

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 Reporting entity

Softlogic Life Insurance PLC (“the Company”) is a public limited liability company incorporated and domiciled in Sri Lanka. The Company is regulated under the Insurance Industry Act No. 43 of 2000 and amendments thereto. The Company was re-registered under the Companies Act No. 07 of 2007 and the registered office is situated at Level 16, One Galle Face Tower, Colombo - 02. The ordinary shares of the Company have a primary listing on the CSE.

### 1.2 Parent entity and ultimate parent entity

The parent entity of the Company is Softlogic Capital PLC. In the opinion of the Board of Directors, the ultimate parent undertaking and controlling entity is Softlogic Holdings PLC which is incorporated in Sri Lanka. The Financial Statements of parent and ultimate parent of the entity are available for public use.

### 1.3 Principal activities and nature of operations of the Company and the Group

The principal business activity of the Company and its Subsidiary is providing Life Insurance solutions for both individual and corporate customers. Life Insurance is a protection against financial losses that would result from an insured event adversely affecting the insured. In such situations, the nominated beneficiary receives the proceeds and is thereby safeguarded from financial impacts of the insured event. The benefit paid by a life insurer is consideration for premium payments made by the insured. There were no significant changes in the nature of the principal activities during the financial year under review.

### 1.4 Number of employees

The staff strength of the Company as at 31 December 2025 is 1,144 (2024 was 944).

### 1.5 Consolidated Financial Statements

The Consolidated Financial Statements as at and for the year ended 31 December 2025 comprise “the Company” referring to Softlogic Life Insurance PLC as the holding Company and the “Group” referring to the subsidiary (Softlogic Life Insurance Lanka Limited, formerly known as Allianz Life Insurance Lanka Limited) consolidated therein. Corporate information is given in page 475 of this Annual Report. Further disclosures relating to the business combinations are provided in Note 26 on page 348 of the Annual Report.

## 2. BASIS OF ACCOUNTING

### 2.1 Statement of compliance

Financial Statements of the Group are in compliance with the requirements of the Companies Act No. 07 of 2007, the Regulation of Insurance Industry (RII) Act No. 43 of 2000 and amendments thereto, and rules and regulations of the Insurance Regulatory Commission of Sri Lanka (IRCSL). It also provides appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

These Financial Statements, except for information on cash flows, have been prepared following the accrual basis of accounting.

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (the “Accounting Standards”), as issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Accounting Standards comprise:

- Sri Lanka Financial Reporting Standards (SLFRS);
- Sri Lanka Accounting Standards (LKAS);
- Statements of Recommended Practices (SoRPs);
- Statement of Alternate Treatment (SoATs); and
- Financial Reporting Guidelines issued by the CA Sri Lanka.

The Accounting Standards along with FAQs issued are available at the website of CA Sri Lanka [www.casrilanka.com](http://www.casrilanka.com).

### 2.2 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of Financial Statements as per the Sri Lanka Accounting Standards and provisions of the Companies Act No. 07 of 2007.

The Board of Directors acknowledge their responsibility for Financial Statements as set out in the ‘Annual Report of the Board of Directors’, ‘Statement of Directors’ Responsibility’ for the financial reporting and the certification on the Statement of Financial Position on pages 254, 263 and 317 respectively.

These Financial Statements include following components:

Component	Contents and page reference
Income Statement and Statement of Profit or Loss and Other Comprehensive Income	Providing the information on the financial performance of the Group and the Company for the year under review (Refer pages 315 and 316).
Statement of Financial Position	Providing the information on the financial position of the Group and the Company as at the year-end (Refer page 317).
Statement of Changes in Equity	Depicting all changes in shareholders’ equity during the year under review of the Group and the Company (Refer pages 318 and 319).
Statement of Cash Flows	Providing the information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and the needs of the entity to utilise those cash flows (Refer page 320).
Notes to the Financial Statements	Comprising material accounting policies and other explanatory information (Refer pages 321 to 436).

### 2.3 Approval of Financial Statements by the Board of Directors

The Consolidated Financial Statements of the Company and its subsidiary for the year ended 31 December 2025 (including comparatives for 2024), were approved and authorised for issue by the Board of Directors on 6 March 2026.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.4 Basis of measurement

The accounting policies applied in the preparation of the Consolidated Financial Statements are described in detail in the relevant notes. The financial statements have been prepared on a historical cost basis except for the following material items.

Category	Items	Basis of measurement	Note	Page reference
Assets	Financial instruments measured at fair value through profit or loss including derivative financial instruments	At fair value	30.3.5	363
	Financial instruments measured at fair value through other comprehensive income	At fair value	30.3.4	362
	Land and building	Initially measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation less accumulated depreciation and impairment loss	27.24.3	354
Liabilities	Employee benefit liabilities	Actuarially valued and recognised at present value of the defined benefit obligation	41	387
	Insurance contract liabilities	Appointed Actuary determined values based on the guidelines issued by the IRCSL, SLFRSs and LKASs	40	381

### 2.5 Going concern basis of accounting

In determining the basis of preparing the Financial Statements for the year ended 31 December 2025, management has considered all available information, the consequences of current macro-economic conditions of the country, climate related risks, other events and conditions. It is the view of the management that there are no material uncertainties that may cast significant doubt on the Groups' ability to continue to operate as a going concern due to the improving operating environment, developments to product strategies and actions taken to mitigate the impact of economic crisis in the past.

Further, in determining the going concern, the Management performed multiple stress tested scenarios; considering cost management practices, cash reserves, ability to secure additional funding to finance the adverse effects to the cash flows, ability to secure required human resources, expected revenue streams, credit and collection management practices and expense management.

Accordingly, the Management has assessed its ability to continue as a going concern and is satisfied that it has adequate resources to continue in the business for the foreseeable future. Further, the 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 of the Group are continued to be prepared on a going concern basis.

### 2.6 Functional and presentation currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Group operates (the functional currency). Accordingly, these Financial Statements including supplementary information are presented in Sri Lankan Rupees (LKR) is the Group's functional and presentation currency.

There was no change in the presentation and functional currency during the year under review.

### 2.7 Presentation of Financial Statements

The assets and liabilities of the Group presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern as explained by Statement of Recommended Practice (SoRP) on the insurance contracts.

No adjustments have been made for inflationary factors affecting the Financial Statements.

### 2.8 Rounding

All the financial information have been rounded-off to the nearest thousands rupees (Rs. '000), except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 1 Presentation of Financial Statements.

### 2.9 Offsetting

Assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard.

## 2.10 Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 including recent amendments thereto. The Group has also voluntarily followed the best practices laid down in the SLFRS Practice Statement 2 on Making Materiality Judgements.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Group and the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different nature or functions.

## 2.11 Supplementary Statements – Statement of Financial Position – Life Fund

Supplementary Statement of Financial Position of Life Insurance Fund together with notes are disclosed in pages 438 to 441 as per the requirements laid down in the SoRP on Insurance Contracts.

## 2.12 Financial period

The Financial Statements of the Group and the Company are prepared for the twelve months period ended and as at 31 December 2025.

## 2.13 Comparative information

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

## 2.14 Basis of Consolidation

### 2.14.1 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group and the acquired set of activities and assets meets the definition of a business.

The consideration transferred is measured at fair value at the acquisition date and includes any contingent consideration. Identifiable assets acquired and liabilities assumed are recognised at their acquisition date fair values.

Goodwill represents the excess of the consideration transferred over the net identifiable assets acquired. Goodwill is not amortised and is tested annually for impairment, or more frequently if indicators arise, in accordance with LKAS 36 Impairment of Assets (refer Note 25.5.4).

Gains arising from a bargain purchase are recognised immediately in profit or loss. Transaction costs are expensed as incurred unless they relate to the issue of debt or equity instruments (refer Note 26.8 on page 349).

### 2.14.2 Subsidiaries

A subsidiary is an entity controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee; and it has the ability to affect those returns through its power over the investee. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more elements of control.

The Financial Statements of the subsidiary are included in the consolidated Financial Statements from the date control commences until the date control ceases, using the full consolidation method. In the separate Financial Statements of the Company, investments in the subsidiary is measured at cost.

As disclosed in Note 26 on page 348, the subsidiary has a reporting date of 31 December and applies accounting policies consistent with those of the parent.

### 2.14.3 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary. Any resulting gain or loss is recognised in profit or loss. Any retained interest in the former subsidiary is measured at fair value at the date control is lost.

### 2.14.4 Transactions eliminated on consolidation

All intra-group balances, transactions, income, expenses, gains, losses and cash flows arising from transactions between Group entities are eliminated in full on consolidation.

# NOTES TO THE FINANCIAL STATEMENTS



## 3. NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS

 - High Impact    
  - Moderate Impact    
  - No Impact

### 3.1 New standards and amendments: applicable on or after 1 January 2025

The following new and amended standards apply for the first time to financial reporting periods commencing on or after 1 January 2025 and have not resulted in a material impact on the Group's Financial Statements.

When there is an impact on the Financial Statements, such amendments are incorporated in the Financial Statements.

New SLFRS / amendment to the existing SLFRS	Summary of the requirements	Possible impact to the Financial Statements	Impact on the Financial Statements
Lack of exchangeability (Amendments to LKAS 21) Effective on or after 01 January 2025 with early adoption permitted.	Disclosures may include the nature and financial impact of the currency not being exchangeable, the spot exchange rate used and estimation methods applied, and the risks faced by the Group due to the currency's non-exchangeability.	The amendment is not expected to have a material impact on the Financial Statements of the Group since the Group has not entered into transactions in terms of the currencies that lack exchangeability.	
SLFRS S 1 - General Requirements for Disclosure of Sustainability-related Financial Information Effective on or after 01 January 2025 with early adoption permitted. The Company has voluntarily early adopted the Standard during 2024 and considered for Group Financial Statements for the year 2025 as well.	SLFRS S1 outlines the general requirements for companies to disclose sustainability-related financial information, focusing on Environmental, Social, and Governance (ESG) factors. It emphasises the integration of sustainability-related disclosures into financial reporting, ensuring that stakeholders have comprehensive information on how sustainability risks and opportunities affect the financial performance and position of an organisation	Disclosures will be expanded to include sustainability-related financial information, offering greater transparency on ESG risks and opportunities. Companies will be required to account for sustainability risks that could influence asset impairments, liabilities, and cash flow projections. Costs related to sustainability initiatives, such as compliance and carbon credits, will affect both the Income Statement and Cash Flow Statement. Additionally, governance and internal control structures surrounding sustainability will be disclosed, which will shape the overall perception of the Group's financial health. Ultimately, SLFRS S 1 seeks to integrate sustainability into financial reporting, making it a crucial standard for businesses aiming to ensure long-term value creation and transparency in the Financial Statements. Refer S1 and S2 index on page 469 for further details.	
SLFRS S 2 - Climate-related Disclosures Effective on or after 01 January 2025 with early adoption permitted. The Company has voluntarily early adopted the Standard during 2024 and considered for Group Financial Statements for the year 2025 as well.	SLFRS S 2 is a standard that aligns with the global push for transparency regarding the financial impacts of climate-related risks and opportunities. This standard is designed to help companies disclose how climate-related factors affect their financial performance, position, and cash flows.	It requires entities to disclose the financial impacts of climate risks and opportunities on the Financial Statements. It affects the Statement of Financial Position by potentially impairing assets and recognising climate-related liabilities, the Income Statement through increased expenses for compliance and sustainability investments, and the Cash Flow Statement by reflecting cash flows from climate-related activities. The standard also mandates enhanced disclosures for transparency on how climate risks influence financial performance and decision-making, helping stakeholders better understand a company's climate-related financial exposure and strategies. Refer S1 and S2 index on page 469 for further details.	

### 3.2 New standards and amendments: applicable on or after 1 January 2026 (Forthcoming requirements)




The Group intends to adopt the new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's Financial Statements, if applicable, when they become effective and also considers voluntary early application as stated below:

 - High Impact    
  - Moderate Impact    
  - No Impact

New SLFRS / amendment to the existing SLFRS and the effective Date	Summary of the requirements	Possible impact to the Financial Statements	Possible impact on the Financial Statements
Classification and measurement of financial instruments - Amendments to SLFRS 9 and SLFRS 7 (Effective on or after 01 January 2026 with early adoption permitted.)	The amendments clarify the classification, measurement, and derecognition of financial instruments, including those with contingent features such as ESG-linked terms, and enhance SLFRS 7 disclosure requirements, particularly for FVOCI equity instruments and instruments whose contractual cash flows may change due to contingent events.	The amendments are not expected to have a material impact on the Group's financial statements as they mainly clarify existing requirements, with only limited changes to classification, derecognition guidance, and additional disclosure requirements.	
Contracts referencing nature dependent electricity - Amendments to SLFRS 9 and SLFRS 7 (Effective on or after 01 January 2026 with early adoption permitted.)	The amendments clarify the accounting for contracts with cash flows linked to natural factors (e.g., weather) used in renewable energy arrangements, confirming that such contracts may qualify as own-use or meet the SPPI criteria under SLFRS 9, and introduce additional SLFRS 7 disclosures to explain their nature, volume, and risks.	The amendments are not expected to have a material impact on the Group's financial statements as the Group does not have significant contracts whose cash flows depend on natural factors such as weather conditions.	
Annual improvements to SLFRS - volume 11 (Effective on or after 01 January 2026 with early adoption permitted.)	The amendments introduce minor improvements to several SLFRS Accounting Standards to clarify wording, correct unintended consequences, and improve consistency in application, without changing existing recognition or measurement principles.	The amendments are not expected to have a material impact on the Group's Financial Statements as they mainly provide clarifications, though they may result in minor changes to disclosures, presentation, and updates to accounting policies upon adoption.	
SLFRS 17 Insurance Contracts In Sri Lanka effective on or after 01 January 2026 with early adoption permitted with SLFRS 9 Financial Instruments and SLFRS 15 Revenue from Contracts with Customers.	<p>SLFRS 17 Insurance Contracts replaces SLFRS 4 and introduces a comprehensive measurement framework for insurance contracts. Under the new standard, insurance contract liabilities are measured as the present value of future cash flows, adjusted for a risk adjustment for non-financial risk and a contractual service margin (CSM).</p> <p>The CSM represents the unearned profit of insurance contracts and is recognised in profit or loss over the coverage period as insurance services are provided. Losses identified at initial recognition are recognised immediately in the Income Statement.</p> <p>SLFRS 17 also requires insurance contracts to be grouped into portfolios of contracts with similar risks and managed together, with further segmentation based on profitability and year of issue. Revenue is recognised as insurance services are delivered rather than when premiums are received, and the standard requires a clear separation of insurance, investment and deposit components.</p> <p>At transition, entities are required to determine the CSM as if SLFRS 17 had always been applied (full retrospective approach). Where this is impracticable, entities may apply either the modified retrospective approach or the fair value approach. The selected transition approach may significantly impact shareholders' equity at transition and the future pattern of profit recognition from in-force insurance contracts.</p>	<p>The adoption of SLFRS 17 represents a significant change to the accounting and reporting framework for insurance contracts and will result in enhanced presentation, measurement and disclosure requirements in the Financial Statements. The new standard introduces complex measurement models and requires the application of significant judgement, new estimation techniques and enhanced data and system capabilities. Consequently, the implementation of SLFRS 17 may alter the timing and pattern of profit recognition compared with the previous accounting framework.</p> <p>During the year under review, the Audit Committee continued to oversee the Company's SLFRS 17 implementation programme in preparation for its mandatory adoption effective 1 January 2026. The programme focuses on establishing accounting policies and methodologies, enhancing actuarial and finance systems, strengthening processes and controls, and ensuring the availability and integrity of required data.</p> <p>Significant progress was achieved during the year, including the finalisation of key technical interpretations and accounting policy decisions. System implementation is currently in progress, with testing and data population underway. The Committee reviewed regular updates from management to monitor progress against the implementation roadmap and to ensure readiness for the adoption of SLFRS 17.</p> <p>Further details on the implications of SLFRS 17 are provided on pages 451 to 460.</p>	

## NOTES TO THE FINANCIAL STATEMENTS

 - High Impact    
  - Moderate Impact    
  - No Impact

New SLFRS / amendment to the existing SLFRS and the effective Date	Summary of the requirements	Possible impact to the Financial Statements	Possible impact on the Financial Statements
<p>SLFRS 9 Financial Instruments The Company early adopted SLFRS 9 effective 1 January 2019. In conjunction with the adoption of SLFRS 17, the Group intends to reassess its business models and the classification of financial assets to ensure alignment with the measurement of insurance contract liabilities.</p>	<p>SLFRS 9 Financial Instruments establishes principles for the classification, measurement and impairment of financial assets and financial liabilities based on the entity's business model and the contractual cash flow characteristics of the instruments. Financial assets are measured at amortised cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). The standard also introduces an expected credit loss (ECL) model for recognising impairment.</p>	<p>With the implementation of SLFRS 17, the Group intends to reassess the classification and measurement of financial assets under SLFRS 9. This review will consider the Group's business models, contractual cash flow characteristics and risk management strategies.</p> <p>In particular, the Group will evaluate the accounting policy options available for presenting fair value changes either in profit or loss or in other comprehensive income (OCI). The classification of assets backing insurance contract liabilities will be reviewed to minimise potential accounting mismatches and to better reflect the economic relationship between financial assets and insurance liabilities.</p>	<p></p>
<p>SLFRS 18 Presentation and disclosure in financial statements (Effective on or after 01 January 2027 with early adoption permitted.)</p>	<p>SLFRS 18 replaces LKAS 1 and introduces a new structure for the statement of profit or loss by requiring entities to classify income and expenses into operating, investing and financing categories, with mandatory subtotals including operating profit. The Standard also introduces enhanced principles for aggregation and disaggregation, clearer requirements for grouping information in the primary Financial Statements and notes, and new disclosures about management-defined performance measures, including reconciliation to SLFRS-defined totals.</p>	<p>SLFRS 18 will primarily affect the presentation of the statement of profit or loss and the nature and extent of disclosures, rather than recognition and measurement. Comparability and transparency of performance measures are expected to improve, though entities may need to revise internal reporting structures, redefine performance measures and update systems to capture information by category. While total profit and equity are not expected to change, line items, subtotals and disclosure content in the Financial Statements may be significantly restructured.</p>	<p></p>
<p>SLFRS 19 Subsidiaries without public accountability disclosures</p>	<p>SLFRS 19 allows eligible subsidiaries without public accountability, whose parent prepares SLFRS consolidated Financial Statements, to apply full SLFRS recognition and measurement with reduced disclosure requirements, using a simplified disclosure framework largely aligned with SLFRS for SMEs.</p>	<p>The application of SLFRS 19 is not expected to affect recognition or measurement in the Financial Statements but may reduce the volume and complexity of disclosures for eligible subsidiaries.</p>	<p></p>

#### 4. USE OF MATERIAL ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

In preparing the Financial Statements of the Group and the Company in conformity with SLFRSs and LKASs, the Management has made judgements, estimates and assumptions which affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The most significant areas of estimation uncertainty and critical judgements, in applying accounting policies that have a material effect on the amounts recognised in the Financial Statements of the Group are stated in the Notes 4.1 and 4.2.

#### 4.1 Material accounting judgements

Information about judgements made in applying accounting policies that have material effects on the amounts recognised in these Financial Statements is included in the following notes.

Critical judgements	Note	Page
<b>Classification of financial assets</b>	30.3	361
Critical accounting policies of the Group provide scope for financial assets to be classified and subsequently measured into different categories as: Amortised Cost (AC), Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL), based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets as set out in Notes 30.1 and 30.14.3 on pages 361 to 375.		
<b>Impairment assessment including establishing criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition</b>	30.8.2	365
At each reporting date, financial investments are reviewed to assess whether an impairment loss should be provided in the Income Statement. Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. Accordingly, individual impairment and collective impairment are made as disclosed in Note 30.8.5 on page 365 and Note 30.14.1 to 373 respectively.		
<b>Lease terms - extension options</b>	28.7	357
At the lease commencement date, assessment is made on whether it is reasonably certain to exercise the extension options if there is a significant event or significant changes in circumstances within its control. The extension options held are exercisable only by the Group and not by the lessors. Based on the assessment on the potential extension options for each lease agreement, management has decided that possibility of extending the same lease agreement is remote due to the operating structure of the Group. Refer Note 28 on Page 356 for the disclosures on the right of use assets.		
<b>Classification of insurance, reinsurance, and investment contracts</b>	40.3	382
The Group classifies contracts at inception as insurance, reinsurance or investment contracts in accordance with SLFRS 4. Insurance contracts transfer significant insurance risk, while investment contracts transfer significant financial risk and no significant insurance risk. Reinsurance contracts are those under which the Group accepts insurance risk from another insurer.		

#### 4.2 Accounting assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a risk of resulting in material adjustments for the year ended 31 December 2025 are included in the following notes.

Assumptions and estimation uncertainties	Note	Page
<b>Insurance contract liabilities, Liability Adequacy Test (LAT) and key actuarial assumptions</b>	40.5-40.15	383 - 386
Insurance contract liabilities are measured using best-estimate assumptions, either current or those established at contract inception, with an allowance for risk and adverse deviation. All contracts are subject to a LAT based on management's best estimate of future cash flows. Key actuarial assumptions include mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates, and discount rates, which are determined using historical experience, current market conditions, and expectations of future economic developments as stated in Table 4 on page 404. Discount rates reflect the timing and liquidity characteristics of the underlying insurance liabilities. Further details on the actuarial valuation and LAT are stated in Notes 40.4 and 40.16 on pages 382 and 386. In addition, carrying amount of the insurance contract liabilities, key assumptions and estimates are disclosed in Note 40.5 on pages 383 to 384 and sensitivity analysis are disclosed in the Note 41.12 on page 389.		

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Assumptions and estimation uncertainties	Note	Page
<b>Measurement of defined benefit obligation: key actuarial assumptions</b>	41.6	388
<p>The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The Group engages independent professional actuary Mr. M. Poopalanathan, AIA of Messrs. Actuarial &amp; Management Consultants (Pvt) Ltd to measure the defined benefit obligation.</p> <p>Refer Note 41.6 on page 388 for the assumptions used to determine the defined benefit obligations. Sensitivity analysis to key assumptions is disclosed in Note 41.12 on page 389.</p>		
<b>Recognition of deferred tax asset</b>	29.6	359
<p>Deferred tax assets are recognised in respect of deductible temporary differences and brought forward tax losses to the extent that it is probable that future taxable profit will be available and can be utilised against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. Refer Note 29 on pages 358 to 360 for estimates and assumptions used by the Group in assessing recoverability of deferred tax assets.</p>		
<b>Fair value of financial instruments with significant unobservable inputs</b>	48.7	397 - 398
<p>The fair values of financial assets and financial liabilities recorded in the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include use of mathematical models. The Group measures fair value using the fair value hierarchy that reflects the significance of inputs used in making measurements. Methodologies used for valuation of financial instruments and fair value hierarchy are stated in Note 30.8.1 on page 365.</p>		
<b>Impairment measurement of financial assets: determination of inputs into the Expected Credit Loss (ECL) measurement model, including key assumptions and incorporation of forward-looking information</b>	30.8.5	365
<p>The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. The Group's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models include:</p> <ul style="list-style-type: none"> <li>• The Group's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so, allowances for financial assets measured on a Lifetime Expected Credit Loss (LTECL) basis;</li> <li>• The segmentation of financial assets when their ECL is assessed on a collective basis;</li> <li>• Development of ECL models, including the various statistical formulas and the choice of inputs;</li> <li>• Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment and the effect on Probability of Default (PDs), Exposure at Default (EAD) and Loss Given Default (LGD);</li> <li>• Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.</li> </ul> <p>To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions (including policy rates, inflation, growth in gross domestic product, sovereign rating, effect from uncertain volatile macro-economic conditions, etc.).</p> <p>The accuracy of the provision depends on the model assumptions and parameters used in determining the collective provision. Refer Note 30.8 and 30.14 on pages 365 to 366 and 373 to 375 respectively.</p>		

Assumptions and estimation uncertainties	Note	Page
<p><b>Fair value of land and buildings</b></p> <p>The Group measures land and buildings at revalued amounts with changes in fair value being recognised in equity through Other Comprehensive Income (OCI). Valuations are performed in every alternate year to ensure that the fair value of a revalued asset does not differ materially from the carrying amount. The Group engages independent professional valuer Mr. Anuradha Senevirathne, Chartered Valuation Surveyor to assess fair value of land and buildings in terms of SLFRS 13 on Fair Value Measurement. Based on the valuation techniques and inputs used, land and buildings were classified at level 3 in the fair value hierarchy.</p> <p>The valuation techniques, significant unobservable inputs, key assumptions used to determine the fair value of the land and buildings, and sensitivity analysis are provided in the Notes as stated here.</p>	27.24	354
<p><b>Useful life-time of property, plant and equipment</b></p> <p>The Group reviews the residual values, useful lives, and methods of depreciation of property, plant and equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.</p>	27.9	351
<p><b>Estimating the incremental borrowing rate for lease liabilities</b></p> <p>As the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure the lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (or when they need to be adjusted to reflect the terms and conditions of the lease). The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific adjustments.</p>	28.3	356
<p><b>Provisions and contingencies</b></p> <p>Whenever the Group receives legal claims in the normal course of business, the Management exercises judgments as to the likelihood of any claim succeeding along with defending actions through the legislative process. If it is not probable that a material liability will arise in the judgement of the management, no provision has been made in the Financial Statements, but a disclosure has been made.</p>	54	435
<p><b>Impairment of non-financial assets</b></p> <p>At each reporting date, the Group assesses non-financial assets for indicators of impairment, while goodwill is tested annually at the cash-generating unit level. Where carrying amount exceeds recoverable amount, an impairment loss is recognised in profit or loss, allocated first to goodwill and then pro rata to other assets; impairment losses on goodwill are not reversed, while reversals for other assets are recognised where permitted.</p>	30.8.11	366

# NOTES TO THE FINANCIAL STATEMENTS

## 5. MATERIAL ACCOUNTING POLICIES AND NOTES

The material accounting policies set out below have been applied consistently to all periods presented in the Financial Statements of the Group, unless otherwise indicated in relation to the reported values in the Financial Statements with additional Notes and explanations thereon. Due consideration has been given to the disclosure of “material” accounting policies.

### 5.1 Material accounting policies and explanatory notes under key categories

Income Statement related notes	Note	Page
Gross written premiums	6	331
Premiums ceded to reinsurers	7	331
Net written premiums	8	332
Finance income	9	332
Net realised gains / (losses)	10	334
Net fair value gains / (losses)	11	335
Other operating income	12	335
Net insurance benefits and claims paid	13	336
Net insurance benefits and claims outstanding	14	337
Change in valuation of insurance contract liabilities	15	338
Underwriting and net acquisition cost	16	338
Other operating and administration expenses	17	339
Loss on restructuring of ISB	18	341
Impairment (charge)/ reversal on financial investments	19	341
Finance (gains) / cost	20	341
Profit before tax	21	342
Income tax and deferred tax	22	342
Earnings Per Share (EPS)	23	345
Dividend Per Share (DPS)	24	345
Statement of Financial Position related notes	Note	Page
Intangible assets	25	346
Investment in subsidiary	26	348
Property, plant and equipment	27	350
Right of use assets	28	356
Deferred taxation	29	358
Financial assets including impairment	30	361
Loans to life policyholders	31	375
Reinsurance receivables	32	376
Premium receivables	33	376
Receivables and other assets	34	377
Cash and cash equivalents	35	378
Stated capital	36	378
Restricted regulatory reserve	37	379
Other reserves	38	380
Retained earnings	39	381
Insurance contract liabilities	40	381
Employee benefit liabilities	41	387
Loans and borrowings	42	389
Reinsurance payables	43	390
Income tax liabilities	44	390
Other liabilities	45	390
Financial liabilities	46	392

## 5.2 Changes in the material accounting policies

The Group has not made any changes in material accounting policies during the current annual reporting period.

The details of the new standards and amendments to existing SLFRSs effective from 01 January 2025 which have been duly considered in the preparation of the Financial Statements of the Group have been disclosed in Note 3.1 on page 324.

## 6. GROSS WRITTEN PREMIUMS

### Accounting Policy

#### 6.1 General

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

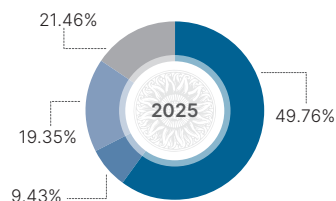
Gross written premiums on life insurance contracts are recognised as revenue when payable by the policyholder (policies within the 30-day grace period are considered as due for endowment products). Premiums received in advance are not recorded as revenue and recorded as liability until the premium is due unless the relevant policy conditions require such premiums to be recognised as income. Benefits and expenses are provided against such revenue to recognise profits over the estimated life of the policies. For single premium business, revenue is recognised on the date on which the policy is effective.

All products sold by the Group are insurance contracts and therefore classified as insurance contracts. Thus, the Group does not have any investment contracts within its portfolio as at the reporting date.

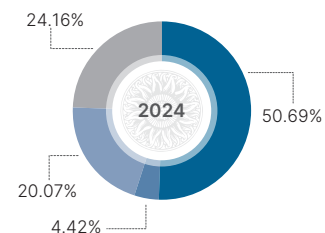
#### 6.2 Premium income by major classes of business

For the year ended 31 December	2025						2024		
	Group			Company			Company		
	Individual business Rs. '000	Corporate business Rs. '000	Total Rs. '000	Individual business Rs. '000	Corporate business Rs. '000	Total Rs. '000	Individual business Rs. '000	Corporate business Rs. '000	Total Rs. '000
Renewal premium	19,942,338	-	19,942,338	18,983,838	-	18,983,838	16,006,226	-	16,006,226
Single premium	3,778,347	-	3,778,347	3,633,259	-	3,633,259	1,393,994	-	1,393,994
First year premium	8,602,250	-	8,602,250	8,022,309	-	8,022,309	6,540,525	-	6,540,525
Group life premium	-	7,752,560	7,752,560	-	7,692,079	7,692,079	-	7,632,722	7,632,722
<b>Total gross written premium</b>	<b>32,322,935</b>	<b>7,752,560</b>	<b>40,075,495</b>	<b>30,639,406</b>	<b>7,692,079</b>	<b>38,331,485</b>	<b>23,940,745</b>	<b>7,632,722</b>	<b>31,573,467</b>

## GROSS WRITTEN PREMIUMS



● Renewal Premium ● First Year Premium  
● Single Premium ● Group Life Premium



## 7. PREMIUMS CEDED TO REINSURERS

Premium ceded to reinsurers represents the premium paid by the Group to its reinsurers in order to manage its underwriting risks.

### Accounting Policy

#### 7.1 General

Reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Reinsurance premiums are decided based on rates agreed with reinsurer and accounted on an accrual basis.

# NOTES TO THE FINANCIAL STATEMENTS

## 7.2 Premium ceded to reinsurers

For the year ended 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Treaty	2,737,583	2,719,952	2,509,698
Total premium ceded to reinsurers	2,737,583	2,719,952	2,509,698

## 8. NET WRITTEN PREMIUMS

This represents the net written premium for the financial year subsequent to the deduction of reinsurance premium from gross written premium.

### 8.1 Analysis of the net written premium

For the year ended 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Gross written premium	40,075,495	38,331,485	31,573,467
Less: Premiums ceded to reinsurers	(2,737,583)	(2,719,952)	(2,509,698)
Net written premium	37,337,912	35,611,533	29,063,769

## 9. FINANCE INCOME

Finance income consists of interest income and dividend income generated by the Group from its various financial assets held throughout the reporting period.

### Accounting Policy

#### 9.1 Interest income

Interest income is recognised in the Income Statement as it accrues and it is calculated by using the effective interest rate by applying to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). The calculation of interest income of credit-impaired financial assets does not revert to a gross basis, even if the credit risk of the asset improves. Investment related expenses consist of costs relating to investment such as custodian fee, bank guarantee fee and brokerage fee, etc. These expenses are recognised on an accrual basis.

##### 9.1.1 Effective interest rate (EIR)

The EIR is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial

assets or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial assets or liabilities. When calculating the EIR, the Group estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses. For credit-impaired financial assets which are classified under Stage 3, a credit-adjusted EIR is calculated using estimated future cash flows including Expected Credit Losses (ECL). The credit adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost.

The calculation of the EIR includes all transaction costs and fees that are an integral part of EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the EIR of the instrument.

Financial instrument	Interest calculation method
Fair value through profit or loss (FVTPL)	EIR Method
Amortised cost (AC)	
Fair value through other comprehensive income (FVOCI)	

Accounting Policy

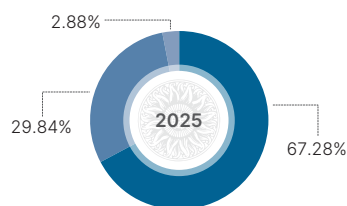
**9.2 Dividend income**

Dividends on equity investments are recognised in the Income Statement when the right to receive payment is established which is on the date at which the investment is priced 'ex dividend'. Dividends are presented under net finance income in the Income Statement.

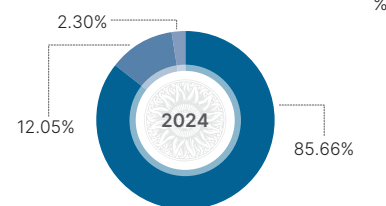
**9.3 Analysis of finance income**

For the year ended 31 December	Note	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000
<b>Interest income from:</b>				
Financial assets classified at FVTPL	9.4.a	162,096	129,748	155,528
Financial assets classified at Amortised Cost	9.4.c	3,785,719	3,785,719	5,816,988
Financial assets classified at FVOCI	9.4.d	1,545,850	1,084,829	743,665
		5,493,665	5,000,296	6,716,181
<b>Dividend Income From:</b>				
Equity shares classified at FVTPL	9.4.b	-	-	18
Equity shares classified at FVOCI	9.4.e	133,186	133,186	74,725
		133,186	133,186	74,743
<b>Total finance income</b>		<b>5,626,851</b>	<b>5,133,482</b>	<b>6,790,924</b>

**FINANCE INCOME**



- Amortised Cost
- Fair Value through Other Comprehensive Income
- Fair Value through Profit or Loss



**9.4 Detailed analysis of finance income**

For the year ended 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
<b>a. Interest income - Financial assets classified at FVTPL</b>			
Treasury bonds	58,910	36,817	53,725
Perpetual debentures	72,947	72,947	101,048
Commercial papers	19,984	19,984	755
Bank Deposits	3,023	-	-
Repo	5,840	-	-
Securitised papers	1,392	-	-
<b>Total interest income from FVTPL assets</b>	<b>162,096</b>	<b>129,748</b>	<b>155,528</b>
<b>b. Dividend income - Equity shares</b>			
<b>Total finance income from financial assets classified at FVTPL</b>	<b>162,096</b>	<b>129,748</b>	<b>155,546</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 9.4 Detailed analysis of finance income (Contd.)

For the year ended 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
<b>c. Interest income - Financial assets classified at amortised cost</b>			
Treasury bonds	2,212,247	2,212,247	3,167,488
Treasury bills	3,230	3,230	34,659
International sovereign bonds	-	-	1,140,205
Debentures	606,460	606,460	697,542
Commercial papers	241,022	241,022	290,789
Securitised papers	-	-	30,667
Term deposits	118,066	118,066	117,036
Repo	539,373	539,373	272,963
Loans to life policyholders	65,321	65,321	65,639
<b>Total finance income from financial assets classified at amortised cost</b>	<b>3,785,719</b>	<b>3,785,719</b>	<b>5,816,988</b>
<b>d. Interest income - Financial assets classified at FVOCI</b>			
Treasury bonds	1,254,037	820,273	535,679
Treasury bills	16,014	1,627	5,335
International sovereign bonds	262,929	262,929	202,651
Repo	9,068	-	-
Bank Deposits	1,827	-	-
Unit trusts	1,975	-	-
<b>Total interest income from FVOCI assets</b>	<b>1,545,850</b>	<b>1,084,829</b>	<b>743,665</b>
<b>e. Dividend income - Equity shares *</b>			
<b>Total finance income from financial assets classified at FVOCI</b>	<b>1,679,036</b>	<b>1,218,015</b>	<b>818,390</b>
<b>Total finance income</b>	<b>5,626,851</b>	<b>5,133,482</b>	<b>6,790,924</b>

\* Dividend income for the year includes Rs. 133 Million received from an equity investment designated at FVOCI, which was disposed of during the year. Accordingly, no further dividend income will arise from this investment in future periods. Refer Note 30.9.2.2 in page 370 regarding equity investment disposal.

### 10. NET REALISED GAINS / (LOSSES)

#### Accounting Policy

#### 10.1 General

Realised gains and losses recorded in the Income Statement on investments include gains and losses on disposal of financial assets except for equity instruments classified at FVOCI.

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on the occurrence of the sale transaction.

On derecognition of an investment other than equity classified as FVOCI, the cumulative gain or loss previously recognised in OCI is reclassified to the Income Statement.

On derecognition of equity investments classified at FVOCI, the cumulative gain or loss previously recognised in the OCI is transferred to retained earnings from fair value reserve in the Statement of Changes in Equity.

#### 10.2 Analysis of realised gains / (losses)

For the year ended 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
<b>Financial assets classified at FVTPL</b>			
Unit trusts	83,389	83,389	805,689
Quoted equity securities	49,134	-	(4,532)
Treasury bonds	(2,390)	(2,390)	-
<b>Total financial assets classified at FVTPL</b>	<b>130,133</b>	<b>80,999</b>	<b>801,157</b>
<b>Financial assets classified at FVOCI</b>			
Treasury bills	-	-	(108)
Treasury bonds	237,685	-	-
<b>Total financial assets classified at FVOCI</b>	<b>237,685</b>	<b>-</b>	<b>(108)</b>
<b>Total financial assets classified at FVTPL and FVOCI</b>	<b>367,818</b>	<b>80,999</b>	<b>801,049</b>

### 10.3 Derecognition gain on financial assets measured at amortised cost

For the year ended 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Financial assets classified at amortised cost			
Treasury bonds (Note 10.3.1)	1,164,305	1,164,305	2,137,107
<b>Total financial assets classified at amortised cost</b>	<b>1,164,305</b>	<b>1,164,305</b>	<b>2,137,107</b>

#### 10.3.1 Derecognition of treasury bonds at amortised cost

During the financial year 2025, the Group divested treasury bonds with a face value of Rs. 2,430 Million, which were classified and measured at amortised cost in accordance with SLFRS 9. At the date of disposal, these instruments had a carrying amount of Rs. 2,180 Million. The bonds were sold for a total consideration of Rs. 3,344 Million, resulting in a net derecognition gain of Rs. 1,164 Million, which has been recognised in the Statement of Profit or Loss in accordance with the requirements of SLFRS 9 on derecognition of financial assets.

The disposal was undertaken as a one-off transaction and does not represent a change in the Group's overall business model for managing financial assets. The divestment was executed to facilitate the scheduled bullet repayment of the Group's Tier II subordinated loan, the settlement of which resulted in a reduction in regulatory capital. The transaction was also aligned with the Group's capital optimisation strategy and to provide additional liquidity to meet unanticipated funding requirement to acquire Softlogic Life Insurance Lanka Limited. The timing of the sale was aligned with favourable market yield conditions to maximise proceeds and support the maintenance of an adequate capital adequacy ratio. Management has assessed the transaction in the context of SLFRS 9 and concluded that the disposal was driven by non-recurring capital management and strategic considerations, and therefore remains consistent with the Group's "Hold to Collect" business model.

## 11. NET FAIR VALUE GAINS / (LOSSES)

### Accounting Policy

#### 11.1 General

Fair value gains and losses recorded in the Income Statement on investments include fair value gains / (losses) on financial assets measured at FVTPL.

## 11.2 Fair value gains / (losses) on FVTPL investments

For the year ended 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Treasury bonds	(54)	4,390	11,807
Unit trusts*	263,904	262,028	(317,565)
Quoted equity securities	115,110	-	-
Perpetual debentures	1,029	1,029	(49,199)
<b>Total net fair value gains/ (losses)</b>	<b>379,989</b>	<b>267,447</b>	<b>(354,957)</b>

\*The fair value loss recorded for unit trusts during 2024 is attributable to the reversal of previously recognised fair value gains upon the disposal of unit trusts. The corresponding gain has been reclassified to net realised gains.

## 12. OTHER OPERATING INCOME

### Accounting Policy

#### 12.1 Recognition

Other income is recognised on an accrual basis. It comprises of fees, disposal gains/(losses) on property, plant and equipment and miscellaneous income.

#### 12.1.1 Gains or losses on disposal of an item of property, plant and equipment (PPE)

Any gain or loss on disposal of an item of PPE (calculated as the difference between net proceeds from disposal and carrying amount of the item at the time of disposal) is recognised as 'other income' in the Income Statement in the year in which the Group transfers control of the asset to the buyer. When revalued assets are sold, any related amount included in the revaluation reserves are transferred to retained earnings.

## 12.2 Analysis of the other income

For the year ended 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Gain on sale of property, plant and equipment	26,000	26,000	90
Miscellaneous income	6,138	5,937	6,458
<b>Total other income</b>	<b>32,138</b>	<b>31,937</b>	<b>6,548</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 13. NET INSURANCE BENEFITS AND CLAIMS PAID

#### Accounting Policy

#### 13.1 Gross benefits and claims

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts. Maturities and annuity payments are recorded when due. Death claims, accident, hospitalisation and surrenders are recorded on the basis of notifications received.

