

BANK OF CEYLON- MALDIVES

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2025

DN/NJ/IA
Independent auditor's report
To the Management of Bank of Ceylon Maldives
Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bank of Ceylon Maldives ("the Bank"), which comprise statement of financial position as at 31 December 2025, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as of 31 December 2025 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's responsibilities for the audit of the financial statements (Continued)

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

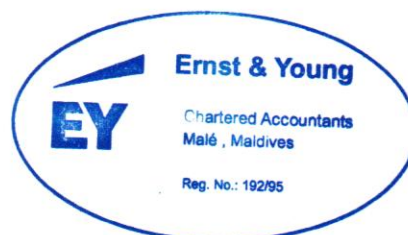
We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with IESBA code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.



For and on behalf of Ernst & Young
Partner: Dhunya Nizar
Licensed Auditor: ICAM-IL-Z73

29 April 2026
Male'



**BANK OF CEYLON - MALDIVES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025**

	Note	2025 MVR	2024 MVR
Interest income	4.1	502,657,195	459,495,928
Less : Interest expenses	4.2	(100,848,140)	(82,028,532)
Net interest income	4	401,809,055	377,467,396
Fee and commission income	5	137,812,572	72,421,713
Fee and commission expense	5	(49,044,783)	(3,102)
Net fee and commission income	5	88,767,789	72,418,611
Net trading and other income	6	18,132,052	9,870,843
Total operating income		508,708,896	459,756,850
Less : Impairment charge for loans and other losses	7	(68,853,059)	(65,736,884)
Net operating income		439,855,837	394,019,966
Less : Operating expenses			
Personnel Expenses	8	(23,538,545)	(21,999,875)
Depreciation and amortization expenses	9	(5,760,849)	(5,617,133)
Other expenses	10	(12,721,513)	(12,023,644)
Profit before income tax		397,834,930	354,379,314
Less : Income tax expense	11	(69,942,878)	(139,710,240)
Profit for the Year		327,892,052	214,669,074
Other Comprehensive Income for the Year		-	-
Total Comprehensive Income for the Year		327,892,052	214,669,074

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Bank set out on pages 7 to 64. The Report of the Independent Auditors is given on pages 1 and 2.



BANK OF CEYLON - MALDIVES
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	Note	2025 MVR	2024 MVR
Assets			
Cash and balances with banks	12	87,658,674	118,276,772
Balances with Maldives Monetary Authority	13	543,270,071	308,996,838
Placement with banks	14	753,436,384	505,843,619
Financial assets at amortised cost - Investments securities	15	2,605,347,483	1,898,406,267
Financial assets at amortised cost - Loans and advances	16	3,871,849,951	3,607,492,047
Property and equipment	17	1,059,656	656,080
Right-of-use asset	18	29,077,456	14,444,362
Deferred tax asset	11.2	168,569,780	135,366,991
Other assets	19	4,911,070	6,658,026
Total Assets		8,065,180,525	6,596,141,002
Liabilities			
Due to banks	20	73,335,378	62,602,600
Financial liabilities at amortised cost - Deposits from customers	21	5,182,778,111	4,065,104,305
Current tax liabilities	22	56,478,618	54,785,683
Lease liability	23	29,029,625	14,940,474
Other liabilities	24	41,557,051	44,598,250
Total Liabilities		5,383,178,783	4,242,031,312
Equity			
Assigned capital	25	196,140,000	196,140,000
Statutory reserve	26	150,000,000	150,000,000
Retained earnings		2,335,861,742	2,007,969,690
Total equity attributable to equity holder of the Bank		2,682,001,742	2,354,109,690
Total equity and liabilities		8,065,180,525	6,596,141,002
Contingent Liabilities and Commitments	28	661,624,138	750,069,050

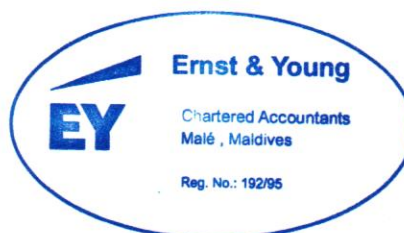
The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Bank set out on pages 7 to 64. The Report of the Independent Auditors is given on pages 1 and 2.

The Management is responsible for these financial statements. Signed for and on behalf of the Management by:


 S.H.M.M.P. Herath
 Country Manager

29 April 2026
 Male'


 Indika Perera
 Chief Operations Manager

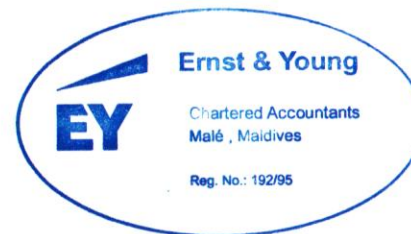


BANK OF CEYLON - MALDIVES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

	Assigned Capital MVR	Statutory Reserve MVR	Retained Earnings MVR	Total Equity MVR
Balance as at 1 st January 2024	196,140,000	150,000,000	1,846,376,256	2,192,516,256
Total Comprehensive Income for the Year	-	-	214,669,074	214,669,074
<u>Transactions with Head Office</u>				
Distributions made during the Year	-	-	(53,075,640)	(53,075,640)
Balance as at 31 st December 2024	<u>196,140,000</u>	<u>150,000,000</u>	<u>2,007,969,690</u>	<u>2,354,109,690</u>
Total Comprehensive Income for the Year	-	-	327,892,052	327,892,052
Balance as at 31 st December 2025	<u>196,140,000</u>	<u>150,000,000</u>	<u>2,335,861,742</u>	<u>2,682,001,742</u>

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Bank set out on pages 7 to 64. The Report of the Independent Auditors is given on pages 1 and 2.

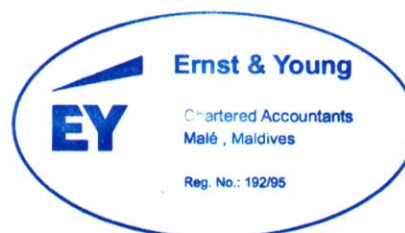


BANK OF CEYLON - MALDIVES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

	2025	2024
Note	MVR	MVR
Cash Flows from Operating Activities		
Profit Before Tax	397,834,930	354,379,314
<i>Adjustments for:</i>		
Net interest income	4 (401,809,055)	(377,467,396)
Depreciation of ROU assets	18 5,388,242	5,183,766
Depreciation of Property and Equipment	17 372,607	433,367
Net Impairment Losses on Financial Assets	7 68,853,059	65,736,884
	<u>70,639,783</u>	<u>48,265,935</u>
Changes In:		
Balances with Maldives Monetary Authority	(234,273,233)	106,814,649
Loans and Advances to Customers	(299,936,653)	(506,922,784)
Other Assets	1,746,956	(6,043,730)
Other Liabilities	3,148,982	7,384,876
Deposits from Customers	1,117,673,807	535,124,208
Due to Banks	7,696,465	61,693,535
	<u>596,056,325</u>	<u>198,050,754</u>
Interest Received	504,926,659	445,074,352
Interest Paid	(100,848,140)	(82,028,532)
Income Tax Paid	22 (101,452,733)	(62,207,430)
	<u>302,625,786</u>	<u>300,838,390</u>
Net Cash (Used in) / Generated From Operating Activities	<u>969,321,894</u>	<u>547,155,079</u>
Cash Flows from Investing Activities		
Net Investment in Securities	(706,941,216)	(32,911,091)
Placements investments	(289,061,474)	(505,843,619)
Acquisition of Property and Equipment	(776,183)	(635,747)
Net Cash From / (Used in) Investing Activities	<u>(996,778,873)</u>	<u>(539,390,457)</u>
Cash Flows from Financing Activities		
Payment of Lease Liabilities	(5,932,185)	(6,034,018)
Profit Remitted to Head Office	-	(53,075,640)
Net Cash Used in Financing Activities	<u>(5,932,185)</u>	<u>(59,109,658)</u>
Net (Decrease)/ Increase in Cash and Cash Equivalents	<u>(33,389,164)</u>	<u>(51,345,036)</u>
Cash and Cash Equivalents at the Beginning of the Year	<u>117,367,707</u>	<u>168,712,743</u>
Cash and Cash Equivalents as at the End of the Year	<u>83,978,543</u>	<u>117,367,707</u>

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Bank set out on pages 7 to 64. The Report of the Independent Auditors is given on pages 1 and 2.



**BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

1. Corporate Information

1.1. Reporting entity

The Bank of Ceylon – Maldives (“the Bank”) received the banking license under the Maldives Monetary Authority Act No. 6/81 of 1981 on 7th May 1981 in the Republic of Maldives. The principal place of business is situated at 12, Boduthakurufaanu Magu, Male’, Republic of Maldives. The Bank is a branch of Bank of Ceylon, fully owned by the Government of Sri Lanka.

The commercial operations of the Bank commenced on 7th May 1981.

1.2. Principal Business Activities and Nature of Operations

The Bank is engaged in providing a comprehensive range of financial services encompassing accepting deposits, retail banking, trade financing, corporate and retail credit, project financing, development banking, money remittance facilities, dealing in Government securities and treasury-related products and salary remittance package services, in the Republic of Maldives.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The financial statements of the Bank, which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared and presented in accordance with IFRS Accounting Standards.

These financial statements have been prepared following the accrual basis of accounting.

2.2. Basis of Measurement

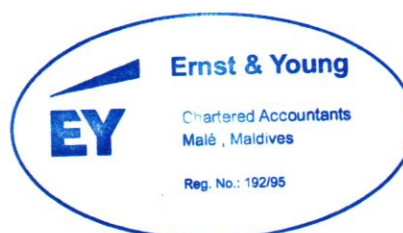
The financial statements have been prepared on the historical cost basis except for assets and liabilities which are stated at their fair value.

2.3. Going Concern Basis of Accounting

The Management has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Bank’s ability to continue as a going concern. Therefore, the financial statements of the Bank continue to be prepared on a going concern basis.

2.4. Functional and Presentation Currency

These financial statements are presented in Maldivian Rufiyaa, which is the Bank’s functional currency, except as otherwise indicated, financial information is presented in Maldivian Rufiyaa.



**BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

2. BASIS OF PREPARATION (CONTINUED)

2.5. Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Statement of Comprehensive Income, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretation Committee) and as specially disclosed in the Accounting Policies of the Bank.

2.6 Presentation of Financial Statements

The assets and liabilities of the Bank presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements.

2.7 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 International Accounting Standard – IAS 1 on ‘Presentation of Financial Statements’.

2.8 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Maldivian Rufiyaa, except where otherwise indicated as permitted by the International Accounting Standard – IAS 1 on ‘Presentation of Financial Statements’.

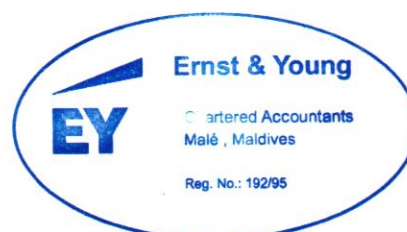
2.9 Use of Judgements and Estimates

The preparation of the financial statements in conformity with IFRSs and IASs adopted, requires the management to make 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 recognized prospectively.

i.) Measurement of fair values

Several accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Bank has an established control framework with respect to the measurement of fair values. When measuring the fair value of an asset or a liability, the Bank uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follow.



**BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

2. BASIS OF PREPARATION (CONTINUED)

2.9 Use of Judgements and Estimates (Continued)

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (Unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Bank recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

ii.) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes.

Note 3.2 (ii) - classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

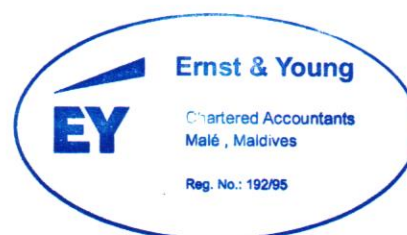
Note 3.2 (iv) – establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward looking information into the measurement of Expected Credit Loss (“ECL”) and selection and approval of models used to measure ECL.

iii.) Assumptions and estimation uncertainties

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

Note 3.4 (iv) - Impairment of financial instruments

Determining inputs into the ECL measurement model, including incorporation of forward-looking information.



**BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

2. BASIS OF PREPARATION (CONTINUED)

2.9 Use of Judgements and Estimates (Continued)

Note 3.5 - Impairment of non-financial assets

The Bank assesses whether there are any indicators of impairment for an asset or a Cash-Generating Unit (CGU) at each Reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the 'Value in use' of such individual assets or the CGUs. Estimating 'Value in use' requires the Management to make an estimate of the expected future cash flows from the asset or the CGU and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Bank to make estimates about expected future cash flows and discount rates and hence, they are subject to uncertainty.

Note 3.7 & 3.8- Provisions for liabilities, commitments and contingencies

The Bank receives legal claims in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due processes in respective legal jurisdictions.

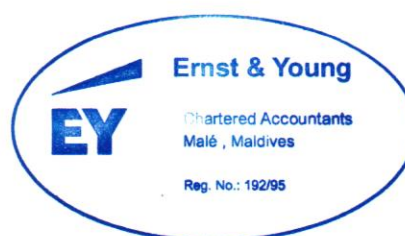
3. MATERIAL ACCOUNTING POLICY INFORMATION

The Accounting Policies have consistently been applied by the company and are consistent with those used in the previous year. Further, comparative information is reclassified wherever necessary to comply with the current year presentation.

