

**METHODOLOGY AND BASIS OF CHARGING PENAL INTEREST ON BANK PRODUCTS**

**Example 1 - LOAN INSTALLMENTS CALCULATED UNDER REDUCING BALANCE BASIS**

<b>Facility Details</b>	
Loan Amount	LKR.100,000/-
Date granted	01.01.2025
Agreed Interest rate	12%
Loan Instalment due date	26.12.2025
Loan outstanding as at 31.12.2025	LKR.50,000/-
Loan Installment as at 26.12.2025 ( <b>Capital – LKR.4,166.66 ,Interest – LKR 552.05 )</b>	LKR.4,718.71
Number of days in arrears as at 31.12.2025	5 days
Rate of penalty interest charged	2.0% p.a
<b>PENALTY INTERST CALCULATION AS AT 31.12.2025</b>	<b>LKR 4,166/- (capital) @2% /365@5 Days =LKR.1.14</b>

**Example 2 - LOAN INSTALLMENTS CALCULATED UNDER EQUATED INSTALLMENTS BASIS**

<b>Facility Details</b>	
Loan Amount	LKR.100,000/-
Date granted	01.01.2025
Agreed Interest rate	12%
Loan Installment due date	26.12.2025
Loan outstanding as at 31.12.2025	LKR.50,000/-
Loan Installment as at 31.12.2025 (Capital – LKR.4,166.66, Interest – LKR 552.05)	LKR.4,718.71
Number of days in arrears as at 31.12.2025	5 days
Rate of penalty interest charged	2.0% p.a
<b>PENALTY INTERST CALCULATION AS AT 31.12.2025</b>	<b>LKR 4,718.71@2% /365 @ 5 Days = LKR.1.29</b>

**BASIS ON PENAL INTEREST CHARGED OVER CREDIT FACILITIES UNSETTLED ON DUE DATES.  
(As per Section 2.3 of the Monetary Law Act-Order No.02 of 2020)**



**Example 3 - LOAN INSTALLMENTS CALCULATED FOR REVOLVING FACILITIES**

<b>Facility Details</b>	
Loan Amount	LKR.100,000/-
Date granted	01.09.2025
Agreed Interest rate	12%
Capital & Interest due date	31.12.2025
Loan outstanding as at 31.12.2025	LKR.100,000/-
Number of days in arrears as at 04.01.2026	5 days
Rate of penalty interest charged	2.0% p.a
<b>PENALTY INTERST CALCULATION AS AT 04.01.2026</b>	<b>LKR 100,000/-@2% /365 @ 5 Days = LKR.27.40</b>



**Example 4 - PAWNING**

<b>Facility Details</b>	
Pawning advance amount	LKR.100,000/-
Date granted	01.01.2025
Agreed Interest rate	12% p.a
Capital & Interest due date	31.12.2025
Rate of penalty interest charged	2% p.a
Number of days in arrears as at 04.01.2026	5 days
<b>PENALTY INTERST CALCULATION AS AT 04.01.2026</b>	<b>LKR 100,000/-@2% /365 @ 5 Days = LKR.27.40</b>