

NSB FUND MANAGEMENT CO. LTD

Wholly Owned Subsidiary of NSB



ANNUAL REPORT 2025

Primary Dealer Company



MARKET
EXPERTISE



TRUSTED
PARTNERSHIPS



SUSTAINABLE
GROWTH

COMMITTED TO
FINANCIAL STABILITY.
DRIVEN BY TRUST.

“
*Growth is
never by
mere chance;
it is the result
of forces
working
together.*”

— James Cash Penney

TABLE OF CONTENTS

Building Value.
Creating Opportunities.
Growing Together.



Page No.

01.	Company Profile	3
02.	Financial Highlights	4 - 5
03.	Domestic & Global Economic Outlook	6-10
04.	Company Performance	11-15
05.	Risk Management Report	16-18
06.	Corporate Governance	19-26
07.	Board of Directors	27-31
08.	Corporate Management	32
09.	Report of the BAC	33
10.	Report of the BHRRC	34
11.	Report of the BIRMC	35
12.	Financial Statements	36-73
13.	Corporate Information	74



1. COMPANY PROFILE



WHO WE ARE

NSB Fund Management Co. Ltd began operations on March 1, 2000, as a dedicated Primary Dealer appointed by the Central Bank under the new Primary Dealer system.

We specialize in primary and secondary market transactions of Government Securities, standing among the leading Primary Dealers in Sri Lanka.



OUR VISION

"To be the most trusted Primary Dealer in Sri Lanka."



OUR MISSION

"To exceed customer expectations by providing a comprehensive and competitive product range and services in the Government Securities and in corporate debt market thereby ensuring the long term growth & viability of the Company."



OUR VALUES

- ✓ Integrity
- ✓ Accountability
- ✓ Performance driven environment
- ✓ Teamwork



OPERATING STRUCTURE

As the fully owned subsidiary of National Savings Bank, the Company is always in line with the best business practices of the Bank and has the privilege of serving the customer with a large portfolio in Government Securities.

WE OFFER



ALL FUNCTIONS RELATED TO PRIMARY DEALER LICENSE, FINANCIAL SERVICES

- Participate in Primary Auctions of the Government securities.
- Custodian Services
- Trustee Services including Collateral Manager Services



AGENCY SERVICES

Designated agent appointed by the Central Bank for issues of Sri Lanka Development Bonds (SLDB) denominated in US Dollars.

FINANCIAL HIGHLIGHTS

FY 2025

Delivering sustainable growth and creating long-term value
for our stakeholders.



NET OPERATING
INCOME

Rs. **1,762** Mn



PROFIT
AFTER TAX

Rs. **687** Mn



TOTAL
ASSETS

Rs. **62,883** Mn



NET
ASSETS

Rs. **7,151** Mn

All amounts are in Sri Lankan Rupees (Rs.) Millions (Mn)
unless otherwise stated.

FINANCIAL HIGHLIGHTS

	2025	2024	2023	2022	2021
OPERATING RESULT					
Interest Income (Rs Mn)	4,499	3,715	3,099	2,342	1,443
Net Gain/(Loss) from FVTPL (Rs Mn)	429	880	2,276	(2,518)	(615)
Interest Expenses (Rs Mn)	(3,170)	(2,498)	(2,137)	(2,290)	(837)
Net Operating Income (Rs Mn)	1,762	2,105	3,252	(2,449)	37
Operating Expenses, Provisions, VAT & NBT	(517)	(567)	(673)	(347)	(74)
Profit/(Loss) before Taxation (Rs Mn)	1,244	1,538	2,579	(2,796)	(37)
Income Tax Reversal/(Expenses) (Rs Mn)	(557)	(579)	(937)	770	43
Profit/(Loss) for the year (Rs Mn)	687	959	1,642	(2,026)	6
Earnings/(Loss) per Share (Rs.)	2	2	4	(7)	0
ASSETS					
Cash & Cash Equivalents (Rs Mn)	2	2	7	2	1.5
Other Financial Assets (Rs Mn)	62,568	29,907	26,324	13,908	27,449
Loans & Advances (Rs Mn)	250	323	161	79	10.5
P.P.E./Intangible Assets (Rs Mn)	19	14	9	10	12
Other Assets (Rs Mn)	45	98	148	1,063	278
Total Assets	62,883	30,345	26,648	15,062	27,751
LIABILITIES & EQUITY					
Borrowings (Rs Mn)	55,339	23,317	20,904	10,446	23,757
Other Liabilities (Rs Mn)	394	531	243	901	554
Equity (Rs Mn)	7,151	6,497	5,501	3,715	3,440
Total Liabilities & Equity	62,883	30,345	26,648	15,062	27,751
RATIOS					
Return on Equity (%)	10.07	15.97	35.62	-	0.17
Return on Investment (%)	1.41	2.69	2.43	0.25	2.74
Net Profit Ratio (%)	2.56	2.20	1.98	-	0.69
Average Yield	9.48	15.03	16.03	18.2	8.39
OTHER INFORMATION					
No. of Employees	29	26	25	22	22

3. Domestic and Global Macro Economic Outlook

Inflation Dynamics

Headline inflation in Sri Lanka, measured by the Colombo Consumer Price Index (CCPI, 2021=100), recorded a notable turnaround during 2025, transitioning from a prolonged deflationary phase towards a gradual inflation normalization path.

Inflation remained in negative territory during the first seven months of 2025, reaching a low of -4.2 per cent in February 2025 amid favorable base effects, reductions in administered electricity tariffs, and lower global commodity prices. Following eleven consecutive months of deflation, headline inflation returned to positive territory in August 2025, recording 1.2 per cent year-on-year, marking a key milestone in Sri Lanka's post-crisis macroeconomic stabilization.

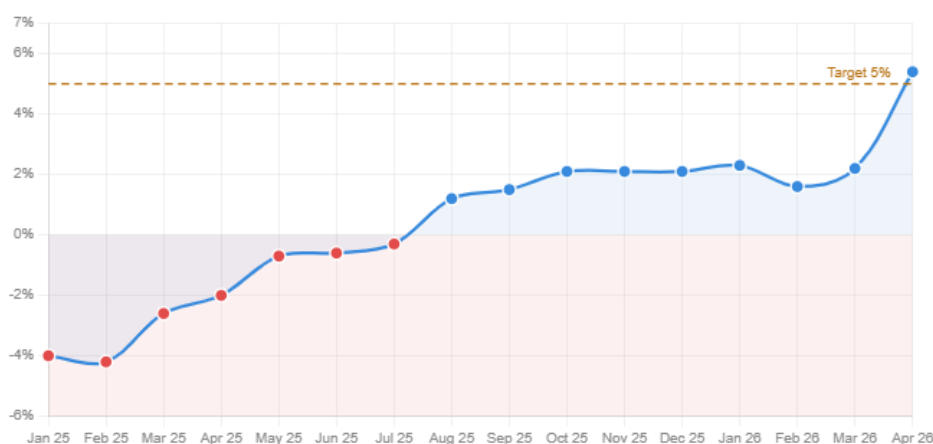
Inflation gradually increased thereafter, stabilizing around 2.1 per cent towards end-2025, broadly in line with the Central Bank's near-term projections and reflecting improving domestic demand conditions and easing deflationary pressures.

In early 2026, inflation remained relatively contained, recording 2.3 per cent in January and 1.6 per cent in February.

However, headline inflation accelerated sharply to 5.4 per cent year-on-year in April 2026, reaching the Central Bank's inflation target for the first time in the recent period, primarily driven by emerging cost-push inflationary pressures.

- Elevated global energy prices and supply-side disruptions arising from escalating geopolitical tensions in West Asia, particularly developments surrounding the Strait of Hormuz, which disrupted regional trade, transport connectivity, and global energy supply chains;
- Upward revisions in domestic fuel and utility prices;
- Higher transportation and logistics costs across domestic supply chains.

Overall, inflation dynamics reflected Sri Lanka's gradual transition from a crisis-driven adjustment phase towards a more stable macroeconomic environment, although rising geopolitical risks and global energy market volatility continued to pose upside risks to the inflation outlook.



Liquidity Dynamics and Reserve Accumulation under the IMF Programme

Domestic money market liquidity remained in surplus throughout 2025, broadly in line with the accommodative monetary policy stance maintained during the year. The surplus liquidity was mainly supported by rupee liquidity injections arising from the Central Bank's net foreign exchange purchases, which were undertaken to strengthen official foreign reserves and reduce undue volatility in the exchange rate. In addition, the Central Bank's foreign currency buy-sell swap transactions with Licensed Commercial Banks also contributed to the overall liquidity surplus. Accordingly, the average liquidity surplus increased to Rs. 136.4 billion in 2025, compared to an average surplus of Rs. 93.2 billion in 2024.

Towards the latter part of 2025, liquidity conditions among State banks weakened due to increased government funding requirements following relief measures related to Cyclone Ditwah. By early 2026, the overall surplus liquidity position in the domestic money market increased significantly, supported by continued net foreign exchange purchases by the Central Bank. System liquidity improved significantly following the economic crisis, with overnight liquidity reaching Rs. 412.92 billion on 6 March 2026, marking a new high. During the first four months of 2026, total net foreign exchange purchases amounted to USD 697.2 million, indicating a strong start to the year.

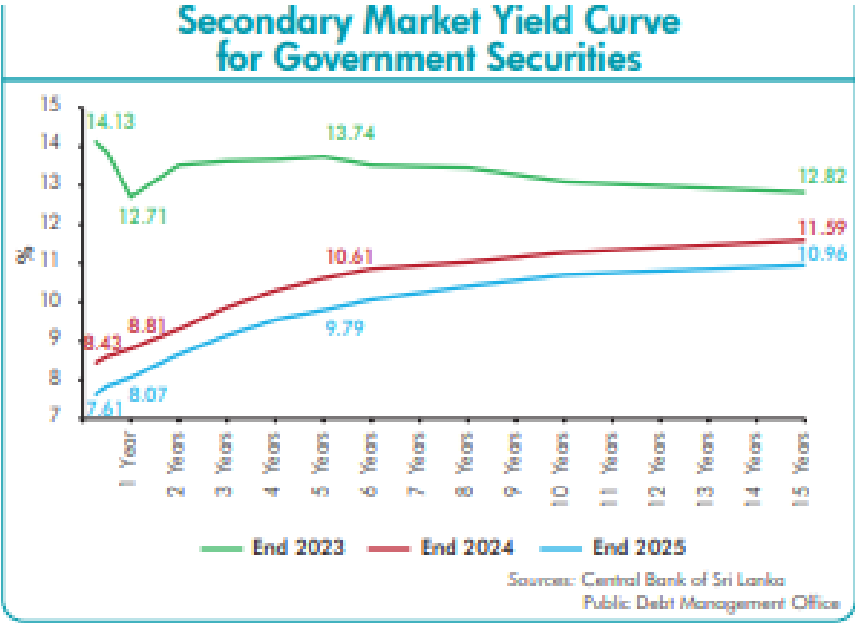
Under the Net International Reserve target of the IMF Extended Fund Facility programme, the Central Bank is expected to undertake USD 1.3 billion in net foreign exchange purchases during January to June 2026. In addition, Sri Lanka reached a staff-level agreement with the IMF on the combined Fifth and Sixth Reviews under the Extended Fund Facility arrangement in April 2026. Upon approval by the IMF Executive Board, Sri Lanka is expected to receive access to approximately USD 700 million in financing by the end of May 2026, which would further strengthen the country's external reserve position and support investor confidence.

Government Securities Yield Trends and Market Conditions

Government securities yields declined moderately during 2025, although the pace of easing was lower than the sharp downward adjustment observed in 2024. Treasury Bill yields across all maturities declined by around 0.50–0.88 percentage points during the year, supported by the policy rate reduction in May 2025, surplus liquidity conditions, and improved fiscal performance. Treasury Bond yields also adjusted downward, with yields declining by approximately 0.7–2.8 percentage points across maturities, reflecting stronger investor appetite for medium- and long-tenor securities and improving confidence in the macroeconomic outlook.

However, towards the end of 2025 and into early 2026, the yield environment became more volatile. Yields moved upward across selected maturities due to expectations of higher government borrowing requirements, renewed inflationary pressures, and increased global uncertainty. Following the escalation of geopolitical tensions in West Asia, yields on 2-year to 9-year Treasury Bond maturities increased by around 0.40–0.60 percentage points within one month, while

Treasury Bill yield adjusted upward by approximately 0.17–0.20 percentage point, reflecting the higher risk premium demanded by investors.



Fiscal Consolidation and Strengthening of Government Finances

Government revenue also recorded strong growth during the 2025 year, supported by revenue enhancement measures and the revival of economic activity. In nominal terms, government revenue increased by 35.2% year-on-year in 2025. As a percentage of GDP, revenue improved from 8.2% of GDP in 2022 to 16.6% of GDP in 2025, indicating a substantial strengthening of the revenue base. A key contributor to this improvement was higher collection from vehicle import-related taxes following the relaxation of import restrictions, with vehicle-related taxes accounting for more than 60% of the increase in total revenue during the year.

The current account balance also recorded a major improvement, registering a surplus of 0.7% of GDP, or Rs. 217.0 billion, in 2025. This was the first current account surplus since 1987, compared to a deficit of 4.3% of GDP, or Rs. 1,309.1 billion, in 2024. Reflecting the improvement in revenue collection and expenditure discipline, the overall budget deficit narrowed significantly to 2.3% of GDP, or Rs. 744.9 billion, in 2025, compared to 6.8% of GDP, or Rs. 2,039.9 billion, in 2024.

This positive momentum continued into early 2026, with fiscal performance remaining strong. During January–February 2026, the Government recorded a primary surplus of approximately Rs. 545.4 billion and an overall budget surplus of around Rs. 169.7 billion, reflecting improved tax revenue collection and prudent expenditure management. Overall, stronger fiscal discipline helped

reduce concerns over domestic financing pressure and supported investor sentiment towards rupee-denominated government securities.

Investor Sentiment and Market Volatility in a Shifting Macro Environment

Investor sentiment improved during 2025, supported by Sri Lanka's macroeconomic stabilisation, subdued inflation, stronger external sector performance, reserve accumulation, exchange rate stability, and progress under the IMF-supported reform programme. These developments strengthened investor appetite for rupee-denominated assets, particularly government securities.

However, towards late 2025 and early 2026, market sentiment became more selective and risk-sensitive. Investors increasingly focused on liquidity conditions, Treasury auction supply, inflation trends, exchange rate expectations, and global developments.

Escalating geopolitical tensions in West Asia from 28 February 2026, following the intensification of conflict between Iran and the United States–Israel alliance, together with volatility in global energy prices, added further uncertainty to market conditions. This was particularly relevant for Sri Lanka, given the country's dependence on imported energy and exposure to external price shocks.

In the fixed income market, volatility was reflected mainly through movements in government securities yields, especially medium- and long-tenor maturities. Longer-tenor yields became more sensitive to upside inflation expectations, fiscal performance, and foreign investor activity, contributing to a steepening of the yield curve.

According to weekly government securities market data, foreign holdings of Treasury Bills and Treasury Bonds declined from Rs. 163.2 billion as at 05 March 2026 to Rs. 138.0 billion as at 14 May 2026, indicating a reduction of approximately Rs. 25.1 billion, or 15.4%, during a period marked by escalating geopolitical tensions in West Asia. This reflected a more cautious investor approach amid global risk aversion, energy price uncertainty, and shifting interest rate expectations.