3.1. Foreign Currency Transactions

Transactions in currencies other than Maldivian Rufiyaa are translated to Maldivian Rufiyaa at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Maldivian Rufiyaa at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the profit or loss.

Non-monetary assets and liabilities, which are measured at historical cost, denominated in foreign currencies are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates of transactions. Non-monetary assets and liabilities, which are stated at fair value, denominated in foreign currencies are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates the values were determined.



**BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2. Financial Assets and Liabilities

(i) Recognition and initial measurement

The Bank initially recognizes loans and advances, deposits, and other liabilities, etc. on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVTPL. A financial asset is measured at amortized 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”).

A debt instrument is measured at FVOCI only 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 achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

Business Model Assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- How the performance of the portfolio is evaluated and reported to the Bank's management.

**BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2. Financial Assets and Liabilities (Continued)

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- How managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed, or the contractual cash flows collected; and
- The frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest

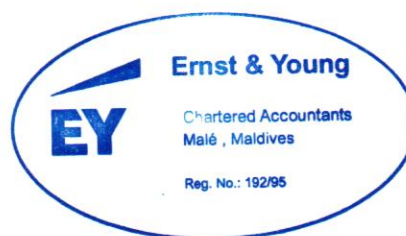
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period and for other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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank 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 Bank considers:

- Contingent events that would change the amount and timing of cash flows.
- Leverage features.
- Prepayment and extension terms.
- Terms that limit the Bank's claim to cash flows from specified assets (e.g., non-recourse asset arrangements); and
- Features that modify consideration of the time value of money- e.g., periodical reset of interest rates.

Reclassification

Financial assets are not reclassified after their initial recognition, except in the period after the Bank changes its business model for managing financial assets.



**BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2. Financial Assets and Liabilities (Continued)

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL.

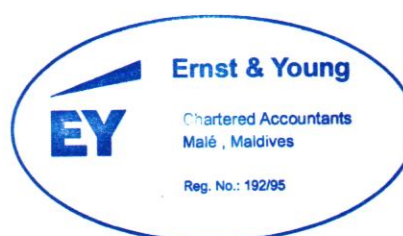
- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (refer write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

The Bank derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.



**BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2. Financial Assets and Liabilities (Continued)

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(iii) Fair value measurement

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would consider in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out.

(IV) Impairment

Individual Assessment - Credit-Impaired Financial Assets

At each reporting date, the Bank assesses all financial assets carried at amortized cost and identifies the ‘Individually Significant’ loans and advances for impairment based on the materiality. Accordingly, loans and advances are considered as if they meet following criteria.

BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2. Financial Assets and Liabilities (Continued)

- Loans and Advances of those customers with a total exposure of MVR. 4,988,676/- (Sri Lankan Rupees 100 Mn) and above

The exposure for this purpose is comprised of capital outstanding of all on-balance sheet loans and advances.

A financial asset upon this assessment is categorized as 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise.
- It is becoming probable that the borrower will enter bankruptcy or other financial re-organization.
or
- The disappearance of an active market for a security because of financial difficulties.

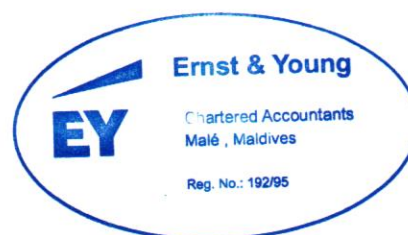
A loan that has been re-negotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, financing facility provided to the customers that are overdue for 90 days or more is considered credit impaired.

Collective Assessment

Loans and advances which are not individually significant and loans and advances which are individually significant but not attract any impairment based on the individual assessment, are further assessed on collective basis for Expected Credit Loss (ECL).

The Bank recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments.
- Placements with banks
- Balances with banks
- Financial guarantee contracts issued; and
- Loan commitments.



**BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2. Financial Assets and Liabilities (Continued)

Measurement of ECL

Significant increase in credit risk of loans and advances is measured based on quantitative and qualitative characteristics.

Quantitative characteristics

The number of days past due, which is calculated from the contractual due date of the payment. Accordingly, the Bank does not rebut the presumption of 90 days as the default point as set out in IFRS 9 and staging is done for loans and advances as follows.

Days of Past Due	Staging
1 – 30 Days	Stage 1
31 – 60 Days 61 - 90 Days	Stage 2
Above 90	Stage 3

Probability of default (“PD”) approach

Probability of default is the estimate of the likely hood of default over a given time horizon.

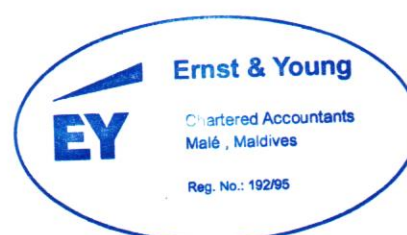
PDs are calculated for 12 months, and lifetime based on the increase in credit risk, which is assessed based on the days past due as follows,

12 Months PD

This is the estimated probability of default occurring within the next 12 months. The 12-month PD is applied for the “Current” and “1-30 days” buckets since there is no significant deterioration in Credit Risk. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1 financial instruments'.

Lifetime PD

This is the estimated probability of default occurring over the remaining life of the financial instruments. The lifetime PD is applied for the 31-60 days and 61-90 days buckets since there is a significant deterioration in credit risk. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.



**BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2. Financial Assets and Liabilities (Continued)

The PD for the Above 90 days' category is 100% since there is objective evidence of impairment.

Special factors /assumptions considered for PD models:

- PDs are calculated segment wise
- Moving average of immediate past five years' data is used for PD computation.
- Lognormal graph is used to extrapolate the PDs beyond 4 years
- PDs are in the increasing trend when moving with the lifetime of the loans and advances.
- Marginal PD approach is used to establish the increasing trend in PD where historical data does not give the expected results.

The Bank has determined to follow the above policy in calculating the PDs for the following segments,

- Loans and Advances to Customers.
- Overdrafts.

Loss Given Default (“LGD”)

LGD is the magnitude of likely loss on exposure, and is expressed as a percentage of exposure. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its lending into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics as well as borrower characteristics.

For each year, closed contracts which have crossed above 90 days at least once in their lifetime and contract which have been virtually closed are considered.

LGD will factor in all cash flows subsequent to the point of default until the full settlement of the loan.

Economic Factor Adjustment (“EFA”)

The Bank incorporates forward looking information to the ECL computation that it brings the futuristic aspects to the impairment assessment by using the expected values of the multiple economic scenarios. The Bank uses both quantitative (such as inflation, interest rate, exchange rate and GDP growth rate) and qualitative factors (government policies and status of the banking industry) to arrive to the EFA.

Exposure at Default (“EAD”)

EAD reflects the outstanding exposure at the reporting date and commitments that could be invoked before the date of any default.

EAD pertains to the amount outstanding with the customer at the time of likely default, includes:

**BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2. Financial Assets and Liabilities (Continued)

Drawn Amount

- Amount utilized by the customer from the available credit lines as at the reporting date.
- The outstanding future amounts are projected based on amortization assumptions.

Undrawn Amount

- Amount not utilized by the customer from the approved/available credit lines as at the reporting date.
- Undrawn amounts are converted into most likely future exposure using a Credit Conversion Factor, for EAD computation

Following factors/assumptions considered when arriving to the EAD

- If the customer is in default category, it is concluded that no further drawdowns are allowed and EAD of such customer is the total outstanding amount of the facilities as at reporting date.
- It was assumed that customer defaults the facility (if it is not already defaulted as at reporting date) after 6 months from each reporting date.
- For revolving facilities such as Overdrafts that has an undrawn amount the credit conversion factor is considered as 100%, with the assumption that, at the point of default the customer has used the full facility, i.e., the undrawn amount at the point of default is zero (0).
- Facilities to the extent which are backed by cash or cash equivalent are eliminated from the EAD.

Presentation

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.
- Loan commitments and financial guarantee contracts: generally, as a provision.
- Where a financial instrument includes both a drawn and undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component. The Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from gross carrying amount of the drawn component. Any excess of the loan loss allowance over the gross carrying amount is presented as a provision.

**BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2. Financial Assets and Liabilities (Continued)

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in impairment losses on financial instruments in the statement of profit or loss.

Financial assets that are written off could still be subject to enforcement activities to comply with the Bank's procedures for recovery of amounts due.

Non-Integral financial guarantee contracts

The Bank assess whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether,

- the guarantee is implicitly part of the contractual terms of the debt instruments.
- the guarantee is required by laws and regulations that govern the contract of the debt instrument.
- the guarantee is entered at the same time as and in contemplation of the debt instruments; and
- the guarantee is given by the parent of the borrower or another Company within the borrower's group

If the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Bank considers the effect of the protection when measuring the fair value of the debt instrument when measuring the ECL.

3.3. Leases

At inception of a contract, the Bank 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 in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

(i) As a Lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component based on its relative stand-alone prices. However, for the leases of property the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

**BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.3. Leases (Continued)

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Bank by the end of the lease term or the cost of the right-of-use asset reflects that the Bank 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 re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. The Bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased. Lease payments included in the measurement of the lease liability comprise the fixed payments, including in-substance fixed payments.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Bank presents right-of-use assets that do not meet the definition of investment property in 'Right of Use Assets' and lease liabilities in 'Lease Liability' in the statement of financial position.

3.4. Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized

**BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.4. Property, Plant and Equipment (Continued)

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant, and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant, and equipment, and are recognized net within other income in profit or loss.

(ii) Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embedded within the part will flow to the Bank, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant, and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term.

Furniture and Fittings	Over 10 Years
Office Equipment	Over 03 - 05 Years
Computer Equipment	Over 02 - 10 Years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Depreciation is calculated from the date that they are ready for use.

3.5. Impairment of Non-financial Assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial 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 inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

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 risks specific to the asset or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

**BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Impairment of Non-financial Assets (Continued)

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 amortization, if no impairment loss had been recognized.

3.6. Employee Benefits

(i) Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount because of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined Contribution Plans

All Maldivian employees of the Bank are members of the retirement pension scheme established in the Maldives. Both employer and employee contribute 7% each respectively to this scheme of such employees' pensionable wage. Employers' obligation for contribution to pension scheme is recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

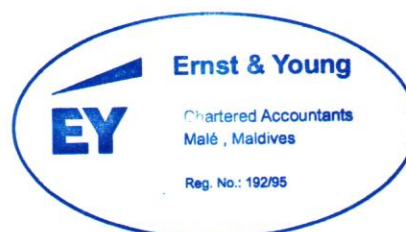
3.7. Provisions

A provision is recognized if, because of a past event, the Bank 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.8. Contingent Liabilities and Commitments

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 as defined in International Accounting Standard – IAS 37 on Provisions, Contingent Liabilities and Contingent Assets.

In the normal course of business, the Bank makes various irrecoverable commitments and incurs certain liabilities with legal recourse to its customers. Even though these obligations may not recognize the date of the Statement of Financial Position, they do contain credit risk and are therefore form part of the overall risk profile of the Bank.



**BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.9. Interest Income and Expense

(i) Effective interest rate

Interest income and expenses are recognized in profit or loss using the effective interest rate method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or a financial liability.

(ii) Amortized Cost and Gross Carrying Amount

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

(iii) Calculation of Interest Income and Expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating profit income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortized cost of the liability. The effective interest rate is revised because of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

**BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Interest Income and Expense (Continued)

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(iv) Presentation

Interest income calculated using the effective Interest rate method presented in the statement of profit or loss includes:

- Interest on financial assets and financial liabilities measured at amortized cost.

Interest expenses presented in the statement of profit or loss includes:

- Financial liabilities measured at amortized cost.

3.10. Fees and Commission Income and Expense

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognizes revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of Service	Nature and timing of performance obligations, including significant payment terms.	Revenue recognition
Retail and corporate Banking Services.	<p>The Banking services are provided to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions and servicing fees.</p> <p>Fees for ongoing account management are charged to the customer’s account monthly. The Bank sets the rates separately for retail and corporate Banking customers on an annual basis.</p> <p>Transaction based fees for interchange foreign currency transactions and overdrafts are charged to the customer’s account when the transaction takes place.</p> <p>Servicing fees are charged monthly and are based on fixed rates reviewed annually by the Bank.</p>	<p>Revenue from account service and servicing fees is recognised over time as the services is provided.</p> <p>Revenue related to transactions is recognised at the point in time when the transaction is taken place.</p>

**BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.11. Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss. The Bank has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date.

Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rate enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax assets is recognized for unused tax losses, tax credits deductible temporary difference to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it no longer probable that the related tax benefits will be provided.

3.12. Operating Expense

All expenses incurred in the running of the business and in maintaining the capital assets in a state of efficiency has been charged to the revenue in arriving at profit or loss for the year. Expenditure incurred for the purpose of acquiring, expanding, or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenses.

3.13. Statement of the Cash Flows

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with the International Accounting Standard – IAS 7 on 'Statement of Cash Flows'. Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

New and amended standards

The following amendment to IAS 21 became effective for annual periods beginning on 1 January 2025:

Lack of exchangeability – Amendments to IAS 21

For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of an entity’s financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows.

This amendment did not have a material impact on the Bank’s financial statements.

Standards issued but not yet effective

New and amended standards and interpretations that are issued but not yet effective are being assessed by the Bank to determine the impact on the financial statements. As explained above, this would include standards and amendments that would already be effective based on the new standard or amendment, but the local endorsement is still in progress or has resulted in a later effective date.

► Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- Clarifications of the requirements for recognition and derecognition of financial assets and liabilities
- A clarification that a financial liability is derecognised on the ‘settlement date’ and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date.
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed.
- Clarifications on what constitute ‘non-recourse features’ and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026.

With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Bank has performed an assessment of all material electronic payment systems used in the various jurisdictions it operates.

BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

Most of the electronic settlement systems used by the Bank result in real-time settlement. There is a limited number of electronic settlement systems used by the Bank that do not result in real-time settlement. For those, the Bank has been derecognising the financial liability, and the associated cash, at the time of submitting the payment instructions. In line with the amendments, the Bank will change this current practice to derecognising the financial liability and the associated cash when the payment has reached the beneficiary, which is when the obligation is discharged. However, given the limited number of such electronic settlement systems used by the Bank, and the low value of payments involved, the amendments are not expected to have a material impact.

The Bank has determined that it will not apply the accounting policy option to derecognise financial liabilities before the settlement date. Moreover, the Bank has also reviewed its other payment systems (such as cheques, credit cards, debit cards) and concluded that the recognition and derecognition policies are already in line with the amendments.

In addition, the Bank has assessed the impact of the Amendments on its financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features, as well as on non-recourse financing and contractually linked instruments. Based on the assessments performed, the amendments in these areas are not expected to have a material impact on the financial statements.

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

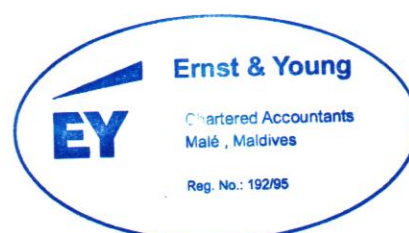
In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity.

The amendments:

- Clarify the application of the ‘own-use’ requirements for in-scope contracts
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope Contracts
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company’s financial performance and cash flows

The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the IFRS 7 disclosure amendments must be implemented alongside the IFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures.

The Bank does not expect that the amendments will have a material impact on its financial statements.



BANK OF CEYLON – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

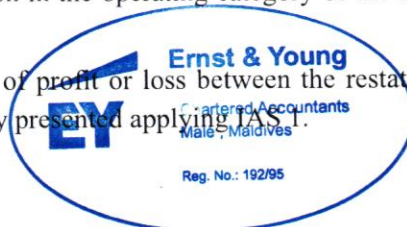
IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities, such as Good Bank, that have specified main business activities (either providing finance to customers or investing in specific types of assets, or both). The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements and the notes. In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from ‘profit or loss’ to ‘operating profit or loss’ and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

The Bank is currently working to identify the impacts the standard will have on the primary financial statements and notes to the financial statements. The Bank considers its main business activities to include the provision of financing to customers and investing in financial assets. In accordance with IFRS 18, some of the income and expenses related to those activities are classified in the operating category, as an exception to the general requirements that would otherwise have resulted in their classification in the investing or financing categories.

The initial expected material impacts of IFRS 18 on the Bank’s financial statements are as follows:

- Income and expenses from the following will be classified in the operating category within the statement of profit or loss: (a) cash and cash equivalents; (b) liabilities from transactions that involve only the raising of finance; (c) generally, assets invested in as part of the Bank’s main business activity of investing in financial assets that generate a return individually and largely independently of the Bank’s other resources
- Foreign exchange differences will be classified in the same category as the related income and expenses, giving rise to the foreign exchange difference, with some exceptions.
- Gains and losses on hedging instruments, including those not designated as such, but used to manage exposure to identified risks, will be classified in the same category as the income and expenses relating to the risk being covered, with some exceptions.
- For the statement of cash flows, the ‘operating profit’ subtotal will be used as the starting point for determining cash flows from operating activities. Furthermore, the classification of the total cash flows from all dividends received, all interest paid and all interest received will each, respectively, be classified in a single category in the statement of cash flows following the classification of the related income and expenses in the statement of profit or loss.
- New disclosures will be added for: (a) management-defined performance measures; (b) specified expenses by nature if expenses are presented by function in the operating category of the statement of profit or loss;
- A reconciliation for each line item in the statement of profit or loss between the restated amounts presented applying IFRS 18, and the amounts previously presented applying IAS 1.



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

4 NET INTEREST INCOME	2025	2024
	MVR	MVR
Interest income (Note 4.1)	502,657,195	459,495,928
Less: Interest expense (Note 4.2)	(100,848,140)	(82,028,532)
Net Interest Income	401,809,055	377,467,396
	2025	2024
	MVR	MVR
4.1 Interest income		
Financial assets at amortised cost - Loans and advances (Note 4.1.1)	356,365,482	362,330,604
Financial assets at amortised cost - Investments securities	146,291,713	97,165,324
	502,657,195	459,495,928
	2025	2024
	MVR	MVR
4.1.1 Financial assets at amortised cost - loans and advances		
Term Loans and Advances	179,959,184	172,112,312
Overdrafts	128,975,830	146,747,134
Staff Loans	648,554	568,830
Others	46,781,914	42,902,328
	356,365,482	362,330,604
	2025	2024
	MVR	MVR
4.2 Interest Expense		
Financial liabilities at amortised cost - Deposits from customers (Note 4.2.1)	(96,892,781)	(75,945,179)
Due to banks	(2,529,479)	(5,508,601)
Interest expense on lease liabilities	(1,425,880)	(574,752)
	(100,848,140)	(82,028,532)
	2025	2024
	MVR	MVR
4.2.1 Financial liabilities at amortised cost - deposits from customers		
Saving deposits	(11,372,685)	(9,142,245)
Time deposits	(85,520,096)	(66,802,934)
	(96,892,781)	(75,945,179)
	2025	2024
	MVR	MVR
5 NET FEE AND COMMISSION INCOME		
Commission on letter of credit and bills	9,155,151	9,704,059
Payment transactions	35,993,682	32,796,765
Commission on guarantees	7,064,587	5,428,866
SWIFT charges recovered	7,331,763	6,782,209
Service charges on international visa cards	59,397,454	2,525,874
Service charge on current accounts and savings accounts	4,259,811	4,008,560
Other fee and commission	14,610,124	11,175,380
Total fee and commission income	137,812,572	72,421,713
Fee and commission expense	(49,044,783)	(3,102)
Net fee and commission income	88,767,789	72,418,611

Fee and commission expense mainly include the payments made towards card related transactions.

BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

6 NET TRADING AND OTHER INCOME	2025	2024
	MVR	MVR
Net foreign exchange gains	18,132,052	9,675,869
Other income	-	194,974
	<u>18,132,052</u>	<u>9,870,843</u>

Net gains from trading comprise, gains less losses related to trading assets and liabilities and foreign exchange differences.

7 IMPAIRMENT CHARGE FOR LOANS AND OTHER LOSSES	2025	2024
	MVR	MVR
Financial assets at amortised cost - loans & advances		
Stage 1	(18,832,997)	82,359
Stage 2	50,232,676	73,314,145
Stage 3	(64,708,964)	(115,310,559)
	<u>(33,309,284)</u>	<u>(41,914,055)</u>
Credit related commitments & contingencies		
Stage 1	(1,585,415)	(2,751,097)
Stage 2	10,771,372	(9,277,579)
Stage 3	(2,995,776)	(11,794,153)
	<u>6,190,181</u>	<u>(23,822,829)</u>
Placement with banks		
Stage 1	(41,468,709)	-
	<u>(41,468,709)</u>	<u>-</u>
Cash and balances with banks		
Stage 1	(265,247)	-
	<u>(265,247)</u>	<u>-</u>
Total impairment charge for loans and other losses	<u>(68,853,059)</u>	<u>(65,736,884)</u>

8 PERSONNEL EXPENSES	2025	2024
	MVR	MVR
Salaries	17,955,467	16,075,158
Staff bonus	2,453,436	2,539,148
Expenses Relating to Defined Contribution Plans (Note 8.1)	1,644,945	960,921
Other personnel costs	1,484,697	2,424,648
	<u>23,538,545</u>	<u>21,999,875</u>

8.1 The Bank contributes 5% and Maldivian staff contributes 3% to the provident fund based on the staff basic salary and these funds are deposited in designated savings accounts (Provident Fund Account for each staff member). The interest is accrued at the prevailing savings account rate and the full amount can be withdrawn on retirement of the employee. In addition to that, the Bank contributes 7% to the Maldives pension fund for Maldivian staff based on their last basic salary.

9 DEPRECIATION AND AMORTIZATION EXPENSES	2025	2024
	MVR	MVR
Depreciation of property, plant and equipment	372,607	433,367
Depreciation of ROU Asset	5,388,242	5,183,766
	<u>5,760,849</u>	<u>5,617,133</u>

10 OTHER EXPENSES	2025	2024
	MVR	MVR
Professional fees	973,840	299,933
Postage and swift	5,776,091	5,019,561
Stationery and printing	42,172	258,559
Utility expenses	267,982	250,189
Premises, equipment and establishment expenses	5,661,428	6,195,402
	<u>12,721,513</u>	<u>12,023,644</u>

BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

11 INCOME TAX EXPENSE

	2025	2024
	MVR	MVR
Income Tax on Profit (Note 11.1)	103,145,668	93,326,235
(Over) / under provision for the previous years	-	1,306,165
Deferred Tax asset recognized during the Year (Note 11.2)	(33,202,790)	45,077,840
	<u>69,942,878</u>	<u>139,710,240</u>

11.1 Reconciliation of accounting profit to taxable income

Accounting Profit Before Tax	397,834,930	354,379,314
Aggregate Disallowable Items	101,497,238	159,362,300
Aggregate Allowable Items	(86,749,496)	(140,436,675)
Taxable Income for the Year	<u>412,582,673</u>	<u>373,304,939</u>
Income Tax @ 25%	<u>103,145,668</u>	<u>93,326,235</u>

The Bank is liable to pay income tax (at the rate of 25%) in accordance with Income Tax Act 25/2019 issued by the Maldives Inland Revenue Authority.

11.2 Deferred Tax Asset

	2025	2024
	MVR	MVR
Balance as at 1 st January	135,366,991	180,444,831
Recognized during the Year	33,202,790	(45,077,840)
Balance as at 31 st December	<u>168,569,780</u>	<u>135,366,991</u>

Deferred Tax Assets are attributable to the following:

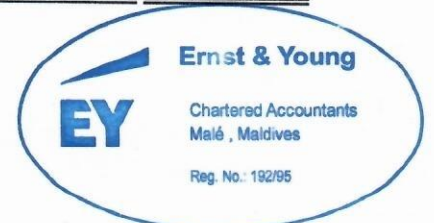
	2025		2024	
	Temporary	Tax Effect	Temporary	Tax Effect
	Difference	MVR	Difference	MVR
	MVR	MVR	MVR	MVR
Property and Equipment	640,978	160,245	722,356	180,589
Provision for impairment Losses on Financial Assets	673,638,143	168,409,536	540,745,608	135,186,402
	<u>674,279,121</u>	<u>168,569,780</u>	<u>541,467,964</u>	<u>135,366,991</u>

12 CASH AND BALANCES WITH BANKS

	2025	2024
	MVR	MVR
Cash in hand	52,178,454	67,230,526
Balances with Head Office and Other Branches (Note 12.1)	13,094,611	43,502,417
Balances with Other Banks (Note 12.2)	22,650,856	7,543,829
Impairment for expected credit losses	(265,247)	-
	<u>87,658,674</u>	<u>118,276,772</u>

12.1 Balances with Head Office and Other Branches

Bank of Ceylon - London Branch- USD	2,419,167	9,291,694
Bank of Ceylon - London Branch-GBP	-	724,132
Bank of Ceylon - London Branch-EURO	5,256,069	-
Bank of Ceylon - Colombo (FCBU)-USD	215,418	24,820,399
Bank of Ceylon - Colombo (FCBU)-EURO	3,646,734	353,749
Bank of Ceylon - Metropolitan Branch-LKR	1,512,515	6,496,659
Bank of Ceylon - Chennai Branch-USD	-	1,775,653
Bank of Ceylon - Chennai Branch-EURO	44,708	40,131
	<u>13,094,611</u>	<u>43,502,417</u>



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

12 CASH AND BALANCES WITH BANKS (CONTINUED)

12.2 Balances with Other Banks

	2025	2024
	MVR	MVR
Deutsche Bank Trust Company Americas	14,938,461	479,738
Oversea - Chinese Banking Corporation Limited	429,055	543,696
Habib American Bank - New York	7,283,340	6,520,395
	<u>22,650,856</u>	<u>7,543,829</u>

13 BALANCES WITH MALDIVES MONETARY AUTHORITY

	2025	2024
	MVR	MVR
Statutory Balances with Maldives Monetary Authority (Note 13.1)	<u>543,270,071</u>	<u>308,996,838</u>

13.1 Minimum Reserve Requirement ("MRR")

As per the regulations of the Maldives Monetary Authority (the "MMA"), the Bank is required to maintain a reserve deposit based on 10% for deposits denominated in MVR and 5% for deposits denominated in foreign currency of 14 days average of the Customers' deposits with the Bank excluding interbank deposits of other banks in Maldives and letter of credit margin deposits(2024 - 10% for MVR and 7.5% foreign currency). The Bank has maintained the minimum reserve requirement according to the regulations issued by the MMA. These deposits are not available for the Bank's day-to-day operations.