#### 13.2 Reinsurance recoveries

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

### 13.3 Net insurance benefits and claims

For the year ended 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
<b>Claims</b>			
Gross claims paid	13,589,413	13,286,214	10,986,558
Claims recovered from reinsurers	(760,578)	(723,880)	(671,212)
	12,828,835	12,562,334	10,315,346
<b>Benefits</b>			
Gross benefits paid	6,489,345	5,752,351	3,872,547
	6,489,345	5,752,351	3,872,547
<b>Total net insurance benefits and claims paid (Note 13.4)</b>	<b>19,318,180</b>	<b>18,314,685</b>	<b>14,187,893</b>

### 13.4 Analysis of net insurance benefits and claims paid

For the year ended 31 December	2025						2024		
	Group			Company			Company		
	Gross claims and benefits paid Rs. '000	Recovered from reinsurers Rs. '000	Net benefits and claims paid Rs. '000	Gross claims and benefits paid Rs. '000	Recovered from reinsurers Rs. '000	Net benefits and claims paid Rs. '000	Gross claims and benefits paid Rs. '000	Recovered from reinsurers Rs. '000	Net benefits and claims paid Rs. '000
<b>Claims</b>									
Death, disability and other riders - Endowment	5,848,426	(313,251)	5,535,175	5,584,807	(278,658)	5,306,149	4,800,118	(245,017)	4,555,101
Death and hospitalisation - Group life	6,111,434	(378,688)	5,732,746	6,073,177	(376,583)	5,696,594	4,819,128	(370,503)	4,448,625
Death - Decreasing Term Assurance (DTA)	1,629,553	(68,639)	1,560,914	1,628,230	(68,639)	1,559,591	1,367,312	(55,692)	1,311,620
	13,589,413	(760,578)	12,828,835	13,286,214	(723,880)	12,562,334	10,986,558	(671,212)	10,315,346
<b>Benefits</b>									
Policy maturities / surrenders - Investment products	3,571,571	-	3,571,571	3,571,571	-	3,571,571	2,144,945	-	2,144,945
Policy maturities - Endowment	2,105,254	-	2,105,254	1,526,219	-	1,526,219	1,100,764	-	1,100,764
Policy surrenders - Endowment products	812,520	-	812,520	654,561	-	654,561	626,838	-	626,838
	6,489,345	-	6,489,345	5,752,351	-	5,752,351	3,872,547	-	3,872,547
<b>Total</b>	<b>20,078,758</b>	<b>(760,578)</b>	<b>19,318,180</b>	<b>19,038,565</b>	<b>(723,880)</b>	<b>18,314,685</b>	<b>14,859,105</b>	<b>(671,212)</b>	<b>14,187,893</b>

### 14. NET CHANGE IN INSURANCE CLAIMS OUTSTANDING

#### Accounting Policy

#### 14.1 General

Differences between the estimated cost and subsequent settlement of claims or re-estimated costs are recognised in the Income Statement in the year in which they are settled or in which the insurance contract liabilities are re-estimated. Net change in insurance claims outstanding is recognised in the Income Statement.

**14.2 Net change in insurance claims and benefits outstanding**

For the year ended 31 December	2025						2024		
	Group			Company			Company		
	Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000	Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000	Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000
<b>Claims</b>									
Death, disability and other riders - Endowment	(2,323)	6,806	4,483	924	6,806	7,730	66,778	(38,382)	28,396
Death and hospitalisation - Group life	5,152	(284)	4,868	5,152	(284)	4,868	(4,684)	(6,274)	(10,958)
Death - Decreasing Term Assurance (DTA)	45,639	23,086	68,725	45,638	23,086	68,724	72,393	(28,011)	44,382
<b>Total</b>	<b>48,468</b>	<b>29,608</b>	<b>78,076</b>	<b>51,714</b>	<b>29,608</b>	<b>81,322</b>	<b>134,487</b>	<b>(72,667)</b>	<b>61,820</b>

**14.3 Total net insurance claims and benefits expense**

For the year ended 31 December	2025						2024		
	Group			Company			Company		
	Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000	Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000	Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000
<b>Claims</b>									
Death, disability and others riders - Endowment	5,846,103	(306,445)	5,539,658	5,585,731	(271,852)	5,313,879	4,866,895	(283,398)	4,583,497
Death and hospitalisation - Group life	6,116,586	(378,972)	5,737,614	6,078,329	(376,867)	5,701,462	4,814,445	(376,777)	4,437,668
Death - Decreasing Term Assurance (DTA)	1,675,192	(45,553)	1,629,639	1,673,868	(45,553)	1,628,315	1,439,704	(83,703)	1,356,001
	13,637,881	(730,970)	12,906,911	13,337,928	(694,272)	12,643,656	11,121,044	(743,878)	10,377,166
<b>Benefits</b>									
Policy maturities / surrenders - Investment products	3,571,571	-	3,571,571	3,571,571	-	3,571,571	2,144,945	-	2,144,945
Policy maturities - Endowment	2,105,254	-	2,105,254	1,526,219	-	1,526,219	1,100,764	-	1,100,764
Policy surrenders - Endowment products	812,520	-	812,520	654,561	-	654,561	626,838	-	626,838
	6,489,345	-	6,489,345	5,752,351	-	5,752,351	3,872,547	-	3,872,547
<b>Total</b>	<b>20,127,226</b>	<b>(730,970)</b>	<b>19,396,256</b>	<b>19,090,279</b>	<b>(694,272)</b>	<b>18,396,007</b>	<b>14,993,591</b>	<b>(743,878)</b>	<b>14,249,713</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 15. CHANGE IN VALUATION OF INSURANCE CONTRACT LIABILITIES

#### Accounting Policy

#### 15.1. General

Note 40.4 on page 382 to these Financial Statements explains in detail about the methodology of valuation of the insurance contract liabilities. Changes in the valuation of insurance contract liabilities are recognised in the Income Statement under change in contract liabilities.

#### 15.2 Actuarial valuation of life insurance fund

The Directors agree to the provision relating to long term insurance contract liability of the Group at the year-end on the recommendations of the Appointed Actuary following the annual investigation of the life insurance business. The actuarial valuation takes into account all liabilities and is based on assumptions recommended by the Appointed Actuary.

### 15.3 Change in contract liabilities - Life fund

For the year ended 31 December	Note	2025						2024		
		Group			Company			Company		
		Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000	Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000	Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000
Net premiums written	8	40,075,495	(2,737,583)	37,337,912	38,331,485	(2,719,952)	35,611,533	31,573,467	(2,509,698)	29,063,769
Insurance benefits and claims incurred	14.3	(20,012,539)	694,272	(19,318,267)	(19,090,279)	694,272	(18,396,007)	(14,993,591)	743,878	(14,249,713)
Underwriting and net acquisition costs (including reinsurance)	16.2	(7,691,347)	451,796	(7,239,551)	(7,281,368)	451,796	(6,829,572)	(6,149,325)	358,936	(5,790,389)
Other operating, selling and administrative expenses attributable to policyholders		(7,364,979)	-	(7,364,979)	(6,634,359)	-	(6,634,359)	(6,609,093)	-	(6,609,093)
Investment and other income attributable to policyholders		6,139,741	-	6,139,741	5,193,352	-	5,193,352	7,143,166	-	7,143,166
Surplus from life insurance fund transferred to life shareholder's fund	40.12	(5,262,299)	-	(5,262,299)	(4,388,000)	-	(4,388,000)	(4,287,000)	-	(4,287,000)
<b>Change in contract liabilities - Life fund</b>	<b>40.8.2</b>	<b>5,884,072</b>	<b>(1,591,516)</b>	<b>4,292,556</b>	<b>6,130,831</b>	<b>(1,573,884)</b>	<b>4,556,947</b>	<b>6,677,624</b>	<b>(1,406,884)</b>	<b>5,270,740</b>

The Appointed Actuary's report for the Company is provided on page 308.

A reconciliation of the change in insurance contract liabilities is reflected in Note 40.8.2 on page 385 to these Financial Statements.

### 16. UNDERWRITING AND NET ACQUISITION COST (NET OF REINSURANCE)

#### Accounting Policy

#### 16.1 General

All acquisition costs are recognised as an expense when incurred. Reinsurance commission income on outward reinsurance contracts is recognised when receivable.

### 16.2 Underwriting and net acquisition cost (net of reinsurance)

For the year ended 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Underwriting and policy acquisition cost	7,691,347	7,281,368	6,149,325
Reinsurance commission including profit commission	(451,796)	(451,796)	(358,936)
<b>Total underwriting and net acquisition cost</b>	<b>7,239,551</b>	<b>6,829,572</b>	<b>5,790,389</b>

### 17. OTHER OPERATING AND ADMINISTRATION EXPENSES

#### Accounting Policy

#### 17.1 General

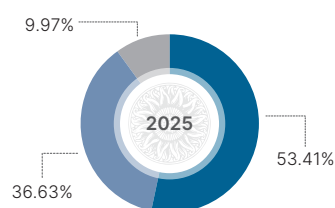
Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement.

For the purpose of presentation of the Income Statement, the Directors are of the opinion that the function of expenses method presents fairly the elements of the Group's performance, and hence such presentation method is adopted.

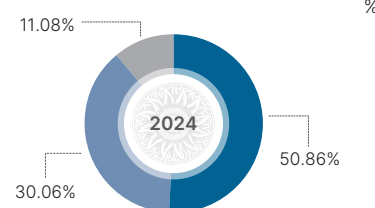
### 17.2 Expenses Analysis

For the year ended 31 December	Note	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000
<b>Employee benefits expenses</b>				
Short term employee benefits	173.5	3,648,003	3,401,520	3,203,214
Long term employee benefits - Defined benefit plan cost	41.8	97,397	95,756	72,318
Other long term employee benefits and termination benefits		-	-	-
<b>Total employee benefits expenses</b>		<b>3,745,400</b>	<b>3,497,276</b>	<b>3,275,532</b>
Administration and establishment expenses		2,568,697	2,321,357	2,451,335
Selling expenses		698,921	695,193	713,468
<b>Total other operating and administration expenses</b>		<b>7,013,018</b>	<b>6,513,826</b>	<b>6,440,335</b>

### OTHER OPERATING INCOME



- Employee benefits expenses
- Administration and establishment expenses
- Selling expenses



### 17.3 Short Term Employee Benefits

#### Accounting Policy

#### 17.3.1 General

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### 17.3.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan in which fixed contributions are paid to a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Income Statement in the periods when they are incurred.

# NOTES TO THE FINANCIAL STATEMENTS

## 17.3 Short Term Employee Benefits (Contd.)

### Accounting Policy

#### 17.3.3 Employees' Provident Fund (EPF)

All employees of the Group are members of the Employees' Provident Fund. The Group and employees contribute 12% and 8% of the salary respectively to EPF.

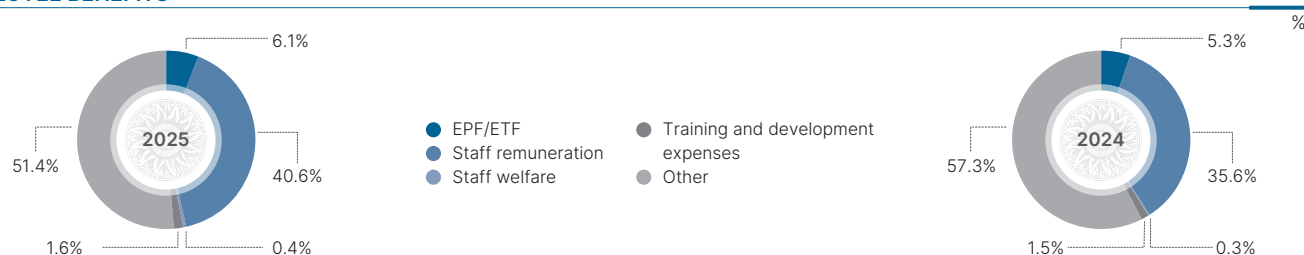
#### 17.3.4 Employees' Trust Fund (ETF)

All employees of the Group are members of the Employees' Trust Fund. The Group contributes 3% of the salary of each employee to ETF.

## 17.3.5 Short term employee benefits expenses

For the year ended 31 December	Note	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000
<b>Contributions to defined contribution plans</b>				
EPF	41.2	177,689	161,853	136,837
ETF	41.2	44,404	40,445	34,209
		<b>222,093</b>	<b>202,298</b>	<b>171,046</b>
Staff remuneration		1,480,614	1,348,644	1,139,894
Staff welfare		240,849	237,545	247,658
Staff allowances		844,812	757,018	741,846
Training and development expenses		56,798	55,505	47,770
Other short term employee benefits expenses		802,837	800,509	855,000
<b>Total short term employee benefits expenses</b>		<b>3,648,003</b>	<b>3,401,519</b>	<b>3,203,214</b>

## EMPLOYEE BENEFITS



## 17.4 Other statutory expenses

### 17.4.1 Crop Insurance Levy (CIL)

As per the provisions of Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

### 17.4.2 CESS Levy

As per Section 7 of the Regulation of Insurance Industry Act (No. 43 of 2000), CESS is payable at 0.2% on the Net Written Premium (NWP) and is to be remitted to the IRCSL on a quarterly basis.

### 17.4.3 Stamp Duty

In terms of the Stamp Duty (Sp. Provisions) Act No. 12 of 2006 and the amendments thereto, Stamp Duty shall be charged on every specified instrument at specified rates and is to be remitted to the Department of Inland Revenue on a quarterly basis.

### 17.5 Write-downs

There were no write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs.

### 17.6 Impairment on revalued assets

During the period, there were no impairment losses or reversals on revalued assets (2024 – Nil).

## 18. LOSS ON RESTRUCTURING OF ISB

For the year ended 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Haircut on ISBs at restructuring	-	-	(567,220)
Initial recognition loss on restructured ISBs	-	-	(1,670,312)
<b>Derecognition gain/(loss) on restructured financial investments</b>	-	-	<b>(2,237,532)</b>

Derecognition loss on restructuring of ISB has arose from the ISB restructuring during 2024.

## 19. IMPAIRMENT (CHARGE)/REVERSAL ON FINANCIAL INVESTMENTS

For the year ended 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
<b>Financial investments at amortised cost</b>			
International Sovereign Bonds (ISB)	-	-	3,214,321
Other financial investments	61,257	61,257	(199,488)
	61,257	61,257	3,014,833
<b>Financial investments at FVOCI</b>			
ISBs - restructured PDI bond	(944)	(944)	(9,849)
<b>Total (Note 373)</b>	<b>60,313</b>	<b>60,313</b>	<b>3,004,984</b>

## 20. FINANCE (GAINS)/COSTS

### Accounting Policy

#### 20.1 General

Interest expense is recognised in the Income Statement as it accrues and is calculated by using the EIR method. Accrued interest is included within the carrying value of the interest-bearing financial liability. The Group's finance cost includes lease interest expense, interest expenses on long-term borrowings and other interest expenses. As at the reporting date, the Group has classified all financial liabilities under the amortised cost category as disclosed in Note 46 on page 392.

### 20.2 Analysis of finance cost/(gains)

For the year ended 31 December	Note	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000
<b>Financial liabilities at amortised cost</b>				
Interest expenses on lease liabilities	45.4.31	159,604	152,211	112,807
Interest expenses on long term borrowings	42.6	269,537	269,537	579,243
Other interest expenses		136,533	136,533	135,753
Net exchange (gain)/losses on financial assets and financial liabilities		(153,401)	(153,401)	300,593
<b>Total finance cost</b>		<b>412,273</b>	<b>404,880</b>	<b>1,128,396</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 21. PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following:

For the year ended 31 December	Note	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000
Director fee and emoluments	51.6.1	151,437	151,437	92,167
<b>Auditors' remuneration</b>				
Auditors' fees and related expenses		13,472	9,826	5,651
Audit related services and related expenses		2,742	2,742	11,217
Non audit services and related expenses		20,909	19,850	5,343
<b>Costs of employee benefits</b>				
Defined contribution plan cost - EPF	41.2	177,689	161,853	136,837
Defined contribution plan cost - ETF	41.2	44,404	40,445	34,209
Defined benefit plan cost	41.8	97,397	95,756	72,318
Staff training and development cost	17.3.5	56,798	55,505	47,770
Other staff expenses	17.3.5	3,369,112	3,143,716	2,984,398
<b>Provision / (reversal) for impairment of</b>				
Financial instruments	19	(60,313)	(60,313)	(3,004,984)
Loans to life policyholders		-	-	-
<b>Other</b>				
Legal fees		23,031	23,031	20,576
Depreciation of property, plant and equipment	27.10	140,328	130,709	139,075
Amortisation of right of use of assets	28.8	411,741	380,893	372,655
Amortisation of intangible assets	25.7	6,445	1,798	859
Research and development costs		-	-	-
(Profit) / loss on sale of property, plant and equipment & intangible assets	12.2	26,000	26,000	90
CSR expenses		5,031	5,031	2,722
Donations		-	-	-
Operating lease expenses		-	-	450

### 21.1 Director fee and emoluments

Directors' emoluments represent the salaries and fees paid to both Executive and Non-Executive Directors of the Group and are explained in Note 51.6.1 on page 433.

### 21.2 Utilisation of Income

Graphical presentation for utilisation of income is given in the financial highlights section on page 306.

## 22. INCOME TAX EXPENSES

### Accounting Policy

#### 22.1 General

Income tax expense comprises current tax and deferred tax and is recognised in the Income Statement. Current tax and deferred tax relating to items recognised directly in equity are recognised in equity and for items recognised in OCI that shall be recognised in the OCI.

The Group has determined that the interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

#### 22.2 Current tax

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset only if certain criteria are met.

Accounting Policy

**22.2 Current tax**

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset only if certain criteria are met.

**22.3 Tax Exposures**

In determining the amount of current tax and deferred tax, the Group considers the impact of tax exposure, including whether additional taxes and penalties are due. Finalisation of the tax liability with authorities may change the position already recorded in the Financial Statements and such changes to tax liabilities could impact the tax expense either as an over or under provision in the period in which such a determination is made.

**22.4 Deferred Tax**

**22.4.1 General**

Accounting policy and detail analysis relating to deferred tax is disclosed in Note 29 on page 358.

**22.5 Applicable tax law and the tax rates**

The gains and profits from the life insurance business are ascertained in terms of Section 67 of the Inland Revenue Act No. 24 of 2017 and as amended subsequently by the Inland Revenue (Amendment) Act, No. 45 of 2022.

**22.5.1 Currently applicable tax rates**

Gains and profits on which tax payable is the aggregate of:

Taxable income source	Applicable tax rate
Surplus distributed to shareholders from the life insurance policyholders fund as certified by the actuary	30%
Investment income of the shareholder fund less any expenses incurred in the production of such income	30%
Dividend paid out of profit (Note 22.9.1 on page 344)	15%
Surplus distributed to a life insurance policyholder who shares the profits of a person engaged in the business of life insurance	30%

**22.6 Impact on changes in the applicable income tax rate**

There were no changes in the applicable corporate income tax rates during the year (2024: Nil).

For the purpose of measuring deferred taxation, a tax rate of 30% has been applied for the year ended 31 December 2025 and the comparative year, consistent with the enacted tax rate applicable at the reporting date.

**22.7 Amounts recognised in the Income Statement**

For the year ended 31 December	Note	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000
<b>Current tax expense</b>				
Income tax expense on current year's profits				
Parent		1,631,304	1,631,304	1,439,847
Subsidiary		290,067	-	-
Under / (Over) provision of income tax in respect of prior years		-	-	-
<b>Current tax expense / (reversal)</b>		<b>1,921,371</b>	<b>1,631,304</b>	<b>1,439,847</b>
<b>Deferred tax expenses</b>				
Origination of deferred tax assets from the ISB	29.8.2	14,002	14,002	(468,263)
Origination of deferred tax assets on brought forward tax losses		290,137	-	-
Reversal of previously recognised deferred tax assets upon ISB restructuring	29.8.2	-	-	838,938
Reversal of deferred tax assets on brought forward tax losses		-	-	-
Relating to origination and reversal of temporary differences of deferred tax assets		(290,137)	-	-
<b>Deferred tax expense / (reversal)</b>	22.8	<b>14,002</b>	<b>14,002</b>	<b>370,675</b>
<b>Income tax expense recognised in income statement</b>		<b>1,935,373</b>	<b>1,645,306</b>	<b>1,810,522</b>
<b>Other comprehensive income</b>				
<b>Deferred tax charge / (reversal)</b>				
Relating to origination and reversal of temporary differences of deferred tax assets		-	-	-
Income tax expense recognised in other comprehensive income		-	-	-
<b>Income tax expense recognised in other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 22.8 Reconciliation of the accounting profit to income tax expense

For the year ended 31 December	2025				2024	
	Group		Company		Company	
	%	Rs. '000	%	Rs. '000	%	Rs. '000
Accounting profit before tax	-	6,615,672	-	5,648,784	-	6,332,319
Tax using the Group's domestic tax rate*	30	1,984,702	30	1,694,635	30	1,899,696
Income exempt from tax	(6)	(375,334)	(7)	(375,334)	(22)	(1,387,435)
Aggregate allowable expenses	(1)	(43,720)	(1)	(41,740)	(1)	(43,380)
Aggregate disallowable expenses	6	355,723	6	353,743	20	1,275,737
Business loss claimed on ISB haircut at the time of restructuring (Note 29.6 on page 359)	-	-	-	-	(5)	(304,771)
Under / (over) provision in respect of the previous year	-	-	-	-	-	-
Net deferred tax asset (origination)/reversal	-	14,002	-	14,002	6	370,675
<b>Income tax expense recognised in the Income Statement at the average effective income tax rate</b>	<b>20</b>	<b>1,935,373</b>	<b>29</b>	<b>1,645,306</b>	<b>29</b>	<b>1,810,522</b>

\*The tax expense is computed based on the applicable domestic tax rates of the Group and the table outlines the effective tax rates applied during the years 2025 and 2024.

### 22.9 Income tax computation as per IRD Act No 24 of 2017 and amendments to Act, No. 10 of 2021 and Act. No. 45 of 2022

For the year ended 31 December	2025		2024
	Group	Company	Company
	Rs. '000	Rs. '000	Rs. '000
Surplus distributed to shareholders' from the life insurance policyholders' fund (Refer page 308 for the Actuary's Report)	5,262,299	4,388,000	4,287,000
Investment income of the shareholders' fund less expenses* (including exempt income)	1,517,839	1,425,014	2,204,699
Income exempt from tax (refer Note 22.9.1)	(375,334)	(375,334)	(1,387,435)
Surplus distributed to policyholders (par bonus) - refer page 308 for the Actuary's Report	722,660	722,660	607,117
Deductions under Section 19 of the IRD Act	(967,124)	-	(304,771)
Business income	6,160,339	6,160,339	5,406,610
<b>Total assessable income</b>	<b>6,160,339</b>	<b>6,160,339</b>	<b>5,406,610</b>
Income tax rate on assessable income @ 30% (excluding tax on par bonus)	1,631,304	1,631,304	1,439,848
Income tax rate on assessable income @ 30% (including tax on par bonus)	1,848,102	1,848,102	1,621,983
Income tax on dividend income @ 15%	-	-	-
<b>Tax liability</b>	<b>1,848,102</b>	<b>1,848,102</b>	<b>1,621,983</b>

\*Investment management fees amounting to Rs. 44 Million for the Group (including Rs. 42 Million for the Company) which are included under other operating and administrative expenses (Note 22.5.1 on page 343), have been deducted in arriving at the net investment income of the Shareholders' Fund.

#### 22.9.1 Income exempt from tax

##### Interest accrued on foreign currency deposits and financial investments

As per the Inland Revenue (Amendment) Act, No. 10 of 2021, and amendments there to, Investment Income from Sri Lanka Government International Sovereign Bond and interest income received from savings and fixed deposits which are denominated in foreign currency have been considered as exempt income.

### Dividend income

Dividend income received to the extent that dividend income is attributable to or derived from, another dividend received by the relevant dividend paid company or another resident company. Such dividend income shall be exempt from Income tax under section 9 of the Inland Revenue Act, no 24 of 2017.

Accordingly, the Group has considered the above investment income of the shareholders' fund as exempt income for the purpose of computation of income tax liability for the year ended 31 December 2025.

Dividend income received on which withholding tax has already been deducted at 15% as final Advance Income Tax shall be a final withholding payment under section 88 of the Inland Revenue Act No 24 of 2017. Hence, it will not be taxed again.

#### 22.9.2 IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

IFRIC 23 interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It clarifies that an entity must consider the probability that the tax authorities will accept a treatment retained in its income tax filings, assuming that they have full knowledge of all relevant information when making their examination.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex environment, it has assessed whether the interpretation had an impact on its Financial Statements and is of the view that it is probable that its tax treatments will be accepted by the taxation authorities. Hence, the interpretation did not have an impact on the Financial Statements of the Group. The Group reviewed its income tax treatments and concluded that no additional provisions are required and disclosures relating to contingent liabilities have been made under Note 54.

## 23. EARNINGS PER SHARE (EPS)

### Accounting Policy

#### 23.1 General

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

The EPS calculations have been prepared in accordance with LKAS 33 – Earnings Per Share, ensuring that the impact of the share repurchase is accurately reflected. The repurchased shares have been excluded from the total number of outstanding shares from the date of repurchase, as required by the standard.

### 23.2 Basic earnings per share

For the year ended 31 December	2025		2024
	Group	Company	Company
<b>Amount used as the numerator:</b>			
Profit attributable to ordinary shareholders (Rs. 000)	4,680,299	4,003,478	4,521,797
<b>Number of ordinary shares used as the denominator:</b>			
Weighted average number of ordinary shares as at 31 December (refer Note 23.2.1)	316,406,250	316,406,250	358,510,502
<b>Basic earnings per share (Rs.)</b>	<b>14.79</b>	<b>12.65</b>	<b>12.61</b>

#### 23.2.1 Weighted average number of ordinary shares

For the year ended 31 December	2025		2024
	Group	Company	Company
Issued ordinary shares as at 1 January	316,406,250	316,406,250	375,000,000
Effect of the share repurchase	-	-	(16,489,498)
Weighted Average number of ordinary shares as at 31 December	316,406,250	316,406,250	358,510,502

The weighted average number of ordinary shares used in the calculation of basic earnings per share for the year ended 31 December 2024 reflects the effect of the share repurchase of 58,593,750 ordinary shares completed on 20 September 2024 (refer Note 36.4).

### 23.3 Diluted earnings per share

There were no potential dilutive ordinary shares outstanding at any time during the year (2024: Nil). Accordingly, diluted earnings per share is equal to basic earnings per share as disclosed in Note 23.2.

## 24. DIVIDEND PER SHARE (DPS)

### Accounting Policy

#### 24.1 General

Dividend on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's Board of Directors in accordance with the Articles of Association.

Dividend declared by the Board of Directors after the reporting date is not recognised as a liability and is disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standard – LKAS 10 on "Events after the reporting period".

## NOTES TO THE FINANCIAL STATEMENTS

### 24.2 Dividend declared from recorded profit

For the year ended 31 December	Interim dividend declared for the 2025 profit	Interim dividend declared for the 2024 profit
Number of ordinary shares	316,406,250	316,406,250
DPS (Rs.)	4.50	4.50
Gross dividend (Rs. '000)	1,423,828	1,423,828
WHT deducted (Rs. '000)	(178,370)	(194,328)
Net dividend (Rs. '000)	1,245,458	1,229,500

### 24.3 Dividend paid during the year

For the year ended 31 December	DPS Rs.	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000
Gross Interim Dividend for the year 2025	4.50	-	1,423,828	-
Gross Interim Dividend for the year 2024	4.50	-	-	1,423,828
Gross Interim Dividend for the year 2023	3.75	-	-	1,406,250
<b>Total</b>		-	1,423,828	2,830,078

### 24.4 Compliance with the Direction No: 4 of 2024 issued by IRCSL

The dividend declared and paid during the year out of the current year's profits is in compliance with Direction No. 4 of 2024 issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) on 8 May 2024, which superseded the previous Direction and its amendments.

### 24.5 Compliance with the Section 56 and 57 of the Companies Act No. 7 of 2007

As required by the Section 56 of the Companies Act, No. 7 of 2007, the Board of Directors needs to satisfy the solvency test in accordance with the Section 57, prior to recommending the dividend. A statement of solvency duly completed and signed by the Directors when declaring the dividends during the current year as well as in the comparative year has been reviewed by Messrs. KPMG.

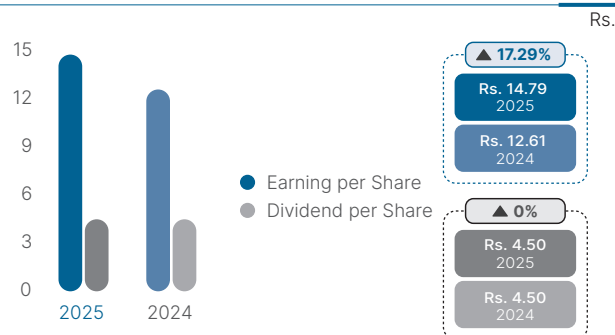
### 24.6 Tax implications

Refer Note 22.5.1 and 24.2 on pages 343 and 346 for the details on the applicable Withholding tax (WHT) / Advance income tax (AIT).

### 24.7 Non-cash assets distributed to owners

During the period ended 31 December 2025, the Group did not distribute non cash assets to its owners (2024 - Nil).

### EPS AND DPS



## 25. INTANGIBLE ASSETS

### Accounting Policy

#### 25.1 Recognition

An intangible asset is recognised, if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably in accordance with LKAS 38 - 'Intangible Assets'.

#### 25.2 Basis of measurement

Software acquired by the Group is initially measured at cost and subsequently stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset, when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and accumulated impairment losses.

Goodwill arising on business combinations is recognised as an intangible asset and measured at cost less accumulated impairment losses. It is not amortised and is subject to annual impairment testing in accordance with LKAS 36 (refer Note 25.14 on page 348).

#### 25.3 Subsequent expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

#### 25.4 Treatment of research and development cost

Research costs are expensed as incurred, while development costs are capitalised as an intangible asset when specific criteria are met, including technical feasibility, intention and ability to complete and use or sell the asset, future economic benefits, availability of resources, and reliable measurement of costs, and are subsequently measured at cost less accumulated amortisation and impairment losses.

Accounting Policy

**25.5 Useful economic life, amortisation and impairment**

**25.5.1 Intangible assets with finite lives**

Intangible assets with finite life are amortised over their useful economic life, from the date that it is available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful life, amortisation method and residual values of an intangible asset with a finite useful life are reviewed at each reporting date and changes in the expected useful life or the expected future economic benefits embodied in the asset are considered to modify the useful lives, method, or residual values as appropriate, and are treated as changes in accounting estimates.

**25.5.2 Amortisation expenditure**

The amortisation expense on intangible assets with finite lives is recognised in the Income Statement under other operating and administration expenses.

**25.5.3 Useful life, residual value and amortisation method**

	Estimated useful life/ amortisation period	Residual value	Amortisation method
Computer software	5 Years	Nil	Straight-line basis over the estimated useful life of the software, from the date that it is available for use.

**25.5.4 Intangible assets with indefinite useful life**

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they may be impaired. The impairment assessment is performed either at the individual asset level or at the cash generating unit (CGU) level, as appropriate. The useful life of an intangible asset assessed as indefinite is reviewed at least annually to determine whether the indefinite life assumption remains appropriate. If the assessment indicates that the useful life is no longer indefinite, the change is accounted for prospectively as a change in accounting estimate.

**25.6 Research and development cost**

There were no research and development cost incurred during the year which is eligible for capitalisation in the Financial Statements.

**25.7 Internally-generated intangible assets and separately acquired intangible assets**

All intangible assets are separately acquired and there are no such internally generated intangible assets.

**25.8 Reconciliation of carrying amounts of intangible assets**

As at 31 December	2025			2024	
	Group		Total	Company	
	Computer software Rs. '000	Goodwill Rs. '000		Computer software Rs. '000	Computer software Rs. '000
<b>Cost</b>					
Balance as at 1 January	97,775	-	97,775	97,775	95,325
Acquisition through business combination	253,484	407,581	661,065	-	-
De-recognition	(194,977)	-	(194,977)	-	-
Acquisition during the year	60,401	-	60,401	3,925	2,450
<b>Balance as at 31 December</b>	<b>216,683</b>	<b>407,581</b>	<b>624,264</b>	<b>101,700</b>	<b>97,775</b>
<b>Accumulated amortisation and impairment losses</b>					
Balance as at 1 January	93,820	-	93,820	93,820	92,961
Acquisition through business combination	51,620	-	51,620	-	-
Amortisation for the year	6,445	-	6,445	1,798	859
<b>Balance as at 31 December</b>	<b>151,885</b>	<b>-</b>	<b>151,885</b>	<b>95,618</b>	<b>93,820</b>
<b>Carrying value as at 31 December</b>	<b>64,798</b>	<b>407,581</b>	<b>472,379</b>	<b>6,082</b>	<b>3,955</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 25.9 Other changes to intangible assets

Other than disclosed in the Note 25.6 above, there were no other changes to the intangible assets during the period under review (2024 – Nil).

### 25.10 Acquisition of intangible assets during the year

During the financial year, the Group incurred expenditure of Rs. 60 Million including Rs. 4 Million by the Company (2024 – Rs. 2.5 Million by the Company) for the acquisition of intangible assets.

In addition, as part of the acquisition of the subsidiary during the year, identifiable intangible assets comprising computer software amounting to Rs. 52 Million were recognised at fair value. Goodwill arising on the acquisition, amounting to Rs. 407 Million, has also been recognised in the Financial Statements. Refer Note 26.9 on page 349 for the details of business combinations and goodwill.

### 25.11 Fully amortised intangible assets in use

Fully amortised intangible assets in use of the Group as at reporting date were Rs. 91.8 Million (2024 - Rs. 91.6 Million) respectively.

### 25.12 Title restrictions on intangible assets

There are no restrictions that existed on the title of the intangible assets of the Group as at the reporting date.

### 25.13 Intangible assets pledged as securities

There were no items pledged as securities for liabilities as at the reporting date (2024 - Nil).

### 25.14 Assessment of impairment of intangible assets

Goodwill amounting to Rs. 407 Million arose from the acquisition of the subsidiary during the year and has been allocated to the Life Insurance CGU. The goodwill represents expected synergies, future growth opportunities, and operational efficiencies arising from the integration.

The Group performed its annual impairment test as at 31 December 2025. The recoverable amount of the CGU was determined using a value-in-use model based on cash flow projections of annualised new business from Board-approved budgets covering a five-year period, with a new business growth rate of 20% and a pre-tax discount rate of 25%.

The assessment indicated that the recoverable amount exceeded the carrying amount of the CGU. Accordingly, no impairment loss has been recognised for the year (2024 – Nil). Management has performed sensitivity analyses on key assumptions and concluded that no reasonably possible change would result in the impairment.

### 25.15 Capitalisation of borrowing costs

There were no capitalised borrowing costs relating to the acquisition of intangible assets during the year 2025 (2024 - Nil).

### 25.16 Individually material / significant intangible assets

There are no individual intangible assets that are material to the Financial Statements as at 31 December 2025 (2024 - Nil).

### 25.17 Amount of contractual commitments for acquisition of intangible assets

There are no contractual commitments for acquisition of intangible assets as at the reporting date.

### 25.18 Intangible assets acquired by way of government grants

As at reporting date, the Group has not acquired Intangible assets by way of government grants.

### 25.19 Revaluation of intangible assets

Since the cost model has been followed, there are no revaluation adjustment for intangible assets.

## 26. INVESTMENT IN SUBSIDIARY

### Accounting Policy

Refer Note 2.14 on page 323 for the accounting policy.

### 26.1 Acquisition of subsidiary

On 11 July 2025, the Group acquired 100% of the issued and paid-up share capital and voting interests of Allianz Life Insurance Lanka Limited (“the Subsidiary”) from Allianz SE, following approval granted by the Insurance Regulatory Commission of Sri Lanka (IRC SL) via letter dated 2 July 2025. The total purchase consideration amounted to Rs. 1,426 Million, which was settled entirely in cash.

Following the acquisition, Allianz Life became a wholly-owned subsidiary of Softlogic Life Insurance PLC. The Subsidiary operates in the life insurance business, consistent with the principal activity of the Parent Company, and continues to operate as a separate licensed entity under the regulatory framework of the IRC SL.

### 26.2 Nature of the acquired business

Included in the identifiable assets and liabilities acquired at the acquisition date were the key inputs which include: insurance and reinsurance contract portfolios and related assets and liabilities, financial investment portfolio, property, plant and equipment, intangible assets, deferred tax assets, cash and cash equivalents; and an established distribution network and agency force. These inputs and processes significantly contribute to the ability to generate revenue and provide insurance services. Accordingly, the Group concluded that the acquired set of activities and assets constitutes a business under SLFRS 3.

### 26.3 Nature of, and risks associated with, interests in subsidiary

The Group’s interest in its subsidiary exposes it to insurance, market, credit, liquidity and regulatory risks that are similar in nature to those arising from the Parent’s own insurance operations. These risks are managed on a Group-wide basis through common risk management frameworks, governance structures and internal control processes as disclosed in Note 49.5.4 on Risk management.

The subsidiary is subject to regulatory supervision by the relevant insurance regulator, including compliance with capital adequacy and solvency requirements. There were no material changes in the nature of risks arising from the Group’s interest in the subsidiary during the reporting period.

## 26.4 Financial or other support to consolidated entities

During the reporting period, the Parent has not provided financial or other support to its consolidated entity, without having a contractual obligation to do so. Accordingly, no financial assistance, guarantees, liquidity support or other forms of support were provided, and there were no circumstances requiring such support during the year. The Group also has no current intention to provide financial or other support to its consolidated entity.

## 26.5 Goodwill

Goodwill of Rs. 407 Million arose on acquisition, representing the excess of the purchase consideration over the net fair value of identifiable assets acquired and liabilities assumed. Goodwill has been recognised as an intangible asset (refer Note 25.10 on page 348) and it reflects anticipated synergies, expected future growth and operational efficiencies arising from the acquisition. As disclosed in Note 25.14 on page 348, the goodwill is not amortised but is tested annually for impairment, or more frequently if indicators arise.

## 26.6 Provisional accounting

At the reporting date, the initial accounting for the business combination is provisional pending the finalisation of certain fair value assessments of assets and liabilities acquired i.e. intangible assets, including items affected by contractual and operational changes arising from the change in ownership where the impact would not be material to the Financial Statements. Any adjustments identified during the measurement period (not exceeding twelve months from the acquisition date) will be recognised retrospectively, with comparative information revised as if the acquisition-date accounting had been completed. Such adjustments may result in revisions to the fair values of assets and liabilities, corresponding changes to goodwill, and consequential impacts on retained earnings, profit or loss and other comprehensive income.

## 26.7 Consolidation impact

Management assessed the financial impact of the Subsidiary for the period from 1 July 2025 to 10 July 2025 and concluded that the results and cash flows for this period were not material to the Group. Accordingly, the Subsidiary has been consolidated from 1 July 2025. There are no significant restrictions on the ability of the Subsidiary to transfer funds to the Parent Company in the form of dividends or loan repayments as at the reporting date.

For the six months ended 31 December 2025, Softlogic Life Insurance Lanka Limited contributed revenue of Rs. 1,744 Million and profit of Rs. 676 Million to the Group's results. Had the acquisition occurred on 1 January 2025, management estimates that consolidated revenue would have been Rs. 41,699 Million. In preparing these estimates, management has assumed that the provisional fair value adjustments arising on acquisition would have been the same had the acquisition occurred on 1 January 2025.

## 26.8 Acquisition-related costs

The Group incurred acquisition-related costs of Rs. 6.5 Million on legal fees and due diligence costs. These costs have been included in the "Other operating and administration expenses" in the Income Statement.

## 26.9 Identifiable assets acquired and liabilities assumed

The following table summarises the acquisition date fair values of each major class of consideration transferred.

## Acquisition date fair values

Major line item	Rs. '000
Property, plant and equipment	24,807
Intangible assets - Provisional	201,864
Right of use assets	21,203
Deferred tax assets	550,939
Financial investments**	9,761,277
Reinsurance receivables	253,193
Premium receivables	65,964
Other receivables	64,638
Cash and cash equivalents***	246,107
Insurance contract liabilities	(8,890,559)
Employee benefit liabilities	(37,309)
Reinsurance payables	(232,693)
Other liabilities	(1,010,663)
<b>Total identifiable net assets acquired</b>	<b>1,018,768</b>

\* The identifiable assets acquired and liabilities assumed were recognised at their fair values as at the date of acquisition.

\*\*Financial assets and liabilities assumed were assessed and classified at the acquisition date in accordance with SLFRS 9.

\*\*\*The cash flow arising from the acquisition is analysed is stated in Note 26.11 on page 350.

### 26.9.1 Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique	Description
Property, plant and equipment	Market approach (market comparison) and cost approach	The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	Market approach (market comparison) and cost approach	The valuation model uses market prices for similar intangible assets where an active market exists. For specialised assets, the cost to recreate method estimates the current labour, materials, and overhead required to develop an equivalent asset, adjusted for functional and economic obsolescence.
Financial investments	Market approach (market comparison) and income approach	Fair value is determined by referencing market data at the reporting date. For listed equity, the market approach uses unadjusted quoted prices in active markets. For debt instruments, the income approach calculates the present value of future cash flows, discounted using the current market yield curve for the remaining maturity, incorporating relevant benchmark rates and credit spreads.

## NOTES TO THE FINANCIAL STATEMENTS

### 26.10 Goodwill

Goodwill arising from the acquisition has been recognised as follows.

Description	Rs. '000
Consideration transferred	1,426,349
Less: Fair value of identifiable net assets	(1,018,768)
Goodwill	407,581

### 26.11 Cashflows arising from acquisition - net of cash acquired

Description	Rs. '000
Consideration transferred	(1,426,349)
Add: Cash and cash equivalents acquired	246,107
Acquisition of subsidiary, net of cash (Refer Note 26.9 on page 349)	(1,180,242)

## 27. PROPERTY, PLANT AND EQUIPMENT

### Accounting Policy

#### 27.1 Recognition and measurement

The Group applies the requirements of the LKAS 16 'Property, Plant and Equipment' in accounting for its owned assets which are held for use in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

#### 27.2 Basis of recognition

Property, plant and equipment are recognised, if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be measured reliably.

#### 27.3 Basis of measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day-to-day servicing).

#### 27.4 Subsequent measurement

##### 27.4.1 Cost model

The Group applies the cost model to all property, plant and equipment except for freehold land and freehold building and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

##### 27.4.2 Revaluation model

The Group applies the revaluation model for the entire class of freehold land and freehold building for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Freehold land and buildings of the Group are revalued by independent professional valuers every two years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in the revaluation reserve in equity through OCI or is used to reverse a previous loss on revaluation of the same asset, which was charged to the Income Statement. In these circumstances, the increase is recognised as income only to the extent of the previous write down in value. Any decrease in the carrying amount is recognised as an expense in the Income Statement or charged to revaluation reserve in equity through OCI, only to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

Methods and significant assumptions including unobservable market inputs employed in estimating the fair value together with the sensitivity of the same are given in Note 27.24.4 on page 355.

