A Bank of Fine Mettle

NATIONAL SAVINGS BANK

INTEGRATED ANNUAL REPORT

2024

A Bank of Fine Mettle

NSB epitomises resilience, a bank renowned for its fine mettle. Our story is woven with challenges that have strengthened our resolve and resilience. Through expertise, we have cultivated enduring strength, showcasing unwavering dedication. Looking ahead, our commitment to fortifying this mettle remains steadfast, propelling us towards a future defined by banking excellence.

NSB

A Bank of Fine Mettle

National Savings Bank
Integrated Annual Report 2024

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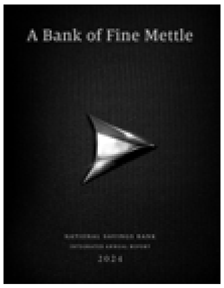
2022

2023

2024



Over the past three years, the Bank has chronicled a journey of resilience, renewal, and refinement through a trilogy – a testament to our enduring spirit and focused purpose. From a time of profound uncertainty, the Bank focused on **Strengthening Our Mettle,** fortifying its foundations to withstand economic shocks while continuing to serve its people. As conditions evolved, NSB committed to **Shaping Our Mettle,** transforming with intention, realigning strategy, embracing innovation, and reaffirming its role in national progress. Today, the Bank stands as **A Bank of Fine Mettle,** refined through adversity, tested by time, and strengthened by experience, carrying forward a nation's trust with renewed clarity, stability, and strength.

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About our Integrated Annual Report

GRI 2-3

It is with a deep sense of pride and purpose that the National Savings Bank (NSB) presents its 10th Integrated Annual Report, covering the financial year ended 31 December 2024. This report goes beyond traditional financial reporting, offering a comprehensive and transparent account of the Bank's performance, strategy, governance, and the broader context within which we operate.

Prepared in alignment with the principles of the International Integrated Reporting Framework (<IR>), this report reflects our commitment to INTEGRATED THINKING where financial and non-financial aspects are interconnected to tell the full story of how NSB creates sustainable value over time. It captures the progress we have made in delivering on our strategic objectives, navigating an increasingly complex and volatile operating environment, and responding responsibly to the expectations of our diverse stakeholder base.

In a year marked by significant transformations, this report provides insights into how NSB is adapting and evolving, strengthening its institutional resilience, accelerating digital transformation, reinforcing customer trust, and embedding sustainability at the heart of its operations. It also highlights how our business model continues to be shaped by the dynamic interplay between economic conditions, technological advancements, social needs, regulatory requirements, and environmental responsibilities.

By presenting an integrated perspective, we seek to demonstrate how NSB leverages its six capitals, financial, manufactured, human, intellectual, social and relationship, and natural to achieve balanced growth while upholding our national responsibility. The report also outlines the actions we are taking to future-proof the Bank, maintain relevance in a fast-changing world, and ensure that our impact remains positive, inclusive, and far-reaching.

This report is not just a reflection of where we stand today, but a testament to our unwavering focus on long-term value creation for our customers, our employees, our business partners, our shareholder, and the nation at large.

Reading and navigating this Report

This Report features interactive elements and icons designed to enhance readability, improve navigation, and highlight the connectivity between key sections, reflecting our commitment to INTEGRATED THINKING. A guide to the icons used throughout the report is provided on page 8.

Our reporting frameworks and compliance

In preparing this Report, we adhere to a broad spectrum of corporate reporting and regulatory frameworks, ensuring alignment with relevant disclosure requirements and best practices. Our commitment extends beyond compliance, reflecting a dedication to transparency, accountability, and the highest standards of reporting integrity.

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- <IR> 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

Our scope and reporting boundary GRI 2-4

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 2024, 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 28 February 2025. There have been no significant changes to the scope or boundaries of reporting compared to previous periods; however, any restatements or reclassifications of comparative data are duly explained in the relevant sections.

Beyond financial disclosures, this Report provides a comprehensive view of our non-financial performance and 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 further captures the Bank's strategic strides during 2024, detailing both financial and non-financial objectives and achievements aligned with our short- to medium-term priorities over the next two to three years. It also sets forth the long-range strategic pathways NSB is charting to fortify institutional resilience and ensure long-term relevance amidst Sri Lanka's dynamic economic landscape, framing our vision within a forward-looking horizon of five to ten years and beyond.

Boundary and scope

Integrated Reporting Boundary

Covers the risks, opportunities, and outcomes arising from our

Operating environment pages **27** to **31**

Business model, including the affordability and availability of capitals pages **64** to **67**

Strategy and resource allocation pages **68** to **79**

Integrated stakeholder engagement pages **52** to **59**

Use of and impact of six capitals pages **92** to **151**

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 2024 to 31 December 2024.
Any notable or material events after this date and up to the approval of this report are included and noted accordingly**

About our Integrated Annual Report

INTEGRATED THINKING Drives our sustainable value creation

At NSB, INTEGRATED THINKING is not just a principle, it is a core discipline that underpins how we operate, make decisions, and create long-term value. It shapes the way we connect our strategy, governance, performance, and stakeholder relationships to respond effectively to both opportunities and risks within an evolving landscape.

This approach encourages a holistic view of our business model by linking financial and non-financial capitals, ensuring that value creation is both inclusive and sustainable. Through INTEGRATED THINKING, we balance the short-term needs of performance with the long-term imperatives of resilience, innovation, and responsible growth.

By embedding INTEGRATED THINKING across all levels of the organisation, from strategic planning and risk management to stakeholder engagement and capital allocation, we are better equipped to drive outcomes that benefit not only our shareholder but also our customers, employees, communities, and the nation at large.

This mindset allows us to remain agile, future-ready, and purpose-driven, ensuring that we continue to deliver value in a manner that is ethically grounded, socially responsible, and environmentally conscious.

Materiality

The materiality assessment forms a cornerstone of our INTEGRATED THINKING approach, guiding informed decision-making that upholds the Bank's long-term sustainability and enhances stakeholder value. We define material matters as issues that meaningfully influence our ability to generate and sustain value over varying time horizons, assessed through a holistic lens that considers their short-, medium-, and long-term implications.

To ensure a balanced and comprehensive view, 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 situates each material matter within its relevant context, highlighting those that have the potential to shape, sustain value creation or value erosion across multiple timeframes, while underpinning the Bank's strategic and operational priorities.

Dynamic materiality

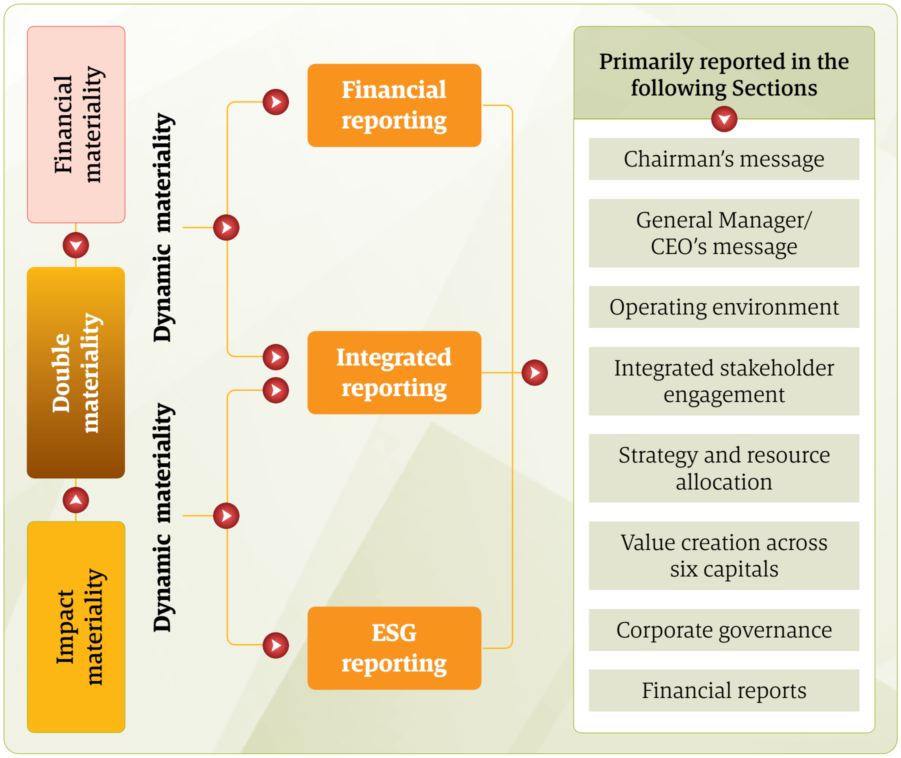
We recognise the continuously evolving operating landscape and its potential to influence what matters most to our business. Accordingly, we undertake an annual, rigorous materiality review to ensure relevance and responsiveness. We are confident that our reporting captures the fluid and dynamic nature of the issues that shape our ability to create and sustain value.

Enhancement to our reporting structure

Improved connectivity of information

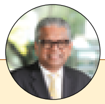
Improved disclosure on capitals, strategy, and segmental performance

Improved readability and design



Outlook

Outlook information addresses the critical question: "What challenges, opportunities, and uncertainties might we face in executing our strategy, and how could these influence our business model and future performance?" These forward-looking insights are woven throughout this Report, with particular emphasis in the following sections.



Chairman's message
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General Manager's review
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Operating environment
pages 27 to 31

Strategy and resource allocation
pages 74 to 79

Financial capital
pages 94 to 101

Manufactured capital
page 107

Human capital
page 119

Intellectual capital
page 127

Social and relationship capital
pages 136 to 145

Natural capital
page 151

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/Independent Non-Executive Director

Jude Nilukshan
Ex-Officio Director, Non-Independent Non-Executive Director

S R W M Ruwan Palitha Sathkumara
Ex-Officio Director, Independent Non-Executive Director

Dushyanta Basnayake
Non-Independent Non-Executive Director

Ashane Jayasekara
Independent Non-Executive Director

Forward-looking statements

This Report includes forward-looking statements concerning NSB's future performance and outlook, derived from our current assessments and expectations. However, it is important to acknowledge that evolving risks, uncertainties, and other significant factors may result in outcomes that differ from our projections, potentially affecting the Bank's business and financial results in a negative manner.

Queries

GRI 2-3

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

Senior Deputy General Manager
Finance and Planning Division
National Savings Bank,
No. 255, Galle Road,
Colombo 03

About our Integrated Annual Report

Navigation icons

Capitals

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

Stakeholders

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

Other

- Page reference

Integrated Report

Preamble

NSB at a glance

NSB: A legacy of stability, empowerment, and trust

For over five decades, National Savings Bank has stood as a beacon of financial stability and empowerment in Sri Lanka, nurturing a national culture of savings and financial prudence. Established in 1972 through the consolidation of four esteemed savings institutions, NSB has grown into the proud custodian of the country's rich financial heritage.

The Bank's roots stretch back even further, to the founding of the Ceylon Savings Bank (CSB) in 1832, bringing over a century of expertise in cultivating savings ethos. 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 2024. Brand Finance Lanka Ltd. named the Bank the seventh most valuable brand in Sri Lanka.

Branch network

As Sri Lanka's premier savings institution, NSB proudly operates an extensive network comprising 262 branches, 417 ATMs/CRMs, and an agency network of 4,006 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.

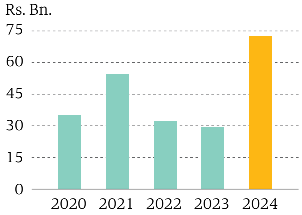
Our values
In conducting our day-to-day business we will respond promptly and act creatively with trust, mutual respect and integrity.

Our purpose
Accelerating national growth

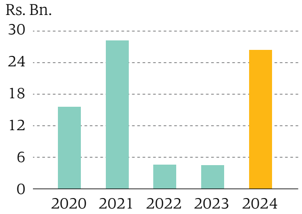
Our strength and stability

Figure 1

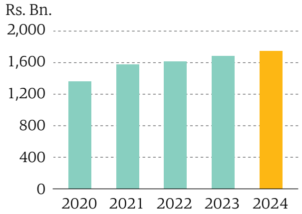
Net interest income (NII)



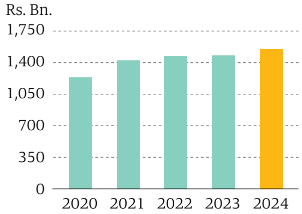
Profit before tax



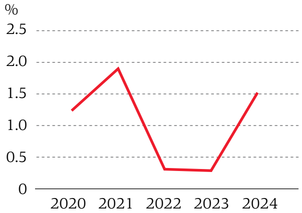
Total assets



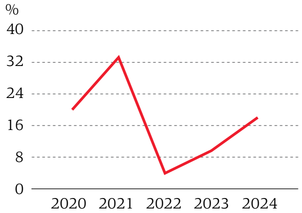
Customer deposits



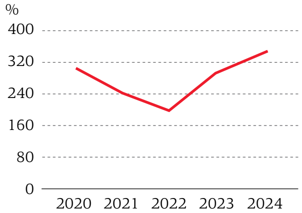
Return on average assets (ROA)



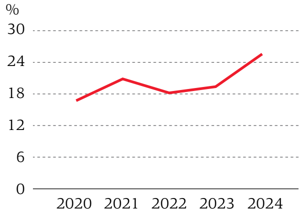
Return on equity (ROE)



All currency liquidity coverage



Basel III total capital



National Savings Bank

NSB

Branch banking	Corporate finance	International banking	Treasury	NSB Fund Management Company Ltd.	Sri Lanka Savings Bank
• Over 50 years of experience in the industry as the savings giant • Personal banking (Full range of services including accepting deposits, retail lending, bank guarantee, card solutions and transactional banking)	• Direct lending to financial institutions and their subsidiaries • Plays the role of agent for syndicated facilities who coordinates settlements between lenders and borrowers • Investing in trust certificates, private placements, and debentures • Lending industry expertise in funding for infrastructure projects • Issuance of debt securities	• Foreign currency deposits [savings and fixed deposits (FD)] in USD, EUR, GBP, AUD, SGD, and JPY • Inward and outward remittances • Foreign currency exchange • Issuance of import letter of credit • Handling of import bills • Issuance of shipping and air freight guarantees	• Investment in Government securities, equities and, Foreign currency investment, REPO borrowings and reverse REPO lending	• Primary market activities • Secondary market activities • Settlement A/C with CBSL (Lanka Secure) • Security A/C with CBSL (Lanka Secure) • Trader Corporate Debt Securities • SWIFT Connectivity • Portfolio Management • Cash Management	• Savings • Loans • Leasing • Corporate Finance • Pawning

Areas of differentiation

Branch banking	Corporate finance	International banking	Treasury	NSB Fund Management Company Ltd.	Sri Lanka Savings Bank
• Island-wide 262 branch network together with postal banking grid fully equipped with everyday banking solutions for every Sri Lankan citizen • Significant customer base across all segments • Leading industry expertise and financier in domestic house construction	• One of the leading infrastructure facilitators in government projects • Effective credit and collections expertise, aiding clients facing financial challenges	• Trusted partner in remitting money to Sri Lanka, especially from Europe and South Korea	• Fixed Income market maker • Leading financier of Government debt • Trend setting cash management	• Wealth creation through personalised conversations and advice	• Fully fledged licensed specialised banking

Figure 2

- A purposeful business supported by a progressive 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 10.42 million 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

Milestones

1972
A Parliamentary Act facilitated the amalgamation of the four traditional savings organisations in the country into one establishment called the National Savings Bank

1979
Introduction of Savings Certificate with a draw

1981
NSB implements Mobile Banking Unit to reach the rural population

1994
The first ATM machine was installed

1995
The NSB ACT was amended to facilitate business diversification

1998
Launch of *"Hapan Punchi Hapan"* product

1999
NSB opened doors to its 100th branch at Nittambuwa

Launch of "*Ithuru Mithuru*"product

2000
NSB's subsidiary NSB FMC was established

2002
Launch of "*Shree*" product

2003
NSB becomes the first Sri Lankan bank to obtain AAA (lka) rating from Fitch Ratings Lanka Ltd.

2004
International banking operations inaugurated

2008
24x7 NSB Call Centre was established

2011
NSB opened its doors to its 200th branch at Medawachchiya

2012
NSB celebrated its 40th Anniversary

2013
Issuance of the single largest Senior Note of USD 750 Mn. by a Sri Lankan bank

2014
Launch of *Buddhi* personal loan for higher education studies. Issuance of the USD 250 Mn. Senior Note

2016
Opened its 250th branch at Kopay

Global Finance rated NSB as "The Safest Bank in Sri Lanka"

Ventured into trade financing

Issuance of NSB's first unquoted subordinated debenture valued at Rs. 6 Bn.

2017
Became the first specialised bank to reach Rs. 1 Tn. asset base

2019
First Sri Lankan State Bank to receive PCI DSS Certification

Sri Lanka Savings Bank became a fully-owned subsidiary of NSB.

Surpassed the Rs. 1 Tn. deposit base

Successfully redeemed the USD 250 Mn. Senior Note

2020
Successful issuance of Hybrid debt instrument (perpetual debenture)

2021
Launch of "NSB Pay" mobile App

2022
NSB celebrated its 50th Anniversary

2023
Launched NSB NextGen digital banking service

Total investments surpassed Rs. 1 Tn.

2024
Implementation of new core Banking Solution

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

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 2024	Bank 2023	Bank Change %	Group 2024	Group 2023	Group Change %
Results for the year (Rs. Mn.)						
Gross income	**207,637**	232,064	(10.53)	**213,417**	238,825	(10.64)
Profit before financial VAT and taxation	**35,778**	5,589	540.17	**38,411**	10,109	279.95
Profit before taxation (PBT)	**26,431**	4,287	516.47	**28,522**	8,022	255.53
Income tax expenses	**10,145**	(2,929)	446.37	**10,862**	(1,594)	(781.27)
Profit after taxation (PAT)	**16,285**	7,216	125.67	**17,660**	9,617	83.63
Position at the year end (Rs. Mn.)						
Shareholder's funds (Total equity)	**98,843**	81,374	21.47	**106,835**	87,788	21.70
Due to other customers/deposits from customers	**1,556,271**	1,482,532	4.97	**1,556,682**	1,482,951	4.97
Financial assets at amortised cost – Debt and other instruments	**1,039,035**	943,705	10.10	**1,048,966**	953,056	10.06
Loans and receivable	**532,379**	526,521	1.11	**527,715**	523,809	0.75
Total assets	**1,752,438**	1,686,965	3.88	**1,779,767**	1,712,308	3.94
Information per ordinary share (Rs.)						
Earnings (Basic)	**17.32**	7.68	125.67	**18.79**	10.23	83.63
Earnings (Diluted)	**17.32**	7.68	125.67	**18.79**	10.23	83.63
Net assets value	**105.15**	86.57	21.47	**113.65**	93.39	21.70

	2024	2023	Change (bps)	2024	2023	Change (bps)
Ratios (%)						
Net interest margin (NIM)	**4.23**	1.79	244	**4.31**	1.91	240
Return on average shareholder's funds (ROE)	**18.07**	9.36	872	**18.15**	11.72	643
Return on average assets (ROA)	**1.54**	0.26	128	**1.63**	0.48	115
Year-on-year growth in earnings	**125.67**	185.27	(5,961)	**83.63**	913.37	(82,974)
Regulatory liquidity ratios (%)						
Rupee – Minimum requirement – 100%	**351.33**	299.20	5,213	**N/A**	N/A	–
All currency – Minimum requirement – 100%	**344.55**	293.71	5,084	**N/A**	N/A	–
Net Stable Funding Ratio – Minimum requirement – 100%	**193.53**	180.49	1,304	**N/A**	N/A	–
Regulatory capital requirements: Basel III						
Tier 1 – Minimum requirement (8.5%)	**23.42**	16.91	651	**26.69**	19.94	675
Total capital – Minimum requirement (12.5%)	**25.88**	19.26	662	**29.06**	22.24	682
Leverage ratio – Minimum requirement (3%)	**8.00**	6.23	178	**8.85**	7.05	180

Financial goals and achievements – Bank

Financial Indicator	Goals	Achievement 2024	Achievement 2023	Achievement 2022	Achievement 2021	Achievement 2020
Net interest margin (NIM) (%)	2.95	**4.23**	1.79	2.03	3.71	2.77
Return on average assets (ROA) (%)	0.76	**1.54**	0.26	0.28	1.93	1.24
Return on average shareholder's funds (ROE) (%)	8.66	**18.07**	9.36	3.40	33.92	20.15
Growth in income (%)	0.82	**(10.53)**	32.97	29.34	5.80	4.61
Growth in profit for the year (PAT) (%)	28.84	**125.67**	185.27	(88.56)	118.83	58.40
Growth in total assets (%)	9.51	**3.88**	4.35	2.38	15.79	17.78
Capital requirements: Basel III						
Tier 1 – Minimum requirement (8.5%)	Over 8.5%	**23.42**	16.91	15.78	18.60	13.65
Total capital – Minimum requirement (12.5%)	Over 12.5%	**25.88**	19.26	18.00	20.83	16.45

Table 1

Our triple focus: Economy, Society, and Sustainability

1 Economic (Governance and financial performance)

Financial performance

Profit after tax (PAT)
Rs. 16.29 Bn. (2023 – Rs. 7.22 Bn.)

Return on assets (ROA)
1.54% (2023 – 0.26%)

Net Stage 3 loans ratio
5.18% (2023 – 2.41%)

Loan-to-deposit ratio
34.21% (2023 – 35.51%)

Cost-to-income ratio
38.72% (2023 – 71.59%)

Economic contribution and governance

Contribution to the Government – Total taxes and levies paid
Rs. 19.66 Bn.
[2023 – (Rs. 1.63 Bn.)]

Female representation in leadership
39.6% (2023 – 44.5%)

Fraud and cybersecurity incidents
Zero (2023 – Zero)

2 Social (Human capital and community impact)

Employee well-being and diversity

Employee turnover rate
3.77% (2023 – 3.70%)

Training hours per employee
6.97 (2023 – 12.19)

Gender diversity ratio (female representation in total cadre)
54.7% (2023 – 54.9%)

Health and safety incidents
9 (2023 – 7)

Customer and community impact

Number of customer touchpoints
4,685 (2023 – 4,685)

Interest paid to customers
Rs. 130.97 Bn. (2023 – Rs. 197.40 Bn.)

Number of active accounts
10.42 million (2023 – 13.03 million)

3 Environmental (Green finance and sustainability)

Operational environmental impact

Energy consumption per branch
125.51 GJ (2023 – 113.35 GJ)

Water consumption
62,744 m^3 (2023 – 73,895 m^3)

Energy consumption per employee
7.81 GJ (2023 – 6.8 GJ)

Energy exported to national grid
467,762 kWh
(2023 – 461,584 kWh)

Green financing and climate risk

Loans granted to renewable energy
Rs. 4.00 Bn. (2023 – Nil)

Percentage of ESG-compliant loans/investments
100% (2023 – 100%)

Climate stress testing conducted
Yes (2023 – yes)

Chairman's message

Against the backdrop of Sri Lanka's economic renaissance, NSB delivered a financial performance that not only exceeded expectations but validated our strategic roadmap for sustainable growth.

A bedrock of stability in challenging times

As we reflect on 2024, the National Savings Bank (NSB) has once again proven itself as an unshakable foundation of Sri Lanka's financial system. Through economic headwinds and sector-wide challenges, our institution stood firm, not merely as a passive observer but as an active participant in shaping the nation's recovery. Our resilience stems from a carefully balanced approach that harmonises prudent risk management with strategic growth initiatives. The trust placed in us by millions of Sri Lankans is both our greatest responsibility and our most powerful asset, compelling us to maintain the highest standards of financial stewardship while innovating to meet evolving needs. In an environment where confidence is fragile, NSB has remained the gold standard of reliability, demonstrating that true strength lies in the ability to protect depositor interests while fuelling economic progress.