14 PLACEMENT WITH BANKS

	2025	2024
	MVR	MVR
Placement with Banks	794,905,093	505,843,619
Impairment for expected credit losses	(41,468,709)	-
	<u>753,436,384</u>	<u>505,843,619</u>

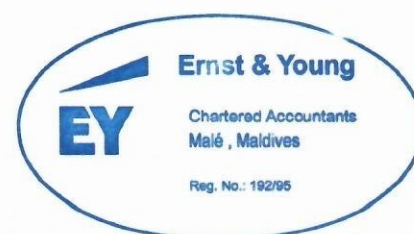
Placement With Banks are categorized under Stage 1.

15 FINANCIAL ASSETS AT AMORTISED COST - INVESTMENTS SECURITIES

	2025	2024
	MVR	MVR
Investments in Treasury Bills (Note 15.2)		
Face Value	2,642,000,000	1,925,000,000
Less: Unearned Interest on Treasury Bills	(36,652,517)	(26,593,733)
Total Financial Investments	<u>2,605,347,483</u>	<u>1,898,406,267</u>

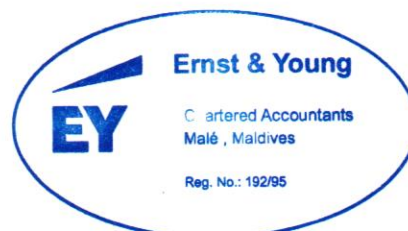
15.1 Treasury Bills - Maldives

The Bank has invested in Treasury Bills issued by the Government of Maldives. As at 31 December 2025, the Bank held un-matured Treasury bills with a face value of MVR 2,642,000,000/- (As at 31 December 2024 : MVR 1,925,000,000/-) and unearned interest amount of MVR 36,625,517/- (As at 31 December 2024: MVR 26,593,733/-). The investment in Treasury Bills issued by the Government of Maldives is measured at amortized cost as at the reporting date.



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

16 FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES	2025	2024
	MVR	MVR
Gross loans & advances		
Stage 1	3,274,870,263	2,634,659,451
Stage 2	389,246,625	777,240,522
Stage 3	934,373,290	888,923,015
	<u>4,598,490,177</u>	<u>4,300,822,988</u>
Impairment for expected credit losses		
Stage 1	(83,155,148)	(64,322,151)
Stage 2	(35,466,137)	(85,698,813)
Stage 3	(608,018,941)	(543,309,977)
	<u>(726,640,226)</u>	<u>(693,330,941)</u>
Net loans & advances	<u>3,871,849,951</u>	<u>3,607,492,047</u>
16.1 Analysis of Loans and Advances to Customers - Product wise	2025	2024
	MVR	MVR
loans and advances	2,257,633,417	2,226,254,129
Overdrafts	1,902,892,603	1,625,365,438
Trust receipts	437,505,984	448,745,247
Bills of exchange	458,173	458,174
	<u>4,598,490,177</u>	<u>4,300,822,988</u>
16.2 Analysis of Loans and Advances to Customers - Currency wise	2025	2024
	MVR	MVR
Maldivian Rufiyaa	1,604,176,644	1,224,288,812
United states Dollar	2,994,313,533	3,076,534,176
	<u>4,598,490,177</u>	<u>4,300,822,988</u>



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

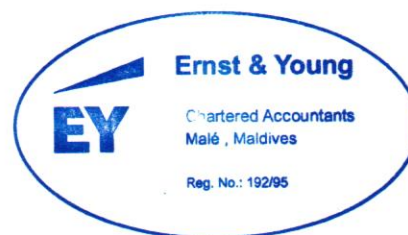
17 PROPERTY AND EQUIPMENT

	Furniture and Fittings MVR	Office Equipment MVR	Computer Equipment MVR	Total 2025 MVR	Total 2024 MVR
Cost					
As at 1 st January	1,407,276	1,957,882	6,906,951	10,272,109	9,636,362
Additions during the Year	29,956	508,028	238,199	776,183	635,747
As at 31 st December	1,437,232	2,465,910	7,145,150	11,048,292	10,272,109
Accumulated Depreciation					
As at 1 st January	1,038,557	1,819,265	6,758,207	9,616,029	9,182,662
Charge for the Year	85,895	168,913	117,799	372,607	433,367
As at 31 st December	1,124,452	1,988,178	6,876,006	9,988,636	9,616,028
Net Carrying Values					
Balance as at 31 December 2025	312,780	477,732	269,144	1,059,656	
Balance as at 31 December 2024	368,719	138,617	148,744		656,080

17.1 As at 31 December 2025, Property and equipment include fully depreciated assets which are still in use, the cost of which amounted MVR 8,128,362 (2024 : MVR 8,077,158).

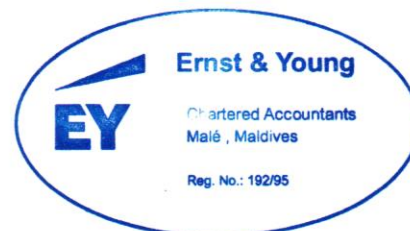
18 RIGHT-OF-USE ASSET

	2025 MVR	2024 MVR
Cost		
As at 1 st January	40,102,745	32,508,167
Additions during the Year	20,021,335	7,594,578
As at 31 st December	60,124,081	40,102,745
Accumulated Depreciation		
As at 1 st January	25,658,383	20,474,617
Charge for the Year	5,388,242	5,183,766
As at 31 st December	31,046,625	25,658,383
Net Carrying Value	29,077,456	14,444,362



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

19 OTHER ASSETS	2025	2024
	MVR	MVR
Deposits and prepayments	492,436	492,436
Stationery stocks	228,369	94,972
Other assets	4,190,265	6,070,618
	<u>4,911,070</u>	<u>6,658,026</u>
20 DUE TO BANKS	2025	2024
	MVR	MVR
Borrowings	69,390,000	61,693,535
<u>Unfavourable balances with banks</u>		
Bank of Ceylon - London Branch-GBP	773,996	-
Bank of Ceylon - Chennai Branch-USD	3,171,382	-
Bank of Ceylon - London Branch-EURO	-	909,065
	<u>73,335,378</u>	<u>62,602,600</u>
21 FINANCIAL LIABILITIES AT AMORTISED COST - DEPOSITS FROM CUSTOMERS	2025	2024
	MVR	MVR
Local Currency Deposits		
Current account balances	658,443,917	443,548,042
Savings account balances	441,889,587	190,758,966
Fixed deposits	538,337,767	498,428,094
Margin account balances	13,842,585	9,130,563
	<u>1,652,513,856</u>	<u>1,141,865,665</u>
Foreign Currency Deposits		
Current account balances	1,294,115,150	988,873,126
Savings account balances	553,382,183	531,610,019
Fixed deposits	1,578,468,678	1,376,804,425
Margin account balances	104,298,244	25,951,070
	<u>3,530,264,255</u>	<u>2,923,238,640</u>
Total Deposits from Customers	<u>5,182,778,111</u>	<u>4,065,104,305</u>



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

22 CURRENT TAX LIABILITIES	2025 MVR	2024 MVR
As at 1 st January	54,785,683	23,666,878
Add: Provision for the Year (Note 11.1)	103,145,668	93,326,235
Less: Payments made during the Year	(101,452,733)	(62,207,430)
As at 31 st December	<u>56,478,618</u>	<u>54,785,683</u>
23 LEASE LIABILITY	2025 MVR	2024 MVR
As at 1 st January	14,940,474	12,805,162
Addition during the Year	20,021,335	7,594,578
Interest Charge for the Year	1,425,880	574,752
Lease Rental Payments for the Year	(7,358,064)	(6,034,018)
As at 31 st December	<u>29,029,625</u>	<u>14,940,474</u>
23.1 Maturity analysis of Lease liability	2025 MVR	2024 MVR
Less than one year	5,702,959	4,982,688
Between one and five years	23,326,666	9,957,786
	<u>29,029,625</u>	<u>14,940,474</u>
23.2 Amount Recognized in Comprehensive Income		
Interest on Lease Liability	1,425,880	574,752
Amortization of Right of Use asset	5,388,242	5,183,766
	<u>6,814,122</u>	<u>5,758,518</u>
24 OTHER LIABILITIES	2025 MVR	2024 MVR
Accrued expenses	13,094,709	7,536,536
Unclaimed balances	491,423	431,523
Other liabilities and payables	6,371,831	8,840,922
Impairment provision on off-balance sheet exposures (Note 24.1)	21,599,088	27,789,269
	<u>41,557,051</u>	<u>44,598,250</u>
24.1 Impairment provision on off-balance sheet exposures	2025 MVR	2024 MVR
As at 1 st January	27,789,269	3,966,440
Net charge for the year	(6,190,181)	23,822,829
As at 31 st December	<u>21,599,088</u>	<u>27,789,269</u>

BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

25 ASSIGNED CAPITAL

According to the sections 12 and 13 of the Maldives Banking Act No. 24/2010, a foreign Bank operating in the Maldives and intends to conduct operations in the manner of section 25 of the Maldives Banking Act No. 24/2010 (Tier I Bank) shall require to maintain equity capital allocated to its operations in the Maldives in an amount equal to the minimum level of MVR 150,000,000/-. Accordingly, the Bank maintains equity capital allocated to its operations in the Maldives amounting to MVR 196,140,000/- (2024: MVR 196,140,000/-).

26 STATUTORY RESERVE

According to the Maldives Banking Act No 24/2010 / Prudential Regulation on Capital Adequacy (2015/R-166) issued by the Maldives Monetary Authority ("MMA"), the Bank shall allocate, after taxes, at least 50% of its net distributable profits for the formation of a capital reserve until the reserve totals 50% of its minimum required unimpaired paid-up capital or assigned capital. Once the reserve reaches 50% of the Bank's minimum required unimpaired paid-up capital or assigned capital, the allocation shall not be less than 25% of the Bank's net distributable profit until the reserve totals an amount equal to the bank's minimum required unimpaired paid-up capital or assigned capital. The Bank may not reduce its capital and the reserve accumulated in the manner described in the Act / Prudential Regulation or in any other manner without prior approval of the MMA.

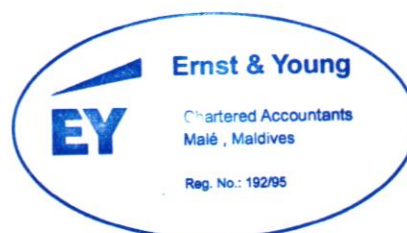
The Bank has the statutory reserve amounting to MVR 150,000,000/- as at 31st December 2025 (2024: MVR 150,000,000/-) and that is an amount equal to the Bank's minimum required assigned capital of MVR 150,000,000/- as specified under sections 12 and 13 of the Maldives Banking act No. 24/2010.

27 CAPITAL RESERVE ON LOAN LOSS PROVISION

According to the Maldives Monetary Authority ("MMA") guideline on loan loss provisioning (CN-BSD/2017/8), the Bank has created a separate reserve to record the difference in impairment amounts provided between IFRS provision base (IFRS 9 -"Financial Instruments") and MMA provision base (MMA Prudential Regulation 2015/R-168: Regulation on Asset Classification, Provisioning and Suspense of Interest).

Movement in Provision for Impairment Loss of Loans and Advances to Customers

	MMA Provision MVR	IFRS Provision MVR
As at 1 January 2024	373,306,022	651,416,886
Net Provision for impairment Loss	60,706,333	41,914,055
As at 31 December 2024	434,012,355	693,330,941
Net Provision for impairment Loss	67,924,822	33,309,285
As at 31 December 2025	501,937,177	726,640,226



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

29 LITIGATIONS AND CLAIMS AGAINST THE BANK

Litigation is common occurrence in the banking industry due to the nature of the business undertaken. The Bank has formal controls and policies in place for the management of legal claims. Once professional advice has been obtained and the loss is reasonably estimated, the management will make necessary adjustments in the books of accounts. At the reporting date the Bank did not have any significant unresolved legal claims as such no provision for any claims was made in these financial statements.

30 RELATED PARTY DISCLOSURES

The Bank has carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as Related parties as per the International Accounting Standard - IAS 24 'Related Party Disclosures'.

30.1 Key Management Personnel (KMPs) and their Close Family Members (CFMs)

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank. Such Key Management Persons include the Corporate Management of the Bank. Close family members of an Individual are those family members who may be expected to influence, or to be influenced by, that individual in their dealings with the entity. They may include individual's domestic partner and children, children of the individual's domestic partner and dependents of the individual or the individual's domestic partner.

