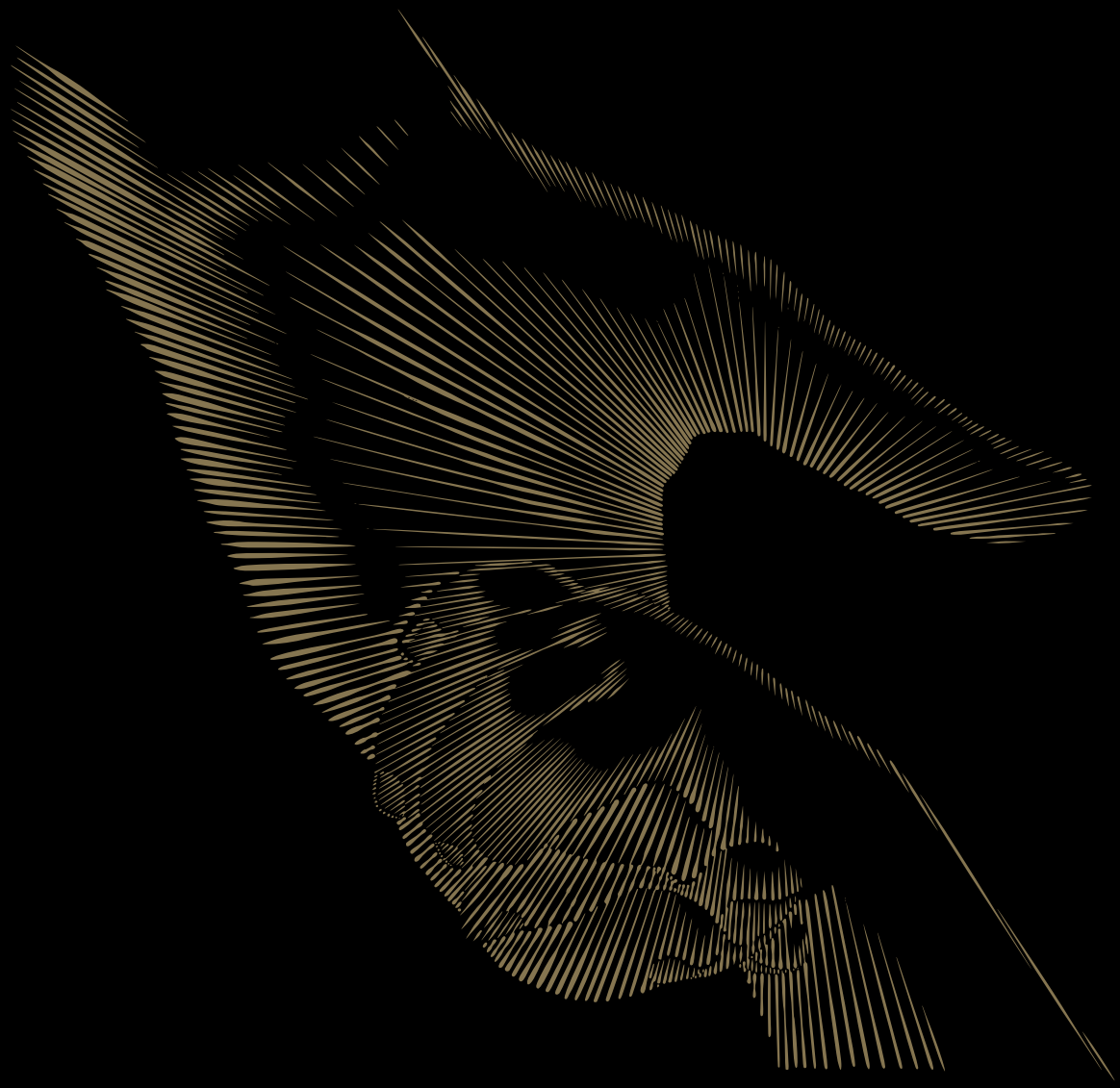
EMPOWERING EVERY JOURNEY



INTEGRATED ANNUAL REPORT

2025

NSB

Empowering every journey

National Savings Bank
Integrated Annual Report 2025

© National Savings Bank

ISBN 978-624-5790-15-9



Empowering every journey

Every Sri Lankan's journey is different and NSB is designed to support them all. From small, regular deposits to long-term investments, from affordable home ownership with market-leading rates to financing education and enterprise, we deliver solutions that meet people where they are. Our national footprint, anchored by our extensive branch network and further extended through Sri Lanka's postal network, enables inclusive banking in communities where others have limited reach. With strong capital and liquidity, and a clear focus on digital transformation and sustainable finance, we empower progress; one customer, one family, one community at a time.

CONTENTS

About our Integrated Annual Report 4

9

PREAMBLE

NSB at a glance 10
Legacy of 193 years 12
Products and services 13
Highlights 14
Chairman's message 16
General Manager/CEO's review 20

27

OUR SUSTAINABLE VALUE CREATION MODEL

Operating environment 28
Risks and opportunities 34
Materiality 40
Integrated stakeholder engagement 52
Our sustainability framework 60
Business model 62
Strategy and resource allocation 66

79

MANAGEMENT DISCUSSION AND ANALYSIS

Business line review 80
Financial capital 90
Manufactured capital 109
Human capital 117
Intellectual capital 134
Social and relationship capital 144
Natural capital 172
SLFRS Sustainability-related Financial Disclosures (SLFRS S1 and SLFRS S2) 182
Statement on corporate governance 212
Statement on risk management 213
Independent Practitioners' Limited Assurance Report 214



Our responsiveness, executed without compromising long-term objectives, reflects our commitment to serving as a stable partner to government while preserving institutional integrity.



Our performance validates the enduring relevance of our model: the premier State-owned savings institution that combines financial strength with developmental purpose.

CONTENTS

219

GOVERNANCE

Board of Directors **220**

Corporate management **226**

Executive management **228**

Chief managers **230**

Corporate governance **231**

Report of the Board Audit Committee **245**

Report of the Board Human Resource and Remuneration Committee **248**

Report of the Board Nomination Committee **250**

Report of the Board Integrated Risk Management Committee **251**

Report of the Board Information Technology Strategy Committee **253**

Risk management report **254**

281

FINANCIAL REPORTS

Financial calendar **282**

Annual Report of the Board of Directors **283**

Statement of Directors' Responsibility for Financial Reporting **289**

Directors' Statement on Internal Control Over Financial Reporting **290**

Independent Assurance Report on Internal Control **292**

General Manager/CEO's and Deputy General Manager (Finance, Planning, and MIS)/CFO's Statement of Responsibility **293**

Auditor General's Report **294**

Content of Financial Statements **297**

Income Statement **298**

Statement of Comprehensive Income **299**

Statement of Financial Position **300**

Statement of Changes in Equity **302**

Statement of Cash Flows **306**

Notes to the Financial Statements **308**

439

SUPPLEMENTARY INFORMATION

Compliance with Banking Act Direction No. 05 of 2024 **440**

Compliance with the Code of Best Practice on Corporate Governance 2023 (the Code) issued by CA Sri Lanka **469**

Other disclosure requirements as required by CBSL **474**

Basel III disclosures as per schedule III of Banking Act Direction No. 1 of 2016 **480**

D-SIB Assessment Exercise – 2025 **490**

GRI content index **491**

Income Statement in US Dollars **494**

Statement of Comprehensive Income in US Dollars **495**

Statement of Financial Position in US Dollars **496**

Statistical indicators 2016-2025 **497**

Analysis of deposits **498**

Horizontal analysis of Income Statement **499**

Vertical analysis of Income Statement **499**

Horizontal analysis of Financial Position **500**

Vertical analysis of Financial Position **501**

Correspondent banks **502**

Exchange companies **503**

Glossary of financial and banking terms **504**

Corporate information **508**

ABOUT OUR INTEGRATED ANNUAL REPORT

GRI 2-1



This is the 11th Integrated Annual Report of National Savings Bank (NSB), presenting a holistic account of our performance, strategic direction, governance framework, and the broader operating context for the financial year ended 31 December 2025. The Report articulates our enduring commitment to INTEGRATED THINKING, seamlessly blending financial and non-financial disclosures to construct a coherent narrative of how NSB generates sustainable long-term value. Prepared in alignment with the International Integrated Reporting Framework, it captures our progress against strategic priorities, our navigation through a complex and uncertain operating environment, and our responsiveness to the evolving expectations of diverse stakeholder groups.

Amidst a year defined by considerable challenges, this Report chronicles NSB's transformation journey, underscoring deliberate strides in organisational strengthening, digital capability enhancement, customer trust cultivation, and the embedding of sustainability across all facets of our operations. It further examines how our business model dynamically responds to interconnected external forces, encompassing macroeconomic shifts, technological advancements, societal expectations, regulatory developments, and environmental imperatives.

Through this integrated lens, we demonstrate how NSB leverages its six forms of capitals: financial, manufactured, human, intellectual, social and relationship, and natural to achieve balanced and resilient growth while steadfastly fulfilling our national mandate. The Report reflects our unwavering pursuit of resilience, relevance in a rapidly transforming landscape, and a commitment to ensuring our impact remains equitable, responsible, and far-reaching.

More than a retrospective account of our current standing, this document stands as a testament to NSB's ongoing dedication to creating enduring value for all stakeholders: our customers, employees, partners, shareholder, and the wider Sri Lankan society we are privileged to serve.

READING AND NAVIGATING THIS REPORT

Interactive elements and icons are designed to improve readability and navigation while highlighting the connectivity between key sections, reflecting our commitment to INTEGRATED THINKING. A guide to the icons used throughout the report is available on page 7.

OUR REPORTING FRAMEWORKS AND COMPLIANCE

This report is aligned with corporate reporting and regulatory frameworks, relevant disclosure requirements, and best practices. Our commitment to transparency, accountability and the highest standards of reporting integrity are demonstrated throughout the publication.

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- International Integrated Reporting Framework of the IFRS Foundation (www.theiirc.org)
- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines GRI Standards (www.globalreporting.org)
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka
- Sustainable Development Goals (SDGs) – The UN initiative with 17 aspirational "Global Goals"
- Directives and Guidelines of the Central Bank of Sri Lanka (CBSL)
- Regulations and Directions of the Department of Inland Revenue (IRD)

National Savings Bank Act No. 30 of 1971 and its amendments

Banking Act No. 30 of 1988 and its amendments

ABOUT OUR INTEGRATED ANNUAL REPORT

GRI 2-4

OUR SCOPE AND REPORTING BOUNDARY

Our reporting covers the National Savings Bank (hereafter referred to as the "Bank") along with its wholly owned subsidiaries, NSB Fund Management Company Ltd. and Sri Lanka Savings Bank Ltd. collectively referred to as the "Group". The financial information is presented for both the Bank and the Group, while non-financial disclosures primarily pertain to the Bank, unless otherwise stated.

This Report spans the 12-month period from 1 January to 31 December 2025, in alignment with our annual cycle for financial and sustainability reporting.

It also incorporates material post-balance sheet events up to the date of Board approval on 23 February 2026. There have been no significant changes to the scope or boundaries of reporting compared to previous periods. Restatements or reclassifications of comparative data, if any, are duly explained in the relevant sections.

In addition to financial disclosures, this Report provides a comprehensive view of our non-financial performance. It elaborates on key areas such as operating environment, risks and opportunities, material matters, integrated stakeholder engagement, strategic direction, and our business model and governance.

The Report also records the Bank's progress during 2025 in both financial and non-financial objectives and achievements, in line with our short- to medium-term priorities over the next two to three years. It also refers to the long-range strategic direction NSB is following over the next five to ten years to strengthen institutional resilience and ensure long-term relevance in Sri Lanka's dynamic economic landscape.

Integrated reporting boundary

Covers the risks, opportunities, and outcomes arising from our

- Operating environment — pages **28** to **33**
- Business model, including the affordability and availability of capitals — pages **62** to **65**
- Strategy and resource allocation — pages **66** to **77**
- Integrated stakeholder engagement — pages **52** to **59**
- Use of and impact of six capitals — pages **90** to **181**

FC MC HC IC SRC NC

Our financial reporting boundary

Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka

Subsidiaries

Two wholly owned subsidiaries are outlined on page 11 of NSB at a glance

Performance information covers NSB's financial year from 1 January 2025 to 31 December 2025.
Any notable or material events after this date and up to the approval of this report are included and noted accordingly.

INTEGRATED THINKING – DRIVES OUR SUSTAINABLE VALUE CREATION

At NSB, INTEGRATED THINKING serves as a foundational discipline that shapes our operational ethos, strategic formulation, decision-making processes, and long-term value creation. This governing principle permeates the execution of our strategy, the robustness of our governance frameworks, the integrity of our performance, and the depth of our stakeholder relationships, enabling us to navigate risks and seize opportunities within an increasingly dynamic environment.

ABOUT OUR INTEGRATED ANNUAL REPORT

INTEGRATED THINKING mandates a holistic perspective in operationalising our business model by forging meaningful connections between financial and non-financial capitals, thereby fostering value creation that is both inclusive and sustainable. Through this approach, we are strategically positioned to deliver outcomes that extend beyond shareholder returns, generating enduring benefits for our customers, employees, communities, and the nation at large.

MATERIALITY

Materiality assessments are a vital element in the INTEGRATED THINKING approach.

We define material matters as issues that significantly influence our ability to generate and sustain value over different periods of time and impact the short, medium and long term results and consequences for the Bank.

NSB adopts a double materiality perspective, evaluating both financial materiality, which reflects matters impacting our capacity to create or preserve economic value, and impact materiality, which considers our broader effects on the environment, communities, and society.

This Report places each material matter within its relevant context, highlighting those that have the potential to shape and sustain the creation or erosion of value across multiple timeframes, while underpinning the Bank's strategic and operational priorities. Material matters are also ranked according to their degree of impact.

Dynamic materiality

The continually evolving operating landscape and its potential to influence those aspects that have the greatest impact on our business is recognised. As such, we undertake rigorous materiality reviews annually to ensure appropriate responsiveness.

We are confident that our reporting captures the essential issues effectively and shape our ability to create and sustain value.

ENHANCEMENT TO OUR REPORTING STRUCTURE

- Improved connectivity of information
- Improved disclosure on Capitals, strategy, and business lines review
- Improved readability and design
- Adoption of SLFRS Sustainability Disclosure Standards – SLFRS S1 General Requirements for Disclosure of Sustainability related Financial Information and SLFRS S2 Climate Related Disclosures

Outlook

Our outlook is informed by what challenges we might face and what opportunities we can create in implementing our strategy. The extent to which these factors influence our business model and future performance are addressed through the following sections.

Chairman's message on page **19**

General Manager's review on page **24**

Operating environment on pages **28** to **33**

Strategy and resource allocation on pages **72** to **77**

Financial capital on pages **90** to **108**

Manufactured capital on page **116**

Human capital on page **133**

Intellectual capital on page **143**

Social and relationship capital on pages **154, 160, 166, 171**

Natural capital on page **181**

BOARD RESPONSIBILITY STATEMENT

The Board of Directors, as stewards of NSB's governance architecture, affirms its full accountability for the integrity, accuracy, and transparency of this Integrated Report. The Board is confident that the Report presents a true and balanced reflection of the Bank's performance, strategic direction, risk profile, and stakeholder impacts, offering a clear view of its capacity to generate sustainable value across the short, medium, and long term.

This Report has been prepared in accordance with the principles of the Integrated Reporting Framework, with diligent oversight from Management and thorough validation through robust internal and external assurance processes. The Board fully endorses the Report's contents and its role in demonstrating NSB's commitment to responsible, value-driven reporting.

Dr Harsha Cabral PC – Chairman/ Non-Independent Non-Executive Director

Mr Jude Nilukshan – Director (Ex Officio)/ Non-Independent Non-Executive Director

Mr S R W M Ruwan Palitha Sathkumara – Director (Ex Officio)/ Non-Independent Non-Executive Director

Mr Dushyanta Basnayake – Non-Independent Non-Executive Director

Mr Ashane Jayasekara – Non-Independent Non-Executive Director

Mr Ranil Goonetilleke – Independent Non-Executive Director

Mr Supul Wijesinghe – Senior Director/ Independent Non-Executive Director

FORWARD–LOOKING STATEMENTS

This Report includes statements relating to NSB's future performance and outlook, based on our current assessments and expectations. It is however important to recognise that evolving risks, uncertainties, and other significant factors may result in outcomes that differ from our projections and could potentially affect the Bank's future business and financial results in a negative manner.

Queries

Your comments and queries on this report are most welcome, and they may be addressed to:

Deputy General Manager
(Finance, Planning and MIS)/CFO
Finance and Planning Division
National Savings Bank,
No. 255, Galle Road,
Colombo 3.

ABOUT OUR INTEGRATED ANNUAL REPORT

NAVIGATION ICONS

Capitals

- FC — Financial capital
- MC — Manufactured capital
- HC — Human capital
- IC — Intellectual capital
- SRC — Social and relationship capital
- NC — Natural capital

Other

- Page reference

Stakeholders

- Shareholder/ Investors
- Customers
- Employees
- Regulators and Government institutions
- Business partners
- Society and environment

Strategy pillars

- Pillar 1 — Customer centricity and financial inclusion
- Pillar 2 — Sustainable organic growth and portfolio optimisation
- Pillar 3 — People, culture and engagement excellence
- Pillar 4 — Risk culture, governance and compliance discipline
- Pillar 5 — Digital acceleration and data-led banking
- Pillar 6 — Sustainability, climate and community resilience



Empowering the habit that builds every journey

At the heart of NSB's story is the Sri Lankan individual. The parent putting something aside, the schoolchild making their first deposit, the worker building a cushion against uncertainty. For over five decades, NSB has made the act of saving simple, safe, and within reach of every person, nurturing a national culture of financial prudence, one rupee at a time.

INTEGRATED REPORT

PREAMBLE

NSB AT A GLANCE
10

LEGACY OF 193 YEARS
12

PRODUCTS AND SERVICES
13

HIGHLIGHTS
14

CHAIRMAN'S MESSAGE
16

GENERAL MANAGER/
CEO'S REVIEW
20

NSB AT A GLANCE

GRI 2-1

A LEGACY OF STABILITY, EMPOWERMENT, AND TRUST

National Savings Bank's story begins not in 1972, but over a century and a half earlier, weaving a rich tapestry of financial stewardship that spans 193 years. This legacy was set in motion with the establishment of the Ceylon Savings Bank (CSB) in 1832, marking the nation's first formal step toward cultivating a savings ethos. This foundation was strengthened by the creation of the Post Office Savings Bank in 1885, the launch of the Savings Certificates Section in 1938, and the formation of the National Savings Movement in 1943. Building upon this profound heritage, these four esteemed institutions were consolidated in 1972 to form the National Savings Bank, creating a unified custodian of the country's financial future.

For over five decades since, NSB has stood as a beacon of financial stability and empowerment in Sri Lanka, nurturing a national culture of savings and financial prudence with its designation as a Licensed Specialised Bank (LSB) under the Banking Act No. 30 of 1988, NSB reaffirmed its commitment to financial inclusivity, promoting the habit of saving across all segments of society, transcending barriers of class, race, and gender.

Today, NSB stands among Sri Lanka's most inclusive financial institutions, proudly serving over 10 million active accounts and making a lasting impact on countless lives. Even amidst the economic turbulence of recent years, NSB has remained unwavering in its mission. Guided by its founding principles and strengthened by resilience, the Bank continues to evolve, adapt, and empower. Its ability to navigate adversity has not only fortified its service to stakeholders but has also reinforced its role in helping individuals and communities flourish, securing a brighter, more inclusive future for all Sri Lankans.

BRAND RATING

The Lanka Rating Agency (LRA) assigned the Bank with the issuer rating of [SL] AAA with Stable Outlook for 2025. Brand Finance Lanka Ltd. named the Bank the fifth most valuable brand in Sri Lanka.

BRANCH NETWORK

As Sri Lanka's premier savings institution, NSB proudly operates an extensive network comprising 263 branches, 418 ATMs/CRMs, and an agency network of 4,002 Agents through Post Offices and Sub-Post Offices, ensuring greater accessibility and service excellence across the nation.

Our vision

The most reliable and sought-after choice for savings and investment solutions.

Our mission

Providing our customers with total financial solutions to optimise their savings and investment needs, while meeting the expectations of all our stakeholders.

Our values

In conducting our day-to-day business we will respond promptly and act creatively with trust, mutual respect and integrity.

Our purpose

Accelerating national growth

OUR STRENGTH AND STABILITY

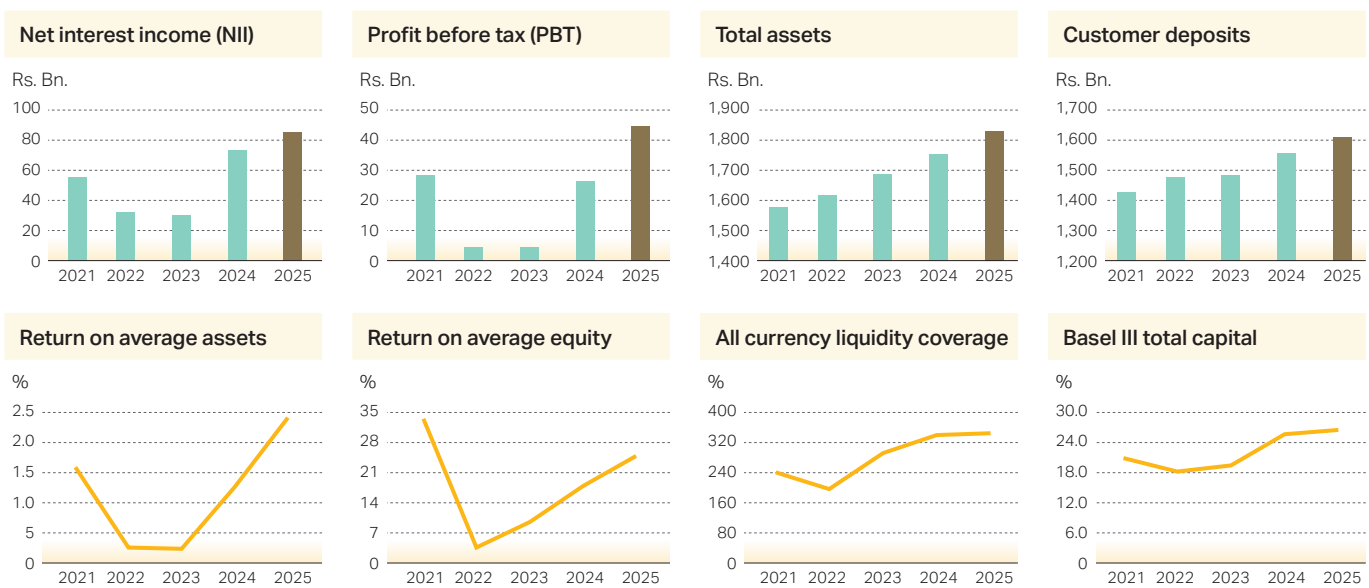


FIGURE 1

NSB AT A GLANCE

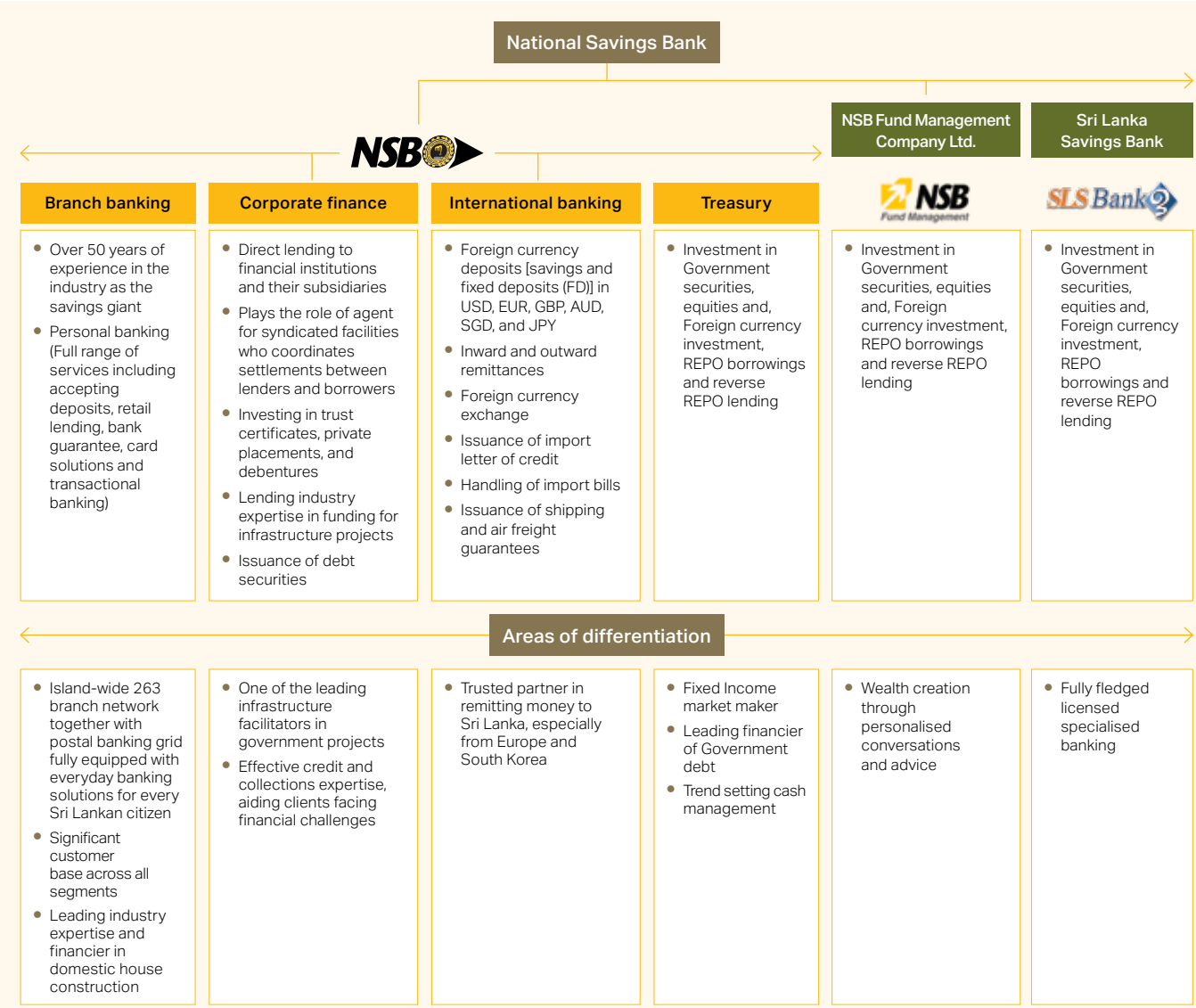
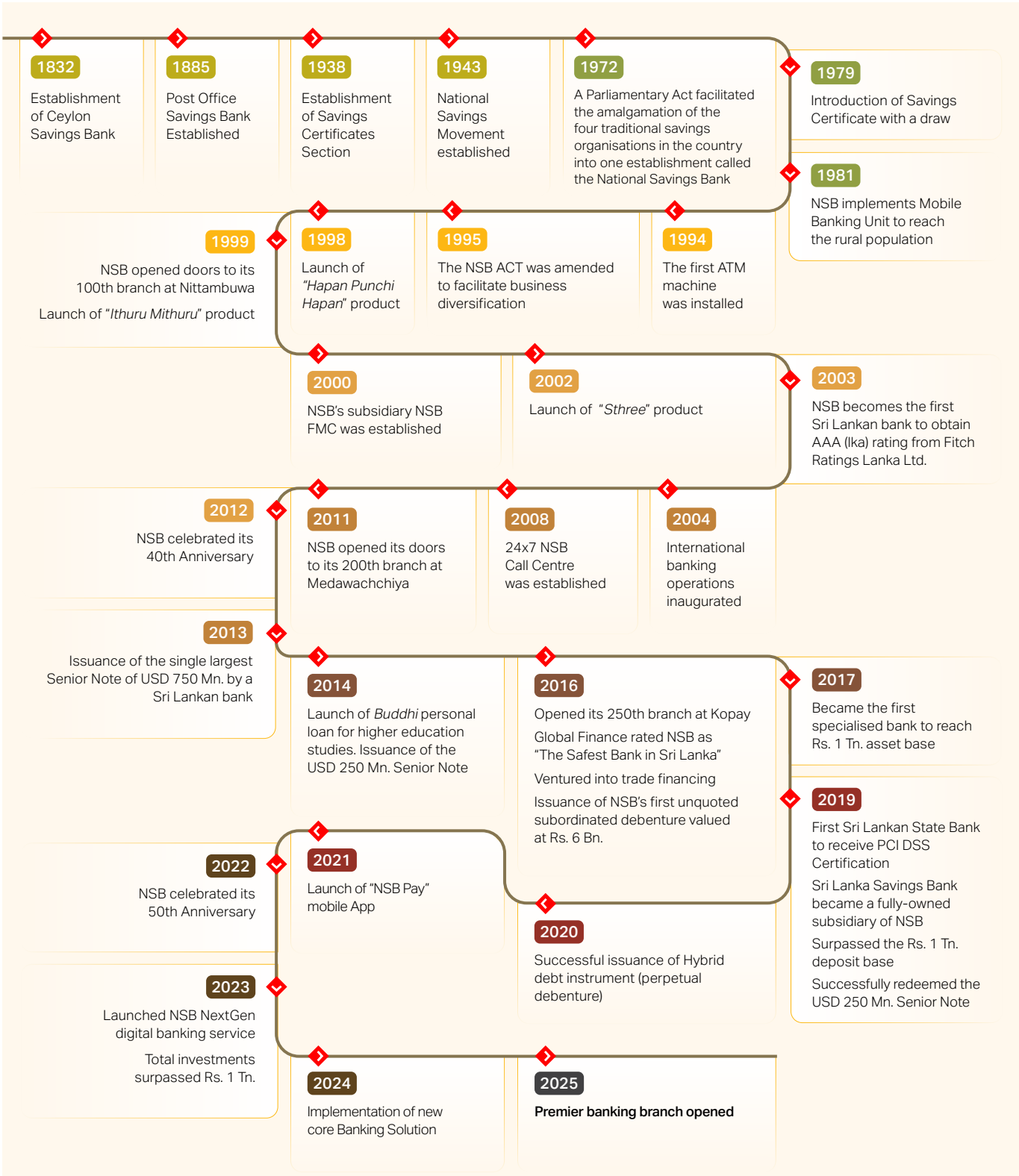


FIGURE 2

- A purposeful business supported by a progressive corporate culture
  Highly reliable and coveted choice for savings and investments
- Required by statute to invest 60% of deposits in gilt-edged Government Securities
  A trusted stewards of national financial stability
- Selective origination and sound risk management
  A lower non-performing loan ratio in comparison to industry average
- Only bank in the country with 100% Government guarantee on all deposits and interests thereon
  Safest Bank in the country
- Serves 10.52 million active accounts
  The people's choice
- Contributes taxes, levies, fees, and dividend to the General Treasury
  Unwavering support to the national economy
- Funds Government long-term development and socio-economic projects
  Nation building
- Conducts business in a manner that positively impacts society
  Positive impact through responsible banking
- Good governance coupled with veteran management
  Excellence through good governance

LEGACY OF 193 YEARS



PRODUCTS AND SERVICES























Savings deposits →

- Ordinary savings
- Children's savings – *Kiriketi Hapan, Punchi Hapan, Hapan* Children's Savings Account
- Teen Savings – Neo Savings Account
- Youth Savings – I'm Savings Account
- Women Savings – *Sthree* Savings Account
- Special savings – Happy Savings Account, Smile Savings Account

Savings/Retirement plans →

- NSB Pension +
- Five Years Savings
- Reality Savings Plan
- *Prarthana*
- *Prarthana* +
- *Savibala* Savings

Term deposits →

- Regular Deposits – Fixed Deposits (FDs)
- Senior citizens deposits – *Gaurawa* FD Account, Senior Citizens' Special Fixed Deposit

Foreign currency products →

- Personal Foreign Currency Accounts (PFCA)
- Business Foreign Currency Accounts (BFCA)
- Inward Investments Accounts (IIA)
- Foreign Currency Term Deposits
- Special Deposit Account (SDA)
- Capital Transaction Rupee Account (CTRA)
- Money Changing Business

Retail lending products →

- Home/Property loans – *Ge Dora, Alankara*, home loans for Government employees
- First home owner

Personal loans →

- NSB Personal Loan
- *Buddhi* Loan
- Special Pension Loan
- Loans against Deposits – Speed Loans

Card services →

- Shopping + ATM Card
- NSB Easy Card

Other services →

- Remittances – NSB U-Trust
- POS device based savings mobilisation – NSB Reach
- Trade finance
- Guarantees
- Standing order
- Direct debit facility
- Safety deposit locker
- Nomination
- Utility bill payments

Corporate lending →

Digital/Electronic banking →

- NSB PayApp
- Digital Banking
- Quick Response Code Banking

Collection centres at schools →

Customer contact centre – NSB call centre →

Treasury →

- Treasury Bills, Treasury Bonds, Repo and Reverse Repo, Sri Lanka Development Bonds, Spot and Forward Exchange Contracts

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

As at December 31	Bank			Group		
	2025	2024	Change %	2025	2024	Change %
Results for the year (Rs. Mn.)						
Net interest income	84,849	72,583	16.90	86,419	75,069	15.12
Profit before financial VAT and taxation	57,387	35,615	61.13	59,206	38,248	54.80
Profit before taxation (PBT)	44,493	26,268	69.38	45,945	28,359	62.01
Income tax expenses	17,172	10,145	69.26	17,782	10,862	63.71
Profit after taxation (PAT)	27,321	16,122	69.46	28,163	17,497	60.96
Position at the year end (Rs. Mn.)						
Shareholders' funds (Total equity)	119,051	98,843	20.44	127,868	106,835	19.69
Due to other customers/deposits from customers	1,608,490	1,556,271	3.36	1,608,892	1,556,682	3.35
Financial assets at amortised cost – Debt and other instruments	1,092,990	1,039,035	5.19	1,096,343	1,048,966	4.52
Loans and receivable	550,828	532,379	3.47	550,639	527,715	4.34
Total assets	1,831,024	1,752,438	4.48	1,888,338	1,779,767	6.10
Information per ordinary share (Rs.)						
Earnings (Basic)	29.06	17.15	69.46	29.96	18.61	60.96
Net assets value	126.65	105.15	20.44	136.03	113.65	19.69

	2025	2024	Change(bps)	2025	2024	Change(bps)
Ratios						
Net interest margin (NIM) (%)	4.74	4.22	51	4.71	4.30	41
Cost to income (%)	34.30	38.35	(406)	48.28	50.07	(179)
Return on average shareholders' funds (ROE) (%)	25.08	17.89	718	24.00	17.98	602
Return on average assets (ROA) (%)	2.48	1.53	96	2.51	1.62	88
Year-on-year growth in earnings (%)	69.46	123.41	(5,395)	60.96	81.94	(2,098)
Asset quality ratios (%)						
Net Stage 3 loans to total loans	2.53	5.18	(265)	2.53	5.23	(270)
Stage 3 provision cover	58.56	44.50	1,406	60.01	45.98	1,403
Regulatory liquidity ratios (%)						
Rupee – Minimum requirement – 100%	360.39	351.33	906	N/A	N/A	–
All currency – Minimum requirement – 100%	349.15	344.55	460	N/A	N/A	–
Net stable funding ratio – Minimum requirement – 100%	206.44	193.53	1,291	N/A	N/A	–
Regulatory capital requirements: Basel III						
Tier 1 – Minimum requirement (8.5%)	24.90	23.42	148	27.27	26.69	58
Total capital – Minimum requirement (12.5%)	26.83	25.88	94	29.07	29.06	1
Leverage ratio – Minimum requirement (3%)	9.34	8.00	134	9.48	8.85	63

FINANCIAL GOALS AND ACHIEVEMENTS – BANK

Financial indicator		Achievement				
	Goals	2025	2024	2023	2022	2021
Net interest margin (NIM) (%)	4.77	4.74	4.22	1.79	2.03	3.71
Return on average assets (ROA) (%)	1.18	2.48	1.53	0.26	0.28	1.93
Return on average shareholders' funds (ROE) (%)	19.54	25.08	17.89	9.36	3.40	33.92
Growth in income (%)	7.89	(2.35)	(10.53)	32.97	29.34	5.80
Growth in profit for the year (PAT) (%)	9.67	69.46	123.41	185.27	(88.56)	118.83
Growth in total assets (%)	11.58	4.48	3.88	4.35	2.38	15.79
Capital requirements: Basel III						
Tier 1 – Minimum requirement (8.5%)	Over 8.5%	24.90	23.42	16.91	15.78	18.60
Total capital – Minimum requirement (12.5%)	Over 12.5%	26.83	25.88	19.26	18.00	20.83

TABLE 1

HIGHLIGHTS

1 ENVIRONMENTAL

Energy consumption per branch **134.4 GJ** (2024 – 125.5 GJ)	Third party water withdrawal **68,815 m³** (2024 – 62,744 m³)	Paper Material issued (Units) **900,741** (2024 – 685,343)
Loans granted to renewable energy **Rs. 1.0 Bn.** (2024 – Rs. 4.0 Bn.)	Percentage of ESG-compliant loans/investments **100%** (2024 – 100%)	Climate stress testing conducted **Yes** (2024 – Yes)

2 SOCIAL

Internship opportunities provided **299** (2024 – 191)	First Home Owner customers **89** (2024 – Nil)	Lending to First Home Owner customers **Rs. 351.5 Mn.** (2024 – Nil)
Loans Granted to Pensioners **Rs. 4.5 Bn.** (2024 – Rs. 8.1 Bn.)	Deposit Insurance Premium **Rs. 1.5 Bn.** (2024 – Rs. 1.4 Bn.)	Crop Levy (National Insurance Trust Fund) **Rs. 273 Mn.** (2024 – Rs. 163 Mn.)
Senior Citizen Deposit holders **253,944** (2024 – 196,998)	Digitally enabled customers **801,437** (2024 – 618,314)	Proportion of spending on local suppliers[LA] **100%** (2024 – 100%)
New recruitments **116** (2024 – 31)		

3 GOVERNANCE

Number of Directors in the Bank **7** (2024 – 5)	Number of Board meetings held **15** (2024 – 13)	Board meetings with more than 80% of Board members' attendance % **100%** (2024 – 100%)
Female representation in leadership (Numbers) **451** (2024 – 241)	Human rights violations **Nil** (2024 – Nil)	Corruption incidents[LA] **Nil** (2024 – Nil)
Instances of socio-economic non-compliance **Nil** (2024 – Nil)	Instances of environmental non-compliance **Nil** (2024 – Nil)	Tax paid **Rs. 30.1 Bn.** (2024 – Rs. 19.5 Bn.)
Dividends to the Treasury **Rs. 6 Bn.** (2024 – Nil)		

CHAIRMAN'S MESSAGE



Our performance validates the enduring relevance of our model: the premier State-owned savings institution that combines financial strength with developmental purpose.

STEADFAST LEADERSHIP IN TIMES OF CHANGE AND CHALLENGE

As I reflect on 2025, the National Savings Bank has once again demonstrated the resilience, adaptability, and unwavering commitment to financial discipline that has defined our institution for over five decades. In a year marked by political transition, economic recalibration, and the disruption caused by Cyclone Ditwah, NSB stood firm as a beacon of stability in Sri Lanka's financial landscape. Our ability to navigate these multifaceted challenges while maintaining robust financial performance and delivering on our national mandate underscores the strength of our institutional character and the trust placed in us by millions of Sri Lankans.

The year 2025 tested not only our operational capabilities but also our strategic resolve. Through disciplined execution, prudent risk management, lean management and a steadfast focus on our core purpose, we emerged stronger, more resilient, and better positioned to serve the nation in the years ahead. Our performance validates the enduring relevance of our model: the premier State-owned savings institution that combines financial strength with developmental purpose and commercial discipline with social responsibility.

NAVIGATING A YEAR OF TRANSFORMATION

In 2025, Sri Lanka's economy showed signs of recovery supported by policy reforms, easing inflation, and improved external performance. Against this backdrop, the National Savings Bank demonstrated strategic agility by navigating moderating interest margins and cautious credit growth through careful balance sheet management.

Following the late 2024 government transition, NSB proactively aligned its priorities with new national policy imperatives including fiscal consolidation, governance transparency, and climate resilience while maintaining its institutional independence and commercial discipline. The Bank accelerated digitalisation and enhanced operational efficiency without compromising long-term objectives.

The latter part of the year brought disruption from Cyclone Ditwah, to which NSB responded swiftly by ensuring service continuity, prioritising customer support, and safeguarding staff. Though these efforts created short-term operational pressures, they reinforced the Bank's public mandate and deepened community trust.

FINANCIAL PERFORMANCE: STRENGTH THROUGH STRATEGIC FINANCIAL DISCIPLINE

NSB's financial performance in 2025 stood as a testament to the successful execution of our strategic roadmap and the resilience of our institutional foundations. Despite navigating a moderating interest rate environment, we delivered robust and sustainable results through disciplined risk management and prudent financial stewardship, reaffirming the efficacy of our balanced growth approach.

The NSB Group recorded an Operating Profit (Before all Taxes) of Rs. 59.2 Bn. for the financial year 2025, a strong increase from Rs. 38.2 Bn. in the previous year. Profit After Tax (PAT) rose by 61% to Rs. 28.2 Bn. underscoring our robust profitability and efficient capital utilisation.

This performance is further validated by key return metrics: Return on Assets (ROA) strengthened to 2.48%, up from 1.53% in the preceding year, while Return on Equity (ROE) improved to 25.08% from 17.89%. These gains underscore our enhanced capacity to deliver superior returns to our sole shareholder, the Government of Sri Lanka.

These achievements take on even greater significance when considered in their full context: they reflect a carefully calibrated strategy that seamlessly integrates commercial discipline, governance excellence, and unwavering national purpose delivered without aggressive expansion or compromise to our credit standards.

NSB'S ROLE IN NATIONAL DEVELOPMENT AND ECONOMIC RESILIENCE

NSB occupies a unique and irreplaceable position in Sri Lanka's financial ecosystem, playing multiple critical roles that extend far beyond conventional banking.

As one of the largest institutional investors in government securities, we underpin fiscal stability, support macroeconomic management, and provide crucial depth to sovereign debt markets particularly during periods of economic stress. Through loans and advances, and strategic investments in State-owned enterprises engaged in infrastructure development, we directly contribute to economic recovery and long-term productive capacity.

Our extensive nationwide branch network, complemented by the postal network, ensures deep financial inclusion, providing safe, government-guaranteed savings access to citizens across all regions and income levels. Beyond this developmental role, NSB makes direct fiscal contributions to our sole shareholder, the Government of Sri Lanka, reinforcing public finances while safeguarding depositor interests.

During the year under review, NSB's substantial contribution to national finances reflected our unwavering fiscal responsibility. The Bank contributed a total of Rs. 30.1 Bn. in taxes to the national economy, comprising Value Added Tax (VAT) on financial services of Rs. 11.3 Bn., Social Security Contribution Levy (SSCL) of Rs. 1.6 Bn., and income tax expense of Rs. 17.2 Bn. Including a dividend declaration of Rs. 6.1 Bn. and Rs. 1.8 Bn. towards Deposit Insurance and Crop Levy, the Bank's total contribution to the Government stood at Rs. 39 Bn., representing a remarkable 74% increase compared to the previous year.

This dual contribution as both a development finance institution and a profitable, dividend-paying enterprise exemplifies the balanced approach that defines NSB's enduring value proposition.

ADVANCING DIGITAL EXCELLENCE AND CUSTOMER EXPERIENCE

Our digital transformation journey gained significant momentum in 2025, reflecting our commitment to building a future-ready institution that combines technological sophistication with the trust and accessibility that have defined NSB for over five decades.

We accelerated enhancements to the NSBPay mobile and internet banking platforms, to deliver improved user interfaces, simplified onboarding processes, and expanded self-service capabilities. These digital investments proved invaluable during Cyclone Ditwah, when digital channels became the primary service delivery mechanism in affected areas.

In recognition of our sustained performance, strong brand fundamentals, and growing relevance in the competitive financial services landscape, Brand Finance ranked NSB as the fifth most valuable brand in Sri Lanka, an improvement from seventh place, with our brand rating upgraded to AA+. This achievement reflects not only our financial strength but the growing recognition of NSB as a modern, innovative institution that remains true to its savings mandate.

A defining milestone in 2025 was the launch of "The Premier", NSB's exclusive premier banking branch located at No. 23, Sir Ernest de Silva Mawatha, Colombo 07. The Premier represents our commitment to evolving customer expectations and strengthening our value proposition to high-net-worth customers without abandoning our inclusive approach.

EMBEDDING SUSTAINABILITY AND ESG PRINCIPLES

Progress in integrating sustainability and ESG considerations gained significant momentum in 2025, with NSB further embedding environmental, social, and governance principles into our business strategy, risk management practices, and operational decision-making.

We advanced our sustainable finance agenda in alignment with the Central Bank of Sri Lanka's Sustainable Finance Roadmap, expanding access to affordable housing, renewable energy financing, and socially inclusive financial products. Initiatives such as the "1st Homeowner" Housing Loan Scheme at very low interest rates and the *"Rividhanavi"* Solar Loan Scheme reflect our commitment to promoting long-term social stability, climate action, and inclusive economic growth while reinforcing our developmental mandate.

In parallel, we commenced our transition towards the adoption of SLFRS S1 and SLFRS S2, establishing the foundational governance, processes, and data frameworks required to identify, assess, manage, and disclose sustainability-related and climate-related financial risks and opportunities. This journey is being undertaken within the context of NSB's ESG Framework, which provides a structured approach to integrating sustainability considerations into strategy formulation, credit decision-making, enterprise risk management, and stakeholder engagement.

NSB introduced the "Ditwah Relief" Housing Loan Scheme, providing targeted reconstruction finance for housing and essential community infrastructure. We also offered relief and restructuring solutions to customers whose repayment capacity was temporarily impaired, ensuring that short-term disruptions did not translate into long-term financial exclusion.

These initiatives enhance our ability to align capital allocation with national development priorities, strengthen transparency and accountability, and build long-term resilience in the face of evolving economic, regulatory, and climate-related challenges, positioning NSB as a responsible, forward-looking savings bank committed to sustainable value creation for Sri Lanka.

STRENGTHENING GOVERNANCE AND RISK OVERSIGHT

In 2025, the Board further strengthened governance through enhanced oversight by sub-committees, with increased focus on integrated risk management, audit effectiveness, technology governance, climate risk, operational resilience, and cybersecurity.

As the regulatory landscape evolved with greater emphasis on governance, consumer protection, climate disclosures, and cyber resilience, NSB proactively responded by reinforcing compliance frameworks, risk governance, and control systems. As a systemically important State-owned bank, we also engaged constructively with regulators on sustainable finance, financial inclusion, and systemic stability.

Cybersecurity remained a strategic priority, with significant investments in upgraded security infrastructure, enhanced monitoring, improved incident response, and comprehensive staff awareness programmes to safeguard customer data and maintain trust.

RECOGNISING ARTIFICIAL INTELLIGENCE AS A STRATEGIC ENABLER

NSB recognises Artificial Intelligence (AI) as a strategic enabler rather than a standalone solution. We have identified opportunities to deploy AI in data analytics, fraud detection, customer service optimisation, and risk management. These initiatives are being pursued cautiously, with due emphasis on governance, data integrity, ethical use, and regulatory compliance.

Our approach is deliberately phased and risk-aware, ensuring that AI applications deliver tangible value while maintaining the trust and security that are fundamental to our customer relationships. As we advance these capabilities, we remain committed to ensuring that technology serves people, not the other way around.

OUR PEOPLE: THE FOUNDATION OF RESILIENCE

NSB's success in 2025 is inseparably tied to the dedication, expertise, and resilience of our workforce. Every milestone we achieved was made possible by the tireless efforts of our exceptional team, whose commitment to excellence, adaptability, and customer-centric approach exemplifies the values that define NSB.

I wish to place on record my special appreciation for the staff of the National Savings Bank across the country, whose resilience, professionalism, and steadfast

commitment formed the backbone of our progress and ensured uninterrupted service delivery, even amidst the challenges posed by Cyclone Ditwah. Their ability to serve customers and communities with empathy and efficiency during times of distress reflects the human spirit that no amount of technology can replace.

We continued to invest in talent development through structured learning pathways in risk management, digital banking, treasury, compliance, and branch management. Selective succession planning and leadership development programmes for high-potential staff ensure we are building the next generation of leaders. Targeted retention measures for critical skill segments such as IT, cybersecurity, and risk management recognise the intense competition for talent and the strategic importance of these capabilities.

As we modernise our operations and embrace technological advancements, we remain steadfast in preserving the human-centric culture that has defined NSB for decades. This culture, rooted in mutual respect, collaboration, and innovation, not only drives our performance but strengthens the trust and camaraderie within our teams.

LOOKING AHEAD: STRATEGIC PRIORITIES FOR 2026 AND BEYOND

As we look to 2026 and beyond, NSB's strategic priorities reflect both continuity and evolution. We will deepen our digital transformation by further modernising core systems, expanding digital self-service capabilities, and leveraging data and analytics to personalise offerings and improve business decisions. These investments will enhance customer experience while improving operational efficiency and resilience.

Strengthening risk and resilience will remain paramount, with continued refinement of credit underwriting, expansion of climate-risk analysis, and enhancement of operational resilience and cyber defences. The lessons in 2025, particularly from Cyclone Ditwah, have sharpened our focus on building institutional capabilities that can withstand future shocks.

Advancing sustainability and green finance will remain central to our strategy, with scaled-up lending to renewable energy and resilience projects, deeper integration of climate considerations into risk management, and progressive alignment with emerging disclosure standards including SLFRS S1 and SLFRS S2.

Finally, enhancing people capability and culture will ensure we build a high-performing, digitally literate, and risk-aware workforce equipped to lead NSB into the future. Our people are not just employees; they are custodians of a legacy and architects of tomorrow's NSB.

A MESSAGE OF GRATITUDE AND RESOLVE

The journey of NSB has always been one of partnership and progress, built on foundations of trust, innovation, and service to our nation. As I reflect on 2025, I am deeply grateful to everyone who contributed to our success.

I extend my sincere appreciation to the Board of Directors for their invaluable strategic guidance and oversight during a demanding year. My deepest thanks go to Ms Shashi Kandambi, who retired as General Manager/Chief Executive Officer on 9 January 2026, for her exceptional leadership, vision, and unwavering commitment to NSB's success over last two years. I also welcome Mr Rohana Bandara Weerakoon, who assumed duties as Acting General Manager/Chief Executive Officer and extend my thanks to the Corporate Management Team for their dedication and tireless efforts in driving operational excellence across the organisation.

I am deeply grateful to our valued customers for their continued loyalty and the confidence they place in NSB. Your trust is both our greatest responsibility and our most powerful asset. To our esteemed shareholder, the Government of Sri Lanka, I express appreciation for the trust and stewardship that inspire our disciplined and responsible approach to value creation for the nation.

I convey our sincere gratitude to His Excellency the President and the Honourable Minister of Finance for his visionary leadership and steadfast support, as well as to the Honourable Prime Minister and Deputy Minister of Finance for their encouragement and guidance. My appreciation extends to the Secretary to the Treasury for his continued counsel and collaboration, and to the Governor of the Central Bank of Sri Lanka for his prudent regulatory oversight.

Finally, I acknowledge with gratitude the invaluable support and guidance extended by officials of relevant state institutions, including the Secretary to the President, the Attorney General, and the Auditor General, whose contributions have been instrumental in enabling the Bank to fulfil its mandate with integrity, transparency, and purpose.

As we move forward, NSB remains committed to safeguarding public savings, supporting national recovery, and adapting responsibly to a rapidly changing financial landscape. With resilience, accountability, and innovation as our guiding principles, we will continue to serve the nation with integrity and purpose. Together, we are not merely managing a bank, we are stewarding an institution that belongs to every Sri Lankan and contributes to building the nation we all aspire to see.



Dr Harsha Cabral PC

Chairman

6 February 2026

GENERAL MANAGER/ CEO'S REVIEW



Our responsiveness, executed without compromising long-term objectives, reflects our commitment to serving as a stable partner to government while preserving institutional integrity.

It is with a profound sense of responsibility and humility that I present this review for the year 2025, stepping into the role of Acting General Manager and Chief Executive Officer at a pivotal moment in National Savings Bank's journey. The year just concluded represents a period of remarkable achievement under the exceptional leadership of my predecessor, Ms Shashi Kandambi, whose tenure concluded with her retirement on 9 January 2026. I am honoured to build upon the strong foundations she has laid and to lead this great institution.

RESILIENCE, ADAPTATION, AND PROGRESS IN A YEAR OF CHALLENGE

The year marked a period of recalibration and cautious optimism as the economy entered gradual recovery following severe economic stress. The macroeconomic environment reflected normalisation supported by reforms backed by the International Monetary Fund, easing inflationary pressures, and improving external sector performance. While lower interest rates offered relief to borrowers, they posed challenges for institutions managing legacy deposit portfolios. NSB met these challenges with discipline and foresight through proactive financial management, effective risk-adjusted asset allocation, and sustained operational efficiency.

The change in government brought renewed focus on fiscal consolidation and state-owned enterprise accountability. We responded by strengthening governance transparency, enhancing operational efficiency, and accelerating our digital transformation agenda, while maintaining strategic independence and commercial discipline. This responsiveness, executed without compromising our long-term objectives, reflects our commitment to serving as a stable partner to government while preserving institutional integrity.

The latter part of the year was profoundly impacted by Cyclone Ditwah, which disrupted economic activity across several regions. In affected areas, we introduced targeted relief measures, loan restructurings, and recovery support, while intensifying our focus on operational resilience, including business continuity planning and climate risk assessment. Our ability to maintain service continuity during this crisis, particularly through digital channels when physical access was constrained, validated years of investment in technology infrastructure and operational preparedness.

FINANCIAL PERFORMANCE: STRENGTH THROUGH STRATEGIC DISCIPLINE

In 2025, NSB delivered a performance that underscores our capacity to adapt strategically, maintain operational discipline, and optimise revenue streams amidst evolving economic dynamics. Net Interest Income increased by 17% to Rs. 84.8 Bn., driven by effective asset-liability pricing and disciplined management of interest expenses, which declined by 14% despite the challenging rate environment. This performance demonstrates the sophistication of our treasury operations and the stability of our deposit franchise, underpinned by the sovereign guarantee.

Profit Before Tax (PBT) increased by 69% to Rs. 44.5 Bn., while Profit After Tax (PAT) reached Rs. 27.3 Bn. Return on Assets improved to 2.5% and Return on Equity to 25.1%, reflecting robust profitability and efficient capital utilisation. Earnings per Share increased to Rs. 29.06 from Rs. 17.15 in the previous year.

A key highlight was the noticeable improvement in asset quality, with impairment charges reducing dramatically to Rs. 1.6 Bn. from Rs. 11.5 Bn. in 2024. The Stage 3 Loans Ratio improved to 2.5% from 5.2%, while the Stage 3 Provision Coverage Ratio strengthened to 58.6%. This improvement reflects strengthened credit monitoring, proactive recovery initiatives including the establishment of our new Loan Recovery Centre in Beliatta and improving borrower repayment capacity as the economy stabilises.

Our capital position remained exceptionally strong, with Total Capital Adequacy at 26.8% and Tier 1 Capital at 24.9%, well above regulatory minimums. Liquidity metrics were equally robust at 349.2% for the Liquidity Coverage Ratio and 206.4% for the Net Stable Funding Ratio. The retention of our AAA credit rating reaffirmed market confidence in NSB's financial strength and sovereign-backed business model. Refer financial capital on page 90 to 108 for more details.

SEGMENTAL PERFORMANCE: DIVERSIFIED FOUNDATIONS OF GROWTH

Our diversified business model, spanning retail banking, corporate banking, treasury operations, and international banking, provides resilience through economic cycles and positions us to capture growth opportunities across multiple segments.

Retail banking

Retail Banking is the second largest contributor of our operations, contributing the largest share of the Bank's profitability with a Profit Before Tax of Rs. 25.3 Bn. and total assets of Rs. 441.6 Bn. Despite subdued consumption-driven borrowing, our lending portfolio maintained steady momentum, anchored by the resilience of our pawning operations, while total retail deposits reached Rs. 1,575.4 Bn., underscoring public trust in the NSB franchise. Fee income from card and digital banking services recorded healthy growth, reflecting accelerated digital adoption and the growing comfort of our customers with our enhanced online platforms.

Corporate banking

Our Corporate Banking segment maintained a conservative yet strategically important posture, managing total assets of Rs. 166.1 Bn. and contributing a Profit Before Tax of Rs. 5.3 Bn. The portfolio remained concentrated in high-quality debentures alongside direct lending to government-linked and large corporate exposures. Through carefully cultivated strategic partnerships, we played a pivotal role in supporting large-scale project financing initiatives that are driving national economic development and infrastructure growth.

Treasury

Treasury operations demonstrated exceptional proficiency in 2025, managing the Bank's largest asset base of Rs. 1,036.1 Bn., predominantly in government securities, and delivering the highest Profit Before Tax of Rs. 26.3 Bn. The segment generated substantial interest income of Rs. 124.3 Bn. while acting as the critical internal funding hub for the organisation, efficiently recycling surplus liquidity to support lending activities across the Bank and ensuring optimal deployment of the nation's savings.

International banking

International Banking upheld a consistent performance with total assets of Rs. 24.2 Bn. and a Profit Before Tax of Rs. 501 Mn., leveraging prudent risk management strategies to navigate an uncertain global landscape. The non-resident deposit portfolio remained resilient at Rs. 33.1 Bn., while foreign currency placements with banks stood at Rs. 24.2 Bn.

A deeper and more comprehensive examination of the Bank's segmental performance can be found under the Business lines review section, spanning pages 80 to 89, providing valuable insights into the contributions and strategies that define each key segment.

DIGITAL TRANSFORMATION: BUILDING A FUTURE-READY INSTITUTION

We made significant strides in our digital journey, focusing on modernising core banking infrastructure and enhancing customer experience. Our digital transformation is not merely about technology, it is about building resilience, accessibility, and long-term competitiveness.

We accelerated enhancements to the NSBPay mobile and internet banking platforms, delivering improved interfaces, simplified onboarding, and expanded self-service features. The expansion of our card and e-payment capabilities brought convenience to customers while reducing cost to serve.

We also strengthened our data architecture and reporting platforms to support advanced analytics and risk management in the dynamic environment driven by technology. Investments in our core banking system, Temenos T24, and the implementation of SD-WAN technology with Cisco enhanced connectivity and digital reliability across our branch network.

The strategic value of these investments was demonstrated during Cyclone Ditwah, when digital channels became the primary service delivery mechanism in affected areas. Higher transaction volumes and improved service consistency confirmed that digitalisation is fundamentally about resilience and accessibility in times of crisis, not merely convenience in normal times.

STRENGTHENING SECURITY, COMPLIANCE, AND RISK MANAGEMENT

Cybersecurity and data protection were strategic priorities throughout 2025. In an increasingly complex threat environment, safeguarding customer data and maintaining trust are non-negotiable imperatives.

We substantially upgraded security infrastructure, implementing next-generation firewalls, enhanced endpoint protection, and improved monitoring through Security Information and Event Management and Security Operations Centre capabilities. Our Advanced Security Operations Centre provides 24/7 monitoring and threat intelligence, enabling rapid detection and response to emerging threats.

Multi-factor authentication was rolled out across critical channels, while encryption standards were strengthened. Comprehensive data classification procedures were implemented in alignment with the requirements of the Personal Data Protection Act, ensuring compliance with evolving regulatory standards.

We enhanced our Anti-Money Laundering and Countering the Financing of Terrorism framework through upgraded customer due diligence processes, improved transaction monitoring and strengthened sanctions screening. Robust governance and reporting mechanisms with clear escalation paths were implemented, supported by targeted training across the Bank.

Our risk management framework was strengthened through enhanced stress testing, incorporating macroeconomic shocks and climate-related weather events. We further developed our Internal Capital Adequacy Assessment Process and liquidity risk management frameworks, aligned with Basel III standards. Strengthening of operational risk and business continuity frameworks ensured swift and effective response to disruptions, with lessons from Cyclone Ditwah incorporated into our planning assumptions.

CUSTOMER-CENTRIC INNOVATION AND SERVICE EXCELLENCE

Customer centricity remained the cornerstone of our strategic vision. Every initiative, every investment, and every decision is evaluated through the lens of customer value.

A defining milestone was the launch of "The Premier," our exclusive premier banking branch at No. 23, Sir Ernest de Silva Mawatha, Colombo 7, offering elevated and highly personalised banking through dedicated relationship management and superior service standards. This initiative represents our commitment to evolving with customer expectations and strengthening our value proposition to high-net-worth individuals, without abandoning our inclusive, accessible approach.

We also reintroduced weekend banking at selected branches and carried out strategic improvements across multiple branches to enhance accessibility without disruptions. Through structured feedback mechanisms and enhanced complaint management with end-to-end tracking, we improved responsiveness and reduced resolution times. Our service quality training ensured consistent delivery across all touchpoints.

Product innovation remained focused on addressing customer needs across all life stages. The "1st Homeowner" Housing Loan Scheme expanded access to affordable financing for first-time property buyers. Following Cyclone Ditwah, we introduced the "Ditwah Relief" Housing Loan Scheme to provide substantial financial aid to affected groups. To ensure dignity, health, and independence of our senior customer base, we facilitated the Special Fixed Deposit Scheme for Senior Citizens addressing their unique financial planning requirements. We promoted the "Festival Advance" Personal Loan Scheme to ease customer financial burden during cultural and religious celebrations. The "NSB Senehase Dayada" campaign, our special initiative to mark the founding of NSB, facilitated opening children's savings accounts for babies born between 16 March 2025 and 31 March 2025, fostering an early savings culture.

These initiatives reflect our deep understanding of customer needs and our commitment to being a trusted partner throughout their financial journey.

STRATEGIC PARTNERSHIPS AND SUSTAINABLE FINANCE

We continued our collaborations with postal and government agencies to expand access points in rural and semi-urban locations, reinforcing our financial inclusion mandate. Our partnership with Sri Lanka Post, enabling over 4,002 post offices and sub-post offices to deliver banking services, remains one of our most powerful differentiators in reaching underserved communities.

A series of strategic partnerships during the year enhanced the Bank's value proposition across digital, property, and remittance sectors. By collaborating with technology and payment providers, we strengthened our e-commerce and card acquiring capabilities. Simultaneously, agreements with developers like John Keells Properties Ja-Ela (Private) Ltd. and exchange houses across the Middle East, Korea, and Europe have fortified our position in both the domestic property market and international remittance corridors. These initiatives have successfully translated into increased transaction volumes, broader market coverage, and new fee-based income streams.

The integration of Environmental, Social, and Governance principles across the Bank's operations has been reinforced through a strengthened Environmental and Social Management framework to govern credit approvals. This robust framework has facilitated the expansion of our green and climate-aligned lending portfolio, with increased capital deployed to renewable energy, energy-efficient housing, and climate-resilient infrastructure. Two landmark initiatives during 2025 exemplify this dual focus on environmental sustainability and inclusive growth: the financing of the 'Sobhadhanavi' project, a pivotal development in Sri Lanka's transition to lower-emission thermal power generation and the '1st Homeowner' Housing Loan Scheme. Total disbursements for the Sobhadhanavi project stood Rs. 1 Bn. in 2025.

Climate-related risk considerations were incorporated systematically into risk appetite statements, stress testing, and portfolio monitoring. We commenced the transition towards adoption of Sri Lanka Sustainability Disclosure Standards SLFRS S1 and SLFRS S2, establishing foundational governance, processes, and data frameworks to identify, assess, manage, and disclose sustainability-related and climate-related financial risks and opportunities.

EMPOWERING OUR PEOPLE AND OPERATIONAL EXCELLENCE

NSB's success in 2025 is inseparably tied to the dedication, expertise, and resilience of our workforce. Every milestone we achieved was made possible by the tireless efforts of our exceptional team.

Investment in human capital remained a central priority, with structured learning pathways implemented across critical domains including risk management, digital banking, treasury, compliance, and branch operations. Targeted upskilling initiatives equipped our people with future-ready competencies in artificial intelligence, cybersecurity, and data analytics, ensuring the workforce remains agile in an evolving financial landscape.

Performance management frameworks were refined to strengthen emphasis on key performance indicators, customer outcomes, and risk culture, while enhanced wellness initiatives fostered an environment of inclusivity, collaboration, and innovation. Reflecting our commitment to nurturing talent and recognising merit, 353 employees were promoted during the year, a testament to the Bank's dedication to fostering career growth and empowering our people to realise their full potential. The Long Years Service Awards Ceremony stood as a testament to the deep institutional commitment that defines NSB, recognising the loyalty and dedication of employees who form the bedrock of our organisational identity.

Operational excellence was advanced through deliberate process optimisation. Branch-level workflows were streamlined to reduce customer turnaround times, back-office functions were centralised to drive efficiency gains, and manual reconciliation processes were progressively rationalised through automation. The replacement of the Document Management System further enhanced processing capabilities, delivering faster turnaround times and reduced manual intervention. Prudent cost discipline was maintained across non-critical areas, safeguarding investments in technology, risk management, and talent development that underpin long-term value creation.

NSB'S ROLE IN NATIONAL RECONSTRUCTION

NSB has both a mandate and responsibility to participate actively in rebuilding Sri Lanka following Cyclone Ditwah. Our response to the cyclone demonstrates how we translate our public mandate into tangible action.

GENERAL MANAGER/CEO'S REVIEW

We delivered targeted reconstruction financing through the Ditwah Relief Housing Loan Scheme, extending substantial financial assistance to affected communities. For customers whose repayment capacity was temporarily impaired, we provided relief and restructuring solutions ensuring that short-term disruptions did not result in long-term financial exclusion. Service continuity was maintained through digital channels where physical access was constrained, while our staff were deployed directly to affected areas to support on-the-ground recovery efforts.

Public-private collaboration will be a strategic enabler supporting national infrastructure development and recovery. We are committed to working closely with government institutions and corporate stakeholders to contribute to Sri Lanka's sustainable and inclusive economic progress.

As the nation's premier savings institution, we recognise that our responsibilities extend beyond commercial performance to encompass genuine partnership in national development. Whether through financing infrastructure, supporting individuals, or helping communities recover from natural disasters, NSB stands ready to serve.

RECOGNITION AND AWARDS

The year 2025 brought distinct honour to National Savings Bank, with our sustained commitment to innovation, inclusivity, and sustainability being recognised through several prestigious awards and accolades.

Our flagship women's empowerment initiative, the NSB Sthree savings account, was honoured with the Peoples Pinnacle Best Women's Savings Plan of the Year 2025 award, while the NSB Hapan children's savings account was adjudged the Peoples Pinnacle Best Children's Savings Plan of the Year 2025. These recognitions validate our commitment to designing products that address the unique financial needs of diverse customer segments.

Beyond our products, NSB was named One of Sri Lanka's Most Women-Friendly Workplaces in 2025, reflecting deliberate investments in policies and practices that support women at every stage of their careers from recruitment and retention to leadership development and work-life integration.

On the international stage, NSB's sustainability journey achieved remarkable recognition at the WSBI-SDG Awards convened by the World Savings and Retail Banking Institute, where we were honoured with the WSBI-SDG Award for Leadership in Climate Finance, Consumer Protection and Digital Transformation.

Collectively, these awards affirm that NSB is simultaneously modern and trusted, innovative and inclusive, commercially disciplined and socially responsible.

STRATEGIC PRIORITIES FOR 2026 AND BEYOND

As we look into 2026 and beyond, our strategic priorities reflect both continuity and evolution, building on the momentum generated in 2025 to advance NSB's role as the nation's premier savings institution.

Digital transformation will remain paramount, with continued modernisation of core systems, expansion of self-service capabilities, and enhanced deployment of data analytics. We are committed to strengthening omnichannel delivery, exploring fintech partnerships, and expanding cashless payment systems to remain responsive to the shifting dynamics of the banking landscape.

Complementing this digital focus, we will further embed risk and resilience across the organisation through refined credit underwriting, expanded climate-risk analysis, and enhanced operational resilience and cyber defences. Lessons learned from Cyclone Ditwah will inform the strengthening of our business continuity management capabilities, while the integration of climate risk scenarios into our enterprise risk management framework will progress in alignment with SLFRS S1 and SLFRS S2 requirements.

As a natural complement to core lending activities, driving fee-based and non-interest income growth will be essential as margins normalise. We will focus on cards, payments, and trade services to diversify our earnings base and build sustainable revenue streams.

Our sustainability agenda will accelerate through expanded climate finance, green lending, renewable energy investments, and the development of carbon-neutral banking solutions. Beyond product-level initiatives, we are preparing to embed climate-related considerations into core decision-making processes, ensuring that sustainability becomes integral to how we conduct business.

As the largest savings bank in the nation, our mandate extends beyond communities with convenient access to our services. We remain committed to expanding our footprint in underserved and rural regions, reaffirming our financial inclusion imperative and ensuring that no Sri Lankan is left behind in the journey toward financial empowerment.

At the heart of this vision are our people. Through specialised training in emerging technologies, enhanced wellbeing programmes, and leadership development anchored in mentorship and succession planning, we will continue to invest in the custodians of NSB's legacy and the architects of its tomorrow.

HONOURING A LEGACY, EMBRACING THE FUTURE

As I assume the role of Acting General Manager and Chief Executive Officer, I would be remiss not to acknowledge the extraordinary contributions of my predecessor, Ms Shashi Kandambi, who retired on 9 January 2026 after a distinguished tenure at the helm of National Savings Bank. Under her visionary leadership, the Bank navigated challenging economic conditions, strengthened its financial foundations, accelerated its digital transformation, and deepened its commitment to sustainability and inclusive growth. The strong performance reported

in this review is a testament to her strategic acumen, disciplined execution, and unwavering dedication to the institution and the nation it serves. We are profoundly grateful for her leadership and wish her the very best in her well-deserved retirement.

I am deeply conscious of the responsibility entrusted to me to build upon this legacy and to lead NSB into its next chapter. I am supported by a talented and dedicated leadership team and a workforce whose resilience, professionalism, and commitment to excellence are second to none. Together, we will honour the past while embracing the future.

APPRECIATION AND COMMITMENT

I place on record my sincere appreciation to the Chairman, Dr Harsha Cabral PC, and the Board of Directors for their strategic guidance, wisdom, and continued trust. Their stewardship provides the strong governance foundation upon which NSB's success is built.

I also wish to thank the Honourable President, who serves as the Minister of Finance, the Honourable Prime Minister, the Deputy Minister of Finance, the Secretary to the Treasury and Officials, the Governor and Officials of the Central Bank of Sri Lanka, and all regulatory institutions for their invaluable support. Special recognition is due to the Attorney General, Auditor General, the Postmaster General and the Department of Posts and their teams, as well as the Heads of other regulatory bodies and their teams, for their ongoing cooperation and partnership.

My heartfelt thanks go to our employees across branches, head office, and support units. Your dedication, resilience, and empathy, particularly in serving communities affected by Cyclone Ditwah are the true strength of this institution. I am honoured to lead such an exceptional team.

To our customers and depositors, whose continued trust forms the foundation of NSB's stability and growth, I express my profound appreciation and reaffirm our unwavering commitment to serving your interests with integrity and excellence.

I also express my sincere thanks to our strategic partners, including technology providers, development agencies, and all other stakeholders whose collaboration has been instrumental to our success.

As we move forward into 2026 and beyond, I am confident that NSB's unwavering values, innovative spirit, and dedicated workforce will continue to steer us toward a more resilient, inclusive, and prosperous future for our institution, for our customers, and for Sri Lanka.



Rohana Bandara Weerakoon
Acting General Manager/CEO

6 February 2026



Empowering the first steps of every journey

Before the career begins, before the first salary arrives, NSB is already there. Through children's savings accounts and youth-focused products, NSB plants the seeds of financial confidence in the youngest Sri Lankans, so that when they step into the world, they do so with a head start and a habit that lasts a lifetime.

OUR SUSTAINABLE VALUE CREATION MODEL

OPERATING ENVIRONMENT
28

RISKS AND OPPORTUNITIES
34

MATERIALITY
40

INTEGRATED STAKEHOLDER ENGAGEMENT
52

OUR SUSTAINABILITY FRAMEWORK
60

BUSINESS MODEL
62

STRATEGY AND RESOURCE ALLOCATION
66

OPERATING ENVIRONMENT

GLOBAL ECONOMY 2025

Throughout 2025, the global economy demonstrated unexpected durability, managing to expand even as it adapted to major disruptions in trade, persistent geopolitical friction, and tighter financial conditions. With inflation cooling in developed nations, central banks were able to halt rate hikes or start cutting rates, which helped sustain both consumer activity and business investment. Global trade saw a mild uptick, buoyed by stabilising supply chains and strong demand for tech-related goods. China recorded 5.0% annual growth, fuelled by robust industrial output, particularly in high-tech and equipment manufacturing, alongside a rebound in exports. India posted a notable 7.8% GDP increase by the third quarter of its fiscal year, powered by strong consumer demand, a boom in digital and financial services, and heightened investment. Japan's economy grew an estimated 1.1%, lifted by a recovery in household spending, increased capital expenditure, and a surge in exports ahead of potential trade barriers. The Euro Area bounced back from two sluggish years to grow by roughly 1.4%, driven by pre-emptive exports in anticipation of US tariffs and solid internal demand. The US showed remarkable strength through the first three quarters of 2025, despite headwinds like a government shutdown and early-year weakness in consumption. However, the shutdown's impact on spending and investment caused growth to taper off in the final quarter.

Global economy outlook 2026

Global growth is projected to hold steady at around 3.1% in 2026. Growth in advanced economies is expected to remain subdued at 1.6%, reflecting persistent structural challenges and the fading impact of policy support. Emerging market and developing economies are forecast to expand at 4.0%, maintaining their role as the primary drivers of global expansion. The outlook remains clouded by elevated risks, including trade tensions, geopolitical pressures, and fiscal sustainability concerns in several major economies.

U S economic growth is projected to edge up slightly to 2.1% in 2026. While consumer spending is expected to remain resilient, the economy will face headwinds from the cumulative impact of past monetary tightening and the fading stimulus from the "One Big Beautiful Bill Act." The projected modest growth rate suggests a soft landing as the economy adjusts to a higher-for-longer interest rate environment.

In the Euro Area, the modest recovery is expected to continue, with growth projected at 1.6% in 2026. However, the region will continue to grapple with structural headwinds, including high energy costs, persistent manufacturing weakness in key economies like Germany, and subdued external demand. The appreciation of the euro could further constrain export competitiveness.

China's growth is projected to moderate further to 4.5% in 2026, reflecting ongoing structural challenges including a prolonged property sector downturn, weak consumer confidence, and softening labour market conditions. While resilient export performance and stronger fiscal support will provide some cushion, the medium-term outlook is increasingly constrained by demographic pressures and the need for a broader economic rebalancing. Japan's modest growth trajectory is expected to continue, with GDP projected to rise to 0.9% in 2026 as it slowly emerges from decades of deflationary pressures.

SRI LANKAN ECONOMY

Overview

The Sri Lankan economy in 2025 demonstrated remarkable resilience and recovery, marking a definitive turnaround from the unprecedented economic crisis that engulfed the nation in 2022.

The economy was successfully stabilised and returned to a path of sustainable growth by the end of 2024 and continued to remain steady throughout the year 2025.

Real GDP growth was approximately 5% between January – September 2025, similar to the 5% expansion achieved in 2024, which followed six consecutive quarters of economic contraction. This growth momentum has been broad-based, with the industrial sector leading the recovery through robust expansions in construction, manufacturing, and electricity generation, while the services sector benefited significantly from the tourism revival and improved domestic demand. The agricultural sector, while remaining volatile due to weather conditions, showed signs of stabilising prior to Cyclone Ditwah.

The external sector continued to improve. Through January – September 2025, the current account recorded a cumulative surplus of approximately USD 1.86 Bn., supported by tourism earnings and worker remittances. Gross official reserves, which had fallen sharply during the crisis, increased to USD 6.1 Bn. by end 2024 and stood at around USD 6.2 Bn. by end September 2025, representing approximately 3 months of import cover.

Progress in debt restructuring reduced a key source of uncertainty and supported improvements in sovereign credit assessments. These were supported by the receipt of IMF tranches in March and July 2025 amounting to approximately USD 1.7 Bn.

However, significant challenges persisted. Despite two years of economic growth, real output remains below 2018 levels, and the recovery has not translated into widespread welfare improvements. Poverty remained elevated while food insecurity and malnutrition concerns particularly among children also remained significant.

Real wages remained below their pre-crisis levels, with women and urban workers particularly affected. Labour force participation was 49.9% as at September 2025, reflecting with fluctuations during the year discouraged workers, increased emigration of skilled labour, and the scarring effects of the economic crisis.

In November 2025, Cyclone Ditwah that struck Sri Lanka, caused a significant damage to critical infrastructure, livelihood and economic stability. As per the Global Rapid Post-Disaster Damage Estimation

(GRADE) report issued by the World Bank Group, Cyclone Ditwah caused approximately USD 4.1 Bn. damage to Sri Lanka, which is equivalent to 4% of the GDP. Agricultural Sector alone, suffered a damage closer to USD 800 Mn. affecting rural livelihoods and communities. The impact of Cyclone Ditwah is discussed in detail under each Capital sections.

The banking sector demonstrated resilience throughout the crisis and recovery period, supported by prompt regulatory interventions, debt restructuring mechanisms for distressed borrowers, and gradual economic normalisation. Non-Performing Loan Ratios, which had elevated during the crisis, showed signs of stabilisation as economic activity recovered and borrowers regained debt servicing capacity. Banks maintained Capital Adequacy Ratios well above regulatory minimums, though earnings were constrained by elevated provisioning requirements and margin compression in the low-rate environment.

Domestic growth

Sri Lanka's economic growth trajectory in 2025 continued the recovery that commenced in the third quarter of 2023, representing a decisive break from the severe contraction period of 2021-2023. Full-year growth for 2025 is 4.8% according to National Accounts Estimates of Sri Lanka.

The industrial sector reported a 8.1% growth in the Q3 of 2025 compared to the reported 10.1% growth in Q3 2024.

The services sector, which accounts for approximately 60 percent of GDP, remained a key contributor to growth. Service activities reported a significant 3.5% growth in the third quarter at 2025. Tourist arrivals increased to an estimated 2.33 million in 2025 surpassing the previous all time record and are expected to exceed 2.5 million in 2026.

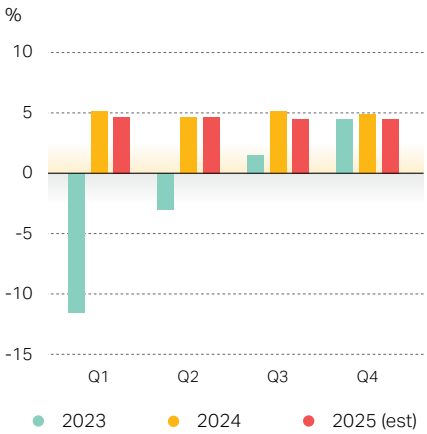
The agricultural sector, reported a 3.6% expansion by the end of Q3 2025.

Private consumption (around 60 percent of GDP), recovered as real household incomes improved with declining inflation, rising nominal wages, and employment generation. However, consumption levels remained below pre-crisis peaks as households prioritised debt repayment and rebuilding savings. Government investment remained constrained by tight fiscal conditions and debt servicing priorities.

Looking ahead, economic growth is expected to continue over the medium term, projected at approximately 3.5 – 4% annually during 2026-2027, supported by continued credit expansion, recovery in aggregate demand, political and policy stability, and ongoing structural reforms. However, realising higher growth rates necessary for meaningful poverty reduction and job creation, will require addressing structural constraints, including infrastructure gaps, skills mismatches in the labour market, regulatory barriers to business entry and expansion, and integration into global value chains.

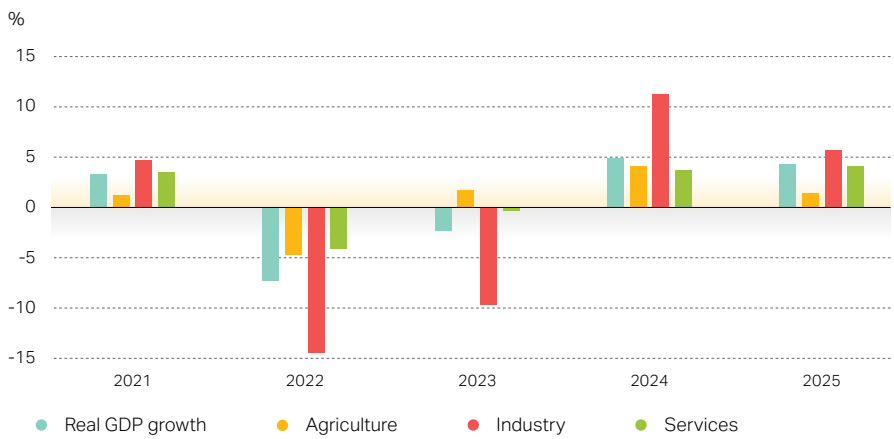
Recent floods and landslides have introduced an additional downside risk to the economic recovery.

Quarterly real GDP growth YoY Graph 1



Data Sources: Department of Census and Statistics, National Accounts Estimates, Q1 2025 – Central Bank of Sri Lanka, Monetary Policy Report, August 2025 – Central Bank of Sri Lanka, Macroeconomic Developments in Charts, Q2 2025 – World Bank, Sri Lanka Development Update, April 2025

Real GDP growth 2021-2025 Graph 2



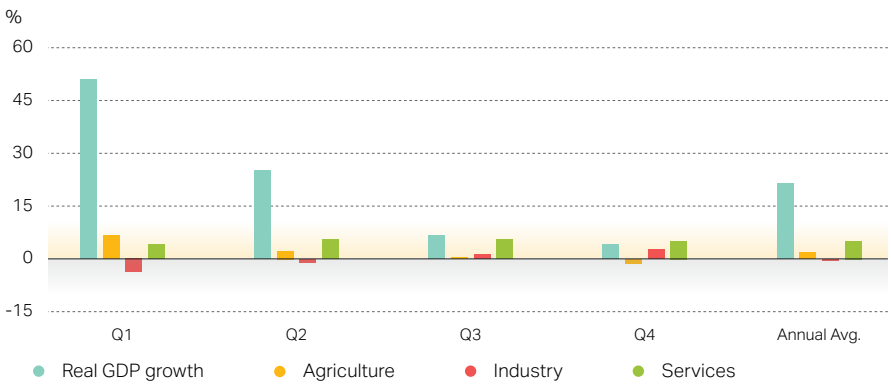
OPERATING ENVIRONMENT

Inflation

Inflation dynamics in 2025 remained promising with deflationary condition in the first quarter reaching a stabilised territory as expected by mid 2025.

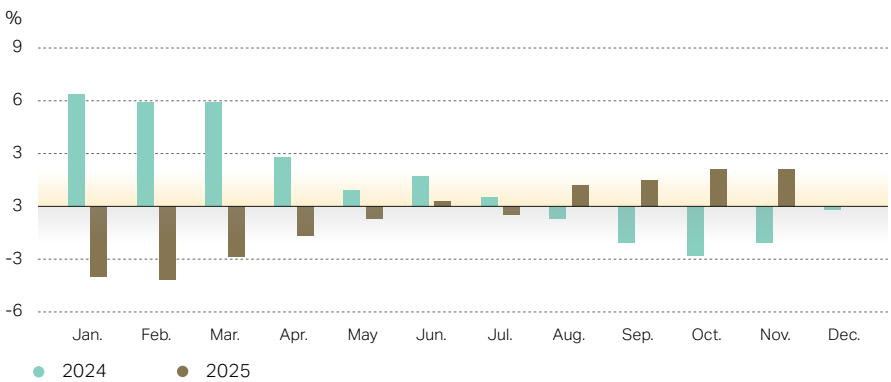
Historical and projected inflation

Graph 3



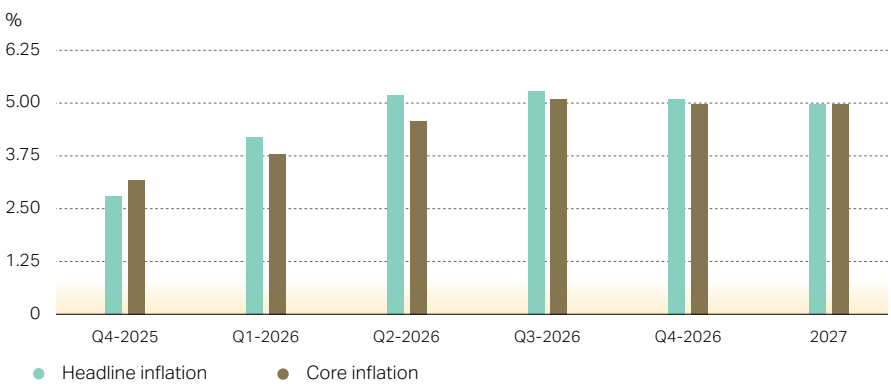
Monthly inflation 2024-2025 YoY

Graph 4



Medium term inflation projection

Graph 5



Data Sources – Central Bank of Sri Lanka, Monetary Policy Report, August 2025, Figure 02: "Projected Headline Inflation (Quarterly, CCPI, y-o-y, %)" – Central Bank of Sri Lanka, Monetary Policy Review No. 5, September 2025 – Central Bank of Sri Lanka, CCPI inflation press releases (various months, 2024-2025) – Department of Census and Statistics, Colombo Consumer Price Index (CCPI, 2021=100)

Interest rates

The Central Bank maintained an easing monetary policy stance in the year 2025 by reducing overnight policy rate to steer inflation towards targeted rates.

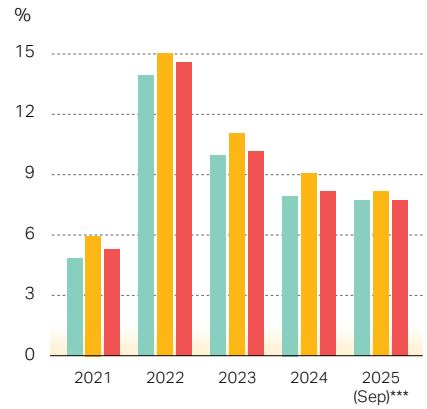
Market interest rates adjusted downward notably in response to the said accommodative monetary policy stance, though transmission was gradual and varied across different market segments. The Average Weighted New Lending Rate (AWNLR) declined notably by mid-2025 from its 2023 peaks, suggesting that new borrowers benefited more rapidly from monetary easing than existing borrowers.

Deposit rates also declined substantially, though at a slightly faster pace than lending rates, resulting in some compression of net interest margins. Treasury bill rates and government bond yields declined broadly in line with policy easing, though long-term yields remained somewhat elevated, reflecting term premium adjustments and residual concerns about long-term fiscal sustainability. Private sector credit growth responded robustly to the lower interest rate environment, expanding by 19.6% year-on-year as of July 2025 compared to declines experienced during 2022-2023. Looking ahead, the Central Bank has signalled that any further easing will be conditional on inflation dynamics, growth momentum, external sector stability, and financial system resilience.

OPERATING ENVIRONMENT

Policy rates (Year end)

Graph 6



SDFR: Standing Deposit Facility Rate (discontinued as policy rate from Nov 2024)

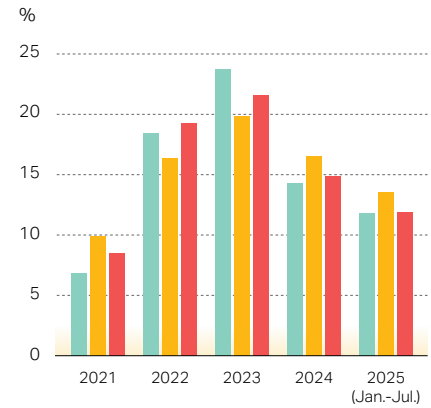
OPR: Overnight Policy Rate (primary policy rate from Nov 2024)

SLFR: Standing Lending Facility Rate (discontinued as policy rate from Nov 2024)

AWCMR: Average Weighted Call Money Rate

Market lending rates (Annual average)

Graph 7



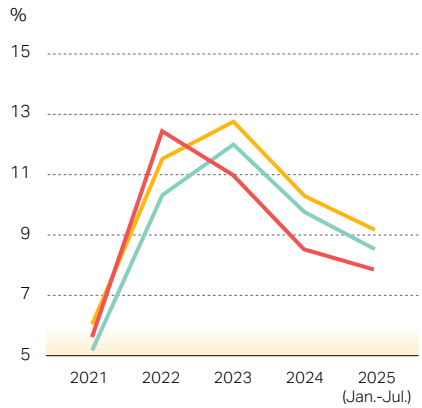
AWNLR: Average Weighted New Lending Rate (new loans only)

AWLR: Average Weighted Lending Rate (all outstanding loans)

AWPR: Average Weighted Prime Rate

Market deposit rates (Annual average)

Graph 8



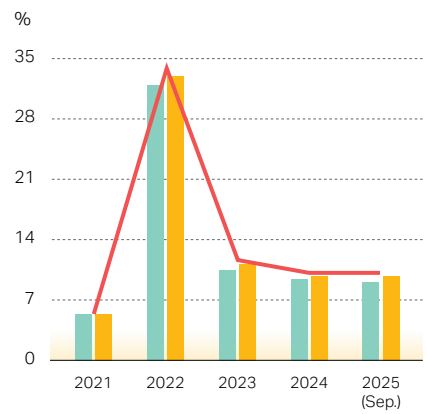
AWDR: Average Weighted Deposit Rate (all outstanding deposits)

AWFDR: Average Weighted Fixed Deposit Rate

AWNDR: Average Weighted New Deposit Rate (new deposits only)

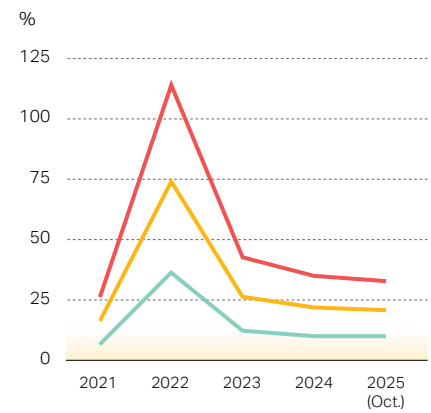
Treasury bill yields (Year end)

Graph 9



Government bond yields (Year end)

Graph 10



Data Sources – Central Bank of Sri Lanka, Monetary Policy Report, August 2025 – Central Bank of Sri Lanka, Monthly Bulletin of Monetary and Interest Rate Statistics, September 2025 – Central Bank of Sri Lanka, Annual Report 2024, Chapter 1: Macroeconomic Developments – Central Bank of Sri Lanka, Monetary Policy Review announcements (various dates, 2023-2025)

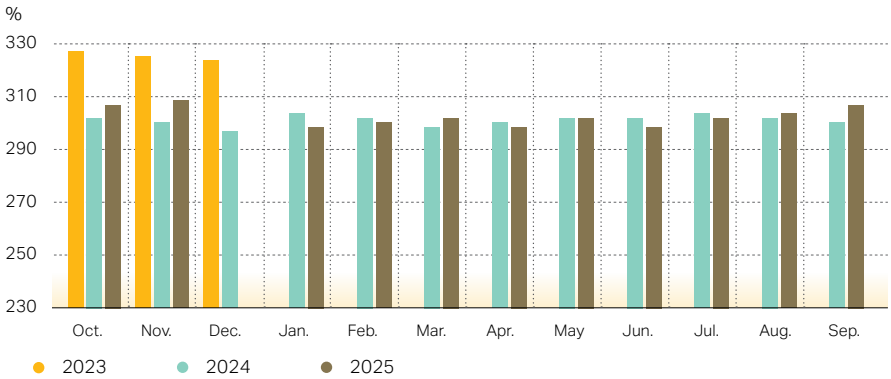
Exchange rates

The Sri Lankan rupee's exchange rate trajectory during 2025 was characterised by relative stability with modest depreciation pressures, compared to the extreme volatility experienced during the 2022 economic crisis. In 2025, the rupee experienced more notable depreciation pressure, with the exchange rate moving from approximately 296 LKR/USD at end-2024 to around 311 by December 2025, reflecting the widening trade deficit as import demand surged following the removal of quantitative restrictions.

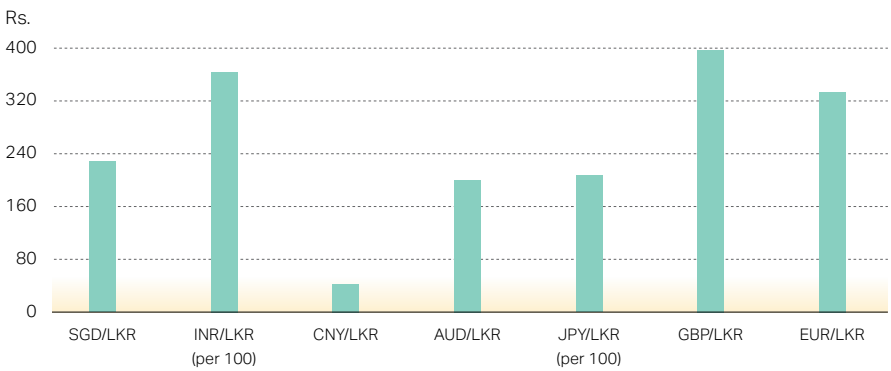
Export performance has been sub par, with export revenues growing modestly despite the competitive exchange rate. However, the services balance has remained strongly positive, with tourism earnings reaching approximately USD 4.2 Bn. through October 2025. Worker remittances have remained resilient at approximately USD 6.8 Bn. through October 2025. Despite the widening trade deficit, the current account has maintained a surplus position of approximately USD 1.7 Bn. through the first ten months of 2025.

OPERATING ENVIRONMENT

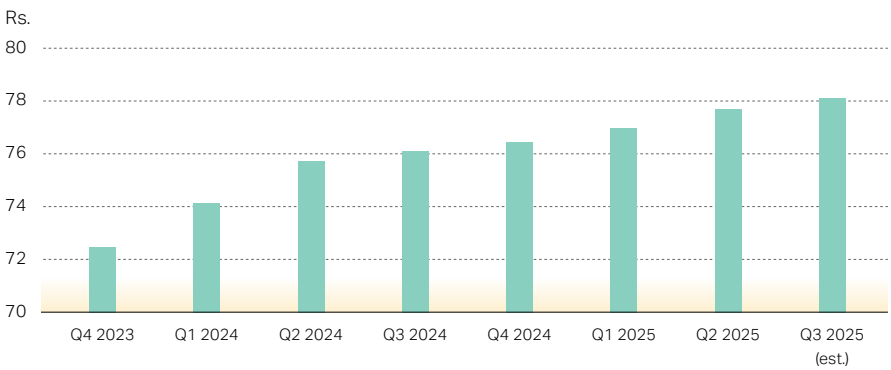
USD/LKR spot exchange rates (Monthly LKR per USD) Graph 11



Cross rates vs LKR (LKR per unit) Graph 12



Real effective exchange rate (REER – Index 2010 = 100) Graph 13



Data Sources – Central Bank of Sri Lanka, Exchange Rates (Daily Indicative Rates) – Central Bank of Sri Lanka, Annual Report 2024 – Central Bank of Sri Lanka, External Sector Performance Reports, 2024-2025 – Bank for International Settlements (BIS), Effective Exchange Rate Indices – International Monetary Fund, International Financial Statistics

Banking sector outlook: 2026 and beyond

Going forward, the banking sector will continue to play an increasingly critical role in safeguarding the integrity of the country's financial system. Supervision by the Central Bank of Sri Lanka will be further strengthened through a comprehensive review of the regulatory framework, including loan classification standards and risk management requirements, in alignment with Basel Core Principles and international best practices.

In parallel, the CBSL's efforts to build a more resilient financial sector will continue under the Master Plan for the consolidation of banks and finance companies, aimed at ensuring long term sustainability, enhanced financial stability, improved efficiency, and strengthened risk management across the industry.

More emphasis is also likely to be given to strengthening banking sector resilience against climate related risks, especially in the wake of the crippling effects of cyclone Ditwah on key sectors of the economy. Building on the CBSL's Sustainable Finance Roadmap 2.0 launched in 2025, the Sri Lanka Green Finance Taxonomy is set to be broadened in 2026 to include the social dimensions of sustainable finance.

Having made significant progress in 2025 toward enhancing the digitalisation, efficiency, and accessibility of the national payment system, efforts will focus on implementation of the National Payment System Roadmap for 2025–2027, which provides a clear strategic direction and well defined targets for the industry to collectively progress toward a less cash, digitalised economy. Other key priorities include advancing digital transformation of the banking sector through strategic IT initiatives modernising core systems, establishing a roadmap for a centralised Big Data and Data Warehouse platform, and enhancing cybersecurity and resilience in line with international standards.

Looking ahead, the sector will be shaped by consolidation momentum, deeper integration of sustainable finance, accelerated digital adoption, and a disciplined focus on risk management. Banks that combine financial strength with agility and innovation will be best positioned to lead the industry into its next chapter.

OPERATING ENVIRONMENT

Outlook for NSB: opportunities, risks, and challenges

As NSB looks towards 2026 and beyond, its distinct position as a state owned specialised savings bank presents a unique set of opportunities and constraints that will shape its strategic path.

Opportunities

The national push toward digitalisation and financial inclusion offers NSB a significant opportunity to expand its reach, particularly among rural savers and underserved communities. Implementation of the National Payment System Roadmap and broader industry wide digital transformation initiatives create avenues to enhance service delivery, operational efficiency, and customer engagement. Additionally, the expansion of sustainable finance frameworks incorporating social dimensions aligns with NSB's developmental mandate, opening potential participation in social infrastructure and green financing initiatives.

Risks

As a deposit heavy institution with a large retail base, NSB remains exposed to interest rate volatility. Any rapid or unexpected shift in monetary policy could compress net interest margins. Heightened regulatory expectations under the CBSL's enhanced supervision covering governance, capital adequacy, and liquidity require vigilant compliance to mitigate operational and reputational risks. Furthermore, evolving cybersecurity threats demand continuous investment to safeguard customer trust and institutional resilience.

Challenges

Modernising core systems to cater to the demands of future banking including real time processing, digital onboarding, and data driven personalisation poses a significant strategic and operational challenge. This requires substantial investment, skilled talent, and careful execution to ensure uninterrupted service to a large and diverse customer base.

Additionally, NSB operates under business model constraints defined by the NSB Act. The Bank is not permitted to extend credit to the MSME sector, nor is it authorised to offer current accounts. These restrictions limit the Bank's ability to diversify its asset base and access low cost transactional deposits, placing structural pressure on margin sustainability. In an environment of stiff competition from consolidated private banks and agile digital entrants navigating these limitations while maintaining profitability and fulfilling its public mandate will require disciplined financial management and strategic innovation within the boundaries of its legal framework.

Bank's performance against the banking sector

	2025			2024		
	NSB	Banking Industry	Market share of NSB (%)	NSB	Banking Industry	Market share of NSB (%)
Assets and liabilities (Rs. Bn.)						
Loans and receivables	551	12,913	4.3	532	10,478	5.1
Investments	1,211	9,367	12.9	1,136	9,090	12.5
Deposits	1,608	19,927	8.1	1,556	17,969	8.7
Total assets	1,831	24,922	7.3	1,752	22,147	7.9
Profitability (%)						
Return on assets (ROA)	2.5	2.5		1.5	2.6	
Return on equity (ROE)	25.1	16.7		17.9	17.4	
Net interest margin (NIM)	4.7	4.3		4.2	4.4	
Cost to income (without Taxes)	34.3	68.6		38.4	76.9	
Asset quality (%)						
Stage 3 loans to total loans	2.5	4.5		5.2	12.7	
Stage 3 impairment coverage	58.6	56.7		44.5	54.1	
Capital adequacy (%)						
Tier 1 ratio	24.9			23.4	16.7	
Total capital adequacy ratio	26.8	18.7		25.9	20.3	
Liquidity (%)						
Liquidity Coverage Ratio (All Currency)	349.1	249.7		344.5	313.8	
Net stable funding ratio	206.4	159.4		193.5	164.8	

TABLE 2

RISKS AND OPPORTUNITIES

NAVIGATING RESILIENCE

OUR 2025 RISK AND OPPORTUNITIES LANDSCAPE

In 2025, National Savings Bank navigated a landscape identified by continued regulatory evolution accelerating digital adoption and a macroeconomic environment that was stabilising yet remained sensitive. Within this context, NSB's focus remained on safeguarding depositor confidence, sustaining balance sheet resilience, and strengthening delivery of our national savings and development mandate, while pursuing targeted transformation initiatives.

The year also reaffirmed the importance of resilience and responsible banking, particularly following Cyclone Ditwah, which elevated the significance of service continuity, borrower rehabilitation, and recovery finance. Accordingly, NSB's approach to risk and opportunities management integrates

(i) enterprise risk discipline (capital, liquidity, conduct, cyber, compliance) and

(ii) value-creating opportunities (digital enablement, inclusion-led growth, resilient finance), ensuring the Bank remains trusted, stable and forward-ready.

GOVERNANCE AND ACCOUNTABILITY FOR RISK AND OPPORTUNITY MANAGEMENT

Risk and opportunity management is embedded within NSB's governance architecture through an integrated framework that connects Board oversight, management ownership, and control assurance. The Board and its committees provide strategic direction and oversight, while Management committees drive execution. The three lines of defence model clarifies accountability for risk identification, management, monitoring, and assurance. Risk appetite and key limits guide decision-making, escalation, and performance monitoring, ensuring that strategy execution remains aligned with capital, liquidity, operational resilience, and stakeholder trust objectives.

To reinforce this alignment, the Bank's risk priorities are woven into the fabric of strategic planning and resource allocation ensuring that risk considerations inform investment decisions, capital deployment, and operational initiatives from the outset. This integration enables NSB to pursue growth opportunities with a clear understanding of associated risks, embedding prudence into every facet of decision-making (as further described in the Risk Management Report section from pages 254 to 280 of this Integrated Annual Report).

ENHANCEMENTS TO THE 2025 ASSESSMENT (VS. 2024)

Building on the 2024 methodology, the 2025 refresh strengthened the process by:

- Integrating climate/disaster learnings (Ditwah) more explicitly into customer outcomes, operational continuity and portfolio resilience.
- Deepening stakeholder inputs, using complaints and grievance insights, branch-level feedback and social-media signal monitoring especially from affected regions.
- Strengthening linkage to the risk architecture, including clearer mapping to the risk register, risk appetite and capital/ liquidity planning.
- Sharpening benchmarking and disclosure readiness, including alignment pathways toward SLFRS S1 and SLFRS S2 and the CBSL Sustainable Finance Roadmap.
- Improving governance validation, with clearer issue clustering, structured assessment and enhanced review by Corporate Management and the Board.

METRICS, INDICATORS, AND OWNERSHIP

To support accountability, NSB tracks leading indicators (preparedness, control strength, early warning signals) alongside lagging indicators (losses, outages, compliance outcomes, customer metrics). Ownership is assigned to relevant executives with escalation through management committees and Board oversight. To demonstrate our commitment to robust sustainability disclosure, the Bank has prepared its 2025 reporting in alignment with the SLFRS S1 and SLFRS S2 frameworks. This alignment involves the integration of sustainability-related risk and opportunity (SRRO) and climate-related risk and opportunity (CRRO) indicators spanning governance, strategy, risk management, and metrics into our core disclosures all undertaken within the applicable transition provisions.

INTEGRATION WITH MATERIAL MATTERS AND STRATEGY

This risks and opportunities view is purposefully connected to NSB's 2025 material matters and strategy pillars, ensuring that the most significant uncertainties and upside opportunities directly inform strategic priorities, capital and liquidity planning, operating resilience, and the Bank's sustainability and climate response including the strengthened focus areas that emerged from Cyclone Ditwah. In doing so, NSB ensures that principal risks and opportunities including those arising from climate and sustainability drivers are treated as integral to long-term value creation, resilience and stakeholder outcomes.

RISK MATRIX

The Risk Matrix below presents NSB's principal risks and opportunities for 2025, positioning each exposure on a consistent likelihood and severity scale to enable clear Board oversight, timely escalation, and decisive management action. It reflects the Bank's operating context prevailed in 2025 and risk appetite, including heightened resilience expectations following Cyclone Ditwah, and is fully aligned to NSB's Integrated Risk Management Framework and the principal risk terminology applied in the Risk management report.

RISKS AND OPPORTUNITIES

To ensure consistent and objective assessment across the Bank, NSB defines Impact (Severity) thresholds in the context of our strategic objectives, risk appetite, and stakeholder expectations. Severity is evaluated across four interrelated dimensions; Financial, Operational, Regulatory/Compliance, and Reputational to reflect both the immediate consequences of an event and its wider implications for public confidence, service continuity, and long-term value creation. The specific thresholds applied to each severity level are defined below:

Severity level	Financial impact	Operational impact	Regulatory and compliance impact	Reputational and stakeholder impact
Acceptable	Negligible (<0.5% impact on PBT)	Minor, short-lived disruption; resolved routinely	Minor procedural gaps; no breach	Limited, transient stakeholder sentiment
Tolerable	Moderate (0.5%–2% impact on PBT)	Noticeable disruption (<24 hrs); limited data exposure	Isolated incidents; potential for minor fines	Measurable stakeholder concern; manageable attention
Undesirable	Material (2%–5% impact on PBT)	Major disruption (24–72 hrs); potential data breach	Significant breach; material fines or restrictions	Widespread negative publicity; erosion of trust
Intolerable	Severe (>5% impact on PBT); threatens viability	Catastrophic failure (>72 hrs); business continuity threatened	Critical failure; severe sanctions or loss of licence	Lasting damage to brand and social licence

Each placement in the matrix is based on management's assessment of expected likelihood and potential magnitude and is actively monitored through the controls, indicators, and accountabilities outlined in the accompanying principal risk register.

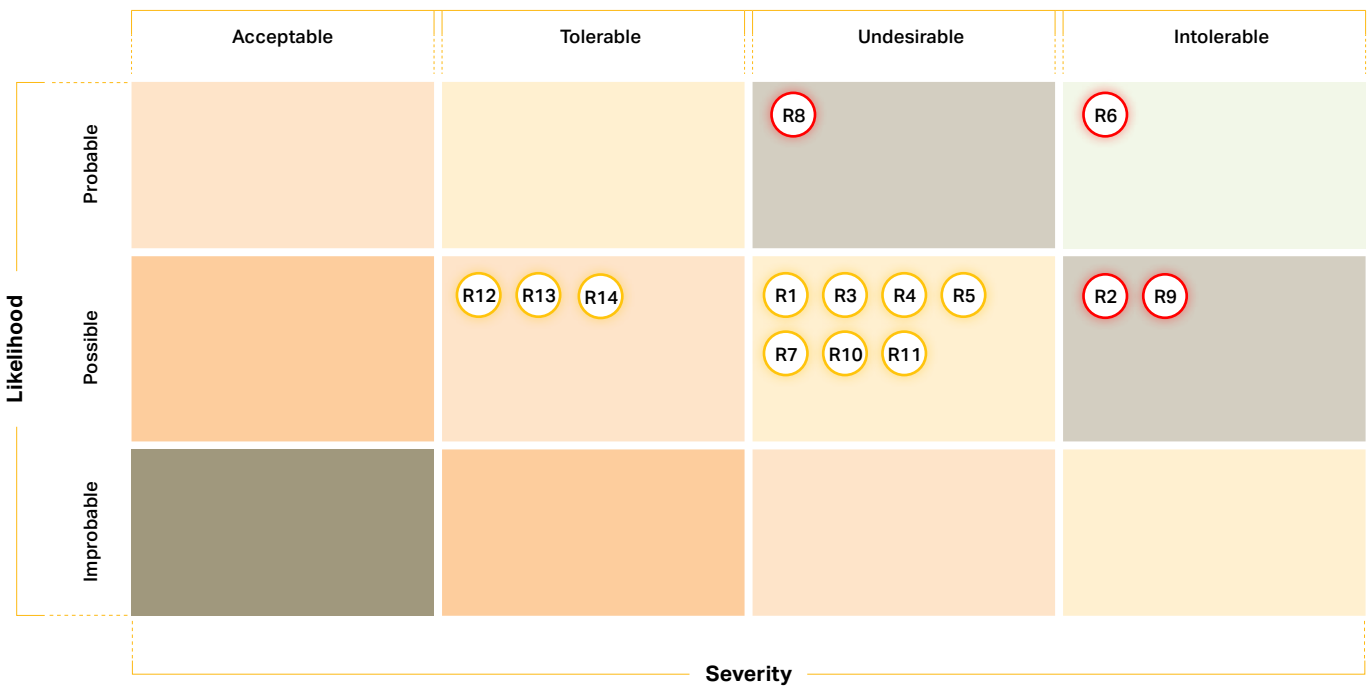


FIGURE 3 High Medium Low

RISKS AND OPPORTUNITIES

BUSINESS RELATED RISK AND OPPORTUNITIES

No.	Principal risk exposure and embedded opportunity	Risk type	Key drivers	Change in 2025	Likelihood	Magnitude	Plans and strategies for bearing/mitigating risk (and realising opportunity)
R1	**Macroeconomic stability and financial system confidence** (opportunity: confidence-led deposit mobilisation, ALM agility)	Financial/ Strategic	Rate structure shifts, depositor behaviour, sovereign transmission, stabilisation with residual volatility	Stabilising but still sensitive	MEDIUM	HIGH	Scenario planning, proactive ALM and pricing discipline, stress testing, portfolio review frequency
R2	**Asset quality, capital and liquidity management** (opportunity: resilient growth capacity, stronger buffers)	Financial/ Business	Borrower financial stress, concentration risk, climate related overlays, collateral sensitivity	Ditwah overlays, concentration sensitivity	MEDIUM	HIGH	Early warning strengthening, targeted restructuring/ rescheduling, concentration overlays, collateral monitoring, liquidity discipline
R3	**Customer outcomes, inclusion and conduct** (opportunity: inclusion-led growth and trust retention)	Strategic/ Business	Higher expectations on fair outcomes, transparency and grievance handling, vulnerability in affected regions	Fair outcomes and relief governance	MEDIUM	HIGH	Fair outcomes in product design/pricing, affordability checks, strengthened complaints governance, accessibility improvements, vulnerable customer support
R4	**Trust, reputation and proactive stakeholder engagement** (opportunity: trust-based differentiation, transparency)	Strategic	Social-media velocity, public scrutiny, crisis-response expectations	Social signals and crisis visibility	MEDIUM	HIGH	Transparent communication, disclosure discipline, stakeholder forums, sentiment monitoring, rapid response protocols
R5	**Digital transformation and responsible AI/ analytics** (opportunity: reach, lower cost-to-serve, better decisions)	Strategic/ Operational	Delivery complexity, data and model governance, conduct/consent expectations	Execution and governance maturity)	MEDIUM	HIGH	Phased roadmap, data governance and consent, model governance, change management, resilient delivery controls
R6	**Cybersecurity, privacy and operational resilience** (opportunity: continuity, reduced losses, stronger trust)	Operational	Threat sophistication, PDPA readiness, compound scenarios (cyber and physical disruption)	Threat sophistication, PDPA focus	HIGH	HIGH	24/7 monitoring, access controls, incident response, DR/BCP review, staff awareness
R7	**Third-party/outsourcing and vendor resilience** (opportunity: scalable capability with stronger governance)	Operational	Vendor concentration and SLA risk, reliance on critical outsourced services	Dependency/ concentration explicit)	MEDIUM	MEDIUM to HIGH	Outsourcing governance, vendor concentration reduction, SLA strengthening, due diligence

RISKS AND OPPORTUNITIES

How effectiveness is evaluated	Related material matter(s)	Related strategy pillar(s)	Related capitals	Related SLFRS	SASB (FN-CB)
NIM stability, stress outcomes, liquidity buffers vs. limits, deposit behaviour metrics, credit rating signals	2.1 Macroeconomic stability and financial system confidence	2 Sustainable organic growth and portfolio optimisation 4 Risk culture, governance and compliance discipline	FC IC SRC	S1	Systemic Risk Management
Stage 3 ratio, Early Warning Signal triggers, provisioning adequacy, CET1/LCR/NSFR vs risk appetite	2.2 Asset quality, capital and liquidity management 6.1 Climate resilience, disaster response and just transition finance	2 Sustainable organic growth and portfolio optimisation 6 Sustainability, climate and community resilience 4 Risk culture, governance and compliance discipline	FC IC SRC	S1 S2	Systemic Risk Management; ESG Factors in Credit
Complaint resolution time, audit/compliance findings	1.1 Customer-centric, inclusive and affordable banking 4.3 Trust, reputation and proactive stakeholder engagement	1 Customer centricity and financial inclusion 4 Risk culture, governance and compliance discipline 5 Digital acceleration and data-led banking	FC HC IC SRC	S1	Business Ethics; Financial Inclusion
Stakeholder feedback, media response timeliness, reputational incidents	4.3 Trust, reputation and proactive stakeholder engagement	4 Risk culture, governance and compliance discipline 1 Customer centricity and financial inclusion	FC HC SRC	S1	Business Ethics
Delivery milestones, adoption, model governance compliance, availability, productivity gains	5.1 Digital transformation and responsible AI/analytics	5 Digital acceleration and data-led banking 1 Customer centricity and financial inclusion 4 Risk culture, governance and compliance discipline	FC HC IC SRC	S1 (S2 where climate data used)	Systemic Risk Management; Data Security
Cyber events, phishing resilience, patch/vulnerability metrics, DR/BCP results, uptime, audit/regulatory outcomes	5.2 Cybersecurity, data privacy and operational resilience	5 Digital acceleration and data-led banking 4 Risk culture, governance and compliance discipline	FC HC IC SRC	S1	Data Security; Systemic Risk Management
SLA breaches, BCP/DR completion, concentration metrics, audit findings	5.3 Third-party/outsourcing and vendor resilience	5 Digital acceleration and data-led banking 4 Risk culture, governance and compliance discipline	FC IC SRC	S1	Systemic Risk Management; Data Security

RISKS AND OPPORTUNITIES

No.	Principal risk exposure and embedded opportunity	Risk type	Key drivers	Change in 2025	Likelihood	Magnitude	Plans and strategies for bearing/mitigating risk (and realising opportunity)
R8	**Financial crime, fraud and AML/CFT** (opportunity: stronger customer protection, analytics-led controls)	Operational/ Strategic	Digital scam evolution, regulatory expectations, correspondent banking sensitivity	Digital scams evolving	MEDIUM to HIGH	HIGH	Enhanced CDD/KYC, transaction monitoring, sanctions screening, analytics control, customer/ staff awareness
R9	**Climate resilience and disaster response (Ditwah)** (opportunity: resilient recovery finance, stronger continuity)	Strategic/ Financial	Ditwah impacts, physical disruption, borrower stress, climate-risk integration expectations	Elevated by Ditwah	MEDIUM	HIGH	Incident response protocol, infrastructure hardening, climate overlays in credit/ portfolio monitoring, relief/ restructuring, resilient finance offerings
R10	**ESG data quality, transparency and reporting readiness (SLFRS S1 and SLFRS S2 journey)** (opportunity: decision-useful ESG integration, credibility/assurance)	Strategic/ Operational	SLFRS S1 and SLFRS S2 journey, CBSL Sustainable Finance Roadmap, rising assurance expectations	New disclosure requirements	MEDIUM	MEDIUM to HIGH	ESG governance, assurance readiness, alignment pathway to SLFRS S1 and SLFRS S2 and CBSL roadmap
R11	**Talent retention and future-ready skills** (opportunity: specialist capability, productivity uplift)	Operational/ Strategic	Competition for digital/risk/ESG skills, transformation workload	Stable but increasing	MEDIUM	MEDIUM to HIGH	Workforce planning, targeted recruitment, upskilling/reskilling, retention levers, leadership/change capability
R12	**Employee wellbeing, safety and inclusive culture** (opportunity: stronger engagement and service culture)	Operational	Psychosocial stress, disaster response demands, culture and safeguarding expectations	Stable but increasing	MEDIUM	MEDIUM	Wellbeing programmes, health and safety and emergency readiness, strengthened grievance/ safeguarding, inclusive culture
R13	**Operational environmental footprint** (opportunity: efficiency savings; climate alignment)	Operational/ ESG	Energy/waste cost, facility vulnerability, increasing expectations	More structured focus	MEDIUM	MEDIUM	Energy efficiency, renewables, paper/waste reduction, facility hardening
R14	**Nature and biodiversity impacts in financed portfolio** (opportunity: better screening, portfolio resilience over time)	ESG/Credit	Emerging nature-related risk expectations, sector dependencies (agri/ plantations/tourism)	Emerging focus	LOW to MEDIUM	MEDIUM	Exposure mapping, borrower engagement, nature considerations in reconstruction finance, progressive ESG screening

RISKS AND OPPORTUNITIES

How effectiveness is evaluated	Related material matter(s)	Related strategy pillar(s)	Related capitals	Related SLFRS	SASB (FN-CB)
Fraud losses trend, alert effectiveness, STR timeliness, audit/regulatory findings, scam prevention	4.2 Financial crime, fraud and AML/CFT	4 Risk culture, governance and compliance discipline 5 Digital acceleration and data-led banking	FC HC IC SRC	S1	Business Ethics; Data Security
Recovery time objectives, restoration times, climate exposure monitoring	6.1 Climate resilience, disaster response and just transition finance 6.2 Community resilience, disaster relief and social licence	6 Sustainability, climate and community resilience 1 Customer centricity and financial inclusion 2 Sustainable organic growth and portfolio optimisation	FC MC SRC NC	S1 S2	Systemic risk management ESG factors in credit
Data completeness/accuracy tests, control assessments, assurance findings, readiness milestones, management reporting	6.5 ESG data quality, transparency and reporting readiness (SLFRS S1 and SLFRS S2)	6 Sustainability, climate and community resilience 5 Digital acceleration and data-led banking 4 Risk culture, governance and compliance discipline	FC HC IC SRC	S1 S2	Systemic risk management; ESG factors in credit
Attrition in key roles, training completion, time-to-fill, productivity and service indicators	3.1 Talent attraction/retention and future-ready skills	3 People, culture and engagement excellence 5 Digital acceleration and data-led banking 6 Sustainability, climate and community resilience	HC IC SRC	S1	Employee engagement; diversity and inclusion
Absenteeism, Health and Safety indicators, grievance resolution, culture outcomes	3.2 Employee health, safety, wellbeing and inclusive culture	3 People, culture and engagement excellence 6 Sustainability, climate and community resilience	HC SRC	S1	Employee engagement; diversity and inclusion
Energy intensity, waste/paper reduction, project completion	6.3 Operational environmental footprint	6 Sustainability, climate and community resilience 2 Sustainable organic growth and portfolio optimisation	FC MC NC	S2	Systemic risk management
Sector exposure mapping completion, ESG screening coverage	6.4 Nature, biodiversity impacts in financed portfolio	6 Sustainability, climate and community resilience 2 Sustainable organic growth and portfolio optimisation	FC SRC NC	S2	ESG factors in credit

MATERIALITY

STRATEGIC FOCUS AREAS FOR SUSTAINABLE VALUE CREATION

WHY MATERIALITY MATTERS TO NSB

In 2025, NSB's priority material matters have been mapped directly to our six core Strategic Pillars, translating stakeholder priorities into clear strategic ownership. This alignment ensures that each material issue is not treated as a standalone sustainability topic, but is embedded into how we plan, allocate resources, manage risk, and measure performance across the Bank. By assigning every material matter to the most relevant pillar while recognising cross-cutting linkages where appropriate we create a disciplined line of sight from materiality, strategic intent, management actions and measurable outcomes.

This approach strengthens accountability at every level. It clarifies which governance forums oversee progress, which management teams are responsible for delivery, and how risks and opportunities are tracked through the Integrated Risk management framework and performance scorecards. It also supports consistent decision-making by ensuring that strategic initiatives, control enhancements, customer outcomes, and sustainability commitments are assessed against the same priorities particularly in areas such as customer protection, inclusion, cyber resilience, ethical conduct, portfolio strength, climate and disaster response, and ESG disclosure readiness.

Ultimately, mapping material matters to Strategy Pillars enables NSB to move beyond reporting significance to executing significance focusing leadership attention on what matters most, strengthening INTEGRATED THINKING, and reinforcing our ability to deliver sustainable value for depositors, customers, communities, regulators, and the country.

OUR APPROACH TO MATERIALITY

NSB applies a **double materiality** lens to ensure a complete view of value creation and preservation:

- **Financial materiality (Outside-In):** Evaluates how external sustainability matters (risks and opportunities) could reasonably be expected to affect NSB's financial performance, financial position, cash flows, and cost of capital over the short, medium, and long term.
- **Impact materiality (Inside-Out):** Assesses how NSB's activities, through its products, services, operations, and financed activities, positively or negatively impact the economy, environment, and people, including impacts on human rights.

This approach supports INTEGRATED THINKING by linking strategy, governance, risk management and performance measurement to what matters most. The 2025 refresh reflects a stabilising macroeconomic context, accelerating digitalisation, heightened governance and ESG expectations, and the lessons from Cyclone Ditwah on service continuity and community resilience.

OUR MATERIALITY THRESHOLDS AND SCORING CRITERIA

Our process identifies and prioritises matters based on their significance across both financial and impact dimensions. We use defined criteria and thresholds to ensure a consistent, objective, and auditable assessment.

Financial materiality thresholds

Financial materiality is assessed by estimating the potential effect on NSB's financial statements and resilience. Thresholds are set as percentages of key financial metrics. A matter is elevated to a Priority Material Matter for NSB if it is assessed as High or Very High on either the Financial or Impact dimension, or Medium on both.

Impact level	Quantitative threshold (Impact on Key Financial Metrics)	Implication
Very high	>5% impact on a key metric or a threat to business model viability	**Critical:** Demands immediate Board and Corporate Management attention. Likely triggers a fundamental strategic review, significant capital reallocation, or crisis response.
High	2% – 5% impact on a key metric	**Significant:** Requires active oversight by Corporate Management and relevant Board committees. Must be integrated into business planning, budgeting, and mitigation strategies.
Medium	0.5% – 2% impact on a key metric	**Material:** Managed by business unit leadership with oversight from central functions. Incorporated into operational plans and control frameworks.
Low	<0.5% impact on a key metric	**Not financially material:** Managed through routine business processes.

Specific financial impacts considered:

- **Financial performance:** Profit Before Tax (PBT), Net Interest Income (NII), Net fee and Commission Income, Operating Expenses, Cost-to-Income Ratio.
- **Financial position:** Capital Adequacy Ratio (CAR), Liquidity Coverage Ratio (LCR), Stage 3 ratio, Total Assets.
- **Cash flows:** Operating cash inflows/outflows, liquidity buffer size, financing requirements.

MATERIALITY

Impact materiality thresholds

Impact materiality is assessed using qualitative and quantitative criteria based on the scale, scope, and irremediability of the impact.

Impact level	Threshold criteria (Scale, Scope, Irremediability)	Implication
Very high	Large-scale, severe negative impact (or transformative positive impact). Often irremediable (hard/impossible to reverse) and may involve violations of law or human rights. Affects primary stakeholders or ecosystems.	**Critical to license to operate:** High risk of severe reputational damage, regulatory sanction, or legal action. Requires top-level governance and transparent disclosure.
High	Substantial negative/positive impact on a primary stakeholder group or local environment. Impact is remediable with significant effort/cost. Could lead to widespread stakeholder concern.	**Significant to reputation and trust:** Requires proactive management, stakeholder engagement, and dedicated action plans. Must be addressed in sustainability strategy.
Medium	Moderate, localised impact on a specific stakeholder subgroup or community. Impact is readily remediable. Attracts attention of specific stakeholder representatives.	**Managed at operational level:** Addressed through policy implementation, local engagement, and grievance mechanisms. Included in internal ESG reporting.
Low	Minor, isolated impact. Limited stakeholder awareness. Easily and quickly addressed.	**Managed through routine operations:** Not considered a material impact for external reporting.

GRI 3-1

Our materiality determination process

1 Environmental scanning

- Review political, economic, social, technological, environmental and legal (PESTEL) developments.
- Consider the impact of continued macroeconomic stabilisation, regulatory reforms, digital acceleration and climate-related events.

Pages **28** to **33**

2 Engage stakeholders

- Analys feedback from customers, employees, trade unions, regulators, Government, investors, rating agencies, suppliers and communities.
- Incorporate insights from complaints, grievance mechanisms, branch-level interactions and social-media monitoring.

Pages **52** to **59**

3 Link to risk and strategy

- Map emerging issues against NSB's risk register, risk appetite, strategic priorities and capital and liquidity planning.
- Evaluate climate and nature-related financial risks and opportunities across the lending portfolio.

Pages **66** to **78**

4 Benchmark peers and standards

- Reviewed material topics disclosed by peers and corporates, and evolving sustainability-reporting standards such as GRI and emerging local/SLFRS-aligned sustainability requirements.

5 Prioritise and validate

- Cluster related issues into clear material matters.
- Score each matter using double materiality: (i) significance of impact on NSB's financial performance and resilience, and (ii) significance of actual or potential impact on stakeholders, society, climate and nature.
- Validate the final list and prioritisation with Corporate Management and the Board.

Page **42**

6 Integrate and monitor

- Link material matters to strategic objectives, key risks, KPIs and management accountability.
- Commit to review and, if required, update materiality if there are significant changes in the operating environment.

Page **66** to **78**

7 Report

- Report the final set of material matters to internal and external stakeholders through the Integrated Annual Report and supporting disclosures, ensuring transparency and consistency with the Bank's governance and risk oversight processes.

Pages **44** to **51**

MATERIALITY

GRI 3-2

MATERIALITY MATTERS ALIGNED TO OUR STRATEGY PILLARS

STRATEGY PILLAR

Pillar 1	Pillar 2	Pillar 3	Pillar 4	Pillar 5	Pillar 6
Customer centricity and financial inclusion	Sustainable organic growth and portfolio optimisation	People, culture and engagement excellence	Risk culture, governance and compliance discipline	Digital acceleration and data-led banking	Sustainability, climate and community resilience

LINKED MATERIAL MATTERS

Pillar 1	Pillar 2	Pillar 3	Pillar 4	Pillar 5	Pillar 6
1.1 Customer-centric, inclusive and affordable banking	2.1 Macroeconomic stability and financial system confidence	3.1 Talent attraction/ retention and future-ready skills	4.1 Governance excellence, compliance and ethical conduct	5.1 Digital transformation and responsible AI/analytics	6.1 Climate resilience, disaster response and just transition finance
1.2 Digital and financial literacy	2.2 Asset quality, capital and liquidity management	3.2 Employee health, safety, wellbeing and inclusive culture	4.2 Financial crime, fraud and AML/CFT	5.2 Cybersecurity, data privacy and operational resilience	6.2 Community resilience, disaster relief and social licence
	2.3 Financial sustainability and earnings resilience		4.3 Trust, reputation and proactive stakeholder engagement	5.3 Third-party/outsourcing and vendor resilience	6.3 Operational environmental footprint
					6.4 Nature, biodiversity impacts financed portfolio
					6.5 ESG data quality, transparency and reporting readiness (SLFRS S1 and SLFRS S2)

PRIORITISED MATERIAL MATTERS

The following section presents a detailed analysis of NSB's 2025 material matters, organised by the Strategic Pillar they primarily support. This structure provides a clear line of sight between each material matter and its associated risks, opportunities, strategic implications, and management responses. It also details the capitals impacted and maps to relevant global standards (SDGs, GRI, SASB, SLFRS S1 and SLFRS S2), demonstrating how we integrate sustainability and resilience into our core strategy.

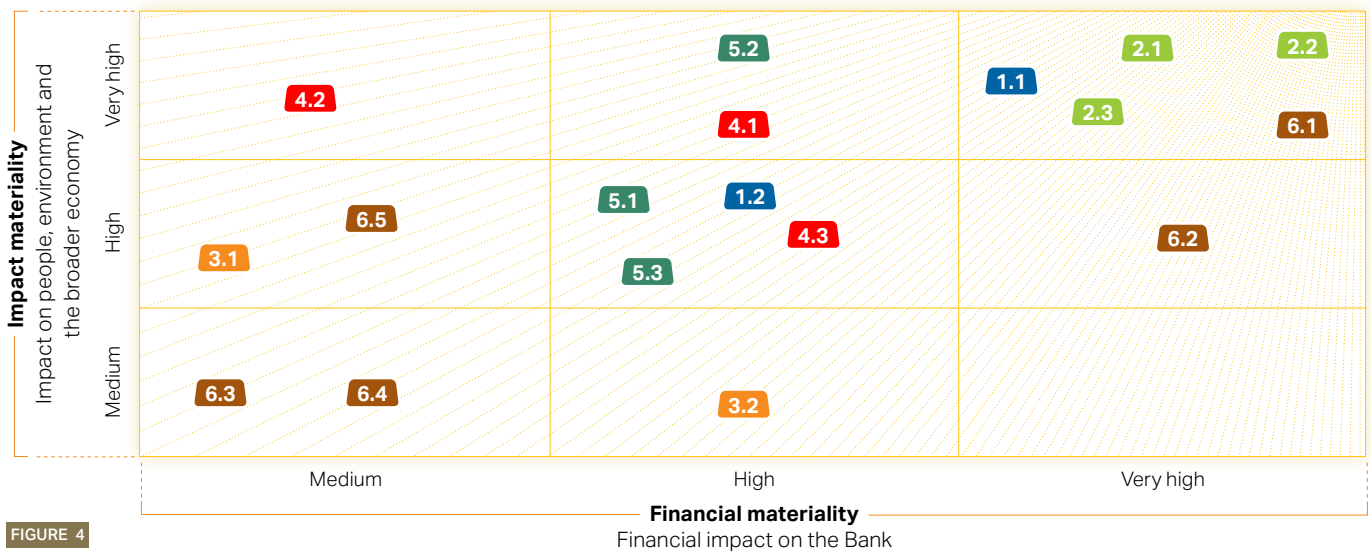


FIGURE 4

MATERIALITY

KEY CHANGES IN 2025

Building on the 2024 methodology, NSB refreshed its 2025 material matters using a double materiality lens to reflect evolving stakeholder expectations and the Bank's long-term value creation priorities. The most notable shifts in 2025 shaped in particular by the lessons of Cyclone Ditwah are summarised below, together with their strategic implications for NSB.

2025 change area	What changed	Key drivers in 2025	What it means for NSB (focus areas)
Climate and resilience prioritised	Climate/disaster response and community resilience moved into the top-priority band	Cyclone Ditwah impacts (physical disruption and borrower stress)	Service continuity, borrower relief/ restructuring, resilient recovery finance, climate risk overlays in portfolio/ Business Continuity Planning
Customer and trust consolidated	2024 topics streamlined into: (i) Customer-centric banking (ii) Trust/reputation and engagement	Rising expectations on fair outcomes, accessibility, complaints handling, transparency	Stronger accountability for customer outcomes, improved complaints governance, proactive communication
Technology and control maturity sharpened	Reframed into: (i) Digital transformation and AI (ii) Cybersecurity/privacy and resilience (iii) Third-party/vendor resilience	Digital acceleration, heightened cyber threat, reliance on vendors	Omnichannel execution, date/model controls, DR/BCP testing, outsourcing governance
ESG reporting readiness strengthened	Added a distinct material matter for ESG date quality, transparency and reporting readiness	SLFRS S1 and SLFRS S2 journey, CBSL Sustainable Finance Roadmap and assurance expectations	ESG governance and internal controls, improved date architecture, stronger, auditable disclosures

MATERIALITY

PILLAR 1 CUSTOMER CENTRICITY AND FINANCIAL INCLUSION

1.1

MATERIAL MATTER	KEY RISKS	OPPORTUNITIES	IMPACT ON STRATEGY	NSB RESPONSE
Customer-centric, inclusive and affordable banking →	Conduct and fair outcomes, complaints, service failures, credit stress →	Inclusion-led growth, retention, trust →	Embed customer outcomes into product design, pricing and service standards →	Complaint analytics, affordability checks, Ditwah relief/restructuring, accessibility improvements →

1.2

MATERIAL MATTER	KEY RISKS	OPPORTUNITIES	IMPACT ON STRATEGY	NSB RESPONSE
Digital and financial literacy →	Fraud vulnerability, poor debt outcomes, reputational risk →	Safer adoption, reduced losses, better outcomes →	Literacy as inclusion and risk reduction lever →	Awareness campaigns, targeted outreach in vulnerable/affected communities →

PILLAR 2 SUSTAINABLE ORGANIC GROWTH AND PORTFOLIO OPTIMISATION

2.1

MATERIAL MATTER	KEY RISKS	OPPORTUNITIES	IMPACT ON STRATEGY	NSB RESPONSE
Macroeconomic stability and financial system confidence →	Market volatility, deposit shifts, liquidity pressure, sovereign transmission →	ALM agility, resilient funding →	Scenario planning and pricing discipline →	Stress testing, proactive portfolio reviews →

2.2

MATERIAL MATTER	KEY RISKS	OPPORTUNITIES	IMPACT ON STRATEGY	NSB RESPONSE
Asset quality, capital and liquidity management →	Credit deterioration, concentration, collateral shocks →	Strong buffers, resilient growth →	Risk-adjusted growth including climate overlays →	Early warning, restructuring, liquidity buffers →

2.3

MATERIAL MATTER	KEY RISKS	OPPORTUNITIES	IMPACT ON STRATEGY	NSB RESPONSE
Financial sustainability and earnings resilience →	NIM compression, cost pressures, income volatility, relief impacts →	Fee growth, efficiency gains →	Improve income mix and operating model →	Fee levers, productivity/ cost controls, responsible pricing →

MATERIALITY

Pillar 1

CAPITALS	SDGS	INDICATIVE GRI	SASB (FN-CB)	RELATED SLFRS	TIME HORIZON
FC HC IC SRC		GRI 201 203 416 417 418	Business ethics, financial inclusion and capacity building	S1	S M L
HC IC SRC		GRI 404 413 418	Data security, financial inclusion and capacity building	S1	S M L

Pillar 2

CAPITALS	SDGS	INDICATIVE GRI	SASB (FN-CB)	RELATED SLFRS	TIME HORIZON
FC SRC		GRI 201 202 203 207	Systemic Risk Management	S1	S M L
FC		GRI 201 202	Systemic risk management, incorporation of ESG factors in credit analysis	S1 and S2	S M L
FC HC IC		GRI 201 202 203 207	Systemic risk management	S1	S M L

MATERIALITY

PILLAR 3 PEOPLE, CULTURE AND ENGAGEMENT EXCELLENCE

3.1

MATERIAL MATTER	KEY RISKS	OPPORTUNITIES	IMPACT ON STRATEGY	NSB RESPONSE
Talent attraction/ retention and future-ready skills →	Skill gaps, attrition, transformation delays →	Specialist capability, productivity →	Workforce planning and capability uplift →	Upskilling/reskilling, retention, targeted recruitment →

3.2

MATERIAL MATTER	KEY RISKS	OPPORTUNITIES	IMPACT ON STRATEGY	NSB RESPONSE
Employee health, safety, wellbeing and inclusive culture →	Safety and psychosocial risks, culture risk →	Employee engagement, service quality →	Wellbeing embedded in operational excellence →	Health and safety readiness, wellbeing support, safeguarding/ grievance handling →

PILLAR 4 RISK CULTURE, GOVERNANCE AND COMPLIANCE DISCIPLINE

4.1

MATERIAL MATTER	KEY RISKS	OPPORTUNITIES	IMPACT ON STRATEGY	NSB RESPONSE
Governance excellence, compliance and ethical conduct →	Penalties, governance failures, integrity risk →	Credibility, confidence →	Governance as strategic advantage →	Board oversight, policy governance, ethics/ compliance training →

4.2

MATERIAL MATTER	KEY RISKS	OPPORTUNITIES	IMPACT ON STRATEGY	NSB RESPONSE
Financial crime, fraud and AML/CFT →	Sanctions, fraud losses, reputational damage →	Better monitoring, customer protection →	Analytics-led controls →	Enhanced CDD/KYC, monitoring, awareness →

4.3

MATERIAL MATTER	KEY RISKS	OPPORTUNITIES	IMPACT ON STRATEGY	NSB RESPONSE
Trust, reputation and proactive stakeholder engagement →	Misinformation, weak disclosure, conflict →	Confidence, transparency →	Make trust measurable →	Timely communications, Stakeholder forums, sentiment monitoring →

MATERIALITY

Pillar 3

CAPITALS	SDGS	INDICATIVE GRI	SASB (FN-CB)	RELATED SLFRS	TIME HORIZON
HC IC SRC	4 5 8 10	GRI 401 404 405	Employee Engagement, Diversity and Inclusion	S1	S M L
HC IC SRC	3 5 8	GRI 401 403 405 407	Employee Engagement, Diversity and Inclusion	S1	S M L

Pillar 4

CAPITALS	SDGS	INDICATIVE GRI	SASB (FN-CB)	RELATED SLFRS	TIME HORIZON
FC HC IC SRC	16	GRI 2 205 206 207 404	Systemic risk management, business ethics	S1	S M L
FC HC IC SRC	16	GRI 205 404 418	Business ethics, data security	S1	S M
FC HC IC SRC	8 10 16	GRI 2 413 417 418	Business ethics	S1	S M L

MATERIALITY

PILLAR 5 DIGITAL ACCELERATION AND DATA-LED BANKING

5.1

MATERIAL MATTER	KEY RISKS	OPPORTUNITIES	IMPACT ON STRATEGY	NSB RESPONSE
Digital transformation and responsible AI/ analytics	Data/privacy, model risk, third-party dependence	Reach, cost-to-serve, personalisation	Accelerate digital operating model	Omnichannel journeys, consent/model governance, resilience testing

5.2

MATERIAL MATTER	KEY RISKS	OPPORTUNITIES	IMPACT ON STRATEGY	NSB RESPONSE
Cybersecurity, data privacy and operational resilience	Cyberattacks, outages, PDPA	Continuity, trust	Resilience as core capability	Monitoring, DR/BCP tests, incident response

5.3

MATERIAL MATTER	KEY RISKS	OPPORTUNITIES	IMPACT ON STRATEGY	NSB RESPONSE
Third-party/outsourcing and vendor resilience	Vendor failure, concentration	Better governance, uptime	Strong vendor governance	Outsourcing policy, BCP/DR testing, reduce concentration

PILLAR 6 SUSTAINABILITY, CLIMATE AND COMMUNITY RESILIENCE

6.1

MATERIAL MATTER	KEY RISKS	OPPORTUNITIES	IMPACT ON STRATEGY	NSB RESPONSE
Climate resilience, disaster response and just transition finance	Physical risk, collateral damage, portfolio stress	Recovery finance, resilient products	Climate risk in credit/ capital planning	Playbooks, appraisal overlays, relief/ restructuring, resilience finance

6.2

MATERIAL MATTER	KEY RISKS	OPPORTUNITIES	IMPACT ON STRATEGY	NSB RESPONSE
Community resilience, disaster relief and social licence	Reputational risk, access failures	Trust, inclusion, partnerships	Mandate delivery with resilience outcomes	Rapid relief, targeted schemes, outreach

MATERIALITY

Pillar 5

CAPITALS	SDGS	INDICATIVE GRI	SASB (FN-CB)	RELATED SLFRS	TIME HORIZON
FC MC HC IC SRC	8 9 10	GRI 401 404 413 418	Systemic Risk Management, Data Security	S1 (S2 where climate data used)	S M
FC HC IC SRC	9 16	GRI 401 404 413 418	Systemic Risk Management, Data Security	S1	S M L
FC IC SRC	8 9 12	GRI 2 204 308 414	Systemic Risk Management, Data Security	S1	S M

Pillar 6

CAPITALS	SDGS	INDICATIVE GRI	SASB (FN-CB)	RELATED SLFRS	TIME HORIZON
FC MC SRC NC	11 13 15	GRI 201 203 302 303 305	Systemic Risk Management, Incorporation of ESG Factors in Credit Analysis	S2	S M L
FC HC IC SRC	1 8 11 13	GRI 201 203 413	Business Ethics, Financial Inclusion and Capacity Building	S1 and S2	S M L

MATERIALITY

PILLAR 6 SUSTAINABILITY, CLIMATE AND COMMUNITY RESILIENCE

6.3

MATERIAL MATTER	KEY RISKS	OPPORTUNITIES	IMPACT ON STRATEGY	NSB RESPONSE
Operational environmental footprint	Energy/waste cost, facility vulnerability	Efficiency, climate alignment	Sustainability in facilities/capex	Efficiency, more focus in renewables, waste reduction, hardening

6.4

MATERIAL MATTER	KEY RISKS	OPPORTUNITIES	IMPACT ON STRATEGY	NSB RESPONSE
Nature, biodiversity impacts in financed portfolio	Dependency/ESG risk, reputational risk	Better screening, resilience	Expand ESG lens beyond climate	Exposure mapping, borrower engagement

6.5

MATERIAL MATTER	KEY RISKS	OPPORTUNITIES	IMPACT ON STRATEGY	NSB RESPONSE
ESG data quality, transparency and reporting readiness (SLFRS S1 and SLFRS S2)	Reporting gaps, weak controls, greenwashing	Credibility, assurance, better decisions	ESG embedded into strategy/risk appetite	Governance, controls, assurance readiness, CBSL roadmap alignment

MATERIALITY

Pillar 6

CAPITALS	SDGS	INDICATIVE GRI	SASB (FN-CB)	RELATED SLFRS	TIME HORIZON
FC MC NC	7 13	GRI 302 303 305 306	Business Ethics, Financial Inclusion and Capacity Building	S2	M L
FC SRC NC	2 12 14 15	GRI 203 304 308	Incorporation of ESG Factors in credit analysis	S2	M L
FC HC IC SRC	12 13 16	GRI 2 201 207	Systemic Risk Management, Incorporation of ESG Factors in credit analysis	S1 and S2	M L

INTEGRATED STAKEHOLDER ENGAGEMENT

DEEPENING TRUST THROUGH MEANINGFUL DIALOGUE

GRI 2-29

At National Savings Bank, we recognise that sustainable value creation is inseparable from the confidence, expectations, and lived experience of our stakeholders. As a state-owned Licensed Specialised Bank, our mandate requires us to promote national savings, expand inclusive access to banking, and support national development while protecting depositor confidence through strong governance and prudential resilience. Our stakeholder engagement therefore extended beyond report preparation and formed part of our operating rhythm: listening, responding, improving, and disclosing transparently. Engagement insights are systematically integrated into strategy, material matters, risk and opportunity assessment (including SRROs and CRROs), and performance monitoring, ensuring decisions reflect both financial resilience and wider stakeholder impacts.

Refer Strategy and resource allocation page 66, Risk and opportunities page 34, Sustainability framework on page 60.

BASIS FOR IDENTIFYING AND SELECTING STAKEHOLDERS

We identify and prioritises stakeholder groups through a structured, materiality-based mapping exercise, based on their ability to influence or be affected by the Bank's sustainable value creation over the short, medium and long term. Selection considers;

- **Influence and licence-to-operate impact:** ability to shape NSB's strategy, operations, regulatory standing, funding and key decisions.
- **Dependence and responsibility:** degree of reliance on NSB's services (especially depositors, vulnerable customers and communities) and NSB's legal, regulatory, contractual and ethical obligations.
- **Trust and reputation sensitivity:** potential impact on depositor confidence, public scrutiny and service continuity expectations.
- **Material matters and principal risks/ opportunities:** alignment to the Bank's material matters and principal risks and opportunities, including SRROs/CRROs as NSB progresses SLFRS S1 and SLFRS S2 readiness.
- **Proximity and evidence signals:** relationship intensity and emerging insights from complaints/grievances, branch feedback, supervisory/audit findings and social listening.

This multi-criteria analysis allows the Bank to categorise stakeholders and tailor the intensity, frequency, and method of engagement, ensuring efficient use of resources and focused attention on relationships most critical to our long-term resilience and value creation.

OUR STAKEHOLDER ENGAGEMENT PROCESS

NSB's engagement approach is designed to ensure two-way communication, traceable integration into decisions, and transparent reporting of how concerns are addressed.

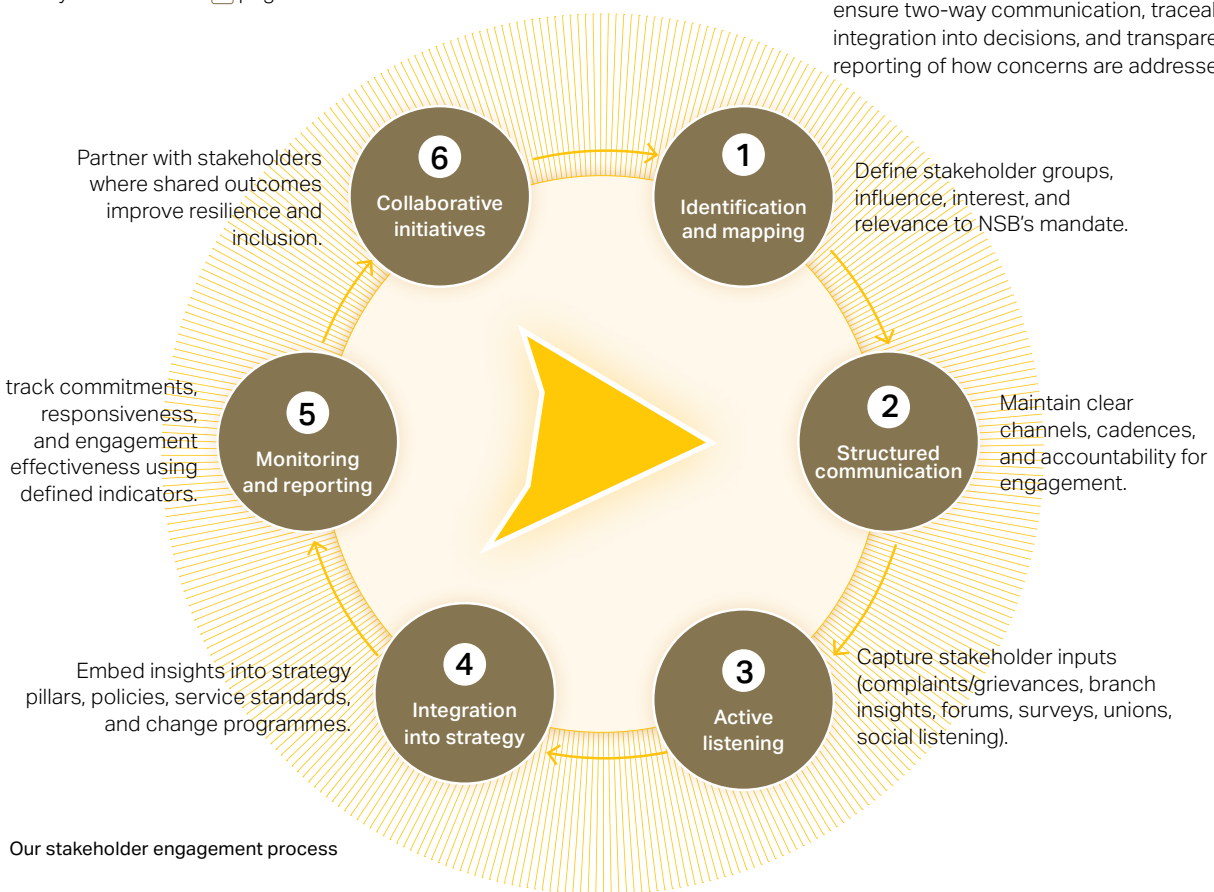


FIGURE 5 Our stakeholder engagement process

INTEGRATED STAKEHOLDER ENGAGEMENT

INTEGRATION INTO STRATEGY

Stakeholder insights are assessed alongside external context signals and material matters and are translated into priorities across strategy, risk controls, service standards, resource allocation, and disclosure readiness. Refer Strategy and resource allocation pages 66 to 78).

ENGAGEMENT UNDERTAKEN FOR REPORT PREPARATION

In addition to routine engagement, the Bank also gathered and validated inputs specifically for preparation of this Integrated Annual Report by consolidating divisional performance updates, governance and risk disclosures, sustainability readiness progress, and stakeholder outcome metrics. This is reflected across relevant sections of the report. Refer Strategy and resource allocation pages 66 to 78.

STAKEHOLDER PRIORITISATION MATRIX

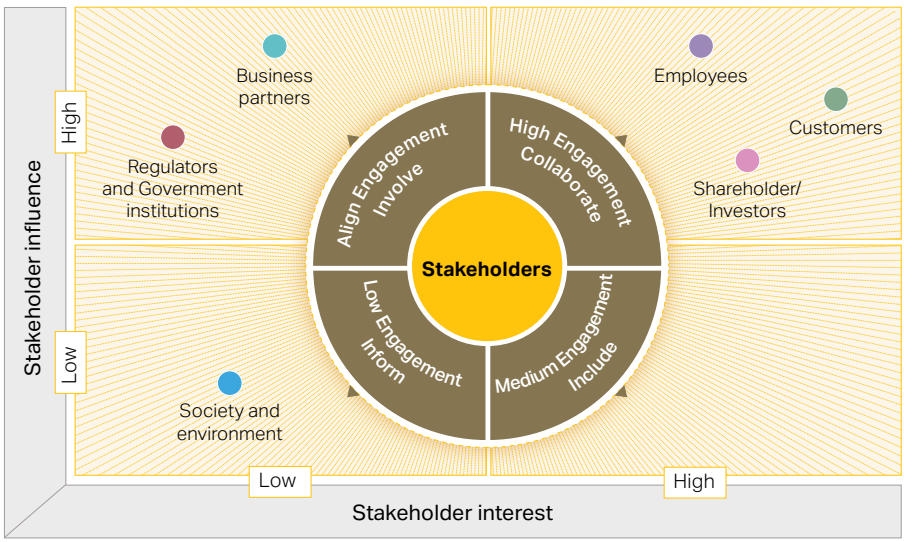


FIGURE 6

STAKEHOLDER VALUE CREATION DASHBOARD

We retained 10.7% (2023 – 8.1%) of the distributable profit to bolster our liquidity, allocate to our capital expenditure and future value creation.

We distributed (15.9%) (2024 – 10.5%) of the value created to Government and regulators through payment of taxes and levies.

We distributed 3.1% (2024 – Nil) of the value created to shareholder through payment of levies.

We distributed 3.2% (2024 – 2.7%) of the value created to suppliers through payment for various services provided.

We distributed 0.4% (2024 – 0.3%) of the value created to society and environment through payment to outsourced workers.

We distributed 56.8% (2024 – 66%) of the value created to customers through payment of interest.

We distributed 10.0% (2024 – 10.2%) of the value created to employees through payment of salaries, wages and other allowances.

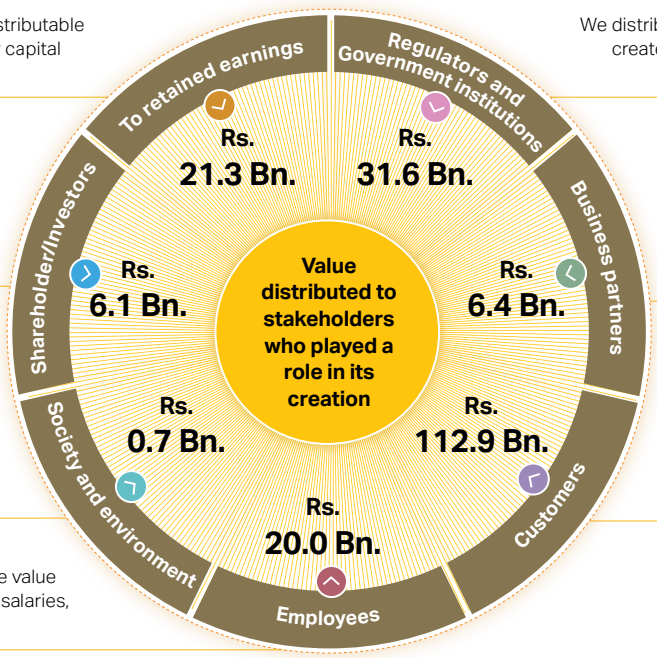


FIGURE 7

PARTNERING WITH STAKEHOLDERS TO CREATE SHARED VALUE

Our journey of value creation begins and ends with our stakeholders. We actively listen, understand their evolving priorities, and take decisive steps to foster positive change. Cultivating robust, long-term partnerships allows us to generate value continuously, reinforcing our position as the Perfect Partner. This dedicated focus ensures sustainable outcomes for every engagement. The following section highlights the key results from our engagements with the most critical stakeholders.

INTEGRATED STAKEHOLDER ENGAGEMENT



Shareholder/Investors

(Government of Sri Lanka and bondholder investors)

Strength of relationship	WEAK MODERATE STRONG
Priority	LOW MEDIUM HIGH

Key objective

Our focus is on robust governance, transparency, and resilience to generate lasting value for the Government and its citizens, while honouring obligations to bondholders through reliable service and clear communication.

Method and frequency of engagement

Annual Reports	Annual
Annual Financial Statements	Annual
Interim financial statements	Quarterly
Corporate website and investor communications	Ongoing
One-on-one meetings and briefings (Ministry, key investors)	As required
Shareholder/Investor webcasts	As required

Key concerns and how we responded

Sustained profitability and resilience: Protect financial resilience through capital, liquidity and earnings discipline aligned to risk appetite

Timely interest and capital servicing: maintained timely payments and governance controls

Governance and risk management assurance: strengthened oversight and reporting discipline

Sustainability and climate initiatives: advanced governance and readiness pathways

Digital transformation and efficiency: progressed transformation with controls and resilience testing

Link to materiality

- 2.1 Macroeconomic stability and financial system confidence
- 2.2 Asset quality, capital and liquidity management
- 2.3 Financial sustainability and earnings resilience
- 4.1 Governance excellence, compliance and ethical conduct
- 6.3 ESG data quality, transparency and reporting readiness (SLFRS S1 and SLFRS S2 journey)

Risks

- Confidence erosion from weaker resilience, disclosure gaps, or governance/control failures.
- Market perception risk if reporting readiness and assurance maturity lag expectations.

Opportunities

- Building unshakeable confidence through proactive transparency.
- Refine our capital allocation and long-term plans based on investor perspectives.

Focus for the future

Strengthen disclosure readiness, sustain resilience under changing conditions, and improve decision-useful reporting (including sustainability-related disclosure maturity).

Key indicators

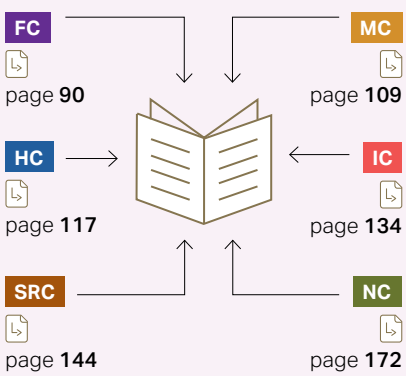
Profit attributable to shareholder
Rs. 27.3 Bn.
(2024 – Rs. 16.1 Bn.)

NIM
4.74%
(2024 – 4.22%)

ROE
25.08%
(2024 – 17.89%)

Interest paid to bond holders
Rs. 1.6 Bn.
(2024 – Rs. 3.3 Bn.)

Link to capitals and further information



Link to SDGs



INTEGRATED STAKEHOLDER ENGAGEMENT

Customers

(Retail and corporate customers across Sri Lanka)

Strength of relationship	WEAK · MODERATE · STRONG
Priority	LOW · MEDIUM · HIGH

Key objective

Service quality, accessibility, fair outcomes, customer protection and trust across branch and digital channels.

Method and frequency of engagement

Annual Reports	Annual
Branch and divisional interactions	Continuous
Digital channels and contact centre	Continuous
Complaints and grievance mechanisms	Continuous
Promotions and awareness (mass media/social media)	As required
Customer events and outreach	As required

Key concerns and how we responded

Convenient access (branch and digital): Improve accessibility, service standards and customer outcomes across branch and digital channels.

Timely service and effective rectifications: strengthened complaint governance, escalation and root-cause fixes

Competitive returns and transparency: improved communications and product/pricing governance

Financial literacy and protection: expanded literacy and fraud-awareness messaging

Data security and privacy: strengthened controls and compliance discipline

Link to materiality

- **1.1** Customer-centric, inclusive and affordable banking
- **4.3** Trust, reputation and proactive stakeholder engagement
- **5.1** Digital transformation and responsible AI/analytics
- **5.2** Cybersecurity, data privacy and operational resilience
- **6.2** Community resilience, disaster relief and social licence

Risks

- Conduct risk and reputational risk from inconsistent outcomes, weak redress, or service disruption.
- Data privacy/cyber risk impacting customer trust and service continuity.

Opportunities

- Inclusion-led growth through accessible products and assisted-service models.
- Higher adoption and satisfaction through safer digital enablement and literacy.

Focus for the future

Deepen assisted-service and accessibility, improve rectifications speed and quality, strengthen customer protection and digital trust, and sustain inclusion-led outcomes.

Key indicators

Interest paid to depositors
Rs. 107.0 Bn.
(2024 – Rs. 123.9 Bn.)

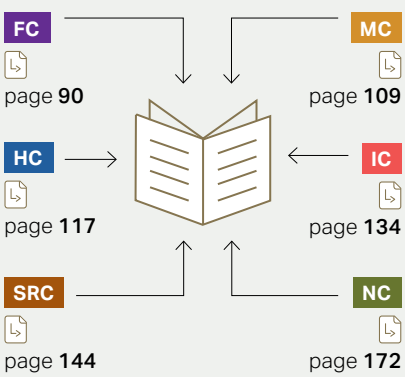
Number of branches
263
(2024 – 262)

Number of active accounts
10.5 million
(2024 – 10.4 million)

Deposit market share
8.07%
(2024 – 8.66%)

Number of customer complaints resolved
422
(2024 – 455)

Link to capitals and further information



Link to SDGs



INTEGRATED STAKEHOLDER ENGAGEMENT

Employees

(4,203 employees across island-wide branches)

Strength of relationship	WEAK / MODERATE / STRONG
Priority	LOW / MEDIUM / HIGH

Key objective

Capability, wellbeing, inclusion, leadership development and change readiness.

Method and frequency of engagement

Line manager engagement	Ongoing
Regional/branch forums	Monthly/ Periodic
Performance reviews	Annually
Training and capability building	Ongoing
Union discussions	As required
Recognition and culture events	Annually/ Periodic

Key concerns and how we responded

Remuneration and fairness: collective bargaining alignment and transparent processes

Development opportunities: role-based learning, upskilling and leadership pipeline focus

Wellbeing and work-life balance: strengthened wellbeing, safeguarding and engagement practices

Job security and clarity: continuous communications and structured engagement

Change fatigue and execution load: improved change support and internal engagement routines

Link to materiality

- 3.1 Talent attraction/retention and future-ready skills
- 3.2 Employee health, safety, wellbeing and inclusive culture
- 4.1 Governance excellence, compliance and ethical conduct
- 5.1 Digital transformation and responsible AI/analytics

Risks

- Attrition in critical roles, skills gaps, change fatigue and psychosocial risks affecting service culture and operational resilience.

Opportunities

- Productivity uplift and stronger service culture through capability building and engagement.
- Improved transformation execution reliability through leadership depth and change readiness.

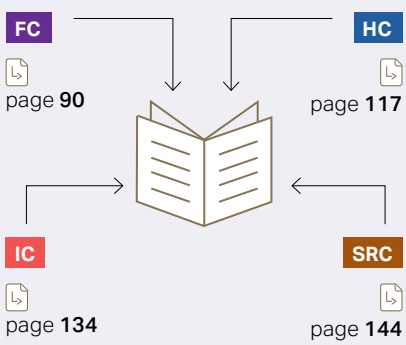
Focus for the future

Strengthen critical skill supply (digital/risk/ESG/data), sustain wellbeing and inclusion, and deepen leadership depth and succession readiness.

Key indicators

Value added per employee **Rs. 18.5 Mn.** (2024 – Rs. 13.4 Mn.)	Employee turnover **2.28** (2024 – 3.77)
Total workforce cost **Rs. 19.9 Bn.** (2024 – Rs. 20.3 Bn.)	Training hours **45,073** (2024 – 29,165)
Women in leadership **451** (2024 – 241)	Absenteeism **0.8%** (2024 – N/A)
Young blood and in decision making **331** (2024 – 202)	Internal promotions **8.42%** (2024 – 12.60%)

Link to capitals and further information



Link to SDGs



INTEGRATED STAKEHOLDER ENGAGEMENT

GRI 207-3

Regulators and Government institutions

(Central Bank of Sri Lanka, Ministry of Finance, Parliament of Sri Lanka, Department of Public Enterprises (PED), Financial Intelligence Unit (FIU – Sri Lanka), National Audit Office, and Other Regulatory Bodies)

Strength of relationship	WEAK MODERATE STRONG
Priority	LOW MEDIUM HIGH

Key objective

Compliance discipline, supervisory responsiveness, consumer protection, financial stability, and statutory assurance.

Method and frequency of engagement

Directions/circulars and compliance implementation	Ongoing
Inspections (on-site/off-site)	As required
Meetings and supervisory engagement	As required
Returns and regulatory reporting	Ongoing
Statutory assurance and audits	As required/ Periodic

Key concerns and how we responded

Regulatory compliance and reporting timeliness: Maintain strict compliance, timely regulatory reporting, and readiness for evolving supervisory expectations

Consumer protection and data security: strengthened controls and privacy/security readiness

Financial inclusion and digitalisation: expanded literacy and digital service enhancements

Financial stability expectations: maintained resilience discipline and risk appetite alignment

AML/CFT and fraud control expectations: strengthened CDD/KYC, monitoring and awareness

Link to materiality

- 2.1 Macroeconomic stability and financial system confidence
- 2.2 Asset quality, capital and liquidity management
- 4.1 Governance excellence, compliance and ethical conduct
- 4.2 Financial crime, fraud and AML/CFT
- 5.2 Cybersecurity, data privacy and operational resilience
- 6.5 ESG data quality, transparency and reporting readiness (SLFRS S1 and SLFRS S2)

Risks

- Regulatory findings, penalties, or licence-to-operate impacts from control weaknesses or reporting delays.

Opportunities

- Stronger supervisory confidence through disciplined governance and proactive transparency.
- Leadership in responsible banking, inclusion and resilience-aligned finance.

Focus for the future

Strengthen assurance readiness, improve data-driven reporting maturity, and enhance control effectiveness and disclosure discipline.

Key indicators

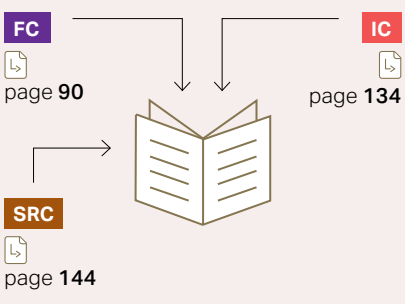
Incidents of non-compliance
None
(2024 – None)

NSFR
206.44%
(2024 – 193.53%)

Total CAR
26.83%
(2024 – 25.88%)

Total taxes paid
Rs. 30.1 Bn.
(2024 – Rs. 19.5 Bn.)

Link to capitals and further information



Corporate governance report
pages **231** to **253**.

Link to SDGs



INTEGRATED STAKEHOLDER ENGAGEMENT

Business partners

(Technology and Fintech Partners, Correspondent Banks and Financial Institutions, Insurance and Investment Partners, and other suppliers)

Strength of relationship	WEAK MODERATE STRONG
Priority	WEAK MODERATE STRONG

Key objective

Transparency, performance under contract, and vendor resilience.

Method and frequency of engagement

Tender and procurement processes	As required
Project and performance meetings	As required/ Ongoing
SLA monitoring and governance reviews	Ongoing

Key concerns and how we responded

Technology advancement and delivery capability: structured governance, project oversight and sequencing

Transaction transparency: strong procurement discipline and controls

Timely payments: improved processing discipline

Performance under contract: strengthened SLA and continuity expectations

Link to materiality

- 4.1 Governance excellence, compliance and ethical conduct
- 5.1 Digital transformation and responsible AI/analytics
- 5.2 Cybersecurity, data privacy and operational resilience
- 5.3 Third-party/outsourcing and vendor resilience

Risks

- Third-party concentration and Service Level Agreement (SLA) failures affecting service continuity and customer outcomes.
- Cyber and data risks introduced through vendor ecosystems.

Opportunities

- Scalable capability via trusted partnerships, enabling faster transformation with stronger controls.

Focus for the future

Deepen third-party resilience and assurance, reduce concentration where feasible, and embed stronger data and continuity requirements into contracts and oversight routines.

Key indicators

SLA breaches

None
(2024 – None)

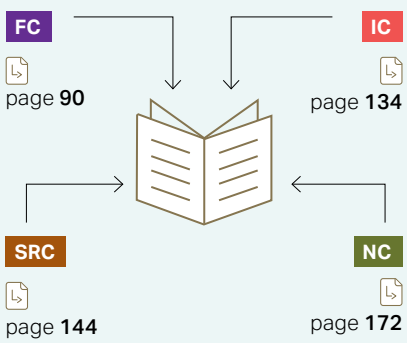
Spent on local procurement

Rs. 2.3 Bn.
(2024 – Rs. 3.0 Bn.)

Number of suppliers assessed

252
(2024 – 266)

Link to capitals and further information



Link to SDGs



INTEGRATED STAKEHOLDER ENGAGEMENT

Society and environment

(Local communities, environmental advocates, social development partners, academia, media, and special interest groups)

Strength of relationship	WEAK MODERATE STRONG
Priority	WEAK MODERATE STRONG

Key objective

Community wellbeing, ecological stewardship, sustainable operations, inter-generational equity and social value creation.

Method and frequency of engagement

Public events and community programmes	As required/ Periodic
Local authority engagement	As required
Public communications and media	As required/ Ongoing
CSR and inclusion programmes	Periodic

Key concerns and how we responded

Financial inclusion and literacy: outreach programmes, targeted literacy (including women-focused initiatives)

Community development and support: programmes aligned to national priorities and social licence

Ethical banking and governance: governance and conduct discipline reinforcement

Green finance and sustainability: progressed sustainability governance and readiness pathways

Operational sustainability: energy/ footprint efficiency focus areas and monitoring improvements

Link to materiality

- 1.1 Customer-centric, inclusive and affordable banking
- 6.1 Climate resilience, disaster response and just transition finance
- 6.3 Operational environmental footprint
- 6.4 Nature, biodiversity impacts in financed portfolio
- 6.5 ESG data quality, transparency and reporting readiness (SLFRS S1 and SLFRS S2)

Risks

- Social licence risk if community expectations are not met or if impacts are not transparently managed.
- Credibility risk if sustainability disclosures or performance improvements lag expectations.

Opportunities

- Stronger community resilience and development outcomes through targeted programmes and partnerships.
- Efficiency gains and reputational uplift through improved operational sustainability.

Focus for the future

Scale resilience-aligned and inclusive initiatives, strengthen measurement of community outcomes, and progress sustainability governance and disclosure maturity toward assurance readiness.

Key indicators

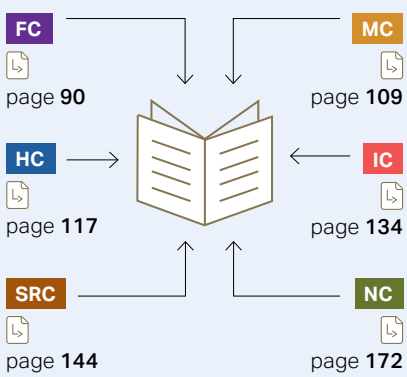
Non-compliance
None
(2024 – None)

Energy consumption
35,353 Gj
(2024 -33,857 Gj)

Withdrawal water
68,815m³
(2024 – 62,744 m³)

Green finance
Rs. 1 Bn.
(2024 – Rs. 4 Bn.)

Link to capitals and further information



Link to SDGs



OUR SUSTAINABILITY FRAMEWORK

GRI 2-2 2-22

SUSTAINABILITY AT NSB: DRIVING LONG-TERM VALUE

At National Savings Bank, sustainability is not merely an initiative but a fundamental pillar of our corporate strategy. It is the lens through which we view long-term value creation for all stakeholders, ensuring our financial operations are conducted responsibly and with foresight. Our comprehensive Sustainability Framework is designed to embed Environmental, Social, and Governance (ESG) principles into every facet of our business, building resilience, fostering inclusivity, and aligning our operations with both national aspirations and global sustainability goals.

This framework is structured around three core pillars:

- Sustainable finance and inclusive growth
- Operational sustainability and environmental responsibility
- Governance, risk management and ethical leadership

Through these pillars, we are committed to advancing green financing, championing financial inclusion, accelerating digital transformation, and upholding the highest standards of ethical business conduct. Our objective is to ensure that every banking service we provide contributes positively to the economic, social, and environmental wellbeing of Sri Lanka. By embedding sustainability into our core decision-making processes, we solidify our role as a responsible financial institution dedicated to national progress and global best practices.

SUSTAINABILITY GOVERNANCE AND LEADERSHIP

GRI 2-14

A robust governance structure is the bedrock of effective sustainability implementation. At NSB, sustainability governance is driven from the highest level. The Board of Directors provides strategic oversight, ensuring ESG considerations are seamlessly integrated into our corporate strategy and long-term vision. The Corporate Sustainability Committee (CSC), composed of senior executives, is entrusted with the evaluation, monitoring, and execution of sustainability initiatives across all business functions. This top-down approach is complemented by the collaborative efforts of our risk, audit, and compliance teams, who work in unison to proactively identify and manage sustainability-related risks. This multi-layered governance structure ensures transparency, accountability, and ethical leadership, keeping sustainability at the heart of NSB's operations.

At National Savings Bank, sustainability is the cornerstone of our long-term vision-driving economic growth, environmental stewardship, and social wellbeing in equal measure. We are embedding Environmental, Social, and Governance principles across our operations to ensure responsible banking practices that generate enduring value. Through green financing, financial inclusion, and ethical governance, we align with national priorities and global sustainability goals, while laying the foundational groundwork for new regulatory frameworks such as SLFRS S1 and SLFRS S2. By advancing digital transformation, strengthening risk management, and cultivating a culture of accountability, we are committed to shaping a resilient, inclusive, and environmentally responsible financial future for Sri Lanka.



Mr Rohana Bandara Weerakoon
Acting General Manager/ CEO



FIGURE 8 page 182 to 211 on SLFRS sustainability-related financial disclosures – SLFRS S1 and SLFRS S2 for more details.



Empowering the courage to lead every journey

Sri Lanka's women are builders. Of families, businesses, and futures. NSB stands beside them at every stage, from savings products designed around their lives to women's empowerment lending that unlocks opportunity and independence. When women are financially empowered, families thrive and communities grow stronger.

BUSINESS MODEL

GRI 2-6

Our vision page 10

Our mission page 10

Stakeholders	Inputs	Our approach to managing accessibility
Shareholder/ Investors	**FC Financial capital** • Shareholder funds • Borrowings • Deposits from customers • Investments	• Internal Capital Adequacy Assessment Process (ICAAP) • Compliance with Basel III requirements (Implemented by the CBSL) • Profit retention and dividend policy • Risk-Weighted Assets (RWA) optimisation • Crisis preparedness and capital buffers
Customers	**MC Manufactured capital** • Branch network and Head office building • Smart zones • IT hardware and core banking system • Security systems • Digital infrastructure and networks • Other physical infrastructure	• Performance assessment of each branch based on cost efficiency, footfall, and profitability • Use of mobile banking units, agent banking (postal network) to extend reach with minimal fixed infrastructure • Core banking system upgrades • Disaster Recovery Sites (DRS) and Business Continuity Plans (BCP) • Invest in firewalls, monitoring systems, and secure endpoints to protect manufactured digital capital
Employees	**HC Human capital** • Employees at all stages • Skill development and leadership training • Diversity and inclusion • Equal opportunities • Cultural alignment • Work-life balance	• Talent demand forecasting and gap analysis • Employee development and upskilling • Promote female leadership, especially in Senior Management and Board roles • Recruit from across Sri Lanka to reflect diversity of employees and enhance branch operations • Strengthen policies for safe working environments in line with public health guidelines
Regulators and Government institutions	**IC Intellectual capital** • Trusted brand • Corporate culture • Tacit knowledge • Processes and procedures • Technology and innovation	• Knowledge Management Systems (KMS) • Disaster recovery and IT backups • Invest in consistent, values-driven branding that strengthens customer trust and employee pride • Ensure CBSL-aligned practices for data privacy, security, quality, and integrity
Business partners	**SRC Social and relationship capital** • Customers • Business partners • Regulators • Society and environment	• Transparent communication • Responsible advertising • Promote banking access in underserved regions through mobile banking and agent banking • Relationship with government and development partners
Society and environment	**NC Natural capital** • Natural resources • Green buildings and eco-friendly systems • Renewable energy • Reforestation programmes	• Design or retrofit bank buildings according to green building standards • Shift to solar energy • Promote e-statements, online applications, and mobile banking to reduce paper consumption • Sustainable procurement and waste management • Green financing and sustainable products

Operating environment pages 28 to 33

P E S

BUSINESS MODEL

FIGURE 9

Our values page 10

Our purpose page 10





Outputs

Products

page 13

Deposits

Savings deposits

Time deposits

Lending products

Retail lending

- Personal loans
- Housing loans
- Pawning advances
- Loans against deposits
- Auto loans

Corporate lending

- Direct lending to Financial Institutions
- Loan syndication
- Project lending

Services

page 13

Inward and outward remittances

Trade finance

Value added services

- Card services
- Utility bill payments
- NSB PayApp

Environmental sustainability

GRI Content Index

page 491

Outcomes

- Profit before tax – Rs. 44.5 Bn.
- Profit after tax – Rs. 27.3 Bn.
- Interest paid – Rs. 112.9 Bn.
- Contribution to the Government Rs. 36.4 Bn.