Navigating a complex economic landscape

The past year presented a multifaceted economic environment, marked by both promising recoveries and persistent challenges. Globally, shifting geopolitical dynamics and monetary policies created ripple effects across emerging markets, while domestically, Sri Lanka's economy demonstrated remarkable resilience as it progressed through its recalibration journey, marked by two pivotal elections that reinforced political stability and accelerated reform momentum.

The successful restructuring of Sri Lanka Government Debt served as the cornerstone of the country's economic revival, providing crucial fiscal space and restoring international confidence. This critical milestone, combined with prudent fiscal management, enabled inflation to stabilise firmly in the low single digits throughout 2024, a hard-won achievement that allowed the Central Bank of Sri Lanka to implement measured monetary easing. This virtuous cycle of stability and stimulus created ideal conditions for financial sector growth, with successive interest rate reductions stimulating credit demand while maintaining price stability, and foreign exchange reserves gradually rebuilding.

However, the recovery path demanded careful navigation through persistent challenges. Currency volatility, sector-specific vulnerabilities in areas like tourism and exports, and global economic headwinds reminded us that progress would be neither linear nor uniform. At NSB, we responded with sophisticated financial management and adaptive strategies that turned these challenges into opportunities. Our treasury operations demonstrated particular excellence, navigating interest rate volatility through dynamic asset-liability matching and carefully calibrated hedging strategies. We adopted a differentiated credit approach, tightening credit underwriting in vulnerable sectors while strategically expanding financing for resilient industries. This balanced approach allowed us to capitalise on emerging opportunities while maintaining defensive positions where needed.

Our ability to maintain robust performance amid such complexity stands as a testament to the resilience embedded in our institutional DNA.

A year of consolidation and strategic advancements

2024 emerged as a defining chapter in NSB's storied history, a period where our foundational strength translated into tangible progress. We fortified our balance sheet with industry-leading capital adequacy ratios, maintained ample liquidity buffers, and implemented sophisticated risk mitigation frameworks. Beyond these defensive measures, we pursued strategic growth opportunities with precision, carefully expanding our lending portfolio while maintaining strict credit quality. The Bank's steadfast performance during this period reflects our dual commitment to financial prudence and national development, proving that stability and progress are not mutually exclusive, but mutually reinforcing objectives.

Financial performance that validates our strategy

Against the backdrop of Sri Lanka's economic renaissance, NSB delivered a financial performance that not only exceeded expectations but validated our strategic roadmap for sustainable growth. The Bank achieved a remarkable 126% increase in Profit After Tax (PAT), with earnings soaring to Rs. 16.3 Bn. from Rs. 7.2 Bn. in 2023, a testament to our disciplined execution and adaptive financial management. Even more impressive was the 516% surge in Profit Before Tax (PBT) to Rs. 26.4 Bn., demonstrating our ability to capitalise on improving economic conditions while maintaining rigorous cost controls. Marking an impressive 256% growth from the previous year, NSB Group achieved its highest-ever Profit Before Tax, reaching a remarkable Rs. 28.5 Bn. in 2024.

Our financial success carried profound national significance, with NSB contributing Rs. 19.5 Bn. in total taxes to the Treasury, including Rs. 10.1 Bn. in direct income tax payments. This substantial contribution underscores our dual role as both a commercial success story and a vital partner in Sri Lanka's fiscal consolidation efforts. The quality of our earnings was equally noteworthy, reflected in key profitability metrics that showed dramatic improvement: Return on Assets (ROA) before tax climbed to 1.54% from 0.26%, while after-tax Return on Equity (ROE) nearly doubled to 18.07% from 9.36% in the previous year.

The foundation of this performance was based on our prudent balance sheet management, which saw retained earnings nearly doubling to Rs. 28.5 Bn. providing a boost to capital for the future growth. Notably, we crossed the momentous Rs. 1.0 Tn. threshold in total investments, cementing our position as one of the nation's premier institutional investors in government securities and reaffirming our strategic importance in shaping economic stability and national development.

Our achievements take on even greater significance when considering how they were attained, not through reckless risk-taking, but through a carefully balanced strategy that seamlessly integrated growth with strong governance, innovation with prudence and commercial ambition with a deep sense of national duty contributing to both stability and national development.

Sustaining strategic momentum through focused execution

Building on this strong foundation, we have articulated clear strategic priorities for the coming years. Digital transformation will remain a centrepiece of our investments, with a particular focus on enhancing customer experience through AI-driven personalisation and straight-through processing capabilities. Our sustainability agenda will expand to encompass not just green financing but the development of comprehensive ESG metrics across our operations and supply chain. Financial inclusion efforts will intensify through targeted product innovation and last-mile distribution partnerships. Importantly, we will continue strengthening our human capital through upskilling programmes that prepare our workforce for the banking landscape of tomorrow. These initiatives are not standalone projects but interconnected components of our vision to be Sri Lanka's most future-ready bank, one that combines financial strength with technological sophistication and social purpose.

Digital transformation: Reshaping the banking experience

Our digital evolution in 2024 represented a quantum leap rather than incremental progress. The successful implementation of our next-generation core banking system revolutionised back-end operations, enabling superior efficiency and scalability. Customer-facing innovations like the Pay by Account technology via MasterCard Platinum Debit Card redefined convenience, while enhanced cybersecurity measures provided ironclad protection for digital transactions. These advancements represent more than technological upgrades, they signify our commitment to building a future-ready bank that combines cutting-edge capabilities with uncompromising security. As digital adoption accelerates nationwide, NSB stands prepared to gear up this transformation while ensuring no customer gets left behind in the digital divide.

Sustainability and ESG: Integrating purpose with profitability

NSB's sustainability journey gained significant momentum in 2024 as we embedded Environmental, Social and Governance (ESG) principles deeper into our operations. Our green finance portfolio expanded substantially, particularly in renewable energy financing, while internal initiatives like paperless banking and energy-efficient branch upgrades reduced our environmental footprint. We recognise that true sustainability extends beyond compliance, it requires fundamentally reimagining how banking can drive positive change. By aligning our lending practices with Sustainable Development Goals (SDGs) and enhancing ESG disclosures, we're not just future-proofing our business but actively contributing to a more resilient Sri Lankan economy.

Customer-centric banking: Building lifelong relationships

At the heart of our success lies an unwavering focus on customer needs. Throughout 2024, we enhanced our value proposition through personalised services, innovative products, and expanded accessibility. The relaunch of our mobile banking app with enriched features brought unprecedented convenience to customers' fingertips, while financial literacy initiatives empowered thousands with essential money management skills. Our branch network continued to bridge urban-rural divides, ensuring communities across Sri Lanka could access formal financial services. In an increasingly competitive landscape, NSB distinguishes itself through genuine customer understanding and a commitment to long-term relationships over short-term gains.

Strengthening governance and risk oversight

Robust governance formed the bedrock of our 2024 achievements. We elevated our risk management frameworks through advanced analytics and scenario planning, enabling proactive identification and mitigation of emerging threats. Compliance with Basel III standards was further strengthened, while our Anti-Money Laundering (AML) and Know Your Customer (KYC) protocols set industry benchmarks. The integration of climate risk assessments into our Integrated Risk Management framework represented a pioneering step forward, demonstrating our forward-looking approach to governance. These governance enhancements ensure NSB operates with the utmost integrity and agility, providing the essential scaffolding for calculated risk-taking in pursuit of growth, while steadfastly safeguarding stakeholder interests in an evolving regulatory landscape.

Our people: The foundation of excellence

NSB's success is inseparably tied to the dedication, expertise, and resilience of its workforce, the lifeblood of our Organisation. Every milestone we achieved in 2024 was made possible by the tireless efforts of our exceptional team, whose commitment to excellence, adaptability, and customer-centric approach exemplifies the values of NSB. Recognising the critical role of its people in driving progress, the Board placed strong emphasis on nurturing talent and empowering employees. This commitment was evident in the focused investments in training and development, aimed at cultivating visionary leaders capable of navigating a rapidly evolving landscape.

Digital skills training was prioritised, with specialised workshops and upskilling initiatives focusing on emerging technologies such as artificial intelligence, cybersecurity, and data analytics. These efforts ensured that our employees remain at the forefront of the digital evolution, ready to innovate and drive NSB's transformation.

Even in the face of challenging times, our employees have consistently risen to the occasion, demonstrating remarkable agility and an unyielding dedication to service excellence. Amidst challenging times, our employees have continually stepped up with exceptional agility and unwavering commitment to service excellence. Their resilience in adopting to a country evolving environment, while consistently delivering outstanding customer experiences, stands as a true testament to their dedication and spirit.

As we modernise our operations and embrace technological advancements, we remain steadfast in our efforts to preserve 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 also strengthens the trust and camaraderie within our teams.

The trust our staff place in NSB is matched only by the trust we place in them to carry forward our legacy. By aligning their aspirations with the Bank's vision, we are building a future-ready institution, empowered by a workforce that thrives on innovation, integrity, and a shared purpose. As we look to the years ahead, we are confident that the collective strength of our people will continue to propel NSB toward new horizons of excellence and impact.

Empowering stakeholders through sustainable value creation

Fostering deep, meaningful connections with our stakeholders lies at the heart of NSB's pursuit of shared success. By engaging in open dialogue with customers, regulators, employees, and community partners, we tailor our strategies to address their evolving needs and aspirations. This collaborative approach not only amplifies trust and transparency but also ensures that every decision, whether it relates to new product development, policy advocacy, or social investment, is calibrated to generate tangible benefits for all parties involved.

Beyond transactional relationships, NSB is committed to co-creating long-term value through joint initiatives that uplift entire ecosystems. From bespoke financial literacy programmes that empower underserved populations to strategic alliances that drive sustainable infrastructure projects, we harness the collective expertise and resources of our stakeholders. In doing so, we cultivate an environment where innovation flourishes, resilience is fortified, and the prosperity we build together endures across generations.

Looking ahead with resolve and gratitude

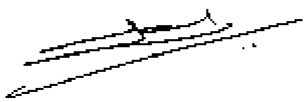
The journey of NSB has always been one of partnership and progress, built on the foundation of trust, innovation, and service to our nation. Today, we reflect on these shared achievements with deep appreciation for everyone who has contributed to our success.

My deepest appreciation extends to the Board of Directors for their invaluable guidance and strategic oversight, and to the General Manager/CEO, Ms Shashi Kandambi, for her exceptional leadership and unwavering commitment to NSB's success. I also thank the Corporate Management Team for their dedication and tireless efforts in driving the Bank's operational excellence, and our employees, whose hard work, resilience, and commitment are the engine of our progress.

I express my sincere gratitude to our valued customers for their continued loyalty and the trust they place in NSB, and our esteemed shareholder, the Government of Sri Lanka whose trust inspires our disciplined approach to value creation. We are also deeply grateful to His Excellency the President, the Honourable Minister of Finance, for his visionary leadership and support, and to the Honourable Prime Minister, and Deputy Minister of Finance for their support and encouragement.

Our appreciation extends to the Secretary to the Treasury for his guidance and collaboration, and to the Governor of the Central Bank of Sri Lanka for his prudent regulatory oversight. Finally, we acknowledge the instrumental support and guidance of officials from relevant institutions, the Secretary to the President, the Attorney General, and the Auditor General.

Looking ahead, NSB remains committed to its dual mandate of delivering financial excellence and driving national development. We will continue to innovate responsibly, grow sustainably, and serve compassionately because at NSB, we measure our success not just by the balance sheet, but by the lives we touch and the future we help shape. Together, we are writing the next chapter of Sri Lanka's banking excellence.



Dr Harsha Cabral PC
Chairman

25 March 2025

General Manager/ CEO's review

NSB is advancing into 2025 with a focus on digital innovation, financial resilience, sustainable growth, and empowering communities for a future-ready Sri Lanka.

Resilience in a transitioning economy

In our 53 years of service to the nation, the National Savings Bank stood as a pillar of strength in Sri Lanka's financial landscape. Since our inception, we have faithfully served generations of Sri Lankans through times of growth and challenge by safeguarding national savings and enabling financial inclusion. In alignment with the theme of this year's Integrated Annual Report, "The Bank with a Fine Mettle," 2024 was a year that once again underscored our resilience, adaptability, and enduring relevance.

Over the past few years, Sri Lanka has faced an extraordinary convergence of economic pressures from macroeconomic volatility and sovereign debt restructuring to broader global uncertainties. These headwinds tested the strength and stability of institutions across all sectors. Yet, NSB remained unwavering in its mandate: to protect public trust, deliver uninterrupted service, and contribute meaningfully to national recovery and progress.

The year 2024 marked a period of recalibration and cautious optimism as the economy entered a gradual recovery phase. Easing inflation and lower interest rates offered some relief to borrowers; however, they also posed challenges to institutions managing legacy deposit portfolios contracted at higher rates. NSB met these challenges with discipline and foresight through proactive financial management, effective risk-adjusted asset allocation, and sustained operational efficiency.

Despite the demanding operating environment, NSB delivered a strong financial performance. We maintained a robust capital position, supported by strategic asset reallocation and prudent cost management. Liquidity levels remained comfortably above regulatory thresholds, enabling us to meet customer needs and support critical sectors of the economy. Our commitment to sound governance and responsible growth allowed us to uphold depositor confidence while continuing to fulfil our role as Sri Lanka's safest bank.

The Bank's performance in 2024 reflects more than just financial strength; it affirms our institutional character. Rooted in integrity, driven by purpose, and guided by long-term stewardship, NSB continues to evolve in ways that not only respond to today's needs but also anticipate tomorrow's challenges. We look ahead with clarity and confidence, knowing that our legacy of fine mettle will continue to shape a resilient, inclusive, and future-ready banking institution for Sri Lanka.

Financial fortitude: Realising substantial and sustainable results

In 2024, NSB showcased a stellar financial performance, underscoring its ability to adapt strategically, maintain operational discipline, and optimise revenue streams amidst evolving economic dynamics. This extraordinary achievement reflects the Bank's unwavering focus on delivering sustained value for all stakeholders.

Profit after tax (PAT) surged by an impressive 126% year-on-year, amounting to Rs. 16.3 Bn., while profit before tax (PBT) demonstrated an even more remarkable growth trajectory, increasing by 516% to reach Rs. 26.4 Bn. Central to this outstanding financial outcome was a proactive approach to cost efficiency, highlighted by a significant 34% reduction in interest expenses. This achievement successfully offset a 10% contraction in interest income attributable to the prevailing low-interest-rate environment, underscoring the Bank's ability to navigate and thrive under challenging conditions.

The Bank's net interest margin (NIM) witnessed substantial improvement, rising sharply from 1.79% in 2023 to 4.23% in 2024. This reflects NSB's strategic proficiency in managing its interest-bearing assets and liabilities to maximise profitability. Non-interest income further complemented overall revenue growth, with a notable 37% increase in net fee and commission income, driven by higher engagement in services such as digital banking and card-related transactions. Additionally, the Bank recorded trading gains amounting to Rs. 912 Mn., exemplifying its ability to capitalise on investment opportunities.

Key financial indicators also emphasised the Bank's operational efficiency and profitability. Return on assets (ROA) before tax climbed to 1.54%, illustrating improved asset utilisation, while return on equity (ROE) after tax rose to an impressive 18.07%, underscoring robust shareholder value creation. Underscoring the exceptional performance and reinforcing the strength of its operational excellence, NSB Group achieved remarkable outcomes, with return on assets (ROA) at 1.63% and return on equity (ROE) at 18.15%.

NSB's strong financial footing was further reinforced by its robust capital adequacy. Tier 1 and total capital ratios stood at 23.42% and 25.88%, respectively, well above the regulatory minimum thresholds, ensuring the Bank's readiness to meet unforeseen challenges. Liquidity coverage ratios (LCR) for rupee and all currency remained exceptionally healthy at 351.33% and 344.55%, respectively. These figures highlight the Bank's ability to sustain a high degree of short-term resilience and meet liquidity demands, even under stressed conditions.

Overall, NSB's 2024 financial performance demonstrates its strategic adaptability, operational excellence, and unwavering commitment to long-term resilience. This foundation strengthens its ability to achieve sustainable growth, support national economic development, and enhance value delivery for all stakeholders in the years ahead.

To provide an enhanced perspective on the Bank's financial performance, a more comprehensive analysis is meticulously presented under financial capital, spanning pages 92 to 101.

Foundations of growth: Unveiling the pillars of NSB's segmental performance

Retail banking continued to be the bedrock of NSB's operations, underscoring its pivotal role in the financial ecosystem. This segment accounted for an impressive 66% of net interest income (NII), while successfully sustaining a notable 9% market share in both savings and time deposits – a testament to the trust and reliability fostered among individual customers. Despite a challenging environment marked by subdued consumption-driven borrowing, retail lending exhibited resilience, maintaining a steady momentum. Pawning, as a reliable financial instrument, emerged as a key contributor, accounting for 29% of total new disbursements during the year. Additionally, fee income derived from card and digital banking services demonstrated remarkable growth, increasing by 10%, driven by the adoption of digital channels and the evolving preferences of tech-savvy customers.

Corporate banking played an instrumental role in fortifying the Bank's financial performance, contributing a significant 27% to NII. Through strategic partnerships, this segment effectively supported large-scale project financing initiatives aimed at driving national economic development. The emphasis on collaborative financial solutions enabled the Bank to make substantial progress in addressing the funding requirements of corporate entities, showcasing NSB's commitment to transformative growth.

Treasury and dealing operations exhibited commendable proficiency in navigating investment opportunities, delivering robust gains predominantly from Government Securities. This segment contributed 5% to overall NII, underscoring its strategic importance in diversifying income streams and optimising returns.

International banking upheld a consistent performance during the year, demonstrating stability despite limited external exposures. Leveraging prudent risk management strategies and a disciplined approach to cross-border operations, this segment reinforced NSB's capacity to maintain reliable contributions in an uncertain global financial landscape.

This multifaceted performance across key segments highlights the strategic focus and operational excellence that continue to define NSB's role as a leading institution in Sri Lanka's financial industry.

A deeper and more comprehensive examination of the Bank's segmental performance can be found under the Segmental review section, spanning pages 82 to 91, providing valuable insights into the contributions and strategies that define each key segment.

Accelerating digital transformation

In 2024, we made significant strides in our digital journey. Our focus was on modernising our core banking infrastructure, enhancing digital service delivery, and improving the overall customer experience. The implementation of a new core banking system enabled faster processing, greater system reliability, and improved service efficiency across branches and digital platforms.

We also launched an enhanced version of the NSB Digital Banking App with an intuitive user interface and expanded features, including real-time fund transfers, secure authentication protocols, and improved accessibility. These advancements not only elevated customer convenience but also positioned the Bank to operate more effectively in a digital-first environment.

A highlight of the year was our strategic partnership with MasterCard to launch Sri Lanka's first Pay by Account (PbA) enabled Platinum Debit Card. Integrated with the NSB PayApp, this solution expanded our digital payment capabilities while offering secure, seamless transactions for our customers, locally and internationally.

Ensuring robust cybersecurity measures remained a key focus, especially with the rapid advancement of digital adoption. The Organisation continued to uphold recognised security certifications while investing in round-the-clock monitoring systems, reinforced by effective incident detection and response mechanisms. Efforts were further directed towards enhancing information security frameworks to uphold stringent data protection standards.

Customer-centric service delivery

Customer centricity remained the cornerstone of NSB's strategic vision in 2024, reflecting the Bank's unwavering commitment to prioritising the needs and expectations of its customers. A range of service enhancements was introduced to further elevate the banking experience. Among these was the reintroduction of weekend banking at selected branches, specifically designed to accommodate customers who are unable to visit during traditional weekday hours. This initiative reflects a deep understanding of customers' time constraints and underscores the Bank's dedication to inclusivity.

To elevate the physical banking experience, strategic improvements were carried out across multiple branches. These upgrades were designed to create seamless customer interactions and foster accessibility, ensuring that each location offers a modern, customer-friendly environment that accommodates diverse needs. By reimagining branch layouts and enhancing facilities, the Bank reinforced its commitment to delivering convenience and comfort to every customer walking through its doors.

The Bank made significant strides in leveraging customer insights to align its products and services with the evolving behaviours and preferences of its clientele. By understanding these patterns, NSB was able to tailor offerings to ensure greater relevance and value, fostering deeper engagement with its customers.

Digital transformation emerged as a critical driver of accessibility and convenience. Through innovative digital initiatives, the Bank expanded its reach and bridged the gap between physical and virtual interactions. Digital banking platforms were enhanced, enabling customers to access a wide range of banking services from the comfort of their homes or on the go. Features such as seamless fund transfers, instant account updates, and integrated payment solutions empowered customers with greater control over their financial activities.

These collective efforts resulted in stronger customer engagement, higher satisfaction levels, and unmatched convenience all of which reinforce NSB's reputation as a responsive and inclusive financial institution. By placing customers at the heart of every decision, the Bank continues to set benchmarks in delivering value-driven, customer-focused banking solutions.

Embedding ESG principles in sustainable banking practices

NSB's commitment to advancing sustainable banking practices reached new heights in 2024, driven by the comprehensive integration of Environmental, Social, and Governance (ESG) principles across all facets of its operations. The Bank made significant strides in expanding its green financing portfolio, with dedicated lending programmes aimed at supporting renewable energy initiatives and environmentally conscious housing solutions. These forward-thinking efforts empowered individuals and businesses to embrace sustainable practices, aligning seamlessly with national environmental goals.

Central to this progress was the implementation of an enhanced climate risk assessment framework, which ensured that environmental considerations remained a cornerstone of corporate lending decisions. This systematic approach reflects NSB's unwavering focus on promoting responsible financing, reinforcing its role as a catalyst for sustainable economic development.

The Bank's sustainability agenda was further supported by its proactive measures to reduce its operational carbon footprint. Energy-efficient strategies and the adoption of paperless banking systems underscored NSB's determination to mitigate climate impact and transition towards carbon-neutral banking. These initiatives not only align the Bank's operations with national sustainability priorities but also contribute to achieving global environmental objectives.

Demonstrating its role in green infrastructure financing, NSB actively contributed to key projects, supporting sustainable energy development and reinforcing its commitment to environmental sustainability. Acting as Lead Bank and Trustee in the syndicated loan for Ceylex Renewables' 19.2 MW wind power project in Mannar, the Bank facilitated the development of critical renewable energy infrastructure. NSB also secured approval for a Rs. 10.0 Bn. syndicated facility to Rividhanavi, further solidifying its influence in advancing sustainable energy solutions. These strategic participations reinforced NSB's position in green finance and broadened its market presence, amplifying its contribution to national development.

By aligning its financing strategies with the country's sustainability agenda and embedding environmentally conscious practices across its operations, NSB has strengthened its relevance, leadership, and impact, paving the way for a more sustainable and resilient future.

Empowering our workforce: The heart of NSB's transformation

At the core of NSB's success lies its most valuable asset, its people. In 2024, the Bank reaffirmed this belief by undertaking transformative initiatives aimed at empowering employees and preparing them to lead NSB into a dynamic, fast-evolving future.

Investments were strategically directed towards developing robust leadership pipelines and enhancing succession planning, ensuring that NSB continues to foster a pool of capable leaders ready to steer the Organisation through its next chapter of growth. Recognising the pivotal role of digital expertise in shaping the banking landscape, the Bank introduced tailored programmes to upskill its workforce in critical areas such as artificial intelligence, cybersecurity, and data analytics. These initiatives are equipping employees with the advanced knowledge and skills needed to embrace future challenges and opportunities with confidence.

A strong emphasis was placed on promoting employee wellness and mental health, addressing the evolving needs of a modern and diverse workforce. Enhanced wellness initiatives were complemented by efforts to cultivate a culture of inclusivity, collaboration, and innovation, ensuring every individual feels valued and empowered. By fostering an environment that prioritises holistic well-being and supports personal and professional growth, NSB is nurturing a motivated, agile, and forward-thinking workforce.