30.1.1 Transactions with Key Management Personnel (KMPs) and their Close Family Members (CFMs)

Compensation to KMP of the Bank

For the year ended 31 December

	2025	2024
	MVR	MVR
Short-term Employee Benefits	1,575,616	1,136,976
Non-monetary Benefits	374,328	328,402
	<u>1,949,944</u>	<u>1,465,378</u>

30.1.2 Transactions, arrangements and agreements involving Key Management Personnel (KMP) and their Close Family Members (CFMs)

(a) Items in statement of profit or loss

For the year ended 31 December

	2025	2024
	MVR	MVR
Interest income	4,429	7,121
Interest expense	3,280	1,921

(b) Items in statement of financial position

As at 31 December

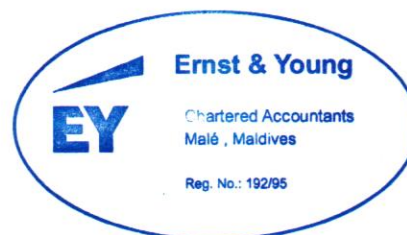
	2025	2024
	MVR	MVR
Loans and advances	57,963	113,673
Deposits	63,458	82,564

**BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

30 RELATED PARTY DISCLOSURES (CONTINUED)

30.2 Transactions with Related Entities

As at 31 December	2025	2024
	MVR	MVR
Assets		
Balances with Head Office and Other Branches		
Bank of Ceylon - London Branch- USD	2,419,167	9,291,694
Bank of Ceylon - London Branch-GBP	-	724,132
Bank of Ceylon - London Branch-EURO	5,256,069	-
Bank of Ceylon - Colombo (FCBU)-USD	215,418	24,820,399
Bank of Ceylon - Colombo (FCBU)-EURO	3,646,734	353,749
Bank of Ceylon - Metropolitan Branch-LKR	1,512,515	6,496,659
Bank of Ceylon - Chennai Branch-USD	-	1,775,653
Bank of Ceylon - Chennai Branch-EURO	44,708	40,131
	13,094,611	43,502,417
 Placement with banks		
Bank of Ceylon - Colombo	699,918,232	455,222,910
Bank of Ceylon - Seychelles	49,986,248	16,529,700
	749,904,480	471,752,610



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

31 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

31.1 Classification of financial assets and liabilities as per IFRS 9 - "Financial instruments"

The table below provides a reconciliation between the line items in the Statement of Financial Position and categories of financial assets and financial liabilities of the Bank.

As at 31 st December 2025	Note	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Total
		MVR	MVR	MVR
Financial Assets				
Cash and balances with banks	12	87,658,674	-	87,658,674
Balances with Maldives Monetary Authority	13	543,270,071	-	543,270,071
Placement with banks	14	753,436,384	-	753,436,384
Financial assets at amortised cost - Investments securities	15	2,605,347,483	-	2,605,347,483
Financial assets at amortised cost - Loans and advances	16	3,871,849,951	-	3,871,849,951
Total Financial Assets		<u>7,861,562,563</u>	<u>-</u>	<u>7,861,562,563</u>
Financial Liabilities				
Due to banks	20	-	73,335,378	73,335,378
Financial liabilities at amortised cost - Deposits from customers	21	-	5,182,778,111	5,182,778,111
Lease Liability	23	-	29,029,625	29,029,625
Other Liabilities		-	19,957,963	19,957,963
Total Financial Liabilities		<u>-</u>	<u>5,305,101,077</u>	<u>5,305,101,077</u>
As at 31st December 2024				
	Note	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Total
		MVR	MVR	MVR
Financial Assets				
Cash and balances with banks	12	118,276,772	-	118,276,772
Balances with Maldives Monetary Authority	13	308,996,838	-	308,996,838
Placement with banks	14	505,843,619	-	505,843,619
Financial assets at amortised cost - Investments securities	15	1,898,406,267	-	1,898,406,267
Financial assets at amortised cost - Loans and advances	16	3,607,492,047	-	3,607,492,047
Total Financial Assets		<u>6,439,015,543</u>	<u>-</u>	<u>6,439,015,543</u>
Financial Liabilities				
Due to banks	20	-	62,602,600	62,602,600
Financial liabilities at amortised cost - Deposits from customers	21	-	4,065,104,305	4,065,104,305
Lease liability	23	-	14,940,474	14,940,474
Other Liabilities		-	16,808,981	16,808,981
Total Financial Liabilities		<u>-</u>	<u>4,159,456,360</u>	<u>4,159,456,360</u>

31.2 Measurement of Fair Values

31.2.1 Financial Instruments Not measured at Fair Value and Fair Value Hierarchy

The fair value information for financial assets and financial liabilities not measured at fair value has not been disclosed if the carrying amounts are reasonable approximation of fair values. For financial assets and liabilities with short term maturities or with short term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

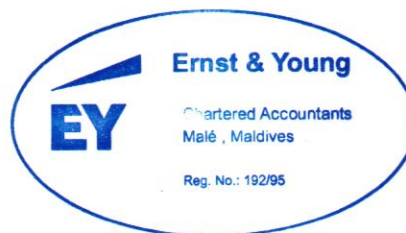
BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

31 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

31.2.2 Determination of fair value and fair value hierarchy

The following table set out the fair values of financial assets and liabilities not measured at fair value and related fair value hierarchy used

As at 31 December 2025	Level 1 MVR	Level 2 MVR	Level 3 MVR	Total MVR
Financial assets				
Cash and balances with banks	-	87,658,674	-	87,658,674
Balances with Maldives Monetary Authority	-	543,270,071	-	543,270,071
Placement with banks	-	753,436,384	-	753,436,384
Financial assets at amortised cost - Investments securities	-	2,605,347,483	-	2,605,347,483
Financial assets at amortised cost - Loans and advances	-	3,871,849,951	-	3,871,849,951
Total financial assets	-	7,861,562,563	-	7,861,562,563
Financial liabilities				
Due to banks	-	73,335,378	-	73,335,378
Financial liabilities at amortised cost - Deposits from customers	-	5,182,778,111	-	5,182,778,111
Lease liability	-	29,029,625	-	29,029,625
Other liabilities	-	19,957,963	-	19,957,963
Total financial liabilities	-	5,305,101,077	-	5,305,101,077
As at 31 December 2024				
	Level 1 MVR	Level 2 MVR	Level 3 MVR	Total MVR
Financial assets				
Cash and balances with banks	-	118,276,772	-	118,276,772
Balances with Maldives Monetary Authority	-	308,996,838	-	308,996,838
Placement with banks	-	505,843,619	-	505,843,619
Financial assets at amortised cost - Investments securities	-	1,898,406,267	-	1,898,406,267
Financial assets at amortised cost - Loans and advances	-	3,607,492,047	-	3,607,492,047
Total financial assets	-	6,439,015,543	-	6,439,015,543
Financial liabilities				
Due to banks	-	62,602,600	-	62,602,600
Financial liabilities at amortised cost - Deposits from customers	-	4,065,104,305	-	4,065,104,305
Lease liability	-	14,940,474	-	14,940,474
Other liabilities	-	16,808,981	-	16,808,981
Total financial liabilities	-	4,159,456,360	-	4,159,456,360



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

32 FINANCIAL RISK MANAGEMENT

Introduction and Overview

As a financial intermediary, the Bank is exposed to various types of risks including credit, market, liquidity and operational risks which are inherent in the Bank's activities. Managing these risks are critical for the sustainability of the Bank and plays a pivotal role in all activities of the Bank. Risk Management function strives to identify potential risks in advance, analyze them and take precautionary steps to mitigate the impact of risk whilst optimizing through risk adjusted returns within the risk appetite of the Bank.

The Bank has exposure to the following risks from financial instruments:

- ▶ Credit Risk
- ▶ Liquidity Risk
- ▶ Market Risk
- ▶ Operational Risk

Risk Management Framework

The overall responsibility and oversight of the risk management framework of the Bank is vested with the Bank's Management.

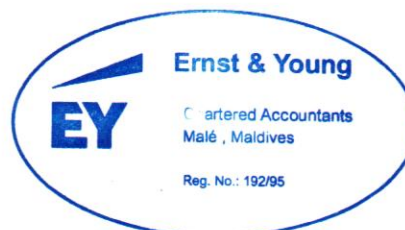
The risk management policies spell out the risk appetite of the Bank and has incorporated risk exposure limits and controls to monitor adherence to the limits in force. These policies and systems are reviewed regularly to reflect the changing market conditions and the products and services offered.

The Bank strives to inculcate a risk management culture through continuous training, work ethics and standards.

32.1 Credit Risk

Credit Risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other Banks, and investments in debt securities.

Head office has established a Credit Policy Department responsible for formulating policies for extending and monitoring of credit in line with the management's risk acceptance methodology. The department has formally issued these credit policies through Credit Policy Manual. Credit risk is monitored, reviewed and analyzed by appropriate officials inline with the guidelines contained in this manual. This risk is managed through counterparty and credit limits and also by obtaining adequate collaterals. Loans and advances to financial institutions are granted in accordance with limits assigned to each institution. Cross border risk is mitigated by employing exposure limits computed with reference to the country risk associated with such transactions and are updated on a regular basis.



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.1 Credit Risk (Continued)

i.) Credit Quality Analysis

Maximum Exposure to Credit Risk by Risk Rating

The Bank obtains different types of collaterals from the counterparties as a credit risk mitigant. The amount and the types of the collateral required depend on credit risk assessment of the counterparty. The acceptability of the collateral and valuation is determined based on the guidelines issued by the regulator and the Bank's policy. The main types of collateral obtained are:

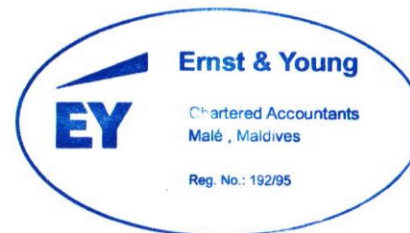
- For commercial lending - charges over movable and immovable properties.
- For personal lending - mortgages over movable and immovable properties, cash and balances with banks.
- For Government & State Owned Enterprises - Sovereign guarantees.

The Bank monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

	Financial assets at amortised cost - Loans and advances		Cash and balances with banks and Balances with MMA		Placement with banks		Financial assets at amortised cost - Investments securities		Lending Commitments and Contingencies	
	2025 MVR	2024 MVR	2025 MVR	2024 MVR	2025 MVR	2024 MVR	2025 MVR	2024 MVR	2025 MVR	2024 MVR
<i>As at 31 December</i>										
Maximum Exposure to Credit										
Carrying Amount	3,871,849,951	3,607,492,047	630,928,745	427,273,610	753,436,384	505,843,619	2,605,347,483	1,898,406,267	-	-
Low Risk	1,742,973,905	867,001,621	631,193,992	427,273,610	794,905,093	505,843,619	2,605,347,483	1,898,406,267	-	-
Moderate Risk	955,451,642	1,257,876,407	-	-	-	-	-	-	-	-
High Risk	867,945,622	1,091,055,417	-	-	-	-	-	-	-	-
Unrated / Not Classified (***)	1,032,119,009	1,084,889,543	-	-	-	-	-	-	-	-
Impairment Loss allowance	(726,640,226)	(693,330,941)	(265,247)	-	(41,468,709)	-	-	-	-	-
	3,871,849,951	3,607,492,047	630,928,745	427,273,610	753,436,384	505,843,619	2,605,347,483	1,898,406,267	-	-
Off- Balance Sheet (**)										
Contingencies										
Unrated / Not Classified (***)	-	-	-	-	-	-	-	-	625,250,357	633,025,742
Lending Commitments										
Low Risk									37,721,747	-
Moderate Risk									7,610,699	-
Unrated / Not Classified (***)	-	-	-	-	-	-	-	-	12,640,424	144,832,576
									57,972,870	144,832,576
									683,223,227	777,858,317

(***) Unrated / Not Classified balances include, Retail customers which are not rated and other interest adjustments for amortizations

(**) Amounts reported above include only lending commitments and contingencies disclosed in the Note 28 on 'Contingent Liabilities and Commitments'



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.1 Credit Risk (Continued)

i.) Credit Quality Analysis (Continued)

Maximum Exposure to Credit Risk by Risk Rating (Continued)

The following table set out information about the credit quality of financial assets measured at amortized cost unless specially indicated, for the financial assets, the amounts in the table represent carrying amounts.

As at 31 st December	2025			
	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total MVR
Financial assets at amortised cost - Loans and advances				
- Pass or Acceptable	3,274,870,263	366,989,078	44,142,792	3,686,002,133
- Special Mention	-	22,257,547	161,749,991	184,007,538
- Substandard	-	-	790,940	790,940
- Doubtful	-	-	5,654,129	5,654,129
- Loss	-	-	722,035,438	722,035,438
Gross Amount	3,274,870,263	389,246,625	934,373,290	4,598,490,177
Loss allowance	(83,155,148)	(35,466,137)	(608,018,941)	(726,640,226)
Carrying Amount	3,191,715,115	353,780,488	326,354,349	3,871,849,951
Placement with banks				
- Pass or Acceptable	794,905,093	-	-	794,905,093
Gross Amount	794,905,093	-	-	794,905,093
Loss allowance	(41,468,709)	-	-	(41,468,709)
Carrying Amount	753,436,384	-	-	753,436,384
Financial assets at amortised cost - Investments securities				
- Pass or Acceptable	2,605,347,483	-	-	2,605,347,483
Carrying Amount	2,605,347,483	-	-	2,605,347,483
Cash and balances with banks				
- Pass or Acceptable	35,745,467	-	-	35,745,467
Gross Amount	35,745,467	-	-	35,745,467
Loss allowance	(265,247)	-	-	(265,247)
Carrying Amount	35,480,220	-	-	35,480,220
As at 31 st December	2024			
	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total MVR
Financial assets at amortised cost - Loans and advances				
- Pass or Acceptable	2,634,659,451	547,998,268	112,078,249	3,294,735,968
- Special Mention	-	229,242,254	60,494,988	289,737,242
- Substandard	-	-	107,707,195	107,707,195
- Doubtful	-	-	48,036,072	48,036,072
- Loss	-	-	560,606,511	560,606,511
Gross Amount	2,634,659,451	777,240,522	888,923,015	4,300,822,988
Loss allowance	(64,322,151)	(85,698,813)	(543,309,977)	(693,330,941)
Carrying Amount	2,570,337,300	691,541,709	345,613,038	3,607,492,047
Placement with banks				
- Pass or Acceptable	505,843,619	-	-	505,843,619
Carrying Amount	505,843,619	-	-	505,843,619
Financial assets at amortised cost - Investments securities				
- Pass or Acceptable	1,898,406,267	-	-	1,898,406,267
Carrying Amount	1,898,406,267	-	-	1,898,406,267
Cash and balances with banks				
- Pass or Acceptable	51,046,246	-	-	51,046,246
Carrying Amount	51,046,246	-	-	51,046,246

BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.1 Credit Risk (Continued)

i.) Credit Quality Analysis (Continued)

Maximum Exposure to Credit Risk by Risk Rating (Continued)

The following table sets out the credit quality of Financial Investments. The analysis has been based on the 'Fitch' rating.

