchased under repurchase agreements	625,521	-	-	-	-	-	625,521
Financial assets at fair value through profit or loss	-	-	-	-	-	3,976	3,976
Lease receivable	46,124	114,482	167,451	90,043	-	-	418,100
Factoring & revolving loans	7,612	-	-	-	-	-	7,612
Margin trading receivables	1,167,735	-	-	-	-	-	1,167,735
Term loans	2,305,450	3,158,567	2,021,421	79,710	-	-	7,565,148
Equity instruments at fair value through other comprehensive Income	-	-	-	-	-	2,505	2,505
Financial investments at amortised cost	400,714	-	-	-	-	-	400,714
Other financial assets	-	-	-	-	-	491,161	491,161
<b>Total financial assets</b>	<b>5,215,565</b>	<b>3,374,676</b>	<b>2,188,872</b>	<b>169,753</b>	<b>-</b>	<b>504,642</b>	<b>11,451,508</b>
<b>Financial liabilities</b>							
Financial liabilities at amortised cost – due to customers	3,541,118	2,016,542	323,237	15,665	-	-	5,896,562
Financial liabilities at amortised cost – due to banks	1,559,980	550,000	-	-	-	-	2,109,980
Lease liabilities	5,254	23,690	68,513	-	-	-	97,457
Other financial liabilities	-	-	-	-	-	1,001,456	1,001,456
<b>Total financial liabilities</b>	<b>5,106,352</b>	<b>2,590,232</b>	<b>391,750</b>	<b>15,665</b>	<b>-</b>	<b>1,001,456</b>	<b>9,105,445</b>
<b>Interest sensitivity gap</b>	<b>109,213</b>	<b>784,444</b>	<b>1,797,122</b>	<b>154,088</b>	<b>-</b>	<b>(498,814)</b>	<b>2,346,053</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

As at 31 December 2024	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
<b>Financial assets</b>							
Cash and cash equivalents	252,167	-	-	-	-	-	252,167
Placements with financial institution	59,287	109,201	-	-	-	-	168,488
Securities purchased under repurchase agreements	509,924	-	-	-	-	-	509,924
Financial assets at fair value through profit or loss	-	-	-	-	-	257,224	257,224
Lease receivable	39,014	77,837	134,843	90,112	-	-	341,806
Factoring & revolving loans	101,967	28,669	-	-	-	-	130,636
Margin trading receivables	632,682	-	-	-	-	-	632,682
Term loans	1,200,052	1,475,658	1,285,303	105,198	-	-	4,066,211
Equity instruments at fair value through other comprehensive Income	-	-	-	-	-	2,358	2,358
Financial investments at amortised cost	99,208	288,751	-	-	-	-	387,959
Other financial assets	-	-	-	-	-	249,528	249,528
<b>Total financial assets</b>	<b>2,894,301</b>	<b>1,980,116</b>	<b>1,420,146</b>	<b>195,310</b>	<b>-</b>	<b>509,110</b>	<b>6,998,983</b>
<b>Financial liabilities</b>							
Financial liabilities at amortised cost – due to customers	2,780,512	1,122,658	127,402	14,281	-	-	4,044,853
Financial liabilities at amortised cost – due to banks	100,296	-	-	-	-	-	100,296
Lease liabilities	6,790	10,152	16,730	6,614	-	-	40,286
Other financial liabilities	-	-	-	-	-	584,962	584,962
<b>Total financial liabilities</b>	<b>2,887,598</b>	<b>1,132,810</b>	<b>144,132</b>	<b>20,895</b>	<b>-</b>	<b>584,962</b>	<b>4,770,397</b>
<b>Interest sensitivity gap</b>	<b>6,703</b>	<b>847,306</b>	<b>1,276,014</b>	<b>174,415</b>	<b>-</b>	<b>(75,852)</b>	<b>2,228,586</b>

## ii. Interest rate risk exposure on non-trading financial assets & liabilities

The table below analyses the sensitivity of the Company's Income Statement (net impact) due to change in interest rates by 100 bps on interest bearing non trading financial assets and liabilities with all other variables held constant as at the reporting date.

The impact of changes in interest rates on Net Interest Income (NII) is measured applying interest rate shocks on static balance sheet. In line with the industry practices, interest rate shocks of 100 bps is applied on Rs. denominated assets and liabilities. The potential impact on the Company's profitability due to changes in interest rates is evaluated to ensure that the volatilities are prudently managed within the internal tolerance limits.

Year ended 31 December	2025		2024	
	Interest rate increase	Interest rate decrease	Interest rate increase	Interest rate decrease
<b>Impact on Net Interest Income</b>				
Average for the period	22,640	(22,640)	26,750	(26,750)

## (b) Equity Price risk

Equity price risk arises as a result of any change in market prices and volatilities of individual equities. The Company conducts mark-to-market calculations on a daily, monthly and on a need basis to identify the impact due to changes in equity prices. The table below summarises the impact (both to Income Statement and to equity) due to a change of 10% on equity prices.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 42. Risk Management (Contd.)

### 42.3 Market Risk (Contd.)

#### (b) Equity Price risk (Contd.)

Year ended 31 December	2025	2024
	Financial assets recognised through profit or loss	Financial assets recognised through profit or loss
Market value of equity securities	3,976	3,226
<b>Stress Level</b>	<b>Impact</b>	<b>Impact</b>
Shock of 10% on equity prices (upward)	398	323
Shock of 10% on equity prices (downward)	(398)	(323)

### 42.4 Liquidity risk

The Risk of an organisation not having funds to meet its payment obligations is defined as Liquidity Risk. The company has maintained sufficient levels of liquidity during the financial period.

An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causing counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity.

#### Managing liquidity risk

Liquidity Risk is monitored and managed by ALCO and Finance Department. ALCO provides the necessary guidance to ensure that this risk is avoided by the company. The Company ensures that it always manages the liquidity risk by having sufficient liquidity to meet its liability obligations.

The Company has implemented the Asset and Liability Management (ALM) policy, internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required. A key element of these systems is monitoring and assessing the firm's current and future fund requirement including debt obligations and planning for any unexpected funding needs, regardless of whether they arise from firm-specific factors, or from systemic (economy wide) factors.

#### 42.4.1 Liquid Asset

Liquid asset calculation is performed based on the following calculations as prescribed in the sections 2, 3 and 4 of the Finance Companies (liquid assets) Direction No.04 of 2013.

#### Liquid assets requirement

Every finance company shall maintain a minimum holding of 15% of savings deposit liabilities, 10% of non-transferable certificates and time deposit liabilities and 10% of borrowings at the close of the business on any day. (as per the section 2 and 3 of the said direction).

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## Sri Lanka Government Treasury Bills, Sri Lanka Government Securities and the Central Bank of Sri Lanka Securities requirement

Every finance company shall maintain a minimum holding of 7.5% of average of month end deposit liabilities and borrowings of the twelve months of the preceding financial year (as per the section 4 of the said direction). Liquid assets are maintained in the form of Sri Lanka Government Treasury Bills, Sri Lanka Government Securities and the Central Bank of Sri Lanka Securities which constitutes a part of a liquid asset requirement defined above as per the section 2 and 3 of the said direction.