##### 27.4.3 Subsequent costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the Income Statement as incurred.

##### 27.4.4 Repairs and maintenance

Repairs and maintenance costs are charged to the Income Statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Accounting Policy

**27.5 Capital work in progress**

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred on property, plant and equipment, awaiting capitalisation.

**27.6 Cost of dismantling**

The estimated costs of dismantling, removing, or restoring items of property, plant and equipment is Nil.

**27.7 Carrying value**

The carrying value of an asset or significant component of assets within a class is assessed annually against its fair value and where the fair value is less than the carrying value the asset is written down to its fair value. The consequent adjustment is recognised in the Income Statement.

The residual values of assets that are not insignificant are reassessed annually.

All classes of property, plant, and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in Note 27.10.

**27.8 Derecognition**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from

its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in other operating income in the Income Statement in the year in which the asset is derecognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

**27.9 Useful economic life, residual values and depreciation**

**27.9.1 Depreciation**

The Group provides depreciation from the date the assets are available for use up to the date of disposal at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets. Depreciation on revalued classes of assets is based on the remaining useful life of the assets at the time of the revaluation. Land is not depreciated.

Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in other operating and administration expenses in the Income Statement.

**27.9.2 Useful economic lives, depreciation rate and residual values**

Class of asset	Group		
	Depreciation percentage per annum	Estimated useful life	Residual value
Building	5%	20 years	Nil
Office equipment	20% - 33%	03 - 05 Years	Nil
Computer equipment	20% - 33%	03 - 05 Years	Nil
Furniture and fittings	10% - 20%	05 - 10 Years	Nil
Fixtures and fittings	20%	05 Years	Nil
Motor vehicles	20% - 25%	04 - 05 Years	Nil

## NOTES TO THE FINANCIAL STATEMENTS

### 27.10 Reconciliation of gross carrying amount of property, plant and equipment

Group	Freehold land	Freehold building	Computer hardware	Office equipment	Furniture and fittings	Fixtures and fittings	Motor vehicles	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost / revaluation</b>								
Balance as at 1 January 2025	180,000	131,000	276,005	358,432	290,927	708,376	94	1,944,834
Acquisitions through business combination	-	-	41,631	41,419	44,827	-	-	127,877
Additions during the year	-	-	29,097	31,880	40,818	131,197	-	232,992
Transferred from ROU assets	-	-	-	-	-	-	27,000	27,000
Surplus on revaluation	24,000	23,591	-	-	-	-	-	47,591
Transferred of accumulated depreciation on revalued assets	-	(25,591)	-	-	-	-	-	(25,591)
Disposals during the year	-	-	(1,425)	(842)	-	-	(27,000)	(29,267)
<b>Balance as at 31 December 2025</b>	<b>204,000</b>	<b>129,000</b>	<b>345,308</b>	<b>430,889</b>	<b>376,572</b>	<b>839,573</b>	<b>94</b>	<b>2,325,436</b>
<b>Accumulated depreciation and impairment losses</b>								
Balance as at 1 January 2025	-	12,813	211,863	287,847	169,449	573,535	94	1,255,601
Acquisitions through business combination	-	-	36,157	37,767	29,146	-	-	103,070
Depreciation for the year	-	12,778	26,292	25,682	27,580	45,746	2,250	140,328
Transferred from ROU assets	-	-	-	-	-	-	24,750	24,750
Transferred of accumulated depreciation on revalued assets	-	(25,591)	-	-	-	-	-	(25,591)
Disposals during the year	-	-	(64)	(385)	-	-	(27,000)	(27,449)
<b>Balance as at 31 December 2025</b>	<b>-</b>	<b>-</b>	<b>274,248</b>	<b>350,911</b>	<b>226,175</b>	<b>619,281</b>	<b>94</b>	<b>1,470,709</b>
<b>Carrying value as at 31 December 2025</b>	<b>204,000</b>	<b>129,000</b>	<b>71,060</b>	<b>79,978</b>	<b>150,397</b>	<b>220,292</b>	<b>-</b>	<b>854,727</b>

Company	Freehold land	Freehold building	Computer hardware	Office equipment	Furniture and fittings	Fixtures and fittings	Motor vehicles	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost / revaluation</b>								
Balance as at 1 January 2024	180,000	131,000	258,688	339,551	268,667	646,065	94	1,824,065
Additions during the year	-	-	17,489	18,881	22,260	62,311	-	120,941
Surplus on revaluation	-	-	-	-	-	-	-	-
Transferred of accumulated depreciation on revalued assets	-	-	-	-	-	-	-	-
Disposals during the year	-	-	(172)	-	-	-	-	(172)
<b>Balance as at 31 December 2024</b>	<b>180,000</b>	<b>131,000</b>	<b>276,005</b>	<b>358,432</b>	<b>290,927</b>	<b>708,376</b>	<b>94</b>	<b>1,944,834</b>
Balance as at 1 January 2025	180,000	131,000	276,005	358,432	290,927	708,376	94	1,944,834
Additions during the year	-	-	20,507	31,658	40,818	131,197	-	224,181
Transferred from ROU assets	-	-	-	-	-	-	27,000	27,000
Surplus on revaluation	24,000	23,591	-	-	-	-	-	47,591
Transferred of accumulated depreciation on revalued assets	-	(25,591)	-	-	-	-	-	(25,591)
Disposals during the year	-	-	-	-	-	-	(27,000)	(27,000)
<b>Balance as at 31 December 2025</b>	<b>204,000</b>	<b>129,000</b>	<b>296,512</b>	<b>390,090</b>	<b>331,745</b>	<b>839,573</b>	<b>94</b>	<b>2,191,015</b>

Company	Freehold land	Freehold building	Computer hardware	Office equipment	Furniture and fittings	Fixtures and fittings	Motor vehicles	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Accumulated depreciation and impairment losses</b>								
Balance as at 1 January 2024	-	-	188,837	262,030	147,081	518,596	94	1,116,638
Depreciation for the year	-	12,813	23,138	25,817	22,368	54,939	-	139,075
Transfer of accumulated depreciation on revalued assets	-	-	-	-	-	-	-	-
Disposals during the year	-	-	(112)	-	-	-	-	(112)
<b>Balance as at 31 December 2024</b>	<b>-</b>	<b>12,813</b>	<b>211,863</b>	<b>287,847</b>	<b>169,449</b>	<b>573,535</b>	<b>94</b>	<b>1,255,601</b>
Balance as at 1 January 2025	-	12,813	211,863	287,847	169,449	573,535	94	1,255,601
Depreciation for the year	-	12,778	23,196	23,531	23,209	45,746	2,250	130,709
Transferred from ROU assets	-	-	-	-	-	-	24,750	24,750
Transfer of accumulated depreciation on revalued assets	-	(25,591)	-	-	-	-	-	(25,591)
Disposals during the year	-	-	-	-	-	-	(27,000)	(27,000)
<b>Balance as at 31 December 2025</b>	<b>-</b>	<b>-</b>	<b>235,059</b>	<b>311,378</b>	<b>192,658</b>	<b>619,281</b>	<b>94</b>	<b>1,358,469</b>
<b>Carrying value as at 31 December 2025</b>	<b>204,000</b>	<b>129,000</b>	<b>61,454</b>	<b>78,713</b>	<b>139,087</b>	<b>220,292</b>	<b>-</b>	<b>832,546</b>
<b>Carrying value as at 31 December 2024</b>	<b>180,000</b>	<b>118,187</b>	<b>64,142</b>	<b>70,585</b>	<b>121,478</b>	<b>134,841</b>	<b>-</b>	<b>689,233</b>

### 27.11 Other changes to property, plant and equipment

Other than items disclosed in Note 27.19, there was no impact to property, plant and equipment from any other sources, such as, assets classified as held-for-sale, increases resulting from impairment losses reversed in OCI or in the Income Statement, and from exchange differences during the period ended 31 December 2025 (2024 - Nil).

### 27.12 Title restrictions on property, plant and equipment

There are no restrictions that existed on the title of the property, plant and equipment of the Group as at the reporting date.

### 27.13 Acquisition of property, plant and equipment during the year

During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 233 Million including Rs. 224 Million by the Company (2024 - Rs. 121 Million) respectively by means of cash.

### 27.14 Capitalisation of borrowing costs

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2025 (2024 - Nil).

### 27.15 Amount of contractual commitment for acquisition of property, plant and equipment

Refer Note 52 for contractual commitment for acquisition of property, plant and equipment as at the reporting date.

### 27.16 Temporarily idle property, plant and equipment

There are no temporarily idle property, plant and equipment as at the reporting date. (2024 - Nil).

### 27.17 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 31 December 2025. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of property, plant and equipment (2024 - Nil).

### 27.18 Compensation from third parties for items of property, plant and equipment

There was no compensation received / receivable from third parties for items of property, plant and equipment that were impaired, lost or given up as at the reporting date.

### 27.19 Property, plant and equipment under construction

As at the reporting date, there was no property, plant and equipment under construction (2024 - Nil).

### 27.20 Property, plant and equipment pledged as security for liabilities

None of the property, plant and equipment has been pledged as securities for liabilities as at the reporting date (2024 - Nil).

### 27.21 Property, plant and equipment retired from active use

There were no property plant and equipment that were retired from active use as at the reporting date (2024 - Nil).

### 27.22 Permanent fall in value of property, plant and equipment

There has been no permanent fall in the value of property, plant and equipment which require an impairment provision recognised in the Financial Statements as at 31 December 2025 (2024 - Nil).

## NOTES TO THE FINANCIAL STATEMENTS

### 27.23 Fully depreciated property, plant and equipment in use

As at 31 December	2025		2024
	Group	Company	Company
	Rs. '000	Rs. '000	Rs. '000
Computer hardware	202,647	185,438	159,034
Office equipment	259,856	247,697	243,887
Furniture and fittings	82,197	80,477	63,439
Fixtures and fittings	521,108	521,108	491,533
Motor vehicles	94	94	94
<b>Total</b>	<b>1,065,902</b>	<b>1,034,814</b>	<b>957,987</b>

### 27.24 Fair value of property, plant and equipment

The carrying amount of property, plant and equipment disclosed in Note 27.10 approximates its fair value as at the reporting date.

#### 27.24.1 Revaluation of property, plant and equipment

Latest revaluation was carried out by the Group for all its freehold land and freehold building as at 31 December 2025. No revaluation was carried out for the year ended 31 December 2024 as per the policy as described in Note 27.4.2. Next revaluation date will be due on 31 December 2027.

#### 27.24.2 Fair value hierarchy

Fair value of the land and building was determined by an external independent property valuer, having appropriate recognised professional qualifications and experience in the category of the property being valued. The valuer involved in the aforesaid valuation possesses the relevant professional and academic qualifications and service records in compliance with the Circular no: 30 (in the year dated 2014) issued by the Insurance Regulatory Commission of Sri Lanka (IRC SL), which specifies the qualifications of valuers to value land and buildings of the insurance companies.

The valuer provides the fair value of the land and building. Based on the valuation techniques used, it has been classified under Level 3 in fair value hierarchy. Valuation techniques and significant unobservable inputs are disclosed under Note 27.24.4.

#### 27.24.3 The details of freehold land and buildings which are stated at valuation

(As required by the Rule No. 7.6 (viii) of the "Continuing Listing Requirements" of the Colombo Stock Exchange)

Location	Number of land & buildings	Extent perches (Land)	Square feet (Building)	Method of valuation	Effective date of valuation	Name of the independent professional valuer / location and address	Revalued amount		Net book value before revaluation		Revaluation gain on	
							Land	Building	Land	Building	Land	Building
							Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Land</b>	1	12	N/A			Mr. Anuradha Senevirathne	204,000	129,000	180,000	105,409	24,000	23,591
<b>Building</b>	1	N/A	11,824	Market comparable method and Investment Method	31 December 2025	Chartered Valuation Surveyor No: 59/3, Urapola, Pillimalawa, Kandy						
Situated at No. 283, R. A De Mel Mawatha, Colombo - 03												

#### 27.24.4 Valuation techniques and significant unobservable inputs used in measuring fair value

(As required by the Rule No. 7.6 (viii) of the “Continuing Listing Requirements” of Colombo Stock Exchange)

The following table shows the valuation techniques used in measuring fair values, the significant unobservable inputs and sensitivity of the fair value measurement to changes in significant unobservable inputs.

Property	Effective date of valuation	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement	Sensitivity of the fair value measurement to inputs
<b>Land</b> (Situated at No. 283, R. A De Mel Mawatha, Colombo - 03)	31 December 2025	<b>Market comparable method</b> This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property. In this process outlier transactions, indicative of particular motivated buyers or sellers are also compensated, since the price may not adequately reflect the fair market value.	Market value per perch	Rs. 17 Million (Estimated price per perch)	Positively correlated sensitivity	Estimated fair value would increase/ (decrease) if price per perch would increase / (decrease)
<b>Building</b> (Situated at No. 283, R. A De Mel Mawatha, Colombo - 03) (Number of buildings - 01)	31 December 2025	<b>Investment method</b> This method involves capitalisation of the expected rental income at an appropriate rate of years purchase currently characterised by the real estate market.	Market rental per square foot for building	Rs. 140 - 190 (Estimated price per square foot)	Positively correlated sensitivity with rental	Price per square foot would increase/ (decrease) if gross annual rentals would increase / (decrease)
			Capitalisation rate (yield)	5.5% capitalisation rate	Negative correlated sensitivity with capitalisation rate	Fair value would decrease / (increase) if capitalisation rate increase / (decrease)

#### 27.25 Revaluation surplus

Class of asset	2025		
	Land Rs. '000	Building Rs. '000	Total Rs. '000
Revalued amount	204,000	129,000	333,000
Carrying value (prior to revaluation)	180,000	105,409	281,409
<b>Revaluation surplus for 2025 Recognised in the OCI</b>	<b>24,000</b>	<b>23,591</b>	<b>47,591</b>
<b>Revaluation surplus for 2025 Recognised in Income Statement</b>	<b>-</b>	<b>-</b>	<b>-</b>

In accordance with the Group's revaluation policy describe above, no revaluation was conducted during the year ended 31 December 2024. Accordingly no revaluation gain or loss recognised in the financial statements for the year 2024.

## NOTES TO THE FINANCIAL STATEMENTS

### 27.26 If land and buildings were stated at historical cost, the amounts would have been as follows:

Class of asset	2025				2024	
	Group		Company		Company	
	Land Rs. '000	Building Rs. '000	Land Rs. '000	Building Rs. '000	Land Rs. '000	Building Rs. '000
Cost	85,620	121,167	85,620	121,167	85,620	121,167
Accumulated depreciation	-	(66,633)	-	(66,633)	-	(60,584)
Carrying value	85,620	54,534	85,620	54,534	85,620	60,583

### 27.27 The effect of revaluation of freehold buildings on the Income Statement in the subsequent period is as follows:

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Depreciation charge per annum after revaluation	15,637	15,637	12,778
Depreciation charge per annum before revaluation	12,778	12,778	10,458
Decrease of subsequent period profit	2,859	2,859	2,320

### 27.28 Investment properties

As at the reporting date, the Group has not invested in investment properties (2024 - Nil)

## 28. RIGHT OF USE ASSETS

### Accounting Policy

#### 28.1 General

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

However, for the leases of property and equipment, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Group applies the cost model for subsequent measurement of the ROU asset and accordingly, the right-of-use asset is depreciated using the straight-line method from the

commencement date to the end of the lease term, unless the lessor transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

#### 28.2 Amortisation expenses

Amortisation expenses have been charged to the Income Statement under other operating and administration expenses.

#### 28.3 Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Incremental borrowing rate range from 8.01% to 27.93%.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

**Accounting Policy**

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured, when there is a change in:

- future lease payments arising from a change in an index or rate,
- the Group's estimate of the amount expected to be payable under a residual value guarantee,
- the Group's assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment,
- its assessment of whether it will exercise a purchase, extension, or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**28.4 Interest expenses on lease liabilities**

Interest expense is calculated by using the effective interest rate method and is recognised as finance expenses in the Income Statement.

**28.5 Presentation of ROU asset and lease liabilities**

The Group presents right-of-use assets that do not meet the definition of investment property in a separate line as 'Right-of-use assets' and lease liabilities within 'Other Liabilities' in the Statement of Financial Position.

**28.6 Short term leases and leases of low-value assets**

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**28.7 Nature of the leasing activities**

Information about leases for which the Group is a lessee is presented below;

The Group has lease contracts for the head office, branches and motor vehicles, typically made for lease terms between 1 to 5 years of lease term and have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

**28.8 Reconciliation of carrying amounts of Right-of-Use assets**

As at 31 December	2025						2024		
	Group			Company			Company		
	Buildings Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000	Buildings Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000	Buildings Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000
As at 1 January	1,189,826	3,938	1,193,764	1,189,826	3,938	1,193,764	600,973	10,688	611,661
Acquisitions through business combination	21,202	-	21,202	-	-	-	-	-	-
Additions to right-of-use assets	637,695	-	637,695	469,441	-	469,441	954,758	-	954,758
Amortisation charge for the year	(410,053)	(1,688)	(411,741)	(379,205)	(1,688)	(380,893)	(365,905)	(6,750)	(372,655)
Derecognition of right-of-use assets	(10,349)	-	(10,349)	(10,349)	-	(10,349)	-	-	-
Transfer	-	(2,250)	(2,250)	-	(2,250)	(2,250)	-	-	-
Modification	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 December</b>	<b>1,428,321</b>	<b>-</b>	<b>1,428,321</b>	<b>1,269,713</b>	<b>-</b>	<b>1,269,713</b>	<b>1,189,826</b>	<b>3,938</b>	<b>1,193,764</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 28.9 Amounts recognised in profit or loss

For the year ended 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Interest expense on lease liabilities	159,604	152,211	112,807
Amortisation of right-of-use assets	411,741	380,893	372,655
<b>Total</b>	<b>571,345</b>	<b>533,104</b>	<b>485,462</b>

### 28.10 Amounts recognised in statement of cash flows

Lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities. The Group has classified the principal portion of lease payments within financing activities and the interest portion within operating activities. During the period, the Group did not receive cash from leases as the Group is the lessee.

For the year ended 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Total cash outflow for leases	446,561	413,372	414,472

### 28.11 Lease terms - extension options

Refer Note 4.1 on page 327.

### 28.12 Impairment of ROU assets

As at the reporting date, no impairment loss has been recognised by the Group in respect of impairment of right of use assets, since each business unit is operating under the business continuity plans as per the Group risk management strategy.

### 28.13 Lease liabilities and related disclosures

The information relating to the movement of lease liabilities, maturity analysis and other related disclosures are provided in Notes 45.4.3.1, 45.4.3.2 and 45.4.3.4 respectively on pages 391 and 392.

### 28.14 Lease commitment for short term leases

As at the reporting date, there were no commitments for short term leases.

### 28.15 Restrictions and covenants imposed by the leases

There were no restrictions or covenants imposed under lease agreements which required to be disclosed in these Financial Statements.

### 28.16 Sale and leaseback transaction

The Group does not have sales and leased back transactions as at the reporting date (2024 - Nil).

### 28.17 Subleased properties

The Group have subleased properties as at the reporting date were Rs. 26 Million (2024 - Nil).

## 29. DEFERRED TAXATION

### Accounting Policy

#### 29.1 General

Deferred tax is recognised by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date. Deferred tax relating to items recognised outside profit or loss is also recognised outside profit or loss; either in other comprehensive income or directly in equity consistent with the treatment of the underlying transaction, in accordance with LKAS 12 Income Taxes.

#### 29.2 Recognition of deferred tax assets

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary difference to the extent that it is probable that future taxable profit will be available against which they can be utilised. If taxable temporary differences are insufficient, the entity assesses future taxable profits (excluding those arising from deductible temporary differences) based on reliable business forecasts and budgets. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Accounting Policy

**29.3 Recognition of deferred tax liabilities**

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss:

**29.4 Deferred tax is not recognised for;**

Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

**29.5 Computation of income tax of the Group**

The income tax expense has been computed using the applicable statutory tax rates as disclosed in Note 22.5 on page 343, and the same rates have been applied in measuring deferred tax.

**29.6 Recognition of deferred tax assets**

The Group recognised a deferred tax asset arising from changes introduced under Inland Revenue Act No. 24 of 2017. Under the Act, effective from 1 April 2018, 100% of taxable income may be offset against tax losses, and transitional provisions permit the utilisation of brought forward tax losses over a six-year period commencing from the year of assessment 2018/19. The utilisation of the recognised deferred tax asset on brought forward tax losses against the income tax liability of the subsidiary is disclosed in Note 29.8.

A deferred tax asset was recognised on the initial recognition loss arising from the restructured ISBs, as any subsequent gain or loss on realisation will be subject to income tax.

The Directors are of the view that there will not be material temporary differences arising which will result in deferred tax liabilities to be recognised as at the reporting date (2024 - Nil).

**29.7 Impact from the change in corporate income tax rate**

There was no change in the corporate tax rate during the year.

**29.8 Analysis of the deferred tax assets and liabilities including the movement during the year**

For the year ended 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Deferred tax assets (refer Note 29.8.1)	715,134	454,262	468,263
Deferred tax liabilities	-	-	-
Net deferred tax asset	715,134	454,262	468,263

**29.8.1 Analysis of recognised deferred tax assets / liabilities in the Statement of Financial Position**

As at 31 December	2025				2024	
	Group		Company		Company	
	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000
Deferred tax assets on;						
Carry forward tax losses	869,574	260,872	-	-	-	-
Other deductible temporary differences (Note 29.8.2 on page 360)	1,514,206	454,262	1,514,206	454,262	1,560,877	468,263
	2,383,780	715,134	1,514,206	454,262	1,560,877	468,263
Deferred tax liabilities on;						
Taxable temporary differences	-	-	-	-	-	-
	-	-	-	-	-	-
Net recognised deferred tax assets	2,383,780	715,134	1,514,206	454,262	1,560,877	468,263

## NOTES TO THE FINANCIAL STATEMENTS

### 29.8.2 Movement of deferred tax assets and liabilities

Group / Company	Balance as at 1-Jan	Acquisition through business combination	Recognised in Income Statement	Recognised in OCI	Utilised against tax on bonus declared to participating policyholders	Net balance	Deferred tax assets	Deferred tax liabilities
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Group - 2025</b>								
Deferred tax assets on;								
Deductible temporary difference from tax losses	-	550,939	-	-	(290,067)	260,872	260,872	-
Other deductible temporary differences (refer Note 29.8)	468,263	-	(14,001)	-	-	454,262	454,262	-
Deferred tax liabilities on;								
Taxable temporary differences	-	-	-	-	-	-	-	-
<b>Net recognised deferred tax assets</b>	<b>468,263</b>	<b>550,939</b>	<b>(14,001)</b>	<b>-</b>	<b>(290,067)</b>	<b>715,134</b>	<b>715,134</b>	<b>-</b>
<b>Company - 2025</b>								
Deferred tax assets on;								
Deductible temporary difference from tax losses	-	-	-	-	-	-	-	-
Other deductible temporary differences (refer Note 29.8)	468,263	-	(14,001)	-	-	454,262	454,262	-
Deferred tax liabilities on;								
Taxable temporary differences	-	-	-	-	-	-	-	-
<b>Net recognised deferred tax assets</b>	<b>468,263</b>	<b>-</b>	<b>(14,001)</b>	<b>-</b>	<b>-</b>	<b>454,262</b>	<b>454,262</b>	<b>-</b>
<b>Company - 2024</b>								
Deferred tax assets on;								
Carry forward tax losses	-	-	-	-	-	-	-	-
Other deductible temporary differences (refer Note 29.8)	838,938	-	(370,675)	-	-	468,263	468,263	-
Deferred tax liabilities on;								
Taxable temporary differences	-	-	-	-	-	-	-	-
<b>Net recognised deferred tax assets</b>	<b>838,938</b>	<b>-</b>	<b>(370,675)</b>	<b>-</b>	<b>-</b>	<b>468,263</b>	<b>468,263</b>	<b>-</b>

### 29.9 Analysis of tax losses

As at 31 December	Group	Company	
	2025 Rs.000	2025 Rs.000	2024 Rs.000
Opening balance as at 01 January	-	-	-
Unused tax losses of the acquired subsidiary	1,836,698	-	-
Tax losses utilised against taxable Income	(967,124)	-	-
Total carried forward tax losses as at 31 December	869,574	-	-
Unrecognised tax loss for deferred tax	-	-	-
Carried forward tax losses for deferred tax as at 31 December	869,574	-	-

#### 29.9.1 Expiry date of carried forward tax loss

Under the Inland Revenue Act No. 24 of 2017, carried forward tax losses can be utilised within a maximum period of six years. Accordingly, the expiry date of the carried forward tax loss is 31 December 2031.

### 29.10 Unrecognised deferred tax liabilities

As at the reporting date, there are no unrecognised deferred tax liabilities (2024 - Nil).

### 29.11 Deferred tax and income tax on items directly recognised in equity

During the period ended 31 December 2025, the Group has not recognised any deferred tax and income tax expenses on transactions which are directly recorded in equity (2024 - Nil).

### 29.12 Unrecognised deferred tax assets

As at the reporting date, there are no unrecognised deferred tax assets (2024 - Nil).

### 29.13 Unrecognised tax losses and unused tax credits

As at the reporting date, the Group had no unrecognised tax losses, as only Rs. 870 Million of the total available tax losses have been recognised as a deferred tax asset, based on the assessment of recoverability. Further, the Group had no unused tax credits available for recognition as a deferred tax asset as at the reporting date.

### 29.14 Offsetting of deferred tax assets and liabilities

The Group does not offset any deferred tax assets and liabilities in its Statement of Financial Position.

## 30. FINANCIAL INVESTMENTS

### Accounting Policy

#### 30.1 Date of recognition

The Group initially recognises all financial assets (including assets designated at fair value through profit or loss) on the trade date on which the Group becomes a party to the contractual provisions of the instrument.

#### 30.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments.

A financial asset is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss as per SLFRS 9.

Transaction costs in relation to financial assets at fair value through profit or loss are dealt with the Income Statement.

When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described in Note 30.2.1 below:

##### 30.2.1 Initial recognition (Day 1) profit or loss

When the transaction price of the instrument differs from the fair value at origination and fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in net gains/(losses) from trading. In those cases, where the fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in the Income Statement when the inputs become observable, or when the instrument is derecognised.

#### 30.3 Classification and subsequent measurement of financial assets

As per SLFRS 9, the Group classifies all its financial assets based on the business model for managing the assets (refer Note 30.3.1) and the assets' contractual terms (refer Note 30.3.2) measured at either:

- Amortised cost (AC) - Refer Notes 30.3.3 and 30.9.1 on page 362 and 364.
- Fair value through other comprehensive income (FVOCI) - Refer Notes 30.3.4 and 30.9.2 on page 362 and 369.
- Fair value through profit or loss (FVTPL) - Refer Notes 30.3.5 and 30.9.3 on page 363 and 371.

Subsequent measurement of financial assets depends on the classification of each category of the financial asset. Refer Notes 30.3.3.3, 30.3.4.4 and 30.3.5.3 on pages 362 to 363.

##### 30.3.1 Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed

on an instrument-by-instrument basis, as this best reflects the way the business is managed and how information is provided to management.

As part of this assessment, the Group considers:

- Stated policies and objectives for the portfolio and how these policies operate in practice. Specifically, the Group evaluates whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of financial assets with the duration of liabilities funding those assets, realising cash flows through the sale of assets;
- How the performance of the portfolio is evaluated and reported to the management;
- Risks that affect the performance of the business model and the financial assets held within it, along with how these risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- Frequency, volume, and timing of sales in prior periods, along with the reasons for such sales and expectations for future sales activity. However, sales activity is not considered in isolation but as part of an overall assessment of how the Group's stated objective for managing financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios, without considering 'worst-case' or 'stress-case' scenarios. If actual cash flows after initial recognition differ from the Group's original expectations, the classification of the remaining financial assets held in that business model does not change. However, the Group incorporates such information when assessing newly originated or newly purchased financial assets in the future.

##### 30.3.2 Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. For the purpose of this assessment, "Principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period.

In contrast, contractual terms that introduce a more than the minimal exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

In such cases, the financial asset is required to be measured at FVTPL.

# NOTES TO THE FINANCIAL STATEMENTS

## 30. FINANCIAL INVESTMENTS (CONTD.)

### Accounting Policy

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

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

Refer Notes 30.9.1 and 30.9.2 and 30.9.3 on pages 367, 369 and 371 for details on different types of financial assets recognised on the Statement of Financial Position.

### 30.3.3 Financial assets measured at amortised cost

#### 30.3.3.1 General

As per SLFRS 9 'Financial Instruments', a financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

#### 30.3.3.2 Initial measurement

Financial instruments classified as amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of such an instrument.

#### 30.3.3.3 Subsequent measurement

After the initial measurement, these assets are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment).

#### 30.3.3.4 Gain or loss on derecognition

Gains and losses are recognised in the Income Statement when the investments are derecognised or impaired, as well as through the amortisation process.

#### 30.3.3.5 Amortised cost and gross carrying amount

The "amortised cost" of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any ECL allowance.

### 30.3.3.6 Securities purchased under resale agreements (Repo)

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a similar asset) at a fixed price on a future date (repo), the arrangement is accounted for as a financial asset in the Statement of Financial Position reflecting the transaction's economic substance as a loan granted by the Group. Subsequent to initial recognition, these securities issued are measured at amortised cost using the EIR with the corresponding interest income/ receivable being recognised as interest income in the Income Statement.

### 30.3.4 Financial investments - Fair value through other comprehensive income

#### 30.3.4.1 General

As per SLFRS 9, FVOCI comprises debt instruments measured at FVOCI and equity instruments designated at FVOCI.

#### 30.3.4.2 Debt instruments measured at FVOCI

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

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

#### 30.3.4.3 Initial measurement

Financial Instruments classified as FVOCI are initially measured at fair value plus transaction costs that are directly attributable to acquisition or issue of such instrument.

#### 30.3.4.4 Subsequent measurement

##### Debt instruments at FVOCI

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income, foreign exchange gains and losses, ECL and reversals are recognised in Income Statement. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to Income Statement.

##### Equity instruments designated at FVOCI

Upon initial recognition, the Group elects to classify irrevocably some of its equity investments held for strategic purposes, as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 "Financial Instruments: Presentation" and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

**Accounting Policy**

Dividends are recognised in the Income Statement as investment income, unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments measured at FVOCI are not subject to an impairment assessment.

**30.3.4.5 Gain or loss on derecognition of equity instruments designated at FVOCI**

Gains and losses on these equity instruments are never recycled to Income Statement, instead directly transferred to Retained earnings from the fair value reserve at the time of derecognition.

**30.3.5 Financial investments FVTPL**

**30.3.5.1 General**

All financial assets other than those classified at amortised cost or FVOCI are classified at FVTPL. Financial assets at FVTPL include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss.

**30.3.5.2 Initial measurement**

These investments are initially recorded at fair value.

**30.3.5.3 Subsequent measurement**

Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded under 'Fair value gains and losses' in the Income Statement.

Interest is accrued and presented in finance income using the Effective Interest Rate (EIR). Dividend income is recorded in the "Finance Income" when the right to the payment has been established.

Net gains and losses, including any interest or dividend income, are recognised in the Income Statement.

**30.3.5.4 Financial assets designated at FVTPL**

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

Certain investments are designated as at FVTPL because their performance is actively monitored and they are managed on a fair value basis.

Financial assets designated at FVTPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded under the net fair value gain or loss on financial assets designated at FVTPL in the Income Statement.

The Group has not designated any financial assets upon initial recognition as FVTPL as at the end of the reporting period.

**30.3.6 The Group's existing non-derivative financial assets and their classifications**

Financial asset	Note	2025		
		AC	FVOCI*	FVTPL
Treasury bonds **		✓	✓	✓
Treasury bills		-	✓	✓
Debentures *		✓	-	-
Perpetual debentures		-	-	✓
International sovereign bonds (Restructured) **	30.9.2.a	-	✓	-
Commercial papers		✓	-	✓
Securitised papers		-	-	✓
Term deposits		✓	-	✓
Repo		✓	✓	✓
Unit trusts		-	-	✓
Quoted shares		-	✓	✓
Loans to life policyholders		✓	-	-
Cash and cash equivalents		✓	-	-
Reinsurance receivables		✓	-	-
Premium receivables		✓	-	-
Other receivables		✓	-	-

\*The Group classifies quoted debentures under amortised cost category since there is no active market for these instruments even though such instruments are listed.

\*\*As the Group's objective is to hold the restructured ISBs and LKR treasury bonds received under 2024 debt restructuring until maturity or to sell them, these investments have been classified at FVOCI in accordance with SLFRS 9.

# NOTES TO THE FINANCIAL STATEMENTS

## 30. FINANCIAL INVESTMENTS (CONTD.)

### Accounting Policy

#### 30.4 Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets which may include the acquisition, disposal, or termination of a business line.

##### 30.4.1 Timing of reclassification of financial assets

Consequent to a change in the business model, the Group reclassifies all affected assets prospectively from the first day of the first reporting period following the change in the business model (the reclassification date). Accordingly, prior periods are not restated.

##### 30.4.2 Reclassification of financial assets

Reclassification from	Reclassification to	Basis of reclassification
FVTPL	Amortised cost	The fair value on reclassification date becomes the new carrying amount. The Effective Interest Rate (EIR) is calculated based on the new gross carrying amount.
	FVOCI	The fair value on reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value are recognised in OCI.
FVOCI	Amortised cost	The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and is used to adjust fair value on the reclassification date. The adjusted amount becomes the amortised cost.
	FVTPL	The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.
Amortised Cost	FVOCI	The asset is remeasured to fair value, with any difference recognised in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.
	FVTPL	The fair value on the reclassification date becomes the new carrying amount. The difference between amortised cost and fair value is recognised in profit and loss.

#### 30.5 Derecognition of financial assets

The Group derecognises a financial asset (or where applicable a part of thereof) when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in the income statement.

However, cumulative gain / loss recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in the Income Statement on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions because the Group retains all or substantially all risks and rewards of ownership of such assets.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

#### 30.6 Modification of financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the Income Statement.

Accounting Policy

**30.7 Fair value of financial investments**

Fair value measurement of financial instruments including the fair value hierarchy and valuation techniques is explained in Note 48 on pages 393 to 399.

**30.8 Impairment of financial and non-financial assets**

**30.8.1 Overview of the ECL principles**

**Stage 1**

A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).

**Stage 2**

If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Group records an allowance for lifetime (LTECL).

**Stage 3**

If a financial asset is credit impaired, it is moved to Stage 3 and the Group recognises an allowance for lifetime (LTECL), with probability of default at 100%.

Details of the ECL calculation are given in Note 30.14 on page 373.

**30.8.2 Significant increase in credit risk (SICR)**

**Key judgements and assumptions adopted in addressing the requirements of SLFRS 9:**

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and expert credit assessment and including forward looking information.

Accordingly, the assessment of credit risk and the estimation of ECL are unbiased and probability-weighted and incorporates all available information relevant to the assessment, including information about past events, current conditions, and reasonable and supportable forecasts of economic conditions at the reporting date considering the time value of money as well.

The Group individually reviews financial assets above a predefined threshold at each reporting date to identify whether the credit risk has increased significantly since origination, before an exposure is in default. Such indicators include:

- when reasonable and supportable forecasts of future economic conditions directly affect the performance of the instruments.
- when there is a significant change in the geographical locations or natural catastrophes that directly impact the performance of the instruments.

Exposures which have one or more of the above indicators are treated as SICR and assessed accordingly in the ECL computations. The Group regularly monitors the effectiveness of the criteria used to identify the SICR to confirm that the criteria is capable of identifying SICR before an exposure is in default.

For debt instruments having an external credit rating, which are measured at amortised cost or at FVOCI, the Group determines SICR based on the generally accepted investment / non-investment grade definitions published by international rating agencies. Debt instruments are moved to stage 2, if their credit risk increases to the extent that they are no longer considered in investment grade.

**30.8.3 Default and credit impaired assets**

The Group classifies the financial investments under Stage 3, when the external credit rating assigned to the particular investment is "default"

**30.8.4 Movement between the stages**

Financial assets can be transferred between the different categories depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2, if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments. Financial instruments are transferred out of stage 3, when they no longer exhibit any evidence of credit impairment as described above.

**30.8.5 Impairment charges on financial investments**

The Group does not have historical loss experience on debt instruments at amortised cost and debt instruments at FVOCI. Thus, the Group considers the probability of default (PDs) published by the external sources. (i.e. Bloomberg and S & P).

Loss given default (LGD) for debt securities issued by the Government of Sri Lanka in rupees is considered as 0%. However, LGD for foreign currency denominated securities [International Sovereign Bonds (ISBs)] issued by the Government of Sri Lanka is considered 64% till 30 November 2024 (until ISBs are restructured). For all other financial investments, LGD is considered as 45% due to a lack of detail inputs; similar to the guideline issued by the Central Bank of Sri Lanka (CBSL) for the banking sector.

Exposure at default (EAD) of a debt instrument is considered to be its gross carrying amount.

**30.8.6 Forward-looking information**

The Group incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Quantitative economic factors are based on economic data and forecasts published by the CBSL and other reliable sources.

# NOTES TO THE FINANCIAL STATEMENTS

## 30. FINANCIAL INVESTMENTS (CONTD.)

### Accounting Policy

#### 30.8.7 The calculation of ECLs

The Group measures loss allowance at an amount equal to LTECL, except for following, which are measured as 12 months ECL:

- Debt instruments on which credit risk has not increased significantly since the initial recognition;
- Debt instruments that are determined to have low credit risk at the reporting date.
- The Group considers a debt instrument to have a low credit risk, when they have an “investment grade” credit risk rating.

#### 30.8.8 Financial assets that are not credit impaired at the reporting date

The Group calculates 12-months ECL allowance based on the expectation of a default occurring in the 12-months following the reporting date. These expected 12-month default probabilities are applied to EAD and multiplied by the economic factor adjustment, expected LGD and discounted by an approximation to the original EIR. When financial assets have shown a SICR since origination, the Group records an allowance for LTECLs based on PDs estimated over the lifetime of the instrument.

#### 30.8.9 Financial assets that are credit-impaired at the reporting date

Impairment allowance on credit-impaired financial assets assessed on individual basis is computed as the difference between the asset's gross carrying amount and the present value of estimated future cash flows. The expected future cash flows are based on the estimates made by the Group as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. The Group regularly reviews the assumptions for projecting future cash flows.

The Group has not recognised any credit impaired financial assets as at the reporting date.

#### 30.8.10 Write-off of financial assets

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

#### 30.8.11 Impairment of non - financial assets

At each reporting date, the Group reviews the carrying amounts of its non- financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflow from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGU).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets or CGU.

An impairment loss is recognised, if the carrying amount of an assets or CGU exceeds its recoverable amount. Impairment losses are recognised in the Income Statement. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Except goodwill, for other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Refer Notes 25.5.4 and 25.14 for the details of the impairment of goodwill.

**30.9 Comparison of the fair values of the financial investments to their carrying values**

As at 31 December	Note	2025				2024	
		Group		Company		Company	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Amortised Cost (AC)	30.9.1	29,152,755	31,834,377	29,152,755	31,834,377	25,129,878	29,157,554
Fair Value Through Other Comprehensive Income (FVOCI)	30.9.2	22,431,897	22,431,897	13,748,867	13,748,867	13,552,944	13,552,944
Fair Value through Profit or Loss (FVTPL)	30.9.3	5,377,422	5,377,422	4,170,678	4,170,678	5,255,196	5,255,196
<b>Total financial investments</b>		<b>56,962,074</b>	<b>59,643,696</b>	<b>47,072,300</b>	<b>49,753,922</b>	<b>43,938,018</b>	<b>47,965,694</b>

**30.9.1 Financial investments measured at amortised cost**

As at 31 December	Note	2025				2024	
		Group		Company		Company	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Fixed deposits	30.9.1.a	1,753,810	1,753,810	1,753,810	1,753,810	733,467	733,478
Debentures	30.9.1.b	5,079,775	5,118,196	5,079,775	5,118,196	5,988,905	5,921,998
Treasury bonds		11,221,087	13,864,288	11,221,087	13,864,288	14,355,429	18,249,992
Treasury bills		-	-	-	-	704,527	704,521
Commercial papers		1,433,338	1,433,338	1,433,338	1,433,338	2,206,628	2,406,643
Repo		9,664,745	9,664,745	9,664,745	9,664,745	1,140,922	1,140,922
<b>Total</b>		<b>29,152,755</b>	<b>31,834,377</b>	<b>29,152,755</b>	<b>31,834,377</b>	<b>25,129,878</b>	<b>29,157,554</b>

Gross and net carrying amount of above financial investments are given in Note 30.14.1 on page 373.