As at 31 December	2025	2024
	MVR	MVR
Treasury Bills (Face value)		
Rated B-	2,642,000,000	1,925,000,000

The Bank held cash and cash equivalents at other banks MVR 22,650,856/- as at 31st December 2025 (31st December 2024 - MVR 7,543,829/-). Balances with Maldives Monetary Authority are rated at CC, based on the "Fitch" ratings.

Residential Mortgage Lending

The table below stratify credit exposure from mortgage loans and advances to retail customer by range of Loan-to-Value ("LTV") ratio. LTV is calculated as the ratio of the gross amount of the loan or the amount committed for loan commitments - to the value of the collateral. The Value of the collateral for residential mortgage loans is based on the collateral value at origination updated to reflect the current market values. For credit-impaired loans the value of collateral is based on the most recent appraisals.

As at 31 December	2025	2024
	MVR	MVR
LTV Ratio		
Less than 50%	82,452,269	98,776,230
51% - 70%	64,127,409	237,600,178
71% - 90%	59,072,772	137,325,602
91% above	404,405,659	154,127,580
Total	610,058,109	627,829,590

iii.) Amounts Arising from Expected Credit Loss ("ECL")

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in **Note 3.2 (iv)**

Significant Increase in Credit Risk

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

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure

The Bank uses below criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators

Generating the term structure of Probability of Default (PD)

Date past due has taken as the primary input into determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analyzed by type of product and borrower. For some portfolios, information gathered from external credit agencies is also used.

The Bank employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

**BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.1 Credit Risk (Continued)

iii.) Amounts Arising from Expected Credit Loss ("ECL") (Continued)

Generating the term structure of Probability of Default (PD)

This analysis includes the identification and calibration of relationship between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of the certain other factors on the risk of default.

Using variety of external actual and forecasted information, the Bank formulates a "Base Case" view of the future direction of relevant economic variables (mainly GDP Growth with lag effect of these variable) as well as representative range (Best Case and Worst Case) of other possible forecast scenarios. The Bank then uses the forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews.

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

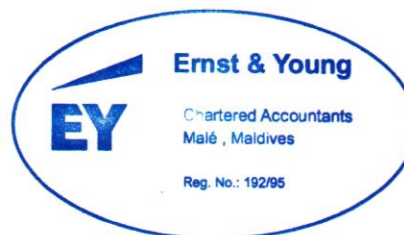
In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank.

Incorporation of Forward-looking Information

The Bank incorporates forward-looking information into its measurement of ECL.

The Bank formulates three economic scenarios 1.a base case, which is the median scenario assigned a 35% probability of occurring, best scenario 10% and worst scenario 55%. External information considered includes economic data and forecasts published by the governmental bodies and the monetary authorities in the countries where the Bank operates.



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.1 Credit Risk (Continued)

iii.) Amounts Arising from Expected Credit Loss ("ECL") (Continued)

Incorporation of Forward-looking Information (Continued)

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by the Bank's internal team.

The economic scenarios used as at 31 December 2025 included the following key indicators for Maldives for the years ending 31 December 2025 to 2030.

		2026	2027	2028	2029	2030
GDP Growth Rate	Base	4.93%	5.19%	5.73%	6.44%	6.37%
	Upside	6.04%	8.09%	10.76%	14.24%	16.29%
	Downside	3.21%	2.77%	2.38%	2.04%	1.57%
Interest Rate	Base	11.68%	11.65%	11.62%	11.59%	11.62%
	Upside	11.63%	11.61%	11.59%	11.57%	11.57%
	Downside	11.67%	11.68%	11.68%	11.69%	11.71%
Exchange Rate	Base	15.42	15.42	15.42	15.42	15.42
	Upside	15.42	15.42	15.42	15.42	15.42
	Downside	15.42	15.42	15.42	15.42	15.42
Inflation	Base	1.40%	1.39%	1.38%	1.37%	1.38%
	Upside	3.80%	3.72%	3.63%	3.55%	3.50%
	Downside	4.03%	4.07%	4.12%	4.16%	4.27%
Unemployment	Base	4.00%	3.99%	3.98%	3.97%	3.98%
	Upside	4.37%	4.35%	4.33%	4.30%	4.29%
	Downside	4.43%	4.45%	4.46%	4.47%	4.50%

* Data source : IMF

The economic scenarios used as at 31 December 2024 included the following key indicators for Maldives for the years ending 31 December 2024 to 2029.

		2025	2026	2027	2028	2029
GDP Growth Rate	Base	4.93%	5.19%	5.73%	6.44%	6.37%
	Upside	5.91%	7.92%	10.54%	13.95%	15.96%
	Downside	3.14%	2.71%	2.33%	2.00%	1.54%
Interest Rate	Base	11.68%	11.65%	11.62%	11.59%	11.62%
	Upside	11.58%	11.48%	11.39%	11.30%	11.25%
	Downside	11.81%	11.86%	11.90%	11.95%	12.06%
Exchange Rate	Base	15.42	15.42	15.42	15.42	15.42
	Upside	15.42	15.42	15.42	15.42	15.42
	Downside	15.42	15.42	15.42	15.42	15.42
Inflation	Base	1.40%	1.39%	1.38%	1.37%	1.38%
	Upside	2.44%	2.39%	2.35%	2.3%	2.3%
	Downside	2.57%	2.60%	2.62%	2.65%	2.71%
Unemployment	Base	4.00%	3.99%	3.98%	3.97%	3.98%
	Upside	3.97%	3.95%	3.92%	3.89%	3.88%
	Downside	4.04%	4.05%	4.06%	4.07%	4.10%

BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.1 Credit Risk (Continued)

iii.) Amounts Arising from Expected Credit Loss ("ECL") (Continued)

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

Probability of default (PD)
 Loss given default (LGD)
 Exposure at default (EAD)

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

Probability of default (PD)

The Bank's policy is to estimate the PDs at a certain date, which are calculated based on statistical models, and assessed using various categories based on homogenous characteristics of exposures. This approach will be reviewed annually to use the most relevant data for calculation of PD values of the Bank.

The methodology of estimating PDs is discussed under the **Note 3.2 (iv)**

Loss Given Default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. However, the Bank use the regulatory LGD for loans and advances (45%).

Exposure at Default (EAD)

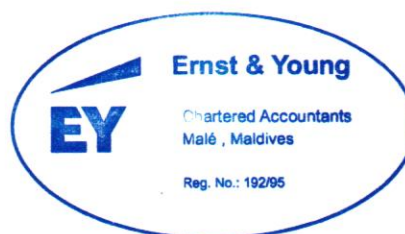
EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Impairment for expected credit losses

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments.

Financial assets at amortised cost - Loans and advances

	2025			
	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total MVR
As at 1 January	64,322,151	85,698,813	543,309,977	693,330,941
Provision of impairment loss (reversed) / charged	18,832,997	(50,232,676)	41,708,083	10,308,403
Impairment loss relating to unrecognized interest income	-	-	23,000,881	23,000,881
As at 31 December	83,155,148	35,466,137	608,018,941	726,640,226



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.1 Credit Risk (Continued)

iii.) Amounts Arising from Expected Credit Loss ("ECL") (Continued)

Measurement of ECL (Continued)

Impairment for expected credit losses (Continued)

	2024			
	Stage 1	Stage 2	Stage 3	Total
	MVR	MVR	MVR	MVR
As at 1 January	64,404,510	159,012,958	427,999,418	651,416,886
Provision of impairment loss (reversed) / charged	(82,359)	(73,314,145)	91,220,316	17,823,812
Impairment loss relating to unrecognized interest income	-	-	24,090,243	24,090,243
As at 31 December	64,322,151	85,698,813	543,309,977	693,330,941

Loan commitments, financial guarantee contracts and undrawns facilities

	2025			
	Stage 1	Stage 2	Stage 3	Total
	MVR	MVR	MVR	MVR
As at 1 January	3,209,147	10,822,272	13,757,849	27,789,269
Provision of impairment loss /(reversals)	1,585,415	(10,771,372)	2,995,776	(6,190,181)
As at 31 December	4,794,562	50,900	16,753,625	21,599,088

	2024			
	Stage 1	Stage 2	Stage 3	Total
	MVR	MVR	MVR	MVR
As at 1 January	458,051	1,544,693	1,963,696	3,966,440
Provision of impairment loss	2,751,097	9,277,579	11,794,153	23,822,829
As at 31 December	3,209,147	10,822,272	13,757,849	27,789,269

iv.) Sensitivity of impairment provision on loans and advances to other customers

The Bank has estimated the impairment provision on loans and advances to other customers as at 31 December 2025, subject to various assumptions. The changes to such assumptions may lead to changes in the impairment provision recorded in the Statement of Financial Position. The following table demonstrates the sensitivity of the impairment provision of the Bank as at 31 December 2025 to a feasible change in PDs, LGDs and forward looking macro economic information.

	Sensitivity effect on Statement of Financial Position			
	[Increase/(Decrease) in impairment provision]			
	Stage I	Stage II	Stage III	Total
PD 5% increase	4,080,926	1,689,154	-	5,770,080
PD 5% decrease	(4,080,926)	(1,689,154)	-	(5,770,080)
LGD 5% increase	4,080,926	1,689,154	1,842,045	7,612,125
LGD 5% decrease	(4,080,926)	(1,689,154)	(1,842,045)	(7,612,125)
EFA 5% increase	4,080,926	1,689,154	-	5,770,080
EFA 5% decrease	(4,080,926)	(1,689,154)	-	(5,770,080)

BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

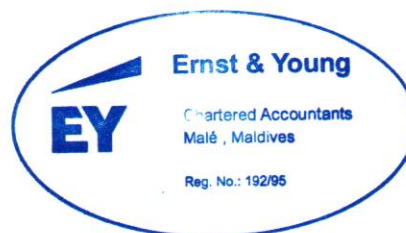
32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.1 Credit Risk (Continued)

iv.) Credit exposure movement

The following tables show reconciliations from the opening to closing balance of the gross carrying amounts by class of financial instrument.

	2025			
	Gross Carrying amount	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)
Financial assets at amortised cost - Loans and advances				
As at 1 January 2025	4,300,822,988	2,634,659,451	777,240,522	888,923,015
Transfer to Stage 1	-	442,374,913	(440,153,326)	(2,221,587)
Transfer to Stage 2	-	(84,256,441)	139,204,907	(54,948,466)
Transfer to Stage 3	-	(3,881,038)	(84,579,766)	88,460,804
New assets originated or purchased	894,741,199	875,819,435	2,887,976	16,033,788
Financial assets derecognised or repaid (excluding write-offs)	(597,074,009)	(589,846,057)	(5,353,688)	(1,874,264)
As at 31 December 2025	4,598,490,177	3,274,870,263	389,246,625	934,373,290
Financial assets at amortised cost - Investments securities				
As at 1 January 2025	1,898,406,267	1,898,406,267	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
New assets originated or purchased	2,605,347,483	2,605,347,483	-	-
Financial assets derecognised or repaid (excluding write-offs)	(1,898,406,267)	(1,898,406,267)	-	-
As at 31 December 2025	2,605,347,483	2,605,347,483	-	-
Contingent liabilities and commitments				
As at 1 January 2025	777,858,318	595,307,947	151,752,372	30,797,999
Transfer to Stage 1	-	96,309,520	(96,309,520)	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
New assets originated or purchased	401,808,279	398,420,266	2,308,600	1,079,413
Financial assets derecognised or repaid (excluding write-offs)	(496,443,370)	(441,000,520)	(55,442,850)	-
As at 31 December 2025	683,223,227	649,037,213	2,308,603	31,877,412



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.1 Credit Risk (Continued)

iv.) Credit exposure movement (Continued)

The following tables show reconciliations from the opening to closing balance of the gross carrying amounts by class of financial instrument.