The Company maintained statutory liquid assets above the level prescribed by the Central Bank of Sri Lanka throughout the year.

	31 December 2025		31 December 2024	
	Actual	CBSL minimum requirement	Actual	CBSL minimum requirement
Total liquid assets	1,652,160	905,402	1,263,426	496,487
Approved government securities	1,020,795	253,784	898,649	241,244

## 42.4.2 Contractual maturities of undiscounted cash flows of financial assets and financial liabilities

The table below summarises the maturity profile of the undiscounted cash flows of the Companies financial assets and liabilities as at 31 December 2025.

The table below analyses the company's internal interest rate risk exposure on non-trading financial assets & liabilities. The company's assets & liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

As at 31 December 2025	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
<b>Financial assets</b>						
Cash and cash equivalents	602,321	-	-	-	-	602,321
Placements with financial institutions	60,211	101,627	-	-	-	161,838
Securities purchased under repurchase agreements	625,637	-	-	-	-	625,637
Financial assets at fair value through profit or loss	3,976	-	-	-	-	3,976
Lease receivable	62,828	154,313	235,920	111,628	-	564,689
Factoring & revolving loans	27,690	-	-	-	-	27,690
Margin trading receivables	1,171,684	-	-	-	-	1,171,684
Term loans	3,008,542	3,975,156	2,516,472	105,087	-	9,605,257
Financial assets at fair value through OCI	-	-	-	-	2,505	2,505
Financial investments at amortised cost	400,714	-	-	-	-	400,714
Other financial assets	450,001	46,160	-	-	-	496,161
<b>Total financial assets</b>	<b>6,413,604</b>	<b>4,277,256</b>	<b>2,752,392</b>	<b>216,715</b>	<b>2,505</b>	<b>13,662,472</b>
<b>Financial liabilities</b>						
Financial liabilities at amortised cost – due to depositors	3,594,000	2,110,368	424,954	17,594	-	6,146,916
Financial liabilities at amortised cost – due to banks	1,003,595	1,140,607	-	-	-	2,144,202
Lease liabilities	5,254	23,690	68,513	-	-	97,457
Other financial liabilities	917,301	84,155	-	-	-	1,001,456
<b>Total financial liabilities</b>	<b>5,520,150</b>	<b>3,358,820</b>	<b>493,467</b>	<b>17,594</b>	<b>-</b>	<b>9,390,031</b>
<b>Net financial assets / liabilities</b>	<b>893,454</b>	<b>918,436</b>	<b>2,258,925</b>	<b>199,121</b>	<b>2,505</b>	<b>4,272,441</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 42. Risk Management (Contd.)

### 42.4.2 Contractual maturities of undiscounted cash flows of financial assets and financial liabilities (Contd.)

As at 31 December 2024	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
<b>Financial assets</b>						
Cash and cash equivalents	252,249	-	-	-	-	252,249
Placements with financial institutions	60,455	111,751	-	-	-	172,206
Securities purchased under repurchase agreements	510,114	-	-	-	-	510,114
Financial assets at fair value through profit or loss	257,319	-	-	-	-	257,319
Lease receivable	53,890	112,729	199,466	108,308	-	474,393
Factoring & revolving loans	115,543	28,740	-	-	-	144,283
Margin trading receivables	635,179	-	-	-	-	635,179
Term loans	1,493,285	1,906,867	1,642,074	127,889	-	5,170,115
Financial assets at fair value through OCI	-	-	-	-	2,358	2,358
Financial investments at amortised cost	100,000	300,000	-	-	-	400,000
Other financial assets	194,388	55,140	-	-	-	249,528
<b>Total financial assets</b>	<b>3,672,422</b>	<b>2,515,227</b>	<b>1,841,540</b>	<b>236,197</b>	<b>2,358</b>	<b>8,267,744</b>
<b>Financial liabilities</b>						
Financial liabilities at amortised cost – due to depositors	2,791,524	1,199,081	168,532	15,643	-	4,174,780
Financial liabilities at amortised cost – Due to banks	102,219	-	-	-	-	102,219
Lease liabilities	7,778	12,419	19,993	6872	-	47,062
Other financial liabilities	546,174	38,788	-	-	-	584,962
<b>Total financial liabilities</b>	<b>3,447,695</b>	<b>1,250,288</b>	<b>188,525</b>	<b>22,515</b>	<b>-</b>	<b>4,909,023</b>
<b>Net financial assets / liabilities</b>	<b>224,727</b>	<b>1,264,939</b>	<b>1,653,015</b>	<b>213,682</b>	<b>2,358</b>	<b>3,358,721</b>

## 43. Capital management

The primary objective of the Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and maintains healthy capital ratios in order to support its business and to maximize shareholders' value. The Company is required to maintain minimum capital requirements as per the guidelines issued by the Central Bank of Sri Lanka (CBSL).

The Company maintained capital and reserves of Rs. 2,759,786,713 as at 31 December 2025 which was above the minimum capital requirement of Rs. 2,500,000,000 as at that date.

Further, the Tier I capital adequacy ratio (CAR) and total CAR of the Company recorded at 17.03% as at 31 December 2025, which were well above the CBSL's prescribed minimum thresholds. The Company is required to maintain Tier I CAR at 8.5% and total CAR at 12.5%.

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 44. Maturity analysis

As at 31 December 2025	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
<b>Assets</b>						
Cash and cash equivalents	602,236	-	-	-	-	602,236
Placements with financial institutions	60,173	101,627	-	-	-	161,800
Securities purchased under repurchase agreements	625,521	-	-	-	-	625,521
Financial assets at fair value through profit or loss	3,976	-	-	-	-	3,976
Lease receivable	46,124	114,482	167,451	90,043	-	418,100
Factoring & revolving loans	7,612	-	-	-	-	7,612
Margin trading receivables	1,167,735	-	-	-	-	1,167,735
Term loans	2,305,450	3,158,567	2,021,421	79,710	-	7,565,148
Financial asset at fair value through OCI	-	-	-	-	2,505	2,505
Financial investments at amortised cost	400,714	-	-	-	-	400,714
Other assets	37,870	458,291	-	-	-	496,161
Income tax receivable	-	-	-	-	-	-
Right-of-use assets	5,730	25,782	61,112	-	-	92,624
Property, plant and equipment	-	-	-	46,206	11,909	58,115
Intangible assets	-	-	-	-	303,626	303,626
Deferred tax assets	-	-	45,994	-	-	45,994
<b>Total assets</b>	<b>5,263,141</b>	<b>3,858,749</b>	<b>2,295,978</b>	<b>215,959</b>	<b>318,040</b>	<b>11,951,867</b>
<b>Liabilities</b>						
Financial liabilities at amortised cost—due to customers	3,541,118	2,016,542	323,237	15,665	-	5,896,562
Financial liabilities at amortised cost—due to banks	1,559,980	550,000	-	-	-	2,109,980
Retirement benefit obligations	-	-	-	-	14,241	14,241
Lease liability	5,254	23,690	68,513	-	-	97,457
Income tax payable	-	69,283	-	-	-	69,283
Other liabilities	917,301	84,155	-	-	-	1,001,456
<b>Total liabilities</b>	<b>6,023,653</b>	<b>2,743,670</b>	<b>391,750</b>	<b>15,665</b>	<b>14,241</b>	<b>9,188,979</b>
<b>Equity</b>						
Stated capital	-	-	-	-	2,934,582	2,934,582
Statutory reserve fund	-	-	-	-	24,674	24,674
Fair value through other comprehensive income	-	-	-	-	3,102	3,102
Retained earnings	-	-	-	-	(199,470)	(199,470)
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,762,888</b>	<b>2,762,888</b>
<b>Total liabilities and equity</b>	<b>6,023,653</b>	<b>2,743,670</b>	<b>391,750</b>	<b>15,665</b>	<b>2,777,129</b>	<b>11,951,867</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 44. Maturity analysis (Contd.)