Primary Dealer Performance

Sri Lanka's Primary Dealer Company (PDC) sector continued to support the Government securities market in 2025 amidst improving macroeconomic stability, surplus liquidity conditions, and moderating interest rate volatility.

Key Metrics

Total assets of Primary Dealer Companies (PDCs) increased by 13.9% to Rs. 338.5 Bn by end 2025, compared to a growth of 9.7% in 2024; The investment portfolio in government securities rose by 11.6% to Rs. 309.9 Bn, compared to a growth of 5.7% in 2024; Profit After Tax (PAT) of PDCs declined to Rs. 8.2 Bn in 2025 from Rs. 13.7 Bn in 2024;

The decline in profitability was mainly driven by:

- Lower trading gains;
- Higher revaluation losses on financial assets held for trading; and
- Reduced market volatility compared to the post-crisis period.

Return Metrics and Capital Adequacy

Return on Assets (ROA) declined to 4.0% in 2025 from 8.4% in 2024; Return on Equity (ROE) declined to 17.8% from 32.8% in 2024; Total equity capital of PDCs contracted by 5.2% y-o-y to Rs. 41.4 Bn, mainly due to the decline in retained earnings; Risk-Weighted Capital Adequacy Ratio (CAR) declined to 16.8% in 2025 from 18.7% in 2024, though remaining comfortably above the regulatory minimum requirement of 10.0%;

All PDCs maintained core capital above the minimum regulatory threshold during the year.

Trading Activity

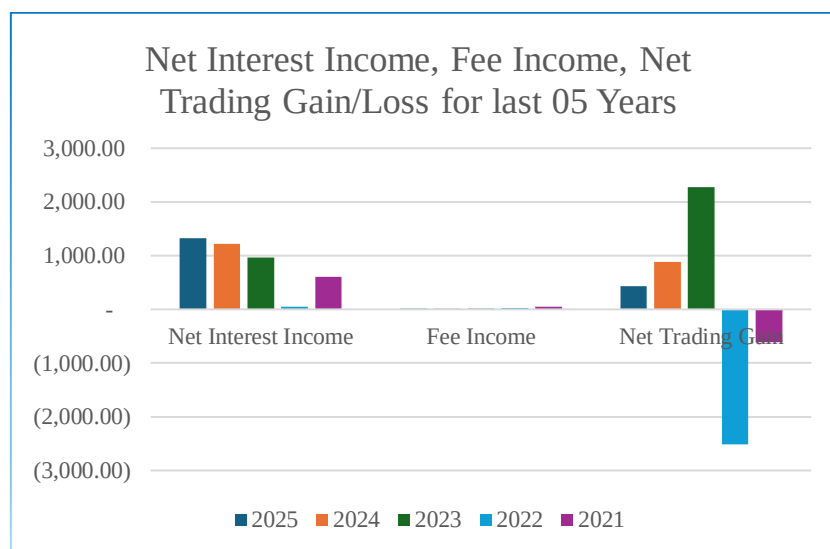
Participation of PDCs in Treasury Bill and Treasury Bond primary auctions remained volatile during 2025; Secondary market transactions in Government securities declined by 25.1% y-o-y to Rs. 14,074.3 Bn in 2025; Repurchase and reverse repurchase transactions accounted for 73.8% of total secondary market transactions; Secondary market outright purchases increased marginally by 1.9%, while outright sales declined sharply by 35.2% during 2025 compared to 2024.

4. Company Performance

In 2025, NSB Fund Management Company Limited continued to maintain a stable financial and operational position despite experiencing a moderation in profitability compared to previous years. The company's performance was primarily supported by strong growth in interest income and disciplined management of operating costs. However, market-driven investment gains were lower than the exceptional levels recorded in prior years.

Interest Income increased significantly by approximately 21%, rising from LKR 3.71 billion in 2024 to LKR 4.50 billion in 2025. This growth reflects the expansion of the company's investment activities and improved yields from government securities and money market instruments. Interest Expense also increased from LKR 2.50 billion to LKR 3.17 billion in line with higher funding costs and increased market interest rates. Nevertheless, the company succeeded in improving its Net Interest Income by around 9%, reaching LKR 1.33 billion in 2025 compared to LKR 1.22 billion in 2024. This indicates that the company effectively managed its interest-bearing assets and liabilities while sustaining healthy margins under changing market conditions.

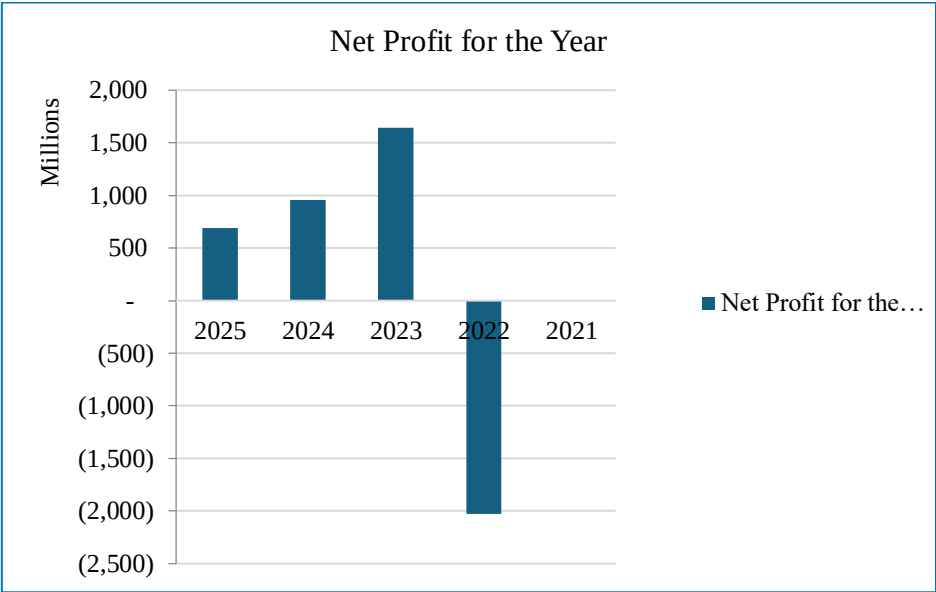
Fee and Commission Income declined notably during the year, falling from LKR 7.8 million in 2024 to LKR 4.1 million in 2025. Consequently, Net Fee and Commission Income reduced to LKR 3.8 million from LKR 7.4 million recorded in the previous year. This reduction may be attributable to lower transaction-related activities and reduced commission-based business generated during the year.



The most significant impact on profitability arose from the reduction in Net Gain from Financial Instruments at Fair Value Through Profit and Loss (FVTPL). In 2025, the company recorded gains of LKR 429 million compared to LKR 880 million in 2024, representing a substantial decline of

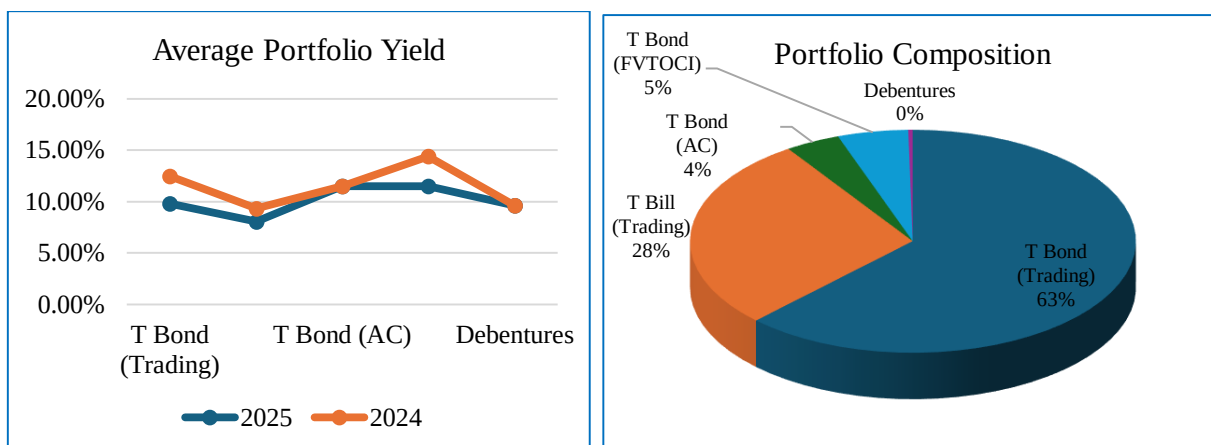
approximately 51%. This decrease reflects comparatively weaker market conditions, lower trading opportunities, and reduced unrealized valuation gains from the investment portfolio. Since trading and valuation gains form a considerable portion of the company’s earnings, this reduction had a direct impact on overall profitability.

As a result, Net Operating Income declined from LKR 2.10 billion in 2024 to LKR 1.76 billion in 2025, a decrease of approximately 16%. Despite this decline, the company demonstrated prudent cost control measures. Personnel Costs decreased from LKR 106 million to LKR 92 million, while operating expenses increased moderately from LKR 123 million to LKR 150 million due to inflationary pressures and increased operational activities. Overall, the cost structure remained manageable relative to the company’s operating income generation capacity.

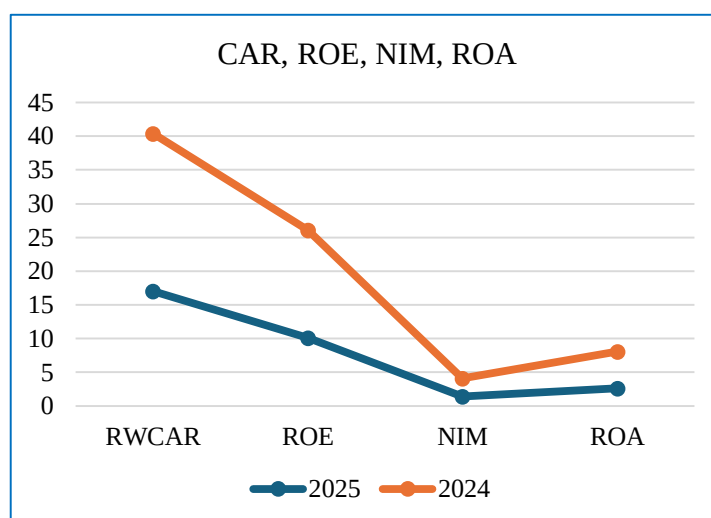


Profit Before VAT, NBT & Income Tax amounted to LKR 1.52 billion in 2025 compared to LKR 1.87 billion in 2024. After accounting for SSCL and VAT on Financial Services, Profit Before Tax stood at LKR 1.24 billion, reflecting a decline of approximately 19% from the previous year. Income Tax Expense remained significant at LKR 557 million, though slightly lower than the LKR 579 million recorded in 2024. Consequently, Net Profit for the Year declined by approximately 28%, from LKR 958 million in 2024 to LKR 687 million in 2025.

Other Comprehensive Income also reflected weaker market performance during the year. The company recorded a Net Loss on FVTOCI investments amounting to LKR 33 million in 2025, compared to a gain of LKR 39 million in 2024. This reversal suggests adverse fair value movements in longer-term investment holdings due to fluctuations in interest rates and market prices. In addition, gains related to retirement benefit obligations remained minimal. Accordingly, Total Comprehensive Income for the year declined to LKR 654 million from LKR 995 million in 2024, representing a reduction of approximately 34%.



Earnings Per Share (EPS) also declined from LKR 2.28 in 2024 to LKR 1.64 in 2025, in line with the reduction in net profitability. However, the company continued to maintain positive earnings and a healthy capital position despite market-related challenges.



Overall, NSB Fund Management Company Limited continued to demonstrate resilience and sound financial management in 2025. The steady growth in net interest income highlights the strength of the company's core investment operations, while prudent expense management helped mitigate the impact of lower market-related gains. Although profitability moderated compared to the exceptionally strong results achieved in earlier years, the company maintained stable earnings, a strong investment portfolio, and continued operational efficiency, positioning itself for sustainable long-term growth amid evolving market conditions.

Human Capital

The total staff strength of NSB Fund Management Company Limited (NSB FMC) stood at 26 employees as at 01 January 2025 and increased to 29 employees by the end of the year, following the recruitment of 03 new employees during the year under review. Of the total workforce, 21 employees were directly recruited by NSB FMC, while 08 employees, including the Chief Executive Officer, were attached from the National Savings Bank (NSB) on a secondment basis. This blended staffing structure enables the Company to benefit from both internally developed talent and the extensive institutional knowledge and experience of NSB, thereby ensuring operational continuity, efficiency, and professional expertise.

External training and development remained a key focus area during the year, with employees being nominated to participate in programmes covering critical and emerging areas relevant to the financial services industry. These initiatives were aimed at enhancing employees' technical competencies, subject knowledge, leadership capabilities, and overall professional effectiveness, thereby supporting the Company's operational excellence and long-term strategic objectives.

In addition, NSB FMC continued to provide training opportunities for interns pursuing higher studies as part of the Company's commitment towards social responsibility and youth development.

In order to strengthen employee engagement, motivation, and retention, the Company also continued to offer a range of employee welfare benefits and facilities. These included medical insurance coverage, staff housing loan scheme, annual bonus payments, and the encashment of unutilized leave. Through these initiatives, NSB FMC remains committed to maintaining a supportive and rewarding work environment that promotes employee wellbeing, productivity, and long-term career development.



Awareness Programs and Marketing Activities

During the years under review, NSB Fund Management Company Limited (NSB FMC) continued to undertake several awareness and marketing initiatives with the objective of promoting Government Securities among the public in line with the regulatory requirements applicable to Primary Dealers in Sri Lanka.

As part of the Company's corporate plan and investor education initiatives, NSB FMC successfully conducted several awareness programs targeting public sector institutions, cooperative sector officers, and institutional stakeholders with the objective of enhancing awareness and understanding of Treasury Bills, Treasury Bonds, and other Government Securities.

In line with the Company's ongoing investor education and outreach initiatives for the year 2025, NSB FMC conducted an awareness program on 27 August 2025 for the staff members of the Regimental Institute of Sri Lanka National Guard – Wehera and the Regimental Development Fund of Sri Lanka National Guard – Wehera.

The program was organized with the participation of approximately 100 staff members representing the institution. The awareness session focused on enhancing knowledge and understanding of Government Securities, including Treasury Bills and Treasury Bonds, while educating participants on secure investment opportunities available through NSB FMC.

The program also aimed to strengthen relationships with existing and potential corporate customers while promoting financial literacy and awareness of Government Securities among institutional stakeholders. Through this initiative, the Company further expanded its outreach efforts and strengthened investor confidence in the Government Securities market in Sri Lanka.

Marketing Activities

In addition to the awareness programs, the Company continued to carry out several marketing and customer relationship activities throughout the period under review. These activities included direct customer engagement, telephone and email communication, investor support services, and dissemination of market information to existing and potential clients.

The Company also continued its efforts to improve customer awareness and strengthen investor confidence through timely communication and efficient customer service. These initiatives contributed positively towards enhancing the visibility of NSB FMC and expanding awareness of Government Securities investments among institutional and individual investors.