- Branch relocations – 5
- New branch opening – 1
- Capital expenditure – Rs. 2.3 Bn.
- Software acquisition – Rs. 1.2 Bn.
- Branch network – 263
- ATMs/CRMs – 418

- Motivated and engaged workforce
- Personnel expenses – Rs. 19.9 Bn.
- Professionally qualified employees – 2,876
- Higher retention rate – 97.7%

- Active customer accounts – 10.5 million
- Zero non-compliance
- 100% local employment

- Implementation of core banking system
- Implementation of Human Resource Information System (HRIS)
- NSB virtual card launch

- Lower energy and water consumption across branches
- Recognition as a green and socially responsible bank

T E L

BUSINESS MODEL

STATEMENT OF CAPITAL DISTRIBUTION

	2025	2024	2023	CAGR %	Activities undertaken
FC Financial capital					
Cash and cash equivalents (Rs. Bn.)	8.33	8.36	9.51	(6.42)	Delivering consistent financial performance, optimising asset growth, and ensuring prudent capital management, thereby enhancing long-term returns and strengthening stakeholder confidence.
Deposits from customers (Rs. Bn.)	1,608.49	1,556.27	1,482.53	4.16	
Borrowings (Rs. Bn.)	56.05	65.64	94.40	(22.95)	
Share capital and reserves (Rs. Bn.)	119.05	98.84	81.37	20.95	
Net interest margin (%)	4.74	4.22	1.79	–	
Return on average shareholder's equity (ROE) (%)	25.08	17.89	9.36	–	
Return on average assets (ROA) (%)	2.48	1.53	0.26	–	
MC Manufactured capital					
Property, plant and equipment (Rs. Bn.)	20.94	20.64	19.16	4.54	Investing in modernising our branch network, expanding digital infrastructure, and enhancing operational efficiency, ensuring greater accessibility and improved service delivery for customers across the country.
Capital expenditure (Rs. Bn.)	2.31	3.04	1.58	21.11	
Number of branches	263	262	262	0.19	
Number of ATM/CRMs	418	417	417	0.12	
Total operating income per branch (Rs. Mn.)	340.14	290.62	131.09	61.08	
Profit per branch (Rs. Mn.)	169.18	100.26	16.36	221.53	
HC Human capital					
Total employees	4,203	4,212	4,358	(1.79)	Investing in employee development, fostering a culture of inclusivity and performance, and promoting leadership excellence, ensuring a skilled, motivated, and future-ready workforce.
Revenue per employee (Rs. Mn.)	48.24	49.30	53.25	(4.82)	
Profit per employee (Rs. Mn.)	10.59	6.24	0.98	228.03	
Retention ratio (%)	97.7	96.2	96.3		
Total training hours	45,073	29,165	52,630	(7.46)	
Young blood in decision making positions (Number of employees)	331	202	191	31.64	
Women leadership	451	241	257	32.47	
IC Intellectual capital					Fostering innovation, enhancing employee expertise, and investing in knowledge systems and digital platforms, ensuring continuous improvement in service excellence and organisational resilience.
Investment in intangible assets (Rs. Bn.)	1.24	2.04	0.74	28.94	
Brand Ranking	5	N/A	7		
Brand value (USD Mn.)	86	N/A	62		
Credit rating	AAA	AAA	AAA		
Employees over 10 years of service	1,873	1,895	1,916	(-1.13)	
SRC Social and relationship capital					Fostering trust with stakeholders, promoting financial inclusion, and engaging meaningfully with communities, thereby building enduring partnerships that support sustainable development.
Contribution to the Government (Rs. Bn.)	36.43	19.66	(1.63)		
Number of cards in use	1,258,508	1,171,547	1,147,651	4.72	
Payments to retired employees (Rs. Bn.)	2.70	2.81	2.11	13.16	
NC Natural capital					Promoting green financing, enhancing operational eco-efficiency, and supporting environmental conservation initiatives, helping to safeguard natural resources for future generations.
Energy consumption – GJ	35,353	32,883	30,621		
Water consumption – m^3	68,815	62,744	73,895		
Exported to the national grid – kWh	572,045	467,762	461,584		

TABLE 3

BUSINESS MODEL

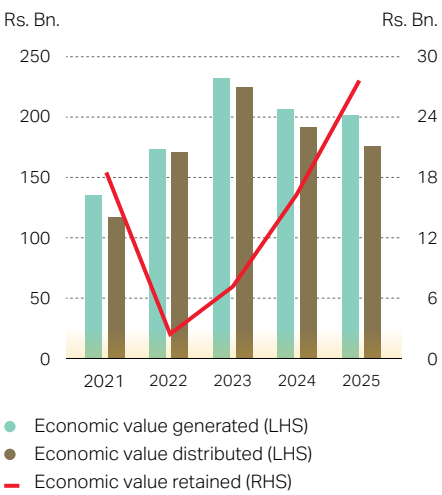
GRI 201-1

ECONOMIC VALUE ADDED STATEMENT

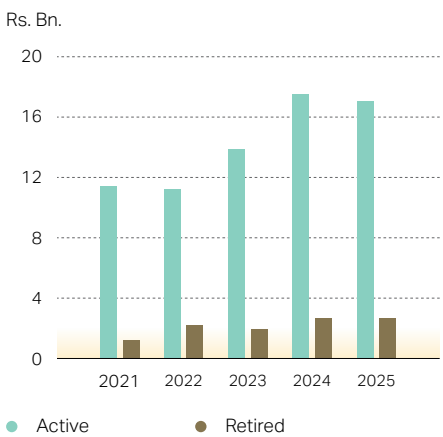
	Bank			Group		
	2025 Rs. Mn.	2024 Rs. Mn.	Change %	2025 Rs. Mn.	2024 Rs. Mn.	Change %
Direct Economic Value Generated[LA]						
Interest income	197,777	203,748	(2.93)	202,459	208,632	(2.96)
Fee and other income	2,560	1,751	46.26	2,561	1,756	45.84
Other income	2,047	1,810	13.11	2,510	2,700	(7.04)
Economic value generated	202,385	207,309	(2.38)	207,531	213,088	(2.61)
Economic value distributed[LA]						
To employees						
Active	17,193	17,500	(1.75)	17,264	18,002	(4.10)
Retired	2,699	2,806	(3.84)	2,704	2,844	(4.91)
	19,892	20,306	(2.04)	19,968	20,846	(4.21)
To providers of external funds						
Depositors	106,983	123,882	(13.64)	106,993	123,892	(13.64)
Borrowers	5,945	7,283	(18.37)	9,047	9,671	(6.45)
	112,928	131,165	(13.90)	116,040	133,563	(13.12)
Payment to Government						
Consolidation fund/dividend	6,088	–	100.00	6,088	–	100.00
VAT, SSCL and Income tax	30,066	19,493	54.24	31,044	20,751	49.60
Deposit insurance	1,524	1,413	7.84	1,524	1,413	7.84
National Insurance Trust Fund (Crop Levy)	273	163	67.76	273	163	67.76
	37,952	21,069	80.13	38,930	22,328	74.36
Operating cost						
Impairment for loans and other losses	1,637	11,526	(85.80)	1,571	11,514	(86.35)
Other expenses	2,655	7,120	(62.70)	2,859	7,341	(61.06)
	4,292	18,646	(76.98)	4,430	18,855	(76.50)
Economic value retained[LA]	27,321	16,122	69.46	28,163	17,497	60.96
Total value allocated	175,064	191,186	(8.43)	179,368	195,591	(8.29)

TABLE 4

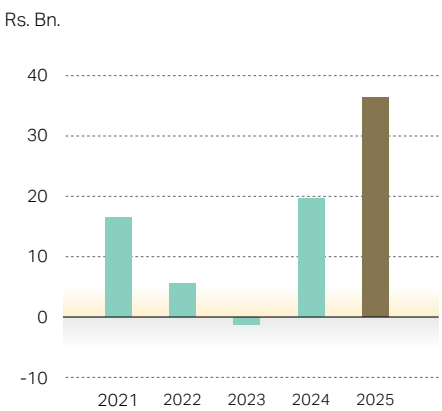
Five year analysis of EVA Graph 14



Payments to employees Graph 15



Contribution to the GOSL Graph 16



STRATEGY AND RESOURCE ALLOCATION

1 HOW NSB GENERATES VALUE AND OUR UNIQUE VALUE PROPOSITION

National Savings Bank generates sustainable value through a clear, end-to-end process: mobilising savings via trusted, widespread channels, stewarding those funds through prudent financial management, and deploying them to deliver secure services, inclusive access, and financing for national development. This cycle reinforces economic resilience and depositor confidence.

Our unique value proposition and foundational advantage is the 100% explicit Government guarantee on all deposits, providing unparalleled sovereign-backed trust and stability. This positions NSB as Sri Lanka's safest savings institution, enabling long-term mandate delivery through economic cycles.

We actively strengthen this trust by integrating sustainability into our core strategy. We manage risks such as climate-related disruptions through resilient operations and responsive relief programs, while seizing opportunities in green finance and fair customer outcomes. This proactive management of environmental and social factors secures the integrity of our value chain from start to finish, ensuring durable value for depositors, customers, and the nation.



Statement from the General Manager/ CEO – Sustainability and strategy

Sustainability is integral to NSB's mandate and long-term resilience. It strengthens depositor confidence, supports fair customer outcomes, and enables the Bank to contribute responsibly to national economic and social priorities while responding to emerging risks and opportunities. In 2025, we elevated climate and community resilience following Cyclone Ditwah, strengthened governance and controls for decision-useful disclosures, and progressed the alignment of our Integrated Risk Management Framework with SLFRS S1 and SLFRS S2 expectations. Our strategy balances stability with transformation, investing in customer outcomes, digital capability, risk culture, and resilience finance so we create sustainable value over the short, medium and long term for depositors, customers, Government and society.

Mr Rohana Bandara Weerakoon

2 CRAFTING STRATEGY THROUGH AN INTEGRATED THINKING APPROACH

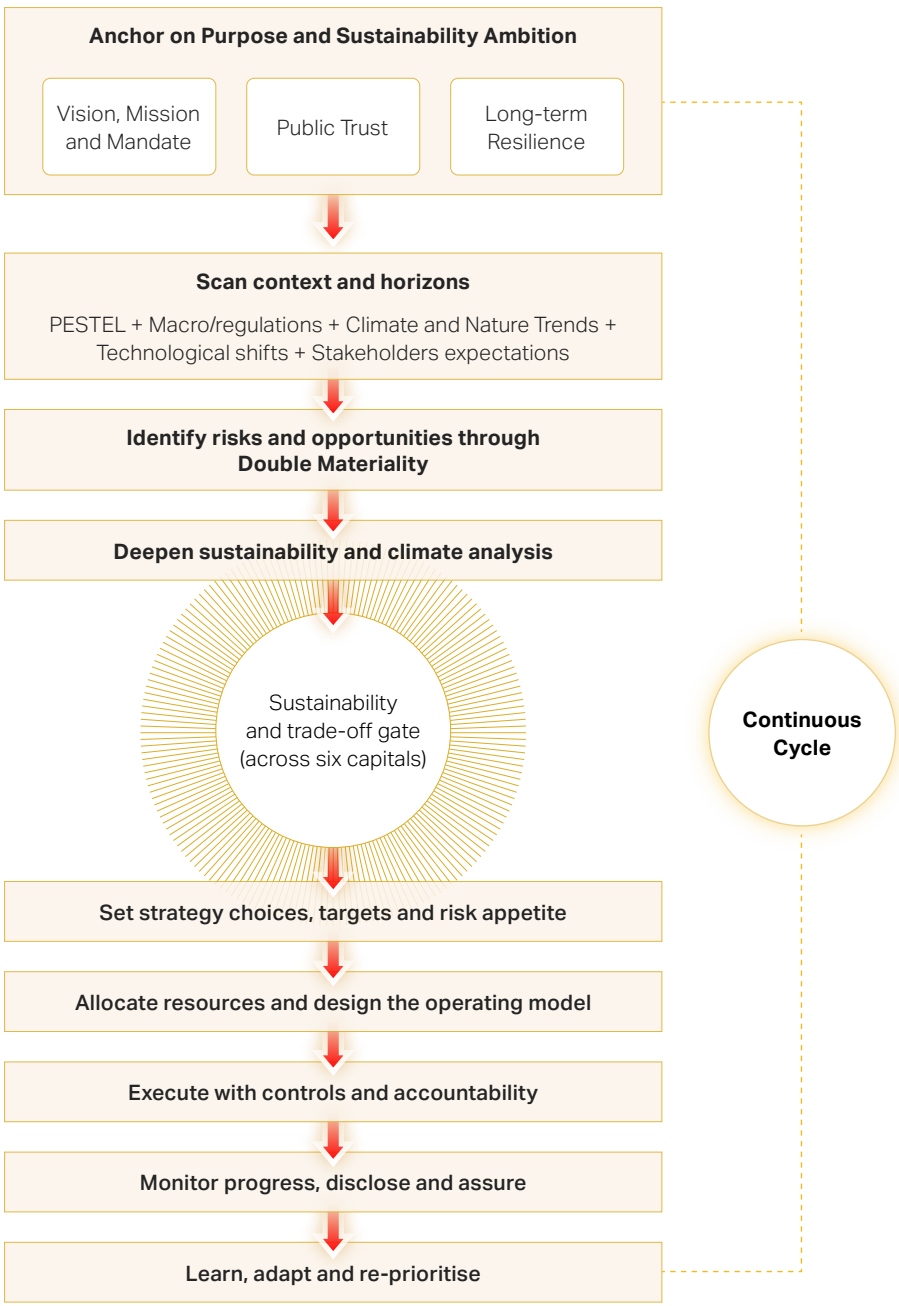
NSB's strategy is organised into six mutually reinforcing pillars that connect our mandate, transformation agenda and resilience priorities. We apply an INTEGRATED THINKING approach that links external conditions, stakeholder expectations and the Bank's material matters, those topics most significant to value creation and wider impacts. These inputs are translated into a principal risk and opportunity view, including sustainability-related and climate-related risks and opportunities (SRROs and CRROs) in line with SLFRS S1 and SLFRS S2. Strategic choices and resource allocations are then assessed across the six capitals to ensure balanced trade-offs, resilient delivery and sustainable value creation over the short, medium and long term. Accountability is embedded through defined Key Performance Indicators/Key Risk Indicators (KPIs/KRIs), executive ownership, governance oversight and assurance supporting disciplined execution, ongoing monitoring and timely course correction while progressively strengthening the Bank's Integrated Risk Management Framework.

SWOT-LED LENS ON INTERNAL EXCELLENCE

S	W	O	T
Strengths	**Weaknesses**	**Opportunities**	**Threats**
• Deposits and interest payments are fully guaranteed by the Government of Sri Lanka. • Trust and confidence as a fully Government-owned bank. • A banking legacy of over 190 years. • Collaboration with the postal network. • Extensive customer reach across the island, exceeding 4,000+ service points.	• Constraints on business growth arising from the provisions of the NSB Act. • Restricted portfolio diversification due to the requirement to invest 60% of deposits in Government securities. • Stringent guidelines slow down the adoption of new technologies.	• Digitalisation growth and Government push for a digital economy. • Focus on green finance, ESG, and sustainability goals. • Boost in infrastructure development initiatives. • Rising financial literacy levels. • Expanding remittance market from increased migration.	• Rapidly changing consumer behaviour and disruptive technologies. • Rising security, authentication, and cybersecurity risks. • Increasing regulatory risks and compliance demands. • Talent retention challenges due to economic conditions and brain drain. • Intense competition from banks and non-banking players.

STRATEGY AND RESOURCE ALLOCATION

3 STRATEGY SETTING PROCESS WITH SUSTAINABILITY AND CLIMATE INTEGRATION



4 HOW WE ALLOCATE OUR RESOURCES

NSB allocates resources to maximise long-term value creation while safeguarding stability, trust and depositor confidence. Allocation decisions are guided by:

- **Resilience and risk appetite:** ensuring capital and liquidity buffers remain within approved limits, while prioritising investments that protect operational continuity, cyber/privacy resilience and conduct discipline so the Bank can absorb shocks without compromising service delivery or confidence.
- **Strategic impact:** directing funding and capacity to initiatives that materially improve customer outcomes and inclusion, accelerate transformation delivery, and strengthen sustainability and climate response especially where actions support mandate execution and protect reputation.
- **Capacity and capability:** matching priorities with execution readiness by strengthening critical skills, system capability, vendor resilience, and data/reporting maturity, therefore programmes are deliverable, controlled, and supported by reliable information for decision-making.
- **Efficiency and economic value:** pursuing productivity and efficiency gains through process improvement and digital enablement, while maintaining service quality, customer protection and control effectiveness, thus cost optimisation does not erode trust or resilience.
- **Governance and accountability:** allocating resources through clear ownership, measurable outcomes and disciplined oversight, supported by control assurance and disclosure readiness ensuring transparency, timely escalation and sustained delivery against agreed KPIs/KRIs.

STRATEGY AND RESOURCE ALLOCATION

4.1 NSB resource allocation process

Our resource allocation follows a disciplined cycle that links strategy, risk and performance, ensuring that funding, people and technology are directed to the highest-value priorities while protecting resilience and trust:

1. **Prioritisation:** Initiatives are screened against the six Strategy Pillars, the Bank's material matters, and the principal risk and opportunity set (including SRROs/CRROs), so that resources concentrate on what most affects the value creation and stakeholder outcomes.
2. **Business case discipline:** Each initiative is supported by a structured case that sets out the intended outcomes, key dependencies, embedded risk mitigants and control requirements, success measures and a clearly accountable executive owner.
3. **Capital and liquidity checks:** Proposals are tested against risk appetite, capital and liquidity buffers, and stress test insights to confirm that strategic investment decisions remain consistent with financial resilience and depositor confidence requirements.
4. **Portfolio balancing:** The investment portfolio is balanced between "run the bank" priorities (service continuity, control maturity, cyber/privacy, compliance and operational reliability) and "change the bank" priorities (digital transformation, product/service innovation, sustainability and climate readiness), with deliberate trade-offs and sequencing.
5. **Governance approvals:** Management committees review feasibility, risk/control adequacy and benefit clarity while Board/Board committee oversight confirms strategic alignment, prioritisation, funding envelope, accountability and disclosure readiness where relevant.
6. **Monitoring and course correction:** Progress is tracked at least quarterly using delivery milestones, benefits realisation measures, control effectiveness indicators and emerging risk signals. Variances trigger escalation, corrective actions, re-phasing, or reallocation of resources to maintain momentum and resilience.

5 STRATEGY PILLARS

5.1 Customer centricity and financial inclusion

At NSB, we focus to strengthen trust by delivering consistently fair customer outcomes across every channel. This includes improving accessibility and assisted-service options, tightening product governance such as pricing, suitability and affordability checks, and strengthening complaints and grievance handling with clear escalation and root-cause fixes. Following Cyclone Ditwah, additional emphasis is placed on maintaining service access in affected areas and ensuring timely, well-governed relief and restructuring delivery for impacted customers and communities.

5.2 Sustainable organic growth and portfolio optimisation

Our approach is to grow from within while safeguarding balance-sheet strength. We prioritise Asset and Liability Management (ALM) agility, disciplined pricing, and active portfolio steering to protect margins and earnings quality. Asset quality is supported through early warning and recovery actions, concentration and collateral monitoring, and strong capital and liquidity buffers aligned to risk appetite. Disaster and climate overlays are progressively integrated into monitoring and planning so that portfolio resilience strengthens as conditions and data capabilities evolve.

5.3 People, culture and engagement excellence

We prioritise in building the capability and culture required for reliable execution. This includes targeted recruitment for critical skills such as digital, risk, credit, ESG and data, structured upskilling and leadership development, and performance accountability aligned to strategic delivery. Wellbeing, safety and inclusion are treated as resilience enablers supported through safeguarding and grievance mechanisms, change support, and initiatives that sustain engagement, service culture and productivity during transformation.

5.4 Risk culture, governance and compliance discipline

Our objective is to embed governance and ethical conduct as a strategic advantage that protects depositor confidence and stakeholder trust. This pillar strengthens oversight through Board and management committee routines, clearer accountability under the three lines of defence, and consistent disclosure discipline. It also advances financial crime controls through stronger CDD/KYC, transaction monitoring and awareness programmes, while reinforcing proactive stakeholder engagement and crisis communications to protect reputation and maintain confidence in the Bank.

5.5 Digital acceleration and data-led banking

Our ambition is to scale a secure, reliable and customer-friendly digital operating model. This includes strengthening omnichannel journeys, automation and analytics to improve service and efficiency, while ensuring responsible governance for data use, privacy, consent and models (including emerging AI/analytics). Cybersecurity, DR/BCP maturity, and third-party/outsourcing resilience are treated as core capabilities supported through monitoring, testing, vendor governance and continuity assurance to protect availability and customer trust as digital dependency grows.

5.6 Sustainability, climate and community resilience

Our strategic focus on climate and resilience further heightened by Ditwah and evolving expectations under SLFRS S1 and S2. We strengthen operational continuity and recovery capability, including structured recovery finance, resilience-aligned products and improved appraisal overlays for affected regions and climate-sensitive exposures. It also advances sustainability governance and reporting readiness through stronger ESG data controls, assurance preparation and alignment pathways, while progressively building climate and nature risk awareness to support better portfolio resilience, stakeholder confidence and decision-useful disclosures over time.

6 KEY STRATEGIC ENABLERS ACROSS THE SIX STRATEGY PILLARS

Execution of our 2025 strategy is anchored on a small set of cross-cutting enablers that strengthen delivery consistency, control maturity and resilience. The table below summarises the key strategic enablers for each pillar and how NSB has achieved in 2025, including enhancements introduced following Cyclone Ditwah and the progressive alignment of governance and controls with SLFRS S1 and SLFRS S2 expectations.

Strategy pillar	Key strategic enablers	How NSB has achieved/is achieving
PILLAR 1 **Customer centricity and financial inclusion** →	Trust and outcomes	☑ Strengthened customer outcomes governance (fair outcomes, conduct, complaints/redress) using complaint analytics and root-cause remediation
	Digital and resilience	☑ Improved omnichannel and assisted-service delivery for vulnerable segments, strengthened continuity and customer communications in affected districts
PILLAR 2 **Sustainable organic growth and portfolio optimisation** →	Balance-sheet discipline	☑ Reinforced capital/liquidity and pricing discipline, increased portfolio review frequency and strengthened scenario/stress testing
	Governance and assurance	☑ Enhanced early-warning and recovery toolkits, tightened concentration oversight, integrated disaster/climate overlays into monitoring where relevant
PILLAR 3 **People, culture and engagement excellence** →	People and change	☑ Advanced targeted capability uplift (digital, risk, ESG, data), supported by specialist inputs for critical roles and stronger leadership/succession focus
	Governance and assurance	☑ Strengthened engagement and performance routines, embedded wellbeing, safeguarding and emergency readiness as continuity enablers
PILLAR 4 **Risk culture, governance and compliance discipline** →	Governance and assurance	☑ Strengthened oversight routines and escalation discipline across committees and the three lines of defence, reinforced policy governance and compliance testing
	Trust and outcomes	☑ Enhanced fraud/AML controls and awareness, strengthened disclosure discipline and proactive stakeholder engagement to protect confidence and reputation
PILLAR 5 **Digital acceleration and data-led banking** →	Digital and resilience	☑ Accelerated omnichannel delivery with DR/BCP testing, matured cyber monitoring, access controls and incident readiness
	Governance and assurance	☑ Strengthened data/model governance for safer analytics, tightened outsourcing governance, vendor continuity testing and concentration management
PILLAR 6 **Sustainability, climate and community resilience** →	Digital and resilience	☑ Elevated resilience post-Ditwah through continuity arrangements, borrower relief and recovery finance delivery, strengthened community partnerships/outreach
	Governance and assurance	☑ Progressed sustainability governance and reporting controls toward SLFRS S1 and SLFRS S2 readiness, advanced footprint efficiency actions and progressive portfolio screening awareness

STRATEGY AND RESOURCE ALLOCATION

Capital allocation dependency by strategy pillar

Capital	PILLAR 1 Customer centricity and financial inclusion	PILLAR 2 Sustainable organic growth and portfolio optimisation	PILLAR 3 People, culture and engagement excellence	PILLAR 4 Risk culture, governance and compliance discipline	PILLAR 5 Digital acceleration and data-led banking	PILLAR 6 Sustainability, climate and community resilience
Financial	●	●	●	●	●	●
Manufactured	●	●	●	●	●	●
Intellectual	●	●	●	●	●	●
Human	●	●	●	●	●	●
Social and Relationship	●	●	●	●	●	●
Natural	●	●	●	●	●	●

Strategic enabler dependency by strategy pillar

Key strategic enabler	PILLAR 1 Customer centricity and financial inclusion	PILLAR 2 Sustainable organic growth and portfolio optimisation	PILLAR 3 People, culture and engagement excellence	PILLAR 4 Risk culture, governance and compliance discipline	PILLAR 5 Digital acceleration and data-led banking	PILLAR 6 Sustainability, climate and community resilience
Trust and outcomes	●	●	●	●	●	●
Balance-sheet discipline	●	●	●	●	●	●
People and change	●	●	●	●	●	●
Governance and assurance	●	●	●	●	●	●
Digital and resilience	●	●	●	●	●	●

● High ● Moderate ● Low

7 MANAGING STRATEGIC TRADE-OFFS

NSB manages strategic trade-offs deliberately across the six capitals to protect stability and depositor confidence while enabling transformation. These trade-offs are assessed through business cases, risk appetite alignment, and governance oversight, ensuring that decisions strengthen sustainable value creation rather than shifting risk elsewhere in the system. Key trade-offs in 2025 included:

- **Short-term performance vs long-term investment**
  Our approach balances near-term earnings discipline with continued investment in capabilities that protect future competitiveness and resilience, particularly digital modernisation, disaster recovery readiness, and sustainability disclosure capability. Where investments create temporary cost or income pressure, they are prioritised based on risk reduction, service continuity and long-term time.

- **Efficiency vs service quality and fairness**
  Automation and process standardisation improve cost-to-serve and speed, but NSB safeguards service quality by embedding customer outcome controls such as affordability/suitability checks, strengthened complaints governance, and assisted-service models for vulnerable segments. This ensures efficiency gains do not come at the expense of accessibility, fairness or trust.

- **Risk discipline vs innovation pace**
  Digital and analytics-led improvements are pursued with "responsible innovation" guardrails. Our model governance, privacy and consent controls, and change assurance processes are designed to enable faster delivery while preventing conduct, data or model risks from undermining customer protection or regulatory confidence especially as analytics use cases expand.

- **Cost optimisation vs resilience and control maturity**
  NSB recognises that resilience is not optional in an environment of rising cyber threats and climate/disaster disruption. Accordingly, cost initiatives are evaluated against minimum control and continuity standards, prioritising cybersecurity and Personal Data Protection Act (PDPA) readiness, DR/BCP testing, vendor assurance and concentration risk management, so that efficiency programmes do not weaken operational stability or control effectiveness.

- **Growth targets & portfolio expansion vs. environmental & social risk exposure**
  We balance the pursuit of growth with the imperative to manage our environmental and social footprint. This involves making disciplined choices to avoid financing activities with severe negative impacts on climate, nature, or community welfare etc while actively seeking opportunities in green and social finance. The trade-off is managed through strict ESG due diligence, climate risk overlays in credit appraisal, and sectoral exposure limits, ensuring our growth is both financially sound and aligned with our sustainability mandate and national development goals.

Across these trade-offs, NSB's decision lens is consistent: protect trust and stability first, then sequence transformation investments to deliver measurable customer outcomes, stronger resilience and sustainable growth.

8 QUALITATIVE ASSESSMENT OF STRATEGY AND BUSINESS MODEL RESILIENCE

NSB's strategy and business model are being proactively stress-tested for resilience against sustainability-related risks, particularly climate change. Our approach integrates qualitative governance with quantitative scenario analysis aligned with the TCFD/Sustainability (SLFRS S1 and S2) related disclosure framework, which allows us to assess, quantify, and mitigate potential financial impacts across different time horizons. This integrated strategy and evolving approach to capital deployment, backed by specific targets and robust financial buffers, enhance the durability of our financial performance and position, thereby safeguarding value for all stakeholders over the short, medium, and long term.

- **Resilience of Strategic Pillars with quantitative filters:** Each pillar incorporates sustainability criteria with measurable targets to reduce concentrated exposure in climate-vulnerable sectors.

- **Adaptive lending and investment approach:** Our core business model is being adapted through how we deploy capital. We are directing lending and investment towards activities that build systemic and borrower resilience. This includes financing for climate-adaptive agriculture and providing post-disaster restructuring, as demonstrated by the relief extended to borrowers affected by Cyclone Ditwah.

- **Capital and liquidity buffers under scenarios:** Our capital planning explicitly considers climate scenarios. Internal analysis under a severe climate shock scenario indicates a potential increase in credit loss provisions, which remains within our capital appetite. We proactively maintain a Capital Adequacy Ratio (CAR) 250-300 basis points above the regulatory minimum and a Liquidity Coverage Ratio (LCR) exceeding 120% to act as a financial buffer against such sustainability-related shocks.

- **Governance-driven quantitative monitoring:** Board-level oversight mandates regular quantitative reporting. This includes tracking the percentage of branches with validated business continuity plans (BCP) for climate events and monitoring annual reductions in operational energy consumption.

STRATEGY AND RESOURCE ALLOCATION

PROGRESS AGAINST OUR STRATEGIC PILLARS

1 Customer centricity and financial inclusion



Our focus

Deliver fair, accessible and reliable banking outcomes, improve service experience across channels, and strengthen inclusion.

Why it is important

Customer trust and fairness in outcomes are central to NSB's mandate and long-term sustainability. Strong customer protection and responsive service quality reduce conduct and reputational risks while strengthening retention and confidence (Refer Risk and opportunities pages 34 to 39, stakeholder engagement pages 52 to 59, Social and relationship capital pages 144 to 171).

Resource allocation

Prioritised investments across service governance, product/pricing reviews, complaints and redress capacity, frontline capability uplift, and outreach partnerships.

Key interventions to deliver the strategy

- Service standards and redress mechanisms were strengthened using complaint analytics and root-cause remediation.
- Assisted-service approaches and continuity measures supported vulnerable and affected customer segments, including Ditwah regions.

(Refer Stakeholder engagement pages 52 to 59, Manufactured capital pages 109 to 116)

Outcomes we aim to deliver

- **Short-medium term (1-5 years):** strengthen complaints governance with closed-loop accountability. Embed affordability into origination and deploy real time relief frameworks. Scale assisted services that merge digital ease with human empathy and make financial literacy a continuous engagement layer, especially for Gen C and Gen alpha who value transparency and proactive care.
- **Long-term (Over 5 years):** Make outcomes the only product that matters. Grow by including more people not just serving them. Let trust earned quietly, kept consistently and be the reason customers never want to leave.

KPI snapshot TABLE 5

	Unit	2025	2024	2023
Customer complaints received	Nos.	466	492	488
Complaints resolved	Nos.	422	455	361
Branches with disability access	Nos.	229	229	229
Digitally enabled customers	Nos.	801,437	618,314	401,812

Related material matters →
- 1.1 Customer-centric, inclusive and affordable banking
- 1.2 Digital and financial literacy
- 6.2 Community resilience Disaster relief and social licence

Principal risks → Conduct failures, complaints escalation, service disruption, credit stress in vulnerable groups, sentiment/misinformation shocks

Principal opportunities → Inclusion-led growth and retention, safer digital adoption via literacy

Capitals → Moderate: FC MC | High: HC IC SRC

SDGs →

STRATEGY AND RESOURCE ALLOCATION

2 Sustainable organic growth and portfolio optimisation



Our focus

Strengthen balance-sheet agility, protect asset quality, sustain capital/liquidity buffers, and improve earnings quality integrating disaster/climate overlays into monitoring and planning.

Why it is important

Residual macroeconomic sensitivity, interest-rate movements and borrower stress can materially affect profitability and resilience. Disciplined portfolio optimisation supports sustainable returns and the Bank's capacity to deliver national development priorities.

Resource allocation

Prioritised on capital and liquidity buffers, ALM tools, analytics-led portfolio steering, specialist credit and recovery capability, and scenario/stress testing. (Refer Risk and opportunities pages 34 to 39, Financial capital pages 90 to 108)

Key interventions to deliver the strategy

- Portfolio review frequency and stress-testing discipline were strengthened, supported by enhanced early-warning indicators and targeted restructuring/ rescheduling frameworks.
- Monitoring and planning increasingly reflect disaster/climate overlays where relevant. (Refer Risk and opportunities pages 34 to 39, Risk management report pages 254 to 280)

Outcomes we aim to deliver

- **Short-medium term (1-5 years):** strengthen scenario planning and stress testing, proactive portfolio reviews, targeted restructuring, liquidity discipline, fee and efficiency levers
- **Long-term (Over 5 years):** More granular portfolio steering, improved income mix and risk pricing discipline, and stronger income mix and resilient growth capacity. (Refer Risk and opportunities pages 34 to 39, Financial capital pages 90 to 108, Risk management report page 254 to 280)

KPI snapshot

TABLE 6

	Unit	2025	2024	2023
Deposit market share	%	8.1	8.7	8.6
Net interest margin (NIM)	%	4.7	4.2	1.8
Return on equity (ROE)	%	25.1	17.9	9.4
Cost-to-income ratio	%	34.3	38.4	71.6
Stage 3 Ratio	%	2.5	5.2	2.4
LCR -All Currency	%	349.2	344.6	293.7
NSFR	%	206.4	193.5	180.5

Related material matters →

- 2.1 Macroeconomic stability and financial system confidence
- 2.2 Asset quality, capital and liquidity management
- 2.3 Financial sustainability and earnings resilience

Principal risks → Rate volatility, liquidity pressure/deposit shifts, credit deterioration and concentration, collateral shocks, NIM compression.

Principal opportunities → ALM agility and resilient funding, risk-adjusted growth, improved income mix and efficiency

Capitals → Moderate: HC SRC | High: FC IC

SDGs →



STRATEGY AND RESOURCE ALLOCATION

3 People, culture and engagement excellence



Our focus

Build a future-ready workforce with the skills, wellbeing, inclusion and leadership depth required to execute transformation safely and consistently strengthening performance accountability and change capability.

Why it is important

Execution capacity is a principal driver of operational resilience and service quality. Skill gaps, attrition and wellbeing risks can delay transformation, increase operational losses and weaken customer outcomes (Refer Risk and opportunities pages 34 to 39, Human capital pages 117 to 133)

Resource allocation

Prioritised investment in critical hiring, role-based learning pathways, leadership pipeline and succession tools, wellbeing/ safety programmes and culture-building mechanisms. (Refer Human capital pages 117 to 133)

Key interventions to deliver the strategy

- Targeted capability uplift in digital, risk, ESG and data disciplines was advanced, increased support of specialist inputs for critical roles.
- Engagement and internal communications routines were strengthened with wellbeing and safeguarding integrated into continuity readiness. (Refer Human capital pages 117 to 133)

Outcomes we aim to deliver

- **Short-medium term (1-5 years):** Stabilise critical skill availability, strengthen engagement routines, improve change adoption and service consistency.
- **Long-term (Over 5 years):** A sustained learning culture with leadership depth and succession readiness to support transformation and resilience. (Refer Human capital pages 117 to 133)

KPI snapshot TABLE 7

	Unit	2025	2024	2023
Employee turnover rate	%	2.3	3.8	3.7
Voluntary turnover (critical roles)	%	1.4	2.5	2.2
Training hours per employee	Hours	10.8	6.8	12.2
Internal promotion rate	%	8.4	12.6	0.1
Absenteeism rate	%	0.8	N/A	N/A

Related material matters →
- 3.1 Talent attraction/retention and future-ready skills
- 3.2 Employee health, safety, wellbeing and inclusive culture

Principal risks → Skill gaps, attrition, transformation delay, safety and psychosocial risks

Principal opportunities → Capability uplift (digital/risk/ESG/data), productivity, stronger engagement and service culture, leadership depth

Capitals → Moderate: FC IC SRC | High: HC

SDGs →

STRATEGY AND RESOURCE ALLOCATION

4 Risk culture, governance and compliance discipline



Our focus

Strengthen governance, ethical conduct, disclosure discipline and risk culture, enhance fraud/AML controls, protect trust and confidence through proactive stakeholder engagement.

Why it is important

Trust and licence-to-operate depend on disciplined governance and compliance. In a high-scrutiny environment, weak controls or disclosure gaps can trigger regulatory outcomes, reputational damage and financial loss. (Refer Corporate governance pages 231 to 253, Risk management report pages 254 to 280)

Resource allocation

Prioritised deployment to governance/ committee routines, compliance testing, fraud/AML specialist capacity, assurance readiness and stakeholder engagement mechanisms. (Refer Corporate governance pages 231 to 253, Board Audit committee report pages 245 to 247)

Key interventions to deliver the strategy

- Oversight and escalation routines were strengthened, enhanced CDD/KYC, monitoring and screening.
- Ethics and compliance training and assurance practices were reinforced, by improved transparency and proactive engagement to protect trust. (Refer Human capital pages 117 to 133)

Outcomes we aim to deliver

- **Short-medium term (1-5 years):** strengthen oversight routines, reinforce fraud/AML controls and awareness, improve stakeholder communication and sentiment response
- **Long-term (Over 5 years):** Embed risk culture into performance management and decision governance, sustain trust-based differentiation.

KPI snapshot

TABLE 8

	Unit	2025	2024	2023
Regulatory breaches	Nos.	Zero	Zero	Zero
Compliance exceptions closed on time	%	100	100	100
AML/CFT: STR/CTR submissions on time	%	100	100	100

Related material matters →
- 4.1 Governance excellence, compliance and ethical conduct
- 4.2 Financial crime, fraud and AML/CFT
- 4.3 Trust, reputation and proactive stakeholder engagement

Principal risks → Non-compliance/penalties, integrity and conduct risk, fraud/AML breaches, weak disclosure, reputation shock

Principal opportunities → Trust-based differentiation, analytics-led controls, improved transparency and stakeholder confidence

Capitals → Moderate: FC | High: HC IC SRC

SDGs →

STRATEGY AND RESOURCE ALLOCATION

5 Digital acceleration and data-led banking



Our focus

Accelerate omnichannel delivery and automation, strengthen data governance and model controls, and enhance cyber/privacy/operational resilience including third-party and outsourcing governance.

Why it is important

Digital dependency increases operational and cyber exposure. Strong controls and resilience testing protect customers and continuity while enabling efficiency, reach and better decisioning.

Resource allocation

Prioritised investments include digital platforms, cyber/privacy controls, data architecture, model governance, DR/BCP testing, and vendor/outsourcing assurance. (Refer Intellectual capital pages 134 to 143)

Key interventions to deliver the strategy

- Omnichannel execution accelerated alongside stronger DR/BCP testing, cyber monitoring, access control maturity and incident readiness.
- Data governance and model controls were strengthened to support safer analytics adoption with tighter vendor governance and continuity testing. (Refer Intellectual capital pages 134 to 143)

Outcomes we aim to deliver

- **Short-medium term (1-5 years):** Higher reliability and customer-safe digital adoption, improved resilience testing, stronger vendor controls.
- **Long-term (Over 5 years):** Responsible scaling of automation and analytics, lower cost-to-serve, improved decision quality and customer experience. (Refer Intellectual capital pages 134 to 143)

KPI snapshot TABLE 9

	Unit	2025	2024	2023
Digital active customers	Nos.	801,437	618,314	401,812
Critical system uptime (channels/core)	%	99.98	99.97	N/A
Cybersecurity incidents (material)	Nos.	Zero	Zero	Zero
DR/BCP test success	%	100	100	100

Related material matters →
- 5.1 Digital transformation and responsible AI/analytics
- 5.2 Cybersecurity, data privacy and operational resilience
- 5.3 Third-party/outsourcing and vendor resilience

Principal risks → Cyberattacks/outages, PDPA breaches, model risk & weak data quality, vendor concentration/SLA failure, major-change disruption

Principal opportunities → Omnichannel scale and efficiency, improved decisioning/personalisation, responsible AI controls, stronger resilience and vendor governance

Capitals → Moderate: SRC | High: FC HC IC

SDGs →

STRATEGY AND RESOURCE ALLOCATION

6 Sustainability, Climate and Community Resilience



Our focus

Integrate climate/disaster resilience into operations and portfolio decisions, strengthen recovery finance capacity, improve footprint efficiency, and progress SLFRS S1 and SLFRS S2-ready sustainability governance and disclosures.

Why it is important

Cyclone Ditwah reinforced the materiality of physical disruption, borrower stress and recovery needs. Climate-related risks can affect credit quality, continuity and reputation, while SLFRS S1 and SLFRS S2 expectations require stronger governance, controls and decision-useful disclosures.

Resource allocation

Resource deployment prioritised recovery finance capacity, climate overlays in credit/portfolio processes, ESG data architecture and reporting controls, footprint efficiency programmes, and resilience partnerships. (Refer Sustainability framework page 60, Intellectual capital pages 134 to 143)

Key interventions to deliver the strategy

- Resilience response and continuity arrangements were elevated post-Ditwah, including borrower relief and recovery finance delivery.
- ESG governance and reporting control readiness progressed toward SLFRS S1 and SLFRS S2, supported by community partnerships and footprint efficiency actions, alongside progressive portfolio risk-screening awareness. (Refer Sustainability framework page 60, Natural capital pages 172 to 181)

Outcomes we aim to deliver

- **Short-medium term (1-5 years):** strengthen recovery finance and relief/restructuring, embed climate considerations into appraisal overlays, improve ESG governance and reporting readiness, track efficiency actions.
- **Long-term (Over 5 years):** progressively enhance climate/nature risk assessment and portfolio steering, deepen resilience-aligned products, strengthen auditable disclosures.

KPI snapshot

TABLE 10

	Unit	2025	2024	2023
Green/sustainable finance disbursements	Rs. Bn.	1.0	4.0	–
ESG/Climate screening coverage (new lending)	%	100	100	100
Energy consumption	GJ	35,353	32,883	30,621
Paper reduction/paperless adoption	Nos.	900,741	685,343	N/A

Related material matters →

- 6.1 Climate resilience, disaster response and just transition finance
- 6.3 Operational environmental footprint
- 6.4 Nature, biodiversity impacts in financed portfolio
- 6.5 ESG data quality, transparency and reporting readiness (SLFRS S1 and SLFRS S2)

Principal risks →

Physical risk disrupting services, climate credit risk (sector/region exposure, collateral volatility), transition risk (policy/market shifts), Increased operational costs from recovery, higher insurance premiums, potential loss of fee income during outages.

ESG data gaps/control weaknesses and greenwashing exposure, Higher loan loss provisions, reduced net interest income from stressed sectors.

Principal opportunities →

Resilient recovery finance, resilience-aligned products/appraisal overlays, improved risk pricing/portfolio steering, footprint efficiency, new sources of interest and fee income from climate-aligned lending.

Decision-useful ESG integration and assurance readiness, Potential lower cost of capital from ESG-conscious investors, Improved access to sustainable finance markets.

Capitals → Moderate: MC HC | High: FC IC SRC NC

SDGs →



Empowering the foundation of every journey

A home is more than shelter. It is security, pride, and a statement of arrival. Through the 1st Homeowner Housing Loan Scheme and accessible mortgage products, NSB turns the dream of ownership into a tangible milestone for Sri Lankan families who have worked hard and saved with purpose.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS LINE REVIEW
80

FINANCIAL CAPITAL
90

MANUFACTURED CAPITAL
109

HUMAN CAPITAL
117

INTELLECTUAL CAPITAL
134

SOCIAL AND RELATIONSHIP CAPITAL
144

NATURAL CAPITAL
172

BUSINESS LINE REVIEW

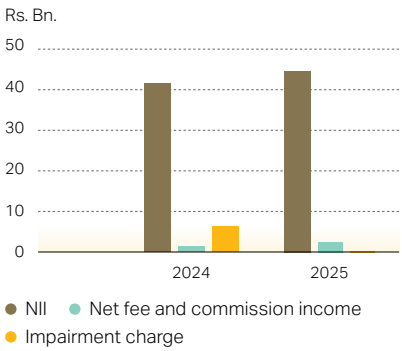
FROM STEWARDSHIP TO MEASURABLE VALUE

NSB's business model is executed through four core business lines, Retail Banking, Corporate Banking, International Banking, and Treasury. Together, they enable nationwide savings mobilisation, responsible lending, foreign currency inflows and trade facilitation, and disciplined liquidity and investment management. In 2025, we strengthened each segment with a clear focus on customer outcomes, resilience, digital enablement and sustainable value creation so that every customer journey is supported with consistency, confidence and care.

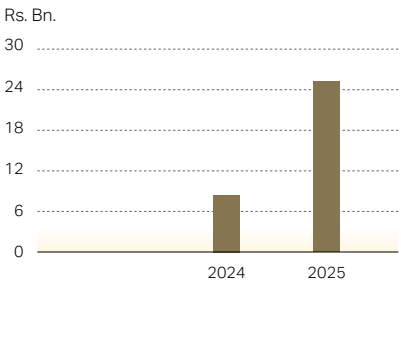
1. RETAIL BANKING

Key performance highlights

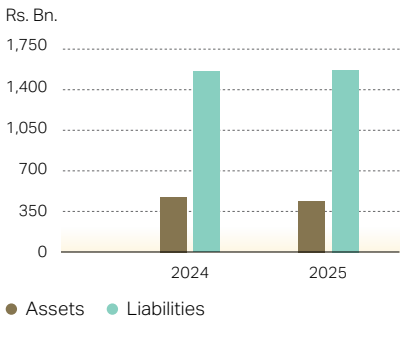
Retail banking Graph 17



Profitability Graph 18



Assets and liabilities Graph 19



Net operating income	Segment assets	Segment liabilities
Rs. 47.36 Bn.	**Rs. 441.63 Bn.**	**Rs. 1,575.41 Bn.**

1.1 Segment at a glance

The Retail Banking segment remains the bedrock of NSB, embodying our founding purpose of cultivating a savings culture among Sri Lankans. In 2025, the segment not only fortified its position as the Bank's primary source of stable, low-cost funding but also emerged as a significant contributor to bottom-line profitability through disciplined lending and an enhanced customer value proposition.

1.2 Our offerings

- **Deposit products:** savings deposits, fixed deposits, senior citizens' schemes, retirement and minor savings.
- **Retail lending:** housing, pawning, loans against deposits, personal loans (including mortgage-backed), vehicle and staff loans.
- **Digital and self-service:** NSB Mobile, NSB PayApp, Internet Banking, ATM/CDM network, branch-enabled assisted digital services.

1.3 Operating context 2025

Operating driver	Implication for NSB
Lower interest-rate cycle continues	Margin pressure and more rate-sensitive deposit behaviour, opportunity to reprice and deepen low-cost deposits.
Improving macro-stability and consumer confidence	Rebound in housing and personal credit demand, need for disciplined underwriting.
Rapid shift to digital self-service	Higher expectations for seamless onboarding, payments and cardless journeys; higher availability requirements.
Elevated fraud and cyber risk	Increased need for authentication discipline, monitoring and customer awareness.
Stronger regulatory expectations (KYC/AML, data privacy)	More stringent controls, monitoring and documentation across retail journeys.
Cost pressure (technology and distribution)	Need to optimise cost-to-income through digitisation and process simplification.

1.4 Strategic priorities and response framework

Strategic focus	Key risks/opportunities	NSB response in 2025
Strengthen low-cost deposit base	**Risk** attrition of rate-sensitive customers. **Opportunity** improve liquidity and reduce cost of funds	Targeted youth and women-centric savings propositions, campaign-led mobilisation, and digital engagement to improve retention.
Scale digital adoption safely	**Risk** fraud, downtime, and adoption gaps. **Opportunity** lower unit costs and improve experience.	Assisted-digital support at branches, service monitoring, and strengthened transaction controls.
Responsible retail credit growth	**Risk** higher delinquencies in unsecured lending. **Opportunity** increase high-quality advances.	Enhanced borrower risk profiling, collateral-backed personal lending focus, strengthened recoveries, and refined pawning proposition.
Customer protection and product governance	**Risk** adverse customer outcomes and complaints. **Opportunity** build long-term trust.	Fee/term clarity reviews, complaints root-cause discipline, service recovery playbooks and staff coaching.
Data and reporting discipline	**Risk** misreporting and false variances **Opportunity** faster, more decision-useful MIS.	Reconciliation routines for key breakdowns and exception-led follow-up with source units.

1.5 Resource allocation and enablers

Retail Banking remains the largest liability generator and a key earnings engine. The segment comprised of 92% of segmental liabilities and 24% of segmental assets. Resource allocation is presented across four levers: people capacity, technology and infrastructure, risk capital and controls, and customer reach so that the segment story connects to execution reality.

- **Nationwide distribution:** branch network plus expanded access through post offices (ePost) and weekend banking to improve convenience.
- **Technology:** continued investment in core banking modernisation, API gateway capability and digital channel enhancements to improve speed and reliability.
- **People:** frontline service capability uplift (digital onboarding support, service quality training) and specialist strengthening (fraud, cyber, analytics).
- **Controls:** strengthened KYC/AML routines, maker–checker approvals on key processes, and exception-led data validation in MIS and reporting cycles.
- **Marketing:** targeted campaigns for deposit mobilisation and digital adoption, supported by financial literacy outreach.

1.6 Performance review

The Retail Banking segment delivered a commendable performance in 2025, achieving a Profit Before Tax of Rs. 25.3 Bn. with 198.7% increase over Rs. 8.46 Bn. reported in 2024. The segment's ability to generate a strong Net Interest Income of Rs. 45.0 Bn. is a direct result of its core function: mobilising large volumes of low-cost deposits and efficiently deploying them in high-quality retail assets.

Deposit mobilisation: the cornerstone of strength

The retail deposit franchise recorded a milestone during the year, crossing Rs. 1,575 Bn. with a 6.4% growth over the same period last year. This growth, achieved in a fiercely competitive low-interest-rate landscape. Our strategy moved beyond passive accumulation to proactive relationship management.

- **Deepening Relationships:** We engaged our vast customer base through targeted campaigns that underscored the security and long-term benefits of saving with NSB. The strategic relaunch of tailored propositions for key segments including the "NSB Sthree" savings account for women and enhanced features for minor savings accounts resonated strongly with families across the nation. As a result, savings deposits, which serve as a low-cost and stable funding source for the Bank, grew by 10.4% over 2024 to reach Rs. 331 Bn.
- **Driving Digital Adoption:** Recognising the shift in customer preferences, we intensified efforts to onboard retail customers onto our digital banking platforms. The introduction of simplified self-onboarding journeys for new-to-bank customers reduced friction and acquisition costs. While the branch remains the primary touchpoint for many, we witnessed a steady increase in the usage of our mobile app for balance inquiries, fund transfers, and bill payments, laying the groundwork for future efficiency gains.

Lending: prudent expansion with a customer-centric focus

The retail loan portfolio expanded to Rs. 442 Bn. in the financial year 2025 from Rs. 426 Bn. in last year, reflecting our calibrated approach to capturing renewed credit demand. We focused on providing end-to-end support to customers, ensuring that our growth was both sustainable and value accretive.

- **Housing Loans:** Housing finance remained a flagship product. To stimulate demand, we strengthened our collaboration with the real estate sector. During the year, NSB signed Memoranda of Understanding (MoUs) with leading condominium developers. These partnerships enabled us to offer customers preferential interest rates, reduced processing fees, and dedicated support through specialised mortgage advisors. This proactive engagement resulted in healthy disbursements and contributed to the overall growth of the housing portfolio.
- **Pawning:** The pawning portfolio delivered exceptional performance in 2025, driven by the sustained uptrend in gold prices and the intrinsic appeal of NSB's secure and transparent pawning service.

Customer digital empowerment

Our digital transformation agenda for retail banking gained significant momentum in 2025. We focused on making banking simpler and more accessible.

- **Enhanced Mobile Banking:** The Bank's mobile application was upgraded with new features, including view e-statements, and manage standing instructions. This focus on user experience led to a marked increase in digital transaction volumes.
- **Merchant Solutions:** To support the transition to a cashless society, we aggressively promoted our Point-of-Sales (POS) terminals and NSB QR code solutions to retail merchants. This not only generated new fee income but also deepened our engagement with the small business ecosystem, positioning NSB as a holistic financial partner.

Asset quality management

As lending volumes scaled, maintaining robust asset quality remained a non-negotiable priority. We enforced stricter verification standards and enhanced our credit scoring models. Dedicated recovery teams worked closely with regional branches to ensure early intervention and focused engagement on any delinquent accounts. This disciplined approach ensured that the strong growth in the portfolio was not at the expense of its health.

WAY FORWARD

The outlook for retail banking remains positive, with consumer confidence expected to strengthen further. The focus will be on accelerating credit growth, particularly in housing, while leveraging digital tools to enhance customer experience and deepen liability relationships.

Short-term priorities

- **Deepen penetration:** Expand tailored lending across Housing, Personal and Pawning through targeted promotional campaigns.
- **Drive digital onboarding:** Accelerate the migration of customers to digital channels for routine transactions and fixed deposit openings.
- **Strengthen partnerships:** Forge new MoUs with developers to capture a larger share of the financing market.

Medium to long-term priorities

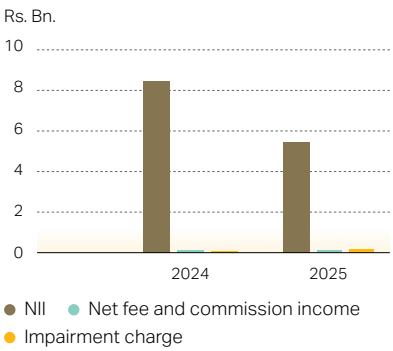
- **Consolidate digital leadership:** Achieve end-to-end digitisation of key loan processes, from application to disbursement.
- **Enhance risk frameworks:** Implement AI-driven analytics for proactive portfolio monitoring and early warning signal detection.
- **Develop future-ready propositions:** Introduce tailored products for gig economy workers and expand green financing options for solar and EV segments.

GRI 203-1

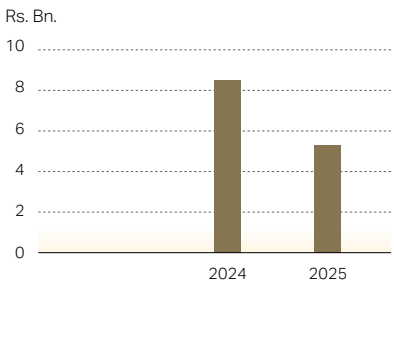
2. CORPORATE BANKING

Key performance highlights

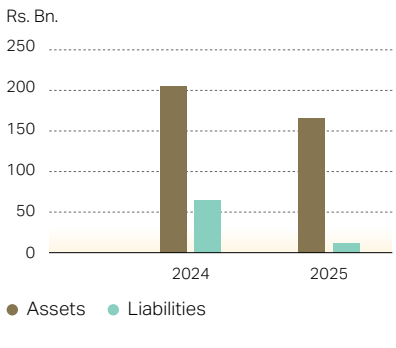
Corporate banking Graph 20



Profitability Graph 21



Assets and liabilities Graph 22



Net operating income
Rs. 5.38 Bn.

Segment assets
Rs. 166.12 Bn.

Segment liabilities
Rs. 11.83 Bn.

2.1 Segment at a glance

Corporate Banking supports large corporates, financial institutions and state-owned enterprises with structured credit, syndications and tailored debt solutions aligned to national development priorities. In 2025, the segment expanded selective exposure to infrastructure and renewable energy while strengthening risk-based pricing, portfolio concentration controls and ESG screening discipline.

2.2 Our offerings

- **Working capital:** short-term loans, revolving facilities and structured limits.
- **Term lending:** medium-to-long-term loans for capex and project finance.
- **Structured finance:** syndicated loans, securitisations, private placements and debentures.
- **Public sector financing:** facilities to SOEs and government-linked entities within prudential limits.

2.3 Operating context 2025

Operating driver	Implication for NSB
Economic stabilisation and refinancing demand	Higher demand for restructuring and long-tenor funding, need for robust cashflow-based assessment.
Growth in renewable energy and infrastructure	Opportunity to expand sustainable finance, increased project and execution risk to manage.
Declining interest rates	Encouraged borrowing and prepayments, need to protect margins with pricing models.
Tighter regulatory expectations and capital discipline	Optimise risk-weighted assets, strengthen covenants and monitoring.

BUSINESS LINE REVIEW

2.4 Strategic priorities and response framework

Strategic focus	Key risks/opportunities	NSB response in 2025
Portfolio diversification	**Risk** concentration in state-sector exposures, Government policy directives on national credit expansion. **Opportunity** expand into high-quality renewables and infrastructure.	Exposure ceilings, sector caps, and increased origination in screened renewable energy projects.
Risk-based structuring and pricing	**Risk** mispricing of complex facilities. **Opportunity** fee income and stronger risk-adjusted returns.	Improved pricing frameworks, covenant discipline and enhanced deal governance for securitisations and syndications.
ESG-aligned lending	**Risk** ESG and compliance failures in financed projects. **Opportunity** green pipeline and reputational uplift.	ESG filters integrated into appraisal; enhanced due diligence and monitoring for higher-risk projects.
Operational efficiency in deal execution	**Risk** documentation and control gaps. **Opportunity** faster turnaround.	Delegated authority refinement, and maker-checker approvals with audit trails.

2.5 Resource allocation and key enablers

The corporate banking segment comprised 10% of the total segmental assets and 1% of the total segmental liabilities. Resource allocation is presented across four levers: people capacity, technology and infrastructure, risk capital and controls, and customer reach, so that the segment story connects to execution reality.

- **Dedicated relationship team.**
- **Credit risk expertise:** uplift through industry-focused training and strengthened appraisal templates.
- **Core banking corporate loan module:** rollout to improve processing, documentation tracking and monitoring cadence.
- **Governance:** enhanced delegation of authority with documented signoffs; deal review forums for high-value/complex transactions.
- **ESG enablement:** ESRM policy application, project screening tools and post-disbursement monitoring routines

2.6 Performance review

The corporate banking segment delivered a robust performance, recording a profit before tax of Rs. 5.3 Bn. The loan portfolio, comprising direct corporate lending and investments in trust certificates, debentures stood at Rs. 166.1 Bn.

LKR lending: a focus on quality and strategic partnerships

The corporate lending portfolio, which stood at Rs. 58.8 Bn., was managed with a strong emphasis on credit quality and strategic alignment with national priorities.

- **State-Oriented Enterprises (SOEs):** NSB maintained its role as a key financial partner to the government by extending credit facilities to strategically important SOEs. Our engagements were focused on ensuring the financial stability and operational continuity of these entities, which are vital to the country's infrastructure and utility sectors.
- **Project finance:** In the project finance space, we selectively evaluated opportunities aligned with national development goals, particularly in sectors such as energy, logistics, and construction. Our approach was to partner with financially robust sponsors and well-structured projects that offered sustainable returns and tangible economic benefits.

Fee-based activities

Fee income from the corporate segment increased to Rs. 110 Mn. from Rs. 103 Mn. reported a year ago primarily driven by syndication fees and charges related to lending facilities. While intense competition exerted pressure on commission rates, our focus on providing comprehensive, relationship-based solutions helped maintain a steady stream of non-fund-based income.

WAY FORWARD

The outlook for corporate banking is encouraging, with credit demand expected to strengthen as the economy expands. However, competitive pressures will intensify. NSB's focus will be on reinforcing its position as a reliable partner for SOEs and high-quality corporates by streamlining processes and deepening relationships.

Short-term priorities

- **Enhance customer insights:** Leverage data analytics to deepen understanding of corporate client needs and identify cross-selling opportunities.
- **Streamline turnaround times:** Simplify internal credit approval processes to ensure faster decision-making and improve client responsiveness.

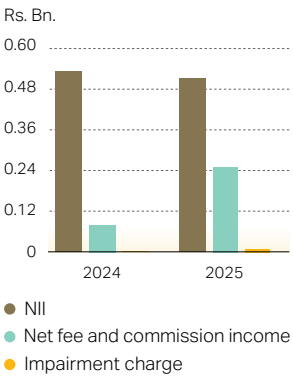
Medium to long-term priorities

- **Explore sustainable finance:** Begin structuring sustainability-linked loans to support corporate clients in their green transition, in line with national climate goals.
- **Deepen sector expertise:** Build specialised knowledge in high-potential sectors such as renewable energy to provide more insightful advisory and financial support.

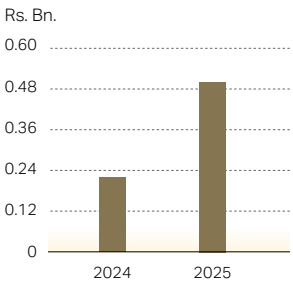
3. INTERNATIONAL BANKING

Key performance highlights

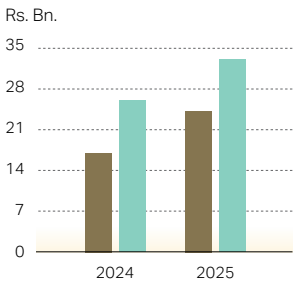
International Banking Graph 23



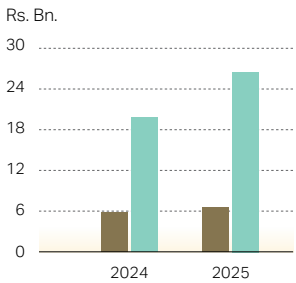
Profitability Graph 24



Assets and liabilities Graph 25



Foreign currency deposits Graph 26



Net operating income	Segment assets	Segment liabilities
Rs. 0.75 Bn.	**Rs. 24.18 Bn.**	**Rs. 33.08 Bn.**

3.1 Segment at a glance

International Banking facilitates remittances, trade finance and correspondent banking supporting Sri Lanka's foreign currency inflows and customers' cross-border needs. In 2025, the segment focused on expanding remittance capture, improving customer convenience through digital channels, and strengthening AML/CFT and correspondent-bank confidence.

3.2 Our offerings

- **Foreign currency accounts:** Personal Foreign Currency Account (NR), Personal Foreign Currency Account (R), Business Foreign Currency Account, Special Deposits Accounts (SDA) and Inward Investment Account (IIA) and FCB in major currencies.
- **Inward/outward remittances:** SWIFT, partner exchange houses and digital channels.
- **Trade finance:** Foreign currency exchange, issuance of import letters of credit, processing of import bills, and issuance of shipping and air freight guarantees.
- **Correspondent banking:** Global partnerships for multicurrency transactions.

3.3 Operating context 2025

Operating driver	Implication for NSB
High labour migration and diaspora inflows	Opportunity to increase inward remittance capture and FX deposit mobilisation.
Rising outward payments for education and travel	Demand for convenient outward remittance and card solutions, higher compliance scrutiny.
Global de-risking trends	Risk of correspondent bank relationship pressures; requires strong compliance transparency.
Customer expectations for real-time digital transfers	Need for a dedicated remittance experience and faster processing.

3.4 Strategic priorities and response framework

Strategic focus	Key risks/opportunities	NSB response in 2025
Remittance ecosystem expansion	**Risk** partner performance and regulatory tightening. **Opportunity** grow inflows.	Strengthened partner management, overseas promotion, and improved customer journey visibility for senders/receivers.
Correspondent banking resilience	**Risk** de-risking and settlement disruption. **Opportunity** strengthen global reach.	Improved risk rating metrics, enhanced compliance reporting and transparency with key partners.
Digital convenience for cross-border customers	**Risk** fraud and operational errors. **Opportunity** better experience.	Roadmap for a dedicated remittance application and improved automation in processing and notifications.
AML/CFT and sanctions discipline	**Risk** regulatory breaches. **Opportunity** enhance trust and reputational strength.	Stronger screening controls, staff capability uplift and enhanced monitoring/assurance routines.

3.5 Resource allocation and key enablers

Resource allocation is presented across four levers: people capacity, technology and infrastructure, risk capital and controls, and customer reach so that the segment story connects to execution reality.

- **Overseas business promotion:** officers and structured engagement with exchange house partners.
- **Core banking-enabled process:** upgrades to reduce reliance on centralised foreign currency operations and improve branch-level service capability.
- **Compliance reporting enhancements:** for international transactions (KYC, sanctions screening, transaction monitoring and audit trails).
- **Customer engagement campaigns:** targeting overseas Sri Lankans and student remittance journeys.

3.6 Performance review

The International Banking segment recorded a Profit Before Tax of Rs. 501 Mn. against Rs. 219 Mn. reported in 2024. The segment's core activities of mobilising non-resident deposits and deploying surplus foreign currency in low-risk placements generated a Net Interest Income of Rs. 507 Mn. Net Fee and Other Income of Rs. 252 Mn. over Rs. 77 Mn. in the previous year underscored the value of our remittance and trade service offerings.

Deposit mobilisation

The non-resident deposit portfolio, comprising Non-Resident Foreign Currency (NRFC) and Resident Foreign Currency (RFC) accounts, reached a commendable Rs. 33.1 Bn. This growth was driven by a multi-pronged strategy to deepen our connection with the Sri Lankan diaspora.

- **Targeted engagement:** We leveraged our extensive branch network to maintain regular contact with families of migrant workers, reinforcing NSB as the most trusted and secure home for their foreign currency earnings.
- **Simplified processes:** We streamlined the account opening process for non-residents, leveraging digital channels to reduce paperwork and turnaround time. Partnerships with leading exchange houses in key Middle Eastern markets were strengthened to ensure faster and more reliable remittance flows into NSB accounts.
- **Value-added services:** We continued to offer competitive interest rates to enhance the value proposition for our non-resident depositors.

Asset deployment: prudent liquidity management

The primary avenue for deploying the foreign currency resources mobilised by the segment was through placements with other banks, which stood at Rs. 24.2 Bn.

This conservative strategy aligns with NSB's overarching risk management framework, prioritising the safety and liquidity of foreign currency assets. During the year, we carefully managed the tenors of these placements to optimise returns while ensuring sufficient liquidity was available to meet potential customer demand for foreign currency, particularly for education and expenses abroad.

Fee-based activities: remittances and trade

Net fee and other income for the segment amounted to Rs. 252 Mn., largely driven by remittance handling fees and trade service charges.

- **Inward remittances:** With inward remittances continuing to be a mainstay of the economy, NSB focused on enhancing the customer experience for recipients. We promoted direct credit to NSB accounts, which is faster, safer, and more convenient than cash pick-ups. Targeted campaigns highlighted the benefits of saving a portion of remittances in foreign currency or rupee term deposits.
- **Trade finance:** While NSB's direct exposure to trade finance is relatively modest we strengthened our correspondent banking relationships to ensure seamless and efficient handling of Letters of Credit (LCs) and other trade documents.

WAY FORWARD

The outlook for international banking remains positive, supported by sustained remittance inflows and a gradual normalisation of trade. The focus will be on growing the non-resident deposit base through enhanced digital engagement and providing superior service to the diaspora community.

Short-term priorities

- **Enhance digital onboarding:** Fully digitalise the PFCA (NR)/PFCA (R) and RFC account opening process to cater to tech-savvy overseas Sri Lankans.
- **Strengthen remittance corridors:** Forge new partnerships with exchange houses and fintech platforms in key source markets to capture a larger share of remittance flows.
- **Optimise placement yields:** Actively manage the foreign currency placement portfolio to optimise returns within a strict risk appetite.

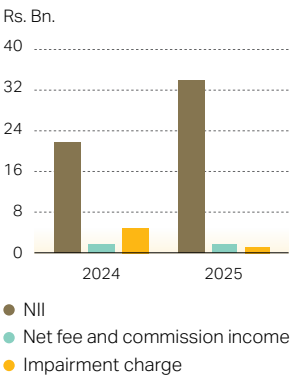
Medium to long-term priorities

- **Expand Correspondent Network:** Broaden the network of correspondent banks to enhance trade finance capabilities and reduce transaction costs for customers.
- **Integrate Advisory Services:** Offer dedicated advisory support to non-resident customers on investment opportunities and financial planning in Sri Lanka.

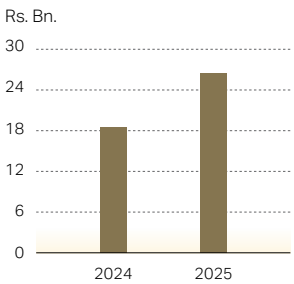
4. TREASURY

Key performance highlights

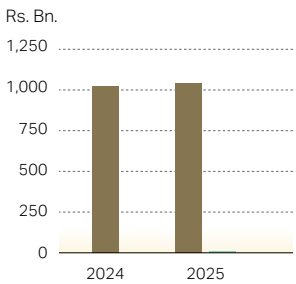
Treasury Graph 27



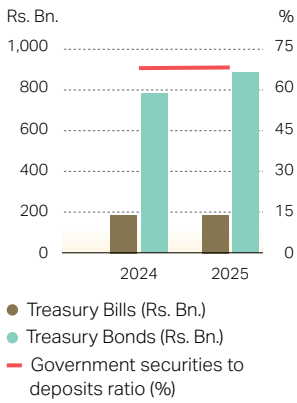
Profitability Graph 28



Assets and liabilities Graph 29



Government securities portfolio Graph 30



Net operating income	Segment assets	Segment liabilities
Rs. 34.33 Bn.	**Rs. 1,036.07 Bn.**	**Rs. 5.08 Bn.**

BUSINESS LINE REVIEW

4.1 Segment at a glance

Treasury is the Bank's financial nerve centre managing liquidity, investment portfolios, interest rate positioning and foreign exchange operations to protect stability while optimising returns. The segment underpins ALM discipline, ensures regulatory liquidity readiness, and supports the broader financial system through market-making and government securities participation.

4.2 Our offerings

- **Government Securities trading:** Primary dealership in Treasury Bills and Bonds.
- **Fixed income investment management:** Zero-risk portfolio of sovereign securities.
- **Equity investments:** Trading and investment in equity securities.
- **Foreign exchange management:** Spot, forward, and swap transactions in major currencies.
- **Liquidity and interest rate risk management:** Through cash flow forecasting, duration matching, and hedging instruments.
- **Interbank market participation:** Repo/reverse repo arrangements.
- **Fundraising:** Undertaking fundraising initiatives through the issuance of debentures and bonds, strategically aligned with the Bank's liquidity requirements to ensure optimal financial stability and resource availability.

4.3 Operating context 2025

Operating driver	Implication for NSB
Lower interest rates and yield curve shifts	Reinvestment pressure and mark-to-market dynamics, requires active duration management.
FX volatility and appreciation episodes	Trading and revaluation impacts, requirement for disciplined position limits.
Liquidity asymmetries in the system	Short-term money market volatility, requires enhanced forecasting and collateral readiness.
Higher expectations on market risk governance	Need for stress testing, limit surveillance and auditability.

4.4 Strategic priorities and response framework

Strategic focus	Key risks/opportunities	NSB response in 2025
Optimise portfolio yield safely	**Risk** declining rates lower reinvestment returns. **Opportunity** duration and curve positioning.	Portfolio rebalancing, duration management and ALCO-led positioning with stress testing.
Strengthen FX dealing discipline	**Risk** sharp currency moves. **Opportunity** improved customer conversions and spreads.	Calibrated position limits, improved pricing governance and enhanced surveillance.
Deepen liquidity management tools	**Risk** liquidity gaps. **Opportunity** lower funding costs and stronger buffers.	Enhanced short-term forecasting, collateral optimisation and settlement efficiency.
Govern market risk rigorously	**Risk** limit breaches and earnings volatility. **Opportunity** stronger confidence and transparency.	Market risk dashboards aligned to VaR and stress tests; strengthened middle office controls.

4.5 Resource allocation and key enablers

Treasury segment contributed to 62.1% of the total segmental assets in compliance with the statutory requirement to invests minimum of 60% of deposits in government securities. Resource allocation is presented across four levers: people capacity, technology and infrastructure, risk capital and controls, and customer reach so that, the segment story connects to execution reality.

- **Technology:** Roadmap for implementation of Treasury Management System (TMS) for real-time position tracking, limit monitoring and straight-through-processing.
- **People:** dealer and middle-office upskilling in macro analysis, risk analytics and multi-asset class management; structured rotations across ALM/FX/fixed income.
- **Infrastructure:** enhanced connectivity with RTGS and LankaSecure; improved settlement efficiency and collateral management.
- **Governance:** strengthened ALCO routines, market risk dashboards, independent limit surveillance and P&L attribution.
- **Controls:** documented dealing procedures, maker–checker approvals on limit changes, and periodic stress testing and back-testing.

4.6 Performance review

The Treasury was the largest contributor to the Bank's overall profitability, recording a strong Profit Before Tax of Rs. 26.3 Bn. The segment's Net Interest Income stood at a robust Rs. 33.9 Bn., a testament to its effective management of the massive, fixed income portfolio and its ability to generate trading income.

Fixed income portfolio management: active and adaptive

The Treasury is the custodian of NSB's largest asset base, comprising government securities and other investments valued at Rs. 1,036 Bn. This portfolio is the single largest source of interest income for the Bank, generating Rs. 121.8 Bn. in 2025.

- **Strategic allocation:** At the beginning of the year, with subdued credit growth, the Treasury strategically deployed excess liquidity into government securities, building up the portfolio to capture yields before they declined further. This front-loading strategy contributed positively to the full-year interest income.
- **Dynamic repositioning:** As credit demand from the Retail and Corporate Banking segments accelerated from mid-year onwards, the Treasury pivoted its strategy. Recognising that lending to customers offered better risk-adjusted returns than the declining yields on government securities, it systematically allowed a portion of the maturing government securities portfolio to run off. This internal reallocation of funds was critical in supporting the Bank's broader credit expansion drive and optimising the overall Net Interest Margin (NIM) of the Bank.
- **Active trading:** Throughout the year, the Treasury maintained an active presence in the secondary bond market, capitalising on price volatility to realise capital gains and supplement interest income.

Foreign currency portfolio and FX operations

The Treasury's management of the Bank's foreign currency position was equally adept.

- **Liquidity and support:** With foreign currency liquidity remaining healthy due to strong remittance inflows, the Treasury was able to support the Bank's customers by facilitating foreign currency payments and other cross-border transactions without strain.
- **Customer FX transactions:** The Treasury also benefited from a significant increase in customer-driven foreign exchange transactions during the year, driven by the rebound in trade and travel. This contributed to the segment's Net Fee and Other Income of Rs. 1.6 Bn.

Liquidity and funding

The Treasury ensured that NSB maintained a fortress-like liquidity position throughout the year. All regulatory liquidity ratios, including the LCR (both Rupee and All Currency) and NSFR, were comfortably met. Funding was managed to support the Bank's objectives, with short-term liquidity needs addressed through repurchase agreements (repo) where necessary, while always keeping funding costs in check.

WAY FORWARD

The Treasury's outlook for 2026 and beyond is centred on navigating a more stable but competitive interest rate environment. With credit demand expected to remain firm, the focus will be on prudently balancing liquidity between the investment portfolio and customer lending to optimise overall Bank returns. Interest rate and FX risk management will remain paramount.

Short-term priorities

- **Optimise asset allocation:** Continuously refine the asset-liability mix to maximise NIM in a potentially rising interest rate scenario.
- **Enhance risk management systems:** Upgrade the Asset-Liability Management (ALM) system to enable more sophisticated scenario analysis and stress testing.
- **Deepen customer FX support:** Increase capacity to provide forward cover and other hedging solutions to corporate clients to manage their own FX risks.

Medium to long-term priorities

- **Broaden funding channels:** Explore new funding instruments and sources to diversify the liability base and reduce concentration risk.
- **Develop advanced analytics:** Leverage AI and machine learning for predictive analysis of market movements and more dynamic portfolio management.
- **Strengthen capital position:** Ensure Treasury strategies are aligned with the Bank's long-term capital planning to support its role as the premier savings bank of the country and future growth aspirations.

FINANCIAL CAPITAL



Fuelling stability and growth for all stakeholders

At National Savings Bank, financial capital comprises the funds entrusted to us by depositors, the capital provided by our shareholder, and the earnings retained to sustain growth and resilience. Together these resources form the monetary foundation that enables the Bank to serve depositors safely, support national development, invest in service capability, and remain resilient through changing economic cycles. Financial capital therefore reflects not only the resources available to NSB, but also the discipline with which they are protected, deployed, and renewed.

In a banking model where depositor confidence is paramount, financial capital is not regarded merely as a balance sheet outcome; it is managed as an integrated system in which funding stability, asset quality, capital adequacy, liquidity resilience, quality of profits, and reporting integrity work together to protect the Bank's mandate and sustain long-term value creation.

NSB's financial capital is sourced primarily from customer deposits, complemented by shareholder capital, retained earnings and income generated through treasury investments and permitted lending activities. Customer deposits remain the principal source of funding, underscoring the central importance of depositor trust to the Bank's financial model, while shareholder capital and retained earnings provide the permanent loss-absorbing base that strengthens resilience, supports regulatory adequacy, and underpins long-term stability.

Relevance to strategy pillars and value creation

NSB protects and renews financial capital by safeguarding depositor trust, mobilising household savings, and deploying funds prudently in support of national development and service continuity.

1 Customer centricity and financial inclusion:

Sustaining depositor confidence and widening access by protecting affordability, reliability, and value-for-money across our products and services.

2 Sustainable organic growth and portfolio optimisation:

We strengthen long-term value by allocating capital prudently, improving asset quality, and maintaining resilient earnings and liquidity buffers.

3 People, culture and engagement excellence:

We enable performance by funding priority workforce and productivity needs while maintaining cost discipline and fair reward structures.

4 Risk Culture, governance and compliance discipline:

We safeguard stability through strong capital, liquidity, provisioning discipline, and risk appetite-aligned decisions that protect trust.

5 Digital acceleration and data-led banking:

We invest responsibly in transformation to improve efficiency, lower cost-to-serve, and strengthen service reliability through scalable platforms.

6 Sustainability, climate and community resilience:

We finance transition and recovery needs while integrating climate risk into portfolio resilience, credit decisions, and long-term financial planning.

FINANCIAL CAPITAL

Key risks and challenges

- **Capital adequacy pressure:** Declining buffers from impairments or volatility could breach minimum requirements.
- **Asset-liability mismatch:** Maturity mismatches between deposits and loans expose to liquidity and interest rate risk.
- **Credit quality deterioration:** Rising NPLs erode profitability, consume capital, and signal portfolio stress.
- **Liquidity constraints:** Unexpected withdrawals or disruptions could strain liquidity and impair obligations.
- **Concentration risk:** Overexposure to sectors, borrowers, or regions amplifies vulnerability to downturns.
- **Profitability pressure:** Narrowing margins, rising costs, and competition compress earnings and capital generation.
- **Regulatory capital charges:** Evolving rules (Basel III, SLFRS 9, climate risk) may increase capital requirements.

Our strategic response and mitigation

- **Maintain prudent capital buffers:** Proactively manage ratios above minimum, stress testing, optimise risk-weighted assets.
- **Strengthen ALM discipline:** Robust asset-liability management, diversify funding, align lending and deposit tenures.
- **Enhance credit risk discipline:** Tighten underwriting, strengthen early warning systems and recovery mechanisms.
- **Maintain strong liquidity buffers:** Hold high-quality liquid assets above requirements, diversify deposit base.
- **Diversify portfolio systematically:** Set concentration limits, actively manage large exposures, pursue diversification.
- **Optimise balance sheet efficiency:** Improve pricing, control costs, diversify revenue through fee income and green products.
- **Proactive regulatory engagement:** Monitor developments, conduct impact assessments, maintain buffers for increases.

Financial capital value chain and sustainability integration

We assess financial capital through an end-to-end value chain approach, examining how funds are sourced, deployed, protected, and renewed. At every step, we integrate sustainability considerations, risk discipline, and stakeholder outcomes.

Inputs	Stewardship activities	Outputs	Customer and control outcomes	Long-term impacts
Deposit base with sovereign guarantee, capital buffers, liquidity portfolio, earnings capacity, pricing levers, risk appetite and limits, funding access.	ALM and liquidity management, risk-adjusted pricing, credit provisioning and early warning, capital planning and stress testing (incl. climate overlays), cost and efficiency discipline, ESG-linked allocation screens where applicable.	Stable funding mix, adequate liquidity buffers, improved portfolio quality, resilient capital ratios, disciplined pricing and fee governance, targeted relief/recovery mechanisms.	Stronger depositor confidence, fewer liquidity shocks, better affordability outcomes, improved loss absorbency, predictable funding for inclusive lending, stronger risk governance and transparency.	Financial system confidence, sustained mandate delivery, stronger shock absorption during crises, improved long-term earnings resilience, increased capacity for just transition and recovery finance.

Material matters

1.1 Customer-centric, inclusive and affordable banking	2.1 Macroeconomic stability and financial system confidence	2.2 Asset quality, capital and liquidity management	2.3 Financial sustainability and earnings resilience	3.1 Talent attraction/ retention and future-ready skills	4.1 Governance excellence, compliance and ethical conduct
4.2 Financial crime, fraud & AML/CFT	4.3 Trust, reputation and proactive stakeholder engagement	5.1 Digital transformation and responsible AI/analytics	5.2 Cybersecurity, data privacy and resilience	5.3 Third-party/ outsourcing and vendor resilience	4.1 Climate resilience, disaster response and just transition finance (Ditwah)

FINANCIAL CAPITAL

Our contribution to SDGs



Target 1.4

Nationwide branch network, affordable banking, inclusive access for all age groups



Target 8.10

Savings mobilisation, responsible lending, financial inclusion, employee performance-based incentives



Target 9.3

Digital infrastructure expansion



Target 10.2

Senior citizen protocols, assisted services, rural reach, products catering to all demographics



Target 17.3

Public savings mobilisation, national development financing, contributing to nation-building through long-term development projects

Our financial capital journey: from stewardship to measurable value

At National Savings Bank, financial capital constitutes the monetary foundation that enables us to serve depositors safely, support national development, invest in service capability, and maintain resilience through changing economic cycles. We manage these resources with the same rigorous governance applied to public trust ensuring our funding, liquidity, capital, and earnings work together to deliver reliable, inclusive banking.

1 Our capital foundations

Governance, funding structure, capital buffers, liquidity reserves, and reporting integrity that protect depositor confidence and enable strategic execution.

2 How we strengthen capability

Disciplined deposit mobilisation, treasury management, liquidity planning, capital optimisation, cost efficiency, and control strengthening.

3 How we enable outcomes

- Reliable banking for every customer journey
- Resilience as a service promise
- National impact through responsible allocation
- Fairness, affordability and customer protection

4 What this delivered

Measurable gains in funding stability, prudential strength, earnings quality, and reporting integrity including sustained record profits and strengthened capital position.

1 OUR CAPITAL FOUNDATIONS

Financial capital at NSB is stewarded through two interconnected foundations: prudent governance and disciplined financial management. Together, these ensure that public savings are protected, liquidity is maintained with resilience, capital buffers are preserved well above regulatory requirements, and profitability supports long-term stability. This integrated approach makes our balance sheet resilient, our risk management disciplined, and our operations dependable, enabling the Bank to fulfil its developmental mandate while protecting depositor confidence.

1.1 Governance and oversight

Board oversight, management committees, and independent assurance reinforce our financial capital governance. The Board assumes ultimate responsibility for the preparation and presentation of financial statements, ensuring they present a true and fair view of the financial position and performance. Our governance framework encompasses policies and procedures across capital management, liquidity risk, treasury operations, credit discipline, strategic planning, budgeting, profitability planning, and financial reporting integrity.

- **Board and Corporate Management oversight with integrated planning:** The Board provides strategic stewardship of capital, liquidity, and financial performance, approving budgets and plans that guide resource allocation, with integrated planning translating long-term vision into actionable financial forecasts.
- **Asset and Liability Committee (ALCO) Governance:** ALCO governs liquidity, balance sheet structure, interest rate risk, and funding strategy to ensure stability, with proactive pricing and portfolio oversight driving margin expansion and optimal returns.
- **Integrated risk management and financial decision-making:** Early warning indicators, stress testing, and recovery planning are embedded in financial decision-making, ensuring that macroeconomic risk assessments inform all plans and budget assumptions.
- **Finance governance with profitability and cost management:** Disciplined planning, budgeting, and financial control are supported by monthly performance reviews and embedded efficiency initiatives, ensuring revenue discipline and controlled operating expenses.
- **Integrated assurance:** Independent reviews by risk, compliance, and internal audit validate the effectiveness of capital planning, liquidity management, treasury controls, budget adherence, and reporting integrity.

1.2 Risk appetite, limits and financial control environment

The Bank protects its financial strength through a structured control environment built around limits, triggers, tolerance thresholds, and escalation disciplines.

Control area	Approach
Capital risk appetite	Internal target buffers well above minimum regulatory thresholds, supported by ICAAP analysis and management action planning.
Liquidity risk appetite	Internal thresholds for liquidity coverage, funding concentration, maturity mismatches, and contingency readiness.
Interest rate and market risk	Repricing analysis, duration limits, and sensitivity monitoring to reduce earnings and valuation volatility.
Financial reporting controls	Reconciliations, documented approvals, exception management, and evidence-based signoffs for key internal and external reports.
Regulatory compliance discipline	Timely and accurate returns to regulators, proactive identification and remediation of reporting issues.

Implications of CRROs on NII

- **Climate risk in lending portfolio:** Physical and transition risks could increase loan impairments, reducing interest income from stage 3 assets under SLFRS 9.
- **Green financing expansion:** Sustainability-linked loans may offer lower initial yields but unlock concessional refinancing and improve long-term portfolio quality.
- **Depositor sustainability preferences:** As awareness of responsible and ethical banking grows, depositor expectations may increasingly influence product design, transparency, and the stability. of funding, particularly where trust and institutional reputation are key drivers of deposit mobilisation.

Outlook

NII is expected to remain resilient through disciplined ALM, granular deposit mobilisation, and gradual portfolio rebalancing toward climate-resilient sectors. The Bank will continue optimising funding mix to protect margins while supporting sustainable lending growth.

2 HOW WE STRENGTHEN CAPABILITY

In 2025, NSB continued strengthening Financial Capital capability through deliberate improvements in funding stability, treasury discipline, liquidity readiness, capital planning, profitability quality, and financial reporting integrity. These capability enhancements underpin the Bank's ability to sustain trust, absorb shocks, and translate financial strength into service continuity and national value.

A Income statement management

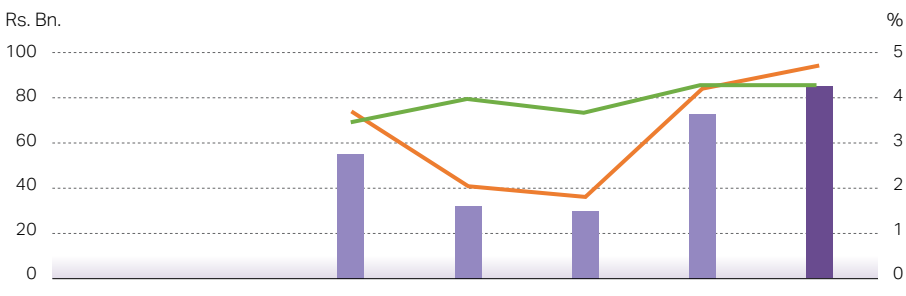
2.1 Building sustainable earnings via net interest income expansion

The Bank's net interest income (NII) increased to Rs. 84.8 Bn., reflecting a 17% growth over the previous year's Rs. 72.6 Bn. This performance was primarily driven by disciplined liability management, which enabled the Bank to capitalise on the declining interest rate environment.

Interest income decreased by 3% to Rs. 197.8 Bn., mainly attributable to the full repayment of some loans, particularly within the corporate segment. However, interest expense declined sharply by 14% to Rs. 112.9 Bn. from Rs. 131.2 Bn. reported in the previous year, as proactive repricing of deposits allowed the Bank to pass on the benefits of relaxed monetary policy to its funding base. This significant reduction in funding costs, outpacing the decline in interest income, underpinned the robust growth in net interest income.

As a direct result of this disciplined balance sheet management, the Bank's Net Interest Margin improved to 4.74% from 4.22% in the previous year, reflecting effective liability repricing and disciplined balance sheet management in a declining interest rate environment. This improvement not only ranks the Bank among the highest margins in the industry but also represents one of the strongest levels recorded by the Bank in recent years.

NII vs NIM Graph 31



	2021	2022	2023	2024	2025
NII	55	32	30	73	85
NIM – Bank	3.71	2.03	1.79	4.22	4.74
NIM – Banking industry	3.44	3.98	3.66	4.3	4.3

FINANCIAL CAPITAL

2.2 Diversifying revenue through non-fund income streams

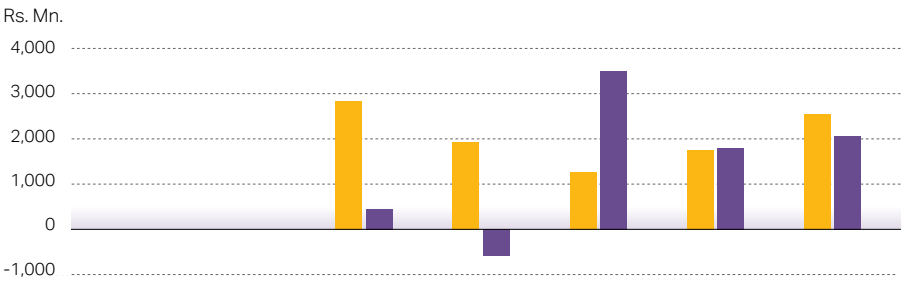
Non-interest income includes net fees and commissions, trading gains, fair value changes, and other operating income. In 2025, total non-interest income increased to Rs. 4.6 Bn., a 29.4% improvement over the previous year's Rs. 3.6 Bn.

Net fee and commission income grew by 46% to Rs. 2.6 Bn., driven by increased loan disbursements, higher card issuance and usage, and improved trade and remittance-related fee income, reflecting deepening customer engagement and the success of NSB's service diversification strategy.

Net gains from derecognition of financial assets and net other operating income increased by an impressive 49.1% to Rs. 1.3 Bn., further contributing to the Bank's income diversification and earnings resilience.

Non-fund based income

Graph 32



	2021	2022	2023	2024	2025
Net fee and commission income	2,843	1,940	1,276	1,751	2,560
Other non-fund based income	450	(583)	3,504	1,810	2,067

Implications of CRROs on Non-Fund Income

- **Climate-linked fee opportunities:** green bonds, sustainability-linked loans, and ESG advisory services could generate new fee-based revenue streams.
- **Digital inclusion mandate:** CBSL financial inclusion directives drive demand for digital payment services, supporting card and remittance fee growth.
- **Conduct risk in fee pricing:** Regulatory scrutiny on fair treatment requires transparent fee structures, ensuring growth comes from value-added services rather than punitive charges.

Outlook

Non-fund income is poised for sustained growth through expanded digital service offerings, green finance products, and remittance linkages. The Bank will maintain disciplined pricing governance to align with CBSL fair treatment expectations.

2.3 Strengthening credit risk management and impairment discipline

The Bank maintains a forward-looking approach to credit risk management under SLFRS 9. In 2025, impairment charges reduced significantly to Rs. 1.6 Bn., compared to Rs. 11.5 Bn. in the previous year, marking a substantial 86% decrease. This remarkable improvement was primarily driven by stringent recovery initiatives, enhanced portfolio monitoring, and the stabilisation of credit quality across the loan book.

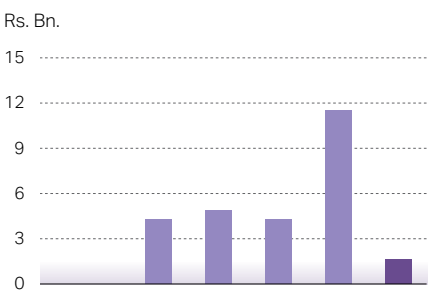
Key initiatives contributing to this outcome included:

- **Strengthened recovery mechanisms:** The appointment of dedicated debt collectors for recovering non-performing loans significantly accelerated recovery efforts and improved cash flows from impaired assets.
- **Enhanced portfolio monitoring:** Tighter surveillance of early warning indicators enabled timely identification of potential stress, allowing for proactive intervention before defaults materialised.
- **Improved borrower cash flows:** The gradual economic recovery and stabilising business conditions supported improved repayment capacity across retail and corporate portfolios.

In response to the cyclone and flooding that occurred in late November 2025, the Bank proactively strengthened its financial safeguards by establishing additional management overlay provisions. This forward-looking measure is designed to cover potential credit stress among borrowers in the affected regions, acknowledging that the full financial impact of a natural disaster often unfolds over time. By building this precautionary buffer, the Bank is accounting for expected losses before they materialise, ensuring its balance sheet remains resilient and that this localised volatility does not escalate into a broader financial disruption.

Impairment charges

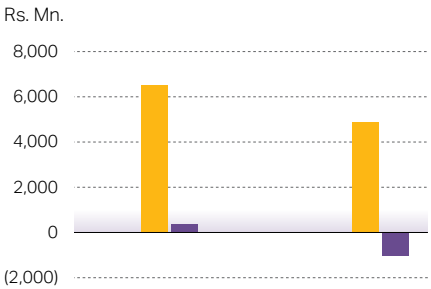
Graph 33



	2021	2022	2023	2024	2025
Impairment charges	4.3	4.9	4.3	11.5	1.6

Categories of impairment charge

Graph 34



2024	6,557	5	4,922
2025	388	10	(1,059)

Implications of CRROs on credit risk

- **Climate risk in credit portfolio:** Physical risks (floods, droughts) and transition risks (policy changes) could increase loan impairments, particularly in agriculture and vulnerable sectors.
- **Green lending incentives:** Regulatory concessions for sustainable financing may encourage portfolio shift toward climate-resilient sectors, improving long-term asset quality.
- **Disaster recovery financing:** CBSL directions on relief and restructuring during climate events impact impairment calculations and staging under SLFRS 9.

Outlook

Asset quality is expected to strengthen further through enhanced early warning systems, targeted recovery mechanisms, and gradual portfolio diversification into climate-resilient sectors. Provisioning discipline will remain prudent under SLFRS 9.

2.4 Operating expenses: Disciplined cost management amidst growth

Operating expenses increased to Rs. 30.4 Bn. in 2025, a controlled 4.9% rise over the previous year's Rs. 29.0 Bn. This modest increase reflects the Bank's ability to balance strategic investments in digital infrastructure and capability building with ongoing efficiency initiatives, including workforce optimisation.

Personnel expenses decreased by 2% to Rs. 19.9 Bn., primarily driven by reductions in cost-of-living adjustments, performance-linked bonuses, and contributions to defined benefit plans. This decline underscores prudent workforce cost management while maintaining our commitment to employee welfare and retention.

Depreciation and amortisation increased by 34.9% to Rs. 2.3 Bn., reflecting the accelerated impact of ongoing technology investments in core banking systems, cybersecurity enhancements, and digital infrastructure. This increase reflects the scheduled amortisation and depreciation of technology investments made in prior years, as their cost is recognised over their useful life in accordance with accounting requirements, strengthening the Bank's long-term operational resilience.

Other operating expenses grew by 18% to Rs. 8.3 Bn. from Rs. 7.0 Bn. in the preceding year. This increase was primarily attributable to the office administration and establishment expenses necessary to support business expansion and regulatory compliance, along with increase in deposit insurance premium paid to CBSL.

Notably, the Bank's cost-to-income ratio improved significantly to 34.3% from 38.4% in the previous year, remaining well below the industry average. This improvement demonstrates the effectiveness of our cost management initiatives alongside robust revenue growth, reinforcing the Bank's operational leverage and earnings resilience.

Implications of CRROs on operating expenses

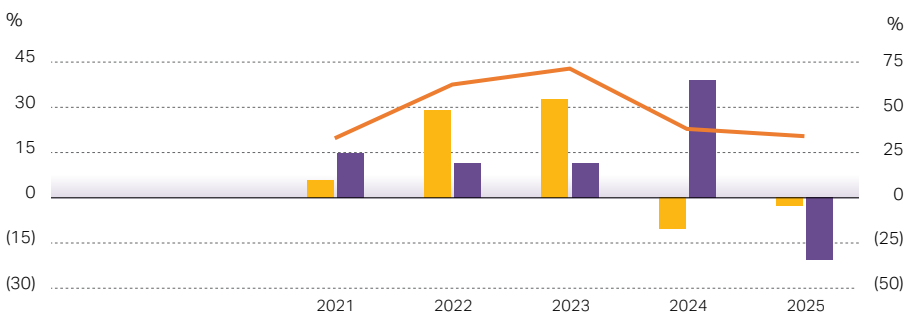
- **Climate-related compliance costs:** Emerging disclosure requirements (SLFRS S1 and SLFRS S2) and climate risk data infrastructure investments add to fixed cost base.
- **Green technology investments:** Energy-efficient branches, paperless banking, and digital infrastructure support both sustainability goals and long-term cost efficiency.
- **Regulatory reporting burden:** Enhanced climate and sustainability disclosures require additional resources, impacting personnel and system costs.

Outlook

The upward trend in costs is expected to continue as the Bank invests in long-term capacity building, particularly in digital innovation, human capital development, and risk governance, to improve efficiency, enhance customer experience, and future-proof operations.

Cost and income growth

Graph 35



	2021	2022	2023	2024	2025
Income growth (LHS)	5.80	29.34	32.97	(10.53)	(2.35)
Operating expenses (without VAT) growth (LHS)	14.95	11.46	11.57	39.40	(20.87)
Cost to income without VAT (RHS)	33.17	62.93	71.59	38.35	34.30

FINANCIAL CAPITAL

GRI 207-3

2.5 Upholding fiscal responsibility through tax contributions

In 2025, the Bank made a substantial fiscal contribution of Rs. 30.1 Bn. to the national economy, reflecting a robust 54.2% increase over the previous year's Rs. 19.5 Bn. This contribution underscores NSB's role as a significant partner in nation-building, channelling a growing share of its profitability toward public finances through direct and indirect taxes. The total taxes comprise Value Added Tax (VAT) on financial services, the Social Security Contribution Levy (SSCL), and income tax obligations.

Income tax expenses surged by 69.3% to Rs. 17.2 Bn., up from Rs. 10.1 Bn. in 2024, directly reflecting the Bank's continued strong profitability and earnings growth. This increase demonstrates the positive correlation between NSB's financial performance and its contribution to government revenues. VAT and SSCL on financial services increased by 37.9% to Rs. 12.9 Bn. from Rs. 9.3 Bn. reported a year ago, driven by the expansion in taxable financial intermediation activities and higher value creation across the Bank's operations.

As a result of these increases, the effective tax rate (excluding deferred tax) rose marginally to 38.6% from 38.4% in the preceding year, reflecting the interplay of enhanced profitability and the applicable tax regime.

Implications of CRROs on tax contributions

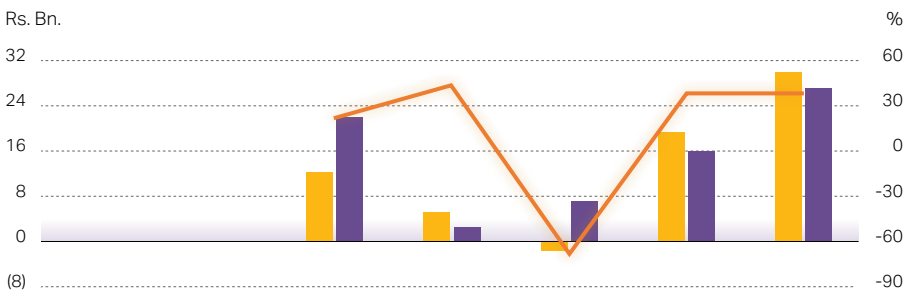
- **Green tax incentives:** Potential tax concessions for sustainable financing activities could influence effective tax rate and portfolio allocation decisions.
- **Carbon pricing exposure:** Future carbon taxes or levies on operations (energy use, vehicle fleet) could increase indirect tax burden.
- **Fiscal policy alignment:** As a state-owned bank, tax contributions directly support government revenue targets and climate finance commitments.

Outlook

The Bank will maintain full compliance with fiscal statutes while exploring available green tax incentives. Tax contributions will continue supporting national development priorities alongside sustainable profitability.

Tax impact on profitability

Graph 36



	2021	2022	2023	2024	2025
Income tax effective rate (based on PBT) (RHS)	22.06	43.90	(68.32)	38.62	38.60
Profit after tax (LHS)	22.12	2.53	7.22	16.12	27.32
Total taxes paid (LHS)	12.42	5.23	(1.63)	19.49	30.07

2.6 Sustainable profitability and earnings momentum

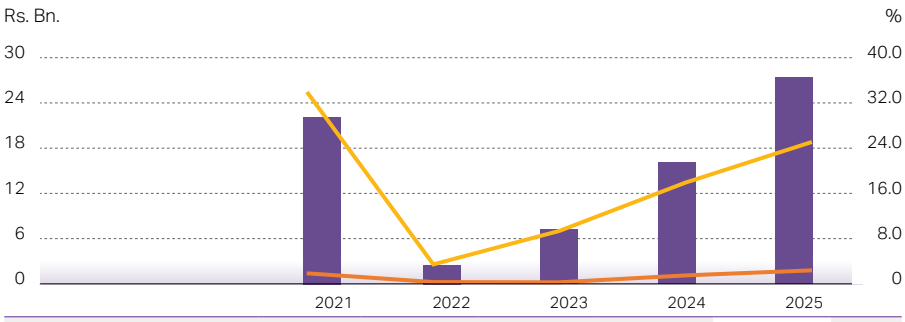
The Bank's operating profit before VAT and Social Security Contribution Levy (SSCL) on financial services recorded a robust growth of 61%, advancing to Rs. 57.4 Bn. in 2025 from Rs. 35.6 Bn. in the preceding year. This strong operational performance translated into a 69% increase in profit before tax, which rose to Rs. 44.5 Bn. from Rs. 26.3 Bn., while profit after tax correspondingly surged by 69% to Rs. 27.3 Bn., compared to Rs. 16.1 Bn. reported a year earlier. The significant expansion in profitability was primarily driven by two reinforcing factors: a substantial reduction in impairment charges, reflecting strengthening asset quality, and a sharp decline in interest expenses, which more than offset the modest contraction in interest income. This performance underscores the effectiveness of the Bank's proactive liability management, disciplined pricing strategies, and robust credit risk framework.

Reflecting this exceptional earnings momentum, all key shareholder value metrics recorded marked improvements during the year. Earnings per share (EPS) increased by 69% to Rs. 29.06 from Rs. 17.15 in the previous year. Return on Equity (ROE) strengthened significantly to 25.08% from 17.89%, while Return on Assets (ROA) enhanced to 2.48% from 1.53%. Net asset value per share rose to Rs. 126.65 from Rs. 105.15, reflecting the continued strengthening of the Bank's capital base through strong profit retention.

The year's stronger profitability enhanced NSB's capacity to reinforce capital organically, reward its sole shareholder, and sustain confidence in its role as Sri Lanka's state-owned premier savings bank.

PAT Vs ROE & ROA

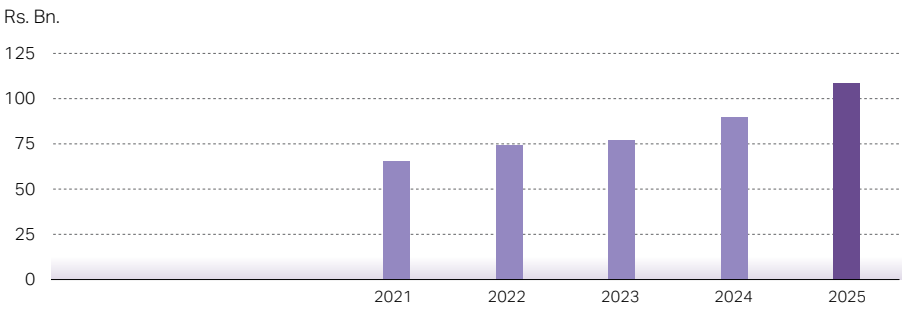
Graph 37



	2021	2022	2023	2024	2025
Profit after tax (LHS)	22	3	7	16	27
Return on average shareholder's equity (ROE) – (RHS)	33.92	3.40	9.36	17.89	25.08
Return on average assets (ROA) – (RHS)	1.93	0.28	0.26	1.53	2.48

Average shareholders equity

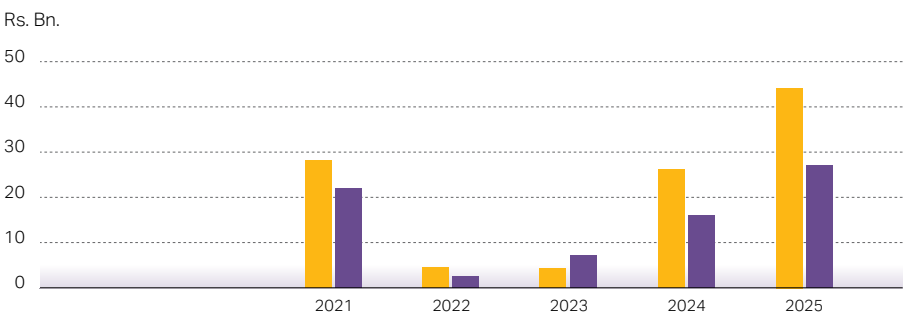
Graph 38



	2021	2022	2023	2024	2025
Average shareholders equity	65	74	77	90	109

PBT & PAT

Graph 39



	2021	2022	2023	2024	2025
PBT	28.4	4.5	4.3	26.3	44.5
PAT	22.1	2.5	7.2	16.1	27.3

Implications of CRROs on profitability

- **Climate risk-adjusted returns:** Integrating climate risk into pricing and provisioning may compress short-term margins but improve long-term earnings stability.
- **Sustainable finance profitability:** Green bonds and sustainability-linked loans may offer lower initial yields but attract lower cost of funding and preferential regulatory treatment.
- **Resilience through diversification:** Portfolio alignment with climate-resilient sectors reduces earnings volatility from climate-related shocks.

Outlook

Profitability is expected to remain strong, supported by diversified income streams, disciplined cost management, and organic capital generation. The Bank is well-positioned to absorb regulatory changes while delivering sustainable returns to the shareholder.

2.7 Changes in other comprehensive income

Beyond profit for the year, NSB also recorded changes through other comprehensive income. In 2025, total comprehensive income at Bank level was Rs. 26.1 Bn., compared with Rs. 17.3 Bn. in 2024.

Other comprehensive income was negatively affected by remeasurement of post-employment benefit obligations and lower fair value gains on certain investment instruments, although this was partly offset by gains on investments measured through other comprehensive income. These movements are important because they affect reserves and total equity, even when they do not pass directly through the income statement.

This reinforces the need for a broader view of financial performance, one that considers not only profit after tax, but also reserve movements, valuation changes and their effect on total capital strength.

FINANCIAL CAPITAL

Implications of CRROs on Other Comprehensive Income

- **Climate risk in investment portfolio:** Fair value changes in green bonds and sustainability-linked instruments impact OCI, affecting reserve strength.
- **Post-employment benefit obligations:** Climate-related adjustments to actuarial assumptions (life expectancy, healthcare costs) could impact remeasurement of defined benefit plans under LKAS 19.
- **Carbon credit valuations:** If the Bank invests in carbon credits or nature-based assets, fair value fluctuations would flow through OCI.

Outlook

The Bank will maintain robust ALM and fair value measurement disciplines to manage OCI volatility. Transparent disclosure of comprehensive income will continue providing regulators and stakeholders a complete view of financial strength and reserve adequacy.

B Statement of financial management

In 2025, NSB continued to strengthen the quality, resilience, and efficiency of its statement of financial position through measured asset growth, prudent liability management, stronger asset quality, disciplined treasury deployment, and robust capital and liquidity buffers. These balance sheet capabilities remain central to preserving depositor confidence and ensuring the Bank can continue to operate safely and effectively across varying economic conditions.

2.8 Total asset growth and composition

In 2025, NSB continued to expand its balance sheet in a measured and resilient manner. Total assets increased to Rs. 1.83 Tn. from Rs. 1.75 Tn., representing a 4.5% increase. This growth was driven by increases in financial assets measured at fair value, debt instruments measured at amortised cost, and loans and advances. The asset mix reflects the Bank's dual mandate of preserving depositor funds through prudent investment while supporting economic activity through responsible lending. The investment portfolio, comprising predominantly government securities, provides both liquidity buffer and stable earnings, while the loan portfolio directly channels savings into productive sectors of the economy.

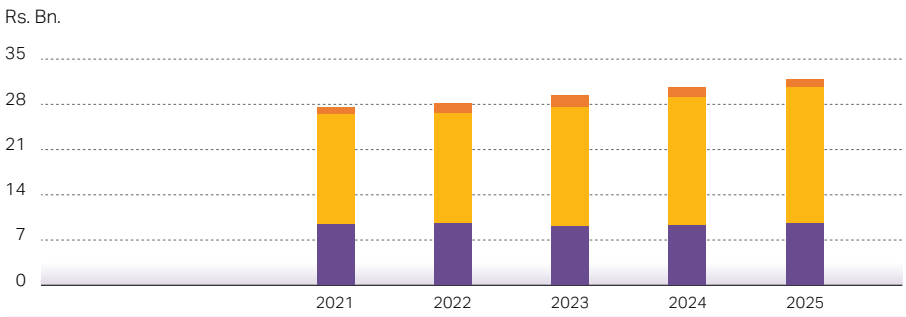
Net loans and advances increased to Rs. 550.8 Bn., while debt and other instruments increased to Rs. 1.1 Tn. This shows that the Bank continued to balance lending activity with its core treasury asset strategy, preserving liquidity and earnings while supporting measured asset growth.

2.9 Loans and advances

The Bank's net loans and advances portfolio, encompassing housing loans, pawning advances, personal loans, and other credit facilities, reached Rs. 550.8 Bn. as of 31 December 2025, recording a growth of 3.5% over the preceding year. This expansion was underpinned by a gradual rebound in credit demand, particularly within retail segments, as stabilising economic conditions and improving consumer confidence supported increased borrowing activity.

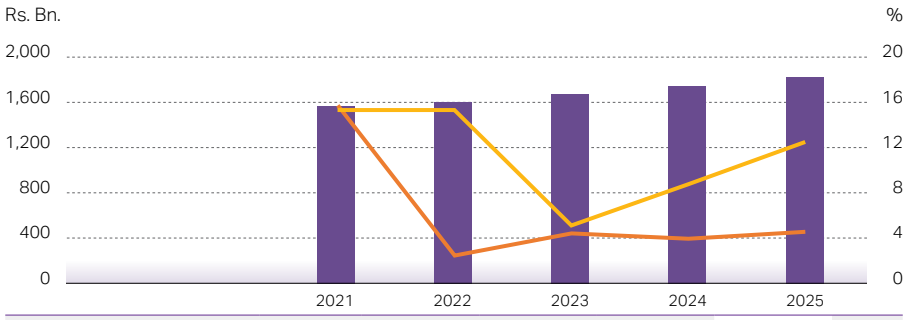
The growth in the portfolio was primarily driven by a significant expansion in pawning advances, which increased by 29.8% to Rs. 155.4 Bn. during the year, contributing an additional Rs. 35.7 Bn. to the portfolio. This robust performance in the pawning segment

Total assets Graph 40



	2021	2022	2023	2024	2025
Loans and advances	539	553	527	532	551
Investments	981	979	1,053	1,136	1,211
Other assets	59	85	107	84	69

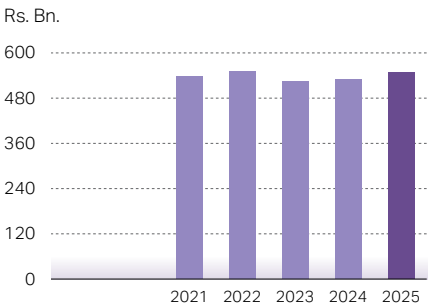
Asset growth Graph 41



	2021	2022	2023	2024	2025
Total assets (LHS)	1,579	1,617	1,687	1,752	1,831
Asset growth – Bank	15.79	2.38	4.35	3.88	4.48
Asset growth – Banking industry	15.39	15.40	5.04	8.73	12.53

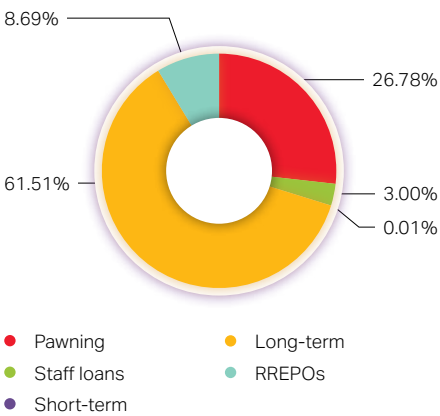
more than offset the decline of Rs. 27.4 Bn. in long-term loans, reflecting shifting borrower preferences towards shorter-tenured, secured credit facilities amidst the prevailing economic environment.

Net loans and advances Graph 42



	2021	2022	2023	2024	2025
Net loans and advances	539	553	527	532	551

Composition of loans Graph 43



2.10 Managing credit risk and safeguarding asset quality

The Bank maintains a forward-looking approach to credit risk management under SLFRS 9, with a strong emphasis on early identification, proactive monitoring, and disciplined recovery practices. During 2025, asset quality metrics recorded meaningful improvements across multiple dimensions, reflecting the effectiveness of enhanced credit monitoring frameworks and targeted recovery initiatives.

Gross Stage 3 loans declined to Rs. 33.6 Bn. as of 31 December 2025 from Rs. 49.7 Bn. in the previous year, representing a significant reduction of 32.4%. This improvement was driven by sustained recovery traction as borrower cash flows strengthened amid improving economic conditions. The appointment of dedicated debt collectors and the implementation of structured recovery programs contributed materially to the reduction in non-performing exposures. Consequently, the impaired loan (Stage 3) ratio improved sharply to 2.53% from 5.18% reported at the end of financial year 2024.

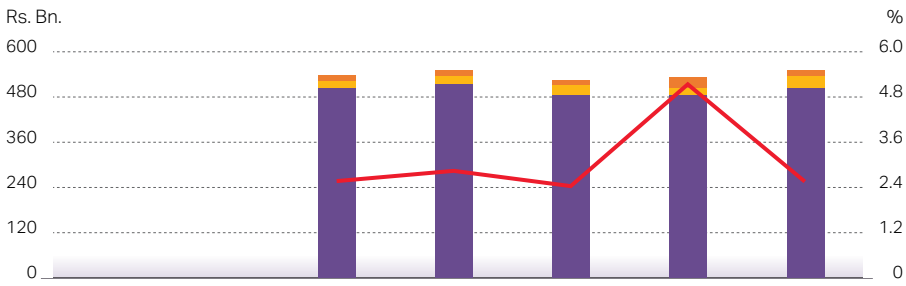
The Bank maintained a prudent and well-calibrated provisioning stance, with the Stage 3 provision coverage ratio strengthening to 58.56% from 44.50% in the previous year. Coverage for Stage 1 and Stage 2 loans remained at appropriate levels of 1.0% and 12.9% respectively. This enhancement in coverage ratios demonstrates the Bank's commitment to maintaining robust buffers against potential credit losses, ensuring resilience against macroeconomic volatility while safeguarding the interests of depositors and other stakeholders, even as asset quality continues to improve.

2.11 Investment portfolio management

Treasury capability is a central driver of both earnings' quality and liquidity resilience. In 2025, the Bank's investment portfolio grew to Rs. 1.2 Tn., recording a 6.7% increase over the previous year. This growth reflects both the reinvestment of maturing securities and the strategic deployment of incremental deposits into high-quality liquid assets, consistent with the Bank's conservative risk posture and regulatory obligations.

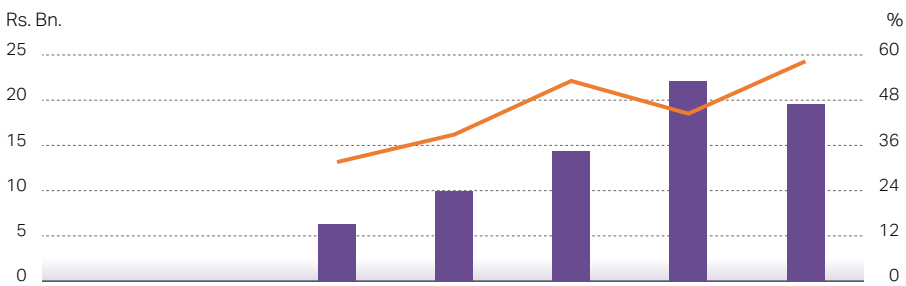
Government securities remained the predominant component, constituting 87.7% of the total investment portfolio. This allocation aligns with the Bank's statutory mandate under the National Savings Bank Act, which requires 60% of deposits be invested in government securities, while also reflecting our conservative investment posture and the critical role these instruments play in maintaining robust liquidity buffers. The portfolio is structured to optimise

Asset quality Graph 44



	2021	2022	2023	2024	2025
Stage 1	505	516	486	488	506
Stage 2	20	22	28	17	31
Stage 3	14	16	13	28	14
Net Stage 3 Ratio (RHS)	2.54	2.82	2.41	5.18	2.53

Provision coverage Graph 45



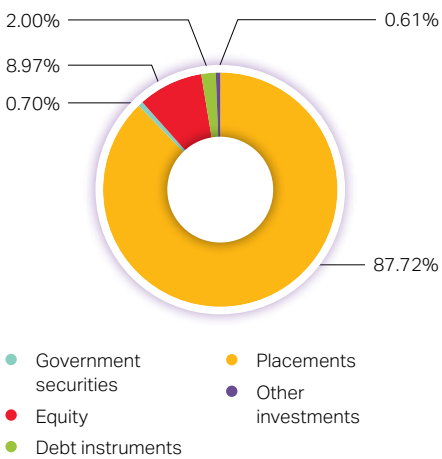
	2021	2022	2023	2024	2025
Stage 3 impairment (LHS)	6,304	9,913	14,449	22,105	19,660
Stage3 provision coverage	31.52	38.86	53.28	44.50	58.56

yield within defined risk parameters, with careful attention to duration management, reinvestment risk, and alignment with the Bank's Asset and Liability Management (ALCO) framework.

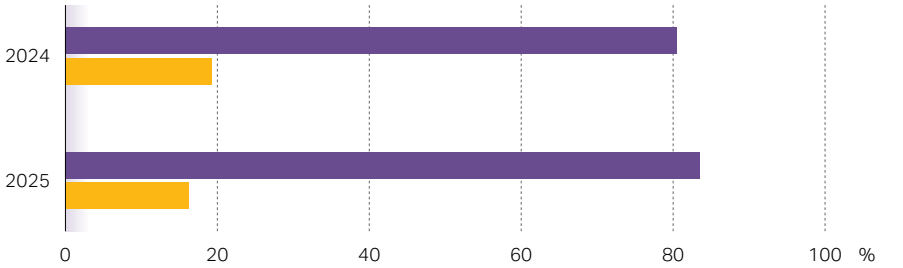
Debt instruments comprised 9.0% of the portfolio, amounting to Rs. 108.7 Bn., providing yield enhancement while remaining within approved credit risk limits. Placements with banks increased to 2.0% of the portfolio, recording a significant growth of 63.4% to Rs. 24.2 Bn. from Rs. 14.8 Bn. reported at the end of financial year 2024. This increase was driven by favourable market opportunities and the Bank's proactive liquidity management.

The Bank maintained disciplined treasury operations throughout the year, supported by enhanced valuation controls, independent price verification, and robust segregation of duties across front office, risk management, and back-office functions. Regular stress testing and sensitivity analysis are conducted to assess the impact of market movements on portfolio valuations, while compliance with internal limits and regulatory requirements is monitored daily. These practices ensure that funds entrusted by depositors are deployed safely, transparently, and in strict adherence to the Bank's mandate, risk appetite, and governance framework.

Composition of investments Graph 46

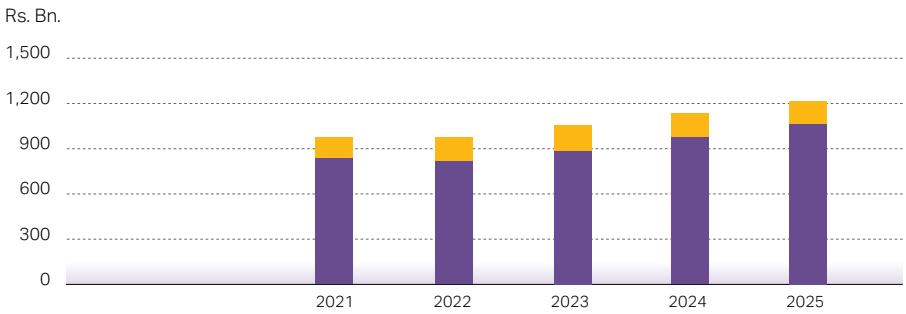


Government securities mix Graph 47



T. Bills	19%	16%
T. Bonds	81%	84%

Investments Graph 48



	2021	2022	2023	2024	2025
Other investments	147	157	168	162	149
Government securities	834	821	885	973	1,063

2.12 Prudent debt and liability management

Deposits

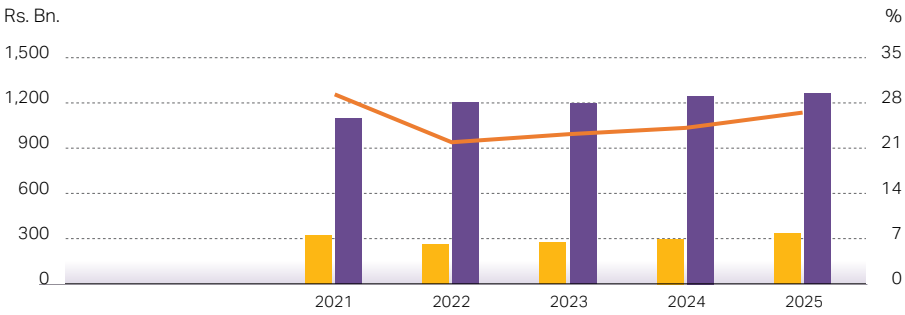
Customer deposits remained the cornerstone of the Bank's funding model in 2025 and continued to provide a stable, low-risk foundation for balance sheet growth and liquidity resilience. As of 31 December 2025, total deposits grew by 3.4% to reach Rs. 1.61 Tn., underpinned by sustained depositor confidence and the Bank's explicit Government guarantee. Customer deposits constituted 87.8% of total assets as of year-end, compared to 88.8% in the preceding year, and continued to represent the Bank's principal funding source.

The stronger growth in savings deposits improved the funding mix and reinforced NSB's traditional savings-mobilisation mandate by increasing the share of stable, low-cost household deposits within total funding. Within the deposit base, savings deposits recorded robust growth of 11.7%, increasing to Rs. 338 Bn. from Rs. 303 Bn. in the previous year. Fixed deposits grew more moderately by 1.3%, reaching Rs. 1.27 Tn. The stronger momentum in savings deposits improved the overall funding mix, with savings now representing 21.0% of the total deposit base, compared with 19.4% at the close of 2024. This favourable shift toward a higher proportion of low-cost, stable funding has strengthened net interest margin resilience, reduced funding cost volatility, and further aligned the Bank's funding structure with its mandate of promoting thrift and financial inclusion.

FINANCIAL CAPITAL

Savings vs time deposits

Graph 49



	2021	2022	2023	2024	2025
Savings	326	265	278	303	338
FD	1,103	1,212	1,204	1,254	1,271
Savings Mix (RHS)	29.5%	21.8%	23.1%	24.1%	26.6%

Other liabilities and equity

Other liabilities increased to Rs. 103.5 Bn. in 2025 from Rs. 97.3 Bn. in the previous year, mainly due to higher outstanding operational liabilities. Total equity recorded a strong increase of 20.4% to reach Rs. 119.1 Bn. as of 31 December 2025, compared with Rs. 98.8 Bn. in the preceding year. This improvement was driven by retained earnings generated during the year and demonstrates the Bank's ability to strengthen its balance sheet organically through sustainable profitability rather than through external capital support.

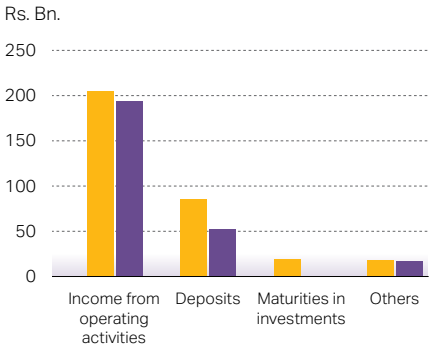
Sources and utilisation of Funds

The Bank's funding profile continues to be built on a stable and diversified base, with customer deposits, operating cash generation, and maturing investments serving as the principal sources of funds.

These resources were deployed prudently across loans and advances, investments in debt instruments, liquidity reserves, operating expenditure, tax obligations, dividend payments, and strategic capital expenditure. This reflects a balanced approach to financial stewardship, ensuring that funds are allocated not only to preserve stability and compliance, but also to generate long-term value for depositors, the shareholder, and the broader economy.

Source of funds

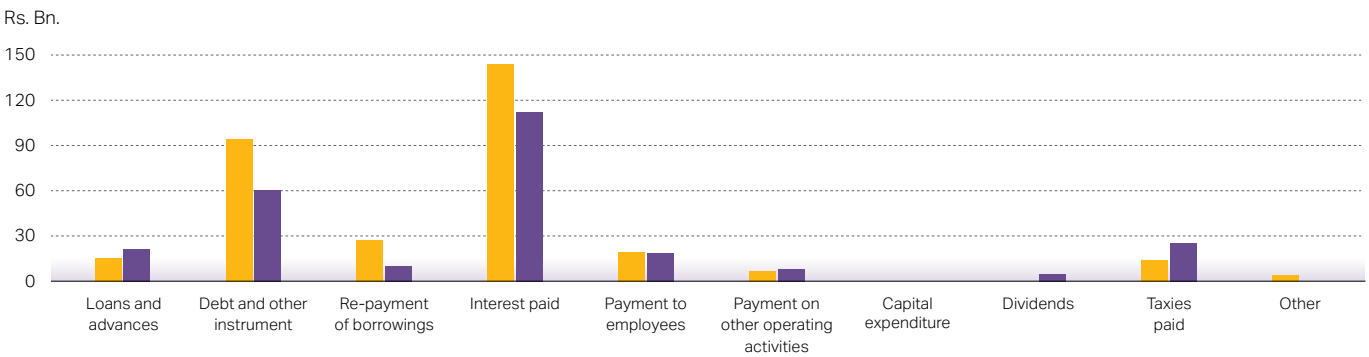
Graph 50



	Income from operating activities	Deposits	Maturities in investments	Others
2024	205,453	85,708	18,938	18,020
2025	194,540	52,978	258	17,329

Utilisation of funds

Graph 51

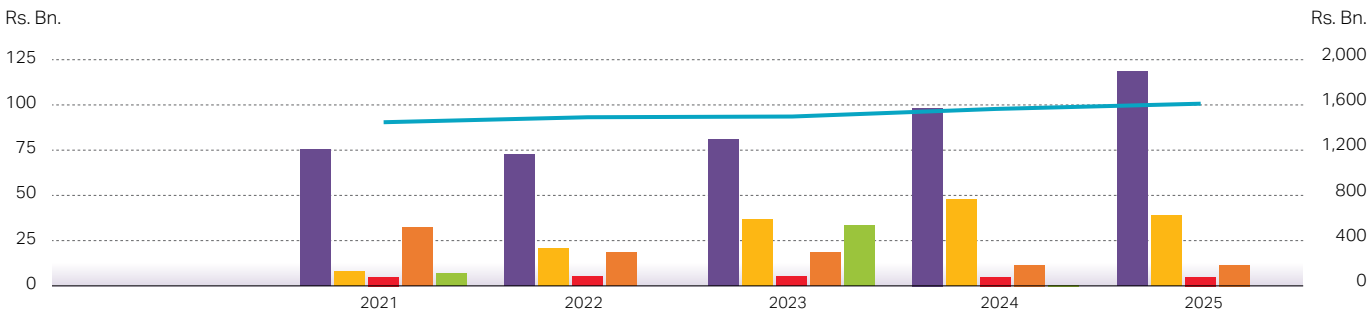


	Loans and advances	Debt and other instrument	Re-payment of borrowings	Interest paid	Payment to employees	Payment on other operating activities	Capital expenditure	Dividends	Taxies paid	Other
2024	15.4	94.6	27.7	144.3	19.2	7.0	0.8	–	14.5	4.6
2025	21.8	60.6	10.5	112.1	19.1	8.0	1.5	5.0	25.7	0.7

FINANCIAL CAPITAL

Funding structure

Graph 52



	2021	2022	2023	2024	2025
Equity	76,013	72,892	81,374	98,843	119,051
REPO borrowings	8,221	20,776	36,922	48,190	39,057
Subordinated liabilities	5,087	5,108	5,108	5,101	5,085
Non-subordinated liabilities	32,442	18,670	18,698	11,866	11,826
Other borrowings	7,185	77	33,674	488	81
Deposits (RHS)	1,428,467	1,476,740	1,482,532	1,556,271	1,608,490

2.13 Maintaining strong capital and liquidity buffers

Capital management and regulatory ratios

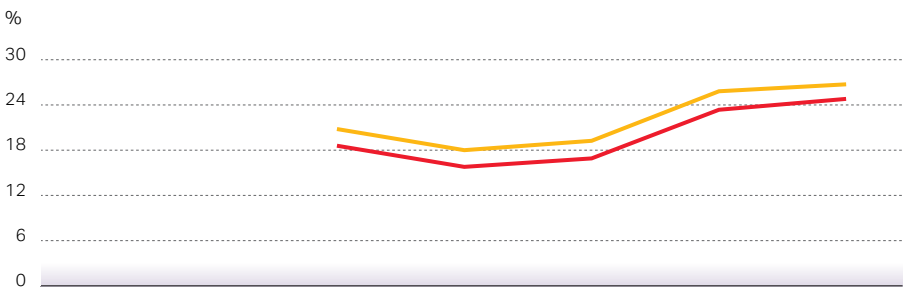
Prudent capital management remains a cornerstone of the Bank's financial strategy. The substantial increase in total shareholder's equity, underpinned by strong profit retention, has further strengthened the Bank's capital base and enhanced its capacity to absorb potential shocks while supporting continued balance sheet growth.

Key capital ratios remained well above regulatory requirements throughout the year. The Tier 1 capital ratio stood at 24.9%, significantly exceeding the regulatory minimum of 8.5%, while the total capital ratio (CAR) reached 26.8%, comfortably more than double the minimum requirement of 12.5%. These robust buffers provide substantial headroom to navigate macroeconomic uncertainties and pursue strategic growth initiatives.

The Basel III leverage ratio improved to 9.3% from 8.0% in the previous year, well above the minimum requirement of 3.0%. This enhancement reflects both the increase in equity capital and disciplined management of on-balance sheet exposures, reinforcing the Bank's resilience and its unwavering commitment to maintaining the strongest capital position among Sri Lankan banks.

Capital adequacy

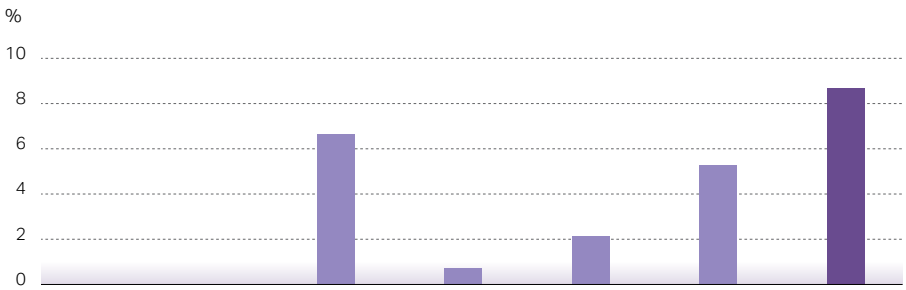
Graph 53



	2021	2022	2023	2024	2025
Basel III – Tier I	18.60	15.78	16.91	23.42	24.90
Basel III – Total	20.83	18.00	19.26	25.88	26.83

Return on risk weighted assets

Graph 54



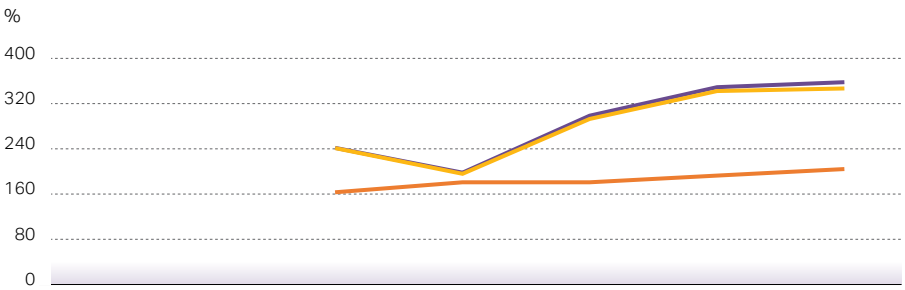
	2021	2022	2023	2024	2025
Return on risk weighted assets	6.7	0.7	2.2	5.3	8.7

Liquidity management and regulatory ratios

The Bank maintained strong liquidity buffers throughout 2025, with the all-currency Liquidity Coverage Ratio (LCR) at 349.2% and the Rupee LCR at 360.4%, significantly exceeding the minimum requirement of 100%. These ratios demonstrate the Bank's capacity to meet net cash outflows over a 30-day stress period without accessing additional funding.

The Net Stable Funding Ratio (NSFR) stood at 206.4%, well above the 100% threshold, demonstrating robust structural funding stability. This ratio confirms that the Bank's longer-term assets are funded by stable sources of funding, reducing refinancing risk and enhancing resilience to market disruptions.

Liquidity ratios Graph 55



	2021	2022	2023	2024	2025
Rupee liquidity coverage	240.84	195.44	299.20	351.33	360.39
All currency liquidity coverage	240.43	193.49	293.71	344.55	349.15
Return on risk weighted assets	160.78	180.51	180.49	193.53	206.44

Cash flow resilience

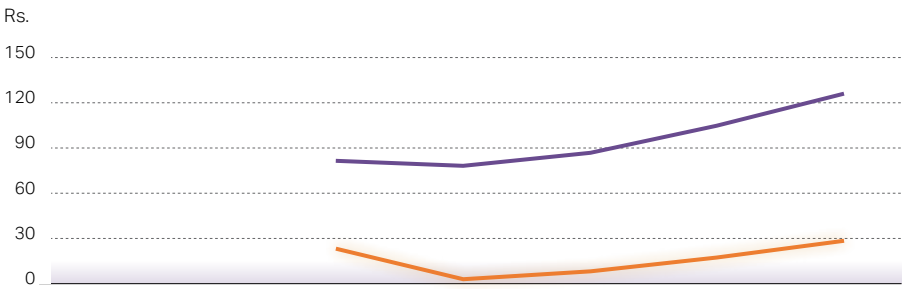
Beyond regulatory ratios, the Bank's liquidity strength is reflected in its underlying cash flow dynamics. Operating cash flows remained robust throughout 2025, supported by stable deposit inflows, disciplined asset deployment, and efficient treasury operations. The maturity profile of the investment portfolio ensures a steady stream of cash inflows, while the granular, retail-dominated deposit base provides predictable, stable funding.

The Bank's contingency funding plan, regularly tested and updated, ensures readiness to respond to a wide range of stress scenarios. This plan identifies potential funding sources, establishes clear escalation triggers, and defines management actions to preserve liquidity under adverse conditions. The combination of strong regulatory ratios, stable cash flows, and robust contingency planning ensures that NSB can meet all obligations as they fall due, even under stressed conditions.

2.14 Delivering value to the shareholder and the Nation

NSB's stronger earnings enabled it to create value both for its sole shareholder and for the national economy. During the year, the Bank paid a dividend of Rs. 6.1 Bn. to the Government of Sri Lanka and contributed Rs. 30.1 Bn. in taxes, demonstrating its dual role as a financially resilient institution and a significant contributor to public finances.

Earnings and net asset value per share Graph 56



	2021	2022	2023	2024	2025
Earnings per share	23.53	2.69	7.68	17.15	29.06
Net asset value per share	80.86	77.54	86.57	105.15	126.65

C Reporting and control

2.15 Financial reporting integrity and analytics-led decision intelligence

The quality of financial decision-making depends fundamentally on the quality of data, reconciliations, reporting controls, and analytical insight. In 2025, NSB further strengthened its financial reporting environment through clearer ownership of source data across Finance, Planning, Treasury, and IT, tighter reconciliation discipline between portfolio systems and the General Ledger, stronger maker-checker-approver controls for management information and regulatory reporting, and deeper monthly analytics covering profitability drivers, balance sheet movement, funding trends, and regional mobilisation performance.

FINANCIAL CAPITAL

These improvements enhanced the reliability, timeliness, and usefulness of internal and external reporting. They also strengthened management's ability to detect anomalies early, escalate issues promptly, and take corrective decisions on the basis of robust financial information. Progress was also made toward SLFRS S1 and SLFRS S2 readiness, including the completion of gap assessments and the development of an implementation roadmap for climate-related financial disclosures.

Horizontal and vertical analysis

Five-year trend analysis of the statement of financial position and the income statement supports clearer interpretation of movement in margins, balance-sheet composition, earnings quality, and capital formation. These analytics strengthen management's ability to identify emerging risks early and allocate resources more effectively.

A detailed horizontal and vertical analysis of the statement of financial position and the income statement is included within this reporting and control framework, as these analyses provide a structured view of year-on-year movement, composition shifts, and earnings-quality trends. Accordingly, a comprehensive five-year horizontal and vertical analysis is presented on pages 499 to 501 of the Integrated Annual Report, supporting more informed interpretation of financial performance, resource allocation, and emerging balance sheet risks.

3 HOW WE ENABLE OUTCOMES

Financial capital at NSB delivers value when prudential strength is translated into dependable service, resilience, and national development outcomes. Rather than existing only as a financial result, it functions as an enabling system that supports customers, communities, regulators, and the wider economy. By maintaining strong funding, capital, liquidity, earnings quality, and control discipline, the Bank ensures that financial stewardship results in real stakeholder value through reliability, continuity, affordability, and long-term confidence.

Outcome pathway	Key achievements	Stakeholder value	Value created for NSB
Reliable banking for every customer journey	Strong capital ratios, robust liquidity, stable deposit base	Certainty that deposits are safe and accessible, confidence in NSB's ability to meet obligations, reliable partner for financial needs.	Strengthened customer loyalty, sustained deposit mobilisation, enhanced reputation as Sri Lanka's safest bank.
Resilience as a service promise	Comprehensive ILAAP/ICAAP, tested contingency funding plans, robust capital buffers without external infusion.	Assurance that banking services will continue through disruptions, protected access to funds during crises.	Avoided operational losses, maintained customer trust during stress events, regulatory confidence in resilience.
National impact through responsible allocation	Highest investment in government securities supporting national financing, loans and advances that support infrastructure development, higher taxes and levies contributions	Contribution to national development and economic stability, responsible stewardship of public savings.	Enhanced social licence, alignment with national policy objectives, preferred partner for government initiatives.
Fairness, affordability, and customer protection	Product governance upgrades, responsible collection practices, transparent communication of terms, higher growth in fee income through fair service pricing.	Fair treatment, clear understanding of product terms, dignity in recovery interactions.	Reduced conduct risk, strengthened customer relationships, sustained trust and loyalty.

3.1 Reliable banking for every customer journey

The Bank ensures that financial strength translates into reliable everyday banking by safeguarding deposits, processing payments without interruption, and maintaining uninterrupted service delivery across both physical branches and digital channels. This commitment to reliability is delivered through the following mechanisms:

Driver	Mechanism	Customer outcome
Certainty through capital and liquidity buffers	Strong capital adequacy and liquidity reserves protect depositor funds and sustain confidence during uncertain conditions.	Customers transact knowing their deposits are safeguarded by rigorous financial stewardship.
Consistency through funding stability	A stable, diversified deposit base enables consistent service coverage across all regions.	Inclusive access for urban and rural communities alike, with no customer segment deprioritised due to funding pressures.
Reinvestment through cost discipline	Cost efficiency and digital adoption improve service economics, enabling reinvestment into customer experience.	Enhanced branch networks and digital platforms that benefit every customer journey.

FINANCIAL CAPITAL

3.2 Resilience as a service promise

The Bank recognises that resilience is fundamental to customer value and therefore invests in operational resilience programs, cyber readiness, and recovery preparedness to ensure critical services remain available and customer obligations are met, even under adverse conditions. This resilience promise is delivered through the following mechanisms:

Driver	Mechanism	Customer outcome
Financial capacity for continuity investments	Strong profitability and capital buffers enable sustained investment in disaster recovery, business continuity, cyber controls, and incident response capability.	Customers are protected when they need banking most, even during disruptive events.
Rapid response through contingency readiness	Well-tested contingency funding arrangements and disciplined liquidity management strengthen the Bank's ability to respond rapidly to both institution-specific and market-wide stress events.	Customers retain uninterrupted access to funds and essential services even under stressed market conditions.
Faster decisions through reporting discipline	Improved reporting integrity, analytics capability, and robust governance frameworks enhance the speed of corrective decision-making.	Reduced duration and impact of any service disruptions, minimising customer inconvenience.

The combined effect is that customers, counterparties, and regulators can rely on NSB to remain stable and responsive even during periods of disruption. This converts prudential strength into a tangible service promise that essential banking remains secure, accessible, and dependable when it is needed the most.

3.3 National impact through responsible allocation

As a national institution, the Bank converts public savings into development outcomes by allocating financial capital guided by safety, mandate alignment, and sustainability considerations, thereby contributing to national progress while maintaining prudent stewardship. This national impact is delivered through the following mechanisms:

Driver	Mechanism	National outcome
Supporting national priorities	Treasury and permitted lending allocations are structured to support national development objectives including infrastructure, housing, and small enterprise.	Financial stability and depositor interests are protected while enabling critical development outcomes.
Enabling sustainable transition	Sustainable financing and structured transactions support long-term economic and environmental resilience.	Contribution to national climate goals and development of a future-aligned loan portfolio.
Strengthening credibility through transparency	Transparent disclosure of financial position, risk management practices, and governance arrangements.	Enhanced credibility with regulators, customers, and stakeholders, reinforcing NSB's role as a trusted national institution.

3.4 Fairness, affordability, and customer protection

The Bank exercises stewardship through fairness by ensuring that pricing and product terms are clear, equitable, and actively monitored for adverse outcomes, thereby reinforcing trust and delivering long-term value to customers. This commitment to fairness is delivered through the following mechanisms:

Driver	Mechanism	Customer outcome
Product governance and fair treatment	Ongoing review of fees, charges, and product terms ensures clarity and fairness. Active monitoring of customer complaints and outcomes identifies issues early and drives remediation.	Customers receive transparent, fair, and appropriately priced products and services.
Responsible recovery practices	Collection and recovery practices are designed to protect customer dignity while managing risk. Early engagement, flexible arrangements, and clear communication support customer retention.	Customers facing financial difficulty are treated with respect and offered sustainable solutions.
Transparent communication	Changes to rates, fees, and product features are communicated clearly and in advance, supported by customer education channels.	Customers are empowered to make informed financial decisions through enhanced financial literacy.

FINANCIAL CAPITAL

4 WHAT THIS DELIVERED

In 2025, disciplined financial stewardship strengthened NSB's resilience, depositor confidence, and capacity to sustain reliable, inclusive banking. By preserving prudential strength while improving the quality of earnings, balance sheet discipline, and reporting integrity, the Bank reinforced the foundations required to execute strategy safely and credibly, while building on the strong momentum established in prior years.

4.1 From investment to impact

Our focus on strengthening financial capital delivered measurable value across the following critical dimensions:

- **Funding stability and public trust:** The deposit base recorded healthy growth, reinforcing the Bank's low-risk funding profile and underpinning depositor confidence through the explicit Government guarantee.
- **Balance sheet strength:** Total assets expanded through calibrated growth, with solid expansion in the investment portfolio and an increase in loans and advances, reflecting measured alignment with market opportunities and risk appetite.
- **Prudential resilience:** Capital and liquidity ratios were maintained comfortably above regulatory thresholds, with CAR, LCR, and NSFR at robust levels, enabling the Bank to absorb market volatility while ensuring uninterrupted service continuity.
- **Improved profitability quality**: Earnings quality was enhanced through growth in net interest income and an improved NIM, while profit before tax recorded a strong increase, demonstrating sustainable income generation.
- **Revenue diversification:** Reliance on core interest income was reduced through healthy growth in non-interest income, driven by increased fee-based activities, card services, and remittance-related revenues.
- **Cost efficiency:** The cost-to-income ratio improved compared to the preceding year, demonstrating effective cost management discipline alongside sustained revenue growth.
- **Stronger financial control environment:** Financial reporting integrity was strengthened through reduced reconciliation breaks, an improved issue closure rate, and maintained on-time submission of all regulatory returns.
- **Strategic reinvestment capacity:** Improved financial strength enabled significant reinvestments into digital capability enhancements and service resilience initiatives, positioning the Bank for future growth and operational excellence

4.2 Financial capital value scorecard

To ensure that financial capital continues to serve as a reliable foundation for sustainable banking, NSB monitors a balanced set of leading and lagging indicators that provide insight into financial health, resilience, efficiency, and control quality. Leading indicators such as deposit concentration, ICAAP coverage, and target cost-to-income performance help forecast emerging strengths and vulnerabilities. Lagging indicators such as capital ratios, liquidity ratios, profitability, and impairment measures show the realised outcomes of stewardship decisions. This disciplined monitoring framework is fundamental to maintaining prudential soundness, improving financial performance, and supporting long-term value creation.

Indicator type	Metric area	KPI	Unit	2025	2024	Trend
Leading indicators	Funding stability	Deposit growth (year-on-year)	%	3.4	5	Reduced
		Large depositor concentration	%	32	28	Improved
	Asset quality	Restructured and rescheduled loans	Nos.	117	143	Reduced
	Capital planning	ICAAP stress test coverage ratio	%	100	100	Stable
	Efficiency	Cost-to-income ratio (target tracking)	%	34.3	38.4	Improved
Lagging indicators	Capital adequacy	Total Capital Ratio (CAR)	%	26.8	25.9	Improved
		Tier 1 Capital Ratio	%	24.9	23.4	Improved
	Liquidity resilience	Liquidity Coverage Ratio (All currency)	%	349.2	344.6	Improved
		Net Stable Funding Ratio (NSFR)	%	206.4	193.5	Improved
	Profitability	Net Interest Margin (NIM)	%	4.7	4.2	Improved
		Return on Assets (ROA)	%	2.5	1.5	Improved
		Return on Equity (ROE)	%	25.1	17.9	Improved
	Asset quality	Impairment charge/average assets	%	0.1	0.7	Improved
	Regulatory compliance	Material regulatory reporting breaches	Nos.	0	0	Stable

TABLE 11

4.3 NSB Group performance: DuPont analysis of ROE

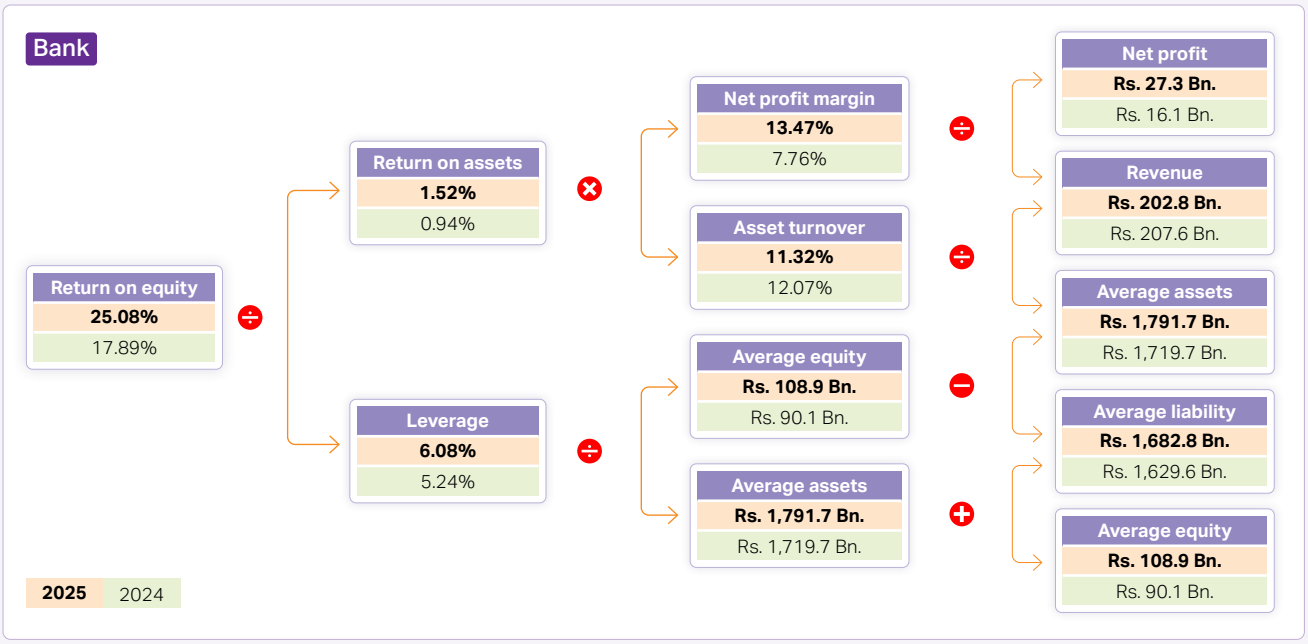
The NSB Group delivered another year of strong financial performance in 2025, building on the record-breaking momentum achieved in 2024. The Bank remained the primary contributor, accounting for the majority of the Group's consolidated assets.

Total Group assets grew to Rs. 1.8 Tn. in 2025, reflecting a 5.2% increase from Rs. 1.7 Tn. in 2024. This steady expansion underscores the Group's ability to sustain a robust and resilient asset base, even as economic conditions continued to evolve.

Profitability remained at exceptional levels, reinforcing the Group's earnings momentum.

The Group's profit before tax reached Rs. 45.9 Bn. in 2025, compared to Rs. 28.3 Bn. recorded in 2024. Meanwhile, profit after tax stood at Rs. 28.2 Bn. for the year, against Rs. 17.5 Bn. in the previous year. These results reflect the Group's continued focus on operational efficiency and value creation for its stakeholders.

DuPont analysis – ROE



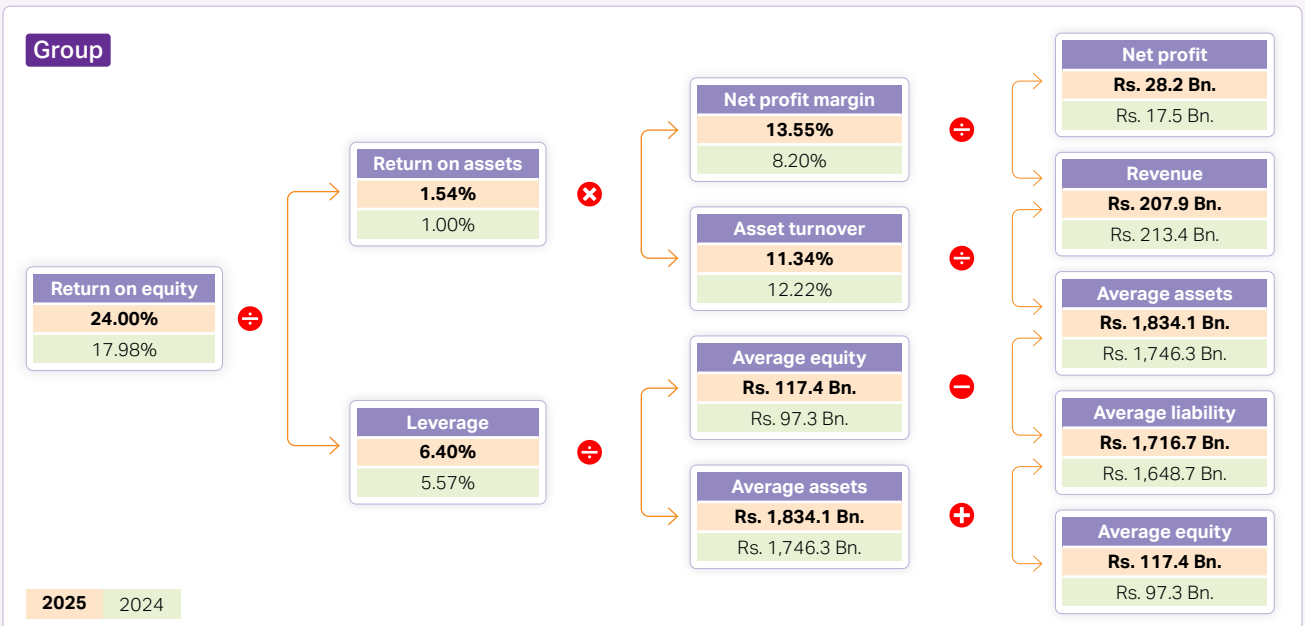


FIGURE 10

FINANCIAL CAPITAL

Trade-offs and synergies with other capitals

- **Trade-off with manufactured capital:** Upfront capital investment in physical infrastructure secures long-term operational reliability and service quality.
- **Trade-off with natural capital:** Higher initial costs for green initiatives are balanced by long-term savings and sustainability gains.
- **Synergy with social and relationship capital:** Depositor trust and regulatory confidence, underpinned by the Government guarantee, directly support funding stability.
- **Synergy with human capital:** Financial strength funds employee development, while skilled staff enable prudent financial execution.
- **Synergy with intellectual capital:** Strong performance funds advanced analytics, which in turn enhance capital allocation and reporting integrity.
- **Synergy with customer capital:** Financial stability enables sustained investment in customer experience and inclusive service delivery.

Looking ahead: Priorities for 2026 and beyond

- **Protect funding stability:** Build a stronger, more diversified funding base through deposit segmentation, product optimisation, and digital mobilisation.
- **Optimise balance sheet structure:** Improve margin resilience through active ALM, funding diversification, and capital efficiency.
- **Maintain strong capital buffers:** Ensure prudential strength through disciplined ICAAP/ILAAP processes and regular stress testing.
- **Scale sustainable finance:** Create new revenue streams through green and resilience-linked products aligned with the Bank's mandate.
- **Improve profitability quality:** Deliver sustainable earnings through enhanced pricing, treasury optimisation, and efficiency initiatives.
- **Deepen digital-led efficiency:** Achieve structural cost reduction through process automation and digital service economics.
- **Strengthen asset quality:** Reduce credit cost volatility through early warning indicators, tighter monitoring, and coordinated recovery actions.
- **Embed climate risk into prudential framework:** Integrate climate scenario analysis into capital planning for future-ready risk management.
- **Advance SLFRS S1 and SLFRS S2 readiness:** Enhance transparency through climate-related financial disclosures aligned with regulatory expectations.
- **Achieve audit-ready reporting integrity:** Deliver best-practice transparency through fully assured financial and sustainability disclosures.

Adequacy of financial capital for future growth

Facing the dual imperatives of macroeconomic volatility and evolving regulatory expectations, our disciplined capital management, prudent liquidity positioning, and sustained profitability have cultivated a resilient financial base. Our strong capital adequacy ratios, diversified funding sources, and high-quality asset portfolio position us to absorb economic shocks, support national priority sectors, and fund the 2026–2028 strategic investments with confidence. We remain committed to being a cornerstone of Sri Lanka's financial stability, where every buffer is prudently maintained, every allocation supports sustainable value creation, and every rupee deployed strengthens depositor confidence and national economic resilience.

MANUFACTURED CAPITAL



Solid foundations, seamless access

Manufactured capital represents the physical and technology-enabled infrastructure through which National Savings Bank delivers safe, reliable and inclusive banking. It spans our branch and service point footprint, self-service network, core banking and digital platforms, data centres and disaster recovery capability as well as the operating disciplines that keep channels available and secure. In 2025, our focus continued on strengthening reliability, accessibility and resilience so every customer can complete their financial journey with confidence, whether in-branch, assisted, or digitally.

Relevance to strategy pillars and value creation

1 Customer centricity and financial inclusion:

Maintain a safe, accessible, barrier-free service footprint and reliable self-service access that reduces travel burdens and supports assisted-digital adoption.

2 Sustainable organic growth and portfolio optimisation:

Optimise the asset base through lifecycle planning, standardised designs and preventive maintenance to reduce cost-to-serve while protecting availability.

3 People, culture and engagement excellence:

Maintain safe, well-equipped workplaces to empower our teams and foster a culture of high performance.

4 Risk culture, governance and compliance discipline:

Enforce rigorous physical security and control measures to protect assets and ensure regulatory compliance.

5 Digital acceleration and data-led banking:

Enable stable digital delivery through resilient connectivity, secure premises technology, device monitoring and disciplined vendor SLAs.

6 Sustainability, climate and community resilience:

Enhance energy efficiency and climate resilience across our facilities to reduce environmental impact and maintain service continuity.

Key risks and challenges

- Service availability disruptions (Branch/ATM/Channel Downtime)
- Asset integrity and physical security threats
- Climate and disaster exposure (Floods, Storms, Cyclones)
- Third-party and supplier dependency risks
- Rising operating costs (utilities, rentals, logistics)
- Customer accessibility gaps (inclusion and access)

Our strategic response and mitigation

- Implementing proactive maintenance, continuous monitoring, and swift response systems to guarantee uninterrupted service.
- Deploying integrated security controls, regular testing, and strict procedural enforcement to protect physical assets and data.
- Reinforcing critical infrastructure and adapting business continuity plans to withstand climate-related disruptions.
- Securing the supply chain by broadening vendor partnerships and enforcing rigorous performance and continuity standards.
- Adopting intelligent, sustainable infrastructure solutions to optimise resource use and control operating expenses.
- Mandating universal design principles and enhanced service features to remove barriers and ensure access for all customers.

MANUFACTURED CAPITAL

Manufactured capital value chain and sustainability integration

We assess manufactured capital through an end-to-end value chain approach, examining each stage from access infrastructure through to customer outcomes. At every step, we integrate sustainability and climate considerations, including physical risk exposure, energy intensity, resource efficiency, and service continuity for communities.

Inputs	Stewardship activities	Outputs	Customer and control outcomes	Long-term impacts
Branches, self-service fleet, premises, security assets, equipment, connectivity and backup arrangements.	Plan and prioritise, capex, preventive maintenance, security & Health, Safety and Environment (HSE) controls, vendor SLAs, risk based site strengthening and energy management.	Modernised/accessible sites, improved uptime, tested continuity arrangements, upgraded security controls, efficiency retrofits.	Inclusive access, safer environments, fewer disruptions, stronger cash integrity and more predictable service standards.	Trust and financial inclusion, lower loss events, reduced footprint per service unit, and stronger community resilience during shocks.

Material matters

1.1	1.2	3.2	5.1	6.3
Customer-centric, inclusive and affordable banking	Digital and financial literacy	Employee health, safety, wellbeing and inclusive culture	Digital transformation and responsible AI/analytics	Operational environmental footprint

Our contribution to SDGs

7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	11 SUSTAINABLE CITIES AND COMMUNITIES	13 CLIMATE ACTION
Target 7.2, 7.3	Target 8.4	Target 9.1, 9.4	Target 11.2, 11.7	Target 13.1
Energy-efficient branch designs and LED retrofitting across network, solar panel installations reducing grid dependence, green building practices in new branch constructions and renovations.	Resource-efficient operations through paperless initiatives and digital adoption, optimisation of physical resource consumption across branch network and head office, sustainable procurement of equipment and materials.	Nationwide branch network of 263 outlets ensuring reliable access to banking services, modernised service infrastructure including ATMs, CRMs, investment in resilient physical infrastructure supporting uninterrupted service delivery.	Accessible branch locations and ATM placements serving urban and rural communities, senior-friendly and differently abled accessible infrastructure; strategic presence in underserved areas promoting inclusive urban and rural development.	Climate-resilient physical infrastructure designed to withstand extreme weather events, business continuity planning incorporating climate risk scenarios, disaster recovery capabilities ensuring service continuity during natural disasters.

Our manufactured capital journey: From stewardship to measurable value

At National Savings Bank, our manufactured capital constitutes the essential physical and technological foundation that underpins our public trust and operational resilience. We manage these critical assets with the same rigorous governance applied to our financial resources, ensuring our infrastructure, from branches to secure systems, reliably facilitates customer access, safeguards service continuity, mitigates physical risks, and contributes to lasting national value.

1 Our capital foundations

Governance, lifecycle stewardship, safe premises, and channel controls to protect customer access, cash integrity and continuity of service.

2 How we strengthen capability

Planned modernisation, preventive maintenance, vendor resilience and green-premises initiatives that keep infrastructure reliable, inclusive and future-ready.

3 How we enable outcomes

- Inclusive access and customer experience
- Operational efficiency and control discipline
- Resilience and continuity as a service promise
- Enable sustainability and responsible operations

4 What this delivered

Measurable gains in service reliability, security, continuity, and cost efficiency.

1 OUR CAPITAL FOUNDATIONS

Our manufactured capital is built around a nationwide service ecosystem designed to support Sri Lanka's diverse customer journeys. This includes first-time savers and pensioners, public institutions, and communities requiring assisted access. All operations meet rigorous safety, security, and regulatory expectations.

1.1 Governance and oversight

Board oversight, management committees, and independent assurance reinforce our manufactured capital governance. This governance framework encompasses policies and procedures across asset lifecycle and facilities management, physical security and cash handling, outsourcing and vendor management, business continuity and disaster recovery, and health, safety, and environmental requirements for premises.

- Board and Corporate Management oversight of capex, infrastructure priorities and continuity management, with escalation of significant incidents and material outages.
- Management committees (Operations/IT/Security when applicable) govern service availability, major incidents, premises risk and vendor performance.
- Integrated assurance through risk, compliance and internal audit reviews of physical controls, security arrangements and vendor management practices.

1.2 Service access infrastructure

Our service access infrastructure is the tangible manifestation of NSB's public mandate, a deliberately designed and integrated nationwide network that provides reliable, inclusive, and secure banking for every Sri Lankan. This ecosystem ensures customers can access essential financial services with confidence, convenience, and dignity, regardless of location, time, or ability.

Our physical network comprises 263 branches and 11 regional offices, providing trusted in-person support. We extend this reach through our proprietary fleet of 418 ATMs/CRMs with Visa and Mastercard debit facilities. Our partnership with the LankaPay Common ATM Switch further expands access, connecting customers to over 6,000 ATMs, CDMs, and CRMs across the island.

Northern Province	20	20	10
1. Jaffna	14	14	7
2. Kilinochchi	1	1	1
3. Mannar	2	2	1
4. Mullaitivu	2	2	–
5. Vavunia	1	1	1

North Central Province	15	17	4
6. Anuradhapura	12	14	4
7. Polonnaruwa	3	3	–

North Western Province	27	30	11
8. Puttlam	8	9	5
9. Kurunegala	19	21	6

Western Province	83	102	61
10. Colombo	46	61	37
11. Gampaha	25	28	19
12. Kalutara	12	13	5

Southern Province	39	40	13
13. Galle	15	15	5
14. Matara	13	14	4
15. Hambantota	11	11	4

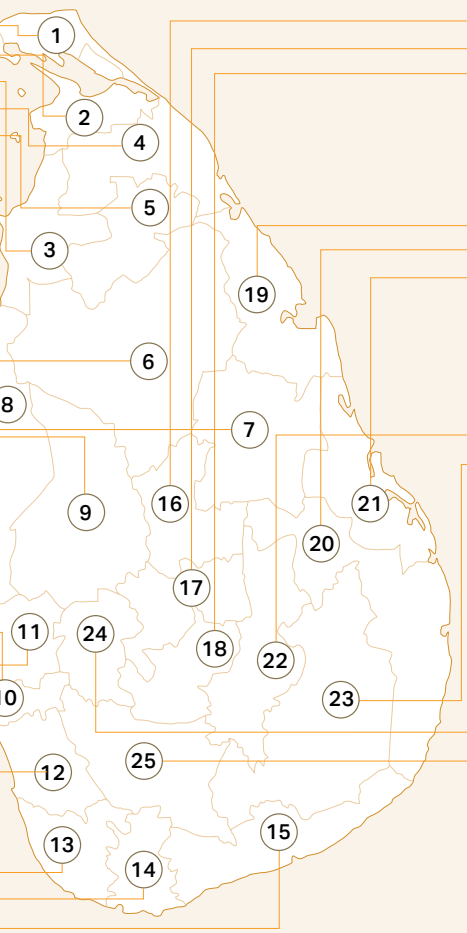
Central Province	28	32	7
16. Matale	4	4	2
17. Nuwara Eliya	7	7	1
18. Kandy	17	21	4

Eastern Province	17	18	3
19. Trincomalee	2	2	–
20. Ampara	8	8	2
21. Batticaloa	7	8	1

Uva Province	13	15	6
22. Badulla	6	9	4
23. Monaragala	7	6	2

Sabaragamuwa Province	21	21	8
24. Kegalle	10	10	3
25. Ratnapura	11	11	5

Total	263	295	123



Scan to view more details on our branch and networks

FIGURE 11

● Branches ● ATMs/CRMs ● Smart zones

MANUFACTURED CAPITAL

Complementing our physical presence is our omnichannel customer support framework. Our centralised contact centre, supported by digital helpdesks and social media channels, provides continuous assistance, handles inquiries, and offers a critical lifeline during branch disruptions or peak periods. This ensures service continuity and reinforces the sense that NSB is always available.

General Accessibility is in-built to our design. We proactively integrate features like wheelchair ramps, physical guidance, assisted-service counters, and clear signage across our network. We implement dedicated service protocols for senior citizens and differently abled customers, ensuring our infrastructure eliminates barriers and delivers a banking experience grounded in inclusion and respect.

Expanding our reach

In a landmark enhancement of our service infrastructure, the Bank inaugurated its inaugural "NSB Premier" branch in Colombo 7 during the year. This flagship establishment represents a strategic investment in our physical network, designed to deliver a sophisticated, relationship-centric banking experience. It caters exclusively to the discerning needs of professionals, corporate executives, and priority customers, offering tailored financial solutions within an environment of refined privacy and personalised service. The branch combines enhanced physical amenities with seamless digital integration, demonstrating our commitment to cultivating deep, value-driven relationships with key client segments, thereby diversifying and strengthening our national portfolio.



Strategic relocations for enhanced access

In line with our ongoing strategy to optimise accessibility and enhance service delivery, the Bank strategically relocated five branches during the year at Pelmadulla, Maligawatta, Habaraduwa, Hikkaduwa, and Akuressa. These moves were designed to better align our network with shifting customer patterns, growing communities, and commercial activity. Each new location improves convenience, expands our reach, and incorporates updated layouts and technology to serve customers more effectively, reinforcing our commitment to a dynamic and responsive national presence.

1.3 Operational premises and critical equipment

The security, efficiency, and resilience of our service delivery depend entirely on the integrity of our operational premises and the critical equipment within them. We manage these assets not as isolated facilities but as interconnected nodes in a secure, high-availability national network.

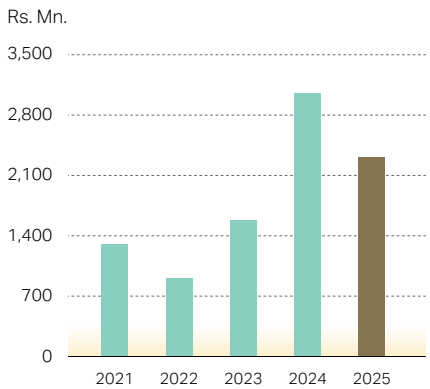
Our Head Office in Colombo and 11 regional offices serve as strategic command centres for core banking, treasury operations, administration, and nationwide service governance. These facilities are engineered for resilience with modern redundant power and communication systems to ensure uninterrupted operations.

Physical security protocols are maintained rigorously across all premises to protect assets and ensure safety. Our facilities management encompasses comprehensive environmental and safety controls, including proactive maintenance of electrical systems, air conditioning, fire detection and suppression systems, emergency lighting, and evacuation routes. Regular safety drills and mandatory certifications, including fire safety compliance, ensure our premises remain safe for customers and employees.

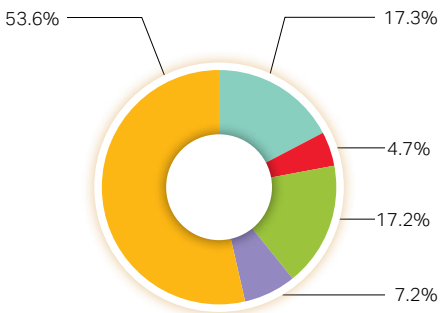
Fixed asset allocation

A comprehensive breakdown of our fixed asset distribution, including detailed allocations across various asset categories, is detailed on page 357 in Note 26 to the Financial Statements.

New additions to PPE Graph 57



Composition of new additions to PPE Graph 58



1.4 Asset stewardship and lifecycle governance

National Savings Bank's stewardship of manufactured capital is governed by a strategic, end-to-end lifecycle management framework designed to optimise value and ensure resilience.

This approach is characterised by four key phases:

i. **Strategic planning and investment:** Capital expenditure is guided by a multi-year plan aligned with corporate strategy. All major investments undergo rigorous analysis and receive structured Board-level oversight.

ii. **Governed procurement:** Acquisition is standardised through transparent, competitive processes and managed via strict vendor contracts and performance agreements to guarantee quality and value.

iii. **Preventive maintenance:** A mandatory culture of scheduled preventive maintenance is enforced to ensure reliability and is complemented by a structured corrective process that analyses root causes to prevent future failures.

iv. **Audit and optimisation:** Regular audits of asset condition and utilisation inform data-driven decisions on refurbishment, redeployment, or responsible disposal, ensuring the asset base remains modern and aligned with the Bank's strategy.

1.5 Interdependencies and critical infrastructure

The operational resilience of the Bank is fundamentally interconnected with external national systems and third-party partners. We proactively manage these critical dependencies through a structured three-pillar strategy:

1. **National infrastructure integration:** As a core participant in national payment systems, we ensure reliability through robust technical integration, continuous monitoring, and active collaboration in sector resilience initiatives.

2. **Governed third-party management:** Our reliance on key vendors is controlled via contracts with enforced Service Level Agreements (SLAs), mandatory Business Continuity Plan (BCP) requirements, performance reviews, and supplier diversification to mitigate concentration risk.

3. **Tested continuity assurance:** We guarantee service availability through comprehensive, regularly tested Business Continuity and Disaster Recovery (BCP/DR) plans. This includes alternate work sites, backup infrastructure, defined recovery objectives, and bi-annual simulation drills to ensure preparedness for significant disruptions.

2 HOW WE STRENGTHEN CAPABILITY

Strengthening manufactured capital is a disciplined programme that balances customer access, safety, resilience and value-for-money. In 2025, NSB focused on modernising service points, improving self-service reliability, standardising layouts and controls, and embedding resilience into infrastructure decisions, particularly as the Bank accelerates digital delivery while sustaining inclusive access.

2.1 Modernisation and service-point optimisation

To keep physical banking relevant and inclusive, NSB pursues targeted modernisation that improves customer flow, privacy, and service efficiency while preserving nationwide reach. Design standards emphasise clear navigation, dignified customer interactions, and operational controls that remain consistent across locations. In this regard, the following was undertaken.

- Four branch refurbishments and layout improvements to improve customer flow, privacy and service efficiency, including dedicated assistance points for vulnerable customers.
- Standardised branding, signage and customer guidance to reduce ambiguity, improved navigation and strengthened the NSB service experience across the network.
- Customer environment improvements to reduce waiting time and improve perceived service quality.
- Rationalisation of space and equipment usage to optimise utilisation while meeting service obligations and resilience requirements.

MANUFACTURED CAPITAL

2.2 Reliability and performance of self-service channels

The reliability of our self-service channel network – ATMs, Cash Deposit Machines (CDMs), and Cash Recycling Machines (CRMs) cannot be compromised, as it directly impacts customer trust and access. NSB enforces a multi-layered governance model to ensure peak performance as detailed below.

- We employ proactive, 24/7 monitoring of all devices with defined response time SLAs, ensuring faults are escalated and resolved swiftly, with root-cause analysis applied to prevent recurrence.
- Cash replenishment planning and performance monitoring to reduce out-of-cash incidents and improve customer confidence.
- Preventive maintenance schedules and spares management to reduce Mean Time to Repair (MTTR) and extend equipment lifespan.
- Physical strengthening measures (CCTV coverage, lighting, tamper alarms, secure anchoring, and access controls) to reduce security events.

2.3 Resilience by design

NSB operationalises resilience by embedding continuity considerations into the very design and management of our facilities and channels. We acknowledge that disruptions affect customers, employees, and financial stability, therefore resilience investments are prioritised based on service criticality, geographic hazard exposure, and third-party dependencies.

We carry out comprehensive facility risk assessments, leading to robust emergency readiness measures including certified fire safety systems, regular evacuation drills, and reliable backup power arrangements.

As technology and physical security increasingly integrate, we implement enhanced cyber-physical controls for all technology-enabled premises. This integrated approach ensures that access systems, surveillance networks, and critical infrastructure are protected against both digital and physical threats, aligned with our risk appetite and regulatory standards. Furthermore, we conduct regular resilience reviews of key suppliers (telecom, security, cash logistics) to mitigate concentration risk and ensure their BCPs align with our own continuity requirements.

Refer Intellectual capital on pages 134 to 143 for more details on cyber-physical controls.

Upholding services through Cyclone Ditwah

The operational effectiveness of our resilience framework was critically tested during Cyclone Ditwah in 2025. This event validated our investments and preparedness, recovery systems and procedures with our primary objectives being the safety of our people and customers, the protection of critical assets, and the swift restoration of services.

- **Activation and response:** Our pre-established risk models and incident command structure were activated immediately. While several service points in affected districts experienced temporary disruptions due to power and connectivity issues, our decentralised management protocols enabled swift, case-by-case decisions to ensure staff safety and service continuity.
- **Continuity protocols mobilised:** Designated alternative recovery sites and our omnichannel support framework ensured banking functions continued. Technical teams prioritised restoring our self-service network, and strong partner relationships facilitated the rapid re-establishment of cash logistics and telecommunications.
- **Outcomes and validation:** Critical services were restored to over 90% of affected areas within 48 hours, with no major structural damage to core infrastructure. This response reinforced stakeholder trust and demonstrated the tangible value of our resilience planning.
- **Lessons applied forward:** This event has directly shaped our forward-looking strategy, accelerating climate- resilience for high-risk locations and refining decentralised decision-making protocols

This real-world stress test proved that our manufactured capital is not only modern and efficient but fundamentally durable, ensuring NSB remains a reliable pillar for the nation through climatic and operational disruptions.

2.4 Sustainable and efficient infrastructure

NSB pursues resource efficiency as a dual-purpose imperative: fulfilling our environmental stewardship commitments while enforcing long-term operational cost discipline. Our sustainable infrastructure strategy focuses on the largest physical footprint.

Energy efficiency is a primary focus, achieved through systematic initiatives like full-scale LED lighting retrofits, optimisation of Heating, Ventilation, and Air Conditioning (HVAC) systems, and targeted deployment of renewable energy sources where technically and financially feasible. We actively drive paper-light operations by expanding digital documentation, e-statements, and digital payment adoption, thereby reducing physical storage needs, handling costs, and waste.

Sustainability principles are embedded in our procurement process, favouring equipment and materials with greater durability, lower total lifecycle cost, and responsibly sourced components. We enforce responsible end-of-life practices through controlled disposal and vendor agreements for electronic waste (e-waste) and other facility waste, ensuring compliance with environmental regulations and minimising our ecological impact.

Natural capital on pages 172 to 181 for more details.

MANUFACTURED CAPITAL

3 HOW WE ENABLE OUTCOMES

Manufactured capital is valuable only when it translates into consistent customer outcomes and safe execution. NSB therefore uses infrastructure decisions to enable inclusive access, dependable service, strong controls and efficient operations, so that customers experience NSB as both accessible and resilient, regardless of channel choice.

3.1 Inclusive access and customer experience

- Reliable physical access points that support community-based savings journeys, complemented by assisted digital services for customers transitioning to digital channels.
- Service environments that protect privacy and dignity during customer interactions, particularly for senior citizens and vulnerable customers.
- Extended access through self-service channels and supported service points, reducing travel time and improving convenience.
- Barrier-free design and accessibility upgrades that help ensure no customer is excluded from essential services.

3.2 Operational efficiency and control discipline

- Standardised layouts and equipment configurations that reduce operational variability and improve consistency of controls across locations.
- Improved asset uptime and reduced disruption, limiting manual workarounds and strengthening end-to-end control discipline.
- Facilities and equipment controls that support safe cash handling, fraud deterrence and incident prevention.
- Better coordination across Premises, Security and Technology teams, improving closure discipline for maintenance and incident actions.

3.3 Resilience and continuity as a service promise

- Continuity arrangements that sustain essential services during disruptions, supported by tested response and recovery procedures.
- Physical and environmental safeguards that reduce service interruptions from hazards (utility failures, facility incidents, security events and severe weather).
- Supplier and partner escalation mechanisms that help maintain service when external dependencies are stressed.
- Improved readiness to support customers and communities during disruptive events through controlled fallbacks and clear communication protocols.

3.4 Enabling sustainability and responsible operations

- Reduced resource intensity through energy management and paper-light processes, supporting cost discipline and environmental performance.
- Premises initiatives that contribute to climate-aligned operations (e.g., renewables where feasible, efficient cooling) and reduce exposure to energy cost volatility.
- Controlled waste management, including responsible handling of electronic waste and facility waste streams.

4 WHAT THIS DELIVERED

Through disciplined stewardship and targeted investments, NSB's manufactured capital base supports dependable access, stronger service quality, uninterrupted service and enhanced resilience. While year-on-year metrics are reported through operational dashboards and statutory disclosures, the outcomes below capture the value created through this capital.

4.1 From investment to impact

Our focus on strategic infrastructure and asset optimisation delivered measurable value across five critical dimensions:

1. Resilient operational capacity: Successfully balanced major infrastructure upgrades with uninterrupted production and asset integrity, evidenced by seamless system integrations, reduced downtime, and stable throughput metrics.

2. Future-ready asset capability: Strengthened the organisation's physical and technological asset base through targeted investments in automation, smart infrastructure, and scalable platforms, enabling faster time-to-market and higher operational efficiency.

3. Stronger operational alignment: Fostered greater reliability and utilisation through improved asset lifecycle management and cross-functional coordination, leading to higher adoption of new technologies and improved equipment effectiveness scores.

4. Safety and asset integrity maturity: Enhanced operational resilience by expanding focus from reactive maintenance to predictive asset monitoring and fail-safe design, reducing unplanned outages and supporting sustained production capacity.

5. Infrastructure depth and modernisation readiness: Built a stronger pipeline of "ready-now" assets and scalable systems for critical production nodes, reducing single-point-of-failure risk and ensuring strategic continuity across operations.

MANUFACTURED CAPITAL

4.2 Manufactured capital value scorecard

To ensure our physical infrastructure acts as a reliable engine for service delivery, NSB monitors a balanced set of leading and lagging capital stewardship indicators. These metrics provide critical insight into asset health, efficiency, and resilience.

Leading indicators, such as preventive maintenance completion and project pipeline health, forecast future reliability, while lagging indicators, such as network uptime and cost efficiency, measure realised outcomes. This disciplined tracking is fundamental to optimising total cost of ownership, ensuring service continuity, and supporting national financial inclusion. The following table details our performance across these key areas.

Indicator type	Metric area	KPI	Unit	2025	2024	Trend
Leading indicators	Asset health and maintenance	% Planned preventive Maintenance completed	%	100	100	Stable
Lagging indicators	Service availability	Network uptime (Branches & ATMs)	%	99.8	99.8	Stable
	Operational efficiency	Maintenance cost as % of asset value	%	9.7	6.8	Increased
	Security and safety	Major security/safety incidents	Nos.	0	0	Stable
	Sustainability performance	Energy consumption per branch	GJ	134.4	125.5	Increased

TABLE 12

Trade-offs and synergies with other capitals

- **Trade-off with financial capital**
  We allocate significant capital expenditure to modernise and strengthen infrastructure, accepting upfront financial outlays to secure long-term operational savings, risk reduction, and service quality.
- **Synergy with human capital**
  Modern, efficient, and safe workplaces directly enable employee productivity and wellbeing, while skilled personnel are essential for effective asset operation and maintenance.
- **Synergy with intellectual capital**
  Our physical infrastructure serves as the foundation for digital and data-driven services, including smart ATMs and IoT-enabled building management systems. In turn, technology enhances the efficiency and intelligence of our physical assets.
- **Trade-off with natural capital**
  We invest in energy-efficient and climate-resilient designs, which may have higher initial costs but reduce the long-term environmental impact and operational expenses, aligning with our sustainability goals.

Looking ahead: Priorities for 2026 and beyond

- **Predictive asset management**
  Implement IoT sensors and analytics for predictive over preventive maintenance.
- **Green infrastructure scale**
  Expand renewable energy installations and mandatory green standards for all major retrofits.
- **Network resilience strengthening**
  Accelerate climate-proofing and security enhancements for high-risk locations.
- **Integrated channel strategy**
  Optimise the physical-digital service mix based on customer analytics and utilisation data.

Adequacy of manufactured capital for future growth

Despite the increasing frequency of climate-related and operational disruptions, our strategic investments in network modernisation, preventive resilience, and green infrastructure have created a physical asset base that is both adaptive and durable. Our refurbished branches, reliable self-service network, and strengthened continuity arrangements provide the dependable, inclusive, and efficient service channels required to deliver our 2026-2028 strategy.

We remain committed to maintaining a national infrastructure that is not only fit for today's purpose but is also future-proofed to serve generations of Sri Lankans.