As at 31 December 2024	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
<b>Assets</b>						
Cash and cash equivalents	252,167	-	-	-	-	252,167
Placements with financial institutions	59,287	109,201	-	-	-	168,488
Securities purchased under repurchase agreements	509,924	-	-	-	-	509,924
Financial assets at fair value through profit or loss	257,224	-	-	-	-	257,224
Lease receivable	39,014	77,837	134,843	90,112	-	341,806
Factoring & revolving loans	101,967	28,669	-	-	-	130,636
Margin trading receivables	632,682	-	-	-	-	632,682
Term loans	1,200,052	1,475,658	1,285,303	105,198	-	4,066,211
Financial asset at value through OCI	-	-	-	-	2,358	2,358
Financial investments at amortised cost	99,208	288,751	-	-	-	387,959
Other assets	194,388	55,140	-	-	-	249,528
Income tax receivable	6,255	-	-	-	-	6,255
Right-of-use assets	-	-	-	36,308	-	36,308
Property, plant and equipment	-	-	-	30,317	23,201	53,518
Intangible assets	-	-	-	-	197,337	197,337
Deferred tax assets	-	-	92,698	-	-	92,698
<b>Total assets</b>	<b>3,352,168</b>	<b>2,035,256</b>	<b>1,512,844</b>	<b>261,935</b>	<b>222,896</b>	<b>7,385,099</b>
<b>Liabilities</b>						
Financial liabilities at amortised cost—due to customers	2,780,512	1,122,658	127,402	14,281	-	4,044,853
Financial liabilities at amortised cost—due to banks	100,296	-	-	-	-	100,296
Retirement benefit obligations	-	-	-	-	11,759	11,759
Lease liabilities	6,790	10,152	16,730	6,614	-	40,286
Other liabilities	546,174	38,788	-	-	-	584,962
<b>Total liabilities</b>	<b>3,433,772</b>	<b>1,171,598</b>	<b>144,132</b>	<b>20,895</b>	<b>11,759</b>	<b>4,782,156</b>
<b>Equity</b>						
Stated capital	-	-	-	-	2,934,582	2,934,582
Statutory reserve fund	-	-	-	-	16,688	16,688
Fair value through other comprehensive income	-	-	-	-	2,415	2,415
Retained earnings	-	-	-	-	(350,742)	(350,742)
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,602,943</b>	<b>2,602,943</b>
<b>Total liabilities and equity</b>	<b>3,433,772</b>	<b>1,171,598</b>	<b>144,132</b>	<b>20,895</b>	<b>2,614,702</b>	<b>7,385,099</b>

# Notes to the Financial Statements

(All amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

## 45. Financial reporting by segment

For the year ended 31 December	Consumer Segment		MSME Segment		Treasury/Investments		Unallocated		Total	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Interest Income	943,006	488,414	696,707	361,888	102,748	187,871	-	-	1,742,461	1,038,173
Interest Expenses	(138,800)	(91,769)	(133,803)	(81,604)	(132,370)	(86,559)	-	-	(404,973)	(259,932)
<b>Net interest income</b>	<b>804,206</b>	<b>396,645</b>	<b>562,904</b>	<b>280,284</b>	<b>(29,622)</b>	<b>101,312</b>	-	-	<b>1,337,488</b>	<b>778,241</b>
Net fees & commission income	611,442	258,675	307,204	92,134	-	-	-	-	918,646	350,809
Other income	33,597	11,003	5,216	4,705	291	709	71,153	-	110,257	16,417
<b>Operating income by segment</b>	<b>1,449,245</b>	<b>666,323</b>	<b>875,324</b>	<b>377,123</b>	<b>(29,331)</b>	<b>102,021</b>	<b>71,153</b>	-	<b>2,366,391</b>	<b>1,145,467</b>
Impairment (expense) / reversal	(190,564)	(58,410)	(117,449)	(55,971)	162	133	-	-	(307,851)	(114,248)
<b>Net operating income</b>	<b>1,258,681</b>	<b>607,913</b>	<b>757,875</b>	<b>321,152</b>	<b>(29,169)</b>	<b>102,154</b>	<b>71,153</b>	-	<b>2,058,540</b>	<b>1,031,219</b>
Operating expenses	(141,827)	(138,408)	(100,266)	(113,053)	-	-	(793,813)	(335,500)	(1,035,906)	(586,961)
<b>Segment result</b>	<b>1,116,854</b>	<b>469,505</b>	<b>657,609</b>	<b>208,099</b>	<b>(29,169)</b>	<b>102,154</b>	<b>(722,660)</b>	<b>(335,500)</b>	<b>1,022,634</b>	<b>444,258</b>
Personnel expenses									(496,030)	(337,319)
Depreciation and amortization									(89,093)	(62,890)
<b>Profit from operations</b>									<b>437,511</b>	<b>44,049</b>
VAT on financial services									(156,068)	(59,984)
Income tax expense									(121,716)	(25,148)
<b>(Loss) / profit for the year</b>									<b>159,727</b>	<b>(41,083)</b>
<b>Other information</b>										
<b>Balance at 31 December</b>										
Segment assets	4,763,724	2,631,468	4,388,617	2,539,867	1,796,753	1,578,120	1,002,773	635,644	11,951,867	7,385,099
<b>Total assets</b>	<b>4,763,724</b>	<b>2,631,468</b>	<b>4,388,617</b>	<b>2,539,867</b>	<b>1,796,753</b>	<b>1,578,120</b>	<b>1,002,773</b>	<b>635,644</b>	<b>11,951,867</b>	<b>7,385,099</b>
Segment liabilities	4,686,707	2,540,591	4,502,272	2,241,565	-	-	-	-	9,188,979	4,782,156
<b>Total liabilities</b>	<b>4,686,707</b>	<b>2,540,591</b>	<b>4,502,272</b>	<b>2,241,565</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,188,979</b>	<b>4,782,156</b>