**30.9.1.a Fixed deposits**

As at 31 December	2025				2024	
	Group		Company		Company	
	Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Licensed commercial banks	1,606,414	1,606,414	1,606,414	1,606,414	705,041	705,052
Licensed finance companies	147,396	147,396	147,396	147,396	28,426	28,426
<b>Total</b>	<b>1,753,810</b>	<b>1,753,810</b>	<b>1,753,810</b>	<b>1,753,810</b>	<b>733,467</b>	<b>733,478</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 30.9.1.b Debentures

As at 31 December	Issue Rating	Maturity Date	Interest Rate %	No. of Debentures	2025				2024	
					Group		Company		Company	
					Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
<b>Banks</b>										
Commercial Bank of Ceylon PLC	A	22-Jul-28	12.50	1,267,000	133,704	133,729	133,704	133,729	133,698	133,729
Commercial Bank of Ceylon PLC	A	11-Dec-29	27.00	88,600	8,984	12,801	8,984	12,801	8,984	13,952
Commercial Bank of Ceylon PLC	A	19-Dec-28	15.00	216,400	21,739	21,745	21,739	21,745	21,738	21,747
Commercial Bank of Ceylon PLC	A	9-Jul-29	13.00	661,900	70,183	72,322	70,183	72,322	70,157	70,316
Commercial Bank of Ceylon PLC	A	11-Aug-32	11.15	1,626,100	169,387	169,663	169,387	169,663	-	-
DFCC Bank PLC	BBB	29-Mar-25	13.00	2,000,000	-	-	-	-	219,436	219,732
DFCC Bank PLC	BBB	23-Oct-25	9.00	5,500,000	-	-	-	-	559,023	559,357
DFCC Bank PLC	A	28-Mar-29	13.90	1,564,100	172,707	157,328	172,707	157,328	172,702	157,328
DFCC Bank PLC	BBB+	24-Sep-27	12.00	344,500	35,514	35,560	35,514	35,560	35,512	35,560
Hatton National Bank PLC	A	22-Sep-26	12.80	1,077,200	111,334	111,498	111,334	111,498	111,329	111,497
Hatton National Bank PLC	A	28-Jul-31	9.50	10,357,600	1,076,787	1,077,814	1,076,787	1,077,814	1,076,744	1,077,814
Hatton National Bank PLC	A	26-Aug-29	13.00	4,000,000	417,367	440,879	417,367	440,879	417,216	416,547
National Development Bank	BBB	24-Sep-25	9.50	3,000,000	-	-	-	-	307,398	307,652
National Development Bank	BBB+	1-Dec-29	13.00	4,600,000	464,629	485,810	464,629	485,810	464,464	464,918
Nations Trust Bank PLC	BBB+	23-Dec-26	12.90	1,500,000	150,398	150,424	150,398	150,424	150,393	150,424
Nations Trust Bank PLC	BBB+	9-Jul-26	9.15	2,891,600	301,555	301,845	301,555	301,845	301,542	301,846
Seylan Bank PLC	BBB	29-Mar-25	13.20	1,000,000	-	-	-	-	103,314	103,432
Seylan Bank PLC	A-	16-Jul-29	13.25	260,400	27,574	28,627	27,574	28,627	27,564	27,628
					3,161,862	3,200,045	3,161,862	3,200,045	4,181,214	4,173,479
<b>Diversified Financials</b>										
First Capital Holdings PLC	A+	7-Feb-26	10.59	2,188,300	239,579	242,356	239,579	242,356	243,226	242,428
First Capital Holdings PLC	A+	16-Sep-30	11.00	1,720,100	176,643	177,505	176,643	177,505	-	-
First Capital Treasuries PLC	A-	30-Jan-25	12.75	500,000	-	-	-	-	52,676	52,995
LOLC Holdings PLC	A	24-Feb-31	12.00	8,000,000	880,817	881,778	880,817	881,778	881,043	815,353
Singer Finance PLC	BBB-	25-Jun-26	11.70	2,000,000	211,735	206,932	211,735	206,932	213,079	218,655
					1,508,774	1,508,571	1,508,774	1,508,571	1,390,024	1,329,431
<b>Food Beverage &amp; Tobacco</b>										
Kotagala Plantations PLC	CCC-	31-Aug-25	7.50	92,750	-	-	-	-	8,547	9,508
					-	-	-	-	8,547	9,508
<b>Telecommunication Services</b>										
Sri Lanka Telecom PLC	AA-	19-Apr-28	12.75	2,250,000	244,755	245,121	244,755	245,121	244,744	245,120
Sri Lanka Telecom PLC	AA-	19-Apr-28	12.75	1,603,700	164,384	164,459	164,384	164,459	164,376	164,460
					409,139	409,580	409,139	409,580	409,120	409,580
<b>Total</b>					<b>5,079,775</b>	<b>5,118,196</b>	<b>5,079,775</b>	<b>5,118,196</b>	<b>5,988,905</b>	<b>5,921,998</b>

### 30.9.1.2 Maturity analysis

The maturity analysis of financial assets measured at amortised cost is given in Note 49.4.3.1 (Table 20) on page 420.

### 30.9.1.1 Reclassification of financial Instruments at amortised cost

During the year, the Group has not reclassified any financial instruments from or to amortised cost.

### 30.9.2 Financial investments - Fair value through other comprehensive income (FVOCI)

As at 31 December	Note	2025				2024	
		Group		Company		Company	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Treasury bonds		18,021,640	18,021,640	9,878,242	9,878,242	5,959,358	5,959,358
Treasury Bills		391,214	391,214	-	-	-	-
Repo		148,418	148,418	-	-	-	-
International Sovereign Bonds	30.9.2.a	3,334,066	3,334,066	3,334,066	3,334,066	3,378,691	3,378,691
Equity securities	30.9.2.b	536,559	536,559	536,559	536,559	4,214,895	4,214,895
<b>Total</b>		<b>22,431,897</b>	<b>22,431,897</b>	<b>13,748,867</b>	<b>13,748,867</b>	<b>13,552,944</b>	<b>13,552,944</b>

#### 30.9.2.a International Sovereign Bonds (ISBs)

This table presents the restructured ISB composition.

As at 31 December	Maturity Date	Face Value USD	2025				2024	
			Group		Company		Company	
			Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
ISIN								
XS2966242682 (Step-up bond)	15-Jun-38	13,941,900	2,716,960	2,716,960	2,716,960	2,716,960	2,597,627	2,597,627
XS2966242500 (PDI bond)	15-Apr-28	2,055,873	617,106	617,106	617,106	617,106	781,064	781,064
<b>Total</b>		<b>15,997,773</b>	<b>3,334,066</b>	<b>3,334,066</b>	<b>3,334,066</b>	<b>3,334,066</b>	<b>3,378,691</b>	<b>3,378,691</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 30.9.2.b Equity securities

As at 31 December	2025						2024					
	Group			Company			Company					
	Market price Rs.	No. of Shares	Cost Rs. '000	Carrying value/Fair value Rs. '000	Market price Rs.	No. of Shares	Cost Rs. '000	Carrying value/Fair value Rs. '000	Market price Rs.	No. of Shares	Cost Rs. '000	Carrying value/Fair value Rs. '000
Listed Banks												
National Development Bank PLC		-	-	-		-	-	-	113.25	31,009,658	3,669,976	3,511,844
Cargills Bank PLC		-	-	-		-	-	-	8.50	26,600,000	369,700	226,100
Diversified Financials												
Softlogic Finance PLC	5.60	15,688,030	297,498	87,853	5.60	15,688,030	297,498	87,853	5.90	15,688,030	297,498	92,559
Healthcare Equipment & Services												
Asiri Hospitals Holdings PLC	30.00	14,956,877	273,127	448,706	30.00	14,956,877	273,127	448,706	25.70	14,956,877	273,127	384,392
Total investments in equity securities		14,956,877	273,127	448,706		14,956,877	273,127	448,706		14,956,877	273,127	384,392
			570,625	536,559			570,625	536,559			4,610,301	4,214,895

The above table presents the Group's investment in equity securities, for which fair value changes have been recognised in Other Comprehensive Income (OCI). This classification was elected as the investments are intended to be held for long-term strategic purposes.

#### 30.9.2.2 Derecognition of equity investments classified at FVOCI

During the year 2025, the Group conducted a strategic review of its investment portfolio. As a result of this review, management resolved to substantially reduce the Group's exposure to the banking and finance sector and to reallocate capital to its core life insurance and healthcare segments. This portfolio realignment is intended to enhance capital efficiency and support sustainable long-term growth in areas more closely aligned with the Group's strategic objectives. Accordingly, the Group divested investments in listed equity designated at FVOCI with a fair value of Rs. 4,636 Million, which were carried at a cost of Rs. 4,040 Million at the date of disposal, resulting in a derecognition gain of Rs. 596 Million and transferred cumulative gain amount Rs. 214 Million and Rs. 382 Million to retained earnings and Life Fund respectively relating to these investments (2024: Nil).

#### 30.9.2.3 Reclassification of financial investments at FVOCI

During the financial year, the Group has not reclassified any financial instruments from or to this category.

#### 30.9.2.4 Maturity analysis

The maturity analysis of financial investments at FVOCI is given in Note 49.4.3.1 (Table 20) on page 420.

**30.9.3 Financial investments - Fair value through profit or loss (FVTPL)**

As at 31 December	Note	2025				2024	
		Group		Company		Company	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Treasury bonds		445,413	445,413	153,537	153,537	358,684	358,684
Repo		105,023	105,023	-	-	-	-
Unlisted perpetual debentures		719,932	719,932	719,932	719,932	722,416	722,416
Bank deposits		118,276	118,276	-	-	-	-
Commercial papers		200,658	200,658	200,658	200,658	175,755	175,755
Securitised papers		45,861	45,861	-	-	-	-
Equity Securities		626,086	626,086	-	-	-	-
Unit trusts	30.9.3.a	3,116,173	3,116,173	3,096,551	3,096,551	3,998,341	3,998,341
<b>Total</b>		<b>5,377,422</b>	<b>5,377,422</b>	<b>4,170,678</b>	<b>4,170,678</b>	<b>5,255,196</b>	<b>5,255,196</b>

**30.9.3.a Unit trusts**

As at 31 December	2025							2024			
	Unit price	Group			Company			Company			
		Rs.	No. of Units	Cost Rs. '000	Carrying value / Fair value Rs. '000	No. of Units	Cost Rs. '000	Carrying value / Fair value Rs. '000	Unit price Rs.	No. of Units	Cost Rs. '000
<b>Unlisted</b>											
Capital Alliance - Investment Grade Fund	38.87	36,975,883	1,138,669	1,437,171	36,975,883	1,138,669	1,437,171	35.54	36,975,883	1,138,669	1,314,237
Capital Alliance Fixed Income Opportunities Fund	40.95	40,270,364	1,361,942	1,649,269	40,270,364	1,361,942	1,649,269	37.29	40,270,364	1,361,942	1,501,585
NDB Wealth Money Fund	37.87	267,022	10,100	10,111	267,022	10,100	10,111	35.13	22,693,262	785,227	797,294
NDB Wealth Islamic Money Plus Fund	26.02	754,107	14,831	19,622	-	-	-	-	-	-	-
First Capital Money Market Fund	-	-	-	-	-	-	-	3,281.91	117,378	378,413	385,225
<b>Total investment</b>			<b>2,525,542</b>	<b>3,116,173</b>		<b>2,510,711</b>	<b>3,096,551</b>			<b>3,664,251</b>	<b>3,998,341</b>

**30.9.3.1 Maturity analysis**

The maturity analysis of financial assets at FVTPL is given in Note 49.4.3.1 (Table 20) on page 420.

**30.9.3.2 Fair value measurement**

Methodologies and assumptions used to determine the fair value of the financial investments are disclosed in Note 48 on page 393 to 399 for the Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 30.10 Movement of financial investments during the year

Group	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 January 2025	25,129,878	13,552,944	5,255,196	43,938,018
Additions through business combination	-	8,694,967	1,066,310	9,761,277
Purchases	41,467,371	26,774,573	2,551,512	70,793,456
Maturities	(36,256,989)	(16,583,633)	(280,081)	(53,120,703)
Disposals	(2,204,796)	(10,009,497)	(3,603,665)	(15,817,958)
ECL adjustment as per SLFRS 09	61,257	(944)	-	60,313
Foreign exchange gains / (losses)	65,916	190,829	-	256,745
Fair value gains / (losses) recorded in the Income Statement	-	-	369,709	369,709
Fair value gains / (losses) recorded in the OCI	-	(103,479)	-	(103,479)
Amortisation adjustment	890,118	(83,863)	18,441	824,696
As at 31 December 2025	29,152,755	22,431,897	5,377,422	56,962,074

Company	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 January 2024	33,698,659	5,174,882	4,626,674	43,500,215
Purchases	66,239,590	9,738,984	8,878,317	84,856,891
Maturities	(66,126,741)	-	(10,000)	(66,136,741)
Disposals	(10,549,874)	(2,896,294)	(7,858,185)	(21,304,353)
ECL adjustment as per SLFRS 9	3,014,833	(9,849)	-	3,004,984
Initial recognition loss on restructured financial investments	(2,237,532)	-	-	(2,237,532)
Foreign exchange gains / (losses)	(834,278)	21,287	-	(812,991)
Fair value gains / (losses) recorded in the Income Statement	-	-	(369,518)	(369,518)
Fair value gains / (losses) recorded in the OCI	-	1,380,630	-	1,380,630
Amortisation adjustment	1,925,221	143,304	(12,092)	2,056,433
As at 31 December 2024	25,129,878	13,552,944	5,255,196	43,938,018
As at 1 January 2025	25,129,878	13,552,944	5,255,196	43,938,018
Purchases	41,467,371	5,512,172	2,351,805	49,331,348
Maturities	(36,256,989)	(435,175)	(280,081)	(36,972,245)
Disposals	(2,204,796)	(5,178,570)	(3,424,614)	(10,807,980)
ECL adjustment as per SLFRS 09	61,257	(944)	-	60,313
Foreign exchange gains / (losses)	65,916	190,829	-	256,745
Fair value gains / (losses) recorded in the Income Statement	-	-	257,167	257,167
Fair value gains / (losses) recorded in the OCI	-	164,170	-	164,170
Amortisation adjustment	890,118	(56,559)	11,205	844,764
As at 31 December 2025	29,152,755	13,748,867	4,170,678	47,072,300

### 30.11 Collateral for financial investments

Refer Note 49.4.2.4 on page 411 for collateral details for Repo investment held at the reporting date.

Further, refer Note 37.2 on page 379 for composition of investments supporting the Restricted Regulatory Reserve as per the direction issued by the IRCSL dated 20 March 2018.

### 30.12 Fair value of financial instruments

Valuation techniques, fair value hierarchy, methodologies and assumptions used to determine the fair value of the financial investments are disclosed in Note 48 on pages 394 to 399 of these Financial Statements.

### 30.13 Disclosure of financial risk

The Group's exposure to credit, currency and interest rate risks related to investments are disclosed in Note 49.4 on pages 406 to 427 of these Financial Statements.

### 30.14 Allowance for expected credit loss (ECL)/ impairment

As the default data set for the investment portfolio is low or near zero, the Group used external credit ratings to assess forward-looking Probability of Default (PD) in estimating Expected Credit Losses (ECL). The 12-month PD estimates were derived from the rating scales published by Fitch Ratings, Moody's Investors Service, and S&P Global Ratings, corresponding to the external ratings of the respective instruments. For the computation of forward-looking adjustments, the Group applied the Oldrich Vasicek (2007) model to derive point-in-time PDs. GDP growth rate was considered one of the key macroeconomic input factors in determining the forward-looking point-in-time PDs. The long-term issuer default rating of Sri Lanka,

which is used in adjusting the sovereign PD, has been maintained at 'CCC+' by Fitch Ratings as at the reporting date.

Following the completion of the ISB restructuring during 2024, the previously outstanding ISBs were derecognised and the related impairment provisions were reversed upon recognition of the restructured instruments. Although the restructuring did not result in a further significant increase in credit risk compared to the position assessed at the date of restructuring, the Group continued to classify the USD-denominated restructured ISBs (Step-up Bond and PDI Bond) under Stage 2 during the financial years 2024 and 2025 in accordance with SLFRS 9, considering the sovereign credit risk environment and the qualitative assessment applied at the time of restructuring.

The LKR-denominated restructured treasury bonds and the USD-denominated Step-up Bond (due to its LKR settlement option) were not subject to additional ECL provisioning subsequent to restructuring, as these instruments are considered to have mitigated foreign currency and transfer risk exposure.

However, an impairment provision based on the country's sovereign credit rating has been recognised in measuring the ECL of the PDI Bond, amounting to Rs. 10.8 Million as at the reporting date.

#### 30.14.1 Movement in the carrying values of the financial investments subject to ECL allowance during the year

As at 31 December	2025								
	Group								
	ECL								
	Gross carrying amount	As at 1 January 2025	Stage 1	Stage 2	Stage 3	Recognised in income statement	Recognised in OCI	As at 31 December 2025	Net carrying amount
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Financial investment at amortised cost</b>									
Fixed deposits	1,753,817	11	(4)	-	-	(4)	-	7	1,753,810
Debentures	5,079,813	1,276	(1,238)	-	-	(1,238)	-	38	5,079,775
Treasury bonds	11,221,087	-	-	-	-	-	-	-	11,221,087
Commercial papers	1,573,338	200,015	-	(60,015)	-	(60,015)	-	140,000	1,433,338
Repo	9,664,745	-	-	-	-	-	-	-	9,664,745
<b>Total amortised cost</b>	<b>29,292,800</b>	<b>201,302</b>	<b>(1,242)</b>	<b>(60,015)</b>	<b>-</b>	<b>(61,257)</b>	<b>-</b>	<b>140,045</b>	<b>29,152,755</b>
<b>Financial investment at FVOCI</b>									
Treasury bonds	18,021,640	-	-	-	-	-	-	-	18,021,640
Treasury bills	391,214	-	-	-	-	-	-	-	391,214
Repo	148,418	-	-	-	-	-	-	-	148,418
ISB	3,334,066	-	-	944	-	944	(944)	-	3,334,066
<b>Total FVOCI</b>	<b>21,895,338</b>	<b>-</b>	<b>-</b>	<b>944</b>	<b>-</b>	<b>944</b>	<b>(944)</b>	<b>-</b>	<b>21,895,338</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 30.14.1 Movement in the carrying values of the financial investments subject to ECL allowance during the year (Contd.)

As at 31 December	2025								
	Company								
	ECL								
	Gross carrying amount Rs. '000	As at 1 January 2025 Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Recognised in income statement Rs. '000	Recognised in OCI Rs. '000	As at 31 December 2025 Rs. '000	Net carrying amount Rs. '000
<b>Financial investment at amortised cost</b>									
Fixed deposits	1,753,817	11	(4)	-	-	(4)	-	7	1,753,810
Debentures	5,079,813	1,276	(1,238)	-	-	(1,238)	-	38	5,079,775
Treasury bonds	11,221,087	-	-	-	-	-	-	-	11,221,087
Commercial papers	1,573,338	200,015	-	(60,015)	-	(60,015)	-	140,000	1,433,338
Repo	9,664,745	-	-	-	-	-	-	-	9,664,745
<b>Total amortised cost</b>	<b>29,292,800</b>	<b>201,302</b>	<b>(1,242)</b>	<b>(60,015)</b>	<b>-</b>	<b>(61,257)</b>	<b>-</b>	<b>140,045</b>	<b>29,152,755</b>
<b>Financial investment at FVOCI</b>									
Treasury bonds	9,878,242	-	-	-	-	-	-	-	9,878,242
International sovereign bonds	3,334,066	-	-	944	-	944	(944)	-	3,334,066
<b>Total FVOCI</b>	<b>13,212,308</b>	<b>-</b>	<b>-</b>	<b>944</b>	<b>-</b>	<b>944</b>	<b>(944)</b>	<b>-</b>	<b>13,212,308</b>

As at 31 December	2024								
	Company								
	ECL								
	Gross carrying amount Rs. '000	As at 1 January 2025 Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Recognised in income statement Rs. '000	Recognised in OCI Rs. '000	As at 31 December 2025 Rs. '000	Net carrying amount Rs. '000
<b>Financial investment at amortised cost</b>									
Fixed deposits	733,478	121	(110)	-	-	(110)	-	11	733,467
Debentures	5,990,181	1,631	(1,048)	693	-	(355)	-	1,276	5,988,905
Treasury bonds	14,355,429	-	-	-	-	-	-	-	14,355,429
Treasury bills	704,527	-	-	-	-	-	-	-	704,527
International sovereign bonds	-	3,214,321	-	(3,214,321)	-	(3,214,321)	-	-	-
Commercial papers	2,406,643	6	9	200,000	-	200,009	-	200,015	2,206,628
Securitised papers	-	56	(56)	-	-	(56)	-	-	-
Repo	1,140,922	-	-	-	-	-	-	-	1,140,922
<b>Total</b>	<b>25,331,180</b>	<b>3,216,135</b>	<b>(1,205)</b>	<b>(3,013,628)</b>	<b>-</b>	<b>(3,014,833)</b>	<b>-</b>	<b>201,302</b>	<b>25,129,878</b>
<b>Financial investment at FVOCI</b>									
Treasury bonds	5,959,358	-	-	-	-	-	-	-	5,959,358
International sovereign bonds	3,378,691	-	-	(9,849)	-	(9,849)	9,849	-	3,378,691
<b>Total FVOCI</b>	<b>9,338,049</b>	<b>-</b>	<b>-</b>	<b>(9,849)</b>	<b>-</b>	<b>(9,849)</b>	<b>9,849</b>	<b>-</b>	<b>9,338,049</b>

### 30.14.2 Sensitivity analysis

#### Effect of significant changes in the gross carrying amount

The following table illustrates the impact to loss allowance due to changes in the gross carrying amounts of financial instruments.

As at 31 December 2025	Increase/ (decrease) in loss allowance			
	Group / Company			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
5 % increase in gross carrying amount	2	16,790	-	16,792
5 % decrease in gross carrying amount	(2)	(16,790)	-	(16,792)

As at 31 December 2024	Increase/ (decrease) in loss allowance			
	Company			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
5 % increase in gross carrying amount	18	21,132	-	21,150
5 % decrease in gross carrying amount	(18)	(21,132)	-	(21,150)

Refer Note 49.4.2.8 on page 417 for sensitivity of ECL to future economic conditions.

### 30.14.3 Reconciliation to gross carrying amounts by class of financial instrument and impairment allowances

Refer Notes 49.4.2.6 to 49.4.2.7 on pages 415 to 416 for reconciliation.

## 31. LOANS TO LIFE POLICYHOLDERS

### Accounting Policy

#### 31.1 General

Policyholder loans are granted up to 90% of the surrender value of a life insurance policy at a rate equivalent to the market rate. Policyholder loans are initially measured at fair value of the loan amount granted and subsequently measured at the amortised cost. If the policyholder dies before the full repayment of the loan, the loan balance is deducted from the death benefit.

#### 31.2 Movement of the Loans to policyholders

For the year ended 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Balance as at 01 January	350,134	350,134	331,301
Loans granted during the year	180,160	180,160	128,652
Repayments and cancellations during the year	(166,133)	(166,133)	(175,458)
Change in interest receivable	48,668	48,668	65,639
Balance as at 31 December	412,829	412,829	350,134

#### 31.3 Maturity analysis

Maturity analysis of the loans to policyholders is given in Note 49.4.3.1 (Table 20) on page 420.

#### 31.4 Collateral details

The policy loans granted to policyholders are secured by the surrender value of the respective insurance policies. As at 31 December 2025, the surrender value of such policies amounted to Rs. 544 Million (2024: Rs. 544 Million).

#### 31.5 Financial risk disclosure on loans to life policyholders

If the total receivable of the loan including interest due and accrued exceeds the cash surrender value; the policy terminates and becomes void. The Group has the first lien on all policies which are subject to policy loans. This mitigates the Group's credit exposure on policy loans. For more information please refer risk management in Note 49.4.2.10 on page 417.

#### 31.6 Fair value of loans to life policyholders

The fair value of the policyholder loans are equal to their carrying value as those are given at competitive market rates.

#### 31.7 Concentration risk of loans to life policyholders

There is a lower concentration of credit risk with respect to policyholders as the Group has a large number of dispersed receivables. Refer Note 49.3.2 on page 402 for risk management related disclosures.

#### 31.8 Number of policy loans

Number of policy loans due as at 31 December 2025 was 1,725 (2024 - 1,639).

## NOTES TO THE FINANCIAL STATEMENTS

### 31.9 Impairment of loans to life policyholders

Policyholder loans are reviewed for impairment at each reporting date. The Board of Directors has assessed potential impairment loss as at 31 December 2025. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of loans to life policyholders.

## 32. REINSURANCE RECEIVABLES

### Accounting Policy

#### 32.1 General

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance receivables represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Reinsurance is recorded gross in the Statement of Financial Position unless a right to offset exists.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Reinsurance assets are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

#### 32.1.1 Impairment of reinsurance receivables

Reinsurance assets are reviewed for impairment based on the ECL model at each reporting date. The impairment loss if any, is recorded in the Income Statement.

### 32.2 Breakup of the reinsurance receivables

For the year ended 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Reinsurance receivables on settled claims (Note 32.2.1)	377,300	334,844	341,076
Reinsurance receivables on outstanding claims	147,633	147,633	177,240
<b>Total Reinsurance Receivables</b>	<b>524,933</b>	<b>482,477</b>	<b>518,316</b>

#### 32.2.1 Age analysis of the reinsurance receivables on settled claims

For the year ended 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Up to 180 days	345,033	302,577	308,509
More than 180 days	32,267	32,267	32,567
<b>Total</b>	<b>377,300</b>	<b>334,844</b>	<b>341,076</b>

### 32.2.2 Reinsurance receivables on outstanding claims

This includes reinsurance reserves on claims that have not been paid and the reinsurance receivables that have not been received.

### 32.3 Collateral for reinsurance receivables

The Group does not hold any collateral as security against potential default by reinsurance counterparties.

### 32.4 Impairment of reinsurance receivables

The Board of Directors has assessed potential impairment loss of reinsurance receivables as at 31 December 2025. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of reinsurance receivables.

### 32.5 Fair value of reinsurance receivables

The carrying value of reinsurance receivables approximates the fair value as at the reporting date.

### 32.6 Reinsurance receivables overdue but not subject to impairment (on paid claims)

As at 31 December 2025, there was no impairment provision on reinsurance receivable over 180 days due (2024 - Nil), since these relate to parties where there were no recent history of default.

### 32.7 Risk management practices

Risk management practices on reinsurance receivables are discussed under Note 49.4.2.11 on page 418.

## 33. PREMIUM RECEIVABLES

### Accounting Policy

#### 33.1 General

Premium receivable are recognised when due and measured on initial recognition at the fair value of the consideration receivable. The carrying value of premium receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Impairment losses on premium receivable are the difference between the carrying amount and the recoverable amount. The impairment losses are recognised in the Income Statement.

The life insurance premiums for policies within 30 days grace period are considered as due premium, subject to a provision for premium default. Premium default ratio is computed by analysing the default history. Commission and reinsurance premium relating to that accrued income are also recorded in the same manner.

#### 33.1.1 Impairment of premium receivables

Impairment losses on premium receivables are calculated based on the simplified model in line with SLFRS 9 and recognised in the Income Statement.

### 33.2 Analysis on the premium receivables

As at 31 December	2025		2024
	Group	Company	Company
	Rs. '000	Rs. '000	Rs. '000
Individual debtors	463,141	463,141	411,811
Institutional debtors	1,609,792	1,536,956	2,560,395
Gross premium receivables (Note 33.2.1)	2,072,933	2,000,097	2,972,206
Impairment provision (Note 33.3)	(81,109)	(81,109)	(67,693)
<b>Total Premium Receivables</b>	<b>1,991,824</b>	<b>1,918,988</b>	<b>2,904,513</b>

#### 33.2.1 Age analysis of premium receivables

As at 31 December	2025		2024
	Group	Company	Company
	Rs. '000	Rs. '000	Rs. '000
Less than 30 days	1,688,674	1,623,115	2,503,521
30 - 60 days	209,945	208,190	173,877
60 - 90 days	133,301	130,413	145,906
90 - 365 days	41,013	38,379	148,902
Over 365 days	-	-	-
<b>Total</b>	<b>2,072,933</b>	<b>2,000,097</b>	<b>2,972,206</b>

#### 33.3 Impairment of premium receivables

The Board of Directors has assessed potential impairment loss of premium receivables of the Group as at 31 December 2025. Based on the assessment, the details of the impairment are stated below.

The Group has recognised impairment provision against total premium receivables outstanding for more than 365 days.

#### 33.4 Analysis of receivables and other assets

For the year ended December	2025		2024
	Group	Company	Company
	Rs. '000	Rs. '000	Rs. '000
<b>Financial assets</b>			
Refundable deposits	120,335	89,925	87,772
<b>Total financial assets</b>	<b>120,335</b>	<b>89,925</b>	<b>87,772</b>
<b>Non financial assets</b>			
Inventories	15,910	15,910	13,728
Tax recoverable - WHT receivables	80,670	80,670	22,778
Advances and prepayments	1,114,794	1,217,714	965,924
Others*	791,341	789,383	568,098
<b>Total non financial assets</b>	<b>2,002,715</b>	<b>2,103,677</b>	<b>1,570,528</b>
<b>Total receivables and other assets</b>	<b>2,123,050</b>	<b>2,193,602</b>	<b>1,658,300</b>

\*Others include the interest receivable on financial investments.

As at 31 December	2025		2024
	Group	Company	Company
	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 January	67,693	67,693	78,459
Provision/ (reversal) during the year	13,416	13,416	(10,766)
<b>Balance as at 31 December</b>	<b>81,109</b>	<b>81,109</b>	<b>67,693</b>

#### 33.4 Collateral for premiums receivables

The Group does not hold any collateral as security against potential default by the policyholders.

#### 33.5 Fair value of premiums receivables

The carrying value disclosed above approximates the fair value as at the reporting date.

#### 33.6 Risk management initiatives relating to premium receivables

Risk management practices on premium receivables are discussed under Note 49.4.2.12 on page 419.

### 34. RECEIVABLES AND OTHER ASSETS

#### Accounting Policy

#### 34.1 Inventories

Inventories are measured at the lower of cost or net realisable value. Cost is generally determined by reference to weighted average cost. Net realisable value is estimated market price in the ordinary course of business less any estimated expenses to sell.

#### 34.2 Other receivables and other assets

All other receivables and other assets excluding inventories are recognised at cost less accumulated impairment losses.

## NOTES TO THE FINANCIAL STATEMENTS

### 34.4 Maturity analysis

Refer Note 49.4.3.1 (Table 20) on page 420 for maturity analysis of other financial assets.

### 34.5 Fair value of receivables and other assets

Other financial receivables are carried at notional amounts, and are generally settled within one year. The notional and fair value amounts do not vary significantly.

### 34.6 Loans granted to directors

No loans have been granted to the Directors of the Group.

### 34.7 Security for liabilities

None of the inventories have been pledged as securities for liabilities as at the reporting date (2024 - Nil).

### 34.8 Impairment of receivables and other assets

The Board of Directors has assessed potential impairment loss of receivables and other assets as at 31 December 2025. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of receivables and other assets (2024- Nil).

## 35. CASH AND CASH EQUIVALENTS

### Accounting Policy

#### 35.1 General

Cash and cash equivalents comprise cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Bank overdrafts, if any, which form an integral part of cash management, are included as a component of cash and cash equivalents for the purposes of the Statement of Cash Flows. In the Statement of Financial Position, bank overdrafts are included under the liabilities.

### 35.2 Analysis of cash and cash equivalents

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Cash in hand	363,700	9,355	8,700
Cash at bank	2,736,138	2,708,450	1,860,952
Total cash and cash equivalents	3,099,838	2,717,805	1,869,652

### 35.3 Cash and cash equivalents in the Statement of Cash Flows

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Cash in hand and at bank (Note 35.2)	3,099,838	2,717,805	1,869,652
Bank overdrafts used for cash management purposes	(387,288)	(387,288)	(368,315)
Cash and cash equivalents in the Statement of Cash Flows	2,712,550	2,330,517	1,501,337

### 35.4 Fair value of cash and cash equivalents

The carrying amounts disclosed above reasonably approximates to fair value at the reporting date.

### 35.5 Risk management initiatives relating to cash and cash equivalents

Refer Note 49.4.2.14 on page 419 for risk management initiatives relating to cash and cash equivalents.

### 35.6 Unutilised bank facilities

Refer Note 49.4.3.3 on page 422 for unutilised bank facilities that are available as at the reporting date. There are no restrictions on the use of these facilities.

### 35.7 Non-cash investing and financing activities

During the year, the Group has entered into new leases of Rs. 639 Million (2024 - Rs. 955 Million).

### 35.8 Impact on cash & cash equivalents through business acquisition

Refer Note 26.11 on page 349.

## 36. STATED CAPITAL

### Accounting Policy

#### 36.1 General

The Company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

### 36.2 Rights of ordinary shareholders

The shares of Softlogic Life Insurance PLC are quoted on the Colombo Stock Exchange (CSE) Diri Savi Board. All issued shares are fully paid. There is one class of ordinary shares. All shares issued carry equal voting rights. 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 the meetings of the Company.

### 36.3 Movements in ordinary voting shares

	Note	No. of Shares	Amount Rs. '000
<b>Fully paid ordinary shares</b>			
As at 1 January 2024		375,000,000	1,062,500
Share issue / (Repurchase)	36.4	(58,593,750)	-
Own shares acquired in the year		-	-
As at 31 December 2024		316,406,250	1,062,500
Share issue / (Repurchase)		-	-
Own shares acquired during the year		-	-
As at 31 December 2025		316,406,250	1,062,500

### 36.4 Share Repurchase

As approved by the Board of Directors and shareholders at the Extraordinary General Meeting held on 17 July 2024, the Company completed a share repurchase programme on 20 September 2024, repurchasing 58,593,750 ordinary shares at Rs. 102.40 per share for a total consideration of Rs. 6,000 Million. Consequently, the number of issued shares reduced from 375,000,000 to 316,406,250. The transaction was undertaken to optimise the Company's capital structure while maintaining regulatory compliance, and was accounted for in accordance with LKAS 1 Presentation of Financial Statements and LKAS 33 Earnings per Share, with the impact on earnings per share disclosed in Note 23.2 on page 345.

## 37. RESTRICTED REGULATORY RESERVE

### 37.1 Nature and purpose of reserve

The Insurance Regulatory Commission of Sri Lanka (IRCSL) issued Direction No. 16 dated 20 March 2018 titled "Directions on the Identification and Treatment of One-off Surplus", which prescribes

### 37.2 Composition of investments supporting the restricted regulatory reserve

As per IRCSL Direction 16, following the transfer of the one-off surplus to the Shareholder Fund, the Shareholder Fund is required to maintain investments in government debt securities and deposits sufficient to fully support the amount of the one-off surplus at any given time. Accordingly, the Group has allocated adequate assets to support the restricted reserve as at 31 December 2025, as follows:

Asset Category	ISIN No	Group		Company	
		As at 31 December 2025		As at 31 December 2025	
		Face Value Rs.	Market Value Rs. ' 000	Face Value Rs.	Market Value Rs. ' 000
<b>Government securities</b>					
Treasury bonds	LKJ01236C152	240,920,679	190,093	240,920,679	190,093
	LKJ01337I155	240,920,679	186,343	240,920,679	186,343
	LKJ01438I151	240,920,679	184,209	240,920,679	184,209
	LKJ01539I156	240,920,679	182,327	240,920,679	182,327
	LKJ01640I152	240,920,679	180,668	240,920,679	180,668
	LKB01032G014	25,000,000	36,119	-	-
	LKB01534I155	275,000,000	276,289	-	-
	LKB02032J017	9,000,000	8,615	-	-
	LKB02033K013	397,000,000	369,649	-	-
Repo	LKB00528L152	22,663,000	21,608	-	-
	LKB00529L150	52,932,000	50,000	-	-
<b>Total Market Value of the Assets</b>		<b>1,986,198,395</b>	<b>1,685,920</b>	<b>1,204,603,395</b>	<b>923,640</b>
<b>Restricted Regulatory Reserves</b>		<b>-</b>	<b>1,515,796</b>	<b>-</b>	<b>798,004</b>
<b>Excess assets</b>		<b>-</b>	<b>170,124</b>	<b>-</b>	<b>125,636</b>

the methodology for determining and transferring the one-off surplus arising from the change in valuation of long-term insurance liabilities from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV). The one-off surplus was computed in accordance with the basis set out in the Direction and is equal to the minimum surplus determined in line with the recommendations specified therein, and the basis of computation is common to both participating and non-participating businesses.

In accordance with Direction No. 16, only the one-off surplus attributable to the Non-Participating Policyholder Fund is permitted to be transferred to the Shareholder Fund, whereas the one-off surplus attributable to the Participating Business is required to be retained within the Participating Fund as part of the unallocated valuation surplus. The Company and its subsidiary obtained approval from the IRCSL to transfer the eligible one-off surplus from the Non-Participating Policyholder Fund to the respective Shareholder Funds, and such amounts have been recognised as separate components of equity under "Restricted Regulatory Reserve" in the Statements of Financial Position.

The distribution of the one-off surplus held within the Shareholder Funds as dividends is subject to the governance and solvency requirements stipulated by the IRCSL and may only be made upon obtaining prior regulatory approval. The one-off surplus relating to the Participating Business shall be maintained within the Participating Fund and may only be transferred to shareholders through the declaration of bonuses to policyholders in accordance with Section 38 of the Regulation of Insurance Industry Act, No. 43 of 2000. The assets held to support the Restricted Regulatory Reserve, representing the one-off surplus attributable to the Non-Participating Business, are maintained in accordance with the requirements of Direction No. 16, and the composition and market value of such assets as at the reporting date are disclosed in the Note 37.2 to the Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 37.3 Distribution of one-off surplus

The distribution of one-off surplus to shareholders as dividends shall remain restricted until the Group develops appropriate policies and procedures for effective management of its business, as listed below:

Expense allocation policy setting out basis of allocation of expenses between the shareholder fund and the policyholder fund as well as between different lines of business within the policyholder fund, particularly the participating and non-participating;

Dividend declaration policy for universal life business;

- Bonus policy for the participating business, which should include treatment of one-off surplus for the purpose of bonus declaration;
- Asset-liability management policy;
- Policy on internal target capital adequacy ratio;
- Considerations for transfer of funds from policyholder fund to shareholder fund.

These policies should be approved by the Board of Directors of the Group and must also comply with any relevant guidance issued by IRCSL from time to time. Further, IRCSL will reconsider the distribution of one-off surplus when the RBC rules are revised. The IRCSL will permit distribution of one-off surplus subject to yearly distribution caps on a case-by-case basis.

## 38. OTHER RESERVES

### 38.1 Composition of the other reserves

For the year ended 31 December	Note	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000
Fair value reserve	38.2	(1,041,256)	(773,608)	(937,778)
Revaluation reserve	38.3	221,107	221,107	173,516
<b>Total other reserves</b>		<b>(820,149)</b>	<b>(552,501)</b>	<b>(764,262)</b>

### 38.2 Fair value reserve

#### 38.2.1 Nature and purpose of fair value reserve

The Group has adopted SLFRS 9 Financial Instruments for the current reporting period and the Company has already adopted the said SLFRS with effect from 01 January 2019. Accordingly, the fair value reserve comprises the balance transferred from available for sale reserve as a result of transition to SLFRS 9 from LKAS 39 "Financial Instruments - Recognition and measurement" as at 01 January 2019 and cumulative net change in fair value of financial assets measured at FVOCI until such investments are derecognised or impaired.

### 38.2.2 Movement of the FVOCI reserve

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Balance as at 1 January	(937,778)	(937,778)	(2,318,408)
<b>Net fair value gains / (losses) on remeasuring financial assets at FVOCI;</b>			
Equity instruments	957,345	957,345	1,496,646
Debt instruments	(702,503)	(197,170)	(116,248)
Reclassification from OCI to income statement - Debt instruments	237,685	-	232
Reclassification of realised gain from fair value reserve to retained earnings / life fund - Equity instruments	(596,005)	(596,005)	-
<b>Balance as at 31 December</b>	<b>(1,041,256)</b>	<b>(773,608)</b>	<b>(937,778)</b>

### 38.2.3 Asset wise breakdown of the FVOCI reserve

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Treasury bonds	(822,726)	(555,047)	(615,847)
Treasury bills	31	-	-
International sovereign bonds	(184,495)	(184,495)	73,475
Equity investments	(34,066)	(34,066)	(395,406)
<b>Total</b>	<b>(1,041,256)</b>	<b>(773,608)</b>	<b>(937,778)</b>

### 38.3 Revaluation reserve

#### Accounting Policy

#### 38.3.1 General

The revaluation reserve relates to revaluation of freehold land and buildings. It represents the fair value changes of the land and buildings as at the date of revaluation.

### 38.3.2 Movement of the revaluation reserve

For the year ended 31 December	Note	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000
Balance as at 1 January		173,516	173,516	173,516
Gain on revaluation of land and building	27.25	47,591	47,591	-
<b>Balance as at 31 December</b>		<b>221,107</b>	<b>221,107</b>	<b>173,516</b>

### 38.3.3 Nature and purpose of revaluation reserve

On revaluation of an asset, any increase in the carrying amount is recognised in revaluation reserve in equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the Income Statement. In this circumstance, the increase is recognised as income only to the extent of the previous written down value. Any decrease in the carrying amount is recognised as an expense in the Income Statement or charged to revaluation reserve in equity through OCI, only to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

## 39. RETAINED EARNINGS

### 39.1 Movement of the retained earnings

As at 31 December	Note	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000
Balance as at 1 January		9,258,312	9,258,312	13,617,734
Realised gain on equity instruments directly recognised in equity	38.2.2	214,392	214,392	-
Profit for the year	23.2	4,680,299	4,003,478	4,521,797
Defined benefit plan actuarial gain / (losses)	41.9	(101,911)	(97,694)	(51,141)
Dividend paid	24.3	(1,423,828)	(1,423,828)	(2,830,078)
Transfer to restricted regulatory reserve	37.2	(717,792)	-	-
Repurchase of shares	36.4	-	-	(6,000,000)
<b>Balance as at 31 December</b>		<b>11,909,472</b>	<b>11,954,660</b>	<b>9,258,312</b>

## 40. INSURANCE CONTRACT LIABILITIES

### Accounting Policy

#### 40.1 Recognition, measurement and derecognition

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured on a market consistent basis in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 (RBC) with effect from 1 January 2016, issued under Sections 105 and 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000.

As per RBC rules, with effect from 1 January 2016, the value of the life insurance liabilities are determined as follows:

Life insurance liabilities = Best Estimate long term Liability (BEL) + Risk Margin for adverse deviation (RM)

Best estimate liability is measured at the sum of the present value of all future best estimate cash flows calculated as per the RBC principles and the discount rate estimated as per the clarification note issued by CA Sri Lanka on financial reporting.