Through these comprehensive efforts, NSB is not merely adapting to the changing world, it is building a future-ready institution that leads by example.

By equipping its employees with the tools, knowledge, and environment they need to thrive, the Bank is ensuring that its people remain the driving force behind its sustained transformation, paving the way for innovation, resilience, and enduring success.

Looking ahead: Strategic priorities for 2025

As we move into 2025, NSB will focus on deepening digital transformation by enhancing omnichannel capabilities, partnering with fintechs, and expanding the reach of cashless payment systems. These initiatives will support a more seamless and convenient customer experience, bridging physical and digital channels while aligning with the broader modernisation of Sri Lanka’s financial ecosystem.

Revenue diversification through non-interest income growth will remain a key priority. We will continue to explore innovative financial products and fee-based services that reduce reliance on traditional interest income while providing value-added solutions to our customers.

We are committed to accelerating our sustainability agenda. A key priority in 2025 will be the continued expansion of climate finance, with a strong emphasis on green lending, renewable energy investments, and developing carbon-neutral banking solutions. In line with the SLFRS S1 and S2 disclosure standards, the Bank is actively preparing to integrate climate-related considerations into its core financial and strategic decision-making processes. This includes strengthening our ability to identify, evaluate, and systematically manage environmental risks and opportunities. As we work toward full compliance with global sustainability reporting standards, we are enhancing governance structures, refining data systems, and upgrading risk assessment methodologies to deliver transparent, reliable, and actionable climate-related financial disclosures. These efforts reflect our commitment to aligning financial performance with long-term environmental stewardship.

As the savings giant of the nation, we are poised to expand our footprint in underserved and rural regions, furthering our mandate to promote inclusive finance. These outreach efforts will empower communities with better access to banking services and strengthen socio-economic resilience across the country.

Investing in our people remains central to our vision. NSB will continue to build a digitally capable workforce through specialised training in emerging technologies such as AI, data analytics, and cybersecurity. We will also enhance employee well-being programmes and develop future-ready leadership through mentorship, succession planning, and performance-focused culture building.

Public-private collaboration will be a strategic enabler as we support national infrastructure development and recovery. By working closely with government institutions and corporate stakeholders, we aim to unlock new growth avenues while contributing to Sri Lanka’s sustainable and inclusive economic progress.

As NSB embarks on another year of growth and transformation, we remain steadfast in our commitment to driving innovation, fostering sustainability, and empowering communities. Guided by our vision and strategic priorities, we are poised to shape a brighter, more inclusive future for all our stakeholders while continuing to build on our legacy as Sri Lanka’s trusted savings giant.

Appreciation

I extend my heartfelt appreciation to our customers for their continued trust, to our employees for their tireless commitment, and to the Chairman Dr Harsha Cabral PC and Board of Directors for their strategic guidance throughout the year. I also wish to thank the Honourable President, who serves as the Minister of Finance, the Hon. Prime Minister, the Deputy Minister of Finance, the Secretary to the Treasury and Officials, Governor and Officials of the Central Bank of Sri Lanka the Central Bank, 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. I also express my sincere thanks to our stakeholders and partners whose collaboration has been instrumental to our success.

As we enter a new year with renewed determination, 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.

Ms Shashi Kandambi
General Manager/CEO

25 March 2025

Integrated Report

Our sustainable value creation model

Global economy

After years of economic turbulence, 2024 presents further challenges as geopolitical tensions remain high. A combination of the pandemic, ongoing geopolitical conflicts, and extreme weather events has disrupted supply chains, triggered energy and food crises, and compelled Governments to take unprecedented measures to safeguard lives and livelihoods. While the global economy has shown resilience, this recovery remains uneven across regions, with lingering vulnerabilities.

According to the World Bank, we are witnessing an extraordinary moment in human history never before have so many people transitioned out of extreme poverty as they are doing today. Over the coming decades, the global middle class is expected to expand dramatically, growing from 440 million to 1.2 billion, or from 7.6% to 16.1% of the world's population. Much of this growth will come from China and India.

Wealth is not only shifting from West to East but is also becoming increasingly concentrated under state control. In the aftermath of the 2008 financial crisis, the role of the state in economic management has become more widely accepted. Unlike Western liberal economies, many of the beneficiaries of this wealth shift such as China, Russia, and the Gulf states are non-democratic and blur the lines between public and private sectors. Rather than following traditional free-market models, these nations are embracing a system often referred to as "state capitalism," where the state plays a dominant role in economic planning and investment.

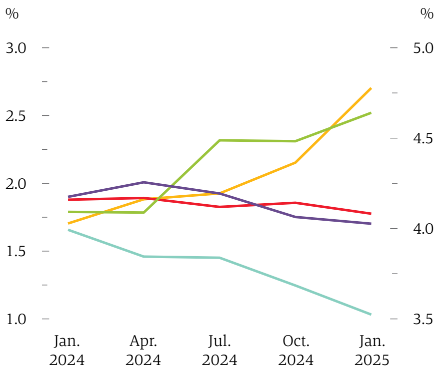
Meanwhile, inflationary pressures persist in many economies due to post-pandemic supply chain disruptions and rising demand. Central banks in advanced economies are expected to continue to tighten monetary policies to curb inflation, which could dampen growth, particularly in the US and Europe. Although inflation rates may stabilise, they are projected to remain above pre-pandemic levels.

Global growth

Global growth is projected to remain steady yet subdued at an estimated 3.5% in both 2025 and 2026. Over the longer term, growth is expected to gradually decline from 3.3% in 2023 to 3.1% by 2029. As inflation eases, policy rates are anticipated to adjust accordingly, preventing excessive increases in real interest rates. Interest rates are expected to gradually return to their equilibrium levels over time.

Evolution of 2025 growth forecasts

Graph 1



Source: IMF staff calculations

Note: The x-axis shows the months the World Economic Outlook is published. AEs = advanced economies; EMDEs = emerging market and developing economies.

	2026 %	2025 %	2024 %	2023 %
Global growth	3.3	3.3	**3.2**	3.3

Table 2

The ongoing global shift in wealth and economic power marked by its scale, speed, and directional flow from West to East represents one of the most significant transformations in modern history. This transition is primarily driven by two key factors: First, the sustained rise in oil and commodity prices has generated substantial windfall gains for resource-rich nations like the Gulf states and Russia. Second, Asia has solidified its position as a global manufacturing and service hub, leveraging competitive labour costs and strategic Government policies. By capitalising on strong global demand, the region has achieved significant economies of scale, with economic giants such as China and India reaping the greatest benefits.

China and India are regaining the economic prominence they held two centuries ago when China accounted for approximately 30% and India 15% of global wealth. For the first time since the 18th century, these two nations are set to be the largest contributors to global economic growth. By 2025, China and India are projected to surpass the Gross Domestic Product (GDP) of all economies except the US and Japan. However, despite their economic strength, both countries are expected to continue to lag in per capita income for decades, resulting in a dual economic reality where they wield substantial global influence while many of their citizens still experience lower-than-average living standards compared to the West.

Global inflation

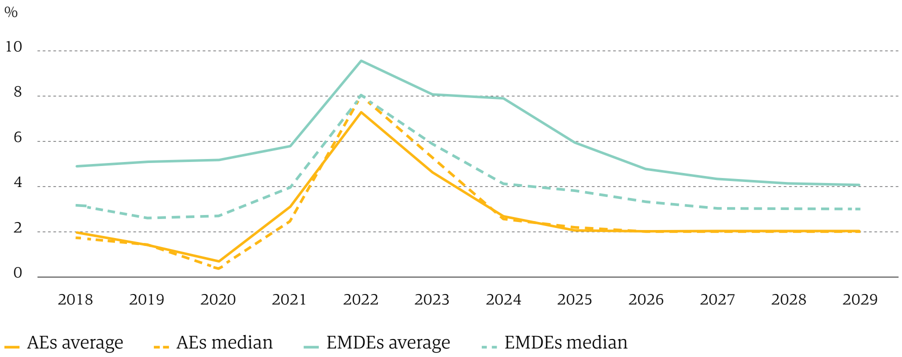
Global headline inflation is forecasted to fall from an annual average of 6.7% in 2023 to 5.8% in 2024 and 4.3% in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies. Since the beginning of the year 2024, signs indicated that cyclical imbalances are being gradually addressed, with economic activity in major economies better aligned with their potential. These trends may have helped bring inflation rates across countries closer together, but the momentum in global disinflation appears to have slowed in the first half of the year.

	2026 %	2025 %	2024 %	2023 %
Global inflation	3.5	4.2	**5.8**	6.7

Table 3

Inflation outlook

Graph 2



Source: Central bank websites; Haver Analytics; and IMF staff calculations.

Note: In panel 1, the averages are calculated using purchasing-power-parity GDPs as weights. Panel 2 shows the distribution (box-whisker plot) from each WEO report. The blocks in the middle of the boxes are the medians, and the upper (lower) limits of the boxes are the third (first) quartile. The whiskers show the maximum and minimum within a boundary of 1.5 times the interquartile range from upper and lower quartiles, respectively. AEs = advanced economies; EMDEs = emerging market and developing economies; WEO = World Economic Outlook.

Interest rates

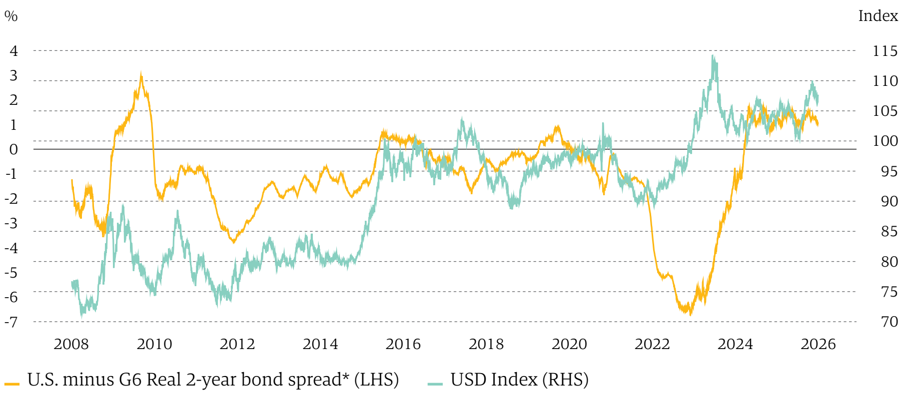
In response to the global deflationary trend, most economies have shifted towards a more accommodative monetary policy stance. Throughout 2024, central banks worldwide faced a complex challenge, seeking to balance inflation control with sustaining economic growth through strategic interest rate adjustments.

		2025 %	2024 %
3 month Government Bond Yield	US	3.9	**5.4**
	Euro Area	2.8	**3.5**
	Japan	0.5	**0.1**
10 year Government Bond Yield	US	3.5	**4.1**
	Euro Area	2.5	**2.4**
	Japan	1.3	**1.0**

Table 4

U.S. minus G6 Real 2-year bond spread*

Graph 3



* G6 refers to the countries comprised in the DXY USD index, and weighted accordingly.

Source: PinPoint Macro Analytics, Marobond (data as at 3 March 2025)

Exchange rates

During the financial year 2024, currency markets were experiencing significant shifts amid a challenging global economic landscape. With the US economy showing signs of slowing, the USD weakened, particularly as the Federal Reserve marked three interest rate cuts in the year 2024. This move had far-reaching effects on global currencies, prompting monetary policy responses from economies worldwide.

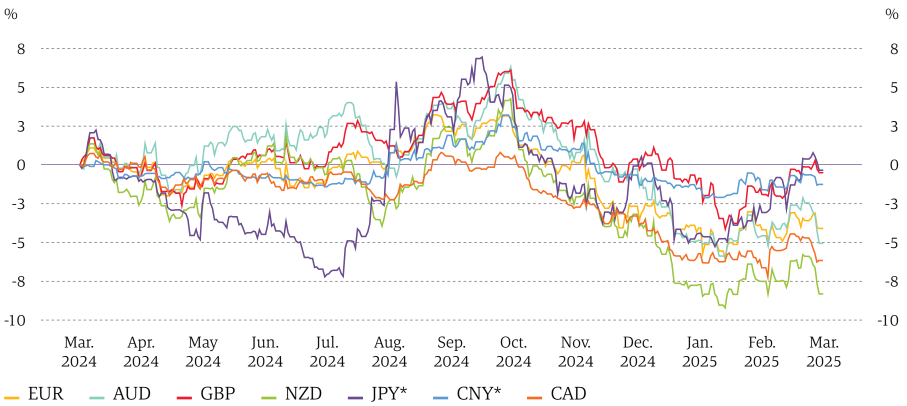
The Eurozone has demonstrated resilience, positioning the euro (EUR) to benefit from these developments. A stronger-than-expected current account surplus is expected to support an increase in the EUR/USD exchange rate as the dollar declines. Meanwhile, the British pound (GBP) has outperformed its peers, driven by upward revisions to UK economic growth forecasts. Although the Bank of England may implement interest rate cuts, the pound is expected to remain relatively stable against the weakening USD.

The US dollar is projected to decline further, particularly against major G10 and Asian currencies. While this decline may not be linear, analysts anticipate the USD index could drop an additional 2.0% from its current level.

Major exchange rates vs USD

Graph 4

(% Change in selected currencies v USD | Base Zero = One-Year Ago)



* JPY, CNY, and CAD deliberately quoted the unconventional way to demonstrate performance against the USD

Source: PinPoint Macro Analytics, Macrobond

Sri Lankan economy

The Sri Lankan economy continued to recover steadily in 2024, following its deepest economic downturn experienced two years ago. The primary drivers behind the recovery were a partial restoration of purchasing power and a notable reduction in uncertainty. As 2024 progressed, election-related uncertainties dissipated, supported by visible signs of a continued commitment to the reform programme and greater policy consistency. Further, strengthening confidence was the near completion of the external debt restructuring process and the country's successful exit from restricted default status both of which significantly enhanced investors sentiment and broader stakeholder trust.

Growth was largely driven by a revival in industrial sector and a strong performance in tourism related services. Throughout 2024, inflation remained low allowing for further reductions in interest rates as monitoring policy was relaxed.

Credit to the private sector in early 2024 displayed an uneven trend, reflecting cautious lending behaviour and sluggish demand for credit amid evolving economic conditions. However, since mid-2024, private sector credit witnessed a steady and notable expansion driven by multiple factors.

The current account position strengthened due to higher earnings from tourism and remittances, while external debt servicing remained suspended. This contributed to a balance of payments surplus and helped accumulate reserves sufficient to cover about three months of imports.

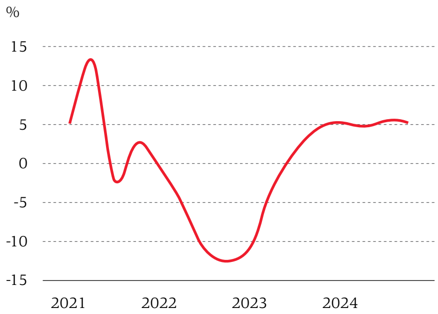
On the fiscal front, Government revenue increased, and expenditure control improved the fiscal balance. Tax revenues grew by 36.2% yoy in 2024, mainly due to higher VAT collections. Despite economic stabilisation, many households continue to struggle, facing persistent poverty, food insecurity, deteriorating health outcomes, and a declining labour force participation (LFP) rate. The faster-than-expected stabilisation has improved short-term growth prospects, with GDP growth projected to average around 4% yoy over 2024/25. While the economy is rebounding from a low base, its medium-term potential remains constrained by lingering effects of the crisis.

Domestic growth

As the economy progresses through the monetary policy easing cycle and benefits from a favourable inflation trajectory, economic activity is expected to expand. However, despite this growth, real GDP remains below pre-pandemic levels, highlighting the persistent impact on real income. Additionally, the labour force participation rate remains below 50%, indicating that a significant portion of the working-age population remains economically inactive. These structural weaknesses could impede the pace of economic recovery. Furthermore, real wage rate indices continue to reflect that income levels remain below pre-pandemic benchmarks.

Real GDP growth

Graph 5



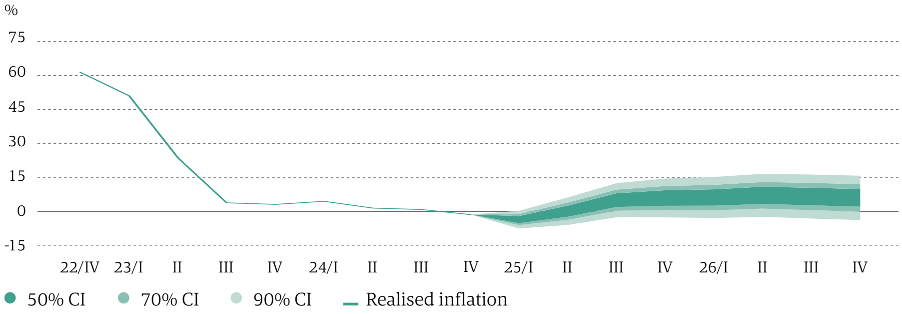
Inflation

Although inflation has declined below the CBSL's target, price levels remain at elevated levels due to past inflationary pressures. In 2024, Sri Lanka experienced a notable decline in inflation, transitioning to deflationary territory by year-end. The Colombo Consumer Price Index (CCPI) recorded a 1.7% deflation rate in December 2024, reflecting a drop in overall prices compared to the corresponding period. This deflationary trend continued into early 2025, with the CCPI reporting a deflation of 4.0% in January 2025. Looking ahead, the Asian Development Bank (ADB) projects Sri Lanka's inflation rate to average 5.5% in 2025. The CBSL aims to stabilise inflation around 5% by mid-2025. These projections suggest a transition from the deflationary conditions observed in late 2024 and early 2025 toward moderate inflation levels as demand strengthens.

Projected headline inflation (Quarterly, CCPI, yoy, %)

Graph 6

Based on the projections during the January 2025 monetary policy round



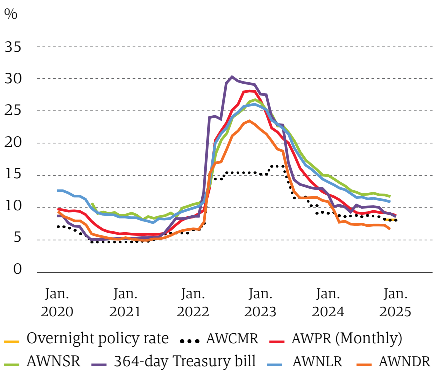
Source: Central Bank Staff Projections

Interest rates

In 2024, the CBSL adopted a more accommodative monetary policy stance to stimulate economic recovery amid declining inflation. Throughout the year, the CBSL implemented multiple reductions in policy rates, leading to notable decreases in market interest rates. This policy shift facilitated a greater transmission of monetary easing across the broader economy. On 27 November 2024, the CBSL introduced a single-policy interest rate mechanism, setting the Overnight Policy Rate (OPR) at 8.00%. This new system replaced the previous dual-rate framework, which comprised the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR).

Movement in selected market interest rates

Graph 7



Source: Central Bank of Sri Lanka

Exchange rates

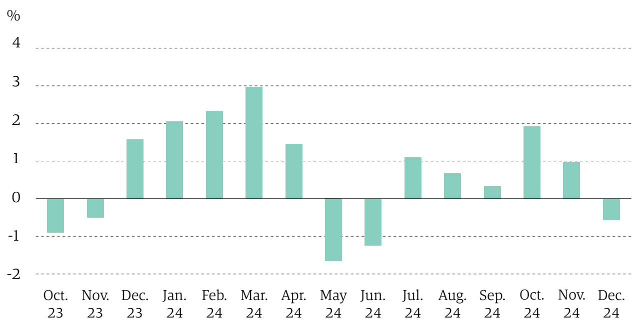
In 2024, the Sri Lankan rupee (LKR) exhibited relative stability against major currencies, reflecting the Nation's economic recovery efforts. The USD/LKR exchange rate remained within a narrow range throughout the year. According to data from the CBSL, the exchange rate fluctuated between 289.87 and 290.50 during 2024. This stability was underpinned by several factors, including the successful completion of the third review of Sri Lanka's USD 2.9 Bn. International Monetary Fund (IMF) bailout in November 2024. This review resulted in the release of an additional USD 333 Mn., further strengthening reserves and supporting economic recovery initiatives.

Exchange rate movements

Graph 8 Graph 9

Daily exchange rate

Monthly App(+)/Dep(-) against USD



Source: Central Bank of Sri Lanka

Banking sector outlook

As Sri Lanka progresses through 2025 and looks beyond, the banking sector is expected to undergo transformative growth, building upon the recent economic recovery and key financial sector reforms. The sector has demonstrated resilience, with a significantly improved profitability.

The resilience of financial institutions gradually improved in the first half of 2024 amidst easing macroeconomic conditions. This was reflected in key financial soundness indicators including credit quality, liquidity, and capital adequacy.

In 2024, monetary policy easing and improved economic conditions helped revival of financial intermediation. The average weighted lending rate (AWLR) declined significantly, from a peak of 18.7% in December 2022 to 11.9% in December 2024, with new loan rates averaging to 11.5%. Private sector credit growth showed a notable YoY increase of 10.7% at the end of 2024.

Micro, small, and medium enterprises (MSMEs), which were among the hardest hit by the economic crisis, continue to face challenges in servicing debts and gaining access to favourable credit terms.

Deposit rates also declined faster than lending rates, with the average deposit rate dropping to 7.5% by December of 2024, compared to a high of 11.6% in December 2023. This decline in deposit rates helped banks improve their net interest margins, while total deposits grew by 8.1% year-on-year in 2024, reflecting greater economic stability and renewed investor confidence.

Regulatory measures and banking reforms

The CBSL has undertaken several initiatives to enhance the financial stability and operational resilience within the banking sector.

- **Bank recapitalisation strategy:** Nine large domestic banks have submitted capital improvement plans, which will be monitored semi-annually to ensure compliance with minimum capital requirements.
- **Market-driven consolidation Framework:** A new framework will be introduced to facilitate bank mergers where necessary.
- **Regulatory enhancements**: CBSL will implement stricter regulations under the Banking (Amendment) Act, covering areas such as lending limits, corporate governance, liquidity management, and offshore banking regulations.
- **Offshore banking expansion:** CBSL will collaborate with the Colombo Port City Economic Commission to establish a regulated offshore banking framework.
- **Crisis management and risk supervision:** The Financial Sector Crisis Management Committee will receive additional support, and risk-based supervision will be enhanced to ensure financial sector stability.
- **AML/CFT Compliance:** The CBSL will intensify its Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) initiatives to ensure compliance with international regulatory standards.

These reforms aim to create a more resilient, well-regulated, and stable banking system in Sri Lanka.

Bank's performance against the banking sector

	2024			2023		
	NSB	Banking sector	Market share of NSB (%)	NSB	Banking sector	Market share of NSB (%)
Assets and liabilities (Rs Tn.)						
Loans and receivables	0.5	10.5	4.8	0.5	10.1	5.0
Investments	1.1	9.1	12.0	1.0	7.3	13.7
Deposits	1.6	18.0	8.9	1.5	16.6	9.0
Total assets	1.8	22.2	8.1	1.7	20.4	8.3
Profitability (%)						
Return on assets (ROA)	1.5	2.6		0.3	1.5	
Return on equity (ROE)	18.1	15.6		9.4	11.5	
Net interest margin (NIM)	4.2	4.3		1.8	3.7	
Cost to income (Without Taxes)	38.7	73.2		71.6	80.5	
Asset quality (%)						
Stage 3 loans to total loans ratio	5.2	12.1		2.4	12.8	
Stage 3 impairment coverage ratio	44.5	54.1		53.3	49.0	
Capital adequacy (%)						
Tier 1 ratio	23.4	14.9		16.9	15.2	
Total capital adequacy ratio	25.9	18.4		19.3	18.4	
Liquidity (%)						
Liquidity coverage ratio (All Currency)	344.6	313.8		293.7	288.4	
Net stable funding ratio	193.5	164.8		180.5	158.4	
Government securities to deposits	67.5			66.1		

Table 5

Risks and opportunities

Political

Sri Lanka is undergoing a transformative political shift, marked by significant changes in governance, policy priorities, and institutional frameworks.