# Five Year Summary

## Income Statements

	Year ended 31 December 2025	Year ended 31 December 2024	Year ended 31 December 2023	Year ended 31 December 2022	Year ended 31 December 2021
Interest income	1,742,461	1,038,173	1,093,157	984,853	261,067
Interest expense	(404,973)	(259,932)	(394,228)	(359,526)	(56,629)
Net interest income	1,337,488	778,241	698,929	625,327	204,438
Other income	1,028,903	367,226	57,745	42,253	9,361
Total operating income	2,366,391	1,145,467	756,674	667,580	213,799
Impairment charges and other losses	(307,851)	(114,248)	(21,816)	(84,884)	(10,247)
Net operating income	2,058,540	1,031,219	734,858	582,696	203,552
Operating expenses	(1,621,029)	(987,170)	(631,969)	(467,423)	(276,104)
Operating profit	437,511	44,049	102,889	115,273	(72,552)
Taxes on financial services	(156,068)	(59,984)	(58,147)	(48,177)	(4,689)
Profit / (loss) before tax	281,443	(15,935)	44,742	67,096	(77,241)
Income tax / Deferred tax reversal / (expense)	(121,716)	(25,148)	(5,304)	-	-
<b>Profit / (loss) after tax</b>	<b>159,727</b>	<b>(41,083)</b>	<b>39,438</b>	<b>67,096</b>	<b>(77,241)</b>

## Statements of Financial Position

	Year ended 31 December 2025	Year ended 31 December 2024	Year ended 31 December 2023	Year ended 31 December 2022	Year ended 31 December 2021
<b>Assets</b>					
Cash and cash equivalents and short-term funds	1,393,533	1,187,803	1,209,775	2,887,175	330,863
Financial assets at amortised cost-loan and advances	9,158,595	5,171,335	3,042,903	3,056,448	2,742,531
Financial investment at amortised cost	400,714	387,959	1,250,021	221,329	597,106
Property, plant and equipment and intangible assets	361,741	250,855	237,583	227,151	165,630
Other assets	637,284	387,147	212,766	192,523	185,250
<b>Total assets</b>	<b>11,951,867</b>	<b>7,385,099</b>	<b>5,953,048</b>	<b>6,584,626</b>	<b>4,021,380</b>
<b>Liabilities and shareholders' funds</b>					
Financial liabilities at amortised cost - due to customers	5,896,562	4,044,853	2,616,766	3,786,922	1,323,916
Borrowings	2,109,980	100,296	502,117	-	-
Other liabilities	1,182,437	637,007	189,400	193,935	160,669
Shareholders' funds	2,762,888	2,602,943	2,644,765	2,603,769	2,536,795
<b>Total liabilities and shareholders' funds</b>	<b>11,951,867</b>	<b>7,385,099</b>	<b>5,953,048</b>	<b>6,584,626</b>	<b>4,021,380</b>
<b>Ratios</b>					
Return on average assets	4.66%	-0.65%	0.78%	1.03%	-2.24%
Return on equity	6.00%	-1.58%	1.49%	2.61%	-3.52%
Net interest margin	15.01%	12.90%	12.68%	10.99%	7.31%
Profit / (loss) per share (Rs.)	1.36	-0.35	0.34	0.57	-0.70
Net asset per share (Rs.)	23.53	22.17	22.53	22.18	21.61

# Share Information

## Information on Ordinary Shares of the Company

Market price per share

For the year ended 31 December	2025 Rs.	2024 Rs.
Highest price	105.00	56.00
Lowest price	39.00	35.00
Closing price	93.70	47.80

## Shareholders' Information

Twenty largest shareholders of the Company

	Name of shareholders	31 December 2025		31 December 2024	
		No. of shares	% Holding	No. of shares	% Holding
1	Dialog Axiata PLC	116,290,376	99.05	116,290,376	99.05
2	Hatton National Bank PLC / Dawi Investment Trust (Pvt) Ltd	131,541	0.11	24,719	0.02
3	GF Capital Global Limited	81,376	0.07	N/Q	N/Q
4	J.B. Cocoshell (Pvt) Ltd	44,203	0.04	N/Q	N/Q
5	Senkadagala Finance PLC / G.B.R.P.Gunawardana	35,511	0.03	11,191	0.01
6	Mr. P. Poongunaseelan	34,554	0.03	24,419	0.02
7	Citizens Development Business Finance PLC / D.M.H.B.Dasanayake	30,000	0.03	N/Q	N/Q
8	Commercial Bank of Ceylon PLC / P. Gajendra	27,301	0.02	N/Q	N/Q
9	Mr. A.P. Dhammika	27,000	0.02	N/Q	N/Q
10	Seylan Bank PLC / S.R. Fernando	26,872	0.02	N/Q	N/Q
11	Golden Top Far East Limited	25,000	0.02	N/Q	N/Q
12	Mr. R.J.K.I. Ranathunga	24,123	0.02	N/Q	N/Q
13	Senkadagala Finance PLC / A.N.S.Bandara	20,959	0.02	N/Q	N/Q
14	People'S Leasing & Finance PLC / C.D.Kohombanwickramage	19,452	0.02	18,152	0.02
15	Mr. M.K. Gunawardena / Mr. M.K. Gunawardena (Joint)	16,190	0.01	16,190	0.01
16	Mr. M.A.T. Raaymakers	16,030	0.01	27,307	0.02
17	Citizens Development Business Finance PLC / K.D.C. Somalatha and K. Nandasiri	15,980	0.01	N/Q	N/Q
18	Senkadagala Finance PLC / A.K.G. Indika	15,100	0.01	N/Q	N/Q
19	Mr. P.S.M. Fernando	15,000	0.01	24,282	0.02
20	Mr. G.D.M. Ranasinghe / Mrs. O.R.K. Ranasinghe (Joint)	14,029	0.01	14,029	0.01
		<b>116,910,597</b>	<b>99.56</b>	<b>116,450,665</b>	<b>99.18</b>
	Others	489,269	0.44	949,201	0.82
	<b>Total</b>	<b>117,399,866</b>	<b>100.00</b>	<b>117,399,866</b>	<b>100.00</b>

N/Q - Not qualify for top 20 shareholders as at 31 December 2025

## Share Information

### Directors' shareholdings

Directors'/ CEO's Holding in Shares as at 31 December	2025	2024
Ms. Renuka Fernando	Nil	Nil
Mr. Supun Weerasinghe	Nil	Nil
Ms. Lim Li San	Nil	Nil
Mr. Alexander Löwbäck	Nil	Nil
Mr. Shivaan Kanag-Isvaran	Nil	Nil
Mr. Uditha Jayasinghe	Nil	Nil
Mr. Nazeem Mohamed	Nil	Nil
Mr. Priyan Edirisinghe*	Nil	Nil
Mr. Roshaan Hettiaratchi*	Nil	Nil

\* Mr. Priyan Edirisinghe and Mr. Roshaan Hettiaratchi having completed nine (09) years of service on the Board, retired from the Board of Directors of the Company effective 19 January 2025 and 09 February 2025 respectively.

### Public shareholdings

Information pertaining to public shareholding is as follows:

	31 December	
	2025	2024
Public holding percentage	0.95%	0.95%
Number of public shareholders	926	848

- (a) Float adjusted market capitalisation as at 31 December 2025 was Rs. 104,503,491/- (31 December 2024 was Rs. 53,311,279/-)
- (b) The Company is not compliant with the minimum public holding requirement under option 2 of Rule 7.13.1(b) of the Listing Rules of the Colombo Stock Exchange (CSE). Accordingly, the Company was transferred to the Second Board on 10 February 2020.