Measurement is usually done based on the prospective method, by determining the difference between the present values of future benefits and future premiums. The actuarial assumptions used for the calculation includes, in particular, assumptions relating to:

### Accounting Policy

- mortality rates
- persistency rates
- morbidity rates
- expense and future inflation
- participating fund yield
- discount rates

Assumptions are estimated on a realistic basis at the end of the financial year with a provision for adverse deviation to make allowance for the risks of change and random fluctuations. Further, in valuing the policy liabilities, provisions for reinsurance have been allowed in accordance with applicable reinsurance terms as per current reinsurance arrangements.

There are no implicit or explicit surrender value floor has been assumed for the value of liabilities for a contract. Instead, in accordance with the guidelines, the impact of surrender value deficiency is captured in the risk charge capital calculation through the Surrender Value Capital Charge (SVCC). However, any negative liabilities that arise have been zeroised at product level when determining the aggregate liability.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by performing the liability adequacy test.

The liability is derecognised when the contract is expired, discharged or cancelled.

#### 40.2 Subsequent classification

Once a contract has been classified as an insurance contract, it remains as an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after the inception if the insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participating features.

##### 40.2.1 Discretionary participating features (DPF)

DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that meet the following criteria:

- constitute a significant portion of the total contractual benefits;
- amount or timing is contractually at the discretion of the issuer;
- contractually based on at least one of the following factors;
- performance of a specified pool of contracts or a specified type of contract;
- realised and/or unrealised investment returns on a specified pool of assets held by the issuee;
- profit or loss of the Group, fund, or other issuing entity.

# NOTES TO THE FINANCIAL STATEMENTS

## 40. INSURANCE CONTRACT LIABILITIES (CONTD.)

### Accounting Policy

IRCSL regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (DPF eligible surplus) and within which the Group may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders) and the amount and timing of the distribution to individual contract holders is at the discretion of the Group, subject to the advice of the appointed actuary. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities as appropriate.

### 40.3 Accounting judgements

#### 40.3.1 Product classification

##### 40.3.1.1 Insurance contracts

SLFRS 4 requires the contracts written by insurers to be classified as either insurance contracts or investment contracts depending on the level of insurance risk transferred. Insurance contracts are contracts under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Significant insurance risk exists, if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that the Group issues and reinsurance contracts that the Group holds.

##### 40.3.1.2 Investment contracts

Investment contracts are those contracts that transfer significant financial risks and no significant insurance risks. Financial risk is the risk of a possible future change in one or more of specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of price or rates, credit ratings, credit index or other variables; provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

### 40.4 Methodology used in determination of market value of liability

Discounted cash flow approach, equivalent to a gross premium valuation methodology has been used for calculating the liabilities for the existing business as at 31 December 2025.

In determining the policy liabilities, provisions for reinsurance have been allowed according to the applicable reinsurance terms as per the current agreements.

Negative policy reserves for long term insurance contracts are acceptable and the value of the liabilities held have been floored to zero at a product level for accounting standards purpose in arriving at the surplus calculation.

No implicit or explicit surrender value floor has been assumed for the value of liabilities for a contract. Instead, in accordance with the guidelines, the impact of surrender value deficiency is captured in the risk charge capital calculation through the Surrender Value Capital Charge (SVCC).

### 40.4.1 Details of calculation of policy liability and net cash flows for each class of products

Details of product category	Basis of determinants of policy liability	Basis of calculating net cash flows
Individual traditional non-participating products discounting "net cash flows" using a discount rate	Discounting "net cash flows" using a discount rate	Future premium income (-) Death benefit outgo (+) Rider benefit outgo (+) Surrender benefit outgo (+) Maturity benefit outgo (+) Commission expense outgo (+) Policy expense outgo (+) Reinsurance recoveries (-) Reinsurance premium outgo (+) Reinsurance commission (-) Net cash flows = sum of the above
Individual traditional participating products	Max (guaranteed benefit liability, Total benefit liability)	Future premium income (-) Death benefit outgo inclusive of dividend accumulations (+) Rider benefit outgo (+) Surrender benefit outgo inclusive of dividend accumulations (+) Maturity benefit outgo inclusive of dividend accumulations (+) Commission expense outgo (+) Policy expense outgo (+) Net cash flows = sum of the above
Individual universal life non-participating products	Discounting "net cash flows" using a discount rate	Future premium income (-) Death benefit outgo inclusive of dividend accumulations (+) Rider benefit outgo (+) Surrender benefit outgo inclusive of dividend accumulations (+) Maturity benefit outgo inclusive of dividend accumulations (+) Commission expense outgo (+) Policy expense outgo (+)
	Max (account value, discounted cash flow liability)	Reinsurance recoveries (-) Reinsurance premium outgo (+) Reinsurance commission (-) Net cash flows = sum of the above

Details of product category	Basis of determinants of policy liability	Basis of calculating net cash flows
Group traditional non-participating products - group term (life) and per day insurance	Discounting “net cash flows” using a discount rate	Future premium income (-) Death benefit outgo (+) Rider benefit outgo (+) Commission expense outgo (+) Policy expense outgo (+) Reinsurance recoveries (-) Reinsurance premium outgo (+) Reinsurance commission (-)  Net Cash flow = Sum of the above
Group traditional non-participating products - group hospitalisation cover	Policy liability has been set equal to unearned premium reserve (UPR)	Not applicable

#### 40.5 Key assumptions used in determinations of Best Estimate Liability (BEL)

Details of the key assumptions used and basis of arriving the same are summarised below:

Assumption	Basis of estimation
<b>Economic assumptions</b>	
Discount rate	Top down approach has been used and discount rate assumptions are disclosed in Note 40.5.1.
Participating fund yield	Based on the weighted average of projected asset mix and based on the expected yields for various asset types.
<b>Operating assumptions</b>	
Mortality rate	A67/70 Mortality rates table was used. Calibrated to experience of the products.
Morbidity rates	The morbidity rates have been set based on loss ratios whereby loss ratio is calculated as the ratio of settled and pending claims to earned premiums.
Expenses	Based on the expenses incurred during 2025.  For the purpose of the expense study, a functional split of expenses between acquisition or maintenance costs have been done on the basis of inputs from various department heads of each cost centre to determine a reasonable activity-based split of expense. These have been further identified as either being premium or policy-count driven based on the nature of expenses to determine a unit cost loading for use in the valuation.
Bonus rates	Bonus rate scale assumed has been arrived based on bonus declared as at 31 December 2025, based on the Group management’s views on policyholder reasonable expectations. This assumes that company is expecting to maintain the current bonus levels into the future and is unchanged from the previous valuation.
Persistency ratio	The discontinuance assumptions have been set with reference to actual experience and vary by policy duration.

##### 40.5.1 Discount rate

Insurance contract liabilities shall be measured in terms of SLFRS 4 by applying current market interest rates where any changes to be recognised in the Income Statement. In arriving at such rates, CA Sri Lanka has issued a guidance note allowing insurers to apply professional judgment in applying the current market interest rates by way of considering timing and liquidity nature of the insurance liability.

The discount rates applied in measuring insurance contract liabilities are based on the Alternate Discount Rate methodology and range from 10.5% to 13.8% per annum across the relevant durations at the reporting date.

##### 40.5.1.1 Methodology

Noting the potential difficulties in establishing an appropriate ‘liquid risk free yield curve’ from the observable Sri Lankan market data, a ‘top-down approach’ is adopted for the determining the appropriate discount rates. Under such approach, the yield curve is constructed to represent yields implicit in a fair value measurement of a reference portfolio of assets whilst attempting to eliminate any factors that are not relevant to the insurance contracts.

## NOTES TO THE FINANCIAL STATEMENTS

### 40.5.1.2 Assumptions and bases of estimation used in arriving at the discount rate

Assumption	Basis of estimation
Choice of reference portfolio	The current assets backing the Life Fund are taken as the initial reference portfolio. Assets within the life fund are split between participating, universal life and non-participating funds.
Rates of return implicit in a fair value measurement of the reference portfolio	Fair value of existing assets for the purpose of discount rate construction is assessed on a consistent basis as the fair value assessed for these assets in the Statement of Financial Position. Implied returns for existing assets are taken as the yields that would be required that would result in the discounted present value of asset flows to be equal to the reported fair value in the Statement of Financial Position.
Adjustment for credit risk	Fair value of corporate bonds include an allowance for potential credit risk of the issuer. Allowance for risk of default within the corporate bond spreads has been removed from the implied yields as it is not relevant for valuation of the insurance contracts. Total spread is assumed to comprise a spread for default risk and illiquidity – the spread in respect of default risk is estimated by isolating the illiquidity premium.
Assets representing future (re)investments	The initial reference portfolio of existing assets is extended to include future (re)investments of net positive future cash flows required to cover any subsequent shortfalls. These (re)investments are assumed to generate a risk-adjusted return, determined by: <ul style="list-style-type: none"> <li>considering historical mean reversion trends of published government bond yields over the short to medium term.</li> <li>applying a long-term Ultimate Forward Rate (UFR) assumption.</li> <li>assuming a 40-year convergence period, during which the short/medium-term historical average yields gradually transition toward the ultimate forward rate over the long term.</li> </ul>
Yield curve	A complete term structure is derived based on the effective overall 'time-weighted rate of return' for the reference portfolio assets.

### 40.6 Financial reinsurance arrangement

#### 40.6.1 Recognition of initial commission

Reinsurance commission income is recognised in the Income Statement when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably. Accordingly, initial commission income generated from life quota share agreement is recognised when it is received or due in full.

#### 40.6.2 Subsequent amortisation

Initially the Group has made one off release from the initial reinsurance commission to absorb into the new business strain arising from newly launched non-participating universal life product. The remaining unallocated surplus arising from initial commission of reinsurance agreement will be released to the Income Statement over the period (as best estimate duration) of quota share agreement on equal instalments.

### 40.7 Valuation of life insurance fund

Long duration contract liabilities included in the life insurance fund of the Company, primarily consist of traditional participating and non-participating life insurance products. The actuarial reserves have been certified by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, Messrs. Willis Towers Watson India Private Limited as at 31 December 2025.

The valuation of the life insurance fund of the Subsidiary was carried out by the Appointed Actuary, Mr. Sanyam Jain, FIA, FIAI, of Messrs. Willis Towers Watson India Private Limited.

### 40.8 Insurance contract liabilities in the Financial Statements

For the year ended 31 December	Note	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000
Life insurance fund		45,175,657	35,955,425	31,233,665
Surplus created due to change in valuation method from NPV to GPV	40.16.2	338,743	1,056,535	1,056,535
<b>Life fund with one-off surplus</b>	40.8.1	<b>45,514,400</b>	<b>37,011,960</b>	<b>32,290,200</b>
Claims payables	40.17	1,097,047	1,028,336	1,000,078
<b>Total insurance contract liabilities</b>		<b>46,611,447</b>	<b>38,040,296</b>	<b>33,290,278</b>

**40.8.1 Details of policy liabilities for the participating and non-participating funds**

As at 31 December	2025						2024		
	Group			Company			Company		
	Participating Rs. '000	Non- participating Rs. '000	Total Rs. '000	Participating Rs. '000	Non- participating Rs. '000	Total Rs. '000	Participating Rs. '000	Non- participating Rs. '000	Total Rs. '000
Policy liabilities	14,612,924	29,844,941	44,457,865	14,612,924	21,342,501	35,955,425	12,405,995	18,827,670	31,233,665
One-off surplus	1,056,535	-	1,056,535	1,056,535	-	1,056,535	1,056,535	-	1,056,535
<b>Total policy liabilities</b>	<b>15,669,459</b>	<b>29,844,941</b>	<b>45,514,400</b>	<b>15,669,459</b>	<b>21,342,501</b>	<b>37,011,960</b>	<b>13,462,530</b>	<b>18,827,670</b>	<b>32,290,200</b>

**40.8.2 Movement in life insurance fund**

As at 31 December	Note	2025						2024		
		Group			Company			Company		
		Insurance contract liabilities (Gross) Rs. '000	Reinsurance Rs. '000	Net Rs. '000	Insurance contract liabilities (Gross) Rs. '000	Reinsurance Rs. '000	Net Rs. '000	Insurance contract liabilities (Gross) Rs. '000	Reinsurance Rs. '000	Net Rs. '000
<b>As at 1 January</b>		39,752,640	(7,462,440)	32,290,200	39,752,640	(7,462,440)	32,290,200	33,257,424	(6,055,556)	27,201,868
Premiums received	6.2	40,075,495	(2,737,584)	37,337,911	38,331,485	(2,719,952)	35,611,533	31,573,467	(2,509,698)	29,063,769
Acquisition of subsidiary		8,766,831	-	8,766,831	-	-	-	-	-	-
Liabilities released for payments on death, surrender and other terminations in the year	15.3	(20,012,539)	694,272	(19,318,267)	(19,090,279)	694,272	(18,396,007)	(14,993,591)	743,878	(14,249,713)
Net finance and other income		6,139,741	-	6,139,741	5,193,352	-	5,193,352	7,143,166	-	7,143,166
Net acquisition and other expenses		(15,056,326)	451,796	(14,604,530)	(13,915,727)	451,796	(13,463,931)	(12,758,691)	358,936	(12,399,755)
Surplus distributed to shareholders	40.12	(5,262,299)	-	(5,262,299)	(4,388,000)	-	(4,388,000)	(4,287,000)	-	(4,287,000)
Change in contract liabilities life fund	15.3	5,884,072	(1,591,516)	4,292,556	6,130,831	(1,573,884)	4,556,947	6,677,624	(1,406,884)	5,270,740
Tax on policyholder bonus and others		164,814	-	164,814	164,814	-	164,814	(182,135)	-	(182,135)
<b>Balance as at 31 December</b>		<b>54,568,357</b>	<b>(9,053,956)</b>	<b>45,514,400</b>	<b>46,048,285</b>	<b>(9,036,324)</b>	<b>37,011,960</b>	<b>39,752,640</b>	<b>(7,462,440)</b>	<b>32,290,200</b>

**40.9 Analysis of the expected maturity profile of reserves for insurance contracts, net of reinsurance**

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
< 1 year	2,116,928	1,443,960	1,517,706
1 to 3 years	4,382,263	3,320,796	2,731,507
> 3 years	28,181,507	21,294,367	16,323,458
<b>Total</b>	<b>34,680,698</b>	<b>26,059,123</b>	<b>20,572,671</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 40.10 Impact of uncertain macro economic conditions

Refer risk management report on pages 103 and 110 for more details on the risk and risk management initiatives on uncertain macro economic conditions

### 40.11 Sensitivity analysis

Sensitivity analysis of life insurance fund is provided in Note 49.3.1 on page 401.

### 40.12 Recommendation of surplus transfer

The valuation of life insurance fund of the Company and the Subsidiary as at 31 December 2025 was made by the appointed actuaries Mr. Kunj Behari Maheshwari, FIA, FIAI and Mr. Sanyam Jain, FIA, FIAI, of Messrs. Willis Towers Watson India Private Limited respectively. Based on the recommendations, the Group transferred surplus from the policyholders' fund to the shareholders' fund as follows. Refer point (e) of the Actuary's report provided on page 308.

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Participating life insurance fund to the shareholders' fund	-	-	-
Non-participating life insurance fund to shareholders' fund	5,222,299	4,388,000	4,287,000
<b>Total</b>	<b>5,222,299</b>	<b>4,388,000</b>	<b>4,287,000</b>

Subsequent to the transfer of the surplus by the Group amounting to Rs. 5,222 Million including Rs. 4,388 Million for the Company (2024 - Rs. 4,287 Million), life fund of the Group and Company stands at Rs. 45,514 Million and Rs. 37,012 Million respectively as at 31 December 2025 (2024 - Rs. 32,290 Million). This includes the liability in respect of bonuses and dividends declared up to and including for the year 2025 as well as surplus created due to change in valuation method of policy liabilities from NPV to GPV in the participating fund.

### 40.13 Surplus created due to change in valuation method - one off surplus - non participating fund

Please refer disclosure note in Note 37 on Restricted Regulatory Reserve.

### 40.14 Taxation on surplus distributed to the life insurance policyholder who shares the profits

According to the Section 67 (2) of the Inland Revenue Act No. 24 of 2017, the surplus distributed to the life insurance policyholder who shares the profits of a person engaged in the business of life insurance in a given year, as provided in the Regulation of Insurance Industry Act, No. 43 of 2000, shall be deemed as gains and profits of that person from the business and subject to tax at 30% from 01 October 2022 as described in the Note 22.5 on page 343.

As recommended by the Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI of Messrs. Willis Towers Watson India Private Limited, the Company has declared a bonus of Rs. 722 Million (2024 - Rs. 607 Million). Please refer point (f) of the Actuary's report provided on page 308 for the year 2025 to life insurance policyholders who

participate in the profit of life insurance business. Accordingly, the Company has adjusted the tax liability into the life insurance fund.

### 40.15 Solvency margin

The Company maintains a Capital Adequacy Ratio (CAR) 245% while the subsidiary maintains a CAR 161% on regulatory basis and Total Available Capital (TAC) of Rs. 32,425 Million of the Company and Rs. 1,547 Million of the subsidiary as at 31 December 2025, which exceeds the minimum requirement of 120% and Rs. 500 Million respectively. It complies as per the Solvency Margin (Risk Based Capital) Rules 2015 requirement prescribed under section 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000.

### 40.16 Liability Adequacy Test (LAT)

#### Accounting Policy

#### 40.16.1 General

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4 "Insurance Contracts". The liability value is adjusted to the extent that it is sufficient to meet future benefits and expenses.

In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on management's prudent expectation of current market interest rates.

Any deficiency shall be recognised in the Income Statement by setting up a provision for liability adequacy.

#### 40.16.2 Valuation

A Liability Adequacy Test (LAT) in respect of the life insurance contract liabilities of the Company was carried out as at 31 December 2025 by the Appointed Actuary, Mr. Kunj Behari Maheshwari, FIA, FIAI, of Messrs. Willis Towers Watson India Private Limited.

The corresponding test for the Subsidiary was performed by the Appointed Actuary, Mr. Sanyam Jain, FIA, FIAI, of Messrs. Willis Towers Watson India Private Limited.

In performing the LAT, the Group assessed the adequacy of the carrying amount of its insurance contract liabilities by estimating the present value of future contractual cash flows and comparing this amount with the related carrying value of the liabilities as at the reporting date.

According to the Actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31 December 2025.

No additional provision was required against the LAT as at 31 December 2025.

Details of the LAT report of the Company are provided on page 309.

#### 40.17 Direction 18 - Unclaimed benefits of long term insurance business

Unclaimed benefits of long term insurance business are recorded in the life insurance fund. There were no transfers of any unclaimed benefits from the policyholder fund to shareholder fund during the period ended 31 December 2025 (31 December 2024 - Nil) are as follows:

As at 31 December	2025		2024
	Group	Company	Company
	carrying value Rs. '000	carrying value Rs. '000	fair value Rs. '000
Unclaimed benefits	152,483	152,483	106,093
Other claim payables	944,564	875,853	893,985
<b>Total</b>	<b>1,097,047</b>	<b>1,028,336</b>	<b>1,000,078</b>

### 41. EMPLOYEE BENEFIT LIABILITIES

#### 41.1 Defined contribution plans - Provision for employee benefit liabilities

##### Accounting Policy

##### 41.1.1 General

Refer Note 17.3 for the accounting policy on the defined contribution plans.

Following contributions have been made to Employees Provident Fund and Employee Trust Fund during the year.

#### 41.2 Contributions to EPF and ETF

For the year ended 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Employer's contribution (12%)	177,689	161,853	136,837
Employees' contribution (8%)	118,460	107,902	91,225
Employees' trust fund			
Employer's contribution (3%)	44,404	40,445	34,209

#### 41.3 Defined benefit plans - Provision for employee benefit liabilities

##### Accounting Policy

##### 41.3.1 General

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

##### Accounting Policy

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The liability is not externally funded and is a final salary defined benefit plan. The calculation is performed annually by a qualified independent actuary using the Projected Unit Credit method.

#### 41.3.2 Recognition of actuarial gain / (losses), current services cost and interest cost

The Group recognises all actuarial gains and losses arising from defined benefit plans immediately in the Statement of Profit or Loss and Other Comprehensive Income. Current services cost and interest cost related to defined benefit plans in employee benefit are expensed in the Income Statement.

When the benefits of a plan is changed or when a plan is curtailed, resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### 41.4 Valuation of employee benefit liabilities

The actuarial valuation involves making assumptions. Further, the Group has considered the impact of the economic crisis on the defined benefit obligations. Due to the complexity of the valuation and the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

#### 41.5 Risks exposed by the defined benefit plans

Assumption	Basis of estimation
Interest risk	Present value of the defined benefit plan liability is calculated using a discount rate determined by reference to long term interest rate. Accordingly, a decrease in the long-term interest rate will increase the plan liability.
Longevity risk	Present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	Present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

An actuarial valuation of the retirement gratuity payable as at 31 December 2025 was carried out by Mr. M. Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries. The valuation method used by the Actuaries to value the liability is the 'Projected Unit Credit Method (PUC)', the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on 'Employee Benefits'.

## NOTES TO THE FINANCIAL STATEMENTS

### 41.6 Actuarial assumptions and criteria for the valuation of retirement gratuity

As at 31 December	Criteria	2025		2024 Company	Description
		Group	Company		
Demographic assumptions	Mortality - In service	1967/70	1967/70	1967/70	1967/70 Mortality table issued by the Institute of Actuaries, London.
	Staff turnover	5%-20%	20%	22%	The staff turnover rate at an age represents the probability of an employee leaving within one year of that age due to reasons other than death, ill health and normal retirement.
	Normal retirement age	60	60	60	The employees who are aged over the specified retirement age have been assumed to retire on their respective next birthdays.
Financial assumptions	Rate of discount	9%-10.5%	9.00%	9.00%	In the absence of a deep market in long term bonds in Sri Lanka, a long term interest rate has been used to discount future liabilities considering anticipated long term rate of inflation.
	Salary increases	10%	10%	10%	In respect of active employees.

### 41.7 Analysis of the employee benefit liabilities

As at 31 December	Note	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000
Present value of unfunded obligation		580,331	580,331	372,315
Acquisition through business combination		2,643	-	-
<b>Defined benefit obligations as at 1 January</b>		<b>409,624</b>	<b>372,315</b>	<b>276,302</b>
Expenses recognised in income statement	41.8	97,397	95,756	72,318
Actuarial (gain) / losses recognised in statement of profit or loss and other comprehensive income	41.9	101,911	97,694	51,141
Transfers from/ (to) related companies		-	22,002	-
<b>Other</b>				
Gratuity payments during the year		(25,958)	(7,436)	(27,446)
<b>Defined benefit obligations as at 31 December</b>		<b>582,974</b>	<b>580,331</b>	<b>372,315</b>

### 41.8 Expenses recognised in the Income Statement

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Interest cost	33,508	33,508	37,301
Current service costs	63,889	62,248	35,017
<b>Total expenses recognised in income statement</b>	<b>97,397</b>	<b>95,756</b>	<b>72,318</b>

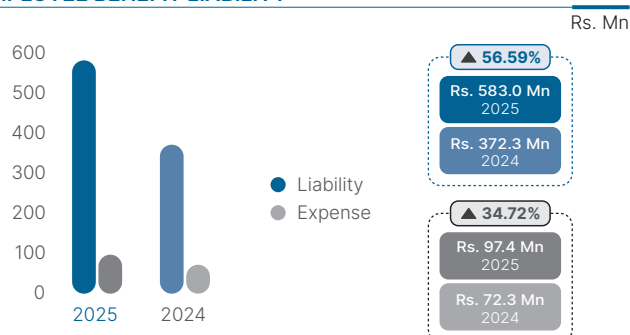
### 41.9 Actuarial (gain) / losses recognised in statement of profit or loss and other comprehensive income

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
<b>Actuarial (gain) / loss arising from;</b>			
Change in demographic assumptions	2,666	2,709	2,345
Change in financial assumptions	1,087	-	51,403
Change in experience adjustment	98,158	94,985	(2,607)
<b>Total</b>	<b>101,911</b>	<b>97,694</b>	<b>51,141</b>

### 41.10 Maturity analysis of the payments

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Within next 12 months	152,524	152,449	85,097
Between 1 to 2 years	137,350	137,311	113,049
Between 2 to 5 years	143,282	142,959	80,493
Between 5 to 10 years	103,658	102,625	70,482
Beyond 10 years	45,960	44,987	23,194
<b>Total expected payments</b>	<b>582,974</b>	<b>580,331</b>	<b>372,315</b>
<b>Weighted average duration of defined benefit obligation</b>	<b>4.2 years</b>	<b>4.2 years</b>	<b>3.93 years</b>

### EMPLOYEE BENEFIT LIABILITY



### 41.11 Expected contributions to defined contribution and defined benefit plans

For the year ended 31 December	2026	
	Group Rs. '000	Company Rs. '000
<b>Employees' provident fund</b>		
Employer's contribution (12%)	237,657	207,315
Employees' contribution (8%)	158,438	138,210
<b>Employees' trust fund</b>		
Employer's contribution (3%)	59,414	51,829
<b>Defined benefit plans</b>	<b>83,692</b>	<b>73,157</b>

### 41.12 Sensitivity of assumptions used in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the discount rate and salary increment rates assuming all other variables held constant in the employment benefit liability measurement.

As at 31 December	2025				2024	
	Group		Company		Company	
	Effect on defined benefit liability Rs. '000	Estimated defined benefit liability Rs. '000	Effect on defined benefit liability Rs. '000	Estimated defined benefit liability Rs. '000	Effect on defined benefit liability Rs. '000	Estimated defined benefit liability Rs. '000
<b>Discount rate</b>						
1% increase in discount rate	(24,109)	558,866	(21,713)	558,618	(12,968)	359,347
1% decrease in discount rate	26,568	609,543	23,636	603,967	14,046	386,361
<b>Salary increment rate</b>						
1% increase in salary increment rate	28,883	611,858	25,942	606,273	15,540	387,855
1% decrease in salary increment rate	(26,660)	556,314	(24,277)	556,054	(14,616)	357,699

#### 41.12.1 Methods and assumptions used in preparing the sensitivity analysis

The above sensitivity analysis is based on a change in significant assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The Group has used "Projected Unit Credit method (PUC)" when calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions as at 31 December 2025.

The methods and types of assumptions used in preparing the sensitivity analysis have not changed compared to the prior period.

#### 41.13 Employee benefits for key management personnel

Employee benefits of key management personnel are disclosed in Note 51.6 on page 433.

## 42. LOANS AND BORROWINGS

### Accounting Policy

#### 42.1 General

Refer Note 46 on page 392 for the accounting policy.

#### 42.2 Nature and purpose of the transaction

The Company entered into a USD 15 Million Tier II subordinated debt facility with Finnfund and Norfund on 24 August 2020 to support the Company's future business development. The loan was fully settled during the year.

## NOTES TO THE FINANCIAL STATEMENTS

### 42.3 Tier II capital securities

Tier II capital securities are subordinated instruments that may be perpetual or dated and carry mandatory coupon payments. Under the applicable Risk-Based Capital (RBC) rules, the Company's subordinated debt qualifies as Tier II capital and is included in the Company's regulatory capital base.

### 42.4 Security and repayment terms

Item	Details
Nominal Interest rate	6 months SOFR + CAS + margin
Repayment terms	The loan shall be repaid in full on the maturity date
Carrying value of collaterals	None of the assets have been pledged as securities for these liabilities
Interest payable frequency	Biannually
Allotment date	2-Oct-20
Maturity Date	2-Oct-25

### 42.5 Defaults and breaches

The Company did not have any defaults of principal or interest or other breaches with respect to its loans and borrowings during the year ended 31 December 2025 (2024 - Nil).

### 42.6 Movement of the loan during the year

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Balance as at 01 January	3,016,443	3,016,443	5,014,997
<b>Cash movement</b>			
Capital repayments	(3,017,625)	(3,017,625)	(1,454,000)
Interest payments	(369,895)	(369,895)	(621,210)
<b>Non cash movement</b>			
Interest expenses	269,537	269,537	579,243
Exchange rate adjustments	101,540	101,540	(502,587)
Balance as at 31 December (Note 42.6.1)	-	-	3,016,443

#### 42.6.1 Analysis of the repayable period

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Repayable within one year	-	-	3,016,443
Repayable after one year	-	-	-
<b>Total</b>	-	-	3,016,443

### 42.7 Maturity analysis

The maturity analysis of loans and borrowings for the comparative year is given in Note 49.4.3.1 (Table 20) on pages 420.

## 43. REINSURANCE PAYABLE

### Accounting Policy

#### 43.1 General

Reinsurance payable represents balances due to reinsurance companies. Payable amounts are recognised when due and measured on initial recognition at the fair value less directly attributable transaction costs in a manner consistent with the related insurance contracts.

Reinsurance liabilities are derecognised when the contractual liabilities are extinguished or expired, or when the contract is transferred to another party.

### 43.2 Movement of the reinsurance payable

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
As at 1 January	754,059	754,059	718,855
Acquisition through business combination	232,693	-	-
Arose during the year	2,737,584	2,719,952	2,509,698
Utilised during the year	(3,003,222)	(2,805,585)	(2,474,494)
Balance as at 31 December	721,114	668,426	754,059

## 44. INCOME TAX LIABILITIES

### Accounting Policy

Refer Note 22 for details of the income tax expense giving rise to the income tax liability recognised in the Financial Statements.

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Income tax payable	1,235,630	1,235,630	979,770
	1,235,630	1,235,630	979,770

## 45. OTHER LIABILITIES

### Accounting Policy

#### 45.1 Financial liabilities

Refer Note 46 for accounting policy relating to financial liabilities.

#### 45.2 Other liabilities

Other liabilities include accruals and advances. These liabilities are recorded at the amounts that are expected to be paid.

### 45.3 Analysis of the financial and non-financial liabilities

For the year ended 31 December	Note	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000
<b>Financial liabilities</b>				
Commission / Incentive payable	45.4.1	1,281,137	1,241,869	1,024,457
Premium deposits		722,479	440,327	363,778
Amounts due to related parties	45.4.2	15,062	15,062	21,836
Other payables		1,518,345	1,242,356	1,364,683
Lease liabilities	45.4.3	1,524,160	1,361,538	1,190,336
<b>Total financial liabilities</b>		<b>5,061,183</b>	<b>4,301,152</b>	<b>3,965,090</b>
<b>Non financial liabilities</b>				
Accruals		123,279	123,277	156,806
Tax and other statutory payables	45.5.1	194,575	187,890	336,518
<b>Total non financial liabilities</b>		<b>317,854</b>	<b>311,167</b>	<b>493,324</b>
<b>Total other liabilities</b>		<b>5,379,037</b>	<b>4,612,319</b>	<b>4,458,414</b>

### 45.4 Financial liabilities

#### 45.4.1 Commission / Incentive payable

Movement of the provision during the year is stated below:

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
As at 01 January	1,024,457	1,024,457	923,022
Acquisition through business combination	37,608	-	-
Provision made during the year	9,323,822	9,089,624	2,115,879
Payments made during the year	(9,104,750)	(8,872,213)	(2,014,444)
<b>Balance as at 31 December</b>	<b>1,281,137</b>	<b>1,241,869</b>	<b>1,024,457</b>

#### 45.4.2 Amounts due to related companies

Amounts due to related companies represent fund management fees and rent payable to group companies as follows.

For the year ended 31 December	Note	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000
Softlogic Asset Management (Pvt) Ltd	51.11.1.2	15,062	15,062	21,836
<b>Total</b>		<b>15,062</b>	<b>15,062</b>	<b>21,836</b>

#### 45.4.3 Lease liabilities

##### Accounting Policy

Please refer Note 28 for accounting policy relating to leases under SLFRS 16.

##### 45.4.3.1 Analysis of the lease liabilities

As at 31 December	2025						2024		
	Group			Company			Company		
	Leasehold properties Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000	Leasehold properties Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000	Leasehold properties Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000
Lease liabilities as at 1 January	1,190,336	-	1,190,336	1,190,336	-	1,190,336	603,297	3,222	606,519
Acquisition through business combinations	23,629	-	23,629	-	-	-	-	-	-
Recognition of new lease agreement during the period*	609,211	-	609,211	444,422	-	444,422	885,482	-	885,482
Interest expenses	159,604	-	159,604	152,211	-	152,211	112,716	91	112,807
Payment of lease liabilities	(446,561)	-	(446,561)	(413,372)	-	(413,372)	(411,159)	(3,313)	(414,472)
Modification	-	-	-	-	-	-	-	-	-
Derecognition	(12,059)	-	(12,059)	(12,059)	-	(12,059)	-	-	-
<b>Cumulative lease liabilities as at 31 December</b>	<b>1,524,160</b>	<b>-</b>	<b>1,524,160</b>	<b>1,361,538</b>	<b>-</b>	<b>1,361,538</b>	<b>1,190,336</b>	<b>-</b>	<b>1,190,336</b>

\*Rent prepayments have been recognised as right-of-use (RoU) assets and therefore additions to lease liabilities are not equivalent to newly recognised RoU assets.

## NOTES TO THE FINANCIAL STATEMENTS

### 45.4.3.2 Maturity analysis – Contractual undiscounted cash flows

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Less than one year	537,669	472,468	341,347
Between one and five years	1,229,854	1,111,536	1,145,400
More than five years	-	-	-
<b>Total undiscounted lease liabilities as at 31 December</b>	<b>1,767,523</b>	<b>1,584,004</b>	<b>1,486,747</b>
<b>Lease liabilities included in the Statement of Financial Position as at 31 December</b>	<b>1,524,159</b>	<b>1,361,538</b>	<b>1,190,336</b>
<b>Undiscounted cash flows</b>			
Current	537,669	472,468	341,347
Non current	1,229,854	1,111,536	1,145,400
<b>Total</b>	<b>1,767,523</b>	<b>1,584,004</b>	<b>1,486,747</b>

### 45.4.3.3 Maturity Analysis – Discounted cash flows

Refer Note 49.4.3.1 on (Table 20) page 420.

### 45.4.3.4 Sensitivity analysis of lease liabilities

The following table demonstrate the impact arising from the possible changes in the incremental borrowing rate on the lease liabilities of the Group as at the end of the year assuming all other variables remain constant.

As at 31 December	2025				2024	
	Group		Company		Company	
	Effect on Profit Before Tax Rs. '000	Estimated lease liabilities Rs. '000	Effect on Profit Before Tax Rs. '000	Estimated lease liabilities Rs. '000	Estimated lease liabilities Rs. '000	Estimated lease liabilities Rs. '000
1% increase in discount rate	(22,500)	1,505,018	(20,100)	1,344,439	(14,949)	1,175,387
1% decrease in discount rate	22,500	1,601,503	20,100	1,430,630	15,403	1,250,740

### 45.4.4 Maturity Analysis

Maturity schedules of other financial liabilities are disclosed in Note 49.4.3.1 (Table 20) on page 420.

## 45.5 Non-financial liabilities

### 45.5.1 Tax and other statutory payables

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Stamp duty	2,154	2,041	1,517
Crop insurance levy	17,287	17,287	10,712
EPF / ETF payable	36,377	34,017	22,362
CESS payable	21,373	19,605	18,324
PAYE tax payable	91,363	90,354	70,216
WHT Payable	24,171	22,736	212,143
Other	1,850	1,850	1,244
<b>Total</b>	<b>194,575</b>	<b>187,890</b>	<b>336,518</b>

## 46. FINANCIAL LIABILITIES

### Accounting Policy

#### 46.1 Initial recognition and measurement

Financial liabilities are initially recognised, when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs, except in the case of financial liabilities at fair value through profit or loss as per SLFRS 9.

#### 46.2 Classification

The Group classifies financial liabilities (excluding financial guarantees and loan commitments) into two categories:

- Financial liabilities at fair value through profit or loss (FVTPL) – either held for trading or designated at FVTPL.
- Financial liabilities measured at amortised cost.

#### 46.3 Subsequent measurement

Subsequent measurement of financial liabilities depends on their respective classification as stated in Note 46.2.

**Accounting Policy**

**46.3.1 Financial liabilities at FVTPL**

Financial liabilities at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest expense, are recognised in the Income Statement.

**46.3.2 Financial liabilities measured at amortised cost**

All other financial liabilities are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gain or loss on derecognition, interest expense and foreign exchange gains and losses are recognised in the Income Statement.

**46.4 Reclassification of financial liabilities**

Financial liabilities are not reclassified since reclassifications are not permitted by SLFRS 9.

**46.5 Derecognition of financial liabilities**

The Group derecognises a financial liability, when its contractual obligations are discharged, cancelled or expired.

**46.6 Modification of financial liabilities**

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with the modified terms is recognised in the Income Statement.

**46.7 Financial liabilities by categories**

As at 31 December	Note	2025				2024	
		Group		Company		Company	
		Amortised cost		Amortised cost		Amortised cost	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Loans and borrowings	46.6	-	-	-	-	3,016,443	3,016,443
Reinsurance payable	43.2	721,114	721,114	668,426	668,426	754,059	754,059
Bank overdraft	35.3	387,288	387,288	387,288	387,288	368,315	368,315
Other liabilities	45.3	5,061,183	5,061,183	4,301,152	4,301,152	3,965,090	3,965,090
<b>Total financial liabilities</b>		<b>6,169,585</b>	<b>6,169,585</b>	<b>5,356,866</b>	<b>5,356,866</b>	<b>8,103,907</b>	<b>8,103,907</b>

The Group does not have financial liabilities classified at FVTPL as at the reporting date (2024 - Nil).

**47. FOREIGN CURRENCY TRANSACTIONS**

Transactions in foreign currencies are translated into the functional currency of the Group at the exchange rates at the date of each transaction.

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

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign currency differences are generally recognised in the Income Statement.

**48. FAIR VALUE MEASUREMENT**

**Accounting Policy**

**48.1 Fair value measurement**

Fair value is the amount for which an asset could be exchanged, or a liability is settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. 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 the principal market, in the most advantageous market for the asset or liability

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 number of Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

## 48. FAIR VALUE MEASUREMENT (CONTD.)

### Accounting Policy

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 30 : Financial investments (Page 361 to 375);

Note 27 : Freehold property measured at fair value (Page 350 to 356).

#### 48.2 Fair value hierarchy and the techniques

The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the assets or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

##### 48.2.1 Level 1

#### **Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.**

When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active, if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

##### 48.2.2 Level 2

#### **Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly**

This category includes instruments valued using:

- quoted prices in active markets for similar instruments;
- quoted prices for identical or similar instruments in markets that are considered to be less active; or

- other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

##### 48.2.3 Level 3

#### **Inputs that are unobservable**

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs which have a significant effect on the instrument's valuation.

Accordingly, it is applicable for instruments that are valued based on quoted prices of similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and correlations.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and Government securities such as treasury bills and treasury bonds. Availability of observable prices and model inputs reduce the need for management judgement and estimation, while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ("Day 1" profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

#### 48.3 Fair value measurement

##### Instrument category

Instrument category	Fair value basis	Fair value hierarchy
<b>Government securities</b>		
Treasury bills and bonds	Valued using the market yield	Level 1
Repo	Valued using the market yield	Level 2
International Sovereign bonds	Valued using the market yield	Level 2*
<b>Investment in shares</b>		
Listed shares	Closing market prices	Level 1
Unlisted shares	Adjusted net assets for illiquidity	Level 3
<b>Investment in units</b>		
Investment in unlisted redeemable units	Published Net Asset Values (NAV)	Level 2
<b>Corporate debt</b>		
Listed debentures	Published Market Prices	Level 2**
Unlisted perpetual debentures	Adjusted interest rate for illiquidity	Level 3
Commercial papers	Adjusted interest rate for illiquidity	Level 3
Bank deposit	Adjusted interest rate for illiquidity	Level 3
Securitised papers	Adjusted interest rate for illiquidity	Level 3
Land and Building	Market Comparable Method and Investment Method	Level 3

\* ISBs even upon the restructuring have been classified under level 2 in the fair value hierarchy, since there is no active secondary market with sufficient frequency yet for the said instrument.

\*\* Listed debentures have been classified under level 2 in the fair value hierarchy since there is no active market for these instruments even though such instruments are listed.

**48.3.1 Valuation techniques used in measuring Level 2 and 3 fair value**

Same valuation techniques as mentioned in the above table have been used by the Group in measuring Level 2 and 3 fair values for the current and comparative financial period.

**48.3.2 Financial assets and liabilities not considered for fair value measurement**

It is assumed that the carrying amount of following financial assets and liabilities are reasonable approximation of fair value since they are short-term in nature or are re-priced to current market rates frequently:

Assets	Liabilities
Fixed deposits	Loans and borrowings
Commercial papers	Reinsurance creditors
Securitised papers	Other liabilities (Excluding government levies and accruals)
Repo	Bank overdraft
Cash and cash equivalents	
Loans to life policyholders	
Reinsurance receivables	
Premium receivables	

**48.3.3 Carrying amounts of the financial assets and financial liabilities**

Carrying amounts and classification of the Group's financial assets and financial liabilities are given in Note 30 on page 361 and Note 46 on page 392 respectively.

**48.4 Valuation framework of the Group**

The Group has an established control framework for the measurement of fair values. This framework includes involving a valuation team, i.e. Treasury Back Office (TBO), which is independent from Treasury Front Office (TFO), which reports to the Chief Financial Officer, with overall responsibility for overseeing and independently verifying all significant fair value measurements. Significant valuation issues are reported to the Audit Committee.

Specific controls include:

- Verification of observable pricing.
- Re-performance of model valuations.
- A review and approval process for new models and changes to models.
- Bi-annual calibration and back-testing of models against observed market transactions.
- Analysis and investigation of significant daily valuation movements.
- Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month.

When third party information (e.g. broker quotes, pricing services or independent property valuations) is used to measure fair value, the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the SLFRS.

**This includes:**

Verifying that the broker, pricing service or independent property value is approved by the Company for use in pricing the relevant type of asset or liability;

Understanding how the fair value has been arrived at, the extent to which it reflects actual market transactions and whether it represents a quoted price in an active market for an identical instrument;

When prices for similar assets or liabilities are used to measure fair value, understanding how these prices have been adjusted to reflect the characteristics of the asset or liability subject to measurement; and

If a number of quotes for the same asset or liability have been obtained, then understanding how fair value has been determined using those quotes.