NSB FMC remains committed to further strengthening its awareness and marketing initiatives with the objective of expanding its customer base, promoting investments in Government Securities, and contributing towards the development of the Government Securities market in Sri Lanka.

5. RISK MANAGEMENT REPORT

NSB Fund Management Company Limited ("NSB FMC" or "the Company") operates as a Licensed Primary Dealer (LPD) in Government Securities in Sri Lanka, regulated by the Central Bank of Sri Lanka (CBSL) under the Registered Stock and Securities Ordinance (RASSO) and the Local Treasury Bills Ordinance (LTBO). This Risk Management Report presents the risk governance framework, risk landscape, and risk mitigation strategies of the Company for the financial year ended 31 December 2025.

The year 2025 presented a dynamic operating environment characterised by continuing fiscal consolidation under Sri Lanka's IMF-supported Extended Fund Facility (EFF) programme, gradual monetary policy normalisation, and recovering domestic economic activity. In this context, the Company's risk management framework was strengthened to address evolving market conditions, regulatory developments, and emerging operational challenges.

Key highlights of the risk management outcomes for 2025 include:

- Maintenance of capital adequacy ratios well above CBSL-prescribed thresholds throughout the year.
- Effective management of interest rate risk through dynamic duration positioning and active portfolio rebalancing.
- Continued enhancement of the routing operational activities through process automation ensuring the accuracy, completeness and regulatory compliance.
- Strengthening of the compliance monitoring function following updates to AML/CFT regulations.
- No credit losses or counterparty default events were recorded during the year.

Risk Governance Framework

Risk Management Philosophy

NSB FMC's risk management philosophy is anchored in the principle of prudent risk-taking — ensuring that risks assumed are commensurate with the Company's capital base, liquidity position, and strategic objectives. The Company aims to identify, measure, monitor, and manage all material risks in a proactive manner, while fostering a risk-aware culture across all levels of the organisation.

Risk Governance Structure

The Company's risk governance structure adopts a three-lines-of-defence model:

Line of Defence	Function	Responsibilities
First Line	Business / Treasury Operations	Owns and manages risks in day-to-day operations; adheres to approved policies, limits, and procedures.
Second Line	Risk Management & Compliance	Provides independent risk oversight, develops risk policies, monitors limit adherence, and ensures regulatory compliance.
Third Line	Internal Audit	Provides independent assurance on the adequacy and effectiveness of governance, risk management, and internal controls.

Board and Committee Oversight

The Board of Directors bears ultimate responsibility for risk governance. It approves the Company's Risk Appetite Statement (RAS), material risk policies, and receives quarterly risk reports. The following committees support the Board's oversight function:

- Board Audit Committee (BAC): Oversees internal controls, financial reporting integrity, and internal/external audit functions.
- Board Integrated Risk Management Committee (BIRMC): Reviews and recommends the Risk Appetite Statement, monitors enterprise-wide risk exposures, and reviews stress test outcomes.
- Asset and Liability Committee (ALCO): Manages market risk, interest rate risk, and liquidity risk at the operational level; meets on fortnight basis.

Risk Appetite and Risk Tolerance

The Board-approved Risk Appetite Statement (RAS) establishes the aggregate level and types of risk the Company is willing to assume in pursuit of its strategic objectives. Key risk appetite metrics for 2025 are summarised below:

Risk Metric	Appetite Limit	Actual (2025)	Status
Capital Adequacy Ratio (CAR)	$\geq 10\%$ (CBSL)	15.47%	Within Limit
Portfolio Duration (Modified)	≤ 3.0 years	1.96 years	Within Limit
Leverage Ratio	$\leq 10\%$ of Total Assets	11.37%	Within Limit
Net Interest Margin	$\geq 30\%$ of Portfolio	2.87%	Within Limit
Maximum Affordable loss limit	$\leq 12.5\%$ of regulatory capital	16.18%	Within Limit

Market Risk

Market risk is the risk of loss arising from adverse movements in market prices, primarily interest rates on Government Securities (Treasury Bills and Treasury Bonds). As a primary dealer, NSB FMC is structurally exposed to market risk given its obligation to hold and trade Government Securities and to underwrite primary market auctions conducted by the Public Debt Department (PDD)-CBSL / Department of Public Finance of Ministry of Treasury.

Interest Rate Risk

Interest rate risk constitutes the most significant market risk for the Company. Changes in market yields directly affect the fair value of the Government Securities portfolio, impacting both the income statement (through mark-to-market adjustments on trading portfolios) and equity (through the fair value reserve on Available for sale portfolio).

Measurement and Monitoring

- Modified Duration: The weighted average modified duration of the portfolio is monitored daily against Board-approved limits.
- Maximum Affordable loss limit: Mark to Market loss under 100 bps increase in market yields is monitored against Board approved limit
- Stress Testing: Scenario-based stress tests are conducted periodically simulating parallel yield curve shifts ($\pm 100\text{bps}$, $\pm 200\text{bps}$, $\pm 300\text{bps}$).

6. CORPORATE GOVERNANCE

NSB Fund Management's Corporate Governance framework defines the structure of roles, practices and processes used to direct and manage the institution. A strong and effective corporate governance framework has enabled the integrity, high performance and sustainability of the NSB Fund Management.

Regulatory Framework

- Companies Act No. 7 of 2007 (as amended)
- Local Treasury Bills Ordinance No. 8 of 1923 and amendments
- Prevention of Money Laundering Act No. 5 of 2006
- Financial Transaction Reporting Act No. 6 of 2006 (as amended) and any directions and circulars issued under the Act
- Inland Revenue Act No. 24 of 2017 (as amended)
- The Shop and Office Employees Act No. 19 of 1954 (as amended)
- Code of Best Practice in Corporate Governance for Public Enterprises in Sri Lanka
- Other applicable Regulations

Voluntary Codes relevant to the Institution.

- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2023 (CA Sri Lanka)

Internal elements

- Term of Reference of Board and Board subcommittees
- Code of Conduct for employees
- Code of Conduct for the Directors
- Board approved policies and operational procedures

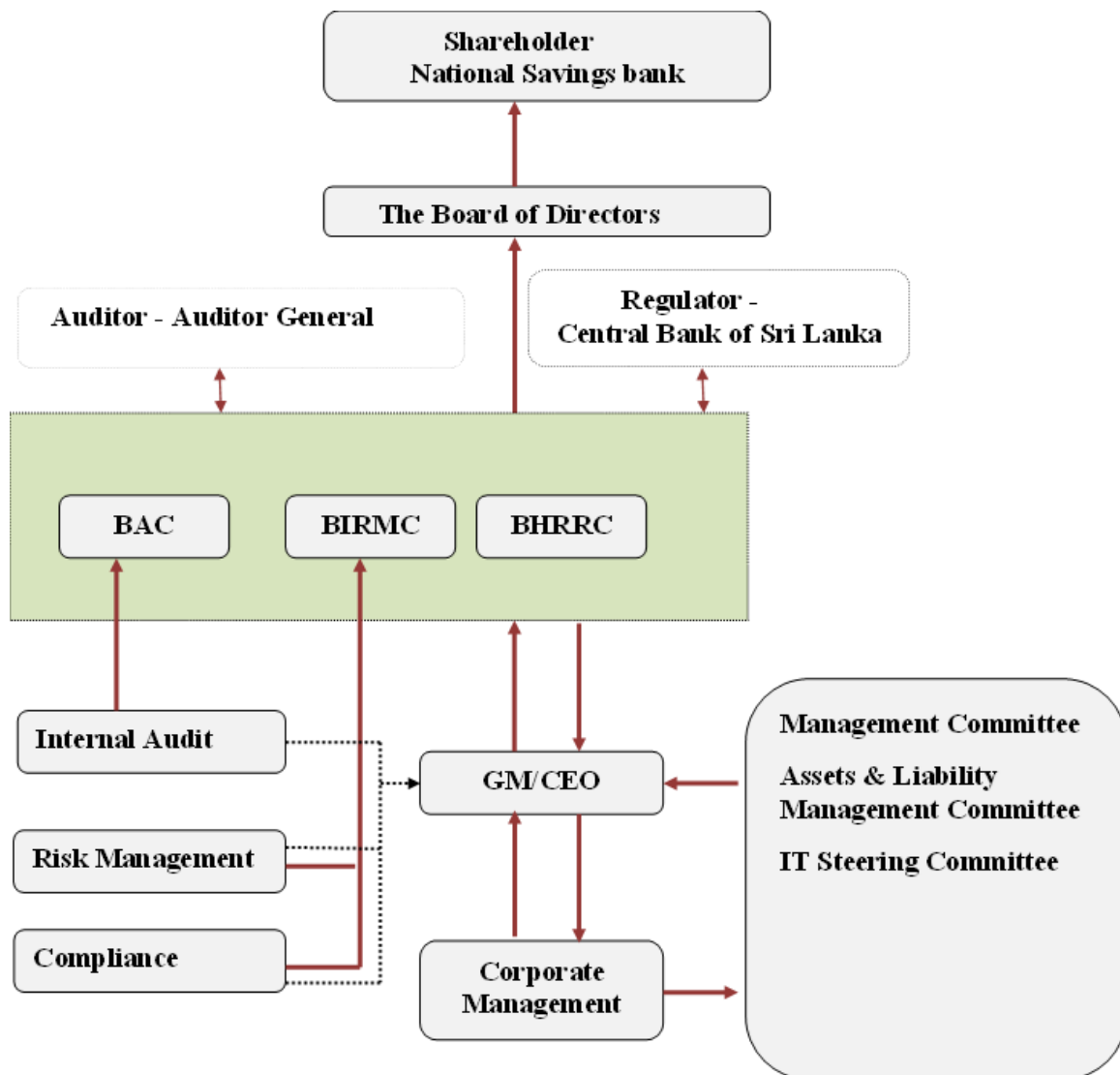
Assurance

The Auditor General provides assurance on the Financial Statement of the NSB Fund Management in accordance with the requirements set by the Central Bank of Sri Lanka.

Governance Structure

NSB Fund Management governance structure is meticulously crafted and historically integrated to strengthen the institution's capacity to generate and sustain value over the short, medium and long term.

Governance Structure of the NSB Fund Management



BAC : Board Audit Committee

BIRMC : Board Integrated Risk Management Committee

BHRRC : Board Human Resource and Remunerations Committee

BNC : Board Nomination Committee

Compliance with the Code of Best Practice for Corporate Governance

The Board (A.1, A.1.5, A.4 and A.10)

The members of the Board of the NSB Fund Management are appointed by the Secretary to the Treasury and National Savings Bank as the subsidiary of the NSB. The current Board comprises the Chairman and Non- Executive Directors. All Directors are eminent professionals of the State and private sector. The Chairman is a well experienced professional with over 36 years' experience especially in the finance field. The diverse range of skills and experience of the Non-Executive Directors enriches the Institution's risk management and control process.

The Board of Directors is responsible for providing strategic direction and effective oversight of the Company's operations, ensuring compliance with regulatory requirements, maintaining sound corporate governance practices, and safeguarding the interests of customers and stakeholders.

Role of the Board (A.1.2 to 1.7)

The Board is responsible for providing leadership, oversight, control, development, and ensure long-term success of the NSB Fund Management. The Board is also responsible for nurturing the right culture, instilling values and promoting ethical behavior throughout the Institution.

There is a formal schedule of matters reserved for the Board, which are reviewed regularly to ensure It remains current. The Board has delegated some of its responsibilities to Committees of the Board.

Monitoring the effectiveness of the Company's risk management and internal control systems has been delegated to the Board Risk Management Committee and Audit Committee. The Board retains ultimate responsibility for determining the Institution's "risk tolerance". The Risk Management Report is reviewed by the Board, and this includes monitoring, controlling and reporting of identified risks and uncertainties.

Board Composition

The present Board comprises Four Directors who are eminent professionals in their chosen fields of expertise and possess skills to carry out deliberations on matters set before the Board. The Chairman has overall responsibility for the leadership of the Board and for ensuring its effectiveness. The Board ensures that the Institution manages risk effectively, monitors financial performance and reporting and ensures that appropriate and effective internal controls and procedures are in place.

Every Non-Executive Director submits a signed declaration of independence against the specified criteria, and they are evaluated to ensure compliance with the criteria for determining independence. In the year under review, there were no circumstances that warranted the appointment of alternate Directors.

Board skills and expertise (A.10.1)

Board skills and expertise as a financial intermediary, the NSB Fund Management needs a broad range of skills to ensure value creation in the interest of all stakeholders. The Board determines the required composition of skills in response to the rapidly changing environment and shifts in the Institution's long-term strategy.

The key skills and areas of expertise represented on the Board included:

- **Finance and Accounting** – Expertise in financial management, treasury operations, budgeting, financial reporting, and investment analysis.
- **Banking and Financial Services** – Experience in banking, capital markets, treasury bills and bonds, investment management, and financial sector operations.
- **Risk Management and Compliance** – Knowledge of regulatory compliance, anti-money laundering requirements, corporate governance practices, and enterprise risk management.
- **Strategic Planning and Leadership** – Experience in developing long-term business strategies, policy formulation, organizational leadership, and performance oversight.
- **Legal and Corporate Governance** – Understanding of legal frameworks, regulatory obligations, corporate governance standards, and fiduciary responsibilities.
- **Audit and Internal Controls** – Experience in internal audit, financial controls, operational monitoring, and ensuring transparency and accountability.
- **Human Resource and Administration** – Knowledge in organizational development, talent management, succession planning, and administrative functions.
- **Information Technology and Digital Transformation** – Awareness of technology governance, cybersecurity, digital systems, and operational efficiency improvements.

Profiles of the Board of Directors including their qualifications and skills, other significant appointments and membership of the Board Committees are given on pages 26 to 28.

Board Process (A.1.3, A.1.4, A.1.6, A.1.7, A.3.1 and A.6)

The Board meets at least once a month based on an agreed meeting schedule. Additional meetings are convened based on the requirements to do so. Directors regularly attend the meetings and actively participate in the deliberations. The Chairman is responsible for determining the agenda of meetings with assistance of the Secretary to the Board in consultation with the General Manager/CEO. The agenda is circulated to the Board members along with the relevant Board papers five days prior to the date of the Board meetings by the Secretary to the Board. This process allows the members of the Board for timely preparation to make deliberations and informed decisions. On exceptional situations, urgent Board papers are submitted at short notice or tabled during the meetings. Adequately detailed minutes of the meetings and the decisions made therein are maintained to access by Directors.

The Chairman is responsible not only for providing leadership but also for overseeing the functioning of the Board to safeguard the best interest of the Institution. Accordingly, the Chairman is responsible for:

- Ensuring Board meetings are planned and conducted effectively.
- Setting the agenda for each Board meeting, taking cognizance of the matters proposed by other Directors, members of various sub committees or the Board Secretary.
- Ensuring the Board members receive accurate, timely, and clear information
- Ensuring minutes of Board meetings are accurately recorded and circulated among the Directors.
- Providing leadership and governance to the Board to create a conducive environment for the Board and individual Director's to discuss issues in a timely manner.
- Promoting a culture of transparency and encouraging Non- Executive Directors to engage in constructive and healthy exchange of views pertaining to matters of the Board and thereby facilitating contribution to the effective functioning of the Board.
- Ensuring the Board plays a full and constructive role in developing and accessing Group's strategies and policies and ensuring Board decisions are taken in the best interest of the NSB Fund Management and fairly reflect Board's consensus.
- Proving leadership for self-assessment to generate meaningful feedback to further improve the effectiveness of the Board.