## Share Information

### Distribution of shareholders

Description	Resident			Non Resident			Total		
	Number of shareholders	No. of shares	(%)	Number of shareholders	No. of shares	(%)	Number of shareholders	No. of shares	(%)
1 to 1000 Shares	793	93,185	0.09	2	330	0.00	795	93,515	0.09
1001 to 10000 Shares	107	364,535	0.31	4	17,873	0.02	111	382,408	0.33
10001 to 100000 Shares	16	379,620	0.32	3	122,406	0.10	19	502,026	0.42
100001 to 1000000 Shares	1	131,541	0.11	0	0	0.00	1	131,541	0.11
Over 1000000 Shares	1	116,290,376	99.05	0	0	0.00	1	116,290,376	99.05
<b>Total</b>	<b>918</b>	<b>117,259,257</b>	<b>99.88</b>	<b>9</b>	<b>140,609</b>	<b>0.12</b>	<b>927</b>	<b>117,399,866</b>	<b>100.00</b>

Categories of shareholders	No. of shareholders	No. of shares
Individual	881	575,903
Institutional	46	116,823,963
<b>Total</b>	<b>927</b>	<b>117,399,866</b>

# Related Party Transactions

## Declaration

The Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions.

## Non - Recurrent Related Party Transactions exceeding 10% of the Equity or 5% of the Total assets of the Company (Disclosure as per section 9 of the CSE Listing Rules)

No Non - Recurrent Related Party Transactions exceeding 10% of the Equity or 5% of the Total assets of the Company (Disclosure as per section 9 of the CSE Listing Rules) during the year under review.

## Recurrent Related Party Transactions exceeding 10% of the Gross Revenue / Income (Disclosure as per section 9 of the CSE Listing Rules)

Name of the related party	Relationship	Nature of the transaction	Value of the Related Party Transactions entered into during the financial year (Rs. '000)	Value of Related Party Transactions as % of the Gross Revenue/ Income	Terms and Conditions of the Related Party Transactions
Dialog Axiata PLC	Parent	Merchant Acquiring Payment Services	Fee & Commission Income – Rs. 598,359	18.56%	Market Terms
		Other Payment Services	Fee & Commission Income – Rs. 6,070	0.19%	
		Customer Deposit	Interest expenses – Rs. 53,838	1.67%	
		App Hosting Services	Hosting Fee – Rs. 12,512	0.39%	
		Collection Services	Collection commission – Rs. 21,910	0.68%	
		Telecommunication Services	Telephone expenses – Rs. 3,641	0.11%	

## Other Disclosures pertaining to Related Party Transactions

Further to the disclosures of RPT made in Note 41 to the Financial Statements,

- The Company has not obtained from or granted guarantees to Dialog Axiata PLC or any other related Companies within the group of Companies.
- The Company has not made any provision for impairment for the receivable balances from Dialog Axiata PLC or its related companies as there are no balances which are deemed as irrecoverable.

# Value Added Statement

(All amounts in Sri Lanka Rupees thousands)

For the year ended 31 December	2025	2024
<b>Direct economic value generated</b>		
Interest income	1,742,461	1,038,173
Fee and commission income	1,370,959	586,450
Other income	110,257	16,417
	<b>3,223,677</b>	<b>1,641,040</b>
<b>Economic value distributed</b>		
<b>To depositors and lenders</b>		
Interest expense	404,973	259,932
	<b>404,973</b>	<b>259,932</b>
<b>Operating costs</b>		
Depreciation and amortisation	89,093	62,890
Fee and commission expenses	452,313	235,641
Other expenses	1,033,599	586,959
Impairment charges	307,851	114,248
	<b>1,882,856</b>	<b>999,738</b>
<b>To employees</b>		
Salary and bonus	403,941	265,217
Other benefits	92,089	72,102
	<b>496,030</b>	<b>337,319</b>
<b>Payments to government</b>		
Income tax (reversal) / expenses	121,716	-
Taxes on financial services	156,068	59,984
Crop insurance levy	2,307	2
	<b>280,091</b>	<b>59,986</b>
<b>Payments to providers of capital</b>		
Dividends to shareholders	-	-
	-	-
Economic value distributed	3,063,950	1,656,975
Economic value retained	159,727	(15,935)
	<b>3,223,677</b>	<b>1,641,040</b>

# Glossary of Financial Terms

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## Accounting policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

## Accrual basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

## Actuarial assumptions

An entity's unbiased and mutually compatible best estimates of the demographic and financial variable that will determine the ultimate cost of providing post-employment benefits.

## Amortisation

The systematic allocation of the depreciable amount of an asset over its useful life.

## Amortised cost

The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

## Asset and liability committee (ALCO)

A risk-management committee in a finance company that generally comprises the senior-management levels of the institution. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. Among the factors considered are liquidity risk, interest rate risk, operational risk and external events that may affect the finance company's forecast and strategic balance-sheet allocations.

## Available-for-sale financial assets

Non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

## Capital adequacy ratio

The relationship between capital and risk weighted assets as defined in the framework developed by the Bank for International Settlements (BIS) and as modified by the Central Bank of Sri Lanka to suit local requirements.

## Cash

Cash on hand and demand deposits.

## Cash equivalents

Short-term highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## Cash flows

Inflows and outflows of cash and cash equivalents.

## Capital funds

Capital funds shall have the same meaning as contained in the definition in section 46 of the Finance Companies Act, No. 78 of 1988.

## Collectively assessed impairment

Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

## Commitments

Credit facilities approved but not yet utilised by the clients as at the Reporting date.

# Glossary of Financial Terms

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## **Compounded annual growth rate (CAGR)**

The rate at which a variable would have grown if it grew at an even rate compounded annually.

## **Contingencies**

A condition or situation existing at the Balance Sheet date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

## **Contract**

An agreement between two or more parties that creates enforceable rights and obligations.

## **Control**

An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

## **Corporate governance**

The process by which corporate entities are governed, it is concerned with the way in which power is exercised over the management and direction of an entity, the supervision of executive actions and accountability to owners and others.

## **Cost to income ratio**

Operating expenses excluding loan/ lease loss provision as a percentage of total operating income.

## **Credit ratings**

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

## **Credit risk**

Credit risk is the potential that a borrower or counter party will fail to meet its obligations in accordance with agreed terms and conditions.

## **Credit risk mitigation**

A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantee and credit protection.

## **Customer deposits**

Money deposited by account holders. Such funds are recorded as liabilities.

## **Deferred tax**

Sum set aside for tax in the Financial Statements that may become payable/ receivable in a financial year other than the current financial year.

## **Delinquency**

A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as 'Arrears'.

## **Depreciation**

The systematic allocation of the depreciable amount of an asset over its useful asset.

## **Derecognition**

Removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.

## **Discount rate**

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

## **Dividend cover**

Profit after tax divided by gross dividend. This ratio measures the number of times dividend is covered by the current year's distributable profits.

# Glossary of Financial Terms

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## **Dividend pay-out ratio**

Dividend by profit after tax; indicates the percentage of earnings paid out to shareholders as dividends.

## **Dividend per share (DPS)**

Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of ordinary shares in issue; indicates the proportion of current year's dividend attributable to an ordinary share in issue.

## **Dividend yield**

Dividend earned per share as a percentage of its market value.

## **Earnings per share (EPS)**

Profit attributable to ordinary shareholders divided by the number of ordinary shares in use.