HUMAN CAPITAL

Empowering the heart of our journey



The people at National Savings Bank are our greatest asset. They form the foundation of our strategic success and value creation, embodying our organisational purpose while driving innovation, customer satisfaction, and sustainable growth across all operations.

In 2025, our human capital strategy focused on building an inclusive, high-performing, and future-ready workforce capable of delivering an exceptional service in a rapidly evolving financial landscape. We invested strategically in talent acquisition, employee development, workplace wellness, and diversity initiatives, strengthening our competitive advantage and ensuring long-term organisational sustainability.

Relevance to strategy pillars and value creation

1 Customer centricity and financial inclusion:

Deep empathy, design-thinking capabilities, and localised market knowledge embedded across the workforce to co-create inclusive solutions that genuinely meet customer needs.

2 Sustainable organic growth and portfolio optimisation:

Agile financial acumen, commercial discipline, and strategic decision-making skills cultivated across teams to balance investments and prioritise long-term value creation.

3 People, culture and engagement excellence:

Leadership development, psychological safety, and recognition embedded into talent practices to drive performance and brand passion from within.

4 Risk culture, governance and compliance discipline:

A proactive risk mindset strengthened through continuous learning, with ethical reasoning and accountability upheld across every role.

5 Digital acceleration and data-led banking:

Digital fluency, data literacy, and agile ways of working embedded across the workforce to enable confident innovation and personalisation in a digital economy.

6 Sustainability, climate and community resilience:

Capabilities built in sustainable finance, climate risk assessment, and community partnership to empower responsible stewardship of a resilient future.

Key risks and challenges

- **Talent attrition to competitors and fintechs:** Loss of skilled professionals threatens service continuity and operational stability.
- **Internal disengagement:** Erosion of morale and productivity if employees feel disconnected or undervalued.
- **Critical shortage of skills:** Gaps in digital banking, cybersecurity, data analytics, and sustainable finance hinder innovation and future growth.

Our strategic response and mitigation

- **Build a future-ready workforce:** Implement targeted development programmes to enhance agility and digital fluency, fostering an environment where talent can grow and lead.
- **Strengthen our employer brand:** Champion wellbeing, recognition, and a people-centric culture to attract, engage, and retain top talent.
- **Enhance organisational resilience:** Foster an adaptable and skilled workforce through continuous upskilling and strategic hiring, making employees capable of navigating market shifts and meeting evolving customer needs.

HUMAN CAPITAL

Human capital value chain and sustainability integration

We view human capital through a value chain lens from recruitment and capability inputs to performance, wellbeing, and resilient execution outcomes.

Inputs	Stewardship activities	Outputs	Customer and control outcomes	Long-term impacts
Workforce and leadership pipeline, culture and values, Human Resources (HR) policies and employee relations, learning platforms and budget, wellbeing and safety systems.	Workforce planning and critical role coverage, learning and future-ready skills pathways, mobility and succession; fair employment and ethics safeguards, performance and conduct discipline, wellbeing, occupational health and safety (OHS) and emergency readiness, inclusion and accessibility accommodation.	Trained and certified employees, strengthened digital, data, risk, and compliance capabilities, higher engagement and retention, safer workplaces, leadership bench strength and succession readiness.	More consistent service quality and customer protection, stronger control execution and reduced errors, safer operations and better incident readiness, higher change adoption without compromising stability.	Sustained organisational resilience, trusted service culture nationwide, improved adaptability to climate and disruption risks, stronger national value through decent work, skills development, and inclusive service delivery.

Material matters

2.1	2.3	3.1	3.2
Macroeconomic stability and financial system confidence	Financial sustainability and earnings resilience	Talent attraction/retention and future-ready skills	Employee health, safety, wellbeing and inclusive culture

Our contribution to SDGs



Target 3.4 3.8

Energy-efficient branch designs and LED retrofitting across network, solar panel installations reducing grid dependence, green building practices in new branch constructions and renovations.



Target 4.4 4.5

Resource-efficient operations through paperless initiatives and digital adoption, optimisation of physical resource consumption across branch network and head office, sustainable procurement of equipment and materials.



Target 5.1 5.5

Nationwide branch network of 263 outlets ensuring reliable access to banking services, modernised service infrastructure including ATMs, CRMs, investment in resilient physical infrastructure supporting uninterrupted service delivery.



Target 8.5 8.8

Accessible branch locations and ATM placements serving urban and rural communities, senior-friendly and differently abled accessible infrastructure, strategic presence in underserved areas promoting inclusive urban and rural development.



Target 10.3 10.4

Climate-resilient physical infrastructure designed to withstand extreme weather events, business continuity planning incorporating climate risk scenarios, disaster recovery capabilities ensuring service continuity during natural disasters.



Target 16.5 16.6

Strong ethical framework and code of conduct governing employee behaviour, anti-bribery and anti-corruption training embedded across the organisation, transparent HR policies and grievance redress mechanisms.

Our human capital journey: from stewardship to measurable value

At NSB, our human capital is the engine of national trust and foundation of sustained execution. As a state-owned bank with a public mandate, we apply the same discipline to people decisions as we do to financial stability. We link governance, capacity building, and culture directly to service quality, customer protection, risk management, and sustainable value creation.

1 Our capital foundations

Governance, ethics, employee relations, fair employment, culture, and trust safeguards.

2 How we strengthen capability

Workforce planning, learning, mobility, and succession for a future-ready bank.

3 How we enable outcomes

- Performance management
- Employee engagement
- Occupational health, wellbeing and safety
- Standing with our people through Cyclone Ditwah
- Employee relations and grievance mechanisms
- Ethics, non-discrimination and human rights commitments

4 What this delivered

Measured outcomes that strengthen resilience, service, and national value.

1 OUR CAPITAL FOUNDATIONS

This section outlines how NSB anchors people stewardship in strong oversight, clear accountability, and fair employment practices that protect trust and continuity.

1.1 Governance and oversight

Human capital governance is anchored in Board oversight and executed through management. This ensures that people-related decisions directly support strategy, service outcomes, and resilience. Board oversight spans workforce planning, learning and development, conduct and ethics, employee relations, safety and wellbeing, and succession readiness. This approach treats human capital as being of strategic importance, consistent with leading HR practices.

The following governance structure is in place:

- **Board of Directors, Board Human Resources and Remuneration Committee (BHRRC), and Board Nomination Committee (BNC) –** provide oversight of people-related risks, ethics, conduct, succession resilience, and remuneration.
- **Corporate Management Committee (CMC) –** translates strategy into annual people priorities, monitors delivery, and escalates emerging issues.
- **HR Function and Divisional Heads –** operate a co-accountable model where HR designs policies and systems, while business leaders own local execution, culture, and controls.
- **Assurance and Risk Integration –** reviews human capital risks as part of the Bank's Integrated Risk Management and assurance routines.

1.2 Responsible employment, compliance, and human rights safeguards

As a licensed bank and public institution, our approach to people stewardship is built on a compliance-first framework supported by structured policies and procedures. We ensure consistent adherence to applicable labour laws and regulations while embedding commitments to equal opportunity, dignity at work, and safe workplaces.

Our framework covers all key employment areas including compensation and benefits, recruitment and promotion, working hours, rest periods, leave, disciplinary actions, and separations. Compliance is actively monitored through established HR governance routines, assurance reviews, and clear management accountability.

HUMAN CAPITAL

GRI 2-19 2-23 2-24 402-1

This commitment extends beyond regulatory requirements to align with voluntary global benchmarks, including the United Nations Global Compact (UNGC) Principles 1 to 6 and the International Labour Organization (ILO) Declaration. [LA]

Critical area	Local legislation	Policy at NSB	Global benchmark standards
Managing the HR function of the Bank	Shop and Office Employees Act	HR policy	UNGC Principle 6 **ILO Declaration:** Effective abolition of child labour, elimination of discrimination in respect of employment and occupation.
Grievance handling	Industry best practices	HR policy	UNGC Principle 1 **ILO Declaration:** Freedom of association and the effective recognition of the right to collective bargaining.
Salary and non-salary benefits	Shop and Office Employees Act	Collective agreement	UNGC Principle 6 **ILO Declaration:** Elimination of discrimination, promotion of equal remuneration.
Recruitment and termination	Termination of Employment of Workmen Act	Recruitment: Approved schemes of recruitment; disciplinary terminations: disciplinary code of the Bank	UNGC Principle 6 **ILO Declaration:** Elimination of all forms of forced or compulsory labour, non-discrimination.
Training	Industry best practices	Training and development policy	UNGC Principle 1 **ILO Declaration:** Promotion of vocational guidance and training.
Occupational health and safety	Shop and Office Employees Act	HR policy	UNGC Principle 1 **ILO Declaration:** Fundamental conventions on occupational safety and health.
Human rights	Constitution of Sri Lanka	Human rights policy	UNGC Principles 1 & 2 **ILO Declaration:** All four fundamental principles (freedom of association, elimination of all forms of forced or compulsory labour, etc.).
Bribery and corruption	Anti Corruption Act	Anti Corruption Act	UNGC Principle 10
Addressing harassment – sexual/non-sexual discrimination	Penal Code	HR policy	UNGC Principle 6 **ILO Declaration:** Elimination of discrimination in respect of employment and occupation.
Internal dispute resolution	Industry best practices	Disciplinary Code of the Bank	UNGC Principle 1 **ILO Declaration:** Freedom of association and effective recognition of the right to collective bargaining.
Auditing of the HR function	Industry best practices	HR policy	UNGC Principle 1
Performance management and succession planning	Industry best practices	HR policy and circulars	UNGC Principle 6 **ILO Declaration:** Elimination of discrimination; promotion of vocational guidance.

EMPLOYMENT ETHICS AND HUMAN RIGHTS SAFEGUARDS

NSB's commitment to human rights and a zero-tolerance policy against child labour, forced labour, discrimination, and harassment is operationalised through strict compliance with all laws and regulations governing compensation and dismissal, recruitment and promotion, working hours, rest periods, and other benefits and welfare.

Controls include rigorous recruitment screening, comprehensive policy frameworks, awareness programmes, and confidential reporting channels ensuring timely investigation and resolution, while promoting dignity, equal opportunity, and inclusive workplaces for all 4,203 employees.[LA]



The Bank's operations remained fully compliant with Sri Lankan labour laws, resulting in no breaches or penalties recorded during the reporting period.

GRI 408-1

Proactive review of employment practices

NSB's commitment to ethical labour is upheld through regular internal audits, reviewed by the Board Audit Committee, with timely corrective actions. We enforce strict pre-employment, supplier, and contractual controls to eliminate child and forced labour. This is reinforced by ongoing employee education and proactive cooperation with regulatory bodies.

GRI 405-1

1.3 Our workforce profile and diversity

Workforce profile, availability, and inclusion

NSB's workforce model is designed to sustain nationwide access through branches and service points, alongside digital delivery, while building specialist capability for a rapidly evolving bank. Our resourcing approach balances frontline service capacity with specialist capabilities in risk, treasury, information technology (IT), cybersecurity, data, and compliance.

Workforce diversity and representation

Our people strategy is anchored in fairness, inclusion, and equal opportunity. We track workforce composition and representation to ensure our talent decisions reflect the communities we serve, and the capabilities required to deliver inclusive banking.

During the reporting period, total workforce composition remained stable with no material fluctuations in headcount observed either during or between reporting periods.[LA]

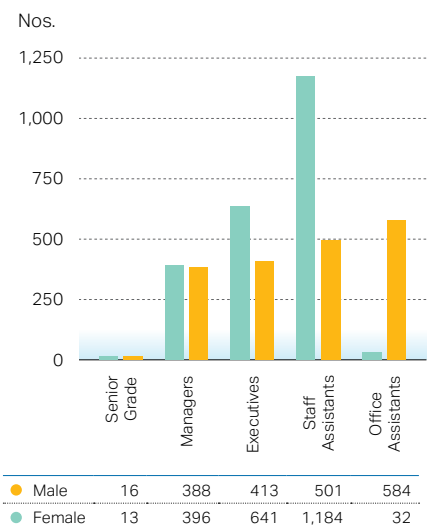
GRI 2-7

Province and gender wise distribution of staff[LA]

Province	Female	Male	Total
Central	194	173	367
Eastern	83	98	181
North Central	71	92	163
North Western	169	162	331
Northern	107	113	220
Sabaragamuwa	159	105	264
Southern	341	236	577
Uva	94	81	175
Western	1,048	842	1,890
Total permanent employees	2,266	1,902	4,168
Contract/Trainee			
Western	25	10	35
Total employees	2,291	1,912	4,203
	55%	45%	100%

TABLE 13

Staff composition by grade and gender who receive regular performance appraisal Graph 59



HUMAN CAPITAL

GRI 2-20 201-3 202-1 401-2

1.4 Remuneration governance and workforce cost stewardship

NSB attracts and retains the best talent in Sri Lanka by shifting from a transactional "salary-first" model to an all-inclusive Total Rewards Philosophy. The strategy ensures that every employee's contribution is not only compensated but celebrated, fostering a culture where personal growth and national progress are intrinsically linked. Workforce cost stewardship is monitored alongside productivity and service outcomes to ensure sustainable value creation.

The Bank is using standard HR metrics and assumes the total rewards philosophy as the basis for analysing workforce costs and productivity, with all headcount and associated costs reported on a full-time equivalent (FTE) basis to ensure consistency. [LA]

Our remuneration and rewards philosophy

We believe that competitive, fair, and transparent remuneration is the cornerstone of a motivated workforce. Our philosophy is built on three core pillars:

- **Performance-linked prosperity:** moving beyond fixed pay to include merit-based incentives and annual bonuses that align individual achievements of all confirmed employees with the Bank's success. [LA]
- **Comprehensive financial security:** providing a safety net that includes medical reimbursements, parental leave compassionate compensation for disability or death, and concessional loan rates to support life's milestones. [LA]
- **Long-term value:** ensuring peace of mind through defined benefit plans and pension schemes that provide stability well into retirement.

Cultivating a culture of recognition

Recognition at NSB extends beyond financial rewards. We celebrate the "Whole Person" by acknowledging talents and dedication in diverse forms:

- **Milestone and service excellence:** Honouring long-service dedication with awards that foster a deep sense of belonging and organisational loyalty.
- **Holistic recognition:** Unique programmes that celebrate employee talents in sports, art, and literature, ensuring that personal passions are recognised alongside professional duties. [LA]

Gross annual remuneration per employee

Rs. 3.62 Mn.

2024 – Rs. 3.74 Bn.

Ratio of basic salary and remuneration of women to men [LA]

1:1

1.5 Culture as a system, not a slogan

Culture powering NSB

This cultural framework articulates our Employee Value Proposition and provides the practical guidance for "how we work and lead." Together, these elements define the targeted employee experience and the key behaviours required to deliver on our promise to customers, communities, and the country. It is an essential tool that aligns our purpose, values, and leadership commitments to drive consistent execution across our nationwide workforce.

Total workforce cost

Rs. 19.9 Bn.

2025

Rs. 20.3 Bn.

2024

Cost per hire (Rs. '000)

Rs. 8.3

2025

Rs. 4.7

2024

External workforce cost

Rs. 744.3 Mn.

2025

Rs. 573.4 Mn.

2024

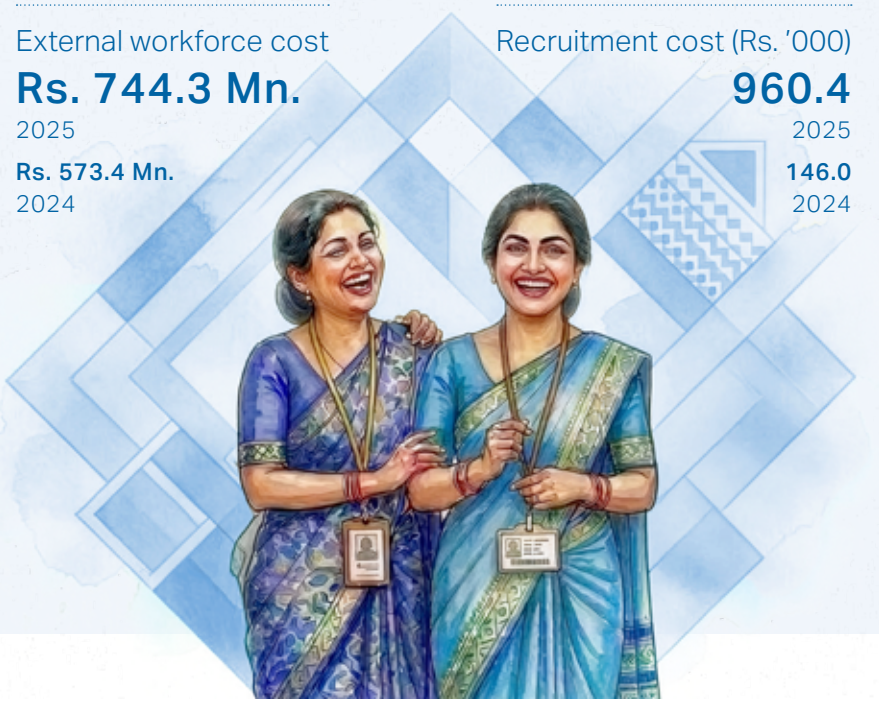
Recruitment cost (Rs. '000)

960.4

2025

146.0

2024



Our people promise: culture powering NSB

At NSB, our greatest strength is our people. To drive performance, strengthen belonging, and deliver our strategic vision, we have defined the Culture Powering NSB. This is a unifying cultural framework and employee value proposition that sets out the experience we create for our employees and the behaviours we champion to serve customers, communities, and the nation. Aligned with our purpose, values, and leadership commitments, it is anchored in seven core cultural principles that guide how we work, lead, and grow together.

Act with integrity

We do the right thing, always. Trust is our foundation. We hold ourselves to the highest ethical standards, ensuring that our actions reflect our intent to be trusted financial stewards.

In 2025, we delivered ethics and compliance training to 762 of managerial staff, reinforcing our zero-tolerance stance towards misconduct.

Live our purpose

Our purpose is to advance financial inclusion and secure Sri Lanka's future, a mission that connects and unites us all. It focuses our efforts on creating meaningful impact, where exceptional short-term performance fuels our commitment to lasting, sustainable value. Ultimately, we are here to accelerate the growth of our nation.



Embrace diversity and inclusion

Different perspectives make us stronger. We are committed to fostering a culture of belonging where every voice is heard, respected, and valued. Inclusion is embedded in our DNA and is not merely a policy.

Our progress in gender representation and leadership diversity, detailed on page 128, reflects this commitment.

Be customer-obsessed

Our customers are at the heart of everything we do. We build lasting relationships by delivering value, keeping promises, and exceeding expectations because every interaction matters. In 2025, we redefined our product governance to ensure that integrity is embedded in the design, not just the delivery.

One bank, one team

Despite diverse roles and locations, we are one NSB. We break down silos, work across functions, and leverage collective expertise to deliver stronger outcomes for our stakeholders.

Transcending conventional product sales, NSB has empowered teams to embrace an "Ecosystem Banking" philosophy, exemplifying our "stronger together" ethos.

Play to win

We set bold goals, take informed risks, and learn continuously. We balance ambition with wellbeing, driving commercial success while ensuring our people thrive.

Rs. 11.2 Bn. growth in net profit, achieved through aligned team targets, is a testament to our collective effort and shared purpose.

Learn to grow

To stay ahead, we must evolve. We encourage curiosity, critical thinking, and a growth mindset, challenging the status quo with solutions that drive progress.

In FY 2025, we invested over Rs. 36.2 Mn. in training and development, with focused upskilling in digital finance, data analytics, risk management, and leadership readiness.

2 HOW WE STRENGTHEN CAPABILITY

At NSB, we are proactively cultivating a resilient and adaptable workforce by strategically developing critical skills, deepening our leadership pipeline, and enhancing internal mobility. This focused investment ensures we possess the right talent and organisational agility to navigate change safely, drive innovation consistently, and deliver on our strategic promises with confidence.

2.1 Talent acquisition, retention, and succession planning

GRI 202-2 401-1

Talent acquisition

NSB recognises that strategic talent acquisition and continuous career development form the foundation of a skilled, dynamic, and future-ready workforce. Our transparent and structured recruitment process is designed to identify individuals who not only bring essential expertise but also demonstrate a strong alignment with our organisational values and long-term vision. **In executing this vision, we recognise that our significant locations of operation span the entirety of the island, affirming our commitment to sourcing talent from every community we serve.** [LA] By sourcing from diverse talent pools and integrating experienced professionals with fresh graduates, we cultivate a team enriched with varied perspectives and innovative potential.

Region	Female					Male					Grand total
	Less than 25 years	25-40 years	40-50 years	50-60 years	Total	Less than 25 years	25-40 years	40-50 years	50-60 years	Total	
Central [LA]			1		1		1	1		2	3
Eastern [LA]							1	1		2	2
Head Office [LA]	15	10	8	2	35	3	18	5	7	33	68
North Western [LA]		1			1		6	2		8	9
Northern [LA]		1			1		1			1	2
Sabaragamuwa [LA]		1	1		2		2	2		4	6
Southern 1 [LA]							2			2	2
Southern 2 [LA]		1	1		2		2	2		4	6
Uva [LA]		1			1						1
Western 1 [LA]		2			2		2	1	1	4	6
Western 2 [LA]			1		1						1
Western 3 [LA]		5	2		7		2		1	3	10
Grand total	15	22	14	2	53	3	37	14	9	63	116

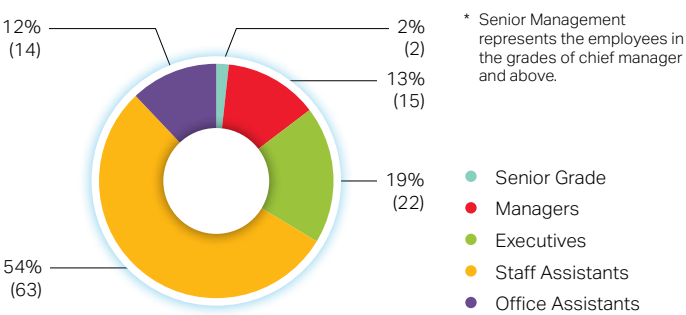
TABLE 14

Our recruitment process

Talent landscape assessment → Role definition and competency modeling → Targeted talent attraction and pipeline development → Structured assessment and selection → Engaging talent and strengthening our employer brand

Recruitments by grade category

Graph 60



* Senior Management represents the employees in the grades of chief manager and above.

HUMAN CAPITAL

Professionally qualified employees in the permanent cadre

2,876

Internal promotion rate

8.4%

2024 – 12.6%

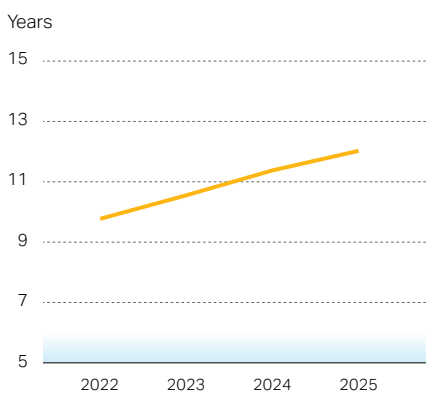
Talent retention, mobility, and turnover management

GRI 401-1

NSB is committed to creating an environment where talented employees are retained and thrive. We support long-term careers through clear growth pathways, structured development, and a merit-based culture that promotes internal mobility. This professional framework is enhanced by a focus on personal wellbeing, work-life balance, and competitive rewards. By continually monitoring key talent metrics, we ensure our strategies effectively foster loyalty, fulfilment, and excellence. This integrated approach empowers employees to achieve their full potential, consequently driving the Bank's resilience and success.

Average employee tenure

Graph 61



100% of Senior Management hired from the local (Sri Lanka) community [LA]

This notable improvement reflects the effective execution of our talent development and succession planning strategies. The increase demonstrates a dynamic, engaged workforce with robust internal career pathways, strengthening retention, and validating our commitment to growing talent from within.

Workforce competency rate

Over 90% of employees meet or exceed competency standards.

Internal mobility rate

1%

2024 – 16%

NSB's strong employee value proposition has enhanced talent retention, as evidenced by a growing contingent of long-serving team members. In 2025, 8% of our workforce had served for over 21 years, with many more in the 16–20 year range. This trend underscores our success in fostering lasting loyalty, maintaining workforce stability, and cultivating a culture that supports continuous growth and long-term career opportunities for innovative individuals.

Succession planning

To ensure seamless leadership continuity, NSB maintains a proactive succession planning strategy focused on identifying and nurturing high-potential talent for key positions. Through rigorous talent assessments, leadership development initiatives, and aligned career pathways, the Bank cultivates a steady pipeline of future leaders. Ongoing performance evaluations and mentorship further align personal growth with institutional goals, strengthening resilience and minimising operational disruption.

During the year, the timely external appointment to a vacant Corporate Management role demonstrated the responsiveness and strength of this planning process.

Comparison of turnover rates over the years	2025 %	2024 %	2023 %
Turnover	2.28	3.77	3.70

Reason	Female		Male	
	Number	%	Number	%
Deceased [LA]	1	2	2	3
Resigned [LA]	41	65	26	42
Retired [LA]	11	17	23	37
Contract Concluded [LA]	1	2	2	3
Backdated [LA]	9	14	9	15
Total turnover	63		62	

TABLE 15

HUMAN CAPITAL

2.2 Leadership development and mentoring

At NSB, leadership development is a strategic imperative for our continued success. We are committed to building a culture anchored in leadership trust, and founded on transparency, accountability, and ethical decision-making. This foundation empowers leaders to motivate their teams and execute our strategic vision. Our development programmes are tailored to nurture emerging talent and deepen the capabilities of current leaders through focused training, mentorship, and ongoing learning, underscored by the fact that 100% of NSB leaders have access to formal mentors or coaches.

By maintaining an optimal span of control, we enable leaders to provide effective oversight while fostering personal engagement, collaboration, and a supportive environment. This commitment is further embodied by ensuring 100% of our leaders serve as formal mentors or coaches, actively cultivating the next generation. This dynamic and adaptable leadership framework positions NSB to meet evolving sector challenges with agility, cultivating leaders who innovate with integrity and guide the Bank forward with confidence.

Woman leadership

451

2024 – 241

100% of our leaders have access to formal mentors or coaches.

100% of our leaders serve as formal mentors or coaches.

2.3 Developing skills and capabilities

GRI 401-1

At NSB, training and development is treated as a strategic investment supporting customer outcomes, risk discipline, and digital transformation. Through tailored workshops, e-learning modules, and external certifications, we proactively equip our staff with the latest industry best practices and regulatory knowledge. The Bank's Training Policy serves as the cornerstone of our strategic commitment to human capital development. We measure both participation and skills exchange to ensure capability is sustained as processes and systems evolve.

Total investment for training

Rs. 36.2 Mn.

2024 – Rs. 15.9 Mn.

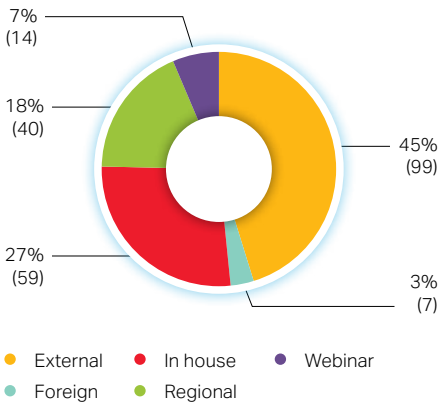
Our capacity-building model is a blended system, as shown in the table below:

Category and intended group	Focus areas	Purpose
Mandatory learning: All permanent and contract employees of the Bank	Ethics, preventing financial crime, data privacy, and security basics.	Teach everyone the basic, non-negotiable rules for working honestly, safely, and legally to protect the Bank and our customers.
Role-based training: Divisional staff in specialised areas, and technical and functional staff	Specialised skills for specific jobs, such as, risk analysis for risk officers or payment systems for operations staff.	Equip our specialists to function as experts in their specific fields, ensuring every part of the Bank operates excellently and supports our strategy.
Digital fluency uplift: All customer-facing and operations staff to middle management	Practical tech skills for daily work, including digital procedures, spotting cyber threats, and understanding new tools such as artificial intelligence (AI).	Make sure every employee knows how to use technology correctly and safely in their daily work to improve efficiency and security.
Leadership development: Supervisors to senior executives	The right skills for each leadership level, from managing a team to coaching others and leading strategic change.	Prepare and grow our leaders at every level, giving them the right skills to manage teams, develop people, and successfully lead the Bank into the future.

HUMAN CAPITAL

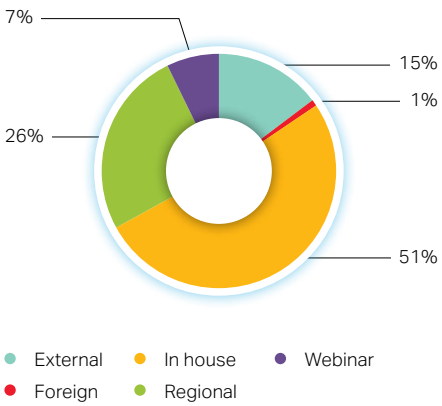
Number of training programmes

Graph 62



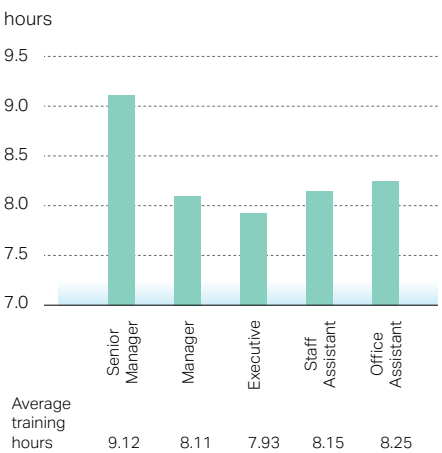
Number of training hours

Graph 63



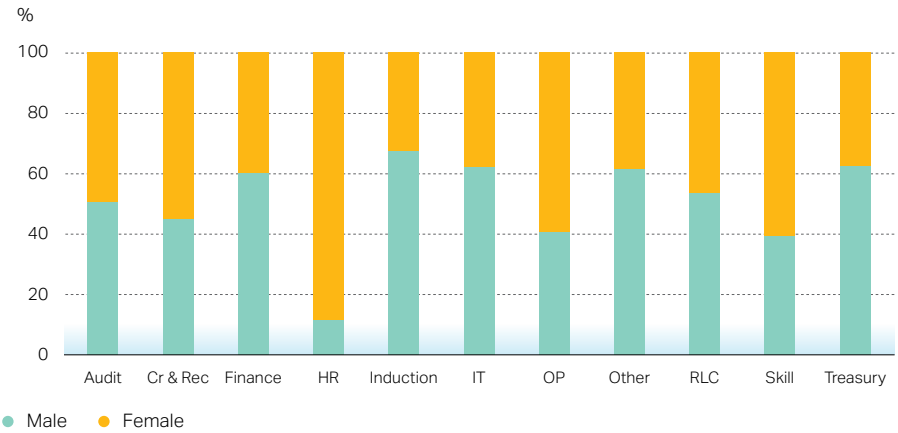
Average hours of training per year per employee [LA]

Graph 64



Training hours by gender and training category

Graph 65



Process of training and development

- Identify required skills
- Assess current employee skills
- Find the gap between required and existing skills
- Implement training programmes
- Choose training methods
- Analyse and prioritise training needs
- Evaluate outcomes and adjust as needed

Workforce transitions and assessment of future capabilities

At NSB, we proactively manage workforce transitions by systematically enhancing future-ready skills through targeted upskilling, reskilling, and robust succession planning. In response to rapid digital transformation, shifting market expectations, and evolving regulatory landscapes, we have prioritised continuous learning, digital fluency, and adaptive leadership development to equip our employees for emerging roles and responsibilities.

Our approach is reinforced by strategic partnerships with training providers, internally developed learning pathways, and support for professional certifications. Regular capability assessments and workforce analytics allow us to identify critical skill gaps, forecast future talent needs, and implement structured, individualised development plans. This end-to-end focus on human capital agility ensures NSB cultivates a resilient, innovative, and engaged workforce directly enabling operational excellence, sustained customer relevance, and long-term growth in a dynamic financial environment.

HUMAN CAPITAL

2.4 Diversity, equity, and inclusion

At NSB, we believe that inclusion is a service enabler. A workforce that reflects the diverse communities we serve is better equipped to design accessible financial journeys for seniors, rural entrepreneurs, and differently abled customers. Diversity is not merely a representation metric, it is our commitment to ensuring every Sri Lankan feels they belong at their national bank.

We have moved beyond policy to practical, reportable measures that strengthen our Diversity, Equity, and Inclusion (DEI) environment by:

- Ensuring fair, merit-based career progression through objective hiring and promotion systems.
- Training managers to cultivate psychological safety and actively include diverse perspectives.
- Upholding a zero-tolerance policy against misconduct with transparent and timely case resolution.
- Proactively designing workplaces and communications that are usable by all employees and customers.



Number of employees that availed themselves of maternity and paternity leave

128 [LA]	108 [LA]

Return to work

100% [LA]	100% [LA]

Still employed 12 months after return to work

168 [LA]	125 [LA]

NSB is committed to creating an equitable workplace that supports employees through all life stages. Our family friendly policies ensure that career progression is not interrupted by family commitments. In 2025, 236 employees availed themselves of parental leave and 100% returned to work following their leave period. 100% of our permanent employees are eligible to parental leave.

During the year retention rate of the employees that have taken parental leave stood at 98% for women and 99% for men.

2.5 HR digitalisation and people analytics

NSB's ongoing investment in HR digitalisation and people analytics is designed to enhance strategic decision-making and operational efficiency. Our established systems already provide a strong digital foundation.

We have successfully implemented self-service HR portals that empower employees to manage leave entitlement and participate in performance appraisal cycles. This is complemented by a suite of comprehensive workforce dashboards, providing leadership with real-time analytics on attrition risk, critical role coverage, learning compliance, and internal mobility.

Building on this robust foundation, our forward-looking road map includes the planned automation of recruitment, and training and development processes in 2026. This next phase will further streamline operations, enhance the employee experience, and deepen our analytical insights.

3 HOW WE ENABLE OUTCOMES

NSB purposefully cultivates the foundational environment that drives sustained performance and organisational resilience. We enable success by strategically nurturing our culture, fostering engagement, prioritising wellbeing, and maintaining disciplined employee relations, recognising that these human-centric elements are critical drivers of our operational and strategic results.

GRI 404-3

3.1 Performance management

Our performance management system is the strategic mechanism that connects individual contribution to the Bank's success. It ensures that our transformation and daily operations are driven by aligned objectives, rigorous review, and a steadfast commitment to our values, without compromising on service excellence or control integrity.

At its core, the system is designed to:

- **Drive strategic alignment:** by linking individual goals directly to divisional priorities and corporate strategic pillars, including specific operational risk controls.
- **Foster fairness and development:** by utilising a consistent review measure, calibration, and tailored criteria to ensure equitable assessments, while actively bridging skill gaps and strengthening team cohesion.
- **Build future readiness:** by identifying and nurturing high-potential talent to secure a robust leadership pipeline and ensure continued growth of the organisation.

This is achieved through our integrated process:

- **Goal setting:** Every employee is given with an annual goals that clearly support the Bank's strategy. These goals include expectations for managing risk while following our ethical code.
- **Annual reviews:** We conduct performance appraisals for 100% of our permanent staff each year. The 2025 cycle was completed using our Human Resource Information System (HRIS) for consistency. Managers hold calibration meetings to ensure ratings are fair and objective across all departments.
- **Pay for performance:** Employee remuneration includes a Key Performance Indicator (KPI)-based allowance. This allowance is directly linked to both the overall performance of the Bank and the individual's own performance appraisal results.
- **Development and career growth:** The review process identifies skill gaps and top talent. This allows us to create personalised development plans and prepare high-potential employees for future leadership roles, thereby strengthening our entire team.

Through this streamlined and transparent approach, we empower employees, reinforce accountability, and propel sustained organisational success.

Successfully conducted formal performance appraisals for

100% of our permanent workforce. [LA]

3.2 Employee engagement

Employee engagement at NSB is strategically managed as a critical driver of customer experience, operational excellence, and organisational resilience. It reflects the emotional and intellectual commitment of our people to the Bank's purpose, their motivation to contribute to its success, and their intent to stay. We define engagement not merely as satisfaction, but as a state of empowered involvement where employees are promoters of our brand, proactive in their roles, and aligned with our strategic goals.

Our approach is systemic and data-led, focusing on cultivating the key drivers of engagement, meaningful work, supportive leadership, growth opportunities, and a recognition-rich culture, while actively listening to our workforce to guide actionable improvements.

Voluntary turnover

1.4%

2024 – 2.5%

Employee voice

Our commitment to fostering a meaningful employee voice is a cornerstone of our broader employee engagement strategy. We recognise that genuine engagement stems not only from how employees feel, but from how they are heard and how their input shapes their work environment. By institutionalising structured, responsive channels for dialogue, we transform passive satisfaction into active participation, which fuels a more invested, innovative, and high-performing culture.

Freedom of association and collective bargaining

GRI 2-30 407-1

NSB regards its relationship with trade unions and employee representative associations as a strategic partnership vital for sustainable growth and organisational resilience. We are committed to maintaining proactive, transparent, and structured dialogue through regular consultation forums and joint committees. This open channel ensures alignment on common goals, facilitates early resolution of concerns, and fosters an environment of mutual respect and cooperation, benefiting both the workforce and the Bank's long-term stability.

This collaborative approach is a fundamental pillar of our employee engagement strategy. Constructive union relations build organisation-wide trust and psychological safety, as employees see their collective voice represented respectfully. By ensuring fair processes and inclusive communication, we strengthen the sense of equity and shared purpose, directly enhancing workforce morale, commitment, and focus on delivering an exceptional service.

100% of the permanent employees covered by collective bargaining agreements. [LA]

3.3 Occupational health, wellbeing, and safety

GRI 403-1 403-2 403-3 403-4 403-5 403-6 403-7 403-8 403-9 403-10

NSB is deeply committed to safeguarding the health, safety, and wellbeing of its employees by fostering a secure and nurturing work environment. In strict adherence to the National Occupational Safety and Health Policy, the Shop and Office Employees Act and its amendments, and globally recognised safety standards, the Bank implements rigorous policies and conducts regular risk assessments to uphold the highest safety benchmarks.

A comprehensive Occupational Health and Safety (OHS) management system has been implemented through the HRIS platform, covering all permanent employees whereby all health and safety concerns, incidents, or observations reported by employees are systematically routed to the Human Resources Division via the respective reporting line managers ensuring timely intervention and compliance. This system has been established to fulfil legal requirements under the National Occupational Safety and Health Policy and the Shop and Office Employees Act, while also aligning with the ISO 45001:2018 international standard for OHS management systems. Recorded occupational incidents remain predominantly limited to minor physical injuries reflecting the effectiveness of the Bank's preventive safety measures and robust reporting protocols. [LA]

To cultivate a culture of awareness and preparedness, NSB offers comprehensive training programmes that empower employees to identify and mitigate workplace hazards effectively. Beyond physical safety, the Bank champions employee welfare through initiatives that promote mental wellbeing, ergonomic workspaces, and accessible, quality medical care. This integrated approach ensures a workplace that prioritises both health and productivity, supporting our people in performing at their best.

	2025	2024
Employee turnover (%)	2.28	3.77
Turnover (Nos.)	95	160
Total number of hours worked [LA]	8,036,716	8,188,128
Work-related fatalities [LA]	Zero	Zero
Occupational accidents (Nos.) [LA]	4	9
Training intensity (%)	1.62	0.87

TABLE 16

Work-life balance

NSB is dedicated to cultivating a vibrant and engaging workplace culture that actively supports work-life balance, team cohesion, and overall wellbeing. We believe a connected and healthy workforce is essential to our collective success.

Building community and celebrating together

We foster a strong sense of belonging and unity through cherished annual events that enrich our corporate culture. Traditions such as the NSB Colours Night, Vesak Bakthi Gee, Christmas Carols, and New Year Celebrations are cornerstone activities that promote camaraderie, celebrate diversity, and create a positive, harmonious work environment.

Supporting health and wellbeing

The Bank provides comprehensive welfare facilities to ensure easy access to healthcare and promote physical health via:

- An in-house Medical Centre at Head Office, operated by a Board-approved hospital, with specialist doctor consultations twice a month.
- Partnerships with leading private hospitals to conduct convenient on-site medical clinics.
- Regular wellness seminars and lectures by experts on critical topics such as stress management, eye care, and heart health.
- A Head Office canteen providing nutritious meals at subsidised rates, with quality and hygiene overseen by our Welfare Division.

Encouraging recreation and personal growth

We offer a variety of facilities and clubs that allow employees to pursue interests, stay active, and develop new skills.

- The NSB Sports Club promotes athleticism and friendly competition through various sports activities.
- An in-house gym at Head Office, managed by the Sports Club, to support employee fitness.
- A well-stocked library to aid in professional and personal knowledge expansion.
- The NSB Arts Circle, which enriches our cultural life by organising dramas, film screenings, and musical performances.

Together, these initiatives underscore NSB's commitment to creating a fulfilling workplace experience where employees can thrive both professionally and personally.

3.4 Standing with our people through Cyclone Ditwah

In the latter part of 2025, the devastating impact of Cyclone Ditwah on Sri Lanka deeply affected some of our NSB family members. True to our value of "One Bank, One Team," we moved swiftly to provide immediate and compassionate support to employees whose lives and homes were disrupted by this natural disaster. Our response underscored that our care for our people extends far beyond the workplace, especially during national emergencies.

Our immediate and sustained support measures included:

- **Emergency financial grants:** Providing timely, non-repayable financial assistance to affected employees to help cover urgent needs such as temporary shelter, essential supplies, and medical care.
- **Special leave provision:** Granting flexible and additional paid leave to allow employees to secure their families, assess damage, and begin recovery without the added stress of workplace attendance.
- **Resource coordination and solidarity:** Facilitating donation drives across our branches and offices, where colleagues could contribute essential goods, creating a powerful network of peer-to-peer solidarity and practical aid.

By supporting our people, we reinforced the very foundation of trust and resilience that enables NSB to serve the nation, especially when our communities need us most.

3.5 Employee relations and grievance mechanisms

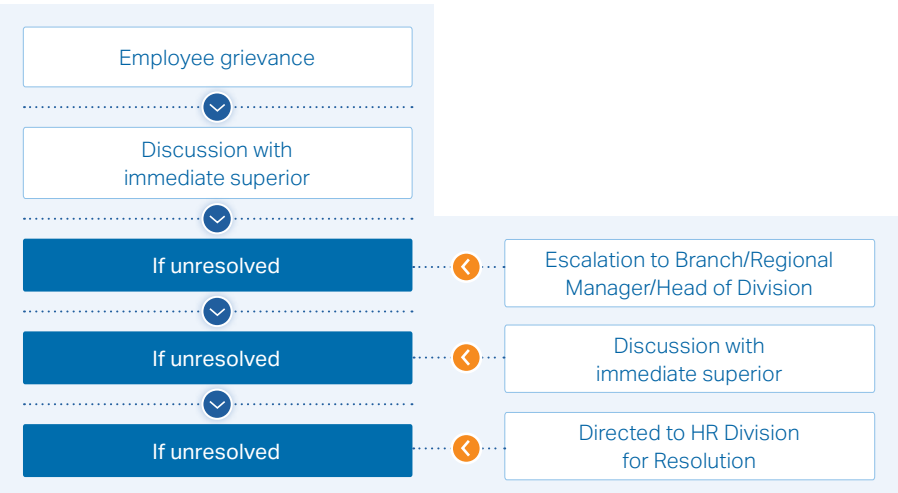
At NSB, we maintain a fair, transparent, and robust grievance resolution framework designed to address employee concerns. The process is conducted with integrity, timeliness, and impartiality. Employees have access to multiple, well-defined paths to ensure their voices are heard and issues are resolved appropriately.

Our grievance resolution mechanisms

The Bank operates two complementary channels to cater to different types of concerns and employee preferences:

A Step ladder system – A structured escalation pathway

This formal, hierarchical process ensures grievances are addressed at the most appropriate level. Employees are encouraged to seek a resolution through this system as a first step.



B Open door policy – An independent and confidential channel

To ensure absolute impartiality in sensitive matters, employees may directly access an independent party nominated by the HR Committee. This channel guarantees confidentiality and an unbiased review:



While the Step Ladder System is the encouraged first step for most concerns, both mechanisms are integral pillars of NSB's commitment to a supportive, respectful, and equitable workplace. These structured processes empower employees, uphold accountability, and reinforce our dedication to transparent and just people practices.

In 2025, NSB's internal grievance resolution system demonstrated robust effectiveness, with 102 out of 115 reported grievances successfully resolved. This 89% resolution rate, achieved within established policy timelines, showcases the fairness, responsiveness, and reliability of our structured dispute resolution framework.

External dispute resolution

NSB ensures fair and lawful conflict resolution by facilitating access to external statutory bodies, such as labour tribunals and courts, when required. This commitment guarantees every employee a clear path to impartial redress and upholds the Bank's ethical employment standards.

GRI 406-1

3.6 Ethics, non-discrimination, and human rights commitments

NSB's employment practices are fundamentally guided by integrity, fairness, and respect. **We maintain an unambiguous zero-tolerance policy towards all forms of workplace harassment, discrimination, and exploitative conduct, including child labour and forced or compulsory labour, which we view as a deep violation of an individual's human rights, personal dignity, and psychological wellbeing.** [LA]

This commitment is reinforced through strict, clearly defined policies, comprehensive procedures, and confidential support channels designed to both prevent incidents and address them decisively. All employees are expressly prohibited from harassing any stakeholder, including colleagues, customers, vendors, or visitors. To ensure a supportive and equitable environment, the Bank has established clear, confidential reporting and resolution mechanisms. This includes a dedicated Grievance Handling Committee for female employees, led by senior female leaders, that provides a safe and trusted avenue for addressing gender-specific concerns. Any form of coercive solicitation, such as demanding favours in exchange for career advancements, is treated with the utmost severity and will result in disciplinary action under the Bank's Disciplinary Code.

Incidents of Discriminations during the year 2025 [LA]

0

Our proactive commitment extends beyond our immediate workforce. We enforce the eradication of unethical labour practices through a three-pillar approach – rigorous internal hiring controls, social due diligence in loan assessments, and strict ethical clauses in vendor contracts. This ensures human dignity is respected across our operations, financial services, and supply chain.

Our entire ethical ecosystem is further strengthened by mandatory ethics training, awareness programmes, and robust monitoring, underscoring our unwavering commitment to a workplace where every individual is heard, protected, and respected.

Whistle-blower policy

This policy is established to provide robust protection for employees who report incidents of corruption, fraud, or other misconduct, ensuring they are shielded from discrimination or retaliation. It outlines a comprehensive framework for prevention, early detection, reporting, investigation, recovery, and follow-up. Employees are assured that concerns related to accounting or auditing irregularities, coercion, collusion, breaches of internal controls, financial misreporting, fraud, misappropriation, or other unethical behaviour will be handled with the highest integrity. The policy firmly upholds the confidentiality and protection of whistle-blowers, reinforcing a workplace culture built on transparency, accountability, and trust.

4 WHAT THIS DELIVERED

In 2025, disciplined people stewardship strengthened NSB's execution capacity, service culture, and resilience foundations. By intentionally investing in our people through capacity building, cultural nurturing, and robust governance, we fortified the foundations required to execute our strategy safely and sustainably. The outcomes detailed below, validated by our KPIs, demonstrate a clear and compelling link between our human capital investments and the Bank's operational resilience, customer excellence, and financial stability.

4.1 From investment to impact

Our focus on strategic people initiatives delivered measurable value across five critical dimensions:

Resilient execution capacity: Successfully balanced major digital transformation with uninterrupted service and strong controls, evidenced by smooth system rollouts and stable customer metrics.

Future-ready capability uplift: Strengthened the organisation-wide skills base in digital literacy, data analytics, and risk compliance, enabling safer innovation and data-driven decisions.

Stronger culture and engagement: Fostered greater trust and alignment through improved communication and listening channels, leading to higher initiative adoption and improved engagement scores.

Well-being and safeguarding maturity: Enhanced organisational resilience by expanding focus from physical safety to mental and physical wellbeing, reducing incidents and supporting sustained productivity.

Leadership depth and succession readiness: Built a stronger pipeline of "ready-now" leaders for critical roles, reducing key-person risk and ensuring strategic continuity.

4.2 Human capital value scorecard

To effectively manage our people, NSB monitors a balanced set of leading and lagging human capital indicators. These metrics provide a critical insight into our organisational health by forecasting future capabilities through leading indicators such as skills development and internal mobility, while measuring outcomes via lagging indicators such as retention and productivity. This disciplined tracking is fundamental to strengthening our capacity to drive strategic change while maintaining unwavering operational stability and service excellence. The following table details our performance across these key areas.

HUMAN CAPITAL

Indicator type	Metric area	KPI	Unit	2025	2024	Trend
Leading indicators	Capacity development	Average training hours per employee	Hours	10.8	7.0	Increased
	Governance and employee relations	Grievances resolved on time	Nos.	102	9	Increased
	Retention and engagement	Internal mobility rate	%	1	16	Decreased
Lagging indicators	Diversity and inclusion	Gender parity (Overall)	%	1.20	1.21	Stable
	Workforce capacity and wellbeing	Absenteeism rate	%	0.8	N/A	Improved
	Retention and engagement	Voluntary turnover	%	1.39	2.52	Improved
		Average employee tenure	Years	9.8	10.6	Decreased
	Productivity, efficiency, and value creation	Profit per employee	Rs. Mn.	10.6	6.3	Increased
		Value added per employee	Rs. Mn.	18.5	13.4	Increased
		Human Capital Return on Investment (HCROI)	%	9.2	9.2	Stable

TABLE 17

Trade-offs and synergies with other capitals

- **Trade-off with financial capital**
  We accept higher short-term costs by investing in our people to secure greater long-term productivity and profitability.
- **Synergy with intellectual capital:** Investment in human capital is the primary driver of intellectual capital. Developing our people's skills builds our organisational knowledge base and innovation capacity, while technology empowers them further and creates a reinforcing cycle of competence and efficiency.
- **Synergy with social and relationship capital:** Our employees' conduct and culture directly impacts the building or eroding of trust with customers and the community.
- **Trade-off with manufactured capital:** We invest in modern infrastructure and technology to promote our people's productivity and safety, while balancing this with other capital needs.

Looking ahead: Priorities for 2026 and beyond

NSB will continue to sponsor its human capital stewardship to encourage the next phase of its evolution:

- **Targeted upskilling:** Promote advanced digital, analytics, and Environmental, Social, and Governance (ESG) skills.
- **Leadership and succession**: Secure leadership pipeline for all critical roles.
- **Well-being and inclusion:** Enhance mental health support and measurable DEI.
- **Human-tech synergy:** Elevate roles by integrating automation.
- **Strategic investment:** Commit to long-term investment in people.

Adequacy of human capital for future growth

While competition for specialised talent remains, our investments in leadership development, digital upskilling, and employee value proposition have equipped NSB with a resilient, multi-skilled workforce ready to deliver our 2026–2028 Strategy.

We remain committed to being an employer of choice in Sri Lanka's banking sector, where every employee's journey is valued, every career is nurtured, and every contribution drives national progress.

INTELLECTUAL CAPITAL



Securing the intelligence of our mandate

At National Savings Bank, intellectual capital is the invisible infrastructure that makes our public mandate deliverable at scale – how we design reliable services, safeguard trust, turn data into insight, and continuously improve end-to-end customer journeys.

It is embedded in our systems and platforms, governance and controls, data and reporting discipline, institutional knowledge and ways of working, and the credibility we earn through transparency, stability and service. As we accelerate digital transformation while sustaining nationwide access, intellectual capital anchors resilience, enables inclusive innovation and strengthens decision-making, supporting "Empowering Every Journey" with consistency, confidence and care.

INTEGRATED THINKING: CONNECTING OUR CAPITALS

At NSB, our approach to Intellectual Capital is guided by **INTEGRATED THINKING,** the conscious management of the interdependencies between all our forms of capital. We recognise that technology, data, and knowledge (intellectual capital) create value only when they enhance our people's skills (human capital), optimise our physical infrastructure (manufactured capital), strengthen stakeholder trust (social and relationship capital), and enable sustainable financial performance (financial capital). This report demonstrates how investments and outcomes in intellectual capital are intrinsically linked to the health and success of the entire organisation.

Relevance to strategy pillars and value creation

1 Customer centricity and financial inclusion:

Improve customer outcomes through clearer product governance, stronger complaint-to-fix routines, and consistent service standards.

2 Sustainable organic growth and portfolio optimisation:

Strengthen decision-making through dependable MIS, analytics, and reporting discipline that supports pricing, allocation, and performance management.

3 People, culture and engagement excellence:

Build execution consistency through playbooks, SOPs, institutional knowledge, and learning systems that reduce rework and improve quality.

4 Risk culture, governance and compliance discipline:

Reinforce trust through data integrity, reconciliations, audit trails, and accurate and timely regulatory reporting.

5 Digital acceleration and data-led banking:

Scale transformation safely through platform stability, disciplined change governance, cyber maturity, and strong data controls.

6 Sustainability, climate and community resilience:

Enable credible ESG and climate disclosure readiness through data governance, taxonomy alignment, and assurance-ready controls.

Key risks and challenges

- **System obsolescence and technological debt:** Ageing technology hinders progress and increases costs and security risks.
- **Cybersecurity breaches and data compromise:** Increasing cyber threats jeopardise operations, customer trust, and compliance.
- **Data silos and poor data governance:** Disorganised and poor-quality data prevents effective analytics and unified customer insight.
- **Innovation lag and inactivity:** Falling behind in technology and a resistant culture threatens future relevance and customer experience.

Our strategic response and mitigation

- **Invest in modern, agile architecture:** Systematically upgrade core technology and adopt flexible, secure integrations to reduce reliance on old systems.
- **Embed cyber resilience by design:** Proactively build layered security into all projects and continuously train staff to defend against threats.
- **Build a single source of truth:** Implement strong data management to ensure clean, centralised, and usable information for decision-making.
- **Foster a culture of safe experimentation:** Encourage controlled testing and partner with fintechs to responsibly pilot and adopt new technologies.

INTELLECTUAL CAPITAL

Intellectual capital value chain and sustainability integration

We manage intellectual capital through an end-to-end value chain lens from data and platforms to decision-making and customer journeys. This contributes to embedding sustainability/climate considerations at each step of ESG data governance, climate risk analytics, cyber resilience, and disclosure readiness.

Inputs	Stewardship activities	Outputs	Customer and control outcomes	Long-term impacts
Core systems, proprietary software, data assets, patents, research, and digital talent.	Data governance, cybersecurity programmes, R&D and innovation sprints, IP protection, knowledge management, and ethical AI frameworks.	Stable digital platforms, clean data sets, automated sustainability reports, secure APIs, new digital products, and documented knowledge.	Seamless digital experiences, strong data privacy, reliable service, and personalised, insight-driven interactions.	A future-ready digital institution, superior risk management, market-leading innovation, and enduring digital trust.

Material matters

- 1.1 Customer-centric, inclusive and affordable banking
- 1.2 Digital and financial literacy
- 4.2 Financial crime, fraud & AML/CFT
- 5.1 Digital transformation and responsible AI/ analytics
- 5.2 Cybersecurity, data privacy and operational resilience
- 5.3 Third-party/ outsourcing and vendor resilience

Our contribution to SDGs

8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
Target 8.2 8.10	Target 9.5 9.C	Target 10.2 10.3	Target 16.6 16.10	Target 17.6 17.8
Built digital and analytics capabilities for employees, automated manual processes for productivity and informed decision-making.	Modernised core banking systems (T24 CBS) and digital platforms (NSBPay, Tap & Pay), expanded API ecosystem for innovation and interoperability.	Advanced digital inclusion through Postal Banking pilot, designed accessible platforms, used data insights for equitable and personalised service delivery.	Strengthened cybersecurity, data governance, and internal controls (dual control, access restrictions), ensured transparent incident reporting and DR readiness.	Accelerated innovation through fintech partnerships, contributed to national standards via industry bodies (Lanka Clear, SWIFT), strengthened partner capabilities through knowledge transfer.

Our intellectual capital journey: from stewardship to measurable value

At National Savings Bank, our intellectual capital is the digital engine of our strategy and the secure nerve centre for national financial operations. As a state-owned bank with a public mandate, we manage technology, data, and knowledge with the same discipline applied to financial stability, by linking robust architecture, cyber resilience, and information governance to service innovation, risk management, and sustainable value creation.

1 Our capital foundations

Governance of data, systems, and Intellectual Property, cybersecurity frameworks, and ethical technology safeguards.

2 How we strengthen capability

Core platform modernisation, advanced analytics, fintech partnerships, and future-ready digital skills development.

3 How we enable outcomes

- Empowering better customer outcomes
- Enabling safer growth and stronger risk discipline
- Strengthening decision quality and execution discipline
- Building resilience as a service promise

4 What this delivered

Measured outcomes that strengthen efficiency, security, competitive edge, and trusted national service.

INTELLECTUAL CAPITAL

1 OUR CAPITAL FOUNDATIONS

Intellectual capital at NSB is built across four interconnected foundations.

1.1 Governance and oversight
1.2 Enterprise knowledge and institutional memory
1.3 Systems and platforms
1.4 Trust and reputation as an intangible asset

Together, these foundations make execution repeatable, auditable and resilient, protecting depositor confidence while enabling innovation and inclusion.

1.1 Governance and oversight

Intellectual capital directly affects NSB's licence to operate. Accordingly, we govern Intellectual Capital with the same rigour applied to financial stewardship, recognising that a breach in our systems is a breach of public trust. Our approach is multi-layered, proactive, and embedded into the highest levels of organisational accountability.

We govern Intellectual Capital with Board oversight and executive accountability across information technology, operations, finance, risk and compliance. Committee-based routines drive prioritisation, escalation and closure of control gaps and technology risks, supported by integrated assurance from risk and internal audit. Third-party governance ensures critical vendors meet resilience, security and service expectations.

- **Board IT Strategy Committee (BITSC) and Board Integrated Risk Management Committee (BIRMC) –** provide strategic oversight of technology investments, digital innovation, and the management of material cyber, data, and platform risks.
- **Corporate Management Committee –** translates the digital strategy into annual technology priorities and portfolio objectives, monitors execution, and escalates critical delivery or resilience issues.
- **IT Function and Business Divisional Heads –** operate under a co-accountable model. The IT function, architects, secures, and maintains enterprise systems and platforms, while business leaders own the adoption, data integrity, and control execution within their domains.
- **Assurance and Risk Integration –** technology and data risks are formally incorporated into the Bank's Integrated Risk Management framework, with independent review and validation conducted through internal and external audit routines.

1.2 Enterprise knowledge and institutional memory

This is the bedrock of our operational wisdom. Enterprise knowledge and institutional memory constitute the collective intelligence and learned experience of the Bank, forming the vital foundation of our intellectual capital. This encompasses the tacit expertise of long-serving bankers in complex areas like credit assessment and fraud detection, the explicit documentation of procedures for handling everything from public provident fund withdrawals to dormant accounts, the regulatory interpretation skills enhanced within our compliance team, and the critical lessons archived from past operational incidents.

This deep pool of knowledge provides the essential "why" and the "how" behind our daily operations. It ensures that complex, judgment-based tasks are performed with remarkable consistency across our entire network, enabling a loan officer in Jaffna and one in Matara to apply the same fundamental risk principles because they both draw from a shared institutional memory. This systemic consistency is what makes our execution reliably repeatable and our service standards predictable for every customer.

Furthermore, this foundational knowledge is dynamically interconnected with our entire operational ecosystem. It is systematically codified into our core banking systems as automated business rules and formalised into our daily workflows as Standard Operating Procedures (SOPs). Ultimately, through its consistent and ethical application over time, this collective intelligence becomes the very substance from which enduring public trust is built and sustained across all stakeholder interactions.

Employees with more than 20 years experience

330

Employees with more than 10 years experience

1,873

Professionally qualified staff

2,876

1.3 Corporate culture: the bedrock of our intellectual capital

Underpinning every system, process, and knowledge asset is the foundational element of our corporate culture. NSB is a value-driven institution, deeply committed to fostering trust, mutual respect, integrity, safety, and creativity in all business practices. These principles, cultivated over five decades, are not conceptual principles but the operating system that guides how our employees and management build meaningful relationships with stakeholders and steward the Bank's intellectual resources.

Our strong, positive culture is rooted in ethical banking practices, where we actively promote knowledge sharing, transparency, and community building. This well-defined set of principles governs every aspect of the Bank's operations, ensuring that the execution of our duties from complex credit assessments to daily customer interactions is performed with unwavering consistency and accountability.

Our core values in action:



We continuously reinforce these values across all levels of the organisation by regularly assessing our practices, identifying areas for improvement, and making necessary enhancements to drive future success. This cultural resilience ensures that as we invest in new technologies and codify our institutional memory, we do so within a framework that prioritises the human element, ensuring that our intellectual capital is always deployed with purpose, care, and a steadfast commitment to our public mandate.

1.4 Systems and platforms

This foundation represents the mission-critical technological infrastructure that processes, stores, and secures every transaction and data point. It is the tangible manifestation of our digital ambition, comprising the newly stabilised T24 Core Banking System (CBS), which serves as the single source of truth for all customer accounts and financial positions. Our omnichannel access layer includes the NSBPay mobile application, enhanced in 2025 with new APIs for future Tap & Pay functionality, internet banking portals, and a nationwide network of ATMs and CRMs connected via a resilient switch. Underpinning this is our secure data infrastructure, including primary and recovery data centres.

The pivotal achievement of 2025 was the deliberate transition of this foundation from a post-implementation state to one of optimised reliability. Following the go-live, we executed a rigorous stabilisation program involving performance tuning, batch process optimisation, and the resolution of critical defects. This transformed the CBS from a new system into a dependable, scalable core capable of handling peak transaction volumes with high availability, directly enabling all other digital services and product innovations.

Process and control discipline: the architectural framework for safe execution

This is the organised system of governance, procedures, and checks that ensures every technological capability is exercised within strict boundaries of security, compliance, and accountability. It is embodied in our formally approved IT Governance Framework, which establishes clear accountability for technology decisions, change management, and risk ownership. This framework is operationalised through maker-checker-approver workflows embedded in core processes from loan disbursements to financial journal postings and stringent, role-based access controls within the CBS that prevent unauthorised activity.

A critical enhancement in 2025 was the maturation of our incident and crisis management protocols. These were not merely theoretical but were stress-tested during real-world events and scheduled drills, including a full Disaster Recovery (DR) test for the CBS. The protocols define clear escalation paths, communication trees and recovery steps, ensuring that any disruption is met with swift, coordinated, and effective responses. This disciplined framework guarantees that every action taken within our systems is authorised, transparently recorded in immutable audit trails, and ultimately verifiable by internal and external assurance providers.

1.5 Trust and reputation as an intangible asset

This foundation is the indispensable, intangible asset of stakeholder confidence, painstakingly earned and meticulously guarded. It captures a depositor's fundamental belief that their life savings are managed within a secure and resilient digital environment, and a regulator's confidence in the accuracy and integrity of our financial and regulatory reporting.

In 2025, NSB actively built trust through proven actions. System stability during Cyclone Ditwah demonstrated resilience, to customers and regulators. Transparent updates on security upgrades like payment tokenisation and awareness campaigns educated and reassured stakeholders. The new IT Governance Policy and clean audits confirmed strong controls. This trust drives digital adoption, smooth regulatory ties, and permission to innovate responsibly.

INTELLECTUAL CAPITAL

NSB Brand amplified by digital excellence and strategic engagement

The NSB brand is fundamentally powered by the seamless, secure, and innovative digital experiences engineered through our intellectual capital. Our user-friendly mobile banking apps, intuitive online platforms, and AI-assisted services define the modern customer experience making every interaction efficient, helpful, and inherently secure.

Innovation as brand equity

Our capacity for continuous innovation directly strengthens our brand value. Proprietary software, patented banking processes, and unique digital offerings such as our green finance tracking tools serve as tangible intellectual property assets. These innovations differentiate NSB in the marketplace, translating advanced capability into distinct brand equity and customer trust.

Trust defended by cyber intelligence

Underpinning our digital ecosystem is a robust, proactive defence of our reputation. Our Security Operations Centre (SOC), advanced threat intelligence platforms, and rigorous ethical hacking programmes are critical intellectual resources. They actively safeguard the trust we have built, ensuring that confidence in the NSB brand is a vigilantly protected outcome, not just a promise.



Strategic engagement through Social Media

Our digital presence is strategically amplified via active social media engagement, which plays a crucial role in shaping a modern and responsive brand identity. We leverage these channels to:

- Communicate with Transparency: Provide real-time updates during system enhancements or service incidents, reinforcing resilience and reliability.
- Promote Financial Literacy: Educate customers on vital topics like digital security, fraud prevention, and the benefits of features like NSBPay Tap & Pay.
- Humanise the Brand: Share stories of our people and communities, connecting the institution's mission to the individuals we serves.
- Foster Dialogue: Gather real-time customer feedback to continuously refine and improve the user journey.

As at March 2026

Website
Engaged sessions
2.1 million

YouTube
Subscribers
5,170

X
Likes/followers
468

Facebook
Likes/followers
165,021

LinkedIn
Likes/followers
9,388

Instagram
Followers
5,362

FIGURE 12

1.6 Awards and recognition

The strength and strategic application of our Intellectual Capital are validated by the external recognition NSB receives. These awards and accolades, while celebrating the Bank's overall performance, highlight how foundational investments in technology, data, and innovation directly enable award-winning customer outcomes, security, and inclusion.



Pinnacle Sri Lanka 2025

- Best Children's Savings Plan of the Year 2025 – NSB Hapan
- Best Women's Savings Plan of the Year 2025 – NSB Sthree



WSBI – ESBG SDG Awards 2025

- Sustainable Development Goals (SDGs) Award



Technovation 2025

- Bank of the Year for Excellence in Customer Convenience Category B – Gold
- Bank of the Year for Financial Inclusivity Category B – Gold
- Overall Award Excellence in Digital Payments (Banking Institutions) – Bronze



South Asian Federation of Accountants (SAFA)

- Best Presented Annual Report Awards 2024 – Silver



Satyn

- Women Friendly Workplace Awards – One of Sri Lanka's Most Outstanding Women Friendly Workplaces



TAGS 2024

- State Bank Sector – Gold
- Integrated Reporting – Certificate of Recognition
- Sustainability Reporting – Certificate of Recognition



CMA Excellence in Integrated Reporting awards 2025

- Best Integrated Report (State Banking Sector) – Joint Winner
- One of the Ten Best Integrated Reports



Brand Finance Awards 2025

- Top & Most Valuable Brand in Sri Lanka

FIGURE 13

INTELLECTUAL CAPITAL

2 HOW WE STRENGTHEN CAPABILITY

Building Intellectual Capital is an active program of modernisation, discipline and learning. In 2025, NSB strengthened capability across platform stability, ecosystem integration, data governance, cyber and resilience, and process improvement, ensuring that better service and faster journeys are delivered without weakening controls. This was especially important as the Bank progressed from CBS go-live into stabilisation and benefits realisation, while also initiating new initiatives such as Postal Banking digital transformation and secure tokenised payments

Our Management Philosophy: "Controlled Innovation"

We reject the false choice between security and agility. Our philosophy of "Controlled Innovation" mandates that:

- Every new digital capability must be born secure, with Security-by-Design and Privacy-by-Default principles.
- All process automation must strengthen, not circumvent, core financial controls and audit trails.
- Data is treated as a strategic asset, with quality and integrity being non-negotiable prerequisites for analytics.

2.1 Modernising platforms and strengthening digital delivery

In 2025, the Bank completed the stabilisation phase of the new CBS and implemented configuration and performance improvements under real operating conditions. Back-end tuning included database optimisation, load balancing adjustments and performance-enhancing configurations, improved responsiveness and scalability for growing transaction volumes.

At the same time, the Bank expanded digital capability through API enhancements, initiated the Postal Banking digital transformation programme with a pilot, and advanced NSBPay with secure tokenised Tap & Pay capability reaching pre-production by year-end. These initiatives reflect a shift from "system implementation" to "platform enablement" that supports inclusion, convenience and service reliability.

Key actions in 2025

CBS stabilisation and optimisation

- Configuration refinements and parameter tuning post go-live
- Vendor patches and targeted upgrades deployed
- All critical and major defects resolved with remaining medium/low issues tracked systematically

Postal Banking digital transformation

- Program initiated, with pilot implemented and validated.
- Procurement completed for POS machines for selected post offices, and are ready for phased rollout.

NSBPay Tap & Pay with tokenisation

- Project progressed to pre-production by end-2025, using high-security tokenisation to strengthen payment safety and fraud resilience.

Treasury Management System implementation

- Implementation commenced to strengthen treasury operations, controls and risk management

Ecosystem readiness through APIs

- New APIs developed to enhance functionality and streamline digital workflows

2.2 Data governance and reporting discipline

As major platforms mature, decision-making increasingly depends on analytics-led reporting. In 2025, NSB strengthened data integrity and reporting confidence by improving integration quality and reconciliation routines and building internal capability for ETL (Extract, Transform, Load) and analytics report development. Automation initiatives such as Managed File Transfer (MFT) further reduced manual handling and strengthened control reliability, improving the overall integrity of data flows across systems.

How we strengthened data-to-decision maturity

- Defined ownership and validation routines for critical data sets and reports
- Improved reconciliation and exception handling
- Expanded internal analytics capability through hands-on training and knowledge transfer
- Improved reporting timeliness and analytical depth through better extraction and ETL practices
- Implemented MFT for controlled and automated file transfers

2.3 Cyber security, privacy, and operational resilience

In 2025, NSB strengthened cyber and operational resilience through enhanced monitoring, improved incident escalation procedures and stronger controls over internal user activity. Post-migration reviews identified key risk areas, particularly, internal fraud risk and access discipline, leading to implementation of certain restrictions and stronger adherence to dual control principles within CBS. Disaster recovery readiness was strengthened through a successful CBS DR test. The Bank also demonstrated resilience during Cyclone Ditwah, where centralised architecture enabled continuity of service through unaffected branches and Head Office, highlighting improved readiness compared to the previously decentralised environment.

Cyber, privacy and resilience improvements:

- Security protocols strengthened for CBS and critical platforms
- Penetration testing, vulnerability assessments and system strengthening undertaken
- Restrictions and strict dual control embedded to reduce internal fraud risk
- New IT incident reporting and escalation procedures introduced in 2025
- Conducted CBS DR test conducted in October 2025
- Improved continuity during Cyclone Ditwah through centralised service capability and rapid restoration

2.4 Process improvement, governance maturity, and knowledge continuity

Intellectual Capital matures when systems are adopted into a disciplined operating model.

During 2025, branch-level manual processes were reduced through CBS-enabled workflow improvements, supporting straight-through processing and faster service. Centralised monitoring and the initiation of system audits strengthened governance and oversight. Lessons learned across 2024/25 highlighted the importance of robust change management and awareness programs. In response, NSB strengthened governance structures and embedded clearer accountability through the IT Governance Framework. Knowledge continuity was supported through practical training and structured documentation to reduce key-person risk in critical technical and control roles.

How we institutionalised capability:

- Eliminated several manual and branch-level processes through CBS rollout benefits
- Improved straight-through processing and reduced operational friction
- Initiated centralised monitoring and strengthened audit trails for accountability
- Enhanced change discipline and alignment through the Board-approved IT Governance Framework
- Strengthened internal capacity and reduced dependency risk through knowledge transfer (analytics/ETL/reporting)
- Continued focus on change management and adoption to reduce workarounds and fatigue

3 HOW WE ENABLE OUTCOMES

Intellectual Capital delivers value only when it translates into improved customer outcomes, stronger risk discipline and better decision intelligence.

In 2025, NSB's investments in stabilisation, ecosystem enablement, data discipline and resilience, improved reliability and strengthened the Bank's ability to scale inclusion-led initiatives. These outcomes were validated not only through operational improvements but also through resilience during disruption events such as Cyclone Ditwah, where centralised architecture enabled continuity across channels.

3.1 Empowering better customer outcomes

Improved system stability and reduced manual processes supported faster and more consistent service delivery across the network. Digital initiatives such as Postal Banking pilot projects and secure payment enhancements also strengthened inclusion and convenience while reinforcing safety and trust. The beneficial outcomes for customers were:

- More reliable customer journeys across branches and digital channels due to stabilised CBS
- Reduced turnaround times and fewer disruptions through improved straight-through processing
- Inclusion expansion readiness through Postal Banking pilot and POS rollout foundation
- Safer digital payments pathway through tokenised Tap and Pay readiness

3.2 Enabling safer growth and stronger risk discipline

Stronger monitoring, access discipline, dual control and improved AML capability supported better compliance outcomes and reduced operational risk. Governance and DR readiness improved resilience and supported a more disciplined risk culture.

- Stronger internal controls (staff access restrictions, dual control principles)
- Enhanced AML system capability with ongoing data-quality improvement
- DR readiness strengthened through DR testing and a structured future test plan
- Improved incident escalation aligned with regulatory expectations

3.3 Strengthening decision quality and execution discipline

Improved data availability and integration stability increased reporting reliability. Internal capability development in analytics and ETL strengthened the Bank's ability to generate decision-useful insights with stronger control discipline and reduced manual dependence.

- Improved timeliness and consistency of data due to centralised processing
- Better reporting confidence through reconciliation discipline and exception closure routines
- Stronger internal analytics capability through structured training and knowledge transfer
- Reduced manual intervention risk through MFT automation and planned expansion.

3.4 Building resilience as a service promise

Operational resilience is not only an internal capability, it's a promise of customer trust.

In 2025, NSB demonstrated continuity under Cyclone Ditwah conditions, supported by centralised architecture, alternative channel enablement and improved coordination through escalation procedures.

- Services were maintained through alternative branches and Head Office during the Ditwah impact
- Digital surge volumes were handled smoothly due to improved system capacity and monitoring
- Faster coordination via enhanced incident escalation and communication procedures was achieved
- Recovery readiness was strengthened through DR testing and a forward resilience roadmap

4 WHAT THIS DELIVERED

In 2025, disciplined stewardship of our knowledge assets strengthened NSB's innovation capacity, operational intelligence, and long-term competitive advantage. By intentionally investing in systems, processes, and digital infrastructure while capturing and codifying institutional knowledge, we fortified the foundations required to execute our strategy safely and sustainably. The outcomes detailed below, validated by our key performance indicators, demonstrate a clear and compelling link between our intellectual capital investments and the Bank's operational resilience, customer excellence, and financial stability.

4.1 From investment to impact

Our focus on strategic intellectual capital initiatives delivered measurable value across five critical dimensions:

Digital infrastructure maturity: Progressively enhanced our core banking systems, website, and mobile app to improve reliability, security, and user experience, evidenced by reduced system downtime and increased digital adoption rates.

Data-driven decision making: Strengthened organisation-wide capabilities in data analytics and business intelligence, enabling more precise customer insights, risk assessment, and strategic planning.

Knowledge preservation and transfer: Codified critical institutional knowledge through improved documentation, process standardisation, and succession planning, reducing reliance on individual tacit knowledge and mitigating key-person risk.

Cybersecurity and resilience: Enhanced our security architecture and threat detection capabilities, protecting customer data and maintaining trust through robust safeguards against evolving cyber risks.

Innovation culture and agility: Fostered an environment that encourages experimentation and continuous improvement, enabling faster adaptation to market changes and customer needs.

4.2 Intellectual capital value scorecard

To effectively manage our most vital knowledge assets; our systems, data, and institutional expertise, NSB monitors a balanced set of leading and lagging intellectual capital indicators. These metrics provide critical insight into our innovation health, forecasting future capability through leading indicators like critical sites with validated BCP/DR plans, while measuring outcomes via lagging indicators such as digital adoption and impact. This disciplined tracking is fundamental to strengthening our knowledge foundations, ensuring we can drive strategic change while maintaining unwavering operational stability and service excellence. The following table details our performance across these key areas.

INTELLECTUAL CAPITAL

Indicator type	Metric area	KPI	Unit	2025	2024	Trend
Leading indicators	Resilience and preparedness	Critical sites with validated BCP/DR plans	%	100	100	Stable
	Cybersecurity Preparedness	Percentage of critical systems patched within SLA	%	100	100	Stable
Lagging indicators	System reliability and performance	Core banking system uptime	%	99.98	99.97	Stable
	Cyber resilience and security	Significant cybersecurity incidents	Nos.	Zero	Zero	Stable
	Digital adoption and impact	Active digital banking users	Nos.	801,437	618,314	Increased

TABLE 18

Trade-offs and synergies with other capitals

- **Trade-off with financial capital:** We accept higher short-term costs to invest in technology infrastructure, cybersecurity, and digital capabilities, securing greater long-term efficiency and competitiveness.
- **Synergy with human capital:** Investment in Intellectual Capital empowers our people with better tools and data, while their expertise and feedback continuously improve our systems creating a reinforcing cycle of capability and innovation.
- **Synergy with customer capital:** Enhanced digital platforms and data analytics enable more personalised, responsive customer experiences, deepening relationships and building trust.
- **Synergy with manufactured capital:** Modern technology infrastructure relies on robust physical assets (servers, networks, devices), requiring careful integration and investment alignment.

Looking ahead: Priorities for 2026 and beyond

- **Accelerate digital transformation:** Continue modernising core banking systems and expanding digital service capabilities to meet evolving customer expectations.
- **Strengthen data governance:** Implement enhanced data quality frameworks, privacy controls, and analytics capabilities to unlock deeper insights while maintaining customer trust.
- **Advance cybersecurity posture:** Proactively invest in threat detection, response capabilities, and employee awareness to safeguard against emerging risks.
- **Embed artificial intelligence:** Explore responsible AI applications for customer service, risk management, and operational efficiency.
- **Codify institutional knowledge:** Accelerate documentation and knowledge transfer processes to preserve critical expertise and support seamless succession.
- **Enhance digital literacy:** Scale up training programmes to ensure all employees can confidently leverage digital tools and data in their roles.

Adequacy of intellectual capital for future growth

Facing the dual imperatives of rapid technological change and escalating cyber threats, our sustained investment in core system modernisation, data governance, and digital innovation has cultivated a robust intellectual asset base. Our secure platforms, analytical capabilities, and growing fintech partnerships position us to safely harness AI, data, and new technologies to deliver the 2026–2028 strategy.

We remain committed to being a leader in secure financial innovation, where every system is resilient, every insight is actionable, and every digital solution strengthens national economic participation.

SOCIAL AND RELATIONSHIP CAPITAL



Building trust, building value

At National Savings Bank, Social and Relationship Capital reflects the strength of our relationships with customers, communities, regulators, suppliers, partners, and industry institutions. This has been built through ethical conduct, service reliability, transparency, and responsible impact.

The relationship has enabled us to build trust amongst the community and been the catalyst that mobilises national savings, protects depositor confidence and delivers inclusive banking across Sri Lanka consistently and at scale.

In 2025, our social and relationship capital priorities focused on further strengthening customer confidence and inclusion through reliable service and digital access, deepening regulatory engagement and compliance discipline, supporting communities and national resilience especially during Cyclone Ditwah, and accelerating partnership-led reach and innovation through our postal and payments ecosystems. These priorities continue to reinforce our theme "Empowering Every Journey", by ensuring that relationships are sustained through consistency, transparency, responsiveness, and national value creation.

Scope of social and relationship capital at NSB

This capital is delivered through four interconnected relationship systems:

1. **Customer capital –** trust, inclusion, service experience, protection, and loyalty
2. **Business partner capital –** suppliers, service providers, strategic allies, and industry networks
3. **Regulatory capital –** credibility, compliance, confidence, and proactive supervisory engagement
4. **Community Capital –** socio-economic impact, inclusion outcomes, resilience, and social license

Relevance to strategy pillars and value creation

1 Customer centricity and financial inclusion:

Trust-based service standards, fair outcomes and accessible journeys that keep customers safe while expanding access.

2 Sustainable organic growth and portfolio optimisation:

Relationship-led retention and prudent growth supported by responsible product design and transparent pricing/terms.

3 People, culture and engagement excellence:

Empowered frontline capability and consistent service culture that protects reputation and customer confidence.

4 Risk culture, governance and compliance discipline:

Strong conduct, complaint governance, AML/CFT readiness and stakeholder transparency that protect the licence to operate.

5 Digital acceleration and data-led banking:

Safer digital adoption, data privacy discipline and reliable channels that strengthen confidence in digital services.

5 Sustainability, climate and community resilience:

Community resilience outcomes, relief support and climate-aligned banking that strengthens social licence and long-term trust.

Key risks and challenges

- **Trust and reputation erosion:** Loss of confidence caused by service failures, data breaches, or ethical lapses.
- **Customer harm and disengagement:** Financial loss or declining loyalty due to poor product suitability or weak support.
- **Systemic and regulatory vulnerability:** Dependence on third-party vendors and the risk of compliance or continuity failures.

Our strategic response and mitigation

- **Trust by design:** Embedding ethical conduct and end-to-end protection into every customer interaction.
- **Fair outcomes:** Prioritising product governance and financial literacy to foster relationship-led growth.
- **Resilient ecosystem:** Strengthening vendor oversight and proactive regulatory engagement to ensure stability.

SOCIAL AND RELATIONSHIP CAPITAL

Social and relationship capital value chain and sustainability integration

We view social and relationship capital through an end-to-end value chain lens from building foundational trust and collaborative partnerships to delivering measurable relational value and institutional resilience integrating, core sustainability and climate considerations at every stage. This includes prioritising inclusion outcomes, robust consumer protection, community resilience, readiness for climate-related disruptions, and responsible conduct across our partner ecosystem.

Inputs	Stewardship activities	Outputs	Customer and control outcomes	Long-term impacts
The foundational assets of trust, reputation, partnerships, and formal agreements that the Bank invests in and leverages.	The proactive, day-to-day actions taken to nurture, govern, and strengthen those relational assets.	The immediate, measurable results and indicators that demonstrate the health and strength of the Bank's relationships.	The tangible benefits experienced by customers and the Bank's operational resilience, directly resulting from strong relationships.	The lasting strategic value and competitive advantages secured for the Bank and the nation through sustained relational strength.

Material matters

1.1 Customer-centric, inclusive and affordable banking	1.2 Digital and financial literacy	2.2 Asset quality, capital and liquidity management	2-3 Financial sustainability and earnings resilience	4.1 Governance excellence, compliance and ethical conduct
4.2 Financial crime, fraud & AML/CFT	4.3 Trust, reputation and proactive stakeholder engagement	5.1 Digital transformation and responsible AI/ analytics	5.2 Cybersecurity, data privacy and operational resilience	5.3 Third-party/outsourcing and vendor resilience

Our contribution to SGDs

Target 1.4	Target 8.10	Target 9.3	Target 10.2	Target 17.3
Build deep interpersonal trust by embedding ourselves in communities through nationwide postal network reach, and financial literacy camps for the last mile.	Strengthen stakeholder bonds by fostering customer loyalty through savings awareness, while turning employees into brand ambassadors via ESG-linked performance incentives.	Enhance relational connectivity by bridging the formal banking gap through mobile banking vans, postal digital integration, and vernacular interfaces for remote populations.	Earn an inclusivity reputation by valuing human dignity through dedicated senior citizen relationships, strong partnerships, and tailored products for women, artisans, and marginalised groups.	Demonstrate national stewardship by mobilising public savings via postal networks into infrastructure bonds, government social security schemes, and regulator partnerships for long-term development.

SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMER CAPITAL

Our customer capital journey: from stewardship to measurable value

At National Savings Bank, our customer capital is the direct embodiment of trust in action, the confidence depositors place in our safety and the loyalty built through consistent, fair, and inclusive service. We manage every customer interaction as a strategic investment, converting reliable execution, transparent protection, and empathetic support into lasting relationships, stable funding, and sustainable growth.

In 2025, customer capital was shaped by rising expectations for digital safety, privacy, and responsiveness, while customers also required NSB to preserve nationwide access and reliability during disruptions.

1 Our capital foundations

Governance anchored in our unique Government deposit guarantee, ethical conduct frameworks, and stewardship commitments to trust-by-design, fair outcomes, inclusion, and reliability.

2 How we strengthen capability

Digital platform stabilisation for seamless service, enhanced fraud controls and customer awareness, advanced complaint analytics and root-cause correction, inclusive design, and financial literacy programmes.

3 How we enable outcomes

- Better access and safer adoption
- Fair outcomes and trust reinforcement
- Resilience and confidence in disruption
- Relationship-led growth

4 What this delivered

Strengthened customer protection metrics, improved service responsiveness, higher complaint resolution discipline, and deepened loyalty, reinforcing our reputation as Sri Lanka's safest bank.

Economic value distributed to depositors and lenders

Rs. 113 Bn.

2024 – Rs.131 Bn.

Active customers' accounts

10.52 million

2024 – 10.42 million

1 OUR CAPITAL FOUNDATIONS

NSB's customer relationships are anchored in trust. As the only bank in Sri Lanka with an explicit Government guarantee on deposits and accrued interest thereon, our customer promise is built on stability and service reliability supported by clear standards, disciplined controls, and transparent communication.

1.1 Governance and oversight

The stewardship of Customer Capital is governed with the highest level of institutional discipline, recognising that customer trust is our most critical asset. Oversight begins with the Board of Directors, which sets the strategic tone and approves the policies that embed customer protection and fair outcomes into our core operations.

- **Board-driven customer experience oversight:** The Board and its committees regularly review customer service performance and experience metrics, with escalation routines in place to elevate systemic issues for strategic intervention.
- **Board-approved product governance:** A board-mandated framework governs the end-to-end product lifecycle from design and risk assessment to approval and post-launch monitoring ensuring strict suitability, affordability, and transparency standards.
- **Executive-managed complaint resolution:** A centralised complaint system with unique tracking and turnaround targets is overseen by Corporate Management, which reviews root-cause analyses and escalates material trends to the Board for corrective action.
- **Board-championed conduct framework:** Customer-facing conduct standards are embedded in the Board-approved Code of Conduct, aligning all employee actions with commitments to protection, integrity, and transparency.

This structured, top-down governance ensures that accountability for Customer Capital is clear, measurable, and integral to NSB's strategic execution, directly upholding our promise as Sri Lanka's safest bank.

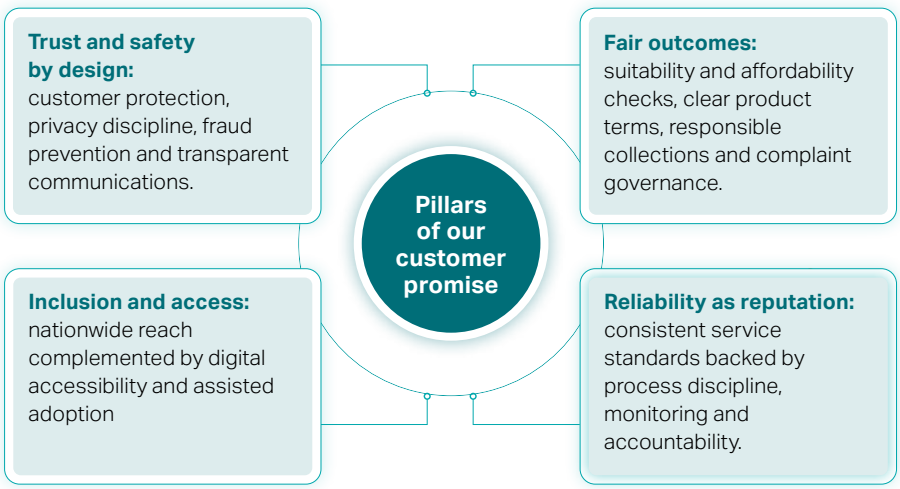
These governance mechanisms are underpinned by policy commitments for responsible business conduct, which reference authoritative intergovernmental instruments including the United Nations Guiding Principles on Business and Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, while requiring comprehensive due diligence processes, incorporating the precautionary principle in risk management decisions, and mandating respect for internationally recognised human rights across all operations.

1.2 Distinct customer value proposition



OUR CUSTOMER VALUE PROPOSITION

At NSB, our value proposition is built on being Sri Lanka's safest and most trusted banking partner. We combine an unwavering commitment to security and reliability backed by our unique heritage of trust with seamless, accessible digital experiences that meet today's needs. We are dedicated to promoting financial wellbeing and sustainable growth through personalised guidance, financial education, and forward-looking green finance options that align with our customers' values and aspirations. For us, true value is measured not only in returns, but in responsibility to our customers, our community, and our nation.



1.3 Nationwide service presence

Omnichannel access

This pillar is the fundamental architecture of our customer engagement, designed to ensure that every interaction whether digital or in-person is integrated, consistent, and effortlessly convenient. We provide a unified ecosystem where customers can choose their preferred channel without compromising on service quality or continuity, making banking a fluid part of their daily lives.

263 branches: Physical hubs for complex transactions, personalised advisory services, and building human-centric trust.

Self-service (295 ATMs/123 CRMs): Enables routine transactions (cash withdrawals, deposits, transfers) 24/7, offering convenience and reducing branch congestion.

Mobile/internet banking: The primary digital platforms for full-service banking, including payments, fund management, applications, and financial tracking, accessible anytime, anywhere.

Call centre and digital queries: Provides real-time human support for issue resolution, guidance, and managing non-standard requests via phone, email, or web chat.

Manufactured capital on pages 109 to 116 for more details.

GRI 205-3

Customer complaint resolution framework

Our customer charter serves as a formal, public declaration of the Bank's commitments to our customers regarding service standards, rights, and responsibilities. It functions as the accountable framework that ensures our operations align with regulatory compliance and ethical conduct, transforming principles into practice.

Built directly upon the guidelines and directives of the Central Bank of Sri Lanka, the charter is a foundational document for consumer protection, not merely an internal marketing tool. It mandates clear, upfront, and accessible communication of all interest rates, fee structures, and service charges, eliminating hidden costs. Furthermore, it explicitly informs customers of exact grievance routes such as contacting a branch manager, a dedicated hotline, or a specified email providing a clear pathway for complaint resolution.

The strategic value of this charter is profound: it is a critical tool for building institutional trust. By moving from vague promises to specific, accountable commitments, it demonstrates unwavering regulatory compliance and places customer fairness at the forefront of our operations, making trust an operational reality.

During the reporting period, no public legal cases regarding corruption were brought against the organisation or its employees, and consequently, there were no outcomes to report.[LA]

SOCIAL AND RELATIONSHIP CAPITAL

Customer satisfaction statistics

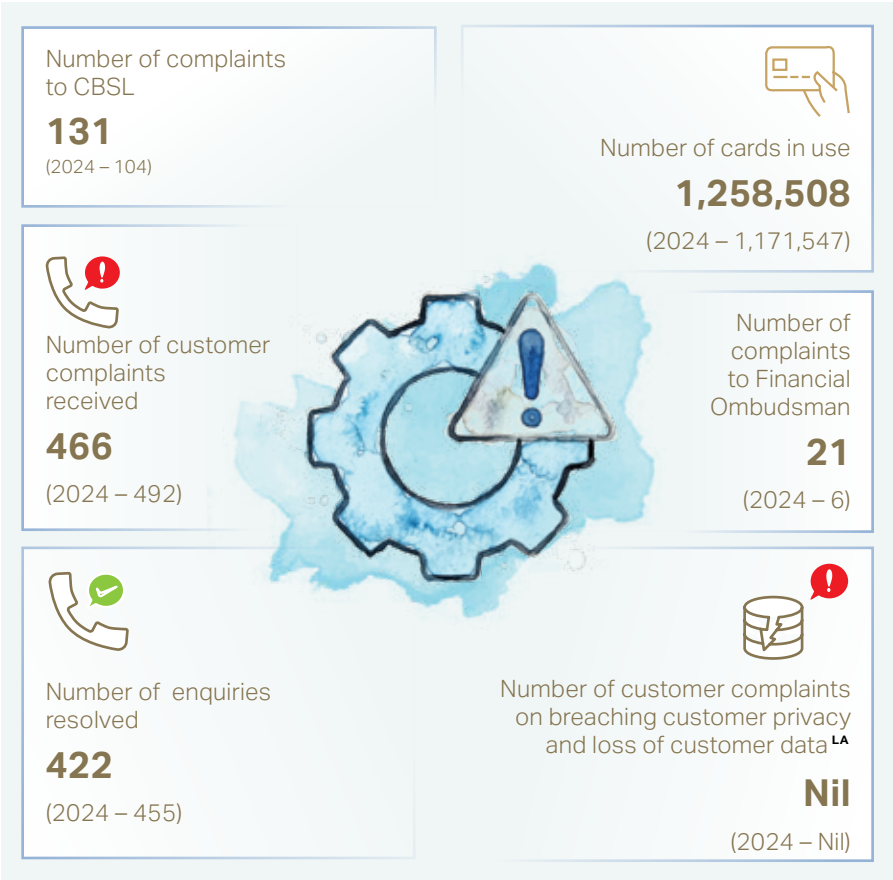


FIGURE 14

Accessibility features and priority support mechanisms

True service excellence requires intentional inclusion. Within our Customer Capital framework, our accessibility features and priority support mechanisms are fundamental investments that translate this principle into practice, ensuring equitable and dignified access for all customers, particularly seniors and persons with special needs.

We operationalise this commitment through integrated, tangible measures – physical accessibility across our branch network, digital accessibility embedded into our NSB PayApp and website, the provision of assistive technologies and dedicated priority support delivered by specially trained staff.

Transparent and responsible banking

GRI 206-1 417-1 417-2 417-3

Responsibility and transparency are fundamental principles that underpin every facet of our operations, from product design to customer engagement. Our commitment to the highest ethical standards is demonstrated through key initiatives that ensure transparency, accountability, and customer-centricity, reinforcing the trust at the core of our Customer Capital.

Our key initiatives include:

- **Providing safe and suitable solutions:** We methodically design products to be accessible, beneficial, and aligned with customer financial wellbeing.
- **Ensuring clear and timely communication:** We prioritise transparent disclosure of all key financial information including rates, charges, and terms and conditions across branches and digital platforms, enabling informed decisions.
- **Upholding the customer charter:** In full compliance with CBSL guidelines, we clearly communicate all product terms, service conditions, and complaint resolution procedures, including access to the Financial Ombudsman.
- **Managing feedback proactively:** Customer concerns are addressed through structured grievance-handling mechanisms to foster trust and long-term relationships.
- **Guaranteeing public access to information:** In compliance with the Right to Information (RTI) Act, we have a designated Public Information Officer and defined procedures to facilitate access to banking information.
- **Maintaining ethical marketing:** All promotional materials comply strictly with regulations and include our contact details, official credit rating, and 100% government guarantee. We are committed to clear, accurate, and responsible product labelling and marketing communications, ensuring customers receive full disclosure of benefits, terms, and conditions to make informed financial decisions. In line with CBSL regulations, we uphold ethical standards across all platforms avoiding misleading claims, hidden terms, or deceptive practices and ensure all offerings are represented transparently and accurately.

During the reporting period, there were no instances of non-compliance with product labelling, marketing, or regulatory guidelines. LA

During the reporting period, the Bank recorded no legal actions pending or completed regarding anti-competitive behaviour, anti-trust or monopoly legislation violations. LA

Financial literacy and digital safety education

Financial inclusion is sustainable only when customers have the knowledge and confidence to use financial services safely. NSB strengthens customer capital by investing in financial literacy and digital safety education, equipping customers to make informed decisions, avoid fraud and use digital channels responsibly.

In 2025, this focus supported safer adoption of mobile and internet banking, improved customer confidence and reduced vulnerability to scams and misinformation.

- Financial literacy programmes on savings, budgeting, responsible borrowing, and customer rights.
- Digital safety education: fraud awareness, phishing prevention, secure password practices, and safe transaction behaviour.
- Targeted engagement for vulnerable segments: seniors, first-time digital users, school banking/youth segments, and rural communities.
- Use of multi-channel education: branch-led sessions, community outreach, and digital content via official platforms.
- Link literacy to outcomes: better adoption, fewer avoidable disputes, improved trust, and strengthened long-term customer relationships.

2 HOW WE STRENGTHEN CAPABILITY

In 2025, NSB further strengthened customer relationship capability by focusing on the drivers of trust reliability, protection, fair outcomes, and inclusion. The building of this capability was pursued through platform stabilisation, strengthened customer protection controls, more disciplined complaint analytics and service recovery, and literacy initiatives that reduce the risk of harm to customers.

2.1 Personalised services for a diverse customer base

We recognise the diverse financial needs of our customers and are committed to delivering tailored banking solutions that enhance accessibility, drive business growth, and promote long-term financial stability.

Our customer base spans all age groups, with representation from young adults to seniors (0–70+), reflecting our inclusive approach to serving Sri Lankans at every stage of life. By offering customised financial products for individuals and large corporations, we foster strong, lasting customer relationships. Our personalised advisory services further empower customers to make informed financial decisions with the support of experts.

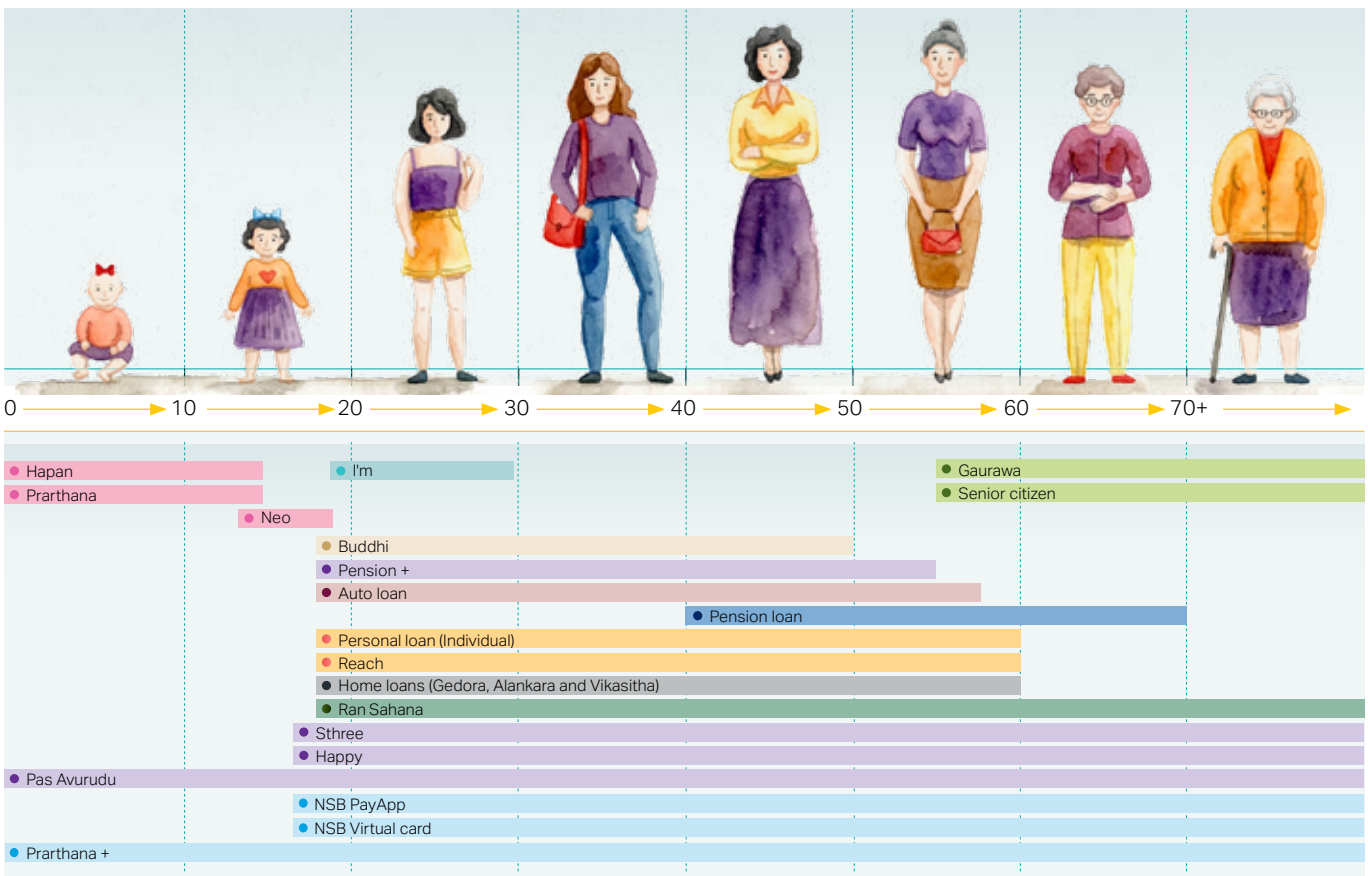


FIGURE 15

SOCIAL AND RELATIONSHIP CAPITAL

2.2 Digital transformation to improve customer experience

The rapid evolution of financial technology has redefined customer expectations, making convenience, security, and efficiency the cornerstone of modern banking. In response, NSB has embarked on an ambitious digital transformation journey designed to meet the needs of a tech-savvy customer base. Our strategy focuses on building an inclusive, secure, and future-ready digital ecosystem that delivers tangible benefits by improving service speed, accessibility, and trust.

- **Stabilised and optimised core platform and digital journeys to reduce friction, failures, and turnaround times, reinforcing a digital-first, human-always service model.**

  We have successfully stabilised the Temenos T24 Core Banking System (CBS), transitioning from a decentralised system to a unified platform that enhances operational efficiency, scalability, and customer satisfaction. This transformation allows us to offer seamless digital journeys such as funds transfer, loan applications, and bill payments with minimal friction, leading to faster turnaround times. Our optimised platform supports a digital-first approach while ensuring human assistance remains readily accessible, creating a balanced, reliable banking experience for all customers.

Intellectual capital on pages 134 to 143 for more details.

- **Strengthened assisted digital pathways at branches and call centres so customers transitioning to digital channels receive guidance and protection.**

  To support customers in adopting digital banking, we have enhanced assisted-service pathways across our branch network and call centres. Staff are trained to guide customers through mobile and internet banking processes, ensuring a smooth and secure transition. We also conduct regular digital security awareness campaigns to educate customers on safe online practices, protecting them from fraud and building confidence in using digital tools.

- **Enhanced digital onboarding and e-KYC workflows to reduce paperwork and broaden inclusion while maintaining AML/CFT compliance discipline.**

  Aligned with our commitment to financial inclusion, NSB has introduced fully digitised onboarding with Electronic Know Your Customer (e-KYC) capabilities. Customers can now open accounts remotely through a paperless process, significantly reducing administrative burdens and expanding access especially for those in remote or underserved areas. This streamlined workflow maintains strict adherence to Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) regulations, ensuring both convenience and compliance.

- **Expanded self-service and mobile platforms.**

  Our enhanced mobile banking app offers an intuitive interface, faster transaction processing, and personalised financial insights allowing customers to manage their finances effortlessly, anytime, and anywhere.

- **Advanced payment solutions for a cashless experience:**

  We are driving Sri Lanka's shift toward a cashless economy through innovative payment solutions such as:

  - Contactless NFC and QR code-based transactions
  - Instant funds transfers via integrated fast-payment networks
  - Real-time settlement capabilities

- **Robust cybersecurity and digital trust framework:**

  We have deployed state-of-the-art security measures to safeguard customer transactions and data, including:

  - Real-time fraud detection and transaction monitoring
  - End-to-end encryption and Multi-Factor Authentication (MFA)
  - Ongoing customer awareness programmes on phishing, online fraud, and digital safety

GRI 418-1

2.3 Customer protection: conduct, privacy, fraud resilience

Safeguarding customer interests is fundamental to our relationship capital at NSB. As digital adoption accelerates, we have strengthened our customer protection framework to address evolving risks related to fraud, data privacy, and conduct. Our approach integrates advanced technology, disciplined processes, and targeted customer education to create a secure banking environment.

- **Strengthen authentication, access discipline, and transaction monitoring to reduce fraud risk and protect customer data.**

  We have deployed enhanced security measures across all banking channels, including multi-factor authentication. Real-time transaction monitoring systems powered by advanced analytics to identify and flag suspicious activities instantly, enabling proactive intervention. Strict access controls and end-to-end encryption safeguard customer data from unauthorised access, ensuring that privacy is maintained at every touchpoint.

- **Customer awareness campaigns on phishing, impersonation, and safe digital practices – targeted to vulnerable segments.**

  Recognising that customer vigilance is a critical line of defence, we conduct regular awareness programmes focused on emerging threats such as phishing, impersonation scams, and fraudulent schemes. These campaigns are tailored to reach vulnerable segments, including seniors, first-time digital users, and rural communities. We achieve this by using accessible language and multiple communication channels including social media, branch interactions, and community outreach.

- **Improve incident handling playbooks for disputed transactions, fraud complaints, and hardship support to ensure timely, fair outcomes.**

  We have revised and standardised our incident response playbooks to ensure consistent, compassionate, and efficient handling of customer issues. Clear escalation paths, defined turnaround times, and dedicated teams for fraud and hardship cases enable swift resolution. Root-cause analysis is conducted for each significant incident, feeding into continuous improvement of controls and processes.

2.4 Complaint analytics and service recovery maturity

NSB views complaints not as failures but as opportunities to strengthen customer relationships and improve service delivery. In 2025, we advanced from simply resolving complaints to embedding a culture of complaint learning, where every customer interaction informs systemic improvements.

- **Move from complaint resolution to complaint learning: categorisation, trend analysis, root-cause identification, and corrective action tracking.**

  We have implemented a structured complaint analytics framework that categorises complaints by type, channel, and root cause. Trend analysis is conducted monthly to identify recurring issues, with findings reviewed by management to drive targeted corrective actions. This shift ensures that we address underlying problems rather than merely treating symptoms, reducing the likelihood of repeat complaints.

- **Build consistent service recovery toolkits for frontline teams, including escalation paths, customer communication templates, and closure discipline.**

  To empower our frontline staff, we developed standardised service recovery toolkits that provide clear guidance on handling dissatisfied customers. These toolkits include communication templates, escalation protocols, and closure checklists, ensuring that every complaint is managed with empathy, consistency, and professionalism. Regular training sessions reinforce these practices across all branches and contact centres.

- **Use complaints and enquiries as early-warning indicators to strengthen controls and improve service processes.**

  Complaints and customer enquiries are now treated as valuable sources of intelligence. Spikes in specific issue types trigger immediate reviews of underlying processes, controls, or system performance. This proactive approach enables us to identify and rectify potential problems before they escalate, enhancing overall service reliability and customer satisfaction.

2.5 Inclusive service design and accessibility

Inclusion is a cornerstone of NSB's customer capital strategy.

We are committed to ensuring that all Sri Lankans, regardless of age, ability, or location, can access and benefit from our banking services. Our approach integrates accessibility into every aspect of service design and delivery.

- **Barrier-free access and inclusive services for differently abled customers**

  We have made significant progress in making our physical infrastructure more accessible. To date, 229 branches are equipped with differently abled access facilities, including ramps, wider doorways, and accessible counters. All new and relocated branches are required to meet these inclusive design standards as a condition of approval. Assisted counters staffed by trained personnel ensure that customers with special needs receive personalised support.

  This approach does more than meet regulatory requirements, it actively builds relational equity and trust. By expanding accessible and respectful service, we deepen relationships with important customer segments, foster strong goodwill, and reinforce loyalty.

  This strengthens our brand promise as a genuinely inclusive and trusted partner for every Sri Lankan, turning a social imperative into a driver of sustainable growth.

- **Improve customer communications in plain language, with support for seniors and customers with special needs.**

  We are conducting ongoing revision of key customer communications including product terms, disclosures, and marketing materials, to ensure they use plain, simple language that is easy to understand. For seniors and differently abled customers, we continue to offer additional support through dedicated helplines, in-branch assistance, and simplified documentation. Our website and mobile app are also being progressively enhanced to align with web accessibility guidelines.

- **Embed inclusion checks in channel and product changes so digital acceleration does not exclude vulnerable groups.**

  As we accelerate our digital transformation, we have embedded mandatory inclusion impact assessments into all channel and product development processes. This ensures that new digital services are designed with consideration for customers who may have limited digital literacy, access to technology, or physical abilities. Where digital solutions may create barriers, we maintain parallel assisted channels to ensure no customer is left behind.

2.6 Financial and digital literacy as a risk-reduction lever

Empowering customers with knowledge is one of the most effective ways to reduce risk and promote financial wellbeing. NSB's literacy initiatives are designed to equip customers with the skills and confidence needed to navigate the financial landscape safely and make informed decisions.

- **Targeted outreach and awareness programmes to improve safe digital adoption and reduce fraud vulnerability**

  We conduct regular financial and digital literacy programmes across the country, reaching customers through branch-based workshops, community events, and digital platforms. These sessions cover essential topics such as safe digital banking practices, recognising and avoiding fraud, budgeting, and savings. Special focus is given to vulnerable segments, including migrant workers, seniors, and first-time bank users, with content delivered in local languages and tailored to their specific needs.

- **Community-linked literacy initiatives for affected regions and vulnerable segments, aligning literacy with resilience outcomes.**

  In 2025, we expanded our literacy efforts to include community-linked initiatives that

address local challenges. We partnered with the Foreign Employment Bureau to conduct specialised financial literacy programmes for migrant workers and their families, helping them manage remittances and plan for their financial future. In Ditwah disaster-affected regions, literacy sessions were integrated with broader resilience-building efforts, ensuring that communities have the knowledge to access and use banking services during recovery.

- **Partnerships where appropriate to scale reach.**

  Recognising that we cannot achieve scale alone, we actively collaborate with national agencies, community organisations, and development partners to extend our literacy reach. These partnerships enable us to leverage existing networks, share resources, and deliver programmes efficiently. Key partners include the Foreign Employment Bureau, educational institutions, and local community groups, who help us connect with target audiences and amplify our impact.

3 HOW WE ENABLE OUTCOMES

Customer Capital translates into sustainable value when trust becomes consistent outcomes through safe access, fair treatment, and reliable service. NSB enables this through a set of deliberate outcome pathways that connect every customer interaction to risk discipline, growth quality, and reputational resilience. These pathways are designed to ensure that our investments in digital infrastructure, customer protection, and service excellence, deliver measurable improvements in the customer experience while strengthening the Bank's long-term stability.

Outcome pathway	Key achievements	Customer value	Value created for NSB
Better access and safer adoption →	Stabilised core platform, digital ambassadors in branches, reduced system downtime	Convenience, confidence, and security in digital banking	Higher digital adoption, reduced operational costs
Fair outcomes and trust reinforcement →	Plain-language disclosures, 100% complaint resolution within SLA, affordability checks	Transparency, fair treatment, and protection from harm	Stronger reputation, reduced regulatory risk
Resilience and confidence in disruption →	Cyclone Ditwah response, ongoing restructuring support	Peace of mind and tangible support during hardship	Enhanced customer loyalty, strengthened social licence
Relationship-led growth →	10.52 million active accounts, increased product penetration	Personalised, valued banking relationships	Sustainable earnings, lower customer acquisition costs

3.1 Better access and safer adoption

Ensuring that all customers can access banking services conveniently and securely is foundational to our customer value proposition. We have focused on removing barriers to access while ensuring that expanded reach does not compromise safety or control.

- **Improved convenience through optimised digital journeys and assisted adoption while maintaining customer guidance and controls.**

  Our digital platforms have been redesigned to offer spontaneous, friction-free experiences, enabling customers to perform transactions, access information, and manage accounts with ease. Simultaneously, we have strengthened assisted adoption pathways including in-branch Digital Ambassadors and dedicated call centre support to guide customers through their digital transition. This dual approach ensures that convenience is never achieved at the expense of customer understanding or security. Every digital journey incorporates clear guidance, confirmation prompts, and easy access to human assistance when needed.

- **Reduced service disruption risk through stronger channel reliability and escalation routines.**

  System reliability is a non-negotiable foundation of customer trust. Through the stabilisation of our Temenos T24 Core Banking System and enhanced infrastructure monitoring, we have significantly reduced unplanned downtime and transaction failures. Comprehensive escalation routines ensure that any service disruption is immediately flagged, addressed, and communicated to affected customers. Regular stress testing and business continuity drills further reinforce our ability to maintain seamless service delivery. (Manufactured capital on page 109 to 116 for more details)

SOCIAL AND RELATIONSHIP CAPITAL

3.2 Fair outcomes and trust reinforcement

Fair treatment is the bedrock of lasting customer relationships. We have embedded fairness into every stage of the customer lifecycle, from product design to ongoing service and complaint resolution.

- **Clearer terms, improved disclosures, strengthened complaint governance and consistent service standards to reduce customer harm risk.**

  We are continuously revising all customer-facing communications to use plain, accessible language that clearly explains product features, fees, terms, and conditions. Mandatory disclosures are prominently displayed across all channels, ensuring customers have the information they need to make informed decisions. Our strengthened complaint governance framework ensures that every grievance is logged, tracked, and resolved within defined timelines, with root-cause analysis feeding back into process improvements. Consistent service standards across all branches and digital channels reinforce our commitment to treating every customer fairly, regardless of how or where they bank with us.

- **Affordability and suitability checks that strengthen long-term relationships and protect vulnerable customers.**

  Responsible lending is central to our customer protection ethos. Every credit product undergoes rigorous affordability and suitability assessments to ensure that customers are not overburdened and that the product meets their genuine needs. For vulnerable customers, we apply enhanced due diligence and offer tailored support where required. These practices not only protect customers from harm but also strengthens long-term relationships by demonstrating that we prioritise their financial wellbeing over short-term revenue.

3.3 Resilience and confidence in disruption

Customers trust us to be there when it matters most during personal hardships and broader societal disruptions. Our resilience frameworks are designed to maintain service continuity and provide compassionate support when customers face adversity.

- **Service continuity routines and Standard Operating Procedures (SOPs) to maintain reliability during external shocks, including severe weather events.**

  NSB has developed comprehensive business continuity plans that cover a wide range of disruption scenarios, from natural disasters to system outages. These plans are regularly evaluated and updated to reflect emerging risks. During Cyclone Ditwah, our continuity routines ensured that branches in affected areas remained operational or were rapidly restored, and that alternative service channels were communicated clearly to customers. Dedicated customer support playbooks guide frontline staff in managing enquiries and providing reassurance during times of uncertainty.

- **Transparent communication and relief/restructuring support to protect customer outcomes in hardship contexts.**

  When customers face financial hardship, whether due to personal circumstances or broader economic shocks, we respond with empathy and flexibility. Our hardship support framework offers tailored relief options, including loan restructuring, payment deferrals, and fee waivers, assessed on a case-by-case basis. Transparent communication ensures that customers understand the options available to them and the process for accessing support.

  During Cyclone Ditwah, which affected several regions of Sri Lanka in 2025, NSB activated its customer support guidelines to ensure uninterrupted service delivery. Affected customers were provided with transparent communication, expedited hardship assistance, and tailored restructuring support. Demonstrating our commitment to standing by customers during personal and community-wide adversity. (Community capital pages 167 to 171 for full details of NSB's disaster response)

3.4 Relationship-led growth

Sustainable growth at NSB is built on the strength of our customer relationships, not on aggressive pricing or short-term sales tactics. By deepening trust and delivering consistent value, we create the conditions for loyal, long-term customer partnerships.

- **Stronger retention and product deepening driven by trust, not pricing alone, supporting sustainable earnings resilience.**

  Our focus on customer outcomes has translated into improved retention and higher product penetration. Customers who trust us are more likely to consolidate their banking relationships with NSB, increasing their product holdings over time. This relationship-led growth model provides a stable, resilient earnings base that is less sensitive to short-term pricing competition.

  In 2025, active customer accounts stood at 10.52 million, with product penetration per customer increasing steadily.

- **Feedback loops from customer insights to product and process improvements, improving cost-to-serve and satisfaction over time.**

  We have institutionalised mechanisms for capturing and acting on customer feedback. Complaints, enquiries, and survey responses are analysed systematically to identify pain points and opportunities for improvement. These insights directly inform product enhancements, process simplifications, and channel investments. Over time, this continuous improvement cycle reduces our cost-to-serve while simultaneously increasing customer satisfaction.

SOCIAL AND RELATIONSHIP CAPITAL

4 WHAT THIS DELIVERED

In 2025, deliberate investments in customer-centric strategies strengthened NSB's market position, brand trust, and long-term stakeholder value.

By deepening customer engagement through personalised service, transparent communications, and accessible channels, we reinforced the foundations required to build enduring relationships and sustainable growth. The outcomes detailed below, validated by our key performance indicators, demonstrate a clear and compelling link between our customer capital initiatives and the Bank's operational resilience, market reputation, and financial stability.

4.1 From investment to impact

Our focus on strategic customer initiatives delivered measurable value across five critical dimensions:

- **Enhanced customer trust and confidence:** Strengthened customer relationships through clear, plain-language communications and transparent product disclosures, evidenced by improved customer satisfaction scores and reduced complaints.
- **Inclusive and accessible service delivery:** Expanded barrier-free access across branches and digital platforms, enabling seniors and differently abled customers to engage with confidence and independence.
- **Responsive and empathetic support:** Improved first-contact resolution and customer experience through dedicated helplines, simplified documentation, and empowered frontline teams.
- **Digital enablement with a human touch:** Progressively enhanced website and mobile app accessibility while maintaining in-branch assistance, ensuring customers can choose their preferred channel without compromise.
- **Ethical and compliant market conduct:** Reinforced customer protection through strict adherence to CBSL regulations, transparent marketing, and the elimination of misleading claims or hidden terms.

4.2 Customer capital value scorecard

To effectively manage our most vital market asset, our customers, NSB monitors a balanced set of leading and lagging customer capital indicators. These metrics provide critical insight into our relationship health, forecasting future loyalty through leading indicators like satisfaction and responsiveness, while measuring outcomes via lagging indicators such as retention and share of wallet. This disciplined tracking is fundamental to strengthening our customer franchise, ensuring we can deepen relationships while maintaining unwavering service excellence and ethical conduct. The following table details our performance across these key areas.

Indicator type	Metric area	KPI	Unit	2025	2024	Trend
Leading indicators	Customer engagement	Active digital users	Nos.	801,437	618,314	Increased
	Complaint management	Complaints resolved	%	90.6	92.5	Decreased
Lagging indicators	Market reach	Total number of active accounts	Nos.	10.5 Mn.	10.4 Mn.	Increased
	Accessibility impact	Total transactions via assisted channels	Nos.	17.6 Mn.	N/A	N/A

TABLE 19

Trade-offs and synergies with other capitals

- **Trade-off with financial capital:** We accept higher short-term costs to invest in customer education, accessibility enhancements, and service improvements, securing greater long-term loyalty and revenue stability.
- **Synergy with social and relationship capital:** Trust built through transparent and ethical customer practices, directly strengthens NSB's social license to operate and enhances our reputation within communities.
- **Synergy with human capital:** Empowered, well-trained employees deliver superior customer experiences, creating a reinforcing cycle of capability, satisfaction, and loyalty.
- **Trade-off with natural capital:** Investments in digital platforms and data analytics are carefully balanced to ensure technology enhances rather than replaces the human connection valued by many customers.

Looking ahead: Priorities for 2026 and beyond

- **Deepen financial inclusion:** Expand tailored solutions and assisted services for underserved segments, including seniors, differently abled customers, and rural communities.
- **Enhance omnichannel experience:** Seamlessly integrate digital and physical channels to offer consistent, personalised service across all touchpoints.
- **Strengthen customer voice mechanisms:** Expand real-time feedback loops to proactively address concerns and co-create solutions with customers.
- **Advance financial literacy:** Scale up customer education initiatives on digital safety, responsible borrowing, and savings discipline.
- **Embed ethical marketing:** Continuously refine product labelling and communications to exceed regulatory standards and reinforce customer trust.

BUSINESS PARTNER CAPITAL

Our business partner capital journey: from stewardship to measurable value

At National Savings Bank, our Business Partner Capital represents the strategic relationships we cultivate with third-party entities that extend our reach, enhance our capabilities, and amplify our impact.

As Sri Lanka's safest bank with a public mandate, we manage partner relationships with the same discipline applied to our internal operations, linking governance, mutual value creation, and performance accountability to service excellence, innovation, and sustainable growth.

Our partners include government agencies, fintech providers, correspondent banks, service vendors, and distribution channels that collectively strengthen our ability to serve customers and the nation.

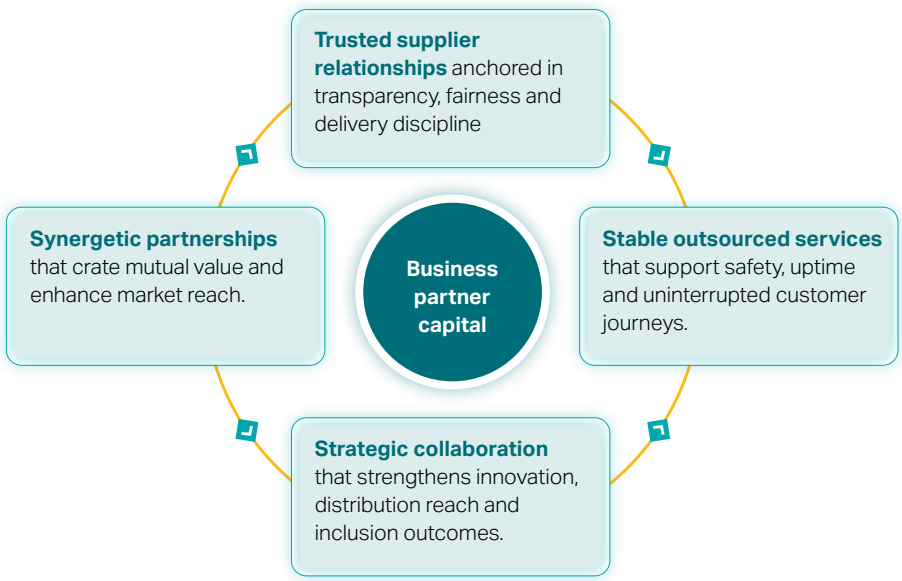
In 2025, Business Partner Capital was shaped by increasing demand for integrated digital solutions, the need for specialised capabilities beyond core banking, and the imperative to manage third-party risk while maximising collaborative value.

1 OUR CAPITAL FOUNDATIONS

NSB's business partner relationships are anchored in mutual trust and aligned interests. As a state-owned institution with an explicit Government guarantee, we approach partnerships with rigorous standards that protect our reputation, customers, and stakeholders while enabling collaborative value creation.

Our value delivery depends on a broad network of partners including suppliers, outsourced service providers, technology and payment ecosystem partners, strategic allies, and industry institutions.

This partner ecosystem supports day-to-day continuity (such as premises and security services), transformation delivery (IT systems and digital enablement), and sector-wide interoperability (payment networks and industry bodies).



1 Our capital foundations

Governance rooted in Board-approved frameworks, due diligence protocols, service level agreements, and ethical standards governing all third-party relationships.

2 How we strengthen capability

Enhanced partner onboarding, contract and performance management, integrated risk monitoring, and joint initiatives for capacity building.

3 How we enable outcomes

Four integrated pathways:

- Operational reliability and service continuity
- Innovation acceleration and capability enhancement
- Responsibility and sustainable procurement
- Mutual growth and shaped value creation

4 What this delivered

Improved partner performance metrics, stronger service delivery via partnerships, fewer third-party risk incidents, and broader customer access through partner channels.

SOCIAL AND RELATIONSHIP CAPITAL

1.1 Governance and oversight

The stewardship of business partner capital is governed with institutional discipline, recognising that our partners extend our brand and impact.

Oversight begins with the Board of Directors, which sets the strategic direction for partnerships and approves frameworks that embed risk management and value creation into our partner relationships.

- **board-approved partnership framework:** A comprehensive framework governs the end-to-end partner lifecycle from identification and due diligence to contracting, performance monitoring, and exit management, ensuring consistency and discipline across all third-party relationships.
- **risk-based due diligence:** All potential partners undergo rigorous assessment covering financial stability, operational capability, regulatory compliance, reputation, and alignment with NSB's ethical standards. Enhanced due diligence applies to high-risk or strategic partnerships.
- **executive-managed partner governance:** Corporate Management, through designated relationship owners and governance committees, oversees partner performance, contract compliance, and issue escalation. Material partnerships receive regular executive review.
- **Contract and Service Level Agreement (SLA) discipline:** Standardised agreement templates incorporate clear service levels, performance metrics, reporting obligations, termination rights, and audit provisions. Legal and compliance teams review required contracts before execution.
- **Third-party risk management:** Integrated risk frameworks monitor partner-related risks including operational, compliance, reputational, and concentration risks with escalating oversight based on partner criticality.

This structured governance ensures that accountability for Business Partner Capital is clear, measurable, and integral to NSB's strategic execution, protecting our franchise while enabling collaborative growth.

1.2 Stewardship anchors

- **Fairness and transparency in procurement and vendor selection:** Our suppliers are regarded as strategic partners, and we expect the highest standards of quality, service, and ethics from them. **NSB's procurement practices emphasise strengthening domestic supply chains by collaborating primarily with local suppliers, enhancing community engagement, and supporting national economic growth.** LA
- **Continuity and resilience in outsourced and third-party services:** This includes critical technology, security, and cash-in-transit (CIT) operations, where uninterrupted service delivery is essential to customer confidence and operational stability.
- **Ethical and sustainability expectations in the supply chain where applicable:** Sustainability is seamlessly embedded into our procurement strategy, integrating economic, social, and environmental impacts into decision-making. This ensures that materials are sourced responsibly while prioritising environmentally friendly suppliers adhering to ESG principles.
- **Mutual value creation through long-term partnerships, not transactional contracting:** We view our suppliers as strategic partners, building enduring relationships that drive innovation, efficiency, and cost optimisation over time.

2 HOW WE STRENGTHEN CAPABILITY

In 2025, NSB strengthened business partner capital by improving supplier governance, building third-party resilience, and using partnerships to accelerate innovation and inclusion while strengthening sustainability alignment.

2.1 Responsible procurement and supplier governance

GRI 204-1 408-1

Sustainable and ethical procurement practices are fundamental to NSB's approach. Procurement is not merely an operational necessity. It is a strategic initiative designed to uphold ethical sourcing, transparency, and sustainability while generating long-term value for the Bank and its stakeholders. Through a robust procurement framework, we ensure that all goods and services align with fair competition, environmental responsibility, and social compliance.

- **Define clearer service-level expectations, delivery monitoring, and penalty/rectification mechanisms for recurring failures:** Our procurement process revolves around maximising economic value and operational efficiency, adhering to prescribed standards, rules, and regulations, safeguarding bidder confidentiality, and ensuring expedited delivery of goods and services to meet operational timelines.
- **Introduce ESG-aware procurement criteria for relevant categories (IT equipment, facilities, construction, and services) where feasible:** Key initiatives under responsible procurement include:
  - **Strengthen supplier due diligence covering quality, legal compliance, performance history, ethics, and financial resilience:** We conduct comprehensive assessments to ensure that our partners meet the highest standards of reliability and integrity. Supply chain risk management includes due diligence to address financial instability, ethical concerns, and legal non-compliance among suppliers. Given the nature of our operations as a financial services institution, our direct suppliers primarily consist of professional service providers, technology vendors, and office equipment suppliers operating within Sri Lanka-sectors not considered high-risk for child labour or forced labour incidents. Nonetheless, our supplier due diligence framework explicitly prohibits child labour, hazardous work for young workers, and forced or compulsory labour in any form, with all prospective suppliers evaluated against these ethical criteria irrespective of operation type or geographic location. During the reporting period, no operations or suppliers were identified as having significant risk for such incidents based on our comprehensive assessments.
  - **Diversified supply chains:** Balancing supplier portfolios to mitigate risks and maximise economic opportunities.
  - **Fair tendering process:** Upholding a competitive and unbiased selection process to create a level playing field for vendors.

- **Environmental compliance:** The Supplies Division ensures compliance with environmental assessments, such as Initial Environmental Examinations (IEE) and Environmental Impact Assessments (EIA), obtaining necessary approvals from relevant authorities.

2.2 Third-party resilience and continuity readiness

Ensuring business continuity across our partner ecosystem is essential to maintaining uninterrupted customer service and operational stability. We achieve this through targeted measures mentioned below:

- **Map service criticality and concentration risk across key vendors and outsourced providers:** We maintain a comprehensive understanding of which partners are critical to our operations and actively monitor concentration risk to avoid over-dependence on single supplier.
- **Embed continuity clauses and recovery expectations in contracts for critical services, and test readiness where feasible:** All critical service contracts now include explicit business continuity provisions, with regular testing of recovery capabilities.
- **Strengthen incident escalation and joint problem-solving to reduce downtime and customer impact:** Clear escalation protocols ensure that any service disruption involving third parties, is rapidly addressed through collaborative problem-solving, thereby minimising the impact on customers.

GRI 407-1

2.3 Two-way dialogue and performance improvement

A cornerstone of our approach to business partner capital is maintaining continuous, open, and constructive communication with our vendors, suppliers, and service providers. This ensures alignment with the Bank's service excellence standards while fostering trust and long-term partnerships.

- **Structured performance reviews and feedback loops to address quality gaps and improve delivery discipline:** Periodic performance reviews assess supplier and service provider performance against key indicators such as timeliness, quality, and compliance to drive continuous improvement.
- **Partner briefings/workshops on security, compliance and service expectations when required:** We organise workshops, briefings, and information sessions to ensure vendors and partners remain updated on industry best practices, regulatory requirements, and NSB's evolving business needs.
- **Joint improvement plans for recurring issues affecting customer service, safety, and continuity:** Collaborative problem-solving addresses challenges proactively through mutual discussions, ensuring that potential service disruptions are mitigated effectively.

2.4 Providing value to outsourced service providers

NSB relies on outsourced service providers for various functions such as IT infrastructure, security services, facility management, and digital transformation. Ensuring that these providers receive adequate support is crucial for maintaining operational efficiency and service excellence.

- **Fair compensation and timely payments:** We ensure that all outsourced service providers are paid promptly for their services, maintaining financial stability within the supplier network. During the year, we paid Rs. 744.3 Mn. to our outsourced service providers.
- **Capability enhancement:** We provide technical assistance, knowledge-sharing opportunities, and technology integration support to enhance service quality and operational effectiveness.
- **Long-term strategic partnerships:** Building enduring relationships with key service providers drives innovation, efficiency, and cost optimisation over time.

2.5 Strategic alliances that expand customer and sustainability outcomes

NSB actively cultivates strategic alliances with financial institutions, technology firms, real estate developers, and regulatory bodies to expand its service offerings, leverage synergies, and drive financial inclusion.

- **Partnerships that extend distribution reach, enhance digital capability, and enable targeted inclusion outcomes:**
  - **Collaborations with financial institutions:** Partnering with local and international banks for cross-border remittance solutions, co-branded financial products, and expanded lending capabilities.
  - **Technology partnerships:** Engaging with fintech firms to accelerate digital banking innovations, improve cybersecurity measures, and enhance customer experience.
  - **Real estate and housing sector partnerships:** Working with property developers and construction firms to offer customers affordable home financing solutions.
  - **Regulatory and government alliances:** Collaborating with the CBSL, Ministry of Finance, and other regulatory bodies to shape policies that promote financial literacy, economic stability, and banking sector growth.
- **Collaborations to support sustainability-linked solutions where applicable:** Our partnership with Hayleys Solar exemplifies our commitment to promoting renewable energy adoption and sustainable practices.
- **Industry memberships that strengthen interoperability, standards, and sector learning:** We actively engage with our postal network to promote NSB transactions, extending our reach into every community

2.6 Industry memberships: Advocating for progressive financial policies

NSB actively participates in industry forums, financial associations, and regulatory committees to advocate for progressive banking policies, innovation, and sustainable economic practices.

SOCIAL AND RELATIONSHIP CAPITAL

GRI 2-28

Active memberships include:[LA]

- The National Chamber of Commerce
- Lanka Clear Private Limited
- Employers' Federation of Ceylon
- Society for Worldwide Interbank Financial Telecommunication (SWIFT)
- The Sri Lanka SWIFT User Group
- The World Savings Banking Institute

Active participation in policy discussions: We engage with government stakeholders and financial regulators to contribute to national financial strategies and digital transformation roadmaps.

Research and development contributions: We support financial sector research initiatives, particularly in financial inclusion, digital banking evolution, and regulatory advancements.

By maintaining active industry memberships, NSB remains at the forefront of banking sector evolution, influencing positive changes and ensuring alignment with global financial standards.

3 HOW WE ENABLE OUTCOMES

Business Partner Capital translates into sustainable value when collaboration results in consistent performance, reliable service delivery, shared innovation, and mutual growth. NSB enables this through a set of deliberate outcome pathways that connect every partner engagement to operational stability, service quality, and long-term value creation. These pathways are designed to ensure that our investments in supplier governance, third-party resilience, and strategic alliances deliver measurable improvements to operational performance, while strengthening the Bank's long-term competitiveness.

Outcome pathway	Key achievements	Customer value	Value created for NSB
Operational reliability and service continuity	Stabilised vendor performance, critical vendor BCP/DR test coverage, reduced vendor-related disruptions	Predictable partnerships, clear service expectations, fair payment practices	Uninterrupted customer service, reduced operational risk, lower incident-related costs
Innovation acceleration and capability enhancement	New strategic alliances activated, technology partnerships enabling digital payment innovations, fintech collaborations	Access to NSB's nationwide reach, co-creation opportunities, capability building support	Faster deployment of new capabilities, enhanced digital offerings, improved interoperability
Responsible and sustainable procurement	100% ESG screening for major contracts, strengthened supplier due diligence, 100% local sourcing commitment	Recognition of ethical practices, preference for ESG-compliant suppliers, long-term partnership stability	Strengthened reputation, reduced supply chain risk, contribution to national economic development
Mutual growth and shared value creation	Structured performance reviews with 100% of critical vendors, joint improvement plans, collaborative problem-solving protocols	Business growth through NSB partnership, capability enhancement, stable revenue stream	Optimised cost-to-serve, improved vendor performance, deeper partner loyalty

3.1 Operational reliability and service continuity

Ensuring that all partner-delivered services perform consistently and reliably is foundational to our operational excellence. We have focused on strengthening vendor governance while ensuring that performance expectations are clearly defined and continuously monitored.

- **Operational reliability through disciplined supplier performance management and continuity expectations.**

  Our robust governance framework ensures that partners deliver consistently against clearly defined service level agreements. Regular performance assessments against key indicators such as timeliness, quality, and compliance drive continuous improvement. Comprehensive escalation routines ensure that any service deviation is immediately flagged, addressed, and resolved through collaborative problem-solving, contributing to minimising any potential adverse impact on Bank operations and customer experience.

- **Reduced service disruption risk through stronger channel reliability and escalation routines.**

  Through the implementation of critical vendor mapping, enhanced infrastructure monitoring, and joint business continuity testing, we have significantly reduced vendor-related disruptions. Comprehensive escalation protocols ensure that any service disruptions involving third parties are rapidly addressed through collaborative problem-solving. Regular stress testing and business continuity drills with critical partners further reinforce our ability to maintain seamless service delivery.

3.2 Innovation acceleration and capability enhancement

Strategic partnerships are a key driver of innovation at NSB. We have cultivated alliances that bring new capabilities, technologies, and solutions to the Bank, enabling us to serve customers better while remaining competitive in a rapidly evolving financial landscape.

- **Innovation acceleration through partnerships that enable faster deployment of new service capabilities and improved interoperability.**

  Our collaborations with fintech firms, technology partners, and financial institutions enable us to bring innovative solutions to the market more rapidly. From enhanced payment solutions to expanded distribution reach, these partnerships accelerate our digital transformation journey. The successful implementation of contactless payments, QR code-based transactions, and instant fund transfers, demonstrate the power of strategic collaboration.

- **Capability enhancement through partner knowledge sharing and technology integration.**

  We actively invest in building the capabilities of our partners through technical assistance, knowledge-sharing opportunities, and technology integration support. Partner briefings and workshops on security, compliance, and service expectations ensure that vendors remain updated on industry best practices and regulatory requirements. This two-way capability building creates a reinforcing cycle of improvement that benefits both NSB and our partners.

- **Industry memberships that strengthen interoperability, standards, and sector learning.**

  Our active participation in key industry bodies including Lanka Clear, SWIFT, and the World Savings Banking Institute, ensures that NSB remains aligned with global financial standards and contributes to shaping the future of banking in Sri Lanka. These memberships provide valuable platforms for knowledge exchange, policy advocacy, and collaborative innovation.

GRI 414-1 308-1

3.3 Responsible and sustainable procurement

Responsible procurement is central to our business partner philosophy. We have embedded sustainability and ethics into every stage of the partner lifecycle, from selection through to ongoing performance monitoring.

- **Sustainability alignment through greener procurement and partner-enabled sustainability solutions.**

  ESG-aware procurement criteria now guide supplier selection for all major contract categories, including IT equipment, facilities, construction, and services. We prioritise partners who demonstrate strong environmental, social, and governance practices, ensuring that our supply chain reflects our commitment to sustainability. Our partnership with Hayleys Solar exemplifies how collaboration can advance both business objectives and environmental goals.

- **Ethical supply chain management through strengthened due diligence and compliance monitoring.**

  Comprehensive supplier due diligence covering quality, legal compliance, performance history, ethics, and financial resilience ensures that we partner only with organisations that meet our high standards. Regular compliance audits and adherence checks mitigate the risk of non-compliance, ethical issues, or financial instability within our supplier network. By partnering exclusively with ESG-compliant suppliers, we protect NSB's reputation while promoting responsible business practices across our value chain.

- **Local economic contribution through 100% local sourcing commitment.**

  Our procurement practices emphasise strengthening domestic supply chains by engaging exclusively with local suppliers. This approach enhances community engagement, supports national economic growth, and reduces reliance on foreign procurement. By prioritising local partners, we contribute to the prosperity of the communities we serve, while ensuring alignment with National Procurement Guidelines.

3.4 Mutual growth and shared value creation

Sustainable partnerships are built on mutual benefit. We have cultivated relationships that create value for both NSB and our partners, ensuring long-term collaboration and shared success.

- **Stronger partner relationships through two-way dialogue and performance improvement.**

  Structured performance reviews and feedback loops with all critical vendors ensure that quality gaps are addressed and delivery discipline continuously improved. These reviews assess supplier performance against key indicators such as timeliness, quality, and compliance, driving continuous improvement. Joint improvement plans for recurring issues affecting customer service, safety, and continuity, ensure that potential disruptions are mitigated effectively through collaborative problem-solving.

- **Fair compensation and timely payments that strengthen partner stability and trust.**

  We ensure that all suppliers and outsourced service providers are paid promptly for their services, maintaining financial stability within the partner network. During the year, we paid Rs. 744.3 Mn. to our outsourced service providers, demonstrating our commitment to fair and transparent financial dealings. This payment discipline strengthens partner trust and enables long-term, stable relationships.

- **Long-term strategic partnerships that drive innovation, efficiency, and cost optimisation.**

  By viewing our suppliers as strategic partners rather than transactional vendors, we build enduring relationships that deliver value over time. These partnerships enable joint innovation, shared learning, and continuous improvement, creating a cycle that benefits both NSB and our partners while enhancing service quality for our customers.

- **Shared value through partner-enabled community and inclusion outcomes.**

  Our partner network extends our reach into underserved communities, enabling financial literacy programmes, disaster response, and inclusion initiatives. Collaborations with national agencies, community organisations, and development partners, allow us to scale our impact and deliver meaningful outcomes for the communities we serve.

SOCIAL AND RELATIONSHIP CAPITAL

4 WHAT THIS DELIVERED

In 2025, strategic investments in partner-centric strategies strengthened NSB's operational resilience, procurement governance, and long-term stakeholder value. By deepening partner engagement through transparent processes, collaborative relationships, and shared value creation, we reinforced the foundations required to build enduring partnerships and sustainable growth. The outcomes detailed below, validated by our key performance indicators, demonstrate a clear and compelling link between our business partner capital initiatives and the Bank's operational stability, market reputation, and financial performance.

4.1 From investment to impact

Our focus on strategic partner initiatives delivered measurable value across five critical dimensions:

- **Operational resilience:** Fortified systems through critical vendor testing.
- **Responsible procurement:** Achieved 100% ESG screening of contracts while strengthening local supplier due diligence.
- **Innovation acceleration:** Activated new fintech and institutional alliances to expand digital payment solutions.
- **Partner ecosystem health:** Maintained On-time payments and deepened vendor collaboration through joint improvement plans.
- **Industry influence:** Shaped sectoral policy and global standards through active participation in six key industry bodies.

4.2 Business partner capital value scorecard

To effectively manage our partner ecosystem, NSB monitors a set of balanced leading and lagging indicators. These metrics provide critical insight into our partner relationship health, forecasting future resilience through leading indicators like due diligence coverage, while measuring outcomes via lagging indicators such as on time supplier payments. This tracking discipline is fundamental to strengthening our operational stability, ensuring we can deliver seamless customer service while maintaining the highest standards of procurement governance. The following table details our performance across these key areas.

Indicator type	Metric area	KPI	Unit	2025	2024	Trend
Leading indicators	Supplier governance	Supplier due diligence completion rate	%	100	95	Increased
	Sustainability integration	ESG-screened suppliers (% of major contracts)	%	100	85	Increased
Lagging indicators	Local economic contribution	Goods and services sourced locally	%	100	100	Stable
	Supplier base diversity	Number of active suppliers	Nos.	252	266	Decreased
	Payment discipline	On-time supplier payments	%	95	95	Stable
	Partner investment	Payments to outsourced service providers	Rs. Mn.	744.3	573	Increased
	Industry engagement	Active industry memberships	Nos.	6	6	Stable

TABLE 20

Trade-offs and synergies with other capitals

- **Trade-off with financial capital:** Accepting higher short-term costs for partner due diligence and joint innovation to secure long-term operational stability.
- **Synergy with social and relationship capital:** Fair, transparent practices and consistent on-time payments strengthen NSB's reputation as a trusted partner of choice.
- **Synergy with human capital:** Skilled procurement teams build deeper, more collaborative relationships beyond simple transactions.
- **Trade-off with technology/intellectual capital:** Balancing digital integration tools with personalised, human engagement to preserve trust.

Looking ahead: Priorities for 2026 and beyond

- **Strengthen partner integration:** Involve key partners early in product development, for seamless execution.
- **Enhance co-innovation platforms:** Create formal forums to solve industry-wide challenges collaboratively.
- **Enhance partner feedback:** Shift from periodic reviews to continuous, real-time feedback loops.
- **Advance shared value initiatives:** Collaborate with partners on community programs to amplify social impact.
- **Embed ethical sourcing:** Continuously improve supplier standards to exceed ethics and sustainability expectations

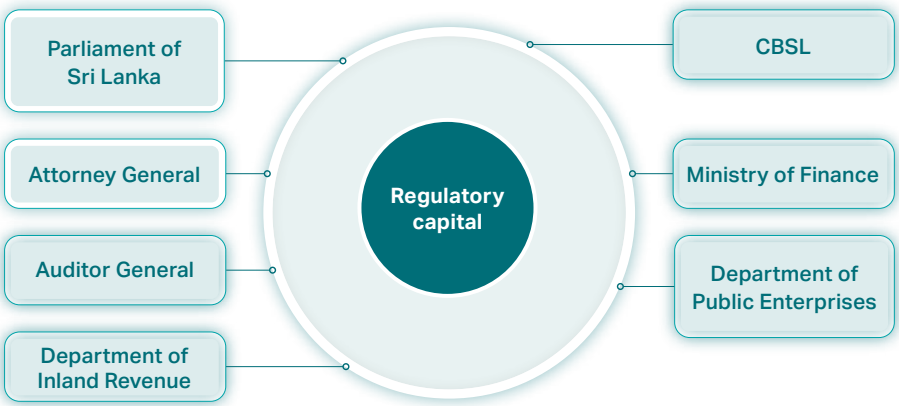
REGULATORY CAPITAL

Our regulatory capital journey: from stewardship to measurable value

Regulatory Capital is the credibility and confidence NSB earns through consistent compliance, transparent engagement, robust governance, and disciplined risk management, strengthening supervisory trust and depositor confidence.

For NSB, Regulatory Capital is not merely a compliance outcome. It is a core practice of our public mandate, financial system confidence, and licence to operate. It reflects how effectively we meet prudential expectations, maintain high-quality reporting discipline, prevent financial crime, respond decisively to supervisory observations, and sustain a culture of ethical conduct and accountability.

Our regulators



In 2025, NSB's Regulatory Capital agenda focused on further strengthening regulatory reporting integrity, financial crime prevention maturity, Board and management transparency, and readiness for evolving sustainability-related disclosure expectations, while maintaining alignment with operational resilience and cyber governance priorities.

1 Our capital foundations

Governance rooted in Board-approved compliance frameworks, statutory reporting protocols, internal control systems, and ethical standards meeting all regulatory requirements.

2 How we strengthen capability

Enhanced compliance monitoring systems, targeted training programs, integrated risk and control assessments, and proactive engagement with regulators.

3 How we enable outcomes

- Uninterrupted license and regulatory approvals,
- Enhanced customer and depositor confidence,
- Strategic influence on sector policy, and Operational stability through risk mitigation.

4 What this delivered

Zero regulatory sanctions, timely and accurate statutory reporting, strengthened capital adequacy, and recognition as a trusted, systemically important institution.

SOCIAL AND RELATIONSHIP CAPITAL

1 OUR CAPITAL FOUNDATIONS

NSB's relationship with regulators is anchored in trust, transparency, and consistency of execution. As a systemically important savings institution, our regulatory credibility is central to depositor confidence and national financial stability. Regulatory Capital is strengthened through prudential resilience, reliable regulatory reporting, ethical conduct, and proactive engagement with supervisory expectations.

Our regulatory capital foundations are built on three pillars:

- **Sound governance:** Board oversight of compliance, risk, audit findings, and corrective action closure.
- **Strong controls:** disciplined reporting, reconciliations, evidence trails and integrated assurance.
- **Responsible conduct:** AML/CFT, fraud controls, and escalation discipline that protects customers and the system.

1.1 Governance and oversight

The stewardship of regulatory capital is governed with institutional discipline, recognising that compliance is non-negotiable and integral to our identity as Sri Lanka's safest bank. Oversight begins with the Board of Directors, which sets the tone from the top and ensures that a culture of compliance permeates every level of the Organisation.

- **Board-level compliance oversight:** The Board of Directors, supported by the Board Audit Committee and the Board Integrated Risk Management Committee, provides strategic oversight of the Bank's compliance with all applicable laws, regulations, and supervisory directives. The Board approves the compliance framework and receives regular updates on the Bank's regulatory status.
- **Dedicated compliance function:** An independent Compliance Officer, reporting functionally to the Board Integrated Risk Management Committee, leads a team dedicated to identifying, assessing, monitoring, and reporting on regulatory risks. This function acts as the second line of defence, ensuring that business activities remain within the boundaries set by regulators.
- **Statutory reporting protocols:** Rigorous processes and controls govern the preparation and submission of all statutory returns to CBSL, including those related to capital adequacy, liquidity, asset quality, and profitability. These protocols ensure accuracy, timeliness, and completeness, reinforcing regulator confidence in our data and management.
- **Internal control systems:** A robust internal control framework, validated by an independent Internal Audit function (the third line of defence), provides assurance that regulatory requirements are embedded in day-to-day operations and that control weaknesses are promptly identified and remediated.
- **Regulatory change management:** A structured process ensures that all new or amended regulations are promptly identified, assessed for impact, and implemented across the Bank. This proactive approach minimises the risk of inadvertent non-compliance.

1.2 Stewardship anchors

- **Unconditional adherence to banking laws and directives:** Our foremost commitment is to comply fully and unconditionally with the Banking Act, CBSL rules and directions, and all other applicable statutes. This is the bedrock of our license to operate and our social contract with depositors.
- **Prudent risk management within regulatory boundaries:** We manage our balance sheet and risk profile not only to meet, but where prudent, to exceed minimum regulatory requirements (such as capital adequacy, liquidity ratios). This creates a buffer against uncertainty and reinforces our resilience.
- **Transparency and integrity in all regulatory dealings:** We engage with regulators with complete transparency, providing accurate information proactively and addressing any supervisory concerns with candour and urgency. This builds trust and facilitates constructive dialogue.
- **Proactive contribution to sector stability and policy development:** We view ourselves as partners in maintaining the stability of Sri Lanka's financial system. We actively participate in consultations and industry working groups to help shape practical and effective regulations.

2 HOW WE STRENGTHEN CAPABILITY

In 2025, NSB strengthened Regulatory Capital by improving reporting and compliance controls, enhancing financial crime prevention capability, uplifting governance transparency, and building readiness for evolving sustainability-related disclosures.

2.1 Compliance and reporting readiness

Accurate, timely and auditable regulatory reporting is a core driver of supervisory confidence. In 2025, we further strengthened reporting discipline through tighter controls, improved exception handling, and stronger documentation.

- **Strengthened validation routines, reconciliations, and maker-checker-approver controls:** We tightened end-to-end routines for data preparation, reconciliation, and independent checking, ensuring that regulatory returns are supported by robust validation and consistent approvals reducing error risk and late correction cycles.
- **Improved issue escalation and closure tracking for reporting exceptions:** Reporting exceptions, quality issues and supervisory observations are tracked with clear ownership, escalation thresholds and closure verification, reducing delays and strengthening accountability for timely resolution.
- **Enhanced documentation and audit trails to reduce repeat findings:** We further improved record-keeping disciplines for reporting logic, evidence packs, approvals and changes, strengthening audit readiness and reducing repeat observations caused by insufficient documentation or inconsistent processes.

GRI 205-3

2.2 Financial crime and conduct discipline

Protecting the financial system and customers requires strong financial crime controls and frontline conduct discipline. In 2025, we further strengthened AML/CFT and fraud resilience through improved control capability, training, and typology awareness.

- **Enhanced KYC/CDD, transaction monitoring and case management:** We strengthened customer due diligence and monitoring routines, improving detection and escalation of unusual activity. Enhanced case handling discipline supports consistent outcomes, better documentation, and stronger learning from incidents.
- **Targeted staff training, attestations, and awareness:** We reinforced frontline readiness through structured training programmes, targeted refreshers and attestations strengthening the first line's ability to identify red flags, apply escalation routines and maintain compliance discipline.
- **Continuous review of typologies and control effectiveness:** We strengthened the review of emerging typologies, fraud patterns, and control performance, ensuring monitoring scenarios and process controls remain aligned to the evolving risk environment and NSB's risk appetite.

2.3 Governance and transparency uplift

Regulator confidence improves when oversight information is timely, decision-useful and supported by evidence. In 2025, we further strengthened Board reporting quality and disclosure discipline, to reduce misinformation risk and improve stakeholder confidence.

- **Improved Board reporting quality and timeliness for principal risks and incidents:** We strengthened reporting packs and governance routines so that principal risks, significant incidents, and corrective actions are escalated with better clarity, stronger metrics and clearer ownership, enabling faster decisions and stronger oversight.
- **Strengthened disclosure discipline and communications consistency:** We improved the discipline of regulatory-aligned disclosures and internal governance communications, reducing the risk of inconsistent information and strengthening confidence among supervisors and stakeholders.

2.4 Capital and liquidity management within regulatory bounds

Prudent management of our capital and liquidity positions is fundamental to Regulatory Capital. We actively manage our balance sheet to not only meet but exceed regulatory minima, providing a buffer against stress.

- **Robust ICAAP and ILAAP processes:** Our Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) are embedded in our strategic planning. They ensure we systematically identify, measure, and manage all material risks to our capital and liquidity positions, considering both regulatory requirements and our own risk appetite.
- **Forward-looking stress testing:** We conduct regular stress tests to assess the resilience of our capital and liquidity positions under various adverse scenarios. The results of these tests inform our contingency planning and risk management strategies.
- **Optimising the balance sheet within limits:** We actively manage our asset-liability mix to optimise returns while remaining strictly within regulatory limits on large exposures, connected lending, and statutory reserve requirements.

2.5 Sustainability reporting readiness (SLFRS S1 and SLFRS S2)

As sustainability disclosures evolve, credibility will depend on data quality, internal controls, and assurance readiness. In 2025, NSB progressed governance and discipline steps toward SLFRS S1 and SLFRS S2 readiness.

- **Built governance for SLFRS S1 and SLFRS S2 readiness:** We progressed the governance structures required to define ownership, monitor progress, and strengthen internal control expectations for sustainability-related indicators.
- **Defined ownership and data quality standards for ESG indicators:** We strengthened ownership of climate and sustainability metrics used in strategy and risk management, progressively improving data quality standards, evidence trails and control checks.
- **Progressive alignment to evolving expectations:** We continued aligning internal reporting and disclosure practices with emerging regulatory and stakeholder expectations, strengthening future audit readiness and decision-useful sustainability reporting.

SOCIAL AND RELATIONSHIP CAPITAL

3 HOW WE ENABLE OUTCOMES

Regulatory Capital translates into sustainable value when it provides more than just a license to operate. It becomes a source of competitive advantage, underpinning customer trust, enabling strategic agility, and ensuring long-term stability. NSB enables this through a set of deliberate outcome pathways that connect our investments in compliance capabilities to tangible benefits for the Bank, its customers, and the wider financial system. These pathways are designed to ensure that our rigorous approach to regulation delivers measurable improvements in our stability, reputation, and strategic positioning.

Outcome pathway	Key achievements	Customer value	Value created for NSB
Uninterrupted license and regulatory approvals	Zero material regulatory breaches; timely submission of all statutory returns; successful renewal of banking licence.	A stable, compliant, and trustworthy partner in the financial system; confidence in NSB's management and governance.	Certainty of operations; ability to pursue strategic initiatives requiring regulatory approval; enhanced reputation with supervisors.
Enhanced customer and depositor confidence	Strong capital adequacy ratios; transparent communication of Government guarantee; no compliance-related reputational incidents.	Assurance that depositor funds are managed within a safe, well-governed, and prudently regulated institution.	Strengthened customer loyalty; increased deposit mobilisation; lower cost of funds.
Strategic influence on sector policy	Active participation in CBSL and industry consultations; constructive feedback shaping practical regulations.	Access to on-the-ground insights from a systemically important savings bank; a collaborative partner in developing the sector.	Ability to shape a regulatory environment that is both stable and conducive to sustainable banking; early visibility of regulatory changes.
Operational stability through risk mitigation	Strong AML/CFT controls; robust data governance; proactive remediation of audit and supervisory findings.	Reduced systemic risk; assurance that the bank is proactively managing its risks; reliable data for macro-prudential supervision.	Avoidance of regulatory sanctions/fines; reduced operational risk; more efficient and resilient operations.

3.1 Uninterrupted license and regulatory approvals

The most fundamental outcome of strong regulatory capital is the unquestioned right to operate. Our disciplined approach ensures we maintain the highest standing with our supervisors.

- **Certainty of operations through flawless compliance:**

  By embedding rigorous governance, controls, and reporting disciplines, we ensure that our banking licence is never at risk. Our history of timely and accurate statutory reporting provides supervisors with continuous assurance of our reliability.

- **Agility through streamlined approvals:**

  When we seek regulatory approvals for new products, branches, or strategic initiatives, our reputation for compliance and transparency facilitates a smoother and more predictable review process. Regulators engage with us knowing that our applications are complete, well-considered, and aligned with prudential norms.

3.2 Enhanced customer and depositor confidence

For a bank with a public mandate to safeguard savings, customer confidence is the most valuable asset. Strong Regulatory Capital is the foundation upon which this confidence is built.

- **Trust through prudential strength:**

  Our commitment to not just meeting but exceeding capital adequacy and liquidity requirements provides tangible evidence of our financial strength and resilience. This is the bedrock of our identity as "Sri Lanka's safest bank."

- **Confidence through transparent conduct:**

  Adherence to fair treatment regulations, transparent product disclosure, and ethical sales practices, reinforced by our compliance framework, ensures that customers can engage with us confidently. Our reputation for integrity, protected by controls, is a key differentiator in the market.

- **Reassurance through stability:**

  The absence of regulatory sanctions or compliance-related reputational incidents, provides continuous reassurance to depositors that their funds are managed within a stable, well-governed institution.

3.3 Strategic influence on sector policy

We view ourselves as a partner in building a stable and inclusive financial sector for Sri Lanka. Our proactive engagement, described in Section 2.3, allows us to contribute our experience to the policy-making process.

- **Shaping a practical regulatory environment:**

  By actively participating in CBSL and industry consultations, we provide regulators with valuable, on-the-ground insights into the practical implications of proposed rules. This helps shape regulations that are effective in achieving their policy objectives while remaining workable for banks.

- **Early visibility and preparedness:**

  Our close and transparent dialogue with supervisors gives us early visibility into emerging regulatory themes and priorities. This allows us to proactively prepare for changes, reducing the cost and disruption of last-minute implementation.

- **Strengthening the sector collaboratively:**

  Through our active memberships in industry bodies (detailed separately under Business Partner Capital), we collaborate with peers to develop industry-wide standards and self-regulatory initiatives that complement the formal regulatory framework, contributing to overall sector stability.

3.4 Operational stability through risk mitigation

A strong compliance framework is not just about avoiding penalties. It is a key component of sound operational management. It helps us identify and mitigate risks that could disrupt our business.

- **Avoiding regulatory sanctions and financial penalties:**

  Our robust controls and monitoring systems, particularly in high-risk areas like AML/CFT, directly reduce the risk of breaches that could lead to significant financial penalties, reputational damage, and diversion of management attention.

- **Strengthening operational resilience:**

  The data governance frameworks we maintain for regulatory reporting also enhance the quality and reliability of data used for management decision-making. The control mindset embedded through our compliance programs, contributes to a more disciplined and resilient operational culture overall.

- **Proactive risk identification:**

  The continuous monitoring and testing activities of the compliance function acts as an early warning system, identifying control weaknesses or emerging risk trends before they can escalate into major operational failures.

4 WHAT THIS DELIVERED

In 2025, our disciplined and proactive approach to regulatory capital management strengthened NSB's foundational stability, enhanced stakeholder confidence, and positioned us as a trusted partner to our regulators. By treating compliance as a strategic asset rather than a cost, we have reinforced the very capital that underpins our identity as Sri Lanka's safest bank. The outcomes detailed below demonstrate a clear link between our regulatory capital initiatives and the Bank's operational continuity, market reputation, and strategic agility.

4.1 From investment to impact

Our focus on strengthening regulatory capital delivered measurable value across five critical dimensions:

- **Flawless compliance:** Maintained a clean regulatory record with zero material breaches or sanctions, ensuring uninterrupted operations.
- **Prudential strength:** Sustained capital adequacy ratios well above regulatory minimum, reinforcing depositor confidence and resilience.
- **Reporting integrity:** Achieved 100% on-time and accurate submission of all statutory returns to CBSL and other regulators.
- **Proactive engagement:** Strengthened regulatory trust through transparent dialogue and proactive self-disclosure and remediation of issues.
- **Policy contribution:** Constructively shaped sectoral regulations through active participation in CBSL consultations and industry working groups.

4.2 Regulatory capital value scorecard

To effectively manage our Regulatory Capital, NSB monitors a set of balanced leading and lagging indicators. These metrics provide critical insight into our compliance health, forecasting future resilience through leading indicators like training completion and audit finding remediation, while measuring outcomes via lagging indicators such as regulatory breaches and reporting accuracy. This tracking discipline is fundamental to safeguarding our licence to operate, and maintaining the trust of our depositors and supervisors. The following table details our performance across these key areas.

SOCIAL AND RELATIONSHIP CAPITAL

Indicator type	Metric area	KPI	Unit	2025	2024	Trend
Leading indicators	Compliance culture	Mandatory compliance training completion rate	%	100	100	Stable
	AML effectiveness	Suspicious transaction reports filed (quality, not volume)	%	100	100	Stable
	Regulatory change	Regulatory changes implemented within deadline	%	100	100	Stable
Lagging indicators	Regulatory sanctions	Material regulatory breaches/fines	Nos.	Zero	Zero	Stable
	Reporting accuracy	Statutory returns submitted accurately and on time	%	100	100	Stable
	Capital strength	Tier 1 Capital Adequacy Ratio	%	24.85	23.42	Increased
	Reputational impact	Negative regulatory findings in public domain	Nos.	Zero	Zero	Stable

TABLE 21

Trade-offs and synergies with other capitals

- **Trade-off with financial capital:** Holding extra capital and investing in compliance systems reduces funds available for higher-risk ventures, but this trade-off ensures long-term stability and depositor protection.
- **synergy with social and relationship capital:** Strict regulatory adherence and transparent dealings, enhance NSB's reputation for safety and integrity, building trust with customers, the government, and the public.
- **Synergy with human capital:** A strong compliance culture provides clear ethical guidelines, empowering well-trained staff to serve customers confidently and reinforcing a cycle of capability and integrity.
- **Trade-off with intellectual capital:** Data privacy regulations can limit how customer data is used for innovation, requiring a careful balance between analytical utility and strict security protocols.

Looking ahead: Priorities for 2026 and beyond

- **Expand integration of regulatory change:** Shifting from reactive implementation to proactive horizon scanning, to embed new rules seamlessly into standard processes.
- **Enhance proactive supervisory engagement:** Strengthening dialogue with CBSL through voluntary reviews and pilot programs, to act as a collaborative, forward-thinking partner.
- **Strengthen conduct and culture:** Embedding "conduct risk" management to ensure fair customer outcomes are embodied experiences, not just a written policy.
- **Advanced regtech adoption:** Exploring technology for continuous monitoring and automated compliance to improve efficiency and the sophistication of AML analytics.
- **Embed climate risk into prudential framework:** Building capabilities to manage climate-related financial risks in line with emerging supervisory expectations for long-term resilience.

COMMUNITY CAPITAL

Our community capital journey: from stewardship to measurable value

At National Savings Bank, Community Capital relates to the trust and legitimacy we earn, when communities experience the Bank as mission-led, accessible, responsive, and dependable in everyday life and especially during disruption.

As Sri Lanka's premier state-owned savings institution, our public mandate requires us to convert trust into outcomes, and inclusive access, household resilience, financial capability, and visible contribution to national development.

In 2025, Community capital was shaped by rising inclusion needs, increased expectations for safe digital participation, and climate-linked disruption risk, particularly Cyclone Ditwah. NSB's priorities therefore focused on scaling literacy and inclusion, strengthening disaster response readiness and continuity routines, and deepening partnerships to extend reach and effectiveness while protecting vulnerable groups.

1 Our capital foundations

Governance anchored in policy-based CSR discipline, safeguarding standards, and stewardship commitments to inclusion outcomes, resilience during disruption, and responsible impact.

2 How we strengthen capability

Improved community needs sensing and programme design, scaled financial and digital literacy, strengthened disaster response readiness and recovery support (informed by Ditwah), and partnership governance to extend reach safely.

3 How we enable outcomes

Three integrated pathways:

- Inclusion and safer financial participation,
- Resilience during disruption and hardship, and
- Trust, social licence, and long-term confidence.

4 What this delivered

Expanded community reach, stronger literacy and safe adoption outcomes, improved disruption response credibility during Ditwah, and deeper trust in NSB as a dependable national institution.

1 OUR CAPITAL FOUNDATIONS

NSB's long-term resilience is linked to the wellbeing and stability of the communities we serve. Community Capital is built when communities experience NSB as accessible, fair, responsive, and dependable, especially when households face income shocks, displacement, heightened vulnerability, or disruption from severe weather events.

1.1 Governance and oversight

NSB strengthens Community Capital by applying governance discipline to community programmes ensuring integrity, relevance, and measurable impact.

- **Board-level oversight:** Board and committees approve CSR Policy, aligning programs with strategic pillars and materiality. Regular impact updates ensure social performance matches financial rigour.
- **Dedicated governance structure:** Executive-led team manages full lifecycle needs, partner selection, implementation, monitoring, and reporting for measurable social contributions.
- **Rigorous programme selection:** Transparent criteria evaluate objectives, beneficiaries, partners, and metrics focusing on education, health, resilience, and sustainability.
- **Partnership and safeguarding:** Formal agreements define roles/timelines. Embedded protocols protect vulnerable groups and uphold ethical standards.
- **Impact tracking:** Structured framework measures reach, effectiveness, and strategic alignment, while transparent reporting highlights tangible community impact.

1.2 Stewardship anchors

Community capital requires consistent stewardship ensuring interventions are targeted, accountable, and aligned to real community needs, not symbolic activity.

Inclusion outcomes

- Expanding access to underserved groups through affordable services, practical onboarding support, and community-linked pathways that help households enter and remain safely within formal banking.
- Improving capability and confidence through literacy, guidance, and customer protection awareness especially for seniors, first-time digital users, migrant worker families, rural households, and other vulnerable segments of society.

Community resilience

- Preparedness for disasters and hardship contexts through playbooks, service continuity routines, and frontline guidance that protects essential access during disruption.
- Recovery and stability support by enabling continued transactions and savings access and guiding affected customers toward fair support routes (including restructuring options where applicable).

Responsible impact

- Ethical conduct and transparency, ensuring community engagement remains credible, consistent, and aligned to stakeholder expectations.
- Safeguarding discipline in programme delivery to protect vulnerable beneficiaries and maintain trust and integrity in community interventions.

GRI 413-1 413-2

2 HOW WE STRENGTHEN CAPABILITY

In 2025, NSB strengthened Community Capital by improving needs-identification, scaling literacy, enhancing disaster response readiness, and deepening partnerships to extend reach and effectiveness, including learning from Cyclone Ditwah.

2.1 Community needs sensing and programme design

NSB's community impact is strongest when programmes respond to real needs by geography, segment and vulnerability context, supported by disciplined design and measurement.

- **Strengthened engagement routines to identify community needs**

  Through structured listening via branch insights, community touchpoints, and stakeholder dialogues, we identify evolving vulnerabilities like income shocks, displacement risks, digital exclusion, and fraud exposure. This ensures support reaches communities with the greatest needs.

- **Improved programme design discipline**

  We strengthened programme integrity by defining clear objectives, beneficiary profiles, delivery partners, and measurement approaches. This improves targeting, reduces duplication, and ensures community investment is outcomes-led, rather than activity-led.

- **Leveraging branch network insights for more precise targeting**

  The nationwide footprint provides practical insight into local service gaps and emerging needs. Central coordination ensures that local insight translates into consistent programme design and equitable standards across regions.

- **Investing in Community Resilience**

  Our community investments extend beyond direct social support to encompass significant infrastructure development that generates sustainable economic value across Sri Lanka. **Through our lending portfolio and investments in debentures, we have financed major infrastructure projects including education, road development (enhancing connectivity and accessibility) and public utility upgrades. These commercial engagements have created positive impacts on local economies by generating employment during construction, improving access to essential services for underserved communities, and stimulating ancillary business activity. The indirect economic benefits are substantial as enhanced infrastructure enables better healthcare and education outcomes that contribute to long-term human capital development. While we carefully assess and mitigate potential negative impacts such as temporary displacement or environmental disruption during project implementation, the overall contribution to community resilience remains significantly positive.[LA]**

  These investments align with national policy priorities including Sri Lanka's Vision 2025 infrastructure agenda and contribute to multiple UN Sustainable Development Goals particularly SDG 9, SDG 11 and SDG 3 as recognised by our adherence to CBSL green banking guidelines and sustainable finance frameworks. All infrastructure financing is delivered through our core banking operations ensuring commercial viability while generating measurable social returns that strengthen community capability and national development simultaneously.

  Manufactured capital on pages 109 to 116 for details.

2.2 Financial literacy at scale

Financial and digital literacy are both a community investment and a risk-reduction lever, improving household wellbeing, enabling safe digital adoption, and reducing vulnerability to fraud.

- **Expanded delivery channels for reach and repeatability**

  NSB drives widespread financial literacy through a blend of in-person outreach and digital platforms, increasing accessibility and enabling repeated engagement. The main needs identified relate to practical behaviours such as saving habits, budgeting, responsible financial decisions, and safe channel use.

  Manufactured capital on pages 109 to 116 for details.

- **Targeted messaging for vulnerable groups**

  Programmes were tailored to communities with heightened vulnerability, such as seniors, youth, migrant worker families, and first-time digital users. Electronic messaging reinforced how to recognise phishing and impersonation, safeguard credentials, and escalate concerns through proper complaint routes.

  Intellectual capital on pages 134 to 141 for more details.

- **Partnership-enabled reach and reduced duplication**

  Where appropriate, we worked with relevant institutions and community organisations to scale delivery, improve credibility, and avoid fragmented or inconsistent outreach, strengthening overall community learning outcomes.

2.3 Disaster response readiness and recovery support

Standing with our communities through Cyclone Ditwah

In the latter part of 2025, Cyclone Ditwah caused significant disruption across several districts of Sri Lanka, affecting the lives and livelihoods of thousands of families. As a bank deeply rooted in national service, NSB responded swiftly and compassionately to support affected communities and employees.

Our immediate and sustained response included:

- **Emergency Financial Assistance:** Provided timely, non-repayable grants to affected employees and community members for urgent needs such as shelter, supplies, and medical care.
- **Special Relief and Restructuring Support:** Offered flexible loan restructuring, payment deferrals, and fee waivers to customers in affected areas.
- **Service Continuity Measures:** Deployed mobile banking units and ensured that branches in affected regions remained operational or were rapidly restored, maintaining access to essential banking services.
- **Employee and Community Solidarity:** Facilitated donation drives across branches, enabling colleagues to contribute essential goods, creating a powerful network of peer-to-peer support.



CYCLONE DITWAH: A CRITICAL TEST THAT STRENGTHENED OUR READINESS

Cyclone Ditwah served as a pivotal test of our disaster response capabilities. The significant regional disruption it caused reinforced the critical importance of disciplined communication, clear escalation pathways, and robust alternative access plans. The operational experience gained from this event directly informed the improvements to our response protocols and continuity planning described above. These lessons are now embedded in our playbooks, ensuring we are better prepared to protect communities and deliver faster, more effective support in future events.

2.4 Partnerships for impact

Partnerships increase reach, credibility, and delivery capability especially when literacy, inclusion and disaster support require scalable outreach.

- **Collaboration with national agencies and community organisations**

  Partnerships strengthened programme credibility, improved reach into vulnerable segments, and supported alignment with national development priorities.

- **Leveraging partner networks for efficient delivery**

  Local networks and partner ecosystems helped extend outreach efficiently and supported continuity and recovery coordination where communities required rapid assistance.

3 HOW WE ENABLE OUTCOMES

Community Capital translates into sustainable value when trust is validated through consistent outcomes related to inclusion, resilience, and long-term confidence. NSB enables this through three outcome pathways that connect community experience to national value creation and depositor confidence.

Outcome pathway	Key achievements	Customer value	Value created for NSB
Inclusion and safer participation	Targeted inclusion and scaled literacy, practical safe adoption messaging	Safer access, improved capability, reduced vulnerability	Stronger inclusion outcomes and more sustainable participation
Resilience during disruption	Protocols, escalation routines, continuity coordination; Ditwah learning applied	Essential access and clearer support during crisis	Reduced disruption impact; stronger community confidence
Trust and social licence	Transparent, purpose-aligned community contribution with safeguarding	NSB seen as mission-led and dependable	Stronger legitimacy, reputation, and long-term confidence

3.1 Inclusion and safer financial participation

- Strengthened access for underserved households through targeted inclusion interventions and assisted pathways that enable safe use of formal banking.
- Scaled literacy as a protection tool helping communities adopt digital and formal services more safely, reducing vulnerability to scams, fraud, and misinformation.
- Improved confidence in responsible financial behaviours (saving discipline, budgeting, safe channel use), supporting longer-term household stability.

3.2 Resilience during disruption and hardship

- Maintained continuity of essential access during shocks through coordinated service routines and alternative access options.
- Improved response speed and consistency through playbooks, escalation routines, and stronger communication discipline.
- Reduced hardship stress by guiding affected customers toward fair support routes and ensuring communities understand available assistance mechanisms.

3.3 Trust, social licence, and long-term confidence

- Visible contribution to national development priorities strengthens legitimacy and community trust in NSB's mission-led role.
- Reputational resilience improves when communities experience NSB as dependable during crises and not only in stable periods.
- Deposit mobilisation confidence strengthens when households see NSB as safe, accessible, and responsive, supporting long-term institutional stability.

SOCIAL AND RELATIONSHIP CAPITAL

4 WHAT THIS DELIVERED

In 2025, our disciplined and proactive approach to community investment strengthened NSB's social licence, strengthened our connections with the communities we serve, and reinforced our role as a mission-led institution contributing to national resilience. By treating Community Capital as a strategic asset rather than a discretionary expense, we have fortified the trust and goodwill that underpin our identity as Sri Lanka's safest bank. The outcomes detailed below demonstrate a clear link between our community initiatives and the Bank's operational stability, market reputation, and long-term deposit strength.

4.1 From investment to impact

Our focus on strengthening Community Capital delivered measurable value across five critical dimensions:

- **Expanded community reach:** Literacy and inclusion programmes were conducted across all districts, advancing financial inclusion among underserved rural communities, migrant workers, and senior citizens, while reducing vulnerability to fraud.
- **Effective crisis response:** Our response to Cyclone Ditwah delivered rapid relief and tailored restructuring support to affected families and businesses, reinforcing NSB's role as a reliable partner in national crises.
- **Enhanced financial literacy:** Scaled financial and digital literacy programmes were conducted through several sessions with the knowledge to make informed financial decisions and navigate an increasingly digital banking landscape.
- **Strengthened social licence:** Visible, accountable contributions to education, health, resilience, and environmental sustainability increased public trust and reinforced NSB's reputation as a mission-led institution serving Sri Lanka's national interest.
- **Extended stakeholder confidence:** Transparent reporting of community outcomes, aligned to material matters and national priorities, strengthened confidence among customers, government partners, and the public, reinforcing the Bank's long-term deposit mobilisation and stability.

4.2 Community capital value scorecard

To effectively manage our Community Capital, NSB monitors a set of balanced leading and lagging indicators. These metrics provide critical insight into our social impact, forecasting future value through leading indicators like programme reach and community engagement, while measuring outcomes via lagging indicators such as fraud related complaints from vulnerable group. This disciplined tracking is fundamental to ensuring our community investments deliver tangible, accountable impact and strengthens our social licence to operate. The following table details our performance across these key areas.

Indicator type	Metric area	KPI	Unit	2025	2024	Trend
Leading indicators	Community investment	CSR/Community investment spend (total)	Rs. Mn.	0.6	3.8	Decreased
	Safeguarding compliance	Programmes with full safeguarding protocols	%	100	100	Stable
Lagging indicators	Complaint reduction	Fraud-related complaints from vulnerable groups	Nos.	0	0	Stable

TABLE 22

Trade-offs and synergies with other capitals

- **Trade-off with financial capital:** Community investment redirects funds from commercial use. This short-term cost is balanced against long-term gains in social benefit, customer loyalty, and deposit mobilisation.
- **Synergy with customer capital:** Community programmes build customer capability and trust, directly supporting acquisition, retention, and deeper relationships.
- **Synergy with human capital:** Employee participation in community initiatives develops engagement, empathy, and leadership skills, strengthening our workforce and service culture.
- **Trade-off with intellectual capital:** Programme design requires specialised expertise that may divert focus from core banking. Strategic partnerships help manage this trade-off while amplifying impact.
- **Synergy with business partner capital:** Partnerships with government and NGOs strengthen our broader relationship network and enhance our social licence.

Looking ahead: Priorities for 2026 and beyond

- **Expand disaster resilience integration:** Embed climate and disaster risk into product design, lending, and recovery finance, applying lessons from Cyclone Ditwah.
- **Strengthen impact measurement:** Enhance beneficiary tracking and outcome systems to better understand long-term impact and enable continuous improvement.
- **Scale digital literacy:** Expand programmes to accelerate safe digital adoption among seniors, rural communities, and other vulnerable groups.
- **Embed ESG criteria systematically:** Integrate environmental, social, and governance considerations into all community investment decisions, aligning with national commitments.
- **Develop strategic partnerships:** Move from transactional support to long-term partnerships with development organisations, government agencies, and community groups.
- **Formalise employee volunteering:** Establish structured programmes that channel staff expertise into communities, deepening connections while building internal capacity and engagement.

Adequacy of social and relationship capital for future growth

In an era of heightened stakeholder expectations and digital scrutiny, our unwavering commitment to transparency, ethical conduct, and community partnership, has strengthened one of our essential assets, which is Trust. Our strong brand equity, loyal customer relationships, and collaborative network with regulators and peers provide the essential social licence and partnership ecosystem to execute our 2026-2028 strategy. We remain committed to being Sri Lanka's safest bank, where every interaction builds confidence and every community is heard.

NATURAL CAPITAL

Safeguarding nature for shared prosperity



At National Savings Bank, natural capital represents the environmental foundation that sustain society and the economy – clean air and water, healthy ecosystems, and a stable climate.

While banking has a comparatively light direct environmental footprint, our nationwide operating scale, premises footprint, mobility requirements, and financing decisions collectively shape environmental outcomes across communities and value chains.

For NSB, natural capital therefore covers two distinct but interconnected responsibilities:

1. **Operational impact:** managing our direct environmental footprint, including energy and water use, materials consumption, waste generation, emissions, and premises-related environmental performance, and
2. **Finance impact:** influencing environmental and social outcomes through lending and investment decisions, including both environmental risks and sustainability opportunities.

We create value from natural capital when we strengthen resilience, reduce operating risk and costs, protect customer and community trust, and actively support national sustainability priorities through responsible finance.

In 2025, our natural capital priorities reflected this integrated approach. We focused on strengthening governance discipline, expanding renewable energy and energy efficiency measures across our branch network, and improving data and reporting maturity to support informed decision-making. We embedded Environmental and Social Risk Management (ESRM) considerations more deeply into lending processes, accelerated our transition to paperless service delivery, and strengthened partnerships that enable customers and communities to adopt cleaner energy solutions. Together, these actions reinforce our theme "Empowering Every Journey" through resilience, efficiency, and responsible environmental impact.