- Stability supported by the IMF-backed economic recovery plan.

  Impact on NSB — H

- Regulatory reforms by CBSL shaping the banking landscape.

  Impact on NSB — H

- Strengthened diplomatic relations and international collaborations enhancing economic and trade prospects.

  Impact on NSB — H

- Increased focus on political transparency and anti-corruption measures, boosting investor confidence.

  Impact on NSB — H

H High　M Moderate　L Low

Risks and opportunities

Risks

- Frequent policy changes may lead to economic instability and investor uncertainty.
- Shifts in governance and institutional frameworks may require greater compliance adaptations.

Opportunities

- Digital transformation in governance and services.
- Emphasis on green energy and sustainable practices fostering innovation and resilience.

Strategy integrated

- Development of programmes targeting digital and sustainable innovation sectors.
- Harmonised sustainable green energy financing to balance economic growth and equity.
- Proactive engagement with regulatory authorities to ensure compliance and advocacy.
- Strengthened internal risk management and compliance frameworks to anticipate policy shifts.

Related material matters

1 Transformative political shift

2 Macroeconomic stability and growth

15 Excellence in governance and regulatory engagements

Related capitals

FC　HC　SRC　NC

Related material risks

Financial risk
Strategic risk
Operational risk
Reputational risk
Credit risk
Market risk
Liquidity risk

Related strategic pillars

Promoting organic growth
Accelerating digital transformation
Reinforcing risk culture
Sustainability

Impacted UN SDGs

Outlook

Local

Sri Lanka's political outlook in 2025 is defined by progressive leadership committed to economic reform, inclusive governance, and balanced foreign relations-all aimed at steering the nation toward recovery and prosperity.

Global

The global political landscape is shaped by escalating geopolitical tensions, economic uncertainties, and environmental challenges. Key developments include the introduction of U.S. tariffs, fuelling trade tensions among major economies, the European Union's efforts to navigate internal political divisions and external pressures, and ongoing conflicts such as the Middle East tensions and the Ukraine-Russia war.

Economical

- The CBSL recently transitioned to using the Overnight Policy Rate (OPR) as its primary interest rate mechanism. In December 2024, the Monetary Policy Board lowered the OPR to 8.00%.

  Impact on NSB — H

- Inflation declined to -1.7% by December 2024, supporting price stability. Lower inflation led to reduced deposit growth.

  Impact on NSB — H

- The rupee strengthened against the USD during the first nine months of 2024 due to improved inflows and controlled outflows.

  Impact on NSB — M

- Sri Lanka's economy advanced by 5.0% YoY in 2024, the fastest expansion since 2017, as the country continued to recover from its worst financial crisis in decades.

  Impact on NSB — H

- A notable expansion in credit growth driven by economic recovery. Lower interest rates encouraged borrowing.

  Impact on NSB — H

- IMF-backed economic stabilisation efforts improving international confidence. Sovereign credit rating upgrades enhancing financial credibility.

  Impact on NSB — H

H High M Moderate L Low

Risks and opportunities

Risks

- Transition to OPR may cause short-term fluctuations in interest rates, affecting loan pricing and profitability.
- Reduced remittance inflows due to exchange rate appreciation could impact deposit mobilisation.
- Despite strong growth, external shocks or structural weaknesses could destabilise recovery.

Opportunities

- Ability to offer refinancing options for existing borrowers to reduce default risks.
- Rising consumer and business confidence driving demand for credit and financial services.
- Economic recovery enabling investment in digital banking and ESG-focused products.

Strategy integrated

- Adjust lending and deposit rates dynamically to maintain net interest margins.
- Expand retail loan portfolios targeting housing loans, personal loans, pawning, education loans and corporate loans for the energy sector.
- Leverage targeted marketing campaigns to educate customers on the benefits of borrowing and saving in the current environment.
- Implement risk-based lending strategies to enhance portfolio quality.

Related material matters

2 Macroeconomic stability and growth
3 Asset quality and growth
4 Financial sustainability
5 Enhanced customer expectations
7 Talent retention and management

Related capitals

FC MC HC IC SRC

Related material risks

Financial risk
Strategic risk
Operational risk
Market risk
Liquidity risk

Related strategic pillars

Customer centricity
Promoting organic growth
Enhancing employee engagement
Accelerating digital transformation
Reinforcing risk culture
Sustainability

Impacted UN SDGs

1 No Poverty, 2 Zero Hunger, 3 Good Health and Well-Being, 4 Quality Education, 8 Decent Work and Economic Growth, 9 Industry, Innovation and Infrastructure, 11 Sustainable Cities and Communities

Outlook

Local

The World Bank forecasts Sri Lanka's economic growth at 3.5% in 2025, acknowledging the lingering effects of the previous downturn. The Central Bank of Sri Lanka has maintained its policy rate at 8% to support economic recovery aiming to stabilise inflation at 5% by mid-2025. Following a USD 2.9 Bn. International Monetary Fund (IMF) bailout in 2023, Sri Lanka is actively restructuring its USD 83 Bn. debt. The Government has prepared the 2025 budget with a focus on fiscal stability, economic reform, and social equity. Budgeted measures include tax cuts, increased welfare spending, and business relief initiatives, while adhering to IMF targets.

Global

The IMF projects global growth at 3.2% for both 2025 and 2026, slightly below the historical average of 3.7%. The Organisation for Economic Co-operation and Development (OECD) forecasts inflation within its member countries to decline from 5.4% in 2024 to 3.8% in 2025, and 3.0% in 2026, supported by restrictive monetary policies. However, ongoing U.S.-China trade tensions and imposed tariffs raise concerns about global economic stability.

Risks and opportunities

Social

- Consumers are prioritising essential purchases, adapting to economic challenges, and focusing on health, wellness, and sustainable products.

  Impact on NSB — H

- Sri Lanka is transitioning towards a knowledge-based economy by enhancing its skilled workforce. The country aims to provide equal access to quality education, including technical, vocational, and university programs-for both men and women by 2030.

  Impact on NSB — H

- Demographic shifts and workforce participation trends: Sri Lanka's population is aging, with one in five people over 60 by 2030 and 24% by 2042. The number of children is decreasing, while the youth population is growing. Women's workforce participation remains low at 32% compared to 72% for men.

  Impact on NSB — H

- Economic recovery and changing consumer trends: The economy is improving, leading to increased spending on essentials. Gen Z is adapting by taking on side jobs while saving money by living with parents. More women entering the workforce is driving financial independence and expanding spending choices.

  Impact on NSB — H

- Individuals are spending more time engaging with social media platforms.

  Impact on NSB — H

H High M Moderate L Low

Risks and opportunities

Risks

- Growing demand for retirement-focused financial products may strain resources if specialised offerings are lacking.
- Low workforce participation by women limits the market potential for financial products targeting female entrepreneurs or savers.
- Recovery-driven consumption may prioritise essential spending over savings, affecting deposit growth.
- Decline in branch visits and conventional banking models.
- Negative reviews and misinformation spreading rapidly via social media pose reputational risks.

Opportunities

- Target underbanked women with tailored credit lines, savings products, and financial literacy programmes.
- Develop financial products catering to the aging population, such as retirement savings plans, annuities, and healthcare financing.
- Support the knowledge-driven economy by offering student loans, vocational training financing, and scholarships.
- Enhance customer engagement through digital platforms.
- Strengthen brand recognition and customer confidence through active social media engagement and real-time feedback.

Strategy integrated

- Develop lifecycle-based financial products catering to the needs of youth, working-age adults, and retirees.
- Expand digital banking services, including mobile apps and online platforms, tailored for tech-savvy Gen Z customers.
- Introduce low-interest loans and savings incentives specifically designed for women.

Related material matters

1 Transformative political shift
2 Macroeconomic stability and growth
3 Asset quality and growth
4 Financial sustainability
5 Enhanced customer expectations
7 Talent retention and management
10 New technological advancements
12 Growing requirements for digital literacy

Related capitals

FC MC HC IC SRC NC

Related material risks

Financial risk, Strategic risk

Related strategic pillars

Customer centricity
Enhancing employee engagement
Accelerating digital transformation
Promoting organic growth

Impacted UN SDGs

3 Good health and well-being; 4 Quality education; 6 Clean water and sanitation; 8 Decent work and economic growth; 11 Sustainable cities and communities

Outlook

Local

The Government has emphasised a collective effort to achieve economic, social, and cultural freedom, aiming to improve living standards and technological access within five years. The 2025 Budget prioritises economic reform, fiscal discipline, and social equity, with targeted social spending to support the vulnerable populations.

Global

Many countries are facing declining birth rates and aging populations. The World Employment and Social Outlook: Trends 2025 highlights persistent challenges in the global labour market, including youth unemployment, gender disparities, and wage inequalities, reinforcing the need for comprehensive policies to promote decent work and social justice.

Technological

- As Sri Lanka advances in digital transformation and technology adoption, the country faces a growing cybersecurity threat landscape.

  Impact on NSB — H

- Sri Lanka is positioning itself as a hub for emerging technologies, particularly in IT and Business Process Management (BPM), driven by increasing demand for expertise in AI, cybersecurity, big data, predictive analytics, and data science, alongside essential soft skills. Supported by the Government's National AI Strategy, initiatives such as the Future Tech Summit, and public-private partnerships, the country is strengthening its technological infrastructure and skill development.

  Impact on NSB — H

H High M Moderate L Low

Risks and opportunities

Risks

- Increased reliance on digital infrastructure heightens exposure to cyberattacks, phishing, and data breaches.
- Over-reliance on digital platforms may leave the Bank vulnerable to system outages or technological obsolescence.

Opportunities

- Position as a secure and trusted financial institution by adopting cutting-edge cybersecurity measures.
- Integrate AI and blockchain to enhance operational efficiency.
  - Leverage big data and predictive analytics to improve customer insights, risk management, decision-making, and personalised services, driving efficiency and profitability.

Strategy integrated

- Invest in advanced cybersecurity tools, including threat detection systems and endpoint protection.
- Establish a dedicated compliance team to ensure adherence to data protection and cybersecurity regulations.
- Implement robust disaster recovery and business continuity plans to mitigate the impact of cyberattacks or system outages.
- Transition to a new core banking platform with enhanced features and capabilities.

Related material matters

- 4 Financial sustainability
- 5 Enhanced customer expectations
- 10 New technological advancements
- 11 Cyberthreat and information security
- 12 Growing requirements for digital literacy
- 13 Financial crimes
- 15 Excellence in governance and regulatory engagements

Related capitals

FC MC HC IC SRC

Related material risks

Financial risk
Strategic risk
Reputational risk

Related strategic pillars

Customer centricity
Promoting organic growth
Accelerating digital transformation
Sustainability

Impacted UN SDGs

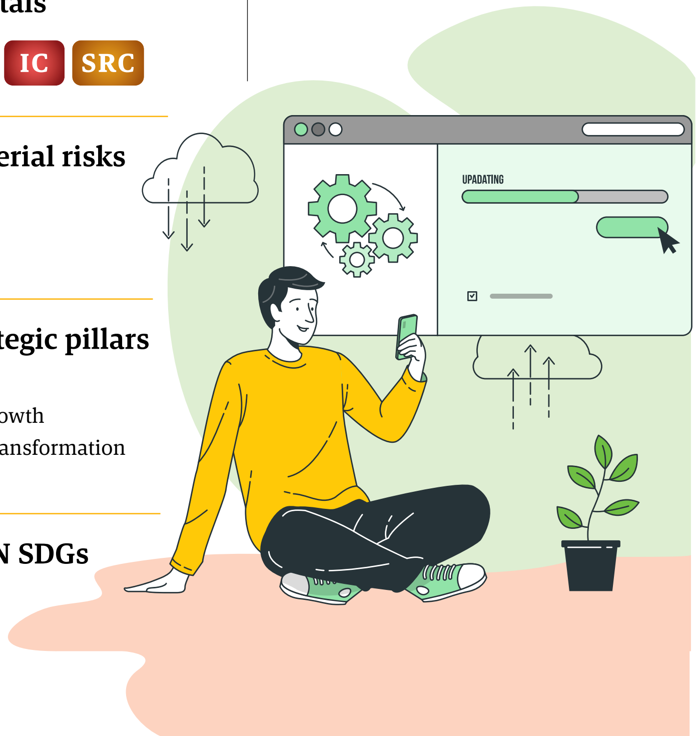
Outlook

Local

The Ministry of Technology has introduced *The National Digital Economy Strategy for Sri Lanka – 2030*, aiming to establish a high-revenue-earning economy by 2048. The Information and Communication Technology Agency (ICTA) of Sri Lanka projects that the ICT sector will achieve revenues between USD 3 to 4 Bn. by 2025, reinforcing its crucial role in national economic development.

Global

AI continues to drive technological innovation. Yann LeCun, a leading AI researcher, predicts a major AI revolution within the next five years, emphasising the need for breakthroughs to achieve fully autonomous systems and advanced robotics.



Environmental

- Implementation of SLFRS S1 (General Sustainability-Related Disclosures) and SLFRS S2 (Climate-Related Disclosures).

  Impact on NSB — H

- By 2030, Sri Lanka aims to become a sustainable, upper-middle-income Indian Ocean hub with a prosperous, competitive and advanced economy; a green and flourishing environment; and an inclusive harmonious, peaceful and just society.

  Impact on NSB — H

- Regulatory focus on ESG compliance.

  Impact on NSB — H

- Green Sri Lanka Taxonomy 2022.

  Impact on NSB — H

H High M Moderate L Low

Risks and opportunities

Risks

- The SLFRS S1 and SLFRS S2 standards require comprehensive data collection, reporting mechanisms, and alignment with global sustainability frameworks, which may increase compliance costs.

Opportunities

- Collaborate with the Government and private sector on infrastructure projects aligned with the 2030 vision.

Strategy integrated

- Prioritise sustainable practices in energy, agriculture, and industry.
- Develop contingency plans for environmental or geopolitical disruptions impacting operations.
- Launch financing options for renewable energy projects, green construction, and energy-efficient technologies.

Related material matters

14 Climate change and environmental resilience

15 Excellence in governance and regulatory engagements

Related capitals

FC SRC NC

Related material risks

Reputational risk

ESG risk

Related strategic pillars

Promoting organic growth

Sustainability

Impacted UN SDGs

6 7 11 12 13

Outlook

Local

The Clean Sri Lanka project is a nationwide initiative aimed at enhancing environmental sustainability and reducing waste across the country. Sri Lanka has developed a strategic plan to achieve carbon neutrality by 2050.

Global

Recent analyses indicate global temperatures are on track to reach 2°C above pre-industrial levels by 2045, a threshold previously targeted for avoidance by international agreements. This acceleration is attributed to factors such as reduced aerosol pollution, which historically had a cooling effect, by reflecting sunlight, and higher-than-anticipated climate sensitivity to greenhouse gas emissions.

Legal

- The Central Bank of Sri Lanka has introduced the Financial Consumer Protection Regulations (FCPR), which apply uniformly to all financial service providers under CBSL's regulation. These regulations are designed to enhance the existing consumer protection frameworks, particularly those under the Banking Act. Additionally, the Ministry of Technology has confirmed that the Personal Data Protection Act (PDPA) will be fully enforced from March 2025, aiming to regulate personal data processing, safeguard citizens' privacy rights, and provide comprehensive protection to Sri Lankans.

  Impact on NSB — H

- In response to the foreign exchange crisis in 2022, Sri Lanka introduced import restrictions on many goods, including a ban on vehicle imports. With the significant improvement in forex reserves and the strength of the rupee, the Cabinet of Ministers has decided to lift all vehicle import bans/ restrictions by February 2025.

  Impact on NSB — H

H High M Moderate L Low

Risks and opportunities

Risks

- The PDPA introduces stringent requirements for data handling, which may necessitate significant investments in technology and staff training.

Opportunities

- Compliance with FCPR and PDPA can boost customer confidence by demonstrating a commitment to transparency and data security.
- Lifting vehicle import bans present an opportunity to expand vehicle loan portfolios and cross-sell other financial products.
- Strengthen reputation and trust through proactive legal adherence.

Strategy integrated

- Establish a dedicated compliance team to monitor adherence to FCPR and PDPA.
- Strengthen credit appraisal processes, particularly for vehicle loans, by incorporating comprehensive risk assessments and credit scoring models.

Related material matters

11 Cyberthreat and information security

13 Financial crimes

15 Excellence in governance and regulatory engagements

Related capitals

FC SRC

Related material risks

Financial risk
Strategic risk
Operational risk
Reputational risk

Related strategic pillars

Promoting organic growth
Reinforcing risk culture

Impacted UN SDGs

Outlook

Local

In January 2025, discussions progressed on the development of a new constitution aimed at better aligning with the evolving aspirations of the Nation. Efforts have been focused on fostering broad consensus to ensure the constitution reflects a shared vision for all Sri Lankans.

Global

The regulation of AI presents a fragmented global picture, with varying approaches across regions. The European Union is leading with its Artificial Intelligence Act, aiming to establish comprehensive guidelines for AI deployment.

Heightened geopolitical tensions and regulatory divergence are influencing the global legal environment. Businesses are navigating complex challenges arising from varying national regulations, particularly in technology, energy, and financial sectors.

Appeal of the banking industry

NSB operates within a dynamic and highly competitive banking environment. However, the Bank retains a strong strategic position, supported by enduring brand equity, regulatory safeguards, and a loyal, extensive retail customer base. To deepen its understanding of the industry's structural dynamics, a comprehensive Porter's Five Forces analysis was conducted.

The assessment offered key insights into industry forces, guiding NSB's strategy to stay competitive through digitalisation, stronger customer focus, and innovation, while carefully managing risks and dependencies.

Competition from industry rivals

How it impacts NSB

Intense rivalry: NSB faces strong competition from major banks. Key competitive tools include pricing strategies, product innovation, focus marketing, and superior customer service.

Impact level – Impact on NSB — H

How we respond

- Strengthening customer-centric banking through personalised services and financial literacy programmes.
- Investing in digital transformation to enhance efficiency and improve customer experience.

The threat of substitute products

How it impacts NSB

Fintech threats: The rise of fintech innovations like digital wallets, cryptocurrencies, robo-advisors, and Buy Now, Pay Later services pose a growing threat. These alternatives offer convenience and lower costs, particularly appealing to tech-savvy consumers.

Impact level – Impact on NSB — H

How we respond

- Accelerating NSB's digital banking transformation to compete with fintech services.
- Partnering with fintech firms to enhance digital capabilities.
- Expanding mobile and online banking services to provide seamless digital experiences.
- Investing in cybersecurity and digital trust mechanisms to safeguard customer confidence.

The bargaining power of suppliers

How it impacts NSB

High supplier bargaining power: Key suppliers such as technology vendors, credit rating agencies, and specialised talent providers hold significant bargaining power. Strong relationships with these suppliers are crucial for banks as they provide critical services.

Impact level – Impact on NSB — H

How we respond

- Strengthening long-term supplier relationships through strategic partnerships and negotiation.
- Diversifying vendor base to reduce dependency on single suppliers.
- Investing in in-house capabilities to reduce reliance on external technology and expertise.
- Leveraging economies of scale to negotiate favourable contract terms.

The threat of new entrants

How it impacts NSB

Low threat of new entrants: High barriers such as capital requirements, brand-building challenges, and complex regulatory frameworks reduce the threat of new competitors. Establishing a new bank to compete with established institutions remains difficult.

Impact level – Impact on NSB — L

How we respond

- Leveraging NSB's 100% Government guarantee on deposits to reinforce trust and credibility.
- Strengthening regulatory compliance and governance.
- Expanding financial inclusion initiatives, ensuring that NSB remains accessible to a broad customer base.

The bargaining power of consumers

How it impacts NSB

Low switching costs: In retail banking, low switching costs enhance competition, with customer service playing a critical role. While individual customers may have low bargaining power, negative word-of-mouth can severely damage a bank's reputation. This is particularly relevant for NSB's retail focus.

Impact level – Impact on NSB — M

How we respond

- Enhancing customer relationship management (CRM) to improve personalised service.
- Strengthening brand reputation through ethical banking and transparent communication.
- Expanding digital banking solutions to improve convenience and engagement.
- Implementing customer retention strategies, including loyalty programmes and value-added services.

H High M Moderate L Low

At NSB, we recognise that creating long-term value is intrinsically linked to our understanding and management of material matters. Operating in a dynamic financial landscape shaped by economic, regulatory, technological, social, environmental, and legal factors, we employ a PESTEL framework alongside a stakeholder-centric approach to align our strategy with evolving stakeholder expectations.

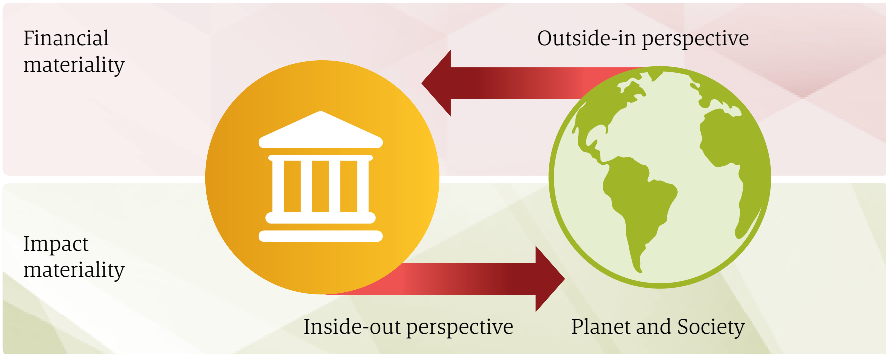
These material matters have varying impacts over the short, medium, and long term. While some issues, such as regulatory compliance and cybersecurity, require immediate attention, others, like sustainable finance and workforce development, demand a forward-looking strategic focus. NSB remains committed to adapting to these evolving challenges to ensure resilience, operational excellence, and stakeholder confidence.

Double materiality perspective

NSB recognises the importance of double materiality, evaluating both:

- **Financial Materiality:** How external factors impact NSB's financial performance, risk exposure, and profitability.
- **Impact Materiality:** How NSB's activities influence stakeholders, society, and the environment.

This approach ensures that NSB not only manages risks and opportunities that affect its business but also assesses its broader impact on economic stability, social well-being, and environmental sustainability.



Materiality determination process at NSB GRI 3-1

Inputs

Review of the impact of the operating environment on our value creation

(pages 27 to 31 – Operating environment)

Review of our stakeholders' interests, needs and expectations

(pages 52 to 59 – Stakeholder engagement)

Review of risks that are most significant to the Bank's ability to achieve strategic objectives

(pages 32 to 39 – Risks and opportunities)

(pages 195 to 219 – Risk management report)

Review of the key decisions of the Board and subcommittees

(pages 184 to 194 – Board subcommittee reports)

Other Inputs

Media Reviews
Peer Reviews
External/Research Publications

Identifying	Identify material matters focusing on the impact they have on our short to medium and long-term strategies and our stakeholders.
Prioritising	Prioritise material matters considering the value creation to NSB and the value creation to our stakeholders. (materiality matrix on page 40) Group our material matters under the PESTEL analysis in line with the market trends and key influences identified in our operating environment.
Integrating	We actively consider these matters during our strategic planning process. We focus on identifying risks and opportunities arising from our material matters and setting mitigating strategies where necessary. Identify Key Performance Areas (KPAs) and Key Performance Indicators (KPIs) during this integration process.
Assessing	Continuously assess our material matters and discuss the same with the senior management at strategic planning meetings. We track our performance against KPAs and KPIs set at integration level.
Responding	Set mitigation strategies where necessary and capitalise on factors that create opportunities.
Reporting	Report on the identified material matters to all our internal and external stakeholders.