## NOTES TO THE FINANCIAL STATEMENTS

### 48.5 Assets measured at fair value and the level in the fair value hierarchy

As at 31 December	Note	Page	2025					2024						
			Group			Company			Company			Company		
			Level 1	Level 2	Level 3	Total fair value/carrying value	Level 1	Level 2	Level 3	Total fair value/carrying value	Level 1	Level 2	Level 3	Total fair value/carrying value
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000		
<b>Non-financial assets</b>														
Land and building	27.10	352	-	-	333,000	333,000	-	-	333,000	-	-	-	298,187	298,187
Total non-financial assets at fair value			-	-	333,000	333,000	-	-	333,000	-	-	-	298,187	298,187
<b>Financial assets</b>														
<b>Financial investments at FVTPL</b>														
Treasury bonds	30.9.3	371	445,413	-	-	445,413	153,537	-	-	153,537	358,684	-	-	358,684
Repo	30.9.3	371	-	105,023	-	105,023	-	-	-	-	-	-	-	-
Perpetual debentures	30.9.3	371	-	-	719,932	719,932	-	-	719,932	-	-	-	722,416	722,416
Bank Deposits	30.9.3	371	-	-	118,276	118,276	-	-	-	-	-	-	-	-
Equity Shares	30.9.3	371	626,086	-	-	626,086	-	-	-	-	-	-	-	-
Unit trusts	30.9.3	371	-	3,116,173	-	3,116,173	-	3,096,551	-	3,096,551	-	-	3,998,341	3,998,341
Securitized papers	30.9.3	371	-	-	45,861	45,861	-	-	-	-	-	-	-	-
Commercial papers	30.9.3	371	-	-	200,658	200,658	-	-	200,658	-	-	-	175,755	175,755
			1,071,499	3,221,196	1,084,727	5,377,422	153,537	3,096,551	920,590	4,170,678	358,684	3,998,341	898,171	5,255,196
<b>Financial investments at FVOCI</b>														
Treasury bonds	30.9.2	369	18,021,640	-	-	18,021,640	9,878,242	-	-	9,878,242	5,959,358	-	-	5,959,358
Treasury bills	30.9.2	369	391,214	-	-	391,214	-	-	-	-	-	-	-	-
Repo	30.9.2	369	-	148,418	-	148,418	-	-	-	-	-	-	-	-
International sovereign bonds	30.9.2	369	-	3,334,066	-	3,334,066	-	3,334,066	-	3,334,066	-	3,378,691	-	3,378,691
Equity shares - listed	30.9.2	369	536,559	-	-	536,559	536,559	-	-	536,559	4,214,895	-	-	4,214,895
			18,949,414	3,482,484	-	22,431,897	10,414,801	3,334,066	-	13,748,867	10,174,253	3,378,691	-	13,552,944
Total financial assets at fair value			20,020,912	6,703,680	1,084,727	27,809,319	10,568,338	6,430,617	920,590	17,919,545	10,532,937	7,377,032	898,171	18,808,140
Total assets at fair value			20,274,353	6,450,239	1,417,727	28,142,319	10,568,338	6,430,617	1,253,590	18,252,545	10,532,937	7,377,032	1,196,358	19,106,327

### 48.6 Transfer between levels

During 2024, the Group transferred its unlisted equity investment in Cargills Bank Ltd from Level 3 to Level 1 of the fair value hierarchy following the listing of the shares on the Colombo Stock Exchange on 09 January 2024. No transfers between fair value hierarchy levels occurred in 2025.



## NOTES TO THE FINANCIAL STATEMENTS

### 48.7.3 Development of significant unobservable inputs

Debt securities	Credit spreads are derived from internally developed model and adjustments have been made to reflect the illiquidity condition of the instruments.
Unlisted equity securities	When deciding the illiquidity premium the Group has considered the fact that recent acquisitions of finance companies have taken place at more than the net asset value of the target investee.
Land and Building	Refer Note 27.24.4 on page 355

### 48.7.4 Sensitivity analysis of financial assets classified at Level 3

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions used with all other variables held constant in fair value of the level 3 financial instruments and significant unobservable inputs.

Sensitivity analysis of land and building classified at Level 3 is given in Note 27.24.4 on page 355.

As at 31 December	Significant unobservable input	2025						2024		
		Group			Company			Company		
		Impact on income statement	Impact on OCI	Impact on equity	Impact on income statement	Impact on OCI	Impact on equity	Impact on income statement	Impact on OCI	Impact on equity
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
<b>Commercial papers</b>										
1% Increase in credit spread	Credit spread	(16,396)	-	(16,396)	(16,396)	-	-	(16,396)	-	(12,784)
1% Decrease in credit spread	Credit spread	19,603	-	19,603	19,603	-	-	19,603	-	14,965
<b>Perpetual debentures</b>										
1% Increase in credit spread	Credit spread	(66,595)	-	(66,595)	(66,595)	-	-	(66,595)	-	(59,117)
1% Decrease in credit spread	Credit spread	82,167	-	82,167	82,167	-	-	82,167	-	71,128
<b>Bank deposits</b>										
1% Increase in credit spread	Credit spread	(9,226)	-	(9,226)	-	-	-	-	-	-
1% Decrease in credit spread	Credit spread	10,979	-	10,979	-	-	-	-	-	-
<b>Securitised papers</b>										
1% Increase in credit spread	Credit spread	(3,545)	-	(3,545)	-	-	-	-	-	-
1% Decrease in credit spread	Credit spread	4,215	-	4,215	-	-	-	-	-	-

### 48.8 Financial instruments not measured at fair value and fair value hierarchy

The Group and the Company hold certain financial instruments that are not measured at fair value in the Statement of Financial Position. The methodologies and key assumptions used to estimate the fair value of these instruments are set out below:

#### Fixed rate financial investments - Government securities

The fair value of fixed rate government securities carried at amortised cost is estimated based on the daily market yields published by the Central Bank of Sri Lanka.

#### Fixed rate financial investments - Unquoted and quoted debt securities

- For quoted debt securities, fair value is determined directly from quoted market prices.
- For unquoted debt securities, fair value is estimated using a discounted cash flow model based on the current yield curve appropriate for the remaining term to maturity and adjusted for credit spreads.

**Sensitivity of significant unobservable inputs used to measure fair value of fixed rate financial instruments.**

A significant increase in market interest rates would reduce the fair value of fixed rate financial instruments, while a significant decrease in market rates would increase their fair value.

**Assets for which fair value approximate carrying value**

For financial assets and liabilities with short-term maturities or short-term re-pricing intervals, the carrying amounts are assumed to approximate their fair value. This includes demand deposits, savings deposits, and other financial instruments with no specific maturity.

This approach ensures that the financial statements provide a reliable representation of the fair values of financial instruments, even when they are not measured at fair value on a recurring basis.

The following table sets out the estimated fair values of financial assets and liabilities not measured at fair value and hence reflected at the carrying amounts in Financial Statements and the fair value hierarchy used:

As at 31 December	Note	2025						2024									
		Group			Company			Group			Company						
		Level 1	Level 2	Level 3	Total fair value	Total carrying value	Level 1	Level 2	Level 3	Total fair value	Total carrying value	Level 1	Level 2	Level 3	Total fair value	Total carrying value	
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
<b>Financial assets</b>																	
Financial investments – Amortised cost																	
Treasury bonds	30.91	13,864,288	-	-	13,864,288	11,221,087	13,864,288	-	-	13,864,288	11,221,087	18,249,992	-	-	18,249,992	14,355,429	
Treasury bills	30.91	-	-	-	-	-	-	-	-	-	-	704,521	-	-	704,521	704,527	
Debentures*	30.91	-	5,118,196	-	5,118,196	5,079,775	-	5,118,196	-	-	5,079,775	-	5,921,998	-	5,921,998	5,988,905	
Fixed deposits	30.91	-	1,753,810	1,753,810	1,753,810	1,753,810	-	1,753,810	1,753,810	1,753,810	1,753,810	-	-	733,478	733,467		
Commercial paper	30.91	-	1,433,338	1,433,338	1,433,338	1,433,338	-	-	1,433,338	1,433,338	-	-	-	2,406,643	2,406,628		
Repo	30.91	-	9,664,745	-	9,664,745	9,664,745	-	-	9,664,745	9,664,745	-	-	1,140,922	-	1,140,922	1,140,922	
<b>Other financial assets</b>																	
Cash and cash equivalents	35.2	-	-	3,099,838	3,099,838	3,099,838	-	-	2,717,805	2,717,805	-	-	-	-	1,869,652	1,869,652	
Loans to life policyholders	31.2	-	-	412,829	412,829	412,829	-	-	412,829	412,829	-	-	-	-	350,134	350,134	
Reinsurance receivables	32.2	-	-	524,933	524,933	524,933	-	-	482,477	482,477	-	-	-	-	518,316	518,316	
Premiums receivables	33.2	-	-	1,991,824	1,991,824	1,991,824	-	-	1,918,988	1,918,988	-	-	-	-	2,904,513	2,904,513	
Receivable and other assets	34.3	-	-	120,335	120,335	120,335	-	-	89,925	89,925	-	-	-	-	87,772	87,772	
<b>Total financial assets not at fair value</b>																	
		13,864,288	14,782,941	9,536,907	37,984,135	35,302,513	13,864,288	14,782,941	8,809,172	37,456,401	34,774,779	18,954,513	7,062,990	8,870,508	34,887,941	30,860,265	
<b>Financial liabilities</b>																	
Loans and borrowings	42.6	-	-	-	-	-	-	-	-	-	-	-	-	-	3,016,443	3,016,443	
Reinsurance payables	43.2	-	-	721,114	721,114	721,114	-	-	668,426	668,426	-	-	-	-	754,059	754,059	
Other liabilities	45.3	-	-	5,061,183	5,061,183	5,061,183	-	-	4,301,152	4,301,152	-	-	-	-	3,965,090	3,965,090	
Bank overdraft	45.3	-	-	387,288	387,288	387,288	-	-	387,288	387,288	-	-	-	-	368,315	368,315	
<b>Total financial liabilities not at fair value</b>																	
		-	-	6,169,585	6,169,585	6,169,585	-	-	5,356,866	5,356,866	-	-	-	-	8,103,907	8,103,907	

\*Listed Debentures have been classified under level 2 in the fair value hierarchy since there is no active market for these instruments, even though such instruments are listed.

# NOTES TO THE FINANCIAL STATEMENTS

## 49. RISK AND CAPITAL MANAGEMENT

(FN-IN-550a.3)

### Overview

Insurance contracts expose the Group to underwriting risk, product design risk, reinsurance risk and claim risk. In addition, the Group is exposed to various types of risks including credit, market, liquidity and operational risks which are inherent in the Group's activities. Managing these risks is critical for the sustainability of the Group and plays a pivotal role in all activities of the Group. Risk Management function strives to identify potential risks in advance, analyse them and take precautionary steps to mitigate the impact of risk whilst optimising risk-adjusted returns within the risk appetite of the Group.

### Disclosure requirement under SLFRS 4 - Insurance contracts and SLFRS 7 - Financial instruments

As required by SLFRS 4 and SLFRS 7, this note presents qualitative and quantitative information about the Group's exposure to each of the Insurance risks, Financial risks, Operational risk and the Group's objectives, policies and processes for measuring and managing such risks.

### Risk management objectives, policies and processes

Refer risk management report on page 78 to 113 of this report to obtain a complete overview of the risk landscape that Softlogic Life Insurance PLC is exposed to and its objectives, policies, process and methodologies adopted for managing those risks.

#### 49.1 Risk management framework

The primary objective of the Group's risk and financial management framework is to protect its shareholders from events that could hinder the sustainable achievement of financial objectives, including the failure to exploit opportunities.

The overall responsibility and oversight of the risk management framework is vested with the Board of Directors (BOD). The Risk Management Committee, a subcommittee set up by the Board, in turn is entrusted with the development of the Group's risk management policies and monitoring of due compliance of the same through the Risk Management Committee. The committee reports regularly to the Board of Directors on its activities.

The risk management policies spell out the risk appetite of the Group and have incorporated risk exposure limits and controls to monitor adherence to the limits in force. These policies and systems are reviewed regularly to reflect the changing market conditions and the products and services offered.

The Group's risk management team, comprise members of the senior management who oversee the risk management activities of the Group. The activities cover areas such as the evaluation of business processes, design and implementation of the risk strategy and risk policies, review and update of the risk profile, delegation of authority, monitoring of risk mitigation activities, etc.

The Audit Committee oversees how the management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the Risk Management Framework in relation to the risks faced by the Group. The Group strives to inculcate a risk management culture through continuous training, work ethics and standards.

##### 49.1.1 Regulatory framework

The IRCSL is primarily interested in protecting the rights of policyholders and monitoring them closely in line with the Regulation of Insurance Industry Act No.43 of 2000 and amendments thereto to ensure that the Group is satisfactorily managing its affairs for the benefits of policyholders.

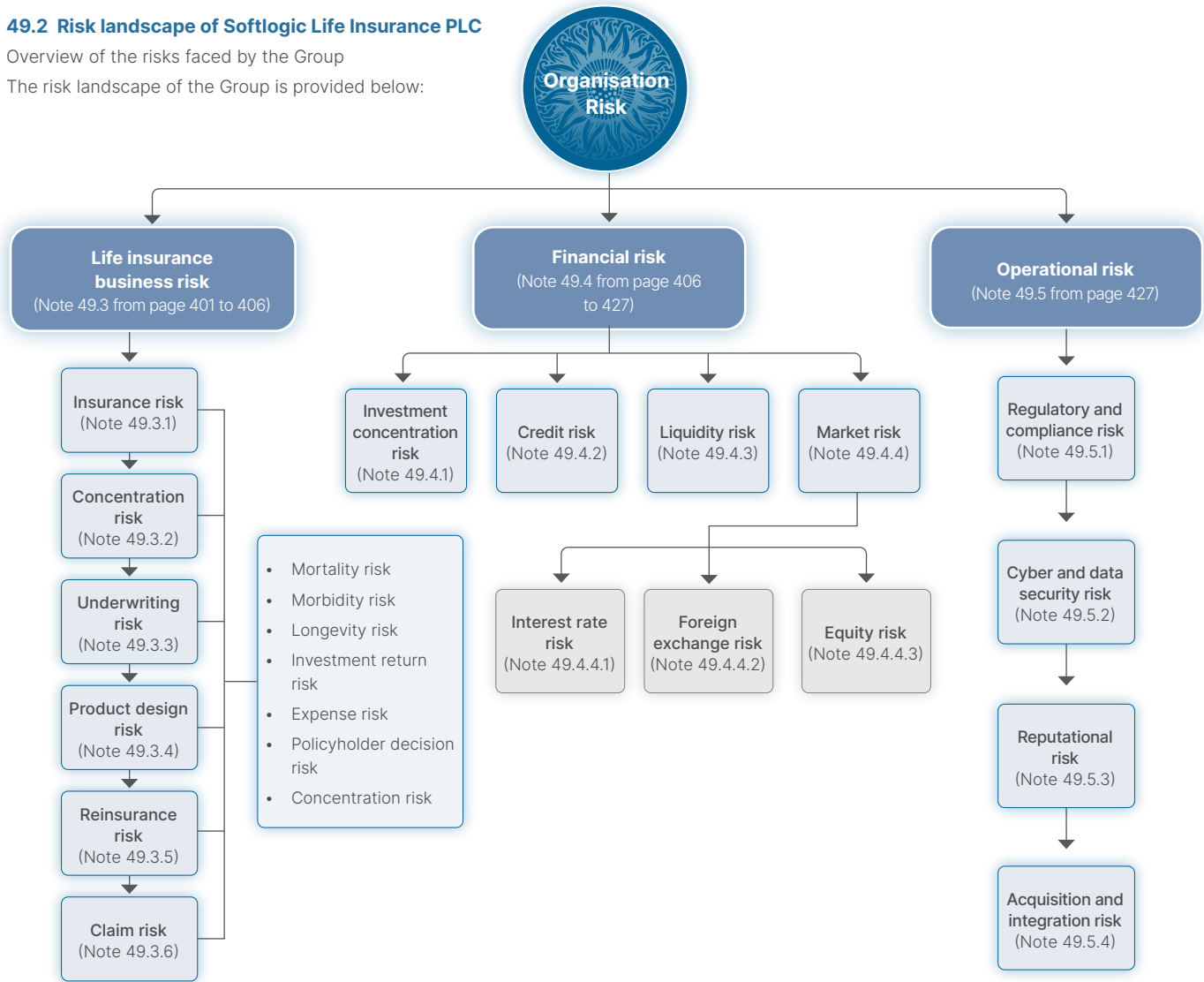
At the same time, IRCSL is monitoring whether the Group complies with rules with respect to the solvency position and determination requirements to meet risk arising from unforeseeable events.

##### 49.1.2 Compliance with regulatory framework

Refer Note 49.7.2 to 49.7.5 on pages 429 to 430 for the compliance status under RBC Rules.

## 49.2 Risk landscape of Softlogic Life Insurance PLC

Overview of the risks faced by the Group  
The risk landscape of the Group is provided below:



## 49.3 Life insurance business risk

### 49.3.1 Insurance risk

Risk exposure	<ul style="list-style-type: none"> <li>Likelihood of an insured event occurring, requiring the insurer to pay a claim which is transferred to the Group through the underwriting process.</li> <li>Deviation of actual claims and benefit payments (or their timing) from expectations which is influenced by: frequency of claims, severity of claims, actual benefits paid, subsequent development of long-term claims.</li> <li>Profitability of the insurance business also susceptible to broader business risks, including unexpected changes in expenses, policyholder behaviour, and fluctuations in new business volumes.</li> </ul>
Risk response	<ul style="list-style-type: none"> <li>Underwriting Strategy: Careful selection and implementation of underwriting guidelines;</li> <li>Reinsurance: Engaging in external reinsurance arrangements;</li> <li>Reserving Processes: Establishing robust reserving practices;</li> <li>Diversification: Spreading insurance contracts across various geographical areas;</li> </ul>
Sustainability and climate impact	Refer page 111

Refer Note 40.5 on page 383 for Key assumptions used in determining the insurance contract liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

### 49.3.1 Insurance risk (Contd.)

Table 01 - Sensitivities to insurance contract liabilities

	Change in assumption	2025		2024
		Group	Company	Company
		Impact on liabilities Rs. '000	Impact on liabilities Rs. '000	Impact on liabilities Rs. '000
Mortality	+10%	800,980	770,692	588,527
	-10%	(757,908)	(730,895)	(549,052)
Morbidity	+10%	2,255,865	2,224,690	1,645,389
	-10%	(419,279)	(389,040)	(337,491)
Discount rate	+50 basis points	(2,021,270)	(1,941,146)	(1,683,151)
	-50 basis points	2,322,532	2,128,828	1,846,684
Expenses	+10%	1,164,494	1,091,363	964,096
	-10%	(1,161,503)	(1,088,372)	(964,395)

The above analysis is performed for reasonably possible movements in key assumptions with all other variables held constant, showing the impact on insurance contract liabilities. The method used for deriving sensitivity information and significant assumptions made have not been changed from the previous period.

### 49.3.2 Concentration risk

Risk exposure	<ul style="list-style-type: none"> <li>Risk of exposure to increased losses associated with inadequately diversified portfolios of assets or obligations.</li> <li>May arise with respect to business written within a geographical area or a type of policies issued by the Group.</li> <li>Observing best estimate assumptions on cash flows related to benefits of insurance contracts gives some indication of the size of the exposure to risks and the extent of risk concentration.</li> </ul>
Risk response	<ul style="list-style-type: none"> <li>Product development (Refer page 162)</li> <li>Market segmentation (Refer page 161)</li> <li>Ensure compliance with (solvency margin RBC) requirements imposed by the regulator (IRC SL) (Refer Note 49.7.2 on page 429)</li> <li>Continuously monitor maturity analysis of assets and liabilities in order to meet future cash flow requirements.</li> </ul>
Sustainability and climate impact	Refer pages 80 to 85

Table 02 - Mix of the insurance contract liabilities

As at 31 December	2025				2024	
	Group		Company		Company	
	Insurance contract liabilities Rs. '000	%	Insurance contract liabilities Rs. '000	%	Insurance contract liabilities Rs. '000	%
Maximum exposure	46,611,447		38,040,296		33,290,278	
Participating fund	15,877,099	34	15,877,099	42	13,651,438	41
Non-participating fund	16,434,193	35	15,227,449	40	13,827,573	42
Universal life fund	14,300,155	31	6,935,748	18	5,811,267	17
Total	46,611,447	100	38,040,296	100	33,290,278	100

### 49.3.3 Underwriting risk

Risk exposure	Arising from an inaccurate assessment of the risk entailed in underwriting the policy resulting in the policy costing much more than the premiums earned.
Risk response	<ul style="list-style-type: none"> <li>Continuous training for underwriting staff</li> <li>Adherence to the social and environmental policy at the time of underwriting</li> <li>Establishing a clearly defined pricing policy</li> <li>Establishing limits for underwriting authority</li> <li>Motivation of underwriting staff in insurance academic studies by providing scholarships to staff.</li> <li>Use of systematic underwriting limits</li> <li>Comply with the money laundering policies</li> </ul>
Sustainability and climate impact	Refer pages 80 to 85

#### 49.3.3.1 Management of underwriting risk

The Board of Directors sets the Group's strategy for accepting and managing underwriting risk. Specific underwriting objectives (e.g. aggregation limits, reinsurance protection thresholds and line of business diversification parameters) are prepared and reviewed by Chief Technical Officer (CTO). The Board continuously reviews its underwriting strategy in the light of evolving market pricing and loss conditions and as opportunities present by themselves.

Prices charged for the cost of insurance risk are set through a process of financial analysis, including comparisons of the Group's experience with industry experience and benchmarking of prices against other product providers in the same markets. Individual contracts are examined and reviewed by underwriting staff with the aim of ensuring that the premiums charged and the annuitisation rates applied reflect evidence of the current health condition and family medical history of the applicants.

Mortality, morbidity and longevity risks are mitigated by the use of reinsurance. Reinsurers are selected from the list of approved reinsurers of the Group. The aggregation of risk ceded to individual reinsurers is monitored at Group level.

**Table 03 - GWP by province**

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Western Province	27,981,570	27,516,238	22,530,797
Southern Province	3,405,174	3,164,923	2,676,597
North Western Province	2,830,610	2,598,357	2,042,343
Central Province	2,070,580	1,899,477	1,589,297
Sabaragamuwa Province	1,168,600	1,149,800	1,034,644
North Central Province	710,527	685,102	565,952
Uva Province	651,497	600,751	482,919
Northern Province	981,444	490,755	467,605
Eastern Province	275,493	226,082	183,313
<b>Total</b>	<b>40,075,495</b>	<b>38,331,485</b>	<b>31,573,467</b>

The above table sets out the gross written premium of the Group by the province of issue.

## NOTES TO THE FINANCIAL STATEMENTS

### 49.3.4 Product design risk

Risk exposure	<ul style="list-style-type: none"> <li>Largely depends on futuristic hypothetical assumptions as there is a risk of introducing an unprofitable products to the market due to the inappropriate use of assumptions or judgements.</li> <li>Participating, Non Participating and Universal Life insurance contracts are issued by the Group. Hence, the nature and extent of the underwriting and financial risks arising from these contracts are determined by the contract design.</li> </ul>
Risk response	<ul style="list-style-type: none"> <li>The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related reinsurance contracts and the risks arising from financial assets held to fund the settlement of the liabilities. The extent to which profit or loss and equity in any period are sensitive to financial risks depends on the extent to which they are economically hedged or borne by contract holders and the extent of any mismatches inherent in the accounting policies adopted by the Group.</li> </ul>
Sustainability and climate impact	Refer pages 80 to 82

**Table 04 - Assumptions used in the product development**

Risk	Description	Assumptions used / risk response
Mortality risk	Risk of loss arising due to policyholders' death experience being different from expected.	Use of standard table A 67/70 mortality rates with adjustments to reflect the Group's mortality experience.
Morbidity risk	Risk of loss arising due to policyholders' accident/ sickness experience condition being different from expected.	Assumptions are based on the Group's own experience.
Longevity risk	Risk that annuitants(a person who receives on annuity payment) live longer than expected.	The policy terms and conditions and the disclosure requirements contained in insurance applications are designed to mitigate the risk arising from non-standard and unpredictable risks.
Investment return risk	Risk of loss arising from actual returns being different from expected.	Investment decisions are being made to comply with RBC framework and Determination rules issued by IRCSL.
Expense risk	Risk of loss arising from the actual expense experience being different from expected.	The best estimate expense assumptions have been set based on the expense investigation carried out as at 31 December 2025 based on the expenses incurred during 2025.
Policyholder discontinuance risk	Risk of loss arising due to policyholders' experiences (lapses and surrenders) being different from expected.	Lapses and surrender rates are projected according to the Group's past experience.  Introduction of convenient premium payment methods and granting the option to activate lapsed policies with fewer medical requirements.
Concentration risk	Risk of losses due to maintaining an inadequate product portfolio mix.	The risk exposure is mitigated by diversification across a large portfolio of insurance contracts into different classes. Developing a proper product mix in line with the Group's strategy.

Refer Note 49.3.2 (Table 02) on page 402 for the disclosure on the concentration of the participating, non participating and universal life funds position.

**Table 05 - Overall risk mitigation approach in the life insurance Business**

Product	Key Risk	Risk Mitigation
Traditional participating	Market risk: Investment return on underlying items falling below guaranteed minimum rates	Management discretion to determine amount and timing of policyholder bonuses (within limits)
Non participating	Market risk: Insufficient fees to cover cost of guarantees and expenses	Derivative hedging programme Surrender penalties
	Interest rate risk: Differences in duration and yield of assets and liabilities	Matching of asset and liability cash flows
Universal life	Investment credit risk	Investing in investment grade assets

**49.3.5 Reinsurance risk**

Risk exposure	<ul style="list-style-type: none"> <li>Exposure at varying degrees to various risks inherent such as:</li> <li>Legal risk - may arise when the terms of the contract do not accurately reflect the intent of the insurer or when the contract cannot be legally enforced;</li> <li>Liquidity risk - may arise from the possible lag time between the payment of a claim by the insurer to its insured and receipt of the reinsurance recoverable.</li> <li>Counterparty risk - may result from the inability or potential refusal of the reinsurer, or a stakeholder in the case of an alternative risk transfer mechanism to honour its obligations towards the ceding insurer.</li> </ul>
Risk response	<ul style="list-style-type: none"> <li>Reviewing reinsurance strategy and arrangements on an annual basis as approved by the Board Risk Committee.</li> <li>Conducting detailed studies on the adequacy of reinsurance arrangements for catastrophic events.</li> <li>Ensuring that reinsurance transactions are conducted with parties which meet IRCSL rating requirements.</li> <li>Ensuring minimum concentration amongst reinsurance parties.</li> <li>Review of reinsurance creditworthiness regularly.</li> </ul>
Sustainability and climate impact	Refer pages 86 to 87

**Table 06 - Reinsurance exposure**

For the year ended 31 December	2025		2025		2024	
	Group		Company		Company	
	Rs. '000	% from the GWP	Rs. '000	% from the GWP	Rs. '000	% from the GWP
Gross written premiums	40,075,495		38,331,485		31,573,467	
Reinsurance	(2,737,583)	7	(2,719,952)	7	(2,509,698)	8
Net written premiums	37,337,912		35,611,533		29,063,769	

Accordingly, the Group's premium ceded to reinsurers is approximately 7% of the gross written premium.

**Table 07 - Reinsurance recoveries**

For the year ended 31 December	2025		2025		2024	
	Group		Company		Company	
	Rs. '000	% from the GWP	Rs. '000	% from the GWP	Rs. '000	% from the GWP
Gross claims paid	20,078,758		19,038,565		14,859,105	
Claims recovered from reinsurers	(760,578)	4	(723,880)	5	(671,212)	5
Net claims paid	19,318,180		18,314,685		14,187,893	

# NOTES TO THE FINANCIAL STATEMENTS

The Group has recovered approximately 4% of the gross claims paid from reinsurers during the period under review.

Refer Note 49.4.2.11 on page 418 for the analysis of credit risk relating to reinsurance receivables. Further, refer Table 18 on page 418 for the rating analysis of reinsurance receivables.

## 49.3.6 Claim risk

Risk exposure	<ul style="list-style-type: none"> <li>Possibility of adverse variance in claim pattern of the product which is not expected at the product development stage.</li> </ul>
Risk response	<ul style="list-style-type: none"> <li>Obtaining adequate reinsurance cover.</li> <li>Adequate information is gathered to confirm the event occurred prior to processing the claims.</li> <li>Claim reserves are closely monitored by the Chief Technical Officer (CTO).</li> </ul>
Sustainability and climate impact	Refer pages 80 to 82

Refer Note 13.4 and 14.2 on page 336 and 337 for the claims paid and outstanding during the period under review.

## 49.3.7 Determination of the life insurance contract liabilities

Gross premium valuation (GPV) methodology has been used for calculating the insurance contract liabilities as at 31 December 2025. Gross and net of reinsurance liabilities have been calculated as required in the RBC regulations. In determining the policy liabilities, provisions for reinsurance have been allowed for according to the applicable reinsurance terms as per the current agreements.

Judgments and assumptions are required in determining the insurance contract liabilities. Assumptions are evaluated on a continuous basis to ensure realistic and reasonable valuation of insurance contract liabilities.

The valuation model is reviewed by Messrs. Willis Towers Watson India Private Limited and they have provided assurance on the following aspects:

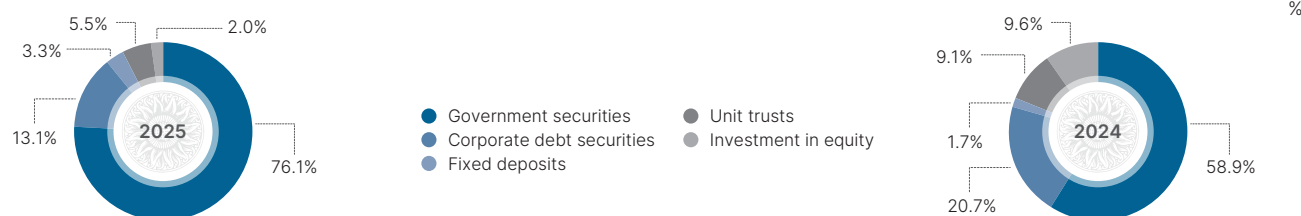
- The Prophet models capture all material product features; the calculations in the model are performed in accordance with the intended methodology; and All relevant calculations performed in the model are materially accurate, robust and fit-for-purpose.
- The calculations in the model are performed in accordance with the intended methodology; and
- All relevant calculations performed in the model are materially accurate, robust and fit-for-purpose.

## 49.4 Financial risk

### 49.4.1 Investment concentration risk

Risk exposure	<ul style="list-style-type: none"> <li>Arising due to concentration of a single counterparty, sector, one geographic area or one type of security. It also may be defined as less diversification of investment portfolio.</li> </ul>
Risk response	<ul style="list-style-type: none"> <li>Clearly defined single party limits are continuously monitored and periodically reviewed.</li> <li>Assets allocation limits are regularly reviewed by the Risk Officer.</li> <li>The Group ensures that an acceptable level of risk diversification is maintained on an ongoing basis.</li> </ul>
Sustainability and climate impact	Refer pages 90 and 91

## INVESTMENT EXPOSURE



**Table 08 - Maximum exposure to the investment concentration risk and diversification of the investment portfolio**

As at 31 December	2025				2024	
	Group		Company		Company	
	Rs. '000	%	Rs. '000	%	Rs. '000	%
<b>Maximum exposure to investment concentration risk</b>	56,962,074		47,072,300		43,938,018	
<b>Government securities</b>						
Treasury bonds	29,688,140		21,252,866		20,673,471	
Treasury bills	391,214		-		704,527	
International sovereign bonds	3,334,066		3,334,066		3,378,691	
Repo	9,918,186		9,664,745		1,140,922	
	43,331,606	76	34,251,677	73	25,897,611	59
<b>Corporate debt securities</b>						
Banks	3,881,794		3,881,794		4,903,630	
Capital goods	-		-		200,137	
Diversified financials	3,188,631		3,142,770		3,572,270	
Food beverage and tobacco	-		-		8,547	
Telecommunication	409,139		409,139		409,120	
	7,479,564	13	7,433,703	16	9,093,704	20
<b>Fixed deposits</b>						
Licensed commercial banks	1,724,690		1,606,414		705,041	
Licensed finance companies	147,396		147,396		28,426	
	1,872,086	3	1,753,810	4	733,467	2
<b>Unit trusts</b>						
Debt securities	3,116,173		3,096,551		3,998,341	
	3,116,173	5	3,096,551	6	3,998,341	9
<b>Investment in equity</b>						
Banks	165,170		-		3,737,944	
Diversified financials	97,227		87,853		92,559	
Household & Personal Products	12,745		-		-	
Consumer Services	21,463		-		-	
Consumer Durables and Apparels	30,976		-		-	
Food Beverage & Tobacco	19,659		-		-	
Insurance	16,221		-		-	
Utilities	20,381		-		-	
Materials	47,712		-		-	
Transportation	70,521		-		-	
Telecommunication Services	20,310		-		-	
Capital goods	190,050		-		-	
Hospitality and Tourism Industry	1,504		-		-	
Healthcare equipment and services	448,706		448,706		384,392	
	1,162,645	2	536,559	1	4,214,895	10
<b>Total exposure</b>	56,962,074	100	47,072,300	100	43,938,018	100

# NOTES TO THE FINANCIAL STATEMENTS

## 49.4.2 Credit risk

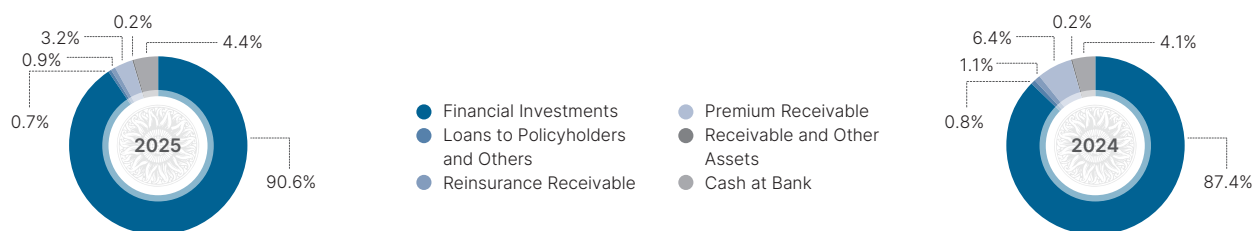
### 49.4.2.1 Maximum exposure to credit risk

Table 09 - Credit risk exposure through financial investments

As at 31 December	Note	2025				2024	
		Group		Company		Company	
		Rs. '000	%	Rs. '000	%	Rs. '000	%
Financial investments*	49.4.2.3	55,799,429	90.6	46,535,741	89.2	39,723,123	87.4
Loans to life policyholders	49.4.2.10	412,829	0.7	412,829	0.8	350,134	0.8
Reinsurance receivables	49.4.2.11	524,933	0.9	482,477	0.9	518,316	1.1
Premium receivables	49.4.2.12	1,991,824	3.2	1,918,988	3.7	2,904,513	6.4
Receivables and other assets	49.4.2.13	120,335	0.2	89,925	0.2	87,772	0.2
Cash at bank	49.4.2.14	2,736,138	4.4	2,708,450	5.2	1,860,952	4.1
<b>Maximum exposure to credit risk</b>		<b>61,585,488</b>	<b>100</b>	<b>52,148,410</b>	<b>100</b>	<b>45,444,810</b>	<b>100</b>

\*The Financial investment amount does not include equity investments since equity investments are not exposed to credit risk.

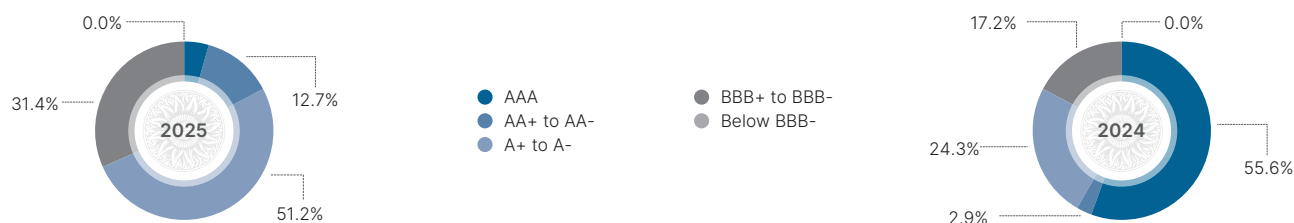
### TOTAL EXPOSURE TO CREDIT RISK



### CREDIT QUALITY OF DEBT INSTRUMENTS



### CREDIT QUALITY OF UNIT TRUST INVESTMENTS



**49.4.2.2 Concentration of credit risk**

The Group monitors concentrations of credit risk by industry / sector wise. The Group ensures that an acceptable level of risk diversification is maintained on an ongoing basis and the limits are reviewed by the Risk Officer.

The following tables demonstrate the sector wise maximum exposure to credit risk in respect of each item of financial assets in the Statement of Financial Position as at 31 December 2025 and 31 December 2024.

**Table 10 - Sector wise exposure to credit risk**

For the year ended December	2025										2024				
	Group					Company					Diversified areas				
	Total assets exposure to credit risk Rs. '000	Government of Sri Lanka Rs. '000	Financial services Rs. '000	Other listed entities Rs. '000	Other Rs. '000	Total assets exposure to credit risk Rs. '000	Government of Sri Lanka Rs. '000	Financial services Rs. '000	Other listed entities Rs. '000	Other Rs. '000	Total assets exposure to credit risk Rs. '000	Government of Sri Lanka Rs. '000	Financial services Rs. '000	Other listed entities Rs. '000	Other Rs. '000
Amortised cost															
Treasury bonds	11,221,087	11,221,087	-	-	-	11,221,087	11,221,087	-	-	-	-	14,355,429	14,355,429	-	-
Treasury bills	-	-	-	-	-	-	-	-	-	-	-	704,527	704,527	-	-
Debentures	5,079,775	-	4,670,636	409,139	-	5,079,775	-	4,670,636	409,139	-	-	5,988,905	-	5,571,238	417,667
Commercial papers	1,433,338	-	1,241,841	191,497	-	1,433,338	-	1,241,841	191,497	-	-	2,006,628	-	2,006,491	200,137
Fixed deposits	1,753,810	-	1,753,810	-	-	1,753,810	-	1,753,810	-	-	-	733,467	-	733,467	-
Repo	9,664,745	9,664,745	-	-	-	9,664,745	9,664,745	-	-	-	-	1,140,922	1,140,922	-	-
Loans to life policyholders	412,829	-	-	412,829	-	412,829	-	-	-	-	-	350,134	-	-	350,134
Reinsurance receivables	524,933	-	-	524,933	-	482,477	-	-	-	-	-	482,477	-	-	518,316
Premium receivables	1,991,824	-	-	1,991,824	-	1,918,988	-	-	-	-	-	1,918,988	-	-	2,904,513
Receivable and other assets	120,335	-	-	120,335	-	89,925	-	-	-	-	-	89,925	-	-	87,772
Cash at bank	2,736,138	-	2,736,138	-	-	2,708,450	-	2,708,450	-	-	-	1,860,952	-	1,860,952	-
<b>Total Amortised cost</b>	<b>34,938,814</b>	<b>20,885,832</b>	<b>10,402,425</b>	<b>600,636</b>	<b>3,049,921</b>	<b>34,765,424</b>	<b>20,885,832</b>	<b>10,374,737</b>	<b>600,636</b>	<b>2,904,219</b>	<b>30,851,565</b>	<b>16,200,878</b>	<b>10,172,148</b>	<b>617,804</b>	<b>3,860,735</b>
FVOCI															
Treasury bonds	18,021,640	18,021,640	-	-	-	9,878,242	9,878,242	-	-	-	-	5,959,358	5,959,358	-	-
Treasury bill	391,214	391,214	-	-	-	-	-	-	-	-	-	-	-	-	-
Repo	148,418	148,418	-	-	-	-	-	-	-	-	-	-	-	-	-
International sovereign bonds	3,334,066	3,334,066	-	-	-	3,334,066	3,334,066	-	-	-	-	3,378,691	3,378,691	-	-
<b>Total FVOCI</b>	<b>21,895,338</b>	<b>21,895,338</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,212,308</b>	<b>13,212,308</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,338,049</b>	<b>9,338,049</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 49.4.2.2 Concentration of credit risk (Contd.)

For the year ended December	2025										2024				
	Group					Company					Diversified areas				
	Total assets exposure to credit risk Rs. '000	Government Sri Lanka Rs. '000	Financial services Rs. '000	Other listed entities Rs. '000	Other Rs. '000	Total assets exposure to credit risk Rs. '000	Government Sri Lanka Rs. '000	Financial services Rs. '000	Other listed entities Rs. '000	Other Rs. '000	Total assets exposure to credit risk Rs. '000	Government Sri Lanka Rs. '000	Financial services Rs. '000	Other listed entities Rs. '000	Other Rs. '000
FVTPL															
Treasury bonds	445,413	445,413	-	-	-	153,537	153,537	-	-	-	358,684	358,684	-	-	-
Repo	105,023	105,023	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits	118,276	-	118,276	-	-	-	-	-	-	-	-	-	-	-	-
Securitized papers	45,861	-	45,861	-	-	-	-	-	-	-	-	-	-	-	-
Unlisted perpetual debenture	719,932	-	719,932	-	-	719,932	-	719,932	-	-	722,416	-	722,416	-	-
Commercial papers	200,658	-	200,658	-	-	200,658	-	200,658	-	-	175,755	-	175,755	-	-
Unit Trusts	3,116,173	-	3,116,173	-	-	3,096,551	-	3,096,551	-	-	3,998,341	-	3,998,341	-	-
Total FVTPL	4,751,336	550,436	4,200,900	-	-	4,170,678	153,537	4,017,141	-	-	5,255,196	358,684	4,896,512	-	-
Total financial assets exposure to credit risk	61,585,488	43,331,606	14,603,325	600,636	3,049,921	52,148,410	34,251,677	14,391,878	600,636	2,904,219	45,444,810	25,897,611	15,068,660	617,804	3,860,735

\*The table does not include equity investments since equity investments are not exposed to credit risk.