Relevance to strategy pillars and value creation

1 Customer centricity and financial inclusion:

Supporting customers with greener, resilience-oriented choices that help households and businesses manage climate and environmental impacts.

2 Sustainable organic growth and portfolio optimisation:

Protecting long-term value by identifying environmental and climate exposures and shifting toward more resilient, responsible financing.

3 People, culture and engagement excellence:

Embedding stewardship behaviours by engaging employees in resource efficiency, waste reduction, and responsible operating practices.

4 Risk Culture, governance and compliance discipline:

Strengthening oversight of climate and environmental risks through clear policies, controls, and accountability aligned to evolving standards.

5 Digital acceleration and data-led banking:

Reducing footprint intensity through paper-light processes, digital servicing, and data-enabled tracking of energy and resource use.

6 Sustainability, climate and community resilience:

Integrating climate and nature priorities into strategy through transition finance, adaptation support, and lower-impact operations.

NATURAL CAPITAL

Key risks and challenges

- **Physical risk:** Storms and floods damaging branches, ATMs, and infrastructure.
- **Transition risk:** Higher costs from stricter regulations, carbon pricing, and shifting market expectations.
- **Operational risk:** Rising costs and supply chain pressure from water scarcity, energy prices, and carbon-intensive logistics.
- **Liability risk:** Reputational damage or penalties from waste mismanagement, high emissions, or missed sustainability commitments.
- **Systemic risk:** Loan portfolio exposure to sectors (e.g., agriculture) vulnerable to ecosystem collapse and biodiversity loss.

Our strategic response and mitigation

- **Infrastructure resilience:** Reinforcing infrastructure and adapting continuity plans for climate-driven disruptions.
- **Proactive compliance:** Aligning with disclosure standards and expanding green financing to maintain social licence.
- **Resource efficiency:** Using solar power, rainwater harvesting, and efficient technology to optimise resource use and control costs.
- **Sustainable operations:** Strengthening procurement, waste policies, and monitoring, to ensure accountability and transparency.
- **Nature-positive financing:** Integrating biodiversity risks into lending and financing conservation to support long-term resilience.

Natural capital value chain and sustainability integration

We manage natural capital through an end-to-end value chain lens from operational footprint to financed impacts. We embed sustainability and climate considerations at each step (energy, emissions, waste, water, and nature/biodiversity risks) in the portfolio.

Inputs	Stewardship activities	Outputs	Customer and control outcomes	Long-term impacts
Resources consumed (energy, water, materials) and portfolio exposures to climate and nature risks.	Efficiency measures, renewable adoption, digitisation, waste management, and climate risk screening in lending, disclosure readiness (S2 where relevant).	Measurable reductions in consumption and waste, plus improved understanding of climate risks in credit processes.	Lower operational costs, enhanced compliance, stronger customer trust, reduced environmental incidents and better portfolio risk discipline.	Smaller environmental footprint, alignment with national climate goals, and enhanced resilience of financed activities.

Material matters

6.1 Climate resilience, disaster response and just transition finance

6.3 Operational environmental footprint

6.4 Nature, biodiversity impacts in financed portfolio

6.5 ESG data quality, transparency and reporting readiness (SLFRS S1 and SLFRS S2)

Our contribution to SDGs

Target 7.2, 7.3

Disbursed green loans for rooftop solar and energy-efficient appliances, expanding household access to clean energy.

Branches are equipped with LED lighting and inverter equipment; contributed on-site solar power to the national grid.

Target 12.5

Paperless banking initiatives (digital receipts, e-statements); introduced branch waste segregation and improved hazardous IT asset disposal.

Target 13.1, 13.3

Launched green finance programme disbursing Sobhadhanavi loan of Rs 1 Bn. executed wind power securitisation for Mannar project; recognised with WSBI SDG Award for climate action.

Integrated climate considerations into financial literacy programmes to promote low-carbon consumer awareness.

Target 15.2, 15.5

Launched tree-planting and home-garden initiatives.

Partnered with green energy specialists and environmental agencies to align operations with national environmental standards.

NATURAL CAPITAL

Our natural capital Journey: From stewardship to measurable value

At National Savings Bank, our natural capital constitutes the environmental foundation that underpins our public trust and long-term operational resilience. We manage our environmental impacts with the same rigorous governance applied to our financial resources, ensuring our operations, from lending decisions to branch operations, responsibly manage natural resources, mitigate climate risks, and contribute to lasting national value.

1 Our capital foundations

Board-level sustainability oversight, robust environmental governance, and integration of ESG factors into credit and risk frameworks.

2 How we strengthen capability

Enhanced climate risk assessments, expanded green financing initiatives, reduced operational footprint through resource efficiency and digital transformation, and strengthened sustainable procurement.

3 How we enable outcomes

- Customer and community outcomes through greener choices
- Operational resilience and continuity
- Risk discipline, compliance, and reputation protection
- Cost efficiency and productivity

4 What this delivered

Growth in green financing portfolio, measurable reductions in energy, water, and paper consumption, strengthened regulatory compliance, and enhanced stakeholder confidence.

1 OUR CAPITAL FOUNDATIONS

Our natural capital stewardship is built around a comprehensive framework designed to understand, manage, and mitigate the Bank's direct and indirect environmental impacts. This includes our operational footprint, our lending and investment portfolio, and our role in supporting Sri Lanka's transition to a climate-resilient economy. All initiatives meet rigorous regulatory expectations and align with national sustainability priorities.

1.1 Governance and oversight

Board oversight, management committees, and independent assurance, reinforce our natural capital governance. This governance framework encompasses policies and procedures across environmental risk management, green finance governance, regulatory compliance, resource efficiency, and sustainability reporting.

- **Board and Corporate Management** provide oversight of sustainability strategy, environmental policies, and green finance priorities, with regular reporting on environmental performance and climate-related risks. The Board, through the Corporate Sustainability Committee (CSC), sets sustainability policies aligned with global ESG frameworks and national environmental regulations, and embeds climate and environmental risks within the Integrated Risk Management (IRM) framework.
- **Corporate Sustainability Committee (CSC)** governs sustainability policy development, stakeholder engagement, materiality assessment, and environmental performance monitoring, with quarterly progress reports to the Board. The CSC ensures effective integration of ESG principles across operations, formulates policies and standards, and recommends improvements to governance structures.
- **Integrated assurance** is obtained through risk, compliance and internal audit reviews of environmental risk management practices, regulatory compliance, and sustainability reporting integrity.

1.2 Compliance with laws and regulations

Compliance with laws and regulations

NSB complies with the National Environmental Act (NEA) No. 47 of 1980 (as amended), which established the Central Environmental Authority (CEA) and provides mechanisms for pollution control, natural resource protection, and EIA requirements. NSB compliance includes:

- **Environmental Impact Assessment (EIA):** Complied (where applicable)
- **Environmental Protection Licensing (EPL):** Complied (where applicable)
- **Pollution standards and waste controls:** Complied

Sustainable finance regulatory alignment

- **Sri Lanka Green Finance Taxonomy/CBSL Directions:** In line with CBSL Sustainable Finance Directions (Banking Act Directions No. 05 of 2022), NSB incorporates environmental, climate adaptation/ mitigation, and social aspects into sustainable finance and decision-making.

Voluntary best practices (policy anchor)

- **Environmental and Social Risk Management (ESRM) Policy:** Establishes the framework to understand and manage direct and indirect environmental impacts, risks and opportunities in ways that create long-term value. It also strengthens engagement with customers, regulators, communities, and other stakeholders to encourage better environmental and climate risk management.

2 HOW WE STRENGTHEN CAPABILITY

Strengthening natural capital is a disciplined programme that balances environmental responsibility, operational efficiency, regulatory compliance, and long-term value creation. In 2025, NSB focused on enhancing climate risk assessments, expanding green financing, reducing our operational footprint through resource efficiency and digital transformation, and embedding sustainability into procurement decisions, which aligned with the Bank's goal of contributing to national climate goals while sustaining inclusive access.

2.1 Climate risk management: physical and transition risks

The security, efficiency, and resilience of our service delivery, are seriously impacted by our ability to manage climate-related risks. We manage these risks not as isolated threats, but as interconnected challenges requiring comprehensive, integrated responses.

NSB proactively manages climate-related risks to protect the Bank and its customers from the impacts of extreme weather events and the transition to a low-carbon economy. Our Head Office in Colombo and 11 regional offices serve as strategic command centres for climate risk monitoring, business continuity planning, and nationwide response coordination. These facilities are engineered for resilience, with modern back up plan and communication systems, to ensure uninterrupted operations during climate-related disruptions.

- We employ comprehensive physical risk assessments for all branches and critical infrastructure, with geographic hazard exposure mapping, informing investment decisions and continuity planning.
- Transition risk monitoring tracks evolving policy, market shifts, and borrower transition capacity to manage impacts on credit quality and reputation.
- Scenario analysis capabilities are being developed to better understand and evaluate climate-related risks and opportunities under different future pathways.
- Enhanced collateral risk assessments integrate climate considerations, to ensure assets financed by the Bank remain resilient to physical climate risks.

Physical security protocols are maintained rigorously across all premises to protect assets and ensure safety during climate-related events. Our facilities management encompasses comprehensive environmental and safety controls, including proactive maintenance of electrical systems, air conditioning, fire detection and suppression systems, emergency lighting, and evacuation routes. Regular safety drills and mandatory certifications ensure our premises remain safe for customers and employees during disruptions.

2.2 Climate and environmental opportunity management

National Savings Bank's stewardship of environmental opportunities is governed by a strategic, end-to-end framework designed to optimise value creation and ensure resilience in the transition to a low-carbon economy.

This approach is characterised by four key opportunity areas:

- **Resilient recovery finance:** Structured support for housing repair and climate-resilient livelihoods, enabling communities to become more resilient after climate-related events. This includes preferential financing terms that support rebuilding with climate-resilient materials and designs.
- **Resilience-aligned products:** product design and appraisal overlays that strengthen borrower resilience and improve portfolio quality over the long term. This includes integrating climate risk assessments into loan pricing and structuring.
- **Improved risk pricing and portfolio steering:** Better climate data and scenario analysis capabilities enable more accurate risk pricing and strategic portfolio allocation over time, rewarding borrowers with lower-risk and climate-resilient products.
- **Green financing expansion:** Targeted credit facilities for renewable energy, energy efficiency, and green building projects, supporting customer transition, while building a high-quality, future-aligned loan portfolio.

2.3 Interdependencies and critical infrastructure

The environmental resilience of the Bank is fundamentally interconnected with external national systems and third-party partners. We proactively manage these critical dependencies through a structured three-pillar strategy:

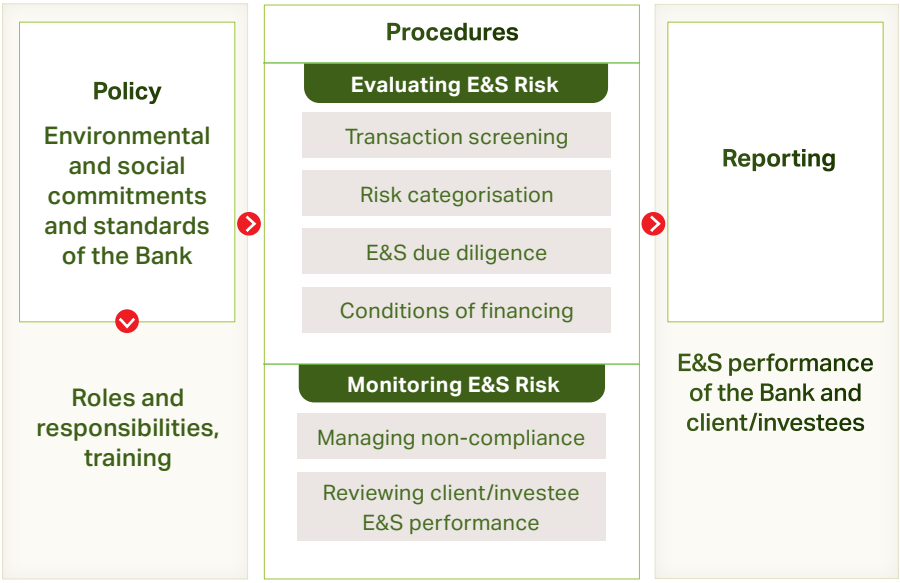
1. **National infrastructure integration:** As a core participant in national systems, we ensure reliability through robust technical integration, continuous monitoring of climate-related disruptions to national infrastructure, and active collaboration in sector-wide climate resilience initiatives.
2. **Governed third-party management:** Our reliance on key vendors for utilities, waste management, and telecommunications is controlled via contracts with enforced Service Level Agreements (SLAs), mandatory Business Continuity Plan (BCP) requirements that include climate scenarios, performance reviews, and supplier diversification to mitigate concentration risk.
3. **Tested continuity assurance:** We guarantee service availability during climate events through comprehensive, regularly tested Business Continuity and Disaster Recovery (BCP/DR) plans. This includes alternate work sites, backup infrastructure, defined recovery objectives, and bi-annual simulation drills that include climate-related disruption scenarios to ensure preparedness for significant environmental events.

NATURAL CAPITAL

2.4 Sustainable financing and ESG – integrated credit discipline

NSB recognises that its lending and investment decisions can materially influence environmental and social outcomes. Responsible financing is therefore embedded as a core component of strategy and value creation across financial, natural, social and relationship, and human capitals.

- **ESG embedded into credit appraisal and IRM:** ESG considerations are systematically integrated into credit appraisal and the IRM framework consistent with CBSL Sustainable Finance Directions. Transactions with higher ESG risk profiles are subject to enhanced due diligence and monitoring, enabling early identification and mitigation of adverse impacts.
- **Exclusion list embedded in Corporate Credit Policy:** The Bank's Corporate Credit Policy includes a clearly defined exclusion list, prohibiting financing for activities that may result in significant environmental or social harm, supporting disciplined risk appetite and reputational protection.
- **Environmental documentation and regulatory compliance requirements:** Borrowers are required to comply with applicable environmental and social regulations and submit relevant environmental documentation, including EIAs where applicable, as part of the credit approval process.
- **Engagement-led transition approach:** During the reporting period, no loan applications or facilities were declined on environmental grounds. Instead, NSB encourages customer engagement, to progressively align customer operations with evolving ESG standards and industry best practice supporting orderly transition rather than simple exclusion.
- **Governance, due diligence, and monitoring under ESRM:** Responsible finance is reinforced through governance structures, comprehensive due diligence and ongoing monitoring, ensuring transparency, accountability, and compliance.



GRI 302-1 302-3

2.5 Responsible consumption and operational eco-efficiency

Reducing NSB's operational footprint is a core element of natural capital stewardship. We promote resource efficiency, waste minimisation, and sustainable procurement to reduce environmental impacts from operations.

Energy management

Responsible energy management supports a greener and more resilient future through renewable energy adoption, energy-efficient infrastructure, and environmentally responsible building designs.

- **Energy mix discipline:** NSB's primary energy sources include electricity from the national grid, supplemented by on-site solar generation, and diesel/petrol for operational requirements.
- **Energy efficiency and emissions reduction initiatives (GRI 302 aligned):**
  - Expanding solar generation to reduce reliance on grid electricity.
  - Installing inverter-operated, CFC-free air-conditioning systems to improve efficiency and reduce emissions.
  - Restricting air-conditioning use to standard banking hours to minimise unnecessary consumption.
  - Installing LED/CFL lighting and promoting energy-efficient equipment use (including LED monitors).
  - Promoting recycling practices across branches as part of resource responsibility.
  - Strengthening awareness and responsible energy behaviours by way of continuous employee engagement through internal communications.

Water management

NSB recognises water as a vital and finite natural resource. Sustainable water management is embedded into operations and aligned with natural capital management objectives.

- **Responsible water use:** During 2025, the Bank withdrew 68,815.4 m^3 of water. Proactive measures are being implemented to reduce water withdrawal in subsequent periods through water-efficient technologies, improved practices, and staff awareness.
- **Environmental impact management:** Water withdrawal, consumption and discharge practices are monitored with strict adherence to applicable regulatory requirements, to minimise adverse impacts on surrounding ecosystems.
- **Transparent reporting and performance tracking (GRI 303 aligned):** NSB tracks and reports key water metrics including total withdrawal and consumption to support continuous improvement and transparency.

Waste management

Effective waste management is a key component of environmental management. NSB ensures hazardous and non-hazardous waste is segregated, minimised, and responsibly disposed.

- **Recycling and segregation programmes:**
  - Waste segregation enables recycling and repurposing of paper, plastic, and organic waste where feasible.
  - Disposal is managed in collaboration with municipal/urban councils in compliance with CEA guidelines.
  - Food waste and polythene waste are handed over to the Municipal Solid Waste Management Programme.
  - Other recyclable/reusable materials are auctioned through the Supplies Division.
- **Hazardous and non-hazardous monitoring (GRI 306 aligned):** NSB monitors and reports waste volumes and composition, including paper waste and biodegradable material flows.
- **Responsible disposal of hazardous waste:** Obsolete IT equipment and chemical-based materials are disposed of in compliance with environmental laws to minimise environmental damage and health risks.

2.6 Sustainable procurement and responsible sourcing

NSB's sustainable procurement approach prioritises suppliers who have implemented strong ESG practices and considers sustainability credentials alongside cost and operational performance.

- **Eco-friendly supplier partnerships:** Preference for suppliers demonstrating sustainability best practice and responsible sourcing across office supplies, IT infrastructure and construction materials, prioritising biodegradable, recyclable or energy-efficient options where feasible.
- **Green product selection:** Prioritising sustainable alternatives such as recycled paper, environmentally responsible packaging, and energy-efficient appliances to reduce operational footprint.
- **Sustainable IT infrastructure:** Investment in energy-efficient servers, cloud-based solutions and digital platforms to optimise resource use, reduce reliance on physical hardware and minimise e-waste generation over time.

2.7 Digital transformation as an environmental enabler

As part of its commitment to sustainability and operational efficiency, NSB is accelerating paperless banking and a digitally enabled workplace reducing waste, lowering footprint, and improving resilience.

Key initiatives include:

- **Paperless banking and digital customer engagement:** Expansion of Digital Banking Centre initiatives and increased use of social media and digital channels to reduce printed promotional materials.
- **Digital customer communications and services:** E-renewal letters, SMS-based PIN issuance, increased e-statements, online fund transfers, and digital receipts, encouraging digital payment channels to reduce paper-based correspondence.
- **Internal process digitalisation:** Adoption of electronic approval systems to replace paper-based memoranda and workflow approvals.
- **OASYS system implementation:** Migration of manual internal requests (IT hardware/ software, premises maintenance, vehicle management) to OASYS software, to streamline workflows and reduce documentation.
- **Digital document management:** Replacing physical record-keeping to reduce storage requirements, improve retrieval efficiency and strengthen environmental performance.
- **Knowledge digitisation:** Converting physical manuals into the NSB Digital Library, improving access while reducing paper usage.
- **Technology-enabled service optimisation:** Increased use of CRM machines to support efficient service delivery and reduced manual processing.

Intellectual capital on pages 134 to 143 for more details.

National Recognition

National Savings Bank Honoured at WSBI-SDG Awards for Leadership in Climate Finance, Consumer Protection, and Digital Transformation



2.8 Stakeholder engagement and partnerships

Meaningful progress on natural capital depends on collaboration. NSB actively engages with employees, customers, partners, and regulators to amplify our environmental impact, align with national priorities, and build shared value. The table below summarises our engagement approach and key 2025 highlights.

Stakeholder	Engagement approach	2025 Highlights
Employees	Engagement on energy conservation and sustainable workplace practices through internal communications and awareness campaigns.	Sustainability awareness integrated into communications. New staff loans available for purchase of solar panels.
Customers	Awareness on eco-conscious financial behaviour through product communication and digital adoption initiatives.	The Bank has embraced social media to wave stories and messages that awaken eco-conscious financial behaviour in every conversation we share
Business partners	Partnership-led programmes expanding renewable energy adoption and promoting green financing outcomes.	Corporate loan granted to Sobhadhanvi (Pvt) Ltd. for lower-emission and high efficiency thermal power generation
Regulators and industry bodies	Alignment with CBSL Sustainable Finance Roadmap, Green Finance Taxonomy, and CA Sri Lanka SLFRS S1/S2 implementation roadmap.	Active engagement and compliance monitoring

2.9 Upholding environmental commitment through Cyclone Ditwah

The operational effectiveness of our environmental and resilience framework was critically tested during Cyclone Ditwah in 2025. This event validated our investments in climate-resilient infrastructure and our preparedness to support customers during disruptions.

- **Activation and response:** Pre-established risk models and incident command structures were promptly activated. While several service points in affected districts experienced temporary disruptions, our decentralised management protocols enabled swift decisions to ensure staff safety and service continuity.
- **Customer support mobilised:** Frontline guidance was strengthened to alleviate immediate stress to customers caused by cash access constraints, payment disruptions, and documentation difficulties. Where applicable, customers were guided toward relief and restructuring routes in a manner that prioritised fairness, clarity, and speed.
- **Outcomes and validation:** Critical services were restored promptly to affected areas with no major structural damage to core infrastructure. This response reinforced stakeholder trust and demonstrated the tangible value of our resilience planning.
- **Lessons applied forward:** Ditwah reinforced the need for disciplined communication, clear escalation pathways, readiness testing, and alternative access plans. These lessons were incorporated into response playbooks to improve future community protection and continuity outcomes.

This real world stress test proved that our natural capital stewardship from climate-resilient infrastructure to customer support protocols ensures NSB remains a reliable pillar for the nation through environmental and operational disruptions.

Community capital on pages 167 to 171 for more details.

3 HOW WE ENABLE OUTCOMES

Natural capital creates sustainable value beyond compliance, as it drives customer trust, strategic agility, and long-term resilience. NSB translates environmental stewardship into tangible benefits through deliberate outcome pathways, delivering measurable improvements in stability, reputation, and strategic positioning for the Bank, its customers, and the wider financial system. NSB enables this through four outcome pathways:

Outcome pathway	Key achievements	Stakeholder value	Value created for NSB
Customer and Community outcomes	Green financing expanded, paperless banking accelerated, partnerships established for renewable energy access.	Confidence in NSB's positive environmental contribution, customer access to clean energy financing.	Stronger customer relationships, enhanced reputation, portfolio diversification through green lending.
Operational resilience	Climate-integrated BCP, renewable energy adoption, geospatial risk mapping progressed.	Confidence in critical infrastructure resilience during extreme weather, reduced systemic disruption risk.	Lower operational downtime, reduced energy price exposure, extended asset life.
Risk and compliance discipline	ESRM/ESG screening embedded, enhanced due diligence, SLFRS S1/S2 readiness progressed.	Confidence in environmental risk management, reliable disclosures for supervisory monitoring.	Reduced exposure to environmental harm, smoother regulatory approvals, stronger reporting integrity.
Cost efficiency	Energy efficiency improved, paperless adoption to reduce consumables, responsible waste management.	Demonstration that environmental responsibility and financial prudence reinforce each other.	Lower operating costs, improved productivity, reduced environmental footprint.

3.1 Customer and community outcomes through greener choices

- Paperless and digital-first services reduce paper use and associated environmental impacts while improving convenience and accessibility.
- Sustainable finance and resilience-aligned products support customers and communities to adopt cleaner energy solutions and strengthen recovery capacity over time.
- Engagement-led ESG uplift supports disciplined customer transition to environmental stewardship, strengthening long-term relationship outcomes and resilience.

3.2 Operational resilience and continuity

- Resource efficiency and renewable adoption, reduced exposure to energy volatility and improved premises efficiency.
- Stronger monitoring, disciplined operating routines and continuity readiness helped reduce downtime, and protect service availability.
- Environmental stewardship supports physical resilience through better facility practices and reduced disruption vulnerability.

3.3 Risk discipline, compliance, and reputation protection

- ESG-integrated credit appraisal and ESRM controls reduced exposure to financed environmental harm and associated reputational risk.
- Regulatory alignment (CBSL sustainable finance directions and taxonomy expectations) strengthened governance credibility and reduces supervisory vulnerability.
- Better data discipline improved confidence in reporting, decision-making and risk steering over time.

3.4 Cost efficiency and productivity

- Energy and water efficiency reduced operating cost pressures and strengthened long-term productivity.
- Paperless operations reduced consumption, storage, and the burden of manual processing.
- Sustainable procurement improved lifecycle efficiency by selecting more durable, efficient, and responsible alternatives, where feasible.

NATURAL CAPITAL

4 WHAT THIS DELIVERED

In 2025, our disciplined and proactive approach to natural capital stewardship strengthened NSB's environmental foundations, enhanced stakeholder confidence, and positioned us as a responsible partner in Sri Lanka's transition to a low-carbon economy. By treating environmental responsibility as a strategic asset rather than a compliance burden, we have reinforced the very capital that sustains society and the economy. The outcomes detailed below demonstrate a clear link between our natural capital initiatives and the Bank's operational continuity, market reputation, and long-term strategic positioning.

4.1 From investment to impact

Our focus on strengthening natural capital delivered measurable value across five critical dimensions:

- **Regulatory compliance and reporting readiness:** Full compliance with environmental regulations, considerable progress toward SLFRS S1 and SLFRS S2 alignment.
- **Green finance expansion:** Increased Eco Loan disbursements, partnerships expanding customer access to solar solutions.
- **Operational footprint reduction:** Solar-powered branches in 45 locations, energy intensity reduced through efficiency upgrades, paperless adoption accelerated, power consumption through energy efficient measures.
- **Climate resilience strengthening:** Cyclone Ditwah lessons embedded into BCP, geospatial risk mapping progressed, backup power and communications strengthened at critical sites.
- **Stakeholder trust and reputation:** Enhanced sustainability disclosures, deeper regulatory engagement on sustainable finance, stronger customer confidence through visible environmental commitments.

4.2 Natural capital value scorecard

To effectively manage our natural capital, NSB monitors a balanced set of leading and lagging indicators. These metrics provide critical insight into our environmental performance, forecasting future resilience through leading indicators like renewable energy expansion and ESG screening coverage, while measuring outcomes via lagging indicators such as resource consumption and green finance volumes. This disciplined tracking is fundamental to optimising environmental performance, ensuring regulatory compliance, and supporting national sustainability goals. The following table details our performance across these key areas.

Indicator type	Metric area	KPI	Unit	2025	2024	Trend
Leading indicators	Renewable energy expansion	Solar-powered locations	Nos.	45	45	Stable
	ESG integration	Portfolio covered by ESG screening	%	100	100	Stable
	Regulatory compliance	Environmental regulatory breaches/fines	Nos.	0	0	Stable
Lagging indicators	Reporting accuracy	Sustainability disclosures submitted on time	%	100	100	Stable
	Energy efficiency	Energy consumption	GJ	35,353	33,857	Increased
	Renewable generation	Energy intensity	GJ	8.4	7.8	Increased
		Solar generation contribution	GJ	2,059	1,684	Increased
	Water management	Third party water withdrawal	m^3	68,815	62,744	Increased
	Paper consumption	Paper usage	Units	900,741	685,343	Increased
	Sustainable finance	Green financing disbursed	Rs. Mn.	1,000	4,000	Decreased

TABLE 23

NATURAL CAPITAL

Trade-offs and synergies with other capitals

- **Trade-off with financial capital:** Higher upfront investment for long-term savings, risk reduction, and reputational gain.
- **Synergy with social and relationship capital:** Environmental stewardship builds trust with communities, regulators, and customers.
- **Synergy with human capital:** Employee engagement in green initiatives builds pride, capability, and attracts purpose-driven talent.
- **Trade-off with intellectual capital:** Investment in climate frameworks and data capabilities may temporarily divert focus from core activities.

Looking ahead: Priorities for 2026 and beyond

- **Expand solar capacity:** Increase solar-powered locations and optimise generation.
- **Strengthen climate risk assessments:** Integrate climate risk into lending and investment decisions.
- **Scale green financing:** Expand credit facilities for renewable energy and efficiency projects.
- **Advance SLFRS S1/S2 readiness:** Strengthen data systems and assurance for sustainability reporting.
- **Develop additional green products:** Launch green bonds and sustainability-linked loans.
- **Robust ESG Governance:** Embed climate scenario analysis and strengthen ESG metrics.

Adequacy of natural capital for future growth

Despite the growing pressures of climate volatility, resource scarcity, and rising environmental expectations, our proactive investments in green infrastructure, climate risk integration, and resource-efficient operations have created an environmental foundation that is both responsible and resilient. Our solar-powered branches, sustainable procurement practices, and strengthened climate adaptation measures provide the operational stability and environmental stewardship required to deliver our 2026–2028 strategy.

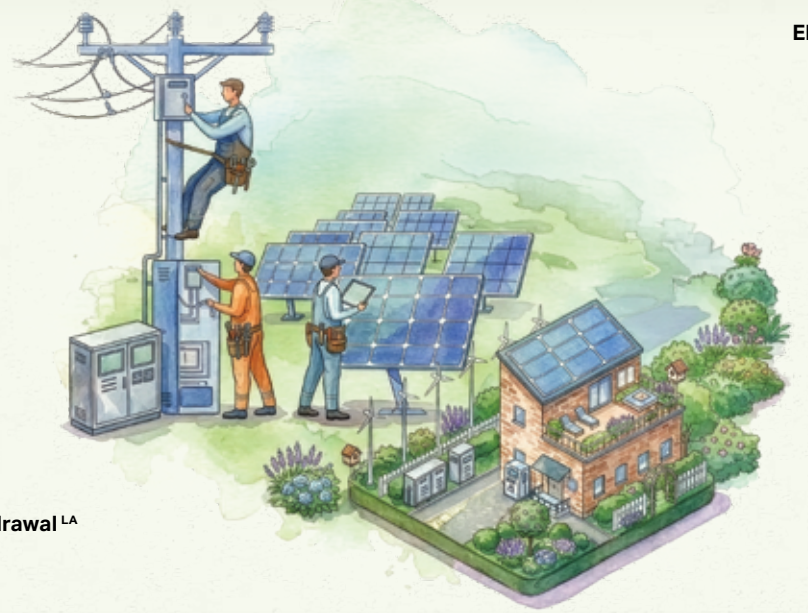
We remain committed to preserving and enhancing the natural systems that underpin our economy—ensuring our infrastructure and financing activities are not only sustainable for today's needs but also

Petrol [LA]
567.16 GJ

Diesel [LA]
527.26 GJ

Energy intensity [LA]
8.4 GJ
(2024 – 7.8 GJ)

Third party water withdrawal [LA]
68,815 m³
(2024 – 62,744 m³)



Electricity consumption [LA]
34,258 GJ

Energy consumption [LA]
35,353 GJ
(2024 – 33,857 GJ)

Electricity sold [LA]
2,059 GJ
(2024 – 1,684 GJ)

Energy consumption per branch
134.4 GJ
(2024 – 125.5 GJ)

FIGURE 16 Total electricity consumption was calculated using supporting documents available. Due to internal issues and impact of the Ditwah, supporting documents including January and December bills for 26 branches were unavailable. Accordingly, missing values were estimated using the average consumption rate for 2025.

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES (SLFRS S1 AND SLFRS S2)

OVERVIEW

At National Savings Bank, sustainability is not a parallel programme it is a value protection and value creation discipline that strengthens depositor confidence, improves customer outcomes, enhances operational resilience, and supports Sri Lanka's long-term economic and social progress. Our sustainability approach is grounded in integrated thinking, aligning ESG priorities with strategy, risk appetite, governance discipline, and resource allocation, so that decisions are evaluated across the six capitals and the short, medium and long term.

In 2025, our sustainability focus was shaped by:

- Resilience and trust expectations for a state-owned savings institution with a sovereign-backed assurance proposition
- Customer inclusion and fair outcomes, including accessibility and assisted-service requirements
- Climate and disaster considerations, recognising the need for continuity and recovery capability across operations and communities
- Evolving disclosure expectations, including progressive readiness for SLFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and SLFRS S2 (Climate-related Disclosures)

This chapter presents our sustainability-related financial disclosures for the year ended 31 December 2025, prepared with reference to SLFRS S1 and SLFRS S2 issued by the Institute of Chartered Accountants of Sri Lanka and aligned to IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board under the IFRS Foundation.

These disclosures are intended to support primary users of our general-purpose financial reports in assessing the sustainability- and climate-related risks and opportunities that could reasonably be expected to affect our:

- cash flows,
- access to finance, or
- cost of capital over the short, medium and long term.

We are in an initial capability-building phase for SLFRS S1 and SLFRS S2. Quantification of climate-related impacts is still under development, except for our assessment and response actions linked to the Ditwah event (including event-related credit review actions and associated overlays) where applicable. Consistent with first-year adoption, we have therefore applied the transition reliefs permitted under SLFRS S1 and SLFRS S2, and have used proportionality mechanisms allowed by the Standards, including the use of "reasonable and supportable information" available at the reporting date without undue cost or effort.

2025 disclosure emphasis and key capability gaps

Our 2025 disclosures prioritise decision-useful climate-related information, while progressively expanding to broader sustainability-related risks and opportunities where the evidence base is sufficiently robust. This aligns with Sri Lankan supervisory expectations that sustainable finance and environmental and social risk management should be integrated into financial sector governance, risk management and market development over 2025–2029.

Key capability gaps relative to full SLFRS S1 and SLFRS S2 maturity, and our responses are:

- **Portfolio climate analytics:** physical and transition vulnerability measures are being built; portfolio-level heatmaps and borrower-level data enrichment are staged.
- **Financed emissions (Scope 3 Category 15):** in early development; staged capability plans underway using recognised financial industry approaches.
- **Quantitative scenario analysis and climate resilience disclosures:** staged after transition relief period, with qualitative scenario thinking used in 2025.
- **Quantified anticipated financial effects:** primarily qualitative in 2025, quantification staged as methods mature.

The following table presents the structural architecture of the SLFRS S1 and SLFRS S2 disclosures.

Section	Content	Page
Section 1	Basis of preparation	182
Section 2	Governance	187
Section 3	Risk Management	192
Section 4	Strategy	197
Section 5	Metrics and Targets	210

1 BASIS OF PREPARATION

1.1 Reporting entity, organisation boundary and value chain

This Report sets out the National Savings Bank's (the Bank) sustainability-related financial disclosures as set out in the SLFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information and SLFRS S2: Climate-related Disclosures (herein referred to as the Standards). These disclosures cover the operations of the Bank, including its head office and island-wide branch network, and are consistent with the reporting boundary for the Audited Financial Statements. In identifying material sustainability-related financial disclosures, the Bank has closely reviewed its business model and value chain. This review extends to upstream operations (including sourcing and partnerships), internal processes, and downstream operations that have material sustainability-related impacts on the Bank's business model.

1.1.1 Value chain

We operate within an interdependent value chain characterised by dependencies (inputs we require to operate) and impacts (how our activities affect financial, manufactured, intellectual, human, social & relationship, and natural capitals). In assessing climate-related risks and opportunities (CRROs), we consider upstream and downstream value chain elements using reasonable and supportable information available at the reporting date without undue cost or effort.

1.1.1.1 Upstream value chain

Upstream activities encompass the Bank's engagement with stakeholders to secure the multi-capital resources essential for its operations. NSB's position as an AAA-rated institution with over 7.2 million customers demonstrates the strength of its capital base and stakeholder relationships.

Financial capital

- Customer deposits reaching Rs. 1.6 Tn. from over 10.5 million active accounts, backed by explicit 100% government guarantee under the National Savings Bank Act.
- Government securities portfolio as a primary investment avenue, reflecting conservative asset allocation with 60-70% of deposits invested in zero-risk government securities.
- Tier 1 capital adequacy ratio of 24.9% and profit before tax of Rs. 44.5 Bn. recorded in 2025, demonstrating strong financial discipline even during challenging macroeconomic periods.

Manufactured capital

- Island-wide physical infrastructure comprising 263 branches, 295 ATMs, and 123 CRMs.
- Unique partnership with Sri Lanka Post enabling over 4,002 post offices and sub-post offices to deliver banking services, extending reach to the most remote communities
- Modernised technology infrastructure enhancing connectivity and digital reliability across the branch network.

Intellectual capital

- Core banking platform (Temenos T24) enabling real-time transaction processing, interest calculations, and seamless service availability.
- ISO 27001 and PCI-DSS certifications reinforcing information security credentials

Human capital

- Skilled workforce across banking operations, risk management, digital innovation, and customer service.
- Continuous professional development through the Bank's Learning Management System (LMS), with regular training on cybersecurity, compliance, and risk profiling.
- Dedicated recovery and non-performing loan teams ensuring consistent credit control application nationwide.

Social and relationship capital

- Trusted relationships built over nearly 200 years of service, with the Bank's origins tracing back to the Ceylon Savings Bank established in 1832
- Strong regulatory relationships with the Central Bank of Sri Lanka and alignment with government development priorities
- Strategic partnerships with Mastercard for Pay by Account-enabled cards and digital payment solutions
- Collaborative relationship with Sri Lanka Post enabling integrated service delivery across the island

Natural capital

- Energy consumption across branch network and data centres
- Paper usage and waste generation from operations
- On-site solar generation initiatives contributing to the national grid

The CRROs impact the Bank's upstream activities by affecting both internally managed capitals and the Bank's ability to maintain stable access to financial and non-financial capital. For instance, physical climate risks could affect branch operations, while transition risks may influence depositor preferences and regulatory expectations regarding sustainable finance.

1.1.1.2 Internal operations

Internal operations refer to NSB's core functions that transform input capitals into products, services, and strategic outcomes. The Bank's governance framework ensures these operations are conducted with prudence, accountability, and attention to sustainability considerations.

Core operational areas

Operational area	Description
Lending and investment decisions	Conservative asset-liability management with focus on zero-risk government securities, loan portfolio management across retail and corporate segments, green lending programmes including renewable energy financing
Risk and compliance management	Integrated risk management framework, real-time monitoring of digital channels, maintenance of high regulatory ratios including Tier 1 capital adequacy, Liquidity Coverage Ratio, and Net Stable Funding Ratio
Digital infrastructure and innovation	T24 core banking system enabling real-time processing, NSB Pay mobile app with over a significant number of users, Blockchain-enabled eKYC; ISO 27001 and PCI-DSS certifications ensuring secure digital service delivery
Sustainable finance integration	ESG considerations in lending decisions, Environmental and Social Management System (ESMS) for risk screening, climate risk governance integrated into enterprise risk management
Environmental management	Energy-efficient infrastructure including LED lighting and inverter-type equipment, paperless banking initiatives, waste segregation and hazardous waste management
Staff development and capacity building	Regular training on sustainability awareness, climate-related risks, and responsible banking practices through LMS platform

The Bank's internal operations are characterised by a culture of prudence and accountability. Risk awareness is embedded into daily operations through continuous monitoring systems and employee training, making stability both a core value and a lived practice across the organisation.

CRROs can impact these internal operations in several ways. Physical climate risks may disrupt branch operations or damage infrastructure, requiring robust business continuity planning. Transition risks may necessitate adjustments to lending policies, risk assessment frameworks, and

operational practices as regulations evolve. Conversely, opportunities arise through digital innovations that reduce operational carbon footprint and enhance resilience, such as the Bank's ongoing digitisation of its postal network to enable online and mobile banking access in underserved areas.

1.1.1.3 Downstream value chain

Downstream activities encompass NSB's outward-facing operations that deliver value to stakeholders, including product deployment, customer engagement, and contributions to national development.

Product and service delivery

NSB's product suite is designed to meet evolving customer needs across all life stages:

Product category	Target segment
Savings products	All age groups from infants to senior citizens
Senior citizen offerings	Senior citizens
Digital banking solutions	Tech-savvy customers
Sustainable finance products	Environmentally conscious customers and businesses
Corporate banking	Large corporations, SOEs, financial institutions
International banking	Customers with international banking needs
Treasury operations	Institutional and retail investors

Customer reach and financial inclusion

NSB's downstream value chain is distinguished by its unparalleled reach through multiple channels:

- **Physical network:** 263 branches and 418 ATMs/CRMs across the island
- **Postal network:** Over 4,000 post offices and sub-post offices delivering banking services to remote communities
- **Digital channels:** Internet banking, NSB Pay mobile app with over 800,000 users
- **Doorstep services:** Deposit collection services extending formal finance to the country's farthest corners

Manufactured capital on pages 109 to 116 for details.

Stakeholder value creation

Downstream activities generate value for multiple stakeholder groups:

- **Customers:** Secure savings with 100% government guarantee, accessible banking services, products tailored to life stages.
- **Government:** Contribution to public finance through taxes on financial services, funding for development projects through government securities investments, support for national socio-economic objectives.
- **Economy:** Credit extension to productive sectors, promotion of savings culture, employment generation.
- **Environment:** Green lending programmes (Rs. 1 Bn. disbursed in 2025), renewable energy financing including wind power securitisation.
- **Society:** Financial literacy initiatives, support for women entrepreneurs, rural development through postal network banking.

CRRO impacts on downstream activities

Risk/ Opportunity type	Impact on downstream activities
Physical risks	Climate-related events may affect borrower resilience and portfolio quality, particularly in sectors vulnerable to extreme weather
Transition risks	Policy changes, technological shifts, and market preferences may impact sectors financed by the Bank; carbon pricing may affect borrower economics
Transition opportunities	Growing demand for sustainable finance creates opportunities to expand green lending, NSB's recognition at WSBI-SDG Awards for climate finance leadership demonstrates successful opportunity capture
Reputational opportunities	Enhanced stakeholder trust through responsible banking practices, alignment with national climate commitments and SDG goals

1.1.1.4 Value chain integration and resilience

NSB's value chain operates as an integrated system where upstream inputs, internal operations, and downstream activities are mutually reinforcing. The Bank's unique position as Sri Lanka's only government-guaranteed bank creates distinctive characteristics across the value chain:

- **Upstream resilience:** Depositor confidence reinforced by explicit sovereign guarantee, ensuring stable funding even during economic volatility
- **Operational resilience:** Centralised IT infrastructure connecting all service points enables consistent service delivery and real-time risk monitoring
- **Downstream reach:** Postal network partnership extends formal finance to underserved populations, fulfilling developmental mandate while building long-term customer relationships

The CRROs are assessed across the entire value chain to ensure comprehensive understanding:

Value chain segment	CRRO considerations
Upstream	Stability of deposit base under climate-related economic disruption, availability of green funding lines, regulatory expectations from Central Bank of Sri Lanka, access to sustainability expertise.
Internal operations	Operational resilience to extreme weather events, transition alignment of internal practices, energy efficiency and carbon footprint, sustainability governance frameworks.
Downstream	Climate resilience of borrowers, portfolio exposure to climate-sensitive sectors, demand for sustainable finance products, contribution to national climate goals.

This integrated approach to value chain management, supported by NSB's strong financial fundamentals and governance framework, enables the Bank to identify, assess, and manage CRROs effectively while pursuing opportunities for sustainable value creation. The Bank's recognition at

international forums for its leadership in climate finance, consumer protection, and digital transformation underscores the effectiveness of this approach in delivering sustainable value to all stakeholders.

1.2 Basis of materiality

SLFRS S1 requires disclosure of material information about sustainability-related risks and opportunities (SRROs) that could reasonably be expected to affect our prospects. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions of primary users of general-purpose financial reports.

Our financial materiality assessment using qualitative parameters therefore focuses on SRROs/CRROs with direct or indirect potential financial impacts on our prospects, considering both current and anticipated effects. In parallel, we map impact materiality for internal governance and stakeholder accountability (impact mapping is not the basis for disclosure scope under SLFRS S1 and SLFRS S2).

The basis of materiality assessment is explained in pages 40 to 51 of this document in the materiality section.

1.3 Functional currency

These SLFRS Sustainability-related Financial Disclosures are presented in Sri Lankan Rupees, the Group's functional and presentation currency.

1.4 Sources of guidance

The Bank has established a robust analytical and conceptual foundation to underpin its climate-and sustainability related financial disclosures. This rigorous approach ensures our reporting is evidence-based, deeply rooted in the local operating environment, and consistent with global standards.

- **Sri Lanka Sustainability Disclosure Standards – SLFRS S1 and SLFRS S2**

  SLFRS S1 and SLFRS S2, issued by the Institute of Chartered Accountants of Sri Lanka, are based on the IFRS S1 and IFRS S2 standards developed by the International Sustainability Standards Board (ISSB). These standards formed the foundation for determining material information related to climate-related risks and opportunities. They guided the Bank's disclosure structure and ensured alignment with global sustainability reporting principles.

- **Sustainability Accounting Standards Board (SASB) Standards: Commercial Banks – Sustainability Accounting Standard – Industry Standard Version: 2023-12**

  The SASB standards informed the Bank's identification of sector-specific sustainability topics and metrics most relevant to enterprise value and investor decision-making across financial services activities.

- **Sri Lanka's Nationally Determined Contributions (NDC)**

  The Bank referenced Sri Lanka's Nationally Determined Contributions 3.0 (2026–2035), released in September 2025, which outlines national climate mitigation and adaptation priorities aligned with the Paris Agreement. This framework informed the Bank's understanding of country-level transition pathways and guided the identification of sectors most exposed to climate-related risks and opportunities within the lending portfolio.

- **Sustainable Finance Roadmap 2.0 issued by CBSL**

  The Central Bank of Sri Lanka in the capacity of the regulator has set clear expectations for climate-risk management and green-finance mobilisation. The CBSL's Sustainable Finance Roadmap 2.0 stipulates that financial institutions are expected to identify, assess, and manage environmental and climate-related risks in their lending and investment portfolios, and that banks should integrate climate and environmental risk considerations into their overall risk-management frameworks.

  The roadmap further encourages institutions to gradually re-align their portfolios towards low-carbon, resource-efficient, and climate-resilient sectors. It recognises that mobilising private capital for sustainable and green finance is critical to achieving Sri Lanka's climate and development goals. These directives create transition and physical-risk considerations for existing portfolios while opening new growth opportunities for the Bank through green-finance products aligned with national climate priorities and Sri Lanka's NDC 3.0 targets.

- **NSB's portfolio dispersion and Environmental and Social Risk Management System (ESMS) Framework**

  In defining its climate-related risks and opportunities (CRROs), the Bank evaluated its portfolio composition across key economic sectors alongside the corresponding Environmental and Social (E&S) risk classifications under its internal ESMS framework. This framework categorises exposures into High, Medium, and Low E&S risk levels, enabling a structured assessment of potential climate-related and sustainability impacts within each sector. The findings inform the Bank's prioritisation of risk mitigation and opportunity enhancement measures.

1.5 Reporting period

This report covers the financial year from 01 January 2025 to 31 December 2025, consistent with the Bank's financial reporting period.

1.6 Time horizon

The time horizons applied by the Bank for these disclosures are consistent with those used in its strategy formulation and implementation, as outlined below.

Time horizon	Definition	Financial year
Short term	Within one year from the reporting date	2026
Medium term	2-3 years	2027 – 2028
Long term	More than 3 years	Beyond 2028

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES (SLFRS S1 AND SLFRS S2)

1.7 Transition reliefs

The Bank has applied the following permitted transition reliefs as the reporting period being the first year of adoption of SLFRS S1 and S2 Standards:

General requirements for sustainability related financial information

Climate first reporting: NSB will disclose information on Climate-Related Risks and Opportunities (CRROs).

Comparative disclosures: Comparative information is not required to be disclosed for the current year. Prior year comparisons will be provided for climate related disclosures from Year 2 onwards.

Scope 03 GHG emissions: Scope 3 emissions disclosure is not mandatory in the first year. Hence, the Bank will not disclose Scope 3 emissions.

Anticipated financial effects on SRROs & CRROs: The Bank has applied the transition relief permitting entities to defer qualitative disclosures on anticipated climate related financial effects for the first two reporting periods.

During the initial two years of reporting, the Bank has opted to apply the transitional relief provided by CA Sri Lanka, thereby deferring full compliance with the mandatory climate resilience disclosure requirements.

1.8 Connected information

This chapter should not be read in isolation but rather as an integral component of the Bank's broader reporting framework. It is designed to be read together with the audited Financial Statements, the six-capitals discussion (Financial, Manufactured, Human, Intellectual, Social and relationship and Natural capital), and the dedicated disclosures on Risk Management and Climate-related Financial Risks. Furthermore, these disclosures are interconnected with the Chairman's Message, the General Manager/CEO's Review, the Corporate Governance Report, the strategy and operating environment sections, and the Risk Management Report.

The Bank recognises that SLFRS S1 and SLFRS S2 place strong emphasis on connected information. Accordingly, this chapter has been developed to ensure sustainability-related matters do not sit in isolation from business model explanations, capital discussions, risk reporting, or financial performance commentary. Where sustainability-related matters are already reflected in existing management or statutory reporting such as asset quality monitoring, liquidity and capital resilience, customer complaints and service continuity, cyber and operational resilience, climate-related disruptions, responsible financing, or resource-efficiency investments, this chapter seeks to connect rather than duplicate. Together, these sections explain the channels through which sustainability-related matters influence NSB's financial position, financial performance, cash flows, access to finance, cost of capital, and long-term mandate execution.

1.9 Judgements and measurement uncertainties

Given the evolving nature of climate-related risks and opportunities, alongside emerging internal expertise and data limitations, the Bank's disclosures involve significant professional judgment. In assessing impacts on its business model, strategy, and risk management, the Bank relies on reasonable and supportable information available at the reporting date, applied without undue cost or effort. Determining the content of this sustainability report also requires judgment to ensure disclosures are relevant, reliable, and useful, particularly where standards offer flexibility. The following table summarises these key judgments.

1.9.1 Key judgements uncertainties

Topic	Description
Materiality assessment	Judgement was applied in the assessment of impacts and dependencies throughout the value chain. This process informed the identification of sustainability-related risks and opportunities, and the determination of material information capable of reasonably influencing the Bank's strategy, business model, or financial performance.
Definition of value chain	The Bank has mapped all upstream and downstream activities prone to CRROs across its value chain, with mapping decisions informed by operational control and the materiality of the impact on the Bank.
Time horizon determination	Defining short, medium and long-term time horizons based on the Bank's strategic planning and business for optimal integration. These judgements directly affect how CRROs are disclosed and tracked over time.
Identification of CRROs	The Bank's physical climate risk projections draw upon the country's published climate risk profiles, which exhibit significant regional variation depending on the scenario considered.

1.9.2 Key measurement uncertainties

Topic	Description
Physical climate risk projections	Given that climate risk models for Sri Lanka vary considerably across different regions and scenarios, the Bank has based its assessment of physical climate risks on the most current and commonly referenced sources.
Regulatory and policy forecasts	Estimating the potential effects of applicable regulatory changes involves significant uncertainty.
Key outcomes	Employs a rigorous, conservative methodology to address estimation and judgement uncertainties in climate disclosures. This ensures alignment with operational realities while delivering the transparency and comparability expected by key stakeholders.
Likelihood of CRROs	The likelihood of the identified CRROs has been determined using professional judgement, taking into account the dependency of future events.

Outlook

To enhance its sustainability reporting framework, NSB will prioritise the improvement of its data collection system to ensure greater accuracy and transparency in its disclosures. Additionally, the Bank will systematically evaluate the risks and opportunities arising from various climate scenarios to inform its strategic planning. Building on this foundational work, NSB will prepare a complete set of sustainability-related financial disclosures for the year ending 31 December 2025. These disclosures will be prepared in full compliance with the SLFRS Sustainability Disclosure Standards, as issued by The Institute of Chartered Accountants of Sri Lanka.

② GOVERNANCE

National Savings Bank is committed to maintaining a robust governance framework that integrates sustainability and climate-related considerations into strategic decision-making, risk management, and performance oversight. This section outlines the governance structures, roles, and responsibilities established in accordance with SLFRS S1 *General Requirements for Disclosures of Sustainability-related Financial Information and SLFRS S2 Climate-related Disclosures.*

The Bank's governance architecture ensures appropriate oversight at the Board level, dedicated monitoring at committee level, and effective implementation across the organisation, with clear reporting lines and accountability mechanisms.

2.1 Board oversight role

The Board of Directors of National Savings Bank holds ultimate responsibility for the oversight of sustainability and climate-related risks and opportunities (SRROs/CRROs) that could reasonably be expected to affect the Bank's financial position, performance, and resilience over the short, medium, and long term. This oversight is exercised through a governance framework that aligns with the principles of SLFRS S1 and SLFRS S2, ensuring robust processes, controls, and procedures for monitoring and managing sustainability-related matters.

2.1.1 Current oversight framework

Currently, the Board's oversight of sustainability and climate-related matters is exercised through the Corporate Sustainability Committee (CSC), a dedicated management-level committee chaired by the General Manager/Chief Executive Officer. Operating under a formal Terms of Reference (ToR) approved by the Board, the CSC's authority, responsibilities, and reporting structure are clearly defined. The Committee integrates sustainability and climate considerations into the Bank's strategic decision-making, capital allocation, and risk governance framework by reporting its observations, recommendations, and progress on a quarterly basis to the Board via meeting minutes.

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES (SLFRS S1 AND SLFRS S2)

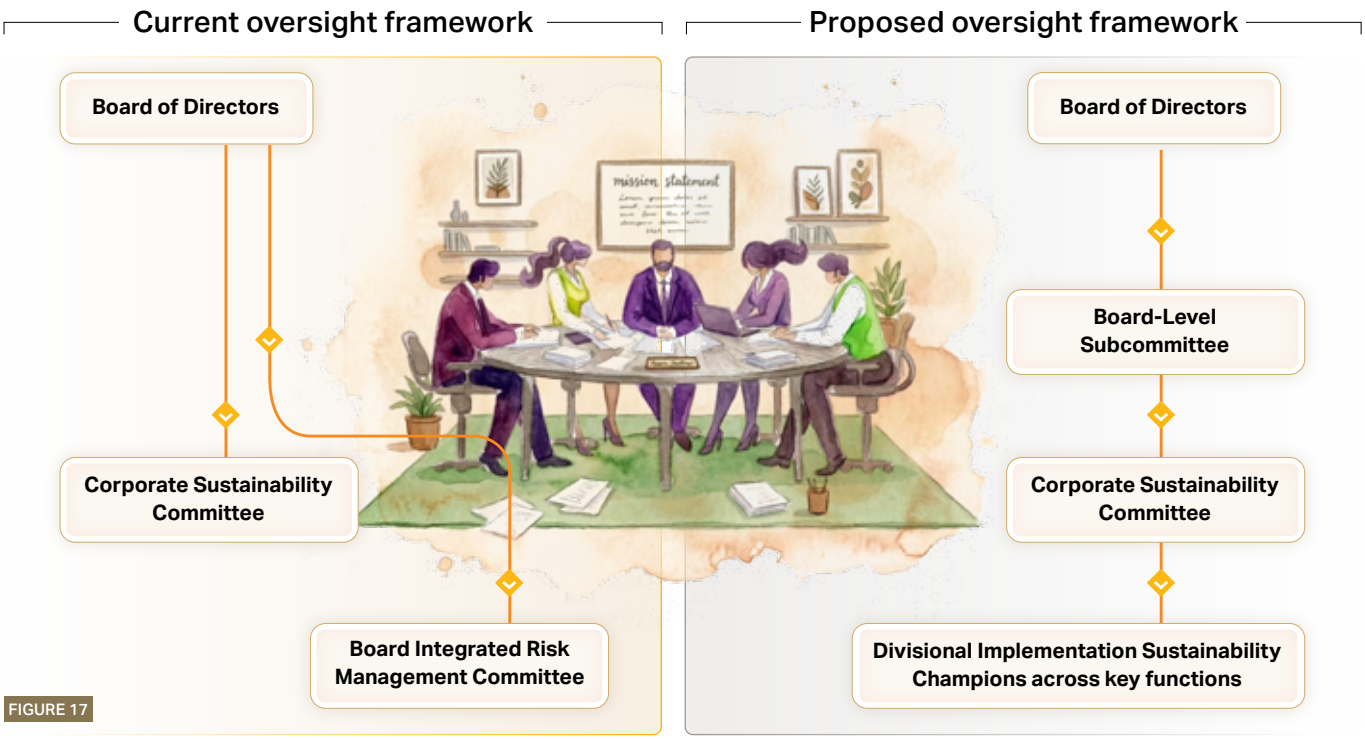


FIGURE 17

2.1.2 Strengthening Board-level oversight

Reinforcing its commitment to robust governance, the Bank is in the process of establishing a dedicated Board Subcommittee to oversee sustainability-related matters. This Subcommittee, once appointed, will be responsible for:

- Guiding the Bank's sustainability strategy and providing direction on material sustainability matters
- Monitoring emerging sustainability and climate-related risks and opportunities
- Ensuring alignment with evolving regulatory and reporting requirements, including SLFRS S1 and SLFRS S2
- Overseeing the integration of sustainability into the Bank's core governance architecture
- Reviewing sustainability-related disclosures and performance against targets

2.2 Roles, mandates and procedures

The Board of Directors of NSB holds ultimate responsibility for overall ESG governance and implementation. In alignment with the Bank's corporate governance framework, the Board has delegated primary responsibility for managing Sustainability-Related Risks and Opportunities (SRROs), Climate-Related Risks and Opportunities (CRROs), and broader impacts to the Corporate Sustainability Committee (CSC). This mandate is formalised through the CSC's Terms of Reference and relevant policy documents, ensuring that environmental, social, and economic considerations are embedded in operational decision-making, resource allocation, and performance management, while maintaining appropriate Board-level oversight.

2.2.1 Board responsibilities

The Board's sustainability-related responsibilities include:

Governance area	Board responsibilities
Framework and strategy	Determining the sustainability framework and governance structure, approving sustainability strategies, material sustainability matters, related policies, and goals
Oversight of impacts and risks	Overseeing material sustainability impact topics, SRROs/CRROs, and their implications for long-term value creation, assessing sustainability impacts and strategies for impact mitigation during Board meetings
Policy and resource allocation	Approving the Sustainability Policy of NSB as formulated and revised by the Corporate Sustainability Committee (CSC), approving yearly budgets for sustainability programmes
Performance monitoring	Reviewing and approving the Sustainability Statement for inclusion in the Annual Report, monitoring the Bank's performance as it affects matters relating to sustainability, the environment, communities, customers, and other key stakeholders
Ethical governance	Assisting the Bank in operating its business ethically, responsibly, and sustainably; ensuring reasonable and adequate systems are in place to assure compliance with governmental regulations relating to economic, environmental, and social matters
Reporting and disclosures	Ensuring NSB maintains systems, controls, policies, and skills to bring decision-useful SRROs and impact information to the Board on a timely basis

2.2.1.1 Board oversight mechanisms

The Board exercises oversight through:

- **Quarterly Board Meetings:** Regular assessment of sustainability impacts, SRROs/CRROs, and progress against strategic objectives.
- **Structured reporting:** Receiving reports from Board-level committees including the Board Integrated Risk Management Committee and the Corporate Sustainability Committee as given in TORs.
- **Integrated risk reviews:** Reviewing ERM reports that integrate climate and sustainability risks into the Group risk register.
- **Ad Hoc briefings:** Receiving updates on significant regulatory developments, emerging ESG trends, and material sustainability incidents.
- **Capital allocation oversight:** Ensuring sustainability considerations are embedded in investment decisions and resource allocation.

Usually, the Board has guided impact management through established policies, impact-based KPIs, and oversight of operational initiatives. As climate ambitions evolve, the Board's current focus includes emerging climate risks and the incorporation of climate considerations into long-term strategic planning, including the review and approval of NSB's climate ambitions and transition plans upon completion.

2.2.2 Board Integrated Risk Management Committee (BIRMC)

In alignment with NSB's corporate governance framework, the Banking Act Directions on Corporate Governance, and the requirements of SLFRS S1 and SLFRS S2 for integrated risk oversight, the Board Integrated Risk Management Committee (BIRMC) plays a critical role in overseeing the management of risks related to sustainability matters.

2.2.2.1 Responsibilities and Role

The BIRMC is responsible for ensuring that sustainability-related risks and opportunities, including climate-related risks, are integrated into the Bank's overall Integrated Risk Management framework. The Committee's responsibilities include:

- **Risk integration:** Overseeing the identification, assessment, prioritisation, and monitoring of SRROs and CRROs, ensuring these are embedded within the Bank's comprehensive risk register and risk management processes.
- **Regulatory compliance review:** Reviewing legal, regulatory, and other matters relating to the Bank's responsibilities as a corporate citizen that may have a significant impact on the Bank, including compliance with governmental regulations relating to economic, environmental, and social matters.
- **Reputational risk oversight:** Overseeing the management of risks related to the Bank's interactions with communities, customers, and other key stakeholders, including risks related to reputation.
- **Capital allocation and resilience:** Ensuring that sustainability impacts and SRROs/CRROs are explicitly considered in material investments and strategic decisions, including implications for asset and operational resilience, operating costs, and long-term value creation.
- **Climate risk assessment:** Reviewing physical and transition climate risk exposures across the Bank's lending portfolio, operations, and supply chain.

The BIRMC acts as a structured medium to the Board for all sustainability-related risk matters, receiving management reports and progress updates, and thereafter providing its observations and recommendations to the Board. The Committee reports its findings and recommendations to the full Board through minutes of its meetings and formal presentations

2.3 Management-level governance and implementation architecture

Management implementation is intentionally cross-functional because sustainability-related matters do not sit naturally within a single function. Customer inclusion and fair outcomes involve business lines, operations, service quality, legal and compliance. Climate resilience involves risk, operations, premises, business continuity, data, treasury and credit. Sustainability-related financial disclosures involve finance, planning, risk, sustainability focal points, internal control and assurance functions. The governance architecture is therefore designed to support coordination rather than siloed ownership.

Management committees are also expected to ensure that sustainability-related matters are translated into operational decisions. This includes prioritising remediation, assigning accountable owners, sequencing system and process upgrades, reviewing data readiness, identifying staff capability needs, and escalating matters that may require Board guidance or policy revision.

Management accountability is essential because sustainability-related matters manifest operationally across multiple functions rather than within a single Division. The Bank's implementation architecture therefore relies on coordinated ownership across Strategy and Planning, Risk Management, Finance, IT, Operations, HR, Credit, Treasury, Compliance, Marketing and Customer-facing functions. This cross-functional ownership is particularly important for matters such as fair customer outcomes, ESG-linked product design, climate risk identification, digital resilience, financial inclusion, resource efficiency, continuity planning and disclosure readiness.

The Corporate Sustainability Committee is the key management forum in this architecture. It supports policy formulation, issue identification, progress monitoring, stakeholder awareness and internal alignment. It also helps ensure that sustainability-related matters are translated into operational actions and management information rather than remaining at principal level only. Over time, this committee is expected to support stronger target tracking, disclosure governance, assurance coordination and climate-data discipline.

2.3.1 Corporate Sustainability Committee (CSC)

Operating under formal Terms of Reference approved by the Board and aligned with NSB's corporate governance framework, the Corporate Sustainability Committee holds primary responsibility for implementing and managing the Bank's sustainability agenda, including its SRROs and CRROs. The Committee translates the Board's sustainability ambitions into actionable strategies, programmes, and practices across the Bank. With representation from key Divisions, the CSC ensures a comprehensive and integrated approach to sustainability management. It reports its observations, recommendations, and progress updates directly to the Board as required, embedding sustainability and climate considerations into the Bank's strategic decision-making, capital allocation, and risk governance framework.

2.3.1.1 Responsibilities and role

The Corporate Sustainability Committee is responsible for driving NSB's sustainability agenda across strategic, operational, and reporting dimensions. Its responsibilities are organised under the following thematic areas:

Area	Responsibilities
Strategic oversight and planning	Guide the Bank's sustainability direction by recommending strategies, policies, and goals to the Board for approval, and translating them into operational plans.
Risk and opportunities management	Oversee the identification, assessment, and management of SRROs/CRROs across the value chain, ensuring accountability and integration.
Stakeholder engagement and materiality	Ensure stakeholder perspectives are systematically gathered and considered to inform the Bank's sustainability policy and identify material topics for disclosure.
Implementation and programme oversight	Drive execution of the sustainability agenda by overseeing programmes, approving aligned projects, and ensuring consistent integration of practices across all Divisions.
Performance monitoring and reporting	Monitor the Bank's sustainability performance against targets and KPIs and public disclosure.
Compliance and continuous improvement	Ensure adherence to relevant policies and regulations, and champion the continuous enhancement of sustainability programmes to improve effectiveness and align with evolving business needs.

2.4 Skills and competencies

NSB recognises that effective sustainability governance depends not only on formal structures and reporting routines, but also on the knowledge, judgement and decision-making capability of those charged with oversight and implementation. Sustainability-related and climate-related financial disclosures require an increasingly broad mix of competencies, including understanding of sustainability reporting standards, climate-related financial risk, governance and assurance expectations, customer and conduct implications, responsible financing, operational resilience, and the links between sustainability-related matters and the Bank's financial position, performance and prospects.

Accordingly, the Bank is in the process of progressively strengthening the skills and competencies of both the Board of Directors and Corporate Management so that sustainability-related matters can be considered with greater depth, consistency and confidence. This capability-building effort is expected to support stronger challenge and oversight at Board level, better cross-functional implementation by management, and improved decision-useful disclosures aligned with SLFRS S1 and SLFRS S2.

For the Board, this development pathway is expected to focus on areas such as sustainability governance responsibilities, climate-related financial risks and opportunities, evolving disclosure expectations, materiality judgements, and the interpretation of sustainability information within strategy, risk appetite, capital allocation and performance oversight. For Corporate Management, the focus extends to practical implementation capabilities, including data ownership, controls and assurance readiness, sustainable finance, customer protection and inclusion considerations, risk assessment, scenario analysis, and the embedding of sustainability-related matters into planning, operations and reporting.

Over time, NSB intends to formalise this capability-building approach through structured training, targeted briefings, management learning sessions, and ongoing exposure to evolving market, regulatory and reporting developments. This is expected to strengthen the Bank's institutional readiness for more mature sustainability governance and to ensure that both oversight bodies and executive leadership are equipped to respond appropriately to emerging sustainability-related and climate-related risks and opportunities.

2.5 Inform and address

For NSB, sustainability is not treated as a stand-alone narrative, it is used to inform decisions on customer service design, branch and channel resilience, digital investment, operational controls, product governance, responsible finance, supplier oversight, and community support. Where a sustainability-related matter has the potential to affect depositor confidence, customer outcomes, compliance posture, balance sheet resilience, or long-term operating capability, it is expected to influence management attention and resource allocation.

The Bank addresses these matters through a combination of policy refinement, control strengthening, capability building, and selective strategic investment. This includes but not limited to improving accessibility and assisted-service pathways for customers, strengthening complaint-to-learning loops, embedding sustainability and climate considerations more clearly in risk and reporting processes, enhancing business continuity readiness for severe weather events, and expanding the institutional capability required for decision-useful SLFRS-aligned disclosures. In climate-related terms, this also includes using operational disruption experience and emerging portfolio insights to inform continuity planning, resilience thinking, and future product development opportunities connected to recovery finance, renewable energy, and greener customer solutions. This 'inform and address' discipline is central to the Bank's integrated thinking model where material matters do not merely get disclosed after the fact, but increasingly shape how the Bank plans, responds, and allocates effort across the short, medium, and long term.

2.6 Targets, monitoring, and remuneration

As measurement maturity develops, the Bank intends to move from mainly activity-based monitoring to a more balanced mix of leading and lagging indicators. Leading indicators are expected to include roadmap progress, coverage of risk assessments, completion of controls, training penetration, data readiness, policy implementation milestones and issue closure discipline. Lagging indicators are expected to include realised service continuity outcomes, complaint and conduct outcomes, portfolio quality effects, operational efficiency effects, emissions and resource-intensity trends, and resilience outcomes observed during stress events.

With regard to remuneration, NSB's current approach is best described as governance-linked rather than systematically sustainability-linked. Management performance is already influenced by strategic execution, control discipline, operational resilience, customer outcomes and compliance expectations. Over time, as internal metrics mature and become more assurance-ready, the Bank expects to progressively formalise the use of selected sustainability-related and climate-related indicators within scorecards for relevant management roles, especially where those indicators are clearly connected to enterprise value protection and long-term strategy delivery.

NSB recognises that governance becomes effective only when it is translated into measurable priorities, disciplined monitoring, and clear management accountability. Accordingly, sustainability-related and climate-related matters are progressively being incorporated into the Bank's internal performance architecture through a combination of strategic milestones, risk indicators, management dashboards, and implementation reviews. At this stage of reporting maturity, the Bank's approach is intentionally pragmatic as it prioritises the strengthening of decision-useful indicators, the clarification of ownership, and the consistent review of progress through committee structures before moving to more advanced target-linked remuneration mechanisms.

Monitoring is undertaken through periodic reporting to management committees and, where relevant, to the Board. These reports cover areas such as customer protection and complaint trends, inclusion and accessibility progress, operational resilience and incident response, regulatory and compliance developments, climate and sustainability disclosure readiness, and the maturation of climate-related metrics and controls. The Bank is also progressing towards a more structured sustainability dashboard approach so that material sustainability-related risks and opportunities can be reviewed alongside financial and risk performance. In relation to remuneration, NSB is progressively considering how selected sustainability-related priorities may be reflected in leadership performance assessment, particularly where they relate directly to strategy execution, governance quality, customer outcomes, operational resilience, or disclosure readiness. While a fully quantified sustainability-linked remuneration model is still evolving, the governance direction is clear with further strengthening is anticipated as mentioned above. Management incentives should increasingly support long-term value protection, ethical conduct, and resilient performance rather than short-term outcomes alone.

2.8 Coordination with Group entities

Where applicable, sustainability governance extends to group entities and subsidiaries, ensuring consistent application of policies, programmes, and reporting practices across the NSB Group. Coordination mechanisms include regular meetings, shared frameworks, and consolidated reporting processes.

2.9 Assurance and continuous improvement

The Bank's long-term objective is to develop an internal control environment for sustainability-related disclosures that increasingly resembles the discipline applied to financial reporting, clear ownership, controlled definitions, mapped source systems, documented review procedures, escalation of exceptions, version control, audit trail retention and periodic independent review. This is especially important as users of annual reports increasingly expect sustainability-related information to be decision-useful, comparable and capable of being assured. This includes improving documentation standards, evidence trails, review controls, and the ability to support future internal and external assurance over sustainability-related information.

2.7 Policies and frameworks supporting governance

The governance of sustainability-related matters at NSB is supported by a comprehensive set of policies and frameworks:

Policy/Framework	Purpose
Sustainability Policy	Sets out the Bank's commitment, principles, and approach to sustainability management
CSR Policy	Guides the selection, implementation, and monitoring of CSR projects and programmes
Environmental and Social Management System (ESMS) Framework	Provides a structured approach to identifying, assessing, and managing environmental and social risks in lending and operations
Whistleblower Policy	Enables stakeholders to raise concerns regarding unethical practices or non-compliance
Stakeholder Engagement Framework	Guides systematic engagement with stakeholders to understand and respond to their concerns and expectations
Materiality Assessment Framework	Supports the identification and prioritisation of material sustainability topics for reporting and action
Code of Ethics and Conduct	Sets behavioural expectations for employees and management regarding ethical and responsible conduct

Continuous improvement is therefore not an abstract aspiration but an operating requirement. Each reporting cycle is expected to improve data completeness, role clarity, consistency of committee reporting, readiness for future assurance, and the Bank's ability to explain current and anticipated financial effects of sustainability-related matters with greater precision and confidence.

③ RISK MANAGEMENT

NSB does not manage sustainability-related risks as a completely separate system. Instead, it progressively integrates them into its wider Integrated Risk Management architecture, recognising that many sustainability-related risks are already embedded within existing categories such as credit risk, operational risk, conduct risk, compliance risk, reputational risk, cyber risk, people risk and strategic risk. The challenge is therefore not merely to create a parallel risk register, but to ensure that sustainability-related dimensions are properly identified, assessed, monitored and escalated within the systems already used to protect the Bank.

3.1 Climate-related risk management overview

The financial services industry is increasingly recognising that climate-related risks represent a significant source of financial risk with the potential to affect individual institutions and the broader financial system. These risks are transmitted through two primary channels: physical and transition, each with distinct characteristics yet interconnected implications for the Bank's financial health, operational stability, and strategic positioning.

3.1.1 Climate-related risks

Physical risks

Arise from the direct effects of climate change and environmental degradation. These manifest as:

- **Acute physical risks:** Event-driven impacts including increased frequency and severity of extreme weather events such as floods, cyclones, landslides, and droughts that can disrupt operations, damage assets, and impair borrower capacity.
- **Chronic physical risks:** Long-term shifts in climate patterns including sea-level rise, temperature increases, and water scarcity that gradually affect economic viability, sector performance, and collateral values.

Transition risks

Stem from the process of adjusting towards a low-carbon economy. These encompass:

- **Policy and legal risks:** Changes in climate regulations, carbon pricing mechanisms, and disclosure requirements that affect borrower compliance costs and operational viability.
- **Technology risks:** Displacement of established technologies by lower-carbon alternatives, potentially stranding assets or rendering business models obsolete.
- **Market risks:** Shifts in customer preferences, investor sentiment, and demand patterns as awareness of climate issues grows.
- **Reputation risks:** Stakeholder perceptions of the Bank's role in financing activities that contribute to or detract from climate objectives.

The Bank recognises that these risk categories are not mutually exclusive. Physical and transition risks interact in complex ways such as policy responses to physical climate events may accelerate transition pathways, while transition measures may have distributional consequences that affect vulnerability to physical risks.

3.1.2 Climate-related opportunities

In parallel with identifying and managing risks, the Bank proactively seeks to identify climate-related opportunities that can support the transition to a sustainable economy while strengthening long-term institutional resilience. These opportunities include financing climate-resilient infrastructure, supporting customer adaptation measures, developing products that incentivise sustainable practices, and enhancing risk assessment capabilities through improved climate data and analytics.

The Bank acknowledges that failure to identify, assess, and integrate these opportunities into strategic planning could itself constitute a risk, manifesting as loss of market share to more agile competitors, reputational setbacks from perceived inaction, or missed investment potential in growing sustainable finance markets.

3.2 Phased approach to climate risk management integration

During 2025, the Bank initiated foundational work to establish the strategic and operational framework for climate risk management. This phased approach recognises that climate risk integration is a multi-year journey requiring progressive enhancement of policies, procedures, data capabilities, and human expertise.

The Bank's Climate Risk Management Framework is being developed to encompass:

- **Risk identification:** Systematic processes to identify climate-related risks across the portfolio, operations, and value chain.
- **Assessment and measurement:** Methodologies to evaluate the potential magnitude and likelihood of climate risk impacts, recognising current data limitations and evolving analytical techniques.
- **Mitigation and response:** Strategies to manage identified risks, including adaptation measures, portfolio steering, and customer engagement.
- **Monitoring and reporting:** Ongoing tracking of climate risk exposures and effectiveness of mitigation measures, with regular reporting to management and Board-level committees.

For physical risks, the framework prioritises hazards based on their historical frequency and impact in Sri Lanka, with particular attention to floods, cyclones, landslides, and droughts. For transition risks, the focus is on understanding exposure to policy shifts, market developments, and technological changes across carbon-intensive sectors.

The Bank is in the developmental phase of this framework under SLFRS S2. Comprehensive policies, procedures, and quantitative assessment capabilities will be progressively developed and disclosed in future reporting cycles.

3.3 Identification of climate-related risks

The Bank identifies climate-related risks through a structured process that considers multiple dimensions of exposure and vulnerability. This process is integrated into the Bank's broader risk identification framework and draws on both internal data and external sources of information.

Parameters for risk identification:

Parameter	Description	Application
Portfolio composition	Analysis of lending exposures by sector, geography, and product type	Identifies concentrations that may be vulnerable to climate impacts
Geographic footprint	Assessment of branch network, customer locations, and collateral distribution	Maps exposure to physical hazards (flood zones, landslide-prone areas, coastal regions)
Sectoral vulnerability	Evaluation of economic sectors' sensitivity to physical and transition risks	Prioritises sectors for enhanced due diligence (agriculture, tourism, fisheries, manufacturing)
Temporal considerations	Forward-looking assessment of how risks may evolve over short, medium, and long-term horizons	Informs strategic planning and risk appetite settings
Regulatory horizon scanning	Monitoring of emerging climate-related regulations, disclosure requirements, and policy directions	Anticipates compliance obligations and transition pathways

The identification process draws on multiple sources of guidance, including SLFRS S2 requirements, Central Bank of Sri Lanka sustainable finance directions, national climate commitments (Nationally Determined Contributions), and international frameworks where relevant to the Sri Lankan context.

The Bank has developed a roadmap for enhancing climate risk identification capabilities, including the integration of geospatial analysis tools, sectoral research, and scenario thinking. During this developmental phase, the Bank has elected to apply the transitional reliefs available under SLFRS S2.

3.4 Lessons from Cyclone Ditwah

The Cyclone Ditwah event in 2025 provided a real-world stress test that informed the Bank's approach to climate risk identification. The experience highlighted:

- The importance of geographic granularity in understanding exposure to physical hazards
- The interconnected nature of operational disruption and credit quality impacts
- The value of proactive customer engagement and relief mechanisms
- The need for robust business continuity protocols tailored to climate events

These lessons are being incorporated into the Bank's evolving climate risk identification framework, ensuring that practical experience informs methodological development.

3.5 Assessment of climate-related risks

3.5.1 Physical risk assessment approach

The Bank's approach to assessing physical climate risks considers the potential impacts on borrowers' repayment capacity, collateral values, and the Bank's own operations. Assessment is conducted at both portfolio and customer levels, recognising that different insights emerge at each level of analysis.

Portfolio-level physical risk assessment:

At the portfolio level, the Bank evaluates physical risk exposure through:

- **Sectoral vulnerability analysis:** Identifying sectors with heightened sensitivity to physical climate hazards based on their operational characteristics, supply chain dependencies, and market exposure. Priority sectors include agriculture, tourism, fisheries, and small and medium enterprises in disaster-prone areas.
- **Geographic exposure mapping:** Assessing the distribution of lending exposures across districts and regions, with particular attention to areas with historical vulnerability to floods, cyclones, and landslides. This mapping draws on available hazard data and historical disaster records.
- **Concentration analysis:** Identifying significant concentrations of exposure in high-risk sectors or regions that could amplify the impact of climate events on portfolio performance.

Customer-level physical risk assessment:

For exposures exceeding predetermined thresholds or falling within high-risk sectors, the Bank conducts enhanced due diligence that considers:

- **Location-specific hazard exposure:** Assessment of whether customer operations, assets, or collateral are situated in areas prone to physical climate hazards.
- **Operational vulnerability:** Evaluation of how extreme weather events might disrupt customer operations, supply chains, or market access.
- **Adaptive capacity:** Consideration of measures customers have taken to protect against or recover from climate events, including insurance coverage, diversification, and resilience investments.

The Bank's physical risk assessment capabilities are under development. Following Cyclone Ditwah, a comprehensive review of physical risk considerations was initiated to refine assessment methodologies and strengthen the linkage between hazard identification and credit decision-making. Quantitative portfolio-level exposure analysis will be progressively developed as data systems and methodologies mature.

3.5.2 Transition risk assessment approach

Transition risk assessment focuses on understanding how the shift towards a low-carbon economy may affect borrower creditworthiness, sector viability, and the Bank's strategic positioning.

Portfolio-level transition risk assessment:

At the portfolio level, the Bank assesses transition risk through:

- **Sectoral exposure analysis:** Identifying lending exposures to sectors that may be affected by climate policies, carbon pricing, technological disruption, or shifting market preferences. Sectors of focus include power generation, manufacturing, transport, and export-oriented industries.
- **Policy and regulatory monitoring:** Tracking developments in climate policy, sustainable finance regulations, and international trade measures (such as carbon border adjustment mechanisms) that could affect borrower operating environments.
- **Market trend analysis:** Observing shifts in customer preferences, investor expectations, and industry practices related to climate and sustainability.

Customer-level transition risk assessment:

For significant exposures in transition-sensitive sectors, enhanced due diligence considers:

- **Carbon intensity:** Assessment of direct and indirect emissions relative to sector benchmarks, where data is available.
- **Transition readiness:** Evaluation of borrower awareness of climate-related risks, plans for adapting to policy changes, and investments in low-carbon technologies or practices.
- **Regulatory exposure:** Analysis of borrower sensitivity to potential carbon pricing, emissions standards, or disclosure requirements.
- **Market positioning:** Consideration of how evolving customer preferences and competitive dynamics may affect borrower viability.

Through this structured evaluation, climate risk is prioritised alongside traditional risk categories, with particular attention to:

- **Credit risk:** Through vulnerability of climate-sensitive sectors and regions
- **Operational risk:** Through direct impacts on branches, systems, and staff
- **Reputational risk:** Through stakeholder expectations of the Bank's response to climate events and transition
- **Strategic risk:** Through long-term shifts in the operating environment and customer expectations

The Bank's prioritisation framework will continue to evolve as climate risk assessment capabilities mature and as experience from events such as Cyclone Ditwah informs understanding of impact pathways.

The Bank's transition risk assessment capabilities are at an early stage of development. Work is underway to establish baseline understanding of transition exposures and develop frameworks for more systematic assessment in future reporting cycles.

3.6 Prioritisation of climate risk relative to other risk types

The Bank integrates climate risk into its overall risk management framework, recognising its growing significance for financial stability and operational resilience. Prioritisation is guided by the understanding that climate risks are not entirely new risk categories but rather exacerbate existing risk types, credit risk, operational risk, reputational risk, and strategic risk.

Framework for risk prioritisation:

Dimension	Consideration	Application to climate risk
Potential financial impact	Magnitude of possible effects on profitability, capital adequacy, and asset quality	Physical events can trigger significant impairment charges, transition effects may accumulate over longer periods
Operational criticality	Degree to which critical operations or services could be disrupted	Extreme weather events can directly affect branch operations, service availability, and customer access
Strategic alignment	Consistency with the Bank's strategic objectives and public mandate	Climate resilience is integral to long-term value creation and depositor protection
Velocity of manifestation	Speed at which risk could materialise and affect the Bank	Physical risks can materialise rapidly, transition risks typically evolve over longer periods
Stakeholder expectations	Regulatory, customer, and investor focus on climate risk management	Increasing scrutiny from regulators, depositors, and the public given the Bank's mandate
Interconnectedness	Links with other risk categories and potential for cascading effects	Climate events trigger simultaneous credit, operational, and reputational impacts

3.7 Monitoring of climate risks

The Bank's approach to monitoring climate risks is being developed as part of the broader Climate Risk Management Framework. Monitoring encompasses both the external environment such as hazard events, policy developments, market trends and internal exposures such as portfolio concentrations, customer vulnerability, operational readiness.

Current monitoring practices:

Monitoring area	Current approach	Development pathway
Extreme weather events	Tracking of meteorological alerts and disaster declarations, post-event impact assessments	Integration of early warning systems with portfolio exposure data
Sectoral performance	Regular review of sector performance indicators, with attention to climate-sensitive sectors	Development of sector-specific climate vulnerability indicators
Regulatory developments	Monitoring of Central Bank sustainable finance directions and climate policy announcements	Systematic horizon scanning for transition-related policy changes
Portfolio concentrations	Quarterly review of sector and geographic concentrations	Integration of climate risk overlays in concentration monitoring
Customer vulnerability	Post-event identification of affected customers; ad-hoc engagement	Development of systematic customer-level vulnerability assessment

The Bank is in the process of enhancing data infrastructure to support more granular monitoring of climate risk exposures. This includes investment in systems to capture geographic data, sector classifications, and risk indicators that will enable more sophisticated monitoring in future reporting cycles.

3.8 Changes in climate risk management processes compared with previous reporting period

As this is the Bank's first reporting cycle under SLFRS S1 and S2, there are no changes to report compared with the previous reporting period. During 2025, the Bank initiated foundational work to establish climate risk management processes, including:

- Development of a roadmap for climate risk integration aligned with SLFRS S2 transition relief timelines
- Initial identification of climate-related risks based on sectoral exposure, geographic considerations, and lessons from Cyclone Ditwah
- Enhancement of business continuity protocols informed by post-Ditwah review
- Capacity building through awareness programmes for relevant staff
- Foundational work on climate data architecture and assessment methodologies

Future reporting cycles will document progressive enhancements to climate risk management processes as frameworks, data capabilities, and methodologies mature.

3.9 Process for identifying, assessing, and monitoring climate-related opportunities

The Bank employs a systematic approach to identifying, assessing, and monitoring climate-related opportunities, recognising that these opportunities are integral to sustainable value creation and strategic positioning.

Opportunity identification:

Climate-related opportunities are identified through:

- **National policy monitoring:** Tracking incentives and priorities articulated in Sri Lanka's Nationally Determined Contributions (NDCs), Central Bank sustainable finance directions, and national adaptation plans.
- **Market observation:** Identifying emerging customer needs for climate-resilient products, sustainable finance solutions, and advisory services related to climate adaptation.
- **Stakeholder engagement:** Dialogue with customers, communities, and development partners on climate-related challenges and support needs.
- **Post-event learning:** Identifying opportunities to enhance products and processes based on experience with climate events such as Cyclone Ditwah.

Opportunity assessment:

Identified opportunities are assessed against criteria including:

- **Strategic alignment:** Consistency with the Bank's mandate, strategic objectives, and risk appetite
- **Market potential:** Scale of customer demand and growth prospects
- **Risk-return profile:** Expected financial performance and contribution to portfolio quality
- **Implementation feasibility:** Operational capacity, technical requirements, and partnership needs
- **Development impact:** Contribution to community resilience and national climate objectives

Opportunity monitoring:

Progress on climate-related opportunities is monitored through:

- **Portfolio tracking:** Measurement of lending volumes in opportunity areas (where applicable)
- **Customer feedback:** Assessment of customer response to products and services
- **Performance review:** Evaluation of financial and operational outcomes
- **Market scanning:** Ongoing observation of evolving opportunities and competitive dynamics

Through the materiality assessment process for SLFRS Sustainability-related Financial Disclosures, the Bank has identified climate-related opportunities related to resilient recovery finance, resilience-aligned products, and enhanced risk assessment capabilities. These are discussed in Section 4 (Strategy) of this chapter.

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES (SLFRS S1 AND SLFRS S2)

3.10 Integration of climate risk with overall risk management process

The Bank integrates climate-related risks and opportunities into its overall risk management process through a structured governance framework that aligns with the Bank's integrated risk management architecture. This integration ensures that climate considerations are not managed in isolation but are embedded within the systems, processes, and accountabilities that govern risk-taking across the institution.

Integration through the Three Lines of Defense:

Line of defense	Role in climate risk management
First Line **Business and operations**	Business units, relationship managers, and operational teams own, climate risks in day-to-day activities. They identify and assess climate-related considerations at customer engagement, implement mitigation measures (where feasible), pursue climate-related opportunities, and maintain internal controls aligned with the Bank's developing policies. During climate events, first-line teams execute business continuity protocols and customer support measures.
Second Line **Risk management and compliance**	The Risk Management function provides independent oversight, guidance, and challenge on climate risk matters. It develops policies and frameworks, validates first-line risk assessments, monitors portfolio-level exposures, provides tools and methodologies for consistent risk evaluation, and reports material findings to the Board Integrated Risk Management Committee. The Compliance function monitors regulatory developments and assesses alignment with evolving expectations.
Third Line **Internal audit**	Internal Audit provides independent assurance to the Board Audit Committee on the effectiveness of governance, risk management, and controls over climate risks. It audits the design and operation of controls, validates that risks are adequately identified and managed, evaluates assessment methodologies and data quality, and reports findings with recommendations for improvement.

Integration with existing risk categories:

Climate risk is not treated as a standalone risk category but is embedded within existing risk taxonomies:

Risk category	Climate risk dimensions
Credit risk	Borrower vulnerability to physical climate events, transition pressure on carbon-intensive sectors, collateral exposure to climate hazards
Operational risk	Business continuity impacts from extreme weather, infrastructure vulnerability, staff safety and mobility
Reputational risk	Stakeholder perceptions of climate response, adequacy of customer support during events, alignment with public mandate
Strategic risk	Long-term shifts in operating environment, evolving customer expectations, competitive positioning in sustainable finance
Compliance risk	Adherence to emerging climate-related regulations, disclosure obligations, sustainable finance requirements

This Three Lines of Defense structure ensures that climate-related risks and opportunities are systematically identified, assessed, monitored, and integrated into the Bank's overall risk management framework. The depth and sophistication of integration will increase progressively as frameworks, data capabilities, and methodologies mature over future reporting cycles.

④ STRATEGY

We recognise climate change as one of the most significant and far-reaching challenges facing the financial sector. As a savings institution, we are directly exposed to both physical and transition risks arising from climate change through our operations and where applicable, through customer and portfolio impacts. At the same time, we are uniquely positioned to support and drive Sri Lanka's transition to a low-carbon, climate-resilient economy, aligned with the country's Nationally Determined Contributions 3.0 (2026–2035) pathway and national sustainable finance priorities. Our climate strategy is therefore designed to address both the physical and transition risks of climate change through comprehensive adaptation and mitigation measures.

4.1 Climate strategy framing

Our climate strategy is structured around:

- **Management pf physical and transition risk:** Safeguarding financial resilience by strengthening the Bank's ability to withstand climate-related physical risks, such as floods, storms and other extreme weather events, to protect its assets, operations and risk profile.
- **Mitigation/transition enablement:** supporting low-carbon transition through responsible finance, product innovation, and portfolio stewardship.

Key enablers include governance strengthening, capacity-building, investment in climate analytics and ESG data systems, and transparent stakeholder engagement.

4.2 Integration of sustainability into strategy and business model

The Bank's business model depends on trust-based intermediation. It mobilises deposits, protects liquidity and capital, allocates resources through lending and investments, and converts institutional stability into reliable customer service and national development outcomes. Sustainability-related matters influence every part of this model.

For NSB, strategy integration therefore means embedding sustainability into the conditions required for resilient value creation. These conditions include:

- Customer fairness, accessibility and inclusion
- People capability and ethical culture
- Digital resilience and data governance
- Third-party governance
- Climate and disaster resilience
- Prudent capital allocation
- Transparent disclosures that reinforce stakeholder confidence

4.3 Resilience, scenario thinking and current/ anticipated financial effects

For NSB, resilience is evaluated through a combination of capital and liquidity strength, service continuity capability, digital and operational control maturity, customer support mechanisms, portfolio diversification, and the Bank's ability to adapt policies and operating practices as conditions evolve.

In climate-related terms, resilience must be considered across both physical and transition dimensions:

- Physical risks may affect branches, access channels, customer service continuity, customer livelihoods, collateral values and the operating condition of local communities.
- Transition factors may affect borrowers, compliance requirements, disclosure expectations, financing opportunities and the long-term positioning of the Bank's portfolio.

In 2025, the Bank applied qualitative scenario thinking across key transmission channels, including operations, customer/ portfolio (where relevant), and reputation/ funding. Quantitative scenario analysis capability is under development and will be disclosed after the transitional relief period. Key assumptions and limitations will be explained when results are disclosed in future reporting cycles.

The Bank's current and anticipated financial effects from sustainability-related matters are presently understood with varying levels of precision. The Cyclone Ditwah event in 2025 provided a real-world stress scenario, and the Bank recognised the impact on Expected Credit Losses through management overlays as disclosed in the financial statements [Note 10 Impairment charges/(reversals)]. This event reinforced the operational importance of maintaining alternative service pathways, clear escalation routines, digital continuity and customer support readiness.

Beyond the Ditwah event, quantitative climate scenario modelling is still maturing. Management has used directional scenario thinking to inform discussions on disaster readiness, continuity planning, climate-sensitive sectors and customer relief considerations. The Bank has applied the transition reliefs available under SLFRS S2 regarding disclosure of anticipated financial effects and climate resilience, as outlined in Section 1.7.

4.4 Climate-related risks and opportunities

During the year, the Bank assessed its value chain and identified three material climate-related risks (CRRs) and three material climate-related opportunities (CROs) reasonably expected to impact its prospects. These are detailed in pages 198 to 209 below, along with their impacts and management strategies.

4.5 Climate transition plan

A formal climate transition plan has not yet been developed, and the Bank is currently applying transition relief under SLFRS S2 for climate related scenario analysis. Accordingly, scenario analysis has not been conducted for the reporting period.

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES (SLFRS S1 AND SLFRS S2)

CRR 1: Extreme weather events (Ditwah type events)

Description	Extreme weather events (floods, cyclones, droughts) are increasing in frequency and severity due to climate change. This poses material operational and credit risks to the Bank by disrupting service availability, damaging collateral property, and weakening borrower financial capacity in exposed areas. The Bank is responding by strengthening operational resilience frameworks while maintaining client access to credit through targeted relief programmes.
Physical/Transition risk	Physical risk
Time period	Short, medium and long term
Define time horizon	Basis of Defining the Time Horizon on page 185 in Section 1.6.
Current and anticipated effects on the Bank's business model and value chain	**Current impact** The impact of Cyclone Ditwah on the Bank's business model should be considered alongside its effects on the economy, as detailed in the section Operating environment and outlook on pages 28 to 33. Flooding and landslides caused by Cyclone Ditwah disrupted branch operations, affected staff mobility, and reduced the repayment capacity of impacted borrowers. In line with CBSL guidelines, the Bank implemented relief measures to assist individuals and businesses affected by the cyclone. These measures include modifications to loan contracts and other support initiatives to ease financial pressure. The potential impact on Expected Credit Losses from exposures to customers affected by Cyclone Ditwah was assessed and recognised in the Financial Statements through management overlays, as disclosed in Note 10 Impairment charges/(reversals) on page 330. **Anticipated impact** Rising frequency of service disruptions in vulnerable areas, increased operational costs for business continuity and infrastructure hardening, heightened impairment charges due to borrower distress, regulatory expectations for disclosing physical risk exposures and resilience capabilities, improvements to continuity planning through post-incident lessons learned, collaborative partnerships with government and community organisations to support disaster response and recovery. **Areas of impact/where is it concentrated?** **Operational risk** Extreme weather events directly impact branch infrastructure, ATMs, digital service availability, and staff mobility. Service downtime in affected districts can lead to customer dissatisfaction and reputational consequences. **Credit risk** Borrower repayment capacity is impaired through income loss from operational disruptions, while collateral values may be diminished due to direct damage and property devaluation. **Reputational risk** Stakeholder scrutiny of the Bank's contribution to adaptive measures and support for affected customers intensifies following extreme events. Proactive actions such as transparent communication, flexible customer support, and community engagement can reinforce reputation and strengthen resilience across the value chain. **Strategic risk** Long-term shifts in climate patterns may require fundamental reassessment of branch footprint, service delivery models, and customer engagement strategies in vulnerable regions.
Bank's response to CRRs in strategy and decision making	**Direct adaptation actions** **Operational resilience** **BCM/DR framework enhancement:** Strengthening Business Continuity Management and Disaster Recovery guides with specific protocols for extreme weather events, including trigger mechanisms, escalation procedures, and recovery timelines **Branch/ATM hardening:** Physical infrastructure assessments and reinforcement in high-risk locations, including flood protection measures, backup power capabilities, and redundant communication links **Alternative servicing arrangements:** Establishing mobile banking units, temporary service points, and enhanced digital channel capacity to maintain customer access during disruptions. **Emergency staffing protocols:** Developing rosters, remote working capabilities, and cross-location support arrangements to ensure service continuity when staff mobility is constrained. **Credit risk** **Climate/disaster overlays:** Integrating weather event considerations into credit monitoring systems with early-warning triggers based on geographic alerts and sectoral vulnerability. **Targeted relief frameworks:** Establishing structured protocols for loan modifications, repayment moratoriums, and fee waivers for affected customers, with streamlined approval processes during disasters. **Collateral review discipline:** Post-event collateral assessments and revaluation protocols to capture impairment impacts accurately and timely.

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES (SLFRS S1 AND SLFRS S2)

	Reputational risk **Incident communications:** Enhanced customer communication protocols for service disruptions, relief availability, and recovery updates through multiple channels (SMS, app notifications, website, social media). **Customer support programmes:** Dedicated disaster response teams, helplines, and processing units to assist affected customers with relief applications and inquiries. **Stakeholder engagement:** Proactive engagement with regulators, local authorities, and community leaders to coordinate response efforts and demonstrate institutional commitment"
How the Bank is resourcing, and plans to resource the activities	**Human capital development:** Training programmes for branch staff, and credit officers on disaster response protocols, customer relief processing, and post-incident recovery procedures. **Technology integration:** Digital platforms for remote service delivery during disruptions. **Infrastructure investment:** Allocating capital expenditure for branch/ATM hardening, backup power systems, and redundant communication links in high-risk locations. **Strategic partnerships:** Collaborating with disaster management authorities, meteorological departments, and community organisations to enhance early warning capabilities and coordinated response. **Continuous monitoring and evaluation:** Conducting post-incident reviews, capturing lessons learned, and updating protocols to reflect emerging best practices and changing risk profiles."
Progress of the plans and initiatives	**Post-Ditwah review:** Comprehensive post-incident assessment completed, documenting service disruption impacts, response effectiveness, and improvement areas. Lessons learned incorporated into BCM/DR protocols. **Relief execution:** Processed relief applications, demonstrating responsive customer support during crisis. **Training programmes:** More than 75% of the employees participated in disaster response and business continuity training sessions during 2025. **Infrastructure Assessment:** Preliminary vulnerability assessments completed for branches in high-risk districts, with prioritised hardening plan under development.
Current year financial effects to Profit and Loss Statement (P&L), Statement of Financial Position (SOFP) and Cash Flow Statement (CF)	Ditwah cyclonic and flood disasters triggered additional impairment charges of Rs. 2.6 Bn. for affected customers [Note 10 Impairment charges/(reversal) on page 330].
Significant risk of material adjustments within the next annual reporting period	The Bank does not anticipate a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the Financial Statements. However, the occurrence, timing and severity of extreme weather events remain inherently unpredictable, and rapid-onset disasters could materialise earlier or with greater intensity than currently anticipated.
Anticipated financial effects over short, medium and long term to P&L, SOFP and CF	Transitional relief on Note 1.7 on page 186.
Climate resilience	Transitional relief on Note 1.7 on page 186.
Significant judgements and uncertainties	Significant uncertainty stems from the inherent unpredictability of extreme weather event frequency, intensity, and geographic distribution. Climate science indicates increasing variability, making precise timing and location difficult to forecast. The lack of high-resolution, location-specific historical and projected climate data limits the ability to accurately evaluate long-term exposure patterns. Additionally, borrower-level adaptive capacity and resilience measures are heterogeneous and difficult to assess systematically. The Bank's judgement that no material adjustment will be required in the next reporting period is subject to significant uncertainty given the risk that climate events could intensify more rapidly and abruptly than expected.

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES (SLFRS S1 AND SLFRS S2)

CRR 2: Climate-related credit risk — Sector/regional concentration increases default probability and collateral volatility, concentration effects increase provisioning pressure

Description	Climate change elevates credit risk through higher borrower default probabilities driven by physical factors (weather events affecting agriculture, tourism, fisheries) and transition factors (policy shifts affecting carbon-intensive sectors). Concentration effects amplify portfolio impacts when multiple borrowers in the same region or sector are simultaneously affected. Collateral values, particularly flood-prone real estate, face volatility and long-term depreciation, increasing provisioning pressure and requiring enhanced credit risk management.
Physical/Transition risk	Transition risk
Time period	Short, medium and long term
Define time horizon	Basis of Defining the Time Horizon on page 185 in Section 1.6.
Current and anticipated effects on the Bank's business model and value chain	**Current impact** The impact of Cyclone Ditwah on credit quality was evidenced through reduced repayment capacity of affected borrowers. Management overlays were applied to Expected Credit Loss calculations to capture increased risk in impacted regions, as disclosed in Note 10 Impairment charges/(reversals) on page 330. Sectoral monitoring was intensified for agriculture, tourism, and in affected districts. Portfolio reviews identified concentration hotspots requiring enhanced monitoring **Anticipated impact** Rising delinquency rates in climate-sensitive sectors during stress events, increased impairment charges following disasters, regulatory expectations for climate risk integration in credit processes, enhanced portfolio steering to manage concentration risks, development of sector-specific policies and exposure limits, integration of climate scenarios into stress testing and capital planning, potential for credit rating downgrades in highly exposed sectors affecting overall portfolio risk profile. **Areas of impact/where is it concentrated?** **Credit risk** Probability of Default (PD) increases through borrower income loss from operational disruptions, market shifts, or policy changes. Loss Given Default (LGD) may increase due to collateral damage, property devaluation, or diminished recovery values in stressed sectors. **Portfolio concentration risk** Sectoral and geographic concentrations amplify the impact of climate events, potentially leading to correlated defaults and elevated portfolio volatility. Key sectors of focus include agriculture, tourism, fisheries, and plantation, in flood-prone districts. **Capital adequacy** Increased impairment charges affect profitability and capital generation, while stressed scenarios may require additional capital buffers for climate-sensitive exposures under Pillar 2 capital adequacy assessments. **Liquidity risk** Sudden increases in drawdowns from committed facilities by stressed borrowers, combined with potential deposit withdrawals in affected regions, could create liquidity pressures during severe events.
Bank's response to CRRs in strategy and decision making	**Direct adaptation actions** **Credit risk management:** **Climate/Disaster Overlays in Credit Appraisal:** Integrating climate risk considerations into credit assessment frameworks, including sectoral vulnerability ratings, geographic risk scoring, and borrower resilience evaluation for all new credit facilities above specified thresholds. **Exposure mapping:** Developing portfolio-level mapping of exposures by sector and region, overlayed with climate hazard data to identify concentration hotspots and inform risk limits. Initial mapping prioritises portfolios in high-risk districts. **Concentration limits:** Setting and monitoring exposure limits for climate-sensitive sectors and high-risk geographic regions, with escalation protocols for limit breaches to BIRMC. **Collateral review discipline:** Enhancing collateral valuation protocols to incorporate climate risk considerations, including flood zone status, property resilience features, and sector-specific obsolescence risks for high-value collateral. **Restructuring frameworks:** Developing structured frameworks for borrower relief and restructuring following climate events, with clear eligibility criteria, approval processes, and monitoring protocols based on Ditwah experience. **Indirect mitigation actions** **Portfolio diversification:** Actively managing portfolio composition to reduce concentration in climate-sensitive sectors and regions over time through targeted business development in less-exposed sectors. **Borrower engagement:** Proactive dialogue with high-exposure borrowers on climate resilience measures, adaptation planning, and transition strategies, with documentation of engagement outcomes. **Industry collaboration:** Participating in industry working groups on climate risk methodologies, data sharing, and best practice development through sustainable banking initiative.

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES (SLFRS S1 AND SLFRS S2)

CRR 2: Climate-related credit risk – Sector/regional concentration increase default probability and collateral volatility, concentration effects increase provisioning pressure

How the Bank is resourcing, and plans to resource the activities	**Human capital development:** Training credit officers, risk analysts, and relationship managers on climate risk assessment, sectoral vulnerability analysis, and early warning interpretation. **Technology integration:** Investing in data analytic platforms, geographic information systems (GIS), and portfolio monitoring tools to enhance climate risk visibility and reporting. **Model Development:** Building capabilities for climate scenario analysis, stress testing, and portfolio modelling to quantify potential impacts and inform risk appetite. Development roadmap aligned with SLFRS S2 transitional relief timeline. **Governance Enhancement:** Strengthening committee oversight of climate credit risk, with regular portfolio reviews and emerging risk reporting to BRMC on a quarterly basis.
Progress of the plans and initiatives	**Post-Ditwah Portfolio Review:** Comprehensive review completed of exposures in affected districts with enhanced monitoring protocols implemented for high-risk sectors in these regions. **Overlay Development:** Preliminary climate disaster overlay framework developed for credit appraisal, with phased implementation planned for 2026 starting with high-risk sectors and regions. **Training Initiatives:** Advanced training planned for 2026. **Concentration Monitoring:** Quarterly concentration reports include climate-sensitive sector exposure trends for BRMC review from 2026.
Current year financial effects to Profit and Loss Statement (P&L), Statement of Financial Position (SOFP) and Cash Flow Statement (CF)	Ditwah cyclonic and flood disasters triggered additional impairment charges of Rs. 2.6 Bn. for affected customers (Note 10 Impairment charges/(reversal) on page 330). No material impairment charges related to transition risk were recognised in 2025.
Significant risk of material adjustments within the next annual reporting period	The Bank does not anticipate a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the Financial Statements. However, the occurrence, timing and severity of extreme weather events remain inherently unpredictable, and rapid-onset disasters could materialise earlier or with greater intensity than currently anticipated potentially requiring additional impairment provisions. Sector-specific stress events (e.g., agricultural drought, tourism disruption) could also impact concentrated exposures.
Anticipated financial effects over short, medium and long term to P&L, SOFP and CF	Transitional relief applied. Quantitative disclosure of anticipated financial effects deferred in accordance with SLFRS S2 transitional relief provisions. Qualitative directional impact disclosed in current and anticipated effects section above. to Note 1.7 on page 186.
Climate resilience	Transitional relief applied. Climate resilience disclosure deferred in accordance with SLFRS S2 transitional relief provisions. to Note 1.7 on page 186.
Significant judgements and uncertainties	Significant uncertainty surrounds the precise quantification of climate impacts on borrower creditworthiness. Data limitations on borrower-level climate vulnerability, adaptive capacity, and resilience measures constrain precise risk measurement. Sectoral and geographic risk classification rely on board assumptions that may not capture granular variations across sub-sectors or localities. The pace and stringency of transition-related policy changers remain uncertain, affecting the timing and magnitude of transition risk materialisation. Climate science indicate increasing variability and intensity of extreme events, but precise timing and location cannot be reliably predicted. Borrower-level data on adaptive capacity and resilience investments is not systematically captured, limiting assessment of differentiated risk within sectors. The Bank's judgement that no material adjustment will be required in the next reporting period is subject to significant uncertainty given these factors.

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES (SLFRS S1 AND SLFRS S2)

CRR 3: Evolving policy, market shifts and borrower transition capacity affect credit quality and reputation

Description	Evolving policy, market shifts and borrower transition capacity directly affect NSB's credit quality and reputation. Policy changes under Sri Lanka's NDC framework, together with shifting market dynamics, create financial strain for borrowers in carbon-intensive sectors, impacting credit risk. Stakeholder perceptions of how we navigate these challenges also shape our reputational standing.
Physical/Transition risk	Transition risk
Time period	Medium and long term
Define time horizon	Basis of Defining the Time Horizon on page 185 in Section 1.6.
Current and anticipated effects on the Bank's business model and value chain	**Current impact** No material credit quality impacts from transition risks were observed in 2025. However, heightened stakeholder scrutiny on climate commitments and disclosure readiness was evident, with increased regulatory engagement on SLFRS S2 preparedness. Investor and customer expectations regarding sustainable finance are progressively rising. **Anticipated impact** Declining creditworthiness of carbon-intensive borrowers as transition pressures intensify over medium to long term, pressure to align portfolio with national climate commitments and decarbonisation pathways, development of sustainable finance solutions to capture emerging opportunities and support borrower transition, potential revenue shortfalls during sector transition if unable to finance transition needs, enhanced disclosure requirements and regulatory expectations; reputational consequences for perceived inaction or inadequate transition planning, potential for stranded assets in highly exposed sectors. **Areas of impact/Where is it concentrated?** **Credit risk**: Borrowers in carbon-intensive sectors face increased costs from potential carbon pricing mechanisms, compliance requirements, and necessary capital expenditure for transition. Revenue may be affected by shifting market preferences and technological disruption. Sector of focus include power generation (thermal). **Reputational risk**: Stakeholder scrutiny of the Bank's financing activities, climate commitments, and transition planning intensifies. Perceived inaction or inadequate response may affect brand perception, customer loyalty (particularly among younger demographics), and talent attraction. NGO and civil society focus on financial sector contribution to transition. **Strategic risk**: Failure to anticipate and respond to transition trends may result in missed opportunities in sustainable finance markets and gradual erosion of competitive position as peers develop green finance capabilities. **Regulatory risk**: Evolving disclosure requirements, sustainable finance regulations, and climate-related reporting mandates create compliance obligations and potential enforcement consequences. Central Bank sustainable finance directions expected to expand.
Bank's response to CRRs in strategy and decision making	**Direct adaptation actions** **Policy and framework development:** **Sector policies and watchlists:** Developing sector-specific policies for carbon-intensive industries, including enhanced due diligence requirements, watchlist monitoring, and engagement protocols for high-risk exposures. Priority sectors include: power generation, and infrastructure. **Borrower engagement and transition planning:** Proactive engagement with high-exposure borrowers to understand transition plans, assess readiness, and identify support needs for transition financing. Engagement prioritised by exposure size and sector criticality. **Enhanced scrutiny for higher-risk activities:** Stricter credit approval requirements for activities with significant transition exposure, including assessment of borrower transition strategies, alignment with national climate commitments, and climate risk disclosure quality. **Disclosure and communication:** **Enhanced disclosures:** Strengthening sustainability-related financial disclosures in alignment with SLFRS S2 to provide transparent information on transition exposures and management approaches, with progressive enhancement over transition relief period. **Communications and stakeholder engagement:** Proactive communication of the Bank's approach to transition risk management and sustainable finance, engaging with investors, regulators, and civil society on climate commitments through annual report, website, and stakeholder meetings.

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES (SLFRS S1 AND SLFRS S2)

	Indirect mitigation actions: **Sustainable finance development:** Building capabilities and product offerings in sustainable finance to support borrowers' transition and capture emerging opportunities, including green loans and transition finance products. **Industry collaboration:** Participating in industry forums, working groups, and policy consultations on transition-related matters to stay abreast of developments and contribute to best practice (Sustainable Banking Initiative, PCAF consideration). Capacity Building: Enhancing internal expertise on transition risk assessment, sustainable finance, and climate-related disclosure through training and knowledge sharing.
How the Bank is resourcing and plans to resource the activities	**Human capital development:** training risk officer, credit analysts, and relationship managers on transition risk assessment, sectoral dynamics, and sustainable finance opportunities. **Policy development:** Allocating resources for development of sector policies, watchlist frameworks, and borrower engagement protocols, with draft policies targeted for 2026. **Data and analytics:** Investing in data capabilities to monitor transition exposures, track sectoral developments, and assess borrower transition readiness, including carbon intensity metrics where feasible. **Disclosure infrastructure:** Strengthening systems and processes for sustainability data collection, validation, and reporting to meet evolving discloser requirements, with roadmap aligned to transition relief timeline. **Stakeholder engagement:** Dedicating resources for investor communication, regulatory engagement, and industry collaboration on transition-related matters through dedicated sustainability team.
Progress of the plans and initiatives	**Disclosure preparation:** SLFRS S2-aligned disclosures with appropriate transition reliefs application. Gap analysis conducted for future reporting enhancements. **Sector analysis:** Initial assessment of transition exposure by sector completed, identifying priority industries for policy development. **Training initiatives:** Specialised training planned for credit and risk teams in 2026. **Policy development:** Draft sector policy framework under development for carbon-intensive industries, with stakeholder consultation planned for 2026. **Sustainable finance:** Foundational work underway on sustainable finance framework, including green asset classification and eligible sectors aligned with CBSL Green Finance Taxonomy. **Industry engagement:** Active participation in Sustainable Banking Initiative working groups on transition finance and climate risk.
Current year financial effects to Profit and Loss Statement (P&L), Statement of Financial Position (SOFP) and Cash Flow Statement (CF)	No material financial effects from transition risks were recognised in the 2025 financial statements. Costs associated with disclosure preparation and capacity building are budgeted for 2026 and are not material.
Significant risk of material adjustments within the next annual reporting period	The Bank does not anticipate a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the Financial Statements. Transition-related policy changes and market shifts are expected to evolve gradually, with implementation timelines that allow for managed adjustment. However, rapid or unexpected policy changes such as (e.g., sudden carbon pricing introduction, accelerated phase-out timelines could accelerate impacts on affected sectors.
Anticipated financial effects over short, medium and long term to P&L, SOFP and CF	Transitional relief applied. Quantitative disclosure of anticipated financial effects deferred in accordance with SLFRS S2 transitional relief provisions. to Note 1.7 on page 186.
Climate resilience	Transitional relief applied. Climate resilience disclosure deferred in accordance with SLFRS S2 transitional relief provisions. to Note 1.7 on page 186.
Significant judgements and uncertainties	Significant uncertainty surrounds the pace, stringency and enforcement of climate policies and regulations in Sri Lanka and key export markets. Political shifts, economic pressures, or social factors may delay, weaken, or alter the implementation of low-carbon policies, creating unpredictable timelines for when transition-related risks materialise. The transition preparedness and strategies of individual borrowers are heterogeneous and difficult to assess comprehensively without robust disclosure frameworks. Market and technology developments may accelerate or decelerate relative to current expectations. International regulatory developments (EU CBAM, UK carbon border adjustments) remain subject to implementation timelines and scope revisions. The Bank's judgement that no material adjustment will be required in the next reporting period is subject to significant uncertainty given these factors.

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES (SLFRS S1 AND SLFRS S2)

CRO 1: Resilient recovery finance — Structured support for housing repair, and climate-resilient livelihoods

Description	Post-disaster recovery needs create opportunities for the Bank to fulfill its development mandate through structured finance products supporting housing repair, livelihood restoration, and climate-resilient reconstruction. These products address immediate needs while incorporating resilience features to reduce future vulnerability. Partnerships with government agencies and development institutions can enhance effectiveness, with the Bank's Cyclone Ditwah experience providing a foundational framework.
Physical/Transition risk	Climate opportunity
Time period	Short, medium and long term
Define time horizon	Basis of Defining the Time Horizon on page 185 in Section 1.6.
Current and anticipated effects on the Bank's business model and value chain	**Current impact** Following Cyclone Ditwah, the Bank implemented targeted relief measures and recovery support for affected customers, demonstrating responsive product capabilities and customer-centric approach. Processing of relief applications and recovery finance disbursements in affected districts strengthened customer relationships and reinforced the Bank's public mandate. Lessons learned documented for future enhancement. **Anticipated impact** Structured recovery finance products can be scaled and refined based on lessons learned, creating a replicable framework for future events. Enhanced partnerships with government and development agencies can expand reach and impact through co-lending, guarantees, or technical assistance. Demonstrated commitment to community recovery strengthens brand reputation and stakeholder trust. Recovery finance portfolio growth contributes to business volume while fulfilling social mandate. Potential for development of specialised products for climate-resilient housing, livelihood restoration, and community infrastructure. **Areas of Impact/Where is it concentrated?** **Lending portfolio** Recovery finance products contribute to portfolio growth while serving social objectives. Performance monitoring of recovery loans informs future product design and risk management. Target segments include affected households, and infrastructure projects in affected regions. **Customer relationships** Responsive support during crisis strengthens customer loyalty and deepens relationships, with potential for cross-selling and long-term retention. Positive customer experience during distress creates enduring goodwill. **Reputation and brand** Visible commitment to community recovery reinforces the Bank's public mandate and enhances brand perception among stakeholders including regulators, government, and civil society. **Development impact** Contribution to community resilience and livelihood restoration aligns with the Bank's social mandate and national development priorities, supporting sustainable development goals.
Bank's response to CROs in strategy and decision making	**Direct actions:** **Product development and delivery:** **Product windows/targeted schemes:** Developing structured recovery finance products with appropriate terms, including concessional pricing, extended tenors, and simplified processing for affected customers. **Streamlined processing:** Establishing expedited approval processes for recovery finance in affected districts, with delegated authorities and simplified documentation requirements to ensure timely disbursement. **Repayment relief integration:** Integrating repayment relief options (moratoriums, extensions, restructuring) within recovery product frameworks to accommodate varying customer circumstances and recovery trajectories. **Advisory support:** Providing guidance to affected customers on recovery options, resilience measures, and available government support schemes through dedicated customer support teams. **Partnership and ecosystem development:** **Partnership development:** Collaborating with government agencies (Disaster Management Centre, Divisional Secretariats) and community organisations to enhance reach, share risk, and access technical expertise. **Monitoring and evaluation:** Tracking recovery outcomes, portfolio performance, and customer feedback to inform product refinement and future disaster response. Development of impact metrics for recovery finance. **Knowledge management:** Documenting lessons learned from post-Ditwah response to build institutional memory and improve future recovery finance frameworks through post-incident reviews and protocol updates.

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES (SLFRS S1 AND SLFRS S2)

How the Bank is resourcing, and plans to resource the activities	**Human capital development:** Training branch staff and relationship managers on recovery finance products, processing requirements, and customer engagement during crisis. Specialised training for disaster response teams. **Product development:** Allocating resources for product design, pricing, and operational frameworks for recovery finance, including systems configuration and documentation. **Technology enablement:** Enhancing digital platforms to support remote application processing, document upload, and customer communication during disruptions, including mobile-based solutions for affected areas. **Partnership development:** Dedicating resources to build and maintain relationships with government agencies, development partners, and community organisations through dedicated relationship management. **Monitoring systems:** Strengthening systems to track recovery finance disbursements, performance, and impact metrics, including integration with core banking systems for real-time monitoring"
Progress of the plans and initiatives	**Post-Ditwah response:** Processed relief applications, customer feedback collected and analysed. **Lessons learned:** Comprehensive post-incident review completed, documenting operational challenges, customer feedback, and improvement areas. Recommendations incorporated into draft recovery finance framework. **Product development:** Preliminary recovery finance product framework developed, incorporating lessons from Ditwah response. **Partnership engagement:** Initial discussions initiated with relevant government agencies (Disaster Management Centre, Central Bank) and development partners on future collaboration frameworks for disaster response. **Staff training:** Branch staff trained on recovery finance processing and customer engagement protocols, with refresher training planned. **Technology assessment:** Assessment completed of digital platform enhancements required for remote processing during disruptions.
Current year financial effects to Profit and Loss Statement (P&L), Statement of Financial Position (SOFP) and Cash Flow Statement (CF)	Impact on Profit and Loss statement on Ditwah impact is given on page 330 in Note 10 Impairment charges/(Reversals) to the Financial Statements.
Significant risk of material adjustments within the next annual reporting period	No significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the Financial Statements. Recovery finance products are underwritten with appropriate credit assessment and monitored within normal portfolio management frameworks.
Anticipated financial effects over short, medium and long term to P&L, SOFP and CF	Transitional relief applied. Qualitative directional impacts disclosed in current and anticipated effects section above. to Note 1.7 on page 186.
Climate resilience	Transitional relief applied. Climate resilience disclosure deferred in accordance with SLFRS S2 transitional relief provisions. to Note 1.7 on page 186.
Significant judgements and uncertainties	The scale and timing of future disaster events are inherently uncertain, affecting demand for recovery finance products. Government policy on disaster response financing and availability of refinance or guarantee schemes may evolve. Borrower capacity to service recovery finance following disaster events depends on broader economic recovery and individual circumstances. Product design assumptions regarding pricing, tenors, and eligibility criteria will require validation through actual experience. The Bank's ability to scale recovery finance rapidly during future events depends on operational readiness and partnership effectiveness.

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES (SLFRS S1 AND SLFRS S2)

CRO 2: Resilience-aligned products and appraisal overlays — Strengthen borrower resilience and portfolio quality

Description	Integrating climate resilience into product design and credit appraisal strengthens borrower resilience and improves portfolio quality. This includes preferential pricing for resilient construction, financing for adaptation measures (roof top solar, and technical assistance). Appraisal overlays assessing borrower climate exposure enable better risk selection and pricing while positioning the Bank as a leader in climate-resilient finance.
Physical/Transition risk	Climate opportunity
Time period	Medium and long term
Define time horizon	Basis of Defining the Time Horizon on page 185 in Section 1.6.
Current and anticipated effects on the Bank's business model and value chain	**Current impact** Foundational work initiated on climate-informed underwriting considerations, with enhanced risk awareness following Ditwah event. Ad-hoc adjustments in high-risk areas informed credit decisions. Initial screening of potential resilience product concepts completed. **Anticipated impact** Progressive integration of resilience criteria into credit appraisal and product design will strengthen portfolio quality over time, reducing vulnerability to climate events. Differentiated pricing and product features can incentivise borrower resilience investments, creating positive differentiation. Enhanced risk selection reduces expected losses and provisioning volatility over credit cycles. Market positioning as a climate-resilient lender attracts environmentally conscious customers and aligns with regulatory expectations for sustainable finance. Potential for development of specialised resilience product suite addressing housing segment. **Areas of impact/Where is it concentrated?** **Credit risk management:** Enhanced appraisal processes improve risk identification and pricing, reducing expected losses and portfolio volatility through better risk differentiation. **Product development:** Resilience-aligned products create new revenue streams while serving customer needs and social mandate, addressing segments with high climate vulnerability (agriculture, coastal communities, flood-prone areas). **Customer relationships:** Advisory support on resilience measures deepens customer engagement and loyalty, positioning the Bank as a trusted partner in climate adaptation. **Portfolio quality:** Reduced vulnerability to climate events improves long-term portfolio performance and stability, with potential for lower impairment volatility. **Reputation:** Leadership in climate-resilient finance enhances brand perception among stakeholders including regulators, investors, and customers.
Bank's response to CROs in strategy and decision making	**Direct actions:** **Underwriting enhancement:** **Climate-Informed Underwriting Overlays:** Developing structured overlays for credit appraisal that assess borrower exposure to climate hazards, sectoral vulnerability, and adaptive capacity, informing risk ratings and pricing decisions. Phased implementation starting with high-risk sectors and regions. **Property resilience checks:** Incorporating (where feasible) assessment of property resilience features (elevation, construction materials, flood protection, drainage) into collateral valuation for real estate lending in high-risk areas. **Pricing/tenor adjustments:** Structuring pricing incentives (reduced interest rates) or tenor flexibility for borrowers demonstrating resilience investments or operating in lower-risk categories. **Product development:** **Borrower guidance:** Providing advisory support to borrowers on resilience measures, adaptation options, and available resources for vulnerability reduction through relationship manager training and customer education materials. **Product design linked to resilience criteria:** Developing products specifically designed to finance resilience investments, with features aligned to the nature of resilience benefits (rooftop solar, rainwater harvesting, flood protection, climate-smart agriculture).

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES (SLFRS S1 AND SLFRS S2)

	Indirect actions: **Data and analytics:** Building capabilities to assess climate risk at borrower and portfolio levels, informing overlay design and refinement through integration of external climate data. **Knowledge sharing:** Participating in industry forums on climate-resilient finance to access best practice and contribute to methodology development (Sustainable Banking Initiative, regional knowledge platforms). **Partnership development:** Collaborating with technical agencies (Central Environmental Authority, Department of Agriculture, Lanka Rainwater Harvesting Forum), research institutions, and development partners on resilience assessment methodologies and advisory resources.
How the Bank is resourcing, and plans to resource the activities	**Human capital development:** Training credit officers on climate risk assessment, resilience features, and overlay application. Targetted training increase by 2026–2027. **Methodology development:** Allocating resources for development of overlay frameworks, risk scoring methodologies, and product design, with external technical input where required. **Data and analytics:** Investing in data capabilities to support borrower-level and portfolio-level climate risk assessment, including hazard data integration and scoring models. **Technology integration:** Enhancing credit origination systems to incorporate overlay assessments, capture relevant data fields, and generate risk scores for decision-making. **Partnership development:** Building relationships with technical partners for advisory support and methodology validation through MOUs and joint initiatives.
Progress of the plans and initiatives	**Pilot planning:** Pilot programme under consideration for selected high-risk sectors or regions to test overlay application in 2026. **Data assessment:** Initial assessment of data requirements and availability for overlay implementation completed, identifying priority data gaps for remediation is in progress. **Product concepts:** Preliminary concepts for resilience-linked products developed for further evaluation, including solar financing, and climate-smart agriculture credit lines. **Partnership discussions:** Exploratory discussions initiated with potential technical partners for resilience assessment methodologies.
Current year financial effects to Profit and Loss Statement (P&L), Statement of Financial Position (SOFP) and Cash Flow Statement (CF)	No material financial effects from resilience-aligned products or appraisal overlays were recognised in 2025.
Significant risk of material adjustments within the next annual reporting period	No significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the Financial Statements. Overlay frameworks and product developments are implemented gradually with appropriate validation.
Anticipated financial effects over short, medium and long term to P&L, SOFP and CF	Transitional relief applied. Qualitative directional impacts disclosed in current and anticipated effects section above. to Note 1.7 on page 186.
Climate resilience	Transitional relief applied. Climate resilience disclosure deferred in accordance with SLFRS S2 transitional relief provisions. to Note 1.7 on page 186.
Significant judgements and uncertainties	Effectiveness of resilience overlays in predicting borrower vulnerability depends on quality of climate data and accuracy of risk scoring methodologies, both of which are still developing. Borrower uptake of resilience products and responsiveness to pricing incentives uncertain. Cost-benefit trade-offs of differentiated pricing require validation through experience. Technical feasibility of property resilience checks at scale depends on availability of assessors and standardised criteria. Long-term portfolio quality benefits will only be observable over multiple climate events and economic cycles.

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES (SLFRS S1 AND SLFRS S2)

CRO 3: Improved risk pricing and portfolio steering through enhanced climate data and scenario capability

Description	Enhanced climate data capabilities and scenario analysis enable more informed risk pricing, portfolio steering, and strategic decision-making. These capabilities support regulatory compliance, differentiate risk across sectors and regions, and position the Bank for emerging opportunities in climate-resilient finance. The Bank's SLFRS S2 readiness journey provides the foundation for developing these capabilities during the transition relief period.
Physical/Transition risk	Climate opportunity
Time period	Medium and long term
Define time horizon	Basis of Defining the Time Horizon on page 185 in Section 1.6.
Current and anticipated effects on the Bank's business model and value chain	**Current impact** Foundational work initiated on climate data architecture and scenario analysis capabilities in preparation for SLFRS S2 requirements. Enhanced awareness of data gaps and development needs informing roadmap planning. Initial assessment of internal data availability and external data sources is progressing. **Anticipated impact** Progressive enhancement of climate data capabilities enables more granular risk assessment and pricing differentiation over time. Scenario analysis informs strategic planning, capital allocation, and risk appetite through quantitative insights. Improved portfolio steering reduces concentration risks and captures emerging opportunities in resilient sectors. Enhanced management information supports board and committee decision-making with climate-integrated reporting. Regulatory compliance with evolving disclosure requirements through staged capability building. Market positioning enhancement through demonstrated climate risk management capabilities, supporting investor confidence and stakeholder trust. **Areas of impact/where is it concentrated?** **Risk management** Enhanced data and analytics improve risk identification, measurement, and monitoring across all climate-related risk categories (physical, transition, reputational). **Strategic planning** Scenario analysis informs long-term strategy, capital planning, and business model resilience assessment through structured what-if analysis. **Pricing and underwriting** Better risk differentiation enables more accurate pricing and improved risk-return decisions through climate-adjusted risk ratings. **Portfolio management** Enhanced steering capabilities enable proactive management of concentration risks and strategic allocation toward resilient sectors and segments. **Disclosure and reporting** Improved data capabilities support regulatory compliance and stakeholder communication through transparent, decision-useful disclosures aligned with SLFRS S2.
Bank's response to CROs in strategy and decision making	**Direct actions:** **Data infrastructure development:** **Climate data architecture:** Developing data infrastructure to capture, validate, and analyse climate-related information at borrower, sector, and portfolio levels, including geographic data (district/DS division level), sectoral classifications, and risk metrics (hazard exposure scores, carbon intensity proxies). **Scenario analysis capability:** **Scenario analysis integration:** Building capabilities to conduct climate scenario analysis, integrating results into strategic planning, capital adequacy assessment (ICAAP), and risk appetite setting. Phased approach aligned with transition relief timeline. **Model governance and validation:** Strengthening model governance frameworks to ensure robust development, validation, and application of climate risk models, with independent validation protocols. **Portfolio management enhancement:** **Portfolio steering limits/targets:** Establishing portfolio steering frameworks with limits and targets for climate-sensitive exposures, supported by enhanced data and analytics. Integration with credit concentration risk framework. **Management dashboards:** Developing management information dashboards to track climate risk exposures, portfolio trends, and emerging issues for committee and board reporting (BIRMC, Board).

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES (SLFRS S1 AND SLFRS S2)

	Indirect actions: **Industry collaboration:** Participating in industry initiatives on climate data standards, scenario methodologies, and best practice development (Sustainable Banking Initiative, regional working groups). **Capacity building:** Enhancing internal expertise in climate analytics, scenario modelling, and data management through training and targeted recruitment. **Technology partnerships:** Exploring partnerships with technology providers, data vendors, and research institutions to accelerate capability development and access specialised expertise.
How the Bank is resourcing, and plans to resource the activities	**Human capital development:** Building internal expertise in climate analytics, scenario modelling, and data management through specialised training programmes. **Technology investment:** Allocating resources for data infrastructure, analytics platforms, and reporting tools to support climate risk management. **Data acquisition:** Budgeting for external climate data services, hazard mapping, and sectoral research to inform risk assessments. **Model development:** Resources for scenario model development, validation, and integration with existing risk frameworks (ICAAP, stress testing). **Governance enhancement:** Strengthening committee structures and reporting processes to support enhanced climate risk oversight through BIRMC and Board.
Progress of the plans and initiatives	**Roadmap development:** Preliminary roadmap for climate data and scenario capabilities developed, aligned with SLFRS S2 transition relief timeline (2025–2027). Key milestones defined for data acquisition (2026), scenario framework development (2026–2027), and pilot implementation (2027). **Data assessment:** Initial assessment of internal data availability and external data sources is in the progress, identifying priority gaps for remediation in geographic tagging, sector classification, and historical hazard data. **Scenario planning:** Foundational work initiated on scenario methodology selection. Assessment of climate scenarios relevant to Sri Lanka is in progress (physical risk pathways, transition policy trajectories). **Training:** Risk and finance staff participated in climate scenario analysis awareness sessions, with advanced training planned for 2026. **Governance:** Climate risk reporting integrated into quarterly BIRMC updates, with enhanced dashboards under development.
Current year financial effects to Profit and Loss Statement (P&L), Statement of Financial Position (SOFP) and Cash Flow Statement (CF)	No material financial effects from enhanced climate data and scenario capabilities were recognised in 2025. Development and data acquisition costs expensed as incurred and are not material.
Significant risk of material adjustments within the next annual reporting period	No significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the Financial Statements. Capability development is progressive and does not impact asset valuations directly.
Anticipated financial effects over short, medium and long term to P&L, SOFP and CF	Transitional relief applied. Qualitative directional impacts disclosed in current and anticipated effects section above. to Note 1.7 on page 186.
Climate resilience	Transitional relief applied. Climate resilience disclosure deferred in accordance with SLFRS S2 transitional relief provisions. Quantitative scenario analysis results will be disclosed after the transition relief period. to Note 1.7 on page 186.
Significant judgements and uncertainties	Development of climate data and scenario capabilities requires significant investment and technical expertise, with uncertain timelines for achieving desired maturity levels. Quality and granularity of external climate data for Sri Lanka may be limited, requiring reliance on global datasets with local applicability constraints. Scenario analysis involves inherent uncertainties in assumptions about policy pathways, technological development, and climate system responses. Model validation and governance frameworks for climate risk are still evolving globally, with limited established practice for local context. The Bank's ability to fully integrate climate considerations into pricing and portfolio decisions depends on broader market acceptance and regulatory guidance.

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES (SLFRS S1 AND SLFRS S2)

⑤ METRICS AND TARGETS

NSB recognises that metrics and targets are essential for translating sustainability-related matters from narrative awareness into disciplined management action. At the same time, the Bank also recognises that poor-quality metrics can create a false sense of maturity. For that reason, the Bank's 2025 approach balances transparency with caution: disclosing what can currently be measured with credibility, identifying where baseline work is still underway, and setting out a clear roadmap for improvement.

5.1 Management approach to metrics

The Bank recognises that metrics need to be both relevant and governable. A metric that is conceptually attractive but weakly owned, difficult to evidence or inconsistent across reporting cycles is of limited decision-use. NSB therefore prioritises measures that can be linked to management action, committee oversight and internal accountability. This is why the first wave of metrics is expected to draw significantly from already-used management indicators, even where further refinement is still required for full external reporting maturity.

Over time, the metric architecture is expected to become more integrated across financial and non-financial reporting. This includes clearer baselines, comparatives, data dictionaries, ownership structures, validation routines and, where appropriate, target ranges approved through governance processes. The intention is not to produce a large volume of metrics, but to build a disciplined and credible suite of indicators that genuinely informs decision-making.

Management uses a phased approach to metrics. First, it identifies internal indicators already used in governance and decision-making, such as customer complaints, digital performance, service continuity, capital and liquidity ratios, training, access metrics, risk events and operational resource indicators. Second, it evaluates which of these are sufficiently mature for external sustainability-related reporting. Third, it strengthens ownership, methodology, controls and explanation around those indicators. Fourth, it develops future targets and baselines where appropriate, especially for climate, emissions, sustainable finance and resilience-related measures.

5.2 Core metric themes for NSB

The Bank's core metric themes are expected to cover customer inclusion and fair outcomes, operational and cyber resilience, complaints, conduct and service recovery, employee capability and governance maturity, climate and environmental stewardship in operations, responsible financing and portfolio overlays, and disclosure and control readiness. For each theme, the Bank intends to distinguish between metrics used to monitor activity, metrics used to monitor outcomes, and metrics used to assess resilience or financial effect. This distinction matters because not all progress is evidenced the same way.

Metric theme	Indicators	Why it matters
Customer trust, fairness and inclusion	Complaint trends, resolution timeliness, accessibility measures, assisted-service usage, financial literacy reach.	Indicates whether inclusion and customer protection commitments are translating into outcomes.
Operational resilience and digital trust	Service uptime, incident counts, BCP/DR testing, cyber metrics, recovery performance.	Shows resilience of channels and operating model.
People and culture	Training completion, critical capability development, wellbeing and retention indicators.	Signals execution capacity and control environment strength.
Financial resilience connection	Capital, liquidity, impairment, funding stability and risk-cost overlays.	Shows how sustainability-related matters intersect with enterprise value and mandate protection.
Natural capital and operational footprint	Energy, fuel, paper, water, waste and renewable adoption indicators.	Supports environmental stewardship and resource-efficiency monitoring.
Climate and sustainable finance	Green finance volumes, ESRM coverage, climate risk screening, climate readiness milestones.	Supports SLFRS S2 and transition/adaptation financing discipline.

5.3 Climate-related metrics and target development pathway

In line with a phased maturity approach, climate-related metrics are expected to evolve from operational footprint and readiness indicators towards more decision-useful portfolio and resilience measures. In the first phase, emphasis is likely to remain on energy use, resource efficiency, renewable deployment where relevant, branch and operational resilience indicators, green or resilience-linked financing activity, and governance or process milestones. In subsequent phases, more advanced portfolio indicators, financed emissions measures and scenario-linked indicators may be incorporated as data quality improves.

The Bank also recognises that climate-related targets should be credible, supportable and aligned to strategy. It is therefore preferable to adopt targets progressively once boundaries, ownership and measurement methods are sufficiently stable rather than to announce ambitious but weakly evidenced commitments. This measured approach supports credibility, governance discipline and future assurance-readiness.

For climate-related reporting, the Bank is progressing in stages. The immediate priority is to strengthen the governance, definitions and control environment around operational resource data and climate-related risk indicators. This includes clarifying source systems, boundaries, ownership and methodology choices. The next stage is to strengthen portfolio-oriented climate metrics, including screening coverage, sectoral sensitivity views, sustainable finance classification and, over time, more formal financed emissions and climate-risk analytics where methodologically supportable.

Targets are therefore also expected to mature in stages. In the near term, the Bank is likely to rely on a mix of baseline indicators, directional targets and capability milestones. Over time, more quantified targets may emerge in relation to operational efficiency, renewable energy, disclosure readiness, climate risk coverage and sustainable finance growth.

Climate related metric	Current value/status
Scope 1 greenhouse gas emissions	1,094 GJ
Scope 2 greenhouse gas emissions	34,258 GJ
Amount and percentage of assets/business activities exposed to transition risks	Not assessed: exposure data currently not available.
Amount and percentage of assets/business activities exposed to physical risk	Not assessed: exposure data currently not available.
Amount and percentage of aligned assets/business activities with climate related opportunities	Not tracked: alignment data currently not available.
Capital deployment toward climate-related risks and opportunities	Not tracked: expenditure and financing data currently not available.
Internal carbon price	Not established: Currently, no internal carbon pricing mechanism is in place.
Remuneration	Not integrated: currently, climate-related remuneration criteria not applied.

5.3.1 Targets set by the Bank

The Bank has not yet established formal climate-related targets. However, recognizing the growing importance of climate resilience the Bank is in the process of developing appropriate targets to support future mitigation and adaptation efforts. As part of this ongoing work, the Bank is strengthening its data systems to determine suitable future performance indicators.

Once established, progress against these targets will be monitored by management using relevant operational metrics and reviewed periodically by the governance body.

5.4 Future readiness and next-cycle enhancement priorities

Taken together, these priorities are intended to move NSB from a well-structured first-cycle disclosure chapter toward a more mature, benchmark-quality sustainability-related financial disclosure regime over subsequent annual reports.

Priority area	Planned enhancement direction
Governance maturity	Formalise stronger board-level sustainability oversight and strengthen committee reporting discipline.
Data and controls	Improve data lineage, validation, evidence trails and source ownership for sustainability-related metrics.
Climate analytics	Develop more formal climate risk overlays, scenario logic and portfolio sensitivity views.
Target architecture	Move from baseline and narrative commitments toward more quantified, monitored targets where feasible.
Assurance readiness	Prepare selected sustainability-related disclosures for more structured internal and external assurance support.

STATEMENT ON CORPORATE GOVERNANCE

NSB regards governance as far more than a compliance mechanism: it is the cornerstone of ethically rigorous and accountable management, permeating every stage of our value creation chain. Deeply embedded within NSB's **Integrated Thinking** philosophy, our governance framework steers decision-making processes to align with ethical, responsible, and morally sound principles, thereby reinforcing our core values and strategic ambitions. This framework is deliberately designed to cultivate enduring value, nurturing an organisational culture rooted in integrity and sustainability while ensuring unwavering transparency and accountability across all operations.

Underpinning NSB's governance architecture is a steadfast commitment to strong leadership, impartial oversight, and managerial accountability, all anchored in a robust ethical foundation. The Bank's governance structure establishes clearly defined boundaries, with the Board of Directors assuming ultimate responsibility for the institution's stewardship. Strategic oversight is delegated to specialised Board Committees and Corporate Management, operating under the leadership of the General Manager/CEO, while the Board retains comprehensive supervision over the Bank's entire operational spectrum. This structured delegation ensures alignment with economic, social, and environmental sustainability objectives, alongside responsiveness to shareholder expectations.

The Board plays an instrumental role in shaping and endorsing the Bank's strategic and operational goals, maintaining an unwavering focus on delivering equitable value to all stakeholders. It further safeguards the integrity and efficiency of NSB's banking operations, emphasising foundational principles such as transparency, accountability, impartiality, and operational excellence. Rigorous compliance with industry benchmarks, regulatory mandates, and legal standards underscores NSB's enduring commitment to ethical corporate governance.

At NSB, governance is conceptualised as a multidimensional strategic initiative aimed at driving sustainable success, protecting stakeholder interests, and delivering ethically grounded financial services to society. Consequently, governance remains a paramount priority for the Bank, embedded within every facet of our organisational consciousness. For a detailed exposition of NSB's corporate governance framework and comprehensive compliance standing, on pages 220 to 253 of this Report.

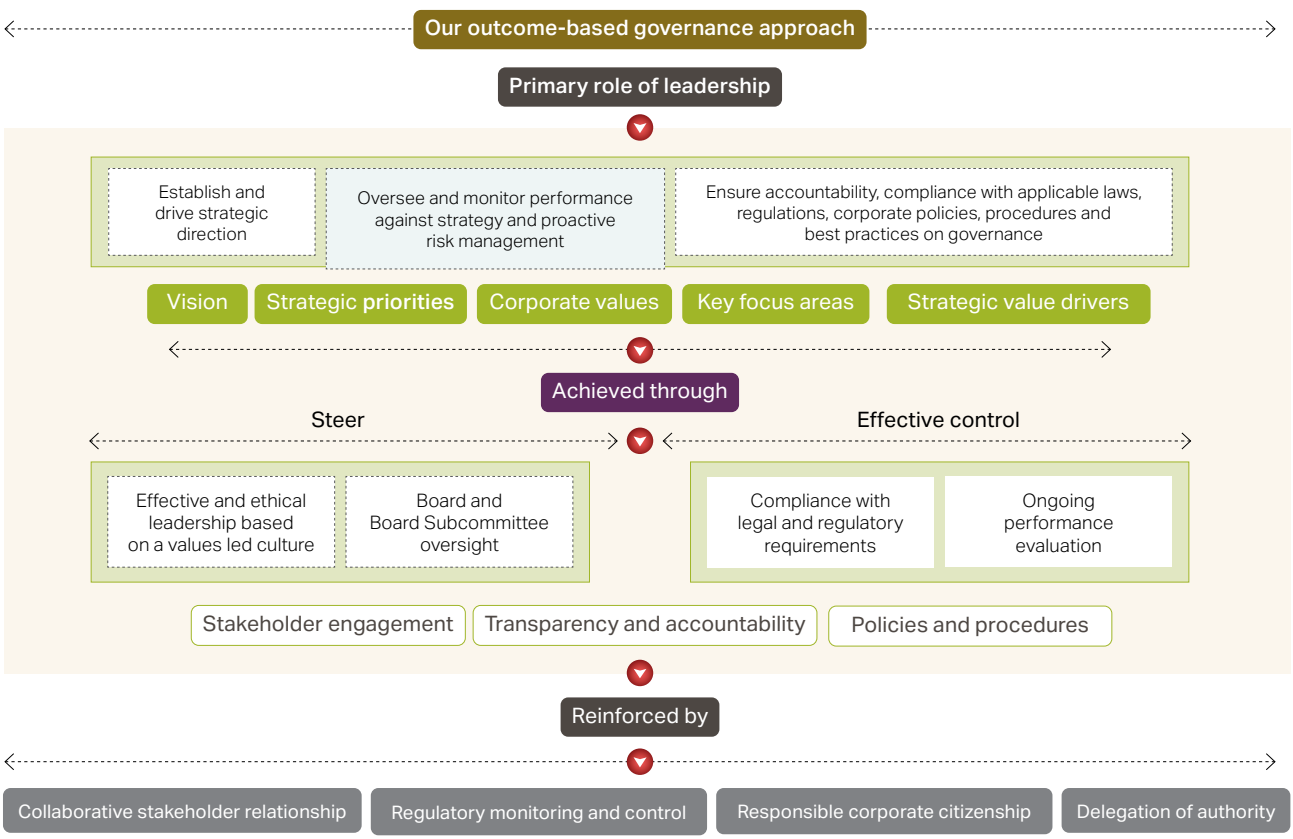


FIGURE 18

STATEMENT ON RISK MANAGEMENT

At NSB, we assign paramount importance to maintaining a robust risk management framework that enables us to navigate the complexities of an evolving financial landscape with resilience and foresight. As the largest Licensed Specialised Bank in Sri Lanka, we remain acutely attuned to the risks emanating from the domestic macroeconomic environment, regulatory shifts, and external market dynamics. Our risk management approach is strategically designed not only to safeguard the financial stability of the Bank but also to reinforce the broader economic resilience of Sri Lanka.

The governance structure overseeing risk management at NSB is underpinned by principles of accountability, transparency, and informed decision-making. The Board of Directors, supported by the Board Integrated Risk Management Committee (BIRMC), provides overarching oversight on the implementation of risk policies and continuously monitors the Bank's evolving risk profile. Authority is appropriately delegated to the General Manager/CEO and management committees to ensure an integrated approach in executing strategic objectives, thereby optimising capital efficiency and operational effectiveness. The Chief Risk Officer (CRO) leads the risk function, ensuring alignment between the Bank's strategic ambitions and its declared risk appetite, while adhering to regulatory imperatives and industry best practices.

Our risk identification process is both comprehensive and proactive. Intelligence gathered from liaison officers embedded within business lines and support divisions facilitates rigorous risk assessments and the generation of detailed risk reports for the Board, BIRMC, and Senior Management. Regular stress testing and scenario analysis, particularly relevant in the context of Sri Lanka's historical macroeconomic volatility enable us to evaluate operational resilience under diverse stress conditions and implement pre-emptive mitigation measures.

2025 DEVELOPMENTS

During 2025, NSB further reinforced its risk management architecture in response to persistent domestic and global challenges, ensuring continued resilience against emerging threats. In light of the multifaceted headwinds confronting the Sri Lankan economy and the consequent impact on borrowers' debt servicing capacity, we intensified our credit risk management framework through enhanced portfolio surveillance. Strengthened monitoring of early warning indicators of potential defaults, coupled with more frequent and granular stress testing, enabled timely interventions to mitigate credit risk and assess potential implications for the Bank's solvency indicators.

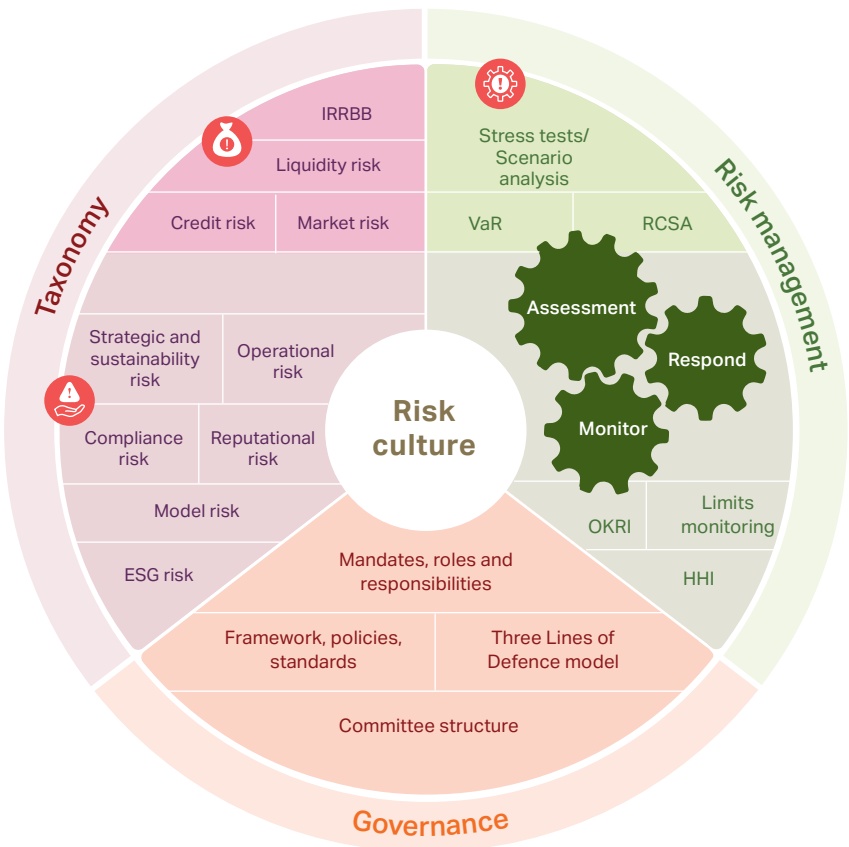


FIGURE 19

INDEPENDENT PRACTITIONERS' LIMITED ASSURANCE REPORT



KPMG
(Chartered Accountants)
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
Internet : www.kpmg.com/lk

TO THE BOARD OF DIRECTORS OF NATIONAL SAVINGS BANK

Report on selected indicators included in National Savings Bank's Integrated Annual Report for the year ended 31 December 2025

Conclusion

We have performed a limited assurance engagement on whether the selected sustainability related indicators as defined in annexure A ("Subject matter Information" or "SMI") in National Savings Bank's ("the Bank") Integrated annual report for the year ended 31 December 2025 have been prepared with reference to the selected Global Reporting Initiative Standards 2021 as mentioned in Annexure A ("Criteria").

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the selected sustainability related indicators as defined in annexure A of National Savings Bank for the year ended 31 December 2025 are not prepared, in all material respects, with reference to the Criteria.

The SMI subject to our limited assurance engagement are listed in Annexure A. The assured sustainability information is marked with Bold font and marked with "LA" in the Integrated Annual Report, and the corresponding GRI indicators are also provided in Annexure A.

Our conclusion on the SMI as defined in annexure A does not extend to other information that accompanies or contains the SMI as defined in annexure A and our assurance report.

Basis for conclusion

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the Institute of Chartered Accountants of Sri Lanka. Our responsibilities under this standard are further described in the "Our responsibilities" section of our report.

We have complied with the independence and other ethical requirements of the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics).

Our firm applies Sri Lanka Standard on Quality Management (SLSQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for limited assurance conclusion.

Intended use or purpose

We have been engaged by the Management of National Savings Bank to provide limited assurance on whether the selected SMI as defined in annexure A have been prepared with reference to the Criteria

Restriction on use or distribution

This report has been prepared for the Board of Directors of National Savings Bank for the purpose of providing an assurance conclusion on whether the selected SMI in the National Savings Bank's Integrated Annual Report for the Year ended 31 December 2025 has been prepared with reference to the Criteria and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than National Savings Bank, or for any other purpose than that for which it was prepared.

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than National Savings Bank, for any purpose or in any other context. Any party other than National Savings Bank who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than National Savings Bank for our work, for this independent assurance report, or for the conclusions we have reached.

Our conclusion is not modified in respect of this matter.

Responsibilities of Management for the SMI

The management of the Bank are responsible for:

- Designing, implementing and maintaining internal control relevant to the preparation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error.
- Selecting or developing suitable criteria for preparing the Subject Matter Information and appropriately referring to or describing the criteria

KPMG, a Sri Lankan Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

C.P. Jayatilake FCA
Ms. S. Joseph FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA
T.J.S. Rajakarier FCA
W.K.D.C Abeyrathne FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R.G.H. Raddella ACA
W.W.J.C. Perera FCA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R Ziyard FCMA (UK), FCIT, K. Somasundaram ACMA (UK), Ms. D Corea Dharmaratne

- Preventing and detecting fraud and ensuring the Bank's compliance with applicable laws and regulations to its activities.
- Ensuring that staff involved in preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units; and
- Preparing the Subject Matter Information with reference to the criteria
- The maintenance and integrity of National Savings Bank's website, including the presentation of our independent limited assurance report on the website is the responsibility of the National Savings Bank's management. Management is responsible for any changes to either the information in the Report or our independent limited assurance report that may have occurred since the initial date of its presentation on National Savings Bank's website.

Those charged with governance are responsible for overseeing the reporting process for the Bank's SMI.

Inherent limitations

The preparation of SMI is subject to inherent limitations arising from the nature of non-financial data, including the use of estimates, assumptions, and third-party information. In addition, due to the inherent limitations of any internal control system, errors or irregularities may occur and not be detected.

Our engagement was not designed to detect internal control weaknesses because the procedures were performed on a test basis and not continuously throughout the period.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the SMI is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained;
- reporting our conclusion to the Board of Directors of National Savings Bank.

Summary of the work we performed as the basis for our conclusion

We exercised professional judgment and maintained professional skepticism throughout the engagement. We designed and performed our procedures to obtain evidence about the SMI that is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our procedures selected depended on our understanding of the SMI, other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. In carrying out our engagement, the procedures we performed primarily consisted of:

- interviewed senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquired management to gain an understanding of the Bank's processes for determining material issues for the Bank's key stakeholder groups;
- enquired relevant staff at corporate and selected site level responsible for the preparation of the SMI in the Integrated Annual Report of National Savings Bank for the year ended 31 December 2025;
- enquired about the design and implementation of the systems and methods used to collect and report the SMI in the Integrated Annual Report of the National Savings Bank for the year ended 31 December 2025, including the aggregation of the reported information;
- applied analytical procedures, as appropriate;
- compared the SMI in the Integrated Annual Report of National Savings Bank for the year ended 31 December 2025 to relevant underlying sources on a sample basis to determine whether the relevant information has been appropriately included in the Report; and was not designed to test the completeness of the relevant data collection systems.
- recalculated the Information subject to Limited Assurance based on the criteria;
- read the SMI in the Integrated Annual Report of National Savings Bank for the year ended 31 December 2025 presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Bank; and
- read the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

CHARTERED ACCOUNTANTS
Colombo
27 March 2026

ANNEXURE A TO OUR LIMITED ASSURANCE REPORT DATED 27 MARCH 2026

The numbers in this annexure have been included in the Integrated Annual Report prepared by the Management. Our reporting boundary is limited to the Bank's operations in Sri Lanka.

GRI Standard (The criteria relevant to the information)		Disclosure Topic	Point in time or period subject to assurance	Page
Disclosure 2-7 Employees	2–7 a	Employees related metrics	As at 31 December 2025	121
	2–7 b (i)		As at 31 December 2025	121
	2–7 c (i)		for the year ended 31 December 2025	122
	2–7 d		for the year ended 31 December 2025	122
	2–7 e		for the year ended 31 December 2025	121
Disclosure 2-23 Policy Commitments	2–23 a (i–iv)	Policy Commitments	for the year ended 31 December 2025	120
	2–23 b (i, ii)		for the year ended 31 December 2025	120
	2–23 c		for the year ended 31 December 2025	121
	2–23 d		for the year ended 31 December 2025	120
	2–23 e		for the year ended 31 December 2025	121
Disclosure 2-28 Membership associations	2–28 a	Membership associations list	for the year ended 31 December 2025	158
Disclosure 2-30 Collective bargaining agreements	2–30 a	Collective bargaining agreements coverage	for the year ended 31 December 2025	129
Disclosure 201-1 Direct economic value generated and distributed	201–1 a (i–ii)	Direct economic value generated and distributed	for the year ended 31 December 2025	65
Disclosure 202-2 Proportion of Senior Management hired from the local community	202–2 a	Proportion of Senior Management hired from the local community	for the year ended 31 December 2025	125
	202–2 c		for the year ended 31 December 2025	125
	202–2 d		for the year ended 31 December 2025	124
Disclosure 203-2 Significant indirect economic impacts	203–2 a	Significant indirect economic impacts	for the year ended 31 December 2025	168
Disclosure 204-1 Proportion of spending on local suppliers	204–1 a	Proportion of spending on local suppliers	for the year ended 31 December 2025	15
	204–1 b		for the year ended 31 December 2025	156
	204–1 c		for the year ended 31 December 2025	156
Disclosure 205-3 Confirmed incidents of corruption and actions taken	205–3 a	Confirmed incidents of corruption and actions taken	for the year ended 31 December 2025	15
	205–3 d		for the year ended 31 December 2025	147
Disclosure 206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	206–1 a	Legal actions for anti competitive behaviour, anti-trust, and monopoly practices	for the year ended 31 December 2025	148
Disclosure 302-1 Energy consumption within the organisation	302–1 a	Total energy consumption within the organisation	for the year ended 31 December 2025	181
	302–1 d (i)		for the year ended 31 December 2025	181
	302–1 e		for the year ended 31 December 2025	181
Disclosure 302-3 Energy intensity	302–3 a	Energy intensity calculation	for the year ended 31 December 2025	181
Disclosure 303-3 Water withdrawal	303–3 a (v)	Water Withdrawal	for the year ended 31 December 2025	181
Disclosure 401-1 New employee hires and employee turnover	401–1 a	List of New employee hires and employee turnover	for the year ended 31 December 2025	124
	401–1 b		for the year ended 31 December 2025	125

INDEPENDENT PRACTITIONERS' LIMITED ASSURANCE REPORT

GRI Standard (The criteria relevant to the information)		Disclosure Topic	Point in time or period subject to assurance	Page
Disclosure 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	401–2 a (i–vii)	Benefits provided to full-time employees that are not provided to temporary or part–time employees	for the year ended 31 December 2025	122
Disclosure 401-3 Parental leave	401–3 a	Parental leave calculations	for the year ended 31 December 2025	128
	401–3 b		for the year ended 31 December 2025	128
	401–3 c		for the year ended 31 December 2025	128
	401–3 d		for the year ended 31 December 2025	128
	401–3 e		for the year ended 31 December 2025	128
Disclosure 403-1 Occupational health and safety management system	403–1 a (i, ii)	Occupational health and safety management system	for the year ended 31 December 2025	129
	403-1 b		for the year ended 31 December 2025	129
Disclosure 403-8 Workers covered by an occupational health and safety management system	403–8 a (i–iii)	Workers covered by an occupational health and safety management system	for the year ended 31 December 2025	129
Disclosure 403-9 Work-related injuries	403–9 a (i)	Number of Work-related injuries	for the year ended 31 December 2025	129
Disclosure 404-1 Average hours of training per year per employee	404–1 a (i–ii)	Average hours of training per year per employee	for the year ended 31 December 2025	127
Disclosure 404-3 Percentage of employees receiving regular performance and career	404–3 a	Percentage of employees receiving regular performance and career development reviews	for the year ended 31 December 2025	129
Disclosure 405-1 Diversity of governance bodies and employees	405–1 a (i, ii)	Diversity of governance bodies and employees	for the year ended 31 December 2025	121
	405–1 b (i, ii)		for the year ended 31 December 2025	237
Disclosure 405-2 Ratio of basic salary and remuneration of women to men	405–2 a	Ratio of basic salary and remuneration of women to men	for the year ended 31 December 2025	122
Disclosure 406-1 Incidents of discrimination and corrective actions taken	406–1 a	Number of Incidents of discrimination and corrective actions taken	for the year ended 31 December 2025	131
Disclosure 408-1 Operations and suppliers at significant risk for incident of child labour	408-1 a	Operations and suppliers at significant risk for incident of child labour	for the year ended 31 December 2025	131
	408-1 b		for the year ended 31 December 2025	131
Disclosure 409-1 Operations and suppliers at significant risk for incident of forced or compulsory labour	409-1 a	Operations and suppliers at significant risk for incident of forced or compulsory labour	for the year ended 31 December 2025	131
Disclosure 417-2 Incidents of non-compliance concerning product and service information and labeling	417–2 a (i–iii)	Number of Incidents of non–compliance concerning product and service information and labeling	for the year ended 31 December 2025	148
	417–2 b		for the year ended 31 December 2025	148
Disclosure 417-3 Incidents of non-compliance concerning marketing communications	417–3 a (i–iii)	Incidents of non–compliance concerning marketing communications	for the year ended 31 December 2025	148
	417– 3 b		for the year ended 31 December 2025	148
Disclosure 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	418–1 a (i, ii)	Substantiated complaints concerning breaches of customer privacy and losses of customer data	for the year ended 31 December 2025	148
	418–1 b		for the year ended 31 December 2025	148
	418–1 c		for the year ended 31 December 2025	148



Empowering the sacrifice that drives every journey

Thousands of miles from home, they work so their families can thrive. NSB honours the sacrifice of Sri Lanka's migrant workforce by providing trusted channels for remittances and savings, ensuring that every hard-earned rupee they send home is protected, preserved, and put to work for the future they are building.

GOVERNANCE

BOARD OF DIRECTORS
220

CORPORATE MANAGEMENT
226

EXECUTIVE MANAGEMENT
228

CHIEF MANAGERS
230

CORPORATE GOVERNANCE
231

REPORT OF THE BOARD AUDIT COMMITTEE
245

REPORT OF THE BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE
248

REPORT OF THE BOARD NOMINATION COMMITTEE
250

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE
251

REPORT OF THE BOARD INFORMATION TECHNOLOGY STRATEGY COMMITTEE
253

RISK MANAGEMENT REPORT
254

BOARD OF DIRECTORS



BOARD OF DIRECTORS



Dr Harsha Cabral PC

Chairman
Non-Independent Non-Executive Director

Date of appointment

2 May 2023

Skills and expertise

Dr Cabral is a President's Counsel in Sri Lanka with thirty-eight (38) years experience in the field of Intellectual Property Law, Company Law, Commercial Law, Commercial Arbitration, Securities Laws, International Trade Law covering both civil and criminal aspect of the said areas of the law. He has been a President's Counsel for twenty years (20) and commands an extensive practice in the Commercial High Courts and the Supreme Courts of Sri Lanka and has sixteen (16) Attorneys-at-Law working in his Chambers. Dr Cabral holds a doctorate in Corporate Law from the University of Canberra, Australia. He was a sitting member of the International Chamber of Commerce (ICC) International Court of Arbitration in Paris for a period of six years till 2021. He is a Representative Member of the Federation of Integrated Conflict Management (FICM) as well as a Representative Member of the International Commercial Disputes Tribunal (ICDT).

As a member of the Advisory Commission on Company Law in Sri Lanka, Dr Cabral was one of the architects of the Companies Act No. 07 of 2007, the current Act.

Dr Cabral is a senior visiting lecturer at several universities here and abroad, a regular speaker at public seminars and an author of several Board of Directors books. He has also presented several papers on Corporate Law, Intellectual Property Law, Commercial Arbitration, International Trade Law here and abroad. In addition to his active practice in courts and lecturing, he has been a counsel in many Arbitrations and has served as Sole-Arbitrator, Co-Arbitrator and Chairman in a large number of Arbitrations, domestic and international. Following are the books Dr Cabral has published.

- Corporate Law, Derivative Actions: A Comparative Approach.
- Intellectual Property Law in Sri Lanka.
- Companies Act No. 07 of 2007 and the Corporate Law of Sri Lanka.
- Duties of Company Directors and Corporate Governance in Sri Lanka.
- Law and Practice of Commercial Arbitration in Sri Lanka.
- Cabral's Arbitration Law Reports (Vol. I) [1895 – 2020].
- Cabral's Intellectual Property Law Reports (Vol. I) [1888 – 1995].
- Cabral's Intellectual Property Law Reports (Vol. II) [1995 – 2020].
- Cabral's Company Law Reports (Vol. I) [1881 – 1982].
- Cabral's Company Law Reports (Vol. II) [1983 – 1993].
- Cabral's Company Law Reports (Vol. III) [1994 – 2012].
- Cabral's Company Law Reports (Vol. IV) [2013 – 2021].

Other current appointments

Dr Cabral is a member of the Law Commission of Sri Lanka, a member of the Intellectual Property Advisory Commission in Sri Lanka, a member of the Corporate Governance Faculty and the Corporate Governance Committee of The Institute of Chartered Accountants of Sri Lanka, and University Grants Commission (UGC) nominee on the Postgraduate Institute of Medicine (PGIM). Dr Cabral serves as the Chairman of the Tokyo Cement Group, which commands the largest market share for cement in Sri Lanka. Dr Cabral currently serves as Non-Executive Director of DIMO PLC, Hayleys PLC, Alumex PLC, Tokyo Cement Company (Lanka) PLC, Tokyo Super Cement Company Lanka (Private) Limited, Tokyo Cement Power Lanka (Private) Limited, Tokyo Eastern Cement Company (Private) Limited, Tokyo Super Aggregate (Private) Limited, Tokyo Supermix (Private) Limited, Chevron Lubricants Lanka PLC, Ceylinco Life Insurance Co. Ltd. CCC-ICLP International ADR Centre (Guarantee) Limited, Sri Lanka Institute of Information Technology (Guarantee) Limited (SLIIT), SLIIT International (Private) Limited, Nanadiriya (Guarantee) Limited (Chairman) and he serves on several Audit Committees, Nomination Committees, Remuneration Committees, Recoveries Committees and the Related Party Transactions Committees, chairing most of them.

Previous key appointments

Dr Cabral was a former member of the Board of Investment (BOI) of Sri Lanka. He was the Founder Board Member of the Sri Lanka International Arbitration Centre and was involved in the drafting of the Arbitration Act No. 11 of 1995, the current Act. He was the past Chairman of LOLC Finance PLC, one of the largest Finance Companies in Sri Lanka. He was also a director of LOLC Insurance Company Limited, Commercial Leasing and Finance Limited, Richard Pieris Distributors Limited (Arpico Supermarkets), World Export Centre Limited and Darley Property Holdings (Private) Limited. He was also the past Acting Chairman of Hatton National Bank PLC (HNB). In addition, Dr Cabral was a senior Director of the Union Bank of Sri Lanka. He was also a member of the Cabinet appointed Committee on the National Trade Policy and also a member of the Presidential Commission appointed on reformulating laws of Sri Lanka.

BOARD OF DIRECTORS



Mr Jude Nilukshan

Ex-Officio Director
Non-Independent Non-Executive Director

BIRMC BAC BHRRC

Date of appointment

28 February 2022

Skills and expertise

Mr Jude Nilukshan, is a special grade officer of Sri Lanka Administrative Service, having over 26 years of experience in the public sector.

Mr Nilukshan holds a Master's Degree in International Trade & Economic Cooperation from Kyung Hee University, South Korea and a BSc Management (Public Administration) special Degree, from the University of Sri Jayewardenepura. He received extensive training and professional exposure in budgeting and financial management from reputable local and international institutions and universities. He has also represented Sri Lanka as a member of official delegations on several occasions. He obtained a certificate of Public Administration and Certificate of General Management from Sri Lanka Institute of Development Administration.

Other current appointments

He is currently appointed as the Director General of the National Budget Department. In addition to his current position, he is also representing Secretary to the Treasury on the Governing Council of the Sri Lanka Institute of Development Administration (SLIDA) and represent various Cabinet appointed official committees.

While serving as Director General of National Budget, also appointed by the Cabinet of Ministers as Acting Director General of the Department of Treasury Operations in 2025 and Acting Director General of the Department of Information Technology Management Services in 2022.

Previous key appointments

During his public service career he held various senior managerial positions of the General Treasury, Sri Lanka Customs and the Office of the Cabinet of Ministers.

He has also been appointed as the Chairman of the Board of the Shrama Vasana Fund. He represents the General Treasury on the governing bodies of several key state-owned institutions, including the Ceylon Electricity Board (CEB), Academy of Financial Studies (MILODA), Sri Lanka Pharmaceutical Manufacturing Corporation (SPMC), National Botanical Gardens Trust Fund, Independent Television Network Ltd. (ITN), Marine Environment Protection Authority, Local Government Loans Board, Sri Lanka Youth Corps, National Building Research Organization (NBRO), and the Public Servants Mutual Provident Association (PSMPA). He has also been appointed by the Prime Minister as a nominated member of the Board of Directors of the National Film Corporation.



Mr S R W M Ruwan Palitha Sathkumara

Ex-Officio Director
Non-Independent, Non-Executive Director

BHRRC BNC BIRMC BITSC

Date of appointment

27 March 2023

Skills and expertise

Mr Sathkumara holds a Master of Economics from the University of Kelaniya and a BSc Management (Special) Degree with a Second- Class Upper Division from the University of Sri Jayewardenepura. He holds a Diploma in Entrepreneurship Development and a Diploma in English for Professionals from Institute of Development Administration. Mr Sathkumara also holds a Higher National Diploma in Public Procurement and Contract Administration from the Sri Lanka Institute of Development Administration.

Mr Sathkumara is a special grade officer of Sri Lanka Administrative Service having over 26 years of experience in the public sector.

Other current appointments

Postmaster General, Department of Posts, and Member of Public Service Provident Fund (PSPF).

Previous key appointments

SLAS Cadet – Sri Lanka Institute of Development Administration, Assistant Commissioner of Title Registration – Land Settlement Department, Assistant Divisional Secretary – Divisional Secretariat – Ganewatta, Assistant Divisional Secretary – Divisional Secretariat Udubaddawa, Deputy Director General (Administration) in Sri Lanka Rupavahini Corporation, Divisional Secretary – Divisional Secretariat – Ipalogama, Director – Department of Management Services (General Treasury), Deputy Director/ Director – Sri Lanka Customs, Senior Assistant Secretary/ Director (Sports Development) – Ministry of Sports, Additional Secretary – Ministry of Mass Media, Mantai Salt Ltd. – Board Member, Land Reforms Commission (LRC) – Commission Member, Skills Development Fund Lt. (SDFL) – Board member, Acting Chairman – Independent Television Network (ITN), Board Member – National Authority of Tobacco and Alcohol (NATA), Board Member – Selacine Rupavahini Institute.

BOARD OF DIRECTORS



Mr Dushyanta Basnayake

Non-Independent
Non-Executive Director

BITSC BAC BNC BHRRC

Date of appointment

31 March 2023

Skills and expertise

Mr Basnayake is a Fellow Member of the Chartered Institute of Management Accountants (CIMA-UK) and a Chartered Global Management Accountant (CGMA). He is a Certified Member of Sri Lanka Institute of Marketing and a Fellow Member of Chartered Professional Managers (Sri Lanka). He holds a BA (Honours) in Business Administration from London Metropolitan University (UK) and holds an Executive Master of Business Administration (EMBA) from Postgraduate Institute of Management (PIM), Sri Jayewardenepura University. He also holds a Master of Laws (LLM), International Trade from the Cardiff Metropolitan University, UK. Mr Basnayake started his career in Accountancy at Ernst & Young, Chartered Accountants. He is a Management Consultant with extensive skills and experience over 36 years holding Executive positions in various government institutions and corporate sector companies.

Other current appointments

Chairman – Sri Lanka Savings Bank, NSB Fund Management Ltd., Ayu Ventures (Pvt) Ltd. and Medimarket (Pvt) Ltd.

Previous key appointments

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



Mr Ashane Jayasekara

Non-Independent
Non-Executive Director

BAC BIRMC BITSC

Date of appointment

9 January 2024

Skills and expertise

Mr Jayasekara is a Fellow Member (FCA) of The Institute of Chartered Accountants of Sri Lanka, a Fellow Member (FCMA) of the Chartered Institute of Management Accountants – UK, and a Fellow Member (FBCS) of the British Computer Society (UK). He is an Associate Member (AIArb) of the Singapore Institute of Arbitrators. He holds a Bachelor of Science Degree in Information Systems from the London Guildhall University and a Master of Business Administration from the University of Southern Queensland. He also holds a Master of Laws (LLM) from Cardiff Metropolitan University specialising in Information Technology and Intellectual Property. Mr Jayasekara is a Certified Internal Auditor (IIA – USA), Certified Fraud Examiner (ACFE – USA), Certified Information Systems Auditor (ISACA – USA) and a Computer Hacking Forensic Investigator (EC Council – USA).

He has over 22 years of experience in the fields of internal audit, cybersecurity, fraud investigations, corporate governance, risk management and internal controls. His experience spans the private, publicly listed, multinational and government enterprises across a range of sectors. He has overseen many forensic audits and provided litigation support for cases ranging from arbitration hearings to High Court cases. He has served as a consultant to local government and state-owned enterprises on the development of enterprise risk management policies and IPPF based Internal audit manuals. He is a visiting faculty member at leading state and private sector universities and has played a pioneering role in the introduction and delivery of Fraud and Forensic Accounting as a subject in undergraduate and postgraduate programmes in Sri Lanka.

Other current appointments

Deputy Managing Partner of BDO Partners Sri Lanka and Managing Director of BDO Partners (Pvt) Ltd. Council Member – The Institute of Chartered Accountants of Sri Lanka, Member – Global Advisory Council of the Association of Certified Fraud Examiners USA, Member – Global Advisory Board on Computer Forensics of the EC Council USA.

Previous key appointments

Managing Partner of BDO Maldives, Director of BT Communication Lanka (Pvt) Ltd. Subsidiary of British Telecom Global Services (UK), Director of BDO BPO Services (Pvt) Ltd., Director of BDO Prime Consultants (Pvt) Ltd., President of the Institute of Internal Auditors Sri Lanka (Affiliated to IIA Global USA) in 2012/13.

BOARD OF DIRECTORS



Mr Ranil Goonetilleke

Independent Non-Executive Director

BNC

Date of appointment

23 October 2025

Skills and expertise

Mr Ranil Goonetilleke (FCMA), is a fellow member of the Chartered Institute of Management Accountants UK (CIMA). He began his career at KPMG Sri Lanka and thereafter joined Haycarb PLC to its Finance Division and progressed to be its Divisional Manager – Finance. Subsequent to his employment at Haycarb, in 1998, he joined Ceylon Brewery PLC as its Financial Controller and in April 2004 was appointed Director Finance Lion Brewery Ceylon PLC which post he held until his retirement in December 2023.

He has undergone executive training both locally and overseas in varied general management topics including Strategic Cost Management at INSEAD France and Formulating & Actioning Strategy, at the Wharton University, Philadelphia.

Other current appointments

Currently he is a Non-Executive Director of Lion Brewery Ceylon PLC, Pegasus Hotels of Ceylon PLC, whilst he serves as a Non-Executive Independent Director of Namunukula Plantations PLC and Ceylinco Holdings PLC. He also serves in their various governance committees including audit, risk and related party. He is a Board Member of the National Council for Child and Youth Welfare, a charity organization providing shelter and care to destitute children through their 6 care centers located islandwide.

Previous key appointments

He is the immediate past Chairman of the Exporters Association of Sri Lanka of the Ceylon Chamber of Commerce.



Mr Supul Wijesinghe

Senior Director
Independent Non-Executive Director

BAC BHRRC BNC

Date of appointment

18 November 2025

Skills and expertise

Mr Supul Wijesinghe holds a BSc in Business Administration from the University of Sri Jayewardenepura, Master of Accounting and Finance from the University of Kelaniya and is currently reading for his PhD. He is a Fellow Member of the Chartered Institute of Management Accountants in the United Kingdom, Fellow Member of the Association of Chartered Certified Accountants in the United Kingdom and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

Mr Wijesinghe has over 25 years' extensive local and international experience in audit, accounting, risk management, financial management, fiduciary safeguards, corporate planning, business strategy, governance, business transformation and strategic business alliances.

A researcher in the field of corporate governance, Mr Wijesinghe has published several research articles with the most recent being Critical Analysis of Agency Law of UK. As a corporate trainer in strategic management and emotional intelligence, Mr Wijesinghe has conducted many training programs in Sri Lanka and Maldives. He has also been a supervising member and mentor for professional accounting students of ICASL, ACCA, CIMA and CMA thereby contributing to the growth of the accountancy profession in Sri Lanka.

Mr Wijesinghe's boardroom acumen, strategic foresight, regulatory insight, and cross border leadership experience make him a value-adding independent voice in advocating strong audit, risk management, governance and sustainability-driven growth in the banking and finance sector.

Other current appointments

Mr. Wijesinghe presently holds several Directorships in listed entities as well as public sector organisations including Private Health Services Regulatory Council, The Financial Ombudsman Sri Lanka and SMB Finance PLC. Mr Wijesinghe has chaired the Board Audit Committees in some of these institutions and also has experience in other Board Subcommittees such as Integrated Risk Management Committee, Human Resources and Remuneration Committee, Information Security Committee and Related Party Transaction Review Committee.

Previous key appointments

In his extraordinary and multifaceted career, Mr Wijesinghe has held many national and international positions including Audit and Assurance Manager in PricewaterhouseCoopers (PwC), Financial Management Specialist in The World Bank, Country Finance Head in 3M, an American multinational conglomerate known for its extensive innovation in various product lines, and Chief Financial Officer in SMB Leasing PLC, a listed entity in the Colombo Stock Exchange.

BOARD OF DIRECTORS



Mr Rohana Bandara Weerakoon

Acting General Manager/CEO

Date of appointment

13 March 2026

Skills and expertise

Mr Weerakoon, who is in possession of a wealth of experience, unfolding over 28 years in the Banking and Financial Sector, had been serving in the capacity of Deputy General Manager (HRD) of the Bank, prior to his appointment as the Acting General Manager/CEO.

Having joined the Bank in the year 1998, Mr Weerakoon has served in many positions at various levels of the Bank. By gaining deep and broad-based expertise and holding several important management level positions across treasury operations, primary dealer function, branch operations, administration and human resource development, he was able to reach the zenith in no time.

He holds a Bachelor's Degree in Commerce (B.COM) from the University of Kelaniya and a Master's Degree in Business Administration (MBA) from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura. He is also a Fellow Member of the Association of Professional Bankers of Sri Lanka (APB) and the Institute of Chartered Professional Managers of Sri Lanka (FCPM). With his outgoing personality, he always gained confidence of the staff and his past Presidency at the Executive Officers' Association bears testimony to the same.

His strong operational acumen, strategic insight, proven leadership qualities and capabilities blended with thoughtful, composed and considerate human approach are instrumental in guiding the current transitional phase of the Bank and supporting its long-term growth and stability.

Mr W H M D B Wijekoon

Acting Secretary to the Board of Directors
W.e.f. 19 January 2026
Attorney-at-Law



Ms Anupama Muhandiram

Secretary to the Board of Directors

Date of appointment

6 December 2016
(Until 18 January 2026)

Skills and expertise

Ms Anupama Muhandiram, an Attorney-at-Law holds Master of Laws Degree (LLM) from Cardiff Metropolitan University of UK, Master's in Business Administration (MBA) Degree from Manipal University and Post-Attorney Diploma in Banking and Insurance Law from the Incorporated Council of Legal Education of Sri Lanka. Currently she is reading for Chartered Corporate Secretaries of Sri Lanka.

Prior to her appointment as the Secretary to the Board of Directors of National Saving Bank on 6 December 2016, she has served as Assistant Secretary to the Board of Directors from November 2015 to December 2016.

She has served as the Company Secretary of NSB Fund Management Co. Ltd., from 2015 to 2017 and performed as the Company Secretary of Entrust Securities PLC (ESP) during the period of NSB acting as the managing agent of the ESP. Out of 28 years experience in Banking and Finance sector, she had served more than 17 years at People's Bank as a Senior Legal Officer and an Assistant Secretary to the Board of Directors.