Material matters and materiality matrix GRI 3-2

To ensure a structured and strategic approach, the identified material matters have been categorised into three key pillars: Strategic Differentiators, Fundamental Value Creators, and Other Value-Creating Material Matters. This classification enables NSB to effectively prioritise and address material issues, aligning with both business objectives and stakeholder expectations.

Strategic differentiators – set NSB apart in the industry

Fundamental value creators – essential for long-term stability and growth

Other value creating material matters – contribute to overall operational resilience and stakeholder trust

Political	1 Transformative political shift		
Economic	2 Macroeconomic stability and growth	3 Asset quality and growth	4 Financial sustainability
Social	5 Enhanced customer expectations 8 Future proofing talent	6 Growing influence of social media 9 Employee health, safety, and well-being	7 Talent retention and management
Technological	10 New technological advancements 13 Financial crimes	11 Cyber threat and information security	12 Growing requirements for digital literacy
Environmental	14 Climate change and environmental resilience		
Legal	15 Excellence in governance and regulatory engagements		

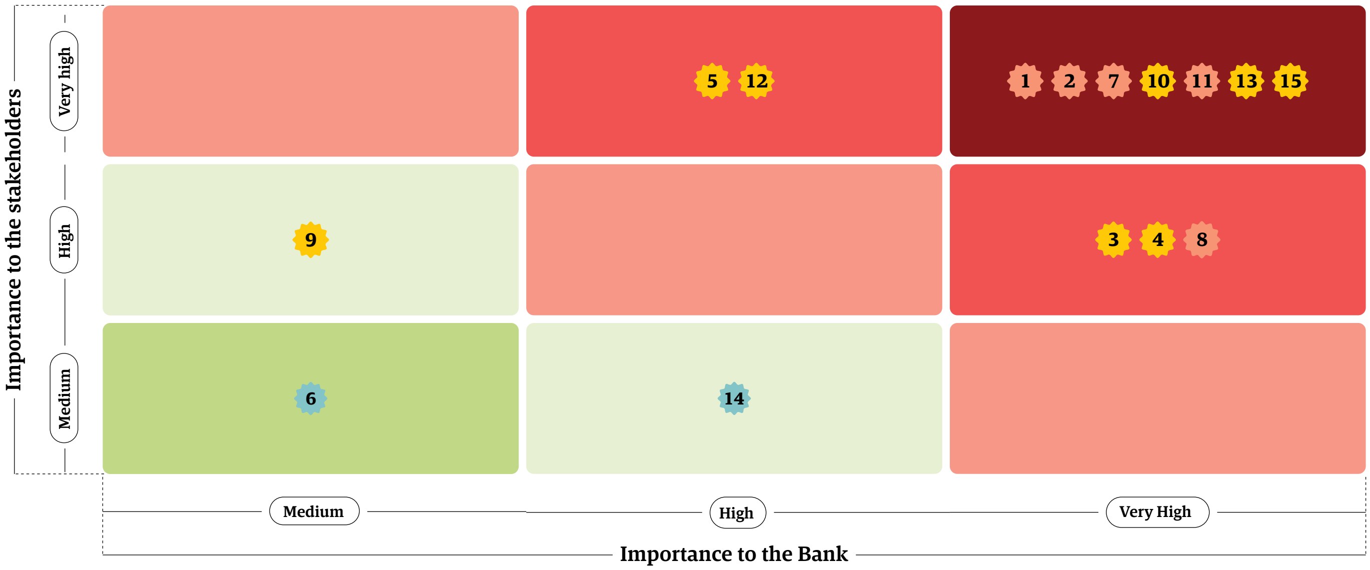


Figure 3 Materiality matrix

Enhancements to the materiality assessment process

The materiality process has been refined to ensure a more comprehensive and dynamic evaluation of issues that are significant to both the Bank and our stakeholders. Key improvements include:

- Incorporating material topics identified in the applicable Sustainability Accounting Standards Board (SASB) standards.
- Followed the PESTEL framework and a stakeholder-centric approach, ensuring the interests of all key stakeholders.

Materiality outlook for 2025 and beyond

As we look ahead to 2025 and beyond, the materiality landscape is expected to evolve significantly, driven by emerging global trends, regulatory shifts, technological advancements, and changing stakeholder expectations that underscore the importance of proactive and strategic planning. By addressing these emerging material matters, NSB is committed to positioning itself as a resilient, sustainable, and forward-thinking organisation, creating long-term value for its stakeholders while contributing positively to society and the environment.

The following section describes the specific risks and opportunities within the material topics where the Board and the Management focus their efforts. It includes a blend of existing and emerging risks that could impact our ability to create value for our stakeholders or deliver our strategy over the short, medium, and long-term.

Material risk categories

Financial risk
Strategic risk
Operational risk
Credit risk
Market risk
Liquidity risk
Reputational risk
ESG risk

Time frame

For each material matter, we indicate the time frame in which it will significantly impact the Bank. For this integrated report, short-term refers the succeeding financial year (ending 31 December 2025), medium-term, the period up to 31 December 2027, and the long-term, the period beyond December 2027.

1 Transformative political shift

Political

Why it is material to NSB
As a state-owned bank, political changes may lead to shifts in fiscal policies, public sector reforms, and financial regulations, impacting operational stability and strategic direction. This requires the Bank to adopt an agile strategy, ensuring resilience through proactive risk management, policy advocacy, and adaptive financial planning.

Time frame
Short to medium-term

Major encounters – 2024
Risks and opportunities:

Political factors page 32

Our strategic approach
Risks and opportunities:

Political factors page 32

Financial capital pages 92 to 101

Strategy and resource allocation pages 68 to 79

YOY movement
Increased

Reasons for the increase
Due to heightened policy uncertainty, regulatory reforms, and state-owned enterprise (SOE) restructuring.

Risks and opportunities
Risks and opportunities:

Political factors page 32

Outlook
Introduce regulatory reforms in the financial sector, fiscal consolidation measures, and economic stimulus initiatives.

Material risk categories
Financial risk

Strategic risk

Operational risk

Reputational risk

Related stakeholders

Impacted UN SDGs
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Relevant GRIs and reporting boundary
- GRI 201 Economic performance – within, outside
- GRI 203 Indirect economic impacts – outside
- GRI 207 Tax – within

2 Macroeconomic stability and growth

Why it is material to NSB
Economic stability impacts deposit mobilisation, credit demand, asset quality, and investment returns, making it crucial for NSB to adapt to evolving macroeconomic conditions. A stable economy fosters consumer confidence and financial sector resilience, enabling NSB to expand its lending portfolio and support economic development.

Time frame
Short to medium-term

Major encounters – 2024
Risks and opportunities:

Economical factors page 33

Our strategic approach
Risks and opportunities:

Economical factors page 33

Financial capital pages 92 to 101

Strategy and resource allocation pages 68 to 79

YOY movement
Increased

Reasons for the increase
Continued economic adjustments, policy reforms, and global uncertainties. While inflationary pressures eased, interest rate volatility, sovereign credit concerns, and subdued private sector credit growth posed ongoing challenges.

Economic

Risks and opportunities

Risks and opportunities:

Economical factors page 33

Outlook

Stronger fiscal discipline, gradual investor confidence recovery, and improved external trade conditions providing a more stable economic outlook.

Material risk categories

Financial risk
Strategic risk
Operational risk
Credit risk
Market risk

Related stakeholders

Impacted UN SDGs

Relevant GRIs and reporting boundary

GRI 201 Economic performance – within, outside

GRI 202 Market presence

GRI 203 Indirect economic impacts – outside

GRI 207 Tax – within

3 Asset quality and growth

Economic

Why it is material to NSB

Directly impacts the Bank's financial health, risk profile, regulatory standing and overall ability to serve its customers and stakeholders effectively.

Time frame

Short to long-term

Major encounters – 2024

Risks and opportunities:

Economical factors page 33

Our strategic approach

Risks and opportunities:

Economical factors page 33

Financial capital pages 92 to 101

Strategy and resource allocation pages 68 to 79

YOY movement

Decreased

Reasons for the decrease

Emphasis on prudent lending practices, stringent credit evaluation, and targeted credit expansion in high-potential sectors.

Risks and opportunities

Risks and opportunities:

Economical factors page 33

Outlook

With inflation moderating, interest rates stabilising, and economic activity recovering, non-performing loan (NPLs) are anticipated to decline.

Material risk categories

Financial risk
Strategic risk
Credit risk

Related stakeholders

Impacted UN SDGs

Relevant GRIs and reporting boundary

GRI 201 Economic performance – within

GRI 202 Market presence

4 Financial sustainability

Economic

Why it is material to NSB
Ensures long-term stability, stakeholder trust, and regulatory compliance. It enables the Bank to attract customers, investors, and talent while managing risks effectively.

Time frame
Short to long-term

Major encounters – 2024
Risks and opportunities:

Economical factors page 33

Our strategic approach
Risks and opportunities:

Economical factors page 33

Financial capital pages 92 to 101

Strategy and resource allocation pages 68 to 79

YOY movement
Increased

Reasons for the increase
Economic, regulatory, competitive, and stakeholder pressures that make it essential for NSB to maintain stability, compliance, and growth.

Risks and opportunities
Risks and opportunities:

Economical factors page 33

Outlook
Stronger growth, lower interest rates, and improved asset quality supported by economic, regulatory, and technological factors.

Material risk categories
Financial risk

Strategic risk

Operational risk

Reputational risk

Credit risk

Market risk

Liquidity risk

Related stakeholders


Impacted UN SDGs


Relevant GRIs and reporting boundary
GRI 201 Economic performance – within, outside

GRI 202 Market presence

GRI 203 Indirect economic impacts – outside

GRI 207 Tax – within

5 Enhanced customer expectations

Why it is material to NSB
Such expectations drive retention, growth, competitiveness, and innovation, ensuring the Bank remains relevant and successful in a dynamic market.

Time frame
Short to long-term

Major encounters – 2024
Risks and opportunities:

Social factors page 34

Our strategic approach
Risks and opportunities:

Social factors page 34

Strategy and resource allocation pages 68 to 79

Social and relationship capital pages 129 to 136

YOY movement
Increased

Reasons for the increase
Shift towards a more digitally driven, personalised, and demanding consumer landscape.

Risks and opportunities
Risks and opportunities:

Assessing market trends and key influences on strategic direction – Social factors page 34

Social

Outlook

Will revolve around digital innovation, personalisation, convenience, security, and sustainability.

Material risk categories

Financial risk

Strategic risk

Operational risk

Reputational risk

Credit risk

Related stakeholders

Impacted UN SDGs

Relevant GRIs and reporting boundary

GRI 404 Training and education – within

GRI 416 Customer health and safety – outside

GRI 417 Marketing labelling – outside

GRI 418 Customer privacy

6 Growing influence of social media

Social

Why it is material to NSB

Social media's power significantly affects NSB's reputation, customer interaction, and market analysis. Negative online content can damage trust, while strong social media strategies are vital for attracting customers and gathering feedback.

Time frame

Short to long-term

Major encounters – 2024

Risks and opportunities:

Social factors page 34

Our strategic approach

Risks and opportunities:

Social factors page 34

Strategy and resource allocation pages 68 to 79

Intellectual capital pages 120 to 127

YOY movement

Increased

Reasons for the increase

Stems from several converging factors: heightened digital connectivity, the rise of AI-driven content amplifying reach and personalisation, and evolving user behaviours favouring instant information and interaction.

Risks and opportunities

Risks and opportunities:

Social factors page 34

Outlook

An intensified social media landscape demanding a more proactive and sophisticated approach.

Material risk categories

Financial risk

Operational risk

Reputational risk

Related stakeholders

Impacted UN SDGs

Relevant GRIs and reporting boundary

GRI 201 Anti corruption – within and outside

GRI 417 Local communities – within

7 Talent retention and management

Social

Why it is material to NSB

The Bank's success depends on its skilled and motivated workforce. In a competitive financial sector, retaining experienced employees is crucial for maintaining operational excellence, customer satisfaction, and innovation. It is also essential for navigating digital transformation, regulatory changes, and competitive market dynamics.

Time frame

Short to long-term

Major encounters – 2024

Risks and opportunities:

Social factors page 34

Our strategic approach

Risks and opportunities:

Social factors page 34

Strategy and resource allocation pages 68 to 79

Human capital pages 108 to 119

YOY movement

Decreased

Reasons for the increase

Heightened competition for specialised skills, rapid advancements in digital banking, higher workforce mobility (both domestically and internationally), and evolving employee expectations.

Risks and opportunities

Risks and opportunities:

Social factors page 34

Outlook

Will continue to be a key focus area, fuelled by the growing demand for a skilled workforce in the face of accelerating digital transformation and shifting regulatory frameworks. As global talent mobility rises and the competition for specialised financial expertise becomes more intense, strategic workforce management will be essential.

Material risk categories

Financial risk

Strategic risk

Reputational risk

Related stakeholders

Impacted UN SDGs

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

Relevant GRIs and reporting boundary

- GRI 201 Economic performance – within, outside
- GRI 202 Market presence
- GRI 401 Employment – within
- GRI 404 Training and education – within
- GRI 405 Diversity and equal opportunity – within

8 Future proofing talent

Why it is material to NSB

Ensures the Bank remains competitive, resilient, and well-equipped to navigate industry disruptions while delivering superior customer experiences.

Time frame

Short to long-term

Major encounters – 2024

Risks and opportunities:

Social factors page 34

Our strategic approach

Risks and opportunities:

Social factors page 34

Strategy and resource allocation pages 68 to 79

Human capital pages 108 to 119

YOY movement

Increased

Reasons for the increase

Heightened competition for specialised skills, rapid advancements in digital banking, higher workforce mobility (both domestically and internationally), and evolving employee expectations.

Risks and opportunities

Risks and opportunities:

Social factors page 34

Social

Outlook

Accelerated pace of digital transformation, evolving regulatory requirements, and shifting workforce expectations.

Material risk categories

Financial risk

Strategic risk

Reputational risk

Related stakeholders

Impacted UN SDGs

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

Relevant GRIs and reporting boundary

GRI 201 Economic performance – within, outside

GRI 202 Market presence

GRI 401 Employment – within

GRI 404 Training and education – within

GRI 405 Diversity equal opportunity – within

9 Employee health, safety, and well-being

Social

Why it is material to NSB

The banking sector's fast-paced and high-pressure environment necessitates a strong focus on physical and mental wellness, ensuring employees can perform optimally while maintaining a healthy work-life balance.

Time frame

Short to long-term

Major encounters – 2024

Risks and opportunities:

Social factors page 34

Our strategic approach

Risks and opportunities:

Social factors page 34

Strategy and resource allocation pages 68 to 79

Human capital pages 108 to 119

YOY movement

Increased

Reasons for the increase

Heightened workplace stress, evolving occupational health regulations, and the increasing emphasis on employee-centric policies.

Risks and opportunities

Risks and opportunities:

Social factors page 34

Outlook

Strengthen our commitment to employee health, safety, and well-being through enhanced workplace safety, mental health support, and wellness initiatives. By integrating technology-driven health monitoring and stress management programs, we aim to foster a resilient, motivated, and high-performing workforce, ensuring long-term productivity and retention.

Material risk categories

Financial risk

Strategic risk

Reputational risk

Related stakeholders

Impacted UN SDGs

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

Relevant GRIs and reporting boundary

GRI 201 Economic performance – within and outside

GRI 202 Market presence

GRI 401 Employment – within

GRI 403 Occupation health and safety – within

GRI 407 Freedom of association and collective bargaining – within

10 New technological advancements

Technological

Why it is material to NSB
In a rapidly evolving financial sector, staying ahead of technological trends is crucial for meeting customer expectations, ensuring regulatory compliance, and maintaining a competitive edge.

Time frame
Short to long-term

Major encounters – 2024
Risks and opportunities:

Technological factors page 35

Our strategic approach
Risks and opportunities:

Technological factors page 35

Strategy and resource allocation pages 68 to 79

Intellectual capital pages 120 to 127

Manufactured capital pages 102 to 107

YOY movement
Increased

Reasons for the increase
Accelerated digital transformation, competitive pressure from fintechs, regulatory requirements around data security and transparency, and rising customer demand for seamless, personalised services.

Risks and opportunities
Risks and opportunities:

Technological factors page 35

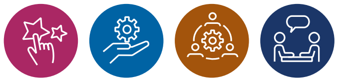
Outlook
Emerging technologies like AI, blockchain, quantum computing, and advanced data analytics will redefine banking operations, enabling hyper-personalised customer experiences, enhanced risk management, and operational efficiency.

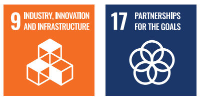
Material risk categories
Financial risk

Strategic risk

Operational risk

Reputational risk

Related stakeholders


Impacted UN SDGs


Relevant GRIs and reporting boundary
- GRI 401 Employment – within
- GRI 404 Training and education – within
- GRI 413 Local communities – outside
- GRI 418 Customer privacy – within

11 Cyberthreat and information security

Why it is material to NSB
Due to the increasing reliance on digital infrastructure and sensitive data, which, if compromised, could lead to significant financial, operational, and reputational damage. The rise in sophisticated cyberattacks, regulatory pressures, and the growing interconnectedness of systems increase the risks.

Time frame
Short to long-term

Major encounters – 2024
Risks and opportunities:

Technological factors page 35

Our strategic approach
Risks and opportunities:

Technological factors page 35

Strategy and resource allocation pages 68 to 79

Intellectual capital pages 120 to 127

Manufactured capital pages 102 to 107

YOY movement
Increased

Reasons for the increase
The rise in global cybercrime, expansion of digital banking platforms, spread of AI-driven cyberthreats, ransomware attacks and phishing schemes, and stricter regulatory expectations.

Technological

Risks and opportunities

Risks and opportunities:

Technological factors page 35

Outlook

Cyberthreats and information security will grow as critical concerns due to expanding digital transformation, sophisticated AI-driven attacks, and evolving regulations.

Material risk categories

Financial risk

Strategic risk

Operational risk

Reputational risk

Related stakeholders

Impacted UN SDGs

9 Industry, innovation and infrastructure

16 Peace, justice and strong institutions

Relevant GRIs and reporting boundary

GRI 401 Employment – within

GRI 404 Training and education – within

GRI 413 Local communities – outside

GRI 418 Customer privacy – within

12 Growing requirements for digital literacy

Technological

Why it is material to NSB

As banking moves toward digital platforms, digital literacy is equally crucial for both employees and customers. A tech-savvy workforce increases operational efficiency, strengthens cybersecurity, and drives service innovation, ensuring competitiveness and resilience in the evolving financial landscape.

Time frame

Short to long-term

Major encounters – 2024

Risks and opportunities:

Technological factors page 35

Social factors page 34

Our strategic approach

Risks and opportunities:

Social factors page 34

Technological factors page 35

Strategy and resource allocation pages 68 to 79

Intellectual capital pages 120 to 127

Human capital pages 108 to 119

YOY movement

Increased

Reasons for the increase

With increased cyberthreats and a growing reliance on self-service banking solutions, both employees and customers require enhanced digital skills.

Risks and opportunities

Risks and opportunities:

Technological factors page 35

Social factors page 34

Outlook

Escalating demand for comprehensive digital literacy across all stakeholder groups; employees, customers, and the wider community.

Material risk categories

Financial risk

Strategic risk

Reputational risk

ESG risk

Related stakeholders

Impacted UN SDGs

4 Quality education

9 Industry, innovation and infrastructure

10 Reduced inequalities

Relevant GRIs and reporting boundary

GRI 401 Employment – within

GRI 404 Training and education – within

GRI 413 Local communities – outside

GRI 418 Customer privacy – within

13 Financial crimes

Technological

Why it is material to NSB

Due to its potential to cause significant financial losses, reputational damage, which lead to regulatory penalties.

Time frame

Short to long-term

Major encounters – 2024

Risks and opportunities:

Technological factors page 35

Social factors page 34

Our strategic approach

Risks and opportunities:

Social factors page 34

Technological factors page 35

Strategy and resource allocation pages 68 to 79

Intellectual capital pages 120 to 127

Report of the Board Information Technology Strategy Committee page 194

YOY movement

Increased

Reasons for the increase

Global economic instability, rapid digital banking advancements creating new cybercrime opportunities, and stricter regulatory enforcement.

Risks and opportunities

Risks and opportunities:

Technological factors page 35

Social factors page 34

Outlook

Increased sophistication in criminal activities, driven by advancements in AI and digital technologies.

Material risk categories

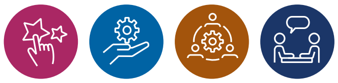
Financial risk

Strategic risk

Reputational risk

Liquidity risk

Related stakeholders



Impacted UN SDGs

Relevant GRIs and reporting boundary

GRI 205 Anti corruption – within and outside

GRI 404 Training and education – within

GRI 418 Customer privacy – within

14 Climate change and environmental resilience

Why it is material to NSB

Due to their potential to significantly impact the Bank's operations, lending portfolio, and overall financial stability.

Time frame

Short to long-term

Major encounters – 2024

Risks and opportunities:

Environmental factors page 36

Our strategic approach

Risks and opportunities:

Environmental factors page 36

Strategy and resource allocation pages 68 to 79

Natural capital pages 146 to 151

Our sustainability framework pages 60 to 63

YOY movement

Increased

Reasons for the increase

Heightened awareness of climate-related risks, increased regulatory pressure to integrate climate-related risks into financial decision-making, and growing stakeholder expectations for banks to demonstrate environmental responsibility and contribute to sustainable development.

Environmental

Risks and opportunities

Risks and opportunities:

Environmental factors page 36

Outlook

Increased pressure to disclose climate-related financial risks and opportunities, aligning with emerging global reporting standards.

Material risk categories

Financial risk

Reputational risk

Credit risk

ESG risk

Related stakeholders

Impacted UN SDGs

7 AFFORDABLE AND CLEAN ENERGY

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

Relevant GRIs and reporting boundary

GRI 203 Indirect economic impact – outside

GRI 302 Energy – within and outside

GRI 303 Water and effluents – within and outside

15 Excellence in governance and regulatory engagements

Legal

Why it is material to NSB

Due to its direct impact on the Bank's ability to maintain stakeholder trust, ensure compliance with evolving legal and regulatory frameworks, and safeguard its reputation.

Time frame

Short to long-term

Major encounters – 2024

Risks and opportunities:

Legal factors page 37

Risk management report pages 195 to 219

Our strategic approach

Risks and opportunities:

Legal factors page 37

Strategy and resource allocation pages 68 to 79

Corporate governance pages 169 to 183

Risk management report pages 195 to 219

YOY movement

Increased

Reasons for the increase

Heightened regulatory scrutiny, both domestically and internationally, coupled with rising expectations for corporate transparency and accountability.

Risks and opportunities

Risks and opportunities:

Legal factors page 37

Risk management report pages 195 to 219

Outlook

Will remain a critical material matter as regulatory landscapes become more complex and stringent.

Material risk categories

Financial risk

Strategic risk

Operational risk

Reputational risk

Credit risk

Market risk

Liquidity risk

ESG risk

Related stakeholders

Impacted UN SDGs

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Relevant GRIs and reporting boundary

GRI 205 Anti corruption – within

GRI 206 Anti competitive behaviour – within

GRI 404 Training and education – within

Integrated stakeholder engagement

Stakeholder engagement

GRI 2-29

At National Savings Bank, we recognise that our success is inextricably linked to the trust and support of our diverse stakeholders. As a leading financial institution in Sri Lanka, we are committed to fostering transparent, inclusive, and collaborative relationships with our diverse stakeholders, including customers, employees, shareholder and investors, regulators and government institutions, and the broader community. Through ongoing dialogue, we ensure their perspectives shape our strategic priorities, enabling us to deliver innovative solutions, drive financial inclusion, and contribute to the nation's economic and social development. Our engagement approach is guided by integrity, accountability, and a shared vision of building a resilient and prosperous future.