### 49.4.2.3 Credit risk on financial investments

Risk exposure	Risk response
<ul style="list-style-type: none"> <li>Arising due to concentration of a single counter-party, sector, one geographic area or one type of security. It also may be defined as less diversification of investment portfolio.</li> <li>Refers to the risk of financial loss to the Group if a counter-party to a financial instrument fails to meet their contractual obligations. Exposed from its operating activities and from its investment activities, including debt securities with banks and financial institutions, foreign exchange transactions and other financial instruments.</li> </ul>	<ul style="list-style-type: none"> <li>Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.</li> <li>Establishing the authorisation structure for the approval and renewal of credit facilities, intermediaries and reinsurers in line with credit policies. Authorisation limits are allocated to business units.</li> <li>Limiting concentrations of exposure to counter-parties, industries, issuer credit rating limitations and market liquidity.</li> <li>Clearly defined single party exposure limits based on the credit ratings and regulatory requirements and monitoring them closely at different levels.</li> <li>Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.</li> <li>Continually reviewing and assessing the credit risk.</li> <li>Prohibiting non-graded investments, unless specifically authorised through the Group's investment policy.</li> <li>Taking appropriate actions when the investments are expected to be at high credit risk.</li> </ul>

Sustainability and climate impact  
Refer pages 90 and 91

The Group is also exposed to credit risk through its financial investments. The credit worthiness of the financial instruments are assessed using the credit ratings assigned to each security and fixed deposits. This rating provides the Group the indication of the financial stability of the investment.

**Table 11 - Credit quality analysis of financial investments**

For the year ended December	2025						2024					
	Group			Company			Company					
	Amortised cost Rs. '000	FVOCI Rs. '000	FVTPL Rs. '000	Total Rs. '000	Amortised cost Rs. '000	FVOCI Rs. '000	FVTPL Rs. '000	Total Rs. '000	Amortised cost Rs. '000	FVOCI Rs. '000	FVTPL Rs. '000	Total Rs. '000
Maximum exposure to credit risk,	29,152,755	21,895,338	4,751,336	55,799,429	29,152,755	13,212,308	4,170,678	46,535,741	25,129,878	9,338,049	5,255,196	39,723,123
Government securities	20,885,832	21,895,338	550,436	43,331,606	20,885,832	13,212,308	153,537	34,251,677	16,200,878	9,338,049	358,684	25,897,611
Debt instruments having credit ratings												
AAA	-	-	-	-	-	-	-	-	-	-	-	-
AA+ to AA-	1,922,672	-	557,028	2,479,700	1,922,672	-	504,128	2,426,800	28,426	-	504,521	532,947
A+ to A-	4,473,299	-	512,690	4,985,989	4,473,299	-	416,462	4,889,761	3,693,374	-	393,650	4,087,024
BBB+ to BBB-	1,266,385	-	15,009	1,281,394	1,266,385	-	-	1,266,385	4,221,590	-	-	4,221,590
Below BBB-	604,567	-	-	604,567	604,567	-	-	604,567	985,610	-	-	985,610
Unit trusts**												
AAA	-	-	147,298	147,298	-	-	147,298	147,298	-	-	2,224,186	2,224,186
AA+ to AA-	-	-	394,905	394,905	-	-	391,177	391,177	-	-	115,581	115,581
A+ to A-	-	-	1,595,290	1,595,290	-	-	1,582,143	1,582,143	-	-	972,990	972,990
BBB+ to BBB-	-	-	978,680	978,680	-	-	975,933	975,933	-	-	684,082	684,082
Below BBB-	-	-	-	-	-	-	-	-	-	-	1,502	1,502
Total	29,152,755	21,895,338	4,751,336	55,799,429	29,152,755	13,212,308	4,170,678	46,535,741	25,129,878	9,338,049	5,255,196	39,723,123

\* The table does not include equity investments since equity investments are not exposed to credit risk.

\*\* Credit ratings of unit trust investments are based on the ratings on underlying instruments of the respective unit funds.

As at 31 December 2025, corporate debt instruments including fixed deposits comprise 20% (2024-22%) from the total financial investments, out of which 68% (2024 - 47%) were rated "A" or better.

The above has been derived as per the Group's risk management policy of using the carrying values in the Statement of Financial Position. There were no off - balance sheet exposures as at the date. This does not include the exposure that would arise in the future as a result of changes in values.

**49.4.2.4 Collateral held for Repo investments**

**(FN-IN-550a.2)**

Repo investments which fall under government securities is backed by treasury bills and bonds which are provided as collateral. The management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. A haircut of 10% is maintained at all times. As at the reporting date, the Group holds Rs. 11,285 Million (2024 - Rs. 1,298 Million) worth of treasury bills and treasury bonds as collateral to support repo investments amounting to Rs. 9,945 Million (2024 - Rs. 1,141 Million).

The Group has not sold securities received as collaterals for the period ended 31 December 2025 (2024 - Nil).

## NOTES TO THE FINANCIAL STATEMENTS

### 48.4.2.5 Maximum exposure to credit risk by risk rating (as per SLFRS 9)

The following table sets out information about the credit quality of financial investments measured at amortised cost, measured at FVOCI and measured at FVTPL.

Table 12 - credit risk by risk rating

As at 31 December 2025	Group									
	Risk status	Gross Carrying Value		ECL					Total	Net carrying value
		Not subject to ECL (Gross carrying amount)	Exposure to ECL (Gross carrying amount)	12 months ECL (Stage 1)	Life time ECL - Not credit impaired (Stage 2)	Life time ECL - credit impaired (Stage 3)	Recognised in OCI			
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
<b>Financial assets at amortised cost</b>										
<b>Government securities</b>										
Treasury bonds	Risk Free	11,221,087	-	-	-	-	-	-	11,221,087	
Treasury bills	Risk Free	-	-	-	-	-	-	-	-	
Repo	Risk Free	9,664,745	-	-	-	-	-	-	9,664,745	
		20,885,832	-	-	-	-	-	-	20,885,832	
<b>Debentures</b>										
AAA to AA-	Low Risk	-	409,141	(2)	-	-	-	(2)	409,139	
A+ to A-	Low Risk	-	3,506,829	(24)	-	-	-	(24)	3,506,805	
BBB+ to BBB-	Low Risk	-	1,163,845	(14)	-	-	-	(14)	1,163,831	
		-	5,079,815	(40)	-	-	-	(40)	5,079,775	
<b>Commercial paper</b>										
A+ to A-	Low Risk	-	1,241,842	(1)	-	-	-	(1)	1,241,841	
Below BBB-	High Risk	-	331,497	-	(140,000)	-	-	(140,000)	191,497	
		-	1,573,339	(1)	(140,000)	-	-	(140,001)	1,433,338	
<b>Deposits</b>										
AA+ to AA-	Low Risk	-	1,526,158	(3)	-	-	-	(3)	1,526,155	
A+ to A	Low Risk	-	125,101	-	-	-	-	-	125,101	
BBB+ to BBB-	Low Risk	-	102,558	(4)	-	-	-	(4)	102,554	
		-	1,753,817	(7)	-	-	-	(7)	1,753,810	
<b>Total Amortised cost</b>		20,885,832	8,406,971	(48)	(140,000)	-	-	(140,048)	29,152,755	
<b>Fair value through other comprehensive income</b>										
Treasury bonds	Risk Free	18,021,640	-	-	-	-	-	-	18,021,640	
Treasury bills	Risk Free	391,214	-	-	-	-	-	-	391,214	
Repo	Risk Free	148,418	-	-	-	-	-	-	148,418	
International sovereign bonds	Risk Free	2,716,960	617,106	-	(10,794)	-	10,794	-	3,334,066	
<b>Total FVOCI</b>		21,278,232	617,106	-	(10,794)	-	10,794	-	21,895,338	
<b>Fair value through profit or loss</b>										
Treasury bonds	Risk Free	445,413	-	-	-	-	-	-	445,413	
Repo	Risk Free	105,023	-	-	-	-	-	-	105,023	
Unlisted perpetual debentures	Low Risk	719,932	-	-	-	-	-	-	719,932	
Commercial papers	Low Risk	200,658	-	-	-	-	-	-	200,658	
Trust Certificates	Low Risk	45,861	-	-	-	-	-	-	45,861	
Bank Deposits	Low Risk	118,276	-	-	-	-	-	-	118,276	
Unit trusts	Low Risk	3,116,173	-	-	-	-	-	-	3,116,173	
<b>Total FVTPL</b>		4,751,336	-	-	-	-	-	-	4,751,336	
<b>Maximum exposure to credit risk</b>		46,915,400	9,024,077	(48)	(150,794)	-	10,794	(140,048)	55,799,429	

As at 31 December 2025	Company								
	Risk status	Gross Carrying Value		ECL					Net carrying value
		Not subject to ECL (Gross carrying amount)	Exposure to ECL (Gross carrying amount)	12 months ECL (Stage 1)	Life time ECL - Not credit impaired (Stage 2)	Life time ECL - credit impaired (Stage 3)	Recognised in OCI	Total	
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
<b>Financial assets at amortised cost</b>									
<b>Government securities</b>									
Treasury bonds	Risk Free	11,221,087	-	-	-	-	-	-	11,221,087
Treasury bills	Risk Free	-	-	-	-	-	-	-	-
Repo	Risk Free	9,664,745	-	-	-	-	-	-	9,664,745
		20,885,832	-	-	-	-	-	-	20,885,832
<b>Debentures</b>									
AAA to AA-	Low Risk	-	409,141	(2)	-	-	-	(2)	409,139
A+ to A-	Low Risk	-	3,506,829	(24)	-	-	-	(24)	3,506,805
BBB+ to BBB-	Low Risk	-	1,163,845	(14)	-	-	-	(14)	1,163,831
		-	5,079,815	(40)	-	-	-	(40)	5,079,775
<b>Commercial paper</b>									
A+ to A-	Low Risk	-	1,241,842	(1)	-	-	-	(1)	1,241,841
Below BBB-	High Risk	-	331,497	-	(140,000)	-	-	(140,000)	191,497
		-	1,573,339	(1)	(140,000)	-	-	(140,001)	1,433,338
<b>Deposits</b>									
AA+ to AA-	Low Risk	-	1,526,158	(3)	-	-	-	(3)	1,526,155
A+ to A	Low Risk	-	125,101	-	-	-	-	-	125,101
BBB+ to BBB-		-	102,558	(4)	-	-	-	(4)	102,554
		-	1,753,817	(7)	-	-	-	(7)	1,753,810
<b>Total Amortised cost</b>		20,885,832	8,406,971	(48)	(140,000)	-	-	(140,048)	29,152,755
<b>Fair value through other comprehensive income</b>									
Treasury bonds	Risk Free	9,878,242	-	-	-	-	-	-	9,878,242
International sovereign bonds	Low Risk	3,334,066	-	-	(10,794)	-	10,794	-	3,334,066
<b>Total FVOCI</b>		13,212,308	-	-	(10,794)	-	10,794	-	13,212,308
<b>Fair value through profit or loss</b>									
Treasury bonds	Risk Free	153,537	-	-	-	-	-	-	153,537
Unlisted perpetual debentures	Low Risk	719,932	-	-	-	-	-	-	719,932
Commercial papers	Low Risk	200,658	-	-	-	-	-	-	200,658
Unit trusts	Low Risk	3,096,551	-	-	-	-	-	-	3,096,551
<b>Total FVTPL</b>		4,170,678	-	-	-	-	-	-	4,170,678
<b>Maximum exposure to credit risk</b>		38,268,818	8,406,971	(48)	(150,794)	-	10,794	(140,048)	46,535,741

## NOTES TO THE FINANCIAL STATEMENTS

Table 12 - credit risk by risk rating (Contd.)

As at 31 December 2024	Company								
	Risk status	Gross Carrying Value		ECL					Net carrying value
		Not subject to ECL (Gross carrying amount)	Exposure to ECL (Gross carrying amount)	12 months ECL (Stage 1)	Life time ECL - Not credit impaired (Stage 2)	Life time ECL - credit impaired (Stage 3)	Recognised in OCI	Total	
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
<b>Financial assets at amortised cost</b>									
<b>Government securities</b>									
Treasury bonds	Risk Free	14,355,429	-	-	-	-	-	-	14,355,429
Treasury Bills	Low Risk	704,527	-	-	-	-	-	-	704,527
International sovereign bonds	High Risk	-	-	-	-	-	-	-	-
Repo	Risk Free	1,140,922	-	-	-	-	-	-	1,140,922
		16,200,878	-	-	-	-	-	-	16,200,878
<b>Debentures</b>									
AAA to AA-	Low Risk	-	-	-	-	-	-	-	-
A+ to A-	Low Risk	-	5,767,558	(279)	-	-	-	(279)	5,767,279
BBB+ to BBB-	Low Risk	-	213,122	(43)	-	-	-	(43)	213,079
Below BBB-	High Risk	-	9,501	-	(954)	-	-	(954)	8,547
		-	5,990,181	(322)	(954)	-	-	(1,276)	5,988,905
<b>Commercial paper</b>									
A+ to A-	Low Risk	-	2,006,506	(15)	-	-	-	(15)	2,006,491
Below BBB-	High Risk	-	400,137	-	(200,000)	-	-	(200,000)	200,137
		-	2,406,643	(15)	(200,000)	-	-	(200,015)	2,206,628
<b>Deposits</b>									
AA+ to AA-	Low Risk	-	28,426	-	-	-	-	-	28,426
A+ to A	Low Risk	-	705,052	(11)	-	-	-	(11)	705,041
		-	733,478	(11)	-	-	-	(11)	733,467
<b>Total Amortised cost</b>		16,200,878	9,130,302	(348)	(200,954)	-	-	(201,302)	25,129,878
<b>Fair value through other comprehensive income</b>									
Treasury bonds	Risk Free	5,959,358	-	-	-	-	-	-	5,959,358
International sovereign bonds	Low Risk	2,597,627	781,064	-	(9,849)	-	9,849	-	3,378,691
<b>Total FVOCI</b>		8,556,985	781,064	-	(9,849)	-	9,849	-	9,338,049
<b>Fair value through profit or loss</b>									
Treasury bonds	Risk Free	358,684	-	-	-	-	-	-	358,684
Unlisted perpetual debentures	Low Risk	722,416	-	-	-	-	-	-	722,416
Commercial Papers	Low Risk	175,755	-	-	-	-	-	-	175,755
Unit trusts	Low Risk	3,998,341	-	-	-	-	-	-	3,998,341
<b>Total FVTPL</b>		5,255,196	-	-	-	-	-	-	5,255,196
<b>Maximum exposure to credit risk</b>		30,013,059	9,911,366	(348)	(210,803)	-	9,849	(201,302)	39,723,123

Issuer credit rating of the investment is considered as the risk rating for the purpose of ECL computation. The impairment related disclosures are stated in the Note 30.14.1 on Page 373.

**49.4.2.6 Reconciliation from the opening balance to the closing balance of the carrying amounts by class of financial instruments.**

Following Table presents the reconciliation of financial investments at amortised cost and FVOCI which were subject to ECL.

**Table 13 - Movement of financial investment amortised cost and FVOCI Subject to ECL**

For the year ended December	2025						2024					
	Group			Company			Group			Company		
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Financial investments at amortised cost												
Balance at 1 January	24,921,193	208,685	-	25,129,878	24,921,193	208,685	-	25,129,878	29,751,301	3,947,358	-	33,698,659
Transfer to stage 1	-	-	-	-	-	-	-	-	(400,394)	-	-	(400,394)
Transfer to stage 2	-	-	-	-	-	-	-	-	-	400,394	-	400,394
Transfer to stage 3	-	-	-	-	-	-	-	-	-	-	-	-
Additions through Business combination	-	-	-	-	-	-	-	-	-	-	-	-
New assets originated or purchased	37,992,371	3,475,000	-	41,467,371	37,992,371	3,475,000	-	41,467,371	66,239,590	-	-	66,239,590
Financial assets derecognised	(34,868,731)	(3,593,054)	-	(38,461,785)	(34,868,731)	(3,593,054)	-	(38,461,785)	(71,544,519)	(7,369,628)	-	(78,914,147)
Net remeasurement of loss allowance	1,257	60,000	-	61,257	1,257	60,000	-	61,257	1,205	3,013,628	-	3,014,833
Write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Effects of movements in exchange rates	65,916	-	-	65,916	65,916	-	-	65,916	(60,486)	(773,792)	-	(834,278)
Amortisation adjustment	837,912	52,206	-	890,118	837,912	52,206	-	890,118	934,496	990,725	-	1,925,221
Balance as at 31 December	28,961,258	191,497	-	29,152,755	28,961,258	191,497	-	29,152,755	24,921,193	208,685	-	25,129,878
Financial investments at FVOCI												
Balance at 1 January	5,959,358	3,378,691	-	9,338,049	5,959,358	3,378,691	-	9,338,049	3,087,969	-	-	3,087,969
Transfer to stage 1	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-	-	-	-	-
Additions through Business combination	8,694,966	-	-	8,694,966	-	-	-	-	-	-	-	-
New assets originated or purchased	26,774,573	-	-	26,774,573	5,512,172	-	-	5,512,172	5,912,906	3,194,742	-	9,107,648
Financial assets derecognised	(22,313,397)	-	-	(22,313,397)	(1,574,070)	-	-	(1,574,070)	(2,896,294)	-	-	(2,896,294)
Net remeasurement of loss allowance	-	(944)	-	(944)	-	(944)	-	(944)	-	(9,849)	-	(9,849)
Write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Effects of movements in exchange rates	-	190,829	-	190,829	-	190,829	-	190,829	-	21,287	-	21,287
Fair value gain/ (losses) recorded in OCI	(44,4532)	(257,971)	-	(702,503)	60,801	(257,971)	-	(197,170)	(189,724)	73,475	-	(116,249)
Amortisation adjustment	(109,696)	23,461	-	(86,235)	(80,019)	23,461	-	(56,558)	44,501	99,036	-	143,537
Balance as at 31 December	18,561,272	3,334,066	-	21,895,338	9,878,242	3,334,066	-	13,212,308	5,959,358	3,378,691	-	9,338,049
Total balance as at 31 December	47,516,860	3,531,233	-	51,048,093	38,833,830	3,531,233	-	42,365,063	30,880,551	3,587,376	-	34,467,927

## NOTES TO THE FINANCIAL STATEMENTS

### 49.4.2.7 Reconciliation from the opening balance to the closing balance of the loss allowance by class of financial instruments

No impairment provision has been recognised in the Financial Statements in respect of financial investments at amortised cost and FVOCI to the extent that of investments have been made in risk-free government securities and in equity securities, as there is no credit risk exposure. Please refer Note 30.14 on page 373 for the impairment related disclosures on ISB restructured financial investments.

**Table 14 - ECL Movement**

	2025				2024			
	Group		Company		Company		Company	
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
<b>Financial investments at amortised cost</b>								
Balance at 1 January	348	200,954	-	201,302	348	200,954	-	201,302
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	37	(60,000)	-	(59,963)	37	(60,000)	-	(59,963)
New assets originated or purchased	2	-	-	2	2	-	-	2
Financial assets derecognised	(339)	(954)	-	(1,293)	(339)	(954)	-	(1,293)
	48	140,000	-	140,048	48	140,000	-	140,048
<b>Financial investments at FVOCI</b>								
Balance at 1 January	-	-	-	-	-	-	-	-
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	-	(944)	-	(944)	-	(944)	-	(944)
New assets originated or purchased	-	-	-	-	-	-	-	-
Financial assets derecognised	-	-	-	-	-	-	-	-
Recognised in other comprehensive income	-	944	-	944	-	944	-	944
<b>Balance as at 31 December</b>	-	-	-	-	-	-	-	-

Overview of the ECL principles and key inputs was disclosed in Note 30.14 on page 373.

No loan commitments or financial guarantee contracts exist as at the reporting date (2024 - Nil).

#### 49.4.2.8 Sensitivity of the ECL to future economic conditions

The Group has estimated the impairment provision on financial investments as at 31 December 2025, subject to various assumptions. The following table demonstrates the sensitivity of the impairment provision of the Group as at 31 December 2025 and 2024 to a feasible change in the following variables assuming all other variables remain constant.

**Table 15 - Sensitivity of the ECL**

As at 31 December	2025				2024	
	Group		Company		Company	
	Effect on SoFP Rs. '000	Effect on PBT Rs. '000	Effect on SoFP Rs. '000	Effect on PBT Rs. '000	Effect on SoFP Rs. '000	Effect on PBT Rs. '000
<b>Change in PD :</b>						
10% increase	(20,205)	(20,205)	(20,205)	(20,205)	(23,396)	(23,396)
10% decrease	20,211	20,211	20,211	20,211	23,394	23,394
<b>Change in macroeconomic variables:</b>						
10% increase	586	586	586	586	407	407
10% decrease	(585)	(585)	(585)	(585)	(409)	(409)

#### 49.4.2.9 Credit-impaired financial assets

There is no credit impaired financial assets as at 31 December 2025 (2024 - Nil)

#### 49.4.2.10 Credit risk relating to loans to life policyholders

<b>Risk exposure</b>	<ul style="list-style-type: none"> <li>Refers to the credit risk arises due to non settlement of loans obtained by policyholders.</li> </ul>
<b>Risk response</b>	<ul style="list-style-type: none"> <li>Loan granted amount is limited to surrender value of the insurance policy.</li> <li>Regular monitoring and limiting of credit exposures by individual counter-party and related counter-parties through the aggregated exposure across the various types of credit risk for that counter-party.</li> <li>Regular reporting by the Risk Officer on the largest exposures by rating category to the Risk Committee of the Board.</li> </ul>
<b>Sustainability and climate impact</b>	Refer pages 90 and 91

The credit risk exposure arising from loans granted to life policyholders are as follows.

**Table 16 - Credit risk exposure**

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Maximum exposure to credit risk	412,829	412,829	350,134
Total	412,829	412,829	350,134
Impaired	Nil	Nil	Nil

As at the reporting date, the value of policy loans outstanding amounts to Rs. 413 Million (2024 - Rs. 350 Million) and its related surrender value is Rs. 643 Million (2024 - 544 Million). Further to the credit risk analysis as stated above, refer Note 31 on page 375 for more information.

49.4.2.11 Credit risk on reinsurance receivables

<b>Risk exposure</b>	Refers to the risk of financial loss to the Group, if a reinsurer fails to meet its contractual obligations towards the Group.
<b>Risk response</b>	Management assesses the credit worthiness of reinsurers to update the reinsurance strategy on an annual basis and ascertains the suitable allowance for impairment of reinsurance assets.
<b>Sustainability and climate impact</b>	Refer pages 90 and 91

Table 17 - Age analysis of reinsurance receivable

As at 31 December	2025						2024					
	Group			Company			Company		Company			
	On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%	On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%	On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%
Up to 180 days	345,033	147,633	492,666	94	302,577	147,633	450,210	93	308,509	177,242	485,751	94
Over 180 days	32,267	-	32,267	6	32,267	-	32,267	7	32,565	-	32,565	6
Maximum exposure to credit risk	377,300	147,633	524,933	100	334,844	147,633	482,477	100	341,074	177,242	518,316	100
Past due but not impaired	Nil				Nil				Nil			

Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables resulting no impairment loss at the year end. (2024 - Nil).

Further to the credit risk analysis as stated above, refer Note 32 on page 376 for more information on the reinsurance receivable balances.

Table 18 - Rating analysis of credit risk on reinsurance receivables

As at 31 December	Rating agency	Rating	2025						2024					
			Group			Company			Company		Company			
			On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%	On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%	On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%
Munich Re	Fitch	AA	211,108	133,521	344,629	66	199,535	133,521	333,056	69	205,950	145,052	351,002	68
SCOR Re	Fitch	A+	27,678	10,809	38,487	7	27,678	10,809	38,487	8	42,303	24,953	67,256	13
TOA Re	S&P	A	-	-	-	-	-	-	-	-	31	-	31	0
AXA PPP Healthcare Limited	S&P	AA-	107,631	3,303	110,934	21	107,631	3,303	110,934	23	92,790	7,237	100,027	19
Allianz Re	S&P	AA	30,883	-	30,883	6	-	-	-	-	-	-	-	-
Total			377,300	147,633	524,933	100	334,844	147,633	482,477	100	341,074	177,242	518,316	100

#### 49.4.2.12 Credit risk on premium receivables

Risk exposure	<ul style="list-style-type: none"> <li>In life insurance, credit risk on premium receivables is minimal, since premium is collected before the policy is issued. However, the Group is exposed to credit risk on premium receivables from intermediary institutions.</li> </ul>
Risk response	<ul style="list-style-type: none"> <li>Regular follow ups for outstanding receivables balance.</li> <li>Entering into agreements with intermediary institutions committing them to settle dues within a specified time period.</li> </ul>
Sustainability and climate impact	Refer pages 90 and 91

Further to the credit risk analysis, refer Note 33 on page 376 for more information on the premium receivable balances..

#### 49.4.2.13 Credit Risk on the receivables and other assets

Financial losses could arise due to non settlement of amounts due from counter parties

Risk exposure	<ul style="list-style-type: none"> <li>Financial losses could arise due to non settlement of amounts due from counter-parties.</li> </ul>
Risk response	<ul style="list-style-type: none"> <li>Regularly review creditworthiness of counter-parties and take necessary actions if required.</li> </ul>
Sustainability and climate impact	Refer pages 90 and 91

#### 49.4.2.14 Credit risk on the cash at bank

Risk exposure	<ul style="list-style-type: none"> <li>Refers to the risk that the bank will default on its contractual obligations, which could result in financial loss.</li> </ul>
Risk response	<ul style="list-style-type: none"> <li>The Group maintains a strict policy to maintain cash deposits at counter-parties with sound ratings and future outlooks, the Group also maintains exposure limits to ensure that the Group has a diverse range of counter-parties to ensure low concentration risk.</li> </ul>
Sustainability and climate impact	Refer pages 90 and 91

Following table presents rating strength of the financial institutions of which the Group has held cash and cash equivalents.

**Table 19 - Rating strength of counter-parties on cash at bank**

As at 31 December	2025				2024	
	Group		Company		Company	
	Amount Rs. '000	%	Amount Rs. '000	%	Amount Rs. '000	%
AAA to AA-	1,708,643	63	1,708,643	63	800	-
A+ to A-	911,529	33	883,841	33	1,782,342	96
BBB+ to BB+	115,966	4	115,966	4	77,810	4
Maximum exposure to credit risk	2,736,138	100	2,708,450	100	1,860,952	100

Further to the credit risk analysis as stated in the Note 49.4.2.14 on page 419, refer Note 35 on page 378 for more information on the cash at bank balances.

49.4.3 Liquidity risk

<b>Risk exposure</b>	<ul style="list-style-type: none"> <li>Refers to the risk that the Group may not have sufficient liquid financial resources to meet its obligations when they fall due. The Group could also experience a maturity mismatch with respect to unexpected large claims and expected reinsurance recoveries from insurers. The Group's objective when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.</li> </ul>
<b>Risk response</b>	<ul style="list-style-type: none"> <li>Regular review by the Groups asset and liability management committee.</li> <li>Maintaining a diversified funding base and appropriate contingency facilities.</li> <li>Carrying a portfolio of highly liquid assets that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows.</li> <li>Monitoring liquidity ratios and carrying out stress-testing of the Group's liquidity position.</li> <li>Monitoring of duration on fixed income portfolios by the Treasury Team.</li> <li>Regular reviews of cash flow projections.</li> <li>Adhering to defined limits on maturity gaps as per approved risk limits and adhering to compositions of investments as per the investment policy.</li> <li>Reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments in the event claims exceed a certain amount.</li> <li>Availability of standby overdraft facility to be used in the event of an emergency.</li> </ul>
<b>Sustainability and climate impact</b>	Refer pages 89 to 90

49.4.3.1 Maturity analysis of financial assets and liabilities

Table 20 - Contractual discounted cash flows of financial assets and liabilities

Remaining Contractual period to maturity of the assets and liabilities of the Group as at date of Statement of Financial Position is detailed below.

	Contractual Discounted Cash Flows														
	2025						2024								
	Group		Company		Total		Company		Total		Company				
	No maturity Rs. '000	Less than 1 year Rs. '000	1 - 3 years Rs. '000	More than 3 years Rs. '000	Total Rs. '000	No maturity Rs. '000	Less than 1 year Rs. '000	1 - 3 years Rs. '000	More than 3 years Rs. '000	Total Rs. '000	No maturity Rs. '000	Less than 1 year Rs. '000	1 - 3 years Rs. '000	More than 3 years Rs. '000	Total Rs. '000
Maximum exposure to liquidity risk	-	7,005,284	5,234,657	28,617,027	40,856,968	-	5,621,993	4,068,265	21,725,731	31,415,989	-	8,866,088	3,368,413	16,914,641	29,149,142
Financial assets															
Amortised cost	-	13,860,752	3,247,419	12,044,584	29,152,755	-	13,860,752	3,247,419	12,044,584	29,152,755	-	7,138,999	1,756,217	16,234,662	25,129,878
Fair value through other comprehensive income	536,559	800,049	1,806,956	19,288,333	22,431,897	536,559	-	1,069,173	12,143,135	13,748,867	4,214,895	449,414	430,040	8,458,595	13,552,944
Fair value through profit or loss	1,384,345	3,514,759	147,062	331,256	5,377,422	719,932	3,327,802	21,270	101,674	4,170,678	722,416	4,270,301	30,898	231,581	5,255,196
Loans to life policyholders				412,829	412,829				412,829	412,829				350,134	350,134
Reinsurance receivables		524,933			524,933		482,477			482,477		518,316			518,316
Premium receivables		1,991,824			1,991,824		1,918,988			1,918,988		2,904,513			2,904,513
Other financial assets		120,335			120,335		89,925			89,925		87,772			87,772
Total financial assets	1,920,904	20,812,652	5,201,437	32,077,002	60,011,995	1,256,491	19,679,944	4,337,862	24,702,222	49,976,519	4,937,311	15,369,315	2,217,155	25,274,972	47,798,753

Table 20 - Contractual discounted cash flows of financial assets and liabilities (Contd.)

As at 31 December	Contractual Discounted Cash Flows													
	2025					2024								
	Group		Company			Group		Company						
No maturity	Less than 1 year	1 - 3 years	More than 3 years	Total	No maturity	Less than 1 year	1 - 3 years	More than 3 years	Total	No maturity	Less than 1 year	1 - 3 years	More than 3 years	Total
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Financial liabilities</b>														
<b>Insurance contract liabilities</b>														
- Maturities	2,116,928	4,382,263	28,181,507	34,680,698	-	1,443,960	3,320,796	21,294,367	26,059,123	-	1,661,658	2,587,555	16,796,022	21,045,235
Reinsurance payable	-	721,114	-	721,114	-	668,426	-	-	668,426	-	754,059	-	-	754,059
Loans and borrowing	-	-	-	-	-	-	-	-	-	-	3,016,443	-	-	3,016,443
Lease liabilities	236,246	852,394	435,520	1,524,160	182,705	747,469	431,364	1,361,538	2,939,614	-	290,858	780,858	118,619	1,190,335
Other financial liabilities	3,543,708	-	-	3,543,708	2,939,614	-	-	-	2,939,614	-	2,774,755	-	-	2,774,755
Bank overdraft	-	387,288	-	387,288	-	387,288	-	-	387,288	-	368,315	-	-	368,315
Total financial liabilities	7,005,284	5,234,657	28,617,027	40,856,968	5,621,993	4,068,265	21,725,731	31,415,989	49,373,111	4,937,311	6,503,227	1,151,258	8,360,331	18,649,611
Excess assets/(liabilities)	1,920,904	13,807,368	(33,220)	3,459,975	19,155,027	1,256,491	14,057,951	2,976,491	18,560,530	4,937,311	6,503,227	(1,151,258)	8,360,331	18,649,611

Table 21 - Contractual Undiscounted Cash Flows of financial assets and liabilities

As at 31 December	Contractual Undiscounted Cash Flows														
	2025					2024									
	Group		Company			Group		Company							
No maturity	Less than 1 year	1 - 3 years	More than 3 years	Total	No maturity	Less than 1 year	1 - 3 years	More than 3 years	Total	No maturity	Less than 1 year	1 - 3 years	More than 3 years	Total	
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
<b>Financial assets</b>															
Maximum exposure to liquidity risk	-	7,478,349	6,461,666	121,501,276	135,441,291	-	6,028,833	5,014,292	101,249,431	112,292,556	-	9,064,112	4,273,859	87,935,720	101,273,691
Amortised cost	-	15,990,741	6,595,368	16,100,144	38,686,253	-	15,990,741	6,595,368	16,100,144	38,686,253	-	10,365,381	7,309,418	24,628,879	42,303,678
Fair value through other comprehensive income	536,559	2,809,629	5,645,326	32,434,646	41,426,160	536,559	1,170,076	3,376,346	21,868,659	26,951,640	4,214,895	1,350,580	2,198,057	16,914,531	24,678,063
Fair value through profit or loss	1,384,245	3,539,143	172,263	363,547	5,459,298	719,932	3,352,187	46,470	133,965	4,252,554	4,698,341	326,023	8,1870	392,575	5,498,809
Loans to life policyholders	-	-	-	412,828	412,828	-	-	-	412,828	412,828	-	-	-	350,134	350,134
Reinsurance receivables	-	524,933	-	524,933	-	482,477	-	-	482,477	-	518,316	-	-	518,316	
Premium receivables	-	1,991,824	-	1,991,824	-	1,918,988	-	-	1,918,988	-	2,904,513	-	-	2,904,513	
Other financial assets	-	120,335	-	120,335	-	89,925	-	-	89,925	-	87,772	-	-	87,772	
Total financial assets	1,920,904	24,976,605	12,412,957	49,311,165	88,621,631	12,564,91	23,004,394	10,018,184	38,515,596	72,794,665	8,913,236	15,552,585	9,689,345	42,286,119	76,341,285
<b>Financial liabilities</b>															
<b>Insurance contract liabilities - Maturities</b>															
-	2,288,569	5,490,362	121,242,726	129,021,657	156,1037	415,6965	100,995,222	106,713,224	213,818,722	112,292,556	-	1,809,193	3,290,621	8,777,3558	92,873,372
Reinsurance payable	-	721,114	-	721,114	-	668,426	-	-	668,426	-	754,059	-	-	754,059	
Loans and borrowing	-	-	-	-	-	-	-	-	-	-	3,016,443	-	-	3,016,443	
Lease liabilities	537,669	971,304	258,550	1,767,523	472,468	857,327	254,209	1,584,004	2,939,614	2,939,614	341,347	983,238	162,162	1,486,747	
Other financial liabilities	-	3,543,708	-	3,543,708	-	2,939,614	-	-	2,939,614	-	2,774,755	-	-	2,774,755	
Bank overdraft	-	387,288	-	387,288	-	387,288	-	-	387,288	-	368,315	-	-	368,315	
Total financial liabilities	-	7,478,349	6,461,666	121,501,276	135,441,291	6,028,833	5,014,292	101,249,431	112,292,556	112,292,556	9,064,112	4,273,859	87,935,720	101,273,691	
Excess assets/(liabilities)	1,920,904	17,498,256	5,951,291	(72,190,111)	(46,819,660)	12,564,91	16,975,561	5,003,892	(62,733,835)	(39,497,891)	8,913,236	6,488,473	5,315,486	(45,649,601)	(24,932,406)

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### 49.4.3.2 Financial assets available to support future funding

The table below summarises the availability of the Group's financial assets to support future funding:

Table 22 - Assets available as collateral

For the year ended December	2025						2024		
	Group			Company			Company		
	Pledged as collateral Rs. '000	Available as collateral Rs. '000	Total Rs. '000	Pledged as collateral Rs. '000	Available as collateral Rs. '000	Total Rs. '000	Pledged as collateral Rs. '000	Available as collateral Rs. '000	Total Rs. '000
Financial investments at,									
Amortised cost	-	29,152,755	29,152,755	-	29,152,755	29,152,755	-	25,129,878	25,129,878
Fair value through other comprehensive income	-	22,431,897	22,431,897	-	13,748,867	13,748,867	-	13,552,944	13,552,944
Fair value through profit or loss	-	5,377,422	5,377,422	-	4,170,678	4,170,678	-	5,255,196	5,255,196
Loans to life policyholders	-	412,829	412,829	-	412,829	412,829	-	350,134	350,134
Reinsurance receivables	-	524,933	524,933	-	482,477	482,477	-	518,316	518,316
Premium receivables	-	1,991,824	1,991,824	-	1,918,988	1,918,988	-	2,904,513	2,904,513
Receivables and other assets	-	120,335	120,335	-	89,925	89,925	-	87,772	87,772
Cash at bank	-	2,736,138	2,736,138	-	2,708,450	2,708,450	-	1,860,952	1,860,952
<b>Total</b>	<b>-</b>	<b>62,748,133</b>	<b>62,748,133</b>	<b>-</b>	<b>52,684,969</b>	<b>52,684,969</b>	<b>-</b>	<b>49,659,705</b>	<b>49,659,705</b>

### 49.4.3.3 Unutilised bank overdraft facilities

Unutilised bank overdraft facilities as at 31 December 2025 amounted to Rs. 150 Million (2024 - Rs. 150 Million).

### 49.4.4 Market risk

Risk exposure	<ul style="list-style-type: none"> <li>Refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.</li> <li>Market risk principally arises on the Group's equity investments, interest-bearing financial assets and financial liabilities, and financial assets and financial liabilities denominated in foreign currencies, although these exposures are largely offset by similar exposures arising from insurance and reinsurance contracts.</li> <li>The objective of market risk management is to control market risk exposures within acceptable parameters while optimising the return on risk. Market risk comprises 3 types of risks i.e. interest rate, foreign currency and equity risks.</li> </ul>
Risk response	<ul style="list-style-type: none"> <li>The Board of Directors sets the Group's strategy for managing market risk and delegates responsibility for overseeing the implementation of this strategy to the Group's asset and liability committee (ALCO).</li> <li>Following policies and procedures are in place within the Group to mitigate the Group's exposure to market risk.</li> <li>The ALM framework seeks to match liability cash flows while achieving the optimum long-term investment return on its financial investments for an acceptable level of risk;</li> <li>Setting limits both for each type of risk in aggregate across the Group and for individual portfolios;</li> <li>Monitoring market risk on a day-to-day basis by the Treasury Middle Officer</li> </ul>
Sustainability and climate impact	Refer pages 82 to 91

**Table 23 - Exposure to market risk**

For the year ended 31 December	Note	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000
<b>Financial assets exposure to;</b>				
Interest rate risk	49.4.4.1	55,799,430	46,535,741	39,723,123
Foreign exchange risk	49.4.4.2	4,907,320	4,907,320	4,111,648
Equity risk	49.4.4.3	1,162,645	536,559	4,214,895
<b>Financial liabilities exposure to;</b>				
Interest rate risk	49.4.4.1	(387,288)	(387,288)	(3,384,758)
Foreign exchange risk	49.4.4.2	196,407	196,407	(3,309,116)

**49.4.4.a Sensitivity analysis**

Assumptions and methods:

- All other variables remain constant at the time of preparing sensitivity analysis.
- Sensitivity of the Statement of Financial Position item mainly relates to debt and equity instruments.
- Sensitivity of the relevant Income Statement item is the effect of the assumed changes in respective market risks.
- The analysis is based on the carrying value of the financial assets and financial liabilities as at the reporting date.

The Group has used the same methods and assumptions in preparing the sensitivity analyses for both current and comparative periods. Sensitivity analyses are provided in the Notes 49.4.4.1.2 (Table 25), 49.4.4.2.a (Table 28) and 49.4.4.3.a (Table 31) on pages 424, 425 and 426.

**49.4.4.1 Interest rate risk**

Risk exposure	<ul style="list-style-type: none"> <li>• Interest rate risk on financial instruments arises primarily from the Group's investments in debt securities. These investments are exposed to the risk of adverse changes in fair values or future cash flows because of a change in market interest rates.</li> <li>• Floating rate instruments typically expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest rate risk.</li> </ul>
Risk response	<ul style="list-style-type: none"> <li>• The Group manages interest rate risk by closely matching, where possible, the durations of insurance contracts with fixed and guaranteed terms and the supporting financial assets. The Group monitors its interest rate risk exposure through periodic reviews of asset and liability positions. Additionally, estimates of cash flows and the impact of interest rate fluctuations are modelled and reviewed in every quarter. Following policies and procedures are in place within the Group to mitigate the Group's exposure to market risk.</li> <li>• A regular track of macroeconomic indicators is kept by the Risk unit as well as the Treasury Department. These indicators together with their forecasts are reported to the Internal Risk Committee, the Board Risk Committee and the Investment Committee.</li> <li>• Regular meetings and monitoring of risks by the ALCO</li> <li>• Adhering to limits set on interest rate risk through the risk policy.</li> <li>• The Group monitors its interest rate risk exposure through periodic reviews of asset and liability positions.</li> </ul>
Sustainability and climate impact	Refer pages 87 and 88

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49.4.4.1 Interest rate risk (Contd.)  
Table 24 - Exposure to interest rate risk

	As at 31 December											
	2025					2024						
	Group		Company			Group		Company				
	Variable interest rate Rs. '000	Fixed interest rate Rs. '000	Non interest bearing Rs. '000	Total Rs. '000	Variable interest rate Rs. '000	Fixed interest rate Rs. '000	Non interest bearing Rs. '000	Total Rs. '000	Variable interest rate Rs. '000	Fixed interest rate Rs. '000	Non interest bearing Rs. '000	Total Rs. '000
Financial assets at, Amortised cost	642,810	28,509,945	-	29,152,755	642,810	28,509,945	-	29,152,755	456,305	24,673,573	-	25,129,878
Fair value through other comprehensive income	3,064,655	18,830,684	536,558	22,431,897	3,064,655	10,147,653	536,559	13,748,867	3,568,000	5,770,049	4,214,895	13,552,944
Fair value through profit or loss	381,613	935,153	626,086	5,377,422	3,816,133	354,495	-	4,170,678	4,720,757	534,439	-	5,255,196
<b>Total</b>	<b>7,523,648</b>	<b>48,275,782</b>	<b>1,162,644</b>	<b>56,962,074</b>	<b>7,523,648</b>	<b>39,012,093</b>	<b>536,559</b>	<b>47,072,300</b>	<b>8,745,062</b>	<b>30,978,061</b>	<b>4,214,895</b>	<b>43,938,018</b>
Financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Loans and borrowing	(387,288)	-	-	(387,288)	(387,288)	-	-	(387,288)	(368,315)	-	-	(368,315)
Bank overdraft	(387,288)	-	-	(387,288)	(387,288)	-	-	(387,288)	(3,384,758)	-	-	(3,384,758)
<b>Total</b>	<b>7,136,360</b>	<b>48,275,782</b>	<b>1,162,644</b>	<b>56,574,786</b>	<b>7,136,360</b>	<b>39,012,093</b>	<b>536,559</b>	<b>46,685,012</b>	<b>5,360,304</b>	<b>30,978,061</b>	<b>4,214,895</b>	<b>40,553,260</b>
Maximum exposure to interest rate risk												

## 49.4.4.1.2 Sensitivity analysis

The following table illustrates the estimated impact on profitability and shareholder equity by the fluctuation of interest rates assuming that all other variables remain constant on the following financial assets. Floating rate instruments expose the Group to cash flow fluctuations, whereas fixed interest rate instruments expose the Group to changes in fair values.