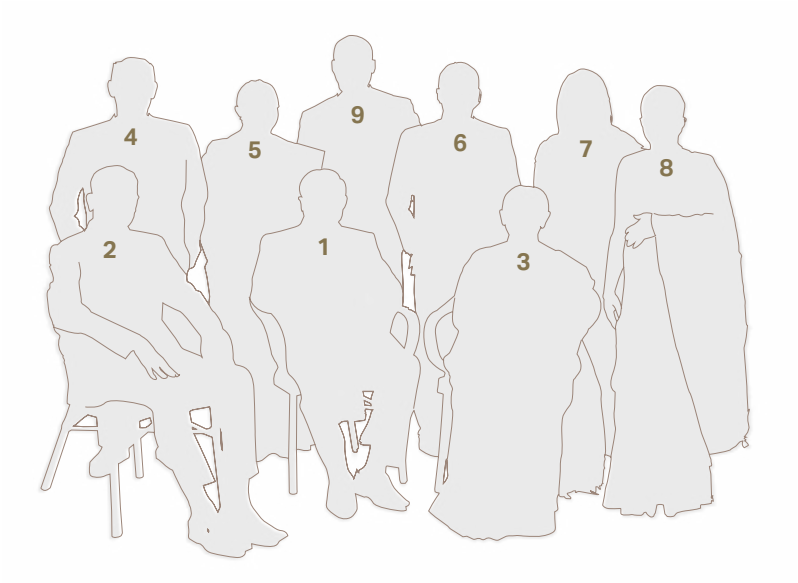
Ms Muhandiram is also a visiting Lecturer (Commercial Law) at the University of Sabaragamuwa, Lanka Pacific Aviation (Air Law and Regulations) and she is the Founder Secretary of Association of Board/Company Secretaries of Banks in Sri Lanka, Council member of ICT Lawyers Guild. She has overseas exposure to an Australian Legal Firm as a Trainee.

BIRMC Board Integrated Risk Management Committee – Chairman	**BIRMC** Board Integrated Risk Management Committee – Member
BAC Board Audit Committee – Chairman	**BAC** Board Audit Committee – Member
BHRRC Board Human Resource and Remuneration Committee – Chairman	**BHRRC** Board Human Resource and Remuneration Committee – Member
BNC Board Nomination Committee – Chairman	**BNC** Board Nomination Committee – Member
BITSC Board Information Technology Strategy Committee – Chairman	**BITSC** Board Information Technology Strategy Committee – Member

CORPORATE MANAGEMENT



CORPORATE MANAGEMENT



1 **Mr Rohana Bandara Weerakoon**

Acting General Manager/CEO

2 **Mr K Raveendran**

Senior Deputy General Manager

3 **Ms G V A D D Silva**

Senior Deputy General Manager (Designate)/Deputy General Manager (Treasury and International)

4 **Mr G W E Jayaweera**

Deputy General Manager (Audit)

5 **Ms M N A Fernando**

Deputy General Manager (Administration)

6 **Mr Ajith Akmeemana**

Deputy General Manager (Finance, Planning and MIS)/ Chief Financial Officer

7 **Ms R A N N Wijesinghe**

Deputy General Manager (Operations and Branch Banking)

8 **Ms Anupama Muhandiram**

Acting Deputy General Manager (Legal)

9 **Mr L C Senanayake**

Acting Deputy General Manager (IT)

EXECUTIVE MANAGEMENT



Mr Sujith Fernando
Assistant General Manager

Mr A P R De Zoysa
Chief Information Security Officer

Mr H M G P J Herath
Assistant General Manager (Operations)

Ms S H A S Kumari
Assistant General Manager (Recoveries)

Ms C N Ekanayake
Assistant General Manager (Talent Management)

Mr H M M Herath
Assistant General Manager (IT)

Mr K D K K Wijeyawardena
Assistant General Manager (Operations)

Ms M D T Perera
Assistant General Manager (Marketing)

EXECUTIVE MANAGEMENT



Mr S Sivasorupan
Assistant General Manager (Postal Banking)

Ms S W A Weerasinghe
Assistant General Manager (Treasury)

Ms K B N C Kumari
Assistant General Manager (Finance)

Mr D M C P B Dissanayake
Assistant General Manager (Core Banking)

Ms W P U A de Silva
Assistant General Manager (Corporate Finance)

Mr D L P Abayasinghe
CEO – NSB Fund Management Company

Ms R P A M P Rajanayake
Chief Risk Officer

Mr M D Suranjana
Assistant General Manager (Audit)

Mr A L A Haleem
Assistant General Manager (Operations)

Mr S B Suranga
Assistant General Manager (Branch Banking)

Ms I K L Sasi Mahendran
Compliance Officer (Not in the picture)

CHIEF MANAGERS

Mrs J M A K Jayasinghe
Regional Manager (Western 2)
Regional Office (Western 2)

Mr N Baheerathan
Regional Manager (Northern)
Regional Office (Northern)

Mr H D U Susantha Kumara
Regional Manager (Uva)
Regional Office (Uva)

Mrs D A V Wijewantha
Regional Manager (Western 1)
Regional Office (Western 1)

Mr K Sansayan
Regional Manager (Eastern)
Regional Office (Eastern)

Mr R T Subasinghe
Regional Manager (Central)
Regional Office (Central)

Mr H M G Herath
Regional Manager (Sabaragamuwa)
Regional Office (Sabaragamuwa)

Mr S G S P K Piyaratne
Regional Manager (Western 3)
Regional Office (Western 3)

Mr I N S A Nanayakkara
Regional Manager (Southern 1)
Regional Office (Southern 1)

Mr H M R Pushpakumara
Regional Manager (North Western)
Regional Office (North Western)

Mr I S Jayasuriya
Regional Manager (Southern 2)
Regional Office (Southern 2)

Mr S N R Senadeera
Chief Manager
Branch Management Division

Mr A B C R Wijayapala
Chief Manager
Credit Administration

Mr M V G Susil Kumara
Chief Manager
Branch Management Division

Mr M W K C De Silva
Chief Manager
Corporate Finance Division

Mrs W E C Perera
Chief Manager
Risk Management Division

Mr J L P Manjula
Chief Manager
Supplies Division

Mrs K C Thayaananthan
Branch Manager
Jaffna Branch

Mr A M G Alahakoon Banda
Branch Manager
Gampaha Branch

Mr N D C D Kularathne
Branch Manager
Negombo Branch

Mr K V W S Darshana
Chief Manager
(Pawning and Operations)
Branch Management Division

Mrs T A D N Anuruddi
Branch Manager
Nugegoda Branch

Mr E A R Abeysinghe
Chief Manager
NSB Fund Management
Company Ltd.

Mrs G A D Godamulla
Chief Manager
Finance and Planning Division

Mr W M M R P Perera
Chief Manager
(International Banking)
International Banking Division

Mr R M C K Rajapakse
Chief Manager
Postal Banking Administration
Division

Ms A D Dharmapriya
Chief Manager (Legal)
Kandy Branch

Mr W A U Nandana
Chief Manager
Credit Division

Mr A B Wimaladasa
Branch Manager
Maharagama Branch

Mr D G S Jayatissa
Branch Manager
Badulla Branch

Mr H L S Wijesinghe
Chief Manager (Finance)
Finance and Planning Division

Mr E A A Chandima
Chief Manager (Premises)
Premises Division

Mrs B M M C K Basnayake
Chief Manager (IT)
Information Technology Division

Mrs U G Mallika
Chief Manager (IT)
Information Technology Division

Mr S Thaneeswaran
Branch Manager
Wellawatta Branch

Mr B A Pemaratne
Chief Manager
Audit and Vigilance Division

Ms M D A P Goonetillake
Chief Manager
E-banking Unit

Mrs K G Ranasinghe
Branch Manager
Panadura Branch

Mr H P T S Jayasooriya
Chief Manager
Recoveries Division

Mr B L R Mendis
Chief Manager (Security)
Security Division

Mr C S Liyanapathirana
Chief Manager (IT)
Information Technology Division

CORPORATE GOVERNANCE

CHAIRMAN'S MESSAGE



At National Savings Bank, we regard robust corporate governance as fundamental to enduring performance, institutional strength, and the confidence placed in us by our stakeholders. In my capacity as Chairman, I maintain that governance extends beyond regulatory adherence; it serves as a strategic lever enabling the Bank to execute its mandate as a reliable steward of national savings and a contributor to economic advancement.

Operating within a dynamic macroeconomic environment shaped by digital transformation, heightened regulatory scrutiny, and socio-economic shifts, the Bank recognises the necessity for governance structures that are responsive, transparent, and forward-looking. Our approach remains anchored in a clearly articulated purpose: to advance stakeholder interests through decisions grounded in integrity, accountability, and fiscal discipline.

The Bank's governance architecture rests upon four foundational elements: the efficacy of the Board, the primacy of ethical conduct, the exercise of robust risk oversight, and meaningful engagement with stakeholders. Throughout 2025, the Board sustained an active role in steering strategic direction, exercising oversight of the risk landscape, and discharging its fiduciary duties with rigour. Deliberations encompassed both financial metrics and broader considerations, ensuring congruence with our long-term objectives and national developmental imperatives.

A clear delineation of authority between the Board and executive management continues to be upheld, reinforcing a culture of informed debate, transparency, and shared responsibility. The composition of the Board reflects a deliberate balance of expertise, independent judgment, and diversity, equipping the Bank to address the complexities of the current operating environment.

In anticipation of evolving governance standards, the Bank is positioned to meet emerging expectations. Adherence to the revised Corporate Governance Directions issued by the Central Bank of Sri Lanka remains a priority, reinforcing accountability at Board level, strengthening risk protocols, and enhancing internal control systems. Additionally, the Bank has commenced foundational work in preparation for the adoption of SLFRS S1 and S2 Sustainability Disclosure Standards, a progressive step intended to reinforce the transparency and credibility of our reporting and sustain stakeholder assurance.

At NSB, governance is not confined to formal structures or documented policies; it is embedded within the organisational culture. From front-line operations to the highest levels of leadership, a commitment to ethical practice is cultivated through clearly articulated codes of conduct, accessible whistleblowing mechanisms, and a firm stance against conflicts of interest or misconduct. This governance ethos is further reflected in the progressive embedding of Environmental, Social, and Governance (ESG) principles within our strategic framework and operational decisions.

This Integrated Annual Report, together with the detailed compliance annexures set out on pages 440 to 468, demonstrates the practical application of our governance framework and confirms continued alignment with regulatory directives and established best practice. It stands as evidence of our sustained dedication to governance excellence, accountability, and principled leadership.

Looking ahead, we remain committed to the continuous enhancement of our governance practices. We will continue to assess and refine our framework, integrating internationally recognised standards while remaining rooted in our national context and values. By reinforcing these principles throughout our operations, we aim to strengthen our contribution to Sri Lanka's development trajectory and support the creation of a resilient, inclusive future.

I extend my sincere gratitude to my colleagues on the Board, the management team, and every employee of NSB for their steadfast commitment to the principles that underpin our governance framework. I am confident that by remaining faithful to the values of transparency, accountability, and ethical conduct, National Savings Bank will continue to serve as a bastion of institutional stability, a benchmark for governance excellence, and a trusted partner in advancing Sri Lanka's progress towards a more resilient and inclusive future.



Dr Harsha Cabral PC
Chairman

6 February 2026
Colombo

CORPORATE GOVERNANCE

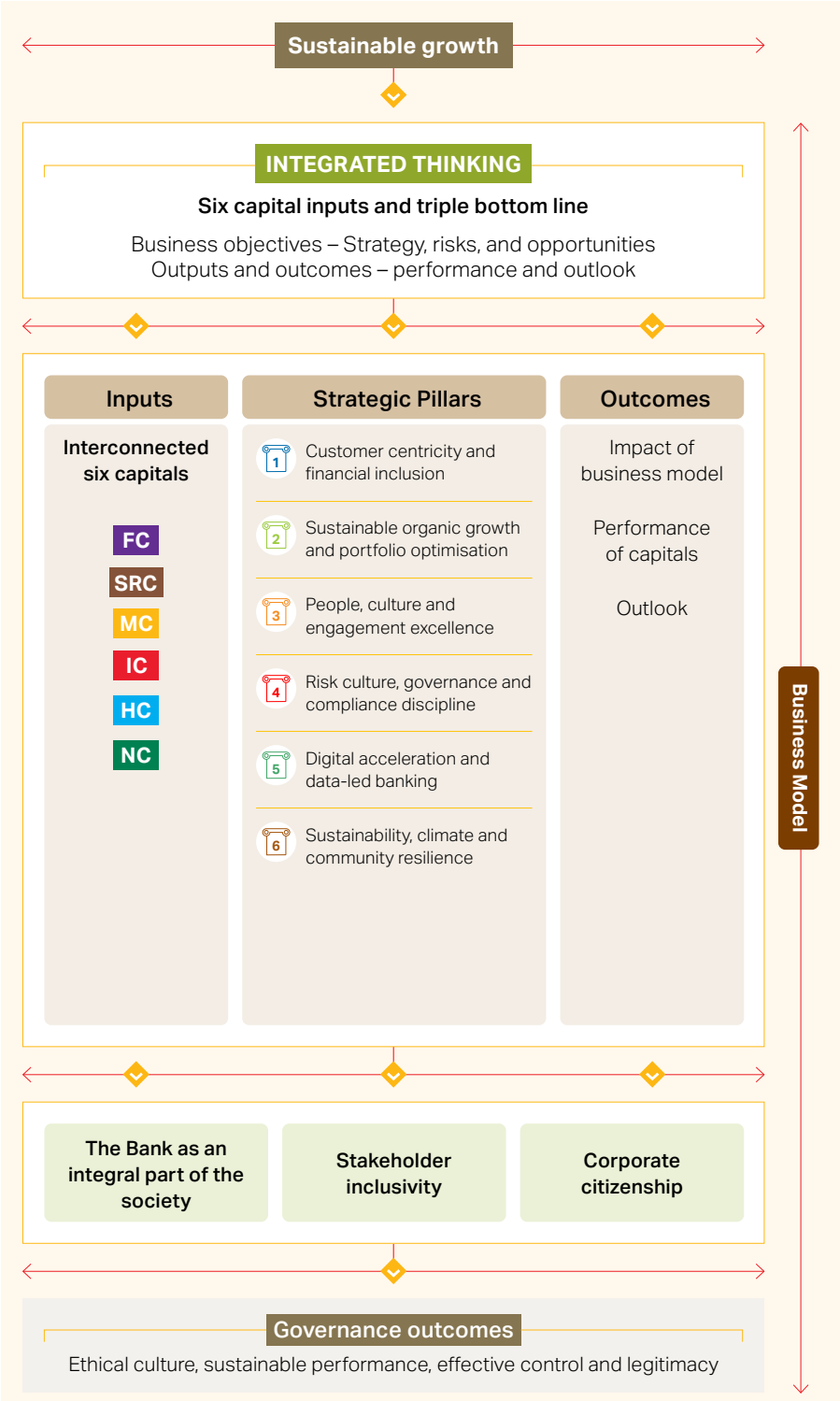


FIGURE 20

OUR GOVERNANCE PHILOSOPHY FOR SUSTAINABLE VALUE CREATION

At NSB, our governance philosophy is firmly grounded in the enduring principles of integrity, accountability, transparency, and sustainability. We view sound governance not only as a compliance requirement, but as the cornerstone of our operations, essential for building stakeholder trust and creating sustainable long-term value.

Integrity and accountability serve as the ethical foundation of our governance practices. We remain firmly committed to upholding the highest standards of conduct, ensuring that all decisions are guided by honesty, fairness, and a genuine dedication to the collective interests of our shareholder, employees, customers, communities, and the environment.

Transparency is integral to our ethos. We believe that timely, open communication and meaningful disclosure are essential to nurturing trust, deepening relationships, and fostering a culture of openness throughout the institution.

Sustainability is not a peripheral consideration but a guiding force at the core of our governance approach. It informs our commitment to reducing environmental impact, advancing social equity, and making a lasting, positive contribution to the communities we serve, ensuring today's actions pave the way for a more resilient and inclusive future.

By integrating these values into all aspects of our governance framework, we seek not only to comply with regulatory requirements but also to go beyond them setting a strong example of ethical and forward-thinking governance within the banking sector.

HOW WE GOVERN

(Principle D.6, D.7.1)

At NSB, our unwavering commitment to the highest standards of governance is reflected in our efforts to cultivate a culture rooted in ethical excellence, individual and institutional

integrity, and mutual respect.
As a responsible corporate citizen, we diligently adhere to applicable regulatory mandates, voluntary codes of best practice, and our own internally established governance frameworks.

We recognise that strong corporate governance is essential for fostering sustainable value creation and reinforcing stakeholder trust. Anchored in the principles of transparency, accountability, and ethical decision-making, our governance framework is designed to be both resilient and responsive to the evolving regulatory and operational landscape.

In alignment with this commitment, our governance structure with the disclosure requirements prescribed by the following frameworks:

Regulatory framework

- NSB Act No. 30 of 1971 and the amendments therein
- Banking Act No. 30 of 1988 and the amendments therein
- All Directions issued to Licensed Specialised Banks by the Central Bank of Sri Lanka, particularly the Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks and subsequent amendments thereto (page 440 to 468 for comprehensive disclosures)
- Compliance with other Disclosure requirements issued by the Central Bank of Sri Lanka for preparation of Annual Financial Statements of licensed specialised banks (page 474 to 479 for comprehensive disclosures).
- Inland Revenue Act No. 24 of 2017 and amendments therein
- Shop and Office Act No. 19 of 1954 and amendments therein
- Personal Data Protection Act No. 09 of 2022
- Code of Best Practice in Corporate Governance for Public Enterprises in Sri Lanka
- Guidance for Directors of Banks on the Directors' Statement on Internal Control issued by CA Sri Lanka

Voluntary codes relevant to the Bank

- Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka (Page 469 to 473 for comprehensive disclosures)

Internal elements

- Terms of reference of Board and Board Subcommittees
- Code of Conduct for employees
- Code of Conduct for the Directors
- Board approved polices and operational procedures

ENSURING GOVERNANCE INTEGRITY THROUGH INDEPENDENT ASSURANCE

The Auditor General, serving as the Bank's External Auditor, has issued a statement on the status of compliance with the Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks, in accordance with the requirements set by the Central Bank of Sri Lanka.

GRI 2-9

GOVERNANCE STRUCTURE

At NSB, our governance structure is meticulously crafted and holistically integrated to strengthen the Bank's capacity to generate and sustain value over the short, medium, and long term. Grounded in a clear architectural framework and guided by procedural rigor, it enables effective leadership, comprehensive oversight, and operational excellence.

At the core of this framework stands the Board of Directors, which steers the Bank's strategic direction and ensures the protection of stakeholder interests through sound governance and robust internal controls.

The responsibility for executing day-to-day operations is delegated to the General Manager/CEO, who leads the Management and its Committees in translating Board-approved strategies into action. Each strategic business unit operates within clearly defined risk boundaries, ensuring that operational decisions are fully aligned with the Bank's broader vision and long-term objectives.

CORPORATE GOVERNANCE

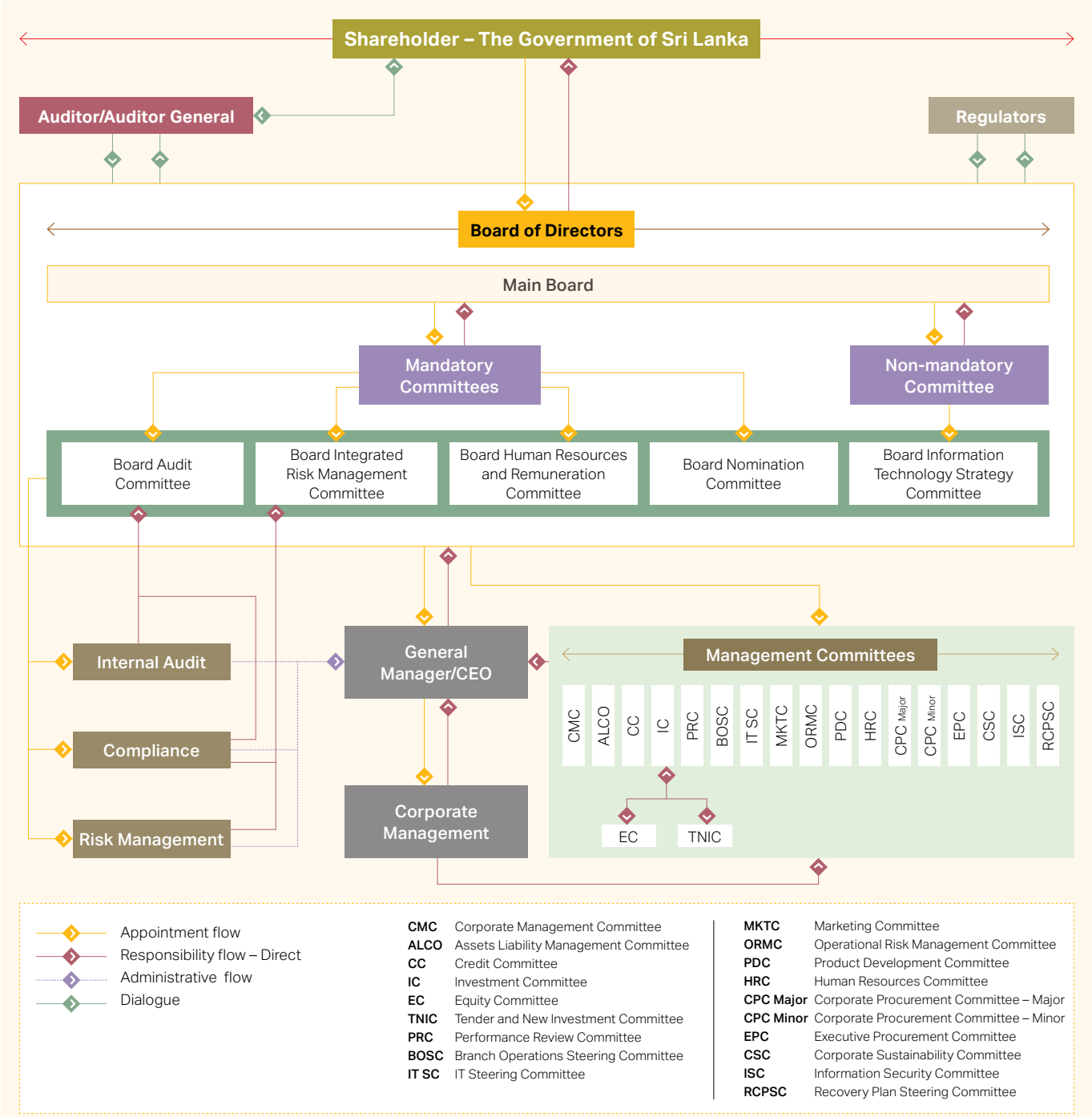


FIGURE 21

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

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

As the apex governing body, the Board of Directors plays a pivotal role in defining the Bank's strategic direction, shaping its culture and values, and upholding the highest standards of ethical conduct. It bears ultimate responsibility for ensuring sound risk management, financial oversight, and succession planning, while fostering a culture of entrepreneurial leadership across the institution.

By bringing diverse perspectives to the table, the Board enhances the quality of dialogue and decision-making, constructively challenging the Corporate Management to drive sustainable value creation. A clear separation of duties among Directors safeguards balanced governance and prevents undue influence by any individual member.

Established under the provisions of the National Savings Bank Act No. 30 of 1971, as amended, the Board's powers and responsibilities are comprehensively defined in the Board Charter. It holds the Corporate Management accountable for operational efficiency, financial stability, and the strength of the Bank's internal control environment.

A culture of openness and transparency characterises the relationship between Management and the Board, ensuring timely and candid communication of all material matters. This ongoing and respectful exchange enhances governance quality, reinforces accountability, and supports effective, well-informed decision-making.

ROLES AND RESPONSIBILITIES OF THE BOARD

(Principles A.1.2 to 1.7)

The Board of Directors at NSB serves as the apex governing authority, responsible for providing strategic leadership, maintaining oversight, and ensuring long-term value creation while upholding the interests of stakeholders. Its core responsibilities include:

- **Strategic Leadership and Resource Allocation:** Setting the Bank's vision, mission, and strategic direction while overseeing the alignment of strategic priorities with national development objectives. The Board ensures the effective allocation of financial, human, and technological resources to support the Bank's long-term goals and sustain competitive advantage.
- **Risk Management and Financial Oversight:** Defining the Bank's risk appetite and ensuring the effectiveness of its risk management framework. The Board monitors financial performance, approves budgets and capital plans, and ensures the integrity of financial reporting in compliance with applicable accounting standards and regulatory guidelines.
- **Governance, Compliance and Internal Control:** Upholding high standards of corporate governance through strong internal controls, robust compliance mechanisms, and ethical leadership. The Board ensures that decisions are made with transparency, accountability, and in adherence to statutory and regulatory obligations.
- **Leadership, Appointments, Evaluation and Succession Planning:** Appointing the General Manager/CEO and Key Management Personnel, evaluating their performance, and guiding them in the execution of the Bank's strategy. The Board also ensures that succession plans are in place to support leadership continuity and organizational resilience.
- **Stakeholder Engagement and Governance Effectiveness:** Promoting open communication and engagement with key stakeholders to maintain trust and confidence. The Board continuously evaluates its own performance and that of its committees to ensure governance structures remain effective, relevant, and responsive to the evolving environment.

BOARD COMPOSITION

In accordance with the provisions of the National Savings Bank Act No. 30 of 1971, as amended, the Board comprises seven Non-Executive Directors, each of whom is an accomplished professional in their respective fields. This composition ensures a wealth of knowledge and independent judgment in all deliberations. The Chairman bears overall responsibility for leading the Board and ensuring its effectiveness in discharging its oversight functions.

As of 31 December 2025, the Board comprises seven Directors, each bringing significant expertise and insight to Board discussions. Of these, two are Independent Non-Executive Directors, while the remaining five serve as Non-Independent Non-Executive Directors. Detailed profiles, including qualifications and areas of expertise, are presented on pages 220 to 224 Information regarding their roles in Board Subcommittees is provided on page 237.

DIVERSITY OF BOARD SKILLS AND EXPERTISE

(Principle A.10.1)

At NSB, we believe that a balanced and highly skilled Board is vital for ensuring sound governance and driving long-term strategic value. The Board's combined expertise reflects a strong mix of technical proficiency, industry knowledge, leadership experience, and diverse viewpoints, positioning the Bank to effectively navigate challenges and embrace new opportunities.

The Board's composition reflects a deliberate effort to ensure an optimal mix of professional backgrounds, competencies, and tenures. Directors bring in-depth expertise across a wide range of disciplines including banking, finance, economics, law, strategic planning, risk management, information technology, cybersecurity, international relations, and public policy.

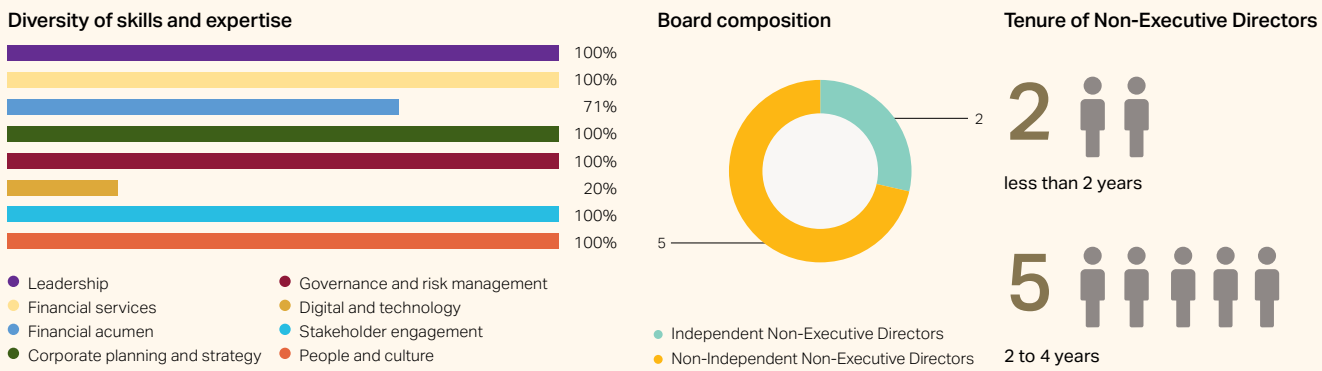
This breadth of knowledge enables the Board to provide robust oversight, challenge assumptions constructively, and guide the Bank's strategic agenda with insight and foresight. The Directors are also expected to uphold the highest standards of governance, demonstrate sound judgment, and possess the interpersonal acumen necessary to foster a culture of ethical leadership and accountability.

By maintaining a Board that is both diverse and multidisciplinary, NSB ensures it is well-positioned to respond to regulatory demands, industry shifts, stakeholder expectations, and long-term strategic imperatives.

Profiles of the Board of Directors including their qualifications and skills, other significant appointments and membership of the Board Committees are given on pages 220 to 224.

GRI 405-1

GRAPH 66



BOARD PROCESS

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

In line with the provisions of the NSB Act, the Board convenes at least once every six weeks, guided by an established annual meeting calendar.

Additional meetings are held as required to address time-sensitive matters or strategic priorities that arise between scheduled sessions. Directors consistently exhibit strong engagement, both through their regular attendance and active, thoughtful participation in discussions. Details of attendance at Board meetings are given on page 237.

A comprehensive and well-structured agenda-setting and escalation process is in place to ensure that the Board is equipped with timely, accurate, and relevant information, enabling sound and well-informed decision-making. This process is led by the Chairman, in collaboration with the General Manager/CEO and the Secretary to the Board and ensures that sufficient time is allocated to the discussion of strategic initiatives, critical business matters, and oversight responsibilities. Board members also can request certain items to be included in the agenda for discussion and decision-making.

Board meetings are carefully designed to foster an environment of open dialogue, constructive challenge, and collaborative decision-making. Directors are also encouraged to propose agenda items for consideration, thereby reinforcing a culture of inclusion and shared accountability. Meeting agendas, accompanied by comprehensive supporting papers, are circulated electronically via BoardPac at least one week in advance, allowing Directors ample time for review and preparation.

In exceptional circumstances, urgent Board papers may be submitted at short notice or tabled during the meeting to facilitate timely responses to critical developments. All deliberations and decisions are captured in detailed minutes, which are securely maintained and made readily accessible to Directors, thereby supporting transparency, continuity, and institutional memory.

GRI 2-15

CONFLICT OF INTEREST

(Principle A.5.5, and A 10.1)

The National Savings Bank Act and the amended Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks establish the fiduciary responsibilities of directors, explicitly prohibiting the misuse of their position or confidential information for personal advantage or to improperly benefit others.

Directors must immediately inform the Board of any actual or potential conflicts of interest with respect to specific business matters. Should a director have a personal or private business interest in an issue, directly or indirectly, they are required to refrain from participating in any discussions or decisions on the matter by the Board. This involves withdrawing from meetings while deliberations or decisions on the issue are underway.

A standard agenda item is included for members to declare whether any of them have any conflict of interest in respect of a matter on the agenda and minuted accordingly by the Secretary to the Board. Any changes in interests during the year necessitate the filing of a revised declaration of interest form.

The Board approved Related Party Transactions Policy of the Bank is established to ensure that transactions between the Bank and its related parties are based on principles of transparency and aims at preventing and providing guidance in situations of potential conflict of interests in respect of transactions involving such related parties. Any banking facilities provided to the Directors are in compliance with the authorisation given by the CBSL. During the year 2025, none of the Directors had a significant interest in any contract or arrangement entered into by the Bank or its subsidiaries other than as disclosed in Note 49.2.2 of the Financial Statements.

BOARD MEETINGS

(Principles A.1.1 and A.10.1)

During the year 2025, there were 15 scheduled Board meetings, and the details of attendance are shown on below Table 24 The Board meetings are held at least once in every six weeks according to the provision of NSB Act and special meetings are held when the need arises. The Board recognises the need to be adaptable and flexible to respond to changing circumstances, such as switching to virtual meetings because of the pandemic followed by the fuel crisis, and to emerging business priorities, while ensuring the continuing monitoring and oversight of core issues on the Bank and the possible strategies of the Bank to manage those.

In its pursuit of sustainable value creation, the Board played a pivotal role in steering the strategic direction of the Bank by dedicating significant time and focus to guiding the Corporate Management in the formulation of NSB's three-year Strategic Business Plan for the period from 2026 to 2028. This plan, which reflects the Bank's long-term vision and strategic priorities, was subject to rigorous evaluation and subsequently received the Board's formal approval.

Throughout the year, the Board remained actively engaged in overseeing the effective execution of the Strategic Business Plan. It closely monitored performance outcomes, assessed progress against defined milestones, and provided further strategic input where recalibration was needed to respond to emerging challenges and opportunities.

The Board consistently emphasised managing liquidity and capital effectively. Monthly Board meetings regularly focused on evaluating the Bank's performance against its strategic objectives, dedicating sufficient time to review progress and spotlight areas needing more scrutiny. The Board also sharpened its oversight on credit quality, rigorously tracking risk exposure in vulnerable sectors, assessing the effectiveness of impairment practices, monitoring risk profile shifts, and managing troubled loans.

Deliberations also extended to risk management, compliance, and corporate governance, where the Board continued to uphold its commitment to sound oversight, ethical conduct, and regulatory adherence. These collective efforts were instrumental in reinforcing the Bank's operational resilience, strategic alignment, and stakeholder confidence.

Composition of the Board, Board subcommittees and attendance during the year 2025 [LA]

Name of the Director	Date of appointment	Age (Years)	Director status	Attended/Eligible to attend						Tenure in the Board (Years)
				Board	BAC	BHRRC	BNC	BIRMC	BITSC	
Dr Harsha Cabral PC Chairman	2 May 2023	66	NED/NID	15/15	–	–	–	–	–	2+
Mr Jude Nilukshan Ex-officio Director	28 February 2022	56	NED/NID	13/15	13/14	12/13	7/7	5/7	–	4+
Mr S R W M Ruwan Palitha Sathkumara Ex-officio Director	27 March 2023	55	NED/NID	14/15	–	13/13	8/8	7/7	11/12	2+
Mr Dushyanta Basnayake Director	31 March 2023	62	NED/NID	15/15	12/14	0/1	8/8	–	12/12	2+
Mr Ashane Jayasekara Director	9 January 2024	47	NED/NID	14/15	13/14	11/12	–	6/7	10/12	2+
Ms Shalini Peiris Director (Resigned w.e.f. 24 November 2025)	8 September 2025	53	NED/ID	3/3	–	–	–	–	–	<1
Mr Kusal Jayawardana Director (Resigned w.e.f. 21 November 2025)	8 October 2025	51	NED/ID	2/2	–	–	–	–	–	<1
Mr Ranil Goonetilleke Director	23 October 2025	62	NED/ID	2/4	–	–	1/1	–	–	<1
Mr Supul Wijesinghe Senior Director (w.e.f. 20 November 2025)	18 November 2025	48	NED/ID	4/4	4/4	1/1	1/1	–	–	<1

NED – Non-Executive Director **NID** – Non-Independent Director **ID** – Independent Director – Chairman as at 31 December 2025

TABLE 24

CORPORATE GOVERNANCE

BOARD SUBCOMMITTEES

(Principles A.7.1 to A.7.3, A.7.5 & A.7.6, B2, D.3 to D.5)

The Board possesses the authority, as outlined in its Charter, to delegate powers, discretions, and authorities to committees as it deems appropriate, ensuring that such delegation fosters independent judgment and aids in maintaining a balance of power and effective discharge of duties. This delegation allows the Board to dedicate more time to strategic, forward-looking initiatives. Each Board Committee operates within the defined terms of reference, which delineate their roles, responsibilities, and levels of discretion. Despite delegating certain authorities, the Board retains ultimate responsibility for committee decisions.

The formation of four mandatory committees, including the Board Audit Committee (BAC), Board Human Resource and Remuneration Committee (BHRRC), Board Nomination Committee (BNC), and Board Integrated Risk Management Committee (BIRMC), were necessitated by the Banking Act Direction No. 05 of 2024. Board Information Technology Strategy Committee (BITSC) was formulated as a voluntary committee. These committees report their findings to the Board, with the Secretary to the Board also serving as the Secretary to all Subcommittees. Minutes of committee meetings are presented to the Board for information, review, commentary, and necessary approval. Detailed reports on the terms of reference, composition, roles and responsibilities, member attendance, activities conducted in 2025, and the focus for 2026 and beyond for each committee are provided in their respective committee reports, available from page 245 to 253.

MANAGEMENT COMMITTEES

Apart from the Board Committees, the Bank has formed Management Committees as per the approved terms of reference. The General Manager/CEO serves as the Chairman of all Management Committees except the Corporate Procurement Committee (Minor) Executive Procurement Committee and Branch Operations Steering Committee (BOSC) in accordance with their respective terms of reference. These Committees convene to discuss crucial matters integral to the Bank's operations, as outlined in the table below:

GRI 2-13

Management committee	Objective and responsibilities	Composition
Corporate Management Committee (CMC)	Oversee on matters relating to policy and strategy formulation, implementation of the policies and strategies at the operational level.	All Officers serving the Bank in the capacity of Deputy General Manager and above.
Asset and Liability Management Committee (ALCO)	Maintaining the market and liquidity risk within the predetermined risk appetite level in order to optimise the return.	General Manager/CEO, Senior DGM, KMPs from the Divisions of Finance and Planning, Operations, Credit, Treasury, and Risk Management.
Credit Committee (CC)	Periodic review of the Credit Policies of the Bank, implementation of the policies and engage in maintaining a healthy credit portfolio to optimise the returns within the risk appetite of the Bank.	General Manager/CEO, Senior DGM, KMPs from the Divisions of Corporate Finance, Treasury and Legal.
Investment Committee (IC)	Periodic review of Investment Policy of the Bank and oversee on the investment activities of the Bank within overall risk appetite level of the Bank.	General Manager/CEO, Senior DGM, KMPs from the Divisions of Finance and Planning, Credit, Treasury, and Risk Management.
Performance Review Committee (PRC)	Review of financial performance, progress of ongoing activities, withdrawal activities and any other support functions of the Bank that facilitates the performance.	General Manager/CEO, Senior DGM, all DGMs, all Consultant and Heads of Divisions, all AGMs and any other Members appointed by the Committee.
Branch Operations Steering Committee (BOSC)	Oversee the reinforcement of the branch operations within the delegated financial authority.	Senior DGM, KMPs from the Divisions of Operations and Administration.
Information Technology Steering Committee (ITSC)	Ensuring the IT strategies are aligned with the business strategy of the Bank.	General Manager/CEO, Senior DGM, KMPs from the Divisions of Finance and Planning, International, Operations, Credit, Treasury, Legal, Human Resource Development, Marketing, Information Technology, Compliance and Risk Management.
Marketing Committee (MKTC)	Provide with marketing advice, expertise and assistance to the Board and the Corporate Management, review and direct all aspects of marketing activities of the Bank.	General Manager/CEO, Senior DGM, KMPs from the Divisions of Finance and Planning, Operations and Marketing.

Management committee	Objective and responsibilities	Composition
Operational Risk Management Committee (ORMC)	Manage operational risk of the Bank while overseeing the implementation of the operational risk management techniques and maintain the integrity of internal controls through taking relevant measures.	General Manager/CEO, Senior DGM, KMPs from the Divisions of Operations, Treasury, International, Corporate Finance, Human Resource Development, Information Technology, Administration, Legal, Risk Management, Compliance and Information Security.
Product Development Committee (PDC)	Oversee on long-term value creation through innovative products development to face the increasing competition.	General Manager/CEO, Senior DGM, KMPs from the Divisions of Operations, International, Information Technology, Retail Credit, Marketing, and Planning.
Human Resource Committee (HRC)	Development of human resources in line with the Bank's strategic objectives.	General Manager/CEO, Senior DGM, KMPs from the Divisions of Human Resource Development, Legal and the most senior Deputy General Manager.
Corporate Procurement Committee (Major)	Ensuring smooth functioning of the procurement process of the Bank.	General Manager/CEO, Senior DGM, KMPs from Finance and Planning, Administration, and representative from Ministry of Finance.
Corporate Procurement Committee (Minor)	Ensuring smooth functioning of the procurement process of the Bank.	Senior DGM, KMPs from Finance and Planning, Treasury, Administration and Representative from Ministry of Finance.
Executive Procurement Committee (EPC)	Smooth functioning of the procurement process of the Bank.	KMPs from Treasury, Administration and AGM (Finance).
Corporate Sustainability Committee (CSC)	Support value creation for key stakeholders by integrating ethical, social, and environmental responsibility into daily business activities as defined by the corporate objectives that is linked to sustainability performance and development.	General Manager/CEO, Senior DGM and KMPs from Divisions of Credit, International Marketing Operations, Human Resource Development, Finance and Planning.
Information Security Committee (ISC)	Manage Information Security of the Bank and take measures to implement necessary controls and evaluate the effectiveness of such controls in order to improve the compliance status with regulatory requirements and to minimise Information Security of the Bank.	General Manager/CEO, Senior DGM, DGM (Operations), Chief Information Security Officer (CISO), KMPs from the Divisions of Information Technology, Human Resource and Security.
Recovery Plan Steering Committee (RCPSC)	Develop, consistently evaluate and implement the Bank's Recovery Plan to address potential disruptions from various severe yet conceivable stress situations impacting the Bank's capital, liquidity and overall operations	General Manager/CEO, Senior DGM, KMPs from the Divisions of Treasury, Credit, Corporate Finance, Recoveries, International, Marketing, Human Resources Development Operations, Information Security, Information Technology, Finance and Planning, Legal, Risk Management, Compliance, Audit and Administration.

GRI 2-10

APPOINTMENT, RE-ELECTION AND RESIGNATION OF DIRECTORS

(Principles A.7, A.8 and A.9.3)

As a State-owned Bank, the appointment of Directors to the National Savings Bank is done as per the NSB Act No. 30 of 1971 and its amendments therein. Accordingly, of the seven Directors five Directors are appointed by the Minister responsible for state banks while one shall be Secretary to the Treasury or his nominee and the other shall be the Postmaster General or his nominee as per the NSB Act. The Central Bank of Sri Lanka approves appointments made if the required criteria for fit and propriety are met. The maximum period a director can serve is restricted to nine years as per the provisions of the Banking Act Direction No. 05 of 2024 on Corporate Governance. At present, the appointment of Independent Directors is undertaken by an independent body as stipulated in the Cabinet Memorandum. The resignations and re-election of Directors are also done as per the NSB Act No. 30 of 1971 and its amendments therein where the Central Bank of Sri Lanka is duly informed. The details of the Directors and the changes are given on page 237.

CORPORATE GOVERNANCE

BOARD INDUCTION AND TRAINING

(Principles A.1.8)

At NSB, we place strong emphasis on the continuous development of our Directors, recognising its pivotal role in enhancing Board effectiveness and ensuring that members are well-equipped to contribute meaningfully to governance and strategic deliberations. In a landscape marked by rapid advancements in technology, shifting economic dynamics, and evolving legislative and regulatory frameworks, it is imperative that the Board remains well-informed and agile.

To support this, the Bank has instituted a structured and comprehensive induction programme for newly appointed Directors. This orientation provides them with an in-depth understanding of NSB's operations, strategic priorities, and governance structure, while also outlining their fiduciary, statutory, and legal responsibilities.

Upon their appointment, Directors are provided with access to key governance resources including the Board Manual and the BoardPac Solution, which serve as central repositories of essential reference materials. These encompass the NSB Act No. 30 of 1971 (as amended), directives issued by the Central Bank of Sri Lanka, the Board Charter, committee mandates, and other relevant laws, circulars, and policy documents.

Beyond induction, the Bank ensures ongoing capacity building through periodic updates and curated training sessions, facilitated by the Secretary to the Board. These initiatives are designed to keep Directors abreast of emerging regulatory trends, economic developments, and evolving industry best practices. Directors also participate in external learning programmes and workshops offered by regulatory bodies and professional institutions, further strengthening their ability to govern with insight, agility, and strategic foresight.

ACCESS TO INFORMATION

Directors have unrestricted access to all information, as well as the resources required to carry out their duties and responsibilities. Access to external specialist advice is available to directors at the Bank's expense, in terms of the NSB Act No. 30 of 1971 and the amendments therein on independent professional advice. The Directors are provided with an electronic board paper system where the Board papers are circulated through the system allowing adequate time to Directors for the required deliberations.

GRI 2-16

KEY FOCUS AREAS IN 2025

Amid the evolving political environment and indications of economic stabilisation during 2025, the Board remained firmly focused on steering and shaping NSB's strategic direction. In close collaboration with the General Manager/CEO and the Corporate Management Team, the Board provided guidance and oversight to ensure the effective implementation of the Bank's approved long-term strategy..

Throughout the year, the Board reinforced its commitment to the highest standards of governance, ensuring that its actions reflected transparency, prudence, and accountability. Careful attention was given to balancing financial performance with liquidity management, while maintaining robust internal control systems and operational discipline.

The Board continued to foster a culture of ethical conduct and integrity across the institution, positioning good governance as a key enabler of trust and sustainable value. It also remained alert to shifts in the external environment, overseeing risk management practices and exploring opportunities for innovation, strategic expansion, and business realignment in response to the changing economic and regulatory context.

The following table outlines the Board's key focus areas during 2025, illustrating how its deliberations and decisions were aligned with the Bank's strategic priorities and the interests of its key stakeholder groups.

Board activities in 2025	Outcomes	Strategic pillars	Stakeholder	2026 governance objectives
Corporate strategy, performance, and reporting • Conducted an in-depth strategic session to shape and finalise the Bank's Strategic Business Plan for the period 2026–2028. • Reviewed and approved the Revised Budget for 2025 and the Budget for 2026. • Approved the interim and annual financial statements, ensuring accuracy, transparency, and compliance with reporting standards.	• The Bank operates under a framework of robust governance, dedicated to its purpose and the sustained creation and delivery of value. • The Bank's strategies are meticulously aligned with the achievement of its mission and values. • Stakeholder confidence is cultivated, leading to increased participation in the Bank's value creation.			Provide strategic oversight to ensure flawless execution of the 2026-2028 Strategic Business Plan, navigating evolving operational1 landscapes while maintaining resilience amidst macroeconomic volatility.

CORPORATE GOVERNANCE

Board activities in 2025	Outcomes	Strategic pillars	Stakeholder	2026 governance objectives
Technology • Led the Bank's technological transformation and digital evolution, ensuring seamless service delivery, an enhanced customer experience, and the realisation of sustainable benefits.	• Being agile in a tech-savvy environment			Guide the Bank's technological and digital transformation to ensure seamless service delivery, a secure and resilient environment, an optimised and sustainable customer experience tailored to diverse segments, and enduring value creation, all within the dynamic landscape of rapid change.
Customers • Conducted a comprehensive review and oversight of policies and systems designed to safeguard customer data, ensuring stringent protection against breaches and strict adherence to regulatory requirements. This included evaluating cybersecurity frameworks, data encryption standards, and compliance protocols to maintain the highest levels of security and trust. • Championed accessibility and inclusivity in banking services, ensuring that financial products and digital platforms cater to a diverse range of societal segments. Special attention was given to addressing the needs of underbanked and unbanked populations by implementing innovative solutions, expanding outreach programmes,, and leveraging technology to bridge financial gaps. By fostering an inclusive banking environment, the Bank reinforced its commitment to equitable financial access and sustainable value creation.	• Prioritising customer needs and experiences as the foundation for achieving strategic goals. • Embedding a customer-centric approach to drive operational excellence and long-term success. • Aligning business strategies with customer expectations to foster loyalty and sustainable growth.			Evaluate and track the Bank's advancements in fostering a customer-centric approach, ensuring continuous improvement in service quality, engagement, and satisfaction.

CORPORATE GOVERNANCE

Board activities in 2025	Outcomes	Strategic pillars	Stakeholder	2026 governance objectives
Risk management • Risk appetite • Risk appetite metrics • Integrated Risk management framework • Cybersecurity risk assessment • Control effectiveness review • Regular risk reports • Reports from the Board Integrated Risk Management Committee. • Approved the 2025 Internal Capital Adequacy Assessment Process (ICAAP) Report.	• The Bank integrates robust risk and compliance management practices, ensuring alignment with its strategic priorities while fostering a culture of accountability and resilience. • Information and technology are utilised responsibly and ethically, reinforcing security, transparency, and trust while driving sustainable innovation and operational excellence.			Provide strategic oversight of the Bank's proactive risk management approach, ensuring it remains responsive to evolving macroeconomic factors and effectively mitigates potential financial and operational risks.
Regulatory compliance • Considered regulatory updates	• Being in compliance with regulatory requirements			Ensure the Bank is 100% compliant with regulatory requirements and industry best practices
Stakeholder relations • Recognised key stakeholders and guided the development and execution of effective engagement strategies to foster meaningful relationships and collaboration. • Provided strategic direction to management, ensuring consistent, relevant, and transparent communication with shareholders to strengthen trust and alignment.	• Embracing a stakeholder-inclusive approach in governance, ensuring that roles and responsibilities align with diverse interests and perspectives. • Striking a fair balance between stakeholder expectations and the Bank's best interests, fostering sustainable relationships and mutual growth. • Embedding environmental, social, and governance (ESG) principles into the Bank's strategic framework, driving long-term value creation and responsible business practices.			Oversee and enhance the stakeholder engagement process to ensure continuous improvement in communication, collaboration, and responsiveness. Strengthen relationships by refining strategies, addressing concerns, and aligning stakeholder interests with the Bank's long-term goals. Foster trust and meaningful partnerships through an open dialogue and proactive engagement.

CORPORATE GOVERNANCE

Board activities in 2025	Outcomes	Strategic pillars	Stakeholder	2026 governance objectives
Corporate governance • Considered independent Board evaluation and Sub Committee evaluation • Considered the corporate governance directions issued by the regulatory authorities and assessed the status of compliance	• Continuous improvement in the performance and effectiveness of the Board • Compliance with regulatory directions and guidelines	4		Oversee the Bank's compliance with best practice governance standards

BOARD'S ROLE IN RISK MANAGEMENT

The Board acknowledges the critical role of risk management in shaping the Bank's overall business strategy, emphasising the necessity of rigorous oversight. To ensure effective governance, it has delegated responsibility for risk management to the Board Integrated Risk Management Committee (BIRMC), which is entrusted with overseeing the Bank's risk-related functions. A comprehensive risk management framework has been established, incorporating clearly defined risk appetite and tolerance limits to facilitate continuous monitoring of the Bank's risk profile.

Regular risk assessment reports are submitted to the Board via BIRMC, enabling proactive monitoring and informed decision-making. In cases where risk exposure deviates from the established tolerance thresholds, discussions are initiated with management to develop targeted mitigation strategies. Furthermore, risks linked to the Bank's operational and strategic objectives undergo meticulous evaluation during the review of the Strategic Business Plan, ensuring risk considerations are integrated into long-term planning. For a more detailed analysis of risk management policies and practices, refer to the Risk Management Report on pages 254 to 280.

ROLES OF CHAIRMAN AND CEO

(Principles A.2 and A.3)

In accordance with the National Savings Bank Act of 1971 and its subsequent amendments, along with directives issued by the Central Bank of Sri Lanka and industry best practices, the Bank follows a structured framework for appointing and delegating authority within its management. This approach is designed to enhance role clarity, ensuring that duties and responsibilities are executed efficiently. A key aspect of this governance structure is the distinct separation between the roles of the Chairman and the General Manager/CEO, each with clearly defined responsibilities. By maintaining this segregation of authority, the Bank mitigates the risk of unchecked decision-making, fostering a balanced distribution of power, enhanced accountability, and robust oversight within the organisation.

GRI 2-11

Chairman

The Chairman is a Non-Executive Non-Independent Director while the General Manager is a Key Management Personnel appointed by the Board who will be the Chief Executive Officer and not a Board member. The Board Charter clearly defines the roles and responsibilities of the Chairman and General Manager/CEO. Chairman is responsible for leading the Board, facilitating effective functioning of the Board, preserving order, ensuring the Board's effectiveness and highest standards of corporate governance within the Bank. Chairman sets the agenda in consultation with the General Manager/CEO and the Board Secretary. Chairman ensures that the Board receives adequate information to make informed decisions in discharging the Board's duties, effective participation of members at the Board meetings, maintains effective communication with shareholder as well as open lines of communication with Key Management Personnel.

GRI 2-12

General Manager/CEO

The General Manager/CEO is responsible for designing, developing and the execution of the Bank's strategy and day-to-day management of the business within the approved risk appetite levels as entrusted by the Board of Directors. The General Manager/CEO provides the leadership to the Corporate Management Team and delegates aspects of his/her own authority, as permitted in the corporate governance framework, to members of the Corporate Management. Also chairs the Management Committees and ensures that the Board receives accurate, timely and clear information about the Bank's performance. The General Manager/CEO also ensures that good corporate governance and highest standards are applied and maintained when carrying out the affairs of the Bank.

ROLE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

(Principles A.3.1, A.5 and A.5.1)

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

As of 31 December 2025, two out of seven Directors were Independent Non-Executive Directors (INEDs), highlighting the Board's commitment to independence. Their only association with the Bank and its Group is through their directorships, ensuring their judgment remains impartial and free from external influences or conflicts of interest.

Presence of Independent Non-Executive Directors (INEDs) reinforces the Board's commitment to ethical governance, prudent decision-making, and the creation of long-term stakeholder value.

ROLE OF BOARD SECRETARY
(Principle A.1.4)

The Secretary to the Board has a key role to play in ensuring that Board procedures are both followed and regularly reviewed to ensure good corporate governance within the Bank. The responsibilities of the Secretary to the Board are summarised below:

- Arrange required settings for all meetings of the Board and its subcommittees
- Maintain minutes of all meetings of the Board and its subcommittees
- Ensure regulatory and statutory compliance by the Board of Directors
- Ensure effective functioning of the Board
- Provide professional assistance to Chairperson for all matters related to conducting the meetings of the Board and its subcommittees
- Provide professional advice to the Directors on relevant laws and regulations and also to ensure compliance with principles of corporate governance and other related regulatory framework
- Act as the custodian of all records, minutes and other documents related to Directors and meetings of the Board and its subcommittees
- Ensure timely circulation of Board Papers to Directors and timely communication of decisions of the Board to the management
- Make sure that the Board is well informed of the decisions made at Board Subcommittees and their outcomes
- Follow-up over progress of implementation of Board's decisions by the Management, and report to the Board

The appointment and the removal of the Secretary to the Board is a matter involving the whole Board under the advice of BNC as it is a Key Management Personnel position.

GRI 2-19 2-20

DIRECTORS' REMUNERATION AND LEVEL AND MAKE UP OF REMUNERATION
(Principle A10, B.1, B.2 and B.3)

As per the NSB Act No. 30 of 1971 and the amendments therein, the remuneration of the Directors is determined by the relevant Minister. No Director is involved in determining his/her own remuneration. The Board Human Resource and Remuneration Committee (BHRRC) makes recommendations to the Board regarding the remuneration of the General Manager/CEO and the Key Management Personnel on the basis of salaries determined by the Collective Agreement, which is reviewed once in three years. The Bank has put in place a Board approved Remuneration Policy for Key Management Personnel. Based on the recommendations by the Committee, the Board makes recommendations to the respective Minister responsible for state banks who grants final approval in accordance with the provisions of NSB Act and amendments therein. The Board Human Resource Remuneration Committee comprise of three Non-Executive Directors.

GRI 2-18

BOARD AND BOARD SUBCOMMITTEE EVALUATION
(Principle A. 9)

The Board and the Board subcommittees annually conduct their own appraisal to ensure that the Board is discharging their duties according to the Board Charter which includes the responsibilities outlined in the Banking Act Direction No. 05 of 2024 and other applicable rules and regulations as well as best practices on corporate governance. In the process of evaluation, each Director fills a Board Performance Evaluation Form which is submitted to the Board Nomination Committee by the Secretary to the Board.

Board evaluations for 2025 were taken up at the Board Meeting held during first quarter of 2026.

APPRAISAL OF CEO
(Principle A. 11)

The Board assess the performance of the General Manager/CEO with the assistance of the BHRRC on an annual basis based on the criteria according to financial and non-financial targets of the Strategic Business Plan agreed with the General Manager/CEO at the beginning of the year. Changes in the operating environment are given the due consideration when making the appraisal. The Chairman discusses with the General Manager/CEO and gives formal and informal feedback. The feedback to the appraisal by the General Manager/CEO is given due consideration prior to the approval.

REPORT OF THE BOARD AUDIT COMMITTEE



Mr Supul Wijesinghe
Chairman
Board Audit Committee

Composition of the Committee

During the year under review, the Board Audit Committee comprised the following Non-Executive Directors:

Name	Membership status	Eligible to attend	Attended
Mr Supul Wijesinghe** – Senior Director (Chairman from 20 November 2025 to-date)	Chairman	04	04
Mr Ashane Jayasekara* (Chairman from 20 February 2024 to 20 November 2025)	Member	14	13
Mr Dushyanta Basnayake*	Member	14	12
Mr Jude Nilukshan*	Member	14	13

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

Profiles of the above members are given on pages 220 to 224.

The Board of Directors of the National Savings Bank which consists of seven Directors and being constituted under the provisions of Section 8 (1), its sub-section of NSB Act No. 30 of 1971, as amended and members for all the subcommittees including the Board Audit Committee members are being appointed out of the said Seven (7) members who possess necessary qualifications, skills and experience to serve BAC.

Quorum

Minimum of two Directors.

Secretary to the Committee

The Secretary to the Board of Directors functions as the Secretary to the Board Audit Committee.

During the financial year ended 31 December 2025 the Committee held 14 meetings.

The Superintendent of Audit, National Audit Office as the representative of the Auditor General attended 13 BAC meetings on invitation. The Senior Management including General Manager/ CEO of the Bank participated the meetings by invitation on a need basis.

Two (02) Board Audit Committee meetings were conducted with the Government Auditor without participation of the Executive Management.

CHARTER OF THE BOARD AUDIT COMMITTEE

The Charter of the BAC has been approved by the Board of Directors and reviewed regularly, clearly defines the Terms of Reference of the Committee. The Committee Charter was last reviewed in year 2025 by taking into consideration the new developments in the banking sector.

The Board Audit Committee (BAC) of the Bank was constituted in accordance with the Banking Act Direction No. 05 of 2024 on "Corporate Governance for Licensed Banks" issued by the Central Bank of Sri Lanka under Section 6.2and its subsequent amendments, provision of the Public Enterprises Guidelines for Good Governance and "Code of Best Practice on Corporate Governance" issued by The Institute of Chartered Accountants of Sri Lanka.

The Committee is empowered by the Board of Directors in discharging its responsibilities and fulfilling its oversight responsibilities for:

(a) The integrity of the Bank's Financial Statements

(b) The effectiveness of the Bank's risk management function

(c) The performance of the Bank's internal audit function; and

(d) The performance of the Bank's external audit function.

The Charter also stipulates the functions and responsibilities, and the authority of the Committee. The Charter Checklist was used to assist the Committee to assess its compliance to the Charter in performing Committee's functions and discharging its responsibilities.

REPORTING

The Committee is directly reporting to the Board of Directors about its activities along with the minutes of the meetings. BAC provides Open avenue of communication between internal audit, external audit and the Board of Directors. The Committee is of the view that Terms of Reference (TOR) of the Committee were compiled within all material aspects.

REPORT OF THE BOARD AUDIT COMMITTEE

ACTIVITIES IN 2025

Financial Reporting

The Committee reviewed the Financial Statements of the Bank, in order to monitor the integrity of the Financial Statements and quarterly reports prepared for disclosure, and the significant financial reporting judgment contained therein prior to their release. The Committee shall focus on major judgment areas, any changes in accounting policies and practices, significant adjustments arising from the audit, the going concern assumption and compliance with relevant accounting standards and other legal requirements to evidence the Financial Statements give a true and fair view on financial position and performance of the Bank.

The Committee reviewed the 'Report on the review of Financial Statement for the year ended 31 December 2025, which was submitted along with findings by the Internal Audit Division and reviewed the draft Financial Statement submitted on quarterly basis.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

As per the Section 10 of the Banking Act Direction No. 1 of 2016 requires an independent review on the integrity, accuracy and reasonableness of the capital assessment process of the Bank. The Committee has reviewed the effectiveness of the internal control mechanism to meet the regulatory requirements on ICAAP.

IDENTIFICATION OF RISKS AND CONTROL MEASURES

The Directors of the Bank and its subsidiaries are responsible for identifying and evaluating risks and its impact on business operations and financial reporting. The Bank adopts risk-based audit approach and the Committee assessed the effectiveness of the Bank's internal control over financial reporting in line with the Banking Act Direction No. 12 of 2007, Section 3 (8) (ii) (b) and prepared based on the guidelines issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

BAC reviewed and assessed the Bank's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks. Further, BAC reviewed and assesses the Bank's system of internal controls for detecting accounting and financial reporting errors and misappropriation of assets, legal violations, and non-compliance with the corporate code of conduct. In this regard, reviews the related findings and recommendations of the External and Internal Auditors, together with Management's responses.

The Directors' Statement on Internal Control and the Auditor General's Report on Internal Control are provided in pages 290 to 292. In this regard, the Committee is of the view that necessary procedures and checks are in place to provide reasonable assurance and the Bank is in compliance with the aforesaid requirements.

INTERNAL AUDIT AND INSPECTION

The BAC ensures that, the internal audit function is independent of the activities it audits. It reviewed the adequacy of the scope, functions and resources of the Internal Audit Division, and also satisfied itself that the Division had the necessary authority to carry out its work.

The Internal Audit Division of the Bank carried out audit of Branches, Divisions and other Units as per the Annual Audit Plan. The frequency of audit was determined by the level of risk assessed. The Audit Plan was approved by the BAC for implementation. The approved audit plan for the year 2025 has been achieved by the end of 2025.

The Internal Audit Division carried out audit checks to ensure compliance with policies and procedures and the effectiveness of the internal control systems and reports its findings in respect of any non-compliance. Audits were carried out to provide an independent and objective report on operational and management activities.

BAC reviewed findings of regular audit examinations and information system audits carried out by the Internal Audit Division. Further, the Committee reviewed and monitored the reports on internal investigations carried out by the Internal Audit Division and reviewed the performance of senior staff members of the Audit and Vigilance Division for the year.

The Internal Audit Manual of the Bank summarises the operations of the internal audit function and delineates the policies, standards and procedures which will generally govern the internal audit function.

The Internal Audit Charter is used in order to assist the Internal Audit Division to discharge its duties effectively and independently. The Charter includes the scope, functions, responsibilities, authorities, reporting procedure and independence and objectivity of the Internal Audit Division.

EXTERNAL AUDIT

By statute, the Auditor General is the External Auditor of the Bank. Meetings with the External Auditor, without executive management were held at least twice during the engagement. They were also provided with the opportunities of meeting the Committee independently, to discuss and express their views on any matter of significance.

Effectiveness of the audit process is discussed with the Superintendent of Audit, National Audit Office at BAC meetings. The Committee ensured the provision of all information and documents required by the External Auditor for the purpose of audit.

The Committee during the year,

- Reviewed the Report of the Auditor General that was submitted to the Parliament on the financial statements of the Bank for the year ended 31 December 2025, the Management Letter and the responses made thereon by the Corporate Management of the Bank and followed up the required corrective measures.
- Reviewed and discussed the significant reports submitted by the Auditor General's Department where deemed necessary actions were initiated.

REPORT OF THE BOARD AUDIT COMMITTEE

MONITORING OF INTERNAL CONTROLS

- Follow up mechanism for rectification of issues identified during audits have been strengthened
- Periodical review of reports on disciplinary matters and investigations
- Review of common instances of frauds/ irregularities in order to take initiatives to avoid recurrence
- Directions to expedite investigations/ disciplinary inquires

ETHICS AND GOOD GOVERNANCE

The Committee continuously reviewed and emphasised on endurance of good corporate governance practices in the Bank.

In this regard, the Fraud Risk Management and Whistle-blowing Policy of the National Savings Bank are key element for safeguarding the Bank's integrity. It is aimed at enhancing the Bank's transparency and underpinning its system for combating practices that might damage its activities and reputation and provide a means for early detection of fraud and other problematic situations.

The BAC reviewed on cases of frauds. During the review, the BAC scrutinised statistical information as well as details of fraud, action taken thereon and issue directions on the punitive and preventive aspects of frauds, where necessary. The BAC had the right to, at any time; request a briefing regarding any preliminary investigation and findings.

SRI LANKA ACCOUNTING STANDARDS

The Committee reviewed and revised the decisions on adoption of new and revised Sri Lanka Accounting Standards (LKASs)/ Sri Lanka Financial Reporting Standards (SLFRS) applicable to the Bank and made required recommendations therein.

COMPLIANCE

The Committee reviewed the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

FOCUS FOR – 2026 AND BEYOND

- Continue to focus on financial systems, processes, internal controls used by the Bank are responding to the complex requirements of the external and internal environment and operating effectively.
- Monitoring and making required developments based on the independent reviews of the Auditor General through assessing the impacts to the Bank.



Supul Wijesinghe
Chairman
Board Audit Committee

6 February 2026
Colombo

REPORT OF THE BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE



Mr S R W M Ruwan Palitha Sathkumara
Chairman
Board Human Resource and Remuneration Committee

Composition of the Committee

During the year under review, the Board Human Resource and Remuneration Committee comprised the following Non-Executive Directors:

Name	Membership status	Eligible to attend	Attended
Mr S R W M Ruwan Palitha Sathkumara*	Chairman	13	13
Mr Jude Nilukshan*	Member	13	12
Mr Ashane Jayasekara* (From 20 February 2024 to 20 November 2025)	Member	12	11
Mr Dushyanta Basnayake* (appointed after the Subcommittee Reconstitution on 20 November 2025)	Member	01	00
Mr Supul Wijesinghe** – Senior Director (appointed after the Subcommittee Reconstitution on 20 November 2025)	Member	01	01

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

Profiles of the above members are given on pages 220 to 224.

Regular attendees by invitation

The General Manager/CEO provides information to the Committee and attends all meetings of the Committee, except when matters relating to the General Manager/CEO are being discussed.

The Deputy General Manager (Human Resource Development) and Senior Management of the Bank participated the meetings by invitation on a need basis.

Quorum

Minimum of two Directors.

Secretary to the Committee

The Secretary to the Board of Directors functions as the Secretary to the BHRRC.

The Committee operates under an established Terms of Reference (TOR) that outlines its scope, authority, responsibilities and quorum requirements. The Committee reports directly to the Board of Directors and the proceedings of committee meetings have been regularly reported to the Board of Directors.

ROLE AND RESPONSIBILITIES OF THE COMMITTEE

The Role and Responsibilities of the Committee as per the Charter includes the followings:

- The Committee is responsible for determining the remuneration policy (salaries, allowances and other financial payments) relating to the General Manager/CEO and Key Management Personnel of the Bank other than the remunerations determined by the Collective Agreement.
- The Committee set goals and targets for General Manager/CEO and the Key Management Personnel. Further, evaluated the performance of the General Manager/CEO and Key Management Personnel against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.
- The Committee review all significant Human Resource Policies, initiatives, salary structures besides terms and conditions relating to staff at senior executive level. In this process, necessary information and recommendations were obtained from the General Manager/CEO and the Senior Management of the Bank.

REPORT OF THE BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

ACTIVITIES DURING THE YEAR 2025

Important activities attended and carried out by the Committee during the year 2025 were as follows:

- Evaluation of Key Performance Indicators (KPI) of Key Management Personnel (KMPs) for 2024 (General Manager/CEO, Senior DGM, all DGMs and all AGMs except the officials who directly report to the Board or a Board Subcommittee)
- Reviewed the recruitment and promotion of staff based on the requirements of the Bank.
- Consideration of appeals submitted by staff on HR-related matters.
- Review of the effect of disciplinary procedures/punishment on staff promotions.
- Initiatives for recruitment for the key positions of the Bank etc., DGM (Finance, Corporate Planning and MIS) and AGM (IT)
- Disciplinary Inquiries for the year 2025

FOCUS FOR 2026 AND BEYOND

- The Board will review the following areas to update the TOR in line with the Banking Act Direction No. 05 of 2024
  - Align the compensation to Directors, CEO and KMPs within risk appetite limits
  - Claw-back arrangements for performance-based payments to CEO and KMPs
  - approval process for any benefits to be made to the directors, CEO and KMPs at the retirement
- Continue to assure the Bank is maintaining the relevance of Remuneration Policy.
- Continue to focus on development of human resource strategy to inculcate an engaged employee culture
- Meeting the responsibilities of the Charter.



S R W M Ruwan Palitha Sathkumara
Chairman

Board Human Resource and Remuneration Committee

6 February 2026
Colombo

REPORT OF THE BOARD NOMINATION COMMITTEE



Mr Ranil Goonetilleke
Chairman
Board Nomination Committee

Composition of the Committee

During the year under review, the Board Nomination Committee comprised the following Non-Executive Directors:

Name	Membership status	Eligible to attend	Attended
Mr Ranil Goonetilleke** (Chairman from 20 November 2025 to-date)	Chairman	01	01
Mr S R W M Ruwan Palitha Sathkumara* (Chairman upto 19 November 2025)	Member	08	08
Mr Jude Nilukshan* (From 8 March 2022 to 20 November 2025)	Member	07	07
Mr Dushyanta Basnayake*	Member	08	08
Mr Supul Wijesinghe** – Senior Director	Member	01	01

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

Profiles of the above members are given on pages 220 to 224.

Regular attendees by invitation

The General Manager/CEO presents required information to the Committee and attends meetings of the Committee on invitation.

Quorum

Minimum of two Directors.

Secretary to the Committee

The Secretary to the Board, functions as the Secretary to the BNC.

The Committee operates under an established Terms of Reference (TOR) that outlines its scope, authority, responsibilities and quorum requirements. The Committee reports directly to the Board of Directors, and the proceedings of committee meetings have been regularly reported to the Board of Directors.

ROLE AND RESPONSIBILITIES OF THE COMMITTEE

The Board Nomination Committee is responsible for implementing a procedure to select/appoint General Manager/CEO and Key Management Personnel, setting out criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of General Manager/CEO and the Key Management Positions.

Further, the Committee shall ensure that the Directors, General Manager/CEO and Key Management Personnel are fit and proper persons to hold office specified in the criteria given in Direction 3 (3) and as set out in the Statutes. The Committee shall also consider and recommend from time to time, the requirements of additional/new expertise and succession arrangements for retiring Key Management Personnel.

ACTIVITIES DURING THE YEAR 2025

During the year ended 31 December 2025, eight (8) Nomination Committee meetings were held.

Important activities attended and carried out by the Committee during the year were as follows:

- Review Schemes of Recruitment pertaining to Key Management Personnel (KMP) of the Bank
- Interviews for promotion/appointment of Key Management Personnel (KMPs) (banking and non-banking streams)

FOCUS FOR 2026 AND BEYOND

- The Board will review the following areas to update the TOR in line with the Banking Act Direction No. 05 of 2024:
  - Evaluation of the status of independence of the independent Non-Executive Directors
  - Training, capacity building and professional development programmes for Directors
  - Periodic evaluation of Directors for re-election
  - Succession arrangements for retiring Directors and CEO
  - Ensure that the overall corporate governance framework and policies are reviewed, updated and effectively implemented considering all applicable laws and regulations and industry best practices.
- Continuous monitoring of review on matters relating to KMPs and adherence to the compliance on regulatory requirements
- Continuous monitoring of the succession plan and the Bank's adherence.
- Review on recruitment of suitable persons to KMP positions
- Appointment of Independent Directors as per the new regulations.



Ranil Goonetilleke
Chairman
Board Nomination Committee
6 February 2026
Colombo

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE



Mr Jude Nilukshan
Chairman
Board Integrated Risk Management Committee

Composition of the Committee

During the year under review, the Board Integrated Risk Management Committee (BIRMC) comprised following three Non-Executive Directors:.

Name	Membership status	Eligible to attend	Attended
Mr Jude Nilukshan*	Chairman	07	05
Mr S R W M Ruwan Palitha Sathkumara*	Member	07	07
Mr Ashane Jayasekara*	Member	07	06

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

Profiles of the above members are given on pages 220 to 224.

Regular attendees by invitation

The General Manager/CEO, Chief Risk Officer and Compliance Officer of the Bank are regular attendees on invitation. Other DGMM, AGMM, and Chief Managers are also required to be present at the meetings as and when required.

Quorum

Minimum of two Directors.

Secretary to the Committee

The Secretary to the Board of Directors functions as the Secretary to the BIRMC.

TERMS OF REFERENCE OF THE COMMITTEE

The Board of Directors has established the BIRMC in compliance with the Banking Act Direction No. 05 of 2024, Corporate Governance for Licensed Banks, issued by the Central Bank of Sri Lanka, empowered in terms of Section 46 (1) of the Banking Act No. 30 of 1988, as amended (Banking Act).

The Committee is responsible to establish an independent risk management function, for integrated risk management within the Bank.

The Terms of Reference (TOR) set out by the Board of Directors, include the following:

- To implement the Integrated Risk Management Policy and other risk-related policies approved by the Bank and periodic updating of the Bank-wide Risk Management Framework.
- Ensure that all credit, market, operational and strategic risks faced by the Bank are identified, measured, monitored, and managed adequately.
- Obtain information on all critical risk areas from responsible senior officials and make suitable recommendations to the Board within the framework of the authority and responsibility assigned to the Committee.
- Identify, review, report and recommend on the risk of new operational developments and compliance related to those concerns.
- Review implementation and compliance with the directions issued by CBSL.

The Committee comprises of members with a sound collective experience in risk management issues and practices in relation to banking and/or financial services. The committee works with key management personnel very closely and makes decisions on behalf of the Board within the framework of the authority and responsibility assigned.

BIRMC oversee the functions of Chief Risk Officer and receive regular reports and communication from CRO and other relevant functions with respect to the risk profile, exposures against the established risk appetite limits and limit breaches to take prompt corrective action to mitigate the effects of specific risks where such risks are at levels beyond the prudent levels decided by the Committee on the basis of the Bank's policies and regulatory and supervisory requirements. The committee oversees the functions of Compliance Officer and reviews periodic reports from the Compliance Officer.

REPORTING TO THE BOARD

The BIRMC provides direct reports to the Board of Directors on its activities, including detailed minutes of its meetings. It fosters seamless communication and collaboration between risk management, internal audit, and the Board, ensuring transparency and effectiveness. The Committee affirms that its Terms of Reference (TOR) have been comprehensively upheld in all significant respects.

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

ACTIVITIES DURING THE YEAR 2025

As outlined in its charter, BIRMC convenes quarterly; however, additional meetings are scheduled as needed to address arising priorities and requirements. During the year 2025, NSB convened seven (7) meetings.

Within the year 2025, the Committee ensured effective functioning of Integrated Risk Management Framework by reviewing internal policies, governance structure and taking initiatives to properly position risk management and compliance functions.

The committee was committed to define the risk appetite of the Bank aligning with the Bank's strategic, capital, and financial plans and periodically monitored the breaches in risk appetite limits to notify the Board of Directors for timely action.

BIRMC conducted several special meetings to address the specific risk areas that need immediate attention for timely resolution.

Effectiveness of the risk management and compliance processes are annually audited by the Internal Audit Division of the Bank.

Key activities attended and carried out by the Committee during the year were as follows:

1. Review of IRM policy framework, Risk Appetite Statement and Tolerance Limits of the Bank, in order to recommend for the approval of the Board of Directors.
2. Review of risk limits and recommendation for the approval of the Board of Directors.
3. Review of adequacy of Internal Capital Adequacy Assessment Process (ICAAP) as per CBSL guidelines and internal audit findings.
4. Review risk profile of the Bank periodically against Risk Appetite and Tolerance Limits covering all risk areas. (i.e. credit, market, operational, liquidity, etc.)
5. Review of Risk Control Self-Assessment (RCSA) reports. Root Cause Analysis (RCA) reports and Loan Review Mechanism (LRM) reports to recommend control enhancements and risk mitigation actions.
6. Annual review of Compliance related Policies, Compliance Programme and Compliance Manual.
7. Review of reports by Compliance Division including compliance assessments on Bank.

FOCUS FOR 2026 AND BEYOND

i. Ensure continuous monitoring and effective implementation of the Bank's risk and compliance strategy to uphold governance standards.
ii. Focus on adapting to evolving regulatory requirements while aligning the Bank's risk management and compliance approach with market developments.
iii. Ensure the risk and compliance functions are sufficiently staffed and resourced to carry out the responsibilities independently.
iv. Improve the committee composition with the contribution of the Independent Directors.



Jude Nilukshan
Chairman

Board Integrated Risk Management Committee

6 February 2026
Colombo

REPORT OF THE BOARD INFORMATION TECHNOLOGY STRATEGY COMMITTEE



Mr Dushyanta Basnayake
Chairman
Board Information Technology Strategy Committee

Composition of the Committee

The Board Information Technology Strategy Committee (BITSC) comprised three Non-Executive Directors.

Name	Membership status	Eligible to attend	Attended
Mr Dushyanta Basnayake*	Chairman	12	12
Mr S R W M Ruwan Palitha Sathkumara*	Member	12	11
Mr Ashane Jayasekara*	Member	12	10
Mr Supul Wijesinghe** – Senior Director (w.e.f. 19 January 2026)	Member	–	–

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

Profiles of the above members are given on pages 220 to 224.

Regular attendees by invitation

The General Manager/CEO and DGM (IT)/Chief Information Officer provide information to the Committee and attends meetings of the Committee on invitation.

Quorum

Minimum of two Directors.

Secretary to the Committee

The Secretary to the Board of Directors, functions as the Secretary to the BITSC also.

The BITSC was established in order to ensure the Banks reliance over Information Technology and oversee the Bank's strategic objectives in accordance with the Information and Communication Technology (ICT).

ROLE AND RESPONSIBILITIES OF THE COMMITTEE

Review, improve and approve Information Technology Governance Framework of the Bank and formulate new ICT policies to address trends and challenges in the market. Ensure proper screening process and make necessary recommendations with regard to IT related projects and procurements to the Board of Directors. BITC is required to maintain a smooth relationship with other Board Subcommittees and ensure adequacy and effectiveness of ICT security of the Bank.

ACTIVITIES ATTENDED BY THE COMMITTEE DURING THE YEAR 2025

The Committee recommended procurement proposals pertaining to ICT projects of the Bank to the Board of Directors. Review, improve and recommend the Charter of the BITSC to the Board for approval. Moreover, the Committee foresees the need of customer's data protection and ensures all necessary policies and procedures have been taken against the information security.

Review the progress of new core banking implemented in September 2024.

FOCUS FOR 2026 AND BEYOND

- Finetuning the core-banking solution of the Bank
- Continuous focus to stay ahead of the cybersecurity related matters. Maintenance of IT Governance Framework as a core function of strength



Dushyanta Basnayake
Chairman

Board Information Technology Strategy Committee

6 February 2026
Colombo

RISK MANAGEMENT REPORT

Risk management is an important function that improves the value-adding capability of National Savings Bank (NSB). Accordingly, the Bank facilitates and encourages risk management across all operational and business functions. The Bank consistently safeguarded the interests of stakeholders through a strong Integrated Risk Management Framework (IRMF) by carefully aligning risk appetite to strategy.

EXTERNAL ENVIRONMENT

The Sri Lankan economy showed positive signs of recovery during 2025, with gross domestic product (GDP) growth projected at 4-5% supported by industry, services, tourism, and remittances, alongside improved reserves and fiscal restraint. However, the recovery remains precarious, dependent on ongoing reforms and vulnerable to social unrest, high debt, and uneven private sector growth, as well as climate shocks. Long-term resilience against these economic and climate challenges depends on political stability and the successful execution of policy initiatives such as the National Climate Finance Strategy of Sri Lanka (2025–2030).

Country credit rating upgrades in 2025 by major international agencies, such as S&P Global, Moody's, and Fitch Ratings, reflected progress in debt restructuring, improved macroeconomic indicators and commitment to reforms backed by the International Monetary Fund (IMF) with stable outlooks signaling confidence in continued implementation.

The tourism sector demonstrated strong recovery momentum, with tourist arrivals throughout the year showing substantial growth compared to the previous years. Worker remittances rebounded from the previous 10-year low in 2022 and reached a record high in 2025. Remittances continued to play a critical role in bolstering foreign exchange reserves and offsetting the current account deficit, particularly amid persistent trade imbalances.

The Colombo Stock Exchange (CSE) closed the year with a record-breaking market capitalisation of Rs. 8.1 Tn., reflecting 42% increase compared to the previous year. Local investor participation increased significantly while foreign investor participation accounted for approximately 4% of total market turnover in 2025. Trends were supported by a low-interest rate scenario, increased political stability, and anticipated economic reforms.

Advancements in technology and innovation continue to create new growth opportunities in banking and improve service efficiency. However, they also introduce significant cybersecurity threats. The Bank continues to strengthen measures to safeguard systems, and processes to mitigate these risks.

According to the Global Rapid Post-Disaster Damage Estimation (GRADE) report released by the World Bank Group, Cyclone Ditwah, a catastrophic tropical cyclone that brought heavy rain to Sri Lanka and South India in late November, inflicted an estimated USD 4.1 Bn. in damages, equivalent to around 4% of Sri Lanka's GDP. The cyclone, among the most intense and destructive in Sri Lanka's recent history, affected close to 2 million people and 500,000 families across all 25 districts, disrupting livelihoods, essential services, and the broader economy. The Central Province was the hardest hit. Grants and donations from individuals, international institutions, and communities, to support recovery and restore essential services and infrastructure including healthcare, water, education, agriculture, and connectivity, in the most affected areas.

Cyclone Ditwah demonstrated how extreme weather events can result in significant financial losses and systemic economic vulnerability, underscoring the relevance of climate risk for the banking sector. The incident also highlighted the gap between having frameworks for climate risk and implementing urgent, practical solutions.

The IMF provided emergency funding of about USD 206 Mn. under the Rapid Financing Instrument (RFI) in December 2025 for cyclone disaster relief. This is separate from the ongoing USD 3 Bn. Extended Fund Facility (EFF) programme, the fourth review of which was completed in July 2025, providing around USD 350 Mn. and bringing total disbursements to USD 1.74 Bn. The RFI loan is a short-term, one-off disbursement with a 3-5 year repayment period, while the EFF supports broader economic reforms.

Developments in the external environment amplify the requirement for a comprehensive risk management framework within the NSB group.

RISK MANAGEMENT FRAMEWORK

Integrated risk management is a continuous, proactive, and systematic process to understand, manage, and communicate risk from a bank-wide perspective. This involves conducting an ongoing assessments to identify potential risks at all levels, and the results are communicated to higher levels to facilitate informed decision-making.

An effective risk management framework strengthens resilience and supports a sustainable business model. By identifying, assessing, controlling, and monitoring risks, banks can safeguard against potential financial shocks and enhance decision-making.

All employees are responsible for the management of risk with ultimate accountability residing with the Board of Directors. The Board of Directors oversees the implementation of a comprehensive risk management framework throughout the Bank and subsidiaries.

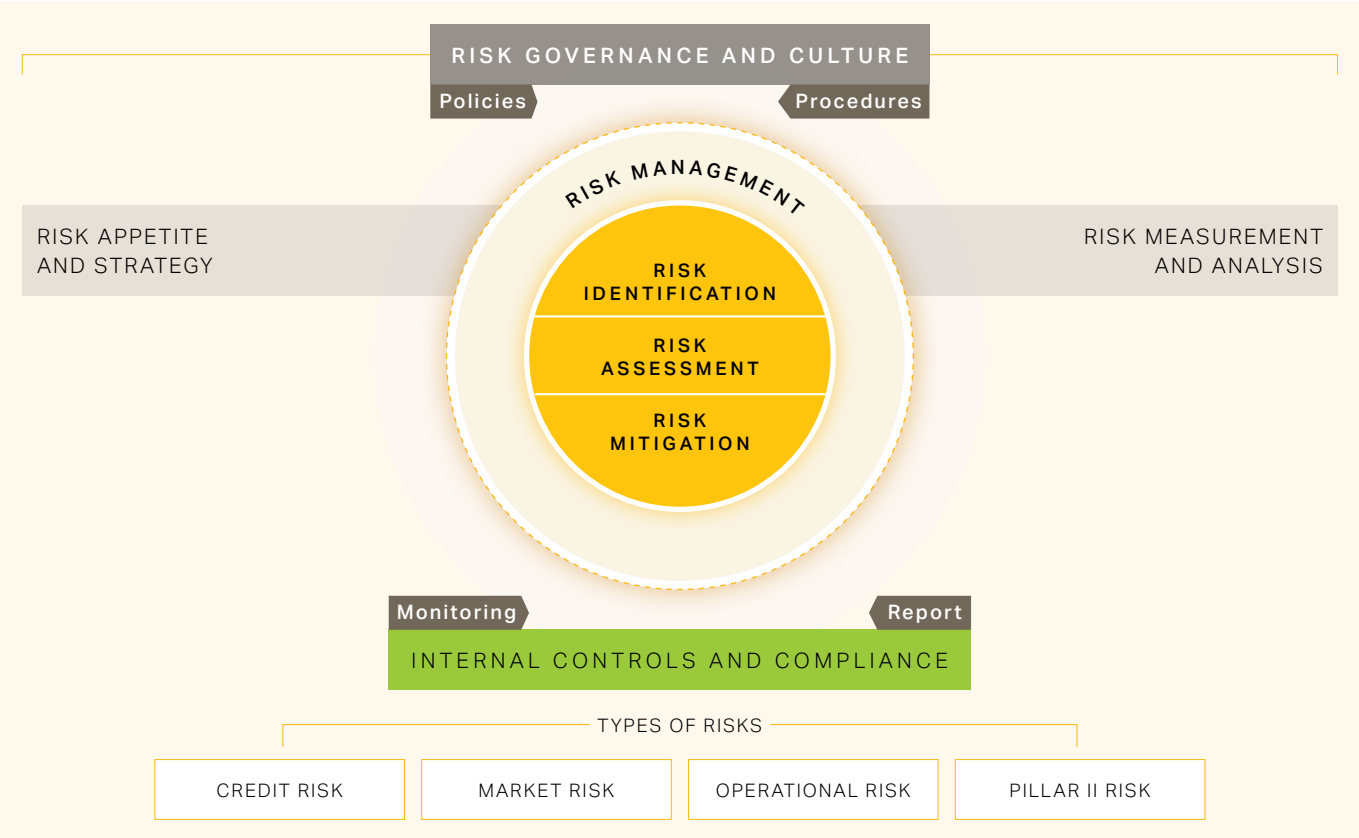


FIGURE 22 Risk management framework

RISK GOVERNANCE AND CULTURE

A risk governance structure defines the framework of roles, responsibilities, and processes that ensure risk management is integrated into both strategic decision-making and daily operations. An effective risk governance structure is essential for maintaining stability, ensuring regulatory compliance, and safeguarding stakeholders' interests.

NSB is committed to upholding high standards of risk governance and adopting risk management best practices. This enables the Board of Directors and the Senior Management to undertake risk-related activities effectively and prudently. The Board of Directors is at the top of the risk governance structure and plays a central role in setting the overall risk appetite.

It is responsible for approving the Risk Management Framework, and ensuring that the Bank has adequate resources, policies, and procedures to manage risks effectively. The Board of Directors also oversees and monitors the effectiveness of the risk management practices, ensuring risks are managed within the approved risk appetite.

Both financial and non-financial risks are managed and reported in accordance with the Bank's Risk Management Framework.

To support risk oversight, the Board of Directors has established two key Board-level risk management committees:

- Board Integrated Risk Management Committee (BIRMC)
- Board Audit Committee (BAC)

These committees assist in fulfilling risk-related responsibilities, and ensuring the adequacy and effectiveness of internal control procedures.

Senior Management has strengthened governance over both financial and non-financial risks by establishing a management committee framework. This framework focuses on identifying and understanding existing and emerging risks, trends, and issues across all the business lines, providing deeper insights for informed decision-making.

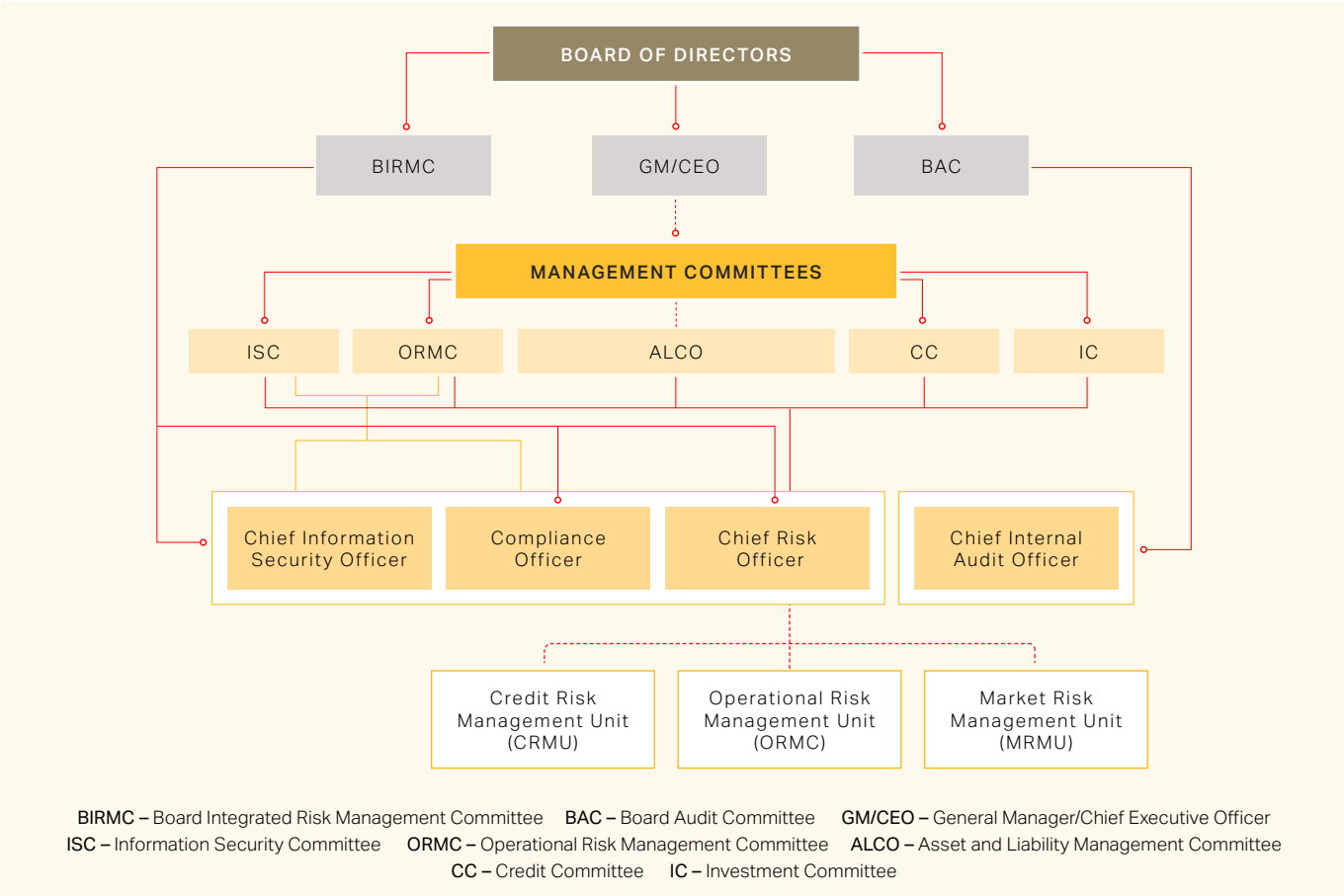


FIGURE 23 Risk Governance Framework

Risk management culture

The Board of Directors and Senior Management have reinforced the importance of a strong risk culture through effective leadership and oversight. Maintaining a sound risk culture is supported by aligning Risk Principles with the Bank's policies, processes, systems, and training programmes.

The Bank operates under a Three Lines of Defence Model. Each line of defence clearly defines roles, responsibilities, and escalation paths to support effective risk management. This model fosters a culture where risk is everyone's responsibility.

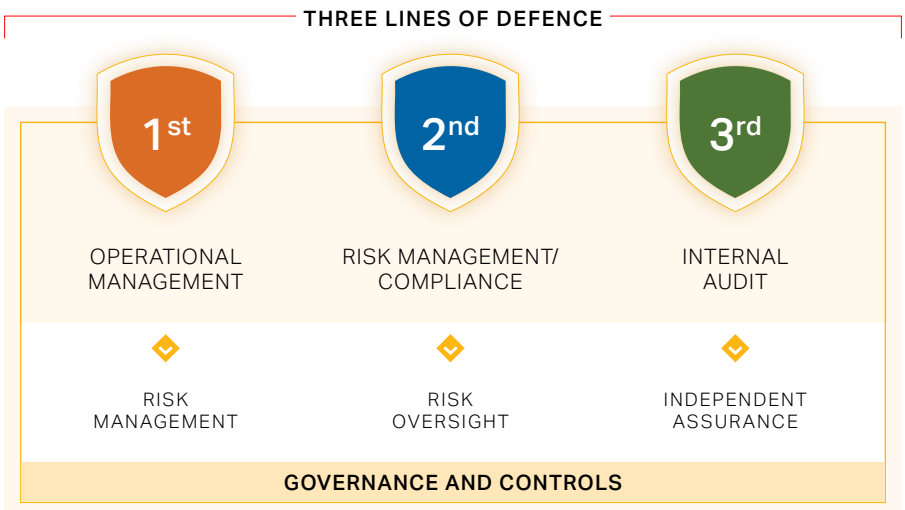


FIGURE 24 Three Lines of Defence

1st First Line of Defence

Operational management is responsible for identifying, assessing, managing, and controlling risks on a day-to-day basis. This includes frontline employees and business units that directly engage in processes that may expose the Bank to risks. Employees in the first line have primary responsibility for managing these risks, with oversight from the second and the third lines.

2nd Second Line of Defence

Comprising the Risk Management Division (RMD) and the Compliance Division, this line oversees the first line using risk monitoring and management tools. RMD is structured into three key units to manage principal risk areas, namely Credit Risk Management Unit (CRMU), Treasury Middle Office (TMO)/Market Risk Management Unit (MRMU), and Operational Risk Management Unit (ORMU).

3rd Third Line of Defence

The Internal Audit Division (IAD) provides independent assurance to the Board and the Executive Committee on the effectiveness of governance, risk management, and control over current, systemic, and evolving risks. Regulatory reviews and external audits provide independent assurance to the Board on the adequacy and effectiveness of first and second lines of defence.

Integrated risk management: Policy framework

The Integrated Risk Management Policy defines the Bank's IRMF and includes separate policies to address principal risk areas, risk management approaches, and reporting requirements.

The Risk Management Policy documents how the Bank identifies, measures, evaluates, monitors, and reports risks, and how it controls or mitigates material risks. It also defines the oversight mechanisms and committees responsible for risk governance.

Risk management	Credit risk	Market risk	Operational risk
Policies	Integrated risk management policy Stress testing policy Risk management disclosure policy **Credit Risk Management Policy**	**Market and Liquidity Risk Management Policy**	Internal capital adequacy assessment process (ICAAP) management policy Model risk management policy **Operational Risk Management Policy**
Risk identification and assessment approaches	• Monitoring Risk Limits • Internal Rating Models • Early Warning Indicators • Scenario Analysis • Stress Testing	• Monitoring Risk Limits • Value at Risk (VaR) • Modified Duration (M-Duration) • Sensitivity Analysis • Scenario Analysis • Stress Testing	• Monitoring Risk Limits • Loss Event Data Analysis • Incident Monitoring • Root Cause and Scenario Analysis • Stress Testing • Risk and Control Self-Assessment (RCSA) • Key Operational Risk Indicators (KORIs)
Reports to the Management/ Board levels	• Risk Appetite Dashboard • Early Warning Indicators • Credit Risk Review • Report on Loan Review Mechanism (LRM) • Non-Performing Loan (NPL) Ratio Monitoring and Analysis	• Risk Appetite Dashboard • Equity Portfolio Risk Review • Foreign Currency Risk Review • Interest Rate Risk Review • Fixed Income Securities Portfolio Risk Review • Liquidity Risk Review	• Risk Appetite Dashboard • Loss Events Analysis • KORIs Dashboard • RCSA Reports • Root Cause Analysis • Customer Complaint Analysis • Report on Business Disruptions and System Failures

TABLE 25 Risk management policies, approaches and reports within IRMF

RISK APPETITE AND STRATEGY: DEFINING RISK APPETITE LEVELS

Risk appetite defines the level of risk the Bank is willing to take in pursuit of its strategic objectives, while ensuring financial stability, regulatory compliance, and reputation protection.

The risk appetite statement acts as a guiding principle for risk management activities, providing clarity and direction for Senior Management and the Bank's risk-bearing capacity. The statement defines the aggregate level and types of risk that the Bank is comfortable to take, guiding strategic decision-making and financial planning processes.

The Bank adopts a top-down approach in setting risk appetite at the corporate level, using qualitative and quantitative parameters.

All strategic-level risk indicators remained above the predefined risk appetite levels, demonstrating the adequacy and effectiveness of the Bank's risk management and recovery measures. These measures were carefully and strategically implemented, considering the internal and external environmental concerns.

Risk management strategy: approach to managing risks

The Risk Management Strategy outlines how the risk function is structured to support the achievement of the Bank's Strategic Business Plan. It defines the approach to managing risks arising from the business strategy, and provides an overview of how IRMF addresses each material and emerging risk area with reference to relevant regulations, policies, and procedures.

Focused area	Indicator	2025 – Actual percentage	Performance against risk appetite
Profitability	NIM	4.74	✓
	ROE	25.08	✓
	ROA	2.48	✓
Capital adequacy	CET 1	23.40	✓
	Tier 1	24.90	✓
	Total capital	26.83	✓
Liquidity	LCR (Rupee)	360.39	✓
	NSFR	206.44	✓
Leverage	Leverage ratio	9.34	✓

Risk levels

✓ Within the risk appetite limit ✓ Within the maximum tolerance limit

✓ Beyond the maximum tolerance limit

TABLE 26 Financial indicators against risk appetite levels

A comprehensive set of risk identification and assessment approaches facilitates understanding the inherent risks, level of controls in place, and the exposure to residual risks, in order to determine risk mitigation mechanisms.

Risk management incorporates multiple processes, models, and tools to identify, assess, monitor, and mitigate risk across the Bank. These elements support risk-based decision-making and ensure compliance with capital adequacy and other prudential requirements set by the Central Bank of Sri Lanka (CBSL).

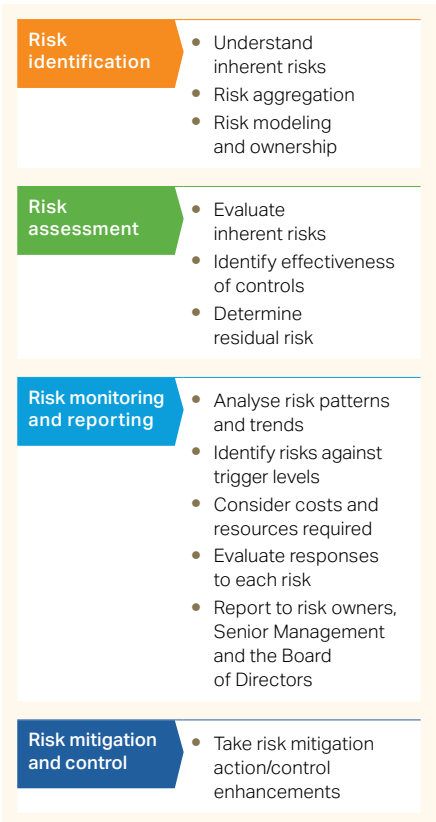


FIGURE 25 Risk management process

The Bank proactively assesses the internal and external environment to understand and update main and emerging risks. This process provides a forward-looking view of issues with the potential to threaten the execution of the strategy and operations over the strategic planning period.

RISK MANAGEMENT REPORT

The main and emerging risks, the anticipated risk level, and the approach to managing these risks are summarised below:

Risk component	Risk management approach	Inherent risk level	Impact*
CREDIT RISK			
Credit risk	• Adherence to Board-approved policies and procedures • Credit evaluations with risk assessments • Risk rating • Delegated authority structure for credit approval • Collateralisation • Valuation/revaluation and monitoring of loan-to-value (LTV) ratios • Monitoring against limits • Monitoring of early warning indicators, trends of non-performing advances • Independent risk review/monitoring at transaction and portfolio level • Post-disbursement reviews/Loan Review Mechanism (LRM) • Stress testing • Impairment provisioning • Continuous training and development	LOW MEDIUM HIGH	↑
Concentration risk	• Limit monitoring: exposure limits, concentration limits (Herfindahl-Hirschman Index [HHI]) • Stress testing	LOW MEDIUM HIGH	↑
Settlement risk	• Delivery versus Payment (DvP) systems • Pre-funding/margin requirements • Limit monitoring: counterparty limits	LOW MEDIUM HIGH	→
Cross-border credit risk	• Collateralisation • Limit monitoring • Stress testing	LOW MEDIUM HIGH	→
MARKET RISK			
Re-pricing risk	• Monitoring re-pricing gap limits • Limits on Rate-Sensitive Assets (RSA) and Rate-Sensitive Liabilities (RSL)	LOW MEDIUM HIGH	→
Yield curve risk	• Sensitivity/stress testing with rate shocks • Monitors the portfolio yield, duration and duration gap • Stop loss limits	LOW MEDIUM HIGH	→
Basis risk	• Sensitivity analysis: rate shocks on RSA/RSL	LOW MEDIUM HIGH	→
Foreign exchange (FX) risk	• Monitoring exchange rate movements • FX VaR • Limit monitoring • Stress testing	LOW MEDIUM HIGH	↑
Equity price risk	• Limit monitoring • Equity VaR • Monitoring mark to market gains/losses on a daily basis • Stress testing	LOW MEDIUM HIGH	↑
Commodity price risk	• Monitor LTV on pawning • Monitor gold prices • Stress testing	LOW MEDIUM HIGH	↑

RISK MANAGEMENT REPORT

Risk component	Risk management approach	Inherent risk level	Impact*
LIQUIDITY RISK			
Liquidity risk	• Monitor regulatory ratios against the minimum requirements • Monitor contractual and behavioural maturity gaps against limits in prescribed time buckets • Monitor liquidity ratios under stock approach • Liquidity contingency planning • Stress testing and scenario analysis	LOW MEDIUM HIGH	↓
OPERATIONAL RISK			
Fraud risk/ Financial crime risk	• Fraud risk management and whistleblowing process • Internal controls • KORIs monitoring • Loss event monitoring • Risk Control Self-Assessment (RCSA) • Anti-bribery and corruption risk assessment • Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) monitoring	LOW MEDIUM HIGH	↑
Information Technology (IT)/Cybersecurity	• Internal controls • Information security management system • KORIs monitoring • Incident reporting • RCSA	LOW MEDIUM HIGH	↑
Business continuity risk	• Business Continuity Management System (BCMS) implementation • KORIs monitoring	LOW MEDIUM HIGH	→
Compliance/ Regulatory risk	• Compliance programme and examinations • KORIs monitoring • Compliance risk scorecard	LOW MEDIUM HIGH	↑
Legal risk	• Legal clearance on all contractual obligations • KORIs monitoring	LOW MEDIUM HIGH	→
OTHER EXISTING AND EMERGING RISKS			
Contagion risk	• Managing concentrations through diversification of counterparties • Monitoring exposure limits • Liquidity contingency planning • Stress testing and scenario analysis	LOW MEDIUM HIGH	→
Model risk	• Model validation and independent review • Conservative assumptions and management overlays • Ongoing monitoring for model performance	LOW MEDIUM HIGH	→
Environmental, Social, and Governance (ESG) risk	• ESG integration into risk assessment • Due diligence and screening • Scenario analysis • Stress testing	LOW MEDIUM HIGH	↑

* YoY change in impact on earnings and capital

→ No change | ↑ Increase in impact | ↓ Decrease in impact

TABLE 27 Risk review

RISK MANAGEMENT REPORT

The Bank's Risk Register documents both existing and emerging risks. It is periodically updated by the RMD using risk identification and assessment tools and models. Accordingly, there are four principal risks: credit risk, market risk (i.e., equity, foreign currency, and interest rate), operational risk, and liquidity risk. Risk reports submitted to the Management and Board Level Committees provide insight on principal risks as well as existing and emerging risks. The impact of ESG changes on these risks is assessed periodically.

The primary role of risk management is to protect stakeholders while ensuring the achievement of strategic objectives and sustainable growth. Therefore, the Bank continues to strengthen the control environment and the approach to the management of risks.

The below provides an overview of existing and emerging risks, and how they are managed to minimise financial and non-financial impacts to the Bank.

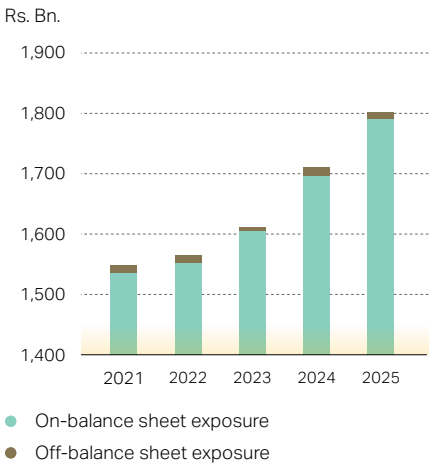
CREDIT RISK

Credit risk is the risk of loss arising from a counterparty's failure to meet its contractual obligations in accordance with agreed terms. Credit exposures primarily result from on and off balance sheet activities, including loans, advances, commitments, guarantees, inter-bank placements, security investments, and other contingent liabilities. Credit risk comprises counterparty default risk, concentration risk, and settlement risk.



In 2025, the Bank recorded a 5.3% increase in maximum gross credit risk exposure, accompanied by a 1.4% increase in the allowance for impairment, which amounted to Rs. 29.3 Bn.

Credit exposure on and off balance sheet Graph 67



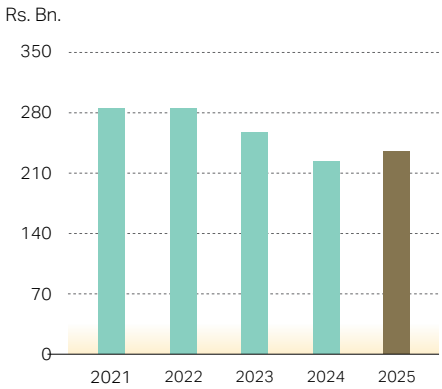
As at 31 December	2025 Maximum credit risk exposure			2024 Maximum credit risk exposure			YOY change in net exposure
	Gross carrying value Rs. '000	Credit impairment Rs. '000	Net exposure Rs. '000	Gross carrying value Rs. '000	Credit impairment Rs. '000	Net exposure Rs. '000	%
Maximum credit risk exposure	1,802,319,739	29,345,269	1,772,974,470	1,711,564,236	28,947,718	1,682,616,520	5.4
On-balance sheet exposure (gross basis)	1,792,701,094	29,345,269	1,763,355,825	1,698,436,824	28,947,718	1,669,489,108	5.6
Off-balance sheet exposure	9,618,645	–	9,618,645	13,127,412	–	13,127,412	-26.7
Major credit risk exposures Financial assets at amortised cost							
– Loans and advances	580,150,556	29,322,187	550,828,369	561,313,699	28,934,686	532,379,013	3.5
– Debt and other instruments	1,092,998,122	8,208	1,092,989,914	1,039,038,477	3,905	1,039,034,572	5.2

TABLE 28 Maximum credit risk exposures

RISK MANAGEMENT REPORT

Risk weighted assets for credit risk

Graph 68



In compliance with CBSL Directions No. 1 of 2016, the Bank adopts the Standardised Approach to calculate of Risk-Weighted Assets (RWAs) for credit risk. Under this approach, prescribed risk weights are applied to net counterparty exposures across defined exposure categories, with due consideration given to a specified set of qualifying collateral.

Default risk

In 2025, the gross carrying amount of credit-impaired (Stage 3) loans and advances decreased to Rs. 33.6 Bn., compared to Rs. 49.7 Bn. in 2024. As at 31 December 2025, the Bank's Stage 3 impaired loan ratio stood at 2.5%, compared to 5.2% in 2024.

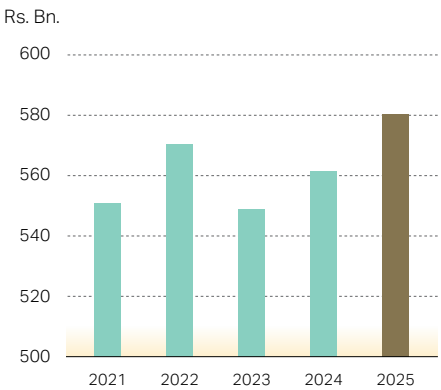
The deterioration in credit portfolio quality resulted in an impairment charge of Rs. 0.4 Bn. during the year (2024: Rs. 6.6 Bn.), increasing the total credit impairment provision to Rs. 29.3 Bn. At the end of the year the Stage 3 provision coverage ratio stood at 58.6%, compared to 44.5% in 2024.

	Stage 3 loans and advances Rs. '000	Allowance for individual impairment Rs. '000	Allowance for collective impairment Rs. '000	ECL allowance Rs. '000
2024	49,677,946	3,754,556	18,350,326	22,104,882
2025	33,573,810	3,912,774	15,746,806	19,659,580

TABLE 29 Distribution of Stage 3 credit impaired loans and advance

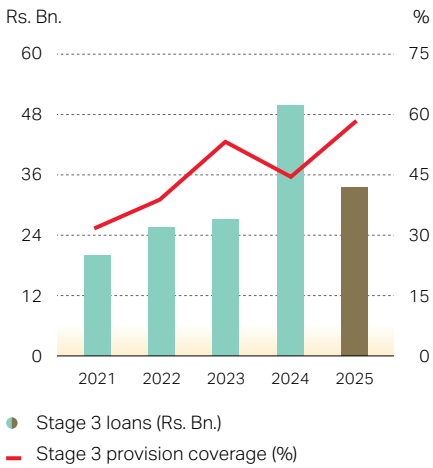
Gross loans and advances

Graph 69



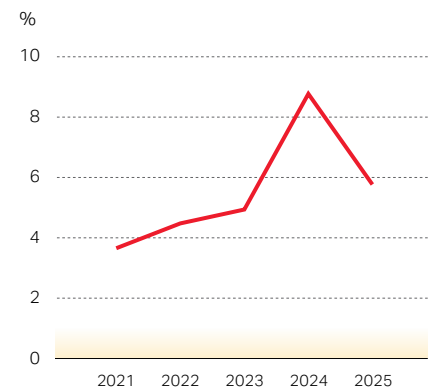
Stage 3 loans and provision coverage

Graph 70



Impaired loans (Stage 3) ratio (%)

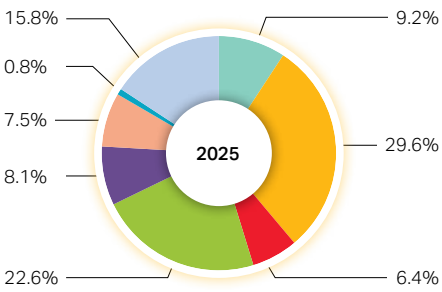
Graph 71

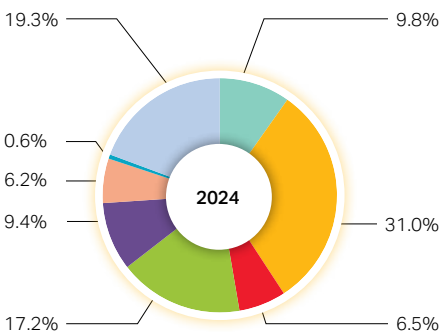


Concentration risk

The concentration limits are defined in the Bank's risk appetite statement. Concentration levels are monitored on a quarterly basis against established thresholds at the Board, BIRMC, and CC levels to ensure ongoing compliance. The Bank employs quantitative tools, including HHI, together with stress testing, to assess concentration risk and identify potential interdependencies among exposures that may only become apparent under stressed conditions.

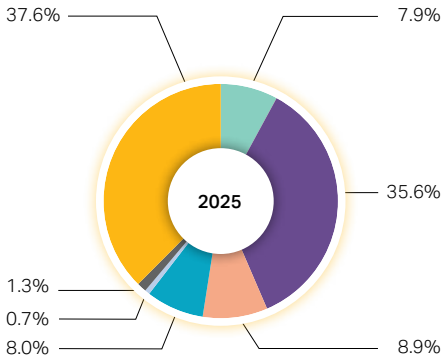
Exposure by product – (Loans & investments portfolio) Graph 72

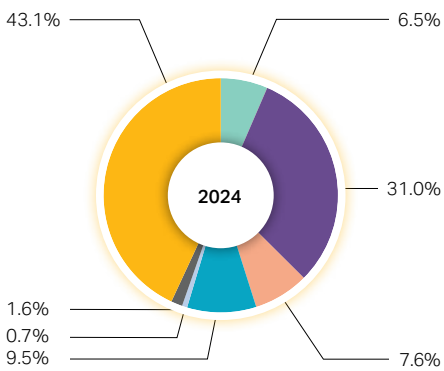




- House and property loans
- Personal loans
- Loans against deposits
- Pawning
- Term loans-SOEs and GOSL
- Term loans-Banks and NBFI
- Term loans – Other corporate
- Investments in corporate debt instruments

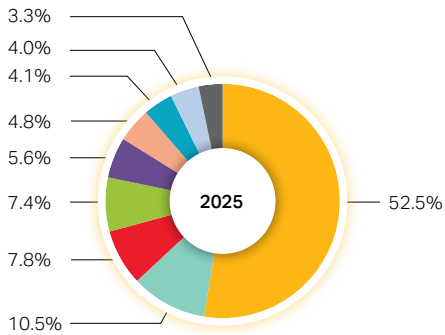
Exposure by industry – (Loan portfolio) Graph 73

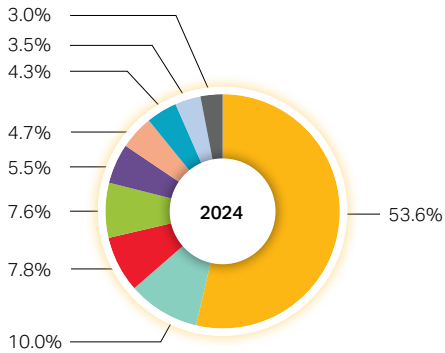




- Agriculture and fishing
- Tourism
- Personal/pawning/ other
- Construction/ housing
- Financial & business services
- Infrastructure
- Power and energy
- Education

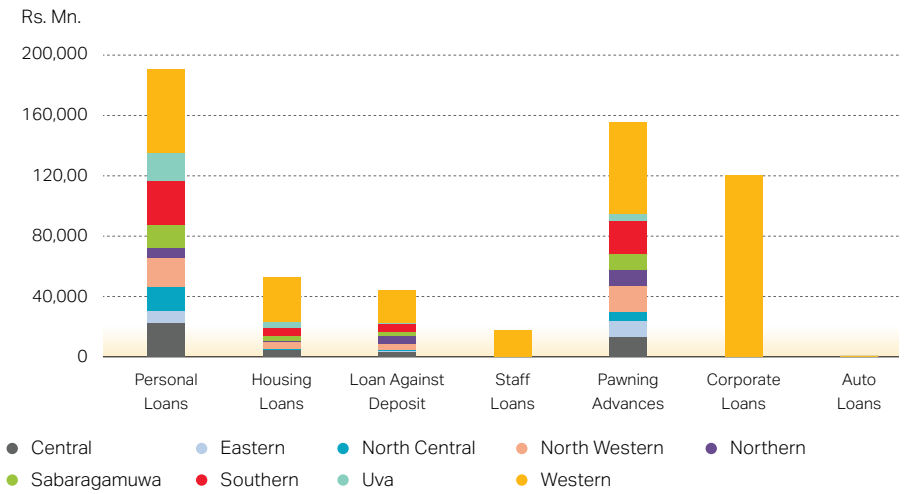
Exposure by geography – (Loan portfolio) Graph 74



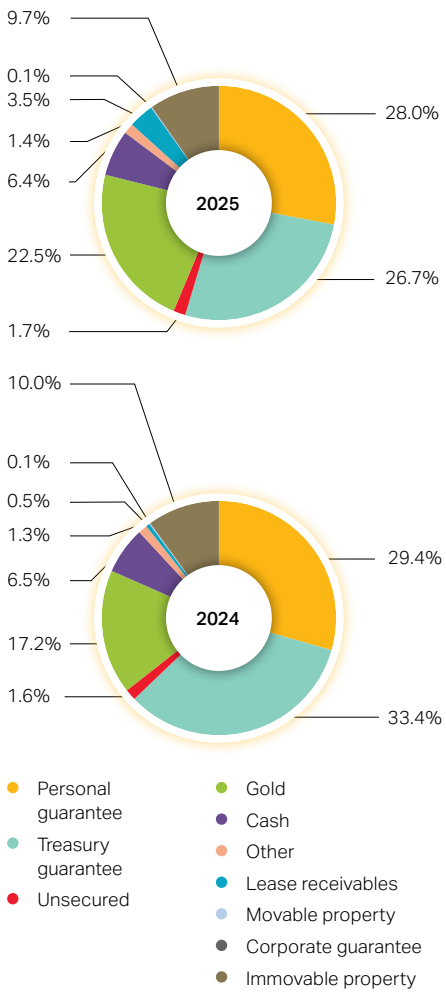


- Western Province
- Southern Province
- North Western Province
- Central Province
- Sabaragamuwa Province
- Uva Province
- North Central Province
- Northern Province
- Eastern Province

Product-wise geographical analysis of loans and advances to other customers Graph 75



Exposure by collateral – (Loans & investments portfolio) Graph 76



The Bank's credit and investment portfolio is predominantly comprised of retail lending products, with personal loans representing the largest segment at 43.7% of the retail lending portfolio. In the corporate segment, exposures to State-Owned Enterprises (SOEs) constitute the largest share of the loans and investments portfolio, accounting for 60.2% of corporate exposures. These exposures primarily comprise loans and debt instruments supported by Treasury Guarantees.

The Bank maintains a moderate risk appetite for sector concentration. The personal lending and pawning sector is the largest contributor, representing 37.6% of total loan exposures, followed by the construction sector at 35.6%.

A high geographic concentration is observed in the Western Province, largely reflecting the concentration of large loans originated by the Corporate Finance Division. Loans and investments backed by the Government, including treasury guarantees and Government securities, account for 26.7% of the Bank's total loans and investments portfolio.

Cross-border credit risk

The Bank's cross-border exposure, arising from deposits with foreign banks, and credit facilities, remained limited to 0.3% of total assets.

Credit risk management process

Effective credit risk management is critical to the Bank's long-term stability, given that loans and investments comprise 37.6% of total assets, while credit risk accounts for over 70% of total RWAs.

Credit risk is managed under a Board-approved Credit Risk Management Framework, which incorporates a strong governance structure alongside comprehensive policies and procedures to identify, measure, monitor, and mitigate credit risk across the Bank.

The Board-approved credit policies and procedures ensure segregation of duties among officers across functional areas, and support credit risk management at the business line level throughout the key stages of the credit process. These policies, along with the Bank's risk appetite and credit limits, are reviewed periodically and updated to reflect prevailing and anticipated market conditions.

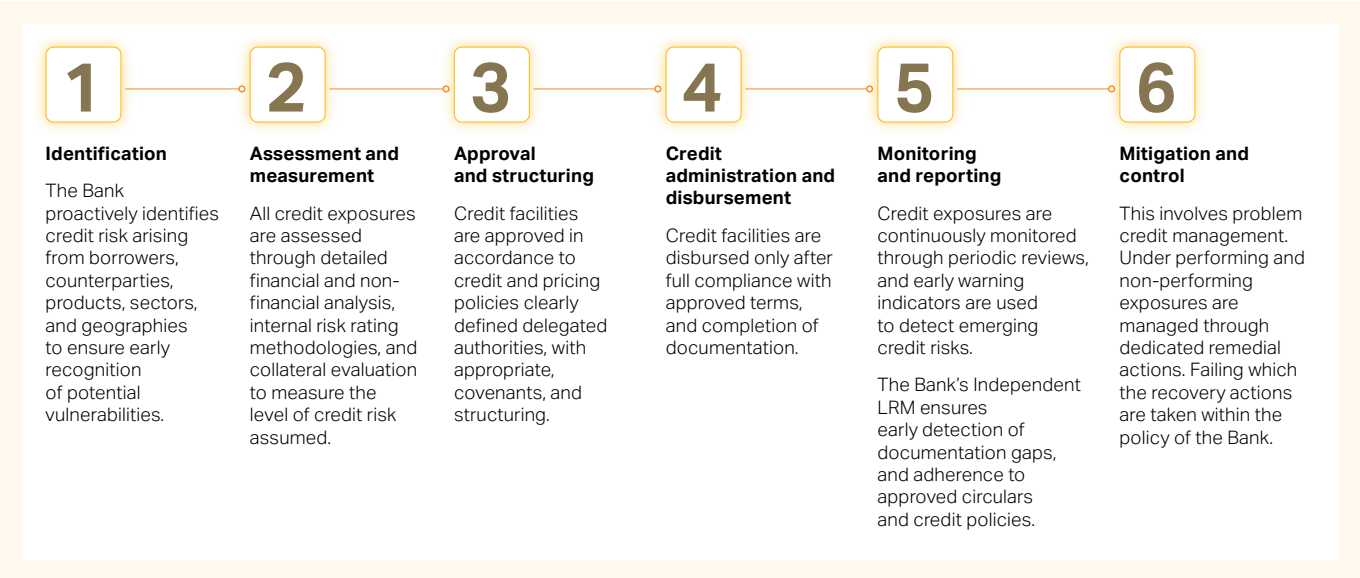


FIGURE 26 Credit risk management process

CRMU within the RMD oversees the credit risk management process, as the second line of defence, to provide an independent risk analysis and assessments at both the transaction and portfolio levels. This approach considers customer-specific factors alongside internal and external factors, including economic, environmental, societal, and industry-related risks.

To ensure proactive and corrective credit risk management, CRMU:

- Conducts independent risk assessments and rating validations for credit exposures at the transaction level.
- Monitors early warning signals, trends in non-performing loans, concentration risks, and overall credit portfolio performance.
- Conducts stress testing and scenario analysis to assess the potential impact of vulnerabilities under different risk scenarios/solvency indicators.

Insights from periodic RCSAs of credit-related processes help to identify areas for improvement. Additionally, the LRM plays a crucial role in identifying credit and operational risks within the credit process, facilitating corrective actions and contributing to the overall improvement of credit portfolio quality.

CRMU continues to increase the awareness of the credit officers on identified concern areas to minimise repetition.

MARKET RISK

Market risk is the risk arising from changes in the financial markets to which an organisation has an exposure. Potential losses may arise from adverse movements in market variables such as interest rates, foreign exchange rates, stock prices, and commodity prices that adversely change the expected cash flows, earnings, and capital in the future.

The Bank's exposure to market risk arises from both the trading book and non-trading book.



RISK MANAGEMENT REPORT

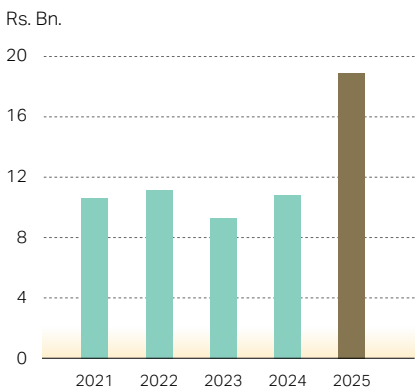
At the end of 2025, the Bank's assets exposed to market risk accounted for 96.3% of total assets while, liabilities exposed to market risk were 91.0%. Most financial assets are exposed to interest rate risk. Net foreign currency exposure is 0.06% of total assets, while 0.4% is exposed to equity price risk.

As at 31 December 2025	Amount as per financial statement Rs. '000	Exposure to trading risk Rs. '000	Exposure to non-trading risk Rs. '000	Market risk type
Financial assets				
Cash and cash equivalents	8,326,738		8,326,738	IRR, FX
Balances with central banks	167,212		167,212	IRR
Placements with banks	24,181,317		24,181,317	IRR, FX
Derivative financial instruments	68,813		68,813	IRR, FX
Financial assets measured at fair value	22,158,765	22,158,765		IRR, Equity
Financial assets at amortised cost – Loans and receivables	550,828,369		550,828,369	IRR, FX
Financial assets at amortised cost – Debt and other instruments	1,092,989,914		1,092,989,914	IRR
Financial assets measured at fair value through Other Comprehensive Income (OCI)	64,634,698		64,634,698	IRR, Equity
Total	**1,763,355,826**	22,158,765	**1,741,197,061**	
Financial liabilities				
Due to banks	80,972		80,972	IRR, FX
Derivative financial instruments	13		13	IRR, FX
Financial liabilities at amortised cost – Due to depositors	1,608,490,322		1,608,490,322	IRR, FX
Financial liabilities at amortised cost – Due to other borrowers	39,057,116		39,057,116	IRR
Lease liability	1,492,523		1,492,523	IRR
Debt securities issued	16,911,043		16,911,043	IRR
Total	**1,666,031,990**		**1,666,031,990**	

TABLE 30 Market Risk Exposures

RWAs for market risk of the Bank increased by 75.1% to Rs. 19.0 Bn. during the year due to significantly increased investments in fixed income securities in mark-to-market portfolios. NSB calculates RWAs for market risk under the Standardised Measurement Method (SMM).

RWAs for market risk Graph 77



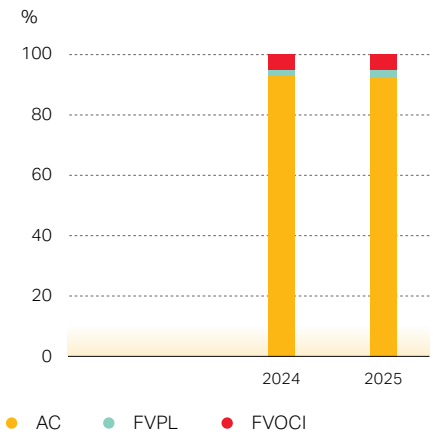
Interest rate risk

Interest Rate Risk in Trading Book

Portfolio type	2025		2024	
	Book value Rs. '000	Fair value Rs. '000	Book value Rs. '000	Fair value Rs. '000
FVPL portfolio	20,435,498	20,855,082	20,451,390	20,874,049
FVOCI portfolio	53,771,310	56,387,679	45,234,756	47,900,345
Total	74,206,808	77,242,761	65,686,146	68,774,394

TABLE 31 Investments in government securities under FVPL and FVOCI portfolios

Government securities portfolio Graph 78



Interest rate risk (IRR) in the trading book arises from the Bank's interest rate-sensitive investments held in the trading portfolio. IRR in the government securities trading portfolio is monitored using M-duration against predetermined risk appetite limits, unrealised gains/(losses), and the capital requirement, which is calculated based on the duration of securities held in the trading book.

The Bank's investments in government securities under FVPL and FVOCI portfolios accounted for 7.3% of its total investments in Government securities at the end of the year. The market value of the treasury bills and bond portfolio (FVPL+FVOCI) was Rs. 77.2 Bn.

The Bank's exposure to IRR arises from fluctuations in market interest rates, which impact net interest income (NII). This, in turn, has a potential impact on the Bank's underlying interest-earning assets, interest-bearing liabilities, and off-balance sheet items. The Bank's exposure to IRR can manifest in various forms, including repricing risk, yield curve risk, and basis risk.

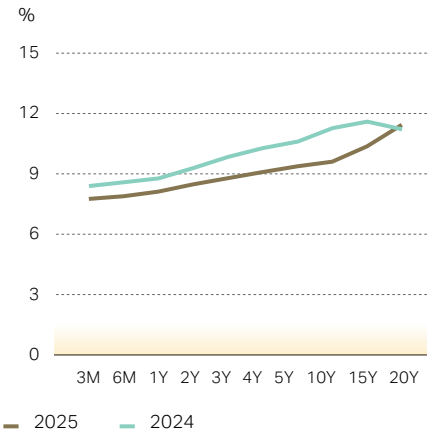
The continuous downward trend in interest rates positively impacted the Bank's capital and earnings during the year under review. IRR arises from differences in the term structure of RSAs and RSLs, and the interest rate indices on which instruments are priced. Therefore, IRR in the banking book is managed to minimise significant adverse impacts on the capital base and future earnings of the Bank.

Interest rate risk in the banking book (IRRBB)

	<1 month	1-3 months	3-6 months	6-12 months	1-3 years	3-5 years	>5 years
RSA (Rs. Mn.)	91,894	108,567	200,929	301,102	435,838	272,497	318,261
RSL (Rs. Mn.)	285,396	522,994	319,455	367,061	149,507	7,408	12,718
Period gap (RSA-RSL) – (Rs. Mn.)	(193,502)	(414,426)	(118,526)	(65,959)	286,331	265,089	305,543
Cumulative gap – (Rs. Mn.)	(193,502)	(607,928)	(726,455)	(792,414)	(506,083)	(240,994)	64,549
Actual gap as a percentage of RSL – 2025 (%)	-67.8	-79.2	-37.1	-18.0	191.5	3578.6	2402.4
Actual gap as a percentage of RSL – 2024 (%)	-75.4	-83.4	-61.4	-27.3	349.0	1223.4	8093.0

TABLE 32 Interest Rate Sensitivity Gap-Banking Book

Movements in yield curve Graph 79



(Source: Bloomberg)

The Bank primarily assesses IRR through an interest rate repricing gap analysis, which indicates vulnerabilities to earnings and capital from interest rate shocks. This analysis measures the difference between interest-earning assets and interest-bearing liabilities repricing within defined maturity buckets. The Bank evaluates IRR from both an earnings perspective and an economic value perspective.

Effective IRR management is crucial be cause over 90% of the Bank's assets and liabilities are interest rate-sensitive, making NII and/or NIM highly vulnerable to interest rate volatility.

The Bank's IRR management strategies include minimising mismatches in maturities (for fixed-rate assets and liabilities) and aligning repricing dates (for floating-rate assets and liabilities). Improvements were observed in several maturity buckets at the end of 2025.

Equity price risk

Portfolio type	2025		2024		Unrealised gain/(loss)
	Book value Rs. '000	Fair value Rs. '000	Book value Rs. '000	Fair value Rs. '000	Rs. '000
FVPL portfolio	1,171,891	1,303,683	187,520	212,732	106,580
FVOCI portfolio	2,820,030	7,192,082	2,784,598	5,568,833	1,587,817
Total	3,991,921	8,495,765	2,972,118	5,781,565	1,694,397

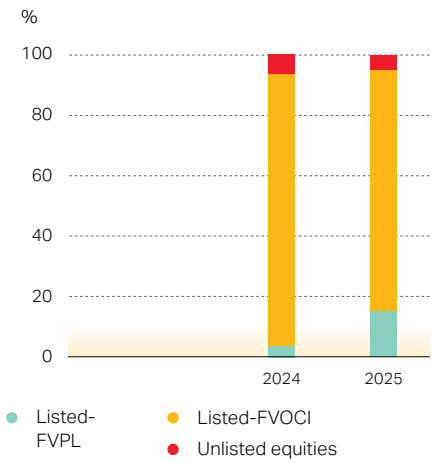
TABLE 33 Equity Portfolio Position

Equity price risk refers to the risk of depreciation in the value of equity portfolio investments due to stock market dynamics, exposing the Bank to potential variations in income and reserves. The Bank faces equity price risk from its investments in listed equity instruments for both ordinary shares and unit trusts. A comprehensive limit structure is in place to monitor equity transactions and portfolio risk arising from changes in market variables and trading activities.

The Bank's listed equity investments are in two portfolios, i.e. FVPL and FVOCI. The FVOCI portfolio includes equity investments made for strategic and statutory purposes. The FVPL portfolio reduced at year end, mainly due to increased disposals amidst the positive equity market performance.

The extent of equity investments is determined based on the risk limits framework, the Investment Policy Statement (IPS), and prevailing market conditions. Ongoing monitoring of equity investments is crucial for managing equity price risk within the Bank's risk appetite.

Investments in equity instruments Graph 80



Foreign exchange risk

Foreign Exchange (FX) risk arises from unhedged positions in foreign currencies. Under the Standardised Measurement Approach (SMA), the Bank allocates capital for foreign currency risk based on the Net Foreign Currency Exposure (NFCE). The Net Open Position (NOP) is monitored daily against both regulatory and internal alert limits. At the end of 2025, the Bank's NFCE was USD 3.71 Mn., which represents 1.3% of the total regulatory capital.

	<1 month	1-3 months	3-6 months	6-9 months	9-12 months
USD	(6,254,746)	17,029,277	(7,177,701)	(10,153,226)	11,506,016
EUR	(1,784,763)	(543,617)	1,797,110	(457,067)	2,024,467
GBP	(1,082,868)	(949,473)	258,423	1,281,420	1,314,884
SGD	45,772	–	–	–	–
AUD	(1,055,121)	(834,940)	131,832	1,687,554	2,147,958
JPY	2,506,045	(32,638,631)	–	–	–
AED	68,960	–	–	–	–
CAD	358,243	–	–	–	–
CHF	60,640	–	–	–	–

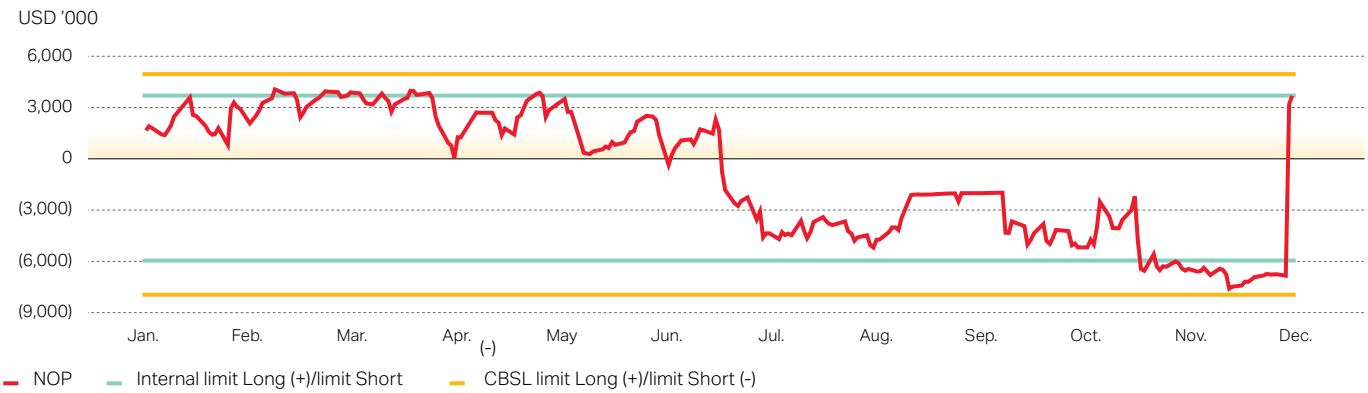
TABLE 34 Currency-wise Maturity Gaps for FX Operations

Foreign currency ('000)	2025	2024
USD	(391)	(2,520)
EUR	1,036	902
GBP	822	1,108
JPY	2,503	2,726
AUD	2,052	1,600
SGD	46	11

TABLE 35 Structural net foreign currency exposures

Net open position

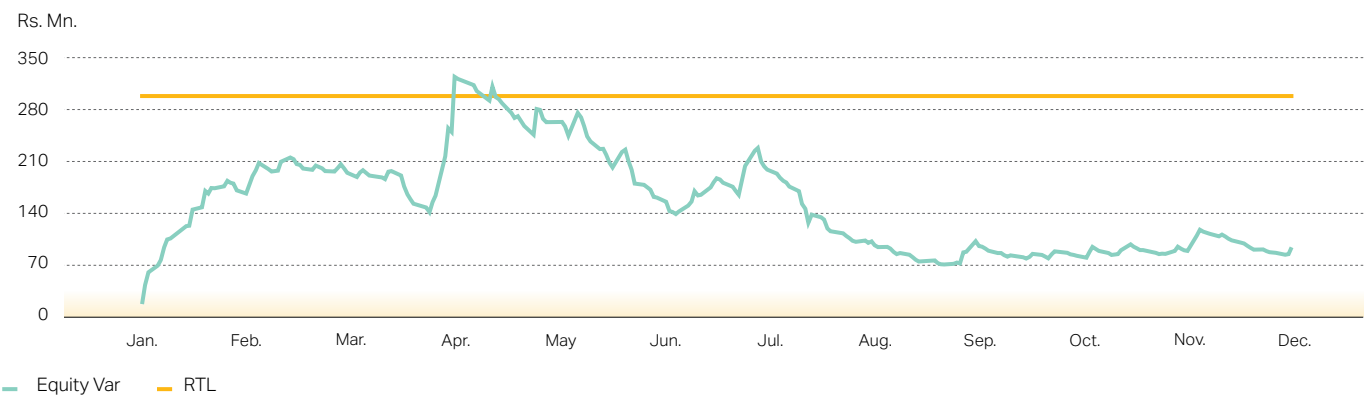
Graph 81



The Bank measures price volatility under the market risk management function using VaR for the equity trading book and foreign currency open position. VaR remained within the Risk Tolerance Limit (RTL) for both equity and foreign currency risks.

Movements in Equity VaR

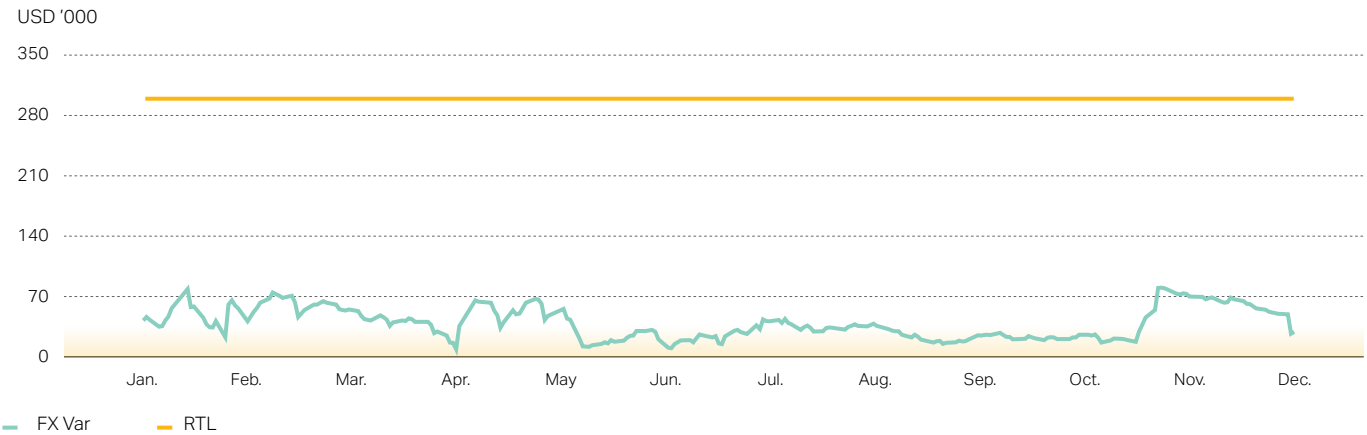
Graph 82



RISK MANAGEMENT REPORT

Movements in FX VaR

Graph 83



Market risk management process

1

Identification

IRR, Fx risk, Equity price risk and Commodity risk derive from structured products and derivative exposures in Trading book, Banking book and off balance sheet items are identified using multiple approaches.

2

Assessment and Measurement

Market risk exposures are assessed to measure the impact using several tools/models such as VaR, Duration, Expected Shortfall (ES), Scenario Analysis and Stress testing.

3

Monitoring and reporting

Monitor the TFO operations and portfolio performance against predefine risk limits and compliance requirements and report to risk owners, Senior Management and Board of Directors.

4

Mitigation and Control

Recommend risk mitigation actions and control enhancements such as:

Hedging: to off-set potential losses

Diversification: to reduce concentration risk

Asset liability management: to minimise interest rate risk

Portfolio re-balancing: to adjust for market conditions

The Treasury Front Office (TFO), acting as the First Line of Defence, is responsible for the effective management of both traded and non-traded market risks of the Bank within the scope of the risk management framework. The Treasury Middle Office (TMO) functions as the Second Line of Control, performing independent monitoring of the trading and investment process and portfolio performance. Under the IRMF, the market risk management framework brings together all risk types exhibiting risk features common to traded risk and non-traded risk.

To ensure minimising operational risks in Treasury operations, TMO, in coordination with process owners, to conducts RCSAs and a gap analysis against the regulatory requirements to facilitate overall improvement of the performance.

LIQUIDITY AND FUNDING RISK

Liquidity and Funding Risk arises when the Bank may not have sufficient stable or diverse sources of funding to meet on or off balance sheet obligations as they fall due without incurring unacceptable losses. The Bank's Liquidity Risk Management framework requires that the Bank operates within predefined liquidity limits, and remains in compliance with the liquidity policies, regulatory requirements, and practices.



The main objective of liquidity and funding risk management is to ensure the timely availability of funds to meet obligations at the correct cost, under both normal and stressed scenarios.

Regulatory ratios

The Bank's regulatory liquidity indicators improved compared to the previous year and remained above the minimum regulatory requirements.

Ratio	2025	2024	Regulatory minimum
LCR – Rupee percentage	360.4	351.3	100.0
LCR – All currency percentage	349.2	344.6	100.0
NSFR percentage	206.4	193.5	100.0

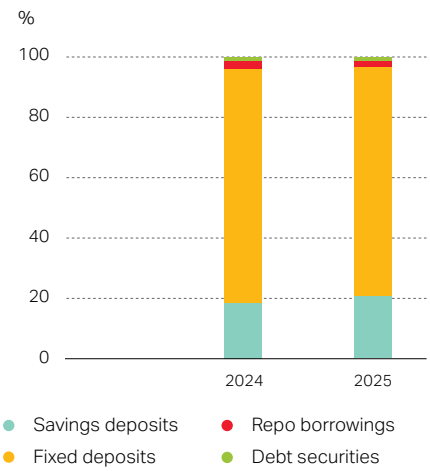
TABLE 36 Regulatory liquidity ratios

Funding diversification by products

In 2025, NSB's deposit base grew by 3.4% YoY, reaching Rs. 1.61 Tn. This growth was primarily driven by a reduction in interest rates on alternative fixed-income instruments, particularly Government securities. The Bank successfully mobilised low-cost savings, increasing savings deposits by 11.7% YoY, while fixed deposits grew by 1.3% YoY.

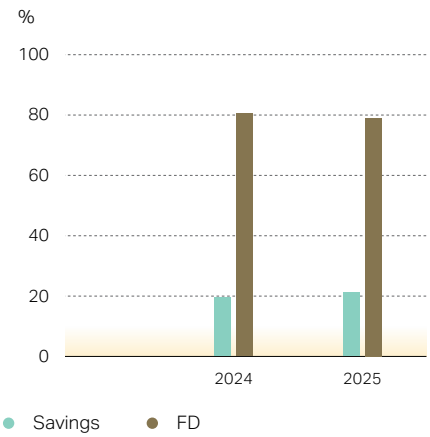
Funding diversification by product

Graph 84



FD Savings mix

Graph 85



The Bank has access to a broad range of retail and institutional deposits through its extensive branch network, which remains the primary source of stable funding. Access to retail deposits (i.e. savings and fixed deposits) through an island-wide branch network helps to reduce concentration risk in funding. Funding risks are managed by the Asset and Liability Management (ALM) Unit within the Treasury Division, in accordance with the policies and procedures approved by the Board of Directors.

The Bank manages liquidity risk by monitoring key liquidity indicators in line with regulatory requirements, and the Stock and Flow approaches. Changes in both assets and liabilities are measured against funding requirements to ensure liquidity levels are maintained and aligned with the Bank's risk appetite. Internal limits on liquidity gaps are regularly monitored for both the Sri Lankan Rupee and major foreign currencies to maintain a healthy liquidity profile.

Liquidity risk is mitigated by maintaining sufficient buffers in high-quality liquid assets and diversifying funding sources. Additionally, the Bank's contingency funding plan ensures that adequate liquidity sources are in place when needed.

Stock approach

To assess the adequacy of funding and manage liquidity risk within its risk appetite, the Bank monitors the following liquidity ratios under the Stock Approach.

Ratios under the Stock Approach	2025 %	2024 %
Net loans to total assets	30.1	30.4
Loans to customer deposits	36.1	36.1
Liquid assets to short-term liabilities	69.0	62.4
Purchased funds to total assets	18.0	17.1
(Large liabilities – temporary investments) to (earning assets – temporary investments)	-1.6	-2.5
Commitments to total loans ratio	0.8	0.9

TABLE 37 Ratios under stock approach

Flow approach

Under the flow Approach, a liquidity gap analysis is conducted by the Bank to assess liquidity risk. Liquidity gaps are regularly monitored against established limits and the data are used for sensitivity analysis and stress testing.

Monitoring maturity gap analysis helps foresee potential adverse liquidity scenarios.

Bank – Rs. Mn.	0-3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
Assets with contractual maturity	213,245	450,960	491,640	305,484	369,695	1,831,024
Liabilities with contractual maturity	823,456	698,999	150,215	7,709	150,645	1,831,024
Maturity gap	(610,211)	(248,040)	341,425	297,775	219,050	(0)
Cumulative gap	(610,211)	(858,250)	(516,825)	(219,050)	0	0
Actual gap as a percentage of liabilities – 2025	-74	-35	227	3863	145	0
Actual gap as a percentage of liabilities – 2024	-78	-39	364	1199	273	0

TABLE 38 Contractual maturity gaps

OPERATIONAL RISK

Operational risk refers to the potential for loss arising from inadequate or failed internal processes, systems, people, or external events that disrupt Bank's operations. This type of risk is often quite complex and interconnected, as it can stem from both internal vulnerabilities and external threats. Operational risk includes legal risk but excludes reputational risk and strategic risk.



At the second line of defence, operational risks are monitored through structured governance mechanisms, with key risk matters escalated to the Operational Risk Management Committee (ORMC) and BIRMC to facilitate timely decision-making and corrective actions.

The year 2025 was characterised by Sri Lanka's gradual economic recovery following the most severe economic crisis in its history, alongside significant operational disruptions arising from advanced climate conditions. These conditions heightened the Bank's exposure to operational risks specially related to business continuity.

Operational risk profile

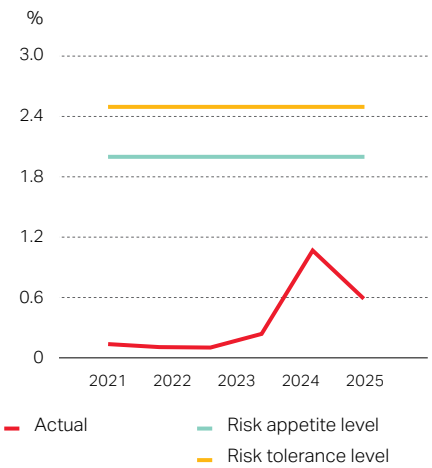
In line with Basel guidelines, operational risk events are categorised into seven loss event types as below:



FIGURE 27 Loss event types

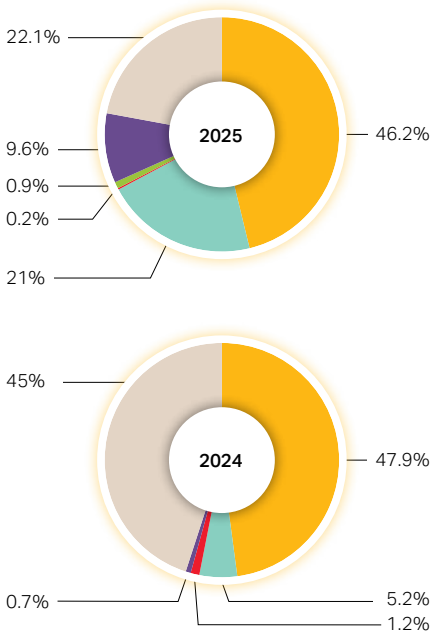
In 2025, total operational losses remained within the Board approved RAL, amounting to 0.59% of the three-year average audited gross income.

Actual operational losses against risk appetite and tolerance limit Graph 86

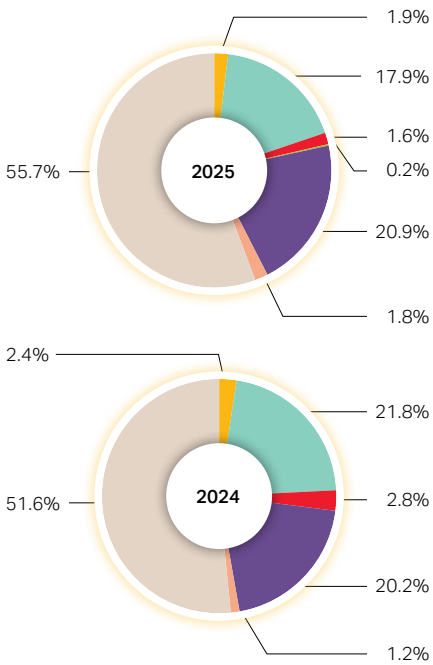


Over the past five years, the Bank has consistently maintained operational losses below its RAL, reflecting the effectiveness of its governance structures, policies, internal controls, and risk culture.

Loss events by severity Graph 87



Loss events by frequency Graph 88



- Internal fraud
- External fraud
- Employment practices and workplace safety
- Clients, products and business practices
- Damage to physical assets
- Business disruption and system failures*
- Execution, delivery and process management*

* Re-classified

RISK MANAGEMENT REPORT

The banking sector faces unique operational challenges due to its complex processes and regulatory demands.

Effective risk management is crucial to mitigate vulnerabilities and ensure regulatory compliance. The Bank's risk management framework is designed to manage these risks while aligning with its risk appetite. It integrates robust internal controls such as system controls, access controls, segregation of duties, clear authority lines, dual control, physical asset controls, record keeping, reconciliation, and audit trails.

Operational Risk Management Process

The Bank employs a range of qualitative and quantitative tools to identify and assess operational risks across its operations:

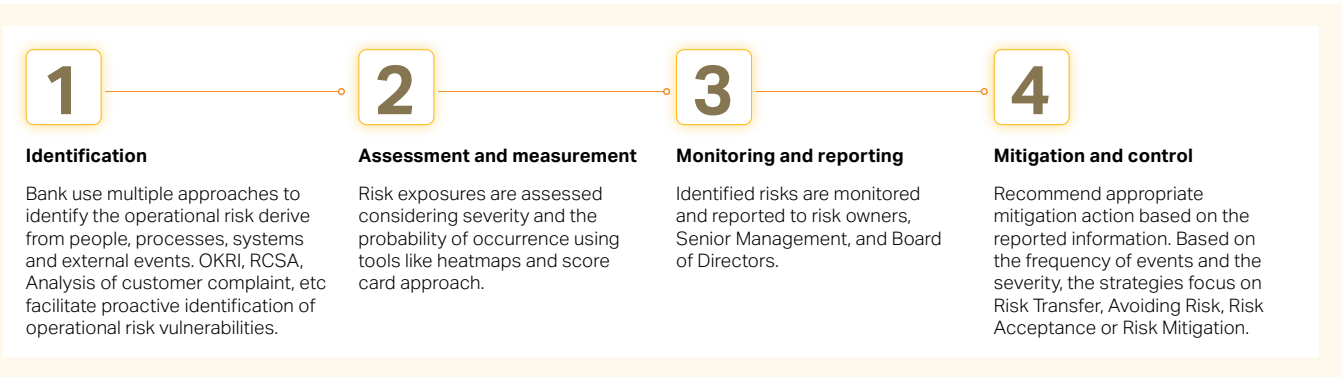


FIGURE 28 Operations risk management process

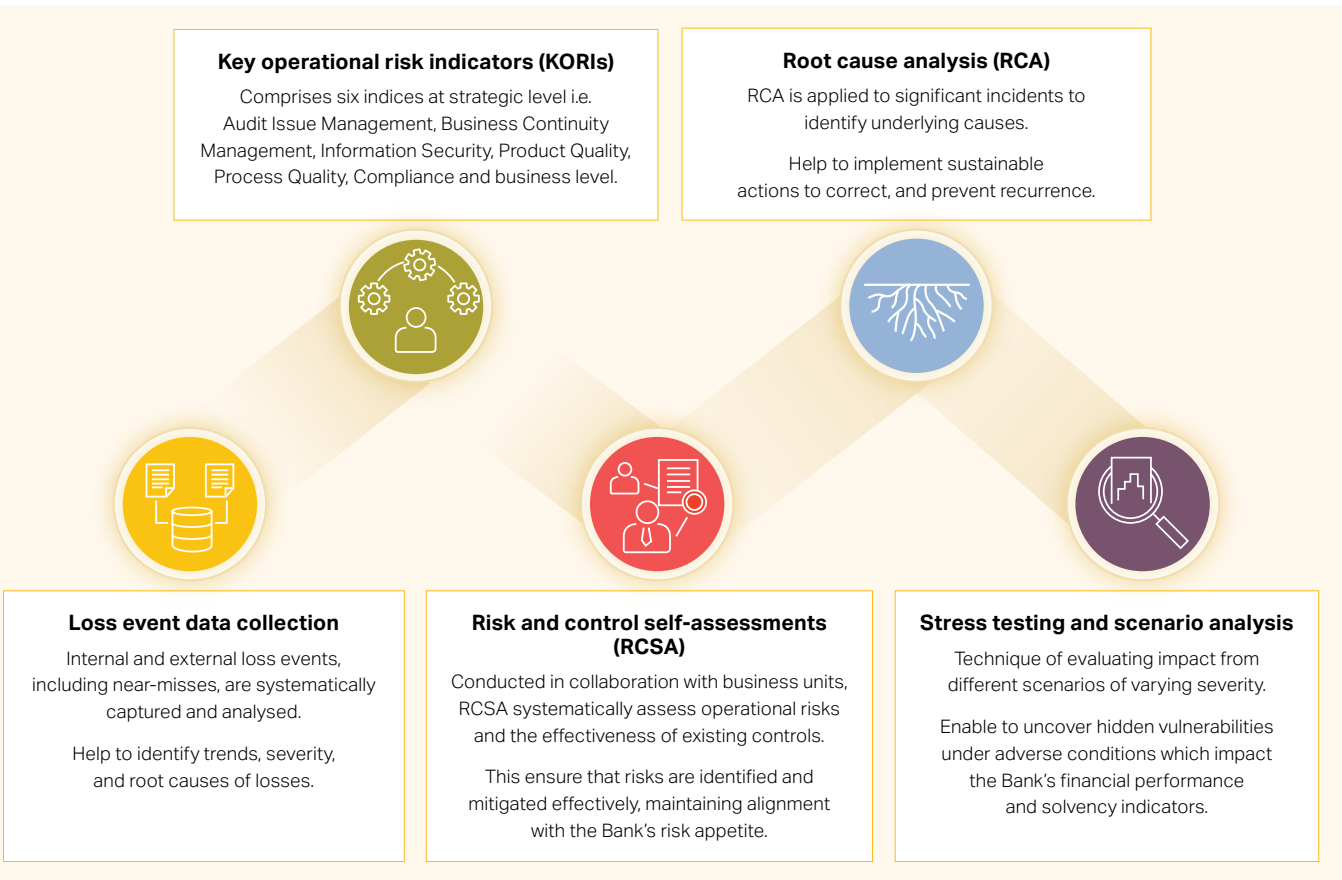
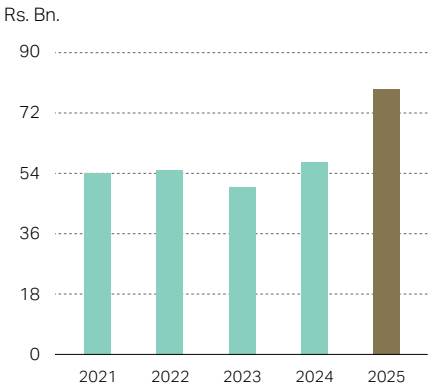


FIGURE 29 Tools to identify and assess operational risks

RWAs for operational risk Graph 89



In compliance with CBSL Directions No. 01 of 2016, the Bank adopts the Basic Indicator Approach (BIA) for operational risk capital calculations. RWAs computed using BIA for operational risk represent 23.8% of the total RWAs of the Bank. Efforts are underway to meet the qualifying criteria to adopt more advanced methods to determine the required capital to cover operational losses.

Certain high-severity, low-frequency risks are mitigated through insurance coverage. The Administration Division centrally manages insurance arrangements, while ORMU monitors insurance claims and recoveries on a periodic basis.

Outsourcing is used as a risk transfer strategy in compliant with the outsourcing policy. The Bank conducts due diligence on vendors before entering into a new agreement or renewing agreements.

Fraud risk refers to potential financial, or reputational losses arising from fraudulent acts by internal or external parties. The Bank maintains a zero tolerance to internal frauds and takes action to minimise external frauds, supported by strong internal controls, ethical standards, and awareness programmes.

Fraud risk is often associated with bribery and corruption; hence, employees and all relevant parties shall refrain from accepting gifts and hospitality, payments for facilitation, political contributions, sponsored travel and lodging, etc. in return for the service provided as stipulated in the Anti-Bribery and Corruption (ABC) policy of the Bank.

Fraud risk management is governed by the Operational Risk Management (ORM) Policy, Whistleblowing Policy, and ABC Policy.

Business Continuity Risk relates to potential disruptions that could impair the Bank's ability to deliver critical services. A comprehensive Business Continuity Management (BCM) framework is in place, supported by governance, and continuous improvement. The Administration Division is responsible for BCM implementation and testing, while the IT Division manages the Disaster Recovery (DR) site, ensuring technology resilience and data integrity.

Information technology risk

Information Technology (IT) risk is a critical component of operational risk, posing a threat to business data, critical systems, and key business processes.

The Bank's technology risk management strategy aims to strengthen business resilience by considering the sensitivity of data, the criticality of information systems, and the nature of the IT infrastructure, while utilising feasible and standardised Information and Communications Technology (ICT) solutions.

Strategic enhancements in technology essential to the Bank are determined through the strategic planning process to minimise the risk of technological obsolescence and remain competitive with industry peers.

Key IT-related risks also include system interruptions and failures, errors, fraud through system manipulation, and cyberattacks.

The IT Division, headed by the Chief Information Officer/DGM IT, manages IT risks and reports these to the Information Technology Steering Committee (ITSC).

The Information Security Division (ISD), led by the Chief Information Security Officer (CISO), is responsible for implementing the Information Security Management Systems (ISMS) framework and ensuring compliance with internal best practices and CBSL requirements. At the management level, the Information Security Committee (ISC) oversees both strategic and operational aspects of information security risk management.

The Bank is actively working towards compliance with the CBSL Regulatory Framework on Technology Risk Management and Resilience of Licensed Banks, ensuring enhancements to IT and Information Security Management Systems through regular control reviews.

The ORM Policy and Information Security Policy outline the IT risk management framework. ORMU monitors the implementation of regulatory requirements and best practices. The Bank has established RALs for IT and IT Security risks using KORIs, which are monitored against predefined levels to assess the risk profile. Additionally, RCSA is used as a tool to identify and assess IT risks in IT-driven processes and products.

Any deviations identified are reported to higher management and the Board of Directors through BIRMC for prompt risk mitigation actions.

Compliance risk

In today's complex and interconnected business environment, navigating regulatory requirements is essential for ensuring organisational success and sustainability. Regulations continue to evolve and tighten due to fintech innovations and advancements in the banking industry.

The regulatory landscape is changing rapidly, making it essential for the Bank to develop and integrate effective risk management strategies, methodologies, and frameworks. A dedicated Compliance Team is responsible for managing regulatory changes, staying up to date with new regulations, assessing their impact on the business, and ensuring compliance.

Traditional approaches to compliance risk are no longer sufficient given the increasing complexity of regulatory requirements. To address this, the Bank has adopted modern, innovative risk assessment strategies, shifting from a rule-based approach to a risk-based approach, supported by a strong governance framework.

The Compliance Division, headed by the Compliance Officer, reports directly to the Board of Directors through BIRMC.

During 2025, the Bank implemented several measures to mitigate compliance and regulatory risks:

- Reported suspicious transactions via GoAML system to the Financial Intelligence Unit (FIU) to prevent, detect, investigate, and prosecute money laundering and financing of terrorism, in compliance with the Financial Transactions Reporting Act No. 6 of 2006. This is facilitated through a transaction monitoring system and branch-level tip-offs.
- Complied with Direction No. 5 of 2024 on corporate governance, issued under Section 76 (J) (1) of the Banking Act No. 33 of 1988, to determine the allocation of authority and responsibility by which the business and affairs of the Bank are carried out by its Board and Corporate Management. This strengthens the Bank's financial stability, governance, and business operations.
- Ensured timely review of applicable policies and procedures.
- Ensured timely submission of returns to regulatory authorities.
- On time submission of information requested by competent authorities.
- Complied with correspondent Bank requirements.
- Ensures that the Financial Action Task Force (FATF) standards are adhered by the Bank.
- Conducted compliance assessments on branches, divisions, and products, and assessed the overall compliance status of the Bank.
- Conducted periodic training and awareness programmes, and strengthened system-based monitoring and updates to keep the business informed and prepared.
- Conducted enterprise-wide risk assessment on AML/CFT to calculate the level of risk and the process of mitigating the risk.

Legal risk

Legal risk refers to the potential for financial losses, reputational damage, or operational disruptions arising from the lack of awareness, misunderstanding, ambiguity, or misinterpretation of laws and regulations applicable to the Bank's business, relationships, processes, procedures, and services. Legal risk is an inherent component of operational risk.

This may include losses resulting from non-enforceability of contracts due to documentation deficiencies and/or non-adherence to statutory requirements, which may lead to lawsuits, contractual disputes, financial liabilities, or claims for damages.

The Legal Division of the Bank is responsible for the strategic management of legal risk. It proactively collaborates with other business divisions to identify potential legal risks, and implement appropriate mitigating measures to safeguard the Bank's interests. The Division mainly contributes to minimise credit default risks through prompt legal action.

The Legal Division provides legal support, guidance, and counsel to manage crisis situations, resolve issues pertaining to subsidiaries, facilitate recoveries, and review and revise internal policies and procedures in light of developments in the law which may have a material impact on the Bank's operations. It also plays a pivotal role in responding efficiently and effectively to minimise the severity of legal risks, ensuring the Bank's business operations and contractual relationships comply with the applicable statutory framework.

Environmental, social, and governance risk

Environmental, Social, and Governance (ESG) risks encompass various challenges that can negatively impact an organisation's financial performance, business continuity, and reputation. These risks arise from the Bank's ESG practices and require effective management to ensure long-term sustainability.

Environmental risks – Climate change, biodiversity loss, and environmental degradation.

Social risks – Human rights concerns, gender diversity, and labour issues.

Governance risks – Concerns in applying Corporate governance best practices, accountability, anti-corruption policies, whistleblowing mechanisms, grievance redress systems, and tax fairness.

The Bank recognises the importance of managing environmental and social risks to support a greener, climate-friendly, and socially inclusive environment. The Bank complies with the laws, regulations, and best practices to ensure transparency and accountability. ESG risk management is incorporated into the Bank's overall risk management framework, ensuring that sustainability is a core consideration in business activities.

The economic, operational, and financial consequences of climate change, as well as efforts to manage, pose climate-related financial risks. Climate risk mitigation and adaptation are the commonly used strategies in Climate Risk Management. Mitigation strategies consist mostly of reducing the emissions of greenhouse gases into the atmosphere to reduce the intensity of future climate change. Adaptation involves strategies to reduce the negative impacts of committed or anticipated climatic changes by reducing the associated hazards, exposures, and/or vulnerabilities. The Bank conducts climate risk assessments and review climate Risk Management opportunities on a periodic basis.

Sri Lanka experienced catastrophic damage as Cyclone Ditwah struck the country in late November 2025, leaving widespread destruction across most districts of the country. While the full impact is still being assessed and may be difficult to quantify, the affected operations and business areas have been identified. Actions are taken to restore business operations and the financial impact from damages to physical assets are minimised through insurance.

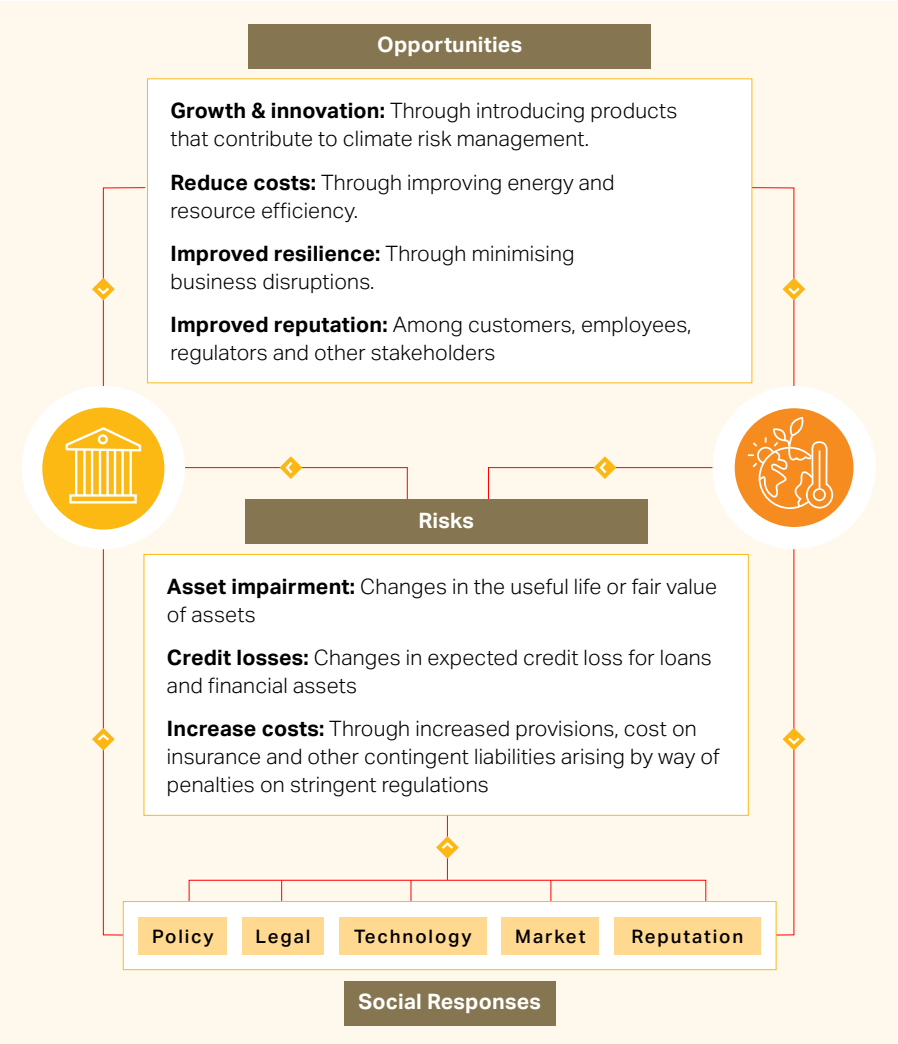
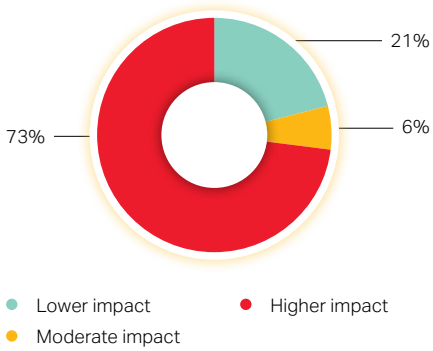


FIGURE 30 Climate Risk Management

The Bank's lending portfolio is significantly concentrated in districts affected by Cyclone Ditwah. This elevates the Bank's vulnerability to potential credit quality deterioration, resulting from the increasing likelihood of defaults and/or repayment delays.

The Bank has taken actions to assist customers requiring concessions and considered the impact in impairment provisioning.

Bank's lending exposure to districts impacted from Ditwah Graph 90



Reputational risk management

Reputational risk refers to the potential adverse impact on the Bank's brand value and stakeholder confidence arising from negative perceptions of its actions, business practices, products, services, or external events. In an environment of heightened public scrutiny, regulatory expectations, and climate-related disruptions, effective reputational risk management remains a key priority.

The Bank maintains a zero-risk appetite for reputational losses. As the second line of defence, the Risk Management Division monitors reputational risk indicators and escalates emerging concerns to senior management and the Board of Directors for timely action.

Reputational risk is assessed within the ICAAP using a scorecard-based approach, ensuring integration into the Bank's overall risk profile.

Strategic risk management

Strategic risk arises from decisions or actions that may adversely affect the Bank's long-term objectives, financial performance, or sustainability. Key sources include macroeconomic conditions, regulatory developments, competitive dynamics, technological change, and evolving customer expectations.

The Bank's strategic planning process incorporates comprehensive assessments of internal and external factors, and aligns strategic initiatives with the approved risk appetite.

The Board of Directors and Senior Management maintained close oversight of strategic risks, ensuring timely responses to emerging challenges.

Strategic risk is assessed within ICAAP using a scorecard-based methodology, reinforcing its integration into capital planning and long-term decision-making.

CAPITAL MANAGEMENT

The Bank requires a strong capital position to satisfy regulatory capital requirements, provide financial security to its depositors and borrowers, maintain leeway for future business expansion, and generate adequate return to the shareholder.

Effective capital management enhances the Bank's resilience while ensuring optimal stakeholder returns. The Bank aims to optimise the balance between performance and risk, closely monitoring the RWA mix and changes in its risk profile. The capital management process aligns with guidelines issued by CBSL.

As per CBSL Banking Act Directions No. 11 of 2019, which amended the Directions on Capital Requirements under Basel III for Licensed Commercial Banks and Licensed Specialised Banks, the Bank is required to maintain the minimum capital ratios as prescribed in Table 39.

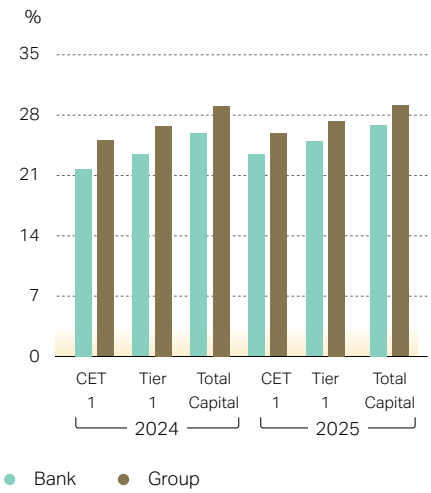
The Bank maintained capital adequacy above the regulatory minimum requirement during 2025. The Common Equity Tier 1 (CET1) ratio increased during the year to 23.4% as at 31 December 2025, compared to 21.71% as at 31 December 2024. The Bank's Tier 1 capital ratio increased to 24.90% as at 31 December 2025. The Total Capital Ratio increased to 26.83% as at 31 December 2025, compared to 25.88% as at 31 December 2024.

The Total Capital Ratio for the Group was 29.07% in 2025, compared to 29.06% as at 31 December 2024. As a state-owned savings bank with 100% Government guarantee on customer deposits, the Bank has limited options to raise regulatory capital externally. Hence, retained earnings remain the main source for augmenting the capital. The contribution from earnings to augment capital is high in 2025 compared to 2024.

The dividend policy is consistent with the Bank's capital management objective, long-term growth prospects, and the direction of the Ministry of Finance, Planning and Economic Development. Accordingly, considering the strong financial results, the Bank paid a dividend of Rs. 6.1 Bn. to the General Treasury in 2025.

Capital level – Bank and Group

Capital level Bank and Group Graph 91



ICAAP document

The Internal Capital Adequacy Assessment Process (ICAAP) integrates business performance, risk management actions, and risk-sensitive capital in a structured manner to ensure that the Bank's internal capital level commensurate with its risk profile.

ICAAP encompasses risk appetite, stress testing, and capital planning within a comprehensive risk management framework, ensuring that all material risks are effectively captured. The Board of Directors, through BIRMC, provides oversight, while RMD is responsible for documenting the process.

The ICAAP is conducted and documented in accordance with the Board-approved ICAAP Policy, which aligns with the CBSL directions on Basel III Pillar II guidelines and international best practices for the supervisory review. The Bank's risk assessments incorporate both Pillar I and Pillar II risks.

The ICAAP is governed by four core principles, which serve as fundamental guidelines for both the Bank and the regulator. The Bank employs internal models to assess and quantify the risk profile and internal capital requirements. Risk appetite limits are set with due consideration of the capital requirements, facilitating regular monitoring of capital levels. The ICAAP is linked to capital planning, ensuring that the Bank maintains capital in excess of regulatory minimum requirements to cover all risk exposures (i.e. Pillar I and Pillar II) and as a stress testing buffer.

Capital adequacy ratio

Ratios (%)	Regulatory minimum	Actual as at 31 December 2025		Actual as at 31 December 2024	
		Bank	Group	Bank	Group
CET1 plus CCB	7	**23.40**	**25.85**	21.71	25.03
Tier 1 plus CCB	8.5	**24.90**	**27.27**	23.42	26.69
Total Capital	12.5	**26.83**	**29.07**	25.88	29.06

TABLE 39 Capital adequacy ratio

The Bank intends to maintain capital in excess of regulatory minimum levels to cover both Pillar I and Pillar II risks, and to serve as a buffer under stress scenarios. The adequacy of capital to cover the Bank's risk profile is comprehensively assessed within the Internal Capital Adequacy Assessment Process (ICAAP).

Stress testing

Stress testing is an integral part of the ICAAP. The Bank's stress testing framework is governed by the Stress Testing Policy approved by the Board of Directors and guidelines issued by CBSL. NSB's stress testing framework includes stress tests covering all the material risks, such as credit risk etc., interest rate risk in trading book and banking book, operational risk, liquidity risk, concentration risk, and residual credit risk. The Bank has defined three levels of increasing severity for stress testing purposes – minor, medium, and major (or low, medium, and high).

Stress testing provides an understanding of the ability of the Bank to withstand unforeseen scenarios of varying severity under adverse economic, political, and physical changes in the operating environment. It facilitates gauging the potential impact on capital from effects of varying severity, and identify trigger levels leading to financial distress or non-viability to take timely preventive actions.

Sensitivity analysis measures the impact on profitability by varying market factors of specific instruments within portfolios, including interest rates, foreign exchange rates, and equity prices. The Bank uses sensitivity analysis to assess the impact on the trading and banking books resulting from adverse interest rate fluctuations, and related reports are submitted to the Asset-Liability Committee (ALCO) on a periodic basis.

These reports are instrumental in asset and liability management, and pricing decisions of the Bank.

Rs. Mn.	FVPL	FVOCI	Total
Unrealised gain/(loss) for year 2025	19	(337)	(318)
Rate shock change in mark-to-market (M2M) value			
100 bps increase in yield	(190)	(1,115)	(1,305)
200 bps increase in yield	(375)	(2,178)	(2,552)
100 bps decrease in yield	194	1,172	1,367
200 bps decrease in yield	394	2,406	2,800

TABLE 40 Sensitivity Analysis – Interest Rate Risk in Trading Book – Government Securities

100 bp rate shock on negative gaps		Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total
Stand-alone level	Gap	(193,502)	(414,426)	(118,526)	(65,959)	286,331	265,089	305,543	64,549
	Impact on NII (Rs. Mn.)	(1,861)	(3,463)	(747)	(172)	–	–	–	(6,242)
Consolidated level	Gap	(218,022)	(424,290)	(125,372)	(79,039)	289,089	267,998	305,704	16,069
	Impact on NII (Rs. Mn.)	(2,097)	(3,545)	(790)	(206)	–	–	–	(6,638)

TABLE 41 Sensitivity Analysis – Assessment of re-pricing risk in Banking Book

The results obtained from stress testing exercises are used in setting risk appetite and risk limits, capital planning, strategic business planning, recovery planning, and in managing risks in critical business operations to support proactive decision-making.

Implications under different economic conditions were stress tested to communicate the potential impacts to Senior Management, the Board of Directors, and the regulator through ICAAP.

Risk area	Scenario	Impact to Capital Adequacy Ratio at different stress levels (%)		
		Low	Medium	High
Credit risk	Credit risk – Increase in probability of default			
	Low 10%			
	Medium 20%	(0.566)	(1.062)	(1.685)
	High 30%			
Market risk	Interest rate risk: Increase in market yield			
	Low 50 bps			
	Medium 100 bps	(0.184)	(0.365)	(0.714)
	High 200 bps			
	Equity price risk: Decline in market prices			
	Low 10%			
	Medium 20%	(0.094)	(0.141)	(0.188)
	High 30%			
	FX Risk: LKR appreciation			
	Low 10%			
	Medium 15%	(0.014)	(0.028)	(0.043)
	High 20%			
Operational risk	Increase in operational losses classified under Basel II loss event categories.	(0.132)	(0.167)	(0.210)

TABLE 42 Impact to the Capital Adequacy at different Stress Levels

RECOVERY PLANNING

In a severe stress scenario, banks are required to be prepared to restore their viability in a timely manner by addressing capital, liquidity, and other aspects that may arise from institution-specific stresses, market-wide stresses, or from a combination of both.

Recovery planning is influenced by early warning indicators and recovery triggers, taking into account the current risk profile, risk appetite, and tolerances. The recovery plan identifies a full range of recovery options to enable the Bank to withstand severe stress scenarios.

The Bank has in place a Recovery Plan (RCP) approved by the Board of Directors, and documented in compliance with the Banking Act Directions No. 01 of 2025 on Recovery Plans for Licensed Banks.

MINIMUM DISCLOSURE REQUIREMENTS – PILLAR III

Minimum disclosure requirements were introduced by CBSL within the Basel III framework to enable the market participants to assess the capital adequacy and risk exposures of the Bank. pages 480 to 489 for minimum disclosure requirements as per the Banking Special Provision Act Directions No. 01 of 2016 and subsequent addendums.