Stakeholder engagement process

Our stakeholder engagement process is designed to identify key stakeholder groups, understand their concerns, and establish meaningful two-way communication through well-defined channels. We actively incorporate stakeholder feedback into our decision-making processes to ensure our strategies remain aligned with their expectations. By continuously monitoring outcomes, reporting progress, and collaborating towards shared objectives, we aim to foster trust, enhance transparency, and create enduring value.

The six steps of our stakeholder engagement process are outlined below:

Stakeholder identification

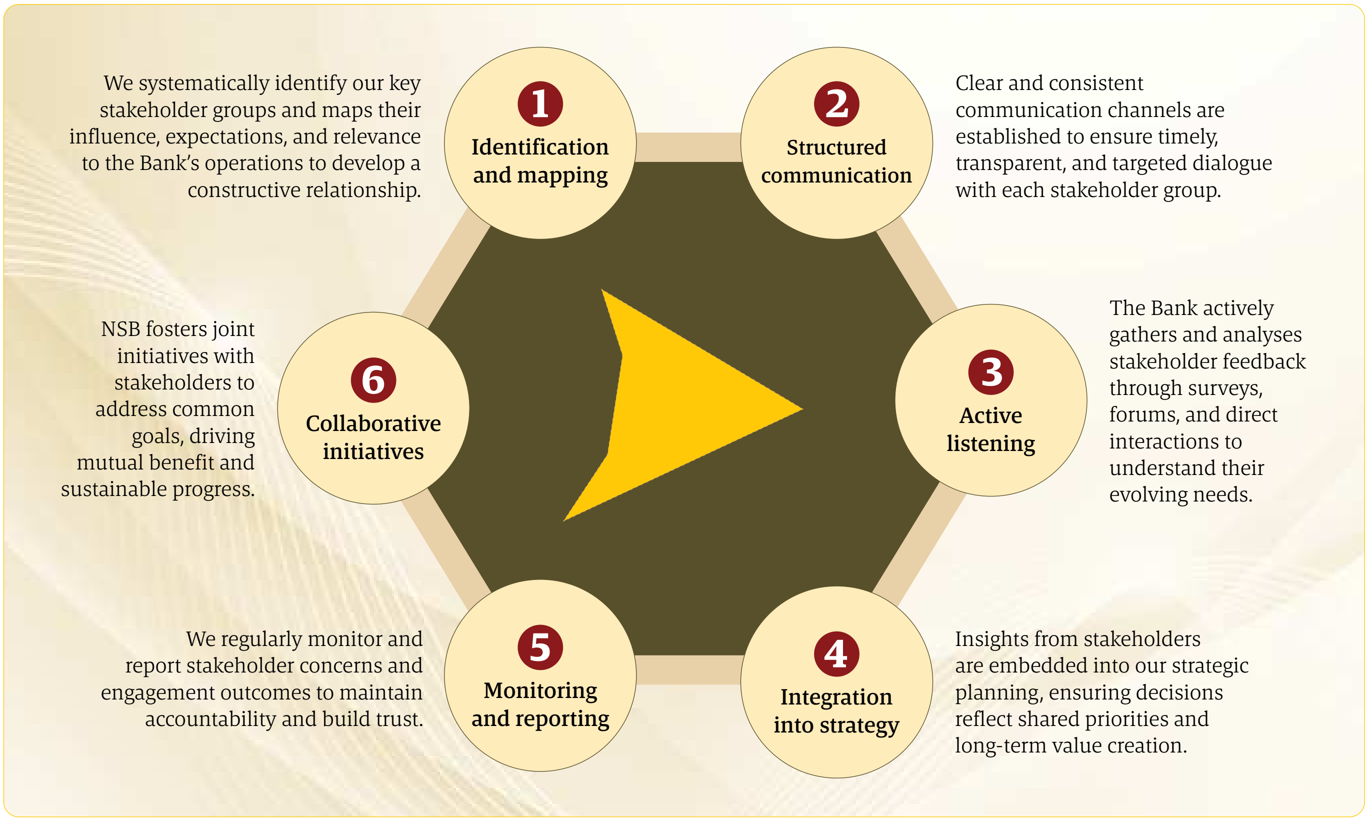


Figure 4

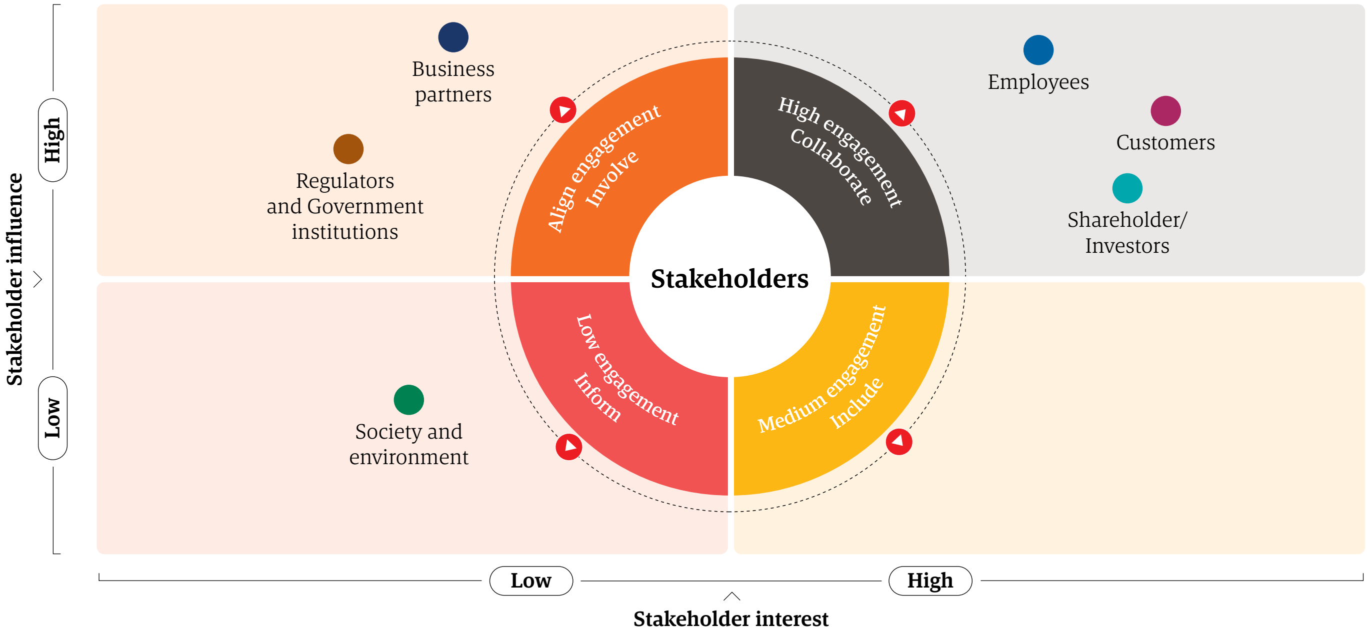


Figure 5

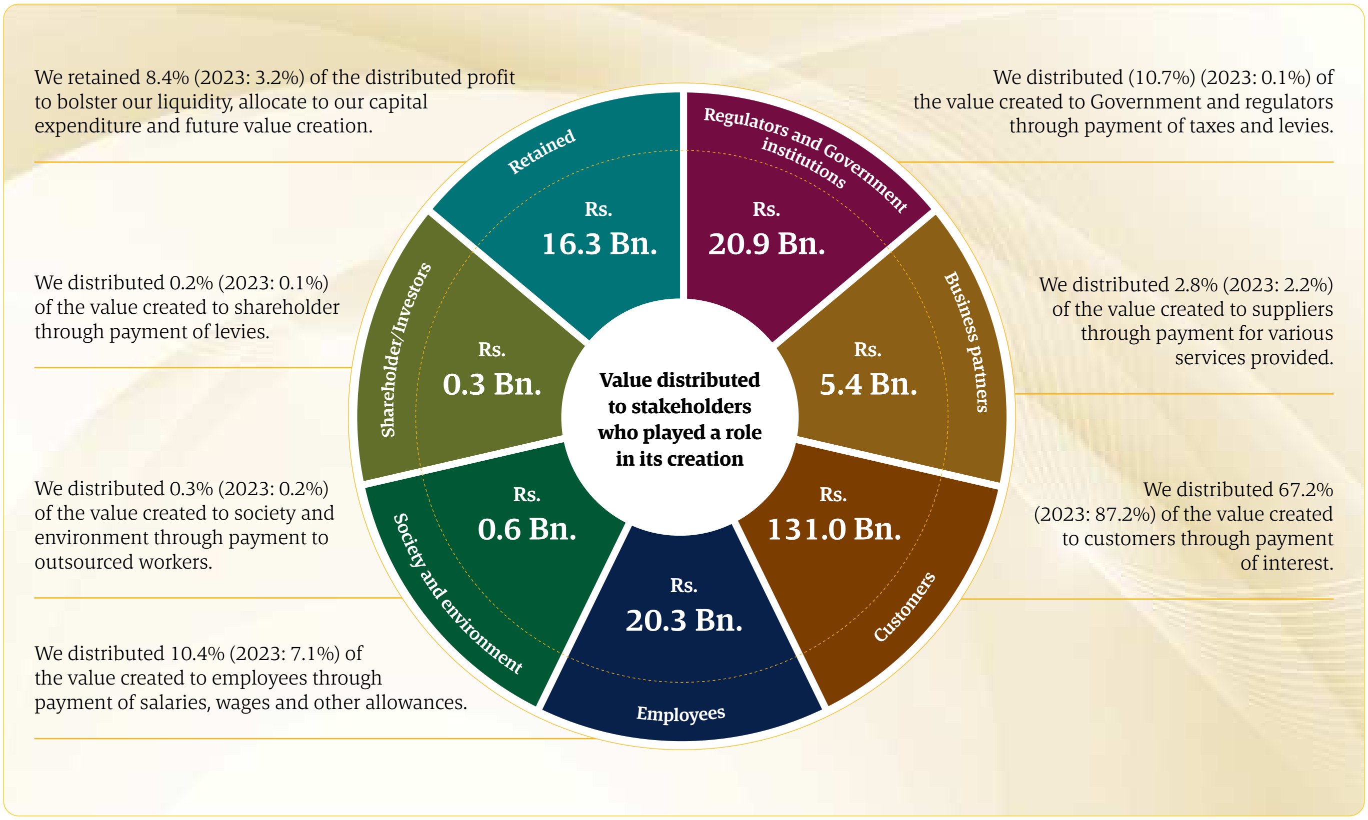


Figure 6

Integrated stakeholder engagement

Shareholder/ Investors

Solely owned by the Government of Sri Lanka on behalf of the nation, our Bank operates in alignment with national economic priorities, public policy objectives, and the broader goal of financial stability. Our mission is to serve the country by advancing financial inclusion, supporting economic growth, and strengthening the banking sector.

Through prudent governance and strategic decision-making, we create sustainable value for the Government and the people of Sri Lanka. We also maintain a strong and transparent relationship with our bondholders by ensuring timely interest payments and providing regular and clear communication.

Inclusion to strategy

Shareholder/Investors value creation Table 6

Value expectation	YoY change %	Impact	2024	2023
Profit attributable to shareholder (Rs. Bn.)	130	+	**17.5**	7.6
Net interest margin (%)	244 bps	+	**4.23**	1.79
Return on equity (%)	871 bps	+	**18.07**	9.36
Interest paid to bondholders (Rs. Bn.)	56.6	−	**3.3**	7.6
Credit rating maintained	No change	+	**AAA**	AAA

Key topics and concerns	How we respond
Sustained growth in capital and dividends over time	Higher ROE and timely dividend payments (Financial capital pages 92 to 101)
Timeous payment of interest and capital repayments	Timely payment of interest and capital on loans
Assurance of sustainability, good governance, and strong risk management practices	Robust risk management and governance framework (Corporate governance and Risk management report pages 169 to 219)
Environmental sustainability and climate initiatives	Implementation of ESG practices (Our sustainability framework pages 60 to 63, Natural capital pages 146 to 151)
Digital transformation	Offer digitalised products and system re-engineering

Approach to stakeholder engagement

Annual financial statements	Annually
Interim financial statements	Quarterly
Annual integrated report	Annually
Corporate website	As required
One-on-one meetings with representatives from the Ministry of Finance and other investors	As required
Stakeholder webcasts	As required

Engagement frequency

Annually · Quarterly · Monthly · As required · Ongoing

Quality of relationship

★★★★☆ −

Related material matters

1. Transformative political shift
2. Macroeconomic stability and growth
3. Asset quality and growth
4. Financial sustainability
5. Enhanced customer expectations
7. Talent retention and management
10. New technological advancements
14. Climate change and environmental resilience
15. Excellence in governance and regulatory engagements

Related capitals

FC MC HC IC SRC NC

Link to UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Customers

Our customer base comprises a diverse spectrum of individuals, businesses, and institutions that depend on our customised financial solutions. We serve retail customers, including salaried employees, pensioners, and low-income segments by offering accessible banking services and initiatives that promote financial inclusion. In addition, we support government institutions and public sector entities, playing a vital role in strengthening national infrastructure and advancing policy-driven financial programmes. Through our unwavering commitment to service excellence, innovation, and social responsibility, we continue to empower our customers and contribute to Sri Lanka's economic development.

Inclusion to strategy

Customer value creation

Table 7

Value expectation	YoY change %	Impact	2024	2023
Active customer accounts (million)	20.0	−	**10.4**	13.0
Interest paid to depositors (Rs. Bn.)	33.3	−	**123.9**	185.7
Deposit market share (%)	11 bps	+	**8.66**	8.55
Digitally enabled customers	53.9	+	**618,314**	401,812
Number of branches	No change	↔	**262**	262
Number of complaints resolved	26.0	+	**455**	361

Key topics and concerns	How we respond
Convenient access to banking services, both in-branch and through digital channels	Enhanced banking services through branch network and digital products (Manufactured Capital pages 102 to 107 and Intellectual Capital pages 120 to 127)
Timely and effective customer service	24/7 customer accessibility through call centre and other online channels (Manufactured Capital pages 102 to 107)
Competitive interest rates	Competitive pricing mechanism
Effective complaint handling	Dedicated complaint handling officer
Financial literacy	Seasonal financial literacy programmes
Security and privacy of sensitive customer information	PCI DSS compliance (Intellectual capital pages 120 to 127)

Approach to stakeholder engagement

- Personal interaction through branches and divisions
- Various platforms including: email, corporate website and phone
- Promotional campaigns, corporate website, mass media, and social media
- Call centres, corporate events

Engagement frequency

Annually · Quarterly · Monthly · As required · Ongoing

Quality of relationship

Related material matters

- 4 Financial sustainability
- 5 Enhanced customer expectations
- 10 New technological advancements
- 12 Growing requirements for digital literacy
- 15 Excellence in governance and regulatory engagements

Related capitals

FC MC HC IC SRC NC

Link to UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Integrated stakeholder engagement

Employees

Our employees form the foundation of our institution, driving service excellence and enabling us to fulfil our role as a state-owned, licensed specialised bank. With a diverse team comprising seasoned professionals, financial experts, and emerging talent, we nurture a culture built on integrity, innovation, and a strong customer focus. We are committed to continuous learning, professional development, and enhancing technology-driven capabilities to strengthen productivity and adaptability. As custodians of public trust, our employees play a crucial role in advancing financial inclusion, supporting national economic priorities, and ensuring sustainable growth. Through a collaborative and inclusive workplace, we empower our people to excel and make a meaningful contribution to Sri Lanka's financial sector.

Inclusion to strategy

Employee value creation Table 8

Value expectation	YoY change %	Impact	2024	2023
Value added per employee (Rs. Mn.)	168.0	+	**13.4**	5.0
Total workforce cost (Rs. Bn.)	26.1	+	**20.3**	16.1
Women leadership	6.2	−	**241**	257
Young blood in decision making positions	5.7	+	**202**	191
Employee turnover	7 bps	−	**3.77**	3.70
Training hours	44.6	−	**29,165**	52,630

Key topics and concerns	How we respond
Competitive remuneration	Salary increments through collective bargaining (Human capital pages 108 to 119)
Job security	Providing assurances on job security
Opportunities for career advancement and professional development	Ongoing performance evaluations and promotions (Human capital pages 108 to 119)
Retirement benefits	Company maintained Employees Provident Fund and Pension Fund (Human capital pages 108 to 119)
Work-life balance	Organising non-job-related activities throughout the year (Human capital pages 108 to 119)

Approach to stakeholder engagement

Engagement	Frequency
One-on-one interactions between employees and line managers	As required
Branch managers conference	Annually
Regional managers meetings	Monthly
Employee rewards and recognition programme	Annually
Performance reviews	Annually
Exit interviews	As required
Cultural events	Annually
Trade union discussions	As required

Engagement frequency

Annually · Quarterly · Monthly · As required · Ongoing

Quality of relationship

★★★★☆ −

Related material matters

- 4 Financial sustainability
- 7 Talent retention and management
- 8 Future proofing talent
- 9 Employee health, safety, and well-being

Related capitals

FC HC IC SRC

Link to UN SDGs

4 QUALITY EDUCATION · 5 GENDER EQUALITY · 8 DECENT WORK AND ECONOMIC GROWTH

Regulators and Government institutions

GRI 207-1, 2, 3

Our operations are governed by a robust regulatory framework to ensure financial stability, compliance, and alignment with national economic objectives. Our key regulators include the 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. Through strict adherence to these regulatory frameworks, we uphold transparency, accountability, and financial discipline, ensuring our continued contribution to Sri Lanka's economic growth and development.

Inclusion to strategy

Regulators and Government institutions value creation Table 9

Value expectation	YoY change %	Impact	2024	2023
Total CAR (%)	662 bps	+	**25.88**	19.26
NSFR (%)	1,304 bps	+	**193.53**	180.49
All currency LCR (%)	5,084 bps	+	**344.55**	293.71
Leverage ratio	177 bps	+	**8.00**	6.23
Tax paid (Rs. Bn.)	1,318.8	+	**19.5**	(1.6)
Incidents of non-compliance	No change	+	**None**	None

Key topics and concerns	How we respond
Regulatory compliance	Timely compilation of reports in line with directions and regulations
Timely return submission and reporting	Timely reporting
Consumer data protection	PCI DSS, Data Leakages Prevention, ISO 27001:2013 (Intellectual capital pages 120 to 127)
Financial inclusion	Financial literacy programmes for women
Digitalised financial services	Introduction of digital banking products
Stability of financial systems	Aligning with national policy frameworks

Approach to stakeholder engagement

- Directives and circulars — As required
- Inspections (on-site and off-site) — As required
- Meetings — As required
- Returns/regulatory reporting — Ongoing
- Interviews — As required

Engagement frequency

Annually | Quarterly | Monthly | As required | Ongoing

Quality of relationship

★★★★☆

Related material matters

1. Transformative political shift
2. Macroeconomic stability and growth
3. Asset quality and growth
4. Financial sustainability
5. Enhanced customer expectations
11. Cyber threat and information security
13. Financial crimes
15. Excellence in governance and regulatory engagements

Related capitals

FC IC SRC

Link to UN SDGs

8, 9, 11, 12, 16

Business partners

Our business partners play a vital role in enhancing our service delivery, expanding financial inclusion, and supporting national economic development. Our key business partners include Technology and Fintech Partners, Correspondent Banks and Financial Institutions, Insurance and Investment Partners, and other suppliers.

Inclusion to strategy

Business partner value creation

Table 10

Value expectation	YoY change %	Impact	2024	2023
Spent on local procurement (Rs. Bn.)	87.5	+	**3.0**	1.6
IT procurement (Rs. Mn.)	483.1	+	**2,044.2**	350.6
Non-compliance	No change	+	**None**	None

Key topics and concerns	How we respond
New technological advancements	Continuous upgrading of technology
Transparency in transactions	Maintaining transparency in transacting
Timely payments	Effecting payments in timely manner
Performance under contract	Fulfilling contractual obligations on time

Approach to stakeholder engagement

- Tender procedures
- Meetings
- Continuous communication

Engagement frequency

Annually | Quarterly | Monthly | As required | Ongoing

Quality of relationship

Related material matters

- 3 Asset quality and growth
- 4 Financial sustainability
- 10 New technological advancements
- 11 Cyberthreat and information security
- 15 Excellence in governance and regulatory engagements

Related capitals

FC IC SRC NC

Link to UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Society and environment

Our purpose transcends the boundaries of traditional financial services, embracing a deeper responsibility to drive meaningful and lasting change. We are dedicated to fostering sustainable social and environmental progress, empowering communities, supporting inclusive growth, and championing environmental stewardship as integral pillars of our mission. Through this broader role, we strive to create value that endures across generations.

Inclusion to strategy

Society and environment value creation

Table 11

Value expectation	YoY change %	Impact	2024	2023
Water consumption (m^3)	15.1	+	**62,744**	73,895
Energy consumption (GJ)	7.4	–	**32,883**	30,621
Non-compliance	No change	+	**None**	None
Green finance (Bn.)	100.0	+	**4.0**	–
Financial literacy programmes	8.6	+	**985**	907

Key topics and concerns	How we respond
Financial inclusion	Financial literacy programmes for women
Community development	CSR activities carried out throughout the year
Ethical banking and governance	Well established ethical banking and governance practices
Green financing	Financed green projects
Operational sustainability	Embedding sustainability to every aspect of our business operations

Approach to stakeholder engagement

- Public events
- One-to-one communication
- Meetings with public authorities
- Press releases and social media
- CSR activities

Engagement frequency

Annually · Quarterly · Monthly · As required · Ongoing

Quality of relationship

★★★☆☆

Related material matters

1 Transformative political shift
2 Macroeconomic stability and growth
4 Financial sustainability
5 Enhanced customer expectations
6 Growing influence of social media
7 Talent retention and management
10 New technological advancements
14 Climate change and environmental resilience
15 Excellence in governance and regulatory engagements

Related capitals

FC MC HC IC SRC NC

Link to UN SDGs

Our sustainability framework

GRI 2-2, 22

At the National Savings Bank, sustainability is a cornerstone of our corporate strategy, driving long-term value creation for stakeholders while ensuring responsible financial operations. Our Sustainability Framework is designed to integrate Environmental, Social, and Governance principles into every aspect of our business, ensuring that we remain resilient, inclusive, and aligned with national and global sustainability goals. This framework is built on three key pillars: sustainable finance and inclusive growth; operational sustainability and environmental responsibility; and governance, risk management, and ethical leadership. Through these focus areas, we aim to promote green financing, financial inclusion, digital transformation, and ethical business practices, ensuring that our banking services contribute positively to the economy, society, and environment. By embedding sustainability into our decision-making, we strengthen our role as a responsible financial institution committed to national progress and global best practices.

Sustainability governance and leadership GRI 2-14

A robust governance structure is essential for the successful implementation of our sustainability agenda. At NSB, sustainability governance is driven by the Board of Directors, which provides strategic oversight to ensure that ESG considerations are effectively integrated into our corporate strategy. The Corporate Sustainability Committee, composed of senior executives, is responsible for evaluating, monitoring, and implementing sustainability initiatives across all business functions. Additionally, our risk, audit, and compliance teams work in collaboration to ensure that sustainability-related risks are identified and managed proactively. This governance structure promotes transparency, accountability, and ethical leadership, ensuring that sustainability remains at the heart of NSB's operations.

"At National Savings Bank, sustainability is at the core of our long-term vision, driving economic growth, environmental responsibility, and social well-being. We are committed to integrating Environmental, Social, and Governance principles across our operations, ensuring responsible banking practices that create lasting value. Through green financing, financial inclusion, and ethical governance, we align with national priorities and global sustainability goals while preparing for evolving regulatory frameworks like SLFRS S1 and SLFRS S2. By investing in digital transformation, enhancing risk management, and fostering a culture of accountability, we strive to build a resilient, inclusive, and environmentally responsible financial future for Sri Lanka".