Conflicts of Interest (A.5.5 and A 10.1)

The members of the Board are committed to act in the best interest of the NSB Fund Management in good faith and avoid undue conflicts of interest whether financially or otherwise. Directors are required to inform the Board promptly of conflicts or potential conflicts of interest that they may have in relation to particular items of business. Directors are obliged to excuse themselves from discussions of decisions on any matters in which they have a conflict of interest. Directors annually declare their interest and necessary procedures are in place to ensure that there is no conflict of interest.

The Board approved Related Party Transaction Policy of the Company is established to ensure that transactions between the Company and its related parties are based on principles of transparency and aims at preventing and providing guidance in situations of potential conflict of interests in respect of transactions involving such related parties .During the year 2025 ,none of Directors had a significant interest in any contract or arrangement entered into the Company or its Parent Bank.

Holding of regular Board meetings (A .1.1 and A 10.1)

The Board meets at least once a month, and additional meetings are convened based on necessity. The Board met thirteen (13) times during the year 2025.

Directors are required to attend all Board meetings and Committee meetings of which they are members. In addition, non –Senior Management and the advisory members may, by invitation, attend the meetings to address specific items in the agenda. Members of the Corporate Management and/or external experts are allowed to make presentations to the Board and subcommittees on a regular basis on matters pertaining to the Institution strategy.

Board Subcommittees (A.7.1 to A.7.3, A.7.5 & A.7.6, B2, D3 to D5)

The Board is empowered through its Charter to delegate its powers, discretions and authorities to any committee or committee as it thinks fit to ensure that delegation promotes independent judgement and assists with the balance of power and effective discharge of duties. The Board Committees are responsible for overseeing matters relating to their respective authorities within the remit of terms of reference. The Board however continues to retain responsibility for committee decisions. Four mandatory committees; Board Audit Committee (BAC), Board Human Resource Remuneration Committee (BHRRC), Board Integrated Risk Management Committee (BIRMC) were formed.

Management Committees

Apart from the Board Sub Committees, NSB Fund Management Company has formed Management Committees as per the Board approved terms of reference. The Chief Executive Officer serves as the Chairman of all Management Level Committees.

Management Committee	Objective and responsibilities	Composition
Asset and Liability Management Committee	Maintaining the market and liquidity risk within the predetermined risk appetite level in order to optimize the return	Chief Executive Officer, Chief Dealer, Chief Manager, Accountant and Risk Officer
Information Technology Steering Committee (ITSC)	Ensuring the IT strategies are aligned with the delegated financial authority.	Chief Executive Officer, Manager IT, Risk Officer, Member of the Back Office and Secretary
Management Committee	Oversee matters relating to the policy and strategy formulation, implementation of policies and strategies at the operational level.	All Key Management Personnels

Board's Role in Risk Management

The Board is cognizant of its responsibility for formulating and implementing appropriate and adequate processes for risk management and sound internal control systems to safeguard shareholder interests and assets of the NSB Fund Management. BAC assists the Board in relation to risk management while BIRMC assists the Board in discharge of its duties with regard to risk management. BIRMC is supported by the Risk Management Department of the NSB Fund Management. A comprehensive report on NSB Fund Management's risk management process is included on pages 16 to 18.

Roles of Chairman and CEO (A.2 and A.3)

Whilst the Chairman and Chief Executive Officer (CEO)/General Manager (GM) are collectively responsible for the leadership of the Company and for promoting the highest standards of integrity and probity, there is a clear and effective division of accountability and responsibility between the Chairman and the CEO/GM. Each plays a distinctive role which complements each other to ensure balance of power and authority and avoid unfettered powers of decision and control for one individual.

The Chairman is responsible for leading, directing and managing the Board to ensure effective operations and fully discharging its legal and regulatory responsibilities. The primary role of CEO/GM is to manage the day-to-day operations of the Institution,

The position of the Chairman and the CEO/GM are clearly separated, preventing unfettered powers for decision-making by one person.

The Chairman is responsible for ensuring the CEO/GM and the Management effectively implement the strategies and policies agreed by the Board.

Role of Independent Non-Executive Directors (A.3.1, A.5 and A .5.1)

Independent Non-Executive Directors play a crucial role on the Board, strengthening governance and ensuring unbiased decision making.

Board Balance and Independence

The Board should include a sufficient number of Independent Non-Executive Directors to ensure:

- Balance of power and authority within the Board.
- No individual or small group dominates decision-making.
- Transparency, accountability, and fairness in Board processes.
- Independent oversight over executive management actions.
- Protection of minority shareholders and stakeholder interests.

Criteria and Responsibilities of Independent Directors

Independent Directors are expected to:

- Meet the independence criteria specified in the governance code.
- Be free from relationships or circumstances that could affect independent judgment.
- Participate actively in Board meetings and Board Committees.
- Contribute expertise, professional experience, and strategic guidance.
- Review financial reporting, internal controls, risk management, and compliance matters objectively.
- Support effective succession planning and performance evaluation of management.

Overall, Independent Non-Executive Directors play a critical role in promoting:

- Good corporate governance,
- Accountability,
- Transparency,
- Risk

Role of Board Secretary (A.1.4)

All Directors have access to the Board Secretary. The Board Secretary is responsible to the Board for ensuring all agreed procedures and applicable rules and regulations are observed. In addition, the Board Secretary serves as the Secretary to all committees and maintains the minutes of all Board meetings and committee meetings. Other responsibilities of the Board Secretary include:

- Coordinating matters pertaining to the conduct of Board meetings and subcommittee meetings.
- Conducting proceedings in accordance with the relevant legislation.
- Facilitating adoption of best practice on corporate governance including assisting the Directors with respect to their duties and responsibilities, in compliance with relevant legislation and best practice.
- Acting as the communication liaison between Non –Executive Directors and Management.
- Ensuring appropriate disclosures on related parties and related party transactions in line with regulatory requirements

Financial acumen

The Company's Board comprises members with sufficient financial acumen and knowledge.

Supply of information

Board meetings are scheduled well in advance, giving adequate notice to Directors. Prior to every Board or committee meeting, the Institution Secretary ensures all relevant papers including the agenda, content and a summary of management presentations are made available to all the Directors five working days prior to the meeting. The Directors who are unable to attend the meetings are updated through the documented minutes, which are tabled at the next meeting with the matters to be followed up from the minutes.

Monthly accounts for a given month are prepared and circulated among Directors in the following month along with key financial performance indicators. If the Board feels the information provided is insufficient or not clear, they are entitled to request further clarification or additional information. The respective management personnel can be called for the meetings when deemed necessary to provide further details.

7. Board of Directors

Mr. Dushyantha Basnayake - Chairman



Non-Executive
Non-Independent
BHRC

Mr. Dushyantha Basnayake was appointed to the Board of Directors of NSB Fund Management Co. Ltd on 28.12.2023 as the Chairman.

Skills and Experience

Mr. Basnayake is a Fellow Member of the Chartered Institute of Management Accountants (CIMA-UK) and a Chartered Global Management Accountant (CGMA). He is a Certified Member of Sri Lanka Institute of Marketing and a Fellow Member of Chartered Professional Managers (Sri Lanka). He holds a BA (Honours) in Business Administration from London Metropolitan University (UK) and holds an Executive Master of Business Administration (EMBA) from Postgraduate Institute of Management (PIM), Sri Jayewardenepura University. He also holds a Master of Laws (LLM), International Trade from the Cardiff Metropolitan University, UK. Mr. Basnayake started his career in Accountancy at Ernst & Young, Chartered Accountants. He is a Management Consultant with extensive skills and experience over 35 years, holding Executive positions in various government institutions and corporate sector companies.

Other Current Appointments

Chairman – Ayu Ventures (Pvt) Ltd. and Medi market (Pvt) Ltd. and Non-Independent Non - Executive Director of National savings Bank (NSB).

Previous Key Appointments

Managing Director – Sri Lanka Insurance Corporation, Director Finance – Associated Newspapers of Ceylon Ltd., Chairman – Sri Lanka Savings Bank, Director – Galoya Plantations (Pvt) Ltd

Mr. K Raveendran - Director



Non-Executive
Non-Independent
BAC, BIRMC

Mr. K. Raveendran was appointed to the Board of Directors of NSB Fund Management Co. Ltd on 24.06.2022

Skills and Experience

Mr. K. Raveendran holds a Bachelor of Science Degree in Business Administration from the University of Sri Jayewardenepura and a Post Graduate Diploma in Banking and Finance (PGDBF) from the University of Colombo. He is also a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

Other Current Appointments

Senior Deputy General Manager of National Savings Bank, Director of Institute of Bankers of Sri Lanka, Director of Predeshiya Sanwardhana Bank.

Previous Key Appointments

Mr. K. Raveendran is a professionally qualified and sound banker with an over past two decades. Held multiple banking positions in National Saving Bank and People's merchant Bank.

Mr. Oshada Rodrigo – Director



Non-Executive
Independent

BHRRC, BIRMC

Mr. Oshada Rodrigo was appointed to the Board of Directors of NSB Fund Management Co. Ltd on 13.01.2020.

Skills and Experience

Mr. Rodrigo possessed LLB (Hons) (Wolverhampton, UK), E-Diploma in Human Rights (Colombo), Master of Human Rights and Democratization (M.H.R.D.) (Colombo), Attorney-at-Law of the Supreme Court of Sri Lanka.

He has been practicing as an Attorney-at-Law in the Civil Courts, Commercial High Court and Appellate Courts for the last 5 years.

Previous Key Appointments

LLB (Hons) (Wolverhampton, UK), E-Diploma in Human Rights (Colombo), Master of Human Rights and

Democratization (M.H.R.D.) (Colombo), Attorney-at-Law of the Supreme Court of Sri Lanka.

Mr. K.P.P. H. Mihiripenna



Non-Executive
Independent

BAC, BIRMC

Mr. K.P.P. H. Mihiripenna was appointed to the Board of Directors of NSB Fund Management Co. Ltd on 25.07.2025.

Skills and Experience

Mr. Mihiripenna is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, Institute of Certified Management Accountants of Sri Lanka and Association of Accounting Technicians of Sri Lanka. He also holds a B.Com (Special) Degree from the University of Sri Jayawardhanapura. He has been an Associate member from the inception (2005) of Sri Lanka Institute of Directors.

Previous Key Appointments

Managing Director/CEO of Berkly Insurance Brokers (Pvt) Ltd and A.M.W Insurance Brokers (Pvt) Ltd, Chairman of Milco (Pvt) Ltd, Founder/Managing Director of Harvest Business Consultants (Pvt) Ltd, Berkly Associates (Pvt) Ltd, Travel Investments (Pvt) Ltd and Harvest Trade Corporation (Pvt) Ltd, Founder/Precedent Partner of Keerthi Mihiripenna & Co., Chartered Accountants, and Independent Director of EML Consultants PLC.

Annual Report of the Board of Directors

The Board of Directors of the NSB FUND MANAGEMENT COMPANY LIMITED has pleasure in presenting their Report together with the Audited Financial Statements for the year ended 31st December 2025. The financial statements were reviewed and approved on 13.02.2026.

Principal Activity

The Company's principal activity is to carry on business as a Primary Dealer.

Stated Capital

The Company's issued Share Capital amount is Rs. 4,200,000,000/-, divided into 420,000,000 Shares of Rs. 10/- each. The entire Share Capital has been issued and is fully paid. NSB stands as the sole shareholder. Throughout the reporting period, there were no changes in the principal activities of the Company.

Review of Operation and Future Developments

A review of the activities during the year is contained Market Performance of the Sri Lankan Economy on pages 6-10 and the Company performance on pages 11-15. These reports form an integral part of the Annual Report.

Financial Statements

The Company's Financial Statements have been crafted in alignment with the Sri Lanka Accounting Standards (SLFRS) established by the Institute of Chartered Accountants of Sri Lanka and in accordance with the stipulations of the Companies Act No. 07 of 2007.

The Financial Statements of the Company for the year ended 31st December 2025 duly signed by the Chief Executive Officer, Chairperson and one of Director of the Company and pages 43 - 73 are form an integral part of the annual report of the Board of Directors.

Auditor General's Report

Auditor General carried out the audit on the Financial Statements for the year ended 31st December 2025 and their report on pages 37 - 42 on those statements which forms an integral part of the annual report of the Board of Directors.

Going Concern

The financial statements of the Company have been prepared on a going-concern basis in compliance with the new Sri Lanka Accounting Standards (SLFRS/LKAS) and in conformity with the generally accepted Accounting Principles and applied consistently and in accordance with the Central Bank regulations. Reasonable and prudent judgments have been made where necessary when preparing the financial statements.

Capital Expenditure

The total capital expenditure incurred on fixed assets and intangible assets during the year amounted to Rs. 6,784,409.00

Post Balance Sheet Events

No circumstances have arisen since the date of the Balance Sheet, which would require adjustment to or disclosure in the accounts.

Directors' Responsibility

The Board of Directors is responsible for the preparation and presentation of the financial statements of the Company.

Statutory Payment

All required statutory payments EPF, ETF, PAYE Tax, VAT and Income Tax etc... have been paid on due dates.

The Board of Directors

The Directorate consists of 04 members. The Company complies with the corporate governance practices recommended by the Central Bank of Sri Lanka, the regulatory authority of the Company and follow the Sri Lanka Accounting Standards (SLFRS/LKAS) adopted by the Institute of Chartered Accountants of Sri Lanka.

The Board of Directors are responsible for granting approval to annual accounts, the annual budget and reviewing the financial performance of the company on regular basis. The Board is also responsible for granting approval to staff appointments, promotions, salaries, and major capital expenditure. The Board has delegated the execution of corporate policy, management and administration to a management team headed by the CEO. The management ensures that the Board of Directors is provided with relevant background material to help make informed of the decisions, and altogether thirteen Board meetings were held in 2025.

Directors during the year 2025

Mr. Dushyantha Basnayake - Chairman (from 28.12.2023 to date)

Ms. Shashi Kandambi (from 15.02.2024 to 26.01.2026)

Mr. Oshada Rodrigo (from 13.01.2020 to date)

Mr. K. Raveendran (from 24.06.2022 to date)

Mr. K.P.P. H. Mihiripenna (from 25.07.2025 to date)

Directors' Interest

None of the Directors had a direct or indirect interest in the contracts with the Company other than those disclosed in Note 36 to the Financial Statements.

Acknowledgement of the contents of the Report

As required by Section 168(1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledge the contents of this Annual Report.

For and on behalf of the Board of Directors.

(Sgd.)

Mr. Dushyantha Basnayake

Chairman

(Sgd.)

Mr. K. Raveendran

Director

8. Corporate Management

Mr. D L P Abayasinghe - CEO



Mr. D.L.P. Abayasinghe was appointed as the Chief Executive Officer of NSB Fund Management Co. Ltd on 07.11.2018.

Skills and Experience

Mr. Abayasingha holds a Business Administration Degree (Hons.) from the University of Ruhuna and successfully completed the Level II Examination of the CFA Institute - USA. Additionally, he passed the Final I Examination of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). He has 15 years of Banking experience, especially in the areas of Treasury and Primary Dealer Unit Operations.