## **Effective interest rate (EIR)**

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate a shorter period to the net carrying amount of the financial asset or financial liability.

## **Effective tax rate (EPR)**

Provision for taxation expressed as a percentage of Profit Before Tax.

## **Equity method**

A method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

## **Events after the reporting period**

Events, favourable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

## **Expected credit loss (ECL)**

Probability weighted estimate of the present value of cash shortfalls (i.e. the weighted average credit losses, with respective risks of defaults occurring in a given time period use as the weights). ECL measurements are unbiased (i.e. neutral, not conservative and not biased towards optimism or pessimism) and are determined by evaluating a range of possible outcomes.

## **Exposure at default (EAD)**

This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest and expected drawdowns of committed facilities.

## **Exposure**

A claim, contingent claim or position which carries a risk of financial loss.

## **Factoring**

A time-honored financial tool used by companies worldwide. It is the purchase of account receivables (invoices) for immediate cash.

## **Fair value**

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

## **Fair value through profit or loss**

A financial asset/liability: Acquired/ incurred principally for the purpose of selling or repurchasing in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or a derivative (except for a derivative that is a financial guarantee contract).

# Glossary of Financial Terms

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## **Finance lease**

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortize the capital outlay of the lessor. The lessor retains the ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

## **Financial asset**

Any asset that is cash, an equity instrument of "another" entity or a contractual right to receive cash or another financial asset from another entity.

## **Financial instrument**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

## **Financial liability**

A contractual obligation to deliver cash or another financial asset to another entity.

## **Functional and presentation currency**

These Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. All financial information has been rounded to the nearest Rupee unless otherwise specifically indicated.

## **Going concern**

An entity shall prepare Financial Statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

## **Group**

A parent of all its subsidiaries.

## **Gearing**

Long term borrowings divided by the total funds available for shareholders.

## **Gross dividend**

The portion of profits distributed to the shareholders including the tax withheld.

## **Guarantees**

A promise made by a third party (guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfill the contractual obligations.

## **Held for trading**

Debt and equity investments that are purchased with the intent of selling them within a short period of time.

## **Hire purchase**

A contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

## **Held to maturity (HTM)**

Investments Held-to-Maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold to maturity.

## **High quality liquid assets (HQLA)**

Assets that can be easily and immediately converted into cash at little or no loss of value that can be readily sold or used as collateral to obtain funds in a range of stress scenarios and are unencumbered, i.e. without legal, regulatory or operational impediments.

## **International financial reporting standards (IFRS)**

set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board (IASB).

# Glossary of Financial Terms

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## **Intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance.

## **Interest cover**

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

## **Interest margin**

Net Interest income expressed as a percentage of average interest earning assets.

## **Interest rate risk**

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

## **Interest spread**

Represent the difference between average interest rate earned on interest earning assets and the average interest rate paid on interest bearing liabilities.

## **Interest in suspense**

Interest suspended on non-performing leases, hire purchases and other advances.

## **Impairment**

This occurs when recoverable amount of an asset is less than its carrying amount.

## **Impaired loans**

Loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

## **Impairment allowances**

Management's best estimate of losses incurred in the loan portfolios at the balance sheet date.

## **Impairment provisions**

Provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss.

## **Individually assessed impairment**

Exposure to loss is assessed on all individually significant accounts and all other accounts that do not qualify for collective assessment.

## **Individually significant loan impairment provision (Specific impairment provision)**

Impairment is measured individually for assets that are individually significant to the Group.

## **Interest rate risk**

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

## **Investment properties**

Investment property is a property (land or building or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative services; or sale in the ordinary course of business.

## **Investment securities**

Securities acquired and held for yield and capital growth purposes and are usually held to maturity.

## **Key management personnel**

Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

# Glossary of Financial Terms

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## **Lending portfolio**

Total value of lending products net of unearned income, amounts received in advance and allowance for impairment.

## **Lifetime expected credit losses**

The expected credit losses that result from all possible default events over the expected life of a financial instrument.

## **Liquid assets**

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, bills of exchange, treasury bills.

## **Liquidity risk**

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

## **Loan/credit losses and provisions**

Amount set aside against possible losses on loans, advances and other credit facilities as a result of such facilities becoming partly or wholly uncollected.

## **Loans and receivables**

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intended to sell immediately or in the near term and designated as fair value through profit or loss or available sale on initial recognition.

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

A mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

## **Loss given default (LGD)**

The estimated ratio (percentage) of the loss on an exposure to the amount outstanding at default (EAD) upon default of counterparty.

## **Materiality**

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

## **Market capitalisation**

The value of a Company obtained by multiplying the number of ordinary shares in issue by its market value as at a date.

## **Market risk**

The possibility of loss arising from changes in a value of financial instrument as a result in changes of market variables such as interest rate, exchange rates, credit spread and other asset prices.

## **Net assets value per share**

Shareholders' funds excluding preference shares, if any, divided by the number of ordinary shares in issue.

## **Non controlling interest**

Non Controlling interest is the equity in a subsidiary not attributable, directly or indirectly to a parent.

## **Net interest income (NII)**

The difference between income earned on interest bearing assets and costs incurred on financial instruments/ facilities used for funding.

## **Net interest margin (NIM)**

Net interest income expressed as a percentage of average interest earning assets.

# Glossary of Financial Terms

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## **Non - performing advances**

A lease, hire purchase or other advance placed on cash basis (i.e. interest income is only recognised when cash is received), because in the opinion of management, there is a reasonable doubt regarding the collect ability of principal and/ or interest. Rentals receivable in arrears for more than three months have been categorised as non-performing. Nonperforming advances are reclassified as performing when all arrears rentals are settled in full.

## **NPA ratio**

The total non-performing leases hire purchases and other advances expressed as a percentage of total loans and advances portfolio.

## **Off- balance sheet items**

Items that are not recognised as assets or liabilities in the statement of financial position, which give rise to the commitment and contingencies in future.

## **Offsetting of financial statements**

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 settled the liability simultaneously.

## **Operational risk**

Operational risk refers to the losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

## **Parent company**

A parent is an entity that has one or more subsidiaries.

## **Past due**

A financial asset is past due when a counter party has failed to make a payment when contractually due.

## **Power**

The existing rights that give the current ability to direct the relevant activities.

## **Price earnings ratio (P/E ratio)**

The current market price of the share is divided by the earnings per share of the Company.

## **Probability of default (PD)**

The probability that an obligor will default within a one-year time horizon.

## **Projected unit credit method (PUC)**

An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. (sometimes known as the accrued benefit method pro- rated on service or as the benefit/ years of service method). Prudence Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

## **Provision cover**

Total provision for losses on loans, leases and advances expressed as a percentage of net non-performing loans before discounting for provision on non-performing loans, leases and advances.

## **Prudence**

Inclusion of degree of caution in the exercise of judgment needed in making the estimates required under the conditions of uncertainty, so that asset or income are not overstated and liabilities or expenses are not understated.

# Glossary of Financial Terms

## Related parties

Parties where one party has ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

## Residual value

The estimated amount that is currently realizable from disposal of the asset, after deducting estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

## Repurchase agreements

This is a contract to sell and subsequently repurchase government securities at a given price on a specified future date.