COMPENDIUM

FINANCIAL REPORTS

FINANCIAL CALENDAR
282

ANNUAL REPORT OF THE BOARD OF DIRECTORS
283

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING
289

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
290

INDEPENDENT ASSURANCE REPORT ON INTERNAL CONTROL
292

GENERAL MANAGER/CEO'S AND DEPUTY GENERAL MANAGER (FINANCE, PLANNING, AND MIS)/ CFO'S STATEMENT OF RESPONSIBILITY
293

AUDITOR GENERAL'S REPORT
294

CONTENT OF FINANCIAL STATEMENTS
297

INCOME STATEMENT
298

STATEMENT OF COMPREHENSIVE INCOME
299

STATEMENT OF FINANCIAL POSITION
300

STATEMENT OF CHANGES IN EQUITY
302

STATEMENT OF CASH FLOWS
306

NOTES TO THE FINANCIAL STATEMENTS
308

FINANCIAL CALENDAR

FINANCIAL CALENDAR 2025

Publication of Interim Financial Statements for the quarter ended 31 March 2025	29 May 2025
Publication of Interim Financial Statements for the quarter ended 30 June 2025	29 August 2025
Publication of Interim Financial Statements for the quarter ended 30 September 2025	24 November 2025
Publication of Financial Statements (Audited) for the year ended 31 December 2025	20 March 2026

PROPOSED FINANCIAL CALENDAR 2026 (TENTATIVE)

Publication of Interim Financial Statements for the quarter ended 31 March 2026	08 May 2026
Publication of Interim Financial Statements for the quarter ended 30 June 2026	07 August 2026
Publication of Interim Financial Statements for the quarter ended 30 September 2026	06 November 2026
Publication of Financial Statements (Audited) for the year ended 31 December 2026	05 March 2027

ANNUAL REPORT OF THE BOARD OF DIRECTORS

1 GENERAL

The Board of Directors of the National Savings Bank have pleasure in presenting their Integrated Annual Report on the affairs of the Bank together with the Audited Financial Statements of the Bank and Consolidated Financial Statements of the Group for the year ended 31 December 2025 and the Auditor General's Report on those financial statements, conforming to the requirements of the National Savings Bank (NSB) Act No. 30 of 1971 and the amendments therein. The Report also includes certain disclosures required to be made under the Banking Act No. 30 of 1988 and amendments thereto and the Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks issued by the Central Bank of Sri Lanka (CBSL) and subsequent amendments thereto. The Annual Financial Statements were reviewed and approved by the Board of Directors on 23 February 2026.

National Savings Bank is incorporated in Sri Lanka by NSB Act No. 30 of 1971 and was granted the status of Licensed Specialised Bank in terms of Banking Act No. 30 of 1988 and the amendments thereto. The Bank is wholly owned by the Government of Sri Lanka. Lanka Rating Agency has assigned the Bank an AAA (Stable) long-term rating, which the Bank continues to uphold.

2 REVIEW OF BUSINESS

2.1 Principal activities of the Bank

The principal activities of the Bank during the year were promotion of savings among the people of Sri Lanka, retail banking, corporate banking, trade financing, primary dealing, other treasury operations as authorised by the NSB Act No. 30 of 1971 and amendments thereto, correspondence banking and money remittance facilities, pawning, foreign currency operations and other financial services.

2.2 Vision, Mission and Values

The Bank's Vision, Mission and Values are given on page 10 of this Annual Report. All permanent employees are being abided by the Code of Conduct of the Bank and the Government Oath with the view of maintaining the highest ethical standards in achieving the Vision and Mission of the Bank.

2.3 Government guarantee

The Government of Sri Lanka guarantees the repayment of the monies deposited with the Bank together with interest thereon.

2.4 Subsidiaries of the Bank

NSB Fund Management Company Ltd and Sri Lanka Savings Bank Limited (SLSB) are the Bank's two wholly owned Subsidiaries. The principal activity of the NSB Fund Management Company is dealing in Government Securities as a primary dealer authorised by the Central Bank of Sri Lanka.

Sri Lanka Savings Bank's principal activities are mobilising savings and time deposits, providing loans, lease, hire purchase, pawning and other credit facilities, and settling of the deposit liabilities of defaulted Pramuka Saving and Development Bank Limited (PSDBL) with reconstruction of loan accounts of PSDBL.

SLSB had been restricted from granting new loans, accepting deposits, recruiting new staff and entering into new contracts with any party since 2021, due to the merger process with NSB. SLSB will be liquidated after absorption of assets, liabilities and staff of SLSB to NSB. Details of the transactions are given in Note 24 and Note 52 to the Financial Statements.

2.5 Changes to the group structure

There were no significant changes in the nature of the principal activities of the Bank and the Group.

2.6 Review of business performance of the year

The overall review of financial performance of the Bank and the Group for the financial year 2025 are provided in the Chairman's Message (page 16), General Manager/ CEO's Review (page 20), "Management Discussion and Analysis" on pages 80 to 181 and Audited Financial Statements (pages 297 to 438). These reports form an integral part of the Annual Report.

2.7 Branch network expansions

During the year under review, one new branch was added to the Bank's network, which consists of 263 branches. The Bank also operates a total of 418 ATMs and CRMs, complemented by access to peer banks' ATMs, enabling NSB customers to carry out transactions seamlessly.

2.8 Preparation of Financial Statements

The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)) and comply with the requirements of Banking Act No. 30 of 1988 and amendments thereto and regulatory requirements inclusive of specific disclosures. The Financial Statements of the Bank and the Group for the year ended 31 December 2025 duly certified by the Deputy General Manager (Finance, Planning and MIS)/ Chief Financial Officer and approved and signed by the three Directors including Chairman of the Bank are given on pages 298 to 301 which form an integral part of the Annual Report of the Bank.

2.8.1 Accounting policies and changes during the year

The Bank and the Group prepared its Financial Statements in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs). The accounting policies adopted in preparation of Financial Statements are given on pages 308 to 323 in this report. There were no changes to the accounting policies of the Bank and the Group in the year under review.

2.9 Directors' responsibilities for financial reporting

The Directors are responsible for the preparation of the Financial Statements that will reflect a true and fair view of the state of affairs of the Bank as of 31 December 2025 and its profit for the year then ended. The Directors are of the view that the Financial Statements appearing on pages 297 to 438 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRs/ LKASs) and the Banking Act No. 30 of 1988 and its amendments, the NSB Act No. 30 of 1971 and amendments thereto. For subsidiaries, the Financial Statements are also prepared in compliance with the requirements outlined in the Companies Act No. 07 of 2007 and amendments thereto . The Statement of Directors' Responsibility for Financial Reporting appearing on page 289 of this Annual Report describes in detail the Directors' Responsibilities in relation to Financial Statements, which form an integral part of the Annual Report of the Board of Directors.

2.10 Auditor's Report

The Auditor General is the Auditor of the NSB in terms of the provisions of the Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Auditor General had carried out the audit of the Financial Statements of the Bank and the Consolidated Financial Statements of the Group for the year ended 31 December 2025. Further, the Auditor General has carried out the audit of NSB Fund Management Company and SLSB. In 2025, a continuous audit was carried out throughout the year for the Bank. Issues identified in their reports were submitted to the management regularly for prompt action. Having confirmed the accuracy of the financial reporting, the Financial Statements, together with the necessary data and information were made available to the Auditor General for examination. The Auditor General's opinion on the Financial Statements of the Bank and the Group appears on page 294 of this Annual Report.

3 FUTURE DEVELOPMENTS

An overview of the future developments of the Bank is given in the Chairman's Message (page 16), General Manager/CEO's Review (page 20) and "Management Discussion and Analysis" on pages 80 to 181 in the Integrated Annual Report 2025.

4 GROSS INCOME

The gross income of the Bank for 2025 was Rs. 202,761 Mn. (2024 – Rs. 207,637 Mn.) while the Group's income was Rs. 207,908 Mn. (2024 – Rs. 213,417 Mn.). Analysis of the gross income of the Bank and Group are given in Note 3 to the Financial Statements. The Bank's Gross Income accounted for 97.5% (2024 – 97.3%) of the Gross Income of the Group. The main income of the Bank and the group is interest income that comprise 97.5% (2024 – 98.1%) and 97.4% (2024 – 97.8%) of the gross income respectively.

5 DIVIDENDS AND RESERVES

5.1 Profit and appropriation

The Profit before Income Tax of the Bank and the Group amounted to Rs. 44,493 Mn. and Rs. 45,945 Mn. respectively (2024 – Rs. 26,268 Mn. and Rs. 28,359 Mn.).

The Profit after Tax of the Bank and the Group stood at Rs. 27,321 Mn. and Rs. 28,163 Mn. respectively (2024 – Rs. 16,122 Mn. and Rs. 17,497 Mn.). Details of profit relating to the Bank and the Group are given in the following Table:

	BANK		GROUP	
For the year ended 31 December	**2025 Rs. Mn.**	2024 Rs. Mn.	**2025 Rs. Mn.**	2024 Rs. Mn.
Profit for the year after payment of all expenses and providing for depreciation, possible loan losses and contingencies before VAT and income tax	**57,387**	35,615	**59,206**	38,248
VAT on financial services	**11,321**	8,208	**11,645**	8,683
Social Security Contribution Levy (SSCL) on financial services	**1,572**	1,140	**1,617**	1,206
Income tax expenses	**17,172**	10,145	**17,782**	10,862
Profit for the year	**27,321**	16,122	**28,163**	17,497
Other comprehensive income for the year, net of tax	**(1,247)**	1,184	**(1,264)**	1,388
Total comprehensive income for the year	**26,074**	17,307	**26,898**	18,885
Appropriations:				
Transfer to statutory reserve	**(546)**	(326)	**(554)**	(347)
Contribution to the Consolidated Fund/dividend	**(6,088)**	-	**(6,088)**	-
Transfers to unclaimed deposit reserve	**(223)**	(162)	**(223)**	(162)
Transfers to reserves	**(19,217)**	(16,819)	**(20,033)**	(18,376)

5.2 Provision for taxation

As per the Inland Revenue Act No. 45 of 2022 (Amendment), certified on 19 December 2022 the standard rate of income is 30%.

In terms of the Social Security Contribution Levy Act No. 25 of 2022, the Bank is liable for Social Security Contribution Levy (SSCL) on financial services with effect from 1 October 2022 on the value addition attributable to financial services at the rate of 2.5%. The Bank and the Group's operations were liable for Value Added Tax on Financial Services at the rate of 18%.

The Bank and the Group provided deferred tax on all known temporary differences under the liability method in accordance with Sri Lanka Accounting Standard (LKAS) 12 – "Income Taxes". Information of Income Tax expenditure and Deferred Taxation are given in Notes 13 and 30 respectively on pages 333 and 364.

5.3 Dividends, taxes and levies/contribution to nation

The Bank and the Group contributed Rs. 36,427 Mn and Rs. 37,405 Mn. respectively by way of taxes and levies to the Government in 2025 (2024 – Rs. 19,655 Mn and Rs. 20,914 Mn. respectively). This consisted of:

	BANK		GROUP	
For the year ended 31 December	**2025 Rs. Mn.**	2024 Rs. Mn.	**2025 Rs. Mn.**	2024 Rs. Mn.
Income tax	**17,172**	10,145	**17,782**	10,862
Value added tax and SSCL	**12,894**	9,347	**13,262**	9,889
Contribution to the Consolidated Fund	**6,088**	–	**6,088**	–
Contributions to National Insurance Trust Fund	**273**	163	**273**	163
Total contribution to the Nation	**36,427**	19,655	**37,405**	20,914

5.4 Reserves

The total reserves of the Bank and the Group stood at Rs. 109,651 Mn. and Rs. 118,468 Mn respectively as of 31 December 2025, (2024 – Rs. 89,443 Mn and Rs. 97,435 Mn). The Group's Reserves consist of:

	BANK		GROUP	
For the year ended 31 December	**2025 Rs. Mn.**	2024 Rs. Mn.	**2025 Rs. Mn.**	2024 Rs. Mn.
Statutory reserve fund	**6,241**	5,695	**6,365**	5,811
Revaluation reserve	**7,943**	7,946	**8,640**	8,643
Retained earnings	**46,546**	28,462	**52,797**	33,772
Other reserves	**48,921**	47,339	**50,666**	49,209
Total reserves	**109,651**	89,443	**118,468**	97,435

Information on changes of reserves is given in the Statement of Changes in Equity on pages 302 to 305.

6 SERVICE CHARGES TO POSTMASTER GENERAL (PMG)

Service charges to the PMG for 2025 amounting to Rs. 335 Mn. has been provided for on the same basis as in 2024.

7 RETIREMENT BENEFITS AND OBLIGATIONS

The Bank maintains two Pension Funds namely: Staff Pension Fund I and Staff Pension Fund II. Further the Bank maintains a Widows'/Widowers' and Orphans Pension Fund as well as a Post-Employment Medical Scheme. Details are given in Note 38 on Retirement Benefit Obligation on pages 372 to 381 in Notes to the Financial Statements.

8 PROPERTY, PLANT AND EQUIPMENT AND CAPITAL EXPENDITURE

The total capital expenditure incurred by the Bank on the acquisition of property, plant & equipment, and Intangible Assets (Including capital work-in-progress) during the year amounted to Rs. 2,311 Mn. (2024 – Rs. 3,044 Mn.) and Group amounted to Rs. 2,321 Mn. (2024 – Rs. 3,054 Mn.), the details of which are given in Notes 26. (a), 26. (b) and 29 to the Financial Statements on pages 358 to 359 and 362 of this Annual Report.

9 VALUE OF PROPERTY, PLANT AND EQUIPMENT

The total Net Book Value of Property, Plant and Equipment of the Bank and the Group as at the year-end 2025 was Rs. 17,312 Mn. and Rs. 18,449 Mn. respectively (2024 – Rs. 17,416 Mn. in the Bank and Rs. 18,556 Mn. in the Group). Details are given in Notes to the Financial Statements as follows:

- Note 26 to the Financial Statements: Property, Plant and Equipment on page 357.

10 STATED CAPITAL AND SHAREHOLDING

10.1 Stated capital

The authorised share capital of the Bank is Rs. 10 Bn. which is made of One Billion ordinary shares of Rs. 10/- each. The issued share capital of the Bank as of 31 December 2025 stood at Rs. 9.4 Bn. The Secretary to the Treasury in his official capacity holds the entirety of the issued share capital. The details are given on page 383 in Notes 43 on Stated Capital/Assigned Capital and Note 46.1 on Unclaimed Deposit Reserve on page 385.

10.2 Shareholding

The Government of Sri Lanka is the sole shareholder of the NSB.

11 ISSUE OF PERPETUAL DEBENTURE/BOND

Outstanding subordinated liabilities of the Bank as of 31 December 2025 consisted of Rs. 5 Bn. unlisted, rated, unsecured, subordinated, Perpetual Debentures of Rs. 100 issued on 27 October 2020 on Private Placement eligible for Additional Tier I Capital. The details of debentures outstanding as at the date of Financial Position are given in Note 37.1 of the Financial Statements on page 370 on subordinated liabilities.

12 ISSUE OF SENIOR DEBENTURE

Outstanding debenture of the Bank as of 31 December 2025, consisted of Rs. 11.5 Bn. Unlisted, Rated, Redeemable, Senior Debentures of Rs. 100 each issued on 24 September 2021 as Private Placement. Information on Senior Debenture is given in Note 37.2 on page 371 of this Annual Report.

13 SHARE INFORMATION

The basic earnings per share and net assets value per share of the Bank and the Group for the year 2025 were stated below:

	BANK		GROUP	
For the year ended 31 December	**2025 Rs.**	2024 Rs.	**2025 Rs.**	2024 Rs.
Basic earnings per share	**29.06**	17.15	**29.96**	18.61
Net assets value per share	**126.65**	105.15	**136.03**	113.65

14 DONATIONS

The Bank did not carry out any donations during the year 2025.

15 BOARD OF DIRECTORS

15.1 Information of the Directors held office during the year 2025

The Board of Directors who held the office during the financial year 2025 of the Bank comprised seven Directors including the Chairman and two Ex Officio Members representing the Ministry of Finance and the Postmaster General as per the Section 11 (1) of the NSB Act No. 30 of 1971 as amended by Act No. 28 of 1995. The Minister of Finance appoints the Chairman and other four Directors. Independent directors are currently appointed by an Independent Selection Committee established by the Ministry of Finance. The following were the Directors during the year and their brief profiles appear on pages 220 to 224 of this Annual Report.

Name	Tenure	Membership status
Dr Harsha Cabral PC – Chairman	02 May 2023 to date	NED/NID
Mr Jude Nilukshan – Ex-officio Director	28 February 2022 to date	NED/NID
Mr S R W M Ruwan Palitha Sathkumara – Ex-officio Director	27 March 2023 to date	NED/NID
Mr Dushyanta Basnayake – Director	31 March 2023 to date	NED/NID
Mr Ashane Jayasekara – Director	09 January 2024 to date	NED/NID
Ms Shalini Peiris – Director	08 September 2025 to 24 November 2025	NED/ID
Mr Kusal Jayawardana – Director	08 October 2025 to 21 November 2025	NED/ID
Mr Ranil Goonetilleke – Director	23 October 2025 to date	NED/ID
Mr Supul Wijesinghe – Senior Director (w.e.f. 20 November 2025)	18 November 2025 to date	NED/ID

NED – Non-Executive Director
NID – Non-Independent Director
ID – Independent Director

List of Directors of the Subsidiaries of the Bank

Names of the Directors of NSB Fund Management Co. Ltd. are as follows:

- Mr Dushyanta Basnayake – (Chairman)
- Ms Shashi Kandambi (retired w.e.f. 09 January 2026)
- Mr Oshada Rodrigo
- Mr K Raveendran
- Mr K P Priyankara Hewa Mihiripenna

Names of the Directors of Sri Lanka Savings Bank Limited are as follows:

- Mr Dushyanta Basnayake – (Chairman)
- Mr Hemantha Gamage
- Mr Prasad Imbulagoda
- Mr Janaka Arunashantha
- Ms Samadara Jayaratne

15.2 Board subcommittees

The Board of Directors while assuming the overall responsibility and accountability has appointed four mandatory Board Subcommittees namely, Board Audit Committee, Board Human Resource and Remuneration Committee, Board Nomination Committee, Board Integrated Risk Management Committee as required by the Banking Act Direction No. 05 of 2024 on "Corporate Governance for Licensed Banks in Sri Lanka" issued by the CBSL. (The effective date for the Related Party Transactions Review Committee for the Bank will be 01 January 2027)

The Board of Directors has also appointed a voluntary Board Sub committee called Board Information Technology Strategy Committee to assist the Board in discharging its duties.

The Terms of Reference of these Board Subcommittees conform to the recommendations made by the regulator; CBSL and NSB Act as well as voluntary codes issued by the CA Sri Lanka.

The composition of Board SubCommittees as of 31 December 2025 and the details of the attendance by Directors at meetings are disclosed in page 237 and the Reports of these Subcommittees are given on pages 245 to 253.

15.3 Directors' meetings

The details of Directors' meetings which comprise of Board Meetings and Board Subcommittee Meetings and the attendance are given in the Corporate Governance Report on page 237 of the Annual report.

15.4 Directors' interests in contracts

Directors' interests in contracts with the Bank, both direct and indirect are referred to in Note 49.2.2 to the Financial Statements on page 388. These interests have been declared at the Board meetings. The Directors do not have any direct or indirect interest in other contracts or proposed contracts with the Bank.

15.5 Directors' interest in debentures issued by the Bank

There were no Debentures registered in the name of any Director.

15.6 Directors' remuneration and other benefits

Details of Directors' emoluments and other benefits in respect of the Bank and the Group for the financial year 2025 are given in Note 49.2.1 to the Financial Statements on page 388.

15.7 Related party transactions

The Directors have also disclosed the transactions if any, that could be classified as related party transactions in terms of Sri Lanka Accounting Standard (LKAS) 24 – 'Related Party Disclosures' which is adopted in the preparation of the Financial Statements. Those transactions disclosed by the Directors are given in Note 49 on page 388 to the Financial Statements forming part of the Annual Report of the Board of Directors.

16 ENVIRONMENTAL PROTECTION

The Group and the Bank has not, to the best of their knowledge, engaged in activity, which was detrimental to the environment. Specific measures taken to protect the environment are given on pages 172 to 181.

17 STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the Government, other regulatory bodies and in relation to the employees have been made in time.

18 EVENTS AFTER THE REPORTING DATE

No circumstances have arisen since the Reporting date which would require adjustments to, or disclosure in the accounts, other than those disclosed in Note 52 to the Financial Statements in page 394.

19 GOING CONCERN

The Board of Directors have reviewed and satisfied that the Bank has ample resources to continue its operations in the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern, such as restrictions or plan to curtail operations.

20 RISK MANAGEMENT, INTERNAL CONTROLS AND MANAGEMENT INFORMATION SYSTEMS

20.1 Risk management

The Board of Directors assumes overall responsibility for managing risk. There is an ongoing process for identifying evaluating and managing the risks that are faced by the Bank. The specific measures taken by the Bank in mitigating the risk are detailed on pages 254 to 280 in risk management report and Board Integrated Risk Management Report on pages 251 to 252 of this Report.

20.2 Internal controls and management information systems

The Board of Directors has ensured that the Bank has instituted and implemented an effective and comprehensive system of internal controls and management information systems in the Bank through the Board Audit Committee. Internal control systems have been redesigned to mitigate the risks to which the Bank is exposed, to provide reasonable assurance against material misstatements or loss. The Board Audit Committee Report is given in pages 245 to 247 in this report.

The Board has issued a statement on the internal control mechanism of the Bank in accordance with the Direction No. 9.2 (b) of the Banking Act Direction No 05 of 2024 on Corporate Governance for licensed banks which is given on pages 290 to 291 of this report. The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external reporting purposes has been done in accordance with relevant accounting principles and regulatory requirements.

The Board has obtained an Assurance from the Auditor General on Directors' Statement on Internal Control which is give in page 292 of the report.

21 APPOINTMENT OF AUDITORS, THEIR REMUNERATION

The Auditor General is the Auditor of National Savings Bank in terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka.

The expenses incurred in respect of audit fees and other services rendered during the accounting period are given in Note 12 to the Financial Statements on page 333.

22 REGULATORY SUPERVISION

As a regulatory supervisory body, the Central Bank of Sri Lanka carried out a periodic examination of the records and affairs of the Bank to ascertain compliance with directives issued by the Central Bank of Sri Lanka. It also determines whether required financial indicators are being maintained at the required level so that the interests of the stakeholders, particularly depositors are safeguarded.

23 CORPORATE GOVERNANCE

In the management of the Bank, the Directors have placed emphasis on conforming with, the best Corporate Governance Practices and Procedures. Accordingly, the Directors have declared that:

(a) The Bank has complied with applicable laws and regulations in conducting its business and have not engaged in any activity breaching the relevant laws and regulations.

(b) They have declared all material interest in contracts involving the Bank and refrained from involving any matter which they have a material interest.

(c) The business is a going concern and the Board of Directors have reviewed the Strategic Business Plan and is satisfied that the Bank is having adequate resources to accelerate the future momentum of NSB in foreseeable future. Thus, the Financial Statements of the Bank and its subsidiary are prepared based on the going concern assumption.

(d) The Bank has disclosed in the Financial Statements on Related Party Transactions.

(e) The Bank has conducted a review on internal controls which covers financial, operational and compliance controls, risk management and have obtained a reasonable assurance of their effectiveness and adherence.

24 SUSTAINABILITY

When formulating its business strategies, the Bank has considered the sustainability aspects, the details of which are disclosed in pages 491 to 493 under GRI Index.

Concurrently, we initiated our transition towards adopting SLFRS S1 and SLFRS S2, laying the ground work in terms of governance, processes and data frameworks needed to identify, assess, manage and disclose sustainability and climate related financial risk and opportunities. This initiative is being carried out within the scope of NSB's ESG Framework, which offers a structured approach to embedding sustainability considerations into strategy development, credit decision making, enterprise risk management, and stakeholder engagement.

25 HUMAN RESOURCES

The Bank continued to develop and maintain dedicated and highly motivated employees who are committed to create sustainable value through high quality service. Significant investments have been made in the development of quality of Human Capital of the Bank. The policies and procedures adopted by the Bank to upgrade Human Capital is described in the Annual Report 2025 on pages 117 to 133.

26 OUTSTANDING LITIGATION

In the opinion of the Directors and the Bank's lawyers, outstanding litigation against the Bank and the Group disclosed in Note 51 to the Financial Statements in page 394 will not have a material impact on the financial position of the Bank or its future operations.

27 ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

The Board of Directors hereby acknowledge the contents of this Annual Report.

By Order of the Board,



Dr Harsha Cabral PC
Chairman



W H M D B Wijekoon
Acting Secretary to the Board

23 February 2026
Colombo

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibility of the Directors in relation to the Financial Statements of the National Savings Bank (Bank) and Consolidated Financial Statements of the Bank and its Subsidiaries (Group) is set out in this statement.

FINANCIAL STATEMENTS

The Directors of the Bank are responsible for ensuring that the Bank and the Group proper books of accounts for all transactions and prepare Financial Statements in accordance with Generally Accepted Accounting Principles, Sri Lanka Accounting Standards, and Sri Lanka Financial Reporting Standards, These Financial Statements give a true and fair view of the financial position of the Bank and the Group at the end of each financial year in compliance with the relevant statutory requirements. The Financial Statements comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position as at 31 December 2025, Statement of Changes in Equity, Statement of Cash Flows, and Significant Accounting Policies and Notes thereto.

The Financial Statements of the Bank and its Subsidiaries give a true and fair view of:

1. Financial Position of the Bank and its Subsidiaries as at 31 December 2025; and
2. Financial performance of the Bank and its Subsidiaries for the financial year ended 31 December 2025.

In preparing these Financial Statements, the Directors are required to ensure that:

1. The accounting policies adopted to prepare the Financial Statements depicted on page 308 were appropriate according to the existing financial reporting framework. These policies were consistently applied and adequately disclosed.
2. Reasonable and prudent judgements have been made where necessary to ensure the proper reflection of the form and substance of the transaction when preparing the Financial Statements.
3. All applicable Accounting Standards, as relevant, have been followed.

As per the provisions of the Finance Act No. 38 of 1971, the Banking (Amendment) Act No. 24 of 2024, and Section 7 (i) of NSB Act No. 30 of 1971, the Board of Directors is required to control and administer the affairs and the business of the Bank.

The Board of Directors ensures that the Financial Statements comply with the prescribed format issued by the Central Bank for Licensed Banks.

The Board of Directors is also responsible for ensuring the maintenance of proper accounting records, which correctly record and explain the Bank's financial position, with reasonable accuracy at any point of time as determined by the Bank, thereby enabling the preparation of the Financial Statements.

The Board of Directors accepts the responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report. (Financial Statements are presented on pages 298-438). The Financial Statements for the year 2025 prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the requirements of the Sri Lanka Accounting Standards, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, and Banking (Amendment) Act No. 24 of 2024.

INTERNAL CONTROLS

The Board of Directors has been responsible for taking reasonable measures and care to safeguard the assets of the Bank and the Group, detect frauds and other irregularities, and instituted an effective and comprehensive system of internal controls and an effective system of monitoring its effectiveness which includes internal audit. The Directors ensure that the Financial Statements are reviewed by them directly at their regular meetings and also through the Board Audit Committee. The Directors' Statement on Internal Control Over Financial Reporting is given on page 290 of this Annual Report and the Auditor General's Assurance Report on the Bank's Internal Control is given on page 292.

AUDIT REPORT

The Board of Directors has made available to the Auditor General all records of the Bank, including the Financial Statements, and provided every opportunity to undertake inspections they considered appropriate. The Auditor General's Department has examined these records and expressed the Auditor General's opinion, which appears as reported by him on page 294 of this Annual Report.

COMPLIANCE REPORT

The Directors confirm that, to the best of their knowledge and belief, all taxes payable by the Bank and the Group, all contributions and taxes payable on behalf of and in respect of employees of the Bank and the Group, and all other known statutory dues to the government and other relevant regulatory and statutory authorities, which were due and payable by the Bank and the Group as at the date of Statement of Financial Position, have been paid or where relevant provided for. Further, the Directors have confirmed that after considering the financial position, operating conditions, and regulatory and other factors required to be addressed in the "Corporate Governance Code", issued jointly by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC), the Bank and the Group have adequate resources to continue in operation for the foreseeable future and to justify the application of the going concern basis in preparing these Financial Statements, The Board has taken all necessary measures to comply with the directives issued by the Central Bank of Sri Lanka.

By Order of the Board,



W H M D B Wijekoon
Acting Secretary to the Board

23 February 2026
Colombo

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

RESPONSIBILITY

This report has been issued in line with the Banking Act Direction No. 05 of 2024, Section 9.2. b, and prepared based on Principle D.1.5 of Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka. The Board of Directors hereby presents this report on internal control.

The Board of Directors (The Board) is responsible for ensuring that an adequate and effective system of internal control is established and maintained at the National Savings Bank. However, such a system is designed to manage the Bank's significant risk areas within acceptable risk parameters, rather than eliminating the risk of failure to achieve business objectives of the Bank. Accordingly, the system of internal controls can only provide reasonable, but not absolute, assurance against material misstatements of management and financial information and records, or against financial losses or frauds.

The Board has established an ongoing process for identifying, evaluating, and managing the significant risks faced by the Bank. This process includes enhancing the system of internal controls as and when there are changes to the business environment or regulatory requirements and other guidelines. The process is regularly reviewed by the Board to confirm compliance with the Guidance for Directors of the Bank on the Directors' Statement on Internal Controls issued by CA Sri Lanka. The Board has assessed the internal control system taking into account all main principles for the assessment of an internal control system as given in that guidance.

The Board is of the view that the system of internal controls over financial reporting is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes, in accordance with the relevant accounting principles and regulatory requirements.

Management assists the Board in the implementation of the Board's policies and procedures on risks and controls by identifying and assessing the risks faced by the Bank, and in the design, operation, and monitoring of suitable internal controls to mitigate and control these risks.

Key features of the process are adopted in applying and reviewing the design and effectiveness of the internal control system on financial reporting.

The Board has also established a system for periodically reviewing the design and effectiveness of the internal control system. The key processes, among other things, include the following:

- Five (5) Subcommittees have been established by the Board, comprising the mandatory committees as required by the Banking Act Direction No. 05 of 2024 (Section 6 of Banking Act Direction No. 05 of 2024 will be effective from 01 January 2027). These Subcommittees assist the Board in ensuring the effectiveness of the Bank's daily operations and in conducting its activities in line with the corporate objectives, strategies, annual budget, and policies and business directions that have been approved by the Board. Details of the activities undertaken by each Subcommittee are set out on pages 245 to 253.
- The Board Audit Committee (BAC) periodically reviews internal control issues identified by the Internal Audit Division of the Bank, the External Auditors, and Regulatory Authorities, and ensures that corrective actions are taken to address such deficiencies. The Auditor General carries out the external audit of the Bank. The Superintendent of the Government Audit is generally invited to BAC meetings.
- BAC reviews the internal audit function with particular emphasis on the scope and quality of the audits. The activities undertaken by BAC during the year 2025 are set out in the Board Audit Committee report appearing on page 245 of this Annual Report. The Internal Audit Division of the Bank carries out audits of branches, divisions, and other units as per the Annual Audit Plan. The frequency of audit is determined by the level of risk assessed. The Audit Plan is approved by BAC for implementation. The Internal Audit Division carries out audit checks to ensure compliance with policies and procedures and to assess the effectiveness of internal control systems, and reports its findings in respect of any non-compliance. Audits are carried out to provide an independent and objective report on operational and management activities. The findings of the audits are submitted to BAC for review at their periodic meetings. The activities of BAC, together with minutes of the Committee meetings, are submitted to the Board on a periodic basis.
- The Board Integrated Risk Management Committee (BIRMC) has been established by the Board to assist with overseeing the overall management of principal areas of risk of the Bank. The Board has also established an independent Compliance Unit, which ensures the that Bank's activities are conducted in accordance with applicable laws, regulations, and regulatory directives, and any issues of non-compliance are reported to BIRMC periodically. The Report on the Risk Assessment is submitted by BIRMC to the Board periodically.
- Management – level committees have also been functioning with appropriate empowerment to ensure effective management and supervision of the Bank's core areas in the day-to-day business operations. The assessment covered only the process applied by the Bank and did not include the processes carried out by its Subsidiaries.

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Bank adopted the Sri Lanka Accounting Standard SLFRS 9 – "Financial Instruments" with effect from 1 January 2018. Since the adoption of Sri Lanka Accounting Standards, continuous monitoring and progressive enhancements to processes are being carried out to ensure compliance with new requirements relating to recognition, measurement, classification, and disclosure.

The comments made by the external auditors in connection with the internal control system over financial reporting in previous years were reviewed during the year, and appropriate steps have been taken to rectify them. The recommendations made by the external auditors in 2025 in connection with the internal control system over financial reporting will be addressed in the future.

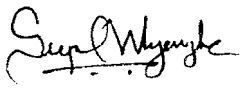
CONFIRMATION

Based on the above processes, the Board of Directors confirms that the financial reporting system of the Bank has been designed to provide reasonable assurance regarding their liability of financial reporting, and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

By Order of the Board,



Dr Harsha Cabral PC
Chairman



Supul Wijesinghe
Director



Ranil Goonetilleke
Director

23 February 2026
Colombo

INDEPENDENT ASSURANCE REPORT ON INTERNAL CONTROL



The Chairman
National Savings Bank

Independence Assurance Report of the Auditor General to the Board of Directors on the Directors' Statement on Internal Control over Financial Reporting of National Savings Bank

INTRODUCTION

This report is to provide assurance on the Directors' Statement on Internal Control over Financial Reporting (the "Statement") of National Savings Bank (the "Bank") included in the annual report for the year ended 31 December 2025.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Bank on the Directors' Statement on Internal Control" issued in compliance with the section 9 (2) (b) of the Banking Act Direction No. 05 of 2024, by the Institute of Chartered Accountants of Sri Lanka.

MY RESPONSIBILITIES AND COMPLIANCE WITH SLSAE 3050 (REVISED)

My responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Bank.

I conducted my engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3050 (Revised) – Assurance Report for Banks on Directors' Statement on Internal Control issued by The Institute of Chartered Accountants of Sri Lanka.

This standard required that I plan and perform procedures to obtain limited assurance about whether management has prepared, in all material aspects, the statement on internal control over financial reporting.

For the purpose of this engagement, I am not responsible for updating or reissuing any reports, nor have I, in the course of this engagement, performed and audit or review of the financial information.

SUMMARY OF WORK PERFORMED

I conducted my engagement to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of internal control over financial reporting of the Bank.

The procedures performed were limited primarily to inquiries of Bank personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3050 (Revised) does not require me to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 (Revised) also does not require me to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The Procedures selected depend on my judgment, having regard to my understanding of the nature of the Bank, the event or transaction in respect of which the Statement has been prepared.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

CONCLUSION

Based on the procedures performed, nothing has come to my attention that causes me to believe that the Statement included in the Annual Report is inconsistent with my understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Bank.

L.S.I Jayaratna
Auditor General

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 +94 11 2 88 72 23 ag@auditorgeneral.gov.lk www.naosl.gov.lk

GENERAL MANAGER/CEO'S AND DEPUTY GENERAL MANAGER (FINANCE, PLANNING, AND MIS)/CFO'S STATEMENT OF RESPONSIBILITY

The Financial Statements of the National Savings Bank (the Bank) and the Consolidated Financial Statements of the Bank and its Subsidiaries (the Group) as at 31 December 2025 are prepared and presented in compliance with following:

- National Savings Bank Act No. 30 of 1971 and amendments thereto.
- Finance Act No. 38 of 1971.
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.
- Banking Act No. 30 of 1988 and amendments thereto and Directions, Determinations and Guidelines issued by the Central Bank of Sri Lanka (CBSL) there under relating to Financial Statements formats and disclosure of information.
- Sri Lanka Financial Reporting Standards/ Sri Lanka Accounting Standards (SLFRSs/ LKASs) issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).
- Code of Best Practices on Corporate Governance 2023 issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).
- The Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks issued by the CBSL.
- Public Financial Management Act, No. 44 of 2024

The formats used in the preparation of the Financial Statements and disclosures made, comply with the specified formats prescribed by the CBSL which are also in compliance with the disclosure requirements of the Sri Lanka Accounting Standard 1 (LKAS 1) – "Presentation of Financial Statements" The Bank and the Group presents the financial results to its users on a quarterly basis.

The Accounting Policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Bank and the Group. The Significant Accounting Policies and estimates that involved a high degree of judgement and complexity were discussed with the Bank's External Auditors and the Board Audit Committee.

There were no changes to the Accounting Policies and methods of computation since the publication of the Annual Report for the year ended 31 December 2024. except the changes disclosed in Note No 53 of the Financial Statements. Accordingly, comparative information has been amended to comply with the current presentation, where applicable.

We confirm that to the best of our knowledge, the Financial Statements, Significant Accounting Policies and other financial information included in this Annual Report, fairly present in all material aspects of the assets, liabilities, results of the operations and the cash flows of the Bank and the Group during the year under review and given a true and fair view of the Financial Statements. We also confirm that the Bank and the Group has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements.

RESPONSIBILITY OF INTERNAL CONTROL AND PROCEDURES

We are responsible for establishing, implementing and maintaining Internal Controls and Procedures of the Bank and its Subsidiaries. We ensure that effective Internal Controls and Procedures are in place ensuring material information relating to the Bank and the Group is made known to us for safeguarding assets, preventing and detecting fraud and/or error as well as other irregularities, which are reviewed, evaluated and updated on an ongoing basis. We are satisfied that there were no significant deficiencies and weaknesses in the design or operation of the Internal Controls and Procedures, to the best of our knowledge. We confirm, based on our evaluations, that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and procedures, to the best of our knowledge. We confirm, based on our evaluations, that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and any fraud that involved management or other employees. The Bank's Internal Auditors also conduct periodic reviews to ensure that the established Internal Controls over Financial Reporting and Procedures are consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal control and accounting.

Directors' Statement on Internal Control over Financial Reporting is provided on page 290 of this Annual Report. The Auditor General have audited the effectiveness of the Internal Controls over financial reporting adapted by the Bank and have given an unqualified opinion is provided on page 294 of this Annual Report.

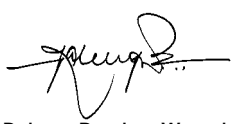
EXTERNAL AUDIT

The Financial Statements of the Bank and its Subsidiaries were audited by the Auditor General. The Auditor General's Report on the Bank's Consolidated Financial Statements is given on pages 294 of this Annual Report. The Board Audit Committee, inter alia, reviewed all Internal Audit and Inspection Programmes, the efficiency of Internal Control Systems and Procedures and also reviewed the Significant Accounting Policies and their adherence to statutory and regulatory requirements, the details of which are given in the Board Audit Committee report on pages 245 to 247 of this Annual Report. To ensure complete independence, the Auditor General and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance.

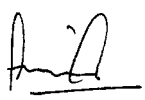
CONFIRMATION

We confirm that to the best of our knowledge –

- The Bank and the Group have complied with all applicable laws and regulations and prudential requirements
- There are no material non-compliances and no material litigations that are pending against the Bank and the Group other than those disclosed in Note 51 on page 394 of the Financial Statements.
- All taxes, duties, levies and all statutory payments payable by the Bank and the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Bank and the Group as at 31 December 2025 have been paid, or where relevant, provided for.



Rohana Bandara Weerakoon
Acting General Manager/CEO



Ajith Akmeemana

Deputy General Manager
(Finance, Planning & MIS)/
Chief Financial Officer

6 February 2026
Colombo

AUDITOR GENERAL'S REPORT



Chairman
National Savings Bank

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the National Savings Bank and its subsidiaries for the year ended 31 December 2025 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1 FINANCIAL STATEMENTS

1.1 Opinion

The audit of the financial statements of the National Savings Bank (the "Bank") and the consolidated financial statements of the Bank and its subsidiaries (the "Group") for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the Financial Statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No.38 of 1971. My report to parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements of the Bank and the Group give a true and fair view of the financial position of the Bank and the Group as at 31 December 2025 and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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

1.3 Other information included in the Bank's 2025 Annual Report

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

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

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

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

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

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

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව
இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை.
No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34
+94 11 2 88 72 23
ag@auditorgeneral.gov.lk
www.naosl.gov.lk

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE
NAOSL

In preparing the financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

AUDITOR GENERAL'S REPORT

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE
NAOSL

2 REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

2.2 The Section 39 of the Banking Act No.30 of 1988 (as amended by Banking Act No.24 of 2024) includes specific provisions for following requirements.

2.2.1 The disclosures made in the accompanying financial statements are in accordance with the requirements of Circular No. 05 of 2024 issued by Central Bank of Sri Lanka.

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

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

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

2.3.3 to state that the Bank has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018;

2.3.4 to state that the resources of the Bank had not been procured and utilised economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

L S I Jayaratna
Auditor General

CONTENT OF FINANCIAL STATEMENTS

		Page number
Primary Financial Statements		
Income Statement		298
Statement of Comprehensive Income		299
Statement of Financial Position		300
Statement of Changes in Equity – Bank		302
Statement of Changes in Equity – Group		304
Statement of Cash Flows		306
Notes to the Financial Statements – General		
1.	Reporting entity	308
1.1	Corporate information	308
1.2	Consolidated financial statements	308
1.3	Principal activities and nature of operations	308
2.	Accounting policies	308
2.1	Basis of preparation	308
2.2	Changes in accounting policies	312
2.3	Fair value measurement	312
2.4	Significant accounting policies – general	313
2.5	Significant accounting policies – recognition of assets and liabilities	313
2.6	Significant accounting policies – recognition of income and expenses for financial instruments	322
2.7	Significant accounting policies – taxation	322
2.8	Statement of cash flows	322
2.9	Regulatory provisions	322
2.10	Events after the reporting period	322
2.11	Accounting standards issued but not yet effective as at reporting date	322
Notes to the Financial Statements – Income Statement		
3.	Gross income	324
4.	Net interest income	324
5.	Net fee and commission income	327
6.	Net gain/(loss) from trading	328
7.	Net fair value gains/(losses) from financial instruments at fair value through profit or loss	328
8.	Net gains/(losses) from derecognition of financial assets	329
9.	Net other operating income	329
10.	Impairment charges/(reversals)	330
11.	Personnel expenses	331
12.	Other expenses	333
13.	Income tax expenses	333
14.	Earnings per ordinary share (EPS)	335
Notes to the Financial Statements – Statement of Financial Position: Assets		
15.	Analysis of financial instruments by measurement basis	336
16.	Cash and cash equivalents	338
17.	Balances with central banks	339
18.	Placements with banks	339
19.	Derivative financial instruments	340
20.	Financial assets recognised through profit or loss	341
21.	Financial assets at amortised cost – loans and advances	343
22.	Financial assets at amortised cost – debt and other instruments	349
23.	Financial assets measured at fair value through other comprehensive income	352
24.	Investments in subsidiaries	356
25.	Investment in associates and joint ventures	356
26.	Property, plant and equipment	357
27.	Right-of-use assets	360
28.	Investment properties	361
29.	Goodwill and intangible assets	362
30.	Deferred tax (assets)/liabilities	364
31.	Other assets	366
Notes to the Financial Statements – Statement of Financial Position: Liabilities and Equity		
32.	Due to banks	367
33.	Derivative financial instruments	367
34.	Financial liabilities recognised through profit or loss	367
35.	Financial liabilities at amortised cost	368
36.	Lease liabilities	369
37.	Debt securities issued	370
38.	Retirement benefit obligations	372
39.	Current tax liabilities	382
40.	Other provisions	382
41.	Other liabilities	382
42.	Due to subsidiaries	382
43.	Stated capital/assigned capital	383
44.	Statutory reserve fund	383
45.	Retained earnings	383
46.	Other reserves	384
47.	Non-controlling interest	386
Notes to the Financial Statements – Other disclosures		
48.	Contingent liabilities and commitments	386
49.	Related party disclosures	388
50.	Net assets value per ordinary share	393
51.	Litigation against the Bank and the Group	394
52.	Events occurring after the reporting date	394
53.	Comparative figures	395
54.	Financial risk management	396
55.	Fair value of financial instruments	429
56.	Capital management (as per regulatory reporting)	434
57.	Repurchase and reverse repurchase transactions in scripless Treasury Bonds and scripless Treasury Bills	434
58.	Operating segments	435
59.	Selected performance indicators (as per regulatory reporting)	438

INCOME STATEMENT

For the year ended 31 December	Note	Page	BANK 2025 Rs. '000	BANK 2024 Rs. '000	BANK Change %	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000	GROUP Change %
Gross income	3	324	**202,761,289**	207,636,948	(2)	**207,907,654**	213,417,164	(3)
Interest income			**197,777,349**	203,748,274	(3)	**202,459,287**	208,632,122	(3)
Less: Interest expenses			**112,928,430**	131,165,321	(14)	**116,039,888**	133,563,015	(13)
Net interest income	4	324	**84,848,919**	72,582,953	17	**86,419,399**	75,069,107	15
Fee and commission income			**2,936,871**	2,078,830	41	**2,938,382**	2,085,090	41
Less: Fee and commission expenses			**376,539**	328,272	15	**376,923**	328,737	15
Net fee and commission income	5	327	**2,560,332**	1,750,558	46	**2,561,459**	1,756,353	46
Net gain/(loss) from trading	6	328	**708,034**	911,630	(22)	**1,137,128**	1,791,936	(37)
Net fair value gains/(losses) from financial instruments at fair value through profit or loss	7	328	**–**	–	–	**–**	–	–
Net gains/(losses) from derecognition of financial assets	8	329	**553,002**	442,273	25	**553,002**	442,273	25
Net other operating income	9	329	**786,033**	455,941	72	**819,855**	465,743	76
Total operating income			**89,456,320**	76,143,355	17	**91,490,843**	79,525,412	15
Less: Impairment charges / (reversals)	10	330	**1,636,616**	11,526,056	(86)	**1,571,222**	11,513,684	(86)
Net operating income			**87,819,704**	64,617,299	36	**89,919,621**	68,011,728	32
Less: Expenses								
Personnel expenses	11	331	**19,891,920**	20,306,147	(2)	**19,968,397**	20,846,003	(4)
Depreciation and amortisation expenses			**2,258,283**	1,674,524	35	**2,272,374**	1,689,188	35
Other expenses	12	333	**8,282,777**	7,021,348	18	**8,472,393**	7,228,304	17
Operating profit before VAT and SSCL on financial services			**57,386,724**	35,615,280	61	**59,206,457**	38,248,233	55
Less: Value Added Tax (VAT) on financial services			**11,321,227**	8,207,522	38	**11,644,625**	8,683,243	34
Less: Social Security Contribution Levy (SSCL) on financial services			**1,572,393**	1,139,934	38	**1,617,126**	1,205,905	34
Operating profit after VAT and SSCL on financial services			**44,493,104**	26,267,824	69	**45,944,706**	28,359,085	62
Share of profits of associates and joint ventures			**–**	–	–	**–**	–	–
Profit before income tax			**44,493,104**	26,267,824	69	**45,944,706**	28,359,085	62
Less: Income tax expenses	13	333	**17,172,346**	10,145,432	69	**17,782,154**	10,862,124	64
Profit for the year			**27,320,758**	16,122,392	69	**28,162,552**	17,496,961	61
Profit attributable to:								
Equity holders of the Bank			**27,320,758**	16,122,392	69	**28,162,552**	17,496,961	61
Non-controlling interests			**–**	–	–	**–**	–	–
Profit for the year			**27,320,758**	16,122,392	69	**28,162,552**	17,496,961	61
Earnings per share on profit								
Basic earnings per ordinary share (Rs.)	14	335	**29.06**	17.15	69	**29.96**	18.61	61
Diluted earnings per ordinary share (Rs.)			**29.06**	17.15	69	**29.96**	18.61	61
Profit for the year			**27,320,758**	16,122,392	69	**28,162,552**	17,496,961	61

The Notes to the Financial Statements disclosed on page 308 to 438 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	BANK 2025 Rs. '000	BANK 2024 Rs. '000	BANK Change %	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000	GROUP Change %
Profit for the year	**27,320,758**	16,122,392	69	**28,162,552**	17,496,961	61
Items that will be reclassified to income statement						
Exchange differences on translation of foreign operations	**–**	–	–	**–**	–	–
Net gains/(losses) on cash flow hedges	**–**	–	–	**–**	–	–
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	**–**	–	–	**–**	–	–
Share of profits of associates and joint ventures	**–**	–	–	**–**	–	–
Debt instruments at fair value through other comprehensive income	**225,681**	996,856	(77)	**178,526**	1,053,092	(83)
Fair value gains/(losses) transferred to income statement on disposal of debt instrument at fair value through other comprehensive income	**(553,002)**	(442,273)	25	**(553,002)**	(442,273)	25
Deferred tax effect on above	**98,196**	(166,375)	159	**112,343**	(183,246)	161
Total items that will be reclassified to income statement	**(229,125)**	388,208	(159)	**(262,133)**	427,573	(161)
Items that will not be reclassified to income statement						
Change in fair value on investments in equity instruments designated at fair value through other comprehensive income	**1,587,818**	2,538,631	(37)	**1,603,677**	2,705,001	(41)
Change in fair value attributable to change in the Bank's own credit risk on financial liabilities designated at fair value through profit or loss	**–**	–	–	**–**	–	–
Re-measurement of post-employment benefit obligations	**(3,335,729)**	(2,228,542)	50	**(3,335,546)**	(2,231,825)	49
Deferred tax effect on above	**729,878**	486,042	50	**729,823**	487,027	50
Remeasurement of post employment benefit obligations (net of taxes)	**(2,605,851)**	(1,742,500)	50	**(2,605,723)**	(1,744,798)	49
Changes in revaluation surplus	**–**	–	–	**–**	–	–
Deferred tax effect on above	**–**	–	–	**–**	–	–
Changes in revaluation surplus (net of taxes)	**–**	–	–	**–**	–	–
Share of profits of associates and joint ventures	**–**	–	–	**–**	–	–
Total items that will not be reclassified to income statement	**(1,018,033)**	796,131	(228)	**(1,002,046)**	960,203	(204)
Other comprehensive income for the year, net of taxes	**(1,247,158)**	1,184,339	(205)	**(1,264,179)**	1,387,776	(191)
Total comprehensive income for the year	**26,073,600**	17,306,731	51	**26,898,373**	18,884,737	42
Attributable to:						
Equity holders of the Bank	**26,073,600**	17,306,731	51	**26,898,373**	18,884,737	42
Non-controlling interests	**–**	–	–	**–**	–	–
Total comprehensive income for the year	**26,073,600**	17,306,731	51	**26,898,373**	18,884,737	42

The Notes to the Financial Statements disclosed on page 308 to 438 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Page	BANK 2025 Rs. '000	BANK 2024 Rs. '000	BANK Change %	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000	GROUP Change %
Assets								
Cash and cash equivalents	16	338	**8,326,738**	8,358,742	(0.4)	**8,386,287**	8,544,416	(2)
Balances with central banks	17	339	**167,212**	357,054	(53)	**167,236**	357,117	(53)
Placements with banks	18	339	**24,181,317**	14,794,637	63	**24,181,317**	14,794,637	63
Derivative financial instruments	19	340	**68,813**	9,131	654	**83,979**	54,892	53
Financial assets recognised through profit or loss	20	341						
– measured at fair value			**22,158,765**	21,086,781	5	**78,625,066**	46,749,528	68
– designated at fair value			**–**	–	–	**–**	–	–
Financial assets at amortised cost								
– loans and advances	21	343	**550,828,369**	532,379,013	3	**550,639,060**	527,715,322	4
– debt and other instruments	22	349	**1,092,989,914**	1,039,034,572	5	**1,096,342,623**	1,048,965,769	5
Financial assets measured at fair value through other comprehensive income	23	352	**64,634,698**	53,469,178	21	**67,997,754**	55,306,512	23
Investments in subsidiaries	24	356	**7,311,000**	7,311,000	–	**–**	–	–
Investments in associates and joint ventures	25	356	**–**	–	–	**–**	–	–
Property, plant and equipment	26	357	**17,311,732**	17,415,792	(1)	**18,448,620**	18,556,112	(1)
Right-of-use assets	27	360	**1,244,252**	1,041,185	20	**1,265,447**	1,066,014	19
Investment properties	28	361	**–**	–	–	**349,000**	349,000	–
Goodwill and intangible assets	29	362	**2,380,283**	2,183,860	9	**2,383,250**	2,185,087	9
Deferred tax assets	30	364	**6,562,684**	4,995,021	31	**6,562,684**	4,995,021	31
Other assets	31	366	**32,858,406**	50,002,248	(34)	**32,906,100**	50,127,502	(34)
Total assets			**1,831,024,183**	1,752,438,214	4	**1,888,338,423**	1,779,766,929	6
Liabilities								
Due to banks	32	367	**80,972**	487,521	(83)	**80,972**	487,521	(83)
Derivative financial instruments	33	367	**13**	258,409	(100)	**13**	258,409	(100)
Financial liabilities recognised through profit or loss	34	367	**–**	–	–	**–**	–	–
Financial liabilities at amortised cost	35	368						
– due to depositors			**1,608,490,322**	1,556,270,863	3	**1,608,891,967**	1,556,681,918	3
– due to debt securities holders			**–**	–	–	**–**	–	–
– due to other borrowers			**39,057,116**	48,190,057	(19)	**93,629,216**	66,049,093	42
Lease liability	36	369	**1,492,523**	1,281,561	16	**1,522,484**	1,314,177	16
Debt securities issued	37	370	**16,911,043**	16,966,482	(0.3)	**16,983,801**	17,039,651	(0.3)
Retirement benefit obligations	38	372	**19,922,794**	17,489,868	14	**19,941,644**	17,597,407	13
Current tax liabilities	39	382	**8,483,816**	3,648,729	133	**8,798,200**	4,054,844	117
Deferred tax liabilities	30	364	**–**	–	–	**73,495**	61,869	19
Other provisions	40	382	**–**	–	–	**–**	–	–
Other liabilities	41	382	**17,534,957**	9,002,109	95	**10,549,051**	9,387,245	12
Due to subsidiaries	42	382	**–**	–	–	**–**	–	–
Total liabilities			**1,711,973,556**	1,653,595,599	4	**1,760,470,843**	1,672,932,134	5

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Page	BANK 2025 Rs. '000	BANK 2024 Rs. '000	BANK Change %	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000	GROUP Change %
Equity								
Stated capital/assigned capital	43	383	**9,400,000**	9,400,000	–	**9,400,000**	9,400,000	–
Statutory reserve fund	44	383	**6,241,292**	5,694,877	10	**6,364,888**	5,810,742	10
Retained earnings	45	383	**46,545,531**	28,462,305	64	**52,797,100**	33,771,814	56
Other reserves	46	384	**56,863,804**	55,285,433	3	**59,305,592**	57,852,239	3
Total shareholders' equity			**119,050,627**	98,842,615	20	**127,867,580**	106,834,795	20
Non-controlling interests	47	386	**–**	–	–	**–**	–	–
Total equity			**119,050,627**	98,842,615	20	**127,867,580**	106,834,795	20
Total equity and liabilities			**1,831,024,183**	1,752,438,214	4	**1,888,338,423**	1,779,766,929	6
Contingent liabilities and commitments	48	386	**12,653,943**	15,042,447	(16)	**12,655,443**	15,050,755	(16)
Memorandum information								
Number of employees			**4,203**	4,212				
Number of branches			**263**	262				

Note: Amounts stated are net of impairment and depreciation.

The Notes to the Financial Statements disclosed on page 308 to 438 form an integral part of these Financial Statements.

Certification

I certify that the above Financial Statements give a true and fair view of the state of affairs of National Savings Bank and the Group as at 31 December 2025 and its profit for the year ended.

Ajith Akmeemana
Deputy General Manager
(Finance, Planning & MIS)/CFO

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board.

Dr Harsha Cabral PC
Chairman

Supul Wijesinghe
Director

Jude Nilukshan
Director

23 February 2026

Colombo
Sri Lanka

STATEMENT OF CHANGES IN EQUITY

BANK

Balance as at 1 January 2024
Profit for the year 2024
Other comprehensive income (net of tax)
Total comprehensive income for the year
Transactions with equity holders, recognised directly in equity
Transfers to/from reserves during the year
Contribution to consolidated fund – dividend/levy
Transfers to unclaimed deposits reserve
Total transactions with equity holders
Balance as at 31 December 2024
Profit for the year 2025
Other comprehensive income (net of tax)
Total comprehensive income for the year
Transactions with equity holders, recognised directly in equity
Transfers to/from reserves during the year
Contribution to consolidated fund – dividend/levy
Surplus/(reversal) on revaluation of property
Transfers to unclaimed deposits reserve
Total transactions with equity holders
Balance as at 31 December 2025

The Notes to the Financial Statements disclosed on page 308 to 438 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

	Stated capital/ assigned capital Rs. '000	Statutory reserve fund Rs. '000	Revaluation reserve Rs. '000	OCI reserve Rs. '000	Other reserves Rs. '000	Retained earnings Rs. '000	Total equity Rs. '000
	9,400,000	5,369,172	7,946,216	1,286,463	42,964,284	14,408,118	81,374,253
	–	–	–	–	–	16,122,392	16,122,392
	–	–	–	2,926,839	–	(1,742,500)	1,184,339
	–	–	–	2,926,839	–	14,379,892	17,306,731
	–	325,705	–	–	–	(325,705)	–
	–	–	–	–	–	–	–
	–	–	–	–	161,631	–	161,631
	–	325,705	–	–	161,631	(325,705)	161,631
	9,400,000	5,694,877	7,946,216	4,213,302	43,125,915	28,462,305	98,842,615
	–	–	–	–	–	27,320,758	27,320,758
	–	–	–	1,358,693	–	(2,605,851)	(1,247,158)
	–	–	–	1,358,693	–	24,714,907	26,073,600
	–	546,415	–	–	–	(546,415)	–
	–	–	–	–	–	(6,088,296)	(6,088,296)
	–	–	(3,030)	–	–	3,030	–
	–	–	–	–	222,708	–	222,708
	–	546,415	(3,030)	–	222,708	(6,631,681)	(5,865,588)
	9,400,000	6,241,292	7,943,186	5,571,995	43,348,623	46,545,531	119,050,627

STATEMENT OF CHANGES IN EQUITY

GROUP

Balance as at 1 January 2024
Profit for the year 2024
Other comprehensive income (net of tax)
Total comprehensive income for the year
Transactions with equity holders, recognised directly in equity
Transfers to/from reserves during the year
Contribution to consolidated fund – dividend/levy
Transfers to unclaimed deposits reserve
Total transactions with equity holders
Balance as at 31 December 2024
Profit for the year 2025
Other comprehensive income (net of tax)
Total comprehensive income for the year
Transactions with equity holders, recognised directly in equity
Transfers to/from reserves during the year
Contribution to consolidated fund – dividend/levy
Surplus/(reversal) on revaluation of property
Transfers to unclaimed deposits reserve
Total transactions with equity holders
Balance as at 31 December 2025

The Notes to the Financial Statements disclosed on page 308 to 438 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

	Stated capital/ assigned capital Rs. '000	Statutory reserve fund Rs. '000	Revaluation reserve Rs. '000	OCI reserve Rs. '000	Other reserves Rs. '000	Retained earnings Rs. '000	Total equity Rs. '000
	9,400,000	5,464,218	8,642,884	1,433,850	44,241,756	18,605,719	87,788,427
	–	–	–	–	–	17,496,961	17,496,961
	–	–	–	3,132,574	–	(1,744,798)	1,387,776
	–	–	–	3,132,574	–	15,752,163	18,884,737
	–	346,524	–	–	239,544	(586,068)	–
	–	–	–	–	–	–	–
	–		–	–	161,631		161,631
	–	346,524	–		401,175	(586,068)	161,631
	9,400,000	5,810,742	8,642,884	4,566,424	44,642,931	33,771,814	106,834,795
	–	–	–	–	–	28,162,552	28,162,552
	–	–	–	1,061,881	–	(2,326,060)	(1,264,179)
	–	–	–	1,061,881	–	25,836,492	26,898,373
	–	554,146	–	–	171,794	(725,940)	–
	–	–	–	–	–	(6,088,296)	(6,088,296)
	–	–	(3,030)	–	–	3,030	–
	–	–	–	–	222,708	–	222,708
	–	554,146	(3,030)	–	394,502	(6,811,206)	(5,865,588)
	9,400,000	6,364,888	8,639,854	5,628,305	45,037,433	52,797,100	127,867,580

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Page	BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
Cash flows from operating activities						
Interest receipts			190,765,104	202,040,657	195,108,335	207,054,865
Interest payments			(110,450,988)	(141,113,474)	(112,773,629)	(120,872,004)
Net commission receipts			2,560,332	1,750,558	2,561,458	1,756,353
Trading income			740,505	1,319,972	1,417,338	2,050,386
Payment to employees			(19,133,809)	(19,229,579)	(19,250,556)	(19,753,044)
VAT and SSCL on financial services			(12,686,629)	(9,495,582)	(13,008,523)	(10,045,524)
Receipts from other operating activities			474,263	341,384	518,375	351,186
Payment on other operating activities			(8,035,120)	(6,999,833)	(8,238,825)	(7,212,338)
Operating profit before change in operating assets and liabilities			44,233,658	28,614,103	46,333,973	53,329,880
(Increase)/decrease in operating assets						
Placements with banks			(9,392,784)	7,060,549	(9,392,784)	8,026,324
Derivative financial instrument			258,395	(241,327)	288,990	(276,780)
Financial assets at FVPL			(800,005)	(3,106,029)	(31,200,280)	(6,325,589)
Financial assets at amortised cost – loans and advances			(21,776,943)	(15,430,619)	(26,196,305)	(13,466,139)
Financial assets at amortised cost – debt and other instrument			(40,749,916)	(91,233,762)	(41,703,119)	(91,744,837)
Proceeds from the sale and maturity of financial investments			–	–	–	–
Other assets			17,324,173	17,754,749	17,381,158	17,794,102
			(55,137,080)	(85,196,439)	(90,822,340)	(85,992,919)
Increase/(decrease) in operating liabilities						
Due to bank			–	(8,750,000)	1,070	(20,625,367)
Derivative financial instrument	33	367	(258,395)	258,208	(258,395)	258,208
Financial liabilities at amortised cost – due to depositors			52,978,422	85,708,062	52,965,492	85,696,513
Financial liabilities at amortised cost – due to debt securities holders			–	–	–	–
Financial liabilities at amortised cost – due to other borrowers			(10,529,563)	(12,579,138)	25,397,132	(23,170,978)
Debt securities issued	37	370	–	(6,323,000)	–	(6,323,000)
Other liabilities			(207,349)	(5,895,370)	(450,799)	(5,757,565)
			41,983,115	52,418,762	77,654,500	30,077,811
Net cash generated from operating activities before income tax			31,079,693	(4,163,574)	33,166,133	(2,585,228)
Income tax paid	39	382	(13,008,193)	(5,035,397)	(13,674,766)	(5,637,408)
Net cash (used in)/from operating activities			18,071,500	(9,198,971)	19,491,367	(8,222,636)

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Page	BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
Cash flows from investing activities						
Purchase of property, plant and equipment			**(779,736)**	(620,581)	**(785,712)**	(630,105)
Proceeds from the sale of property, plant and equipment			**4,865**	7,287	**5,095**	7,287
Net (increase)/decrease in finance instruments at fair value through other comprehensive income			**(9,692,542)**	11,877,564	**(11,229,228)**	11,058,062
Proceeds from the sale and maturity of financial investments			**–**	–	**–**	–
Net purchase of intangible assets			**(733,067)**	(177,346)	**(736,255)**	(177,346)
Net purchase/improvement to investment properties			**–**	–	**–**	–
Net cash flow from acquisition of investment in subsidiaries and associates			**–**	–	**–**	–
Dividends received from investment in subsidiaries and associates			**–**	–	**–**	–
Net cash (used in)/from investing activities			**(11,200,480)**	11,086,924	**(12,746,100)**	10,257,898
Cash flows from financing activities						
Net proceeds from the issue of ordinary share capital			**–**	–	**–**	–
Net proceeds from the issue of subordinated debt			**–**	–	**–**	–
Repayment of subordinated debt			**–**	–	**(294)**	–
Interest paid on subordinated debt			**(1,686,673)**	(3,223,872)	**(1,686,790)**	(3,223,872)
Contribution to consolidated fund – dividend/levy			**(5,000,000)**	–	**(5,000,000)**	–
Net cash from financial activities			**(6,686,673)**	(3,223,872)	**(6,687,084)**	(3,223,872)
Net increase/(decrease) in cash and cash equivalents			**184,347**	(1,335,919)	**58,183**	(1,188,610)
Cash and cash equivalents at the beginning of the year			**8,228,822**	9,564,741	**8,414,559**	9,603,169
Exchange difference in respect of cash and cash equivalent			**–**	–	**–**	–
Cash and cash equivalents at the end of the year			**8,413,169**	8,228,822	**8,472,742**	8,414,559
Reconciliation of cash and cash equivalents						
Cash in hand	16	338	**4,680,659**	4,496,582	**4,682,459**	4,499,644
Balances with banks	16	338	**3,414,983**	3,645,461	**3,472,732**	3,828,073
Money at call and short notice	16	338	**231,287**	217,246	**231,287**	217,246
Balances with Central Banks	17	339	**167,212**	357,054	**167,236**	357,117
Due to banks	32	367	**(80,972)**	(487,521)	**(80,972)**	(487,521)
			8,413,169	8,228,822	**8,472,742**	8,414,559

The Notes to the Financial Statements disclosed on pages 308 to 438 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

1.1 Corporate information

National Savings Bank (NSB) is a licensed specialised Bank incorporated in 1972 under the National Savings Bank Act No. 30 of 1971 and domiciled in Sri Lanka. It is a bank regulated under the Banking Act No. 30 of 1988 and amendments thereto. The registered office of the Bank is located at No. 255, "Savings House", Galle Road, Colombo 03, Sri Lanka.

Staff strength	2025	2024
Bank	4,203	4,212
Group	4,224	4,331

Corporate information is presented in the inner back cover of the Annual Report.

The Bank possesses 263 Branches, 295 ATMs, and 123 CRMs of its Service Outlets and 651 Post Offices and 3,351 Sub-Post Offices as its agency network.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements for the year ended 31 December 2025 comprise of the Bank (Parent) and its two fully owned Subsidiaries, NSB Fund Management Company Ltd. and Sri Lanka Savings Bank Limited. (together referred to as the "Group" and individually as "Bank")

The Bank is fully owned by the Government of Sri Lanka. The Bank is the ultimate parent of the Group. The Financial Statements of the Bank and its Subsidiaries have a common financial year which ends on 31 December. The Financial Statements of the "Bank" and the "Group" are prepared for the twelve months period ended 31 December each year to be tabled in Parliament.

1.3 Principal activities and nature of operations

Bank

The principal activities of the Bank continued to be the promotion of savings among the people of Sri Lanka and profitable investment of savings so mobilised. NSB is providing wide range of solutions such as accepting deposits, corporate and retail credit, trade financing, loans to government project, pawning and digital banking, SMS banking etc. As per the National Savings Bank Act No. 30 of 1971, the Bank is required to invest in government securities a minimum of 60% out of its deposits.

Subsidiaries

NSB Fund Management Company Ltd.

NSB Fund Management Company Ltd., acts as a primary dealer and engaged in dealing in Government Securities.

Sri Lanka Savings Bank Limited

The principal activities of the Bank were mobilising savings and time deposits, providing loans, lease, hire purchase, pawning, and other credit facilities, and settling of the deposit liabilities of defaulted Pramuka Saving and Development Bank Limited (PSDBL) with reconstruction of loan accounts of PSDBL.

Sri Lanka Savings Bank (SLSB) has been restricted from granting new loans, accepting deposits, recruiting new staff, and entering into new contracts with any party since 2021, due to the absorption process with the National Savings Bank (NSB). SLSB will be liquidated after absorption of assets, liabilities, and staff of SLSB in to NSB.

2 ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in all periods when presenting the Financial Statements, unless otherwise indicated. These policies of the Bank are also consistently applied by the Group where applicable and deviations if any have been disclosed accordingly.

2.1 Basis of preparation

2.1.1 Statement of compliance

The consolidated Financial Statements of the group and the separated Financial Statements of the Bank which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards (LKASs and SLFRSs) issued by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the information required by the Banking Act No. 30 of 1988 and subsequent amendments thereto. These Financial Statements, except for the information in Cash Flow have been prepared following the accrual basis of accounting.

The formats used in the preparation of Financial Statements and the disclosures made therein also comply with the specified formats prescribed by the Central Bank of Sri Lanka in the Circular No. 05 of 2024 dated December 31, 2024, on "Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks" for the preparation, presentation, and publication of Annual Audited Financial Statements of Licensed Banks.

2.1.2 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Group and the Bank as per the provisions of the National Savings Bank Act No. 30 of 1971 and amendments thereto and the Sri Lanka Accounting Standards.

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the "Annual Report of the Board of Directors", "Statement of Directors' Responsibility for Financial Reporting" and the certification on the Statement of Financial Position.

These Financial Statements include the following components:

i. Income Statement and Other Comprehensive Income providing the information on the financial performance of the Bank and the Group for the year under review. (pages 298 and 299)
ii. Statement of Financial Position (SOFP) providing the information on the financial position of the Bank and the Group as at the year end. (pages 300 and 301)
iii. Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Bank and the Group. (pages 302 and 304)
iv. Statement of Cash Flows providing the information to the users, on the ability of the Bank and the Group to generate cash and cash equivalents and utilisation of those cash flows. (page 306)
v. Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information. (pages 308 to 438)

2.1.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Bank and the Group for the year ended 31 December 2025 (including comparatives for 2024) were approved and authorised for issue on 23 February 2026, by the Board of Directors. (The Financial Statements of the Bank and the Group for the year ended December 31, 2024, were approved, and authorised for issue by the Board of Directors on 28 February 2025).

2.1.4 Basis of measurement

The Consolidated Financial Statements have been prepared on a historical cost basis, except for the following material items in the Statement of Financial Position, which are measured at fair value.

i. Financial assets measured at Fair Value though Other Comprehensive Income (Note 23)
ii. Derivative financial instruments (Notes 19 and 33)
iii. Financial assets and liabilities recognised through profit or loss (Notes 20 and 34)
iv. Financial assets and liabilities designated at fair value through profit or loss (Note 20)
v. Land and buildings which are measured at cost at the time of acquisition subsequently measured at revalued amounts, which are the fair values at the date of revaluation. (Note 26)
vi. Investment properties are initially recognised at cost and subsequently measured at fair value. (Note 28)
vii. Liability for employee defined benefits obligations are recognised at the present value of the defined benefit obligation less the fair value of the plan assets. (Note 38). Net liability for defined benefit obligations are recognised as the present value of the defined benefit obligation, less net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost, and unrecognised actuarial losses.

2.1.5 Functional and presentation currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees (Rs.) which is the currency of the primary economic environment in which Group operates, and all values are rounded to the nearest thousand Rupees, unless indicated otherwise. There was no change in the Group's presentation and functional currency during the year under review.

2.1.6 Presentation of Financial Statements

The assets and liabilities of the Bank and the Group presented in the Statement of Financial Position are grouped by their nature and listed in an order that reflects their relative liquidity and maturity pattern.

No adjustment has been made for inflationary factors affecting the Financial Statements. An analysis of maturity patterns of assets and liabilities of the Bank and the Group is presented in Note 54.2.2 on pages 412 to 415.

2.1.7 Going concern

The Board of Directors/Management of the Bank has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, no material uncertainty that may cast significant doubt upon the Bank and the Group's ability to continue as a going concern. Therefore, the Financial Statements are prepared on the going concern basis.

2.1.8 Materiality and aggregation

Each material class of similar items are presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 01 on "Presentation of Financial Statements".

2.1.9 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The comparative information is re-classified where necessary for the better presentation and to conform to the current year's presentation. Comparative information is presented in Note 53 on page 395.

2.1.10 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 on "Presentation of Financial Statements" (LKAS 1).

2.1.11 Offsetting

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

2.1.12 Significant accounting judgements, estimates and assumptions

The preparation of Financial Statements of the Bank and the Group in conformity with Sri Lanka Accounting Standards requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant areas of estimation, critical judgements and assumptions in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Bank and the Group are as follows:

A. Significant accounting judgement

Information about judgements made in applying Accounting Policies that have the most significant effects on the amounts recognised in these Financial Statements is included in Notes 2.1.12.1 below:

2.1.12.1 Classification of financial assets and liabilities

As per SLFRS 9, the Significant Accounting Policies of the Group provide scope for financial assets to be classified and measured into different categories, namely, at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVPL) based on the following criteria:

- The entity's business model for managing the financial assets as set out in Note 2.5.1.4.1 on page 314.
- The contractual cash flow characteristics of the financial assets as set out in Note 2.5.1.4.2 on page 314.

2.1.12.2 Classification of investment property

Management uses its judgement to determine whether a property qualifies as an investment property. A property that is held either to earn rental income or for capital appreciation or both and thus generates cash flows largely independently of the other assets held by the Group are classified as Investment Property. On the other hand, a property used in the production or supply of goods and services or for administrative purposes and thus generates cash flows that are attributable not only to that property but also to other assets used in the production or supply process are classified as property, plant and equipment. The Group assesses, on an annual basis, the accounting classification of its investment properties, taking into consideration the current use of such properties.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are included in Notes 2.1.12.2 to 2.1.12.9 below.

2.1.12.3 Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using the valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

Methodologies used for valuation of financial instruments and Fair Value Hierarchy are described in more detail in Note 55 to the Financial Statements on page 429.

2.1.12.4 Impairment losses on financial assets

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future Cash Flows and collateral values when determining impairment losses.

Accordingly, the Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the Income Statement. In particular, the Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

The individual impairment provision applies to financial assets evaluated individually for impairment and is based on Management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, Management makes judgements about a borrower's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable.

A collective impairment provision is established for:

- groups of homogeneous loans and advances that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired.
- As per SLFRS 9, the Group's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:
- The Group's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so allowances for financial assets measured on a Life Time Expected Credit Loss (LTECL) basis;
- Segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various statistical formulas and the choice of inputs.
- Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment and the effect on Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD);
- Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

2.1.12.5 Impairment of non-financial assets

The Group assess at each reporting date whether there is an indication that an asset other than deferred tax asset, may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.1.12.6 Revaluation of property, plant and equipment

The Group measures land and buildings at revalued amounts with changes in fair value being recognised in equity through OCI.

The Group engaged independent professional valuers to determine the fair value of freehold land and buildings in terms of Sri Lanka Accounting Standard (SLFRS 13) "Fair Value Measurement".

The methods and key assumptions used to determine the fair value of the freehold land and buildings are further explained in Note 2.3 to the Financial Statements.

2.1.12.7 Useful lifetime of property, plant and equipment

The Group reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.1.12.8 Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which such tax losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with the future tax-planning strategies.

2.1.12.9 Defined benefit obligation

The cost of the defined benefit plans and the present value of their obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases.

Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

In determining the appropriate discount rate, Management considers yield of a high-quality corporate bond similar to the remaining weighted average duration of the pension fund. If matching high quality corporate bonds are not available in the market, similar tenure risk adjusted Government bond yield has been used as the discount rate.

The mortality rate is based on publicly available mortality tables. Future salary increases, and pension increases are based on expected future inflation rates and expected future salary increase rate of the Bank.

2.1.12.10 Provisions for liabilities and losses, commitments, and contingencies

The Group receives legal claims against it in the normal course of business. Management makes judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdiction. Provisions are made for all losses identified in the normal business operation during the year.

2.1.12.11 Leases-(SLFRS 16)

The Bank assesses at the inception of a contract, whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration as per the guidelines of SLFRS 16. This assessment considers whether, throughout the period of use, the lessee has both the right to obtain all of the economic benefits from the use of the identified asset and the right to direct how and for what purpose the identified asset is used.

After the assessment of whether a contract is, or contains, a lease, the Bank determines whether it contains additional lease or non-lease (service) components based on the detailed guidance provided in SLFRS 16. Accordingly, the right to use of an identifying asset is a separate lease component if the lessee can benefit from the use of underlying asset either on its own or together with other resources readily available to the lessee and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

2.1.12.11.1 Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

2.1.12.11.2 Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Bank uses the interest rate implicit in the lease or if that rate is not readily available, the treasury bond rate (The tenure of the Treasury Bond should be identical to the lease term) at the lease commencement as the discount rate in calculating present value of future cash flows.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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 Group presents right-of-use assets in the face of the statement of financial position and lease liabilities within "other liabilities" in the statement of financial position.

2.1.12.11.3 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. The Bank considers the leases of low value assets, if the value of the underlying asset is less than or equal to Rs. 1 Mn.

2.1.12.11.4 Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew. The Group uses hindsight in determining the lease term where the contract contains options to extend or terminate the lease. Accordingly, Group identified the lease term as the number of years based on the period covered by the Rent Agreement signed by the Group and the lessor.

2.2 Changes in accounting policies

There is no major change in accounting policies during the year 2025.

2.3 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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group 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 pricing in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would consider in pricing a transaction.

The fair value of an asset or a liability is measured using the assumptions that market participants would use the fair value hierarchy when pricing the asset or liability, if market participants act in their economic best interest.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as land and building.

An analysis of fair value measurement of financial assets and liabilities is provided in Note 55 on pages 429 to 433.

2.4 Significant accounting policies – General

2.4.1 Basis of consolidation

The Financial Statements of the Bank and the Group comprise of the Financial Statements of the Bank and its Subsidiaries in terms of the SLFRS 10 – "Consolidated Financial Statements" and LKAS 27 – "Consolidated and Separate Financial Statements".

2.4.1.1 Business combinations

Business combinations are accounted for using the acquisition method when control is transferred to the Group as per Sri Lanka Accounting Standard – SLFRS 3 on "Business Combinations" (SLFRS 3). The consideration transferred in the acquisition and identifiable net assets acquired are measured at fair value. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

2.4.1.2 Non-controlling interests (NCI)

Details of NCI are given in Note 47 on page 386.

2.4.1.3 Subsidiaries

The Financial Statements of the subsidiaries are fully consolidated from the date on which control is transferred to the Bank and continued to be consolidated until the date when such control ceases. The Control exists where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Financial Statements of the Bank's subsidiaries for the purpose of consolidation are prepared for the same reporting period as that of National Savings Bank, using consistent accounting policies.

2.4.1.4 Loss of control

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

2.4.1.5 Transactions eliminated on consolidation

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full in preparing the Consolidated Financial Statements. Refer Note 49.3 – Transaction with subsidiary companies on page 389.

2.4.2 Foreign currency transactions and balances

All foreign currency transactions are translated into the functional currency, which is Sri Lankan Rupees, using the exchange rates prevailing at the dates on which the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Sri Lankan Rupees using the middle exchange rate ruling at that date. All exchange differences arising on the settlement of monetary items or on translating monetary items at rates different to those at which they are initially recorded are recognised in the Income Statement in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to functional currency using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.5 Significant accounting policies – Recognition of assets and liabilities

Financial instruments

SLFRS 9 – "Financial Instrument" replaces LKAS 39 for annual periods on or after 1 January 2018. The Bank elected, as a policy choice permitted under SLFRS 9, to continue to apply hedge accounting in accordance with LKAS 39.

2.5.1 Financial instruments – Initial recognition, classification and subsequent measurement

2.5.1.1 Date of recognition

The Group initially recognises loans and advances, deposits and subordinated liabilities, etc., on the date on which they are originated. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to depositors when funds are transferred to the Bank. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

2.5.1.2 Recognition and initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 2.5.1.4.1 and 2.5.1.4.2.

Financial instruments are initially measured at their fair value (as defined in Note 56), except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank and the Group accounts for the Day 1 profit or loss, as described below:

2.5.1.3 "Day 1" profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or fair value based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a "Day 1" profit or loss). In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Statement of Comprehensive Income when the inputs become observable, or when the instrument is derecognised the difference between transaction price and fair value is recognised in Income Statement. The "Day 1 loss" arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) in "Interest Income and Personnel Expenses" over the remaining service period of the employees or tenure of the loan whichever is shorter.

2.5.1.4 Classification and Subsequent measurement of financial assets

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost,
- Fair Value Though Other Comprehensive Income (FVOCI),
- Fair Value through Profit or Loss (FVPL)

The Bank and the Group classifies and measures its derivative and trading portfolio at FVPL as explained in Note 2.5.1.6. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

2.5.1.4.1 Business model assessment

The Bank and the Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's Key Management Personnel,
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed,
- How managers of the business are compensated, (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

As a second step of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than "de minimis" exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Refer Notes 2.5.1.4.3 to 2.5.1.4.5 below for details on different types of financial assets recognised on the Statement of Financial Position.

2.5.1.4.3 Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- 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 on the principal amount outstanding.
- Financial assets measured at amortised cost are given below:

(a) Cash and cash equivalents
Details of "Cash and cash equivalents" are given in Note 16 on page 338.

(b) Balances with central banks
Details of "Balances with central banks" are given in Note 17 on page 339.

(c) Placement with banks
Details of "Placement with banks" are given in Note 18 on page 339.

(d) Loan and advances
Details of "Loan and advances" are given in Note 21 on page 343.

(e) Debt and other instruments
Details of "Debt and other instruments" are given in Note 22 on page 349.

(f) Securities purchased under resale agreements (reverse repos) –
Details of "Securities purchased under resale agreements" are given in Note 22 on page 349.

2.5.1.4.4 Financial assets measured at FVOCI

Financial assets measured at FVOCI include debt and equity instruments measured at fair value through other Comprehensive Income.

Financial assets measured at FVOCI are given in Notes (a) and (b) below:

(a) Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the asset's cash flows represent payments that are solely payments of principal and interest on principal outstanding.

Details of "Debt instruments at FVOCI" are given in Note 23 on page 352.

(b) Equity instruments designated at FVOCI

Upon initial recognition, the Group elects to classify irrevocably some of its equity investments held for strategic and statutory purposes as equity instruments at FVOCI. Details of "Equity instruments at FVOCI" are given in Note 23 on page 354.

2.5.1.4.5 Financial assets measured at FVPL

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss which are discussed in below.

(a) Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss are recorded in the SOFP at fair value. Changes in fair value are recorded in "Net gain or loss on financial assets and liabilities designated at fair value through profit or loss". Interest earned is accrued in "Interest Income", using the EIR, while dividend income is recorded in "Other operating income" when the right to receive the payment has been established.

The Group do not have any designated financial assets upon initial recognition as fair value through profit or loss as at the end of the reporting period.

2.5.1.5 Classification and subsequent measurement of financial liabilities

As per SLFRS 9, the Group classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories:

- Financial liabilities at fair value through profit or loss, and within this category as:
  - Held-for-trading; or
  - Designated at fair value through profit or loss:
- Financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification. SLFRS 9, largely retains the existing requirements in LKAS 39 for the classification of financial liabilities.

2.5.1.5.1 Financial liabilities at fair value through profit or loss

The Group do not have any designated financial liabilities as at fair value through profit or loss as at the end of the reporting period.

2.5.1.5.2 Financial liabilities at amortised cost

Financial liabilities issued by the Group that are not designated at FVPL are classified as financial liabilities at amortised cost under "Due to banks", "Due to depositors", "Due to debt securities holders", "due to other borrowers", or "Debt security issued" as appropriate, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR (Effective Interest Rate) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in "Interest expense" in the Income Statement. Gains and losses too are recognised in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

(a) Due to banks
Details of "Due to banks" are given in Note 32 on page 367.

(b) Due to depositors
Details of "Due to depositors" are given in Note 35 on page 368.

(c) Due to debt securities holders
Details of "Due to debt securities holders" are given in Note 35 on page 368.

(d) Due to other borrowers
Details of "Due to other borrowers" are given in Note 35 on page 368.

(e) Securities sold under repurchased agreements (repos)
Details of Financial liabilities at amortised cost are given in Note 35 on page 368.

(f) Debt security issued
Details of "Debt security issued" are given in Note 37 on page 370.

2.5.1.6 Derivative assets and liabilities

A derivative is a financial instrument or other contract with all three of the following characteristics:

1. Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e. the "underlying").
2. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
3. It is settled at a future date.

The Bank enters derivative transactions with various counterparties. These include interest rate swaps, credit default swaps, cross-currency swaps, forward foreign exchange contracts and foreign currencies. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in Note 19. Changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied.

2.5.1.6.1 Derivative recorded at fair value through profit or loss

Derivative financial assets are recorded at fair value. Changes in the fair value of derivatives are included in "Net Gains/ (Losses) from Trading" in the Income Statement.

2.5.1.6.2 Derivative held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets and liabilities. Derivatives held for risk management purposes are measured at fair value in the SOFP.

2.5.1.7 Reclassification of financial assets and liabilities

As per SLFRS 9, Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

2.5.1.7.1 Measurement of reclassification of financial assets

2.5.1.7.1.1 Reclassification of financial instruments at "Fair value through profit or loss"

- **to Fair value through other comprehensive income**
  The fair value on reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value is recognised in OCI.
- **to amortised cost**
  The fair value on reclassification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount.

2.5.1.7.1.2 Reclassification of financial instruments at "Fair value through other comprehensive income"

- **to fair value through profit or loss**
  The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.
- **to amortised cost**
  The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and is used to adjust fair value on the reclassification date. The adjusted amount becomes the amortised cost.

EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

2.5.1.7.1.3 Reclassification of financial instruments at "Amortised Cost"

- **to fair value through other comprehensive income**
  The asset is remeasured to fair value, with any difference recognised in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.
- **to fair value through profit or loss**
  The fair value on the reclassification date becomes the new carrying amount. The difference between amortised cost and fair value is recognised in profit and loss.

Bank and the Group do not have any reclassification of financial instrument for the reporting period.

2.5.1.8 Derecognition of financial assets and financial liabilities

2.5.1.8.1 Financial assets

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

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

However, cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities as per SLFRS 9. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

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

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

2.5.1.8.2 Financial liabilities

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

2.5.1.9 Modification of financial assets and financial liabilities

2.5.1.9.1 Modification of financial assets

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

As per SLFRS 9, if the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. 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.

2.5.1.9.2 Modification of financial liabilities

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

2.5.1.10 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the SOFP if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Bank and the Group do not offset any financial instrument for the reporting period.

2.5.1.11 Amortised cost and gross carrying amount

The "amortised 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 amortisation using the EIR method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL allowance.

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

2.5.1.12 Fair value of financial instruments

Fair value measurement of financial instruments including the fair value hierarchy is explained in Note 2.3 and 55 on pages 312 and 429.

2.5.2 Impairment of Financial Assets

2.5.2.1 Overview of the expected credit loss (ECL) principles

From 1 January 2018, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as "financial instruments". Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 2.5.2.7 on page 319.

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1

- When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, but not originally credit impaired on initial recognition and the loan has been reclassified from Stage 2.

Stage 2

- When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Credit facilities, where contractual payments of a customer are more than 30 days past due, other than the credit facilities categorised under Stage 3 below, subject to the rebuttable presumption as stated in SLFRS 9.

Stage 3

- Credit facilities where contractual payments of a customer are more than 90 days past due, subject to the rebuttable presumption as stated in SLFRS 9.
- All restructured loans, which are restructured more than twice.
- All rescheduled loans.
- All credit facilities/customers classified as non-performing as per CBSL Directions.
- When the risk rating of a customer or an instrument has been downgraded to B+ by an external credit rating agency and/or when there is a two-notch downgrade in the banks internal rating system.
- Credit facilities/customers in which Significant Increase in Credit Risk (refer Note 2.5.2.7).
- For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

2.5.2.2 The calculation of ECL

The Group calculates ECL to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanism of the ECL calculations is outlined below and the key elements are, as follows:

- **Probability of Default (PD)**

  The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

- **Exposure at Default (EAD)**

  The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from due payments.

- **Loss Given Default (LGD)**

  The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

Stage 1

The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2

When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3

For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

2.5.2.3 Individual assessment of impairment

For financial assets above a pre-determined threshold (i.e. for individually significant financial assets), if there is objective evidence that an impairment loss had been incurred, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that had not been incurred).

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure was probable. Detail of Individual assessment of impairment are given in Note 21. (d) on page 345.

2.5.2.4 Individually significant assessment and not impaired individually

Loans which are individually significant but not impaired will be assessed collectively for impairment either under Stage 1 or Stage 2 based on the criteria whether there has been significant credit deterioration since origination.

While establishing significant credit deterioration the Bank will consider the following criteria:

- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated.
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instrument.
- Other Information related to the borrower, such as changes in the price of a borrower's debt/equity instrument.
- An actual/expected internal credit rating downgrade for the borrower or decrease in behavioural score used to assess credit risk internally.
- Existing or forecast adverse changes in business, financial or economic condition that are expected to cause significant change in the borrower's ability to meet its obligation.

- An Actual or expected significant change in the operating results of the borrower in relating to actual/expected decline in revenue, increase in operating risk, working capital deficiency, decrease in asset quality, increase in gearing, liquidity management problems.
- Significant increase in credit risk on other financial instruments of the same borrower.
- An Actual or expected significant adverse change in the regulatory, economic or technological environment of the borrower that result in a significant change in the borrower's ability to meet the debt obligation.

2.5.2.5 Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the SOFP, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

2.5.2.6 Forward-looking information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Inflation rates
- Exchange rates
- Interest rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the reporting date. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

2.5.2.7 Significant increase in credit risk

The Group continuously monitors all assets subject to ECL, in order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assess whether there has been a significant increase in credit risk 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 analysis based on the Bank's historical experience and expert credit assessment and including forward looking information. Accordingly, the Group considers the significant increase in credit risk when one of the following factors/ conditions are met.

- Contractual payments of the facility are past due for more than 30 days (Indication of SICR)
- A fall of 50% or more in the turnover or profit before tax of the borrowing entity when compared to the previous year for two consecutive years (Indication of SICR)
- Erosion of net-worth of the borrowing entity by more than 25% when compared to previous financial year. (Indication of SICR)
- External Credit rating of a borrowing entity has been subsequently downgraded to BB+ or below [Indication of SICR) (Subsequent downgrading of the original credit rating (at the time of granting) should be considered]
- A two-notch downgrade under internal rating (Indication of SICR)
- Credit facility was restructured up to two times other than upgraded credit facility
- Delay in commencement of business operations/projects by more than two years from the originally agreed date (Could be both SICR or default criteria depending on the customer risk)
- Value of collateral is significantly reduced (more than 25%) or realisability of collateral is doubtful based on specific indication for particular property. (Property index) (Indication of SICR)
- Frequent changes in the Board of Directors and Senior Management-Based on the publicly available information (Indication of SICR)
- Direct evidence is available that the borrower is using loan proceeds for a purpose other than the purpose specified in the loan agreement
- Withdrawal of Guarantee by Guarantor without any risk mitigation action
- Significant increase (25%) in project cost from estimated cost until the completion point of project. This factor is relevant for assessment until the project is commenced.
- A one notch downgrade from current external rating excluding the rating from AAA to BBB-.
- Direct evidence is available that the borrower is subject to litigation that significantly affect the performance of the credit facility based on credible information. (Could be both SICR or default criteria depending on the customer risk)
- Significant change in the geographical location or natural catastrophes that directly impact the performance of the credit facility where settlement of dues could be prevented. (Could be both SICR or default criteria depending on the customer risk)
- Deterioration of the macroeconomic outlook to the extent that would impair the repayment capacity of the project/ facility for which the loan was granted or to the industry in which the project is operating. This includes the impact from new regulations/government policies which would prevent the operations to repay the debt as agreed. (Could be both SICR or default criteria depending on the customer risk)
- Modification of terms resulting in concessions, including extensions, deferment of payments, waiver of covenants etc. Which have negative impact on the repayment of the facility. (Could be both SICR or default criteria depending on the customer risk)
- Unable to contact or find the borrower (Default indicator)
- Credit facilities are restructured more than two times other than upgraded credit facilities (Indication of credit impaired)
- Reschedule credit facilities other than upgraded credit facilities

- Contractual payments of facility are past due for more than 90 days
- The Auditor has qualified the audit opinion due to going concern issues or has issued a disclaimer or adverse opinion
- Direct evidence is available that the borrower is insolvent/the liquidation action has already commenced or about to commence (Default indicator)

2.5.2.8 Definition of default and credit-impaired assets

The Group considers loans and advances to other customers be defaulted when:

- The borrower is unlikely to pay its obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The borrower becomes 90 days past due on its contractual payments.

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

2.5.3 Property, Plant and Equipment (PPE)

Details of property, plant and equipment are given in Note 26 on page 357.

2.5.3.1 Depreciation

Details of "Depreciation" are given in Note 26 on page 357.

2.5.3.2 Borrowing costs

As per the Sri Lanka Accounting Standard – LKAS 23 on "Borrowing Costs", the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur. Bank and the Group do not capitalise any borrowing cost for the reporting period.

2.5.4 Intangible assets

Details of intangible assets are given in Note 29 on page 362.

2.5.5 Impairment of Non-financial Assets

The Group assess at each reporting date whether there is an indication that an asset other than deferred tax asset, may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.5.6 Retirement benefit obligation

2.5.6.1 Defined benefit pension plans

2.5.6.1.1 Staff Pension Fund – I

The Bank operates a defined benefit pension plan, for the permanent staff members who have joined the Bank prior to 1 October 1995, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit pension plan-I is determined using the Projected Unit Credit (PUC) method. Actuarial gains and losses are recognised in the Other Comprehensive Income in the period in which they arise.

The defined benefit asset or liability is calculated as the present value of the defined benefit obligation less past service costs not yet recognised and less the fair value of planned assets out of which the obligations are to be settled directly, less actuarial losses not yet recognised. The value of the defined benefit liability is borne by the Bank and recognised in the profit or loss. The value of any asset is restricted to the sum of any actuarial losses and past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The latest actuarial valuation was carried out as of 31 December 2025, by Mr M Jayaraman, FIA, of Messrs Units Actuaries & Consultants (Pvt) Ltd., a firm of professional Actuaries.

The principal financial assumptions used in the valuation as at 31 December 2025 are given in Note 38.(a) 1 on page 373.

The assets of the fund are held separately from these of the Bank and are independently administrated by the Trustees as per the provisions of the Trust Deed and are subject to annual audit by Independent External Auditors. The Financial Statements of the pension I as well as the Auditor's Report are tabled and reviewed by the Board of Trustees and Board of Directors of the Bank. They are also submitted for review of the disclosure of the Bank, as the Bank has an obligation of ensuring that funding is made at optimum levels. Pension is payable monthly as long as the participant is alive.

Details of Staff Pension Fund I are given in Note 38 (a) 1 on pages 373 to 376.

The past service cost not funded is recognised in Other Comprehensive Income immediately upon actuarial valuation. The actuarial valuation as at 31 December 2025 indicated a deficit in net obligation of Rs. 14,101 Mn. which has been provided in full. The details of unfunded pension liability are given in Note 38 (a) 1 on pages 373 to 376.

2.5.6.1.2 Staff Pension Fund – II

The Bank established and operated a defined benefit pension plan, for the permanent staff members who have joined the Bank on or after 1 October 1995, which requires the Bank to monthly contribute 12% of members' gross salary to a separately administered fund. The cost of providing benefits under the defined benefit pension plan is determined using the Projected Unit Credit (PCU) method. Actuarial gains and losses are recognised in the Other Comprehensive Income in the period in which they arise.

The defined benefit asset or liability is calculated as the present value of the defined benefit obligation less past service costs not yet recognised and less the fair value of planned assets out of which the obligations are to be settled directly, less actuarial losses not yet recognised. The

value of the defined benefit liability is borne by the Bank and recognised in the profit or loss. The value of any asset is restricted to the sum of any actuarial losses and past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The latest actuarial valuation was carried out as of 31 December 2025, by Mr Jayaraman, FIA, of Messrs Units Actuaries & Consultants (Pvt) Ltd., a firm of professional Actuaries.

The principal financial assumptions used in the valuation as at 31 December 2025 are given in Note 38. (a) 2 on page 376 :

The assets of the fund are held separately from assets of the Bank and are independently administrated by the Trustees as per the provisions of the Trust Deed and are subject to annual audit by Independent External Auditors. The Financial Statements of the pension II as well as the Auditor's Report are tabled and reviewed by the Board of Trustees and Board of Directors of the Bank. They are also submitted for review of the disclosure of the Bank, as the Bank has an obligation of ensuring that funding is made at optimum levels. Pension is payable monthly as long as the participant is alive.

Details of Staff Pension Fund II are given in Note 38 (a) 2 on pages 376 to 378.

The past service cost not funded is recognised in Other Comprehensive Income immediately upon actuarial valuation. The actuarial valuation as at 31 December 2025 indicated a deficit in net obligation of Rs. 740 Mn. which has been recognised. The details of advance payment to Pension II are given in Note 38 (a) 2 on pages 376 to 378.

2.5.6.1.3 Widows'/Widowers' and Orphans' Pension Fund

Effective from 2013 December, the Bank has established a "Widows'/Widowers' and Orphans" Pension Scheme for the members of Pension Scheme – II. Members of Pension Scheme II are opting for be members of the Widows'/Widowers' and Orphans Pension Scheme. The Bank does not contribute to the Fund while Bank's employees monthly contribute 5% of their basic salary, to the Fund.

2.5.6.2 Gratuity

With the establishment of Staff Pension Scheme II, employees who joined the Bank on or after 1 October 1995 become members of the Pension Scheme II, thus they are not entitle to the rights and privileges under Service Gratuity Scheme. However, a minimum period of 120 months uninterrupted active service in the Bank at the time of retirement is required to be eligible for any retirement benefit under this pension scheme. Therefore, employees who retire before 10 years of service and whose services are terminated after five years other than by retirement are eligible to receive a terminal gratuity under the Payment of Gratuity Act No. 12 of 1983, at the rate of half of the gross salary applicable to the last month of the financial year, for each year of continuous service.

Probability of occurrence of such event is rare according to Management's judgement and past experiences. A gratuity provision is not maintained in the Financial Statements unless a significant liability is estimated at reporting date. Where a gratuity is paid to an employee in such event under Payment of Gratuity Act No. 12 of 1983, it is recognised as a gratuity expense in the Income Statement in the same year.

2.5.6.3 Post-employment medical benefits

The Bank has a contributory medical assistance scheme for the retired employees. The assets of the plan are held independently of the Bank's assets and administered by Board of Trustees, representing the Management and the employees, as provided in the trust deed of the fund. The cost of providing benefits under the defined benefit pension plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in the Other Comprehensive Income in the period in which they arise.

The Bank contributes to the contributory medical scheme an amount determined by the Management of the Bank based on actuarial recommendations made from time to time. Accordingly, a sum of Rs. 557 Mn. has been provided from the profit of 2025.

The latest actuarial valuation was carried out as of 31 December 2025, by Mr M Jayaraman, FIA, of Messrs Units Actuaries & Consultants (Pvt) Ltd., a firm of professional Actuaries. The principal financial assumptions used in the valuation as at 31 December 2025 are given in Note 38. (a) 3 on page 378.

The assets of the fund are held separately from these of the Bank and are independently administrated by the Trustees as per the provisions of the Trust Deed and are subject to annual audit by Independent External Auditors. The Financial Statements of the pension II as well as the Auditor's Report are tabled and reviewed by the Board of Trustees and Board of Directors of the Bank. They are also submitted for review of the disclosure of the Bank, as the Bank has an obligation of ensuring that funding is made at optimum levels. Pension is payable monthly as long as the participant is alive.

Details of Post-employment medical benefits are given in Note 38 (a) 3 on pages 378 to 381.

The past service cost not funded is recognised in Other Comprehensive Income immediately upon actuarial valuation. The actuarial valuation as at 31 December 2025 indicated a deficit in net obligation of Rs. 5,081 Mn. which has been provided in full. The details of unfunded liability are given in Note 38 (a) 3 on pages 378 to 381.

2.5.6.4 Defined contribution plans

Details of defined contribution plans are given in Note 11 on page 331.

2.5.7 Other Liabilities

Details of other liabilities are given in Note 41 on page 382.

2.5.8 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expenses relating to any provision is presented in the Income Statement net of any reimbursement.

2.5.9 Contingent liabilities and commitments

This includes Bank guarantees, letter of credit, undrawn credit facilities, other indirect credit facilities and capital commitment. The Bank guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer.

Effective from 1 January 2018, these contracts are subject to the assessment of impairment under SLFRS 09.

Details of contingent liabilities and commitments are given in Note 48 on page 386.

2.5.10 Earnings Per Share (EPS)

Details of "Basic and Diluted EPS" are given in Note 14 on page 335.

2.6 Significant accounting policies – recognition of income and expenses for financial instruments

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Details of "Income and expenses" are given in Notes 3 to 14 on pages 324 to 335.

2.6.1 Interest income and expenses

Details of "Interest income and expenses" are given in Note 3 to 4 on pages 324 to 326.

2.6.2 Fee and commission income

Details of "Fee and commission income and expenses" are given in Note 5 on page 327.

2.6.3 Net trading income

Details of "Net gains/(losses) from trading" are given in Note 6 on page 328.

2.6.4 Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Details of "Dividend income" is given in Note 9 on page 329.

2.6.5 Rent income

Rent income is recognised in profit or loss on an accrual basis. Details of "Rent income" is given in Note 9 on page 329.

2.7 Significant accounting policies – taxation

2.7.1 Current taxation

Details of current taxation are given in Note 13 on page 333.

2.7.2 Deferred taxation

Details of deferred taxation are given in Notes 13 and 30 on pages 333 and 364 respectively.

2.7.3 Value added tax on Financial Services (VAT)

VAT on financial services is calculated in accordance with section 25A of Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. VAT on financial services is payable at 18% on operating profit before value added tax and income tax adjusted for emoluments of employees and economic depreciation and provisions relating to terminal benefits.

2.7.4 Social Security Contribution Levy (SSCL)

The Social Security Contribution Levy (SSCL) is imposed with effect from 1 October 2022 under the Social Security Contribution Levy Act No. 25 of 2022. The levy shall be charged at the rate of 2.5% on the value of the article ascertained for the purpose of the Value Added Tax under Section 6 of the Value Added Tax Act No. 14 of 2002.

2.8 Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the "Direct Method" of preparing cash flows in accordance with the LKAS 7. Cash and cash equivalents comprise short term, highly liquid investment that is readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in hand, balances with banks and money at call and short notice. The Statement of Cash Flows is given on page 306.

2.9 Regulatory provisions

2.9.1 Deposit insurance scheme

The Bank calculates the insurance premium on eligible deposit base at the rate of 0.10% which is the applicable statutory rate based on capital adequacy ratio of the Bank. The Bank has remitted the applicable premium within a period of 15 days from the end of each quarter as stipulated by the Direction.

2.9.2 Crop Insurance Levy (CIL)

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

2.10 Events after the reporting period

Details of events after reporting date are given in Note 52 on page 394.

2.11 Accounting standards issued but not yet effective as at reporting date

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 consolidated 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.

(a) Amendments to Sri Lanka Accounting Standards relating to SLFRS 9 – Financial Instruments and SLFRS 7 – Financial Instruments: Disclosures

The amendments include important enhancements to the classification, measurement, derecognition, and disclosure requirements applicable to financial instruments, with the objective of strengthening transparency, improving consistency, and addressing emerging market developments such as sustainability-linked features and nature-dependent electricity contracts. The amendments clarify the assessment of contractual cash flow characteristics of financial assets, including instruments with contingent or ESG-linked features, provide additional guidance on the derecognition of financial liabilities (including those settled through electronic payment systems), and enhance disclosure requirements for equity instruments designated at fair value through other comprehensive income (FVOCI) and for instruments with contractual terms that may modify cash flows. These changes are intended to ensure consistent application of the principles for classification and measurement and to provide users of the financial statements with more relevant and decision-useful information regarding the entity's financial instruments and related risks.

The Amendments are effective for annual periods starting on or after 1 January 2026, Early adoption is allowed.

(b) SLFRS 18 Presentation and Disclosure in Financial Statements.

SLFRS 18 establishes principles for the structured presentation of financial statements to enhance consistency, comparability, and transparency. The standard requires entities to present financial performance using defined categories, including operating, investing, and financing, with subtotals such as operating profit disclosed where relevant. It introduces enhanced requirements for the aggregation and disaggregation of information, clear identification of management-defined performance measures (MPMs), and improved disclosure of material information in the notes to the financial statements. The objective is to provide users with more relevant, faithfully represented, and comparable information about an entity's financial performance and position, ensuring transparency in how performance measures are calculated and presented in accordance with SLFRS 18.

The Amendments are effective for annual periods starting on or after 1 January 2027, Early adoption is allowed.

(c) Sri Lanka Accounting Standard – SLFRS 17 on "Insurance Contracts".

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, SLFRS 17 will replace Sri Lanka Accounting Standard – SLFRS 4 on "Insurance Contracts" (SLFRS 4) that was issued in 2005. SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026. The Group does not expect this will result in a material impact on its Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

3 GROSS INCOME

Accounting policy

Gross revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The specific recognition criteria must also be met before revenue recognition is discussed under respective income notes.

	BANK		GROUP	
For the year ended 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Interest income	197,777,349	203,748,274	202,459,287	208,632,122
Fee and commission income	2,936,871	2,078,830	2,938,382	2,085,090
Net gain/(loss) from trading	708,034	911,630	1,137,128	1,791,936
Net fair value gains/(losses) from financial instruments at fair value through profit or loss	–	–	–	–
Net gains/(losses) from de-recognition of financial assets	553,002	442,273	553,002	442,273
Net other operating income	786,033	455,941	819,855	465,743
Gross income	202,761,289	207,636,948	207,907,654	213,417,164

4 NET INTEREST INCOME

Accounting policy

Recognition of interest income and interest expenses

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

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as interest income for financial assets and interest expense for financial liabilities. However, for a reclassified financial asset for which the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase are recognised as an adjustment to the EIR from the date of the change in estimate.

When calculating the EIR 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 (ECLs). For credit-impaired financial assets which are classified under Stage 3, a credit-adjusted EIR is calculated using estimated future cash flows including ECLs. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost.

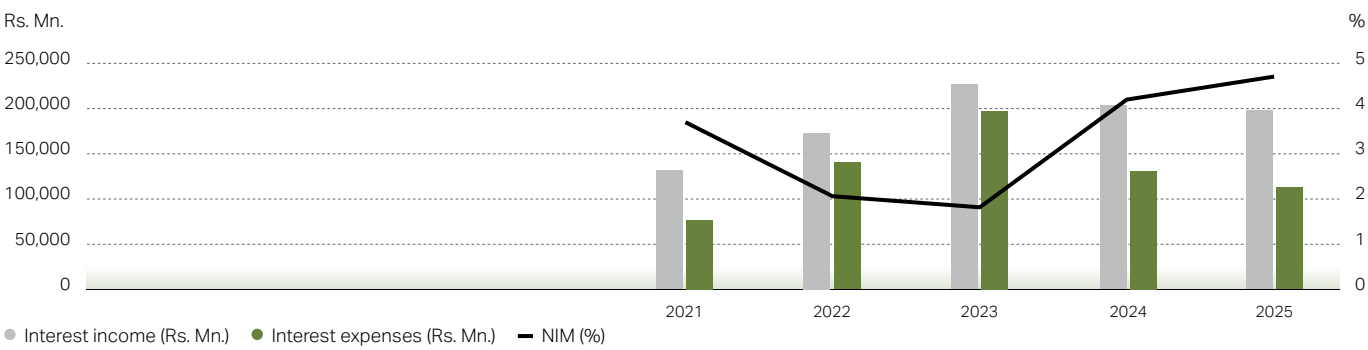
Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

4. NET INTEREST INCOME (CONTD.)

For the year ended 31 December	BANK		GROUP	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
4. (a) Interest income				
Cash and cash equivalents	63,242	66,042	67,472	69,056
Balances with central banks	–	–	–	–
Placements with banks	993,515	1,300,589	993,515	1,349,728
Derivative financial instruments	–	–	–	–
Financial assets recognised through profit or loss				
– Measured at fair value	1,571,286	2,193,865	5,340,048	5,374,556
– Designated at fair value	–	–	–	–
Financial assets at amortised cost				
– loans and advances	61,189,117	68,747,284	61,282,686	68,824,412
– debt and other instruments	129,778,554	127,020,632	130,250,059	128,501,143
Financial assets measured at fair value through other comprehensive income	4,181,635	4,419,862	4,525,507	4,513,227
Others	–	–	–	–
Total interest income	197,777,349	203,748,274	202,459,287	208,632,122
4. (b) Interest expenses				
Due to banks	75,491	337,623	330,318	509,448
Financial liabilities recognised through profit or loss	–	–	–	–
Financial liabilities at amortised cost				
– Due to depositors	106,983,151	123,882,172	106,992,650	123,892,009
– Due to debt securities holders	–	–	–	–
– Due to other borrowers	4,030,006	3,427,151	6,873,592	5,639,363
Debt securities issued	1,631,233	3,319,253	1,631,233	3,319,253
Interest expense on lease liabilities	208,549	199,122	212,095	202,942
Total interest expenses	112,928,430	131,165,321	116,039,888	133,563,015
Net interest income	84,848,919	72,582,953	86,419,399	75,069,107

Interest income vs interest expenses

Graph 92



4. NET INTEREST INCOME (CONTD.)

4. (c) Net interest income from Sri Lanka Government Securities

Interest income and interest expenses on Government Securities given below have been extracted from interest income and interest expenses given in Notes 4. (a) and 4. (b) respectively and disclosed separately, as required by the Guidelines issued by the Central Bank of Sri Lanka.

	BANK		GROUP	
For the year ended 31 December	**2025 Rs. '000**	2024 Rs. '000	**2025 Rs. '000**	2024 Rs. '000
Interest income				
Financial assets recognised through profit or loss				
– measured at fair value	**1,571,286**	2,193,865	**5,340,048**	5,374,556
– designated at fair value	**–**	–	**–**	–
Financial assets at amortised cost				
– loans and advances (Securities purchased under resale agreements)	**2,373,038**	930,973	**2,394,202**	930,103
– debt and other instruments	**116,092,951**	109,630,388	**116,244,498**	110,756,375
Financial assets measured at fair value through other comprehensive income	**4,050,563**	4,419,862	**4,394,435**	4,513,227
	124,087,838	117,175,088	**128,373,183**	121,574,261
Less: Interest expenses				
Due to banks (Securities sold under repurchase agreements)	**75,491**	337,623	**329,352**	509,448
Due to other borrowers (Securities sold under repurchase agreements)	**4,030,006**	3,427,152	**6,874,590**	5,635,552
	4,105,497	3,764,775	**7,203,942**	6,145,000
Net interest income from Sri Lanka Government Securities	**119,982,341**	113,410,313	**121,169,241**	115,429,261

4. (d) Debt moratorium and deferment impact to interest income

The bank has given its debt moratorium and payment deferment to all of its customers other than who refused to have debt moratorium or payment deferments. The moratorium has been given at the concessionary rate of seven percent and the payments are deferred until the end of the loan period. The moratorium period has been varied from two months to six months and in a very limited scenario it has been extended to more than six months.

During the Financial year 2025 bank has recognised Rs. 112.7 Mn. interest income from deferred day one loss of Rs. 1,391 Mn. on day one in 2020 and deferred day one loss was recorded as Rs. 302.3 Mn. as at 31 December 2025. It was due to timing difference and early payment of customer.

4. (e) Domestic Debt Optimisation (DDO) programme impact to interest income

Under the Domestic Debt Optimisation (DDO) programme the Bank has converted Sri Lanka Development Bond portfolio in full to the LKR Bonds under option III in year 2023.

As per the common framework issued by The Institute of Chartered Accountants of Sri Lanka for the determination of day 1 difference arising from the DDO programme of the Government of Sri Lanka, the Bank has recognised Rs. 112.5 Mn. of day one loss as at 31 December 2025.

5 NET FEE AND COMMISSION INCOME

Accounting policy

The Group earns fee and commission income from range of services it provides to customers which can be divided into the following two categories.

(a) Fee and commission income earned from services that are provided over a certain period of time:

Fee and commission earned for the provision of services over a period of time are accrued over that period.

(b) Fee and commission income from providing transaction services:

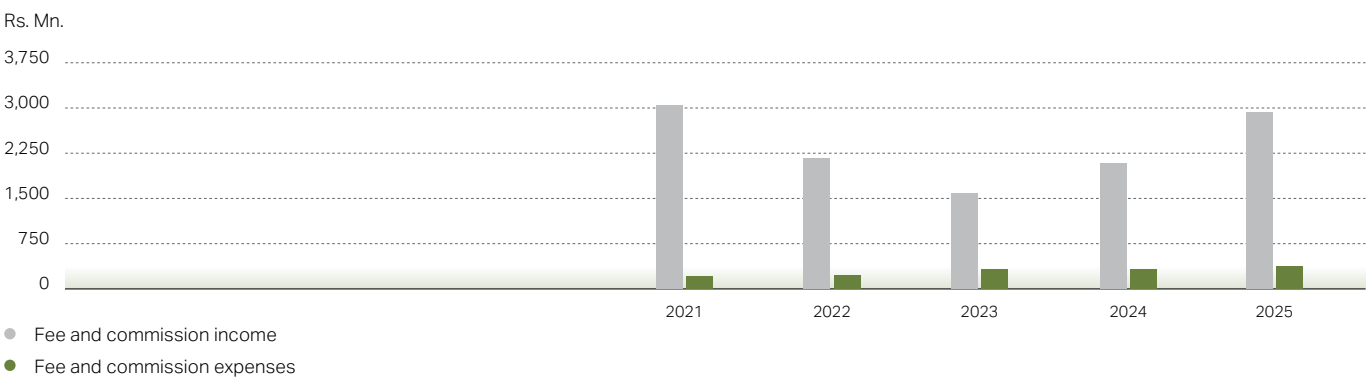
Fee and commission income arising from renegotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised as the related services are performed.

Fees and commission expenses relating to transactions and services are expensed as the services are received. Fee and commission expenses are recognised on an accrual basis.

	BANK		GROUP	
For the year ended 31 December	**2025 Rs. '000**	2024 Rs. '000	**2025 Rs. '000**	2024 Rs. '000
Fee and commission income	**2,936,871**	2,078,830	**2,938,382**	2,085,090
Fee and commission expenses	**(376,539)**	(328,272)	**(376,923)**	(328,737)
Net fee and commission income	**2,560,332**	1,750,558	**2,561,459**	1,756,353
Comprising				
Loans	**1,222,239**	721,275	**1,222,301**	721,476
Cards	**827,183**	492,917	**827,183**	492,917
Trade and remittances	**311,066**	426,474	**311,066**	426,474
Corporate banking	**41,471**	8,767	**41,471**	8,767
Deposits	**50,047**	48,636	**50,047**	48,636
Guarantees	**25,004**	17,038	**25,004**	17,038
Others	**83,322**	35,451	**84,387**	41,045
Net fee and commission income	**2,560,332**	1,750,558	**2,561,459**	1,756,353

Fee and commission income vs expenses

Graph 93



NOTES TO THE FINANCIAL STATEMENTS

6 NET GAIN/(LOSS) FROM TRADING

Accounting policy

Net trading income includes all gains and losses and related dividend for "financial assets recognised through profit or loss" other than interest income and include income from foreign exchange.

Dividend income is recognised when the Group's right to receive the payment is established.

	BANK		GROUP	
For the year ended 31 December	**2025 Rs. '000**	2024 Rs. '000	**2025 Rs. '000**	2024 Rs. '000
Foreign exchange				
– From other customers	**(389,094)**	(33,967)	**(389,094)**	(33,967)
Fixed income securities	**212,789**	623,483	**672,477**	1,468,336
Equity securities	**566,262**	555,233	**566,262**	555,233
Derivative financial instruments	**318,077**	(233,119)	**287,483**	(197,666)
Total	**708,034**	911,630	**1,137,128**	1,791,936

7 NET FAIR VALUE GAINS/(LOSSES) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting policy

Net fair value gains/(losses) includes all unrealised gains and losses from changes in fair value of "financial assets and financial liabilities recognised through profit or loss".

	BANK		GROUP	
For the year ended 31 December	**2025 Rs. '000**	2024 Rs. '000	**2025 Rs. '000**	2024 Rs. '000
Gains on financial assets at fair value through profit or loss	**–**	–	**–**	–
Losses on financial assets at fair value through profit or loss	**–**	–	**–**	–
Gains on financial liabilities at fair value through profit or loss	**–**	–	**–**	–
Losses on financial liabilities at fair value through profit or loss	**–**	–	**–**	–
Total	**–**	–	**–**	–

8 NET GAINS/(LOSSES) FROM DERECOGNITION OF FINANCIAL ASSETS

Accounting policy

"Net gains/(losses) from derecognition of financial assets" comprise gains less losses related to financial assets measured at fair value through other comprehensive income and derecognised asset at amortised cost.

For the year ended 31 December	BANK		GROUP	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Recognised at:				
Fair value through profit or loss	–	–	–	–
Amortised cost	–	–	–	–
Fair value through other comprehensive income	553,002	442,273	553,002	442,273
Total	553,002	442,273	553,002	442,273

9 NET OTHER OPERATING INCOME

Accounting policy

i. **Gain/(loss) on disposal of property, plant and equipment**

The gains or losses on the disposal of property, plant and equipment is determined on the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, net of disposal costs. This is recognised in other operating income in the year in which significant risks and rewards of ownership are transferred to the buyer.

ii. **Foreign exchange gain/(loss)**

Foreign currency positions are revalued at each reporting date. Gains and losses arising from changes in exchange rates are included in Income Statement in the period in which they arise.

iii. **Dividend income**

Dividend earned from financial assets measured at fair value through other comprehensive income is recognised when the Group's right to receive the payment is established.

For the year ended 31 December	BANK		GROUP	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Gain/(loss) on investment properties	–	–	–	–
Gain/(loss) on sale of property, plant and equipment	(2,300)	4,439	(2,070)	4,396
Gain/(loss) on revaluation of foreign exchange	312,866	105,430	312,866	105,430
Revaluation gain on investment properties	–	–	–	–
Recovery of loans written off	–	–	24,141	9,381
Less: Loans written off	–	–	–	–
Dividend income	317,748	164,373	329,618	167,331
Rent income	30,029	25,305	23,828	19,255
Other income	127,690	156,394	131,472	159,950
Total	786,033	455,941	819,855	465,743

10 IMPAIRMENT CHARGES/(REVERSALS)

Accounting policy

The Group recognises the changes in the impairment provisions for all financial instruments, which are assessed as per Sri Lanka Financial Reporting Standard - SLFRS 9 on "Financial Instrument". The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The methodology adopted for impairment is explained in Note 21 (d) to the Financial Statements.

	BANK		GROUP	
For the year ended 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Impairment charge	(661,258)	11,483,749	(772,509)	11,471,377
Loan write-off/waive-off	2,297,874	42,307	2,343,731	42,307
Total	1,636,616	11,526,056	1,571,222	11,513,684

10.1 Impairment charges

		BANK		GROUP	
For the year ended 31 December	Note	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Cash and cash equivalents					
Stage 1		(356)	(746)	(356)	(746)
Placement with banks					
Stage 1		6,104	1,252	6,104	1,100
Stage 2		–	–	–	–
Financial assets at amortised cost – loans and advances	21 (d)				
Stage 1		418,138	274,093	416,884	268,455
Stage 2		2,414,665	(1,372,754)	2,412,389	(1,391,335)
Stage 3		(2,445,303)	7,655,975	(2,553,022)	7,668,017
Financial assets at amortised cost – debt instruments	22				
Stage 1		4,303	3,260	4,301	3,217
Stage 2		–	–	–	–
Stage 3		–	–	–	–
Financial assets measured at fair value through other comprehensive income	23 (b)	–	–	–	–
Contingent liabilities and commitments	48	–	–	–	–
Investments in subsidiaries	24.3	–	–	–	–
Investments in associates and joint ventures	25	–	–	–	–
Property, plant and equipment	26	–	–	–	–
Investment properties	28	–	–	–	–
Others	31.1	–	–	–	–
Receivable from General Treasury	31.2	(1,058,809)	4,922,669	(1,058,809)	4,922,669
Total		(661,258)	11,483,749	(772,509)	11,471,377

10. IMPAIRMENT CHARGES/(REVERSALS) (CONTD.)

10.2 Impact of management overlay to impairment charges

Impact to ECL due to management overlay

Retail loans and advances of selected sectors which were initially grouped under Stage 1 moved to Stage 2. As a result, Loans and Advances amounting to Rs. 17,755.5 Mn. were moved from Stage 1 to Stage 2 and provision for impairment was increased by Rs. 1,899.3 Mn. for the year ended 31 December 2025.

Movement of loans and advances from Stage 1 to Stage 2

	Stage 1	Stage 2	Net impact
Exposure (Rs. '000)	(17,755,497)	17,755,497	–
Impairment provision (Rs. '000)	(258,885)	2,158,144	1,899,260

Retail loans and advances of selected sectors which were initially grouped under Stage 2 moved to Stage 3. As a result, loans and advances amounting to Rs. 1,092.5 Mn. were moved from Stage 2 to Stage 3 and provision for impairment was increased by Rs. 241.6 Mn. for the year ended 31 December 2025.

Movement of loans and advances from Stage 2 to Stage 3

	Stage 2	Stage 3	Net impact
Exposure (Rs. '000)	(1,092,493)	1,092,493	–
Impairment provision (Rs. '000)	(181,409)	423,013	241,604

Refer Note 21 (f) forward looking information relating to loan and advances and ECL provision for more detail on page 347.

Impact to ECL due to management overlay for natural and environmental risk

Bank has recognised an additional impairment provision of Rs. 2.58 Bn. for the current financial year considering the potential impact due to Cyclone Ditwah and flood disaster during November 2025. Bank has applied management judgement in assessing the requirement for additional impairment allowance as extent of the actual impact is not fully ascertainable as of the reporting date. Accordingly, geographical concentration and associated factors have been considered in determining management overlay in the impairment model to estimate additional provision requirement for current financial year.

11 PERSONNEL EXPENSES

Accounting policy

i Defined contribution plans

The Group operates a defined contribution plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Group by the employees and is recorded as an expense under "Personnel expenses". Unpaid contributions are recorded as a liability. The Group contributes to the following defined contribution plans:

(a) Employees' Provident Fund

The Bank and employees contribute 12% and 8% respectively of the employee's monthly gross salary (excluding overtime) to the Provident Fund. The Bank's Provident Fund is an approved fund under the Employees' Provident Fund Act. The Bank guarantees 8% p.a. return to the members of the Employees' Provident Fund.

Subsidiary Companies and its employees contribute 12% and 8% respectively to the Employees Provident Fund (EPF) maintained by Central Bank of Sri Lanka.

(b) Employees' Trust Fund

The Group contributes 3% of the employee's monthly gross salary (excluding overtime) to the Employees' Trust Fund maintained by the Employees Trust Fund Board.

ii Defined benefit plans

Contribution to defined benefit plans are recognised in the Income Statement based on an independent actuarial valuation carried out separately for each defined benefit plan in accordance with Sri Lanka Accounting Standard LKAS-19 on "Employee Benefits".

NOTES TO THE FINANCIAL STATEMENTS

11. PERSONNEL EXPENSES (CONTD.)

For the year ended 31 December	Note	BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
Salary and bonus		15,079,623	15,662,688	15,117,262	16,053,927
Contributions to defined contribution plans		1,425,537	1,417,025	1,431,978	1,448,931
Contributions to defined benefit plans	11 (a,b,c,d)	2,698,537	2,806,163	2,704,339	2,843,838
Share based expenses		–	–	–	–
Others		688,223	420,271	714,818	499,307
Total		19,891,920	20,306,147	19,968,397	20,846,003

11. (a) Contribution – National Savings Bank Employees Pension Scheme I

For the year ended 31 December	Note	BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
Amount recognised as expense	38 (a.1)	1,382,226	1,750,753	1,382,226	1,750,753

Actuarial valuation was carried out as of 31 December 2025, by Mr M Jayaraman, FIA, of Messrs Units Actuaries & Consultants (Pvt) Ltd., a firm of professional Actuaries. (Refer Note 38.a.1 on page 373)

11. (b) Contribution – National Savings Bank Employees Pension Scheme II

For the year ended 31 December	Note	BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
Amount recognised as expense	38 (a.2)	759,390	267,143	759,390	268,430

Pension scheme II has been established for the employees who joined the Bank on or after 1 October 1995. Actuarial valuation was carried out by Mr M Jayaraman, FIA, of Messrs Units Actuaries & Consultants (Pvt) Ltd., a firm of professional Actuaries, on 31 December 2025. (Refer Note 38.a.2 on page 376)

11. (c) Contribution – Medical Assistance Scheme for the Retired Employees of NSB

For the year ended 31 December	Note	BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
Amount recognised as expense	38 (a.3)	556,921	788,267	556,921	788,267

Retired staff medical scheme has been established for the all employees of the Bank. Actuarial valuation was carried out by Mr M Jayaraman, FIA, of Messrs Units Actuaries & Consultants (Pvt) Ltd., a firm of professional Actuaries, on 31 December 2025. (Refer Note 38.a.3 on page 378)

11. (d) Contribution – Gratuity

For the year ended 31 December	Note	BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
Amount recognised as expense	38 (a.4)	–	–	5,802	40,957

The staff members of the subsidiary companies are not entitled for pension scheme and hence they are continue to the members of Gratuity Plan as per the provision of Gratuity Act No. 12 of 1983. (Refer Note 38.a.4 on page 380).

12 OTHER EXPENSES

Accounting policy

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement in arriving at the profit of the year. Provisions in respect of other expenses are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Expenses of depreciation and amortisation of property, plant and equipment and intangible assets are separated from other expenses and disclosed in the face of income statement.

	BANK		GROUP	
For the year ended 31 December	**2025 Rs. '000**	2024 Rs. '000	**2025 Rs. '000**	2024 Rs. '000
Directors' emoluments	**2,688**	2,413	**7,470**	7,641
Auditors' remunerations	**7,093**	8,473	**16,311**	14,569
Non-audit fees to auditors	**–**	–	**–**	–
Professional and legal expenses	**39,845**	47,753	**46,474**	66,491
Deposit insurance premium paid to the CBSL	**1,524,112**	1,413,300	**1,524,289**	1,413,488
Office administration and establishment expenses	**5,581,457**	4,577,059	**5,631,765**	4,645,570
Others	**1,127,582**	972,350	**1,246,084**	1,080,545
Total	**8,282,777**	7,021,348	**8,472,393**	7,228,304

13 INCOME TAX EXPENSES

Accounting policy

As per Sri Lanka Accounting Standard – LKAS 12 on "Income Taxes", tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxes. Income tax expense is recognised in Income Statement, except to the extent it relates to items recognised directly in Equity or Other Comprehensive Income (OCI).

Current taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current as well as prior years. The tax rates and tax laws used to compute the amount are those that are enacted or subsequently enacted at the reporting date. Accordingly, provision for taxation is made on the basis of the accounting profit for the year as adjusted for taxation purpose in accordance with the provision of the Inland Revenue Act No. 24 of 2017 and the amendment thereto, at the rates specified in Note 13. (a).

Deferred taxation

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which they can be used.

The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax asset are reassessed at each reporting date and are recognise to the extent that is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or subsequently enacted at the Reporting date.

13. INCOME TAX EXPENSES (CONTD.)

For the year ended 31 December	Note	BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
Current tax expenses					
Current year		17,929,245	8,935,497	18,432,446	9,770,215
Prior year's (over)/under provision		(17,310)	–	63,579	(105,378)
Deferred tax expenses					
Effect of change in tax rates		–	–	–	–
Temporary differences	13 (b)	(739,589)	1,209,935	(713,871)	1,197,287
Prior years' (over)/under provision	13 (b)	–	–	–	–
Total		17,172,346	10,145,432	17,782,154	10,862,124
Effective tax rate (%)		38.60	38.39	38.70	38.08
Effective tax rate (excluding deferred tax) (%)		40.26	33.81	40.26	33.89

13. (a) Reconciliation of tax expenses

For the year ended 31 December		BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
Profit before tax		44,493,104	26,430,676*	45,944,706	28,521,937*
Income tax for the period (Accounting profit @ tax rate)		13,347,931	7,929,203	13,783,412	8,556,581
Add	: Tax effect of expenses that are not deductible for tax purposes	4,712,044	6,452,494	4,849,382	6,675,894
	: Unused tax losses	–	–	–	–
(Less)	: Tax effect of expenses that are deductible for tax purposes	(286,606)	2,880,047	(216,988)	2,896,107
	: Tax effect of exempt income	417,336	505,239	417,336	505,239
	: Utilised tax losses	–	2,060,914	–	2,060,914
Tax expense for the year		17,929,245	8,935,497	18,432,446	9,770,215
Tax rate (%)		30	30	30	30

*Please refer Note 53 for details of prior adjustment.

13.(b) The deferred tax (credit)/charge in the Income Statement comprise of the following:

For the year ended 31 December	BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
Deferred tax assets	(739,589)	1,209,935	(712,191)	1,199,900
Deferred tax liabilities	–	–	(1,680)	(2,613)
Deferred tax (credit)/charge to Income Statement	(739,589)	1,209,935	(713,871)	1,197,287

14 EARNINGS PER ORDINARY SHARE (EPS)

Accounting policy

The Group presents basic and diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. The Bank does not have dilutive potential ordinary shares as at 31 December 2025.

	BANK		GROUP	
For the year ended 31 December	**2025 Rs. '000**	2024 Rs. '000	**2025 Rs. '000**	2024 Rs. '000
Net profit attributable to ordinary equity holders	**27,320,758**	16,122,392	**28,162,552**	17,496,961
Net profit attributable to ordinary equity holders adjusted for the effect of dilution	**27,320,758**	16,122,392	**28,162,552**	17,496,961
Weighted average number of ordinary shares for basic earnings per share	**940,000**	**940,000**	**940,000**	**940,000**
Effect of dilution	**–**	–	**–**	–
Weighted average number of ordinary shares adjusted for the effect of dilution	**940,000**	940,000	**940,000**	940,000
Basic earnings per ordinary share	**29.06**	17.15	**29.96**	18.61
Diluted earnings per ordinary share	**29.06**	17.15	**29.96**	18.61

*Please refer Note 53 for details of prior adjustment.

14. (a) Weighted average number of ordinary shares for basic and diluted earnings per share

	OUTSTANDING NUMBER OF SHARES		WEIGHTED AVERAGE NUMBER OF SHARES	
For the year ended 31 December	**2025 '000**	2024 '000	**2025 '000**	2024 '000
Number of shares in issue as at 1 January	**940,000**	940,000	**940,000**	940,000
Add: Number of shares issued during the year	**–**	–	**–**	–
Number of ordinary shares for basic and diluted earnings per share	**940,000**	940,000	**940,000**	940,000

NOTES TO THE FINANCIAL STATEMENTS

15 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Accounting policy

The carrying amounts of financial instruments by category as defined in Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments" under headings of the Statement of Financial Position are summarised below.

15. (a) Bank – 2025

As at 31 December	Note	AC Rs. '000	FVPL Rs. '000	FVOCI Rs. '000	Total Rs. '000
Assets					
Cash and cash equivalents	16	8,326,738	–	–	8,326,738
Balances with central banks	17	167,212	–	–	167,212
Placements with banks	18	24,181,317	–	–	24,181,317
Derivative financial instruments	19	–	68,813	–	68,813
Loans and advances	21	550,828,369	–	–	550,828,369
Debt instruments	20, 22 and 23	1,092,989,914	20,855,082	57,442,616	1,171,287,612
Equity instruments	20 and 23	–	1,303,683	7,192,082	8,495,765
Total financial assets		1,676,493,550	22,227,578	64,634,698	1,763,355,826

As at 31 December	Note	AC Rs. '000	FVPL Rs. '000	FVOCI Rs. '000	Total Rs. '000
Liabilities					
Due to banks	32	80,972	–	–	80,972
Derivative financial instruments	33	–	13	–	13
Financial liabilities					
– Due to depositors	35	1,608,490,322	–	–	1,608,490,322
– Due to debt securities holders	35	–	–	–	–
– Due to other borrowers	35	39,057,116	–	–	39,057,116
Debt securities issued	37	16,911,043	–	–	16,911,043
Total financial liabilities		1,664,539,453	13	–	1,664,539,466

AC – Financial assets/liabilities measured at amortised cost

FVPL – Financial assets/liabilities measured at fair value through profit or loss

FVOCI – Financial assets measured at fair value through other comprehensive income

15. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD.)

15. (b) Bank – 2024

As at 31 December	Note	AC Rs. '000	FVPL Rs. '000	FVOCI Rs. '000	Total Rs. '000
Assets					
Cash and cash equivalents	16	8,358,742	–	–	8,358,742
Balances with central banks	17	357,054	–	–	357,054
Placements with banks	18	14,794,637	–	–	14,794,637
Derivative financial instruments	19	–	9,131	–	9,131
Loans and advances	21	532,379,013	–	–	532,379,013
Debt instruments	20, 22 and 23	1,039,034,572	20,874,049	47,900,345	1,107,808,966
Equity instruments	20 and 23	–	212,732	5,568,833	5,781,565
Total financial assets		1,594,924,018	21,095,912	53,469,178	1,669,489,108

As at 31 December	Note	AC Rs. '000	FVPL Rs. '000	Total Rs. '000
Liabilities				
Due to banks	32	487,521	–	487,521
Derivative financial instruments	33	–	258,409	258,409
Financial liabilities				
– Due to depositors	35	1,556,270,863	–	1,556,270,863
– Due to debt securities holders	35	–	–	–
– Due to other borrowers	35	48,190,057	–	48,190,057
Debt securities issued	37	16,966,482	–	16,966,482
Total financial liabilities		1,621,914,923	258,409	1,622,173,332

15. (c) Group – 2025

As at 31 December	Note	AC Rs. '000	FVPL Rs. '000	FVOCI Rs. '000	Total Rs. '000
Assets					
Cash and cash equivalents	16	8,386,287	–	–	8,386,287
Balances with central banks	17	167,236	–	–	167,236
Placements with banks	18	24,181,317	–	–	24,181,317
Derivative financial instruments	19	–	83,979	–	83,979
Loans and advances	21	550,639,060	–	–	550,639,060
Debt instruments	20, 22 and 23	1,096,342,623	77,321,383	60,794,901	1,234,458,907
Equity instruments	20 and 23	–	1,303,683	7,202,853	8,506,536
Total financial assets		1,679,716,523	78,709,045	67,997,754	1,826,423,322

As at 31 December	Note	AC Rs. '000	FVPL Rs. '000	Total Rs. '000
Liabilities				
Due to banks	32	80,972	–	80,972
Derivative financial instruments	33	–	13	13
Financial liabilities				
– Due to depositors	35	1,608,891,967	–	1,608,891,967
– Due to debt securities holders	35	–	–	–
– Due to other borrowers	35	93,629,216	–	93,629,216
Debt securities issued	37	16,983,801	–	16,983,801
Total financial liabilities		1,719,585,956	13	1,719,585,969

15. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD.)

15. (d) Group – 2024

As at 31 December	Note	AC Rs. '000	FVPL Rs. '000	FVOCI Rs. '000	Total Rs. '000
Assets					
Cash and cash equivalents	16	8,544,416	–	–	8,544,416
Balances with central banks	17	357,117	–	–	357,117
Placements with banks	18	14,794,637	–	–	14,794,637
Derivative financial instruments	19	–	54,892	–	54,892
Loans and advances	21	527,715,322	–	–	527,715,322
Debt instruments	20, 22 and 23	1,048,965,769	46,536,796	49,366,765	1,144,869,330
Equity instruments	20 and 23	–	212,732	5,939,747	6,152,479
Total financial assets		1,600,377,261	46,804,420	55,306,512	1,702,488,193

As at 31 December	Note	AC Rs. '000	FVPL Rs. '000	FVOCI Rs. '000	Total Rs. '000
Liabilities					
Due to banks	32	487,521	–	–	487,521
Derivative financial instruments	33	–	258,409	–	258,409
Financial liabilities					
– Due to depositors	35	1,556,681,918	–	–	1,556,681,918
– Due to debt securities holders	35	–	–	–	–
– Due to other borrowers	35	66,049,093	–	–	66,049,093
Debt securities issued	37	17,039,651	–	–	17,039,651
Total financial liabilities		1,640,258,183	258,409	–	1,640,516,592

16 CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents includes cash in hand, balances with banks, money at call and short notice that are subject to an insignificant risk of change in their value. They are recorded in the Financial Statements at their gross values less impairment. The Group has calculated impairment provision as per SLFRS 9 – "Financial Instrument" based on external rating of particular bank.

	BANK		GROUP	
As at 31 December	**2025 Rs. '000**	2024 Rs. '000	**2025 Rs. '000**	2024 Rs. '000
Cash in hand	**4,680,659**	4,496,582	**4,682,459**	4,499,644
Balances with banks	**3,414,983**	3,645,461	**3,472,732**	3,828,073
Money at call and short notice	**231,287**	217,246	**231,287**	217,246
Gross cash and cash equivalents (*)	**8,326,929**	8,359,289	**8,386,478**	8,544,963
Impairment for expected credit losses	**(191)**	(547)	**(191)**	(547)
Net cash and cash equivalents (*)	**8,326,738**	8,358,742	**8,386,287**	8,544,416

(*) Gross cash and cash equivalents are reported in the Statement of Cash Flows.

17 BALANCES WITH CENTRAL BANKS

As at 31 December	BANK		GROUP	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Non-statutory balances with central banks				
Central Bank of Sri Lanka	167,212	357,054	167,236	357,117
Total	167,212	357,054	167,236	357,117

18 PLACEMENTS WITH BANKS

Accounting policy

Placement with banks include short term deposits placed in banks that are subjected to insignificant risk of changes in fair value, and are used by the Bank and the Group in the management of its short term commitments. They are recorded in the Financial Statements at their face values or the gross values less impairment, where appropriate. The Group has calculated impairment provision as per SLFRS 9 on "Financial Instrument" based on external rating of particular bank.

As at 31 December	BANK		GROUP	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Placements with banks – Sri Lanka				
Sri Lankan Rupee (LKR)	–	–	–	–
American Dollar (USD)	18,428,669	9,775,159	18,428,669	9,775,159
Euro (EUR)	2,235,556	1,790,922	2,235,556	1,790,922
Great British Pound (GBP)	2,107,073	1,964,241	2,107,073	1,964,241
Australian Dollar (AUD)	1,424,702	1,272,894	1,424,702	1,272,894
Placements with banks – Outside Sri Lanka				
American Dollar (USD)	–	–	–	–
Gross placements with banks	24,196,000	14,803,216	24,196,000	14,803,216
Impairment for expected credit losses	(14,683)	(8,579)	(14,683)	(8,579)
Net placements with banks	24,181,317	14,794,637	24,181,317	14,794,637

19 DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as "trading" unless they are designated as hedging instruments. The Group uses derivatives such as interest rate swaps and forward foreign exchange contracts.

Derivatives recorded at fair value through profit or loss

Derivatives except for derivatives used as hedging instruments are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in "Net trading income".

Derivatives used as hedge instruments

The Group entered into derivative contracts to hedge against the foreign exchange rate or interest rate. These derivatives are measured at fair value. The Group adopts hedge accounting mismatch to eliminate the accounting resulting from volatility in the Financial Statements between derivatives measured at fair value and the financial asset or liability (hedge exposure) measured at cost/amortised cost, if hedge is efficient.

Cash flow hedge

Cash flow hedge is measured at fair value at the end of each reporting period.

If a hedge of the exposure to variability in cash flow, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income within "cash flow hedge" – fair value gain/(loss). Any gain or losses in fair value relating to an ineffective portion is recognised immediately in the Income Statements.

The accumulated gains and losses recognised in Other Comprehensive Income are reclassified to the Income Statement in the periods in which the hedged item will affect profit or loss. However, when the forecast transaction that is hedged result in the recognised of a non-financial assets or a non-financial liability, the gains and losses previously recognised in Other Comprehensive Income are removed from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meet the criteria for hedge accounting, any cumulative gain or loss recognised in Other Comprehensive Income at that time remains in equity until the forecast transaction is eventually recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in Other Comprehensive Income is immediately reclassified to the Income Statement.

19.1 Derivative assets

As at 31 December	Note	BANK		GROUP	
		2025 Rs. '000	2024 Rs. '000	**2025 Rs. '000**	2024 Rs. '000
Foreign currency derivatives					
Currency swaps	48.2	**68,741**	9,131	**68,741**	9,131
Forward foreign exchange contracts		**72**	–	**15,238**	45,761
Total		**68,813**	9,131	**83,979**	54,892

20 FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS

Accounting policy

Financial assets are classified as financial assets recognised through profit or loss if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking and recorded to fair value. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or fair value through other comprehensive income as per SLFRS 9 on "Financial Instruments".

Financial assets recognised through profit or loss are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in "Net gain/(loss) from trading" while interest income and expenses are recorded in "Net interest income" according to the terms of the contract, or when the right to the payment has been established. Dividend income and realised gain or losses are recorded in "Net gain/(loss) from trading".

The Group evaluates its financial assets recognised through profit or loss, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and Management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets, in rare circumstances.

		BANK		GROUP	
As at 31 December	Note	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Measured at fair value					
Sri Lanka Government Securities					
Treasury Bills		13,590,420	20,141,100	30,953,282	30,774,770
Treasury Bonds		7,264,662	732,949	46,368,101	15,762,026
Equity securities	20 (b)	1,303,683	212,732	1,303,683	212,732
Unit trust		–	–	–	–
Subtotal		22,158,765	21,086,781	78,625,066	46,749,528
Designated at fair value		–	–	–	–
Total		22,158,765	21,086,781	78,625,066	46,749,528

20. (a) Analysis

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
By collateralisation				
Pledged as collateral	–	–	53,690,942	25,662,748
Unencumbered	22,158,765	21,086,781	24,934,124	21,086,780
Total	22,158,765	21,086,781	78,625,066	46,749,528
By currency				
Sri Lankan Rupee	22,158,765	21,086,781	78,625,066	46,749,528
United States Dollar	–	–	–	–
Total	22,158,765	21,086,781	78,625,066	46,749,528

20. FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS (CONTD.)

20. (b) Equity securities (quoted) – Bank and Group

As at 31 December	2025			2024		
	Number of shares	Cost Rs. '000	Market value Rs. '000	Number of shares	Cost Rs. '000	Market value Rs. '000
1. Banks						
Hatton National Bank PLC	65,000	22,379	25,903	–	–	–
Sampath Bank PLC	50,000	6,220	7,325	–	–	–
Seylan Bank PLC (NV)	85,000	5,121	6,426	–	–	–
Pan Asia Banking Corporation PLC	7,000,000	256,900	419,300	–	–	–
Subtotal		290,620	458,954		–	–
2. Capital Goods						
Access Engineering PLC	–	–	–	2,016,000	62,271	69,552
Aitken Spence PLC	150,000	22,618	23,437	–	–	–
Hemas Holdings PLC	4,000,000	121,237	138,800	–	–	–
John Keells Holdings PLC	17,084,793	383,959	370,740	5,300,000	102,849	119,780
Sierra Cables PLC	99,453	1,591	3,511	–	–	–
Subtotal		529,405	536,488		165,120	189,332
3. Consumer Services						
John Keells Hotels PLC	250,000	5,313	5,725	–	–	–
Subtotal		5,313	5,725		–	–
4. Consumer Durables and Apparel						
Teejay Lanka PLC	1,545,082	87,354	53,923	–	–	–
Subtotal		87,354	53,923		–	–
5. Energy						
Lanka IOC PLC	1,241,959	173,391	160,213	–	–	–
Subtotal		173,391	160,213		–	–
6. Food Beverage and Tobacco						
Ceylon Cold Stores PLC	500,000	57,500	54,500	–	–	–
Subtotal		57,500	54,500		–	–
7. Materials						
Alumex PLC	450,000	7,184	9,180	–	–	–
Subtotal		7,184	9,180		–	–
8. Telecommunication Services						
Dialog Axiata PLC	–	–	–	2,000,000	22,400	23,400
Subtotal		–	–		22,400	23,400
9. Utilities						
Vallibel One PLC	250,000	21,124	24,700	–	–	-
Subtotal		21,124	24,700		–	-
Total		1,171,891	1,303,683		187,520	212,732

21 FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES

Accounting policy

Loans and advances include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group intends to sell immediately or in the near term and those that the Group, upon initial recognition, designates as at fair value through profit or loss
- Those that the Group, upon initial recognition, designates financial assets measured at fair value through other comprehensive income

"Loans and advances" include amounts due from banks and other customers. After initial measurement, loans and advances are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "Interest income" in the Income Statement. The losses arising from impairment are recognised in "impairment charge for loans and other losses" in the Income Statement.

From 1 January 2018, the Bank only measures loans and advances at amortised cost if both of the following conditions are met:

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

Details of business model and SPPI test are given in Notes 2.5.1.4.1 and 2.5.1.4.2 on page 314.

	BANK		GROUP	
As at 31 December	**2025 Rs. '000**	2024 Rs. '000	**2025 Rs. '000**	2024 Rs. '000
Gross loans and advances				
Stage 1	**511,247,181**	492,507,588	**511,020,504**	487,777,387
Stage 2	**35,329,565**	19,128,165	**35,350,248**	19,183,611
Stage 3	**33,573,810**	49,677,946	**34,843,181**	51,077,085
Gross loan and advances	**580,150,556**	561,313,699	**581,213,933**	558,038,083
(Less): Accumulated impairment under:				
Stage 1	**5,118,887**	4,700,749	**5,120,508**	4,703,623
Stage 2	**4,543,720**	2,129,055	**4,546,322**	2,133,932
Stage 3	**19,659,580**	22,104,882	**20,908,043**	23,485,206
Total impairment	**29,322,187**	28,934,686	**30,574,873**	30,322,761
Net loans and advances	**550,828,369**	532,379,013	**550,639,060**	527,715,322

Loans and advances for the year 2025 includes treasury guaranteed loans of Rs. 56,512 Mn. for which impairment provision amounted to zero, as the LGD applied for such loans is zero.

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES (CONTD.)

21. (a) Analysis by product

As at 31 December	Note	BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
By product					
Trade finance		–	–	–	–
Lease rental and hire purchase receivable	(21.e)	–	–	–	25,911
Pawning		155,376,418	119,692,775	155,376,446	119,692,803
Staff loans		17,432,546	16,307,926	17,708,028	16,648,714
Term loans					
Short-term		51,967	95,669	51,967	95,669
Long-term		356,873,051	384,286,416	358,207,452	385,812,874
Others					
Sri Lanka Government Securities		–	–	–	–
Loan to Government		–	–	–	–
Securities purchased under resale agreements		50,416,574	40,930,913	49,870,040	35,762,112
Gross total		580,150,556	561,313,699	581,213,933	558,038,083

21. (b) Analysis by currency

As at 31 December	BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
By currency				
Sri Lankan Rupee	576,475,482	557,795,130	577,538,859	554,519,514
United States Dollar	3,675,074	3,518,569	3,675,074	3,518,569
Gross total	580,150,556	561,313,699	581,213,933	558,038,083

21. (c) Analysis by industry

As at 31 December	BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
By industry				
Agriculture and fishing	45,843,144	36,406,612	45,987,191	36,572,677
Manufacturing	–	–	498,689	587,812
Tourism	69,891	70,349	83,279	115,389
Transport	–	–	13,764	15,415
Construction/housing	206,648,213	173,805,328	207,059,484	174,296,676
Traders	–	–	361,096	391,901
New economy	–	–	1,042	27,269
Others				
Financial and business services	51,887,293	42,893,107	51,887,293	42,893,107
Infrastructure	46,315,626	53,544,313	46,315,626	53,544,313
Power and energy	4,009,436	4,026,768	4,009,436	4,026,768
Education	7,582,137	8,764,010	7,582,137	8,764,010
Personal/pawning/other	217,794,816	241,803,212	217,414,896	236,802,746
Gross total	580,150,556	561,313,699	581,213,933	558,038,083

21. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES (CONTD.)

21. (d) Movements in impairment during the year

Accounting policy

Individual assessment of impairment

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as financial assets at amortised cost – debt and other instruments), the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of a impairment provision account and the amount of the loss is recognised in the Income Statement. Interest income continues to be accrued on the carrying amount at the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest and similar income".

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group has reclassified trading assets to loans and receivables, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increased or decreased because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "other operating income".

Collective assessment of impairment

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of expected loss experience for assets with credit risk characteristics similar to those in the Group. Expected loss experience is adjusted on the basis of current observable data to reflect the effect of current conditions on which the historical loss experience is based and to remove the effect of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Write-off of loans and advances

The Group's accounting policy for write-off under SLFRS 9 remains the same as it was under LKAS 39. Loans (and the related impairment allowance accounts) are normally written off, either partially or in entirety, when there is no realistic prospect of recovery and all possible steps have been exhausted in recovering dues. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. If a write-off is later recovered, the recovery is credited to "other operating income".

Collateral valuation

The Group uses collateral where possible to mitigate the risk on financial assets. The collateral comes in various forms such as government guarantees, mortgages over immovable and movable property, corporate guarantees, gold, personal guarantees, vehicles and deposits. To the extent possible, the Group uses active market data for valuing financial assets held as collaterals.

Detail of impairment policy are given in Note 2.5.2 on page 317.

21. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES (CONTD.)

21. (d) Movements in impairment during the year (contd.)

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Stage 1				
Balance as at 1 January	4,700,749	4,426,656	4,703,623	4,435,168
Charge/(write back) to Income Statement	418,138	274,093	416,885	268,455
Write-off during the year	–	–	–	–
Other movements	–	–	–	–
Balance as at 31 December	5,118,887	4,700,749	5,120,508	4,703,623
Stage 2				
Balance as at 1 January	2,129,055	3,501,809	2,133,932	3,525,267
Charge/(write back) to Income Statement	2,414,665	(1,372,754)	2,412,390	(1,391,335)
Write-off during the year	–	–	–	–
Other movements	–	–	–	–
Balance as at 31 December	4,543,720	2,129,055	4,546,322	2,133,932
Stage 3				
Balance as at 1 January	22,104,882	14,448,907	23,485,206	15,826,569
Charge/(write back) to Income Statement	(2,387,428)	7,698,282	(2,449,291)	7,710,325
Write-off during the year	(57,874)	(42,307)	(103,731)	(42,307)
Other movements	–	–	(24,141)	(9,381)
Balance as at 31 December	19,659,580	22,104,882	20,908,043	23,485,206
Total impairment provision as at 31 December	29,322,187	28,934,686	30,574,873	30,322,761

21. (e) Lease and hire purchase receivables

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Gross lease and hire purchases receivables	–	–	–	26,570
Unearned interest asset	–	–	–	6,592
Unearned interest liability	–	–	–	(7,251)
Net lease and hire purchases receivables	–	–	–	25,911

21. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES (CONTD.)

21. (F) forward-looking information

Significant judgement is involved in determining which forward-looking information variables are relevant for portfolios and in determining the extent by which through-the-cycle parameters should be adjusted for forward-looking information to determine point-in-time parameters. While changes in the set of forward-looking information variables used to convert through-the-cycle PDs, LGDs and EADs into point-in-time parameters can either increase or decrease ECL allowances in a particular period, changes to the mapping of forward-looking information variables to particular portfolios are expected to be infrequent. However, changes in the particular forward-looking information parameters used to quantify point-in-time parameters will be frequent as our forecasts are updated on a quarterly basis. Increases in the level of pessimism in the forward-looking information variables will cause increases in ECL, while increases in the level of optimism in the forward-looking information variables will cause decreases in ECL. These increases and decreases could be significant in any particular period and will start to occur in the period where our outlook of the future changes. With respect to the lifetime of a financial instrument, the maximum period considered when measuring ECL is the maximum contractual period over which we are exposed to credit risk.

Key forward-looking information variables include GDP growth, Inflation, Interest rate, Exchange rates and unemployment. For most of our loan portfolios, our forecast of forward-looking information variables is established from a "base case" or most likely scenario that is used internally by Management for planning and forecasting purposes. In forming the base case scenario, we consider the forecasts of international organisations and monetary authorities such as the International Monetary Fund (IMF), and the Central Bank of Sri Lanka, as well as private sector economists. We then derive reasonably possible "upside case" and "downside case" scenarios using external forecasts that are above and below our base case and the application of management judgement. A probability weighting is assigned to our base case, upside case and downside case scenarios based on management judgement.

In contrast, an improvement in our outlook on forecasted forward-looking information, an increase in the probability of the upside case scenario occurring, or a decrease in the probability of the downside case scenario occurring will have the opposite impact. It is not possible to meaningfully isolate the impact of changes in the various forward-looking information variables for a particular scenario because of both the interrelationship between the variables and the interrelationship between the level of pessimism inherent in a particular scenario and its probability of occurring. The following table provides weightage used for the base case, upside case and downside case scenario forecasts for select forward-looking information variables used to estimate our ECL.

Scenario probability weighting (Bank)

As at 31 December	2025 %	2024 %
Base case	10	20
Upside case	10	5
Downside case	80	75

Use of Management Overlays

Management overlays to ECL allowance estimates are adjustments which we use in circumstances where we judge that our existing inputs, assumptions and model techniques do not capture all relevant risk factors. The emergence of new macroeconomic, microeconomic or political events, along with expected changes to parameters, models or data that are not incorporated in our current parameters, internal risk rating migrations, or forward-looking information are examples of such circumstances.

All the Corporate clients were assessed individually based on their historical payment patterns, Economic impact to their sector and geographical area, expected recovery of the sector, financial strength of the entity, Government and CBSL support, and other holistic factors. Based on the assessment some borrowers were moved from Stage 1 to Stage 2 (SICR) and some borrowers were moved from Stage 2 to Stage 3 (due to expected cashflow impairment) despite of their past due status.

The portfolio level impairment assessments were carried out for the retail borrowers. The borrowers were allocated between stages based on their sector and management judgement. Based on the assessment some borrowers were moved from Stage 1 to Stage 2 (SICR) and some borrowers were moved from Stage 2 to Stage 3 (due to expected cashflow impairment) despite of their past due status.

21. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES (CONTD.)

Impact to ECL due to management overlay

Movement of loans and advances from Stage 1 to Stage 2

Retail loans and advances of selected sectors which were initially grouped under Stage 1 moved to Stage 2. As a result, Loans and Advances amounting to Rs. 17,755.5 Mn. were moved from Stage 1 to Stage 2 and provision for impairment was increased by Rs. 1,899.3 Mn. for the year ended 31 December 2025.

	Stage 1 Rs. '000	Stage 2 Rs. '000	Net impact Rs. '000
Exposure	(17,755,497)	17,755,497	–
Impairment Provision	(258,885)	2,158,144	1,899,260

Movement of loans and advances from Stage 2 to Stage 3

Retail loans and advances of selected sectors which were initially grouped under Stage 2 moved to Stage 3. As a result, loans and advances amounting to Rs. 1,092.5 Mn. were moved from Stage 2 to Stage 3 and provision for impairment was increased by Rs. 241.6 Mn. for the year ended 31 December 2025.

	Stage 2 Rs. '000	Stage 3 Rs. '000	Net impact Rs. '000
Exposure	(1,092,493)	1,092,493	–
Impairment provision	(181,409)	423,013	241,604

Impact to ECL due to management overlay for natural and environmental risk

Bank has recognised an additional impairment provision of Rs. 2.58 Bn for the current financial year considering the potential impact due to Cyclone Ditwah and flood disaster during November 2025. Bank has applied management judgement in assessing the requirement for additional impairment allowance as extent of the actual impact is not fully ascertainable as of the reporting date. Accordingly, geographical concentration and associated factors have been considered in determining management overlay in the impairment model to estimate additional provision requirement for current financial year.

22 FINANCIAL ASSETS AT AMORTISED COST – DEBT AND OTHER INSTRUMENTS

Accounting policy

Financial assets at amortised cost – debt and other instruments are non-derivative financial assets with fixed or determinable payments and fixed maturities, for which, the Group has the intention and ability to hold to maturity. After initial measurement, financial assets at amortised cost – debt and other instruments are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in "Interest and similar income" in the Income Statement. The losses arising from impairment of such investments are recognised in the Income Statement under "Impairment charges".

		BANK		GROUP	
As at 31 December	Note	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Sri Lanka Government securities					
Treasury Bills		136,974,101	143,755,805	136,974,101	146,718,039
Treasury Bonds		848,392,929	760,751,681	850,901,217	767,251,459
Sri Lanka Development Bonds (SLDB)		–	–	–	–
Securities purchased under resale agreements		–	–	375,208	–
Debentures (Treasury Guarantee)*		77,509,137	125,964,603	77,509,137	125,964,603
Corporate debt instruments	22.1	2,867,364	2,739,086	3,336,726	3,208,422
Trust Certificates	22.2	27,254,591	5,827,302	27,254,591	5,827,302
Commercial papers		–	–	6,000	6,000
Other investment		–	–	165,595	165,595
Gross total		1,092,998,122	1,039,038,477	1,096,522,575	1,049,141,420
Impairment for expected credit losses		(8,208)	(3,905)	(179,952)	(175,651)
Net total		1,092,989,914	1,039,034,572	1,096,342,623	1,048,965,769

* Treasury guarantee Debentures amounted to Rs. 26,491.4 Mn. is classified to Stage 3,in year 2024 but impairment provision is zero due to zero LGD applied. Same has been classified to stage 1 in year 2025.

22.1 Corporate Debt Instruments – Bank

	BANK			
As at 31 December	2025 Number of debentures	2025 Carrying value Rs. '000	2024 Number of debentures	2024 Carrying value Rs. '000
Alliance Finance Company PLC	2,250,000	233,660	–	–
Assetline Finance Limited	7,500,000	753,842	–	–
Bank of Ceylon	–	–	5,000,000	520,527
Commercial Bank of Ceylon PLC	–	–	2,105,800	224,305
Commercial Credit and Finance PLC	1,000,000	107,422	1,000,000	107,402
First Capital Treasuries PLC	3,991,300	407,673	–	–
LOLC Finance PLC	–	–	7,500,000	775,615
Nations Trust Bank PLC	3,212,800	335,336	3,212,800	335,375
People's Leasing & Finance PLC	2,064,900	214,005	2,064,900	214,005
Resus Energy PLC	2,500,000	256,503	2,500,000	257,386
Sarvodaya Development Finance PLC	2,500,000	256,247	–	–
Seylan Bank PLC	962,500	98,357	–	–
Siyapatha Finance PLC	1,929,300	204,319	–	–
Vallibel Finance PLC	–	–	3,000,000	304,471
Net total		2,867,364		2,739,086

22. FINANCIAL ASSETS AT AMORTISED COST – DEBT AND OTHER INSTRUMENTS (CONTD.)

22.1 Corporate debt instruments – Group

As at 31 December	GROUP			
	2025 Number of debentures	2025 Carrying value Rs. '000	2024 Number of debentures	2024 Carrying value Rs. '000
Alliance Finance Company PLC	2,250,000	233,660	–	–
Assetline Finance Limited	7,500,000	753,842	–	–
Bank of Ceylon	–	–	5,000,000	520,527
Commercial Bank of Ceylon PLC	–	–	2,105,800	224,305
Commercial Credit and Finance PLC	1,000,000	107,422	1,000,000	107,402
First Capital Treasuries PLC	3,991,300	407,673	–	–
LOLC Finance PLC	–	–	7,500,000	775,615
Nations Trust Bank PLC	3,212,800	335,336	3,212,800	335,375
People's Leasing & Finance PLC	4,633,600	480,402	4,633,600	480,376
Resus Energy PLC	2,500,000	256,503	2,500,000	257,386
Sarvodaya Development Finance PLC	2,500,000	256,247	–	–
Seylan Bank PLC	1,962,500	205,409	1,000,000	107,052
Siyapatha Finance PLC	2,858,800	300,232	929,500	95,913
Vallibel Finance PLC	–	–	3,000,000	304,471
Net total		3,336,726		3,208,422

22.2 Trust certificates

As at 31 December	BANK		GROUP	
	2025 Carrying value Rs. '000	2024 Carrying value Rs. '000	2025 Carrying value Rs. '000	2024 Carrying value Rs. '000
CBC Finance Ltd	253,502	–	253,502	–
Central Finance Company PLC	518,473	–	518,473	–
LB Finance PLC	6,500,061	1,566,394	6,500,061	1,566,394
LOLC Finance PLC	5,046,841	–	5,046,841	–
Mahindra Ideal Finance Limited	593,475	–	593,475	–
Orient Finance PLC	168,173	–	168,173	–
Singer Finance Lanka PLC	4,585,358	255,383	4,585,358	255,383
Vallibel Finance PLC	5,045,316	–	5,045,316	–
Windscape Mannar Pvt Ltd	4,543,392	4,005,525	4,543,392	4,005,525
Net total	27,254,591	5,827,302	27,254,591	5,827,302

22. FINANCIAL ASSETS AT AMORTISED COST – DEBT AND OTHER INSTRUMENTS (CONTD.)

22.3 Analysis

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
By collateralisation				
Pledged as collateral	42,004,794	40,408,287	44,800,297	47,367,819
Unencumbered	1,050,993,328	998,630,190	1,051,722,278	1,001,773,601
Gross total	1,092,998,122	1,039,038,477	1,096,522,575	1,049,141,420
By Currency				
Sri Lankan Rupee	1,092,998,122	1,039,038,477	1,096,522,575	1,049,141,420
United States Dollar	–	–	–	–
Gross total	1,092,998,122	1,039,038,477	1,096,522,575	1,049,141,420

22.4 Movements in impairment during the year

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Stage 1				
Opening balance as at 1 January	3,905	645	4,056	839
Charge/(write back) to Income Statement	4,303	3,260	4,301	3,217
Write-off during the year	–	–	–	–
Other movements	–	–	–	–
Balance as at 31 December	8,208	3,905	8,357	4,056
Stage 2				
Balance as at 1 January	–	–	–	–
Charge/(write back) to Income Statement	–	–	–	–
Write-off during the year	–	–	–	–
Other movements	–	–	–	–
Balance as at 31 December	–	–	–	–
Stage 3				
Balance as at 1 January	–	–	171,595	171,595
Charge/(write back) to Income Statement	–	–	–	–
Write-off during the year	–	–	–	–
Other movements	–	–	–	–
Balance as at 31 December	–	–	171,595	171,595
Total impairment provision as at 31 December	8,208	3,905	179,952	175,651

23 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting policy

Financial assets at fair value through other comprehensive income include equity and debt securities. Equity investments classified as fair value through other comprehensive income are those which are held as strategic investment. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, financial assets at fair value through other comprehensive income are subsequently measured at fair value. Financial assets at fair value through other comprehensive income can be divided into two category as follows:

i. Equity instruments fair value through other comprehensive income

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

Unrealised gains and losses are recognised directly in equity (Other Comprehensive Income) in the "OCI reserve". Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Equity investments under FVOCI that do not have quoted market price and whose fair value cannot be reliably measured shall be measured at cost.

ii. Debt instruments at fair value through other comprehensive income

The Group applies the new category under SLFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

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

		BANK		GROUP	
As at 31 December	Note	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Sri Lanka Government Securities	23.c				
Treasury Bills		22,983,387	24,302,555	22,983,387	24,302,555
Treasury Bonds		33,404,292	23,597,790	36,756,577	25,064,210
Equity securities					
Quoted equity securities	23.d	6,740,646	5,195,626	6,749,253	5,564,375
Unquoted equity securities	23.e	451,436	373,207	496,076	417,848
Corporate debt instruments					
Debentures	23.f	1,054,937	–	1,054,937	–
(Less): Impairment		–	–	(42,476)	(42,476)
Net financial assets at fair value through other comprehensive income		64,634,698	53,469,178	67,997,754	55,306,512

23. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTD.)

23. (a) Analysis

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
By collateralisation				
Pledged as collateral	–	–	2,850,016	1,466,421
Unencumbered	64,634,698	53,469,178	65,147,738	53,840,091
Gross total	64,634,698	53,469,178	67,997,754	55,306,512
By currency				
Sri Lankan Rupee	64,634,698	53,469,178	67,997,754	55,306,512
United States Dollar	–	–	–	–
Gross total	64,634,698	53,469,178	67,997,754	55,306,512

23.(b) Movements in impairment during the year

No impairment movement during the year.

23. (c) Sri Lanka Government Securities

	BANK					
	2025			2024		
	Face value Rs. '000	Cost of investment Rs. '000	Fair value Rs. '000	Face value Rs. '000	Cost of investment Rs. '000	Fair value Rs. '000
Sri Lanka Government Securities – Treasury Bills	23,662,337	22,538,459	22,983,387	25,258,719	24,077,917	24,302,555
Sri Lanka Government Securities – Treasury Bonds	32,312,129	31,232,851	33,404,292	21,838,510	21,156,839	23,597,790
		53,771,310	56,387,679		45,234,756	47,900,345

	GROUP					
	2025			2024		
	Face value Rs. '000	Cost of investment Rs. '000	Fair value Rs. '000	Face value Rs. '000	Cost of investment Rs. '000	Fair value Rs. '000
Sri Lanka Government Securities – Treasury Bills	23,662,337	22,538,459	22,983,387	25,258,719	24,077,917	24,302,555
Sri Lanka Government Securities – Treasury Bonds	35,474,380	34,352,813	36,756,577	23,186,832	22,375,888	25,064,210
		56,891,272	59,739,964		46,453,805	49,366,765

23. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTD.)

23. (d) Quoted investments – Equity securities – Bank and Group

	BANK					
	2025			2024		
	Number of shares	Cost Rs. '000	Fair value Rs. '000	Number of shares	Cost Rs. '000	Fair value Rs. '000
Hatton National Bank PLC	13,083,066	1,730,274	5,213,602	13,083,066	1,730,274	4,183,310
People's Leasing & Finance PLC	61,081,787	867,744	1,527,044	59,547,976	832,312	1,012,316
		2,598,018	6,740,646		2,562,586	5,195,626

	GROUP					
	2025			2024		
	Number of shares	Cost Rs. '000	Fair value Rs. '000	Number of shares	Cost Rs. '000	Fair value Rs. '000
Hatton National Bank PLC	13,083,066	1,730,274	5,213,602	13,083,066	1,730,274	4,183,310
People's Leasing & Finance PLC	61,081,787	867,744	1,527,044	59,547,976	832,312	1,012,316
National Development Bank PLC	15,397	1,181	2,175	19,076	1,448	2,160
Commercial Bank of Ceylon PLC	247	12	50	245	11	36
LOLC Holdings PLC	200	1	112	200	1	138
Sampath Bank PLC	11,095	325	1,625	11,095	325	1,312
Watawala Plantation PLC	13,230	14	618	4,046	21	508
Trans Asia Hotel PLC	2,500	22	145	4,000	35	178
Lanka Ceramic PLC	917	24	156	917	24	137
Lanka Walltile PLC	–	–	–	585	2	34
Kelani Valley Plantation PLC	9,000	162	828	11,000	198	1,063
Hapugastenna Plantation PLC	100	3	5	100	3	5
Aitken Spence PLC	17,850	159	2,789	18,000	160	2,610
Pan Asia Bank PLC	–	–	–	10,298,499	96,012	360,448
Hatton Plantations PLC	4,000	30	104	4,000	30	120
		2,599,951	6,749,253		2,660,856	5,564,375

23. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTD.)

23. (e) Unquoted investments – Equity securities

	BANK					
	2025			2024		
	Number of shares	Cost Rs. '000	Cost/fair value Rs. '000	Number of shares	Cost Rs. '000	Cost/fair value Rs. '000
Credit Information Bureau	30,450	57,364	57,364	30,450	57,364	57,364
Associated Newspapers of Ceylon Limited	20,000	127	127	20,000	127	127
Regional Development Bank (RDB)	16,452,126	164,521	393,945	16,452,126	164,521	315,716
(Less): Impairment Provision		–	–		–	–
		222,012	451,436		222,012	373,207

	GROUP					
	2025			2024		
	Number of shares	Cost Rs. '000	Cost/fair value Rs. '000	Number of shares	Cost Rs. '000	Cost/fair value Rs. '000
Credit Information Bureau	30,650	57,528	57,528	30,650	57,528	57,528
Associated Newspapers of Ceylon Limited	20,000	127	127	20,000	127	127
Regional Development Bank (RDB)	16,452,126	164,521	393,945	16,452,126	164,521	315,717
Sri Lanka Financial Services Bureau Ltd	200,000	2,000	2,000	200,000	2,000	2,000
Pramuka Merchant Corporation	500,000	5,000	5,000	500,000	5,000	5,000
Prime Development & Constructions	230,000	2,300	2,300	230,000	2,300	2,300
Janashakthi Life	2,500,000	25,000	25,000	2,500,000	25,000	25,000
Janashakthi Holding	1,000,000	10,000	10,000	1,000,000	10,000	10,000
Vanik Incorporation	17,000	176	176	17,000	176	176
Gross total		266,652	496,076		266,652	417,848
(Less): Impairment provision		–	(42,476)		–	(42,476)
Net total		266,652	453,600		266,652	375,372

All unquoted equities in financial assets measured at fair value through other comprehensive income (except RDB) are recorded at cost, since its fair value cannot be reliably estimated. There is no active market for these investments and Group intends to hold it for the long-term. The investment in RDB shares have been fair valued using a valuation model based on observable data.

23. (f) Debentures

	BANK AND GROUP					
	2025			2024		
	Number of Debentures	Cost Rs. '000	Cost/fair value Rs. '000	Number of Debentures	Cost Rs. '000	Cost/fair value Rs. '000
Bank of Ceylon PLC	5,000,000	500,000	516,202	–	–	–
Commercial Bank of Ceylon PLC	2,105,800	210,580	230,688	–	–	–
Vallibel Finance PLC	3,000,000	300,000	308,047	–	–	–
(Less): Impairment provision		–	–		–	–
		1,010,580	1,054,937		–	–

24 INVESTMENTS IN SUBSIDIARIES

Accounting policy

Investments in subsidiary companies are accounted at cost less allowance for impairment in Financial Statements of the Bank. The net assets of subsidiary companies are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of investment is estimated and the impairment loss is recognised to the extent of its loss in net assets.

As at 31 December	Note	2025 %	2024 %	2025 Cost Rs. '000	2025 Valuation* Rs. '000	2024 Cost Rs. '000	2024 Valuation* Rs. '000
Unquoted equity investments							
NSB Fund Management Co. Ltd. (420,000,000 ordinary shares of Rs. 10.00 each.)		100	100	4,200,000	7,150,847	4,200,000	6,496,550
Sri Lanka Savings Bank Limited (8,204,464 ordinary shares)		100	100	3,111,000	8,977,105	3,111,000	8,806,628
(Less): Impairment	24.3			–	–	–	–
Net total				7,311,000	16,127,952	7,311,000	15,303,178

* The valuation of investments in subsidiaries have been carried out on net asset basis as at 31 December 2025 based on audited Financial Statements.

24.1 Acquisition and disposal of subsidiary

No acquisition or disposal have been occurred during the year 2025.

24.2 Interest Income and profit of acquire

No acquisition or disposal have been occurred during the year 2025.

24.3 Movements in impairment during the year

No impairment movements during the year 2025.

25 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Accounting policy

Associates are those entities in which the Group has significant influence, but not control, over the variable returns through its power over the investee. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost, in terms of Sri Lanka Accounting Standards – LKAS 28 on "Investments in Associates and Joint Ventures". Under the Equity Method, investments in associates are carried at cost plus post-acquisition changes in the Group's share of net assets of the associates and are reported as a separate line item in the Statement of Financial Position. The Income Statement reflects the Group's share of the results of operations of the associates. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in Equity through OCI. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in associate.

The Group discontinues the use of the Equity Method from the date that it ceases to have significant influence over an associate and accounts for such investments in accordance with the Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments". Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

No investment in associates and joint ventures as at 31 December 2025.

26 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Basis of recognition

Property, plant and equipment are recognised if it is probable that future benefits associated with the asset will flow to the Group and cost of the asset can be reliably measured. Property, plant and equipment are initially measured at cost including costs directly attributable to the acquisition of the asset.

Basis of measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs. The self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the asset to a working condition for its intended use and the cost of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software which is integral to the functionality of the related equipment is capitalised as part of computer 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.

Cost model

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

Revaluation model

The Group applies the revaluation model to the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and buildings of the Group are revalued every three years or more frequently, if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ materially from the fair values at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in other comprehensive income and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to Income Statement. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the income statement or debited in the other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation reserves. Any balance remaining in the Revaluation Reserve in respect of an asset is transferred directly to Retained Earnings on retirement or disposal of the asset.

Derecognition

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "Other operating income" in the Income Statement in the year the asset is derecognised.

Capital work in progress

These are expenses of capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost less any accumulated impairment losses. Capital work in progress is transferred to the relevant asset when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Borrowing costs

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment by the Group.

Improvement to rent/leasehold building

Effective from 1 January 2017 the Bank has decided to capitalise the improvement to rent/leasehold building. The improvement will be amortised over the lease period effective from the same date.

Depreciation

Depreciation is recognised in profit or loss on the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. Depreciation rates for the identified classes of assets are as follows:

Category of asset	Depreciation period
Leasehold properties, improvement to rent/leasehold	over the period of lease
Freehold buildings	20 – 50 years
Office, sundry equipment and furniture and fittings	5 – 10 years
Motor vehicles	5 years
Computer hardware	4 – 5 years
Computer software	4 – 5 years

The Group provides depreciation of an asset commencing from the date when they are available for use to the date of disposal of the asset.

26. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

26. (a) Property, plant and equipment – Bank – 2025

	Land and buildings Rs. '000	Leasehold properties, improvement to rent/ leasehold buildings* Rs. '000	Computer hardware Rs. '000	Office sundry equipment, furniture and fittings** Rs. '000	Motor vehicle Rs. '000	Building work-in-progress Rs. '000	Total Rs. '000
Cost/fair value							
Opening balance as at 1 January 2025	14,426,451	959,611	5,288,580	2,844,152	445,416	50,687	24,014,897
Additions	196,429	109,490	396,525	166,788	–	203,846	1,073,078
Disposals	(4,736)	(55,856)	(11,779)	(7,137)	–	–	(79,508)
Transfers from subsidiary company	–	–	10,146	15,446	41,147	–	66,739
Transfers/adjustment	–	(20,381)	–	(17,316)	–	(199,792)	(237,489)
Closing balance as at 31 December 2025	14,618,144	992,864	5,683,472	3,001,933	486,563	54,741	24,837,718
(Less): Accumulated depreciation							
Opening balance as at 1 January 2025	116,143	405,395	3,643,519	1,953,606	445,214	–	6,563,878
Charge for the year	119,357	46,630	534,239	176,248	1,363	–	877,837
Disposals	–	–	(9,495)	(6,994)	–	–	(16,489)
Transfers from subsidiary company	–	–	10,146	15,430	39,956	–	65,532
Closing balance as at 31 December 2025	235,500	452,025	4,178,409	2,138,290	486,533	–	7,490,758
(Less): Impairment	–	–	–	–	–	35,228	35,228
Net book value as at 31 December 2025	14,382,644	540,839	1,505,063	863,643	30	19,513	17,311,732

26. (a) Property, plant and equipment – Bank – 2024

	Land and buildings Rs. '000	Leasehold properties, improvement to rent/ leasehold buildings* Rs. '000	Computer hardware Rs. '000	Office sundry equipment, furniture and fittings** Rs. '000	Motor vehicle Rs. '000	Building work-in-progress Rs. '000	Total Rs. '000
Cost/fair value							
Opening balance as at 1 January 2024	14,423,000	928,559	4,736,369	2,572,835	445,416	47,860	23,154,039
Additions	3,451	31,052	636,186	322,962	–	6,278	999,929
Disposals	–	–	(83,975)	(55,971)	–	–	(139,946)
Transfers/adjustment	–	–	–	4,326	–	(3,451)	875
Closing balance as at 31 December 2024	14,426,451	959,611	5,288,580	2,844,152	445,416	50,687	24,014,897
(Less): Accumulated depreciation							
Opening balance as at 1 January 2024	–	358,909	3,225,533	1,849,517	435,889	–	5,869,849
Charge for the year	116,143	46,272	502,018	157,232	9,328	–	830,993
Disposals	–	–	(83,912)	(53,185)	–	–	(137,097)
Transfers/adjustment	–	214	(120)	42	(3)	–	133
Closing balance as at 31 December 2024	116,143	405,395	3,643,519	1,953,606	445,214	–	6,563,878
(Less): Impairment	–	–	–	–	–	35,228	35,228
Net book value as at 31 December 2024	14,310,308	554,216	1,645,061	890,546	202	15,459	17,415,792

* Leasehold properties, improvement to rent/leasehold buildings include working progress of improvement to rent/leasehold building amounting Rs. 5.9 Mn. as at 31 December 2025.

** Office, sundry equipment and furniture and fittings include working progress of office equipment amounting Rs. 2.1 Mn. as at 31 December 2025.

26. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

26. (b) Property, plant and equipment – Group – 2025

	Land and buildings Rs. '000	Leasehold properties, improvement to rent/ leasehold buildings* Rs. '000	Computer hardware Rs. '000	Office sundry equipment, furniture and fittings** Rs. '000	Motor vehicle Rs. '000	Building work-in-progress Rs. '000	Total Rs. '000
Cost/fair value							
Opening balance as at 1 January 2025	15,548,926	964,687	5,359,449	2,890,677	492,361	50,687	25,306,787
Additions	196,429	109,490	401,247	168,850	–	203,846	1,079,862
Disposals	(4,736)	(55,856)	(11,779)	(7,886)	–	–	(80,257)
Transfers/adjustment	–	(20,381)	–	(17,316)	–	(199,792)	(237,489)
Closing balance as at 31 December 2025	15,740,619	997,940	5,748,917	3,034,325	492,361	54,741	26,068,903
(Less): Accumulated depreciation							
Opening balance as at 1 January 2025	123,336	405,396	3,701,155	1,995,780	489,780	–	6,715,447
Charge for the year	119,700	46,630	540,578	177,385	2,553	–	886,845
Disposals	–	–	(9,495)	(7,743)	–	–	(17,238)
Closing balance as at 31 December 2025	243,036	452,026	4,232,238	2,165,422	492,333	–	7,585,054
(Less): Impairment	–	–	–	–	–	35,228	35,228
Net book value as at 31 December 2025	15,497,583	545,914	1,516,679	868,903	28	19,513	18,448,620

26. (b) Property, plant and equipment – Group – 2024

	Land and buildings Rs. '000	Leasehold properties, improvement to rent/ leasehold buildings* Rs. '000	Computer hardware Rs. '000	Office sundry equipment, furniture and fittings** Rs. '000	Motor vehicle Rs. '000	Building work in progress Rs. '000	Total Rs. '000
Cost/fair value							
Opening balance as at 1 January 2024	15,545,275	933,635	4,798,023	2,619,285	492,361	47,860	24,436,438
Additions	3,651	31,052	645,401	323,115	–	6,278	1,009,497
Disposals	–	–	(83,975)	(55,971)	–	–	(139,946)
Transfers/adjustment	–	–	–	4,248	–	(3,451)	797
Closing balance as at 31 December 2024	15,548,926	964,687	5,359,449	2,890,677	492,361	50,687	25,306,787
(Less): Accumulated depreciation							
Opening balance as at 1 January 2024	6,850	358,910	3,277,499	1,890,477	478,075	–	6,011,811
Charge for the year	116,486	46,272	507,688	158,481	11,708	–	840,635
Disposals	–	–	(83,912)	(53,185)	–	–	(137,097)
Transfers/adjustment	–	214	(120)	7	(3)	–	98
Closing balance as at 31 December 2024	123,336	405,396	3,701,155	1,995,780	489,780	–	6,715,447
(Less): Impairment	–	–	–	–	–	35,228	35,228
Net book value as at 31 December 2024	15,425,590	559,291	1,658,294	894,897	2,581	15,459	18,556,112

26. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

26. (c) Revaluation/fair valuation of the land and buildings

The Bank revalue its land and buildings, by professionally qualified independent valuers in every three years. (Land and buildings revalued on 31 December 2023 and recorded revaluation of Rs. 2,076 Mn. as at 31 December 2023).

26. (d) Land and buildings of the Bank

Land and building include freehold land value of Rs. 10,975 Mn. as at 31 December 2025.

26. (e) Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities.

26. (f) Fully-depreciated property, plant and equipment

The initial cost of fully-depreciated property, plant and equipment, which are still in use as at reporting date are as follows:

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Computer hardware	2,950,990	2,506,768	2,997,484	2,547,146
Office equipment, furniture and fittings	706,566	387,427	724,578	418,294
Sundry equipment/motor vehicles and others	928,535	878,301	942,640	924,055
Total	4,586,091	3,772,496	4,664,702	3,889,495

27 RIGHT-OF-USE ASSETS

Accounting policy

The Group's right-of-use assets consist of the value of capitalised lease agreement held.

Basis of recognition

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date as specified in the Lease Agreement), which is the present value of lease payments to be made over the lease term.

Basis of measurement

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, and lease payments made at or before the commencement date less any lease incentives received.

Useful economic life and amortisation

Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

27. (a) Capitalised value of right-of-use assets

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Opening balance	2,950,926	2,713,267	3,017,174	2,779,515
Addition	594,912	237,659	594,912	237,659
Adjustments	(4,889)	–	(4,889)	–
Less:				
Disposal	–	–	–	–
Termination/transfers	–	–	–	–
Impairment	–	–	–	–
Closing balance	3,540,949	2,950,926	3,607,197	3,017,174

27. RIGHT-OF-USE ASSETS (CONTD.)

27. (b) Accumulated amortisation of right-of-use assets

As at 31 December	BANK		GROUP	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Opening balance	1,909,741	1,548,672	1,951,160	1,586,354
Charge for the year	391,846	361,069	395,479	364,806
Disposal	–	–	–	–
Adjustments	(4,889)	–	(4,889)	–
Termination/transfers	–	–	–	–
Closing balance	2,296,697	1,909,741	2,341,750	1,951,160
Carrying value as at 31 December	1,244,252	1,041,185	1,265,447	1,066,014

28 INVESTMENT PROPERTIES

Accounting policy

Investment on land or a building or part of a building or both, held to earn rentals or capital appreciation or both, are classified as investment property.

Cost model

Investment properties excluding investment buildings are measured (initially) at cost (LKAS 40 Section 56), including transaction costs. Fair value of investment properties is measured by the Management on annual basis and is disclosed separately in Notes to the Financial Statement.

Fair value

After recognition as Investment buildings, whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciations and subsequent accumulated impairment losses. Revaluation shall be made at every three (3) years to ensure that the carrying amount does not differ materially from that, which would be determined using fair value at the end of the reporting period. Rent receivable is spread on a straight-line basis over the period of the lease. Where an incentive (such as a rent-free period) is given to a tenant, the carrying value of the investment property excludes any amount reported as a separate asset as a result of recognising rental income on this basis.

28. (a) Fair value of investment properties

As at 31 December	BANK		GROUP	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Land				
Opening balance	–	–	341,000	341,000
Addition	–	–	–	–
Disposal	–	–	–	–
Revaluation gain	–	–	–	–
Transfer from property, plant and equipment	–	–	–	–
Transfer to property, plant and equipment	–	–	–	–
Impairment	–	–	–	–
Closing balance	–	–	341,000	341,000
Building				
Opening balance	–	–	8,000	8,000
Addition	–	–	–	–
Revaluation gain/(loss)	–	–	–	–
Transfer from property, plant and equipment	–	–	–	–
Transfer to property, plant and equipment	–	–	–	–
Impairment	–	–	–	–
Closing balance	–	–	8,000	8,000

28. INVESTMENT PROPERTIES (CONTD.)

28. (b) Accumulated depreciation of investment properties

As at 31 December	BANK		GROUP	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Opening balance	–	–	–	–
Charge for the year	–	–	–	–
Transfer from property, plant and equipment	–	–	–	–
Transfer to property, plant and equipment	–	–	–	–
Closing balance	–	–	–	–
Net book value as at 31 December	–	–	349,000	349,000

Fair value gain of investment property has been recognised under other operating income.

SLSB has adopted policy to revalue Investment properties by every three (3) years time, thus Investment properties are measured at fair value as per the LKAS 40 and revaluation done every three years time.

29 GOODWILL AND INTANGIBLE ASSETS

Accounting policy

The Group's intangible assets consist of the value of purchased computer software.

Basis of recognition

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Useful economic life and amortisation

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible asset.

De-recognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "Other operating income" in the Income Statement in the year the asset is derecognised.

The Group does not possess intangible assets with indefinite useful economic life. The estimated economic life of the Group's computer software is four to five years (20% to 25% per annum).

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Computer software

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

29. GOODWILL AND INTANGIBLE ASSETS (CONTD.)

The Bank and Group do not have any intangible assets except computer software purchased which has been disclosed below:

		BANK		GROUP	
As at 31 December	Note	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Computer software	29.1	2,151,640	2,178,638	2,154,607	2,179,865
Software under development	29.2	228,643	5,222	228,643	5,222
Total		2,380,283	2,183,860	2,383,250	2,185,087

29.1 Computer software

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Cost/valuation				
Opening balance	4,957,501	3,011,622	4,980,395	3,034,516
Additions during the year	961,602	1,946,216	964,789	1,946,216
Disposal during the year	–	–	–	–
Adjustments	–	(337)	–	(337)
Closing balance	5,919,103	4,957,501	5,945,184	4,980,395
Less: Accumulated amortisation				
Opening balance	2,778,863	2,296,399	2,800,530	2,316,784
Charge for the year	988,600	482,464	990,047	483,746
Disposal	–	–	–	–
Closing balance	3,767,463	2,778,863	3,790,577	2,800,530
(Less): Impairment	–	–	–	–
Net book value	2,151,640	2,178,638	2,154,607	2,179,865

29.2 Software under development

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Cost/valuation				
Opening balance	5,222	29,493	5,222	29,493
Additions during the year	276,499	98,015	276,499	98,015
Disposal during the year	–	–	–	–
Transfer/adjustment	(53,078)	(122,286)	(53,078)	(122,286)
Closing balance	228,643	5,222	228,643	5,222

29.3 Fully-amortised intangible assets

The initial cost of fully-amortised intangible assets (computer software), which are still in use as at reporting date are as follows:

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Intangible assets/computer software	2,377,199	1,862,575	2,399,742	1,879,070
Total	2,377,199	1,862,575	2,399,742	1,879,070

30 DEFERRED TAX (ASSETS)/LIABILITIES

Accounting policy

Net deferred tax (asset)/liability of an entity cannot be set-off against another entity's deferred tax (asset)/liabilities as there is no legally enforceable right to set-off. Detailed on deferred tax accounting policy is given in Note 13 on page 333.

The following table shows deferred tax recorded in the Statement of Financial Position and changes recorded in the income tax expense:

		BANK		GROUP	
As at 31 December	Note	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Recognised under assets	30.(a)	(6,562,684)	(4,995,021)	(6,562,684)	(4,995,021)
Recognised under liabilities	30.(b)	–	–	73,495	61,869
Net deferred tax (asset)/liability	30.(c) and 30.(d)	(6,562,684)	(4,995,021)	(6,489,189)	(4,933,152)

30. (a) Deferred tax assets

		BANK		GROUP	
As at 31 December	Note	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Opening balance		4,995,021	5,885,288	4,995,021	5,885,288
Convert to deferred tax liabilities		–	–	–	–
Charge for the year recognised in					
– Income Statement	13.(b)	739,589	(1,209,935)	739,589	(1,209,935)
– Prior year adjustment		–	–	–	–
– Other comprehensive income		828,074	319,668	828,074	319,668
Closing balance		6,562,684	4,995,021	6,562,684	4,995,021

30. (b) Deferred tax liabilities

		BANK		GROUP	
As at 31 December	Note	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Opening balance		–	–	61,869	58,630
Convert to deferred tax assets		–	–	–	–
Charge for the year recognised in					
– Income Statement	13.(b)	–	–	25,717	(12,647)
– Prior year adjustment		–	–	–	–
– Other comprehensive income		–	–	(14,091)	15,886
Closing balance		–	–	73,495	61,869

30. DEFERRED TAX (ASSETS)/LIABILITIES (CONTD.)

30. (c) Reconciliation of net deferred tax (assets)/liabilities – Bank

	Statement of Financial Position		Profit or Loss		Other Comprehensive Income	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Deferred tax liability on:						
Accelerated depreciation for tax purpose	874,995	974,526	(99,531)	90,961	–	–
Revaluation surplus/(loss) on freehold land and building	3,401,031	3,402,330	(1,299)	–	–	–
Unrealised gain/(loss) on financial assets measured at fair value through other comprehensive Income	320,853	419,050	–	–	(98,196)	166,375
Prior year adjustment	–	–	–	–	–	–
	4,596,879	4,795,906	(100,830)	90,961	(98,196)	166,375
Deferred tax asset on:						
Retirement benefit obligations	5,976,838	5,246,960	–	–	729,878	486,042
Impairment provision	5,182,725	4,543,967	638,759	941,941	–	–
Unrealised gain/(loss) on financial assets measured at fair value through other comprehensive income	–	–	–	–	–	–
Unused tax losses	–	–	–	(2,060,914)	–	–
Prior year adjustment	–	–	–	–	–	–
	11,159,563	9,790,927	638,759	(1,118,973)	729,878	486,042
Deferred tax effect on profit or loss and other comprehensive income for the year	–	–	739,589	(1,209,934)	828,074	319,667
Net deferred tax (asset)/liability	(6,562,684)	(4,995,021)	–	–	–	–

30. (d) Reconciliation of net deferred tax (assets)/liabilities – Group

	Statement of Financial Position		Profit or Loss		Other Comprehensive Income	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Deferred tax liability on:						
Accelerated depreciation for tax purpose	918,280	1,018,648	(100,366)	88,980	–	–
Revaluation surplus/(loss) on freehold land and building	3,401,032	3,402,330	(1,299)	–	–	–
Unrealised gain/(loss) on financial assets measured at fair value through other comprehensive income	356,716	469,059	–	–	(112,342)	183,246
Prior year adjustment	–	–	–	–	–	–
	4,676,028	4,890,037	(101,665)	88,980	(112,342)	183,246
Deferred tax asset on:						
Retirement benefit obligations	5,982,492	5,279,222	(26,552)	10,665	729,824	487,027
Unused tax losses	–	–	–	–	–	–
Impairment provision	5,182,725	4,543,967	638,758	941,941	–	–
Unrealised gain/(loss) on financial assets measured at fair value through other comprehensive income	–	–	–	–	–	–
Tax losses	–	–	–	(2,060,914)	–	–
Prior year adjustment	–	–	–	–	–	–
	11,165,217	9,823,189	612,206	(1,108,308)	729,824	487,027
Deferred tax effect on profit or loss and other comprehensive income for the year	–	–	713,871	(1,197,288)	842,166	303,781
Net deferred tax (asset)/liability	(6,489,189)	(4,933,152)	–	–	–	–

31 OTHER ASSETS

Accounting policy

Other assets consists mainly with the receivables from General Treasury, Day one difference on staff loans and other receivables. All staff loans granted at rates below the market rates and recognised at fair value. The difference between the fair value and amount disbursed was treated as Day one difference and amortised over the loan period using Effective Interest Rate (EIR).

		BANK		GROUP	
As at 31 December	Note	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Receivables	31.1	1,754,517	2,366,903	1,758,116	2,387,029
Receivable from general treasury	31.2	18,344,180	34,977,108	18,373,827	35,066,048
Deposits and prepayments		429,832	532,909	430,102	538,234
Sundry debtors		127,593	76,492	127,593	76,492
Day one difference		12,047,869	11,804,409	12,047,869	11,804,409
Other assets		154,415	244,427	168,593	255,290
Total		32,858,406	50,002,248	32,906,100	50,127,502

31.1 Receivables

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Receivables	1,878,889	2,491,275	1,902,943	2,531,856
Less: Impairment	(124,372)	(124,372)	(144,827)	(144,827)
Net receivables	1,754,517	2,366,903	1,758,116	2,387,029

31.2 Receivable from General Treasury

Accounting policy

The estimated future cashflows of General Treasury receivables were discounted at Treasury Bill/Treasury Bond rate matching with corresponding expected cashflows of treasury receivables and the difference between carrying value and present value of future cashflows is recognised as impairment charges on treasury receivables.

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Receivable from general treasury on interest	5,999,968	20,353,308	6,088,908	20,442,248
Other receivable from general treasury	12,584,704	13,673,000	12,584,704	13,673,000
SWAP cost receivable from general treasury	2,894,487	2,894,487	2,894,487	2,894,487
Advance payment to general treasury	–	2,560,000	–	2,560,000
Foreign currency change incentive receivable	225,511	225,530	225,511	225,530
Dormant A/C receivable	183,369	193,452	183,369	193,452
Gross total	21,888,039	39,899,777	21,976,979	39,988,717
Less: Impairment	(3,543,859)	(4,922,669)	(3,603,152)	(4,922,669)
Net total	18,344,180	34,977,108	18,373,827	35,066,048

32 DUE TO BANKS

Accounting policy

Due to banks represents overdrafts, call money borrowings, borrowing from banks and Repos by the subsidiaries. Subsequent to initial recognition deposits are measured at their amortised cost using EIR method. Interest paid/payable on these dues are recognised in the Income Statement under interest expense.

Foreign currency borrowings as at the reporting date are translated to the functional currency at the middle exchange rate of the functional currency at that date. Foreign currency differences arising on retranslation at the reporting date are recognised in profit or loss.

	BANK		GROUP	
As at 31 December	**2025 Rs. '000**	2024 Rs. '000	**2025 Rs. '000**	2024 Rs. '000
Foreign currency borrowings	**–**	–	**–**	–
Securities sold under repurchase (Repo) agreements	**–**	–	**–**	–
Other facilities	**80,972**	487,521	**80,972**	487,521
Total	**80,972**	487,521	**80,972**	487,521

33 DERIVATIVE FINANCIAL INSTRUMENTS

		BANK		GROUP	
As at 31 December	Note	**2025 Rs. '000**	2024 Rs. '000	**2025 Rs. '000**	2024 Rs. '000
Foreign currency derivatives					
Currency swaps	48.2	**–**	258,272	**–**	258,272
Forward foreign exchange contracts		**13**	137	**13**	137
Total		**13**	258,409	**13**	258,409

34 FINANCIAL LIABILITIES RECOGNISED THROUGH PROFIT OR LOSS

The Bank and Group do not have instruments under the financial liabilities recognised through profit or loss as at 31 December 2025.

35 FINANCIAL LIABILITIES AT AMORTISED COST

Accounting policy

i. Due to depositors
Due to depositors include savings and term deposits. Subsequent to initial recognition deposits are measured at their amortised cost using EIR method. Interest paid/payable on deposits are recognised in the Income Statement under Interest Expense.

ii. Securities sold under repurchase agreements
Securities sold under agreements to repurchase at a specified future date are not derecognised from the Statement of Financial Position as the Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the Consolidated Statement of Financial Position as financial liability reflecting as a loan received by the Group, including accrued interest as a liability within "Securities sold under repurchase agreements", reflecting the transaction's economic substance. The difference between the sale and repurchase prices is treated as interest expenses and is accrued over the life of agreement using the EIR.

		BANK		GROUP	
As at 31 December	Note	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Due to depositors	35.1	1,608,490,322	1,556,270,863	1,608,891,967	1,556,681,918
Due to other borrowers	35.2	39,057,116	48,190,057	93,629,216	66,049,093
Total		1,647,547,438	1,604,460,920	1,702,521,183	1,622,731,011

35.1 Analysis of amount due to depositors

35.1 (a) By product

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Savings deposits	337,968,901	302,544,813	338,050,580	302,637,392
Fixed deposits	1,270,521,421	1,253,726,050	1,270,841,387	1,254,044,526
Total	1,608,490,322	1,556,270,863	1,608,891,967	1,556,681,918

35.1 (b) By currency

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Sri Lankan Rupee	1,575,408,166	1,530,649,011	1,575,809,811	1,531,060,066
United State Dollar	27,743,541	20,932,437	27,743,541	20,932,437
Euro	2,535,892	2,072,504	2,535,892	2,072,504
Sterling Pound	1,788,435	1,620,031	1,788,435	1,620,031
Australian Dollar	1,010,181	994,285	1,010,181	994,285
Japanese Yen	4,107	2,595	4,107	2,595
Total	1,608,490,322	1,556,270,863	1,608,891,967	1,556,681,918

35.2 Due to other borrowers

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Other borrowers	39,057,116	48,190,057	93,629,216	66,049,093
Total	39,057,116	48,190,057	93,629,216	66,049,093

36 LEASE LIABILITIES

Accounting policy

Initial measurement of lease liability
The lease liability is initially measured at the present value of the future lease rentals over the remaining lease period at commencement date.

Subsequent measurement of lease liability
The lease liability subsequently is measured by increasing the lease interest and reducing the lease payments.

Discount rate
The discount rate applied to determine the present value of future rentals is the Treasury Bond Rates for periods which are similar to lease periods published by the Central Bank. The period of the Treasury Bond is identical to lease tenure. If the Treasury Bond Rate is not available for the applicable tenure, the rate of the tenure which is lower than the lease tenure is applied.

36. (a) Lease liabilities

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Opening balance	1,281,561	1,365,547	1,314,177	1,400,575
Additions during the year	579,688	234,958	579,688	234,958
Lease interest for the year	208,549	199,122	212,095	202,942
Less: Paid during the year	(577,275)	(518,066)	(583,476)	(524,298)
Adjustments	–	–	–	–
Closing balance	1,492,523	1,281,561	1,522,484	1,314,177

36. (b) Maturity analysis – Lease liabilities

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Amount payable within one year	394,702	317,675	398,234	320,330
Amount payable within one to three years	605,585	587,253	614,073	594,736
Amount payable within three to five years	270,056	272,627	282,117	282,856
Amount payable after five years	222,180	104,006	228,060	116,254
Total	1,492,523	1,281,561	1,522,484	1,314,176

NOTES TO THE FINANCIAL STATEMENTS

37 DEBT SECURITIES ISSUED

As at 31 December	Note	BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
Subordinated liabilities					
Debenture issued by the Bank	37.1	5,084,896	5,100,532	5,084,896	5,100,532
Debenture issued by other subsidiaries		–	–	72,758	73,169
		5,084,896	5,100,532	5,157,654	5,173,701
Non-subordinated liabilities					
Debenture issued by the Bank	37.2	11,826,147	11,865,950	11,826,147	11,865,950
Total		16,911,043	16,966,482	16,983,801	17,039,651
Due within 1 year		10,386,043	425,482	10,458,801	498,651
Due after 1 year		1,525,000	11,541,000	1,525,000	11,541,000
Perpetual		5,000,000	5,000,000	5,000,000	5,000,000
Total		16,911,043	16,966,482	16,983,801	17,039,651

37.1 Subordinated liabilities

Accounting policy

These represent the funds borrowed by the Group for long-term funding requirements. Subsequent to initial recognition these are measured at their amortised cost using the EIR method, except where the Group designates them at fair value through profit or loss. Interest paid/payable is recognised in profit or loss.

As at 31 December	Note	BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
Balance as at 1 January		5,000,000	5,000,000	5,000,000	5,000,000
Amount borrowed during the year		–	–	–	–
Repayments/redemptions during the year		–	–	–	–
Sub total		5,000,000	5,000,000	5,000,000	5,000,000
Exchange rate variance		–	–	–	–
Balance as at 31 December (before adjusting for amortised interest and transaction cost)		5,000,000	5,000,000	5,000,000	5,000,000
Unamortised transaction cost		–	–	–	–
Net effect of amortised interest payable		84,896	100,532	84,896	100,532
Amortised cost as at 31 December		5,084,896	5,100,532	5,084,896	5,100,532
Subordinated liabilities					
Floating rate subordinated liabilities	37.1.1	5,084,896	5,100,532	5,084,896	5,100,532
Total		5,084,896	5,100,532	5,084,896	5,100,532

37. DEBT SECURITIES ISSUED (CONTD.)

37.1 Subordinated liabilities (contd.)

37.1.1 Floating rate subordinated liabilities

Detail of debenture Issue

Primary objective of issuing debenture is to increase the capital of the Bank in order to enhance additional Tier 1 Capital of the Bank and finance the lending activities of the Bank.

Outstanding subordinated liabilities of the Bank as at 31 December 2025 consisted of Rs. 5,000 Mn. Unlisted, Unsecured, Subordinated, Perpetual, Rated debentures of Rs. 100/- issued on 27 October 2020 as Private Placement under the provision of the NSB Act No. 30 of 1971. The debenture carry AA rating from Lanka Rating.

						EFFECTIVE ANNUAL YIELD		BANK		GROUP	
Category	Face value Rs. '000	Interest rate %	Repayment terms	Issue date	Maturity date	**2025 %**	2024 %	**2025 Rs. '000**	2024 Rs. '000	**2025 Rs. '000**	2024 Rs. '000
Issued by the Bank											
Floating rate	5,000,000	Six (06) month T Bill rate +1.50% p.a	Perpetual	27 October 2020	Perpetual	**9.61**	11.46	**5,000,000**	5,000,000	**5,000,000**	5,000,000
Interest payable								**84,896**	100,532	**84,896**	100,532
Total								**5,084,896**	5,100,532	**5,084,896**	5,100,532

* Interest payment term is semi-annual.

In the event of the winding-up of the issuer, the above liabilities would be subordinated to the claims of depositors and all other creditors of the issuer.

37.2 Non-subordinated liabilities

Accounting policy

These represent the funds borrowed by the Group for long-term funding requirements. Subsequent to initial recognition these are measured at their amortised cost using the EIR method, except where the Group designates them at fair value through profit or loss. Interest paid/payable is recognised in profit or loss.

As at 31 December	Note	BANK		GROUP	
		2025 Rs. '000	2024 Rs. '000	**2025 Rs. '000**	2024 Rs. '000
Balance as at 1 January		**11,541,000**	17,864,000	**11,541,000**	17,864,000
Amount borrowed during the year		**–**	–	**–**	–
Repayments/redemptions during the year		**–**	(6,323,000)	**–**	(6,323,000)
Sub total		**11,541,000**	11,541,000	**11,541,000**	11,541,000
Exchange rate variance		**–**	–	**–**	–
Balance as at 31 December (before adjusting for amortised interest and transaction cost)		**11,541,000**	11,541,000	**11,541,000**	11,541,000
Unamortised transaction cost		**–**	–	**–**	–
Net effect of amortised interest payable		**285,147**	324,950	**285,147**	324,950
Amortised cost as at 31 December		**11,826,147**	11,865,950	**11,826,147**	11,865,950
Non-subordinated liabilities					
Debenture issued in 2021 (Rs. 11.5 Bn.)	37.2.1	**11,826,147**	11,865,950	**11,826,147**	11,865,950
Total		**11,826,147**	11,865,950	**11,826,147**	11,865,950

37. DEBT SECURITIES ISSUED (CONTD.)

37.2 Non-subordinated liabilities (contd.)

37.2.1 Debenture issued in 2021 (Rs. 11.5 Bn.)

Detail of debenture Issue

The funds raised through the Debenture Issue will provide the necessary stable funding for five years and more and to further expand the lending portfolio of the Bank. Debenture proceeds will be disbursed in the ordinary course of business subject to all applicable regulations. Outstanding debenture of the Bank as at 31 December 2024 consisted of Rs. 11,541 Mn. Unlisted, Rated, Redeemable, Senior Debentures of Rs. 100/-each issued on 23 September 2021 as Private Placement under the provision of the NSB Act No. 30 of 1971. NSB Fund Management Co. Ltd. acts as Trustee for the issue and carry AA+ rating from Lanka Rating.

						Effective annual yield		BANK		GROUP	
Category	Face value Rs. '000	Interest rate %	Repayment terms	Issue date	Maturity date	2025 %	2024 %	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Issued by the Bank											
Fixed rate 5 year	1,016,000	8.50%	At Maturity	24 September 2021	23 September 2026	8.68	8.68	1,016,000	1,016,000	1,016,000	1,016,000
Floating rate 5 year	9,000,000	6 months AWPLR + 1.00%	At Maturity	24 September 2021	23 September 2026	9.48	11.00	9,000,000	9,000,000	9,000,000	9,000,000
Floating rate 7 year	1,525,000	6 months AWPLR + 1.00%	At Maturity	24 September 2021	23 September 2028	9.48	11.00	1,525,000	1,525,000	1,525,000	1,525,000
Interest payable								285,147	324,950	285,147	324,950
Total	11,541,000							11,826,147	11,865,950	11,826,147	11,865,950

* Interest payment term is annual.

38 RETIREMENT BENEFIT OBLIGATIONS

Accounting policy

Obligation identifies on defined benefit plans for post employment benefits are recognised as retirement benefit obligations. Accordingly National Savings Bank employee pension scheme I, pension scheme II and Medical assistance scheme for retired employees of NSB were considered as defined plans as per the LKAS – 19 "Employee Benefits".

		BANK		GROUP	
As at 31 December	Note	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Provision for pension scheme I	38.(a)1	14,101,486	12,899,271	14,101,486	12,899,271
Provision for pension scheme II	38.(a) 2	740,168	447,200	740,168	447,200
Provision for retired medical assistance scheme	38.(a) 3	5,081,140	4,143,397	5,081,140	4,143,397
Provision for gratuity	38.(a) 4	–	–	18,850	107,539
Total		19,922,794	17,489,868	19,941,644	17,597,407

38. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

38. (a) Defined benefit plans

The Bank has two separate pension schemes established, Pension Scheme I for permanent employees joined before 1 October 1995 and Pension Scheme II for permanent employees joined on or after 1 October 1995 and a retired medical assistance scheme for retired employees.

The assets of these schemes are held independently of the Bank's assets and administered by Boards of Trustees/Managers, representing the Management and the employees, as provided in the trust deed/rules of the respective funds.

All the funds are subject to annual audits independent to the audit of the Bank, by a firm of Chartered Accountants appointed by the members and actuarial valuations are carried out at least once in every two years, as per the rules governing these funds.

A summary of retirement benefit obligations of the Bank as at 31 December 2025 are given below:

As at 31 December 2025	Pension scheme I Rs. '000	Pension scheme II Rs. '000	Retired medical assistance scheme Rs. '000	Total Rs. '000
Present value of defined benefit obligation (PVDBO)	(26,465,471)	(12,675,511)	(7,226,810)	(46,367,792)
Fair value of plan assets	12,363,985	11,935,343	2,145,670	26,444,998
Net asset/(liability) recognised for defined benefit obligation	(14,101,486)	(740,168)	(5,081,140)	(19,922,794)

A summary of retirement benefit obligations of the Bank as at 31 December 2024 are given below:

As at 31 December 2024	Pension scheme I Rs. '000	Pension scheme II Rs. '000	Retired medical assistance scheme Rs. '000	Total Rs. '000
Present value of defined benefit obligation (PVDBO)	(25,617,802)	(10,471,351)	(5,781,264)	(41,870,417)
Fair value of plan assets	12,718,531	10,024,151	1,637,866	24,380,548
Net asset/(liability) recognised for defined benefit obligation	(12,899,271)	(447,199)	(4,143,398)	(17,489,868)

38. (a) 1 National Savings Bank Employees' Pension Scheme I

Pension Scheme I

The actuarial valuation of the Pension Scheme I was carried out as at 31 December 2025 by Mr M Jayaraman, FIA, of Messrs Units Actuaries & Consultants (Pvt) Ltd., a firm of professional Actuaries, on 31 December 2025.

Projected Unit Credit Method was used to allocate the actuarial present value of the projected benefits earned by employees to date of 31 December 2025.

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
(a) Net asset/(liability) recognised in Statement of Financial Position				
Present value of defined benefit obligation	(26,465,471)	(25,617,802)	(26,465,471)	(25,617,802)
Fair value of plan assets	12,363,985	12,718,531	12,363,985	12,718,531
Net asset/(liability) recognised for defined benefit obligation	(14,101,486)	(12,899,271)	(14,101,486)	(12,899,271)
(b) Amount recognised in Income Statement				
Past service cost	–	–	–	–
Current service cost	59,080	62,394	59,080	62,394
Interest on obligation	2,657,726	3,257,623	2,657,726	3,257,623
Expected return on plan assets	(1,334,581)	(1,569,264)	(1,334,581)	(1,569,264)
Net benefit expense	1,382,226	1,750,753	1,382,226	1,750,753

38. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

38. (a) Defined benefit plans (contd.)

38. (a) 1 National Savings Bank Employees' Pension Scheme I (contd.)

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
(c) Amount recognised in Other Comprehensive Income (OCI)				
Provision adjustment	(12)	(24)	(12)	(24)
Experience (gain)/loss	(64,383)	(1,241,193)	(64,383)	(1,241,193)
(Gain)/loss due to changes in assumptions	1,108,549	1,387,491	1,108,549	1,387,491
Actuarial (gain)/loss on plan assets	517,176	(367,168)	517,176	(367,168)
Total	1,561,330	(220,894)	1,561,330	(220,894)
(d) Changes in fair value of plan assets are as follows:				
Opening fair value of plan assets	12,718,531	12,071,264	12,718,531	12,071,264
Expected return on plan assets	1,334,581	1,569,264	1,334,581	1,569,264
Actual employer contribution	1,741,352	1,617,990	1,741,352	1,617,990
Benefits paid	(2,913,303)	(2,907,155)	(2,913,303)	(2,907,155)
Actuarial gain/(loss) on plan assets	(517,176)	367,168	(517,176)	367,168
Closing fair value of plan assets	12,363,985	12,718,531	12,363,985	12,718,531
(e) Changes in present value of defined benefit obligation are as follows:				
Opening defined benefit obligation	25,617,802	25,058,641	25,617,802	25,058,641
Interest cost	2,657,726	3,257,623	2,657,726	3,257,623
Past service cost	–	–	–	–
Current service cost	59,080	62,394	59,080	62,394
Benefits paid	(2,913,303)	(2,907,154)	(2,913,303)	(2,907,154)
(Gain)/loss due to changes in assumptions	1,108,549	1,387,491	1,108,549	1,387,491
Actuarial (gain)/loss on obligation	(64,383)	(1,241,193)	(64,383)	(1,241,193)
Closing defined benefit obligation	26,465,471	25,617,802	26,465,471	25,617,802
(f) Plan assets consists of followings:				
Treasury Bonds	3,835,786	5,975,510	3,835,786	5,975,510
Treasury Bills	1,984,313	3,248,245	1,984,313	3,248,245
Fixed deposits	1,524,124	707,926	1,524,124	707,926
Securities purchased under resale agreements	2,363,780	18,128	2,363,780	18,128
Debentures	2,094,389	2,556,122	2,094,389	2,556,122
Trust certificates	658,570	342,931	658,570	342,931
Cash at Bank	119	12,094	119	12,094
Other assets/(liabilities)	(97,095)	(142,425)	(97,095)	(142,425)
Total	12,363,986	12,718,531	12,363,986	12,718,531

38. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

38. (a) Defined benefit plans (contd.)

38. (a) 1 National Savings Bank Employees' Pension Scheme I (contd.)

As at 31 December	BANK AND GROUP 2025 Rs. '000	2024 Rs. '000
(g) Maturity profile of defined benefit obligation – present value of expected accrued benefit payments		
Distribution of present value of defined benefit obligation in future years		
Less than one year	2,875,839	2,725,386
Between 1-2 years	5,110,598	4,897,419
Between 3-5 years	5,998,101	5,848,703
Between 6-10 years	6,472,504	6,261,783
Beyond 10 years	6,008,429	5,884,511
Total	26,465,471	25,617,802

	Pension Scheme I 2025	Pension Scheme I 2024
(h) Actuarial assumptions		
Future salary increment rate (%)	8.50	8.00
Discount rate (%)	10.00	11.00
Increase in future Cost of Living Allowance (COLA) (%)	6.00	6.50
Mortality	GA 1983 Mortality table	GA 1983 Mortality table
Retirement age	60 years	60 years
Normal form of payment	Monthly	Monthly

Actuarial assumptions

Turnover rate

Age	2025 %	2024 %
20	–	0.3
25	1.0	0.3
30	2.0	0.3
35	2.0	0.3
40	1.0	0.3
45	–	0.3
50	–	0.3
55	–	0.3
56	–	0.3
57	–	0.3
58	–	0.3
59	–	0.3

38. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

38. (a) Defined benefit plans (contd.)

38. (a) 1 National Savings Bank Employees' Pension Scheme I (contd.)

(i) Increase/decrease in the following assumptions will have an impact on the present value of defined benefit obligation as illustrated below:

	PENSION SCHEME I (BANK AND GROUP)			
	2025		2024	
	1% increase	1% decrease	1% increase	1% decrease
Future salary increment rate	26,496,327	26,435,237	25,658,720	25,577,925
Discount rate	24,828,844	28,313,807	24,034,486	27,405,593

38. (a) 2 National Savings Bank Employees' Pension Scheme II

The actuarial valuation of the Pension Scheme II was carried out as at 31 December 2025 by Mr M Jayaraman, FIA, of Messrs Units Actuaries & Consultants (Pvt) Ltd., a firm of professional Actuaries, on 31 December 2025.

Projected Unit Credit (PUC) Method was used to allocate the actuarial present value of the projected benefits earned by employees to date of 31 December 2025.

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
(a) Net asset/(liability) recognised in Statement of Financial Position				
Present value of defined benefit obligation	(12,675,511)	(10,471,351)	(12,675,511)	(10,471,351)
Fair value of plan assets	11,935,343	10,024,151	11,935,343	10,024,151
Total	(740,168)	(447,200)	(740,168)	(447,200)
(b) Amount recognised in Income Statement				
Past service cost	–	–	–	–
Current service cost	769,279	557,131	769,279	557,131
Interest on obligation	1,146,875	755,760	1,146,875	755,760
Expected return on plan assets	(1,156,765)	(1,045,747)	(1,156,765)	(1,045,747)
FMC contribution	–	(1,287)	–	–
Net benefit expense	759,390	265,856	759,390	267,143
(c) Amount recognised in Other Comprehensive Income (OCI)				
Provision adjustment	(2,482)	(816)	(2,482)	(816)
Experience (gain)/loss	(898,583)	764,440	(898,583)	764,440
(Gain)/ loss due to changes in assumptions	1,277,016	2,666,051	1,277,016	2,666,051
Actuarial (gain)/loss on plan assets	229,359	44,864	229,359	44,864
Total	605,310	3,474,539	605,310	3,474,539
(d) Changes in fair value of plan assets are as follows:				
Opening fair value of plan assets	10,024,151	8,044,209	10,024,151	8,044,209
Expected return on plan assets	1,156,765	1,045,747	1,156,765	1,045,747
Actual employer contribution	1,074,213	1,064,626	1,074,213	1,064,626
Benefits paid	(90,427)	(85,567)	(90,427)	(85,567)
Actuarial gain/(loss) on plan assets	(229,359)	(44,864)	(229,359)	(44,864)
Closing fair value of plan assets	11,935,343	10,024,151	11,935,343	10,024,151

38. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

38. (a) Defined benefit plans (contd.)

38. (a) 2 National Savings Bank Employees' Pension Scheme II (contd.)

As at 31 December	BANK		GROUP	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
(e) Changes in present value of defined benefit obligation are as follows:				
Opening defined benefit obligation	10,471,351	5,813,536	10,471,351	5,813,536
Interest cost	1,146,875	755,760	1,146,875	755,760
Past service cost	–	–	–	–
Current service cost	769,279	557,131	769,279	557,131
Benefits paid	(90,427)	(85,567)	(90,427)	(85,567)
(Gain)/loss due to changes in assumptions	1,277,016	2,666,051	1,277,016	2,666,051
Actuarial (gain)/loss on obligation	(898,583)	764,440	(898,583)	764,440
Closing defined benefit obligation	12,675,511	10,471,351	12,675,511	10,471,351
(f) Plan assets consist of followings:				
Treasury Bonds	8,154,093	7,164,043	8,154,093	7,164,043
Treasury Bills	720,576	1,462,343	720,576	1,462,343
Debentures	1,228,897	709,292	1,228,897	709,292
Fixed deposits	1,189,444	445,851	1,189,444	445,851
Trust certificates	625,686	282,121	625,686	282,121
Securities purchased under resale agreements	92,059	9,104	92,059	9,104
Savings	146	62,926	146	62,926
Other assets/(liabilities)	(75,558)	(111,529)	(75,558)	(111,529)
Total	11,935,343	10,024,151	11,935,343	10,024,151

	BANK AND GROUP	
	2025 Rs. '000	2024 Rs. '000
(g) Maturity profile of defined benefit obligation – present value of expected accrued benefit payments		
Distribution of present value of defined benefit obligation in future years		
Less than one year	129,336	87,860
Between 1-2 years	305,553	243,439
Between 3-5 years	733,960	620,591
Between 6-10 years	1,406,451	1,305,471
Beyond 10 years	10,100,211	8,213,990
Total	12,675,511	10,471,351

38. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

38. (a) Defined benefit plans (contd.)

38. (a) 2 National Savings Bank Employees' Pension Scheme II (contd.)

	Pension Scheme II 2025	Pension Scheme II 2024
(h) Actuarial assumption		
Future salary increment rate (%)	8.50	8.00
Discount rate (%)	10.50	11.00
Increase in future Cost of Living Allowance (COLA) (%)	6.00	6.50
Mortality	GA 1983 Mortality table	GA 1983 Mortality table
Retirement age	60 years	60 years
Normal form of payment	Monthly	Monthly

Turnover rate

Age	2025 %	2024 %
20	–	0.3
25	1.0	0.3
30	2.0	0.3
35	2.0	0.3
40	1.0	0.3
45	–	0.3
50	–	0.3
55	–	0.3
56	–	0.3
57	–	0.3
58	–	0.3
59	–	0.3

(i) Increase/decrease in the following assumptions will have an impact on the present value of defined benefit obligation as illustrated below:

	PENSION SCHEME II (BANK AND GROUP)			
	2025		2024	
	1% increase	1% decrease	1% increase	1% decrease
Future salary increment rate	14,089,326	11,485,393	11,592,466	9,530,274
Discount rate	10,528,714	15,430,696	8,714,046	12,725,640

38. (a) 3 Retired medical assistance scheme for the retired employees of NSB

The actuarial valuation of the retired medical assistance scheme for the retired employees was carried out as at 31 December 2025 by Mr M Jayaraman, FIA, of Messrs Units Actuaries & Consultants (Pvt) Ltd., a firm of professional Actuaries, on 31 December 2025.

Projected Unit Credit Method (PUC) was used to allocate the actuarial present value of the projected benefits earned by employees to date of 31 December 2025.

38. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

38. (a) Defined benefit plans (contd.)

38. (a) 3 Retired medical assistance scheme for the retired employees of NSB (contd.)

As at 31 December	BANK AND GROUP 2025 Rs. '000	2024 Rs. '000
(a) Net asset/(liability) recognised in Statement of Financial Position		
Present value of defined benefit obligation	(7,226,810)	(5,781,264)
Fair value of plan assets	2,145,670	1,637,866
Total	(5,081,140)	(4,143,398)
(b) Amount recognised in Income Statement		
Past service cost	–	–
Current service cost	126,907	123,575
Interest on obligation	638,106	797,137
Expected return on plan assets	(208,092)	(132,444)
Net benefit expense	556,921	788,268
(c) Amount recognised in Other Comprehensive Income (OCI)		
Experience (gain)/loss	220,598	(753,765)
(Gain)/loss due to changes in assumptions	924,967	(77,377)
Actuarial (gain)/loss on plan assets	43,541	(174,149)
Contribution from employees	(20,016)	(19,812)
Total	1,169,090	(1,025,103)
(d) Changes in fair value of plan assets are as follows:		
Opening fair value of plan assets	1,637,866	1,018,805
Expected return on plan assets	208,092	132,444
Actual employer contribution	788,269	732,789
Actual participants' contribution	20,016	19,812
Benefits paid	(465,032)	(440,133)
Actuarial gain/(loss) on plan assets	(43,541)	174,149
Closing fair value of plan assets	2,145,670	1,637,866
(e) Changes in present value of defined benefit obligation are as follows:		
Opening defined benefit obligation	5,781,264	6,131,827
Interest cost	638,106	797,137
Past service cost	–	–
Current service cost	126,907	123,575
Benefits paid	(465,032)	(440,133)
(Gain)/loss due to changes in assumptions	924,967	(77,377)
Actuarial (gain)/loss on obligation	220,598	(753,765)
Closing defined benefit obligation	7,226,810	5,781,264

38. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

38. (a) Defined benefit plans (contd.)

38. (a) 3 Retired medical assistance scheme for the retired employees of NSB (contd.)

As at 31 December	BANK AND GROUP 2025 Rs. '000	2024 Rs. '000
(f) Plan assets consist of followings:		
Treasury Bonds	1,602,186	1,444,855
Treasury Bills	374,465	203,854
Fixed deposits	536,187	257,380
Securities purchased under resale agreements	23,655	3,833
Debentures	76,825	174,219
Savings	118	149
Other payable	(467,766)	(446,424)
Total	2,145,670	1,637,866
(g) Maturity profile of defined benefit obligation – present value of expected accrued benefit payments		
Distribution of present value of defined benefit obligation in future years		
Less than one year	468,135	425,424
Between 1-2 years	866,925	770,005
Between 3-5 years	1,130,216	974,024
Between 6-10 years	1,432,310	1,213,585
Beyond 10 years	3,329,224	2,398,226
Total	7,226,810	5,781,264

	2025 %	2024 %
(h) Actuarial assumption		
Medical cost inflation rate	7.00	6.50
Discount rate	10.50	11.50

(i) Increase/decrease in the following assumptions will have an impact on the present value of defined benefit obligation as illustrated below:

	BANK AND GROUP 2025		2024	
	1% increase	1% decrease	1% increase	1% decrease
Medical cost escalation rate	8,280,146	6,375,216	6,539,494	5,158,846
Discount rate	6,428,527	8,227,759	5,208,970	6,486,382

38. (a) 4 Gratuity plan – Bank and Group

Bank

With the establishment of Pension Scheme II, employees who joined the Bank on or after 1 October 1995 are become members of the Pension Scheme II, thus are not entitled to the rights and privileges under Service Gratuity Scheme. However, where there are payments of termination gratuity before the entitlement of pension, the Bank recognises the expense on cash basis.

Group

The staff members of the subsidiary companies are not entitled for pension scheme and hence, they continue to be members of the Gratuity Plan as per the provisions of the Gratuity Act No. 12 of 1983.

38. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

38. (a) Defined benefit plans (contd.)

38. (a) 4 Gratuity plan – Bank and Group (contd.)

As at 31 December	BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
(a) Net benefit expense (recognised under personal expenses)				
Current service cost	–	–	1,488	36,804
Interest cost on benefit obligation	–	–	4,314	4,153
Net benefit expense	–	–	5,802	40,957
(b) Provision for gratuity				
Defined benefit obligation as at 1 January	–	–	107,539	68,707
Interest cost	–	–	4,314	4,153
Current service cost	–	–	1,488	36,804
Benefits paid	–	–	(94,308)	(2,125)
Actuarial (gain)/loss on obligation (recognised in OCI)	–	–	(183)	–
Defined benefit obligation as at 31 December	–	–	18,850	107,539

	FMC 2025 %	FMC 2024 %	SLSB 2025 %	SLSB 2024 %
(c) Actuarial assumption				
Future salary increment rate	10.00	10.00	10.00	10.00
Discount rate	10.00	11.00	13.00	13.00
Mortality	–	–	A67/70	A67/70

Staff turnover rate and average future working lifetime

	FMC – 2025		
Age group	25-34	35-44	45<
Staff turnover rate – %	0%	0%	0%
Average future working lifetime – years	32	21	10

(d) Increase/decrease in the following assumptions will have an impact on the present value of defined benefit obligation (PVDBO) as illustrated below:

Values appearing in the Financial Statements are very sensitive to the changes in financial and non-financial assumptions used.
Net impact to PVDBO has been illustrated below:

	FMC			
	2025		2024	
	1% increase	1% decrease	1% increase	1% decrease
Future salary increment rate	2,155	(1,852)	1,146	(1,020)
Discount rate	(1,837)	2,176	(1,002)	1,146

Assumptions

Financial assumptions – Rate of discount, salary increment rate

Demographic assumptions – Mortality, staff turnover, disability, retirement age

NOTES TO THE FINANCIAL STATEMENTS

39 CURRENT TAX LIABILITIES

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Balance as at 1 January	3,648,729	–	4,054,844	305,869
Tax receivable (WHT)	(68,655)	(60,351)	(80,280)	(192,812)
Prior year adjustment	(17,310)	–	65,956	–
Charge for the year	17,929,245	8,935,497	18,432,446	9,770,215
Payment during the year	(13,008,193)	(5,035,397)	(13,674,766)	(5,637,408)
Transfer to/(from) tax receivable	–	(191,020)	–	(191,020)
Balance as at 31 December	8,483,816	3,648,729	8,798,200	4,054,844

40 OTHER PROVISIONS

No value to be disclosed under other provision as at 31 December 2025.

41 OTHER LIABILITIES

Accounting policy

Other liabilities include provisions made in account of fees and expenses, salary related, and other expenses. These liabilities are recorded at amounts expected to be payable at the reporting date.

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Sundry creditors	183,754	333,659	185,310	335,283
Interest payable	–	–	70,204	68,926
Salary related payable	2,930,988	2,866,461	2,931,693	2,867,111
Other tax payable	1,762,105	599,583	1,768,435	640,292
Other payables	12,658,110	5,202,406	5,593,409	5,475,633
Total	17,534,957	9,002,109	10,549,051	9,387,245

42 DUE TO SUBSIDIARIES

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Payable to FMC	–	–	–	–
Total	–	–	–	–

Refer Note 49.3 – Related party transaction on page 389.

43 STATED CAPITAL/ASSIGNED CAPITAL

As at 31 December	BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
Authorised				
1 Bn. ordinary shares of Rs. 10.00 each as at 1 January	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Balance as at 1 January (issued and fully paid)				
940 Mn. ordinary shares of Rs. 10.00 each	**9,400,000**	9,400,000	**9,400,000**	9,400,000
Issue of ordinary shares during the year	**–**	–	**–**	–
Total	**9,400,000**	9,400,000	**9,400,000**	9,400,000

44 STATUTORY RESERVE FUND

The statutory reserve fund is maintained as per the requirements under Section 20 (1) of the Banking Act No. 30 of 1988. Accordingly, the fund is built up by allocating a sum equivalent to not less than 5% of the profit after tax, but before declaring any dividend or any profit that are transferred to elsewhere until the reserve is equal to 50% of the Bank's stated capital and thereafter sum equivalent to 2% of such profit until the amount of said reserve fund is equal to the stated capital of the Bank.

The balance in the statutory reserve fund will be used only for the purposes specified in the Section 20 (2) of the Banking Act No. 30 of 1988.

As at 31 December	BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
Opening balance	**5,694,877**	5,369,172	**5,810,742**	5,464,218
Transfer during the period – 2% of profit after tax	**546,415**	325,705	**554,146**	346,524
Closing balance	**6,241,292**	5,694,877	**6,364,888**	5,810,742

45 RETAINED EARNINGS

As at 31 December	BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
Balance as at 1 January	**28,462,305**	14,408,118	**33,771,814**	18,605,719
Profit for the year	**27,320,758**	16,122,392	**28,162,552**	17,496,961
Other comprehensive income	**(2,605,851)**	(1,742,500)	**(2,326,060)**	(1,744,798)
Transfers to other reserves (statutory/other)	**(546,415)**	(325,705)	**(725,940)**	(586,068)
Surplus/(reversals) on revaluation of property	**3,030**	–	**3,030**	–
Dividend/levy	**(6,088,296)**	–	**(6,088,296)**	–
Balance as at 31 December	**46,545,531**	28,462,305	**52,797,100**	33,771,814

* Please refer Note 53 comparative figures.

NOTES TO THE FINANCIAL STATEMENTS

46 OTHER RESERVES

	BANK		
	Opening balance at 1 January 2025 Rs. '000	Movement/ transfers Rs. '000	Closing balance at 31 December 2025 Rs. '000
General reserve	37,740,877	–	37,740,877
Revaluation reserve (net of tax)	7,946,216	(3,030)	7,943,186
OCI reserve	4,213,302	1,358,693	5,571,995
Foreign currency translation reserve	–	–	–
Other reserves (Refer Note 46.1, 46.2)	5,385,038	222,708	5,607,746
Total	55,285,433	1,578,371	56,863,804

	BANK		
	Opening balance at 1 January 2024 Rs. '000	Movement/ transfers Rs. '000	Closing balance at 31 December 2024 Rs. '000
General reserve	37,740,877	–	37,740,877
Revaluation reserve (net of tax)	7,946,216	–	7,946,216
OCI reserve	1,286,463	2,926,839	4,213,302
Foreign currency translation reserve	–	–	–
Other reserves (Refer Note 46.1, 46.2)	5,223,407	161,631	5,385,038
Total	52,196,963	3,088,470	55,285,433

	GROUP		
	Opening balance at 1 January 2025 Rs. '000	Movement/ transfers Rs. '000	Closing balance at 31 December 2025 Rs. '000
General reserve	37,740,877	–	37,740,877
Revaluation reserve (net of tax)	8,642,884	(3,030)	8,639,854
OCI reserve	4,566,424	1,061,881	5,628,305
Foreign currency translation reserve	–	–	–
Other reserves (Refer Note 46.1, 46.2, 46.3)	6,902,054	394,502	7,296,556
Total	57,852,239	1,453,353	59,305,592

	GROUP		
	Opening balance at 1 January 2024 Rs. '000	Movement/ transfers Rs. '000	Closing balance at 31 December 2024 Rs. '000
General reserve	37,740,877	–	37,740,877
Revaluation reserve (net of tax)	8,642,884	–	8,642,884
OCI reserve	1,433,850	3,132,574	4,566,424
Foreign currency translation reserve	–	–	–
Other reserves (Refer Note 46.1, 46.2, 46.3)	6,500,879	401,175	6,902,054
Total	54,318,490	3,533,749	57,852,239

46. OTHER RESERVES (CONTD.)

46.1 Unclaimed deposit reserve

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Opening balance	5,382,857	5,221,226	5,382,857	5,221,226
Transferred to share capital	–	–	–	–
Transferred during the year	222,708	161,631	222,708	161,631
Closing balance	5,605,565	5,382,857	5,605,565	5,382,857

In terms of the Section 47 of the National Savings Bank Act No. 30 of 1971 as amended by the Section 30 of the National Savings Bank (Amendment) Act No. 28 of 1995, where an amount lying dormant in a savings or deposit account for a period of ten years, it should be transferred to, Unclaimed Deposit Reserve. Accordingly amount transferred (net) to the reserve during the year 2025, was Rs. 222.7 Mn.

46.2 Special reserve

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Opening balance	2,181	2,181	2,181	2,181
Transferred during the year	–	–	–	–
Closing balance	2,181	2,181	2,181	2,181

The special reserve represents the amount transferred from the dormant accounts of customers where the aggregate of the amount dormant is less than Rs. 10.00 (Ten rupees).

The whole or such part of the monies lying to the credit of "Special Reserve" and "Unclaimed Deposit Reserve" may be capitalised and shares to the value of money capitalised may be issued in the name of Secretary to the General Treasury. The entirety of the issue and fully paid share capital of Rs. 9,400 Mn. reflected in the Statement of Financial Position was issued by capitalising the Unclaimed Deposit Reserve time to time.

46.3 Special risk reserve – (NSB Fund Management Company Limited)

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Opening balance	–	–	1,517,016	1,277,472
Transferred during the year – 25% of profit after tax	–	–	171,794	239,544
Closing balance	–	–	1,688,810	1,517,016

In order to promote the safety, soundness and the stability of the primary dealer (PD) system and to build up PD capital base, primary dealers (PDs) are required to annually transfer a percentage of their profit after tax to a special risk reserve as follows, with effect from 1 July 2004:

I. 50% of the profit after tax annually by the PDs who maintain capital funds less than Rs. 400 Mn.

II. 25% of the profit after tax annually by the PDs who maintain capital funds in excess of Rs. 400 Mn.

Other reserves

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Total other reserves	5,607,746	5,385,038	7,296,556	6,902,054

NOTES TO THE FINANCIAL STATEMENTS

47 NON-CONTROLLING INTEREST

Bank has two fully-owned subsidiaries. Therefore no values to be disclosed under non-controlling interest.

48 CONTINGENT LIABILITIES AND COMMITMENTS

Accounting policy

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future event or present obligation where the transfer of economic benefit is not probable or cannot be reliably measured as defined in the Sri Lanka Accounting Standard – LKAS 37 on "Provisions, Contingent Liabilities and Contingent Assets".

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. This includes finance guarantees, letters of credit, and other undrawn commitments to lend. Letters of credit and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

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

		BANK		GROUP	
As at 31 December	Note	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Commitments					
Commitment for unutilised credit facilities		2,648,208	3,459,333	2,648,208	3,459,333
Other commitments indirect credit facilities		481,774	1,043,688	481,774	1,043,688
Capital commitments	48.1	1,502,302	619,267	1,503,802	627,575
Sub total		4,632,284	5,122,288	4,633,784	5,130,596
Contingent liabilities					
Documentary credit		65,792	–	65,792	–
Bank guarantees		1,467,204	1,295,768	1,467,204	1,295,768
Other contingencies	48.2	6,488,663	8,624,391	6,488,663	8,624,391
Sub total		8,021,659	9,920,159	8,021,659	9,920,159
Total commitment and contingencies		12,653,943	15,042,447	12,655,443	15,050,755

48.1 Capital commitments

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

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Commitments in relation to property, plant and equipment				
Approved and contracted for	975,547	12,040	975,547	12,040
Approved but not contracted for	–	–	–	–
Subtotal	975,547	12,040	975,547	12,040
Commitments in relation to intangible asset				
Approved and contracted for	526,755	607,227	528,255	615,535
Approved but not contracted for	–	–	–	–
Subtotal	526,755	607,227	528,255	615,535
Total	1,502,302	619,267	1,503,802	627,575

48. CONTINGENT LIABILITIES AND COMMITMENTS (CONTD.)

48.2 Other contingencies

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Foreign currency derivatives				
Currency swaps	6,173,400	–	6,173,400	–
Forward foreign exchange contracts	315,263	8,624,391	315,263	8,624,391
Total	6,488,663	8,624,391	6,488,663	8,624,391

48.3 Analysis of Contingent Liabilities and Commitments

	BANK		GROUP	
As at 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
By product – Domestic currency				
Undrawn credit facilities	2,648,208	3,459,333	2,648,208	3,459,333
Documentary credit	65,792	–	65,792	–
Bank guarantees	1,467,204	990,116	1,467,204	990,116
Forward exchange contracts	6,173,400	8,331,516	6,173,400	8,331,516
Other Commitments	989,579	25,519	991,079	33,827
Subtotal	11,344,183	12,806,484	11,345,683	12,814,792
By product – Foreign currency				
Undrawn credit facilities	–	–	–	–
Documentary credit	–	–	–	–
Bank guarantees	–	305,652	–	305,652
Forward exchange contracts	315,263	292,875	315,263	292,875
Other Commitments	994,497	1,637,436	994,497	1,637,436
Subtotal	1,309,760	2,235,963	1,309,760	2,235,963
Grand Total	12,653,943	15,042,447	12,655,443	15,050,755

48.4 Tax Assessments Outstanding

- The Bank has received Income Tax assessments from the Department of Inland Revenue, which are currently before the Appeals Commission. The Bank has sufficient tax credits available to offset any potential liabilities arising from an adverse determination. Accordingly, the final resolution of these assessments is not expected to have a material impact on the Bank's financial statements.

49 RELATED PARTY DISCLOSURES

Accounting policy

The Bank has entered into transactions with the parties who are defined as related parties in LKAS 24 -" Related Party Disclosures". i.e. The investor, Subsidiaries, post employment benefit plans for the Bank's employees, Key Management Personnel (KMP), Close Family Members (CFMs) of KMP and other related entities. Those transactions include lending activities, acceptance and placements, off-balance sheet transactions and provision of other banking and financial services that are carried out in the ordinary course of business on an arm's length basis at commercial rates, except for the transactions that KMP have availed under schemes uniformly applicable to all the staff at concessionary rates.

49.1 Parent and ultimate controlling party

National Savings Bank is a Government-owned bank.

49.2 Key Management Personnel (KMP) and their Close Family Members (CFMs)

As per the LKAS 24 - "Related Party Disclosures", the KMP include those who are having authority and responsibility for planning, directing and controlling the activities of the Bank. Accordingly, the Board of Directors and key members of the Corporate Management are identified as KMPs who meet the above criteria. CFMs are defined as family members who may be expected to influence or be influenced by, that KMP in their dealings with the entity, i.e. spouse and dependents of KMP.

49.2.1 Compensation to Key Management Personnel (KMPS)

	BANK	
For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Compensation to KMPs of the Bank		
Short-term employee benefit	330,339	208,853
Post-employment benefit	89,027	18,733
Total	419,366	227,586

In additional to the above the Bank has also provided non cash benefits to the KMPs in line with the approved benefit plans of the Bank.

49.2.2 Transactions, arrangements, and agreements Involving Key Management Personnel (KMPS) and their Close Family Members (CFMs)

(a) Items in income Statement – Bank

	KMPs and CFMs	
For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Interest income	8,224	8,607
Interest expense	17,417	22,552
Compensation to KMP	419,366	227,586

(b) Items in Statement of Financial Position – Bank

	KMPs and CFMs	
As at 31 December	2025 Rs. '000	2024 Rs. '000
Assets		
Loans and advances	225,602	233,691
Liabilities		
Due to depositors	228,581	173,414

49. RELATED PARTY DISCLOSURES (CONTD.)

49.2 Key Management Personnel (KMP) and their Close Family Members (CFMs) (contd.)

49.2.2 Transactions, arrangements, and agreements Involving Key Management Personnel (KMPS) and their Close Family Members (CFMs) (contd.)

(c) Off balance sheet items – Bank

	KMPs and CFMs	
As at 31 December	2025 Rs. '000	2024 Rs. '000
Undrawn commitments	–	–

(d) Average accommodation and due to depositors – Bank

	KMPs and CFMs
As at 31 December	2025 Rs. '000
Assets	
Loans and advances	229,646
Due to depositors	200,998

(e) Net accommodation granted to KMPs and CFMs – Bank

(Disclosure under rule 9 (2) (e) of the Governance Direction of No. 05 of 2024 issued by the Central Bank of Sri Lanka).

	KMPs and CFMs	
As at 31 December	2025 Rs. '000	2024 Rs. '000
Key Managerial Persons		
Loan and advances	225,602	233,691
Total net accommodation	225,602	233,691
Regulatory capital	89,486,872	75,660,059
Net accommodation as a percentage of the Bank's regulatory capital (%)	0.3	0.3

49.3 Subsidiary companies

49.3.1 Transactions, arrangements and agreements Involving subsidiary companies

The aggregate amount of income and expenses arising from the transactions during the year and amount due to and due from the relevant related parties and total contract sum of off balance sheet transactions at the year end are summarised below.

(a) Items in income Statement – Bank

	Subsidiaries	
For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Interest income	66,869	117,630
Other income	8,602	7,621
Interest expense	1,033	13
Other expenses	300	300

49. RELATED PARTY DISCLOSURES (CONTD.)

49.3 Subsidiary companies (contd.)

49.3.1 Transactions, arrangements and agreements Involving subsidiary companies (contd.)

(b) Items in Statement of Financial Position – Bank

	Subsidiaries	
As at 31 December	2025 Rs. '000	2024 Rs. '000
Assets		
Loans and advances	–	–
Securities purchased under resale agreements	796,177	5,491,547
Other receivable	2,751	2,684
Total	798,928	5,494,231
Liabilities		
Due to depositors	4,308	146
Securities sold under repurchase agreements	–	–
Other payables	7,210,629	–
Total	7,214,937	146

(c) Off balance sheet items – Bank

	Subsidiaries	
As at 31 December	2025 Rs. '000	2024 Rs. '000
Undrawn commitments	–	–

(d) Average Accommodation & due to depositors – Bank

	Subsidiaries
As at 31 December	2025 Rs. '000
Loans and advances and other receivables	3,154
Due to depositors and other liabilities	6,684,729

(e) Net accommodation granted to Subsidiary companies – Bank

(Disclosure under rule 9 (2) (e) of the Governance Direction of No. 05 of 2024 issued by the Central Bank of Sri Lanka).

	Subsidiaries	
As at 31 December	2025 Rs. '000	2024 Rs. '000
Loan and advances and other receivables	798,928	5,494,231
Total net accommodation	798,928	5,494,231
Regulatory capital	89,486,872	75,660,059
Net accommodation as a percentage of the Bank's regulatory capital (%)	0.9	7.3

49.4 Transactions with significant investor and the post employment benefit plans for the Bank's employees

Transactions and arrangements entered in to by the Bank with the Government and Government controlled entities (significant investor) and post employment benefit plans which are individually significant and for other transactions that are collectively, but not individually significant are as follows;

49. RELATED PARTY DISCLOSURES (CONTD.)

49.4 Transactions with significant investor and the post employment benefit plans for the Bank's employees (contd.)

49.4.1 Transactions which are collectively significant

49.4.1.1 Transactions, arrangements and agreements Involving significant investor

Significant investor of the Bank is the Government as it is a state owned entity. The Government refers to the Government of Sri Lanka, Government Corporations, Provincial Councils, Local Government bodies, other Government entities and their subsidiaries.

(a) Items in income Statement – Bank

	Significant investor	
For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Interest income	124,087,838	117,175,088
Other income	–	–
Interest expense	6,636,675	6,234,101
Other expenses	–	–
Tax and related expenses	30,805,555	18,282,952

(b) Items in Statement of Changes in Equity – Bank

	Significant investor	
For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Dividend paid	6,088,296	–

(c) Items in Statement of Financial Position – Bank

	Significant investor	
As at 31 December	2025 Rs. '000	2024 Rs. '000
Assets		
Loans and advances	64,029,732	74,342,788
Balances with Central Bank	167,212	357,054
Investments made on Government Securities	1,062,609,791	973,281,879
Investments on state and state controlled entities	81,120,345	129,177,145
Securities purchased under resale agreements	16,591,559	966,088
Other receivables from government and government controlled entities	21,888,039	39,899,777
Total	1,246,406,678	1,218,024,731
Liabilities		
Due to depositors	34,145,447	54,687,816
Securities sold under repurchase agreements	2,105,433	2,509,798
Debentures	–	–
Other payables to government and government controlled entities	8,483,816	3,648,729
Total	44,734,696	60,846,343

49. RELATED PARTY DISCLOSURES (CONTD.)

49.4 Transactions with significant investor and the post employment benefit plans for the Bank's employees (contd.)

49.4.1 Transactions which are collectively significant (contd.)

49.4.1.1 Transactions, arrangements and agreements involving significant investor (contd.)

(d) Off balance sheet items – Bank

	Significant investor	
As at 31 December	2025 Rs. '000	2024 Rs. '000
Undrawn commitments	2,323,970	3,323,970
Forward exchange contracts and currency swaps	–	–
Total	2,323,970	3,323,970

(e) Average accommodation and due to depositors – Bank

	Significant investor
As at 31 December	2025 Rs. '000
Loans and advances and other receivables	100,080,168
Due to depositors and other liabilities	50,482,904

(f) Net accommodation granted to Significant Investor – Bank

(Disclosure under rule 9 (2) (e) of the Governance Direction of No. 05 of 2024 issued by the Central Bank of Sri Lanka).

	Significant investor	
As at 31 December	2025 Rs. '000	2024 Rs. '000
Loan and advances	64,029,732	74,342,788
Total net accommodation	64,029,732	74,342,788
Regulatory capital	89,486,872	75,660,059
Net accommodation as a percentage of the Bank's regulatory capital (%)	72	98

49.4.1.2 Transactions, arrangements and agreements involving post employment benefit plans

Post employment benefit plans are arrangements made by the Bank to provide post employment benefits for its employees. The Bank has transactions with 5 post employment benefit plans as NSB Employees' Provident Fund, NSB Employees Pension Scheme 1, NSB Employees Pension Scheme 2, Medical Assistance Scheme for the Retired Employees of NSB and Widows'/ Widowers' and Orphans' Pension Fund.

(a) Items in income Statement – Bank

	Post employment benefit plans	
For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Interest income	394	–
Interest expense	252,310	349,136

49. RELATED PARTY DISCLOSURES (CONTD.)

49.4.1 Transactions which are collectively significant (contd.)

49.4.1.2 Transactions, arrangements and agreements involving post employment benefit plans (contd.)

(b) Items in Statement of Financial Position – Bank

As at 31 December	Post employment benefit plans	
	2025 Rs. '000	2024 Rs. '000
Liabilities		
Due to depositors	7,317,473	2,922,318
Securities sold under repurchase agreements	303,000	1,300
Debt securities issued	1,925,000	1,925,000
Total	9,545,473	4,848,618

(c) Average accommodation and due to depositors – Bank

As at 31 December	Post employment benefit plans	
	2025 Rs. '000	2024 Rs. '000
Due to depositors and other liabilities	5,119,896	1,461,159

49.4.2 Transactions which are individually significant

Since the Bank is Government owned entity and as per NSB Act, Bank should invest 60% of its deposit in Government Securities. Therefore the Bank has significant transactions with GOSL in day-to-day operation which are collectively represent on above. Individually significant transactions other than day-to-day operations are as follows:

- The Bank has received Rs. 15,329.40 Mn. during the year for the settlement of receivable arise through interest subsidy on senior citizen deposits, subsidy on loans and dormant deposits.
- The Bank recognised dividend payment of (contribution to consolidated fund) of Rs. 6,088.30 Mn. during the year, out of which Rs. 5 Bn. paid as a cash and balance Rs. 1,088.30 Mn. were set off against receivable from general treasury.

50 NET ASSETS VALUE PER ORDINARY SHARE

As at 31 December	BANK		GROUP	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Amount used as the numerator				
Shareholders' funds	119,050,627	98,842,615	127,867,580	106,834,795
Number of ordinary share used as the denominator				
Total number of shares	940,000	940,000	940,000	940,000
Net assets value per ordinary share (Rs.)	126.65	105.15	136.03	113.65

NOTES TO THE FINANCIAL STATEMENTS

51 LITIGATION AGAINST THE BANK AND THE GROUP

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such legal claims. Once professional advice has been obtained on the certainty of the outcome and the amount of damages reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. The unresolved court cases against the Bank as at the year end for which adjustments to the Financial Statements have not been made due to the uncertainty of its outcome are as follows:

	BANK	
As at 31 December	2025 Number	2024 Number
Tribunal/Court		
Labour Tribunal	10	14
District Court	70	58
High Court/Civil Appellate High Court/Provincial High Court	5	2
Court of Appeal	3	4
Supreme Court	3	–
Human Rights Commission	43	40
Commercial High Court	1	2
Arbitration	2	2
Labour Department	2	–

52 EVENTS OCCURRING AFTER THE REPORTING DATE

Accounting policy

Events occurring after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

Where necessary all material events after the reporting date have been considered and appropriate adjustments/disclosures have been made in the Financial Statements as per the LKAS 10 on "Events after the Reporting Period".

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements except those disclosed below.

In accordance with the absorption process of SLSB by NSB, all assets and liabilities of SLSB are to be transferred to the National Savings Bank (NSB) as directed by the Central Bank of Sri Lanka.

53 COMPARATIVE FIGURES

The comparative information is reclassified wherever necessary, to comply with current year's classification in order to provide better presentation.

53.1 Crop Insurance Levy & Lease interest on Right of Use (ROU) assets

Crop Insurance Levy reclassified from the Statement of Equity to Other Operating Expenses in the Statement of Income and Lease interest on Right of Use (ROU) assets reclassified from Other Operating Expenses to Interest Expenses.

		BANK		
	Note	2024 Audited balances Rs. '000	Reclassification Rs. '000	2024 Reclassified balances Rs. '000
Other expenses	12	7,377,618	162,852 * (199,122)** (320,000)***	7,021,348
Interest expenses		130,966,199	199,122**	131,165,321
Net interest income	4	72,782,075	(199,122)**	72,582,953
Profit before income tax		26,430,676	(162,852)*	26,267,824
Profit for the year		16,285,244	(162,852)*	16,122,392

		GROUP		
	Note	2024 Audited balances Rs. '000	Reclassification Rs. '000	2024 Reclassified balances Rs. '000
Other expenses	12	7,588,394	162,852* (202,942)** (320,000)***	7,228,304
Interest expenses		133,360,073	202,942**	133,563,015
Net interest income	4	75,272,049	(202,942)**	75,069,107
Profit before income tax		28,521,937	(162,852)*	28,359,085
Profit for the year		17,659,813	(162,852)*	17,496,961

53.2 Reclassification of amortisation of advance to General Treasury to impairment charges

		BANK		
	Note	2024 Audited balances Rs. '000	Reclassification Rs. '000	2024 Reclassified balances Rs. '000
Impairment charges	10	11,206,056	320,000	11,526,056

		GROUP		
	Note	2024 Audited balances Rs. '000	Reclassification Rs. '000	2024 Reclassified balances Rs. '000
Impairment charges	10	11,193,684	320,000	11,513,684

* Crop Insurance Levy Adjustment

** Lease interest on Right of Use (ROU) assets adjustment

*** Amortisation of advance to General Treasury

NOTES TO THE FINANCIAL STATEMENTS

54 FINANCIAL RISK MANAGEMENT

Overview

The Group is exposed to financial risk and non-financial risks arising from its operations. The Group manages these risks through its Risk Management Framework, which evolves to accommodate changes in the business operating environment, best practices and regulatory requirements.

Risk management framework

Integrated Risk Management Framework of NSB encompasses policies and procedures covering various risks, mechanism to identify such risks, and effective measures to manage and mitigate risks.

Risk Management Framework of the Bank begins with the oversight of the Board of Directors. It has set up Board Integrated Risk Management Committee (BIRMC) to assist the Board of Directors in discharging its risk management responsibility. The Risk Management Division (RMD) independently reports to the Board through BIRMC.

Bank's Management Committees review regular reports from respective Business Divisions and RMD, to ensure adequacy and effectiveness of Bank's risk management with meticulous focus.

The following Management Committees, are responsible for the coordination of risk matters for each of the areas of risk management with rigorous focus/ unwavering attention:

Management level risk Management Committees

- Credit Committee (CC)
- Asset and Liability Management Committee (ALCO)
- Operational Risk Management Committee (ORMC)
- Investment Committee (IC)
- Information Security Committee (ISC)

Other Management Committees

- Corporate Management Committee (CMC)
- IT Steering Committee (ITSC)
- Human Resource Committee (HRC)
- Branch Operation Steering Committee (BOSC)
- Performance Review Committee
- Marketing Committee

Internal Audit Division engages both regular and ad-hoc reviews of risk management controls and procedures and the findings are reported to the Board Audit Committee (BAC).

Material risk types

Description	Governing Policies and Key Management Committee	Key controls and mitigation strategies
Credit risk Credit risk is the potential for loss arising from the failure of a counterparty to meet their contractual obligations to the Group. The Group is primarily exposed to credit risk through: • Lending against property mortgage; • Retail lending against Personal Guarantee; • Loans against deposits • Loans against movable assets • Pawning; • Commercial lending; Large corporate (institutional) lending and markets exposures; Large lending for Government Institution; Lending for companies incorporated outside Sri Lanka; • Investment in corporate debt instruments	**Governing Policies** Credit Policies and Credit Risk Management Policy **Key Management Committee** Credit Committee	i. Credit Procedure manuals and Circular Instructions. ii. Delegation of Authority for credit approval. iii. Obtain quality collateral and maintaining LTV at policy levels. iv. Internal Ratings v. Risk appetite Framework: Monitoring of KRIs/KPIs against risk appetite framework and reporting to BIRMC and Board. • Assets Quality limits : Retail NPA, Corporate NPA, Stage 3 Provision Cover • Portfolio Return limits: Retail Credit Return, Corporate Credit Return • Concentration limits: sector concentration, Name concentration • Off-Balance sheet commitments to total assets vi. Credit Limit Monitoring Framework: Portfolio and transaction level monitoring and reporting to CC/IC/BIRMC/Board. • Sector Exposure Limits. • Limits for risk weighted asset classes • Limits for Investments in Corporate Debt Instruments. vii. Credit Monitoring Framework: Portfolio and transaction level monitoring and reporting to CC/IC/BIRMC and Board. viii. Loan Review Mechanism (LRM). ix. Capital allocation under Standardised Approach. x. Continuous training of credit staff

54. FINANCIAL RISK MANAGEMENT (CONTD.)

Description	Governing Policies and Key Management Committee	Key controls and mitigation strategies
Market risk (including equity risk) Market risk is the risk that market rates and prices will change and that may have an adverse effect on the profitability and/or net worth of the Group. The Bank exposures to market risk arise from both trading book and non-trading book. There are four key market risk components: • Interest rate risk • Equity risk • Foreign exchange risk • Commodity Risk	**Governing Policies** Market Risk and Liquidity Risk Management Policy **Key Management Committee** Asset and Liability Management Committee (ALCO) Investment Committee (IC)	i. Asset and Liability Management best practices ii. Risk appetite Framework: Monitoring of KRIs/KPIs against risk appetite framework and reporting to BIRMC and Board. iii. Risk Monitoring Framework: Monitoring of interest rate risk , equity risk and foreign exchange risk using risk assessment tools techniques and models and reporting to ALCO/IC/BIRMC and Board. • Marking to market • Modified duration • Net Open Position (NOP) • Sensitivity analysis and stress testing iv. Dealing room voice recordings are monitored on daily basis to ensure sound market conduct. v. Risk Limits Framework: Treasury Middle Office Monitors risk limits against the Risk Limits framework and regulatory requirement. vi. Monitors rate sensitive gaps against limits and access impact on earnings and capital using EAR and EVA methods vii. Capital allocation under Standardised Measurement Method viii. Monitor Gold prices for LTV monitoring of pawning advances
Liquidity and funding risk Liquidity risk is the combined risks of not being able to meet financial obligations as they fall due (funding liquidity risk), and that liquidity in financial markets, such as the market value for debt equity securities, may reduce significantly (market liquidity risk). The Group is exposed to liquidity risk primarily through the funding mismatch between the Group's loans, investments and sources of funding.	**Governing Policies** Market Risk and Liquidity Risk Management Policy **Key Management Committee** ALCO	i. Statutory requirement to maintain the investments in Government Securities (60% of deposits). ii. Cash flow management by Treasury Division. iii. Liquidity contingency planning. iv. Monitor statutory Liquidity Ratios such as LCR, and NSFR against regulatory minimum requirements. v. Monitor liquidity ratios under stock approach and funding liquidity risk under liquidity risk monitoring tools such as concentration on funding by significant counterparty and products as per Basel III and report to ALCO/BIRMC and Board. vi. Monitor Contractual and Behavioural Maturity gaps against Risk Limits.

54. FINANCIAL RISK MANAGEMENT (CONTD.)

Material risk types (contd.)

Description	Governing Policies and Key Management Committee	Key controls and mitigation strategies
Operational risk Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. The Group is exposed to operational risk primarily through: • Internal Frauds • External Frauds • Employment practices and workplace safety. • Client, products and business practices. • Damage to physical assets. • Business disruption and system failures. • Execution, Delivery and Process Management.	**Governing Policies** 1. Operational Risk Management (ORM) Policy **Other Policies related to ORM** • Outsourcing Policy • Information Security Policy • Business Continuity Management System Policy • Anti-Bribery and Corruption Policy • Whistle Blowing Policy **Key Management Committee** Operational Risk Management Committee (ORMC)	**Fraud risk** i. Fraud risk management and whistle -blowing process. ii. Internal control structure. iii. Daily checks/audits. iv. Key Operational Risk Indicators (KORIs) monitoring. v. Loss event data monitoring. vi. Risk Control Self-assessment (RCSA). vii. Root cause analysis (RCA). viii. Anti-Bribery and Corruption (AB&C) risk assessment. **IT Risk** i. Adherence to regulatory directions, standards and best practices in technology risk management and resilience. ii. Establishing Information security management governance structure, process and systems iii. KORIs monitoring iv. Incident reporting v. Risk and Control Self Assessment (RCSA) **Legal risk** i. Provide legal clearance by legal division when entering into business and contractual obligations. ii. KORI monitoring **Business Continuity Management (BCM) Risk** i. KORIs monitoring ii. Comply on regulations, standards and best practices on Disaster Recovery and BCM.
Compliance risk Compliance risk is the risk of sanctions and financial loss the Group may suffer as a result of the Group's failure to comply with laws, regulations, rules, statements of regulatory policy, and codes of conduct applicable to its business activities. The Group is exposed to compliance risk primarily through: • Regulatory and licensing obligations, including privacy and conflicts of interest obligations; • Financial crime Anti-Money Laundering (AML), Counter Terrorism Financing (CTF), Anti-Bribery and Corruption (AB&C), and Sanctions • Poor conduct (product design and distribution, market conduct and employee misconduct).	**Governing Policies** 1. Compliance Policy 2. AML Policy 3. Related Party Transaction Policy **Key Management Committee** Operational Risk Management Committee	i. Compliance programme and examination ii. In-house systems/processes for AML and KYC monitoring. iii. KORI Monitoring.

54. FINANCIAL RISK MANAGEMENT (CONTD.)

Material risk types (contd.)

Description	Governing Policies and Key Management Committee	Key controls and mitigation strategies
Strategic risk Strategic risk is the risk of material stakeholder value destruction or less than planned value creation. The Group is exposed to strategic risk primarily through: • Changes in the Group's external and internal operating environments (including macroeconomic conditions, competitive forces, technology, regulatory, political and social trends, customer expectations and the environment); and • Risk associated with the process for strategy development and monitoring of strategy implementation.	**Governing Policies** Integrated Risk Management Policy Strategic Business Plan **Key Management Committee** Operational Risk Management Committee Corporate Management Committee	i. Senior Management oversight. ii. Strategic Plan and Budgeting Process. iii. Monitor within Risk Appetite Frame work (RAF).
Reputational risk Reputational risk is the risk of adverse impact on brand value due to negative stakeholder perception of the Bank's activities, business practices, products, services etc. Reputational risk indirectly impacts on the Groups earnings & assets.	**Governing Policies** Integrated Risk Management Policy **Key Management Committee** Operational Risk Management Committee Corporate Management Committee	i. Senior Management oversight. ii. Marketing Division takes action to enhance brand value and stakeholder perception. iii. Monitor within Risk Appetite Frame work (RAF).
ESG risk "Environmental, Social, and Governance (ESG) risks encompass various challenges that can negatively impact an organisation's financial performance, business continuity and reputation. These risks arise from the Bank's environmental, social, or governance practices and require effective management to ensure long-term sustainability. Environmental risk mainly stems from Climate Risks that may arise from climate change or from effort to mitigate climate change, their economic impacts and their economic and financial consequences can be considered as climate related financial risks."	**Governing Policies** Integrated Risk Management Policy Environmental & Social Risk Management Systems (ESMS) Policy Sustainability Policy Human Rights Policy **Key Management Committee** Operational Risk Management Committee Corporate Management Committee	i. Senior Management oversight. ii. ESG Integration into Risk Assessment. iii. Due Diligence & Screening. iv. Climate Risk Assessment & Stress Testing.

54. FINANCIAL RISK MANAGEMENT (CONTD.)

Material risk types (contd.)

Broad risk categories in focus

The Bank is exposed to the following key risks from financial instruments:

54.1	**Credit risk**	**54.2**	**Liquidity risk**	54.2.5	Undiscounted cashflow of financial assets and financial liabilities
54.1 (a)	Net exposure to credit risk by class of financial assets	54.2.1	Liquidity stock ratios	54.2.6	Financial assets available to support future funding
54.1 (b)	Sensitivity of impairment provision on financial assets	54.2.2	Remaining contractual period to maturity of financial assets and financial liabilities	**54.3**	**Market risk**
54.1 (c)	Management of the collateral	54.2.3	Remaining contractual period to maturity of contingencies and commitments	54.3.1	Exposure to market risk – trading and non-trading portfolio
54.1 (d)	Concentration of credit risk by product and sector	54.2.4	Carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled after 12 months from the reporting date	54.3.2	Interest rate risk
54.1 (e)	Credit exposure by past due status			54.3.3	Foreign exchange risk
54.1 (f)	Credit exposure by staging			54.3.4	Equity risk
54.1 (g)	Credit exposure by risk rating			**54.4**	**Operational risk**
54.1 (h)	Credit exposure by geography				
54.1 (i)	Off balance sheet exposures				

54.1 Credit risk

54.1 (a) Net exposure to credit risk by class of financial assets

The following tables show the maximum exposure and net exposure (fair value of any collateral held, value of risk free investments, Government guarantees and impairment provision made were deducted in arriving the net exposure) to credit risk by class of financial assets:

As at 31 December	Note	2025 Maximum exposure to credit risk Rs. '000	2025 Net exposure Rs. '000	2024 Maximum exposure to credit risk Rs. '000	2024 Net exposure Rs. '000
Bank					
Cash and cash equivalents	16	**8,326,738**	**3,646,079**	8,358,742	3,862,161
Balances with central banks	17	**167,212**	**167,212**	357,054	357,054
Placements with banks	18	**24,181,317**	**24,181,317**	14,794,637	14,794,637
Derivative financial instruments	19	**68,813**	**68,813**	9,131	9,131
Financial assets recognised through profit or loss	20				
– measured at fair value		**22,158,765**	**1,303,683**	21,086,781	212,732
– designated at fair value		**–**	**–**	–	–
Financial assets at amortised cost					
– loans and advances	21	**550,828,369**	**182,223,004**	532,379,013	187,863,004
– debt and other instruments	22	**1,092,989,914**	**30,121,955**	1,039,034,572	8,566,388
Financial assets measured at fair value through other comprehensive income	23	**64,634,698**	**7,192,082**	53,469,178	5,568,833
Total		**1,763,355,825**	**248,904,146**	1,669,489,108	221,233,940

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.1 Credit risk (contd.)

54.1 (a) Net exposure to credit risk by class of financial assets (contd.)

As at 31 December	Note	2025 Maximum exposure to credit risk Rs. '000	2025 Net exposure Rs. '000	2024 Maximum exposure to credit risk Rs. '000	2024 Net exposure Rs. '000
Group					
Cash and cash equivalents	16	8,386,287	3,703,828	8,544,416	4,044,772
Balances with central banks	17	167,236	167,236	357,117	357,117
Placements with banks	18	24,181,317	24,181,317	14,794,637	14,794,637
Derivative financial instruments	19	83,979	83,979	54,892	54,892
Financial assets recognised through profit or loss	20				
– measured at fair value		78,625,066	1,303,683	46,749,528	212,732
– designated at fair value		–	–	–	–
Financial assets at amortised cost					
– loans and advances	21	550,639,060	181,784,024	527,715,322	183,198,950
– debt and other instruments	22	1,096,342,623	30,762,912	1,048,965,769	9,207,318
Financial assets measured at fair value through other comprehensive income	23	67,997,754	7,202,853	55,306,512	5,939,747
Total		1,826,423,322	249,189,832	1,702,488,193	217,810,165

54.1 (b) Sensitivity of impairment provision on financial assets

The Bank has estimated the impairment provision on loans and advances to other customers, off balance sheet credit facilities 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 on loans and advances to other customers, off balance sheet credit facilities of the Bank as at 31 December 2025, to a feasible change in impairment parameters.

Impairment parameters	Sensitivity effect on Statement of Financial Position (increase/(decrease) in impairment provision) Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Sensitivity effect on Income Statement Rs. '000
Sensitivity of impairment provision on loans and advances to other customers and off balance sheet credit facilities					
1% increase in Marginal PD add on factor across all age buckets	43,762	47,009	–	90,772	(90,772)
1% decrease in Marginal PD add on factor across all age buckets	(43,762)	(47,009)	–	(90,772)	90,772
5% increase in LGD	218,812	225,238	557,057	1,001,107	(1,001,107)
5% decrease in LGD	(218,812)	(225,238)	(557,057)	(1,001,107)	1,001,107

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.1 Credit risk (contd.)

54.1 (c) Management of the collateral

54.1 (c).1 Collateral and other credit enhancement

The amount and type of collateral required depends as an assessment of the credit risk of the counterparty. Guidelines are in place covering the assessment and valuation of each type of collateral.

The main type of collateral obtained are as follows:

a. for corporate lending - government guarantees, mortgages over immovable and movable fixed assets, corporate guarantees, receivable on vehicle loan/ lease/hire purchase

b. for retail lending - mortgage over immovable property, gold, personal guarantees, vehicles, deposits.

The Bank monitors the market/forced sale value of collateral and will request additional collateral in accordance with the underlying agreement.

Loan-to-value ratio of lending on property mortgages

The table below stratifies eligible credit exposures by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the amortised cost of the loan to the value of the collateral, which is used for the computation of Capital Adequacy Ratios. The value of the collateral for immovable property mortgage loan is based on the forced sale value determined by professional valuers.

As at 31 December	2025		2024	
	Rs. '000	Composition %	Rs. '000	Composition %
LTV ratio				
Less than 50%	**61,834,910**	**81.86**	65,085,140	80.75
51% – 70%	**10,881,355**	**14.41**	12,611,782	15.65
71% – 90%	**2,005,000**	**2.65**	2,273,675	2.82
91% – 100%	**230,795**	**0.31**	177,576	0.22
More than 100%	**583,835**	**0.77**	448,712	0.56
	75,535,895	**100.00**	80,596,885	100.00

Assets obtained by taking the possession of collaterals

In its normal course of business, the Bank engages external agents to recover funds from repossessed properties or other assets in its retail portfolio, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet and not treated as non-current assets held for sale.

54.1 (d) Concentration of credit risk by product and sector

54.1.(d).1 Credit exposure by product

As at 31 December	BANK		GROUP	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Loans and advances				
Housing loans	**52,402,054**	57,402,364	**52,402,055**	57,402,364
Personal loans	**190,416,029**	201,767,523	**190,581,480**	202,084,960
Pawning advances	**155,376,418**	119,692,775	**155,376,446**	119,692,803
Corporate loans	**70,219,752**	79,875,827	**71,386,901**	81,082,507
Staff loans	**17,432,546**	16,307,925	**17,708,028**	16,648,714
Loans against deposits	**43,887,183**	45,336,372	**43,888,983**	45,338,712
Lease rental and receivable	**–**	–	**–**	25,911
Securities purchased under resale agreement	**50,416,574**	40,930,913	**49,870,040**	35,762,112
Gross total	**580,150,556**	561,313,699	**581,213,933**	558,038,083

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.1 Credit risk (contd.)

54.1 (d) Concentration of credit risk by product and sector (contd.)

54.1 (d) (2) Concentration by sector

As at 31 December	BANK 2025 Rs. '000	BANK 2024 Rs. '000	GROUP 2025 Rs. '000	GROUP 2024 Rs. '000
Loans and advances				
Agriculture and fishing	45,843,144	36,406,612	45,987,191	36,572,677
Manufacturing	–	–	498,689	587,812
Tourism	69,891	70,349	83,279	115,389
Transport	–	–	13,764	15,415
Construction/housing	206,648,213	173,805,328	207,059,484	174,296,676
Traders	–	–	361,096	391,901
New economy	–	–	1,042	27,269
Others				
Financial and business services	51,887,293	42,893,107	51,887,293	42,893,107
Infrastructure	46,315,626	53,544,313	46,315,626	53,544,313
Power and energy	4,009,436	4,026,768	4,009,436	4,026,768
Education	7,582,137	8,764,010	7,582,137	8,764,010
Personal/pawning/other	217,794,816	241,803,212	217,414,896	236,802,746
Gross total	580,150,556	561,313,699	581,213,933	558,038,083

54.1 (e) Credit exposure by past due status - Bank

As at 31 December 2025	Note	Neither past due nor Individually impaired Rs. '000	Past due but not Individually impaired Rs. '000	Individually impaired Rs. '000	Total Rs. '000
Assets					
Cash and cash equivalents*	16	8,326,929	–	–	8,326,929
Balances with central banks	17	167,212	–	–	167,212
Placements with banks*	18	24,196,000	–	–	24,196,000
Derivative financial instruments	19	68,813	–	–	68,813
Financial assets recognised through profit or loss – measured at fair value	20	22,158,765	–	–	22,158,765
Financial assets at amortised cost – loans and advances*	21	495,575,841	80,663,654	3,911,061	580,150,556
– debt and other instruments*	22	1,092,998,122	–	–	1,092,998,122
Financial assets measured at fair value through other comprehensive income	23	64,634,698	–	–	64,634,698
Total		1,708,126,380	80,663,654	3,911,061	1,792,701,095

* Collectively assessed for the impairment.

Age analysis of past due (i.e. facilities in arrears of one day and above) but not impaired loans, by class of financial assets.

As at 31 December 2025	1 to 30 days Rs. '000	31 to 60 days Rs. '000	61 to 90 days Rs. '000	More than 90 days Rs. '000	Total Rs. '000
Financial assets at amortised cost – loans and advances*	47,881,520	6,107,733	3,057,368	23,617,033	80,663,654
	59%	8%	4%	29%	100%

NOTES TO THE FINANCIAL STATEMENTS

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.1 Credit risk (contd.)

54.1 (e) Credit exposure by past due status - Bank (contd.)

As at 31 December 2024	Note	Neither past due nor individually impaired Rs. '000	Past due but not Individually impaired Rs. '000	Individually impaired Rs. '000	Total Rs. '000
Assets					
Cash and cash equivalents*	16	8,359,289	–	–	8,359,289
Balances with central banks	17	357,054	–	–	357,054
Placements with banks*	18	14,803,216	–	–	14,803,216
Derivative financial instruments	19	9,131	–	–	9,131
Financial assets recognised through profit or loss					
– measured at fair value	20	21,086,781	–	–	21,086,781
– designated at fair value		–	–	–	–
Financial assets at amortised cost					
– loans and advances*	21	466,707,508	90,851,635	3,754,556	561,313,699
– debt and other instruments*	22	1,039,038,477	–	–	1,039,038,477
Financial assets measured at fair value through other comprehensive income	23	53,469,178	–	–	53,469,178
Total		1,603,830,634	90,851,635	3,754,556	1,698,436,825

* Collectively assessed for the impairment.

Age analysis of past due (i.e. facilities in arrears of one day and above) but not impaired loans, by class of financial assets.

As at 31 December 2024	1 to 30 days Rs. '000	31 to 60 days Rs. '000	61 to 90 days Rs. '000	More than 90 days Rs. '000	Total Rs. '000
Financial assets at amortised cost – loans and advances*	45,553,716	12,987,587	7,450,004	24,860,328	90,851,635
	50%	14%	8%	28%	100%

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.1 Credit risk (contd.)

54.1 (f) Credit exposure by staging - Bank - 2025

As at 31 December 2025	Note	Amortised cost					Impairment provision				
		Not subject to ECL	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	As per financial position
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets											
Cash and cash equivalents	16	4,680,659	3,646,270	–	–	8,326,929	191	–	–	191	8,326,738
Balances with central banks	17	167,212	–	–	–	167,212	–	–	–	–	167,212
Placements with banks	18	–	24,196,000	–	–	24,196,000	–	14,683	–	14,683	24,181,317
Derivative financial instruments	19	68,813	–	–	–	68,813	–	–	–	–	68,813
Financial assets recognised through profit or loss	20										
– measured at fair value		22,158,765	–	–	–	22,158,765	–	–	–	–	22,158,765
– designated at fair value		–	–	–	–	–	–	–	–	–	–
Financial assets at amortised cost										–	–
– loans and advances	21	–	511,247,181	35,329,565	33,573,810	580,150,556	5,118,887	4,543,720	19,659,580	29,322,187	550,828,369
– debt and other instruments	22	984,318,476	108,679,647	–	–	1,092,998,123	8,208	–	–	8,208	1,092,989,914
Financial assets measured at fair value through other comprehensive income	23	64,634,698	–	–	–	64,634,698	–	–	–	–	64,634,698
Total		1,076,028,622	647,769,098	35,329,565	33,573,810	1,792,701,095	5,127,286	4,558,403	19,659,580	29,345,269	1,763,355,826

Loans and advances for the year 2025 includes treasury guaranteed loans of Rs. 56,512 Mn. for which impairment provision amounted to zero, as the LGD applied for such loans is zero.

As at 31 December 2024	Note	Amortised cost					Impairment provision				
		Not subject to ECL	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	As per financial position
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets											
Cash and cash equivalents	16	4,496,500	3,862,789	–	–	8,359,289	547	–	–	547	8,358,742
Balances with central banks	17	357,054	–	–	–	357,054	–	–	–	–	357,054
Placements with banks	18	–	14,803,216	–	–	14,803,216	56	8,523	–	8,579	14,794,637
Derivative financial instruments	19	9,131	–	–	–	9,131	–	–	–	–	9,131
Financial assets recognised through profit or loss	20										
– measured at fair value		21,086,781	–	–	–	21,086,781	–	–	–	–	21,086,781
– designated at fair value		–	–	–	–	–	–	–	–	–	–
Financial assets at amortised cost											
– loans and advances	21	–	492,507,588	19,128,165	49,677,946	561,313,699	4,700,749	2,129,055	22,104,882	28,934,686	532,379,013
– debt and other instruments	22	904,507,485	134,530,992	–	–	1,039,038,477	3,905	–	–	3,905	1,039,034,572
Financial assets measured at fair value through other comprehensive income	23	53,469,178	–	–	–	53,469,178	–	–	–	–	53,469,178
Total		983,926,129	645,704,585	19,128,165	49,677,946	1,698,436,825	4,705,257	2,137,578	22,104,882	28,947,717	1,669,489,108

Loans and advances for the year 2024 includes treasury guaranteed loans of Rs. 65,981 Mn. for which impairment provision amounted to zero, as the LGD applied for such loans is zero.

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.1 Credit risk (contd.)

54.1 (g) Credit exposure by risk rating - 2025

	Cash at banks			Placements with banks		
Ratings	Exposure Rs. '000	ECL provision Rs. '000	ECL Coverage %	Exposure Rs. '000	ECL provision Rs. '000	ECL coverage %
AAA	67,588	0.4	0.001	–	–	–
AA+	–	–	–	–	–	–
AA	3,676	0.1	0.002	–	–	–
AA-	3,350,492	151.9	0.005	1,039,564	46	0.004
A+	32,330	2.8	0.009	7,946,346	666	0.008
A	132,040	19.3	0.015	4,633,770	731	0.016
A-	59,241	15.3	0.026			–
BBB+	–	–	–	–	–	–
BBB	903	0.9	0.103	5,974,931	5,638	0.094
BBB-	–	–	–	4,601,388	7,602	0.165
BB+	–	–	–	–	–	–
BB	–	–	–	–	–	–
BB-	–	–	–	–	–	–
B+	–	–	–	–	–	–
B	–	–	–	–	–	–
B-	–	–	–	–	–	–
CCC	–	–	–	–	–	–
CC	–	–	–	–	–	–
DDD	–	–	–	–	–	–
D	–	–	–	–	–	–
Unrated	–	–	–	–	–	–
	3,646,270	190.6	0.005	24,196,000	14,683	0.061

NOTES TO THE FINANCIAL STATEMENTS

	Loans and advances			Debt and other instruments		
	Exposure Rs. '000	ECL provision Rs. '000	ECL coverage %	Exposure Rs. '000	ECL provision Rs. '000	ECL coverage %
	61,336,217	40	0.000	77,509,138	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	991,950	43	0.004	1,333,983	57	0.004
	–	–	–	10,096,263	820	0.008
	3,017,485	–	–	2,279,477	351	0.015
	–	–	–	12,109,926	3,433	0.028
	–	–	–	4,585,358	2,359	0.051
	618,831	575	0.093	341,082	315	0.092
	668,177	1,085	0.162	256,247	410	0.160
	–	–	–	168,173	464	0.276
	2,000,000	9,972	0.499	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	3,911,061	3,911,061	100.000	–	–	–
	72,543,722	3,922,776	5.407	108,679,647	8,208	0.008

Note:

1. Both individually and collectively assessed corporate loans have been considered for above rating based analysis.
2. Sovereign rating of the country has been used for cross boarder corporate loans for which rating is not available.
3. For USD denominated lending and investment, LGD is considered as 20% while PD applicable to sovereign rating is used.
4. Unless State Own Enterprises (SOE) have specific rating , those entities are considered as AAA rating Enterprises.
5. For treasury guaranteed loans & debentures, zero LGD is applied to calculate ECL.

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.1 Credit risk (contd.)

54.1 (g) Credit exposure by risk rating – 2024

	Cash at banks			Placements with banks		
Ratings	Exposure Rs. '000	ECL Provision Rs. '000	ECL Coverage %	Exposure Rs. '000	ECL Provision Rs. '000	ECL Coverage %
AAA	221,671	1.20	0.001	–	–	–
AA+	–	–	–	–	–	–
AA	5,518	0.10	0.002	–	–	–
AA-	6,526	0.23	0.004	–	–	–
A+	308,469	19.75	0.006	–	–	–
A	3,245,905	503.99	0.016	2,622,461	460.80	0.018
A-	74,700	21.46	0.029	8,564,725	2,392.47	0.028
BBB+	–	–	–	–	–	–
BBB	–	–	–	–	–	–
BBB-	–	–	–	3,616,030	5,725.72	0.158
BB+	–	–	–	–	–	–
BB	–	–	–	–	–	–
BB-	–	–	–	–	–	–
B+	–	–	–	–	–	–
B	–	–	–	–	–	–
B-	–	–	–	–	–	–
CCC	–	–	–	–	–	–
CC	–	–	–	–	–	–
DDD	–	–	–	–	–	–
D	–	–	–	–	–	–
Unrated	–	–	–	–	–	–
	3,862,789	546.74	0.014	14,803,216	8,578.99	0.058

NOTES TO THE FINANCIAL STATEMENTS

	Loans and advances			Debt and other instruments		
	Exposure Rs. '000	ECL Provision Rs. '000	ECL Coverage %	Exposure Rs. '000	ECL Provision Rs. '000	ECL Coverage %
	71,639,990	45.70	0.000	125,964,607	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	1,520,447	221.35	0.015
	–	–	–	549,379	150.86	0.027
	–	–	–	5,571,920	2,721.55	0.049
	2,000,000	1,844.50	0.092	924,639	811.66	0.088
	1,778,483	2,758.47	0.155	–	–	–
	4,026,768	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	3,754,556	3,754,555.87	100.000	–	–	–
	83,199,797	3,759,204.54	4.518	134,530,992	3,905.42	0.003

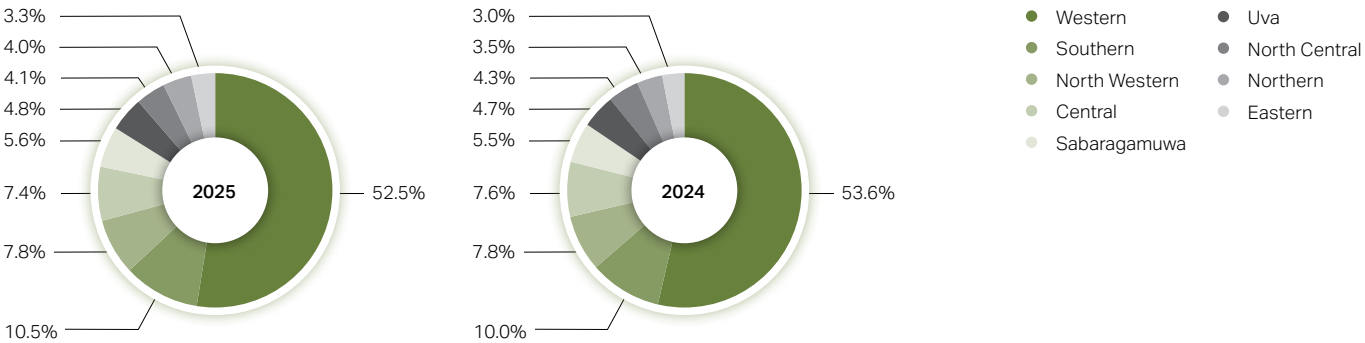
NOTES TO THE FINANCIAL STATEMENTS

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.1 Credit risk (contd.)

54.1 (h) Credit exposure by geography

Geographical concentration Graph 94



54.1 (i) Off balance sheet exposures

Bank Guarantees

A bank guarantee is a kind of guarantee from a lending organisation. The Bank guarantee signifies that the lending institution ensures that the liabilities of a debtor are going to be met. In other words, if the debtor fails to perform the obligation, the Bank will cover it.

The Group issues bank guarantees with 100% or more cash back in savings accounts or fixed deposits. Therefore Bank guarantees are not expose to credit risk and not subject to ECL.

Letter of Credits

A letter of credit, also known as a documentary credit or bankers commercial credit, or letter of undertaking, is a payment mechanism used in international trade to provide an economic guarantee from a creditworthy bank to an exporter of goods.

The Group issues letters of credit with 100% or more cash back in savings accounts or fixed deposits. Therefore letters of credits are not expose to credit risk and not subject to ECL.

Undrawn credit commitments

Undrawn Commitment refers to the loans that the bank has agreed to make available to the borrower under a revolving credit facility or a structured draw down facility that the borrower has either not drawn, or has drawn and repaid. Bank calculates ECL for undrawn credit commitment considering it as a part and partial of the credit facility.

		Exposure				
As at 31 December 2025	Note	Not subject to ECL	Stage 1	Stage 2	Stage 3	Total
Documentary Credit	48	65,792	–	–	–	65,792
Bank Guarantees	48	1,467,204	–	–	–	1,467,204
Undrawn Credit Commitments	48	323,970	2,291,576	23,104	9,558	2,648,208
Total		1,856,966	2,291,576	23,104	9,558	4,181,204

		Expected Credit Loss (ECL)				
As at 31 December 2025	Note	Not subject to ECL	Stage 1	Stage 2	Stage 3	Total
Documentary Credit		–	–	–	–	–
Bank Guarantees		–	–	–	–	–
Undrawn Credit Commitments		–	10,241	592	823	11,656
Total		–	10,241	592	823	11,656

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.1 Credit risk (contd.)

54.1 (i) Off balance sheet exposures (contd.)

		Exposure				
As at 31 December 2024	Note	Not subject to ECL	Stage 1	Stage 2	Stage 3	Total
Documentary Credit	48	–	–	–	–	–
Bank Guarantees	48	1,295,768	–	–	–	1,295,768
Undrawn Credit Commitments	48	323,970	2,124,670	1,000,000	10,693	3,459,333
Total		1,619,738	2,124,670	1,000,000	10,693	4,755,101

		Expected Credit Loss (ECL)				
As at 31 December 2024	Note	Not subject to ECL	Stage 1	Stage 2	Stage 3	Total
Documentary Credit		–	–	–	–	–
Bank Guarantees		–	–	–	–	–
Undrawn Credit Commitments		–	3,844	3	2,551	6,398
Total		–	3,844	3	2,551	6,398

54.2 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 material losses.

54.2.1 Liquidity stock ratios

The Bank's mandatory requirement to invest 60% of its deposits in Government Securities forces the Bank to maintain a high statutory regulatory liquidity ratios. Currently, the Bank maintains well above regulatory liquidity requirement ratios, which statutory requirement of 100%.

Regulatory liquidity requirement

	BANK	
As at 31 December	2025 %	2024 %
Liquidity Coverage Ratio (Rupee)		
Year end	**360.39**	351.33
30 June	**362.25**	318.64
Year beginning	**351.33**	299.20
Liquidity Coverage Ratio (All Currency)		
Year end	**349.15**	344.55
30 June	**356.06**	314.37
Year beginning	**344.55**	293.71
Net Stable Funding Ratio		
Year end	**206.44**	193.53
30 June	**197.06**	184.18
Year beginning	**193.53**	180.49

The above details are given as per regulatory reporting.

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.2 Liquidity risk (contd.)

54.2.2 Remaining contractual period to maturity of financial assets and financial liabilities

Assets with contractual maturity

	BANK						
	Up to 3 months Rs. '000	3 – 12 months Rs. '000	1 – 3 years Rs. '000	3 - 5 years Rs. '000	More than 5 years Rs. '000	**Total as at 31 December 2025 Rs. '000**	Total as at 31 December 2024 Rs. '000
Interest earning assets							
Cash and cash equivalents	3,646,079	–	–	–	–	**3,646,079**	1,875,311
Placements with banks	4,124,406	20,056,911	–	–	–	**24,181,317**	14,794,637
Financial assets recognised through profit or loss							
– measured at fair value	4,657,046	10,616,399	3,364,989	2,216,648	–	**20,855,082**	20,874,047
Financial assets at amortised cost							
– loans and advances	78,316,466	210,535,211	80,353,179	59,959,358	121,664,155	**550,828,369**	532,379,013
– debt and other instruments	105,752,792	185,443,156	379,931,953	226,193,930	195,668,083	**1,092,989,914**	1,039,034,572
Financial assets measured at fair value through other comprehensive income	8,418,294	17,292,379	10,843,286	9,218,111	11,670,546	**57,442,616**	47,900,347
	204,915,083	443,944,056	474,493,407	297,588,047	329,002,784	**1,749,943,377**	1,656,857,927
Non-interest-earning assets							
Cash and cash equivalents	4,680,659	–	–	–	–	**4,680,659**	6,483,431
Balances with central banks	167,212	–	–	–	–	**167,212**	357,054
Derivative financial instruments	68,813	–	–	–	–	**68,813**	9,131
Financial assets recognised through profit or loss							
– measured at fair value	1,303,683	–	–	–	–	**1,303,683**	212,732
Financial assets measured at fair value through other comprehensive income	–	–	–	7,192,082	–	**7,192,082**	5,568,833
Investments in subsidiaries	–	–	–	–	7,311,000	**7,311,000**	7,311,000
Property, plant and equipment	–	–	–	–	17,311,732	**17,311,732**	17,415,792
Right-of-use assets	–	–	–	–	1,244,252	**1,244,252**	1,041,185
Investment properties	–	–	–	–	–	**–**	–
Goodwill and intangible assets	–	–	–	–	2,380,283	**2,380,283**	2,183,860
Deferred tax assets	–	–	6,562,684		–	**6,562,684**	4,995,021
Other assets	2,109,834	7,015,556	10,584,183	703,451	12,445,382	**32,858,406**	50,002,248
	8,330,201	7,015,556	17,146,867	7,895,533	40,692,648	**81,080,806**	95,580,287
Total assets	213,245,284	450,959,612	491,640,274	305,483,580	369,695,432	**1,831,024,183**	1,752,438,214

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.2 Liquidity risk (contd.)

54.2.2 Remaining contractual period to maturity of financial assets and financial liabilities (contd.)

Liabilities with contractual maturity

	BANK						
	Up to 3 months Rs. '000	3 – 12 months Rs. '000	1 – 3 years Rs. '000	3 - 5 years Rs. '000	More than 5 years Rs. '000	**Total as at 31 December 2025 Rs. '000**	Total as at 31 December 2024 Rs. '000
Interest-bearing liabilities							
Due to banks	80,972	–	–	–	–	**80,972**	487,521
Financial liabilities at amortised cost							
– due to depositors	785,593,059	659,789,243	147,982,165	7,407,645	7,718,210	**1,608,490,322**	1,556,270,863
– due to other borrowers	22,430,869	16,626,247	–	–	–	**39,057,116**	48,190,057
Debt securities issued	285,147	10,100,896	1,525,000	–	5,000,000	**16,911,043**	16,966,482
	808,390,047	686,516,386	149,507,165	7,407,645	12,718,210	**1,664,539,453**	1,621,914,923
Non-interest-bearing liabilities							
Derivative financial instruments	13	–	–	–	–	**13**	258,409
Lease liabilities	90,481	304,221	605,585	270,056	222,180	**1,492,523**	1,281,561
Retirement benefit obligations	926,963	370,127	–	–	18,625,704	**19,922,794**	17,489,868
Current tax liabilities	8,483,816	–	–	–	–	**8,483,816**	3,648,729
Other liabilities	5,564,732	11,808,396	102,280	31,325	28,224	**17,534,957**	9,002,109
Equity							
Stated capital/Assigned capital	–	–	–	–	9,400,000	**9,400,000**	9,400,000
Statutory reserve fund	–	–	–	–	6,241,292	**6,241,292**	5,694,877
Retained earnings	–	–	–	–	46,545,531	**46,545,531**	28,462,305
Other reserves	–	–	–	–	56,863,804	**56,863,804**	55,285,433
	15,066,005	12,482,744	707,865	301,381	137,926,735	**166,484,730**	130,523,291
Total liabilities	823,456,052	698,999,130	150,215,030	7,709,026	150,644,945	**1,831,024,183**	1,752,438,214

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.2 Liquidity risk (contd.)

54.2.2 Remaining contractual period to maturity of financial assets and financial liabilities (contd.)

Assets with contractual maturity

	GROUP						
	Up to 3 months Rs. '000	3 – 12 months Rs. '000	1 – 3 years Rs. '000	3 - 5 years Rs. '000	More than 5 years Rs. '000	**Total as at 31 December 2025 Rs. '000**	Total as at 31 December 2024 Rs. '000
Interest earning assets							
Cash and cash equivalents	3,688,244	–	–	–	–	**3,688,244**	1,875,165
Placements with banks	4,124,406	20,056,911	–	–	–	**24,181,317**	14,794,637
Financial assets recognised through profit or loss							
– measured at fair value	5,070,874	31,876,541	19,591,560	20,782,408	–	**77,321,383**	46,536,794
Financial assets at amortised cost							
– loans and advances	77,783,256	210,574,768	80,420,077	60,012,435	121,848,524	**550,639,060**	527,715,322
– debt and other instruments	106,128,000	186,122,364	382,230,245	226,193,930	195,668,084	**1,096,342,623**	1,048,965,769
Financial assets measured at fair value through other comprehensive income	8,487,501	17,292,379	11,257,435	12,095,811	11,670,546	**60,803,672**	49,735,681
	205,282,281	465,922,963	493,499,317	319,084,584	329,187,154	**1,812,976,299**	1,689,623,368
Non-interest-earning assets							
Cash and cash equivalents	4,698,043	–	–	–	–	**4,698,043**	6,669,251
Balances with central banks	167,236	–	–	–	–	**167,236**	357,117
Derivative financial instruments	83,979	–	–	–	–	**83,979**	54,892
Financial assets recognised through profit or loss							
– measured at fair value	1,303,683	–	–	–	–	**1,303,683**	212,732
Financial assets measured at fair value through other comprehensive income	–	–	–	7,192,082	2,000	**7,194,082**	5,570,833
Property, plant and equipment	–	–	–	–	18,448,620	**18,448,620**	18,556,112
Right-of-use assets	908	2,725	7,267	7,267	1,247,280	**1,265,447**	1,066,014
Investment properties	–	–	–	–	349,000	**349,000**	349,000
Goodwill and intangible assets	–	–	–	–	2,383,250	**2,383,250**	2,185,087
Deferred tax assets	–	–	6,562,684	–	–	**6,562,684**	4,995,021
Other assets	2,109,972	7,058,703	10,584,183	703,451	12,449,791	**32,906,100**	50,127,501
	8,363,821	7,061,428	17,154,134	7,902,800	34,879,941	**75,362,124**	90,143,559
Total assets	213,646,102	472,984,391	510,653,451	326,987,384	364,067,095	**1,888,338,423**	1,779,766,929

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.2 Liquidity risk (contd.)

54.2.2 Remaining contractual period to maturity of financial assets and financial liabilities (contd.)

Liabilities with contractual maturity

	GROUP						
	Up to 3 months Rs. '000	3 – 12 months Rs. '000	1 – 3 years Rs. '000	3 - 5 years Rs. '000	More than 5 years Rs. '000	**Total as at 31 December 2025 Rs. '000**	Total as at 31 December 2024 Rs. '000
Interest-bearing liabilities							
Due to banks	80,972	–	–	–	–	**80,972**	487,521
Financial liabilities at amortised cost							
– due to depositors	785,914,680	659,803,160	148,003,662	7,429,144	7,741,321	**1,608,891,967**	1,556,681,918
– due to other borrowers	56,373,392	37,255,824	–	–	–	**93,629,216**	66,049,093
Debt securities issued	357,905	10,100,896	1,525,000	–	5,000,000	**16,983,801**	17,039,650
	842,726,949	707,159,880	149,528,662	7,429,144	12,741,321	**1,719,585,956**	1,640,258,182
Non-interest-bearing liabilities							
Derivative financial instruments	13	–	–	–	–	**13**	258,409
Lease liabilities	91,327	306,907	614,073	282,117	228,060	**1,522,484**	1,314,177
Retirement benefit obligations	929,881	370,127	–	15,931	18,625,705	**19,941,644**	17,597,407
Current tax liabilities	8,509,624	288,576	–	–	–	**8,798,200**	4,054,845
Deferred tax liabilities	–	–	42,537	30,958	–	**73,495**	61,869
Other liabilities	5,689,444	4,621,837	117,312	38,114	82,344	**10,549,051**	9,387,245
Due to subsidiaries	–	–	–	–	–	**–**	–
Equity							
Stated capital/assigned capital	–	–	–	–	9,400,000	**9,400,000**	9,400,000
Statutory reserve fund	–	–	–	–	6,364,888	**6,364,888**	5,810,742
Retained earnings	–	–	–	–	52,797,100	**52,797,100**	33,771,814
Other reserves	–	–	–	–	59,305,592	**59,305,592**	57,852,239
	15,220,289	5,587,447	773,922	367,120	146,803,689	**168,752,467**	139,508,746
Total liabilities	857,947,238	712,747,327	150,302,584	7,796,264	159,545,010	**1,888,338,423**	1,779,766,929

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.2 Liquidity risk (contd.)

54.2.3 Remaining contractual period to maturity of contingencies and commitments

	BANK						
As at 31 December 2025	Up to 3 months Rs. '000	3 – 12 months Rs. '000	1 – 3 years Rs. '000	3 - 5 years Rs. '000	More than 5 years Rs. '000	Total as at 31 December 2025 Rs. '000	Total as at 31 December 2024 Rs. '000
Commitments							
Commitment for unutilised credit facilities	2,648,208	–	–	–	–	2,648,208	3,459,333
Other commitments indirect credit facilities	481,774	–	–	–	–	481,774	1,043,688
Capital commitments	1,502,302	–	–	–	–	1,502,302	619,267
Total commitments	4,632,284	–	–	–	–	4,632,284	5,122,288
Contingent liabilities							
Documentary credit	65,792	–	–	–	–	65,792	–
Bank guarantees	1,467,204	–	–	–	–	1,467,204	1,295,768
Other contingencies	6,488,663	–	–	–	–	6,488,663	8,624,391
Total contingent liabilities	8,021,659	–	–	–	–	8,021,659	9,920,159
Total commitments & contingencies	12,653,943	–	–	–	–	12,653,943	15,042,447

	GROUP						
As at 31 December 2025	Up to 3 months Rs. '000	3 – 12 months Rs. '000	1 – 3 years Rs. '000	3 - 5 years Rs. '000	More than 5 years Rs. '000	Total as at 31 December 2025 Rs. '000	Total as at 31 December 2024 Rs. '000
Commitments							
Commitment for unutilised credit facilities	2,648,208	–	–	–	–	2,648,208	3,459,333
Other commitments indirect credit facilities	481,774	–	–	–	–	481,774	1,043,688
Capital commitments	1,503,802	–	–	–	–	1,503,802	627,575
Total commitments	4,633,784	–	–	–	–	4,633,784	5,130,596
Contingent liabilities							
Documentary credit	65,792	–	–	–	–	65,792	–
Bank guarantees	1,467,204	–	–	–	–	1,467,204	1,295,768
Other contingencies	6,488,663	–	–	–	–	6,488,663	8,624,391
Total contingent liabilities	8,021,659	–	–	–	–	8,021,659	9,920,159
Total commitments & contingencies	12,655,443	–	–	–	–	12,655,443	15,050,755

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.2 Liquidity risk (contd.)

54.2.4 Carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled after 12 months from the reporting date

	BANK	
As at 31 December	2025 Rs. '000	2024 Rs. '000
Financial assets		
Non-derivative financial assets		
Financial assets recognised through profit or loss		
– measured at fair value	5,581,637	732,948
Financial assets at amortised cost		
– loans and advances	261,976,692	280,590,886
– debt and other instruments	801,793,966	776,874,091
Financial assets measured at fair value through other comprehensive income	31,731,943	21,997,928
Total	1,101,084,238	1,080,195,853
Financial liabilities		
Non-derivative financial liabilities		
Financial liabilities at amortised cost		
– due to depositors	163,108,020	95,083,760
Debt securities issued	6,525,000	16,541,000
Total	169,633,020	111,624,760

54.2.5 Undiscounted cashflow of financial assets and financial liabilities

	BANK					
As at 31 December 2025	Up to 3 months Rs. '000	3 – 12 months Rs. '000	1 – 3 years Rs. '000	3 - 5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Financial assets						
Cash and cash equivalents	3,646,079	–	–	–	–	3,646,079
Placements with banks	4,163,842	20,829,800	–	–	–	24,993,642
Financial assets recognised through profit or loss						
– measured at fair value	6,472,614	12,408,828	3,962,770	2,331,250	–	25,175,463
Financial assets at amortised cost						
– loans and advances	38,080,883	211,158,828	181,503,352	97,356,174	209,852,088	737,951,324
– debt and other instruments	105,056,879	195,922,675	388,016,779	239,131,458	254,161,268	1,182,289,059
Financial assets measured at fair value through other comprehensive income	16,990,521	21,572,264	15,487,997	12,381,689	15,018,404	81,450,874
Total	174,410,818	461,892,396	588,970,897	351,200,570	479,031,760	2,055,506,441
Financial liabilities						
Due to banks	80,972	–	–	–	–	80,972
Financial liabilities at amortised cost						
– due to depositors	457,155,130	674,724,650	176,855,803	9,415,076	1,078,071,072	2,396,221,730
– due to other borrowers	23,423,908	17,188,324	–	–	–	40,612,232
Debt securities issued	531,014	10,547,014	1,807,735	–	5,000,000	17,885,763
Total	481,191,024	702,459,988	178,663,538	9,415,076	1,083,071,072	2,454,800,697

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.2 Liquidity risk (contd.)

54.2.6 Financial assets available to support future funding

As at 31 December 2025	Note	BANK					GROUP				
		Encumbered		Unencumbered		Total *	Encumbered		Unencumbered		Total*
		Pledge as collateral Rs. '000	Other Rs. '000	Available as collateral Rs. '000	Other Rs. '000	Rs. '000	Pledge as collateral Rs. '000	Other Rs. '000	Available as collateral Rs. '000	Other Rs. '000	Rs. '000
Cash and cash equivalents	16	–	–	8,326,929	–	8,326,929	–	–	8,386,478	–	8,386,478
Balances with central banks	17	–	167,212	–	–	167,212	–	167,236	–	–	167,236
Placements with banks	18	–	–	24,196,000	–	24,196,000	–	–	24,196,000	–	24,196,000
Derivative financial instruments	19	–	–	–	68,813	68,813	–	–	–	83,979	83,979
Financial assets recognised through profit or loss	20										
– measured at fair value		–	–	22,158,765	–	22,158,765	53,690,942	–	24,934,124	–	78,625,066
– designated at fair value		–	–	–	–	–	–	–	–	–	–
Financial assets at amortised cost											
– loans and advances	21	–	–	580,150,556	–	580,150,556	–	–	581,213,933	–	581,213,933
– debt and other instruments	22	42,004,794	–	1,050,993,328	–	1,092,998,122	44,800,297	–	1,051,722,278	–	1,096,522,575
Financial assets measured at fair value through other comprehensive income	23	–	–	64,634,698	–	64,634,698	2,850,016	–	65,147,738	–	67,997,754
Total		42,004,794	167,212	1,750,460,276	68,813	1,792,701,095	101,341,255	167,236	1,705,600,551	83,979	1,857,193,021

As at 31 December 2024	Note	BANK					GROUP				
		Encumbered		Unencumbered		Total *	Encumbered		Unencumbered		Total*
		Pledge as collateral Rs. '000	Other Rs. '000	Available as collateral Rs. '000	Other Rs. '000	Rs. '000	Pledge as collateral Rs. '000	Other Rs. '000	Available as collateral Rs. '000	Other Rs. '000	Rs. '000
Cash and cash equivalents	16	–	–	8,359,289	–	8,359,289	–	–	8,544,963	–	8,544,963
Balances with central banks	17	–	357,054	–	–	357,054	–	357,117	–	–	357,117
Placements with banks	18	–	–	14,803,216	–	14,803,216	–	–	14,803,216	–	14,803,216
Derivative financial instruments	19	–	–	–	9,131	9,131	–	–	–	54,892	54,892
Financial assets recognised through profit or loss	20										
– measured at fair value		–	–	21,086,781	–	21,086,781	25,662,748	–	21,086,780	–	46,749,529
– designated at fair value		–	–	–	–	–	–	–	–	–	–
Financial assets at amortised cost											
– loans and advances	21	–	–	561,313,699	–	561,313,699	–	–	558,038,083	–	558,038,083
– debt and other instruments	22	40,408,287	–	998,630,190	–	1,039,038,477	47,367,819	–	1,001,773,601	–	1,049,141,420
Financial assets measured at fair value through other comprehensive income	23	–	–	53,469,178	–	53,469,178	1,466,421	–	53,840,091	–	55,306,512
Total		40,408,287	357,054	1,657,662,353	9,131	1,698,436,825	74,496,988	357,117	1,658,086,734	54,892	1,732,995,733

* Figures are stated before the impairment provisions.

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.3 Market risk

54.3.1 Exposure to market risk - trading and non-trading portfolio

As at 31 December 2025	Note	BANK Carrying amount Rs. '000	BANK Amount exposure to trading Rs. '000	BANK Non-trading exposure Rs. '000	GROUP Carrying amount Rs. '000	GROUP Amount exposure to trading Rs. '000	GROUP Non-trading exposure Rs. '000
Assets subject to market risk							
Cash and cash equivalents	16	8,326,738	–	8,326,738	8,386,287	–	8,386,287
Balances with central banks	17	167,212	–	167,212	167,236	–	167,236
Placements with banks	18	24,181,317	–	24,181,317	24,181,317	–	24,181,317
Derivative financial instruments	19	68,813	68,813	–	83,979	83,979	–
Financial assets recognised through profit or loss	20						
– measured at fair value		22,158,765	22,158,765	–	78,625,066	78,625,066	–
– designated at fair value		–	–	–	–	–	–
Financial assets at amortised cost							
– loans and advances	21	550,828,369	–	550,828,369	550,639,060	–	550,639,060
– debt and other instruments	22	1,092,989,914	–	1,092,989,914	1,096,342,623	–	1,096,342,623
Financial assets measured at fair value through other comprehensive income	23	64,634,698	–	64,634,698	67,997,754	–	67,997,754
Total		1,763,355,826	22,227,578	1,741,128,248	1,826,423,322	78,709,045	1,747,714,277

As at 31 December 2025	Note	BANK Carrying amount Rs. '000	BANK Amount exposure to trading Rs. '000	BANK Non-trading exposure Rs. '000	GROUP Carrying amount Rs. '000	GROUP Amount exposure to trading Rs. '000	GROUP Non-trading exposure Rs. '000
Liabilities subject to market risk							
Due to banks	32	80,972	–	80,972	80,972	–	80,972
Derivative financial instruments	33	13	13	–	13	13	–
Financial liabilities recognised through profit or loss	34	–	–	–	–	–	–
Financial liabilities at amortised cost	35						
– due to depositors		1,608,490,322	–	1,608,490,322	1,608,891,967	–	1,608,891,967
– due to debt securities holders		–	–	–	–	–	–
– due to other borrowers		39,057,116	–	39,057,116	93,629,216	–	93,629,216
Lease liability	36	1,492,523	–	1,492,523	1,522,484	–	1,522,484
Debt securities issued	37	16,911,043	–	16,911,043	16,983,801	–	16,983,801
Total		1,666,031,989	13	1,666,031,975	1,721,108,453	13	1,721,108,440

* Figures are stated after the impairment provisions.

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.3 Market risk (contd.)

54.3.1 Exposure to market risk - trading and non-trading portfolio (contd.)

As at 31 December 2024	Note	BANK			GROUP		
		Carrying amount Rs. '000	Amount exposure to trading Rs. '000	Non-trading exposure Rs. '000	Carrying amount Rs. '000	Amount exposure to trading Rs. '000	Non-trading exposure Rs. '000
Assets subject to market risk							
Cash and cash equivalents	16	8,358,742	–	8,358,742	8,544,416	–	8,544,416
Balances with central banks	17	357,054	–	357,054	357,117	–	357,117
Placements with banks	18	14,794,637	–	14,794,637	14,794,637	–	14,794,637
Derivative financial instruments	19	9,131	9,131	–	54,892	54,892	–
Financial assets recognised through profit or loss	20						
– measured at fair value		21,086,781	21,086,781	–	46,749,528	46,749,528	–
– designated at fair value		–	–	–	–	–	–
Financial assets at amortised cost							
– loans and advances	21	532,379,013	–	532,379,013	527,715,322	–	527,715,322
– debt and other instruments	22	1,039,034,572	–	1,039,034,572	1,048,965,769	–	1,048,965,769
Financial assets measured at fair value through other comprehensive income	23	53,469,178	–	53,469,178	55,306,512	–	55,306,512
Total		1,669,489,108	21,095,912	1,648,393,197	1,702,488,194	46,804,420	1,655,683,773

As at 31 December 2024	Note	BANK			GROUP		
		Carrying amount Rs. '000	Amount exposure to trading Rs. '000	Non-trading exposure Rs. '000	Carrying amount Rs. '000	Amount exposure to trading Rs. '000	Non-trading exposure Rs. '000
Liabilities subject to market risk							
Due to banks	32	487,521	–	487,521	487,521	–	487,521
Derivative financial instruments	33	258,409	258,409	–	258,409	258,409	–
Financial liabilities recognised through profit or loss	34	–	–	–	–	–	–
Financial liabilities at amortised cost	35						
– due to depositors		1,556,270,863	–	1,556,270,863	1,556,681,918	–	1,556,681,918
– due to debt securities holders		–	–	–	–	–	–
– due to other borrowers		48,190,057	–	48,190,057	66,049,093	–	66,049,093
Lease Liability	36	1,281,561	–	1,281,561	1,314,177	–	1,314,177
Debt securities issued	37	16,966,482	–	16,966,482	17,039,651	–	17,039,651
Total		1,623,454,893	258,409	1,623,196,484	1,641,830,769	258,409	1,641,572,360

* Figures are stated after the impairment provisions.

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.3 Market risk (contd.)

54.3.2 Interest rate risk

Interest rate risk is the risk that the net interest income will be impacted by adverse fluctuations in interest rates. This may occur in the spread between two rates, in the shape of the yield curve or in any other interest rate relationships. The Bank's major source of funding is deposits which represent 94% of total on balance sheet liabilities and which represents 21.01% of savings deposits and 78.99% represent term deposits.

54.3.2.1 Exposure to interest rate risk - non-trading portfolio

Bank's interest rate sensitivity report as at 31 December 2025 is presented below:

	BANK					
As at 31 December 2025	Up to 3 months Rs. '000	3-12 months Rs. '000	1-3 years Rs. '000	3-5 years Rs. '000	More than 5 years Rs. '000	Total as at 31 December 2025 Rs. '000
Interest earning assets	200,461,752	502,030,711	435,837,955	272,496,593	318,261,283	1,729,088,294
Bank balances and placements	7,770,485	20,056,911	–	–	–	27,827,396
Financial assets at amortised cost						
– loans and advances	78,520,181	279,238,266	45,062,716	37,084,552	110,922,654	550,828,369
– debt and other instruments	105,752,792	185,443,156	379,931,953	226,193,930	195,668,083	1,092,989,914
Financial assets measured at fair value through other comprehensive income	8,418,294	17,292,379	10,843,286	9,218,111	11,670,546	57,442,616
Interest bearing liabilities	808,390,047	686,516,386	149,507,165	7,407,645	12,718,210	1,664,539,453
Due to banks	80,972	–	–	–	–	80,972
Financial liabilities at amortised cost						
– due to depositors	785,593,059	659,789,243	147,982,165	7,407,645	7,718,210	1,608,490,322
– due to debt securities holders	–	–	–	–	–	–
– due to other borrowers	22,430,869	16,626,247	–	–	–	39,057,116
Debt securities issued	285,147	10,100,896	1,525,000	–	5,000,000	16,911,043
Interest rate sensitivity gap	(607,928,295)	(184,485,675)	286,330,790	265,088,948	305,543,073	64,548,841
Cumulative Gap	(607,928,295)	(792,413,970)	(506,083,180)	(220,994,232)	64,548,841	

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.3 Market risk (contd.)

54.3.2 Interest rate risk (contd.)

54.3.2.1 Exposure to Interest rate risk – non-trading portfolio (contd.)

Group's interest rate sensitivity report as at 31 December 2025 is presented below:

	GROUP					
As at 31 December 2025	Up to 3 months Rs. '000	3-12 months Rs. '000	1-3 years Rs. '000	3-5 years Rs. '000	More than 5 years Rs. '000	Total as at 31 December 2025 Rs. '000
Interest earning assets	200,415,123	502,749,476	438,617,294	275,427,370	318,445,653	1,735,654,916
Bank balances and placements	7,812,650	20,056,911	–	–	–	27,869,561
Financial assets at amortised cost						
– loans and advances	77,986,971	279,277,823	45,129,614	37,137,629	111,107,023	550,639,060
– debt and other instruments	106,128,000	186,122,364	382,230,245	226,193,930	195,668,084	1,096,342,623
Financial assets measured at fair value through other comprehensive income	8,487,501	17,292,379	11,257,435	12,095,811	11,670,546	60,803,672
Interest bearing liabilities	842,726,950	707,159,880	149,528,662	7,429,144	12,741,321	1,719,585,956
Due to banks	80,972	–	–	–	–	80,972
Financial liabilities at amortised cost						
– due to depositors	785,914,680	659,803,160	148,003,662	7,429,144	7,741,321	1,608,891,967
– due to debt securities holders	–	–	–	–	–	–
– due to other borrowers	56,373,392	37,255,824	–	–	–	93,629,216
Debt securities issued	357,905	10,100,896	1,525,000	–	5,000,000	16,983,801
Interest rate sensitivity gap	(642,311,827)	(204,410,404)	289,088,632	267,998,226	305,704,332	16,068,960
Cumulative Gap	(642,311,827)	(846,722,231)	(557,633,598)	(289,635,372)	16,068,960	

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.3 Market risk (contd.)

54.3.2 Interest rate risk (contd.)

54.3.2.1 Exposure to Interest rate risk – non-trading portfolio (contd.)

Bank's interest rate sensitivity report as at 31 December 2024 is presented below:

	BANK					
As at 31 December 2024	Up to 3 months Rs. '000	3–12 months Rs. '000	1–3 years Rs. '000	3–5 years Rs. '000	More than 5 years Rs. '000	Total as at 31 December 2024 Rs. '000
Interest earning assets	158,549,933	397,971,042	380,635,197	289,178,404	409,649,304	1,635,983,880
Bank balances and placements	5,073,007	11,596,941	–	–	–	16,669,948
Financial assets at amortised cost						
– loans and advances	71,761,025	180,027,102	78,332,557	60,969,527	141,288,802	532,379,013
– debt and other instruments	81,076,995	181,083,486	288,246,320	220,267,269	268,360,502	1,039,034,572
Financial assets measured at fair value through other comprehensive income	638,906	25,263,513	14,056,320	7,941,608	–	47,900,347
Interest bearing liabilities	811,218,634	699,071,529	84,773,261	21,851,499	5,000,000	1,621,914,923
Due to banks	487,521	–	–	–	–	487,521
Financial liabilities at amortised cost						
– due to depositors	783,302,351	677,884,752	74,757,261	20,326,499	–	1,556,270,863
– due to debt securities holders	–	–	–	–	–	–
– due to other borrowers	27,428,762	20,761,295	–	–	–	48,190,057
Debt securities issued	–	425,482	10,016,000	1,525,000	5,000,000	16,966,482
Interest rate sensitivity gap	(652,668,701)	(301,100,487)	295,861,936	267,326,905	404,649,304	14,068,957
Cumulative Gap	(652,668,701)	(953,769,188)	(657,907,252)	(390,580,347)	14,068,957	

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.3 Market risk (contd.)

54.3.2 Interest rate risk (contd.)

54.3.2.1 Exposure to Interest rate risk - non-trading portfolio (contd.)

Group's interest rate sensitivity report as at 31 December 2024 is presented below:

	GROUP					
	Up to 3 months Rs. '000	3–12 months Rs. '000	1–3 years Rs. '000	3–5 years Rs. '000	More than 5 years Rs. '000	Total as at 31 December 2024 Rs. '000
Interest earning assets	156,341,847	398,074,400	386,504,781	291,290,220	410,875,326	1,643,086,574
Bank balances and placements	5,072,861	11,596,941	–	–	–	16,669,802
Financial assets at amortised cost						
– loans and advances	66,609,852	180,101,516	78,433,945	61,037,198	141,532,811	527,715,322
– debt and other instruments	84,020,228	181,112,430	293,576,532	221,896,077	268,360,502	1,048,965,769
Financial assets measured at fair value through other comprehensive income	638,906	25,263,513	14,494,304	8,356,945	982,013	49,735,681
Interest–bearing liabilities	828,240,993	700,319,527	84,797,442	21,874,682	5,025,539	1,640,258,183
Due to banks	487,521	–	–	–	–	487,521
Financial liabilities at amortised cost						
– due to depositors	783,624,976	677,901,279	74,780,442	20,349,682	25,539	1,556,681,918
– due to debt securities holders	–	–	–	–	–	–
– due to other borrowers	44,055,327	21,992,766	1,000	–	–	66,049,093
Debt securities issued	73,169	425,482	10,016,000	1,525,000	5,000,000	17,039,651
Interest rate sensitivity gap	(671,899,146)	(302,245,127)	301,707,339	269,415,538	405,849,787	2,828,391
Cumulative Gap	**(671,899,146)**	**(974,144,273)**	**(672,436,934)**	**(403,021,396)**	**2,828,391**	

54.3.2.2 Exposure to interest rate risk – Sensitivity analysis

The management of interest rate risk against interest rate sensitive 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 Income Statement as at the reporting date, due to change in interest rates with all other variables held constant in less than one year maturity bucket.

	2025		2024	
	Parallel increase Rs. '000	Parallel decrease Rs. '000	Parallel increase Rs. '000	Parallel decrease Rs. '000
Net Interest Income (NII)				
Change in 25 bps	**(1,655,816)**	**1,655,816**	(1,777,284)	1,777,284
Change in 50 bps	**(3,311,631)**	**3,311,631**	(3,554,567)	3,554,567
Change in 100 bps	**(6,623,262)**	**6,623,262**	(7,109,134)	7,109,134

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.3 Market risk (contd.)

54.3.3 Foreign Exchange risk

Foreign exchange risk arises from the movement of the rate of exchange of one currency against another, leading to an adverse impact on the Bank's earnings or capital. The Bank is exposed to foreign exchange risk that the value of foreign currency denominated assets (financial instrument or the investment) or liabilities, may fluctuate due to changes in foreign exchange rates. This may arise in the form of economic, transaction, or translation risks.

The table below indicates the currencies to which the Bank had significant exposures as at 31 December 2025 and 31 December 2024 and the exposure as a percentage of the total capital funds:

Foreign exchange position as at 31 December 2025

Currency	SPOT			FORWARD			On Balance Sheet Position	Net Position in other exchange contracts	Overall exposure in respective foreign Currency	Overall exposure
	Assets '000	Liabilities '000	Net '000	Assets '000	Liabilities '000	Net '000	'000	'000	'000	Rs. '000
United States Dollar	–	–	–	20,000	1,000	19,000	(19,412)	–	(412)	(127,658)
Sterling Pound	–	–	–	–	–	–	822	–	822	343,194
Euro	–	–	–	–	–	–	1,036	–	1,036	377,114
Australian Dollar	–	–	–	–	–	–	2,052	–	2,052	425,870
Singapore Dollar	–	–	–	–	–	–	46	–	46	11,047
Japanese Yen	–	–	–	–	–	–	2,506	–	2,506	4,965
Canadian Dollar	–	–	–	–	–	–	358	–	358	81,061
Swiss Franc	–	–	–	–	–	–	61	–	61	23,723
UAE Dirham	–	–	–	–	–	–	69	–	69	5,820
Total exposure							USD (15,306)		USD 3,694	1,145,136
Total Capital funds (capital base) as per the audited Basel III computation – Bank										89,486,872
Total exposure as a percentage of total capital funds (%)										1.28

Sensitivity of Fx Position	
Shock of 5% on exchange rate (rupee depreciation)	1,202,393
Shock of 10% on exchange rate (rupee depreciation)	1,259,650
Shock of 15% on exchange rate (rupee depreciation)	1,316,907

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.3 Market risk (contd.)

54.3.3 Foreign exchange risk (contd.)

Foreign exchange position as at 31 December 2024

Currency	SPOT			FORWARD			On Balance Sheet Position	Net Position in other exchange contracts	Overall exposure in respective foreign Currency	Overall exposure
	Assets	Liabilities	Net	Assets	Liabilities	Net				
	'000	'000	'000	'000	'000	'000	'000	'000	'000	Rs. '000
United States Dollar	–	1,500	(1,500)	28,400		28,400	(26,659)	–	241	70,484
Sterling Pound	–	–	–	–	–	–	1,116	–	1,116	410,154
Euro	–	–	–	–	–	–	1,264	–	1,264	384,960
Australian Dollar	–	–	–	–	–	–	1,631	–	1,631	297,191
Singapore Dollar	–	–	–	–	–	–	31	–	31	6,615
Japanese Yen	–	–	–	–	–	–	3,041	–	3,041	5,688
Canadian Dollar	–	–	–	–	–	–	208	–	208	42,382
Swiss Franc	–	–	–	–	–	–	68	–	68	22,037
UAE Dirham	–	–	–	–	–	–	70	–	70	5,611
Total exposure							USD (22,644)		USD 4,256	1,245,122
Total Capital funds (capital base) as per the audited Basel III computation – Bank										75,660,059
Total exposure as a percentage of total capital funds (%)										1.65

Sensitivity of Fx Position

Shock of 5% on exchange rate (rupee depreciation)	1,307,378
Shock of 10% on exchange rate (rupee depreciation)	1,369,634
Shock of 15% on exchange rate (rupee depreciation)	1,431,890

54.3.4 Equity risk

Equity risk is the risk that one's market value of investments will depreciate because of stock market dynamic causing one to lose money.

The investment in equity represent 0.46% of the total assets while investments in quoted and unquoted equity are 0.44% and 0.02% respectively. Hence, the Bank does not have a major exposure to equity risk. However, the adverse movements in the stock market affected the return on equity investments. The investment in unquoted companies are made due to policy decisions on market and economic development and strategic reasons.

The Bank conducts mark–to–market calculations on a monthly and on a need basis to identify the impact due to changes in equity prices.

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.3 Market risk (contd.)

54.3.4 Equity risk (contd.)

Equity price shock

The table below summarises the impact (both to the Income Statement and to the Statement of Comprehensive Income):

As at 31 December		BANK					
		2025			2024		
	Note	Financial assets recognised through profit or loss Rs. '000	Financial assets measured at FVOCI Rs. '000	Total Rs. '000	Financial assets recognised through profit or loss Rs. '000	Financial assets measured at FVOCI Rs. '000	Total Rs. '000
Market value of equity securities as at 31 December	20 and 23	1,303,683	6,740,646	8,044,329	212,732	5,195,626	5,408,358

Stress Level	2025			2024		
	Impact to P&L Rs. '000	Impact to OCI Rs. '000	Impact to equity Rs. '000	Impact to P&L Rs. '000	Impact to OCI Rs. '000	Impact to equity Rs. '000
Shock of 5% on equity prices (upward)	65,184	337,032	402,216	10,637	259,781	270,418
Shock of 5% on equity prices (downward)	(65,184)	(337,032)	(402,216)	(10,637)	(259,781)	(270,418)
Shock of 10% on equity prices (upward)	130,368	674,065	804,433	21,273	519,563	540,836
Shock of 10% on equity prices (downward)	(130,368)	(674,065)	(804,433)	(21,273)	(519,563)	(540,836)
Shock of 15% on equity prices (upward)	195,552	1,011,097	1,206,649	31,910	779,344	811,254
Shock of 15% on equity prices (downward)	(195,552)	(1,011,097)	(1,206,649)	(31,910)	(779,344)	(811,254)
Shock of 20% on equity prices (upward)	260,737	1,348,129	1,608,866	42,546	1,039,125	1,081,672
Shock of 20% on equity prices (downward)	(260,737)	(1,348,129)	(1,608,866)	(42,546)	(1,039,125)	(1,081,672)

Investment in equity shares by industry – Bank

Following table presents the Bank's diversification of trading portfolio to minimised the risk associated with particular sector.

As at 31 December	2025				2024			
Industry	Cost Rs. '000	As % of total cost %	Market value Rs. '000	As % of total market value %	Cost Rs. '000	As % of total cost %	Market value Rs. '000	As % of total market value %
1. Banks	290,620	24.8	458,954	35.2	–	0.0	–	0.0
2. Capital goods	529,405	45.2	536,488	41.2	165,120	88.1	189,332	89.0
3. Consumer services	5,313	0.5	5,725	0.4	–	0.0	–	0.0
4. Consumer durables and apparel	87,354	7.5	53,923	4.1	–	0.0	–	0.0
5. Energy	173,391	14.8	160,213	12.3	–	0.0	–	0.0
6. Food beverage and tobacco	57,500	4.9	54,500	4.2	–	0.0	–	0.0
7. Materials	7,184	0.6	9,180	0.7	–	0.0	–	0.0
8. Telecommunication services	–	0.0	–	0.0	22,400	11.9	23,400	11.0
9. Utilities	21,124	1.8	24,700	1.9	–	0.0	–	0.0
Total	1,171,891	100	1,303,683	100	187,520	100	212,732	100

NOTES TO THE FINANCIAL STATEMENTS

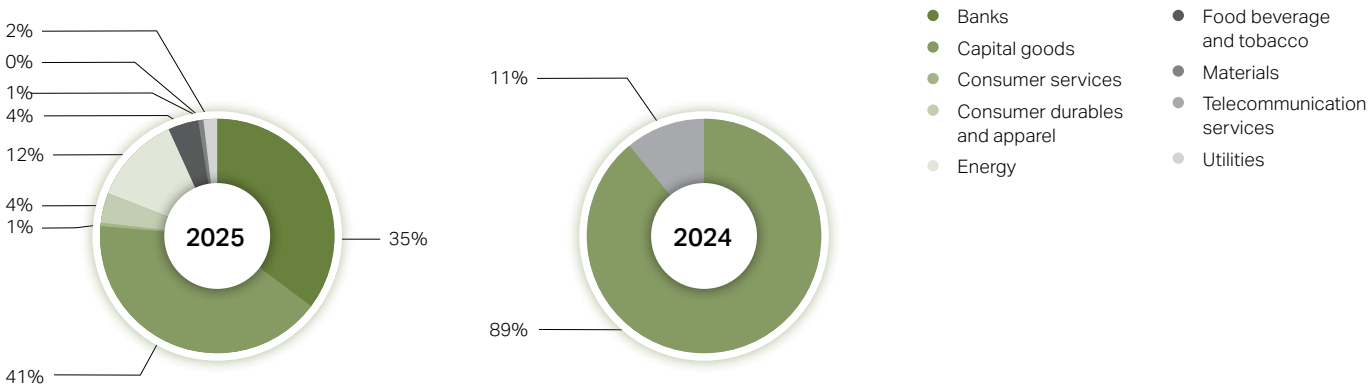
54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.3 Market risk (contd.)

54.3.4 Equity risk (contd.)

Market value of investment in equity shares by industry – Bank

As a % of total market value Graph 95



54.4 Operational risk

The BASEL Committee on Banking Supervision defines operational risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events".

Operational risk management framework

Bank has a conducive Operational Risk Management (ORM) framework to achieve more efficient, transparent, profitable and sustainable business operations. It comprises with well structured Governance, Policy framework and Risk management processes. The operational risk of the Bank is reported to the ORMC, BIRMC and the Board by Operational Risk Management Unit of the Risk Management Division.

55 FAIR VALUE OF FINANCIAL INSTRUMENTS

55.1 Financial instruments recorded at fair value

Accounting policy

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

Derivatives

i. Forward exchange purchases

The Bank value the forward exchange purchase contracts using the quoted prices available in the market for similar contracts.

ii. Foreign currency swaps

Derivative products (Foreign Currency swaps /Cash flow hedges) valued using valuation techniques incorporating various inputs such as foreign exchange spot rates and foreign exchange forward rates.

Financial assets recognised through profit or loss

i. Government Treasury Bills and Bonds

Financial assets held for trading are valued using a valuation technique consists of Government Treasury Bills and Treasury Bonds. The Bank values the securities using discounted cash flow valuation models which incorporate observable data. Observable inputs include assumptions regarding current rates of interest, broker statements and market data published by Central Bank of Sri Lanka.

ii. Equity securities

The Bank values the equity securities using the quoted prices available for the identical securities in active market.

Financial assets measured at fair value through other comprehensive income

The Bank values the quoted equity securities using the quoted prices available for the identical securities in active market.

The unquoted equity securities have been fair valued using a valuation model based on observable data.

55.2 Determination of fair value and fair value hierarchy

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

Level 1

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

When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations, without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using;

(a) quoted prices in active markets for similar instruments;

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

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

Level 3

Inputs that are unobservable.

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

This category includes instruments that are valued based on quoted prices of similar instruments for which significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

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

55. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

55.2 Determination of fair value and fair value hierarchy (contd.)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

		BANK			
As at 31 December 2025	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Non-financial assets					
Property, plant and equipment					
Land and buildings	26	–	–	14,382,644	14,382,644
Investment properties	28	–	–	–	–
Total non–financial assets at fair value		–	–	14,382,644	14,382,644
Financial assets					
Derivative financial instruments	19				
Currency swaps		68,741	–	–	68,741
Forward foreign exchange contracts		72	–	–	72
Financial assets recognised through profit or loss	20				
Government Treasury Bills and Bonds		20,855,082	–	–	20,855,082
Equity securities		1,303,683	–	–	1,303,683
Unit Trust		–	–	–	–
Financial assets at fair value through other comprehensive income	23				
Other investments – Government Securities		56,387,679	–	–	56,387,679
Equity securities – quoted		6,740,646	–	–	6,740,646
Equity securities – unquoted		–	339,945	–	393,945
Total financial assets at fair value		85,355,903	393,945	–	85,749,848
Total assets at fair value		85,355,903	393,945	14,382,644	100,132,492

		BANK			
As at 31 December 2024	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Non-financial assets					
Property, plant and equipment					
Land and buildings	26	–	–	14,310,308	14,310,308
Investment properties	28	–	–	–	–
Total non–financial assets at fair value		–	–	14,310,308	14,310,308
Financial assets					
Derivative financial instruments	19				
Currency swaps		9,131	–	–	9,131
Financial assets recognised through profit or loss	20				
Government Treasury Bills and Bonds		20,874,049	–	–	20,874,049
Equity securities		212,732	–	–	212,732
Unit Trust		–	–	–	–
Financial assets at fair value through other comprehensive income	23				
Other investments – Government Securities		47,900,345	–	–	47,900,345
Equity securities – quoted		5,195,626	–	–	5,195,626
Equity securities – unquoted		–	315,716	–	315,716
Total financial assets at fair value		74,191,883	315,716	–	74,507,599
Total assets at fair value		74,191,883	315,716	14,310,308	88,817,907

55. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

55.2 Determination of fair value and fair value hierarchy (contd.)

As at 31 December 2025	Note	GROUP Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Non-financial assets					
Property, plant and equipment					
Land and buildings	26	–	–	15,497,583	15,497,583
Investment properties	28	–	–	349,000	349,000
Total non-financial assets at fair value		–	–	15,846,583	15,846,583
Financial assets					
Derivative financial instruments	19				
Currency swaps		68,741	–	–	68,741
Forward foreign exchange contracts		15,238	–	–	15,238
Financial assets recognised through profit or loss	20				
Government Treasury Bills and Bonds		77,321,383	–	–	77,321,383
Equity securities		1,303,683	–	–	1,303,683
Unit Trust		–	–	–	–
Financial assets at fair value through other comprehensive income	23				
Other investments – Government Securities		59,739,964	–	–	59,739,964
Equity securities – quoted		6,749,253	–	–	6,749,253
Equity securities – unquoted		–	393,945	–	393,945
Total financial assets at fair value		145,198,262	393,945	–	145,592,207
Total assets at fair value		145,198,262	393,945	15,846,583	161,438,790

As at 31 December 2024	Note	GROUP Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Non-financial assets					
Property, plant and equipment					
Land and buildings	26	–	–	15,425,591	15,425,591
Investment properties	28	–	–	349,000	349,000
Total non-financial assets at fair value		–	–	15,774,591	15,774,591
Financial assets					
Derivative financial instruments	19				
Currency swaps		9,131	–	–	9,131
Forward foreign exchange contracts		45,761	–	–	45,761
Financial assets recognised through profit or loss	20				
Government Treasury Bills and Bonds		46,536,796	–	–	46,536,796
Equity securities		212,732	–	–	212,732
Unit Trust		–	–	–	–
Financial assets at fair value through other comprehensive income	23				
Other investments – Government Securities		49,366,765	–	–	49,366,765
Equity securities – quoted		5,564,375	–	–	5,564,375
Equity securities – unquoted		–	315,716	–	315,716
Total financial assets at fair value		101,735,560	315,716	–	102,051,276
Total assets at fair value		101,735,560	315,716	15,774,591	117,825,867

NOTES TO THE FINANCIAL STATEMENTS

55. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

55.3 Reconciliation of movements between levels of fair value measurement hierarchy

Bank and the Group do not have movements between level of hierarchy during the year.

55.4 Level 3 fair value measurement

Property, plant and equipment (PPE)

Reconciliation from the beginning balance to the ending balance for the land and buildings in the Level 3 of the fair value hierarchy is given in Notes 26 (a) to 26 (b) on pages 358 and 359.

Reconciliation of revaluation reserve pertaining to land and buildings categorised as Level 3 in the fair value hierarchy is given in the Statement of Changes in Equity on pages 302 to 305.

Investment properties

Reconciliation from the beginning balance to the ending balance for the investment properties in the Level 3 of the fair value hierarchy is available in Note 28 on page 361.

55.5 Fair value of financial instruments

As at 31 December	Note	BANK 2025 Carrying amount Rs. '000	BANK 2025 Fair value Rs. '000	BANK 2024 Carrying amount Rs. '000	BANK 2024 Fair value Rs. '000
Financial assets					
Cash and cash equivalents	16	8,326,738	8,326,738	8,358,742	8,358,742
Balances with central banks	17	167,212	167,212	357,054	357,054
Placement with banks	18	24,181,317	24,181,317	14,794,637	14,794,637
Derivative financial instruments	19	68,813	68,813	9,131	9,131
Financial assets recognised through profit or loss – measured at fair value	20	22,158,765	22,158,765	21,086,781	21,086,781
Financial assets at amortised cost					
– loans and advances	21	550,828,369	579,157,175	532,379,013	569,048,420
– debt and other instruments	22	1,092,989,914	1,094,196,840	1,039,034,572	1,065,888,980
Financial assets measured at fair value through other comprehensive income	23	64,634,698	64,634,698	53,469,178	53,469,178
Total financial assets		1,763,355,826	1,792,891,558	1,669,489,108	1,733,012,923
Financial liabilities					
Due to banks	32	80,972	80,972	487,521	487,521
Derivative financial instruments	33	13	13	258,409	258,409
Financial liabilities at amortised cost					
– due to depositors	35	1,608,490,322	1,609,690,688	1,556,270,863	1,566,960,794
– due to debt securities holders		–	–	–	–
– due to other borrowers		39,057,116	39,057,116	48,190,057	48,190,057
Debt securities issued	37	16,911,043	16,911,043	16,966,482	16,966,482
Total financial liabilities		1,664,539,466	1,665,739,832	1,622,173,332	1,632,863,263

55. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

55.5 Fair value of financial instruments (contd.)

As at 31 December	Note	GROUP 2025 Carrying amount Rs. '000	2025 Fair value Rs. '000	2024 Carrying amount Rs. '000	2024 Fair value Rs. '000
Financial assets					
Cash and cash equivalents	16	8,386,287	8,386,287	8,544,416	8,544,416
Balances with central banks	17	167,236	167,236	357,117	357,117
Placement with banks	18	24,181,317	24,181,317	14,794,637	14,794,637
Derivative financial instruments	19	83,979	83,979	54,892	54,892
Financial assets recognised through profit or loss – measured at fair value	20	78,625,066	78,625,066	46,749,528	46,749,528
Financial assets at amortised cost					
– loans and advances	21	550,639,060	578,883,462	527,715,322	564,384,729
– debt and other instruments	22	1,096,342,623	1,097,370,462	1,048,965,769	1,075,820,177
Financial assets measured at fair value through other comprehensive income	23	67,997,754	67,997,754	55,306,512	55,306,512
Total financial assets		1,826,423,322	1,855,695,563	1,702,488,193	1,766,012,008
Financial liabilities					
Due to banks	32	80,972	80,972	487,521	487,521
Derivative financial instruments	33	13	13	258,409	258,409
Financial liabilities at amortised cost					
– due to depositors	35	1,608,891,967	1,610,092,334	1,556,681,918	1,567,371,849
– due to debt securities holders		–	–	–	–
– due to other borrowers		93,629,216	93,629,216	66,049,093	66,049,093
Debt securities issued	37	16,983,801	16,983,801	17,039,651	17,039,651
Total financial liabilities		1,719,585,969	1,720,786,336	1,640,516,592	1,651,206,523

55.6 Determination of fair value

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not recorded at fair value in the Financial Statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), It is assumed that the carrying amount approximate their fair values. This assumption is also applied to savings deposits without specific maturity.

Long–term deposits accepted from customers for which periodical interest is paid and loan and receivables granted to customers with a variable rate are also considered to be carried at fair value in the books.

Fixed rate financial instruments

Carrying amounts are considered as fair values for short term credit facilities. In fair valuing held–to–maturity securities, rates published by the CBSL for similar trading securities were used. Loans and receivables with fixed interest rates were fair valued using market rates at which fresh loans were granted during the fourth quarter of the reporting year. Conversely, fixed deposits with original tenure above one year and interest paid at maturity were discounted using current market rates offered to customers during the fourth quarter of the reporting year. Debt security issued with fixed interest rate were discounted using variable interest rates offered to customers during the fourth quarter of the reporting year.

Unquoted equities in financial assets

All unquoted equities in financial assets measured at fair value through other comprehensive income (except RDB) are recorded at cost, since its fair value can not be reliably estimated. There is no active market for these investments and Group intends to hold it for the long-term. The investment in RDB shares have been fair valued using a valuation model based on observable data. Refer Note 23 (e) on page 355.

56 CAPITAL MANAGEMENT (AS PER REGULATORY REPORTING)

Objective

The Bank is required to manage its capital in order to meet the regulatory requirements and hold sufficient capital buffers to meet the strategic objectives which are aligned with the risk appetite of the Bank.

Regulatory capital

Central Bank of Sri Lanka sets and monitors regulatory capital requirement on both consolidated and solo basis. The Bank is required to comply with the provisions of the Basel III Direction in respect of regulatory capital and capital to cover any additional risk. The Basel III capital regulations were fully implemented by 1 January 2019, will continue to be based on the three-mutually reinforcing Pillars introduced under Basel II, i.e. minimum capital requirement, supervisory review process and market discipline. Bank was considered as a Domestically Systemically Important Bank (D–SIB) until the issuance of Banking Act Direction No. 12 of 2019 on 20 December 2019 which resulted in the Bank being no longer a D–SIB.

The Bank currently uses the standardised approach for credit risk, standardised measurement method for market risk and basic indicator approach for operational risk. Basel III emphasises on increasing the quality and quantity of capital especially the core capital, through redefining the common equity capital and introducing new capital buffers such as the Capital Conservation Buffer and a Capital Surcharge on Domestically Systemically Important Banks (D–SIBs). As per the CBSL Basel III Direction, Bank and the Group are required to maintain a minimum Tier 1 Capital Ratio of 8.5% and a minimum Total Capital Ratio of 12.5% as at the end of year 2025.

Regulatory capital comprises Tier 1 capital and Tier 2 capital. The Bank and the Group have always complied with the minimum capital requirements imposed by the Central Bank of Sri Lanka.

Regulatory capital ratios

	BANK		GROUP	
As at 31 December	2025	2024	2025	2024
Common equity Tier 1 capital ratio (minimum requirement – 7.0%)	23.400	21.707	25.847	25.032
Tier 1 capital ratio (minimum requirement – 8.5%)	24.899	23.418	27.268	26.692
Total capital ratio (minimum requirement – 12.5%)	26.827	25.883	29.071	29.058

57 REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS IN SCRIPLESS TREASURY BONDS AND SCRIPLESS TREASURY BILLS

The following additional information on repurchase and reverse repurchase transactions are disclosed as required by the Local Treasury Bills Ordinance Direction No. 1 of 2019, issued by the Central Bank of Sri Lanka (CBSL).

57.1 Carrying value of securities allocated for repurchase transactions

	BANK	
As at 31 December	2025 Rs. '000	2024 Rs. '000
Carrying value of securities allocated for repurchase transactions	42,004,794	48,190,057
Market value of securities received for reverse repurchase transactions	53,790,631	44,700,408

57. REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS IN SCRIPLESS TREASURY BONDS AND SCRIPLESS TREASURY BILLS (CONTD.)

57.2 Haircuts for repurchase and reverse repurchase transactions

Minimum haircuts applicable for each maturity bucket as at 31 December, are given below:

As at 31 December	2025 Minimum haircut		2024 Minimum haircut	
	Repurchase transactions %	Reverse repurchase transactions %	Repurchase transactions %	Reverse repurchase transactions %
Remaining term to maturity of the eligible security				
Up to 1 year	4	4	4	4
More than 1 year and up to 3 years	6	6	6	6
More than 3 years and up to 5 years	8	8	8	8
More than 5 years and up to 8 years	10	10	10	10
More than 8 years	12	12	12	12

57.3 Penalties imposed on the Bank for non–compliance

No penalties have been imposed on the Bank for non compliance with the above mentioned Direction No. 1 of 2019 issued by the CBSL during the years ended 31 December 2025 and 2024.

58 OPERATING SEGMENTS

Accounting policy

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For management purposes, the Bank is organised into four operating segments based on services offered as below:

- Retail banking
- Corporate banking
- Treasury and dealing
- International banking

NOTES TO THE FINANCIAL STATEMENTS

58. OPERATING SEGMENTS (CONTD.)

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses. Income taxes are managed separately for the Bank.