Other Current Appointments

Assistant General Manager of National Savings Bank and appointed to the NSB Fund Management co. Ltd on a secondment basis.

Previous Key Appointments

He has held multiple positions as Executive Officer, Senior Manager and Chief Manager in National Savings Bank since 2005. And he was a Trainee Fund Manager at EPF of Central Bank of Sri Lanka.

9. Report of the Board Audit Committee

The Board Audit Committee (BAC) of the Company was constituted to assist the Board of Directors in discharging its responsibilities and fulfilling its oversight responsibilities for,

- (a) Integrity of the Company's Financial Statements.
- (b) Performance of the internal audit function.
- (c) Performance of the external audit function.
- (d) Integrity of Business Continuity Plan.

Composition of the Committee

The BAC comprises of the following Directors serving on the Committee during the year 2025.

Mr. K.P.P. H. Mihiripenna	- Chairman (from 29.08.2025 to date)
Mr. K. Raveendran	- Chairman (from 25.02.2025 to 28.08.2025)
Mr. K. Raveendran	- Member (from 29.08.2025 to date)
Mr. Oshada Rodrigo	- Member (from 28.12.2023 to 28.08.2025)
Ms. Shashi Kandambi	- Member (from 15.02.2024 to 26.01.2026)

Meetings

The Committee held four (07) meetings during the year 2025 and the attendance of the Committee Members is given bellow,

Name	Eligible to attend	Attended
Mr. K. Raveendran	7	5
Ms. Shashi Kandambi	7	5
Mr. Oshada Rodrigo	5	5
Mr. K.P.P. H. Mihiripenna	2	2

Reporting

The Committee directly reports to the Board of Directors about its activities along with the minutes of the meetings. The Committee is of the view that the terms of reference of the Committee were complied in all material aspects.

(Sgd.)

Mr. K.P.P. H. Mihiripenna

Chairman – Board Audit Committee

10. Report of the Board Human Resource & Remuneration Committee

The Board Human Resource & Remuneration Committee (BHRRC) constituted the responsibility for determining the remuneration policy (salaries, allowances and other financial payments) relating to the company staff. The following activities were carried out by the Committee during the year,

- (a) Review of the recruitment of the Company.
- (b) Review of promotions & confirmations of the staff.
- (c) Review of the Medical Scheme of the Company.

Composition of the Committee

The BHRRC comprises of the following Directors serving on the Committee during the year 2025.

Mr. Dushyantha Basnayake - Chairman (from 28.12.2023 to date)
Mr. Oshada Rodrigo - Member (from 28.12.2023 to date)
Ms. Shashi Kandambi - Member (from 15.02.2024 to 26.01.2026)

Meetings

The Committee held four (06) meetings during the year 2025 and the attendance of the Committee members is given below,

Name	Eligible to attend	Attended
Mr. Dushyantha Basnayake	5	5
Ms. Shashi Kandambi	5	4
Mr. Oshada Rodrigo	5	4

(Sgd.)

Mr. Dushyantha Basnayake

Chairman - Board Human Resource & Remuneration Committee

11. Report of the Board Integrated Risk Management Committee

The Board Integrated Risk Management Committee (BIRMC) has established to carry out the following responsibilities,

- (a) Assist the Board of Directors in fulfilling its responsibilities relating to establishing an effective risk management framework in the Company.
- (b) Implement the Integrated Risk Management policy and other risk related policies approved by the Board of Directors and the periodic updating of the Company's Risk Management Framework.

Composition of the Committee

The BIRMC comprises of the following Directors serving on the Committee during the year 2025.

Mr. K Raveendran - Chairman (from 24.06.2022 to date)
Mr. Oshada Rodrigo - Member (from 13.01.2020 to date)
Mr. K.P.P. H. Mihiripenna - Member (from 24.09.2025 to date)
Mr. Dushyantha Basnayake - Member (from 28.12.2023 to 23.09.2025)

Meetings

The Committee held two (04) meetings during the year 2025 and the attendance of the Committee members is given bellow,

Name	Eligible to attend	Attended
Mr. K Raveendran	4	4
Mr. Oshada Rodrigo	4	3
Mr. Dushyantha Basnayake	2	2
Mr. K.P.P. H. Mihiripenna	2	1

(Sgd.)

K Raveendran

Chairman - Board Integrated Risk Management Committee

Financial Statements



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

BAN/A/NSBFMC/FA/2025/25

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

19 May 2026

Chairman

NSB Fund Management Company Limited.

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the NSB Fund Management Company Limited for the year ended 31 December 2025 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the NSB Fund Management Company Limited (“Company”) for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. The report of the Auditor General in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka will be tabled in Parliament in due course.

In my 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.



1.2 Basis for Opinion

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

1.3 Other information included in the Company's 2025 Annual Report.

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

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the 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.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the 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.

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

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018, Companies Act, No. 7 of 2007 includes specific provisions for following requirements;

2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of Section 163 (2) of the Companies Act, No.7 of 2007 and Section 12 (a) of the National Audit Act, No. 19 of 2018.

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

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

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

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

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

- 2.2.3 to state that the Company has not performed according to its powers, functions and duties as per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018
- 2.2.4 to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018.



L.S.I. Jayaratna
Auditor General

NSB Fund Management Company Limited
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2025

	Note	2025 Rs.	2024 Rs.
Interest Income	4	4,498,552,678	3,714,715,988
Interest Expense	5	(3,169,826,757)	(2,501,672,738)
Net Interest Income		1,328,725,921	1,213,043,251
Fees & Commission Income		4,149,000	7,791,600
Fee and Commission Expenses		(384,400)	(384,800)
Net Fee and Commission Income		3,764,600	7,406,800
Net Gain/(Loss) From Financial Instruments at Fair Value through Profit and Loss	6	429,093,994	880,305,741
Other Income/ (Losses)	7	1,387	(34,134)
Total Operating Income		1,761,585,903	2,100,721,657
Impairment Adjustment		1,859	1,823
Net Operating Income		1,761,587,761	2,100,723,481
Personnel Costs	8.1	(92,400,238)	(106,369,250)
Depreciation & Amortization		(9,021,934)	(7,066,386)
Other Expenses		(141,064,595)	(112,391,670)
Operating Profit/(Loss) before VAT & SSCL		1,519,100,994	1,874,896,175
VAT on Financial Services	9	(241,371,513)	(296,513,731)
SSCL on Financial Services		(33,523,822)	(41,182,463)
Profit/(Loss) before Taxation	8	1,244,205,659	1,537,199,981
Income Tax Reversal/(Expense)	10	(557,028,763)	(579,024,726)
Profit/(Loss) for the Year		687,176,896	958,175,255
Other Comprehensive Income			
Other comprehensive income to be reclassified to Income Statement			
Revaluation of Securities Gain / Loss T Bonds (FVTOCI)		(47,154,531)	56,235,937
Deferred Tax Impact		14,146,359	(16,870,780)
Other comprehensive income not to be reclassified to Income Statement			
Actuarial Gain/(Loss) on Retirement Benefit Obligation		183,456	(3,282,236)
Deferred Tax Impact		(55,037)	984,671
Total Comprehensive income/(loss) for the year		654,297,143	995,242,847
Earnings/(Loss) Per Share	11	1.64	2.28

Figures in brackets indicate deductions.

The accounting policies and notes on pages 01 to 30 form an integral part of the financial statements.

NSB Fund Management Company Limited
STATEMENT OF FINANCIAL POSITION
As at 31 December 2025

	Note	2025 Rs.	2024 Rs.
ASSETS			
Cash and Cash Equivalents	13	1,846,353	2,029,616
Financial Assets at Fair Value through Profit and Loss (Trading)	14	56,466,301,124	25,662,747,651
Loans and Advances at Amortized Cost	15	249,643,359	322,746,088
Financial Assets at Amortized Cost	16	2,711,182,607	2,705,372,470
Financial Assets at fair value through other comprehensive income	17	3,352,284,928	1,466,420,508
Derivative Financial Assets	18	15,166,293	45,760,885
Equity Investments at fair value through other comprehensive income	19	2,000,000	2,000,000
Property, Plant & Equipment	20	16,026,526	13,183,733
Intangible Assets	21	2,966,877	1,226,311
ROU Asset	22	21,195,258	24,828,731
Other Assets	25	44,825,752	98,382,373
Total Assets		62,883,439,076	30,344,698,367
LIABILITIES & EQUITY			
Liabilities			
Borrowings under Repurchase Agreements	26	55,338,568,363	23,316,875,599
Amount Due to Related Parties	27	2,750,878	2,684,306
Other Liabilities	28	25,846,119	75,092,232
Current Tax Liabilities	23	288,576,359	361,412,767
Deferred Tax Liabilities	24	30,957,377	46,169,439
Lease Liability	29	29,961,111	32,616,352
Retirement Benefit Obligation	30	15,931,423	13,297,372
Total Liabilities		55,732,591,630	23,848,148,067
Equity			
Stated Capital	31	4,200,000,000	4,200,000,000
Retained Earnings		1,178,357,555	662,846,463
Other Reserves	32	1,772,489,891	1,633,703,837
		7,150,847,445	6,496,550,300
Total Equity and Liabilities		62,883,439,076	30,344,698,367

These Financial Statements are in compliance with the requirements of the Companies Act No : 07 of 2007.


.....
Chief Executive Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the board by:


.....
Chairman


.....
Director

The accounting policies and notes on pages 01 to 30 form an integral part of the financial statements.

NSB Fund Management Company Limited
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2025

	Stated Capital Rs.	Special Risk Reserve Rs.	FVTOCI Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 January 2024	4,200,000,000	1,277,471,951	77,322,915	(53,487,413)	5,501,307,453
Profit for the year	-	-	-	958,175,255	958,175,255
Other Comprehensive Income net of tax	-	-	39,365,157	(2,297,565)	37,067,592
Transfers	-	239,543,814	-	(239,543,814)	-
Total Comprehensive Income	-	239,543,814	39,365,157	716,333,876	995,242,847
Balance as at 31 December 2024	4,200,000,000	1,517,015,765	116,688,072	662,846,463	6,496,550,300
Profit for the year	-	-	-	687,176,896	687,176,896
Other Comprehensive Income net of tax	-	-	(33,008,170)	128,419	(32,879,751)
Transfers	-	171,794,224	-	(171,794,224)	-
Total Comprehensive Income	-	171,794,224	(33,008,170)	515,511,091	654,297,145
Balance as at 31 December 2025	4,200,000,000	1,688,809,989	83,679,902	1,178,357,555	7,150,847,445

Figures in brackets indicate deductions.

The accounting policies and notes on pages 01 to 30 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	2025 Rs.	2024 Rs.
Cash flows from Operating Activities		
Interest Receipts	4,266,493,830	3,497,970,938
Interest Payment	(3,278,290,019)	(2,090,829,218)
Net Fee Income Receipts	3,764,600	7,406,800
Trading Income	707,427,159	694,959,971
Payment to Employees	(103,195,747)	(94,494,657)
VAT & SSCL on Financial Services	(268,561,336)	(324,411,551)
Payment on Other Operating Activities	(80,440,748)	(113,817,501)
Operating profit before change in Operating Assets & Liabilities	1,247,197,739	1,576,784,781
(Increase) / decrease in Operating Assets		
Financial Assets at FVTPL	(30,803,553,473)	(3,222,087,090)
Financial Assets at FVTOCI	73,102,729	(162,193,266)
Financial Assets at Amortized Cost – Loans & Advances	(5,810,137)	571,221,290
Financial Assets at Amortized Cost – Debt & Other Instrument	(1,885,864,420)	(900,809,968)
Other Assets	53,556,622	49,930,344
Increase / (decrease) in Operating Liabilities		
Financial Liabilities at Amortized Cost	32,021,692,764	2,412,928,445
Other Liabilities	(49,246,113)	13,151,406
Related Party Other Payables	66,571	(2,779,311)
Net cash generated from operating activities before Income Tax	651,142,281	336,146,631
Income Tax paid/ Surcharge Tax Paid	(629,960,425)	(317,423,460)
Net cash (used in) / from Operating Activities	21,181,856	18,723,171
Cash flows from Investing Activities		
Purchase of Property, Plant and Equipment	(9,163,519)	(9,085,924)
Purchase of Intangible Assets	-	-
Advances paid to Fixed Assets	(6,000,000)	(8,308,300)
Net cash (used in)/from Investing Activities	(15,163,519)	(17,394,224)
Cash flows from Financing Activities		
Principal Payments on ROU Asset	(6,201,600)	(6,096,000)
Related Party Loans	-	-
Net cash from Financial Activities	(6,201,600)	(6,096,000)
Net increase/(decrease) in Cash & Equivalents	(183,263)	(4,767,052)
Cash and Cash Equivalents at the beginning of the year	2,029,692	6,796,745
Cash and Cash Equivalents at the end of the year	1,846,429	2,029,692
Reconciliation of Cash and Cash Equivalents		
Cash at Bank and Cash in Hand	1,822,098	1,966,944
Balance with Central Bank	24,332	62,748
	1,846,429	2,029,692

Figures in brackets indicate deductions.

The accounting policies and notes on pages 01 to 30 form an integral part of the financial statements.

1. REPORTING ENTITY

NSB Fund Management Company Limited is a limited liability Company domiciled in Sri Lanka. The registered office of the Company and the principal place of business is located at No. 400, Galle Road, Colombo 03.

1.1 Principal Activities and Nature of Operations

The Company is a primary dealer engaged in trading government securities in the open market.

1.2 Parent Enterprise

The Company is a wholly owned subsidiary of National Savings Bank.

1.3 Approval of Financial Statements

The Financial statements for the year ended 31 December 2025 were authorized for the issue by the Directors on 13/02/2026.

Statement of Compliance

The financial statements which comprise the statement of financial position, the statement of comprehensive income, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (the “financial statements”) have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

2. BASIS OF PREPARATION

2.1 Presentation and Functional Currency

The financial statements are presented in Sri Lankan Rupees, the Company's functional and presentation currency, which is the primary economic environment in which the Company operates.

The significant accounting policies are discussed in Note 3 below.

2.2 Basis of Measurement

The financial statements have been prepared on accrual basis under the historical cost basis except for the following material items in the statement of financial position:

- Financial Assets designated at fair value through profit or losses and Debt Instruments at fair value through other comprehensive income are measured at fair value.
- Loans and Advances, Debt Instruments at Amortized Cost and Borrowings under repurchase agreements are measured at amortized cost.
- The liability for defined benefit obligation is recognized as the present value of the defined benefit obligation.

2.3 Comparative Information

The accounting policies have been consistently applied by the Company with those of the previous financial year in accordance with LKAS 01 presentation of financial statements.

2.4 Functional and Presentation Currency

The financial statements are presented in Sri Lanka rupees, which is the functional currency of Company.

2.5 Use of Estimates and Judgment

The preparation of financial statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual results may differ from those estimates and judgmental decisions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future any periods affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long term nature and complexity of existing contractual agreements, Differences arising between the actual

results and the assumptions should necessitate future adjustments to tax income and expense already recorded. Accordingly, based on such reasonable estimates the Company establishes the provisions to be made during the financial year.