Ms Shashi Kandambi
General Manager/CEO

Figure 7

Risk management and sustainability

As sustainability-related risks become increasingly significant, we have strengthened our Integrated Risk Management (IRM) framework to incorporate ESG risks. Climate-related financial risks, regulatory changes, social inequalities, and governance challenges are continuously assessed to mitigate potential disruptions. Climate risk assessments help evaluate exposure in our lending portfolio, while regulatory risk mitigation strategies ensure full compliance with evolving sustainability regulations. Additionally, social and reputational risks are managed through active engagement with stakeholders and by maintaining ethical banking practices. Through this proactive approach, NSB enhances its long-term financial stability while safeguarding stakeholder interests against ESG-related challenges. Refer risk management report on page 154 for further details.

Sustainable finance and products

Sustainable finance is a cornerstone of NSB's commitment to responsible banking. We are continuously expanding our portfolio of green and sustainability-linked financial products, ensuring that our lending and investment decisions contribute to environmental and social well-being. Our green loan schemes provide financing for renewable energy projects, while our financial inclusion programmes focus on extending banking services to rural and underserved communities. By aligning our products with sustainability goals, we support economic development while ensuring a positive environmental and social impact. Refer to the Natural Capital discussion on page 148 for further details.

Operational sustainability

At NSB, operational sustainability is a key focus area, as we strive to minimise our environmental footprint through efficient resource management and eco-friendly banking practices. Our energy efficiency initiatives include transitioning to solar-powered branches and optimising electricity consumption across our operations. We have also accelerated our digital transformation journey, promoting paperless banking through mobile banking solutions, e-statements, and automated transaction systems. Additionally, we have introduced sustainable procurement policies to ensure that our supply chain aligns with our environmental and social commitments. These efforts not only support Sri Lanka's national climate action agenda, but also enhance cost efficiency and operational excellence within the Bank. Refer Natural Capital discussion on pages 146 to 151.

Stakeholder engagement and transparency

Sustainability at NSB is driven by strong relationships with our stakeholders, including customers, employees, shareholder/investors, regulators and Government institutions and the wider community. Our stakeholder engagement strategy is focused on transparency, inclusivity, and long-term value creation. We actively engage with our customers through financial literacy programmes and responsible banking initiatives, ensuring that they are equipped with the knowledge to make sustainable financial decisions. For employees, we promote diversity, inclusion, and well-being programmes to foster a positive and productive work environment. We also maintain open communication with shareholder/investors and regulators, through comprehensive ESG reporting and ethical governance practices. Additionally our community engagement efforts including CSR programmes in education, healthcare, and rural development reinforce our role as a socially responsible corporate citizen. Refer Stakeholder Engagement discussion on page 52 and the Community Capital discussion on pages 143 to 145.

Sustainability reporting and compliance

At NSB, transparency and accountability are fundamental to our sustainability efforts. We adhere to both international and national ESG reporting frameworks, ensuring that our sustainability initiatives are effectively measured, monitored, and disclosed. Our reporting aligns with the Sri Lanka Sustainable Banking Principles (SLSBP), Global Reporting Initiative (GRI) Standards, and the United Nations Sustainable Development Goals (UN SDGs). By maintaining comprehensive sustainability disclosures, we provide stakeholders with clear insights into our progress, commitments, and long-term sustainability strategies.

Regulatory compliance is central to our sustainability agenda, ensuring that NSB operates in alignment with both local and global financial regulations. We are fully committed to adhering to the Central Bank of Sri Lanka's guidelines, financial sustainability policies, and ESG-related directives. Our internal governance framework reinforces anti-corruption policies, ethical banking, and responsible investment principles, ensuring that sustainability and corporate integrity remain at the heart of our business. By continuously monitoring regulatory developments and adapting our strategies accordingly, NSB remains a trusted, future-ready financial institution, committed to responsible banking and risk management.

Our sustainability framework

Readiness for SLFRS S1 and SLFRS S2 Compliance

As Sri Lanka moves towards adopting the SLFRS S1 and SLFRS S2 sustainability reporting standards, NSB has taken proactive measures to ensure compliance and strengthen its sustainability disclosures. Introduced by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) in collaboration with the International Sustainability Standards Board (ISSB), these standards align with global frameworks such as the Global Reporting Initiatives (GRIs) and Sustainability Accounting Standards Board (SASB) Standards, making sustainability reporting more structured and mandatory.

To enhance transparency, risk management, and regulatory compliance, NSB has strengthened its ESG data collection systems, ensuring the accuracy and consistency of sustainability disclosures. Additionally, our teams are undergoing training and capacity-building programmes to stay abreast of evolving regulatory requirements.

Compliance with SLFRS S1 and SLFRS S2 is essential for fostering sustainable growth, improving investor confidence, and mitigating financial risks associated with climate change. By embracing these standards, NSB reinforces its commitment to responsible banking, regulatory alignment, and long-term resilience, contributing to a more stable and sustainable financial ecosystem.

SLFRS S1

General requirements for disclosure of sustainability-related financial information

Defines the overarching requirements for organisations to disclose information on their sustainability-related risks and opportunities. This information is intended to assist primary users of general-purpose financial reports in making informed decisions about allocating resources to the entity.

SLFRS S2

Climate-related Disclosures

Establishes the requirements for identifying, measuring, and disclosing information on climate-related risks and opportunities. This information is designed to assist primary users of general-purpose financial reports in making informed decisions about allocating resources to the entity. SLFRS S2 is built upon the framework of the TCFD.

Time plan for adoption

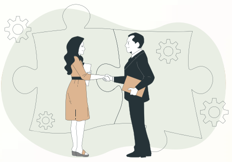
- **Mid-2025:** Obtain Board approval for implementation of SLFRS S1 and SLFRS S2 and initiation of groundwork.
- **End-2025:** Gap Assessment, Materiality Assessment and Capacity Building.
- **Mid-2026:** Financial Impact Assessment and Sustainability Policy Framework.
- **End-2026:** Implementation of the Roadmap.

Our adoption timeline for SLFRS S1 and SLFRS S2 falls on 1st January 2030 under "All other specified Business Enterprises in Sri Lanka as specified in the Accounting and Auditing Standards Act No. 15 of 1995".

How we integrate ESG into strategy

Sustainability is not just a standalone initiative at NSB, it is deeply embedded in our long-term corporate strategy. Our lending and investment decisions prioritise green and responsible finance, ensuring that sustainability considerations are integrated into credit risk assessments and financial product development. Additionally, our digital transformation initiatives are designed to reduce our carbon footprint and improve service efficiency, while our governance framework ensures that ethical business practices guide our operations. By incorporating sustainability into our core decision-making processes, NSB enhances resilience, profitability, and long-term stakeholder confidence.

Our sustainability framework

Our strategic pillars	Environmental integration	Social integration	Governance integration
Customer centricity 	✓ Promoting green banking through eco-friendly financial products: corporate loans for renewable energy projects, solar loans for retail customers. ✓ Encouraging paperless banking and digital service adoption. ✓ Providing eco-friendly branch designs.	✓ Expanding financial inclusion for underserved communities. ✓ Enhancing customer education on sustainable financial practices.	✓ Ensuring ethical banking practices and transparent customer policies. ✓ Strengthening data security and privacy in digital banking.
Promoting organic growth 	✓ Integration of sustainability-linked loans and green finance into growth strategies. ✓ Reduction of the operational carbon footprint of new branches.	✓ Expanding financial inclusion in underserved communities. ✓ Supporting local community development projects.	✓ Integrate ESG factors into strategic planning and decision-making. ✓ Report on sustainability performance in annual report. ✓ Ensure compliance with environmental regulations. ✓ Strengthening governance frameworks to ensure responsible expansion.
Enhancing employee engagement 	✓ Continuous encouragement for eco-friendly practices, driving a workplace culture that values sustainability. ✓ Welcoming ideas and initiatives that promote energy efficiency, waste reduction, and resource conservation. ✓ Provide training on environmental awareness.	✓ Promote diversity and inclusion in the workplace. ✓ Focus on employee well-being and work-life balance. ✓ Strengthening training and development to build a sustainability-conscious workforce.	✓ Implementing ethical Human Resource policies, fair employment practices, and governance-driven decision-making. ✓ Ensuring transparent leadership and fostering a culture of accountability.
Reinforcing risk culture 	✓ Incorporate climate-related risks into risk assessments. ✓ Assess the environmental impact of lending and investment portfolios. ✓ Develop climate scenario analysis.	✓ Assess social risks related to lending and investment activities. ✓ Ensure compliance with labour and human rights standards. ✓ Promote ethical lending practices.	✓ Strengthening ESG risk governance and compliance with evolving sustainability regulations. ✓ Aligning risk management policies with global sustainability reporting standards (SLFRS S1 and SLFRS S2, and TCFD).
Accelerating digital transformation 	✓ Enhancing paperless transactions and eco-friendly banking platforms. ✓ Promoting digital financial literacy.	✓ Promoting digital financial literacy among all customer segments. ✓ Expanding digital banking access to rural and underserved communities. ✓ Using digital platforms for community engagement and education. ✓ Ensuring data privacy and security.	✓ Implement robust cybersecurity measures. ✓ Ensure digital platforms comply with accessibility standards. ✓ Transparently report on data usage and security practices.
Sustainability 	✓ Reduce Greenhouse Gas (GHG) emissions. ✓ Conserve water and energy. ✓ Promote sustainable procurement. ✓ Invest in renewable energy projects.	✓ Promote financial inclusion. ✓ Support community development. ✓ Ensure employee well-being. ✓ Promote diversity and inclusion.	✓ Established a sustainability committee. ✓ Integrate ESG into risk management. ✓ Report on sustainability performance. ✓ Ensure ethical business practices.

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 accessment 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 27 to 31

P E S

Figure 8

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 440

Outcomes

- Profit before tax – Rs. 26.4 Bn.
- Profit after tax – Rs. 16.3 Bn.
- Interest paid – Rs. 130.9 Bn.
- Contribution to the Government Rs. 19.7 Bn.

- Branch relocations – 1
- Capital expenditure – Rs. 3 Bn.
- Software acquisition – Rs. 2 Bn.
- Branch network – 262
- ATMs/CRMs – 417

- Motivated and engaged workforce
- Personnel expenses – Rs. 20.3 Bn.
- Professionally qualified employees – 531
- Higher retention rate – 96.2%

- Active customer accounts – 10.4 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

Statement of capital distribution

	2024	2023	2022	CAGR %	Initiatives driving capital formation
FC Financial capital					Delivering consistent financial performance, optimising asset growth, and ensuring prudent capital management, thereby enhancing long-term returns and strengthening stakeholder confidence.
Cash and cash equivalents (Rs. Bn.)	**8.4**	9.5	8.7	(2.17)	
Deposits from customers (Rs. Bn.)	**1,556.3**	1,482.5	1,476.7	2.66	
Borrowings (Rs. Bn.)	**65.6**	94.4	44.6	21.28	
Share capital and reserves (Rs. Bn.)	**98.8**	81.4	72.9	16.45	
Net interest margin (%)	**4.23**	1.79	2.03	–	
Return on average shareholder’s equity (ROE) (%)	**18.07**	9.36	3.40	–	
Return on average assets (ROA) (%)	**1.54**	0.26	0.28	–	
MC Manufactured capital					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.
Property, plant and equipment (Rs. Bn.)	**20.6**	19.2	16.7	11.12	
Capital expenditure (Rs. Bn.)	**3.0**	1.6	0.9	83.29	
Number of branches	**262**	262	262	–	
Number of ATM/CRMs	**417**	417	390	–	
Total operating income per branch (Rs. Mn.)	**291.4**	131.1	129.1	50.24	
Profit per branch (Rs. Mn.)	**100.9**	16.4	17.2	142.09	
HC Human capital					Investing in employee development, fostering a culture of inclusivity and performance, and promoting leadership excellence, ensuring a skilled, motivated, and future-ready workforce.
Total employees	**4,212**	4,358	4,528	–	
Revenue per employee (Rs. Mn.)	**49.3**	53.3	38.5	13.09	
Profit per employee (Rs. Mn.)	**6.3**	1.0	1.00	151.01	
Retention ratio (%)	**96.23**	96.30	98.10	–	
Total training hours	**29,165**	52,630	22,603	–	
Young blood in decision-making positions (Number of employees)	**202**	191	241		
Women leadership (Number of employees)	**241**	257	269		
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.)	**2.2**	0.7	0.8	70.95	
Brand value (Rs. Bn.)	**N/A**	23.0	30.4	–	
Credit rating	**AAA**	AAA	AAA	–	
Employees over 10 years of service	**1,895**	1,916	1,648	–	
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.)	**19.7**	(1.6)	5.3	93.34	
Number of cards in use	**1,171,547**	1,147,651	2,203,309	–	
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	**32,883**	30,621	29,218	–	
Water consumption – m^3	**62,744**	73,895	70,430	–	
Exported to the national grid – kWh	**467,762**	461,584	344,347	–	

Table 12

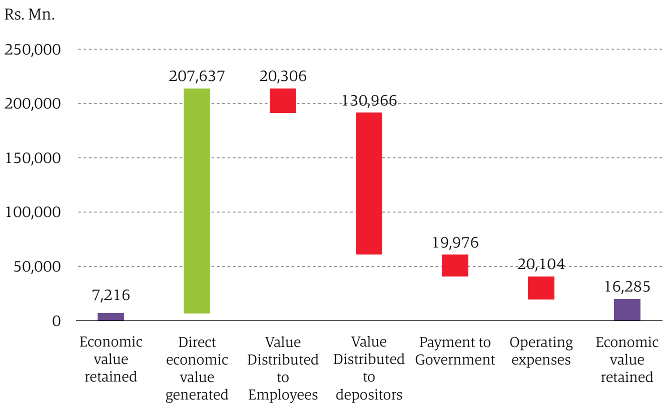
Economic value added statement GRI 201-1

	2024 Rs. Mn.	2023 Rs. Mn.
Direct economic value added		
Interest income	203,748	226,967
Fee and other income	2,079	1,593
Other income	1,810	3,504
Economic value generated	207,637	232,064
Economic value distributed		
To employees		
Salaries and other payment	20,306	16,110
	20,306	16,110
To providers of external funds		
Interest expenses	130,966	197,402
	130,966	197,402
Payment to Government		
Consolidation fund/dividend	–	–
VAT, SSCL and Income tax	19,493	(1,628)
Special fees paid	320	320
Contribution to National Insurance Trust Fund	163	–
	19,976	(1,308)
Operating cost		
Impairment for loans and other losses	11,206	4,259
Other expenses	9,060	8,384
	20,104	12,643
To expansion and growth	16,285	7,216
Total value allocated	191,352	224,848

Table 13

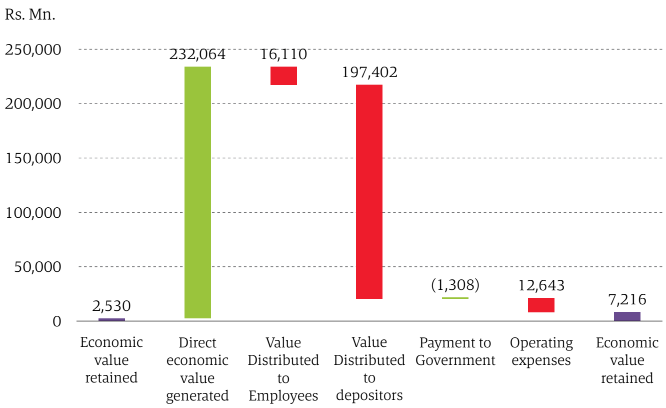
Economic value generated and Distributed – 2024

Graph 10



Economic value generated and Distributed – 2023

Graph 11



Strategy and resource allocation

At National Savings Bank value creation is deeply embedded in our business model, ensuring financial stability, stakeholder confidence, and long-term economic growth. As a state-owned financial institution, our core strength lies in delivering secure, inclusive, and sustainable banking solutions while upholding our mandate to promote financial inclusion and national economic resilience. Our ability to generate value stems from our unique value proposition, strategic initiatives, and responsible banking practices, making NSB a trusted partner for individuals, businesses, and the economy at large.

Our unique value proposition: 100% explicit government guarantee

A defining pillar of NSB's unparalleled trust and stability is the 100% explicit government guarantee on all deposits and accrued interest thereon, making us the only financial institution in Sri Lanka with the sovereign-backed assurance. This guarantee safeguards customer funds, reinforcing absolute financial security and positioning NSB as the most reliable savings and investment partner in the country. With this government-backed assurance, we not only offer peace of mind to depositors but also contribute to maintaining public trust in the financial system, ensuring long-term financial stability.

Value creation through our strategic approach

We generate value by integrating financial strength, customer-centricity, and sustainability-driven banking, ensuring that our operations benefit all stakeholders. Our value creation model focuses on:

Trust, security and stability: With 100% state-backed protection on deposits, we offer customers an unrivalled level of security, fostering long-term relationships and deposit growth.

Financial inclusion and accessibility: Through postal banking, branch expansion, and digital banking solutions, we ensure that banking services reach every segment of society, especially underserved community.

Sustainable and responsible banking: We prioritise green financing, ethical lending, and ESG-driven investment decisions, reinforcing our role in Sri Lanka's economic and environmental sustainability.

Innovation and digital transformation: By enhancing digital banking capabilities, we improve customer convenience, operational efficiency, and financial accessibility.

Strong governance and risk management: Adhering to robust risk frameworks, regulatory compliance, and ethical banking practices, we ensure long-term resilience and financial integrity.

By leveraging our sovereign-backed guarantee, strategic banking initiatives, and commitment to sustainability and innovation, NSB continues to create long-term value, strengthen stakeholder trust, and drive economic progress, reinforcing its position as Sri Lanka's safest and most reliable financial institution.

Despite the economic crisis, we demonstrated financial strength, stability, and prudent growth in 2024, remaining resilient through our six strategic pillars, which are aligned with our vision, mission, and purpose.

Our blueprint for strategic planning: A structured framework

The strategic planning process is pivotal in ensuring that NSB remains agile, efficient, and responsive to both internal and external challenges. It provides the framework for achieving our long-term objectives, aligning resources effectively, and adapting to changes in the banking environment. This blueprint outlines our approach to strategic planning, designed to drive sustainable growth, profitability, and operational excellence.

Integrated strategic planning process

At NSB, our integrated strategic planning process is designed to create a unified framework for decision-making that aligns every part of the organisation toward common goals. This process ensures that all functional areas; financial, operational, marketing, human resources, and technology are strategically aligned and working towards the same objectives. This integrated approach enables us to leverage synergies across different departments, enhance communication and collaboration and consistency in strategic direction across all levels of the Bank. The integrated process links long-term strategic goals with the short-term objectives and operational plans, ensuring that our strategic actions are coherent, measurable, and effective.

The Board of Directors plays a pivotal role in shaping the future of the Bank by defining its strategic direction and establishing overarching corporate objectives. Entrusted with the responsibility of governance, the Board provides visionary leadership, aligning long-term goals with the Bank's core values and market realities. Through careful deliberation and informed decision-making, it ensures that NSB not only adapts to an ever-evolving business landscape but also thrives within it. By setting clear priorities and guiding executive management, the Board safeguards the interests of shareholder while fostering sustainable growth and innovation.

Key phases of the integrated strategic planning process

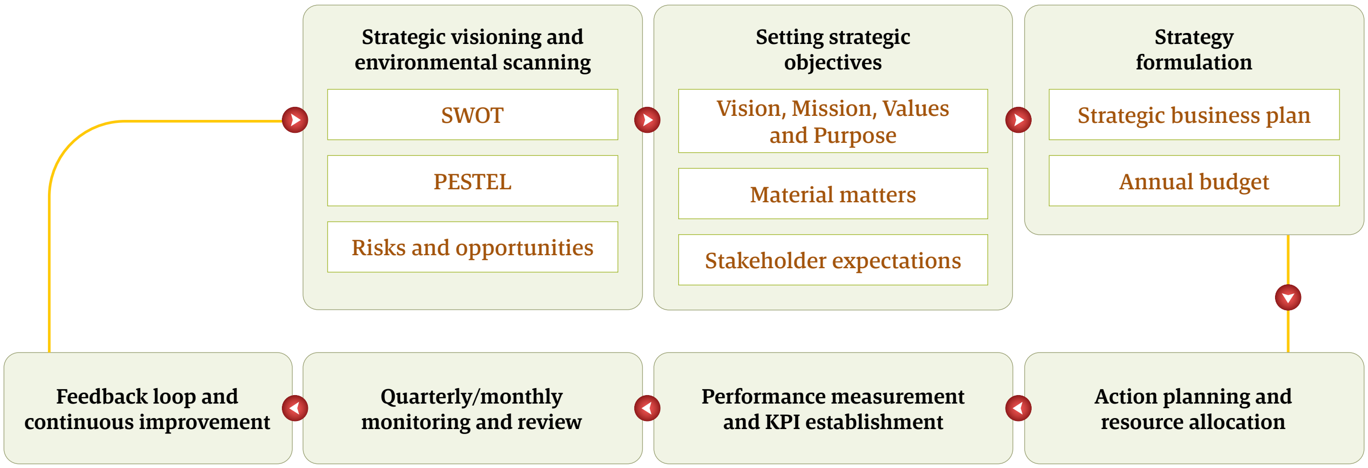


Figure 9

SWOT-led lens on internal excellence

Strengths

- 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.

Weaknesses

- 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.

Opportunities

- 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.

Threats

- 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.

Strategic pillars

Customer centricity

We are committed to a customer-centric approach, placing the needs of our clients at the heart of our operations.

By continuously enhancing our products, services, and digital banking capabilities, we aim to deliver seamless, secure, and accessible financial solutions. Our dedicated customer service initiatives, feedback-driven improvements, and financial inclusion strategies ensure that we cater to diverse customer segments, fostering long-term relationships and trust.

Promoting organic growth

Promoting organic growth is at the core of our strategy to build sustainable, long-term value from within.

By harnessing our internal strengths, we focus on enhancing operational efficiencies, deepening customer relationships, and innovating our product offerings. This approach is driven by a commitment to continuous improvement optimising processes, investing in digital transformation, and cultivating a dynamic, agile workforce. By leveraging our existing assets and market position, we aim to capture incremental gains that collectively foster robust expansion, ensuring that our growth is not only profitable but also resilient and aligned with our long-term strategic vision.

Enhancing employee engagement

Enhancing employee engagement is central to our vision of cultivating an innovative, agile, and empowered workforce.

Our strategy embraces a holistic approach that intertwines comprehensive talent development, open communication, and transparent leadership. By investing in robust training programmes, advanced collaboration tools, and personalised career development pathways, we create an environment where employees feel valued, heard, and motivated to contribute their best. Leveraging data-driven insights, we continuously refine our performance management and feedback systems to ensure that every voice influences our collective direction. This dynamic and inclusive culture not only fosters individual growth and satisfaction but also drives the organisation's sustained success, innovation, and competitive edge.

Reinforcing risk culture

Reinforcing risk culture is fundamental to our commitment to sustainable excellence and operational integrity.

Our strategy involves embedding a vigilant, data-driven risk management framework throughout the Bank, where advanced analytics, robust internal controls, and continuous training initiatives converge to create a proactive risk-aware environment. This comprehensive approach ensures that potential threats are identified early, mitigated effectively, and communicated transparently, thereby bolstering stakeholder confidence and safeguarding our assets. By cultivating a culture where risk management is integral to every decision, we not only enhance our resilience in an increasingly complex financial landscape but also uphold the highest standards of ethical and regulatory compliance.

Accelerating digital transformation

At the forefront of our transformation agenda is the strategic imperative to accelerate digitalisation, enabling us to redefine customer experiences and operational efficiency.

By harnessing cutting-edge technologies and agile digital platforms, we are building a resilient and future-ready IT ecosystem that drives innovation and fosters seamless, data-driven decision-making. Our commitment to digitalisation is reflected in robust investments in cloud computing, advanced analytics, and cybersecurity, ensuring that our services remain adaptive and secure. This proactive approach not only streamlines internal processes but also empowers our workforce and enhances our competitive edge, positioning us to anticipate market shifts and meet evolving customer expectations.