	Retail banking		Corporate banking	
For the year ended 31 December	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Net interest income	45,028,968	41,870,281	5,434,808	8,451,245
Net fee, commission and other income	2,609,619	1,629,454	110,327	103,147
Total operating income	47,638,587	43,499,735	5,545,135	8,554,392
Less: Impairment charges/(reversal)	281,622	6,586,282	168,208	13,340
Net operating income	47,356,965	36,913,453	5,376,927	8,541,052
Less: expenses	22,083,352	28,453,010	103,003	34,452
Less: Value Added Tax (VAT) on financial services	–	–	–	–
Less: Social Security Contribution Levy (SSCL) on financial services	–	–	–	–
Segment result	25,273,613	8,460,443	5,273,924	8,506,600
Profit before income tax				
Less: Income tax expenses	–	–	–	–
Profit for the year	25,273,613	8,460,443	5,273,924	8,506,600
Profit attributable to:				
Equity holders of the Bank	–	–	–	–
Non–controlling interests	–	–	–	–
Profit for the year	–	–	–	–
Other information				
Segment assets	441,632,157	476,385,976	166,116,440	205,652,930
Investment in subsidiaries	–	–	–	–
Total assets	441,632,157	476,385,976	166,116,440	205,652,930
Segment liabilities	1,575,408,165	1,557,460,854	11,826,147	65,161,824
Total liabilities	1,575,408,165	1,557,460,854	11,826,147	65,161,824
Information on cash flows				
Net cash from operating activities				
Cash flows from investing activities				
Cash flows from financing activities				
Capital expenditure				
Purchase of property, plant and equipment				
Net purchase of intangible assets				
Net cash flows generated during the year				

NOTES TO THE FINANCIAL STATEMENTS

	Treasury and dealing		International banking		Unallocated		Total	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
	33,878,262	21,729,651	506,881	531,776	–	–	84,848,919	72,582,953
	1,635,801	1,750,749	251,654	77,052	–	–	4,607,401	3,560,402
	35,514,063	23,480,400	758,535	608,828	–	–	89,456,320	76,143,355
	1,180,857	4,923,395	5,929	3,039	–	–	1,636,616	11,526,056
	34,333,206	18,557,005	752,606	605,789	–	–	87,819,704	64,617,299
	7,994,829	127,325	251,796	387,232	–	–	30,432,980	29,002,019
	–	–	–	–	11,321,227	8,207,522	11,321,227	8,207,522
	–	–	–	–	1,572,393	1,139,934	1,572,393	1,139,934
	26,338,377	18,429,680	500,810	218,557	(12,893,620)	(9,347,455)	44,493,104	26,267,824
							44,493,104	26,267,824
	–		–		17,172,346	10,145,432	17,172,346	10,145,432
	26,338,377	18,429,680	500,810	218,557	(30,065,966)	(19,492,887)	27,320,758	16,122,392
	–	–	–	–	–	–	27,320,758	16,122,392
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	27,320,758	16,122,392
	1,036,069,687	1,022,222,948	24,181,317	17,056,878	155,713,582	23,808,482	1,823,713,183	1,745,127,214
	–	–	–	–	7,311,000	7,311,000	7,311,000	7,311,000
	1,036,069,687	1,022,222,948	24,181,317	17,056,878	163,024,582	31,119,482	1,831,024,183	1,752,438,214
	5,084,896	738,290	33,082,157	26,006,787	86,572,191	4,227,844	1,711,973,556	1,653,595,599
	5,084,896	738,290	33,082,157	26,005,787	86,572,191	4,227,844	1,711,973,556	1,653,595,599
							18,071,500	(9,198,971)
							(9,687,677)	11,884,851
							(6,686,673)	(3,223,872)
							(779,736)	(620,581)
							(733,067)	(177,346)
							184,347	(1,335,919)

59 SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	BANK		GROUP	
As at 31 December	2025	2024	2025	2024
Item				
Regulatory capital adequacy (LKR in Mn.)				
Common equity Tier 1	78,053	63,454	90,980	75,395
Tier 1 capital	83,053	68,454	95,980	80,395
Total regulatory capital	89,487	75,660	102,327	87,519
Regulatory capital ratios (%)				
Common equity Tier 1 capital (%)(minimum requirement – 7%)	23.400	21.707	25.847	25.032
Tier 1 capital ratio (%) (minimum requirement – 8.5%)	24.899	23.418	27.268	26.692
Total capital ratio (%) (minimum requirement – 12.5%)	26.827	25.883	29.071	29.058
Basel III leverage ratio (minimum requirement – 3.00%)	9.34	8.00	9.48	8.85
Regulatory liquidity requirement				
Liquidity coverage ratio (%) – (minimum requirement – 100%)				
Rupee (%)	360.39	351.33	NR	NR
All currency (%)	349.15	344.55	NR	NR
Net stable funding ratio (%) – (minimum requirement – 100%)	206.44	193.53	NR	NR
Assets quality				
Impaired loans (Stage 3) to total loans, ratio (%)*	2.53	5.18	NR	NR
Impairment (Stage 3) to Stage 3 loans, ratio (%)*	58.56	44.50	NR	NR
Income and profitability				
Net interest margin (%)	4.74	4.22	4.71	4.30
Return on assets (before tax) (%)	2.48	1.53	2.51	1.62
Return on equity (%)	25.08	17.89	24.00	17.98
Cost to income ratio (%)	34.30	38.35	33.84	37.68
Memorandum information				
Credit rating (LRA)	AAA	AAA	NR	NR
Number of employees	4,203	4,212	4,224	4,331
Number of branches	263	262	266	265

* Including undrawn portion of credit

Note: NR – Not relevant

SUPPLEMENTARY INFORMATION

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024
440

COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2023 (THE CODE) ISSUED BY CA SRI LANKA
469

OTHER DISCLOSURE REQUIREMENTS AS REQUIRED BY CBSL
474

BASEL III DISCLOSURES AS PER SCHEDULE III OF BANKING ACT DIRECTION NO. 1 OF 2016
480

D-SIB ASSESSMENT EXERCISE – 2025
490

GRI CONTENT INDEX
491

INCOME STATEMENT IN US DOLLARS
494

STATEMENT OF COMPREHENSIVE INCOME IN US DOLLARS
495

STATEMENT OF FINANCIAL POSITION IN US DOLLARS
496

STATISTICAL INDICATORS 2016-2025
497

ANALYSIS OF DEPOSITS
498

HORIZONTAL ANALYSIS OF INCOME STATEMENT
499

VERTICAL ANALYSIS OF INCOME STATEMENT
499

HORIZONTAL ANALYSIS OF FINANCIAL POSITION
500

VERTICAL ANALYSIS OF FINANCIAL POSITION
501

CORRESPONDENT BANKS
502

EXCHANGE COMPANIES
503

GLOSSARY OF FINANCIAL AND BANKING TERMS
504

CORPORATE INFORMATION
508

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

			Level of compliance in 2025
1	**Ultimate responsibility and accountability of the Board**		
1.1	**Responsibilities of the Board** The Board shall exercise duty of care and duty of loyalty to the Bank with a view to strengthening the safety and soundness of the Bank by ensuring the implementation of the following:		
1.1 (a)	(a) 1. The Board shall approve of the Bank's strategic objectives and corporate values in terms of bank's long-term goals. 2. The Bank has communicated the Bank's strategic objectives and corporate values throughout the Bank.		Complied with The Board approved Strategic Business Plan 2026 – 2028 together with the corporate values and communicated to all levels of employees through planned meetings. The corporate values are included in the Bank's web page.
	(b) The Board approve of the overall business strategy of the Bank, includes the overall risk policy, risk management procedures and mechanisms with measurable goals, for at least next three years.		Complied with The Bank's overall Business Strategy is included in the rolling Strategic Plan generally prepared for a period of three years approved by the Board. The risk appetite, risk management framework and mechanisms have also been approved by the Board in line with the Strategic Plan. Measurable goals for the Bank as a whole have been set and performance is measured in line with these goals.
	(c) Inculcate a strong risk governance culture by; (i) identifying the principal risks and ensuring implementation of appropriate systems to manage risks prudently, (ii) establishing well-defined organisational responsibilities for the three lines of defence of the Bank, viz., (a) the business lines, (b) the risk management function and the compliance function which are independent from the first and third lines of defence, and (c) the internal audit function which is independent from the first and second lines of defence. (iii) ensuring that the risk management, compliance, and internal audit functions are properly positioned, sufficiently staffed and resourced to carry out the responsibilities independently, objectively and effectively. The responsibilities of risk management, compliance and internal audit functions are provided in Schedule II, III and IV, respectively; (iv) defining the risk appetite of the Bank aligning with the Bank's strategic, capital, and financial plans, which is articulated through a Risk Appetite Statement, and (v) outlining the actions to be taken when stated risk appetite limits are breached, including disciplinary actions for excessive risk taking, escalation procedures and notifications to the Board of Directors.		Complied with Integrated Risk Management (IRM) Policy is in place which outlines the management of credit, market, operational and strategic risks measures for risk identification, measurement and mitigating procedures. The following reports provide an insight in this regard: • Risk Management Report on pages 254 to 280. • Board Integrated Risk Management Committee Report on pages 251 and 252. The compliance Officer and the Chief Risk Officer report directly to BIRMC and the Deputy General Manager (Audit) reports directly to the BAC. The Bank is in the process of empowering three lines of defence in equal positions. The Strategic Business Plan is aligned with the overall risk management framework, procedures and the risk appetite of the Bank. Chief Risk Officer reviews the Bank's performance against the Risk Appetite Limits and escalated to the Board of Directors monthly using a Dash Board reports, along with the rational to take timely risk mitigation action.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

	Level of compliance in 2025
(d) Establish a policy to ensure that the Board is not dominated or significantly influenced by a Director or a group of Directors in a manner that is detrimental or prejudicial to the interests of the depositors, creditors, and the Bank as a whole;	Complied with Board Manual is in place to ensure the requirement
(e) Approve implementation of a policy of communication with all stakeholders, including regulators, depositors, creditors, shareholders, and borrowers;	Complied with The Bank has a Board approved Communication Policy which is already in place covering all stakeholders to ensure effective and timely communication.
(f) Review the adequacy and the integrity of the Bank's internal control systems and management information systems;	Complied with The BAC is assisting the Board to review the adequacy and integrity of the Bank's internal control systems and management information systems. The Internal Audit Division and the Government Audit reviews on the same and those are reviewed by BAC and also the management responses on the same, during the year. The findings have been reported to the Board.
(g) Ensure implementation of effective control systems for managing the related party exposures and avoiding any conflicts of interest that may arise from related party transactions;	Complied with The Directors make declarations of their interests at appointment, annually and whenever there is a change in the same and a quarterly report is sent to the Board on possible areas of conflict (if any). Directors abstain from participating in the discussions, voicing their opinion or approving in situations where there is a conflict of interest. Compliance Division submits a quarterly report on Related party transactions to the Board.
(h) Approve and oversee the business continuity and disaster recovery plans to ensure financial stability, operational resilience and preserve critical operations and services including core-banking systems during any disruptive event;	Board approved Business Continuity and Disaster Recovery Policy is in place. Presently the Bank is in the process of revising the BCP plan with the assistance of an external consultant.
(i) Oversee the approach to remuneration, including monitoring and reviewing remuneration and ensure alignment of remuneration with bank's risk culture and risk appetite;	Complied with Remuneration of the Directors is decided by the subject Minister as per the Section 10 of the NSB Act No. 30 of 1971 and the amendments therein. The remuneration of the General Manager/CEO and KMPs is determined by the BHRRC based on the collective agreement and approved by the Board of the Bank and forwarded to the Ministry of Finance.
(j) Identify and designate Key Management Personnel, who are in a position to; (i) significantly influence over policies, (ii) direct activities, and, (iii) exercise control over business activities, operations, and risk management.	Complied with The Bank has identified the Key Management Personnel (KMP) of the Bank for corporate governance purposes. Appointment of all designated KMPs are recommended by the BNC and approved by the Board
(k) Define the areas of authority and key responsibilities for the Board of Directors themselves and for the Chief Executive Officer (CEO) and the Key Management Personnel;	Complied with Areas of authority of the Board of Directors are governed by Section 7 of NSB Act. Board Human Resources and Remuneration Committee has defined the areas of authority and key responsibilities for the KMPs which are included in the job descriptions of each member of KMP.
(l) Ensure that there is appropriate oversight of the affairs of the Bank by CEO and Key Management Personnel, who is consistent with the Board's strategies and policies;	Complied with KMPs make regular presentation to the Board and subcommittees on matters under their purview and requested to be present by the Board as and when needed to explain matters under their purview.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

	Level of compliance in 2025
(m) Periodically assess the effectiveness of the Board of Directors' own governance practices, including: (i) the selection, nomination and election of Directors, CEO, and Key Management Personnel; (ii) the management of conflicts of interests: and, (iii) identification of weaknesses and implementation of improvements where necessary;	The Directors appointed before 2025 are appointed by the Minister in terms of Section 8 of NSB Act No. 30 of 1971 as amended by Act No. 28 of 1995. Presently Independent Directors are appointed by an independent process. Annual declarations of the Board of Directors in respect of related parties and their interests are obtained to monitor conflict, if any. Related Party Transaction Policy is in place to manage conflicts of interest of the Bank. The CEO and the KMPs are selected by Board Nomination Committee.
(n) Approve the criteria for self-assessment to be undertaken by each Director annually and maintain records of such assessments.	Self assessment and conflicts of interest declaration of all Directors are submitted by all Directors to the Secretary to the Board annually.
(o) Ensure that the Bank has an appropriate succession plan for CEO and the Key Management Personnel as explained in Direction 6.4 (i);	Complied with The Board approved Succession Plan for KMPs are in place.
(p) Meet regularly, on a needs basis, with CEO and the Key Management Personnel to review policies, establish communication lines and monitor progress towards corporate objectives;	Complied with General Manager/CEO attended Board Meetings as permitted under Section 13 (4) of the NSB Act. In addition, Key Management Personnel are requested to be present regularly when the need arises by the Board of Directors to exchange views in relation to the matters relating to their purview. KMPs are involved in discussions at the meetings of Board and its Subcommittees on progress towards performance, strategy, policy and other matters pertaining to their areas of responsibility.
(q) Keep abreast of material changes in the regulatory environment and ensure that the Bank maintains an effective relationship with regulators;	Complied with Board of Directors are informed with all applicable regulatory requirements through monthly Compliance Report. They are also briefed about developments in the regulatory environment at the Board meetings by the Compliance Officer to ensure that their knowledge is updated regularly to facilitate effective discharge of their duties and responsibilities. Monthly compliance reports which include all returns submitted to the CBSL are presented to the Board monthly and monitored closely.
(r) Exercise due diligence in the hiring and oversight of External Auditors;	The Auditor General is the External Auditor of the Bank in terms of the provisions of Article 154 of the Constitution of Democratic Socialist Republic of Sri Lanka and as per Section 37 of the NSB Act as it is a state-owned Bank. Further, the BAC is delegated to review and monitor the independence, objectivity and the effectiveness of the audit process and recommendations to Auditor General through Superintendent of Audit.
(s) Conduct itself in a professional and an ethical manner and shall not receive any undue financial or non-financial benefits including 5 incentives, gifts or funds from the employees, customers, suppliers, shareholders or any other stakeholder of the Bank;	Complied with Board approved Anti Bribery and Corruption Policy is in place.
(t) Inculcate a sound corporate culture which reinforces norms for professional, ethical and prudent behaviour throughout the Bank. Approve and oversee the implementation of a Code of Conduct based on corporate values providing clear guidelines on professionally and ethically acceptable behaviours of directors and employees addressing inter alia the issues on confidentiality of data, conflicts of interest, procedures for dealing with financial and non-financial benefits and gifts, integrity in reporting, and the fair treatment to customers;	Complied with Areas of authority of the Board of Directors are governed by Section 7 of NSB Act, Further a Board Manual is also in place. The Board of Directors conduct board meetings in ethical and professional manner addressing inter alia the issues on confidentiality of data, conflicts of interest, procedures for dealing with financial and non-financial benefits and gifts, integrity in reporting, and the fair treatment to customers;

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
	(u) Ensure timely rectification of the supervisory concerns raised by the regulator/s and for this purpose, the assistance of the relevant subcommittees shall be sought;	Complied with. The progress of the CBSL Statutory Examination Report is reported to Director Bank Supervision (DBS) on a quarterly basis. In addition, one-to-one discussions are held between the Heads of Divisions concerned and the General Manager/CEO to address the concerns raised by the CBSL. During these discussions, the progress of the corrective actions is reviewed, together with supporting evidence confirming completion.
	(v) Approve a whistleblowing policy with a view to encouraging employees to communicate confidentially the legitimate concerns regarding illegal, unethical or questionable practices without the risk of reprisal. The policy shall be reviewed at least on an annual basis. The whistleblowing policy shall clearly specify: (i) the persons to whom the concerns can be escalated within the Bank; (ii) procedures for investigating legitimate material concerns raised by the employees; (iii) procedures to ensure protection and anonymity of the employees who raise concerns due to any detrimental treatment or reprisals; and (iv) Alternative avenues for whistleblowing to regulators.	Complied with Board approved Whistleblowing policy is in place covering all the areas specified.
	(w) Promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies and ensure that policies are in place to assist businesses that are greener, climate-friendly and socially inclusive.	Complied with In alignment with Corporate Governance requirements that emphasize sustainability through ESG considerations, the Bank has embedded sustainability into its operations, decision-making, and product offerings. To ensure structured oversight and effective execution of these commitments, the Bank has established a Corporate Sustainability Committee as part of a comprehensive governance framework.
1.2	**Appointing Chairperson and CEO** The Board shall appoint the Chairperson and CEO and define and approve the functions and responsibilities of the Chairperson and CEO in line with Direction 5 of these Directions.	Complied with The roles of Chairman and the CEO are performed by two separate individuals. Under the provisions of Section 11 (1) of the NSB Act No. 30 of 1971 as amended by Act No. 28 of 1995, the Chairman is appointed by the Minister. Section 26 (1) of the NSB Act states that the Board shall appoint a fit and proper person to be the General Manager of the Bank who shall be the Chief Executive Officer of the Bank. Chairman's and CEO's functions and responsibilities have been defined in line with the NSB Act and the corporate Governance Direction.
1.3	**Board Meeting** The Board shall meet at approximately monthly intervals and Board meetings shall be held at least twelve times a year. Such regular Board meetings shall normally involve active deliberation of a majority of Directors entitled to be present. Obtaining the Board's consent through the circulation of written resolutions/papers shall be avoided as far as possible. The Board approvals obtained through circulation shall be ratified at the Board meeting held immediately following the circulation. The Board may convene and/or a Board member may attend the Board meetings virtually subject to ensuring active involvement of the relevant directors and attending Board meetings physically at least on a half yearly basis.	Complied with Regular Board meetings are held each month with the active participation of Directors. 15 Board Meetings were held during the period under concern.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
1.4	**Board procedures**	
	(a) The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of banking business, risk management and conduct of employees of the Bank.	Complied with Board has given approval for the procedure to enable all directors to include matters and proposals in the agenda for regular Board Meetings. The agenda is sent at least 7 days prior to the board meeting and secretary was available to be contacted to include any such matter to the agenda.
	(b) The Board procedures shall ensure that notice of at least 7 days is given of a regular Board Meeting to provide all Directors an opportunity to attend. For all other Board meetings, reasonable notice may be given.	Complied with The Board sets the meeting calendar at the beginning of the year. Notices for the next Board meeting are sent to Directors immediately after the preceding Board meeting.
	(c) The Board procedures shall ensure that a Director who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Participation at the Board meetings through an alternate director shall, however, be acceptable as attendance.	Complied with No such situation occurred during the year.
1.5	**Appointing a Company Secretary**	
	(a) The Board shall appoint a Company Secretary who satisfies the provisions of Section 43 of the Banking Act, whose primary responsibilities shall be to handle the secretariat services to the Board and shareholder meetings and to carry out other functions specified in the statutes and such other written laws for the time being in force.	Complied with The Secretary to the Board of National Savings Bank is an Attorney-at-Law whose credentials/qualifications are in compliance with the provisions of Section 43 of the Banking Act No. 30 of 1988 and its amendments
	(b) All Directors shall have access to advice and services of the Company secretary with a view to ensuring that Board procedures and all applicable laws, rules and regulations are followed.	Complied with All the Directors have the full access, to obtain advices and services of the Secretary to ensure that the Board procedures are followed with and the applicable rules and regulations
	(c) The Company Secretary shall implement the recommendations made by the Nomination and Governance Committee on training, capacity building and professional development programmes for the Directors.	Directors have attended awareness session on Corporate Law, capacity building and professional development programmes.
	(d) The company secretary shall maintain the minutes of Board meetings together with the recordings of meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director or the regulator.	Complied with The Secretary to the Board of Directors maintains the minutes of Board meetings together with the recordings of meetings the Directors and the regulator have access to the same.
1.6	**Maintenance of Board Meeting Minutes** Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes as to whether the Board acted with due care and prudence in performing its duties. The minutes shall also serve as a reference for regulatory and supervisory authorities to assess the depth of deliberations at the Board meetings. Therefore, the minutes of a Board meeting shall clearly contain or refer to the following: (a) a summary of data and information and justifications/ rationale used by the Board in its deliberations; (b) the matters considered by the Board;	Complied with Minutes are available to this effect.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
	(c) the fact-finding discussions reflecting the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; (d) the testimonies and confirmations of relevant Key Management Personnel which indicate compliance with the Board's strategies 8 and policies and adherence to relevant laws and regulations appropriately; (e) the Board's knowledge and understanding of the risks to which the Bank is exposed to, and an overview of the risk management measures adopted; and, (f) the Board resolutions and decisions.	
1.7	**Obtaining Independent Professional Advice** There shall be a procedure agreed by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Bank's expense. The Board shall resolve to provide separate independent professional advice to directors to assist the relevant Director or Directors to effectively discharge the duties.	Complied with The Board approved Board Manual is in place which enable the Directors upon reasonable request to seek independent professional advice in appropriate circumstances. Further Section 27 of the National Savings Bank Act states that the Board can obtain independent professional advice as and when required in discharging its duties.
1.8	**Managing Conflicts of Interest** (a) Directors shall avoid conflicts of interest, or the potential conflicts of interest, in the activities with, and commitments to, other organisations, related parties and other stakeholders.	Complied with The Directors make declarations of their interests at appointment, annually and whenever there is a change in the same and a quarterly report is sent to the Board on possible areas of conflict (if any). Directors abstain from participating in the discussions, voicing their opinion or approving in situations where there is a conflict of interest.
	(b) A Director shall abstain from participating in any discussion in relation to a matter in which he/she or any of his/her close relation or a concern in which he/she has substantial interest, is interested, nor shall receive the access to the information pertaining thereto, including accessing such information both physically and/or electronically.	
	(c) Directors shall ensure that the relationships between the Directors amongst themselves as well as between the directors, CEO and Key Management Personnel are at a level that does not result in excessive familiarity, undue influence or coercion.	Complied with In order to strengthen transparency and accountability, the Board has established procedures to ensure that relationships that may influence the independence of directors are properly identified and disclosed. The Board checks that there is a process in place to identify and disclose, within the Corporate Governance Report forming part of the Annual Report, any relationship (including financial, business, family, or other material or relevant relationships), if any, between the Chairman and the CEO and Board members, and the nature of any such relationships, including those among members of the Board.
	(d) The Board shall approve and oversee the implementation of a policy to identify and manage conflicts of interests, which shall include: (i) A Board member's duty to promptly disclose any matter that may result, or has already resulted, in a conflict of interest; (ii) A Board member's duty to avoid, to the extent possible, activities that could create conflicts of interest or the potential conflicts of interest including political affiliations;	Complied with Related Party Policy is in place and provisions of the policy has a process to manage conflict of interest.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
	(iii) Situations where conflicts may arise when serving as a Board member; (iv) A Board member's responsibility to abstain from participating in discussions on any Board decisions in relation to which he/she or any of his/her close relations or a concern in which he/she has substantial interest, is interested; and (v) The measures to be taken in the event of any non-compliance with the policy.	
1.9	**Requirement to inform on inability to meet obligations** The Board shall, if it considers that the Bank is, or is likely to be, unable to meet its obligations or about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of Bank Supervision of the situation of the Bank prior to taking any decision or action.	Complied with The Bank is solvent, and no such situation has arisen during the year to challenge its solvency.
1.10	**Compliance with prudential requirements** The Board shall ensure that the Bank is capitalised at levels as required by the Central Bank of Sri Lanka in terms of the capital adequacy ratio and other prudential requirements imposed by the Central Bank of Sri Lanka from time to time.	Complied with Board paper on risk appetite is submitted by the Chief Risk Officer on regular basis to the Board and the Board monitors capital adequacy and other prudential measures and ensures that the Bank complies with the prescribed capital adequacy ratios and other prudential requirements issued by the regulator from time to time.
1.11	**Annual corporate governance report** The Board shall publish in the Bank's Annual Report, an Annual Corporate Governance Report setting out the compliance with these Directions.	Complied with This report forms part of the Corporate Governance Report of the Bank and report is given on page 440 to 468 in the annual report.
2	**Board's composition** The Board's composition shall ensure a healthy mix of knowledge, qualifications, skills, experience in relevant disciplines, gender and have varied backgrounds to promote diversity of views commensurate with the size, scale, diversity and complexity of operations of the Bank. The qualifications and experience shall be in banking, finance, economics, accounting, business administration, information technology, risk management, law or any other relevant discipline as may be determined by the Central Bank of Sri Lanka.	
2.1	**Procedure for Appointing Directors** (a) There shall be a formal and transparent procedure for the appointment of new Directors to the Board. There shall also be Board approved procedures in place for the orderly succession of appointments to the Board.	Complied with Directors were appointed as per Section 8 (1) of NSB Act. Presently an independent body select the Independent Directors under Cabinet Memorandum.
	(b) A Director or an employee of a bank shall not be appointed, elected or nominated as a Director of another bank except where such bank is a subsidiary company or an associate company of the first mentioned bank.	Complied with No such appointment were held during the period.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
2.2	**Number of Directors**	
	(a) The number of Directors on the Board shall not be less than 9 and not more than 13. The number of directors shall be commensurate with the size, scale, diversity and complexity of operations of the Bank.	During the financial year, six Directors were nominated to the Board. Out of the six nominated Directors, two did not accept the appointment, while two Directors resigned after their appointment. As a result, the Board presently consists of seven Directors. The Board composition vacancies have been informed to the appointing authority.
	(b) The Board shall have at least one female representative by 31 December 2025 and the Boards with more than 10 members shall have at least two female representatives by 31 December 2026.	The requirement was complied by appointing one Female Director on 8 October 2025 and she resigned with effect from 24 November 2025.
2.3	**Executive Directors** A member of the Key Management Personnel of the Bank may be appointed, elected or nominated as a Director of the Bank (hereinafter referred to as an "Executive Director") provided that the number of executive directors shall not exceed one-third of the number of Directors of the Board. In such an event, one of the Executive Directors shall be CEO of the Bank.	Complied with There are no Executive Directors in the Board. All are Non-Executive Directors.
2.4	**Non-Executive Directors** Non-Executive Directors shall be suitable professionals with credible track record of good conduct and integrity and have necessary knowledge, skills and experience to bring an independent judgement to effectively address issues of strategy, performance and resources and to contribute towards the sustainability of the Bank.	Complied with All Non-Executive Directors supports balanced decision-making and promotes accountability within the Board. By providing constructive guidance and oversight, contribute significantly to maintaining sound governance practices and ensuring the long-term sustainability and stability of the Bank.
2.5	**Independent Directors**	
	(a) At least half of the total number of directors shall be independent Non-Executive Directors. Licensed banks shall comply with this Direction by 1 January 2027.	Complied with
	(b) A Non-Executive Director shall not be considered independent if he/she: (i) has direct and indirect voting and/or non-voting shareholdings of more than 1 per cent of the Bank; (ii) currently has or had during the period of two years immediately preceding his/her appointment as Director, any business transactions with the Bank as described in Direction 7.2, exceeding 10 per cent of the regulatory capital of the Bank; (iii) has been employed by the Bank during the two-year period immediately preceding the appointment as Director; (iv) currently has or had during the period of two years immediately preceding his/her appointment as director, a material business relationship with the Bank; (v) has a close relation who is a Director or CEO or a member of the Key Management Personnel or a material shareholder of the Bank. For this purpose, a "close relation" shall mean the spouse or a dependent child; (vi) represents a specific stakeholder of the Bank;	Complied with Directors annual declarations do not indicate any such situation.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
	(vii) is an employee or a Director or a material shareholder or has a material business relationship in a company or business organisation; (a). which currently has a transaction with the Bank as defined in Direction 7.2 of these Directions, exceeding 10 per cent of the regulatory capital of the Bank, or (b). in which any of the other Directors of the Bank are employed or are Directors or are material shareholders except for the appointments recommended by the financial sector authorities, or, (c). in which any of the other Directors of the Bank have a transaction as defined in Direction 7.2, exceeding 10 per cent of regulatory capital in the Bank. (viii) currently is or has been during the period of one year immediately preceding his/her appointment as Director, serving as a consultant/advisor or principal consultant/advisor in the case of a firm providing consultancy to the Bank; and, (ix) currently is or has been during the period of one year immediately preceding his/her appointment as director, an engagement partner of a firm providing audit services to the Bank.	
	(c) The Independent Non-Executive Directors shall be expressly identified in all corporate communications that disclose the names of Directors of the Bank.	Complied with
2.6	**Representation through Alternate Directors** (a) Representation through an Alternate Director is allowed only in exceptional circumstances as approved by the Board for a maximum period of one year from the date of such appointment with prior approval of the Director of Bank Supervision under the provisions of Section 42 of the Banking Act. (b) In the event an Alternate Director is appointed to represent an Independent Director, the person so appointed shall also meet the criteria that applies to the Independent Director. (c) An existing Director of the Bank cannot be appointed as an Alternate Director to another existing Director of the Bank. (d) An individual appointed as an Alternate Director to one of the Directors cannot be appointed as an Alternate Director to another Director in the same Board.	Not Applicable NSB Act does not provide provisions to appoint Alternate Directors.
2.7	**Quorum for the Board Meetings** At least half of the Board Members shall constitute the quorum for the Board meetings. A meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present, unless more than one third of the number of Directors present at such meeting are Independent Non-Executive Directors. Licensed banks shall comply with this Direction by 1 January 2026.	Complied with As per Section 12 of NSB Act, the quorum of the Board is four which is more than one-half of the Directors and all of them are Non-Executive Directors.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
3	**Suitability of Directors** A person who serves or wishes to serve as a Director of a licensed bank shall comply with the following requirements.	
3.1	**Criteria to assess fitness and propriety** The provisions of Section 42 and Section 76H of the Banking Act shall apply to determine the fitness and propriety of a person who serves or wishes to serve as a director of a licensed bank. Non-compliance with any criteria set out therein shall disqualify a person to be appointed, elected or nominated as a director or to continue as a Director. The prior approval of the Director of Bank Supervision shall be obtained for the fitness and propriety of each person to be appointed, elected or nominated as a director of a licensed bank in terms of Section 42 and Section 76H of the Banking Act.	Complied with All Directors are appointed with the prior approval of the Director of Bank Supervision.
3.2	**Additional requirements for suitability of Directors** (a) The age of a person who serves as a Director shall not exceed 70 years. (b) The total period of service of a Director other than a director who holds the position of CEO or Key Management Personnel position shall not exceed nine years. (c) A person shall not hold office as a Director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the Bank. (d) Directors shall have sufficient time to carry out the responsibilities as a Director of the Bank.	Complied with The declarations given by the Directors ensured that all Directors are below the age of 70, do not hold directorships of more than 20 companies inclusive of subsidiary of the Bank as stated.
3.3	**Cooling-off period** A Director or CEO of a licensed bank operating in Sri Lanka shall not be appointed as a Director or CEO of another licensed bank operating in Sri Lanka before the expiry of a period of six months from the date of cessation of his/her office at the licensed bank in Sri Lanka. Any variation thereto in exceptional situations such as where expertise of retiring bankers may be required when reconstituting Boards of licensed banks which need restructuring, shall be subject to the prior approval of the Central Bank of Sri Lanka.	Complied with Directors or the CEO appointed did not hold the function as mentioned.
4	**Delegation of functions** The Board shall comply with the following requirements in delegating its functions.	
4.1	**Division of responsibilities** There shall be a clear division of the responsibilities at the Board level and the key management level to ensure a greater balance of power and authority, so that powers are not concentrated in any individual.	Complied with The Board is primarily responsible for providing strategic direction, oversight, and governance, while the day-to-day management and operational execution of the Company's activities are delegated to the Chief Executive Officer and the Key Management team.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
4.2	**Specific matters for Board decisions** The Board shall have a formal schedule of matters specifically reserved for its decisions to ensure that the direction and control of the Bank is firmly under its authority.	Complied with Delegation of authority is in place. The Board reviews and approves the delegation arrangements and ensures that the extent of delegation addresses the needs of the Bank while enabling the Board to discharge its functions effectively without any hindrances.
4.3	**Restrictions to delegate** The Board shall not delegate any matters to a Board Committee, CEO, Executive Directors or Key Management Personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied with The Board has not delegated such authority which hinders or reduces the ability of the Board as a whole to discharge its functions.
4.4	**Review of delegation process** The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Bank.	Complied with The delegation arrangements are reviewed by the Board periodically or on a need basis/on request made by the Management.
5	**The Chairperson and CEO** There are two key aspects of management of every bank, viz., (a) the overall governance by the Board, and (b) the day-to-day management of the Bank's business by CEO, in line with Board approved strategic objectives, corporate values, overall risk policy and risk management procedures.	
5.1	**Division of responsibilities between Chairperson and CEO** The roles of Chairperson and CEO shall be separate and shall not be performed by the same individual. The division of responsibilities between Chairperson and CEO shall be clearly established and set out in writing.	Complied with The roles of Chairman and the CEO are performed by two separate individuals.
5.2	**Suitability of the Chairperson** (a) The Chairperson shall be an independent Non-Executive Director. In the event the Chairperson becomes non-independent after the initial appointment, as an interim arrangement, the Board shall designate an Independent Director as the Senior Director for a period not exceeding six months with suitably documented terms of reference. The designation of the Senior Director shall be disclosed in the Bank's Annual Report.	Complied with Chairman is a Non-Executive Non-Independent Director. Board Appointed an Independent Director as a Senior Director.
	(b) Where a Non-Independent Director is currently serving as the Chairperson, such Director may continue to serve as the Chairperson for a further period not beyond 31 December 2027, subject to applicable laws and regulations including Direction 3.	Not Applicable
	(c) A Chairperson appointed after the effective date of this Direction shall be an Independent Non-Executive Director.	Not Applicable

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
5.3	**Responsibilities of the Chairperson** The Chairperson shall: (a) provide leadership to the Board and ensure the Board works effectively and duly discharges its responsibilities; (b) ensure that all key and appropriate issues are discussed by the Board in a timely manner; (c) approve the agenda for each Board Meeting, considering where appropriate, any matters proposed by the other Directors for inclusion in the agenda. The Chairperson may delegate the preparation of agenda to the Company Secretary; (d) ensure that all Directors are properly briefed on issues arising at Board meetings and also ensure that Directors receive adequate information in a timely manner; (e) encourage all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the Bank; (f) facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive discussions between Executive and Non-Executive Directors; (g) encourage all Directors to make critical and constructive discussions at the Board Meetings and ensure that dissenting views can be freely expressed and discussed within the decision-making process; (h) not engage in activities involving direct supervision of Key Management Personnel, other employees or any other executive duties whatsoever; and (i) ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied with The Chairman provides leadership to the Board and ensures that the Board functions effectively in discharging its responsibilities. The Board in a timely manner discusses all key issues. Draft Board minutes are reviewed by the Chairman before it is tabled at the next meeting. Board adopts a scheme of self-assessment process by each Director annually, and maintains records of such assessments. The Chairman draws up the agenda for the meetings. The Chairperson ensures that the Board is sufficiently briefed and informed regarding the matters arising at the Board meetings. The following procedures are in place to ensure that: Circulation of Board papers including the Minutes of the previous meeting seven days prior to the Board meeting giving them sufficient time to review and call for additional information and clarification and after the Meeting to follow up on issues consequent to the meeting by KMPs when required. The evaluation of the role of the Chairman and the overall assessment of the Board's performance are incorporated in the Director self-evaluation process. The Self-evaluation forms are filed at the Secretary's Division and is in the process of obtaining. Chairman is a Non-Executive Director and he is not involved directly in executive functions to supervise KMPs or any other executive duties whatsoever. The Bank keeps effective communication with the shareholder; Government of Sri Lanka. The Ex-Officio Director appointed as per the National Savings Bank Act acts as the channel of communication between the Board and the shareholder.
5.4	**Conduct of CEO** (a) CEO shall function as the apex executive-in-charge of the day-to-day management of the Bank's operations and business and shall not hold any other executive functions. (b) CEO shall not be appointed or nominated as an employee or a Director of another licensed bank or any other company/institution/entity except as a Non-Executive Director of a subsidiary or an associate company of the licensed bank. (c) In the event CEO is appointed as a Non-Executive Director of a subsidiary or an associate company of the licensed bank, he/she shall ensure that such duties do not affect the effective discharge of responsibilities as CEO.	Complied with
5.5	**Suitability of CEO** The person appointed as CEO shall be a fit and proper person to hold such position in terms of Section 44A and Section 76H of the Banking Act, and shall possess sufficient authority, stature, knowledge, competencies, and expertise in the core banking functions given the size, scale, diversity and complexity of operations of the Bank.	Complied with The fit and propriety letters, affidavits and CBSL approved letters are in place.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
6	**Board Committees** Each licensed bank shall have at least five Board Committees as set out in Directions 6.2 – 6.6 of these Directions.	
6.1	**Requirements for the Board Committees** (a) Each Committee shall report directly to the Board. (b) Board shall set out the authority of each Committee, and in particular, whether the Committee has the authority to act on behalf of the Board or simply has the authority to examine a particular issue and report back to the Board with recommendations. (c) Each Committee shall have a Board approved Terms of Reference. (d) All Committees shall appoint a secretary to inter alia arrange the meetings and maintain minutes, records in sufficient detail, under the supervision of the Chairperson of the Committee. The minutes of all Committees shall be submitted to the Board. (e) The quorum of each committee shall consist of at least half of the Committee Members. (f) The Board shall present a report on the performance of each committee, on the duties and roles at the annual general meeting.	Complied with The Board has established Five (05) Committees. The Board Audit Committee (BAC), Board Human Resource and Remuneration Committee (BHRRC), Board Nomination Committee (BNC), Board Integrated Risk Management Committee (BIRMC) are mandatory as per the Banking Act Direction No 5 of 2024 and Board IT Strategy Committee (BITSC) is appointed for IT needs of the Bank. Further as per the direction, As NSB is a non-listed Bank, Related Party Transaction Review Committee should be established by 1 January 2027. However, the Bank has established a Related Party Transaction Review Committee with effect from 17 February 2026 and is in the process of establishing TOR. All the Committees report directly to the Board through the Committee Chairpersons. A report on each Subcommittee on its duties, roles and performance is presented in the annual report on page 245 to 253.
6.2	**Audit Committee** (a) The Chairperson of the Committee shall be an Independent Director and is not the chair of the Board or any other Board committee and shall possess qualifications and experience in finance, accounting and/or auditing, with a membership of a recognised professional accounting body.	Complied with The Chairman of the Audit Committee is an Independent Non-Executive Director. He holds required qualifications and experience.
	(b) All members of the Committee shall be Non-Executive Directors, with a majority of Independent Directors. The Members shall possess a collective balance of skills and expert knowledge in finance, accounting and auditing commensurate with size, scale, diversity and complexity of operations of the Bank.	Complied with All Directors are Non-Executive Directors, and possess collective balance of skills and expert knowledge in finance, accounting and auditing commensurate with size, scale, diversity and complexity of operations of the Bank.
	(c) A majority of the members of the Committee shall not be constituted by the Members of the Integrated Risk Management Committee and vice-versa.	Complied with
	(d) The Committee shall make recommendations on matters in connection with: (i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank guidelines issued to external auditors from time to time; (iii) the application of the relevant accounting standards; and (iv) the service period, audit fee and any resignation or dismissal of the external auditor, provided that the engagement of the external auditor shall not exceed six years and shall change the particular engagement partner once in every three years.	Not Applicable (i) The Auditor General is the External Auditor of the Bank as per the statutes. Hence, the Committee has no role to play in the engagement of the External Auditor (ii) The Auditor General is the External auditor and therefore all the matters above are taken in to consideration (iii) & (iv) As per the Terms of Reference, the Board Audit Committee makes the following recommendations among others: • Implementation of Central Bank guidelines issued to Auditors from time to time • The application of relevant accounting standards

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

	Level of compliance in 2025
(e) The Committee shall review and monitor the External Auditor's independence, integrity, objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	Complied with Since the Auditor General is the External Auditor the independence and objectivity are maintained. Effectiveness of the audit process is discussed with the superintendent of the Government Audit at Board Audit Committee meetings.
(f) The Committee shall develop and implement a policy on the engagement of an External Auditor to provide non-audit services that are permitted under the Guidelines issued by the Central Bank of Sri Lanka to External Auditors. The Committee shall ensure that the provision by an External Auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the Committee shall consider: (i) whether the skills and experience of the audit firm make it a suitable provider of the non-audit services; (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the External Auditor; and (iii) whether the nature of the non-audit services, the fee levels individually and in aggregate relative to the audit firm, pose any threat to the objectivity and/or independence of the External Auditor.	Not Applicable Since the Auditor General is the External Auditor the independence and objectivity are maintained.
(g) The Committee shall, before the audit commences, discuss and finalise with the external auditor, the nature and scope of the audit, including: (i) an assessment of the Bank's compliance with the relevant Directions in relation to corporate governance and the Management's internal control over financial reporting; (ii) the preparation of the Financial Statements for external purposes in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between firms where more than one audit firm is involved.	Complied with
(h) The Committee shall review the accounting policies/ systems and the internal control framework with a view to ensuring greater transparency and integrity of the Bank's financial reporting process and the adequacy of accounting and other internal controls.	Complied with

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

	Level of compliance in 2025
(i) The Committee shall review the financial information of the Bank, in order to monitor the integrity of the financial statements of the Bank, its annual report, accounts and quarterly reports prepared for disclosure, and the significant financial reporting judgements contained therein. In reviewing the Bank's annual report and accounts and quarterly reports before submission to the Board, the Committee shall focus particularly on: (i) major judgemental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.	Complied with The Board Audit Committee reviews quarterly Financial Statements and annual report of the prepared for the disclosure purposes as and when ready for the publication. The Internal Audit division submits a separate review report on the Financial Statements on each instance including the deviation in major judgemental areas, change in accounting policies in the review report to the attention of Board Audit Committee.
(j) The Committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the External Auditor may wish to discuss including those matters that may need to be discussed in the absence of CEO and Key Management Personnel, if necessary.	Complied with The Board Audit Committee meets the External Auditor on request in the absence of Executive Management with relation to the audit. The BAC discusses issues, problems and reservations arising from the interim and final audits. The representative of the Auditor General was present at the Committee meetings throughout.
(k) The Committee shall review the External Auditor's management letter and the management's response thereto.	Complied with External Auditors Management letter Reviewed issued under the Section 14 (2) © and13 (7) (a) of the Finance Act , annually and the Management response thereon.
(l) The Committee shall take the following steps with regard to the internal audit function of the Bank: (i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work;	Complied with The Annual Audit Plan for the year 2025 prepared by the Internal Audit Division was submitted to the BAC was approved which includes the scope, functions, and resource requirements relating to the Plan.
(ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Department;	Complied with The Committee reviews the internal audit plan and the results of the internal audit procedures and ensures that appropriate actions are taken for improvements.
(iii) Review any appraisal or assessment of the performance of the Chief Internal Auditor (CIA) and senior staff members of the Internal Audit Department;	Performance appraisal of Chief Internal Auditor and the work process and results of the internal audit function are generally evaluated by the Audit Committee during the first quarter of the preceding year. Performance evaluation of senior staff is carried out according to the Board approved evaluation process by the Chief Internal Auditor and is tabled before the Audit Committee.
(iv) Recommend any appointment or termination of CIA, senior staff members and outsourced service providers to the internal audit function;	Not applicable No such situation has arisen during the year.
(v) Ensure that the Committee is apprised of resignations of senior staff members of the internal audit department including CIA and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning; and,	Not applicable No such situation has arisen during the year.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

	Level of compliance in 2025
(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.	Complied with According to the governance structure of the Bank, Deputy General Manager (Audit) reports directly to the Board through BAC and is independent of any operations of the Bank.
(m) The Committee shall consider the major findings of internal investigations and management's responses thereto.	Complied with The Board Audit Committee has reviewed major findings and Management responses thereto. It also ensures that the recommendations of such investigations were implemented.
(n) Other Board members, CEO, CIA, the Chief Financial Officer (CFO), the Chief Risk Officer (CRO), the Chief Compliance Officer (CCO), any other key management personnel and a representative of the external Auditors may attend meetings upon the invitation of the Committee for the relevant agenda item. However, at least twice a year, the Committee shall meet with the External Auditors without the Executive Directors being present.	Complied with 14 meetings were held during the year 2025 and the representative of Auditor General's Office has attended 13 meetings. General Manager/CEO participate for the meeting by invitation. Apart from the above meetings, Board Audit Committee (BAC) had two Independent Meetings with External Auditor (Superintendent of National Audit Office) without General Manager/ CEO and Internal Auditor of the Bank.
(o) The Committee shall have: (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	Complied with As per the BAC Charter, the Committee has been empowered to investigate any matter, access to information, authority to obtain professional advice resources to carry out its function etc.
(p) The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied with The BAC has scheduled regular meetings. Additional meetings are schedules when required. The Committee met 14 times during the year. Members of the BAC are served with due notice of issues to be discussed and conclusions in discharging its duties and responsibilities are recorded in the minutes of the meetings maintained by the Secretary to the BAC/ Secretary to the Board of National Savings Bank
(q) The Secretary of the Committee (who may be the Company Secretary or CIA) shall record and keep detailed minutes of the Committee meetings.	Complied with
(r) The Committee shall: (i) ensure effective implementation of the Board approved whistleblowing policy; and, (ii) ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action.	Complied with Board approved whistleblowing policy is in place.
(s) The Committee shall act as the key representative body for overseeing the Bank's relations with the External Auditor.	Complied with The Committee is the key representative body for the Bank's relations with the External Auditor.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
6.3	**Human Resources and Remuneration Committee**	
	(a) be chaired by a Director who is not the chair of the Board and preferably independent;	Complied with
	(b) preferably be constituted with a majority of Independent Directors;	Complied with
	(c) require CEO to be present at the meetings upon invitation, except when matters relating to CEO are being discussed;	Complied with
	(d) determine the remuneration policy in relation to salaries, allowances, special payments/benefits made at termination or retirement, and other financial and non-financial benefits made to Directors, CEO and the Key Management Personnel;	Remuneration of the Directors is decided by the subject Minister as per the Section 10 of the NSB Act No. 30 of 1971 and the amendments therein. The remuneration of the General Manager/CEO and KMPs is determined by the BHRRC based on the collective agreement and approved by the Board of Directors of the Bank and forwarded to the Ministry of Finance.
	(e) set goals and targets for the directors, CEO and the Key Management Personnel;	Complied with All seven Directors are Non-Executive. The Directors are appointed by the Minister as per NSB Act. And presently selected by an independent body. Goals and targets for KMPs are documented and detailed in the Strategic Business Plan 2026-2028 for achieving targets for their respective Divisions.
	(f) evaluate the performance of CEO and the Key Management Personnel against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance-based incentives;	Annually, the criteria for evaluations of the performance of the General Manager/CEO and Key Management Personnel against the set targets and goals were submitted to the Committee during the first quarter of the following year. Except General Manager/CEO, all other KMPs Evaluations are completed.
	(g) ensure that the prior written approval of the shareholders is obtained for any special payments/ financial and non-financial benefits to be made to the directors, CEO and key management personnel at the termination of employment or at the retirement. In the case of licensed banks where the Government of Sri Lanka holds fifty per cent or more of issued capital carrying voting rights of the bank, such prior approval shall be obtained from the Secretary to the 22 Treasury;	Complied with Such instances did not occur during the year.
	(h) coordinate with the Integrated Risk Management Committee to ensure that the compensation made to Directors, CEO and Key Management Personnel is within the risk appetite limits of the Bank; and	Complied with
	(i) establish a policy on claw-back arrangements for performance based payments made to CEO and key management personnel of the licensed bank under the circumstances of inter alia fraud and misappropriation of funds, to the extent of the financial loss caused to the licensed bank. Such policy shall articulate the process to be followed by the licensed bank prior to giving effect to the claw back arrangements ensuring procedural propriety, fair hearing and transparency. The claw-back procedure of the licensed bank shall be incorporated into the employment contracts of CEO and Key Management Personnel and a similar arrangement shall be implemented for the existing CEO and Key Management Personnel.	Not Applicable This will be applicable with effect from 01 January 2026. The Bank is in the process of establishing a policy and relevant arrangements.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
6.4	**Nomination and Governance Committee:** The Committee shall,	
	(a) be chaired by an Independent Director who is not the chair of the Board and shall be constituted with a majority of Independent Directors. CEO may be present at meetings by invitation except when matters relating to CEO are being discussed;	Complied with
	(b) implement a formal and transparent procedure to identify, nominate and recommend new Directors, CEO and the Key Management Personnel;	Complied with
	(c) ensure the Directors, CEO and the Key Management Personnel are fit and proper persons to hold office as specified in the criteria given in Directions 3 and 8.2 and as set out in the applicable laws and regulations;	Complied with Signed affidavit and declarations of Directors and General Manager/CEO are obtained by the Board Secretary and the same are obtained from the Memebers of the Senior Management by the HR Division and forwarded to the Central Bank for assessing the fitness and propriety.
	(d) obtain the views of the Integrated Risk Management Committee in selecting CRO and CCO and that of the Audit Committee in selecting CIA;	Complied with
	(e) consider and recommend (or not recommend) the re-election of current Directors, through periodic evaluation of the performance and contribution made by the Director concerned towards the overall discharge of the Board's responsibilities;	Not Applicable Directors are appointed as per the NSB Act and the Cabinet Memorandum.
	(f) quarterly evaluate the status of independence of the Independent Non-Executive Directors in terms of the Direction 2.5 b) and whether such directors have any conflicts of interest that may impede the ability to perform duties independently and notify the changes to the independent status (if any) to the Director of Bank Supervision;	Complied with Related Party Transactions Policy is in place and procedure is available to manage the conflict of Interest.
	(g) set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO and the Key Management Positions;	Complied with Committee periodically review the appointment and promotion policy.
	(h) consider and recommend from time to time, the requirements of additional/new expertise to the Board and the succession arrangements for retiring Directors;	Complied with Succession Plan is in place.
	(i) ensure that the Bank has a robust succession plan for CEO and the Key Management Personnel with an effective and transparent process to: (i) identify qualified and competent persons (internal/ external) to fulfil the positions of CEO and Key Management Personnel for succession in short, medium and long term given the size, scale, diversity and complexity of operations of the Bank; (ii) groom the selected successors for the respective positions by identifying and mitigating the skill/ knowledge gaps for the respective area; and, (iii) review the succession plan at least on an annual basis	Complied with Board approved Succession Plan for the Key Management Personnel (KMPs) is in place.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
	(j) ensure that the directors are updated on the applicable laws, regulations, macroeconomic policies, latest technological developments and emerging financial sector and market developments relevant to the banking industry on a continuous basis;	Complied with Compliance Officer updates on the applicable laws, regulations, macroeconomic policies, latest technological developments and emerging financial sector and market developments relevant to the banking industry by monthly Compliance Report.
	(k) identify the training needs of the Directors and make recommendations to the Board relating to training, capacity building and professional development programmes for the Directors on a regular basis;	Complied with
	(l) review the structure, size, qualifications and composition of the Board and Board Committees to ensure effective discharge of duties and responsibilities; and	Complied with With due consideration of the Board the Subcommittee Members are assigned.
	(m) ensure that the overall corporate governance framework and policies of the Bank are reviewed, updated and effectively implemented considering all applicable laws and regulations and industry/ international best practices.	Complied with
6.5	**Integrated Risk Management Committee** The Committee shall: (a) be chaired by an Independent Director who is not the chair of the Board or any other Board Committee;	Chairperson is not the chair of the Board or any Subcommittee.
	(b) consist of at least three Non-Executive Directors with a majority of Independent Directors. The Committee members shall have sound collective experience in risk management issues and practices in relation to banking and/or financial services;	Complied with All BIRMC members are Non-Executive Directors.
	(c) A majority of the Members of the Committee shall not be constituted by the Members of the Audit Committee and vice-versa;	Complied with
	(d) require CEO, CRO, CCO and Key Management Personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks to attend the meetings on needs basis;	Complied with
	(e) work with Key Management Personnel very closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee;	Complied with
	(f) establish an independent risk management function responsible for integrated risk management of the Bank;	Complied with The Independent Risk Management Function responsible for identifying, assessing, monitoring, and reporting risks across the Bank, including but not limited to credit risk, market risk, liquidity risk, operational risk, compliance risk, and strategic risk. The function is implement and maintain and reported independently by CRO and CCO to ensure that risks are managed within the Bank's approved risk appetite and regulatory requirements.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

	Level of compliance in 2025
(g) assess all risks, i.e., credit, market, liquidity, operational, information security and strategic risks to the bank on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be conducted, both on solo and consolidated basis;	Complied with The Risk Management Division (RMD) assesses the credit, market, operational risk and submits reports to the Committee on monthly basis. RMD review risk through Stress Testing, Liquidity Ratio, KPI, KRI, ROI, ROA etc., and reports to Board periodically. Risk Management Division (RMD) submits monthly risk reports to the Board and quarterly risk reports based on the Board approved risk appetite.
(h) advise and report to the Board on the Bank's exposures against the risk appetite;	Complied with BIRMC papers are in place.
(i) oversee the functioning of CRO. The Committee shall receive regular reports and communication from CRO and other relevant functions with respect to the risk profile, exposures against the established risk appetite limits and limit breaches;	Complied with
(j) oversee the strategies implemented by CEO and the key management personnel for capital and liquidity management and management of all relevant risks of the Bank, such as credit, market, operational, information security and strategic risks, to ensure consistency with the stated risk appetite;	Complied with CRO reports on strategies that implemented by for capital and liquidity management and management of all relevant risks of the Bank, such as credit, market, operational, information security and strategic risks, to ensure consistency with the stated risk appetite. Evidence were available by the Key Management Personnel on strategies that implemented for capital and liquidity management and management of all relevant risks of the Bank, such as credit, market, operational, information security and strategic risks.
(k) review the adequacy and effectiveness of all management level committees that are related to risk taking activities, such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee;	Complied with
(l) take prompt corrective action to mitigate the effects of specific risks where such risks are at levels beyond the prudent levels decided by the Committee on the basis of the Bank's policies and regulatory and supervisory requirements;	Complied with take prompt corrective action to mitigate the effects of specific risks where such risks are at levels beyond the prudent levels decided by the Committee on the basis of the Bank's policies and regulatory and supervisory requirements;
(m) meet at least quarterly to assess all aspects of risk management including updated business continuity plans;	Complied with Committee has met seven times in the year 2025.
(n) take prompt corrective actions against the Officers responsible for failure to identify specific risks as recommended by the Committee;	No such necessity has arisen during the year.
(o) submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions;	Complied with The RMD submits risk review reports of BIRMC to Board Meetings held subsequently, directly.
(p) establish a compliance function to assess the Bank's compliance with laws, regulations, regulatory guidelines and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the Committee periodically;	The Compliance function has been established by appointing a Compliance Officer (CO). Compliance officer submits reports periodically to the BIRMC/Board. Compliance Management Framework covering all business operations of the bank, Compliance policies and procedures, Regulatory monitoring mechanisms, Compliance risk identification and assessment, Reporting and escalation procedures.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
	(q) establish an effective communication and coordination mechanism with the Audit Committee to facilitate exchange of information to ensure effective management of all risks, including emerging risks, and any adjustments needed to the integrated risk management framework of the Bank; and	Complied with Relevant BIRMC papers are shared with BAC through Internal Audit Division.
	(r) without prejudice to the tasks of the Human Resources and Remuneration Committee, examine whether the incentives provided to the employees take into consideration the levels of risk, capital, liquidity and earnings of the Bank.	BIRMC assess the performance of the Bank against the Board approved risk appetite limits. The risk appetite limits are set considering the impacts and levels of risk, capital, liquidity and earnings of the Bank which includes the incentives provided to the employees. Further, the three year Strategic Business Plan of the Bank includes the impact of capital adequacy on the forecasted impacts.
6.6	**Related Party Transactions Review Committee** The Committee shall:	
	(a) be chaired by an independent director who is not the Chair of the Board; (b) consist of at least three Non-Executive Directors with a majority of Independent Directors. CEO and relevant Key Management Personnel may attend the meetings on need basis only for the relevant agenda items; (c) ensure that a clear policy, procedures and processes are in place for identifying, monitoring and reporting related party transactions on an on-going basis in line with applicable laws and regulations; (d) review the related party transactions of the Bank including the transactions defined in Direction 7.2, particularly with the persons who shall be considered as "related parties", as defined in Direction 7.1, with a view to avoiding any conflicts of interest that may arise from such transactions; (e) quarterly report to the Board, the details of related parties, related party transactions and economic consequences of the related party transactions;	Not Applicable The Committee should be established by 1 January 2027. However, the Committee is established with effect from 17 February 2026.
	(f) ensure that a director abstains from participating in discussions on any Board decision on transactions in relation to the Director or any 27 of his/her close relation or a concern in which the director has substantial interest; and, (g) ensure that the Bank does not engage in transactions with related parties as defined in Direction 7.1 in a manner that would grant such parties "more favourable treatment" than that accorded to other constituents of the Bank carrying on the same business. In this context, "more favourable treatment" shall mean: (i) granting of "total net accommodation" to related parties, exceeding a prudent percentage of the Bank's regulatory capital, as determined by the Board. For purposes of this sub direction; a. "Accommodation" shall mean accommodation as defined in the Banking Act Directions on Maximum Amount of Accommodation/Large Exposures. b. The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the Bank's share capital and debt instruments with a maturity of 5 years or more.	

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
	(ii) charging of a lower rate of interest than the Bank's best lending rate or paying more than the Bank's deposit rate for a comparable transaction with an unrelated comparable counterparty; (iii) providing of preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, which extend beyond the terms granted in the normal course of business undertaken with unrelated parties; (iv) providing services to or receiving services from a related party without an evaluation procedure; and (v) maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.	
7	**Related party transactions** The following requirements shall apply to related party transactions of licensed banks.	
7.1	**Related parties** The categories of persons considered as "related parties" for the purpose of this Direction are as follows. (a) a Director of a licensed bank; (b) close relations of such Director; (c) a concern in which a Director of a licensed bank has a substantial interest, being an interest acquired either before or after the appointment as a director of such licensed bank; (d) a concern in which a close relation of a Director of a licensed bank has a substantial interest; (e) a Chief Executive Officer or an officer performing executive functions of a licensed bank in respect of any accommodation granted other than an accommodation granted to such officer under a scheme applicable to the employees of such licensed bank; (f) a shareholder of a licensed bank having material interest, whether individual or a concern; (g) a subsidiary or an associate company of the licensed bank; (h) a holding company of the licensed bank including its subsidiaries, excluding the parent bank and subsidiaries of a bank incorporated outside Sri Lanka; (i) a Director of a subsidiary or an associate company of the licensed bank; (j) a Director of a holding company of the licensed bank and its subsidiaries; (k) a close relation of a person specified in Direction 7.1 (e) and (f) above; (l) a concern, whose Director or partner is a Director of such bank; (m) a concern in which a material shareholder of a licensed bank has substantial interest; and (n) a concern in which a close relation of an individual material shareholder has substantial interest.	Complied with With the annual declaration, system generated information reports are collected on related party transactions and verified.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
7.2	**Type of related party transaction** The type of transactions with related parties that shall be covered by this Direction shall include the following: (a) The grant of any type of accommodation, as defined in the Banking Act Directions on maximum amount of accommodation/large exposures of licensed banks. (b) The creation of any liabilities of the Bank in the form of deposits, borrowings and investments. (c) The provision of any services of a financial or non-financial nature provided to the Bank or received from the Bank. (d) The creation or maintenance of reporting lines and information flows between the Bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.	Complied with The Secretary to the Board obtains declarations from all the Directors prior to the appointment as a Director and they are requested to declare any further transactions. Employees of the Bank are aware of the requirement to obtain the necessary security as defined by the Monetary Board, if a need arises. The Compliance Division monitors the processes with this regulation, and a quarterly report is submitted to the Board.
7.3	**Applicability of banking act provisions** Licensed banks shall ensure compliance with the provisions of Section 47 and Section 76K of the Banking Act, with respect to accommodation granted to any of its related parties defined in Direction 7.1 as applicable, except for any accommodation granted to a CEO or a member of the Key Management Personnel under a scheme applicable to the employees of the Bank.	Complied with
7.4	**Accommodation granted to Directors and connected parties** Where any accommodation has been granted by a licensed bank to a person or to a close relation of a person or to any concern in which the person has a substantial interest, and such person is subsequently appointed as a Director of the Bank, and if: (a) the necessary security as approved by the Central Bank of Sri Lanka is not provided, within one year from the date of appointment of such person as a Director; and (b) any amount due on account of such accommodation, together with interest, if any, is not settled within the period specified at the time of grant of accommodation or at the expiry of a period of eighteen months from the date of appointment of the Director, whichever is earlier, in the event such security is not provided by the period as provided in a) above; such Director shall be deemed to have vacated the office of Director. This Direction, however, shall not apply to a Director who at the time of the grant of the accommodation was an employee of the Bank and the accommodation was granted under a scheme applicable to all employees of such bank.	Complied with There is no favourable basis other than the general scheme applicable for all employees.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
7.5	**Accommodation granted to employees** A bank shall not grant any accommodation or "more favourable treatment" relating to the waiver of fees and/ or commission to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than on the basis of a scheme applicable to the employees of such bank or when secured by security as may be approved by the Central Bank of Sri Lanka in respect of accommodation granted as per Sections 47(3) and (5) of the Banking Act.	Complied with
7.6	**Writing-off of accommodation to related parties** No accommodation granted by a licensed bank to related parties given in Direction 7.1, nor any part of such accommodation, nor any interest due thereon shall be written-off without the prior approval of the Central Bank of Sri Lanka and any writing-off without such approval shall be void and of no effect.	Complied with No such occasion has been arisen.
8	**Senior Management** The Senior Management shall mean CEO and the Key Management Personnel of the licensed bank for the purpose of this Direction.	
8.1	**Board oversight on Senior Management** The overall responsibility of the Board shall not be construed as an obligation to undertake the inspection of day-to-day activities, but shall rather be understood as an obligation to oversee and ensure that the Senior Management Members are carrying out the day-to-day activities in a safe and sound manner in accordance with the Board approved strategies and policies. Accordingly, the Board shall: (a) define the areas of authority and responsibilities of the Senior Management; (b) ensure that the actions of Senior Management are consistent with the business strategy and policies approved by the Board; 31 (c) meet regularly, on needs basis, with the senior management to review the progress towards achieving corporate objectives; (d) question and critically review explanations and information provided by the Senior Management; (e) assess whether collective knowledge and expertise of the Senior Management remain appropriate given the size, scale, diversity and complexity of operations of the Bank; and (f) hold the Senior Management Members accountable for the actions.	Complied with

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
8.2	**Criteria to assess the fitness and propriety of Senior Management** In terms of Section 44A and Section 76H of the Banking Act, the senior management of licensed banks as determined by the Central Bank of Sri Lanka shall be fit and proper persons to hold such respective positions and the provisions of Sections 42 (2) of the Banking Act shall apply in determining whether the members of the Senior Management are fit and proper persons.	Complied with Signed affidavit and declarations are obtained from the Members of the Senior Management by the Human Resource Development Division and forwarded to the Central Bank for assessing the fitness and propriety.
8.3	**Responsibilities of Senior Management** Senior Management Members shall: (a) contribute substantially to a licensed bank's sound corporate governance framework through personal conduct; (b) devote sufficient professional time to discharge his/her duties at the licensed bank. In the event a Senior Management Member is appointed as a Non-Executive Director of a subsidiary or an associate company of the licensed bank, he/she shall ensure that such duties do not affect the effective discharge of responsibilities to the Bank; (c) implement business strategies, risk management systems, risk and compliance culture, processes and controls for managing both financial and non-financial risks under the directions given by the Board; (d) recognise and respect the independent duties of the risk management, compliance and internal audit functions and shall not interfere in the exercise of such duties; (e) receive access to regular training to maintain and enhance competencies and keep abreast of developments relevant to the respective areas of responsibility; (f) be responsible for delegating duties to staff and overseeing such delegated duties; (g) establish a management structure that promotes accountability and transparency throughout the Bank; (h) ensure that appropriate remedial or disciplinary action is taken if breaches are identified; (i) regularly provide the Board and the Board subcommittees as applicable with the information of material matters including but not limited to; (i) changes in business strategy, risk strategy/risk appetite, (ii) the Bank's performance and financial condition, (iii) breaches of risk limits or compliance rules, (iv) internal control failures, and, (v) legal or regulatory concerns. (j) notify the Director of Bank Supervision upon becoming aware of any material information that may negatively affect the fitness and propriety of a Board member or another Senior Management Member.	Complied with The Senior Management ensures that they, • Contribute substantially to the Bank's sound corporate governance framework through personal conduct. • Devote sufficient professional time to discharge their duties effectively. • Implement business strategies, risk management systems, and a robust risk and compliance culture, including processes and controls for managing both financial and non financial risks, in line with Board directions. • Recognise and respect the independent duties of the risk management, compliance, and internal audit functions, and refrain from interfering in the exercise of such duties. • Receive regular training to maintain and enhance competencies and remain abreast of developments relevant to their respective areas of responsibility. • Delegate duties to staff and oversee the execution of such delegated duties. • Establish a management structure that promotes accountability and transparency across the Bank. • Take appropriate remedial or disciplinary action where breaches are identified. • Regularly provide the Board and applicable Board Subcommittees with information on material matters, including but not limited to: – changes in business strategy, risk strategy, or risk appetite; – performance and financial condition; – breaches of risk limits or compliance rules; – internal control failures; – legal or regulatory concerns. • Notify the Director of Bank Supervision upon becoming aware of any material information that may negatively affect the fitness and propriety of a Board member or another member of Senior Management.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
9	**Disclosures** Licensed banks shall comply with the following requirements with respect to disclosure of information.	
9.1	**Board responsibilities on disclosures** The Board shall ensure adequate and timely public disclosures of relevant information including but not limited to key performance indicators, capital adequacy, liquidity, business concentrations, related party transactions, corporate governance, financial statements, etc., are made with a view to facilitating enhanced market discipline and transparency commensurate with the size, scale, diversity and complexity of operations of the Bank. The Board shall ensure that annual audited financial statements and quarterly financial statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards.	Complied with
9.2	**Minimum disclosures to be made in the annual report** The Board shall ensure that the following minimum disclosures are made in the Annual Report.	
	(a) A statement to the effect that the annual Audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied with Disclosure on the compliance with applicable accounting standards and regulatory requirements, in preparation of the Annual Audited Financial Statements have been made on the "Statement of Directors' Responsibility for Financial Reporting" on page 289 and "General Manager/CEO's and Deputy General Manager's (Finance, Planning and MIS)/CFO's Statement of Responsibility" on page 293.
	(b) A report by the Board on the Bank's internal control mechanism which confirms the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Complied with The Annual Report includes formal affirmations from the Board of Directors regarding the integrity of the Bank's internal control environment over financial reporting. The Board confirms that the financial reporting systems are designed to provide reasonable assurance over the reliability of financial disclosures. In addition, the Board ensures that the preparation and presentation of the Financial Statements for external stakeholders strictly adhere to applicable accounting standards and regulatory frameworks. For a comprehensive review of these governance frameworks, please refer to the "Directors' Statement on Internal Control over Financial Reporting" on pages 290 and 291.
	(c) The External Auditor's certification on the effectiveness of the internal control mechanism referred to in (b) above. The Assurance Report issued by the Auditors under "Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Reports for Banks on Directors' Statements on Internal Control" may be used as a substitute disclosure in this regard.	Complied with The Bank has obtained an Independent Assurance Report regarding the effectiveness of its internal controls over financial reporting. This certification is presented on page 292 of the report.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

	Level of compliance in 2025
(d) Details of Directors, including names, transactions with the Bank and the total fees/remuneration paid by the Bank.	Complied with Profiles of Board Members are given on pages 220 to 224. Details of Related Party Transactions with the Bank are given in Note 49 to the Financial Statements on pages 388 to 393. Details of remuneration paid by the Bank are given in Note 12 to the Financial Statements on page 333.
(e) Total net accommodation granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the Bank's regulatory capital.	Complied with The net accommodation granted to related parties are given in Note 49 on pages 388 to 393 as a percentage of the Bank's regulatory capital.
(f) The aggregate values of remuneration paid by the Bank to its CEO and the Key Management Personnel and the aggregate values of the transactions of the Bank with its CEO and Key Management Personnel, set out by broad categories such as remuneration paid, accommodation granted, and deposits or investments made in the Bank.	Complied with The aggregate amount of remuneration paid during 2025 to KMP and the transactions with KMP are given in Note 49 on pages 388 to 393.
(g) Details of Board committees including (i) details of the key activities of each Board Committee during the year; (ii) the number of meetings of each committee held in the year; and (iii) attendance of each individual Director at such meetings.	Complied with Comprehensive disclosures on Board Committees including key activities, meeting frequencies, and Director attendance records are detailed on pages 245 to 253.
(h) The following shall be disclosed in the Annual Corporate Governance Report: (i) the External Auditor's certification of the compliance with these Directions, clearly demonstrating the compliance status of the licensed bank with each sub-direction; (ii) the composition of the Board, by category of Directors, including the names of the Chairperson, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors; and (iii) the identity of the Chairperson and CEO and the nature of any relationship including financial, business, family or other material/relevant relationship(s), if any, among the Chairperson, CEO and the Members of the Board.	Complied with The Bank has disclosed following information in the Annual Corporate Governance Report in compliance with these regulations. (i) The Bank has obtained a separate certification from External Auditor to confirm the compliance with the Direction. (ii) The composition of the Board by category of Directors, including the names of the Chairman, NEDs and INEDs are disclosed on page 237. (iii) The Board has conducted a formal review of the interests and affiliations of the Chairman, the CEO, and all other Members of the Board. No financial, business, family, or other material/relevant relationships exist between the Chairman, the CEO, and all other Members of the Board.
(i) A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliances.	Complied with The Statement of Directors' Responsibility for Financial Reporting on page 289. 'Directors' Statement on Internal Control over Financial Reporting' on pages 290 and 291 and Compliance with Banking Act Direction No. 05 of 2024 on pages 440 to 468 clearly sets out details regarding compliance with prudential requirements, regulations, laws, and internal controls.

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
	(j) A statement of the regulatory and supervisory concerns on lapses in the Bank's risk management, or non-compliance with these Directions that have been communicated by the Director of Bank Supervision, or administrative fines imposed by the Central Bank of Sri Lanka, if so directed by the Central Bank of Sri Lanka to be disclosed to the public, together with the measures taken by the Bank to address such concerns.	Complied with There was no such incident of such nature during the period of 2025, and therefore, the Central Bank has not directed any disclosures to be made public during the year.
	(k) The aggregate value of total non-statutory special payments/financial or non-financial benefits made to Directors, CEOs and Key Management Personnel at the termination of employment or at the retirement during the respective financial year.	Complied with No such instances were occured during the year.
9.3	**Disclosures to be made on Resignation, Removal or Vacation of Office of Directors** If a Director resigns or is removed or is deemed to have vacated the office of Director due to regulatory non-compliances and/or as decided by the Board, the Board shall disclose the Director's resignation or removal or the status of being deemed vacated the office and the reasons for same in the official website of the licensed bank, including but not limited to information relating to the relevant Director's disagreement with the Bank, if any.	Complied with Refer page 237 on Corporate Governance Report.
10	**Banks incorporated outside Sri Lanka** Banks incorporated outside Sri Lanka shall comply with the following requirements.	
10.1	**Applicability of the Directions** These Directions shall apply to the banks incorporated outside Sri Lanka to the extent that it is not inconsistent with the regulations and laws applicable in such bank's country of incorporation. Accordingly, the banks incorporated outside Sri Lanka shall comply with the requirements of these Directions as applicable, based on the existing governance frameworks/structures that are laid down by the Head Office or the Regional Office.	Not Applicable

COMPLIANCE WITH BANKING ACT DIRECTION NO. 05 OF 2024

		Level of compliance in 2025
10.2	**Submission of information** The banks incorporated outside Sri Lanka shall submit the following information to the Director of Bank Supervision on an annual basis. (a) Information required by Direction 9.2 except Direction 9.2 (d), (g) and (h) together with the annual audited financial statements. The Reports referred to in Directions 9.2 (b) and (i) shall be prepared by the Head Office or the Regional Office supervising Sri Lankan operations. (b) The following details within one month after the closure of the financial year: (i) a list of all management level committees functioned during the financial year together with the meeting dates and the key subject matters discussed at each meeting; (ii) copies of Terms of Reference for all management committees approved by the relevant authority; (iii) composition of each committee: Names and designations of the members; and, (iv) details of functional reporting lines of the branch to the Head Office and/or the Regional Office that were in effect during the year. (c) A copy of the parent bank's annual corporate governance report within five months after the closure of its financial year.	Not Applicable
11	**Conflict with Articles of Association** In the event of a conflict between any of the provisions of these Directions and the Articles of Association (or Internal Rules) pertaining to any bank, the provisions of these Directions shall prevail. In the event the Articles of Association of an individual bank set a more stringent standard than that specified in this Direction, such provisions in the Articles of Association may be followed.	Established by National Savings Bank Act No. 30 of 1971 as amended.

COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2023 (THE CODE) ISSUED BY CA SRI LANKA

Code reference	Principles
A **A.1**	**Directors** **The Board** The Board of National Savings Bank comprises seven (07) Non-Executive Directors including the Chairman which is laid down in the National Savings Bank Act No. 30 of 1971 and the amendments therein. Five Directors of the Bank are appointed by the Minister as per the NSB Act and out of the two Ex-officio Directors; one shall be the Secretary to the Treasury or his nominee and the other shall be the Postmaster General or his nominee. The Board headed by the Chairman is the apex decision-making body of the Bank. During the year the Board consisted of Seven (07) Directors who are eminent professionals to direct and lead the Bank with effective controls. Details of the Directors during the year 2025 are given on pages 220 to 224.
A.1.1	**Regular meetings** The Board has met regularly during the year by adhering to the statute which stipulates the Board shall meet as often to the Chairman may deem necessary provided that, a meeting of the Board shall be held once at least in every six weeks. During the year, the Board has convened 15 meetings. The Board Subcommittees met regularly during the year complying with the respective Charters. The regularity of the Board meetings and the structure and process of submitting information had been agreed to and documented by the Board. Details of Board meetings and Subcommittee meetings are given on page 237.
A.1.2	**Roles and responsibilities of the Board** The Board Charter details the responsibilities entrusted to the Board and given on page 235. The Board is assisted by the secretary to the Board.
A.1.3	**The Board act in accordance with the laws of the country** The Board has an approved procedure in place to ensure that the Bank is in compliance with related laws, CBSL Directions and Guidelines and international best practices with regard to the operations. This includes procedures whereby the Board can require the Bank to obtain independent professional advice and the expenses thereon are borne by the Bank.
A.1.4	**Access to advice and services of the Secretary and appointment or removal of the Secretary to the Board** All the Directors have the ability to obtain advice and services of the Secretary to the Board who is responsible for ensuring that the Board procedures are followed with, and the applicable rules and regulations are complied with. The appointment and the removal of the Secretary to the Board is a matter involving the whole Board under the advice of BNC as it is a Key Management Personnel position. Page 244 on "Role of Board Secretary" for further details on the role of the Company of Secretary.
A.1.5	**Independent judgement** The Board of Directors of the Bank are experts in their fields and bring independent judgment in discharging their duties and responsibilities on matters relating to strategy, performance, resource allocation, risk management, compliance and standards of business conduct.
A.1.6	**Dedicate adequate time and effort to matters of the Board and the Company** Board meetings and Board Subcommittee meetings are scheduled well in advance and the relevant papers are generally circulated one week prior to the meeting through electronic means to ensure that the Directors are having sufficient time to review the papers and call for additional information and clarification, and after a meeting to follow up on issues consequent to the meeting. Given that, in exceptional situations there is a provision to circulate the papers closer to the meeting. This is supplemented by giving sufficient time to be familiarise with business operations, risks and controls.
A.1.7	**Calls for resolutions** As per the NSB Act, Chairman shall upon written requisition from any two Directors, call a special meeting of the Board where they feel it is in the best interest of the Bank to do so. In case of a special meeting, notice should be given to all Directors prior to four days of the meeting.
A.1.8	**Training of Directors** The Board of Directors of the Bank gets adequate training on appointment. Refer page 240 for details.

COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2023 (THE CODE) ISSUED BY CA SRI LANKA

Code reference	Principles
A.2	**Division of responsibilities of Chairman and Chief Executive Officer (CEO)** The positions of the Chairman and the Chief Executive Officer have been separated in line with the best practices in order to maintain the balance of power and authority which is clearly defined in the Board Charter. Chairman of the Bank is a Non-Executive Director while CEO is not a member of the Board.
A.3	**Chairman's role** The Chairman provides a leadership role in order to preserve good governance and facilitates the effective functioning of the Board. Chairman is responsible for maintaining open lines of communication with KMPs and contributes on strategic and operational matters. The agenda of the meeting is developed in consultation with General Manager/CEO, Directors and the Secretary to the Board, taking into consideration the matters relating to strategy, performance, resource allocation, risk management, and compliance. Sufficiently detailed information of matters included in agenda is provided to Directors in a timely manner. All Directors are made aware of their duties and responsibilities and Board Subcommittee Structures. All Directors are encouraged to make an effective contribution and obtain information necessary to discuss matters on the agenda and arrive at an informed decision. The views of Directors on issues under considerations are ascertained and recorded in minutes.
A.4	**Financial acumen** The Board possesses the required financial acumen and knowledge to offer guidance on matters relating to finance where some of the Directors being professionally qualified in fields of finance/accounting and/or having Senior Management positions and/or directorships.
A.5	**Board balance** The Board of the Bank comprises seven Non-Executive Directors appointed as per the NSB Act. The Board comprised of Seven Directors in the year 2025 which is sufficient to cover the quorum when a meeting is convened. The Board of Directors annually submit a signed and dated deceleration of their independence/non-independence.
A.6	**Provision of timely information** The Management provides appropriate and timely information to the Board generally, seven days prior to the Board meetings or Board Subcommittee meetings to discharge their duties and responsibilities effectively. Chairman ensures that the Board is adequately briefed on the matters discussed and the KMPs are requested to be present during the meetings to be present where deemed necessary. Any Director who is unable to attend a meeting is updated on proceedings through formally documented minutes of the meeting, prior to the next meeting which are discussed at the same. The agenda of the meetings and papers required, are generally circulated prior to seven days and the minutes of the previous meeting are generally circulated at least two weeks after the meeting.
A.7	**Appointments to the Board** As a state-owned Bank, five Directors are appointed by the Minister in charge under whose purview the Bank comes in while two Directors are Ex-officio according to the NSB Act. Refer Section Corporate Governance on page 239 for details.
A.8	**Reappointment** As per the NSB Act, the term of a Director is three years unless otherwise he vacates office early by death, resignation or removal of holding office. Refer Section Corporate Governance on page 239 for the details of Appointment and Re-election of Directors.
A.9	**Appraisal of Board performance** The Board annually assess their own performance to ensure that the Board is discharging their responsibilities satisfactorily. The evaluation process requires each Director to fill a Board Performance Evaluation Form. The responses are gathered and submitted to the Board Nomination Committee which will be submitted to the Board post review of Board Nomination Committee. Annual evaluations of the Board subcommittees have been completed by the beginning of the year 2026.
A.10	**Disclosure of information in respect of Directors in the Annual Report** The information specified in the Code with regard to Directors are disclosed in this Annual Report as follows: Name, qualifications, expertise, material business interest and brief profiles are given on pages 220 to 224. Details of whether a Director is Executive, Non-Executive and/or Independent, Non-Independent are given on page 237. Related party transactions are given on Note 49 to the Financial Statements on page 388. Membership of Board Subcommittees and attendance at Board and Board Subcommittee are given on page 237.
A.11	**Appraisal of Chief Executive Officer (CEO)/General Manager** Performance of the General Manager/CEO is assessed annually based on the financial and non-financial target given in the strategic business plan with the assistance of BHRRC. The final report is submitted to the Board.

COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2023 (THE CODE) ISSUED BY CA SRI LANKA

Code reference	Principles
B	**Directors' remuneration**
B.1	In accordance with the NSB Act and its amendments therein, the Directors' remuneration is decided by the relevant Minister. No Director is involved in deciding his/her own remuneration. Refer section "Directors' remuneration and level and make up of remuneration" on page 244 and Report of the BHRRC on pages 248 and 249.
B.2	**Human Resource and Remuneration Committee** As a state-owned Bank, the level and make up of remuneration is determined by the subject Minister according to the NSB Act. Refer section "Directors' remuneration and level and make up of remuneration" on page 244.
B.3	**Disclosure of remuneration** Section on "Directors' remuneration and level and make up of remuneration" on page 244. Details of Directors' total remuneration – Refer Note 12 to the Financial Statements on page 333 Members of the BHRRC and their Report – Refer pages 248 and 249.
C	**Relations with shareholder**
C.1	**Constructive use of AGM and conduct of General Meetings** As a state-owned Bank, NSB is conducting regular meetings with the subject Ministry. A representative of the Government (an officer from the Ministry of Finance) is in the Board representing the shareholder. The Annual Report is placed before the parliament of Sri Lanka and is open to question by the parliament.
C.2	**Communication with shareholder** The communication policy sets out the channels of communication with the shareholder. This includes web/e-responses, press releases etc. The issues and concerns of the shareholder (Government of Sri Lanka) are discussed with participation of the Government representative at the Board meeting. Issues that require further attention are elevated to the Ministry or higher officials as the necessity may be.
C.3	**Disclosure of major and material transactions** There were no "Major transactions" that would have materially affected the Bank's or the Group's net assets base, nor any material related party transactions except those disclosed in: Annual Report of Board of Directors on pages 283 to 288 and Note 49 to the Financial Statements on page 388 to 393.
D	**Accountability and audit**
D.1	**Financial and business reporting (Annual Report)** This Annual Report presents a balanced and understandable review of the Bank's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects. The Bank has taken all measures to ensure Annual Report including the financial statements as well as interim financial statements which are reviewed by BAC prior to publication are giving a true and fair view and has been prepared in accordance with the relevant laws and regulations. The Annual Report contains following disclosures which are required by the Code: • Management Discussion and Analysis – pages 80 to 181. • Annual Report of the Board of Directors – pages 283 to 288. • Statement of Directors' Responsibility for Financial Reporting – page 289. • Directors' Statement on Internal Control over Financial Reporting – pages 290 to 291. • General Manager/CEO's and Deputy General Manager (Finance, Planning, and MIS)/CFO's Statement of Responsibility – on page 293. • Related Party Transactions – refer Note 49 on related party disclosures on pages 388 to 393. The net assets value of the Bank is disclosed in Note 50 to the Financial Statements on page 393.

COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2023 (THE CODE) ISSUED BY CA SRI LANKA

Code reference	Principles
D.2	**Bank's existing processes on Risk management and internal controls** The Board is responsible for determining the risk appetite in achieving its strategic objectives, formulating and implementing appropriate processes of risk management and sound system of internal control to safeguard shareholder 's investments and the assets of the Bank. The BIRMC assist the Board in discharging its duties with regard to risk management while BAC assist in discharging the Board's duties relating to processed and effectiveness of risk management and internal control. The summary of responsibilities of respective Committees are given under each Subcommittee Report. The Committees are formulated according to the Banking Act No. 05 of 2024 on Corporate Governance for Licensed Banks, Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka and the Bank's policies. The BIRMC is supported by the Risk Management Division and Risk Management Report on pages 254 to 280 and Report of the BIRMC on pages 251 and 252 include a comprehensive report on how the Bank is managing the risk.
D.3	**Audit Committee** The BAC comprises three Non-Executive Directors. A summary of the scope of the BAC as per the Terms of Reference are given in the Report of BAC on pages 245 to 247 in the Annual Report. The Terms of Reference is prepared in accordance with the Code. Review of the Internal Controls are done by the Internal Audit Division and reports are regularly reported to the BAC. The external assurance on effectiveness of Internal Controls was obtained from the External Auditor, Auditor General and produced on page 292 in this Annual Report.
D.4	**Risk Committee** Board Integrated Risk Management Committee oversees the risk culture, risk appetite, risk identification and classification, rating and management of risk. The Committee composition and the activities carried out during the year are given on pages 251 and 252.
D.5	**Related Party Transactions Review Committee** The Bank has a Board approved related party transactions policy in place which covers related parties, their transactions and restrictions on offering non-favourable treatment to related parties in order to avoid conflict of interest of Board of Directors. The Report on the related party transactions with Key Management Personnel are given on page 388 in Note 49.2 of this Annual Report. The Bank has established a Related Party Transaction Review Committee with effect from 17 February 2026 and is in the process of establishing TOR.
D.6	**Code of Business Conduct and Ethics** The Bank has Code of Business Conduct and Ethics that is internally developed and approved by the Board which applies to all employees of the Bank including KMPs and a separate code of conduct for the Directors. All officers of the Bank are required to furnish an annual asset liability declaration to the Human Resource Development Division. All the Directors furnish their annual assets and liability declaration to the relevant Ministry. The Bank has set applicable policies and procedures to identify and deal with any possible infringements. The Bank has put in place a Procurement Guidelines to ensure transparent procurement practices are applied.
D.7	**Corporate governance disclosures** The Directors are required to disclose the extent to which the Bank adheres to established principles and practices of good corporate governance. The following reports includes the Bank's compliance with the good governance principles and practices. The Corporate Governance Report from pages 219 to 253. Compliance with the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka on pages 469 to 473.
E/F	**Shareholder and other investors** The Bank is incorporated under an Act of Parliament, the NSB Act and the Government of Sri Lanka is the sole shareholder. The Bank is having regular and structured dialogue with the GOSL based on the mutual understanding of objectives through the subject Ministry as and when required.
G	**Internet of things and cybersecurity** The Bank is certified under the globally accepted, de-facto standard, Payment Card Industry Data Security Standard (PCI DSS), focusing on ensuring confidentiality, integrity and availability of data/information. Therefore, the Bank's ISMS is established adhering to the rigorous management, physical and technical controls pertaining to information security as well as the requirements stipulated in the Baseline Security Standard mandated by the CBSL, for protecting information systems of the Bank from cyberthreats.

COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2023 (THE CODE) ISSUED BY CA SRI LANKA

Code reference	Principles
	The Bank has appointed a Chief Information Security Officer (CISO) reporting to the General Manager/CEO to provide direction to the Bank's overall information security function. The Management-level body responsible for the information security of the Bank that is chaired by the General Manager/CEO is the Information Security Committee (ISC) which reports to the Board of Directors through the BIRMC, entrusted with oversight responsibilities for information and cyber risk management. The Bank has in place a comprehensive, Board approved Information Security Policy (ISP) which defines all the security requirements to be fulfilled by employees, partners and other external parties as per the ISMS Framework. The ISP which is primarily aligned to the ISO/IEC 27001:2013 Standard includes policies for the areas covering organisation of information security, physical and logical access control, asset management, operations and communication security, HR security, supplier relationships, information security incident management, business continuity management, etc. Network security management controls and information transfer policies and procedures have been defined in the ISP to ensure protection of information/ supporting information processing facilities in the Bank's network/s and to maintain the security of information transferred within the organisation and with external entities. The Bank conducts technical security assessments such as vulnerability assessments, penetration tests, application security assessments, configuration assessments, etc periodically (monthly, quarterly, bi-annually and annually) as per the Bank's policies and compliance requirements (e.g.: PCI DSS, CBSL), in order to gauge the cyber risk profile of the Bank. The ISMS is independently validated on an annual basis by Qualified Security Assessors of the PCI Council. Performance of the ISMS and any deviations, information security incidents, results of internal and external information security audits, information security roadmap/ progress of cybersecurity projects as well as the information security risk profile of the Bank is regularly reported to the ISC, and the BIRMC is kept updated periodically through risk indicators and other reports.
H	**Sustainability: ESG risks and opportunities** **ESG Reporting** Sustainability business approach involves a holistic approach to value creation while embracing opportunities and managing risk. In its sustainability approach to the business, the Bank considers economic, social, and environmental values created through its strategy in the short, medium and long-term. The sustainability reporting requires the Bank to recognise, measure and disclose and be accountable to internal and external stakeholders. Information required by the Code is given in the following sections of the Annual Report: • SLFRS Sustainability Related Financial Disclosures (SLFRS 1 and SLFRS 2) – pages 182 to 211. • Management discussion and analysis – pages 80 to 181. • Corporate governance – pages 219 to 253. • Integrated stakeholder engagement – pages 52 to 59. • Materiality – pages 40 to 51. This Annual Report has been in accordance with IIRC Framework, and the GRI guidelines.
I I.1 & 1.2	**Establishment and Maintenance of Policies** **Policies relating to following areas are in place in 2025:** (a) Matters relating to the Board of Directors (b) Board committees (c) Corporate governance, nominations, and re-election (d) Remuneration (e) Internal code of business conduct and ethics for all Directors and employees (f) Risk management and internal controls (g) Relations with shareholders and investors (h) Environmental, social and governance sustainability (i) Control and management of company assets and shareholder investments (j) Corporate disclosures (k) Whistleblowing (l) Anti-bribery and corruption

OTHER DISCLOSURE REQUIREMENTS AS REQUIRED BY CBSL

Disclosure requirements under the prescribed format issued by the Central Bank of Sri Lanka for preparation of Annual Financial Statements of licensed specialised banks.

Disclosure requirements		Description	Page
1	**Information about the significance of financial instruments for financial position and performance**		
1.1	**Statement of financial position**		
1.1.1	Disclosures on categories of financial assets and financial liabilities.	Notes to the Financial Statements: Note 15 – Analysis of financial instruments by measurement basis	336
1.1.2	**Other disclosures**		
	i. Special disclosures about financial assets and financial liabilities designated to be measured at fair value through profit or loss, including disclosures about credit risk and market risk, changes in fair values attributable to these risks and the methods of measurement.	Significant accounting policies: Note 2.5.1.4.5 Financial assets measured at FVPL Note 2.5.1.5.1 Financial liabilities at fair value through profit or loss	 315 315
	ii. Reclassifications of financial instruments from one category to another.	Significant accounting policies: Note 2.5.1.7 Reclassification of financial assets and liabilities	316
	iii. Information about financial assets pledged as collateral and about financial or non-financial assets held as collateral.	Notes to the Financial Statements: Note 22 – Financial assets at amortised cost – Debt and other instruments	349
	iv. Reconciliation of the allowance account for credit losses by class of financial assets.	Note 16 – Cash and cash equivalents Note 18 – Placements with banks Note 21 (d) – Movements in impairment during the year Note 22.4 – Movements in impairment during the year	338 339 345 351
	v. Information about compound financial instruments with multiple embedded derivatives.	The Bank does not have financial instruments with multiple embedded derivatives	
	vi. Breaches of terms of loan agreements.	None	
1.2	**Statement of comprehensive income**		
1.2.1	Disclosures on items of income, expense, gains and losses	Notes to the Financial Statements: Notes 3-13 to the Financial Statements	324-334
1.2.2	**Other disclosures**		
	i. Total interest income and total interest expense for those financial instruments that are not measured at fair value through profit and loss.	Notes to the Financial Statements: Note 4 – Net interest income	324
	ii. Fee income and expense.	Notes to the Financial Statements: Note 5 – Net fee and commission income	327
	iii. Amount of impairment losses by class of financial assets.	Notes to the Financial Statements: Note 10 – Impairment charges/(reversals)	330
	iv. Interest income on impaired financial assets.	Notes to the Financial Statements: Note 4 (a) interest income	325

OTHER DISCLOSURE REQUIREMENTS AS REQUIRED BY CBSL

Disclosure requirements		Description	Page
1.3	**Other disclosures**		
1.3.1	Accounting policies for financial instruments.	Note 2.5.1 – Financial instruments – initial recognition, classification and subsequent measurement	313
1.3.2	Information on financial liabilities designated at FVPL.	The Bank/Group has not designated any financial liability at FVPL. Notes to the Financial Statements: Note 2.5.1.5.1 – Financial liabilities at fair value through profit or loss	315
1.3.3	**Investments in equity instruments designated at FVOCI**		
	i. Details of equity instruments that have been designated as at FVOCI and the reasons for the designation.	Notes to the Financial Statements: Note 23 – Financial assets measured at fair value through other comprehensive income	352
	ii. Fair value of each investment at the reporting date.	Notes to the Financial Statements: Note 23 (d) – Quoted investments – Equity securities – Bank and Group Note 23 (e) – Unquoted investments – Equity securities	354 355
	iii. Dividends recognised during the period, separately for investments de-recognised during the reporting period and those held at the reporting date.	Notes to the Financial Statements: Note 9 – Net other operating income	329
	iv. Transfer cumulative gain or loss within equity during the period and the reasons for those transfers.	Income Statement, Statement of Other Comprehensive Income and Statement of Changes in Equity	298-299 302-305
	v. If investments in equity instruments measured at FVOCI are de-recognised during the reporting period: – reasons for disposing of the investments – fair value of the investments at the date of de-recognition – the cumulative gain or loss on disposal	Income Statement, Statement of Other Comprehensive Income and Statement of Changes in Equity	298-299 302-305
1.3.4	**Reclassification of financial assets**		
	i. For all reclassifications of financial assets in the current or previous reporting period: – date of reclassification – detailed explanation of the change in the business model and a qualitative description of its effect on the financial statements – the amount reclassified into and out of each category	Note 2.5.1.7 – Reclassification of financial assets and liabilities	316
	ii. For reclassifications from FVTPL to amortised cost or FVOCI: – the effective interest rate (EIR) determined on the date of reclassification – the interest revenue recognised	During the period, the Bank has not classified financial instruments from FVPL to amortised cost or FVOCI	
	iii. For reclassifications from FVOCI to amortised cost, or from FVTPL to amortised cost or FVOCI: – The fair value of the financial assets at the reporting date – The fair value gain or loss that would have been recognised in profit or loss or OCI during the reporting period if the financial assets had not been reclassified.	Note 2.5.1.7 – Reclassification of financial assets and liabilities During the period, the Bank has not classified financial instruments from FVOCI to amortised cost, or from FVPL to amortised cost or FVOCI	316

OTHER DISCLOSURE REQUIREMENTS AS REQUIRED BY CBSL

Disclosure requirements		Description	Page
1.3.5	Information on hedge accounting	Notes to the Financial Statements:	
		Note 2.5.1.6.2 – Derivative held for risk management purposes and hedge accounting	316
		Note 19 – Derivative financial instruments	340
1.3.6	Information about the fair values of each class of financial asset and financial liability, along with:		
	i. Comparable carrying amounts.	Notes to the Financial Statements:	
		Note 55.5 – Fair value of financial instruments	432
	ii. Description of how fair value was determined.	Notes to the Financial Statements:	
		Note 2.1.12.3 – Fair value of financial instruments	310
		Note 2.3 – Fair value measurement	312
		Note 55.2 – Determination of fair value and fair value hierarchy	429
	iii. The level of inputs used in determining fair value.	Notes to the Financial Statements:	
		Note 55.2 – Determination of fair value and fair value hierarchy	429
	iv. a. Reconciliations of movements between levels of fair value measurement hierarchy.	No movements between levels of fair value hierarchy during the year	
	b. Additional disclosures for financial instruments that fair value is determined using level 3 inputs.	Note 55.3 – Reconciliation of movements between levels of fair value measurement hierarchy	432
	v. Information if fair value cannot be reliably measured.	Notes to the Financial Statements:	
		Note 23 (e) – Unquoted investments – equity securities	355
		Note 55.2 – Determination of fair value and fair value hierarchy	429
2	**Information about the nature and extent of risks arising from financial instruments**		
2.1	**Qualitative disclosures**		
2.1.1	Risk exposures for each type of financial instrument.	Notes to the Financial Statements:	
		Note 54 – Financial risk management	396-428
		Risk Management Report	254-280
2.1.2	Management's objectives, policies, and processes formanaging those risks.	Notes to the Financial Statements:	
		Note 54 – Financial risk management	396-428
		Risk Management Report	254-280
2.1.3	Changes from the prior period.	No major policy changes during the period under review	
2.2	**Quantitative disclosures**		
2.2.1	Summary of quantitative data about exposure to each risk at the reporting date.	Notes to the Financial Statements:	
		Note 54 – Financial risk management	396-428
		Risk Management Report	254-280

OTHER DISCLOSURE REQUIREMENTS AS REQUIRED BY CBSL

Disclosure requirements		Description	Page
2.2.2	Disclosures about credit risk, liquidity risk, market risk, operational risk, interest rate risk and how these risks are managed.		
	i. Credit risk		
	(a) Maximum amount of exposure (before deducting the value of collateral), description of collateral, information about credit quality of financial assets that are neither past due nor impaired and information about credit quality of financial assets.	Notes to the Financial Statements: Note 54.1 – Credit Risk	400
	(b) For financial assets that are past due or impaired, disclosures on age, factors considered in determining as impaired and the description of collateral on each class of financial asset.	Notes to the Financial Statements: Note 54.1 – Credit Risk	400
	(c) Information about collateral or other credit enhancements obtained or called.	Notes to the Financial Statements: Note 54.1 (c) – Management of the Collateral	402
	(d) Credit risk management practices:	Notes to the Financial Statements:	
	– CRM practices and how they relate to the recognition and measurement ECL, including the methods, assumptions and information used to measure ECL.	Note 2.5.2.1 – Overview of the ECL principles Note 10 – Impairment charges/(reversals)	317 330
	– Quantitative and qualitative information to evaluate the amounts in the Financial Statements arising from ECL, including changes and the reasons for those changes.	Note 10 – Impairment charges/(reversals)	330
	– How the Bank determines whether the credit risk of financial instruments has increased significantly since initial recognition.	Note 2.5.2.7 – Significant increase in credit risk	319
	– The Bank's definitions of default for different financial instruments, including the reasons for selecting those definitions.	Note 2.5.2.8 – Definition of default and credit impaired assets	320
	– How instruments are grouped if ECL are measured on a collective basis.	Note 10 – Impairment charges/(reversals)	330
	– How the Bank determines that financial assets are credit-impaired.	Note 2.5.2 – Impairment of financial assets	317
	– The Bank's write-off policy, including the indicators that there is no reasonable expectation of recovery.	Note 21 (d) – Movements in impairment during the year	345
	– How the modification requirements have been applied.	Note 2.5.1.9 – Modification of financial assets and financial liabilities	317
	(e) ECL calculations:		
	– Basis of the inputs, assumptions and the estimation techniques used when estimating ECL.	Note 2.5.2.2 – The calculation of ECL	318
	– How forward-looking information has been incorporated into the determination of ECL.	Note 2.5.2.6 – Forward looking information	319
	– Changes in estimation techniques or significant assumptions made during the reporting period.	Note 2.2 – Changes in accounting policies	312
	(f) Amounts arising from ECL:		
	– Reconciliation for each class of financial instrument of the opening balance to the closing balance of the impairment loss allowance.	Note 16 – Cash and cash equivalents Note18 – Placements with banks Note 21 (d) – Movements in impairment during the year	338 339 345
	– Explain the reasons for changes in the loss allowances in the reconciliation.	Note 22.4 – Movements in impairment during the year	351

OTHER DISCLOSURE REQUIREMENTS AS REQUIRED BY CBSL

Disclosure requirements	Description	Page
(g) Collateral:	Notes to the Financial Statements:	
– Bank's maximum exposure to credit risk at the reporting date	Note 54.1 (a) – Net exposure to credit risk by class of financial assets	400
– Description of collateral held as security and other credit enhancements	Note 54.1 (c) – Management of the collateral	402
(h) Written-off assets	Notes to the Financial Statements: Note 21 (d) – Movements in impairment during the year	345
i. Pillar III disclosures of the Banking Act Directions No. 1 of 2016 on Capital requirements under Basel III for Licensed Banks	Risk Management Report	254-280
ii. Liquidity risk (a) A maturity analysis of financial liabilities.	Notes to the Financial Statements: Note 54.2.2 – Remaining Contractual Period to Maturity of Financial Assets/ Liabilities	412
(b) Description of approach to risk management.	Notes to the Financial Statements: Note 54.2 – Liquidity Risk Management Report	411 254-280
(c) Pillar III disclosures of the Banking Act Direction No. 1 of 2016 on capital requirements under Basel III for Licensed Banks.	Risk Management Report	254-280
iii. Market risk (a) A sensitivity analysis of each type of market risk to which the Bank exposed.	Notes to the Financial Statements: Note 54.3 – Market risk Risk Management Report	419 254-280
(b) Additional information, if the sensitivity analysis is not representative of the Bank's risk exposure.	Risk Management Report	254-280
(c) Pillar III disclosures of the Banking Act Direction No. 1 of 2016 on capital requirements under Basel III for Licensed Banks.	Risk Management Report	254-280
iv. Operational risk Pillar III Disclosures of the Banking Act Direction No. 1 of 2016 on capital requirements under Basel III for Licensed Banks	Risk Management Report	254-280
v. Equity risk in the banking book (a) Qualitative disclosures: • Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons.	Notes to the Financial Statements: Note 23 – Financial assets measured at fair value through other comprehensive income	352
• Discussion of important policies covering the valuation and accounting of equity holdings in the banking book.	Notes to the Financial Statements: Note 23 – Financial assets measured at fair value through other comprehensive income	352
(b) Quantitative disclosures: • Value disclosed in the statement of financial position of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	Notes to the Financial Statements: Note 20 – Financial assets recognised through profit or loss Note 23 – Financial assets measured at fair value through other comprehensive income	341 352

OTHER DISCLOSURE REQUIREMENTS AS REQUIRED BY CBSL

Disclosure requirements		Description	Page
	• The types and nature of investments • The cumulative realised gains/(losses) arising from sales and liquidations in the reporting period.	Notes to the Financial Statements: Note 6 – Net gain/(loss) from trading Note 8 – Net gain/(loss) from derecognition of financial assets	 328 329
	vi. Interest rate risk in the banking book (a) Qualitative disclosures: • Nature of interest rate risk in the banking book (IRRBB) and key assumptions	Notes to the Financial Statements: Note 54.3.2 – Interest Rate Risk Risk Management Report	 421 254-280
	(b) Quantitative disclosures: • The increase/(decline) in earnings or economic value (or relevant measure used by Management) for upward and downward rate shocks according to Management's method for measuring IRRBB, broken down by currency (as relevant).	Risk Management Report	254-280
2.2.3	Information on concentrations of risk	Notes to the Financial Statements: Note 54 Financial risk management Risk Management Report	 400 254-280
3	**Other disclosures**		
3.1	**Capital structure**		
	i. Qualitative disclosures • Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of innovative, complex or hybrid capital instruments.	Basel III Disclosures as per schedule III of Banking Act Direction No. 1 of 2016 Risk Management Report	480-489 254-280
	ii. Quantitative disclosures (a) The amount of Tier 1 capital, with separate disclosure of – • Paid-up share capital/common stock • Reserves • Non-controlling interests in the equity of subsidiaries • Innovative instruments • Other capital instruments • Deductions from Tier 1 capital	Basel III Disclosures as per schedule III of Banking Act Direction No. 1 of 2016	480-489
	(b) The total amount of Tier 2 capital		
	(c) Other deductions from capital		
	(d) Total eligible capital		
3.1.2	**Capital adequacy**		
	i. Qualitative disclosures • A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.	Risk Management Report	254-280
	ii. Quantitative disclosures (a) Capital requirements for credit risk, market risk and operational risk.	Risk Management Report	254-280
	(b) Total and Tier 1 capital ratio.	Risk Management Report	254-280

BASEL III DISCLOSURES AS PER SCHEDULE III OF BANKING ACT DIRECTION NO. 1 OF 2016

MARKET DISCIPLINE – MINIMUM DISCLOSURE REQUIREMENTS UNDER PILLAR III

Key regulatory ratios – Capital and liquidity

	Bank		Group	
As at 31 December Item	2025	2024	2025	2024
Regulatory capital (Rs. '000)				
Common equity Tier 1	78,052,964	63,454,114	90,979,664	75,395,088
Tier 1 capital	83,052,964	68,454,114	95,979,664	80,395,088
Total capital	89,486,872	75,660,059	102,326,899	87,519,216
Regulatory capital ratios (%)				
Common equity Tier 1 capital ratio (minimum requirement: 7%)	23.400	21.707	25.847	25.032
Tier 1 capital ratio (minimum requirement: 8.5%)	24.899	23.418	27.268	26.692
Total capital ratio (minimum requirement: 12.5%)	26.827	25.883	29.071	29.058
Leverage ratio (minimum requirement: 3%)	9.342	8.000	9.478	8.849
Regulatory liquidity				
Liquidity coverage ratio (%) – rupee (minimum requirement: 100%)	360.39	351.33	N/A	N/A
Liquidity coverage ratio (%) – all currency (minimum requirement: 100%)	349.15	344.55	N/A	N/A
NSFR (%) – (minimum requirement: 100%)	206.44	193.53	N/A	N/A

Basel III computation of capital ratios

	Bank		Group	
As at 31 December Item	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Common equity Tier 1 (CET1) capital after adjustments	78,052,964	63,454,114	90,979,664	75,395,088
Total common equity Tier 1 (CET1) capital	100,376,888	82,275,836	106,802,268	87,817,904
Equity capital (stated capital)/assigned capital	9,400,000	9,400,000	9,400,000	9,400,000
Reserve fund	6,241,292	5,694,877	6,364,888	5,810,742
Published retained earnings/(accumulated retained losses)	41,194,517	23,111,292	47,446,100	28,420,814
Published accumulated other comprehensive income (OCI)	449,194	977,782	499,402	1,094,471
General and other disclosed reserves	43,091,885	43,091,885	43,091,877	43,091,877
Unpublished current year's profit/(losses) and gains reflected in OCI	–	–	–	–
Ordinary shares issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	–	–	–	–
Total adjustments to CET1 capital	22,323,924	18,821,722	15,822,603	12,422,815
Goodwill (net)	–	–	–	–
Intangible assets (net)	2,380,283	2,183,860	2,383,250	2,185,087
Revaluation losses of property, plant and equipment	46,140	46,140	46,140	46,140
Deferred tax assets (net)	6,562,684	4,995,021	6,562,684	4,995,021
Cash flow hedge reserve	–	–	–	–
Gains on sale related securitisation transactions	–	–	–	–
Defined benefit pension fund assets (net)	–	–	–	–
Investments in the capital of banking and financial institutions where the Bank does not own more than 10% of the issued ordinary share capital of the entity	6,869,005	4,876,060	6,830,529	5,196,568

BASEL III DISCLOSURES AS PER SCHEDULE III OF BANKING ACT DIRECTION NO. 1 OF 2016

	Bank		Group	
As at 31 December Item	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Significant investments in the capital of financial institutions where the Bank owns more than 10% of the issued ordinary share capital of the entity	6,465,812	6,609,252	–	–
Shortfall of the capital in financial subsidiaries	–	111,389	–	–
Additional Tier 1 (AT1) capital after adjustments	5,000,000	5,000,000	5,000,000	5,000,000
Total Additional Tier 1 (AT1) capital	5,000,000	5,000,000	5,000,000	5,000,000
Qualifying additional Tier 1 capital instruments	5,000,000	5,000,000	5,000,000	5,000,000
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	–	–	–	–
Total adjustments to AT1 capital	–	–	–	–
Investment in own shares	–	–	–	–
Tier 2 capital after adjustments	6,433,908	7,205,945	6,347,235	7,124,128
Total Tier 2 capital	8,228,923	8,090,351	8,227,460	8,096,654
Qualifying Tier 2 capital instruments	–	–	–	–
Revaluation gains	5,287,981	5,287,981	5,287,981	5,287,981
Loan loss provisions	2,940,942	2,802,370	2,939,479	2,808,673
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	–	–	–	–
Total adjustments to Tier 2 capital	1,795,015	884,406	1,880,225	972,526
Investment in own shares	–	–	–	–
Investments in the capital of financial institutions and where the Bank does not own more than 10% of the issued capital carrying voting rights of the issuing entity	1,795,015	884,406	1,880,225	972,526
CET1 capital	78,052,964	63,454,114	90,979,664	75,395,088
Total Tier 1 capital	83,052,964	68,454,114	95,979,664	80,395,088
Total capital	89,486,872	75,660,059	102,326,899	87,519,216
Total risk weighted assets (RWA)	333,564,655	292,315,462	351,992,795	301,191,773
RWAs for credit risk	235,275,343	224,189,590	235,158,315	224,693,820
RWAs for market risk	19,030,728	10,868,856	33,450,856	16,426,136
RWAs for operational risk	79,258,584	57,257,016	83,383,624	60,071,816
CETI capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs (%)	23.400	21.707	25.847	25.032
of which: capital conservation buffer (%)	2.500	2.500	2.500	2.500
of which: countercyclical buffer (%)	0.000	0.000	0.000	0.000
of which: capital surcharge on D-SIBs (%)	0.000	0.000	0.000	0.000
Total Tier 1 capital ratio (%)	24.899	23.418	27.268	26.692
Total capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	26.827	25.883	29.071	29.058
of which: capital conservation buffer (%)	2.500	2.500	2.500	2.500
of which: countercyclical buffer (%)	0.000	0.000	0.000	0.000
of which: capital surcharge on D-SIBs (%)	0.000	0.000	0.000	0.000

The difference arises between the retained earnings balance in Basel III Capital Adequacy Computation and the financial reporting are due to the following:

(1) The Bank's practice was to transfer the current year retained earnings to the General Reserve until end of 2015 and it was changed to maintain part of the current year retained earnings to a separately maintained Retained Earnings Reserve with effect from 31.12.2016. Therefore one of the differences between the retained earnings balance in the financial reporting and the Basel III Capital Adequacy Computation is the accumulated actuarial loss of Rs. 5.351 Bn. on Retirement Benefit Plan which has been adjusted to the General Reserve prior to 2016.

BASEL III DISCLOSURES AS PER SCHEDULE III OF BANKING ACT DIRECTION NO. 1 OF 2016

Computation of leverage ratio

	Bank		Group	
As at 31 December Item	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Tier 1 capital	83,052,964	68,454,114	95,979,664	80,395,088
Total exposures	889,051,335	855,651,706	1,012,691,730	908,551,645
On-balance sheet items (excluding derivatives, and securities financing transactions, but including collateral)	793,166,820	759,071,458	857,156,292	797,856,581
Derivative exposures	187,179	137,626	187,179	137,626
Securities financing transaction exposures	92,421,368	93,033,639	152,070,790	107,140,147
Other off-balance sheet exposures	3,275,968	3,408,983	3,277,468	3,417,291
Basel III leverage ratio (%) (Tier 1/total exposure)	9.34%	8.00%	9.48%	8.85%

BASEL III COMPUTATION OF LIQUIDITY COVERAGE RATIO (BANK)

As at 31 December	2025		2024	
Item	Total unweighted value Rs. '000	Total weighted value Rs. '000	Total unweighted value Rs. '000	Total weighted value Rs. '000
Total stock of high-quality liquid assets (HQLA)	1,051,235,178	1,050,812,814	952,123,286	952,016,920
Total adjusted Level 1A assets	1,046,659,027	1,046,659,027	950,707,330	950,707,330
Level 1 assets	1,050,390,449	1,050,390,449	951,910,554	951,910,554
Total adjusted Level 2A assets	–	–	–	–
Level 2A assets	–	–	–	–
Total adjusted Level 2B assets	844,729	422,365	212,732	106,366
Level 2B assets	844,729	422,365	212,732	106,366
Total cash outflows	1,605,126,549	313,348,971	1,564,455,222	289,628,506
Deposits	1,285,278,726	128,527,873	1,273,995,388	127,399,539
Unsecured wholesale funding	294,870,115	178,018,806	253,402,119	155,147,969
Secured funding transactions	13,981,870	–	26,609,535	–
Undrawn portion of committed (Irrevocable) facilities and other contingent funding obligations	6,547,498	2,291,450	6,590,418	3,223,237
Additional requirements	4,514,133	4,514,133	3,857,761	3,857,761
Total cash inflows	64,999,379	12,381,804	48,271,272	13,319,181
Maturing secured lending transactions backed by collateral	49,583,227	4,930,627	34,057,346	6,616,446
Committed facilities	–	–	–	–
Other inflows by counterparty which are maturing within 30 days	11,701,069	7,382,364	10,342,140	6,693,604
Operational deposits	3,646,270	–	3,862,655	–
Other cash inflows	68,813	68,813	9,131	9,131
Liquidity coverage ratio (%) (stock of high quality liquid assets/total net cash outflow over the next 30 calendar days)*100	–	349.15	–	344.55

BASEL III DISCLOSURES AS PER SCHEDULE III OF BANKING ACT DIRECTION NO. 1 OF 2016

COMPUTATION OF NET STABLE FUNDING RATIO (BANK)

As at 31 December Item	2025 Rs. '000	2024 Rs. '000
Total available stable funding	1,158,737,876	1,164,825,918
Required stable funding-on balance sheet assets	560,706,155	601,160,966
Required stable funding-off balance sheet items	578,448	710,598
Total required stable funding	561,284,602	601,871,564
Net stable funding ratio (NSFR)	206.44	193.53

Main features of regulatory capital instruments

Description of the capital instrument	
Issuer	National Savings Bank
Unique identifier	
Governing law(s) of the instrument	Sri Lanka
Original date of issuance	27th October 2020
Par value of instrument	100
Perpetual or dated	Perpetual
Original maturity date	-
Amount recognised in regulatory capital (Rs. '000)	5,000,000
Accounting classification (equity/liability)	Liability
Issuer call subject to prior supervisory approval	
Optional call date, contingent call dates and redemption amount (Rs. '000)	N/A
Subsequent call dates	N/A
Coupons/dividends	
Fixed or floating dividend/coupon	Floating/Fixed
Coupon rate and any related index	Six (06) Months Treasury Bill Rate +1.50%/9.25%(Fixed)
Non-cumulative or cumulative	Non-Cumulative
Convertible or non-convertible	
If convertible, conversion trigger(s)	N/A
If convertible, fully or partially	N/A
If convertible, mandatory or optional	N/A
If convertible, conversion rate	N/A

Summary discussion on adequacy/meeting current and future capital requirements

For summary discussion on adequacy/meeting current and future capital requirements, refer Risk Management Report on pages 254 to 280.

BASEL III DISCLOSURES AS PER SCHEDULE III OF BANKING ACT DIRECTION NO. 1 OF 2016

CREDIT RISK UNDER STANDARDISED APPROACH (BANK)

Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

As at 31 December 2025	Exposures before credit conversion factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA density	
Item	On-balance sheet amount Rs. '000	Off-balance sheet amount Rs. '000	On-balance sheet amount Rs. '000	Off-balance sheet amount Rs. '000	RWA Rs. '000	RWA density (*)
Claims on Central Government and CBSL	1,061,812,564	6,173,400	1,011,395,990	123,468	–	–
Claims on foreign sovereigns and their central banks	–	–	–	–	–	–
Claims on public sector entities	134,078,792	323,970	57,491	–	57,491	100.00
Claims on official entities and multilateral development banks	–	–	–	–	–	–
Claims on banks exposures	28,280,915	2,315,263	28,280,915	1,006,305	13,714,931	46.83
Claims on financial institutions	25,445,291	–	25,445,291	–	12,552,612	49.33
Claims on corporates	5,791,406	–	5,791,406	–	5,663,191	97.79
Retail claims	372,569,264	1,534,537	328,692,269	770	130,694,393	39.76
Claims secured by residential property	57,353,937	313,139	57,353,937	156,570	23,478,232	40.82
Claims secured by commercial real estate	–	–	–	–	–	–
Non-performing assets (NPAs)	13,842,511	9,558	13,842,511	4,779	11,947,235	86.28
Higher risk categories	845,188	–	845,188	–	2,112,971	250.00
Cash items and other assets	37,737,142	1,984,075	37,737,142	1,984,075	35,054,286	88.25
Total	1,737,757,009	12,653,943	1,509,442,139	3,275,968	235,275,343	15.55

Note: (*) RWA Density – Total RWA/Exposures post CCF and CRM.

CREDIT RISK UNDER STANDARDISED APPROACH (GROUP)

Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

As at 31 December 2025	Exposures before credit conversion factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA density	
Item	On-balance sheet amount Rs. '000	Off-balance sheet amount Rs. '000	On-balance sheet amount Rs. '000	Off-balance sheet amount Rs. '000	RWA Rs. '000	RWA density (*)
Claims on Central Government and CBSL	1,064,253,706	6,173,400	1,014,008,458	123,468	–	–
Claims on foreign sovereigns and their central banks	–	–	–	–	–	–
Claims on public sector entities	134,078,956	323,970	57,655	–	57,655	100.00
Claims on official entities and multilateral development banks	–	–	–	–	–	–
Claims on banks exposures	28,356,714	2,315,263	28,356,714	1,006,305	13,734,266	46.77
Claims on financial institutions	25,813,825	–	25,813,825	–	12,737,343	49.34
Claims on corporates	5,798,050	–	5,798,050	–	5,669,836	97.79
Retail claims	372,712,226	1,534,537	328,833,432	770	130,800,265	39.78
Claims secured by residential property	57,547,294	313,139	57,547,294	156,570	23,671,590	41.02
Claims secured by commercial real estate	–	–	–	–	–	–
Non-performing assets (NPAs)	13,863,416	9,558	13,863,416	4,779	11,968,760	86.30
Higher risk categories	–	–	–	–	–	–
Cash items and other assets	39,201,760	1,985,575	39,201,760	1,985,575	36,518,604	88.66
Total	1,741,625,948	12,655,443	1,513,480,604	3,277,468	235,158,315	15.50

Note: (*) RWA Density – Total RWA/Exposures post CCF and CRM.

BASEL III DISCLOSURES AS PER SCHEDULE III OF BANKING ACT DIRECTION NO. 1 OF 2016

CREDIT RISK UNDER STANDARDISED APPROACH: EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS (BANK)

As at 31 December 2025
Description

(Post CCF and CRM)

Risk weight / Asset classes	0%	20%	35%	50%	75%	100%	150%	>150%	Total credit exposures amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Claims on Central Government and CBSL	1,011,519,458	–	–	–	–	–	–	–	1,011,519,458
Claims on foreign sovereigns and their central banks	–	–	–	–	–	–	–	–	–
Claims on public sector entities	–	–	–	–	–	57,491	–	–	57,491
Claims on official entities and multilateral development banks	–	–	–	–	–	–	–	–	–
Claims on banks exposures	–	4,762,262	–	23,524,958	–	1,000,000	–	–	29,287,220
Claims on financial institutions	–	593,450	–	24,835,839	–	16,002	–	–	25,445,291
Claims on corporates	–	–	–	256,430	–	5,534,976	–	–	5,791,405
Retail claims	154,727,384	90	–	–	173,084,759	880,806	–	–	328,693,039
Claims secured by residential property	–	–	52,357,345	–	–	5,153,162	–	–	57,510,506
Claims secured by commercial real estate	–	–	–	–	–	–	–	–	–
Non-performing assets (NPAs)	–	–	–	4,393,577	–	8,860,246	593,468	–	13,847,290
Higher risk categories	–	–	–	–	–	–	–	845,188	845,188
Cash items and other assets	4,666,931	–	–	–	–	35,054,286	–	–	39,721,218
Total	1,170,913,773	5,355,802	52,357,345	53,010,804	173,084,759	56,556,968	593,468	845,188	1,512,718,107

BASEL III DISCLOSURES AS PER SCHEDULE III OF BANKING ACT DIRECTION NO. 1 OF 2016

CREDIT RISK UNDER STANDARDISED APPROACH: EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS (GROUP)

As at 31 December 2025

Description	(Post CCF and CRM)								
Risk weight / Asset classes	0%	20%	35%	50%	75%	100%	150%	>150%	Total credit exposures amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Claims on Central Government and CBSL	1,014,131,926	–	–	–	–	–	–	–	1,014,131,926
Claims on foreign sovereigns and their central banks	–	–	–	–	–	–	–	–	–
Claims on public sector entities	–	–	–	–	–	57,655	–	–	57,655
Claims on official entities and multilateral development banks	–	–	–	–	–	–	–	–	–
Claims on banks exposures	–	4,824,146	–	23,538,873	–	1,000,000	–	–	29,363,019
Claims on financial institutions	–	593,450	–	25,203,445	–	16,930	–	–	25,813,825
Claims on corporates	–	–	–	256,430	–	5,541,621	–	–	5,798,050
Retail claims	154,727,384	90	–	–	173,225,922	880,806	–	–	328,834,202
Claims secured by residential property	–	–	52,357,345	–	–	5,346,519	–	–	57,703,864
Claims secured by commercial real estate	–	–	–	–	–	–	–	–	–
Non-performing assets (NPAs)	–	–	–	4,399,471	–	8,868,124	600,600	–	13,868,195
Higher risk categories	–	–	–	–	–	–	–	–	–
Cash items and other assets	4,668,731	–	–	–	–	36,518,604	–	–	41,187,335
Total	1,173,528,041	5,417,686	52,357,345	53,398,219	173,225,922	58,230,259	600,600	–	1,516,758,071

BASEL III DISCLOSURES AS PER SCHEDULE III OF BANKING ACT DIRECTION NO. 1 OF 2016

MARKET RISK UNDER STANDARDISED MEASUREMENT METHOD

As at 31 December Item	Bank RWA amount 2025 Rs. '000	Group RWA amount 2025 Rs. '000
(a) RWA for interest rate risk	15,115,723	29,468,135
General interest rate risk	15,115,723	29,468,135
(i) Net long or short position	15,115,723	29,468,135
(ii) Horizontal disallowance		
(iii) Vertical disallowance		
(iv) Options		
Specific interest rate risk	–	–
(b) RWA for equity	2,642,215	2,709,929
(i) General equity risk	1,531,681	1,571,538
(ii) Specific equity risk	1,110,534	1,138,391
(c) RWA for Foreign Exchange and Gold	1,272,794	1,272,794
Capital charge for market risk [(a)+(b)+(c)] *CAR	2,378,842	4,181,357

Operational risk under basic indicator approach

Bank

Capital charge	Capital charge factor %	Gross income as at 31 December 2025			Rs. '000
		1st year Rs. '000	2nd year Rs. '000	3rd year Rs. '000	
The basic indicator approach	15%	32,839,382	76,024,916	89,282,155	
Capital charge					9,907,323
Risk weighted amount for operational risk					79,258,584

Group

Capital charge	Capital charge factor %	Gross income as at 31 December 2025			Rs. '000
		1st year Rs. '000	2nd year Rs. '000	3rd year Rs. '000	
The basic indicator approach	15%	37,734,741	79,407,480	91,316,833	
Capital charge					10,422,953
Risk weighted amount for operational risk					83,383,624

BASEL III DISCLOSURES AS PER SCHEDULE III OF BANKING ACT DIRECTION NO. 1 OF 2016

Differences between Accounting and Regulatory Scopes and mapping of financial statement categories with regulatory risk categories

Bank only

As at 31 December 2025	a	b	c	d	e
Item	Carrying values as reported in published financial statements	Carrying values under scope of regulatory reporting	Subject to credit risk framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets	1,831,024,183	1,831,024,183	1,500,472,092	79,900,597	250,651,494
Cash and cash equivalents	8,326,738	8,326,738	8,313,011	13,727	–
Balances with Central Bank	167,212	167,212	167,212	–	–
Placements with banks	24,181,317	24,181,317	24,181,317	–	–
Derivative financial instruments	68,813	68,813	–	–	68,813
Financial assets recognised through profit or loss measured at fair value/other financial assets held for trading	22,158,765	22,158,765	–	21,743,602	415,162
Financial assets designated at fair value through profit or loss	–	–	–	–	–
Financial assets at amortised cost:	–	–	–	–	–
– **Loans and advances**	–	–	–	–	–
– Loans and receivables to banks	43,517,325	43,517,325	–	–	43,517,325
– Loans and receivables to other customers	507,311,043	507,311,043	322,523,471	–	184,787,572
– **Debt and other instruments/financial Investments held to maturity**	1,092,989,914	1,092,989,914	1,092,989,914	–	–
Financial assets measured at fair value through OCI/financial investments available for sale	64,634,698	64,634,698	37,588	58,143,267	6,453,843
Investments in subsidiaries	7,311,000	7,311,000	845,188	–	6,465,812
Investments in associates and joint ventures	–	–	–	–	–
Property, plant and equipment	17,311,732	17,311,732	17,311,732	–	–
Investment properties	–	–	–	–	–
Intangible assets	2,380,283	2,380,283	–	–	2,380,283
Deferred tax assets	6,562,684	6,562,684	–	–	6,562,684
Other assets	34,102,658	34,102,658	34,102,658	–	–

BASEL III DISCLOSURES AS PER SCHEDULE III OF BANKING ACT DIRECTION NO. 1 OF 2016

Differences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories (Contd.)

Bank only (Contd.)

As at 31 December 2025 Item	a Carrying values as reported in published financial statements Rs. '000	b Carrying values under scope of regulatory reporting Rs. '000	c Subject to credit risk framework Rs. '000	d Subject to market risk framework Rs. '000	e Not subject to capital requirements or subject to deduction from capital Rs. '000
Liabilities	1,711,973,556	1,711,973,556	–	–	–
Due to banks	80,972	80,972	–	–	–
Derivative financial instruments	13	13	–	–	–
Financial liabilities recognised through profit	–	–	–	–	–
Financial liabilities at amortised cost:	–	–	–	–	–
– Due to depositors	1,608,490,322	1,608,490,322	–	–	–
– Due to debt securities holders	–	–	–	–	–
– Due to other borrowers	39,057,116	39,057,116	–	–	–
Debt securities issued	11,808,215	11,808,215	–	–	–
Retirement benefit obligations	19,922,794	19,922,794	–	–	–
Current tax liabilities	8,483,816	8,483,816	–	–	–
Deferred tax liabilities	–	–	–	–	–
Other provisions	–	–	–	–	–
Other liabilities	19,027,481	19,027,481	–	–	–
Due to subsidiaries	–	–	–	–	–
Subordinated term debt	5,102,828	5,102,828	–	–	–
Off-balance sheet liabilities	12,653,943	12,653,943	11,120,946	–	1,532,997
Guarantees	1,467,204	1,467,204	–	–	1,467,204
Performance bonds	–	–	–	–	–
Letters of credit	65,792	65,792	–	–	65,792
Other contingent items	6,488,663	6,488,663	6,488,663	–	–
Undrawn loan commitments	2,648,208	2,648,208	2,648,208	–	–
Other commitments	1,984,075	1,984,075	1,984,075	–	–
Shareholders' equity	9,400,000	9,400,000	–	–	–
Equity capital (stated capital)/assigned capital			–	–	–
of which amount eligible for CET 1	9,400,000	9,400,000	–	–	–
of which amount eligible for AT 1	–	–	–	–	–
Retained earnings	46,545,531	46,545,531	–	–	–
Accumulated other comprehensive income	5,571,995	5,571,995	–	–	–
Other reserves	57,533,101	57,533,101	–	–	–
Total shareholders' equity	119,050,627	119,050,627	–	–	–

Bank's risk management approach and risk management related to key risk exposures

Bank's Risk Management Approach and Risk Management Related to Key Risk Exposures are explained in Risk Management Report on pages 254 to 280.

D-SIB ASSESSMENT EXERCISE – 2025

(As per the Banking Act Direction No. 02 of 2025)	Rs. Mn.
Size indicator	
Indicator 1 – Total exposures	**1,977,783**
Total exposures measure	
Interconnectedness indicators	
Indicator 2 – Intra-financial system assets	**65,729**
a. Funds deposited with or lent to other financial institutions (including unused portion of committed lines extended)	31,304
(i) Funds deposited	27,885
(ii) Lending	3,418
b. Holdings of securities issued by other financial institutions	33,143
c. Net positive current exposure of securities financing transactions (SFTs) with other financial institutions	1,213
d. Over-the-counter (OTC) derivatives with other financial institutions that have a net positive mark to market value	69
Indicator 3 – Intra-financial system liabilities	**9,292**
a. Funds deposited by or borrowed from other financial institutions (including unused portion of committed lines obtained)	4,470
(i) Funds deposited	4,389
(ii) Borrowings	81
b. Net negative current exposure of securities financing transactions with other financial institutions	4,822
c. Over-the-counter derivatives with other financial institutions that have a net negative mark to market value	–
Indicator 4 – Securities outstanding	**16,984**
Substitutability/Financial institution infrastructure indicators	
Indicator 5 – Payments made in the reporting year (excluding intragroup payments)	**2,174,594**
Indicator 6 – Gross Loans and Receivables to Non-bank Customers (excluding Government)	**517,184**
Indicator 7 – Deposits of Non-bank Customers (excluding Government)	**1,393,314**
Complexity indicators	
Indicator 8 – Notional amount of over-the-counter (OTC) Derivatives	**6,489**
Indicator 9 – Cross-Jurisdictional Claims (excluding derivatives and intragroup claims)	**3,681**
Section 10 – Cross-Jurisdictional Liabilities (excluding derivatives and intragroup liabilities)	**2,021**
Section 11 – Trading and available-for-sale (AFS) securities	**145,652**

GRI CONTENT INDEX

STATEMENT OF USE

National Savings Bank has reported the information cited in this GRI content index for the period 1 January 2025 to 31 December 2025 with reference to the GRI Standards.

GRI 1 used

GRI 1: Foundation 2021

GRI Standard	Disclosure		Location/Explanation
GRI 2: General Disclosures 2021	**2-1**	Organisational details	**10-13, 508**
	2-2	Entities included in the Organisation's sustainability reporting	**60-61**
	2-3	Reporting period, frequency, and contact point	**4-6**
	2-4	Restatements of information	**5**
	2-5	External assurance	**214-218**
	2-6	Activities, value chain, and other business relationships	**62-63**
	2-7	Employees	**117-133**
	2-8	Workers who are not employees	**121**
	2-9	Governance structure and composition	**233**
	2-10	Nomination and selection of the highest governance body	**239**
	2-11	Chair of the highest governance body	**243**
	2-12	Role of the highest governance body in overseeing the Management of impacts	**243**
	2-13	Delegation of responsibility for managing impacts	**238-239**
	2-14	Role of the highest governance body in sustainability reporting	**60-61**
	2-15	Conflicts of interest	**236**
	2-16	Communication of critical concerns	**240**
	2-17	Collective knowledge of the highest governance body	**220-225**
	2-18	Evaluation of the performance of the highest governance body	**244**
	2-19	Remuneration policies	**120, 244**
	2-20	Process to determine remuneration	**122-244**
	2-21	Annual total compensation ratio	**331-332**
	2-22	Statement on sustainable development strategy	**60-61**
	2-23	Policy commitments	**120**
	2-24	Embedding policy commitments	**120**
	2-25	Processes to remediate negative impacts	**129-131**
	2-26	Mechanisms for seeking advice and raising concerns	**129-131**
	2-27	Compliance with laws and regulations	**161-166**
	2-28	Membership associations	**158**
	2-29	Approach to stakeholder engagement	**52-59**
	2-30	Collective bargaining agreements	**129**

GRI CONTENT INDEX

GRI Standard	Disclosure		Location/Explanation
GRI 3: Material Topics 2021	**3-1**	Process to determine material topics	**41**
	3-2	List of material topics	**42**
	3-3	Management of material topics	**44-51**
GRI 201: Economic Performance 2016	**201-1**	Direct economic value generated and distributed	**65**
	201-2	Financial implications and other risks and opportunities due to climate change	**198-209**
	201-3	Defined benefit plan obligations and other retirement plans	**331-332, 122, 372-381**
	201-4	Financial assistance received from government	**No Financial assistance received from government**
GRI 202: Market Presence 2016	**202-1**	Ratios of standard entry level wage by gender compared to local minimum wage	**122**
	202-2	Proportion of senior management hired from the local community	**124, 125**
GRI 203: Indirect Economic Impacts 2016	**203-1**	Infrastructure investments and services supported	**83-84**
	203-2	Significant indirect economic impacts	**144-171**
GRI 204: Procurement Practices 2016	**204-1**	Proportion of spending on local suppliers	**15, 156**
GRI 205: Anti-corruption 2016	**205-1**	Operations assessed for risks related to corruption	**272-277**
	205-2	Communication and training about anti-corruption policies and procedures	**163**
	205-3	Confirmed incidents of corruption and actions taken	**15, 147, 163**
GRI 206: Anti-competitive Behaviour 2016	**206-1**	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	**148**
GRI 207: Tax 2019	**207-1**	Approach to tax	**322, 333-334**
	207-2	Tax governance, control, and risk management	**322, 333-334**
	207-3	Stakeholder engagement and management of concerns related to tax	**57, 96, 322, 333-334**
GRI 302: Energy 2016	**302-1**	Energy consumption within the Organisation	**181**
	302-3	Energy intensity	**181**
GRI 303: Water and Effluents 2018	**303-5**	Water consumption	**181**
GRI 306: Effluents and Waste 2016	**306-3**	Significant spills	**No spills**
GRI 306: Waste 2020			**177**
GRI 308: Supplier Environmental Assessment 2016	**308-1**	New suppliers that were screened using environmental criteria	**159**
	308-2	Negative environmental impacts in the supply chain and actions taken	**No negative impacts**
GRI 401: Employment 2016	**401-1**	New employee hires and employee turnover	**124-126**
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	**122**
	401-3	Parental leave	**128**
GRI 402: Labour/ Management Relations 2016	**402-1**	Minimum notice periods regarding operational changes	**120**

GRI CONTENT INDEX

GRI Standard	Disclosure		Location/Explanation
GRI 403: Occupational Health and Safety 2018	**403-1**	Occupational health and safety management system	**129**
	403-2	Hazard identification, risk assessment, and incident investigation	**129**
	403-3	Occupational health services	**129**
	403-4	Worker participation, consultation, and communication on occupational health and safety	**129**
	403-5	Worker training on occupational health and safety	**129**
	403-6	Promotion of worker health	**129**
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	**129**
	403-8	Workers covered by an occupational health and safety management system	**129**
	403-9	Work-related injuries	**129**
	403-10	Work-related ill health	**129**
GRI 404: Training and Education 2016	**404-1**	Average hours of training per year per employee	**127**
	404-2	Programmes for upgrading employee skills and transition assistance programmes	**127**
	404-3	Percentage of employees receiving regular performance and career development reviews	**128**
GRI 405: Diversity and Equal Opportunity 2016	**405-1**	Diversity of governance bodies and employees	**121, 236**
	405-2	Ratio of basic salary and remuneration of women to men	**122**
GRI 406: Non-discrimination 2016	**406-1**	Incidents of discrimination and corrective actions taken	**131**
GRI 407: Freedom of Association and Collective Bargaining 2016	**407-1**	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	**129, 157**
GRI 408: Child Labour 2016	**408-1**	Operations and suppliers at significant risk for incidents of child labour	**121, 156**
GRI 409: Forced or Compulsory Labour 2016	**409-1**	Operations and suppliers at significant risk for incidents of forced or compulsory labour	**121, 156**
GRI 411: Rights of Indigenous Peoples 2016	**411-1**	Incidents of violations involving rights of indigenous peoples	**No violations**
GRI 413: Local Communities 2016	**413-1**	Operations with local community engagement, impact assessments, and development programmes	**168**
	413-2	Operations with significant actual and potential negative impacts on local communities	**168**
GRI 414: Supplier Social Assessment 2016	**414-1**	New suppliers that were screened using social criteria	**159**
	414-2	Negative social impacts in the supply chain and actions taken	**No negative social impacts**
GRI 417: Marketing and Labelling 2016	**417-1**	Requirements for product and service information and labelling	**148**
	417-2	Incidents of non-compliance concerning product and service information and labelling	**148**
	417-3	Incidents of non-compliance concerning marketing communications	**148**
GRI 418: Customer Privacy 2016	**418-1**	Substantiated complaints concerning breaches of customer privacy and losses of customer data	**150**

INCOME STATEMENT
IN US DOLLARS

For the year ended 31 December	Bank			Group		
	2025 USD '000	2024 USD '000	Change %	2025 USD '000	2024 USD '000	Change %
Gross income	653,938	709,451	(8)	670,535	729,201	(8)
Interest income	637,863	696,164	(8)	652,963	712,851	(8)
Less: Interest expenses	364,212	448,164	(19)	374,247	456,356	(18)
Net interest income	273,651	248,000	10	278,716	256,495	9
Fee and commission income	9,472	7,103	33	9,477	7,124	33
Less: Fee and commission expenses	1,214	1,122	8	1,216	1,123	8
Net fee and commission income	8,258	5,981	38	8,261	6,001	38
Net gain/(loss) from trading	2,284	3,115	(27)	3,667	6,123	(40)
Net fair value gains/(losses) from financial instruments at fair value through profit or loss	–	–	–	–	–	–
Net gains/(losses) from de-recognition of financial assets	1,784	1,511	18	1,784	1,511	18
Net other operating income	2,535	1,558	63	2,644	1,591	66
Total operating income	288,512	260,165	11	295,072	271,721	9
Less: Impairment charges	5,278	39,382	(87)	5,067	39,340	(87)
Net operating income	283,234	220,783	28	290,005	232,381	25
Less: Expenses						
Personnel expenses	64,155	69,382	(8)	64,401	71,226	(10)
Depreciation and amortisation expenses	7,283	5,721	27	7,329	5,772	27
Other expenses	26,713	23,990	11	27,325	24,698	11
Operating profit before VAT and SSCL on financial services	185,083	121,690	52	190,950	130,685	46
Less: Value Added Tax (VAT) on financial services	36,513	28,043	30	37,556	29,669	27
Social Security Contribution Levy (SSCL) on financial services	5,071	3,895	30	5,215	4,120	27
Operating profit after VAT and SSCL on financial services	143,499	89,752	60	148,179	96,896	53
Share of profits of associates and joint ventures	–	–	–	–	–	–
Profit before income tax	143,499	89,752	60	148,179	96,896	53
Less: Income tax expenses	55,384	34,665	60	57,350	37,114	55
Profit for the year	88,115	55,087	60	90,829	59,782	52
Profit attributable to:						
Equity holders of the Bank	88,115	55,087	60	90,829	59,782	52
Non-controlling interests	–	–	–	–	–	–
Profit for the year	88,115	55,087	60	90,829	59,782	52
Earnings per share on profit						
Basic earnings per ordinary share (USD)	0.09	0.06	60	0.10	0.06	52
Diluted earnings per ordinary share (USD)	0.09	0.06	60	0.10	0.06	52
Profit for the year	88,115	55,087	60	90,829	59,782	52

STATEMENT OF COMPREHENSIVE INCOME IN US DOLLARS

For the year ended 31 December	Bank			Group		
	2025 USD '000	2024 USD '000	Change %	2025 USD '000	2024 USD '000	Change %
Profit for the year	**88,115**	**55,087**	**60**	**90,829**	**59,782**	**52**
Items that will be reclassified to income statement						
Exchange differences on translation of foreign operations	–	–	–	–	–	–
Net gains/(losses) on cash flow hedges	–	–	–	–	–	–
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	–	–	–	–	–	–
Share of profits of associates and joint ventures	–	–	–	–	–	–
Debt instruments at fair value through other comprehensive income	728	3,406	(79)	576	3,598	(84)
Fair value gains/(losses) transferred to income statement on disposal of debt instrument at fair value through other comprehensive income	(1,784)	(1,511)	18	(1,784)	(1,511)	18
Deferred tax effect on above	317	(568)	156	362	(626)	158
Total items that will be reclassified to income statement	**(739)**	**1,327**	**(156)**	**(846)**	**1,461**	**(158)**
Items that will not be reclassified to income statement						
Change in fair value on investments in equity instruments designated at fair value through other comprehensive income	5,121	8,674	(41)	5,172	9,242	(44)
Change in fair value attributable to change in the Bank's own credit risk on financial liabilities designated at fair value through profit or loss	–	–	–	–	–	–
Re-measurement of post-employment benefit obligations	(10,758)	(7,614)	41	(10,758)	(7,626)	41
Deferred tax effect on above	2,354	1,661	42	2,354	1,664	41
Re-measurement of post-employment benefit obligations (net of taxes)	(8,404)	(5,953)	41	(8,404)	(5,962)	41
Changes in revaluation surplus	–	–	–	–	–	–
Deferred tax effect on above	–	–	–	–	–	–
Changes in revaluation surplus (net of taxes)	–	–	–	–	–	–
Share of profits of associates and joint ventures	–	–	–	–	–	–
Total items that will not be reclassified to income statement	**(3,283)**	**2,721**	**(221)**	**(3,232)**	**3,280**	**(199)**
Other comprehensive income for the year, net of taxes	**(4,022)**	**4,048**	**(199)**	**(4,078)**	**4,741**	**(186)**
Total comprehensive income for the year	**84,093**	**59,135**	**42**	**86,751**	**64,523**	**34**
Attributable to:						
Equity holders of the Bank	84,093	59,135	42	86,751	64,523	34
Non-controlling interests	–	–	–	–	–	–
Total comprehensive income for the year	**84,093**	**59,135**	**42**	**86,751**	**64,523**	**34**
US Dollars conversion rate (Rs.)	**310.0623**	**292.6728**		**310.0623**	**292.6728**	

STATEMENT OF FINANCIAL POSITION IN US DOLLARS

	Bank			Group		
As at 31 December	2025 USD '000	2024 USD '000	Change %	2025 USD '000	2024 USD '000	Change %
Assets						
Cash and cash equivalents	26,855	28,560	(6)	27,047	29,194	(7)
Balances with central banks	539	1,220	(56)	539	1,220	(56)
Placements with banks	77,989	50,550	54	77,989	50,550	54
Derivative financial instruments	222	31	611	271	188	44
Financial assets recognised through profit or loss						
– measured at fair value	71,466	72,049	(1)	253,578	159,733	59
– designated at fair value	–	–	–	–	–	–
Financial assets at amortised cost						
– loans and advances	1,776,509	1,819,025	(2)	1,775,898	1,803,090	(2)
– debt and other instruments	3,525,065	3,550,158	(1)	3,535,879	3,584,090	(1)
Financial assets measured at fair value through other comprehensive income	208,457	182,693	14	219,304	188,970	16
Investments in subsidiaries	23,579	24,980	(6)	–	–	–
Investments in associates and joint ventures	–	–	–	–	–	–
Property, plant and equipment	55,833	59,506	(6)	59,500	63,402	(6)
Right-of-use assets	4,013	3,558	13	4,081	3,642	12
Investment properties	–	–	–	1,126	1,192	(6)
Goodwill and intangible assets	7,677	7,462	3	7,686	7,466	3
Deferred tax assets	21,166	17,067	24	21,166	17,067	24
Other assets	105,973	170,846	(38)	106,125	171,278	(38)
Total assets	5,905,343	5,987,705	(1)	6,090,189	6,081,082	0.1
Liabilities						
Due to banks	261	1,666	(84)	261	1,666	(84)
Derivative financial instruments	–	883	(100)	–	883	(100)
Financial liabilities recognised through profit or loss	–	–	–	–	–	–
Financial liabilities at amortised cost						
– due to depositors	5,187,636	5,317,443	(2)	5,188,931	5,318,847	(2)
– due to debt securities holders	–	–	–	–	–	–
– due to other borrowers	125,965	164,655	(23)	301,969	225,676	34
Lease liability	4,814	4,379	10	4,910	4,490	9
Debt securities issued	54,541	57,971	(6)	54,775	58,221	(6)
Retirement benefit obligations	64,254	59,759	8	64,315	60,127	7
Current tax liabilities	27,362	12,467	119	28,376	13,855	105
Deferred tax liabilities	–	–	–	237	211	12
Other provisions	–	–	–	–	–	–
Other liabilities	56,553	30,758	84	34,022	32,074	6
Due to subsidiaries	–	–	–	–	–	–
Total liabilities	5,521,386	5,649,981	(2)	5,677,796	5,716,050	(0.7)
Equity						
Stated capital/assigned capital	30,316	32,118	(6)	30,316	32,118	(6)
Statutory reserve fund	20,129	19,458	3	20,528	19,854	3
Retained earnings	150,117	97,250	54	170,279	115,391	48
Other reserves	183,395	188,898	(3)	191,270	197,669	(3)
Total shareholders' equity	383,957	337,724	14	412,393	365,032	13
Non-controlling interests	–	–	–	–	–	–
Total equity	383,957	337,724	14	412,393	365,032	13
Total equity and liabilities	5,905,343	5,987,705	(1)	6,090,189	6,081,082	0.1
Contingent liabilities and commitments	40,811	51,397	(21)	40,816	51,425	(21)
US Dollars conversion rate (Rs.)	310.0623	292.6728		310.0623	292.6728	

STATISTICAL INDICATORS 2016-2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Operating results (Rs. Mn.)										
Gross income	**202,761**	207,637	232,064	174,530	134,939	127,547	121,929	111,902	107,996	87,399
Interest income	**197,777**	203,748	226,967	172,940	131,438	122,512	118,730	110,507	103,579	86,390
Interest expenses	**112,928**	131,165	197,402	140,477	76,809	87,622	89,898	85,622	78,445	60,923
Net interest income	**84,849**	72,583	29,565	32,463	54,630	34,890	28,832	24,885	25,134	25,467
Other income	**4,607**	3,560	4,780	1,357	3,293	4,881	3,067	1,254	4,308	872
Operating expenses, impairment and VAT	**44,963**	49,876	30,375	29,311	29,542	24,126	21,438	18,197	15,307	13,036
Profit before tax	**44,493**	26,268	4,287	4,510	28,381	15,645	10,462	7,941	14,135	13,303
Income tax	**17,172**	10,145	(2,929)	1,980	6,262	5,537	4,080	3,441	4,419	3,805
Profit after tax	**27,321**	16,122	7,216	2,530	22,120	10,108	6,381	4,500	9,716	9,498
Contribution to the Government	**36,427**	19,656	(1,308)	5,578	16,465	10,745	11,278	7,171	13,024	18,623
Dividends paid	**6,088**	0	–	–	3,500	1,000	2,000	500	5,111	12,026
Assets (Rs. Mn.)										
Cash and short-term funds	**8,327**	8,359	9,509	8,971	7,656	6,492	5,377	3,435	3,850	4,620
Loans and advances	**550,828**	532,379	526,521	553,027	538,942	516,795	454,395	422,895	375,704	323,811
Investments	**1,211,345**	1,135,705	1,053,266	978,772	980,672	798,811	647,760	565,841	593,333	554,235
Property, plant and equipment	**20,936**	20,641	19,158	16,717	17,068	17,230	15,237	13,466	12,396	7,277
Other assets	**39,588**	55,354	78,511	59,200	34,760	24,480	35,198	31,209	25,696	21,761
Total	**1,831,024**	1,752,438	1,686,965	1,616,686	1,579,098	1,363,808	1,157,967	1,036,846	1,010,977	911,704
Liabilities and shareholders' funds (Rs. Mn.)										
Total deposits	**1,608,490**	1,556,271	1,482,532	1,476,740	1,428,467	1,237,124	1,016,574	839,574	737,213	657,280
Repo/borrowings/ subordinated liabilities	**56,049**	65,644	94,402	44,631	52,935	52,796	82,940	144,313	224,143	213,162
Deferred taxation	**–**	–	–	–	–	–	482	582	507	416
Other liabilities	**47,434**	31,681	28,656	22,423	21,683	19,475	12,045	9,280	10,019	8,600
Shareholders' funds	**119,051**	98,843	81,374	72,892	76,013	54,414	45,925	43,095	39,096	32,246
Total	**1,831,024**	1,752,438	1,686,964	1,616,686	1,579,098	1,363,808	1,157,967	1,036,846	1,010,977	911,704
Performance ratios (%)										
Income growth	**(2.35)**	(10.53)	32.97	29.34	5.80	4.61	8.96	3.62	23.57	10.24
Net interest margin	**4.74**	4.22	1.79	2.03	3.71	2.77	2.63	2.43	2.61	2.89
NIM/gross income	**41.85**	34.96	12.74	18.60	40.48	27.35	23.65	22.24	23.27	29.14
Personnel cost/gross income	**9.81**	9.78	6.94	7.90	9.61	7.81	8.33	8.28	6.38	7.13
Overheads (excluding VAT and provision)/gross income	**15.19**	14.13	10.69	12.28	14.29	12.25	12.96	12.72	10.33	11.99
Profit before tax/gross income	**21.94**	12.65	1.85	2.58	21.03	12.27	8.58	7.10	13.09	15.22
Cost to deposits	**2.76**	2.55	1.77	1.70	1.91	1.72	2.26	2.22	2.10	2.12
Cost to income with financial taxes	**48.65**	50.58	75.34	72.48	43.77	48.61	65.57	66.47	49.58	50.13
Cost to income without financial taxes	**34.30**	38.35	71.59	62.93	33.17	39.12	49.35	54.18	37.75	39.59
Effective taxation rate	**38.60**	38.62	(68.32)	43.90	22.06	35.39	39.00	43.33	31.26	28.60
Return on average shareholders' equity (ROE)	**25.08**	17.89	9.36	3.40	33.92	20.15	14.34	10.95	27.24	29.37
Return on average assets (ROA)	**2.48**	1.53	0.26	0.28	1.93	1.24	0.95	0.78	1.47	1.51
Provision coverage – IFRS	**105.56**	59.33	91.34	75.22	73.52	61.88	59.06	62.68	54.73	36.14
Net Stage 3 loans to total loans	**2.53**	5.18	2.41	2.82	2.54	2.28	1.48	1.05	0.99	
Stage 3 impairment coverage	**58.56**	44.50	53.28	38.86	31.52	30.38	26.20	30.66	28.41	
Earnings per share (Rs.)	**29.06**	17.15	7.68	2.69	23.53	10.75	6.79	6.72	15.67	29.68
Net Asset Value (NAV) per share (Rs.)	**126.65**	105.15	86.57	77.54	80.86	57.89	48.86	45.85	58.35	52.01

STATISTICAL INDICATORS
2016-2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Assets and liabilities related ratios (%)										
Assets growth	4.48	3.88	4.35	2.38	15.79	17.78	11.68	2.56	10.89	7.50
Loans growth	3.47	1.11	(4.79)	2.61	4.29	13.73	7.45	12.56	16.03	19.16
Deposits growth	3.36	4.97	0.39	3.38	15.47	21.70	21.08	13.88	12.16	10.32
Government securities to deposits – Bank	68.45	67.54	66.13	63.35	66.80	61.47	60.89	60.94	62.40	66.68
Loans to deposits	34.25	34.21	35.51	37.45	37.73	41.77	44.70	50.37	50.96	49.27
Deposits as a percentage of assets	87.85	88.81	87.88	91.34	90.46	90.71	87.79	80.97	72.92	72.09
Liquidity ratios (%)										
Statutory liquid assets ratio (Minimum 20%)	–	–	54.99	40.62	59.63	69.10	60.20	54.88	73.44	72.56
Rupee liquidity coverage ratio (Minimum 100%)	360.39	351.33	299.20	195.44	240.84	311.02	278.12	245.06	377.57	379.26
All currency liquidity coverage Ratio (Minimum 100%)	349.15	344.55	293.71	193.49	240.43	307.22	276.64	321.29	376.18	393.96
Net stable funding ratio (Minimum 100%)	206.44	193.53	180.49	180.51	160.78	168.54	175.18	146.67	–	–
Capital and related ratios (%)										
Capital adequacy – Tier I (Minimum 5%)					–	–	–	–	–	12.53
Capital adequacy – Tier II (Minimum 10%)					–	–	–	–	–	14.68
Basel III – Tier I (Minimum 8.5%)	24.90	23.42	16.91	15.78	18.60	13.65	13.49	13.08	11.93	11.31
Basel III – Total Capital (Minimum 12.5%)	26.83	25.88	19.26	18.00	20.83	16.45	15.82	15.90	15.31	13.86
Leverage Ratio – Minimum requirement (3%)	9.34	8.00	6.23	7.43	8.93	6.64	5.76	4.76		
Employee statistics and ratios (%)										
Number of employees	4203	4212	4358	4528	4616	4,641	4,715	4,512	4,470	4,384
Profit per employee (Rs. '000)	10,586	6,236	984	996	6,148	3,371	2,219	1,760	3,162	3,034
Deposit per employee (Rs. '000)	382,701	369,485	340,186	326,135	309,460	266,564	215,604	186,076	164,925	149,927
Other information (Nos.)										
Number of branches	263	262	262	262	261	259	256	255	253	250
Post offices/sub-post offices	4,002	4,006	4,006	3,996	4,064	4,063	4,063	4,062	4,062	4,061
Number of active accounts (million)	10.52	10.42	13.03	12.98	12.91	12.63	12.25	11.84	11.39	10.84

ANALYSIS OF DEPOSITS

	2025 Rs. Mn.	2024 Rs. Mn.	2023 Rs. Mn.	2022 Rs. Mn.	2021 Rs. Mn.	2020 Rs. Mn.	2019 Rs. Mn.	2018 Rs. Mn.	2017 Rs. Mn.	2016 Rs. Mn.
Local currency deposits										
Savings	331,380	296,756	272,106	257,569	320,887	275,839	215,010	194,946	185,201	173,583
Time	1,244,028	1,233,893	1,183,554	1,192,621	1,091,918	945,650	789,540	633,632	542,647	475,220
	1,575,408	1,530,649	1,455,660	1,450,190	1,412,805	1,221,489	1,004,549	828,579	727,849	648,803
Growth (%)	2.9	5.2	0.4	2.6	15.7	21.6	21.2	13.8	12.2	10.3
Foreign currency deposits										
Savings	6,589	5,788	6,100	6,970	4,733	4,194	3,541	3,376	2,990	2,764
Time	26,493	19,833	20,773	19,580	10,930	11,441	8,484	7,620	6,373	5,714
	33,082	25,622	26,873	26,550	15,662	15,635	12,025	10,996	9,364	8,478
Growth (%)	29.1	-4.7	1.2	69.5	0.2	30.0	9.4	17.4	10.5	15.0
Total deposits	1,608,490	1,556,271	1,482,532	1,476,740	1,428,467	1,237,124	1,016,574	839,574	737,213	657,280
Growth (%)	3.4	5.0	0.4	3.4	15.5	21.7	21.1	13.9	12.2	10.3

HORIZONTAL ANALYSIS OF INCOME STATEMENT

For the year ended 31 December	2025		2024		2023		2022		2021	
	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%
Income	202,761	(2)	207,637	(11)	232,064	33	174,530	29	134,939	6
Interest income	197,777	(3)	203,748	(10)	226,967	31	172,940	32	131,438	7
Interest expenses	(112,928)	(14)	(131,165)	(34)	(197,402)	41	(140,477)	83	(76,809)	(12)
Net interest income	84,849	17	72,583	146	29,565	(9)	32,463	(41)	54,630	57
Fee and commission income	2,937	41	2,079	30	1,593	(27)	2,173	(29)	3,051	13
Fee and commission expenses	(377)	15	(328)	4	(317)	36	(233)	12	(208)	34
Net fee and commission income	2,560	46	1,751	37	1,276	(34)	1,940	(32)	2,843	11
Other non-interest income	2,047	13	1,810	(48)	3,504	(701)	(583)	(229)	450	(81)
Total operating income	89,456	17	76,143	122	34,345	2	33,820	(42)	57,923	46
Impairment charges	(1,637)	(86)	(11,526)	171	(4,259)	(12)	(4,862)	13	(4,304)	(12)
Net operating income	87,820	36	64,617	115	30,086	4	28,958	(46)	53,619	54
Personnel expenses	(19,892)	(2)	(20,306)	26	(16,110)	17	(13,791)	6	(12,970)	30
Depreciation and amortisation	(2,258)	35	(1,675)	17	(1,433)	1	(1,415)	2	(1,386)	12
Other expenses	(8,283)	18	(7,021)	1	(6,955)	16	(5,990)	27	(4,719)	11
Operating profit/(loss) before taxes	57,387	61	35,615	537	5,589	(28)	7,763	(78)	34,544	78
VAT on financial services	(11,321)	38	(8,208)	618	(1,143)	(64)	(3,186)	(48)	(6,162)	63
SSCL on financial services	(1,572)	38	(1,140)	618	(159)	–	(67)	–	–	–
Profit/(loss) before tax	44,493	69	26,268	513	4,287	(5)	4,510	(84)	28,381	81
Income tax expenses	(17,172)	69	(10,145)	(446)	2,929	(248)	(1,980)	(68)	(6,262)	13
Profit/(loss) for the period	27,321	69	16,122	123	7,216	185	2,530	(89)	22,120	119

VERTICAL ANALYSIS OF INCOME STATEMENT

For the year ended 31 December	2025		2024		2023		2022		2021	
	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%
Income	202,761	100	207,637	100	232,064	100	174,530	100	134,939	100
Interest income	197,777	98	203,748	98	226,967	98	172,940	99	131,438	97
Interest expenses	(112,928)	(56)	(131,165)	(63)	(197,402)	(85)	(140,477)	(80)	(76,809)	(57)
Net interest income	84,849	42	72,583	35	29,565	13	32,463	19	54,630	40
Fee and commission income	2,937	1	2,079	1	1,593	1	2,173	1	3,051	2
Fee and commission expenses	(377)	(0)	(328)	(0)	(317)	(0)	(233)	(0)	(208)	(0)
Net fee and commission income	2,560	1	1,751	1	1,276	1	1,940	1	2,843	2
Other non-interest income	2,047	1	1,810	1	3,504	2	(583)	(0)	450	0
Total operating income	89,456	44	76,143	37	34,345	15	33,820	19	57,923	43
Impairment charges	(1,637)	(1)	(11,526)	(6)	(4,259)	(2)	(4,862)	(3)	(4,304)	(3)
Net operating income	87,820	43	64,617	31	30,086	13	28,958	17	53,619	40
Personnel expenses	(19,892)	(10)	(20,306)	(10)	(16,110)	(7)	(13,791)	(8)	(12,970)	(10)
Depreciation and amortisation	(2,258)	(1)	(1,675)	(1)	(1,433)	(1)	(1,415)	(1)	(1,386)	(1)
Other expenses	(8,283)	(4)	(7,021)	(3)	(6,955)	(3)	(5,990)	(3)	(4,719)	(3)
Operating profit/(loss) before taxes	57,387	28	35,615	17	5,589	2	7,763	4	34,544	26
VAT on financial services	(11,321)	(6)	(8,208)	(4)	(1,143)	(0)	(3,186)	(2)	(6,162)	(5)
SSCL on financial services	(1,572)	(1)	(1,140)	(1)	(159)	(0)	(67)	(0)	–	–
Profit/(loss) before tax	44,493	22	26,268	13	4,287	2	4,510	3	28,381	21
Income tax expenses	(17,172)	(8)	(10,145)	(5)	2,929	1	(1,980)	(1)	(6,262)	(5)
Profit/(loss) for the period	27,321	13	16,122	8	7,216	3	2,530	1	22,120	16

HORIZONTAL ANALYSIS OF FINANCIAL POSITION

As at 31 December	2025		2024		2023		2022		2021	
	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%
Assets										
Cash and cash equivalents	8,327	(0)	8,359	(12)	9,509	9	8,734	14	7,656	18
Balances with central banks	167	(53)	357	45	247	4	236	–	–	–
Placements with banks	24,181	63	14,795	(34)	22,577	116	10,466	47	7,121	(46)
Derivative financial instruments	69	654	9	888	1	(97)	28	–	–	(100)
Financial assets recognised through profit or loss										
Measured at fair value	22,159	5	21,087	19	17,749	25	14,174	(28)	19,573	74
Financial assets at amortised cost										
Loans and advances	550,828	3	532,379	1	526,521	(5)	553,027	3	538,942	4
Debt and other instruments	1,092,990	5	1,039,035	10	943,705	3	919,129	(2)	935,350	24
Financial assets measured at FVTOCI	64,635	21	53,469	(14)	61,924	124	27,663	100	13,818	(10)
Investments in subsidiaries	7,311	–	7,311	–	7,311	–	7,311	52	4,811	–
Investments in associates and joint ventures	–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	17,312	(1)	17,416	1	17,249	17	14,756	(2)	15,046	(2)
Right of use assets	1,244	20	1,041	(11)	1,165	(4)	1,214	1	1,206	(2)
Investment properties	–	–	–	–	–	–	–	–	–	–
Goodwill and intangible assets	2,380	9	2,184	193	745	(0)	747	(8)	816	19
Deferred tax assets	6,563	31	4,995	(15)	5,885	103	2,893	162	1,105	(24)
Other assets	32,858	(34)	50,002	(31)	72,379	29	56,307	67	33,655	46
Total assets	1,831,024	4	1,752,438	4	1,686,965	4	1,616,687	2	1,579,098	16
Liabilities										
Due to banks	81	(83)	488	(95)	8,985	120	4,087	(47)	7,687	(40)
Derivative financial instruments	0	(100)	258	128,462	0	–	–	–	–	–
Financial liabilities at amortised cost										
Due to depositors	1,608,490	3	1,556,271	5	1,482,532	0	1,476,740	3	1,428,467	15
Due to debt securities holders	–	–	–	–	–	–	–	–	–	–
Due to other borrowers	39,057	(19)	48,190	(22)	61,611	267	16,766	117	7,720	(5)
Lease liability	1,493	16	1,282	(6)	1,366	(1)	1,377	7	1,292	1
Debt securities issued	16,911	(0)	16,966	(29)	23,807	0	23,778	(37)	37,529	18
Retirement benefit obligations	19,923	14	17,490	(3)	18,100	45	12,489	45	8,591	(26)
Current tax liabilities	8,484	133	3,649	–	–	(100)	2,761	(40)	4,596	651
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–
Other provisions	–	–	–	–	–	–	–	–	–	–
Other liabilities	17,535	95	9,002	(2)	9,189	59	5,796	(19)	7,200	20
Due to subsidiaries	–	–	–	–	–	–	–	(100)	4	(7)
Total liabilities	1,711,974	4	1,653,596	3	1,605,590	4	1,543,795	3	1,503,085	15
Equity										
Stated capital/assigned capital	9,400	–	9,400	–	9,400	–	9,400	–	9,400	–
Statutory reserve fund	6,241	10	5,695	6	5,369	3	5,225	1	5,174	27
OCI reserve	–	–	–	(100)	1,286	(177)	(1,670)	154	(658)	51
Retained earnings	46,546	64	28,462	98	14,408	27	11,359	(17)	13,728	(5)
Other reserves	56,864	3	55,285	9	50,911	5	48,578	0	48,369	79
Total shareholders' equity	119,051	20	98,843	21	81,374	12	72,892	(4)	76,013	40
Total equity and liabilities	1,831,024	4	1,752,438	4	1,686,965	4	1,616,687	2	1,579,098	16

VERTICAL ANALYSIS OF FINANCIAL POSITION

As at 31 December	2025		2024		2023		2022		2021	
	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%
Assets										
Cash and cash equivalents	8,327	0.5	8,359	0.5	9,509	0.6	8,734	0.5	7,656	0.5
Balances with central banks	167	0.0	357	0.0	247	0.0	236	0.0	–	–
Placements with banks	24,181	1.3	14,795	0.8	22,577	1.3	10,466	0.6	7,121	0.5
Derivative financial instruments	69	0.0	9	0.0	1	0.0	28	0.0	–	–
Financial assets recognised through profit or loss	–	–	–	–	–	–	–	–	–	–
Measured at fair value	22,159	1.2	21,087	1.2	17,749	1.1	14,174	0.9	19,573	1.2
Financial assets at amortised cost	–	–	–	–	–	–	–	–	–	–
Loans and advances	550,828	30.1	532,379	30.4	526,521	31.2	553,027	34.2	538,942	34.1
Debt and other instruments	1,092,990	59.7	1,039,035	59.3	943,705	55.9	919,129	56.9	935,350	59.2
Financial assets measured at FVTOCI	64,635	3.5	53,469	3.1	61,924	3.7	27,663	1.7	13,818	0.9
Investments in subsidiaries	7,311	0.4	7,311	0.4	7,311	0.4	7,311	0.5	4,811	0.3
Investments in associates and joint ventures	–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	17,312	0.9	17,416	1.0	17,249	1.0	14,756	0.9	15,046	1.0
Right of use assets	1,244	0.1	1,041	0.1	1,165	0.1	1,214	0.1	1,206	0.1
Investment properties	–	–	–	–	–	–	–	–	–	–
Goodwill and intangible assets	2,380	0.1	2,184	0.1	745	0.0	747	0.0	816	0.1
Deferred tax assets	6,563	0.4	4,995	0.3	5,885	0.3	2,893	0.2	1,105	0.1
Other assets	32,858	1.8	50,002	2.9	72,379	4.3	56,307	3.5	33,655	2.1
Total assets	1,831,024	100.0	1,752,438	100.0	1,686,965	100.0	1,616,687	100.0	1,579,098	100.0
Liabilities										
Due to banks	81	0.0	488	0.0	8,985	0.5	4,087	0.3	7,687	0.5
Derivative financial instruments	0	0.0	258	0.0	0	0.0	–	–	–	–
Financial liabilities at amortised cost										
Due to depositors	1,608,490	87.8	1,556,271	88.8	1,482,532	87.9	1,476,740	91.3	1,428,467	90.5
Due to debt securities holders	–	–	–	–	–	–	–	–	–	–
Due to other borrowers	39,057	2.1	48,190	2.7	61,611	3.7	16,766	1.0	7,720	0.5
Lease liability	1,493	0.1	1,282	0.1	1,366	0.1	1,377	0.1	1,292	0.1
Debt securities issued	16,911	0.9	16,966	1.0	23,807	1.4	23,778	1.5	37,529	2.4
Retirement benefit obligations	19,923	1.1	17,490	1.0	18,100	1.1	12,489	0.8	8,591	0.5
Current tax liabilities	8,484	0.5	3,649	0.2	–	–	2,761	0.2	4,596	0.3
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–
Other provisions	–	–	–	–	–	–	–	–	–	–
Other liabilities	17,535	1.0	9,002	0.5	9,189	0.5	5,796	0.4	7,200	0.5
Due to subsidiaries	–	–	–	–	–	–	–	–	4	0.0
Contra accounts	–	–	–	–	–	–	–	–	–	–
Total liabilities	1,711,974	93.5	1,653,596	94.4	1,605,590	95.2	1,543,795	95.5	1,503,085	95.2
Equity	–	–	–	–	–	–	–	–	–	–
Stated capital/assigned capital	9,400	0.5	9,400	0.5	9,400	0.6	9,400	0.6	9,400	0.6
Statutory reserve fund	6,241	0.3	5,695	0.3	5,369	0.3	5,225	0.3	5,174	0.3
OCI reserve	–	–	–	–	1,286	0.1	(1,670)	(0.1)	(658)	(0.0)
Retained earnings	46,546	2.5	28,462	1.6	14,408	0.9	11,359	0.7	13,728	0.9
Other reserves	56,864	3.1	55,285	3.2	50,911	3.0	48,578	3.0	48,369	3.1
Total shareholders' equity	119,051	6.5	98,843	5.6	81,374	4.8	72,892	4.5	76,013	4.8
Total equity and liabilities	1,831,024	100.0	1,752,438	100.0	1,686,965	100.0	1,616,687	100.0	1,579,098	100.0

CORRESPONDENT BANKS

Banca Popolare Di Sondrio – Italy

Piazza Garibaldi 16
23100,
Sondrlom SO, Italy
POSOIT22

www.popso.it
Phone: +390342528111
+390342528204

Citi Bank – New York – USA

388, Greenwich Street New York,
NY 10013,USA CITIUS33

www.citibank.com
Phone: +800-285-3000

DBS Bank – Singapore

DBS Bank Ltd.,
2 Changi Business Park Crescent,
Lobby A # 04-02, DBS Asia Hub,
Singapore 486029
DBSSSGSG

www.dbs.com
Phone: +65-6-2222200/
+65-6-8789010

Deutsche Bank AG Frankfurt – Germany

Deutsche Bank AG,
P.O. Box: 60202 Frankfurt am Main,
Germany
DEUTDEFF

www.deutsche-bank.com.de
www.db.com
Phone: +49 6991000/
+49 6991034225

Deutsche Bank Trust Company
Americas – New York – USA

No. 60, Wall Street, New York,
NY 10005, USA BKTRUS33

www.db.com
Phone: +1 212 2502500/
+1 212 7970291

Emirates NBD Bank PJSC – Dubai – UAE

P.O. Box 777, Deira, Dubai
United Arab Emirates
EBILAEAD

www.emiratesnbd.com
Phone: +971-600 540000

Keb Hana Bank – Seoul – Korea

55, Eulji-ro, Jung-gu,
Seoul-Republic of Korea
KOEXKRSE

www.kebhana.com
Phone: +82-02-2002-1111

Kookmin Bank – Seoul – Korea

9-1,Namdaemunno 2-GA,
Jung-Gu Seoul 100-092
CZNBKRSE

www.kbfg.com
Phone: +82-(2)-2073-2869

MUFG Bank (Bank of Tokyo Mitsubishi Ltd) – Tokyo – Japan

2-7-1, Marunouchi, Chiyoda-ku, Tokyo,
100-8388,
Japan BOTKGPJT

www.bk.mufg.jp
Phone: +81-3-3240-1111

Post Finance AG – Bern – Switzerland

Mingerstrasse 20,
3030 Berne,
Switzerland
POFICHBE

Phone: +4184888710

Woori Bank – Seoul – Korea

1-203,
Hoehyeon-dong, Jung-gu,
Seoul HVBKKRSE

www.wooribank.com
Phone: +82-2-2006 5000

EXCHANGE COMPANIES

Al Ahalia Exchange

P.O. Box: 35245 Electra Street,
Abu Dhabi, UAE

Phone: +971229666

Al Ansari Exchange

Al Ansari Exchange LLC
Al Ansari Business Centre
Level 8, Al Barshal
P.O. Box: 6176, Dubai UAE

Phone: +97143772890/
+97143772788

Al Fardan Exchange – Qatar

P.O. Box: 9948, Doha Qatar
Phone: +974444408408

Al Mulla International

P.O. Box: 177
Safat 13002 Kuwait

Phone: +96522478250/
+22478242

Al Rajhi Bank

Olaya Street, Aqaria 3,
Riyadh, 1111,
Kingdom of Saudi Arabia

www.alrajhibank.com.sa
Phone: +96614603333

Al Rostamani International

The Maze Tower Level 18
Sheikh Zayed RD
POB 10072, Dubai UAE

Phone: +97144543200/
+97144543284

Bahrain Exchange

Bahrain Exchange Company
W.L.L.M Floor Al Hajery Building
P.O. Box: 29149,
Safat 13152 Kuwait

Phone: +96522089039/
+96522280520

Bahrain Finance Company

(Easy remit is a product of BFC)
P.O. Box: 243, 3rd Floor,
Bab Al Bahrain Building Manama
Bahrain

Phone: +97339958195

Bank Al Bilad

Corporate Banking Division
P.O. Box: 140 Riyadh
11411 Saudi Arabia

Phone: +96692000/002

Doha Bank – Qatar

Doha Bank Head Office Tower,
Corniche Street West Bay
P.O. Box: 3818, Doha, Qatar

Phone: +97444257633

Federal Exchange-UAE

Shop No.7, Ground Floor, Ahmed
Eissa Al Hameli Building, Thiqah
Street, M-17, Mussafah, Abu
Dhabi UAE

Phone: +971 4 325 0077

Gmoney Trans Co Ltd – Korea

305-2, Jong ro, Jongno-gu,
Seoul,
Republic of Korea

www.gmoneytrans.com
Phone: +82-2-1670-4565

Hanpass Company Ltd.

4th Floor,
92 Achasan-ro
(Gwangmyeong Tower)
Seongdong-gu, Seoul,
South Korea

Phone: +82-10-6610-4351

Index Exchange (Habib) UAE

Office 201, 2nd Floor,
Sons of Jassim Darwish Building,
Zayad 1st street, Khalidiyah
P.O. Box: 2370, Abu Dhabi UAE

Phone: +97126272656

Instant Cash

Instant Cash FZE
P.O. Box: 3014 Dubai, UAE

Phone: + 971 4 2059000/
Ext: 260

Japan Remit Finance Co., Ltd (JRM)

3F Modulo
Hamamatsucho BLDG, 1-2-15,
Hamamatsucho, Minato-ku,
Tokyo, 105-0013, Japan

Website: www.jpremit.com
Phone: +81 3 5733 4337

Joyalukkas Exchange (Majan Exchange – Oman)

P.O. Box:583
P.C.117 Ruwi
Sultanate of Oman

Phone: +96824794017/18

Lulu Exchange (Asia Express Exchange)

P.O. Box: 881 Postal Code 112,
Ruwi High Street Muscat, Sultanate of Oman

Phone: +97126547019

National Exchange Company – Italy

Via Ferruccio 30,00185
Rome Italia

Phone: + 390644341221

Ria Money Transfer

6565 Knott Ave, Buena Park,
CA 90620, United States

Phone: +1 562-345-2100

Mastercard Global

3, Fraser Street
DUO Tower
Level 17
Singapore 189352

Phone: +65 65332888

Unistream

20, Verhnyaya Maskovka Street
Building 2, 127083
Moscow, Russia

Phone: +74955179260

Western Union LLC

Denver, Colorado, United States

GLOSSARY OF FINANCIAL AND BANKING TERMS

A

Actuarial assumptions
An entity's unbiased and mutually compatible best estimates of the demographic and financial variable that will determine the ultimate cost of providing post-employment benefits.

Accounting policies
The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual basis
Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Actuarial gain/loss
Gain or loss arising from the difference between estimates and actual experience in an entity's pension plan.

Amortisation
The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised cost
The amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or uncollectibility.

Available-for-sale financial assets
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

B

Basel III
Basel III is the global voluntary regulatory framework issued by the Basel Committee on Banking Supervision (BCBS) on Bank Capital Adequacy and Liquidity.

Basis point (BP)
One hundredth of a percentage point (0.01 per cent); 100 basis points is 1 percentage point. Used in quoting movements in interest rates or yields on securities.

Business model assessment
Business model assessment is carried out as the first step of the financial assets classification process. Business model refers to how an entity manages its financial assets in order to generate cash flows. It is determined at a level that reflects how groups of financial assets are managed rather than at an instrument level. SLFRS 9 identifies three types of business models: "hold to collect", "hold to collect and sell" and "other". In order to determine the business model, it is necessary to understand the objectives of each business model. An entity would need to consider all relevant information including, for example, how business Performance is reported to the entity's Key Management personnel and how Managers of the business are compensated

C

Capital adequacy ratio
The percentage of risk-adjusted assets supported by capital as defined under the framework of risk-based capital standards developed by the Bank for International Settlements (BIS) and as modified to suit local requirements by the Central Bank of Sri Lanka.

Capital Conservation Buffer (CCB)
It is designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred. Should a bank's capital levels fall within the capital conservation buffer range, capital distributions will be constrained by the regulators.

Capital expenditure
Total of additions to property, plant, and equipment.

Capital gain (capital profit)
The gain on the disposal of an asset calculated by deducting the cost of the asset from the proceeds received on its disposal.

Capital reserves
Capital reserves consist of revaluation reserves arising from revaluation of properties owned by the Bank and Reserve Fund set aside for specific purposes defined under the Banking Act No. 30 of 1988 and shall not be reduced or impaired without the approval of the Monetary Board.

Carrying value
Value of an asset or a liability as per books of the Organisation before adjusting for fair value.

Cash Generating Unit (CGU)
The smallest group of assets that independently generates cash flow and the cash flow is largely independent of the cash flows generated by other assets.

Cash equivalents
Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Collective agreement
A tripartite agreement entered into among the NSB, Ministry of Finance and Trade Unions.

Collectively assessed loan impairment provisions
Also known as portfolio impairment provisions. Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that has been incurred but has not yet been identified at the reporting date. Loans (housing, personal, auto loans etc.) are assessed on a portfolio basis

Commitments
Credit facilities approved but not yet utilised by the clients as at the reporting date.

Contingencies
A condition or situation, the ultimate outcome of which (gain or loss) will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Corporate governance
The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the Management and the direction of entity, the supervision of executive actions and accountability to owners and others.

Cost/income ratio
Operating expenses excluding impairment provision and provisioning for fall in value in dealing securities as a percentage of net income.

Cost method
A method of accounting whereby the investment is recorded at cost. The Income Statement reflects income from the investment only to the extent that the investor receives distributions from accumulated net profits of the investee arising subsequent to the date of acquisition.

Credit ratings
An evaluation of a corporate's ability to repay its obligation or the likelihood of not defaulting, carried out by an independent rating agency.

Credit risk
Credit risk or default risk is most simply defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions.

Currency SWAPs
The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement.

Customer deposits
Money deposited by account holders. Such funds are recorded as liabilities.

Credit risk mitigation
A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantee and credit protection.

D

Debt Restructuring/Rescheduling
This is when the terms and provisions of outstanding debt agreements are changed. This is often done in order to improve cash flow and the ability of the borrower to repay the debt. It can involve altering the repayment schedules as well as debt or interest charge reduction

Dealing securities
Marketable securities that are acquired and held with the intention of reselling them in the short-term.

Debenture
A medium-term debt instrument issued by a corporate entity

Deferred taxation
Sum set aside for tax in the Financial Statements that will become payable in a financial year other than the current financial year.

Depreciation
The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition
Removal of previously recognised financial assets or financial liability from an entity's statement of financial position

GLOSSARY OF FINANCIAL AND BANKING TERMS

Delinquency
A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as "Arrears"

Derivative
A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g. an interest rate).

Documentary letters of credit (LCs)
Written undertakings by a bank on behalf of its customers, authorising a third party to draw on the Bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

Domestic systemically important banks (d-sibs)
Systemically Important Banks (SIBs) are perceived as banks that are "Too Big to Fail". D-SIBs are critical for the uninterrupted availability of essential banking services to the country's real economy even during crisis. The CBSL has designated LCBs with total assets equal to or greater than Rs. 500 Bn. as D-SIBs

Discount Rate
A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value

E

Earnings per ordinary share (EPS)
Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

Economic value added (EVA)
A measure of productivity which takes into consideration cost of total invested equity.

Effective income tax rate
Provision for taxation divided by the profit before taxation.

Effective interest rate (EIR)
Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate a shorter period to the net carrying amount of the financial asset or financial liability.

Equity instrument
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities

Equity method
The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee

Equity risk
Risk of depreciating equity investments due to stock market dynamics.

Exposure at default (EAD)
EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest and expected drawdowns of committed facilities.

Expected credit losses (ECLs)
CL approach is the loan loss impairment method under SLFRS 9 on "Financial Instruments". ECLs are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). ECL measurements are unbiased and are determined by evaluating a range of possible outcomes.

Exchange gain/loss
Profit earned on foreign currency transactions arising from the difference in foreign exchange rates between the transaction/last reporting date and the settlement/ reporting date. Also arises from trading in foreign currencies

F

Fair value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial asset
Financial asset is any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial assets measured at amortised cost
A financial asset is measured at amortised cost if 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 on the principal amount outstanding.

Financial assets measured at fair value through other comprehensive income (FVOCI)
FVOCI include debt and equity instruments measured at fair value through other comprehensive income. A debt instrument is measured at FVOCI, if it 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 solely payments of principal and interest on the principal amount outstanding. Equity investments may be irrevocably classified as FVOCI when they meet the definition of Equity under LKAS 32 Financial Instruments: Presentation and are not held for trading.

Financial assets measured at fair value through profit or loss (FVPL)
All financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVPL. These are held for trading or managed, and their performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Financial instrument
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability
A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Foreclosed properties
Properties acquired in full or partial, satisfaction of debts.

Foreign currency risk
Risk exists in transaction other than the local currency. Adverse movements in foreign exchange rates may decline the value of assets/ liabilities held in terms of foreign currency.

Foreign exchange contract
Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

G

General provisions
These are provisions made on loans and advances for anticipated losses on aggregate exposures where credit losses cannot yet be determined on an individual facility basis.

Group
A group is a parent and all its subsidiaries.

Guarantees
Three party agreement involving a promise by one party (the guarantor) to fulfil the obligations of a person owing a debt if that person fails to perform.

Global Reporting Initiatives (GRI)
The GRI is an international independent standards organisation that helps businesses, governments and other organisations to understand and communicate their impacts on issues such as climate change, human rights and corruption. GRI promotes sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

Going concern
The Financial Statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially or the scale of its operations.

Goodwill
An asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.

H

Hedging
A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (interest rates and prices of commodities etc.).

Held-to-maturity investments (HTM)
Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Held-for-trading (HFT)
Debt and equity investments that are purchased with the intent of selling them within a short period of time (usually less than one year).

GLOSSARY OF FINANCIAL AND BANKING TERMS

High quality liquid assets (HQLA)
HQLA are assets that can be easily and immediately converted into cash at little or no loss of value, that can be readily sold or used as collateral to obtain funds in a range of stress scenarios and are unencumbered, without legal, regulatory or operational impediments. These include, for example, cash and claims on central governments and central banks.

I

ICCAP
Process by which the Bank ensures additional capital is provided for banking risks other than those covered in Pillar.

Impairment
This occurs when recoverable amount of an asset is less than its carrying amount.

Impaired assets portfolio
Impaired assets portfolio is the total of the individually significant impaired loans and individually insignificant loans which are overdue above 90 days.

Impairment allowances
Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified as individual (specific) or collective (portfolio) impairment allowance

Impairment charge/(reversal)
The difference between the carrying value of an asset and the sum of discounted future cash flows generating from the same asset.

Impaired loans
Impaired loans are loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Individually assessed impairment
Exposure to loss is assessed on all individually significant accounts and all other accounts that do not qualify for collective assessment.

Intangible asset
An asset that is not physical in nature. Corporate intellectual property (items such as patents, trademarks, copyrights, business methodologies), goodwill software and brand recognition are all common intangible assets in today's marketplace.

Interest in suspense
Interest suspended on non-performing loans and advances.

Interest margin
Net interest income expressed as a percentage of average interest earning assets.

Interest rate risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest spread
The represents the difference between the average interest rate earned and the average interest rate paid on interest earning assets and interest-bearing liabilities, respectively. variables such as interest rates, exchange rates, credit spreads and other asset prices.

Investment properties
Investment property is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

Investment securities
Securities acquired and held for yield or capital growth purposes and are usually held-for maturity.

Interest rate SWAP
An agreement between two parties (known as counter parties) where one stream of future interest payments is exchanged for another stream of future interest payments based on a specified principal amount.

K

Key Managerial Personnel (KMP)
Key Managerial Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly.

L

Leverage ratio
A measure that is the ratio of tier 1 capital to total exposures. This supplementary measure to the risk-based capital requirements is intended to constrain the build-up of excess leverage in the banking sector.

Liquid assets
Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, bills of exchange and Treasury Bills.

Liquid assets ratio
Assets that are held in cash or in a form that can be converted to cash readily (as prescribed by the Central Bank of Sri Lanka) divided by the total liabilities including contingent liabilities.

Lifetime expected credit losses (LTECL)
Assets that are held in cash or in a form that can be converted to cash readily (as prescribed by the Central Bank of Sri Lanka) divided by the total liabilities including contingent liabilities.

Liquidity coverage ratio – LCR
Ratio of stock of high-quality liquid assets available to total net cash outflows over next 30 calendar days. LCR is expected to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus, reducing the risk of spillover from the financial sector to the real economy.

Liquidity risk
The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loans and advances
Conventional loan assets that are unquoted (originated or acquired).

Loss given default (LGD)
LGD is the percentage of an exposure that a lender expects to lose in the event of obligor default.

Loan-to-value ratio (LTV)
The loan-to-value (LTV) ratio is a financial term used by lenders to express the ratio of a loan to the value of an asset purchased. The term is commonly used to represent the ratio of the first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

M

Market risk
This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Materiality
The relative significance of a transaction or an event, the omission or misstatement of which could influence the decisions of users of Financial Statements.

N

Net interest income (NII)
The difference between the amount a bank earns on assets such as loans and securities and the amount it pays on liabilities such as deposits, refinance funds and inter-bank borrowings.

Net interest margin (NIM)
The margin is expressed as net interest income divided by average interest earning assets.

Non-performing loans (NPL)
The loans which are in default for more than three months.

NOSTRO accounts
A bank account held in foreign country by a domestic bank, denominated in the currency of that country. Nostro accounts are used to facilitate the settlement of foreign exchange trade transactions.

NPL ratio
Total non-performing loans and advances (net of interest in suspense) divided by total loans and advances portfolio (net of interest in suspense).

Net stable funding ratio (NSFR)
Measures the amount of longer term, stable sources of funding employed by a bank relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off balance sheet commitments and obligations.

Non-controlling interest/ minority interest
The portion of equity in a subsidiary that is not owned by the parent company, representing the share of net assets and profit or loss attributable.

O

Off-balance sheet transactions
Transactions that are not recognised as assets or liabilities in the Statement of Financial Position, but which give rise to contingencies and commitments.

Operational risk
This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events including legal risk.

Open credit exposure ratio
Total net non-performing loans and advances expressed as a percentage of regulatory capital base.

GLOSSARY OF FINANCIAL AND BANKING TERMS

P

Parent
A parent is an entity that has one or more subsidiaries.

Portfolio
A pool of investments including investment in Government Securities, loans and advances, equities, etc.

Probability of default (PD)
PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

Projected Unit Credit Method (PUC)
An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Inclusion of a degree of caution in the exercise of judgement needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated, and liabilities or expenses are not understated.

R

Return on average assets (ROA)
Profit after tax expressed as a percentage of the average assets.

Return on average equity (ROE)
Net profit attributable to owners expressed as a percentage of average ordinary shareholders' equity.

Related parties
Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related party transaction (RPT)
RPT is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

REPOs
Repurchase agreements. Securities sold to lenders with the commitment to buy back on a later date at a fixed price plus interest.

Reverse repurchase agreement
Transaction involving the purchase of securities by a bank or a dealer and resale back to the seller at a future date at a specified price.

Revenue reserve
Reserves set aside for future distribution and investment.

Risk-weighted assets
The sum of assets as per the Statement of Financial Position and the credit equivalent of assets that are not on the Statement of Financial Position multiplied by the relevant risk weighting factors.

Rupee loan
Rupee securities issued by the Central Bank of Sri Lanka on behalf of the Government of Sri Lanka.

Remittances
A remittance is a transfer of money by a foreign worker to an individual in his or her home country.

S

Shareholders' funds
A capital reserve created as per the provisions of the Banking Act No. 30 of 1988.

Significant increase in credit risk (SICR)
According to SLFRS 9, an entity should assess whether the risk of default on a financial instrument has increased significantly since initial recognition. The assessment should consider reasonable and supportable information that is relevant and available without undue cost or effort. There is a rebuttable presumption in the Standard that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

SPPI Test
Solely Payments of Principal and Interest Test (SPPI) is carried out as the second step of the classification process. "Principal" is defined as the fair value of the financial asset at initial recognition and may change due to repayments of principal or amortisation of the premium or discount. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding. If a financial asset passes the SPPI test, then it will either be classified at amortised cost if the "hold to collect" business model test is met, or at Fair Value Through Other Comprehensive Income (FVOCI) if the "hold to collect and sell" business model test is met. If a financial asset fails, the SPPI test it must be classified at Fair Value Through Profit or Loss (FVPL) in its entirety.

Statutory reserve fund
A capital reserve created as per the provisions of the Banking Act No. 30 of 1988.

Subordinated liabilities
Liabilities that rank after the claims of other creditors of the issuer in the event of insolvency or liquidation.

Stress test
Integrated test that shows to varying degrees whether the Bank can withstand unforeseen scenarios of varying severity.

Subsidiary
An entity that is controlled by another entity.

Substance over form
The consideration that the accounting treatment and the presentation in Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

Swaps (currency)
The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement. Alternatively, a simultaneous spot sale and forward purchase of a currency.

T

Tier 1 capital
A component of regulatory capital, comprising common equity Tier 1 and additional Tier 1 capital. Core measure of financial strength of the Bank representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier 2 capital
Tier 2 capital represents revaluation gains, general provisions and other capital instruments which combine certain characteristics of equity and debt such as subordinated term debts.

Total capital
Total Capital is summation of the Tier 1 and the Tier 2 capital.

Treasury Bill
A short-term debt instrument issued on auction basis by the Central Bank of Sri Lanka on behalf of the Government of Sri Lanka.

Treasury Bond
A long-term debt instrument issued on auction basis by the Central Bank of Sri Lanka on behalf of the Government of Sri Lanka.

Twelve-month expected credit losses (12-Month ECL)
The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12-months after the reporting date.

U

Unit trust
An undertaking formed to invest in securities under the terms of a trust deed.

Useful life
Useful life is the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

V

Value added
Value added is the wealth created by providing banking services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to government by way of taxes and retained for expansion and growth.

Value at risk ("VaR")
A measure of the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence.

Y

Yield to maturity (YTM)
Discount rate at which the present value of future cash flows would equal the security's current price.

CORPORATE INFORMATION

Name of the Bank
National Savings Bank

Legal Form
A Government-owned bank incorporated in Sri Lanka by the National Savings Bank Act No. 30 of 1971 and was granted the status of the Licensed Specialised Bank in terms of the Banking Act No. 30 of 1988.

Registered Office and Head Office
'Savings House', No. 255, Galle Road,
Colombo 03, Sri Lanka.
Tel: +94-11-2573008-15
Fax: +94-11-2573178
Customer Care Hotline:94-11-2379379
Short Code: 1972
E-mail: nsbgen@nsb.lk
Website: http://www.nsb.lk
Swift Code: NSBALKLX
Bank Code: 7719
Taxpayer Identification Number (TIN):
409046266

Service Outlets
263 Branches
418 ATMs/CRMs

Agency Network
651 Post Offices and 3,351 Sub-Post Offices throughout the Island.

Local Ratings
AAA (Stable) Credit rating by the Lanka Rating Agency (LRA)

Board of Directors
Dr Harsha Cabral PC – Chairman
Mr Jude Nilukshan – Director (Ex Officio)
Mr S R W M Ruwan Palitha Sathkumara – Director (Ex Officio)
Mr Dushyanta Basnayake – Director
Mr Ashane Jayasekara – Director
Mr Ranil Goonetilleke – Director
Mr Supul Wijesinghe – Senior Director

Acting General Manager/CEO
Mr Rohana Bandara Weerakoon

Acting Board Secretary
Mr W H M D B Wijekoon

Board Audit Committee (BAC)
Mr Supul Wijesinghe – Chairman
Mr Jude Nilukshan
Mr Dushyanta Basnayake
Mr Ashane Jayasekara

Board Human Resources and Remunerations Committee (BHRRC)
Mr S R W M Ruwan Palitha Sathkumara – Chairman
Mr Jude Nilukshan
Mr Ranil Goonetilleke
Mr Supul Wijesinghe

Board Integrated Risk Management Committee (BIRMC)**
Mr Ranil Goonetilleke – Chairman
Mr Jude Nilukshan
Mr S R W M Ruwan Palitha Sathkumara
Mr Ashane Jayasekara

Board Nomination Committee (BNC)
Mr Ranil Goonetilleke – Chairman
S R W M Ruwan Palitha Sathkumara
Mr Dushyanta Basnayake
Mr Supul Wijesinghe

Board Information Technology Strategy Committee (BITSC)*
Mr Dushyanta Basnayake – Chairman
Mr S R W M Ruwan Palitha Sathkumara
Mr Ashane Jayasekara
Mr Supul Wijesinghe

Board Related Party Transactions Review Committee (BRPT)**
Mr Supul Wijesinghe – Chairman
Mr Jude Nilukshan
Mr Ashane Jayasekara

Compliance Officer
Ms I K L Sasi Mahendran

Public Information Officer
(As per Right to Information Act No. 12 of 2016)
Ms Anupama Muhandiram

Auditors
Auditor General

Accounting Year
31 December

Subsidiaries of National Savings Bank

Name of the Company
NSB Fund Management Co. Ltd.

Registered Office and Head Office
No. 400, Galle Road, Colombo 03, Sri Lanka.
Tel.: +94-11-2425010-12, +94-11-2565956
Fax: +94-11-2574387
E-mail: nsbfmc@nsb.lk
Swift Code: NSBFLKLX
Tax Payer Identification Number (TIN):
134008512

Chief Executive Officer
Mr D L P Abayasinghe

Auditors
Auditor General

Company Secretary
Ms Farzana Aniff

Name of the Company
Sri Lanka Savings Bank Limited

Registered Office and Head Office
No: 265, Ward Place, Colombo 07
Tel.: +94-11-2674700/1/2/3, 2691721-2
Fax: +94-11-2674705/6
E-mail: info@slsbl.lk
Tax Payer Identification Number (TIN):
134013370

General Manager/CEO
Mr M A S Fernando

Auditors
Auditor General

Company Secretary
Ms D R N U Peramuna

* Members of the Committee as reconstituted on 19 January 2026
** Members of the Committee as reconstituted on 17 February 2026

GSARN©
www.gsarn.org
Global Standard Annual Report Number©
LKA8355NSBXX0250000E112

SMART MEDIA
The ANNUAL REPORT Company

Produced by Smart Media,
a GHG-neutral company
since 2011

National Savings Bank

'Savings House'
No. 255, Galle Road, Colombo 03, Sri Lanka
Tel: +94 11 257 3008-15
Fax: +94 11 257 3178
E-mail: nsbgen@nsb.lk
Website: http://www.nsb.lk

ISBN 978-624-5790-15-9

Scan the QR code with your smart device or login to http://www.nsb.lk/

Follow NSB