## Return on average assets (ROA)

Profit after tax expressed as a percentage of average assets

## Return on equity (ROE)

Net Profit after Tax less dividend on preference shares if any, exercised as a percentage of average ordinary shareholders' equity.

## Revenue reserves

Reserves set aside for future distribution and investment.

## Reverse repurchase agreements

Transactions involving the purchase of securities by the company and resale back to the seller at a future date and specified price.

## Right-of-use asset (ROU asset)

Right-of-use asset is lessee's right to use an asset over the life of a lease. The asset is calculated as the initial amount of the lease liability, plus any lease payment made to the lessor before the lease commencement date, plus any initial direct cost incurred, minus any lease incentives received.

## Rights issue

Issue of shares to the existing shareholders at an agreed price, generally lower than market price.

## Risk weighted assets

The sum of on balance sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

## Segment analysis

Analysis of financial information by segments of an enterprise specifically, the different industries and the different geographical areas in which it operates.

## Shareholders' funds

The total of stated capital and capital and revenue reserves.

## Single borrower limit

Maximum of a single accommodation or the aggregate of accommodations granted to by a finance company and outstanding at any point of time from an individual borrower shall not exceed 15% of the capital funds of such finance company as shown in the last audited balance sheet.

## Statutory reserve fund

A capital reserve created as per the provisions of the Finance Companies (Capital Funds) Direction No.1 of 2003.

## Sri Lanka financial reporting standards (SLFRSs)

Standards and Interpretations adopted by Institute of Chartered Accountants of Sri Lanka.

They comprise of the followings. Sri Lanka Accounting Standards (SLFRS); Sri Lanka Accounting Standards (LKAS); and Interpretations adopted by the Council of ICASL (IFRIC and SIC).

# Glossary of Financial Terms

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## **Stated capital**

All amounts received by the Company or due and payable to the Company – (a) in respect of the issue of shares, (b) in respect of calls on shares. Statutory Reserve Fund A capital reserve created as per the provisions of Finance Companies (Capital Funds) Direction No. 1 of 2003.

## **Substance over form**

The consideration that the accounting treatment and the presentation in Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

## **Subsidiary company**

An entity, including an unincorporated entity which is controlled by another entity called parent.

## **Tier I capital (Core capital)**

Tier I: Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

## **Tier II capital (Supplementary capital)**

Representing general provisions and other capital instruments which combines certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

Total Capital (Capital Base) Capital base is summation of the core capital (Tier I) and the supplementary capital (Tier II).

## **Transaction costs**

Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

## **Twelve month expected credit losses (12m ECL)**

The portion of lifetime expected credit losses that represent the expected credit losses that result from default event on a financial instrument that are possible within the 12 months after the reporting date.

## **Useful life**

Useful life is the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

## **Value added**

Wealth created by providing financial and other services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to government by way of taxes and retained for expansion and growth.

## **Yield**

Return of an investment in percentage terms, taking in to account annual income and any changes in capital value.

# Notice of Annual General Meeting

DIALOG FINANCE PLC  
(PB 765 PQ)

NOTICE IS HEREBY GIVEN THAT **THE FORTY FIFTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AS A FULLY VIRTUAL MEETING ON FRIDAY, 05 JUNE 2026 AT 03:30PM (IST – INDIA STANDARD TIME)** FROM THE BROADCAST VENUE AT THE BOARDROOM, DIALOG AXIATA PLC, 14TH FLOOR, NO. 475, UNION PLACE, COLOMBO 2, SRI LANKA.

## 1. Ordinary Resolution 1

To receive and adopt the Report of the Directors and the Statement of Accounts for the Financial Year ended 31 December 2025 and the Auditors' Report thereon.

## 2. Ordinary Resolution 2

To re-appoint Messrs. Deloitte Partners, Chartered Accountants, as Auditors to the Company and to authorise the Directors to determine their remuneration.

## 3. Ordinary Resolution 3

To authorise the Directors to determine and make donations.

By Order of the Board



**Ms. Pasasna Pallegamgoda**  
Acting Company Secretary

07 May 2026  
Colombo

### Notes:

- i) *The AGM will be held as a fully virtual meeting, and as such shareholders will only be able to participate in the AGM virtually, via the designated online meeting platform.*
- ii) *Only persons who are shareholders of the Company and whose names appear on the Share Register as at 02 June 2026 will be entitled to participate in the above virtual meeting.*
- iii) *A shareholder entitled to participate and vote at the above virtual meeting is entitled to appoint a proxy to participate and vote in his/her place by completing the Form of Proxy enclosed herewith.*
- iv) *A proxy need not be a shareholder of the Company. However, the proxy must be above 18 years of age.*
- v) *Shareholders who are unable to participate in the above virtual meeting are also encouraged to submit a duly completed Form of Proxy appointing the Chairperson of the Meeting or any other Director of the Company to participate and vote on their behalf.*
- vi) *For more information on how to participate virtually in the above meeting, please refer Administrative Details enclosed herewith.*

# Administrative Details for the 45<sup>th</sup> Annual General Meeting

The 45<sup>th</sup> Annual General Meeting (AGM) of Dialog Finance PLC (the “Company”) will be held as a fully virtual meeting on **Friday, 05 June 2026 at 3:30PM (IST – India Standard Time)**.

The details regarding the participation and the procedure to be adopted during the AGM are set out below.

## **Date, Time and Conduct of AGM**

- (a) The AGM will be held as a fully virtual meeting on **Friday, 05 June 2026 at 3:30PM (IST – India Standard Time)**.
- (b) Certain members of the Board and other key officials who are essential for the administration of the meeting will be physically present in the Board Room. All others, including shareholders, will participate via a designated online meeting platform.

## **Notice of AGM and Form of Proxy**

The Notice of AGM and accompanying Form of Proxy are attached herewith and will also be published on the corporate website at [www.dialogfinance.lk/important-notices](http://www.dialogfinance.lk/important-notices).

## **No Personal Attendance at AGM**

The AGM will be held virtually, and as such shareholders will only be able to participate in the AGM virtually, via the designated online meeting platform.

## **Alternative Arrangements for Participation at the AGM**

Shareholders may participate at the AGM by:

- (a) participating in the AGM via the designated online meeting platform;
- (b) submitting questions in advance of the AGM; and/or
- (c) duly appointing a proxy to participate and vote on their behalf at the AGM.

## **Confirmation of Participation and Pre-Registration**

- (a) Shareholders of the Company who wish to participate at the virtual AGM and whose names appear on the Share Register as at 02 June 2026 are required pre-register participation. Registrations that do not meet this requirement will be rejected during the verification stage.
- (b) In order to pre-register participation, shareholders are requested to complete the online pre-registration form available at [www.dialogfinance.lk/important-notices](http://www.dialogfinance.lk/important-notices) on or before 3:30 PM on 02 June 2026.
- (c) If your shares are held in joint names, please register both names. However, you only need to enter one email address.
- (d) Upon verification of the registration details, an email of confirmation will be sent to the shareholders followed by an email with the log-in information closer to the AGM. Please note that the log-in information is authorised only for use by shareholders or their duly appointed proxy. The Company shall not be responsible or liable for misuse and /or unauthorised use of the log-in information.