	2024			
	Gross Carrying amount	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)
Financial assets at amortised cost - Loans and advances				
As at 1 January 2024	3,795,321,533	1,946,916,541	1,177,490,780	670,914,212
Transfer to Stage 1	-	597,528,921	(594,060,205)	(3,468,716)
Transfer to Stage 2	-	(367,724,366)	367,724,366	-
Transfer to Stage 3	-	(2,912,252)	(19,485,299)	22,397,551
New assets originated or purchased	983,003,814	602,473,444	156,634,611	223,895,759
Financial assets derecognised or repaid (excluding write-offs)	(477,502,359)	(141,622,836)	(311,063,732)	(24,815,791)
As at 31 December 2024	4,300,822,988	2,634,659,451	777,240,522	888,923,015
Financial assets at amortised cost - Investments securities				
As at 1 January 2024	1,849,652,271	1,849,652,271	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
New assets originated or purchased	1,863,668,071	1,863,668,071	-	-
Financial assets derecognised or repaid (excluding write-offs)	(1,814,914,075)	(1,814,914,075)	-	-
As at 31 December 2024	1,898,406,267	1,898,406,267	-	-
Contingent liabilities and commitments				
As at 1 January 2024	713,025,225	554,238,646	131,997,760	26,788,819
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
New assets originated or purchased	494,964,793	408,136,351	57,530,442	29,298,000
Financial assets derecognised or repaid (excluding write-offs)	(430,131,701)	(367,067,049)	(37,775,831)	(25,288,820)
As at 31 December 2024	777,858,318	595,307,948	151,752,371	30,797,999



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

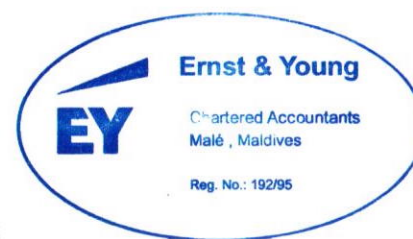
32.1 Credit Risk (Continued)

Concentrations of Credit Risk

By setting various concentration limits under different criteria within the established risk appetite framework (i.e., single borrower/ group, counter party etc.), the Bank ensures that an acceptable level of risk diversification is maintained on an ongoing basis. These limits are continuously monitored and periodically reviewed by the Credit Committee.

The maximum exposure to credit risk to the Bank's financial assets in the Statement of Financial Position as at 31 December, broken down by industry sector of financial assets is given below:

As at 31 December 2025	Tourism	Construction	Trading	Other Services & Consumption	Financial & Business Services	Government	Total
	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Cash and balances with banks	-	-	-	-	87,658,674	-	87,658,674
Balances with Maldives Monetary Authority	-	-	-	-	-	543,270,071	543,270,071
Placement with banks	-	-	-	-	753,436,384	-	753,436,384
Financial assets at amortised cost - Investments securities	-	-	-	-	-	2,605,347,483	2,605,347,483
Financial assets at amortised cost - Loans and advances	1,744,268,321	1,278,343,238	1,144,117,710	431,700,908	60,000	-	4,598,490,177
Less: Impairment of Financial Assets	-	-	-	-	-	-	(726,640,226)
Total	1,744,268,321	1,278,343,238	1,144,117,710	431,700,908	841,155,058	3,148,617,554	7,861,562,563
<hr/>							
As at 31 December 2024	Tourism	Construction	Trading	Other Services & Consumption	Financial & Business Services	Government	Total
	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Cash and balances with banks	-	-	-	-	118,276,772	-	118,276,772
Balances with Maldives Monetary Authority	-	-	-	-	-	308,996,838	308,996,838
Placement with banks	-	-	-	-	505,843,619	-	505,843,619
Financial assets at amortised cost - Investments securities	-	-	-	-	-	1,898,406,267	1,898,406,267
Financial assets at amortised cost - Loans and advances	1,618,715,085	765,694,040	1,316,701,667	599,622,196	90,000	-	4,300,822,988
Less: Impairment of Financial Assets	-	-	-	-	-	-	(693,330,941)
Total	1,618,715,085	765,694,040	1,316,701,667	599,622,196	624,210,391	2,207,403,105	6,439,015,543



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.2 Liquidity Risk

Liquidity risk is the Bank's inability to meet on or off-balance sheet contractual and contingent financial obligations, as they fall due without incurring unacceptable losses. The principal objective in liquidity risk management is to assess the need for funds to meet such obligations and to ensure the availability of adequate funding to fulfil those needs at the appropriate time, under both normal and stressed conditions.

Therefore, the Bank continuously analyses and monitors its liquidity profile, maintains adequate levels of high quality liquid assets, ensures access to diverse funding sources and has contingency funding agreements with peer banks to meet any unforeseen liquidity requirements. Exposures and ratios against tolerance limits as well as stressed scenarios are regularly monitored in order to identify the Bank's liquidity position and potential funding requirements.

Assets and Liability Management Committee (ALCO)

ALCO chaired by the Country Manager, has representatives from Treasury, Credit, Operations and Risk departments. The Committee meets weekly or more frequently to monitor and manage the assets and liabilities of the Bank and also the overall liquidity position to keep the Bank's liquidity at healthy levels, whilst satisfying the regulatory requirements.

Exposure to Liquidity Risk

The key measure used by the Bank for managing liquidity risk is the ratio of liquid assets to total liabilities excluding shareholders' funds. For this purpose, 'liquid assets' include gross amounts of cash and balances with banks, Balances with Maldives Monetary Authority, placements with banks and government securities. Details of the reported ratio of liquid assets to external liabilities of the Bank are given below;

As at 31 December	2025	2024
	(%)	(%)
Liquidity Asset Ratio	75%	67%

Liquidity Reserves

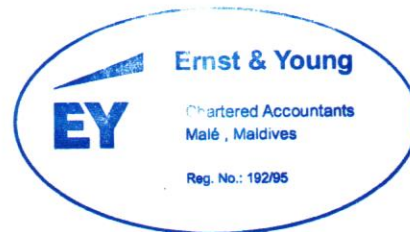
The table below sets out components of the Bank's liquidity reserves:

	31 December 2025		31 December 2024	
	Carrying Amount MVR	Fair Value MVR	Carrying Amount MVR	Fair Value MVR
Cash and balances with banks	87,923,921	87,923,921	118,276,772	118,276,772
Balances with Maldives Monetary Authority	543,270,071	543,270,071	308,996,838	308,996,838
Placement with banks	794,905,093	794,905,093	505,843,619	505,843,619
Financial assets at amortised cost - Investments securities	2,605,347,483	2,605,347,483	1,898,406,267	1,898,406,267
Total Liquidity Reserves	4,031,446,568	4,031,446,568	2,831,523,496	2,831,523,496

The carrying amounts mentioned above approximates its fair values since they are short term in nature.

Financial Assets Available to Support Future Trading Funding

There are no liens or encumbrances on the Bank's liquidity reserves, all assets are available to support future funding.



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

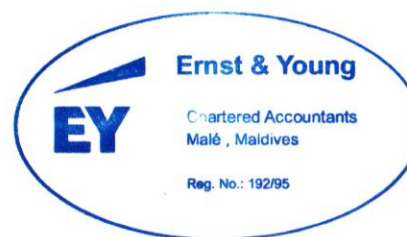
32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.2 Liquidity Risk (Continued)

Contractual maturities of undiscounted cash flows of assets and liabilities

As at 31 December 2025	Carrying Amount MVR	Gross Nominal Cashflows MVR	Up to 3 Months MVR	3 to 12 Months MVR	1 to 3 Years MVR	3 to 5 Years MVR	More than 5 Years MVR
Financial Assets							
Cash and balances with banks	87,658,674	87,658,674	87,658,674	-	-	-	-
Balances with Maldives Monetary Authority	543,270,071	543,270,071	543,270,071	-	-	-	-
Placement with banks	753,436,384	798,208,103	717,288,226	80,919,877	-	-	-
Financial assets at amortised cost - Investments securities	2,605,347,483	2,642,000,000	1,112,000,000	1,530,000,000	-	-	-
Financial assets at amortised cost - Loans and advances *	3,871,849,951	4,598,490,178	2,977,385,760	141,668,504	477,571,850	335,591,350	666,272,714
	<u>7,861,562,563</u>	<u>8,669,627,026</u>	<u>5,437,602,731</u>	<u>1,752,588,381</u>	<u>477,571,850</u>	<u>335,591,350</u>	<u>666,272,714</u>
Financial Liabilities							
Due to banks	73,335,378	69,390,000	69,390,000	-	-	-	-
Deposits from Customers	5,182,778,111	5,236,651,231	3,521,884,847	1,423,756,521	289,463,237	1,546,626	-
Lease Liability	29,029,625	35,584,413	2,055,726	5,945,129	13,208,554	11,194,013	3,180,991
Other Liabilities	19,957,963	19,957,963	19,957,963	-	-	-	-
	<u>5,305,101,077</u>	<u>5,361,583,607</u>	<u>3,613,288,536</u>	<u>1,429,701,651</u>	<u>302,671,791</u>	<u>12,740,639</u>	<u>3,180,991</u>
Net Gap	<u>2,556,461,486</u>	<u>3,308,043,419</u>	<u>1,824,314,195</u>	<u>322,886,730</u>	<u>174,900,059</u>	<u>322,850,711</u>	<u>663,091,723</u>

* Gross Nominal cash flows reflect carrying amount without future interest



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

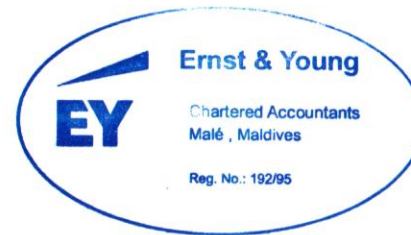
32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.2 Liquidity Risk (Continued)

Contractual maturities of undiscounted cash flows of assets and liabilities (Continued)

As at 31 December 2024	Carrying Amount MVR	Gross Nominal Cashflows MVR	Up to 3 Months MVR	3 to 12 Months MVR	1 to 3 Years MVR	3 to 5 Years MVR	More than 5 Years MVR
Financial Assets							
Cash and balances with banks	118,276,772	118,276,772	118,276,772	-	-	-	-
Balances with Maldives Monetary Authority	308,996,838	308,996,838	308,996,838	-	-	-	-
Placement with banks	505,843,619	505,843,619	505,843,619	-	-	-	-
Financial assets at amortised cost - Investments securities	1,898,406,267	1,925,000,000	603,281,662	1,321,718,338	-	-	-
Financial assets at amortised cost - Loans and advances *	3,607,492,047	4,300,822,988	2,375,168,936	296,617,259	776,379,320	214,603,047	638,054,426
	<u>6,439,015,543</u>	<u>7,158,940,217</u>	<u>3,911,567,827</u>	<u>1,618,335,597</u>	<u>776,379,320</u>	<u>214,603,047</u>	<u>638,054,426</u>
Financial Liabilities							
Due to banks	62,602,600	62,602,600	62,602,600	-	-	-	-
Deposits from Customers*	4,065,104,305	4,065,104,305	721,011,643	1,617,602,766	1,013,124,053	540,428,669	172,937,174
Lease Liability	14,940,474	17,826,405	1,885,261	4,765,917	8,463,857	2,711,370	-
Other Liabilities	16,808,981	16,808,981	16,808,981	-	-	-	-
	<u>4,159,456,360</u>	<u>4,162,342,291</u>	<u>802,308,485</u>	<u>1,622,368,683</u>	<u>1,021,587,910</u>	<u>543,140,039</u>	<u>172,937,174</u>
Net Gap	<u>2,279,559,183</u>	<u>2,996,597,926</u>	<u>3,109,259,342</u>	<u>(4,033,086)</u>	<u>(245,208,590)</u>	<u>(328,536,992)</u>	<u>465,117,252</u>

* Gross Nominal cash flows reflect carrying amount without future interest.



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.3 Market Risk

Market risk is the risk of losses in, on or off-balance sheet positions arising out of movements in prices affecting foreign exchange exposures, interest rate instruments and equity/debt instruments.

Exposure to Interest Rate Risk – Sensitivity Analysis (Rate Shocks)

The possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments gives rise to interest rate risk. The Bank's policy is to continuously monitor portfolios.