Financial Assets at Fair Value Through Profit or Loss

The determination of fair values 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. The inputs to these models are derived from observable market data where possible.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible 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 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Retirement Benefit Obligation

The cost of retirement benefit obligation is determined using the Projected Unit Credit method. The Projected Unit Credit method involves making assumptions about expected salary increment rate, Discount/Interest rates and staff turnover factor. Due to the complexity of the valuation, the underlying assumptions and long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used in the estimates are contained in Note 30.

Going Concern

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

3. ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all financial periods presented in these financial statements.

ASSETS AND BASES OF THEIR VALUATION

3.1 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, balances with banks, and bank overdrafts.

3.2 Financial Instruments

i) Classification of Financial Instruments

The Company classifies its financial assets into the following measurement categories:

- Those to be measured at fair value (either through other comprehensive income, or through profit or loss); and
- Those to be measured at amortized cost.

The classification depends on the Company's business model for managing financial assets and the contractual terms of the financial assets' cash flows.

The Company classifies its financial liabilities at amortized cost unless it has designated liabilities at fair value through profit or loss or is required to measure liabilities at fair value through profit or loss such as derivative liabilities.

ii) Financial Assets measured at Amortized Cost

Debt Instruments

Investments in debt instruments are measured at amortized cost where they have:

- Contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- Are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost. The measurement of credit impairment is based on the three-stage expected credit loss model described below in Note (vi) Impairment of financial assets.

iii) Financial Assets measured at Fair Value Through Other Comprehensive Income

Debt Instruments

Investments in debt instruments are measured at fair value through other comprehensive income where they have:

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

These debt instruments are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest revenue and foreign exchange gains and losses are recognized in profit and loss. Upon disposal, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to the income statement.

The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortized cost. The expected credit loss model is described below in Note (vi) Impairment of financial assets.

Equity Instruments

Investment in equity instruments that are neither held for trading nor contingent consideration recognized by the Company in a business combination to which SLFRS 3 'Business Combination' applies, are measured at fair value through other comprehensive income, where an irrevocable election has been made by the management. For portfolios where management does not consider an irrevocable election of adopting fair value through other comprehensive income, by default such investments shall be measured at fair value through profit and loss.

Amounts presented in other comprehensive income are not subsequently transferred to profit or loss. Dividends on such investments are recognized in profit or loss.

iv) Items at Fair Value Through Profit or Loss

Items at fair value through profit or loss comprise:

- (a) Items held for trading;
- (b) Items specifically designated as fair value through profit or loss on initial recognition; and
- (c) Debt instruments with contractual terms that do not represent solely payments of principal and interest.

Financial instruments held at fair value through profit or loss is initially recognized at fair value, with transaction costs recognized in the income statement as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the income statement as they arise.

Where a financial asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

(a) Financial Instruments Held for Trading

A financial instrument is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative not in a qualifying hedge relationship.

Trading derivatives and trading securities are classified as held for trading and recognized at fair value.

(b) Financial Instruments designated as measured at Fair Value Through Profit or Loss

Upon initial recognition, financial instruments may be designated as measured at fair value through profit or loss. A financial asset may only be designated at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e. eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch or:

- If a host contract contains one or more embedded derivatives; or
- If financial assets and liabilities are both managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

v) Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are contracts whose value is derived from one or more underlying price, index or other variable, and typically comprise of instruments such as swaps, forward rate agreements, futures and options.

All derivatives are recognized in the balance sheet at fair value and are classified as trading except where they are designated as a part of an effective hedge relationship and classified as hedging derivatives. The carrying value of a derivative is remeasured at fair value throughout the life of the contract. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

vi) Impairment of Financial Assets

The Company applies a three-stage approach to measuring expected credit losses (ECLs) for the following categories of financial assets that are not measured at fair value through profit or loss:

- Debt instruments measured at amortized cost and fair value through other comprehensive income;
- Loan commitments; and
- Financial guarantee contracts.

No ECL is recognized on equity investments.

Financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that is not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized. Company determines 12 month ECL from customers whom are not significantly credit deteriorated.

Stage 2: Lifetime ECL – not credit impaired

For exposures where there has been a significant increase in credit risk since initial recognition but is not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognized. In consistent with the policies of the Company, significant deterioration is measured through the rebuttable presumption of 30 days past due for loans and receivables in line with the requirements of the standard.

Stage 3: Lifetime ECL – credit impaired

Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of provision) rather than the gross carrying amount.

Determining the Stage for Impairment

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Company's investment grade criteria, or which are less than 30 days past due, are considered to have a low credit risk. The provision for doubtful debts for these financial assets is based on a 12-months ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the income statement.

The Company assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, of the borrower and other relevant factors.

Measurement of ECLs

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive.
- Financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

For further details on how the Company calculates ECLs including the use of forward looking information, refer to the Credit quality of financial assets section in. For details on the effect of modifications of loans on the measurement of ECL refer to note on Provision for expected credit loss.

ECLs are recognized using a provision for doubtful debts account in profit and loss. In the case of debt instruments measured at fair value through other comprehensive income, the measurement of ECLs is based on the three-stage approach as applied to financial assets at amortized cost. The Company recognizes the provision charge in profit and loss, with the corresponding amount recognized in other comprehensive income, with no reduction in the carrying amount of the asset in the balance sheet.

Impairment Charges on Loans and Advances

Judgment is required by management in the estimation of the amount and timing of future cash flows when determining an impairment loss for loans and advances. In estimating these cash flows, the Company makes judgments mainly about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

A collective assessment of impairment takes into account data from the loan portfolio (such as credit quality / levels of arrears, credit utilization, etc.), and concentrations of risk and economic data (including levels of GDP Growth Rate etc.).

vii) Recognition and Derecognition of Financial Instruments

A financial asset or financial liability is recognized in the balance sheet when the Company becomes a party to the contractual provisions of the instrument, which is generally on value date. Loans and receivables are recognized when cash is advanced (or settled) to the borrowers.

Financial assets at fair value through profit or loss are recognized initially at fair value. All other financial assets are recognized initially at fair value plus directly attributable transaction costs.

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

A financial liability is derecognized from the balance sheet when the Company has discharged its obligation or the contract is cancelled or expires.

3.3 Property, Plant and Equipment

3.3.1 Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes expenditures that are directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalized as a part of equipment.

3.3.2 Depreciation

Depreciation is recognized in profit and loss on a straight-line basis over the periods appropriate to the estimated useful life of the different types of assets on the rates given below.

Furniture and Fittings	10% p.a.
Computer and Equipment	20% p.a.
Office Equipment	10% p.a.
Swift Equipment	25% p.a.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognized. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Depreciation is charged from the date of use until the date of disposal or transfer.

3.4 Intangible Assets

An intangible asset is recognized if it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably. Intangible assets with finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumptions of future economic benefits embodied in the assets is accounted for by changing the amortization period of method, as appropriate, and treated as changes in accounting estimates. Amortizations expense on intangible assets with finite lives is recognized in profit and loss on the straight-line basis over the estimated useful lives, from the date they are available for use. The estimated useful life of intangible assets with finite life is as follows:

Intangible Assets 5 Years

3.5 Right of Used (ROU) Assets

3.5.1 Recognition and Measurement

The right of used asset recognizes at the commencement date of the lease, which is the present value of lease payments to be made over the lease term.

ROU Assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognize and lease payments made at or before the commencement date less any lease incentives received.

The recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term.

LIABILITIES AND PROVISIONS

3.6 Employee Benefits

3.6.1 Defined Benefit Plans

The liability recognized in the Statement of Financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the projected Unit Credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that apply to the currency in which the benefit will be paid and that have terms to maturity approximating to the terms of the related liability.

3.6.2 Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively and is recognized as an expense in profit and loss in the periods during which services are rendered by employees.

3.6.3 Short-term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.7 Non-derivative Financial Liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: Borrowings under repurchase agreements and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

3.8 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.9 Income Statement

3.9.1 Revenue Recognition

3.9.1.1 Interest and Similar Income

For all financial instruments measured at amortized cost, interest bearing financial assets classified as financial instruments designated at fair value through profit or loss, interest income is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

3.9.1.2 Fee and Commission Income

Fee and commission income include service charges, Trustee Fees, Custodian Fees, Collateral Manager Fees, RTGS Fees which are recognized when the related services are performed.

3.9.1.3 Trading Income

Gains or losses arising from the sale of dealing securities are accounted for on the date of transaction in profit and loss.

3.9.2 Expenses

3.9.2.1 Interest and Similar Expenses

For all financial instruments measured at amortized cost, borrowings under repurchase agreements, interest expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

3.9.2.2 Income Tax Expense

Income tax expense comprises of current and deferred tax. Current and Deferred tax are recognized in profit and loss except to the extent that it relates to items recognized directly in equity, when it is recognized in equity.

Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Value Added Tax on Financial Services

The basis for the computation of Value Added Tax on financial services is the accounting profit before income tax adjusted for the economic depreciation computed on prescribed rate and emoluments of employees.

3.9 Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the “Direct Method” of preparing cash flows in accordance with the LKAS 7. Cash and cash equivalents comprise short-term, highly liquid investment that is 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2025

4. INTEREST INCOME	2025	2024
	Rs.	Rs.
Interest on Treasury Bills/Bonds/R.Repo	4,480,475,760	3,696,115,443
Interest on Debentures	18,029,912	18,570,434
Other Interest Income	47,007	30,112
	<u>4,498,552,678</u>	<u>3,714,715,988</u>
5. INTEREST EXPENSE	2025	2024
	Rs.	Rs.
Interest Expense on Repurchase Agreements	3,165,314,539	2,497,855,389
Interest Expense on Other Borrowings	965,858	-
Interest Expense on Leases (ROU Asset)	3,546,359	3,817,348
	<u>3,169,826,757</u>	<u>2,501,672,738</u>
6. NET GAIN/(LOSS) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS	2025	2024
	Rs.	Rs.
Realised Gain/(Loss)	707,427,159	694,959,971
Unrealised Gain/(Loss)	(247,738,572)	149,892,197
Unrealized Forward Gain/(Loss)	(30,594,592)	35,453,573
	<u>429,093,994</u>	<u>880,305,741</u>
Gain/ (Loss) on fair valuation of financial investments has been accounted for in accordance with the SLFRS 9.		
7. OTHER INCOME/ (LOSSES)	2025	2024
	Rs.	Rs.
Other Income/ (Losses)	1,387	(34,134)
	<u>1,387</u>	<u>(34,134)</u>
8. PROFIT BEFORE TAXATION	2025	2024
	Rs.	Rs.
Profit before taxation is stated after charging all expenses including the following		
Auditor's Remuneration	1,018,458	1,035,811
Depreciation on PPE	7,575,090	5,783,175
Amortization of Intangible Assets	1,446,844	1,283,211
Personnel Costs (8.1)	92,400,238	106,369,250
Other Charges (8.2)	59,293,058	53,833,248
8.1 Personnel Costs	2025	2024
	Rs.	Rs.
Salaries & Allowances	71,883,839	61,111,742
Defined Contribution Plan Cost - EPF and ETF	5,372,547	4,653,430
Defined Benefit Plan Cost - Retirement Gratuity	2,817,508	2,103,413
Other Staff Cost	12,326,344	38,500,664
	<u>92,400,238</u>	<u>106,369,250</u>
8.1.1 Personnel Cost of Seconded Employees included in Salaries Note 8.1	2025	2024
	Rs.	Rs.
Salaries & Allowances	25,919,962	22,681,792
Defined Contribution Plan Cost - EPF and ETF	3,887,994	2,989,914
Contribution to Pension Fund/Gratuity	2,949,805	1,379,920
8.2 Other Charges		

2025 - A provision has been recognized in accordance with LKAS 37 – Provisions, Contingent Liabilities, and Contingent Assets in respect of the amount receivable from the General Treasury for expenses incurred on the Reorientation of Sri Lankan Airlines project, due to uncertainty regarding the recovery of such funds.

2024 - A provision has been recognized in accordance with LKAS 37 – Provisions, Contingent Liabilities, and Contingent Assets for the total amount paid to Credence Treasury System, due to uncertainty regarding the refund.

9. VAT ON FINANCIAL SERVICES

The value base for value added tax for the company is the adjusted accounting profit before tax and emoluments of employees. The adjustment to the accounting profit before tax is for economic depreciation computed on prescribed rates, instead of the rates adopted in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2025

10. INCOME TAX EXPENSE

	2025 Rs.	2024 Rs.
Current Income Tax		
Current Income Tax charge on ordinary activities for the year	474,884,192	579,644,075
Under/(Over) Provision of current taxes in respect of prior years	83,265,311	-
	<u>558,149,503</u>	<u>579,644,075</u>
Deferred Income Tax		
Deferred Taxation Charge/(Reversal) for current year	(1,120,740)	(619,349)
Under/(Over) Provision of deferred tax in respect of prior years	-	-
Income Tax Expense Reported in the Income Statement	<u>557,028,763</u>	<u>579,024,726</u>

A provision has been recognized for current taxes in respect of prior years in accordance with LKAS 37 – Provisions, Contingent Liabilities, and Contingent Assets, as the assessment for the Income Tax year 2018/2019 is currently under review by the Tax Appeal Commission (TAC).