# Administrative Details for the 45<sup>th</sup> Annual General Meeting

## Appointment of Proxies

- (a) A shareholder entitled, as set out above, to participate and vote at the meeting but is unable to do so, is entitled to appoint a proxy to virtually participate and vote at the AGM instead of him/her in the manner provided for by completing the Form of Proxy enclosed herewith.
- (b) Shareholders who are unable to participate also have the option of submitting a duly completed Form of Proxy (which, in particular, clearly indicates such shareholder's vote in respect of each of the matters set out in the Form of Proxy), appointing the Chairperson of the Meeting or any one of the Directors of the Company to participate and vote on their behalf such that each shareholder's vote may be identified and recorded as if such shareholder were present at the meeting.
- (c) In order to be valid, the Form of Proxy must be duly completed and forwarded to the Acting Company Secretary or via post to Dialog Finance PLC, 1st Floor, No.57, Srimath Anagarika Dharmapala Mw, Colombo 03 and must be received not later than 48 hours before the time appointed for holding the meeting, i.e. before 3:30 PM on 03 June 2026.

## Annual Report 2025

The Annual Report 2025 has been published on the corporate website and may be accessed at [www.dialogfinance.lk/financial-statements](http://www.dialogfinance.lk/financial-statements). If a shareholder wishes to receive a printed copy of the Annual Report 2025, please complete the Form of Request and forward it to the Acting Company Secretary in accordance with the instructions given therein.

## Meeting Procedure & Voting

- (a) Shareholders who are unable to participate at the virtual AGM may submit their suggestions/questions related to the AGM and the agenda, to the Acting Company Secretary in writing on or before 02 June 2026 via [dfp\\_agm@dialogfinance.lk](mailto:dfp_agm@dialogfinance.lk).
- (b) The procedure on the conduct of the meeting and voting will be explained to shareholders prior to the commencement of the meeting.

## Further Information

For more information, shareholders can refer to our corporate website at [www.dialogfinance.lk/important-notice](http://www.dialogfinance.lk/important-notice) or contact Acting Company Secretary, Ms. Pasma Pallegamgoda on +94 773152426 during working hours.

## Thank You







# Form of Proxy

I/We (name of shareholder/s) .....  
 (Holder of NIC/Passport/Company Registration No./s .....)  
 of (address of shareholder/s).....  
 being a shareholder/s of **Dialog Finance PLC**, hereby appoint:

please indicate your preference with a

- Name of proxy holder : .....
- NIC/Passport No of proxy holder : .....
- Address of proxy holder : .....
- E-mail address of proxy holder : .....
- Mobile number of proxy holder : .....

## OR failing him/her

- Chairperson of the Meeting, or failing her, any one of the Directors of the Company

as my/our proxy to participate and vote on my/our behalf in accordance with the preference as indicated below at the **Forty Fifth Annual General Meeting of the Company** to be held by virtual means on Friday, 05 June 2026 at 3:30PM (IST – India Standard time) and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		

(Please indicate with a 'X' in the space provided how your proxy is to vote on each resolution. If you do not do so, the proxy will vote or abstain from voting at his / her discretion.)

Signature(s) of Shareholder(s)	Contact No. of Shareholder/s	Email address of Shareholder/s	Date

## NOTE:

Instructions as to completion of the Form of Proxy are on the reverse hereof.



### Notes and Instructions as to completion of Form of Proxy

1. A shareholder entitled to participate and vote at the virtual meeting but is unable to do so, can appoint not more than one proxy to virtually participate and vote at the AGM instead of him/her, by completing the Form of Proxy. Shareholders who are unable to participate in the above meeting are encouraged to appoint the Chairperson of the Meeting or any other Director of the Company to participate and vote on their behalf.
2. Please complete the Form of Proxy by filling in legibly, your full name, address and contact number and the full name, NIC number, address, contact number and email of the proxyholder and thereafter date and sign in the space provided.
3. In order to be valid, the Form of Proxy must be duly completed and forwarded to the Acting Company Secretary via post to The Acting Company Secretary, Dialog Finance PLC, 1st Floor, No.57, Srimath Anagarika Dharmapala Maw, Colombo 03 and must be received not later than 48 hours before the time appointed for holding the meeting, i.e. before 3:30PM on 03 June 2026.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
5. If the appointer is a Company or Corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the Company or Corporation in accordance with its Articles of Association or Constitution.
6. The Form of Proxy should only be used for the purpose of appointing a proxy to participate and vote on your behalf at the meeting in the event you are unable to participate at the meeting and should not be used to confirm participation at the AGM. If you wish to participate at the meeting via the designated online meeting platform, you must pre-register your participation by completing the online pre-registration form at [www.dialogfinance.lk/important-notices](http://www.dialogfinance.lk/important-notices).
7. If a shareholder has submitted a Form of Proxy prior to the meeting and subsequently decides to participate at the meeting him/herself, he/she should take immediate steps to revoke the appointment of proxy.

# Corporate Information

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## Name of the Company

Dialog Finance PLC

## Acting Company Secretary

Ms. Pasasna Pallegamgoda

## Company Registration No.

PB 765 PQ

## Compliance Officer

Mr. Thisil Vincent

## Date of Incorporation

25 November 1981

## Registrars

SSP Corporate Services (Private) Limited  
No. 546/7, Galle Road,  
Colombo 03.

## Registered Address

No. 475, Union Place, Colombo 02.

Tel : + 94 11 2573485

Fax : + 94 11 2573037

## Principal Office

No. 57, Srimath Anagarika Dharmapala Mawatha,  
Colombo 03.

Tel : + 94 11 4317317

Web : www.dialogfinance.lk

## Auditors

Messrs. Deloitte Partners  
Chartered Accountants  
100, Braybrooke Place,  
Colombo 02.

## Legal Form

A public quoted company with limited liability.

## Bankers

- Seylan Bank PLC
- Commercial Bank of Ceylon PLC
- Nations Trust Bank PLC
- Bank of Ceylon
- Cargills Bank Ltd
- People's Bank
- Hatton National Bank PLC
- National Development Bank PLC
- DFCC Bank PLC
- Sampath Bank PLC

## Stock Exchange Listing

The ordinary shares which were listed on the Diri Savi Board of the Colombo Stock Exchange (CSE) on 04 October 2011 and transferred to the Second Board of the CSE on 10 February 2020.

## Board of Directors

- Ms. Renuka Fernando - Chairperson
- Mr. Supun Weerasinghe
- Ms. Lim Li San
- Mr. Alexandra Löwbäck
- Mr. Shivaan Kanag-Isvaran
- Mr. Uditha Jayasinghe
- Mr Nazeem Mohamed

## Credit Rating

AA (lka) was affirmed by Fitch Ratings Lanka Ltd with a Stable Outlook.  
(Issued by Fitch Ratings Lanka)

## Chief Executive Officer

Mr. Nazeem Mohamed

Designed & Produced by : 



No. 57, Srimath Anagarika Dharmapala Mawatha,  
Colombo 03, Sri Lanka.

**Tel :** 011 4317317 **Web :** [www.dialogfinance.lk](http://www.dialogfinance.lk)