Table 25 - Estimated impact on profitability and equity by the fluctuation of interest rates

	As at 31 December											
	2025					2024						
	Group		Company			Group		Company				
	Fixed-rate Impact on profit before tax Rs. '000	Variable-rate Impact on profit before tax Rs. '000	Impact on equity Rs. '000	Fixed-rate Impact on profit before tax Rs. '000	Variable-rate Impact on profit before tax Rs. '000	Impact on equity Rs. '000	Fixed-rate Impact on profit before tax Rs. '000	Variable-rate Impact on profit before tax Rs. '000	Impact on equity Rs. '000	Fixed-rate Impact on profit before tax Rs. '000	Variable-rate Impact on profit before tax Rs. '000	Impact on equity Rs. '000
Increase in 100 basis points Financial assets/liabilities at,												
Financial assets at Amortised cost	-	4,993	4,993	-	-	4,993	-	4,564	4,564	-	4,564	4,564
Financial assets at FVOCI	(721,34)	35,598	(104,787)	(352,633)	(104,787)	35,598	(116,149)	43,575	(120,347)	(116,149)	43,575	(120,347)
Financial assets at FVTPL	(5,055)	37,699	37,699	(5,045)	(5,045)	37,699	(12,616)	46,983	46,983	(12,616)	46,983	46,983
Financial liabilities at amortised cost	-	(5,221)	(5,221)	-	-	(5,221)	-	(29,267)	(29,267)	-	(29,267)	(29,267)
<b>Total</b>	<b>(5,055)</b>	<b>(726,189)</b>	<b>73,069</b>	<b>(67,316)</b>	<b>(5,045)</b>	<b>73,069</b>	<b>(357,678)</b>	<b>65,855</b>	<b>(98,067)</b>	<b>(128,765)</b>	<b>65,855</b>	<b>(98,067)</b>
Decrease in 100 basis points Financial assets/liabilities at,												
Financial assets at Amortised cost	-	(4,993)	(4,993)	-	-	(4,993)	-	(4,564)	(4,564)	-	(4,564)	(4,564)
Financial assets at FVOCI	(778,008)	(35,598)	117,407	381,652	117,407	(35,598)	127,137	(43,575)	135,192	127,137	(43,575)	135,192
Financial assets at FVTPL	5,343	5,343	(37,966)	5,332	5,332	(37,969)	13,569	(46,983)	(46,983)	13,569	(46,983)	(46,983)
Financial liabilities at amortised cost	-	5,221	5,221	-	-	5,221	-	29,267	29,267	-	29,267	29,267
<b>Total</b>	<b>5,343</b>	<b>783,351</b>	<b>(73,336)</b>	<b>79,669</b>	<b>5,332</b>	<b>(386,984)</b>	<b>13,569</b>	<b>(65,855)</b>	<b>112,912</b>	<b>140,706</b>	<b>(65,855)</b>	<b>112,912</b>

#### 49.4.4.2 Foreign exchange risk

Risk exposure	<ul style="list-style-type: none"> <li>The risk of an investment's value changing due to changes in currency exchange rates. Foreign exchange risk primarily arises when transactions with reinsurers and investments in securities denominated in foreign currencies are taking place.</li> </ul>
Risk response	<ul style="list-style-type: none"> <li>The Treasury officer analyses the market conditions of foreign exchange and analyses the utilisation of cash flows.</li> <li>Regularly reviews the timing of foreign currency cash inflows and outflows to ensure optimal management of currency exposure in minimising the impact of exchange rate fluctuations on the Group's financial position.</li> <li>Explores the possibility of using forward contracts, providing a hedge against potential adverse movements in exchange rates.</li> </ul>

**Table 26 - Exposure to foreign exchange risk**

For the year ended December	2025				2024	
	Group		Company		Company	
	Amount in USD '000	Amount in LKR Rs. '000	Amount in USD '000	Amount in LKR Rs. '000	Amount in USD '000	Amount in LKR Rs. '000
USD Assets	15,827	4,907,320	15,827	4,907,320	14,049	4,111,648
USD Liabilities	(633)	(196,407)	(633)	(196,407)	(11,307)	(3,309,116)
Maximum exposure to foreign exchange risk	15,194	3,900,913	15,194	3,900,913	2,742	802,532

**Table 27 - Exchange rates applied by the Group**

As at 31 December	2025		2024	
	Closing rate	Average rate	Closing rate	Average rate
USD/LKR	310.06	309.20	292.67	291.72

#### 49.4.4.2.a Sensitivity to the foreign exchange risk

The following table shows the estimated impact on profitability and shareholder equity by fluctuation of exchange rates assuming that all the other variables remain constant.

**Table 28 - Sensitivity analysis**

For the year ended December	2025				2024	
	Group		Company		Company	
	Impact on PBT Rs. '000	Impact on equity Rs. '000	Impact on PBT Rs. '000	Impact on equity Rs. '000	Impact on PBT Rs. '000	Impact on equity Rs. '000
<b>5% - Increase in exchange rate USD</b>						
Financial investments	245,362	245,362	245,362	245,362	205,582	205,582
Financial liabilities	(9,820)	(9,820)	(9,820)	(9,820)	(165,456)	(165,456)
<b>Net impact</b>	<b>235,542</b>	<b>235,542</b>	<b>235,542</b>	<b>235,542</b>	<b>40,126</b>	<b>40,126</b>
<b>5% - Decrease in exchange rate USD</b>						
Financial investments	(245,362)	(245,362)	(245,362)	(245,362)	(205,582)	(205,582)
Financial liabilities	9,820	9,820	9,820	9,820	165,456	165,456
<b>Net impact</b>	<b>(235,542)</b>	<b>(235,542)</b>	<b>(235,542)</b>	<b>(235,542)</b>	<b>(40,126)</b>	<b>(40,126)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 49.4.4.3 Equity risk

Risk exposure	<ul style="list-style-type: none"> <li>The Group's exposure to equity risk stems from its investments in equity securities and collective investment schemes that primarily allocate funds to equities. Equity risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices of equities.</li> </ul>
Risk response	<ul style="list-style-type: none"> <li>The Treasury officer analyses the market conditions of foreign exchange and analyses the utilisation of cash flows.</li> <li>The Group manages the equity risk through diversification and placing limits on individual and total equity portfolio investments to mitigate potential losses, and optimise risk-adjusted returns in line with the overall business objectives and risk appetite.</li> <li>The Group's equity risk management policies include; <ul style="list-style-type: none"> <li>Adherence to the investment policy which includes stringent guidelines on risk exposures.</li> <li>Investment decisions are based on in depth macroeconomic and industry analysis as well as research reports on Group performance.</li> </ul> </li> </ul>

**Table 29 - Listed equity investments in the policyholder fund and shareholder fund**

As at 31 December	2025				2024	
	Group		Company		Company	
	Amount Rs. '000	%	Amount Rs. '000	%	Amount Rs. '000	%
Policyholder fund	1,162,645	100	536,559	100	1,706,610	40
Shareholder fund	-	-	-	-	2,508,285	60
Maximum exposure to equity risk	1,162,645	100	536,559	100	4,214,895	100

**Table 30 - Portfolio diversification of listed equity investments (Sector analysis)**

As at 31 December	2025				2024	
	Group		Company		Company	
	Amount Rs. '000	%	Amount Rs. '000	%	Amount Rs. '000	%
Banks	165,170	14	-	-	3,737,944	89
Diversified financials	97,227	8	87,853	16	92,559	2
Household & Personal Products	12,745	1	-	-	-	-
Consumer Services	21,463	2	-	-	-	-
Consumer Durables and Apparels	30,976	3	-	-	-	-
Food Beverage & Tobacco	19,659	2	-	-	-	-
Insurance	16,221	1	-	-	-	-
Utilities	20,381	2	-	-	-	-
Materials	47,712	4	-	-	-	-
Transportation	70,521	6	-	-	-	-
Telecommunication Services	20,310	2	-	-	-	-
Capital goods	190,050	16	-	-	-	-
Hospitality and tourism industry	1,504	-	-	-	-	-
Healthcare equipment and services	448,706	39	448,706	84	384,392	9
<b>Total</b>	<b>1,162,645</b>	<b>100</b>	<b>536,559</b>	<b>100</b>	<b>4,214,895</b>	<b>100</b>

#### 49.4.4.3.a Sensitivity analysis of equity risk

The following table shows the estimated impact on profitability and shareholder equity by the fluctuation of stock market prices at the reporting date, assuming that all the other variables remain constant.

**Table 31 - Sensitivity analysis**

As at 31 December	Type of classification	2025				2024	
		Group		Company		Company	
		Impact on PBT Rs. '000	Impact on equity Rs. '000	Impact on PBT Rs. '000	Impact on equity Rs. '000	Impact on PBT Rs. '000	Impact on equity Rs. '000
10% decline in stock prices	FVOCI	-	(53,656)	-	(53,656)	-	(421,489)
10% Increase in stock prices	FVOCI	-	53,656	-	53,656	-	421,489
10% decline in stock prices	FVTPL	(62,609)	(62,609)	-	-	-	-
10% Increase in stock prices	FVTPL	62,609	62,609	-	-	-	-

**49.5 Operational Risk**

**49.5.1 Regulatory and compliance risk**

Risk exposure	The Group operates in a highly regulated environment and is exposed to the risk of non-compliance with applicable laws, regulations, regulatory directions and industry standards in Sri Lanka. Failure to comply may result in regulatory sanctions, financial penalties, business restrictions and reputational damage.
Risk response	The Group manages this risk through established compliance policies and procedures, ongoing monitoring of regulatory developments, periodic compliance reviews, staff training, and oversight by management and the Board to ensure adherence to applicable legal and regulatory requirements.
Sustainability and climate impact	Refer pages 130 to 199

**49.5.2 Cyber and data security risk**

Risk exposure	The Group is exposed to cyber and data security risk arising from potential cyber-attacks, system intrusions, data breaches, service disruptions and unauthorised access to confidential policyholder, employee and business information. Such incidents may lead to operational disruption, financial loss, legal exposure and damage to customer trust.
Risk response	The Group manages this risk through information security policies, access controls, system monitoring, vulnerability assessments, data protection measures, employee awareness programmes, incident response procedures and ongoing enhancements to its IT security environment.
Sustainability and climate impact	Refer pages 158 to 159

**49.5.3 Reputational risk**

Risk exposure	The Group is exposed to reputational risk arising from adverse publicity, poor customer outcomes, service failures, regulatory breaches, misconduct, or other events that may negatively affect stakeholder confidence in the Group. Reputational damage may adversely impact new business generation, policyholder retention and overall franchise value.
Risk response	The Group manages this risk through strong governance, customer service standards, transparent communication, complaint handling mechanisms, regulatory compliance, and regular monitoring of matters that may adversely affect its reputation and stakeholder confidence.
Sustainability and climate impact	Refer pages 80 to 98

**49.5.4 Acquisition and integration risk**

Risk exposure	The acquisition of a subsidiary gives rise to integration risk, including risks relating to the integration of operations, systems, people, internal controls and governance processes, as well as the risk that the acquired business may not deliver the expected strategic or financial benefits.
Risk response	The Group manages this risk through structured integration planning, ongoing oversight by management, alignment of the subsidiary's control environment with Group policies, and regular monitoring of financial, operational and compliance matters.

## NOTES TO THE FINANCIAL STATEMENTS

### 49.6 Risks associated with change in new accounting standard (SLFRS 17) and risk mitigation actions

It is clear that operational risk associated with SLFRS 17 implementation will extend beyond the process, people and technology. Therefore it has significant influence on the organisation's risk management framework and its role. The steering committee is responsible for setting strategies and objectives of SLFRS - 17 implementation and for setting up proper governance structure and managing cultural changes smoothly. The steering committee has identified and assessed risks associated with SLFRS 17 implementation and relevant mitigation actions as prescribed in the table below.

Risk Type	Management Focus	Risk Source	Risk Description	Risk Mitigation Action
Operational risk	Change management	Data	Data management	<ul style="list-style-type: none"> <li>Develop a secured data room and limited access to authorised persons</li> <li>Enter into non-disclosure agreements where necessary</li> </ul>
		Systems	Risk of new IT systems	<ul style="list-style-type: none"> <li>Establish criteria for evaluation of vendors</li> <li>Deployment of appropriate expertise to sign off the BRD (Business Requirements Document)</li> <li>Perform UAT (User Acceptance Testing) before the deployment</li> </ul>
		Processes	Changes in actuarial and accounting processes	<ul style="list-style-type: none"> <li>Analyse options available under the standard and assess the impact on actuarial and accounting practices.</li> <li>Identify system modifications and take necessary actions to redesign the existing data fields as necessary.</li> </ul>
		People	Lack of capabilities	<ul style="list-style-type: none"> <li>Formulate the project team representing necessary expertise.</li> <li>Obtain consultancy service from experts.</li> <li>Conduct extensive workshops for focus groups to enhance capabilities.</li> </ul>
		Project management	Uncertain timelines	<ul style="list-style-type: none"> <li>Develop a Gantt chart with relevant timelines and continuously monitor the progress.</li> </ul>
Financial risk	Financial management	Financial stability	Increased Balance Sheet volatility	<ul style="list-style-type: none"> <li>Formulate a clear capital management framework.</li> <li>Select the best transition approach.</li> <li>Re-evaluate financial asset classifications at the point of transition.</li> </ul>
		Financial performance	Risk of lower profits	<ul style="list-style-type: none"> <li>Modify product features of onerous contracts to improve profitability.</li> <li>Apply transition approaches that maximise the Group's value.</li> <li>Conduct proper asset-liability management.</li> </ul>
Strategic risk	Strategic management	Investor confidence	Increased in investor scrutiny and pressure	<ul style="list-style-type: none"> <li>Develop a BRD incorporating corporate key priorities</li> <li>Educate investors about key financial metrics impacted by SLFRS 17 implementation.</li> </ul>
		Performance management	Change in prevailing KPIs	<ul style="list-style-type: none"> <li>Communicate proactively about new KPIs and their impact.</li> <li>Identify and develop new Key performance indicators (KPIs) aligned with organisational objectives.</li> </ul>
Regulatory Risk	Stakeholder Management	Regulator	Increased influence and governance	<ul style="list-style-type: none"> <li>Identify changes to the regulatory reporting framework</li> <li>Approach relevant authorities for required clearance.</li> <li>Redesign data fields in the system to support changes in the Risk-Based Capital.</li> </ul>
		Competitors	Comparison of Financial Statements	<ul style="list-style-type: none"> <li>Maintain consistency of policies used for the SLFRS 17 implementation.</li> <li>Advocate for common industry-level consistent metrics for insurers.</li> </ul>



Follow the link for SLFRS 17  
Effect on the Company's Financial  
Statements

## 49.7 Capital management

### 49.7.1 Objectives, policies and processes for capital management

The Group policy / objective is to maintain a strong capital base:

- to safeguard the ability to continue as a going concern, so that the Group can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain investor, creditor and market confidence and to sustain the future development of the business;
- to maintain required and optimal capital levels of the Group to reduce the cost of capital and comply with regulatory requirements;
- to support new business growth of the Group.

The management of the Group uses regulatory capital ratios to monitor the Group's capital base.

### 49.7.2 Regulatory capital - Risk Based Capital (RBC) Framework

As a regulator of the industry, Insurance Regulatory Commission of Sri Lanka has implemented a Risk Based Capital (RBC) Framework to monitor insurance companies in the country.

This framework, based on emerging international standards and good practices in developed countries, is risk-focused. It reflects the relevant risks that the insurance companies face. The minimum capital prescribed under the framework, which includes a consistent approach to the valuation of assets and liabilities, will serve as an effective buffer to absorb losses. With greater transparency, it will facilitate comparisons across insurance companies. It will also provide clearer information on the financial strength of the Group.

The valuation regime makes a fundamental shift away from the current philosophy, which is built upon estimations of asset and liability values with undisclosed margins and approximations, to one that emphasises greater transparency and provides a more accurate picture of the insurer's financial position. This is achieved by using more realistic valuation methodology and bases. More assumptions will need to be made in the valuation process.

### 49.7.3 Risks involved in order to comply with new RBC Framework

- How to invest into capacity building of internal skill sets.
- Changing business strategy to align with the new regulatory environment
- Increase in the compliance cost

### 49.7.4 Risk response to capital management

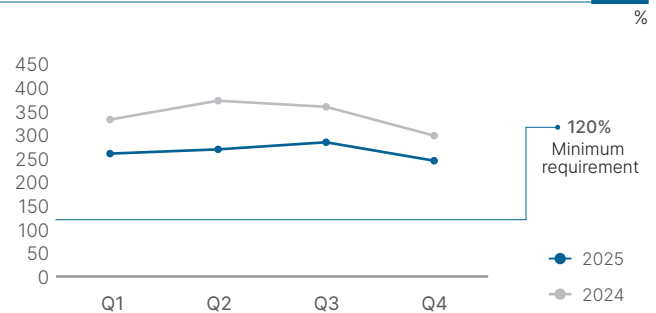
- Continuous training is provided to the staff of the Group
- Compliance with recommended action plans are supported by periodic reviews undertaken by the Head of Actuarial of the Group.
- Further, in preparation for the adoption of the RBC Framework, the Group already uses the appointed actuary's service.
- Closely follow the RBC guidelines issued by IRC SL.

Summary of Company's compliances to the Risk Based Capital (RBC) framework is provided in the following table.

Table 32 - compliance with the RBC framework

As at 31 December	2025 Company Rs. '000	2024 Company Rs. '000
Total Available Capital (TAC)	32,425,207	31,891,701
Risk Based Capital requirement (RCR)	13,229,002	10,704,486
Risk-based Capital Adequacy Ratio (CAR)	245%	298%
Minimum Risk-based Capital Adequacy Ratio requirement (CAR)	120%	120%
Minimum Capital Requirement (MCR)	500,000	500,000
Capital Adequacy Satisfied?	Yes	Yes

### QUARTERLY CAPITAL ADEQUACY RATIO (CAR)



Capital adequacy ratio (CAR) has decreased during 2025 mainly due to the settlement of Tier II loan and the interim dividend paid during the year.

## NOTES TO THE FINANCIAL STATEMENTS

### 49.7.5 Sensitivity analysis of Capital Adequacy Ratio (CAR)

The following table shows the estimated impact on CAR ratio due to various predicted scenario testing.

Table 33 - Impact on CAR ratio

As at 31 December	Change in assumptions	Estimated CAR Ratio (Regulatory) Company
Expenses	10%	226%
	-10%	253%
Discount Rate	0.50%	252%
	-0.50%	225%
First 3 years Termination	Up	237%
	Down	242%
Mass Termination	Up	211%
	Down	275%
Mortality	10%	233%
	-10%	246%
Morbidity	10%	212%
	-10%	265%

### 49.7.6 Measurement of gearing of the Group

The Group's policy is to maintain a strong capital base in order to maintain investor, policyholder and market confidence and also to sustain future business development. Management continuously monitors the return on capital, as well as the level of dividends to the shareholders.

Accordingly, the Group monitors capital on the basis of the following gearing ratio:

Table 34 - Gearing ratio

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Cash and cash equivalents	3,099,838	2,717,805	1,869,652
Liquid Investments	15,743,424	14,092,003	11,858,738
Bank overdrafts	(387,288)	(387,288)	(368,315)
Borrowings (excluding bank overdrafts)	-	-	(3,016,443)
Lease liabilities	(1,524,159)	(1,361,538)	(1,190,336)
Net debt	16,931,815	15,060,982	9,153,296
Total Equity	13,667,619	13,262,662	10,354,554
Net debt to equity ratio	1.24	1.14	0.88

Debt to equity ratio without adjusting for the cash and cash equivalents is presented as the Debt to Equity Ratio under Investor Relations on page 446.

Details of the dividends of the Group are provided in Note 24 on page 345.

## 50. OPERATING SEGMENTS

### Accounting Policy

#### 50.1 General

An operating segment is a part of the Group that conducts business activities, generating revenue and incurring expenses, including those from transactions with other activities of the Group. The segment's operating results are regularly reviewed by the Key Management Personnel (KMP), acting as the chief operating decision maker (CODM), to allocate resources and assess business performance. Additionally, the segment has separately available financial information.

The segment results reported to the Key Management Personnel (KMP) include items that are directly attributable to a segment, as well as those that can be reasonably allocated. There were no unallocated items, ensuring that all income, expenses, assets, and liabilities are appropriately assigned. Segment capital expenditure represents the total costs incurred by the Group during the year for acquiring property, plant, equipment, and intangible assets.

#### 50.2 Basis for segmentation

For management purposes and regulatory compliance, the Group is structured into business units based on its products and services, with two reportable operating segments. These segments are managed independently due to differences in their operational requirements, risk management approaches, and marketing strategies.

The following summary describes the products and services that each segment offers;

Reportable segment	Product and services
Life policyholder fund	Policyholder fund represents all long term insurance business related products and riders and known as the Life Insurance Fund.
Shareholder fund	Shareholder fund represents the investment income and their attributable profits.

#### 50.3 Aggregation

No operating segments have been aggregated to form the above reportable segments.

Graphical representation of segment information is provided in the financial highlights on page 306 to 307.

#### 50.4 Geographic information

Activities of the Group are located in Sri Lanka. The economic environment in which the Group operates is not subject to risks and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

Accounting Policy

**50.5 Information about reportable segments**

Segment performance and reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items are summarised below. Segment profit before tax, as included in the management reports reviewed by the KMP is used to measure performance of the segments as this information is the most relevant in evaluating the results of individual segments.

**50.6 Summary of segment financial performances and reconciliation of information on reportable segments to the amounts reported in the Financial Statements**

For the year ended December	2025						2024					
	Group			Company			Company					
	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Unallocated/ eliminations Rs. '000	Consolidated Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Unallocated/ eliminations Rs. '000	Consolidated Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Unallocated/ eliminations Rs. '000	Consolidated Rs. '000
Segment Revenue (Gross written premiums)	40,075,495	-	-	40,075,495	38,331,485	-	-	38,331,485	31,573,467	-	-	31,573,467
Premiums ceded to reinsurers	(2,737,584)	-	-	(2,737,584)	(2,719,952)	-	-	(2,719,952)	(2,509,698)	-	-	(2,509,698)
Segment net written premiums	37,337,911	-	-	37,337,911	35,611,533	-	-	35,611,533	29,063,769	-	-	29,063,769
Segment other revenue	5,952,300	1,618,803	-	7,571,103	5,193,352	1,484,817	-	6,678,170	7,143,166	2,237,505	-	9,380,671
Segment total net revenue	43,290,211	1,618,803	-	44,909,014	40,804,885	1,484,817	-	42,289,703	36,206,935	2,237,505	-	38,444,440
Net claims and benefits expenses	(19,396,255)	-	-	(19,396,255)	(18,396,007)	-	-	(18,396,007)	(14,249,713)	-	-	(14,249,713)
Change in contract liability - life	(4,292,556)	-	-	(4,292,556)	(4,556,947)	-	-	(4,556,947)	(5,270,740)	-	-	(5,270,740)
Underwriting and net acquisition costs (including reinsurance)	(7,239,551)	-	-	(7,239,551)	(6,829,572)	-	-	(6,829,572)	(5,790,389)	-	-	(5,790,389)
Other operating and administrative expenses	(6,824,063)	(196,350)	-	(7,020,413)	(6,379,549)	(134,278)	-	(6,513,827)	(6,320,917)	(119,418)	-	(6,440,335)
Impairment (charge) / reversal on financial investments	219	60,094	-	60,313	219	60,094	-	60,313	791	766,661	-	767,452
Finance costs	(255,029)	(149,851)	-	(404,880)	(255,029)	(149,851)	-	(404,880)	(288,967)	(839,429)	-	(1,128,396)
Segment profit before tax	5,282,975	1,332,697	-	6,615,672	4,388,000	1,260,783	-	5,648,783	4,287,000	2,045,319	-	6,332,319
Income tax expense	-	(1,935,373)	-	(1,935,373)	-	(1,645,306)	-	(1,645,306)	-	(1,810,522)	-	(1,810,522)
Segment profit for the year	5,282,975	(602,676)	-	4,680,299	4,388,000	(384,523)	-	4,003,477	4,287,000	234,797	-	4,521,797

## NOTES TO THE FINANCIAL STATEMENTS

### 50.7 Evaluation of segment performance

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the Financial Statements.

### 50.8 Summary of segment financial position and reconciliation of information on reportable segments to the amounts reported in the Financial Statements

For the year ended December	2025						2024					
	Group			Company			Company					
	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Unallocated/ eliminations Rs. '000	Consolidated Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Unallocated/ eliminations Rs. '000	Consolidated Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Unallocated/ eliminations Rs. '000	Consolidated Rs. '000
Total assets	54,541,702	14,011,848	-	68,553,551	45,879,153	12,907,799	-	58,786,953	39,926,580	13,667,568	-	53,594,148
Total equity	153,717	14,532,670	-	14,686,387	(40,958)	13,303,621	-	13,262,663	(47,764)	10,402,318	-	10,354,554
Liabilities	54,387,985	(520,822)	-	53,867,164	45,920,111	(395,822)	-	45,524,290	39,974,344	3,265,250	-	43,239,594
Total equity and liabilities	54,541,702	14,011,848	-	68,553,551	45,879,153	12,907,799	-	58,786,953	39,926,580	13,667,568	-	53,594,148
Capital expenditure	-	(293,355)	-	(293,355)	-	(228,067)	-	(228,067)	-	(123,392)	-	(123,392)

### 50.9 Summary of segment cash flows

For the year ended December	2025						2024		
	Group		Company		Company		Company		
	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000
Cash flows from,									
Operating activities	4,511,454	2,796,609	7,308,063	4,247,783	2,796,609	7,044,392	(4,148,231)	10,295,291	6,147,060
Investing activities	(2,880,625)	1,669,311	(1,211,314)	(3,032,176)	1,669,311	(1,362,865)	5,346,548	(16,710)	5,329,838
Financing activities	(446,561)	(4,441,453)	(4,888,014)	(9,296,278)	(4,441,453)	(4,854,825)	(411,068)	(10,287,300)	(10,698,368)

### 50.10 Major customers

The Group doesn't have any major customers.

### 50.11 Impairment

For the year ended December	2025						2024		
	Group		Company		Company		Company		
	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000
Impairment losses / (reversal) recognised in profit or loss	(219)	(60,094)	(60,313)	(219)	(60,094)	(60,313)	(791)	(766,661)	(767,452)

### 50.12 Financial assets pledged as collateral for liabilities

There was no financial investment pledged as collateral for liabilities or contingent liabilities (2024 - Nil)

## 51. RELATED PARTY DISCLOSURE

### Accounting Policy

The Group carried out transactions in the ordinary course of business on arm's length basis with parties who are defined as related parties as per the Sri Lanka Accounting Standard – LKAS 24 'Related Party Disclosures'.

### 51.1 Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of business. Outstanding balances at year end are unsecured and interest free. Settlement will take place in cash.

#### 51.1.1 Guarantees

No guarantees given or received during the period (2024 - Nil).

### 51.2 Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Group as per the audited Financial Statements for 31 December 2025, which require additional disclosures in the 2025 Annual Report under Colombo Stock Exchange listing Rule 9.14.7 and the Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

### 51.3 Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the gross revenue of the Group as per audited Financial Statements for 31 December 2025, which require additional disclosures in the 2025 Annual Report under Colombo Stock Exchange listing Rule 9.14.7 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

### 51.4 Parent and ultimate controlling party

The parent entity of the Group is Softlogic Capital PLC. In the opinion of the Directors, the ultimate parent undertaking and controlling entity is Softlogic Holdings PLC which is incorporated in Sri Lanka.

### 51.5 Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures", Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

### 51.6 Transactions with KMP

Please refer to Note 51.1 for the terms and conditions of transactions.

### 51.6.1 Compensation of KMP

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Short term employment benefits	106,549	106,549	75,288
Post-employment benefits	8,235	8,235	6,619
Other long-term benefits	-	-	-
Termination benefits	-	-	-
Share-based payments	-	-	-
Fees paid	36,653	36,653	10,260
<b>Total</b>	<b>151,437</b>	<b>151,437</b>	<b>92,167</b>

### 51.6.2 Transactions with KMP recorded in Income Statement

As at 31 December	Note	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000
Insurance premiums		1,236	1,236	6,671
Compensation to KMP	51.6.1	151,437	151,437	92,167
<b>Total</b>		<b>152,673</b>	<b>152,673</b>	<b>98,838</b>

### 51.6.3 Transactions with KMP Recorded in Statement of Financial Position

As at the reporting date, there were no receivable/payable amount relating to KMP.

Therefore, no Impairment losses have been recorded against balances outstanding from KMP.

### 51.6.4 Loans to directors

No loans have been granted to the Directors of the Group.

### 51.7 Transactions, arrangements and agreements involving KMP and their Immediate Family Members (IFM)

Immediate Family Members (IFM) of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children, children of the KMP domestic partner and dependents of the KMP or the KMP domestic partner. IFM are related parties to the Group.

There are no transactions with IFM of KMP of the Group during the year (2024 - Nil).

### 51.8 Share-based transactions of KMP and their Immediate Family Members (IFM)

There were no share-based transaction with KMP and IFM during the reporting period. (2024- Nil).

### 51.9 Changes to the board of directors

There were no changes to the composition of the Board of Directors of the Group during the year. Changes to the Board of Directors of the Subsidiary, including those arising from the change in ownership during the year, are disclosed on page 225.

## NOTES TO THE FINANCIAL STATEMENTS

### 51.10 Transactions with parent and ultimate parent

Please refer to Note 51.1 for terms and conditions of transactions.

#### 51.10.1 Transactions in the Income Statement

For the year ended 31 December	Recurrent / Non-recurrent	Transactions with parent (Softlogic Capital PLC)			Transactions with ultimate parent (Softlogic Holdings PLC)		
		2025		2024	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000	Group Rs. '000	Company Rs. '000	Company Rs. '000
Nature of the transaction							
Insurance premiums	Recurrent	1,490	1,490	886	7,963	7,963	10,787
Receiving of services	Recurrent	114,385	114,385	305,137	1,010	1,010	1,192
Interest income	Recurrent	-	-	14,565	46,536	46,536	54,752
<b>Total</b>		<b>115,875</b>	<b>115,875</b>	<b>320,588</b>	<b>55,509</b>	<b>55,509</b>	<b>66,731</b>

#### 51.10.2 Transactions recorded in the Statement of Financial Position

As at 31 December	Recurrent / Non-recurrent	Transactions with parent (Softlogic Capital PLC)			Transactions with ultimate parent (Softlogic Holdings PLC)		
		2025		2024	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000	Group Rs. '000	Company Rs. '000	Company Rs. '000
Nature of the transaction							
Dividend paid	Recurrent	726,152	726,152	1,463,684	667	667	1,325
Investments*	Recurrent	-	-	-	191,497	191,497	200,137
Insurance premium receivable	Recurrent	81	81	114	-	-	20
Repurchase of ordinary voting shares	Non-recurrent	-	-	3,103,132	-	-	2,809
Other receivable	Recurrent	-	-	-	-	-	12,466
Other Payable	Recurrent	3,156	3,156	-	-	-	-
<b>Total</b>		<b>729,389</b>	<b>729,389</b>	<b>4,566,930</b>	<b>192,164</b>	<b>192,164</b>	<b>216,757</b>

\*Investments are recorded at net of impairment.

#### Impairment

During the financial year ended 31 December 2025, the Company reassessed the impairment allowance recognised on its investment in commercial paper issued by Softlogic Holdings PLC. Accordingly, the impairment provision was reduced to Rs. 140 Million (2024 – Rs. 200 Million), reflecting the reduction in the outstanding investment exposure as at the reporting date. The resulting reversal of impairment amounting to Rs. 60 Million has been recognised in profit or loss for the year.

The commercial paper investment is secured by a share pledge agreement entered into with Softlogic Holdings PLC, whereby listed equity shares of Softlogic Finance PLC have been pledged as collateral. In terms of the agreement, the market value of the pledged shares is required to be maintained at a minimum of three times the outstanding balance of the commercial paper investment. As at 31 December 2025, 174,107,143 shares, with an aggregate market value of Rs. 975 Million, were held as collateral.

Except for the above reversal of impairment, no impairment losses have been recognised by the Group during the year on the outstanding balances due from the parent and the ultimate parent companies.

#### 51.11 Transactions with other related entities

##### 51.11.1 Transactions with subsidiary companies of the parent and ultimate parent

Please refer Note 51.1 for terms and conditions of the transactions.

##### Nature of the relationship

Other related entities are those which are controlled, directly or indirectly by key management personnel and transactions with companies under common control.

Further, Directors' interest in contracts with the Group have been disclosed on page 266.

### 51.11.1 Transactions in the Income Statement

As at 31 December	Recurrent / Non-recurrent	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000
<b>Nature of the transaction</b>				
Insurance premiums	Recurrent	132,611	132,611	178,439
Dividend received	Recurrent	-	-	22,435
Expenses	Recurrent	527,632	527,632	432,432
<b>Total</b>		<b>660,243</b>	<b>660,243</b>	<b>633,306</b>

### 51.11.2 Transactions in the Statement of Financial Position

As at 31 December	Recurrent / Non-recurrent	2025		2024
		Group Rs. '000	Company Rs. '000	Company Rs. '000
<b>Nature of the transaction</b>				
Investments	Recurrent	536,559	536,559	476,951
Insurance premium receivable	Recurrent	14,616	14,616	36,443
Purchases of property, plant and equipment	Recurrent	425	425	-
Other receivable	Recurrent	22,887	179,306	46,625
Other payables (Note 45.4.2)	Recurrent	15,062	15,062	21,836
<b>Total</b>		<b>589,549</b>	<b>745,968</b>	<b>581,855</b>

#### Impairment

The Group has recognised an impairment reversal on insurance premium receivable amounting to Rs. 3.3 Million during the year (2024 - Rs. 27.7 Million) resulting in a provision balance of Rs. 17.3 Million as at 31 December 2025 (2024 - Rs. 20.61 Million).

Except for the above, no impairment losses have been recorded (2024 - Nil) on the outstanding balances from other related entities.

#### 51.12 Purchase of its own shares

Please refer Note 36.4 for the details on the share repurchase during 2024. (2025 - Nil)

## 52. CAPITAL AND OTHER COMMITMENTS

### 52.1 Capital commitments

The Group has commitments for acquisition of property, plant and equipment incidental to the ordinary course of business which have been approved by the Board of Directors, the details of which are as follows.

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Approved and contracted for	180,610	40,250	12,450
<b>Total capital commitments</b>	<b>180,610</b>	<b>40,250</b>	<b>12,450</b>

### 52.2 Bank guarantees

The following bank guarantees have been provided as at 31 December 2025.

As at 31 December	2025		2024
	Group Rs. '000	Company Rs. '000	Company Rs. '000
Relating to tax	36,919	36,919	-
Relating to others	47,792	47,792	26,006

### 52.3 Loan agreements

The Company has entered into a subordinated loan agreement amounting to USD 15 Million. The proceeds of the facility will be utilised to support the expansion of the Company's business operations and to strengthen its Tier 2 regulatory capital. The facility has been jointly arranged as follows:

- USD 7.5 Million from OP Finfund Global Impact Fund I Ky together with the Finnish Fund for Industrial Cooperation Ltd; and
- USD 7.5 Million from Norfund (Norwegian Investment Fund for Developing Countries).

## 53. EVENTS AFTER THE REPORTING PERIOD

### Accounting Policy

#### 53.1 General

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements.

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements.

## 54. PROVISIONS AND CONTINGENCIES

### 54.1 Provisions

A provision is recognised if, as a result of a past event, the Group 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 as defined in the Sri Lanka Accounting Standard – LKAS 37 on "Provisions, Contingent Liabilities and Contingent Assets". Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflect current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognised in the Income Statement.

### 54.2 Contingent liabilities

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

## NOTES TO THE FINANCIAL STATEMENTS

### 54.2.1 Use of judgements and estimates provisions and contingencies

Refer Note 4.2 on page 327 for use of judgements and estimates relating to provisions and contingencies.

The contingent liability of the Group relates to the following::

#### Assessments in respect of Value Added Tax (VAT)

- 1) VAT assessments have been issued by the Department of Inland Revenue for the taxable period 2010 and was determined by the Tax Appeal Commission (TAC) in 2019. Out of total 11 assessments, 08 assessments were determined in favour of Commissioner General of Inland Revenue (CGIR) amounting to Rs. 46.5 Million including the penalty and 03 assessments were determined in favour of the Company amounting to Rs. 24.8 Million including the penalty.

The Company transmitted the former case to the Court of Appeal being dissatisfied with the determination which determined in favour of the CGIR and case is stated for the opinion of the Honourable Court of Appeal. The Total tax exposure of this appeal is Rs. 46.5 Million including the penalty.

The CGIR, transmitted the latter case to the Court of Appeal being dissatisfied with the determination which determined in favour of the Company and the case is stated for the opinion of the Honourable Court of Appeal.

#### Assessments in respect of Value Added Tax on Financial Services (VAT on FS)

- 2) The CGIR issued its determination on the appeal filed by the Company relating to the assessment raised for Y/A 2014/15, 2016/17 and 2017/18 under the Value Added Tax Act amounting to Rs. 68.7 Million, Rs. 28 Million and Rs. 102.4 Million respectively, in favour of the CGIR."

For the Y/A 2014/15 and 2017/18, the Company has received the determinations of the TAC also in favour of the Company. However, the CGIR has transmitted the said cases to the Court of Appeal being dissatisfied with the determinations which determined in favour of the Company and cases are stated for the opinion of the Honourable Court of Appeal.

The Company is in the process of hearing the other appeal on the Y/A 2016/17 with TAC, on the basis that the underlying computation includes items which are out of scope of the VAT Act.

- 3) Assessment has been issued for the Company under the Value Added Tax Act, in relation to the Y/A 2019/20 and 2021/22 amounting to Rs. 433.16 Million including the penalty. For the Y/A 2019/20, the Company has appealed to TAC upon the receipt of the CGIR determination. For the other case, the company has appealed on the same basis as stated above and is awaiting for the CGIR determination.
- 4) The Company has received an Assessment for the Y/A 2022/23 amounting to Rs. 643.54 Million including the penalty and in the process of appealing for an administrative review.

#### Assessments in respect of Nation Building Tax on Financial Services (NBT on FS)

- 5) An assessment has been issued under the Nation Building Tax Act, in relation to the Y/A 2018/19 amounting to Rs. 9.7 Million.

The Company has filed an appeal to the CGIR on the basis that the underlying computation includes items which are out of scope of the NBT Act. The Company is awaiting the CGIR's determination.

#### Assessments in respect of life insurance taxation

- 6) The TAC issued its determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2010/11 amounting to Rs. 0.68 Million, in favour of the Company and the CGIR has transmitted this case to the Court of Appeal being dissatisfied with the said determination of TAC and case is stated for the opinion of the Honourable Court of Appeal. The Company is awaiting the decision of the Court of appeal.
- 7) The TAC issued its determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2011/12 and 2012/13 amounting to Rs.10.1 Million and Rs. 12.4 Million respectively, in favour of CGIR and The Company has transmitted the cases to the Court of Appeal being dissatisfied with the said determination of TAC and cases are stated for the opinion of the Honourable Court of Appeal. The Company is awaiting the decisions of the Court of appeal.
- 8) The CGIR issued its determination on the appeal filed by the Company relating to the assessments raised for the Y/A 2014/15, 2015/16, 2016/17 and 2017/18 amounting to Rs. 662.9 Million along with penalty, in favour of the CGIR. For the Y/A 2014/15 and 2017/18, the Company has received the determinations of the TAC in favour of the Company. However, cases are stated in the Honourable Court of Appeal by the CGIR. The Company is in the process of hearing the appeals with Tax Appeals Commission for the Y/A 2015/16 and 2016/17.
- 9) The CGIR issued its determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2018/19, 2019/20, 2020/21 and 2021/22 amounting to Rs. 3,007.24 Million along with penalty, in favour of the CGIR. The Company has submitted petition of appeals with TAC.
- 10) The Company has received an Assessment on PAYE Tax for the Y/A 2016/17 amounting to Rs. 0.9 Million along with penalty for which company has duly submitted an appeal.

In February 2026, the Court of Appeal ruled in favour of the insurance industry in a corporate income tax case, allowing life insurance companies to fully deduct management expenses against investment income for the relevant years of assessment. The decision provides favourable guidance for the Company's pending tax matters by supporting the deductibility of similar expenses and promoting consistent application of tax laws across the life insurance sector.

The Directors are of the opinion that the Company has complied with the applicable tax laws and regulations in preparing and submitting its tax returns. Accordingly, the Directors believe that the probability of the Company being required to settle any of the tax assessments referred to above is remote (Subsidiary – NIL).

Further, in the opinion of the Directors, there are no pending litigations or claims against the Company that would have a material impact on the financial statements.

Except for the matters disclosed above, the Group does not have any contingent liabilities requiring disclosure in the financial statements as at the reporting date.