Reconciliation between Current Tax Expenses and the Accounting Profit

	2025 Rs.	2024 Rs.
Accounting Profit/(Loss) before Tax from Continuing Operations	1,244,205,659	1,537,199,981
Income not Liable for Tax	-	-
Other Aggregate Disallowed Items	349,572,336	404,558,080
Other Aggregate Deductible Items	(10,830,689)	(9,611,144)
B/F Tax Loss	-	-
Taxable Profit/(Loss)	<u>1,582,947,306</u>	<u>1,932,146,918</u>
Income Tax Rate	30%	30%
Current Income Tax Expense	<u>474,884,192</u>	<u>579,644,075</u>
	<u>474,884,192</u>	<u>579,644,075</u>
Effective tax rate (%)	38%	38%
Effective tax rate (excluding deferred tax) (%)	38%	38%

11. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to the ordinary shareholders for the year, divided by the average number of ordinary shares in issue during the year and calculated as follows;

	2025 Rs.	2024 Rs.
Profit/(Loss) Attributable to Ordinary Shareholders	687,176,896	958,175,255
Weighted Average Numbers of Ordinary Shares	<u>420,000,000</u>	<u>420,000,000</u>
Earnings/(Loss) Per Share	<u>1.64</u>	<u>2.28</u>

12. DIVIDEND PER SHARE

Dividend per share is calculated by dividing the dividend by the number of ordinary shares in issues as at the year end

	2025 Rs.	2024 Rs.
Weighted Average Numbers of Ordinary Shares	420,000,000	420,000,000
Dividends paid (Rs.)	-	-
Dividend per share	-	-

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2025

13. CASH & CASH EQUIVALENTS	2025	2024		
	Rs.	Rs.		
Cash at Bank and Cash in Hand	1,822,098	1,966,944		
Balance with Central Bank	24,332	62,748		
(-) Impairment Provision on Cash at Bank	(77)	(76)		
Cash & Cash Equivalents for the Purpose of Cash Flow Statement	1,846,353	2,029,616		
14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (TRADING)	2025	2024		
	Rs.	Rs.		
Treasury Bills	17,362,862,060	10,633,670,497		
Treasury Bonds	39,103,439,064	15,029,077,154		
	56,466,301,124	25,662,747,651		
15. LOANS AND ADVANCES AT AMORTIZED COST	2025	2024		
	Rs.	Rs.		
Loans & Advances from Banks	19,503,355	51,809,274		
Loans & Advances from Other Customers	230,140,004	270,936,814		
	249,643,359	322,746,088		
16. FINANCIAL ASSETS AT AMORTIZED COST	2025	2024		
	Rs.	Rs.		
Treasury Bonds - Held to Collect	2,508,287,705	2,502,479,427		
Debentures	202,965,199	202,965,199		
(-) Impairment Provision on Debentures	(70,297)	(72,156)		
	2,711,182,607	2,705,372,470		
17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	2025	2024		
	Rs.	Rs.		
Treasury Bonds	3,352,284,928	1,466,420,508		
	3,352,284,928	1,466,420,508		
18. DERIVATIVE FINACIAL ASSETS	2025	2024		
	Rs.	Rs.		
Forward Purchase Contracts - Government Securities (Note 6)	15,166,293	45,760,885		
	15,166,293	45,760,885		
19. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	2025	2024		
	Cost	Cost	Directors'	Directors'
	Rs.	Rs.	Rs.	Valuation
				Rs.
Investment in				
Lanka Financial Services Bureau Limited	2,000,000	2,000,000	2,000,000	2,000,000
(No. of shares 200,000)	2,000,000	2,000,000	2,000,000	2,000,000

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2025

20. PROPERTY, PLANT AND EQUIPMENT	Balance as at 01/01/2025	Additions during the year	Disposals/Transfers during the year	Balance as at 31/12/2025
Cost	Rs.	Rs.	Rs.	Rs.
Computer Equipment	18,223,696	4,721,977	-	22,945,673
Swift Equipment	913,903	-	-	913,903
Office Equipment	4,745,501	283,200	-	5,028,701
Furniture & Fittings	2,432,234	1,779,233	-	4,211,467
	<u>26,315,335</u>	<u>6,784,409</u>	<u>-</u>	<u>33,099,744</u>
Accumulated Depreciation	Balance as at 01/01/2025	Charge for the year	Depreciation on Disposals/Transfers	Balance as at 31/12/2025
	Rs.	Rs.	Rs.	Rs.
Computer Equipment	8,826,450	3,227,434	-	12,053,884
Swift Equipment	913,901	-	-	913,901
Office Equipment	2,186,458	438,054	-	2,624,512
Furniture & Fittings	1,204,792	276,128	-	1,480,920
	<u>13,131,601</u>	<u>3,941,617</u>	<u>-</u>	<u>17,073,218</u>
Carrying Amount			2025	2024
			Rs.	Rs.
Net Book Value as at 31 December			<u>16,026,526</u>	<u>13,183,733</u>

20.1 Fully Depreciated Property, Plant & Equipment

The initial cost of fully depreciated Property, Plant & Equipment, which are still in use as at reporting date is as follows;

	2025	2024
	Rs.	Rs.
Computer Equipment	6,662,417	5,537,314
Swift Equipment	913,903	913,903
Office Equipment	392,730	392,730
Furniture & Fittings	153,176	153,176

21. INTANGIBLE ASSET	Balance as at 01/01/2025	Additions during the year	Disposals/Transfers during the year	Balance as at 31/12/2025
Cost	Rs.	Rs.	Rs.	Rs.
SWIFT License Fee	1,058,562	-	-	1,058,562
SWIFT Entrance Fee	911,031	-	-	911,031
Board Pac	400,000	-	-	400,000
JBOSS Enterprise Application Software	6,048,534	-	-	6,048,534
Customer Management System	350,000	-	-	350,000
Windows Server 2025 Standard	-	818,489	-	818,489
SQL Server 2022 Standard Edition	-	752,322	-	752,322
Web Site	-	1,616,600	-	1,616,600
	<u>8,768,127</u>	<u>3,187,410</u>	<u>-</u>	<u>11,955,537</u>
Accumulated Amortisation & Impairment Loss	Balance as at 01/01/2025	Charge for the year	Depreciation on Disposals/Transfers	Balance as at 31/12/2025
	Rs.	Rs.	Rs.	Rs.
SWIFT License Fee	1,058,562	-	-	1,058,562
SWIFT Entrance Fee	911,031	-	-	911,031
Board Pac	399,999	-	-	399,999
JBOSS Enterprise Application Software	5,014,007	1,034,526	-	6,048,533
Customer Management System	158,216	69,999	-	228,215
Windows Server 2025 Standard	-	103,597	-	103,597
SQL Server 2022 Standard Edition	-	95,222	-	95,222
Web Site	-	143,500	-	143,500
	<u>7,541,816</u>	<u>1,446,844</u>	<u>-</u>	<u>8,988,660</u>
Carrying Amount			2025	2024
			Rs.	Rs.
Carrying Amount			<u>2,966,877</u>	<u>1,226,311</u>

21.1 Fully Amortised Intangible Assets

The initial cost of fully amortised intangible assets, which are still in use as at Reporting date is as follows;

	2025	2024
	Rs.	Rs.
SWIFT License Fee	1,058,562	1,058,562
SWIFT Entrance Fee	911,031	911,031
Board Pac	400,000	400,000
JBOSS Enterprise Application Software	6,048,534	-

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2025

22. ROU ASSET (RIGHT-OF-USE ASSET)	2025	2024
	Rs.	Rs.
Opening balance	43,601,674	43,601,674.37
Additions/Disposals	-	-
Closing Balance	43,601,674	43,601,674
Depreciation	(22,406,416)	(18,772,943)
Net Asset Value	21,195,258	24,828,731
23. INCOME TAX PAYABLE/(RECEIVABLE)	2025	2024
	Rs.	Rs.
Opening Balance	361,412,767	101,728,241
Charge for the year	474,884,192	579,644,075
Previous year Income Tax	83,265,311	-
Payments/ Tax Credits during the year	(630,985,911)	(319,959,550)
Closing Balance	288,576,359	361,412,767
Income Tax Payable balance is included tax overpayments from 2014 amounting to Rs. 67,401,151/- that was still not settled in the IRD.		
24. DEFERRED TAX ASSET/(LIABILITY)	2025	2024
	Rs.	Rs.
Balance at the beginning of the year	(46,169,439)	(30,902,679)
Under/(Over) Provision of deferred tax in respect of prior years	-	-
Provision/(reversal) for the year	15,212,062	(15,266,760)
Balance at the end of the year	(30,957,377)	(46,169,439)
<i>The closing Deferred Tax Asset/(Liability) balance relates to the following</i>		
Accumulated Depreciation	126,010	(149,478)
Retirement Benefit Obligation	4,779,427	3,989,212
Revaluation Gain/(Loss) - FVTOCI	(35,862,814)	(50,009,173)
	(30,957,377)	(46,169,439)
25. OTHER ASSETS	2025	2024
	Rs.	Rs.
Other Receivables	1,679,223	1,134,486
Receivable From Treasury	88,939,587	88,939,587
(-) Provision for Receivable from Treasury	(59,293,058)	-
Advance paid to Fixed Assets (25.1)	13,500,000	8,308,300
	44,825,752	98,382,373
25.1 Advance paid to Fixed Assets	2025	2024
	Rs.	Rs.
Advance paid to Fixed Assets	67,333,248	62,141,548
(-) Provision for Advance paid to Fixed Assets	(53,833,248)	(53,833,248)
	13,500,000	8,308,300
A provision has been recognized in accordance with LKAS 37 – Provisions, Contingent Liabilities, and Contingent Assets in respect of the amount receivable from the General Treasury for expenses incurred on the Reorientation of Sri Lankan Airlines project, due to uncertainty regarding the recovery of such funds.		
26. BORROWINGS UNDER REPURCHASE AGREEMENTS	2025	2024
	Rs.	Rs.
Due within 1 year	55,338,568,363	23,316,875,599
	55,338,568,363	23,316,875,599
27. AMOUNT DUE TO RELATED PARTY	2025	2024
	Rs.	Rs.
Other Payables to National Savings Bank	2,750,878	2,684,306
	2,750,878	2,684,306
28. OTHER LIABILITIES	2025	2024
	Rs.	Rs.
Accrued Expenses & Other Liabilities	25,471,119	74,717,232
Advances Received	375,000	375,000
	25,846,119	75,092,232
29. LEASE LIABILITY	2025	2024
	Rs.	Rs.
Opening Balance	32,616,352	34,895,003
Additions	-	-
Interest Expense	3,546,359	3,817,348
Principal Payment	(6,201,600)	(6,096,000)
Closing Balance	29,961,111	32,616,352

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2025

30. RETIREMENT BENEFIT OBLIGATION

	2025 Rs.	2024 Rs.
Balance at the beginning of the year	13,297,372	7,911,723
Current Service Cost	1,487,770	1,233,124
Interest for the year	1,329,737	870,290
Deficit/(Surplus) charge for the year	(183,456)	3,282,236
Payments made during the year	-	-
Balance at the end of the year	<u>15,931,423</u>	<u>13,297,372</u>

LKAS 19 requires the techniques to make a reliable estimate of the amount of the retirement benefit that the employees have earned in return for their service in the current and prior periods and discount that benefits using the projected unit Credit Method in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic and financial variables that will influence the cost of the benefit.

- 30.1 The Employee Benefit Liability is based on the Projected Unit Credit method carried out as at 31 December 2025. The principal financial assumptions used in determining the cost of employee benefits were:

	2025	2024
Discount Rate	10.00%	11.00%
Future Salary Increment	10.00%	10.00%
Staff Turnover Rate	0%	0%
Average Future Working Life Time		
Age Group	25-34	35-44
Average Future Working Life Time - Years	32	21
		45<
		10

30.2 Sensitivity Analysis - Salary/Discount Rate

Values appearing in the Financial Statements are very sensitive to the changes in financial and non-financial assumptions used. A sensitivity was carried out as follows;

	+1%	-1%
Effect on the present value of Defined Benefit Obligation		
One percentage point change in the discount rate	(1,836,989)	2,175,876
One percentage point change in the salary escalation rate	2,154,534	(1,852,482)

Assumptions

Financial Assumptions - Rate of discount, Salary increment rate
Demographic Assumptions - Mortality, Staff turn over, Disability, Retirement age

31. STATED CAPITAL

	2025 Rs.	2024 Rs.
Opening Balance	4,200,000,000	4,200,000,000
Issued During the year	-	-
Closing Balance	<u>4,200,000,000</u>	<u>4,200,000,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at Annual General Meeting of the company.

32. OTHER RESERVES

	2025 Rs.	2024 Rs.
Special Risk Reserve (Note 32.1)	1,688,809,989	1,517,015,765
FVTOCI Reserve (Note 32.2)	83,679,902	116,688,072
	<u>1,772,489,891</u>	<u>1,633,703,837</u>

- 32.1 In order to promote the safety, soundness and the stability of the Primary Dealer (PD) system and to build up PD capital base, Primary Dealers (PDs) are required to transfer a sum not less than 10% of their profit after tax annually to a Special Risk Reserve.

The Company transfers 25% out of Net Profit to the Special Risk Reserve when making profits.

- 32.2 FVTOCI reserve represents the Revaluation Gain/(Loss) of Government Securities at Fair Value Through Other Comprehensive Income Portfolio with the adjustment of Deferred Tax provision.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2025

33. MATURITY OF ASSETS AND LIABILITIES

As analysis of interest bearing assets and liabilities by their remaining periods of the reporting date is as follows.

As at 31 December 2025	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	More than 5 Years Rs.	Total Rs.
Assets						
Government Securities at FVPL	413,827,700	21,260,141,737	16,226,571,060	18,565,760,627	-	56,466,301,124
Government Securities at AC	-	209,995,550	2,298,292,155	-	-	2,508,287,705
Corporate Debentures	-	202,894,902	-	-	-	202,894,902
Government Securities at FVOCI	69,206,940	-	405,378,238	2,877,699,751	-	3,352,284,928
Derivative Financial Assets	15,166,293	-	-	-	-	15,166,293
Loans & Advances	249,643,359	-	-	-	-	249,643,359
ROU Assets	908,368	2,725,105	7,266,946	7,266,945	3,027,894	21,195,258
Total Interest Earning Assets	748,752,659	21,675,757,294	18,937,508,398	21,450,727,323	3,027,894	62,815,773,568
Total non Interest Earning Assets						67,665,507
Total Assets						62,883,439,076
Liabilities						
Borrowings under Repo	34,708,992,476	20,629,575,887	-	-	-	55,338,568,363
Lease Liability	846,143	2,685,574	8,487,630	12,060,989	5,880,775	29,961,111
Total Interest bearing Liabilities	34,709,838,619	20,632,261,461	8,487,630	12,060,989	5,880,775	55,368,529,474
Total non int. bearing Liabilities						364,062,156
Shareholder's Fund						7,150,847,445
Total Equity and Liabilities						62,883,439,076
As at 31 December 2024						
As at 31 December 2024	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	More than 5 Years Rs.	Total Rs.
Assets						
Government Securities at FVPL	5,405,451,585	6,035,609,165	5,576,560,470	8,535,888,025	109,238,405	25,662,747,651
Government Securities at AC	-	-	2,244,794,084	257,685,343	-	2,502,479,427
Corporate Debentures	-	9,943,043	192,950,000	-	-	202,893,043
Government Securities at FVOCI	-	-	69,070,119	415,337,016	982,013,373	1,466,420,508
Derivative Financial Assets	45,760,885	-	-	-	-	45,760,885
Loans & Advances	306,741,335	16,004,752	-	-	-	322,746,088
ROU Assets	908,368	2,725,105	7,266,946	7,266,946	6,661,366	24,828,731
Total Interest Earning Assets	5,758,862,173	6,064,282,065	8,090,641,619	9,216,177,331	1,097,913,144	30,227,876,332
Total non Interest Earning Assets						116,822,035
Total Assets						30,344,698,367
Liabilities						
Government Securities sold under Repurchase Agreement	22,086,403,930	1,230,471,670	-	-	-	23,316,875,599
Lease Liability	610,734	2,044,506	7,482,675	10,229,289	12,249,148	32,616,352
Total Interest bearing Liabilities	22,087,014,664	1,232,516,176	7,482,675	10,229,289	12,249,148	23,349,491,951
Total non int. bearing Liabilities						498,656,116
Shareholder's Fund						6,496,550,300
Total Equity and Liabilities						30,344,698,367

34. FINANCIAL ASSETS PLEDGED AS COLLATERALS FOR REPO & REVERSE REPO

The Company has pledged assets that are in its Statement of Financial Position in day to day transaction which are conducted under the usual terms and conditions applying such agreements. The Company has pledged the investment in government securities against securities hold under repurchase agreements and pledged securities sold to customers for reverse repurchase transactions.

34.1 Haircut Policy for Repo & Reverse Repo Transactions

The Company's Haircut Policy on Repo & Reverse Repo transactions is based on the Guidelines issued by the Central Bank of Sri Lanka under the Direction No. 01 of 2019 on "Repurchase and Reverse Repurchase transactions of Dealer Direct Participants in Scripless Treasury Bonds and Scripless Treasury Bills".