Interest rate gap position of the non-trading portfolio of the Bank is given below:

As at 31 December 2025	Up to 3 Months MVR	3 to 12 Months MVR	1 to 3 Years MVR	3 to 5 Years MVR	More than 5 Years MVR	Non- Sensitive MVR	Total as at 31/12/2025 MVR
Financial Assets							
Cash and balances with banks	-	-	-	-	-	87,658,674	87,658,674
Balances with Maldives Monetary Authority	-	-	-	-	-	543,270,071	543,270,071
Placement with banks	678,680,403	74,755,981	-	-	-	-	753,436,384
Financial assets at amortised cost - Investments securities	1,109,137,292	1,496,210,191	-	-	-	-	2,605,347,483
Financial assets at amortised cost - Loans and advances	2,308,314,888	140,352,584	465,870,568	295,511,938	661,799,974	-	3,871,849,951
Total Financial Assets	4,096,132,583	1,711,318,756	465,870,568	295,511,938	661,799,974	630,928,745	7,861,562,563
Financial Liabilities							
Due to banks	73,335,378	-	-	-	-	-	73,335,378
Financial liabilities at amortised cost - Deposits from customers	1,448,685,293	1,386,682,645	275,449,035	1,261,252	-	2,070,699,887	5,182,778,111
Lease Liabilities	1,438,988	4,263,970	9,952,527	9,729,822	3,644,317	-	29,029,625
Total Financial Liabilities	1,523,459,659	1,390,946,615	285,401,562	10,991,074	3,644,317	2,070,699,887	5,285,143,114
Interest Rate Sensitivity Gap	2,572,672,924	320,372,140	180,469,006	284,520,864	658,155,657	(1,439,771,142)	2,576,419,449

BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

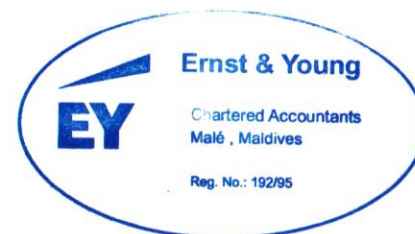
32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.3 Market Risk (Continued)

Exposure to Interest Rate Risk – Sensitivity Analysis (Rate Shocks) (Continued)

Interest rate gap position of the non-trading portfolio of the Bank is given below:

As at 31 December 2024	Up to 3 Months MVR	3 to 12 Months MVR	1 to 3 Years MVR	3 to 5 Years MVR	More than 5 Years MVR	Non- Sensitive MVR	Total as at 31/12/2024 MVR
Financial Assets							
Cash and Cash Equivalents	-	-	-	-	-	118,276,772	118,276,772
Balances with Maldives Monetary Authority	-	-	-	-	-	308,996,838	308,996,838
Placement with banks	505,843,619	-	-	-	-	-	505,843,619
Financial assets at amortised cost - Investments securities	602,689,631	1,295,716,636	-	-	-	-	1,898,406,267
Financial assets at amortised cost - Loans and advances	2,096,001,121	261,754,059	685,126,814	189,379,466	563,060,073	-	3,795,321,533
Total Financial Assets	3,483,702,186	1,592,333,896	776,379,320	214,603,045	638,054,427	427,273,610	7,132,346,484
Financial Liabilities							
Due to banks	62,602,600	-	-	-	-	-	62,602,600
Financial liabilities at amortised cost - Deposits from customers	721,011,643	1,617,602,766	1,013,124,053	540,428,669	172,937,174	-	4,065,104,305
Lease Liabilities	1,885,261	4,765,917	5,577,926	2,711,370	-	-	14,940,474
Total Financial Liabilities	785,499,504	1,622,368,683	1,018,701,979	543,140,039	172,937,174	-	4,142,647,379
Interest Rate Sensitivity Gap	2,698,202,682	(30,034,786)	(242,322,659)	(328,536,994)	465,117,253	427,273,610	2,989,699,104



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.3 Market Risk (Continued)

Exposure to Interest Rate Risk – Sensitivity Analysis (Rate Shocks) (Continued)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and financial liabilities to various interest rate scenarios.

The following table demonstrates the sensitivity of the Bank's profit or loss as at reporting date to a reasonable possible change in interest rates, with all other variables held constant.

Sensitivity of Projected Net Interest Income

Net Interest Income	2025		2024	
	100 bp	100 bp	100 bp	100 bp
	Parallel Increase	Parallel Decrease	Parallel Increase	Parallel Decrease
	MVR	MVR	MVR	MVR
	4,018,091	(4,018,091)	3,774,674	(3,774,674)

Exposure to Currency Risk

Currency risk arises as a result of fluctuations in the value of a financial instrument due to changes in foreign exchange rates. There are set limits on position by currency and these positions are monitored on a daily basis.

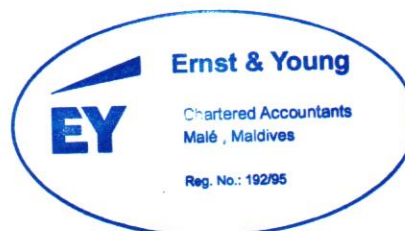
Foreign Exchange Position as at 31st December 2025

Currency	Spot			Overall Exposure	
	Assets MVR	Liabilities MVR	Net Assets / (Liabilities) MVR	In respective Foreign Currency	MVR
United States Dollar	4,832,746,024	4,796,638,843	36,107,182	2,341,581	36,107,182
Great Britain Pound	-	773,996	(773,996)	(37,167)	773,996
Euro	55,165,089	51,572,809	3,592,279	195,074	3,592,279
Sri Lankan Rupee	1,512,515	-	1,512,515	30,371,792	1,512,515
Singapore Dollar	429,055	-	429,055	35,776	429,055
Total Exposure	4,889,852,683	4,848,985,648	40,867,035	32,907,056	42,415,027

Foreign Exchange Position as at 31st December 2024

Currency	Spot			Overall Exposure	
	Assets MVR	Liabilities MVR	Net Assets / (Liabilities) MVR	In respective Foreign Currency	MVR
United States Dollar	4,428,395,149	4,216,086,046	212,309,103	13,768,424	212,309,103
Great Britain Pound	724,132	-	724,132	37,498	724,132
Euro	46,931,870	40,790,226	6,141,644	371,552	6,141,644
Sri Lankan Rupee	6,496,659	-	6,496,659	123,127,443	6,496,659
Singapore Dollar	1,634,479	1,090,783	543,696	47,946	543,696
Total Exposure	4,484,182,290	4,257,967,055	226,215,235	137,352,864	226,215,235

In respect of the monetary assets and liabilities denominated in US\$, the Bank has a limited currency risk exposure on such balances since the Maldivian Rufiyaa is pegged to the US Dollar within a band to fluctuate within $\pm 20\%$ of the mid-point of exchange rate.



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.3 Market Risk (Continued)

Currency risk

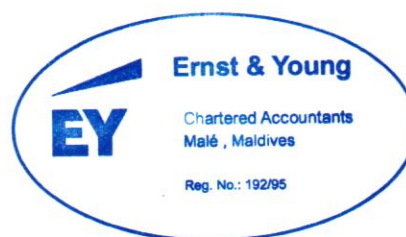
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. This represents exposures the Bank has due to changes in the values of current holdings and future cash flow positions denominated in currencies other than the local currency.

Foreign currency	Impact on statement of comprehensive income	
	2025	2024
Strengthening of US\$ by 1%	(361,072)	(2,123,091)
Weakening of US\$ by 1%	361,072	2,123,091
Strengthening of Euro by 1%	(35,923)	(61,416)
Weakening of Euro by 1%	35,923	61,416
Strengthening of GBP by 1%	7,740	(7,241)
Weakening of GBP by 1%	(7,740)	7,241
Strengthening of LKR by 1%	(15,125)	(64,967)
Weakening of LKR by 1%	15,125	64,967
Strengthening of SGD by 1%	(4,291)	(5,437)
Weakening of SGD by 1%	4,291	5,437

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk events which include legal and regulatory implications could lead to financial and reputation losses to the Bank.

The operational risk management framework of the Bank has been defined by approved operational risk management policy. Operational risk is managed by establishing an appropriate internal control system that requires a mechanism for segregation of related responsibilities within the Bank, and a detailed testing and verification of the Bank's overall operational systems through bi-annual risk control self-assessment exercise, comprehensive internal and external audits and achieving a full harmony between internal and external systems.



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

33 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows the assets and liabilities analysed according to when they are expected to be recovered or settled.

	2025			2024		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Cash and balances with banks	87,658,674	-	87,658,674	118,276,772	-	118,276,772
Balances with Maldives Monetary Authority	543,270,071	-	543,270,071	308,996,838	-	308,996,838
Placement with banks	753,436,384	-	753,436,384	505,843,619	-	505,843,619
Financial assets at amortised cost - Investments securities	2,605,347,483	-	2,605,347,483	1,898,406,267	-	1,898,406,267
Financial assets at amortised cost - Loans and advances	2,448,667,472	1,423,182,479	3,871,849,951	2,671,786,196	935,705,851	3,607,492,047
Property and Equipment	-	1,059,656	1,059,656	-	656,080	656,080
Right-of-use Asset	-	29,077,456	29,077,456	-	14,444,362	14,444,362
Deferred Tax Asset	-	168,569,780	168,569,780	-	135,366,991	135,366,991
Other Assets	4,911,070	-	4,911,070	6,658,026	-	6,658,026
Total assets	6,443,291,154	1,621,889,371	8,065,180,525	5,509,967,718	1,086,173,284	6,596,141,002
Liabilities						
Due to banks	73,335,378	-	73,335,378	62,602,600	-	62,602,600
Financial liabilities at amortised cost - Deposits from customers	2,835,367,938	2,347,410,173	5,182,778,111	2,338,614,409	1,726,489,896	4,065,104,305
Current tax liabilities	56,478,618	-	56,478,618	54,785,683	-	54,785,683
Lease Liability	5,702,959	23,326,666	29,029,625	4,982,688	9,957,786	14,940,474
Other Liabilities	41,557,051	-	41,557,051	44,598,250	-	44,598,250
Total liabilities	3,012,441,943	2,370,736,840	5,383,178,783	2,442,981,030	1,736,447,682	4,242,031,312
Net assets/ (liabilities)	3,430,849,210	(748,847,469)	2,682,001,742	3,066,986,688	(650,274,398)	2,354,109,690
Commitments and contingencies	661,624,138	-	661,624,138	750,069,050	-	750,069,050

BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

34 OPERATING SEGMENTS

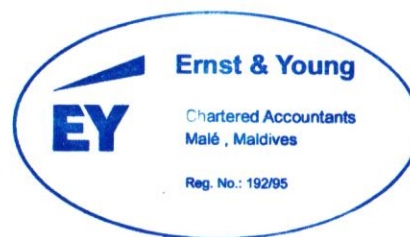
Operating segment is a component of the Bank that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the Management Team headed by the Country Manager/ Chief Operations Manager to make decisions about resources allocated to each segment and assess its performance and for which discrete financial information is available.

The bank has two strategic divisions which are reportable segments, namely:

- 01 Retail and corporate banking
- 02 Dealing and treasury

The following table presents the income, profit, asset, and liability information on the Bank's strategic business divisions for the year ended December 31, 2025 and comparative figures for the year ended December 31, 2024.

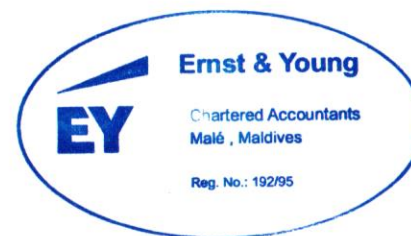
	Retail and Corporate Banking		Dealing & Treasury		Total	
	2025 MVR	2024 MVR	2025 MVR	2024 MVR	2025 MVR	2024 MVR
Operating income						
Interest income	356,365,482	362,330,604	146,291,713	97,165,324	502,657,195	459,495,928
Fee and commission income	137,812,572	72,421,713	-	-	137,812,572	72,421,713
Net trading and other income	18,132,052	9,870,843	-	-	18,132,052	9,870,843
Gross income	512,310,106	444,623,160	146,291,713	97,165,324	658,601,819	541,788,484
Interest expenses	(100,848,140)	(82,028,532)			(100,848,140)	(82,028,532)
Fees and commission expense	(49,044,783)	(3,102)			(49,044,783)	(3,102)
Impairment charges and other losses	(27,119,103)	(65,736,884)	(41,733,956)	-	(68,853,059)	(65,736,884)
Unallocated operating expenses and amortization	(42,020,907)	(39,640,652)	-	-	(42,020,907)	(39,640,652)
Total expenses	(219,032,933)	(187,409,170)	(41,733,956)	-	(260,766,889)	(187,409,170)
Segment result	293,277,173	257,213,990	104,557,757	97,165,324	397,834,930	354,379,314
Profit from operations					397,834,930	354,379,314
Income tax expense					(69,942,878)	(139,710,240)
Total comprehensive income for the year					327,892,052	214,669,074



BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

34 OPERATING SEGMENTS (CONTINUED)

	Retail and Corporate Banking		Dealing & Treasury		Total	
	2025 MVR	2024 MVR	2025 MVR	2024 MVR	2025 MVR	2024 MVR
Other information						
Segment assets	3,871,849,951	3,607,492,047	3,358,783,867	2,404,249,886	7,230,633,818	6,011,741,933
Unallocated assets					834,546,707	584,399,069
Total assets	3,871,849,951	3,607,492,047	3,358,783,867	2,404,249,886	8,065,180,525	6,596,141,002
Segment liabilities	5,182,778,111	4,065,104,305	73,335,378	62,602,600	5,256,113,489	4,127,706,905
Unallocated liabilities					127,065,294	114,324,407
Total liabilities	5,182,778,111	4,065,104,305	73,335,378	61,693,535	5,383,178,783	4,242,031,312
Total equity					2,682,001,742	2,354,109,690
Total equity and liabilities	5,182,778,111	4,065,104,305	73,335,378	61,693,535	8,065,180,525	6,596,141,002



**BANK OF CEYLON - MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

35 Capital Management

The Bank is required to manage its capital taking into account the need to meet the regulatory requirements as well as the current and future business needs, stakeholder expectations and available options for raising capital.

Regulatory Capital

Capital Adequacy Ratio (CAR) is calculated based on the "MMA Regulations on Capital Adequacy - 2015/R-166". These guidelines require the Bank to maintain a CAR of not less than 12% (Tier I & Tier II) and core capital not less than 6% (Tier I) in relation to total value of its risk-adjusted assets.

<i>As at 31 December</i>	2025 (%)	2024 (%)
Core Capital (Tier I)	38%	44%
Total Capital (Tier I & Tier II)	48%	52%

36 COMPARATIVE FIGURES

Comparative figures of the financial statements have been reclassified to conform with current year's classifications, whenever necessary.

37 EVENTS AFTER THE REPORTING DATE

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

38 MANAGEMENT'S RESPONSIBILITY

The Management of the Bank is responsible for the preparation and presentation of these financial statements.