At the time of entering into a repurchase or reverse repurchase transaction, the market value of the eligible securities adequately covers the repurchase value/ resale value of the securities (maturity value of the transaction), amount borrowed/ lent by the Company plus the interest that will accrue over its tenor within a minimum haircut as below,

Remaining term to maturity of the Eligible Security	Minimum Haircut (%)
up to 1 year	4.0
more than 1 year and up to 3 years	6.0
more than 3 year and up to 5 years	8.0
more than 5 year and up to 8 years	10.0
more than 8 years	12.0

Notwithstanding above, haircuts less than those required may be used for repurchase and reverse repurchase transaction entered into between the Company and the other party with the written agreement.

34.2 Fair Value of Government Securities Pledged as Collaterals

	2025 Rs.	2024 Rs.
Repo	60,658,101,075	25,198,789,985
Reverse Repo	294,050,797	399,677,474

35. FAIR VALUE OF FINANCIAL INSTRUMENTS**Financial Instruments Recorded at Fair Value**

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

(a) Financial Assets Held for Trading

Quoted Equities and Sri Lanka Government Securities - Treasury Bills and Bonds included in Financial Assets Held for Trading are valued using market prices.

whereas debt securities are valued using discounted cash flow valuation models which incorporate observable and non observable market data.

(b) Financial Investments - Fair Value Through Other Comprehensive Income

Fair Value Through Other Comprehensive Income Financial Assets valued using valuation techniques or pricing models primarily consist of unquoted equities and Sri Lanka Government Securities - Treasury Bonds.

Determination of Fair Value and Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd...)**35.1 Determination of Fair Value and Fair Value Hierarchy**

As at 31 December 2025	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial Assets - Held for Trading & FVTOCI	59,818,586,052	-	-	59,818,586,052
Equity Investments	-	-	2,000,000	2,000,000
	<u>59,818,586,052</u>	<u>-</u>	<u>2,000,000</u>	<u>59,820,586,052</u>

As at 31 December 2024

Financial Assets				
Financial Assets - Held for Trading & FVTOCI	27,129,168,159	-	-	27,129,168,159
Equity Investments	-	-	2,000,000	2,000,000
	<u>27,129,168,159</u>	<u>-</u>	<u>2,000,000</u>	<u>27,131,168,159</u>

35.2 Determination of Fair Value and Fair Value Hierarchy

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	31 December 2025		31 December 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs.	Rs.	Rs.	Rs.
Financial Assets				
Cash and Bank	1,846,353	1,846,353	2,029,616	2,029,616
Loans and Advances	249,643,359	294,050,797	322,746,088	399,677,474
Financial Assets at Held to Collect	2,508,287,705	2,548,235,000	2,502,479,427	2,533,840,250
Total Financial Assets	<u>2,759,777,416</u>	<u>2,844,132,150</u>	<u>2,827,255,131</u>	<u>2,935,547,341</u>
Financial Liabilities				
Borrowings under Repurchase Agreements	55,338,568,363	60,658,101,075	23,316,875,599	25,198,789,985
Amounts Due to Related Parties	2,750,878	2,750,878	2,684,306	2,684,306
Total Financial Liabilities	<u>55,341,319,241</u>	<u>60,660,851,953</u>	<u>23,319,559,906</u>	<u>25,201,474,292</u>

Fair Value of Financial Assets and Liabilities not Carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values for 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 it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity, floating rate instruments, fixed rate instruments having maturities within 12 months.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities (other than assets and liabilities with maturities within 12 months) carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

36. FINANCIAL RISK MANAGEMENT**Overview**

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Operational risks

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The risk management policies of the Company's are established to identify and analyze the risk faced by the company's to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company.

Market risk

Interest rate risk include in the market price movement are monitored monthly using gap analysis and the re-pricing impact of interest rate fluctuations on the portfolio. Stress testing based on PVBP analysis to monitor the impact of interest rate variations on the value of the portfolio is also assessed and both results are reported to the Board.

Operational risk

A software system has been put in place to automate core functions of the Company with online MIS and other risk management facilities. A Disaster Recovery Site for SWIFT connectivity, IT system and other business functions of the Company has been set up at NSB premises in Maharagama & Internal audit conducted by Ernst & Young and responsible for monitoring the operation of the internal control system.

Performance of the Company is monitored by the Department of Supervision of Non-Bank Financial Institutions of the Central Bank as the regulatory authority. Stress Testing to measure risk impact of interest rates on the portfolio, Cumulative Gap measuring the Liquidity Risk, Capital Adequacy Ratio and Capital Leverage are monitored.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2025

36.1 Credit Risk

Credit Risk Analysis - Maturity Profile Analysis of Financial Assets

As at 31 December 2025 - Face Value Analysis

Instrument	Overnight	2-7 Days	8-30 Days	31-91 Days	92-182 Days	183-365 Days	Above 365 Days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Reverse Repo	-	-	2,073,017	37,573,939	29,967,388	29,436,163	148,796,193
Treasury bills	-	852,155	12,896,809	200,578,583	1,479,553,442	16,759,115,252	-
Treasury bonds	-	-	195,960,069	66,666,000	730,572,956	3,425,923,601	37,921,112,820
Total	-	852,155	210,929,895	304,818,522	2,240,093,786	20,214,475,016	38,069,909,013

Credit Risk Analysis - Maturity Profile Analysis of Financial Assets

As at 31 December 2024- Face Value Analysis

Instrument	Overnight	2-7 Days	8-30 Days	31-91 Days	92-182 Days	183-365 Days	Above 365 Days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Reverse Repo	-	-	994,532	9,150,841	10,617,908	1,008,768	299,530,129
Treasury bills	-	237,291,969	303,878,138	4,692,014,778	4,237,847,888	1,484,204,552	-
Treasury bonds	-	-	214,749,009	1,388,941	524,228,684	6,902,861	17,163,727,113
Total	-	237,291,969	519,621,679	4,702,554,560	4,772,694,480	1,492,116,181	17,463,257,242

36.2 Liquidity Risk

Liquidity risk Analysis - Maturity Profile Analysis of Financial Liabilities

As at 31 December 2025 - Face Value Analysis

Instrument	Overnight	2-7 Days	8-30 Days	31-91 Days	92-182 Days	183-365 Days	Above 365 Days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Customer Repo	-	-	184,903,567	231,827,789	2,002,715,001	16,546,879,169	34,406,175,564
Other Repo	-	-	-	-	-	796,000,000	-
Total	-	-	184,903,567	231,827,789	2,002,715,001	17,342,879,169	34,406,175,564

Liquidity risk Analysis - Maturity Profile Analysis of Financial Liabilities

As at 31 December 2024 - Face Value Analysis

Instrument	Overnight	2-7 Days	8-30 Days	31-91 Days	92-182 Days	183-365 Days	Above 365 Days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Customer Repo	-	32,391,105	372,784,257	3,211,678,086	3,579,990,407	727,645,192	9,517,316,321
Other Repo	-	-	-	740,300,000	-	-	4,750,000,000
Total	-	32,391,105	372,784,257	3,951,978,086	3,579,990,407	727,645,192	14,267,316,321

36.3 Market risk

Sensitivity Analysis of Re-Pricing of assets and liabilities

As at 31 December 2025 - Maturity of assets and liabilities - Market Value

Instrument	8 - 30 Days	31 - 91 Days	92 - 182 Days	183 - 365 Days	1 - 2 Years	2 - 5 Years	Above 5 Years
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Reverse Repo	2,427,488	44,374,200	34,844,184	34,082,025	166,665,017	11,657,884	
T.Bonds	195,857,974	66,712,400	747,485,439	3,509,671,680	6,267,738,105	30,587,126,603	2,578,994,066
T.Bills	13,706,300	198,152,986	1,436,988,831	15,714,013,679	-	-	-
Debentures	-	-	100,000,000	92,950,000	-	-	-
Total	211,991,762	309,239,586	2,319,318,453	19,350,717,383	6,434,403,122	30,598,784,486	2,578,994,066

Liabilities & Equity

Equity	-	-	-	-	-	-	7,150,847,445
Repo	210,572,866	252,625,257	2,174,359,795	18,581,597,631	6,416,942,592	30,397,983,320	2,624,019,613
Total	210,572,866	252,625,257	2,174,359,795	18,581,597,631	6,416,942,592	30,397,983,320	9,774,867,059

Sensitivity Analysis of Re-Pricing of assets and liabilities

As at 31 December 2024 - Maturity of assets and liabilities - Market Value

Instrument	8 - 30 Days	31 - 91 Days	92 - 182 Days	183 - 365 Days	1 - 2 Years	2 - 5 Years	Above 5 Years
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Reverse Repo	1,233,497	11,118,812	12,996,352	1,290,120	62,238,520	307,076,270	3,723,905
T.Bonds	215,853,893	1,391,752	542,383,190	6,964,721	3,775,032,401	12,963,558,399	1,058,309,699
T.Bills	539,509,132	4,626,332,842	4,088,123,673	1,379,704,923	-	-	-
Debentures	-	-	-	-	192,950,000	-	-
Total	756,596,522	4,638,843,406	4,643,503,214	1,387,959,764	4,030,220,920	13,270,634,669	1,062,033,604

Liabilities & Equity

Equity	-	-	-	-	-	-	6,496,550,300
Repo	459,227,805	4,155,852,494	3,826,783,317	742,810,971	2,952,852,733	11,984,663,826	1,076,598,839
Total	459,227,805	4,155,852,494	3,826,783,317	742,810,971	2,952,852,733	11,984,663,826	7,573,149,139

36.4 Stress check Analysis

Reduction of the value of Trading Portfolio for an increase in yield by 100 basis points as per Stress Check

Results

Treasury bill trading portfolio

Treasury bond trading portfolio

	2025	2024
	Rs.	Rs.
	(127,111,633)	(35,671,853)
	(899,386,493)	(344,774,503)
	(1,026,498,126)	(380,446,355)

37. RELATED PARTY DISCLOSURES**(a) Transactions with key management personnel**

Key management personnel comprise of the Directors of the Company and the details of the transactions with them are as follows.

i) Loans to key management personnel

No loans were given to Directors of the company.

ii) Key management personnel compensation

Remuneration paid to Directors during the year was amounted to Rs. 2,395,500/- (2024 -Rs. 2,157,500/-).

iii) Key management personnel Investments in Government Securities of the Company

Directors of the Company and the Parent have made sum of Rs. 33,926,329/- investments in Government Securities of the Company as at 31.12.2025. (2024 - Rs. 26,281,351/-)

(b) Transactions with related parties

The following transactions were carried out with related parties during the year ended 31 December 2024.

Items in Income Statement		2025	2024
		Rs.	Rs.
National Savings Bank	Interest Received on R/Repo	998,901	-
	Trustee Fee Income	300,000	300,000
	Interest Paid on Repurchase agreements	66,868,986	117,630,365
	Shared Service Fee	2,400,000	1,525,000
	Rent Expense	6,201,600	6,096,000
Items in Statement of Financial Position			
National Savings Bank	Borrowing under Repurchase agreements	796,176,751	5,491,546,581
	Other Payables	2,750,878	2,684,306

38. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future event or present obligation where the transfer of economic benefit is not probable or cannot be reliably measured.

Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless its occurrence is remote.

38.1 Derivative Financial Assets - Government Securities

	Face Value Rs.	Market Value Rs.
Forward Purchases - Treasury Bonds	8,000,000,000	8,028,656,000
Forward Sales - Treasury Bonds	7,000,000,000	6,995,718,286
Forward Purchases - Treasury Bills	7,516,000,000	7,154,278,049
Forward Sales - Treasury Bills	5,413,072,275	5,109,895,721

38.2 Capital Commitments

Capital expenditure approved by the Board of Directors, for which provisions have not been made in the Financial Statements are detailed below

	2025	2024
	Rs.	Rs.
Approved and contracted for Treasury System	1,500,000	7,500,000
Approved and contracted for Website	-	808,300

38.3 Assessment Received by the Company**Income Tax**

Notice of assessment has been issued for Income Tax for the years of assessment 2009/10, 2010/11, & 2011/12 amounting to Rs. 39.8 Mn and a penalty of Rs.27 Mn. The Company has submitted late appeals to IRD for waving off. The IRD decision is pending.

PAYE Tax

Notice of assessment has been issued for PAYE tax for the years of assessment 2005/06, 2010/11, 2011/12, 2012/13 & 2014/15 amounting to Rs. 180,187/- and a penalty of Rs. 110,366/-. The Company has requested IRD to sett off them against company's PAYE overpayments. The IRD has not taken action yet.

39. EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the reported date which would require adjustments to or disclosure in the financial statements.

	2025 Rs.	2024 Rs.
Personnel Costs		
Salaries and Wages	39,606,978	33,739,825
Employee Emoluments	32,276,861	27,371,917
Medical Expenses	951,821	685,429
O/T Out Pocket Allowance	1,846,628	1,569,410
EPF	4,298,037	3,722,744
ETF	1,074,510	930,686
Bonus	6,335,848	32,862,402
Encashment of Privilege Leave	1,788,748	2,281,723
Staff Training Expenses	1,403,298	1,101,700
Gratuity expense	2,817,508	2,103,413
	<u>92,400,238</u>	<u>106,369,250</u>

	2025 Rs.	2024 Rs.
Other Expenses		
Directors Fees	2,395,500	2,157,500
Audit Fees	8,018,295	4,678,037
Bank Charges	371,728	214,075
Annual Membership Fees	363,588	3,618,845
Swift Charges	4,531,932	4,080,208
Bloomberg Charges	16,212,524	15,507,668
Sundry Expenses	1,548,572	1,384,938
Sales Promotion	4,604,001	955,476
Stationery	287,026	688,729
Chargeable Equipment	280,526	556,299
Travelling	170,081	149,310
Postage	4,360	1,670
Electricity	1,861,979	2,454,662
Telephone Charges	1,666,172	1,583,473
Water Tax	99,725	166,042
Maintenance of Computers	2,864,959	1,732,449
Maintenance of Office Equipment	1,573,205	1,094,757
Office Renovation Expenses	4,338,320	17,700
Publication Expenses	462,619	308,090
Professional Fees	378,000	125,000
Secretarial Fee	240,000	240,000
Brokerage Expense	25,098,863	15,443,493
Shared Service Fee	3,406,627	1,400,000
Other Charges and Provisions	59,293,058	53,833,248
Commitment & Processing Fee	992,935	-
	<u>141,064,595</u>	<u>112,391,670</u>

Corporate Information

Name of the Company	- NSB Fund Management Company Limited
Company Reg. Number	- PB 795
Legal Form	- A fully owned subsidiary of National Savings Bank, incorporated under the Companies Act No. 17 of 1982 and re- registered under the provisions of the Companies Act No. 07 of 2007.
Board of Directors	- Mr. Dushyantha Basnayake (Chairman) Mr. Oshada Rodrigo Mr. K. Raveendran Mr. K. Mihiripenna
Chief Executive Officer	- Mr. D L P Abayasinghe
Company Secretary	- Ms. Farzana Aniff
Registered Office	- No. 400 Galle Road, Colombo 03.
Telephone	- 2425010, 2425011, 2425012 & 2565957
Fax	- 2564706/2574387
E-mail	- nsbfmc@nsb.lk
Web	- www.nsbfmc.lk
SWIFT	- NSBFLKLXXXX
Auditor	- Auditor General
Banker	- Bank of Ceylon - Corporate Branch No.4, Bank of Ceylon Mawatha Colombo 01.