Sustainability

Sustainability lies at the heart of our long-term vision, harmonising growth with environmental stewardship and social responsibility.

We are dedicated to integrating sustainable practices across all dimensions of our operations, from green financing and energy-efficient digital infrastructures to responsible resource management and community-focused initiatives. By aligning our business model with global sustainability frameworks and ESG principles, we are reducing our ecological footprint while fostering inclusive economic development. Our strategic commitment to sustainability is further evidenced by innovative product offerings, sustainable investment opportunities, and robust corporate social responsibility programmes, all designed to generate enduring value for our stakeholders and contribute positively to society.

Resource allocation

Our approach to resource allocation is crafted to strategically align our financial, technological, and human capital investments with our long-term goals, ensuring sustainable growth and operational excellence. By prioritising initiatives that drive digital transformation, enhance customer experiences, and strengthen risk management, we maximise value creation while maintaining financial prudence. This holistic and dynamic strategy ensures an optimal balance between various resources, such as financial, human, technological, and environmental, while managing strategic trade-offs. By leveraging the six capitals, Financial, Manufactured, Intellectual, Human, Social & Relationship, and Natural, we ensure that every investment contributes to sustainable value creation and long-term resilience.

Key strategic enablers

Our key strategic enablers form the foundation that drives our long-term success, ensuring that our strategic priorities are effectively executed while fostering resilience and innovation. These enablers work in synergy, balancing operational efficiency, customer-centricity, and long-term sustainability, positioning the Bank as a leader in the evolving financial landscape.

Integrated digital infrastructure

Digital infrastructure serves as the backbone of our operations, enabling seamless service delivery, automation, and enhanced customer experiences through advanced analytics, data-driven decision-making, and cybersecurity.

Talent agility

Talent agility ensures that our workforce remains adaptive and future-ready, with continuous investment in leadership development, upskilling programmes, and a dynamic work culture that fosters innovation and collaboration.

Heightened governance standards

Governance rigour reinforces transparency, risk management, and ethical decision-making, ensuring regulatory compliance while maintaining stakeholder trust.

How the enablers apply across all strategies

Strategy	Integrated digital infrastructure	Talent agility	Heightened governance standards
Customer Centricity	Enables seamless customer experiences through digital platforms.	Empowers employees to swiftly adapt and respond to evolving customer needs.	Promote transparency, accountability, and trust to boost customer confidence and satisfaction.
Promoting Organic Growth	Supports scalability and operational efficiency.	Fosters a versatile and responsive workforce, enabling the Bank to quickly adapt and capitalise on opportunities.	Ensure ethical practices and risk management, fostering a stable environment that promotes organic growth.
Enhancing Employee Engagement	Provides digital tools for collaboration and training.	Fosters continuous learning and adaptability, empowering and engaging employees.	Promote transparency and accountability to boost employee trust, morale, and engagement.
Accelerating Digitalisation	Forms the backbone of digital transformation.	Encourages the workforce to quickly adapt to new technologies, driving swift and effective digital transformation.	Ensure secure and compliant digital transformation to confidently accelerate technology adoption.
Reinforcing Risk Culture	Enhances risk management through advanced monitoring.	Fosters risk culture by promoting employee adaptability and proactive risk management.	Ensure stringent compliance, accountability, and proactive risk management.
Sustainability	Facilitates energy-efficient operations and paperless banking.	Equipping employees to rapidly adopt and implement sustainable practices and technologies.	Promote responsible resource use and long-term environmental stewardship through ethical practices and robust oversight.

Strategic trade-offs

Strategic trade-offs are an inevitable aspect of decision-making, requiring a careful balance between competing priorities to achieve sustainable and long-term growth. Managing these trade-offs effectively ensures that financial performance, customer-centricity, digital transformation, risk management, and sustainability initiatives are aligned with the Bank's strategic vision. By evaluating trade-offs across the six capitals Financial, Manufactured, Intellectual, Human, Social and Relationship, and Natural, the Bank optimises resource allocation to enhance efficiency, resilience, and stakeholder value while mitigating risks.

A data-driven, technology-enabled, and governance-focused approach enables NSB to navigate challenges such as balancing short-term profitability with long-term investments, automation with human engagement, and compliance with agility. The broad trade-offs discussed below highlight the complexities of these strategic decisions, ensuring that each priority is carefully managed to maximise overall impact. Leveraging digital infrastructure, talent agility, and governance rigour, the Bank ensures that its strategies remain adaptive to evolving market dynamics. Through continuous assessment, performance monitoring, and strategic refinements, NSB strengthens its position as a financially sound, customer-focused, and socially responsible institution, fostering inclusive economic growth and long-term stakeholder trust.

Short-term gains vs long-term growth

Investing in innovation, sustainability, and digital transformation requires significant upfront capital and time, which may reduce immediate profitability. However, these investments lay the foundation for long-term competitiveness, resilience, and market leadership. Striking the right balance between achieving quick financial gains and making structural investments ensures that short-term performance does not come at the expense of future growth. The Bank is conscious that a short-sighted focus on immediate returns may lead to stagnation, while an overemphasis on long-term strategies without periodic profitability checks can create financial strain.

Operational efficiency vs customisation

Standardising processes and leveraging automation significantly improve operational efficiency, cost-effectiveness, and scalability. However, an overly rigid operational model may reduce the ability to offer personalised customer experiences or tailored employee benefits. On the other hand, prioritising customisation whether in products, services, or employee engagement may enhance stakeholder satisfaction but could lead to higher operational complexity, increased costs, and slower execution. The key challenge lies in designing flexible systems that maintain efficiency while allowing room for personalisation, where it delivers the most value.

Risk aversion vs innovation

A conservative risk management culture protects financial stability, strengthens governance, and enhances regulatory compliance - all of which are crucial for institutional trust. However, excessive risk aversion can hinder innovation, digital adoption, and expansion into new markets. Conversely, an overly aggressive approach to innovation without adequate risk controls can expose the Bank to financial, operational, and reputational risks. Striking the right balance ensures that entrepreneurial initiatives are encouraged while maintaining a disciplined approach to managing uncertainties and regulatory requirements.

Cost optimisation vs quality enhancement

Reducing costs through process automation, lean operations, and digital efficiencies improves financial performance and enhances profitability. However, aggressive cost-cutting measures may inadvertently compromise customer experience, employee satisfaction, or sustainability initiatives. Investing in quality service, robust employee training, and environmental sustainability initiatives may increase expenses in the short run but can drive brand loyalty, workforce engagement, and long-term reputation. The challenge is to optimise costs in a way that enhances efficiency without diminishing the value delivered to stakeholders.

Technology-driven growth vs human touch

Digital transformation enhances customer convenience, process automation, and data-driven decision-making, leading to higher efficiency and scalability. However, as banks transition to self-service models, chatbots, and AI-driven customer interactions, the risk of reducing human engagement in relationship-driven banking increases. While automation improves speed and accessibility, many customers particularly in traditional banking segments still value personalised service. Similarly, within the Bank, an over-reliance on digital tools without a human-centric culture may impact employee engagement and collaboration. The Bank always focuses on the ideal approach that combines technological advancements with meaningful human interactions where they add the most value.

Regulatory compliance vs agility

A strong compliance framework ensures transparency, ethical governance, and adherence to legal and regulatory standards, all of which are crucial for maintaining institutional integrity and stakeholder confidence. However, stringent regulatory requirements can slow down decision-making, limit business model flexibility, and create barriers to adopting disruptive innovations. An overly rigid compliance culture may stifle entrepreneurship and digital transformation, whereas an excessively flexible approach may expose the organisation to compliance risks and reputational damage. The key is to develop a proactive compliance strategy that aligns with agility, allowing for innovation while mitigating risks effectively.

Performance against strategy

Customer centricity

Our focus

We believe that a satisfied customer is at the heart of our operational excellence, driving our commitment to quality and continuous improvement.

Why it is important

In a competitive and fast-evolving banking environment, providing an exceptional customer experience is crucial for the Bank's long-term value creation and strengthening its market position.

Resource allocation

We allocate resources strategically, ensuring that investments align with customer needs, preferences, and expectations to heighten customer experience. This enhances customer experience effectively, driving satisfaction, loyalty, and long-term relationships with customers. We always prioritise investments that deliver tangible value and align with the Bank's overall strategic priorities and customer-centric vision.

Our progress

Table 14

	2024	2023	2022
Number of branches with disability access	**229**	229	229
Number of customer complaints	**492**	488	252
Customer touchpoints	**4,685**	4,685	4,648
Digital awareness programmes	**683**	2,703	547

Actions to achieve strategic priorities

- Implement action of a new core banking solution during the year to enhance and deliver a seamless banking experience to customers.
- Conduct data analytics through MIS to assess where the Bank can improve more to give a better customer experience.

Looking ahead

Long-term

- Continue to build a customer-first culture
- Leverage AI and machine learning for predictive analytics, proactive customer engagement, and fraud prevention.
- Implement an advanced Customer Relationship Management (CRM) system for data-driven, personalised interactions.

Short to medium-term

- Continue enhance customer service and experience.
- Strengthen digital and self-service capabilities.
- Promote financial literacy and inclusion.
- Optimise branch and omnichannel experience.
- Continue to personalise customer engagement.
- Improve complaint resolution and customer support.
- Develop green banking products and ESG-aligned investment opportunities.

Related stakeholders

Related capitals

FC MC HC IC SRC

Impacted UN SDGs

Related material matters

- 3 Asset quality and growth
- 4 Financial sustainability
- 5 Enhanced customer expectations
- 6 Growing influence of social media
- 7 Talent retention and management
- 8 Future proofing talent
- 10 New technological advancements
- 12 Growing requirements for digital literacy

Promoting organic growth

Our focus

Ensure sustainable and long-term development through the optimisation of internal resources and capabilities.

Why it is important

To drive financial inclusion, support national economic development, and ensure long-term shareholder value.

Resource allocation

We deliberately allocate our resources to green financing and ESG-compliant projects, digital banking solutions, and energy-efficient IT infrastructure and cloud-based solutions. We adopt carbon neutrality and waste reduction initiatives and allocate staff for compliance and regulatory reporting on sustainability.

Our progress

Table 15

	2024	2023	2022
Deposit market share (%)	**8.66**	8.55	9.23
NIM (%)	**4.23**	1.79	2.03
ROE (%)	**18.07**	9.36	3.40
Cost-to-income ratio (without tax) (%)	**38.72**	71.59	62.93
Profit per branch (before tax) (Rs. Mn.)	**100.88**	16.4	17.2

Actions to achieve strategic priority

- Revisit the fee structure of the Bank in deposits, lending, and international operations.
- Change the delegation of authority limits, improve information security in systems, and implement advanced IT solutions (new core banking system).

Looking ahead

Long-term

- Commit to a long-term green financing target.
- Develop affordable banking solutions for underserved communities.
- Partner with the Government to drive inclusive economic growth.
- Align with global sustainability frameworks like, GRI and UN SDGs.

Short to medium-term

- Launch green loan and investment products to support eco-friendly projects.
- Reduce carbon footprint by adopting energy-efficient practices in branches and offices.
- Conduct staff training on ESG principles and responsible banking.
- Enhance paperless banking and digital transformation to minimise waste.
- Increase CSR initiatives focused on education, entrepreneurship, and community development.

Related stakeholders

Related capitals

FC MC HC IC SRC NC

Impacted UN SDGs

Related material matters

1 Transformative political shift
2 Macroeconomic stability and growth
3 Asset quality and growth
4 Financial sustainability
5 Enhanced customer expectations
7 Talent retention and management
10 New technological advancements
11 Cyberthreat and information security
15 Excellence in governance and regulatory engagements

Enhancing employee engagement

Our focus

Ensure that employees remain motivated, agile, and aligned with the Bank's long-term vision.

Why it is important

An engaged workforce is essential in delivering superior banking services, adapting to digital transformation, and upholding a customer-centric approach.

Resource allocation

We strategically allocate resources to enhance employee engagement by investing in training and development programmes, employee well-being initiatives, performance-based rewards, and digital engagement tools. A portion of financial resources are directed towards leadership development, upskilling, and career progression opportunities, ensuring a future-ready workforce.

Our progress

Table 16

	2024	2023	2022
Employee turnover rate (%)	**3.8**	3.7	1.9
Average employee tenure (years)	**11.4**	10.6	9.8
Training and development hours per employee	**7.0**	12.2	5.0
Human Capital Return on Investment HCROI (Times)	**9.2**	13.4	11.6
Profit per employee (Rs. Mn.)	**6.3**	1.0	1.0
Voluntary turnover rate (%)	**2.5**	2.2	1.0
Internal promotion rate (%)	**12.6**	0.1	0.5

Actions to achieve strategic priority

- Identify and attract talent to NSB and continuing employee retention efforts.
- Provide access to courses, certifications, and tuition reimbursement.
- Share monthly/quarterly updates on the Bank's performance and goals.

Looking ahead

Long-term

- Launching regular employee engagement surveys to assess current satisfaction levels and identify key areas for improvement.
- Expanding learning and development opportunities by offering targeted skills training and leadership workshops.
- Strengthening internal communication through digital engagement tools and leadership Q&A sessions to improve transparency.

Short to medium-term

- Developing a leadership pipeline through structured succession planning and mentorship programmes.
- Integrating AI-driven HR analytics to personalise career development plans and enhance employee experiences.
- Continue to foster a culture of continuous learning, innovation, and cross-functional collaboration to empower employees and future-proof the workforce.

Related stakeholders

Impacted UN SDGs

4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

Related capitals

FC HC SRC

Related material matters

- 3 Asset quality and growth
- 4 Financial sustainability
- 5 Enhanced customer expectations
- 7 Talent retention and management
- 8 Future proofing talent
- 9 Employee health, safety, and well-being
- 15 Excellence in governance and regulatory engagements

Accelerating digitalisation

Our focus

Strive to transform the Bank's operations, enhance customer experiences, and redefine market offerings by swiftly embracing advanced technologies and digital solutions. This approach aims to optimise processes, improve efficiency, and foster innovation.

Why it is important

Digitalisation is crucial for a bank as it enhances efficiency, customer experience, and competitiveness while ensuring sustainable growth and regulatory compliance.

Resource allocation

The year 2024 was a year of digitalisation for National Savings Bank. We allocated more of our resources to the implementation of new core banking system, carried out cybersecurity enhancements, trained employees in digital skills, hired tech specialists, and fostered a digital-first culture. We concentrated on omnichannel banking, data analytics, and fintech partnerships.

Our progress

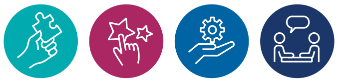
Table 17

	2024	2023	2022
Digitally enabled customers	**618,314**	401,812	351,658
Employee digital adoption index (%)	**98**	98	98
Data privacy breaches	**0**	0	0
NSB PayApp linked accounts	**553,389**	268,581	228,067

Actions to achieve strategic priority

- Implementation of the new core banking solution.
- Implementation of a new backup solution for all systems.
- Maintaining the PCI DSS certification.

Related stakeholders



Related capitals

FC MC HC IC SRC NC

Impacted UN SDGs

Looking ahead

Long-term

- Develop AI-powered chatbots and virtual assistants for 24/7 customer service.
- Strengthen cyber resilience with advanced security protocols and threat intelligence.

Short to medium-term

- Strengthen partnerships with fintechs and payment service providers.
- Continue to conduct cybersecurity awareness programmes for employees and customers.
- Implement digital compliance monitoring tools to meet regulatory standards.
- Expand digital banking services to underserved populations.
- Promote paperless banking and eco-friendly operations.

Related material matters

- 4 Financial sustainability
- 5 Enhanced customer expectations
- 10 New technological advancements
- 11 Cyberthreat and information security
- 12 Growing requirements for digital literacy
- 15 Excellence in governance and regulatory engagements

Reinforcing risk culture

Our focus

Ensure a proactive approach to identifying, assessing, and managing risks, which is crucial for maintaining stability and resilience in the banking industry.

Why it is important

A reinforced risk culture is not just a compliance exercise. It is a competitive differentiator that enables NSB to navigate uncertainty, uphold its societal role, and sustain its legacy as a trusted financial guardian.

Resource allocation

We dedicate resources to developing comprehensive training programmes on risk management, compliance, and ethical conduct while implementing leadership development initiatives that foster a strong risk-aware culture. Additionally, we invest in advanced technology solutions to enhance risk management processes, improve efficiency and effectiveness, and strengthen compliance monitoring programmes to ensure strict adherence to regulatory requirements and internal policies.

Our progress

Table 18

	2024	2023	2022
Number of regulatory breaches	**Nil**	Nil	Nil
Brand rating	**N/A**	7	5
Credit rating	**AAA**	AAA	AAA
Basel III – Total capital Ratio (%)	**25.88**	19.26	18.00
NSFR (%)	**193.53**	180.49	180.51
Leverage ratio (%)	**8.00**	6.23	7.43

Actions to achieve strategic priority

- Review the risk appetite framework during the year considering the Bank's strategy and the operating environment.
- Draft the triennial strategic business plan incorporating the Bank's strategy, risk, compliance, and the Bank's method of ensuring better responses to the changes in operating environment.

Looking ahead

Long-term

- Launch regular employee engagement surveys to assess current satisfaction levels and identify key areas for improvement.
- Expanding learning and development opportunities by offering targeted skills training and leadership workshops.

Short to medium-term

- Develop a leadership pipeline through structured succession planning and mentorship programmes.
- Continue to foster a culture of continuous learning, innovation, and cross-functional collaboration to empower employees and future-proof the workforce.
- Continue to embed employee engagement into corporate strategy, ensuring that people management practices align with NSB's long-term growth vision.

Related stakeholders

Impacted UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Related capitals

FC HC IC SRC

Related material matters

- 3 Asset quality and growth
- 4 Financial sustainability
- 11 Cyber threat and information security
- 13 Financial crimes
- 15 Excellence in governance and regulatory engagements

Sustainability

Our focus

Align with evolving global trends, regulatory demands, and stakeholder expectations. As environmental, social, and governance (ESG) concerns reshape the financial sector, NSB must adapt to remain competitive and compliant.

Why it is important

Positions NSB as a forward-thinking, responsible institution that is well-prepared to navigate the challenges of a rapidly changing world.

Resource allocation

We allocate resources for sustainability by investing in renewable energy projects, enhancing waste management systems, promoting water conservation technologies, and engaging employees in sustainability initiatives. These investments will help reduce the Bank's environmental footprint, promote long-term resource efficiency, and position NSB as a leader in sustainable practices.

Our progress

Table 19

	2024	2023	2022
Green financing portfolio – amount of loans granted (Rs. Mn.)	4,000	–	5.8
Renewable energy exported to national grid (kWh)	467,762	461,584	344,347
Employee diversity and inclusion: gender balance			
Male (%)	45	45	45
Female (%)	55	55	55

Actions to achieve strategic priority

- Promote digital banking and paperless processes.
- Offer loans and financing for sustainable projects.
- Implement programmes that promote employee health, safety, and work-life balance.
- Uphold the highest ethical standards in all business operations.

Looking ahead

Long-term

- Strengthen efforts to provide banking services to underserved and rural populations, reinforcing social sustainability.
- Introduce and promote green loans, sustainable investment products, and eco-friendly banking solutions.
- Establish clear ESG goals, targets, and reporting frameworks aligned with national and global sustainability standards.

Short to medium-term

- Expand sustainable finance offerings – Increase funding for renewable energy projects, sustainable agriculture, and socially responsible enterprises.
- Enhance sustainability disclosures, impact assessments, and reporting in alignment with SLFRS S1, SLRRS S2, and global standards.
- Invest in education, financial literacy, and entrepreneurship programmes to drive sustainable economic growth.

Related stakeholders

Related capitals

FC SRC NC

Impacted UN SDGs

Related material matters

9 Employee health, safety, and well-being

14 Climate change and environmental resilience

15 Excellence in governance and regulatory engagements

Integrated Report

Management discussion and analysis

Segmental review

Retail banking segment

GRI 203-2

Segment objectives

Retail banking remains the cornerstone of NSB's operations, serving as the key interface between the Bank and the general public. The overarching objective of this segment is to empower individuals and households across Sri Lanka by offering inclusive, accessible, and affordable financial services. NSB aims to:

- Mobilise national savings to support sustainable economic development.
- Deepen financial inclusion through targeted outreach and digital accessibility.
- Enable wealth creation and home ownership through responsible lending solutions.
- Promote financial literacy and foster lifelong banking relationships.

What we offer

The Bank's retail banking portfolio includes a comprehensive suite of products and services tailored to meet the diverse needs of its customer base.

- **Deposit products:** Savings accounts, fixed deposits, senior citizens' schemes, retirement accounts, youth accounts and minors' savings schemes.
- **Loan products:** Housing loans, personal loans, loans against deposits, pawning advances, auto loans, and staff loans.
- **Digital channels:** NSB Mobile, NSB PayApp, and NSB Digital Banking.

Contribution to the Bank

58.5%
Net operating income

27.2%
Segment assets

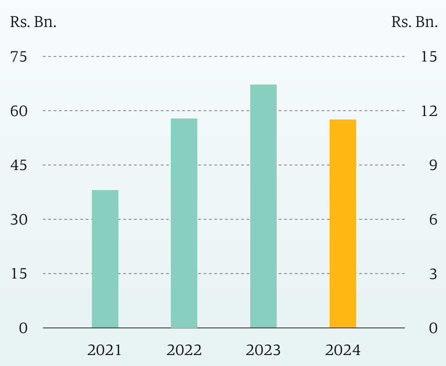
94.2%
Segment liabilities

Operating environment in 2024

Operating environment	Impact on NSB
Declining interest rates: CBSL's expansionary monetary policy reduced policy rates	Margin compression, increased competition for deposits, reduced customer appetite for deposits, and increasing appetite for retail credit.
Macroeconomic stabilisation: Improved inflation and exchange rate stability	Enhanced consumer confidence and creditworthiness, and renewed demand for housing and personal credit.
Surge in Digital Banking Demand	Surge in customer demand for mobile, cardless, and remote banking.
Rising cyber risks	Increased vulnerability of retail banking systems.
Demand for personalised financial solutions	Shift from standard to customised product expectations.
Stricter regulatory compliance (KYC, AML, data privacy)	Higher administrative burden and compliance risk.
Rising operating costs: Operational costs rose due to digital investments and inflation-linked service expenses	Increased pressure on cost-to-income ratio.

Key financial highlights

Interest income Graph 12



Loans and advances
Rs. 419 Bn.
2%

Deposits
Rs. 1,531 Bn.
5%

Segment strategies and risk and opportunities matrix

Strategic focus	Risks and opportunities	NSB's response
Promote homeownership finance	Risk of increased credit risk in low-income lending.	Strengthened the guidelines for appraisal and due diligence.
Expand digital adoption	Opportunity for higher margins via self-service channels.	Implementation of a new core banking system, and introduction of the Virtual Travel Card (VTC) and Smart Wallet in NSB PayApp under the Smart Card function.
Personal loan growth	Risk of elevated delinquencies in unsecured lending.	Tightened borrower risk profiling and monitoring via early warning systems, prioritised Pawning as the foremost lending product, focused more on personal loans backed by property mortgages, and debt collection was outsourced to facilitate the recovery of non-performing loans.
Enhance digital offerings	Cybersecurity threats.	Investment in fraud detection.
Expand customer base	Margin compression from rate cuts.	Focus on fee-based income and cross-selling.
Improve financial literacy	Low adoption in rural regions.	Deeper market penetration through outreach programmes.
Grow low-cost deposit base by increasing savings and fixed deposit share	Risk of rate-sensitive customer attrition, and the opportunity to enhance liquidity.	Increasing the promotion of savings accounts for youth and women-centric products, and digital engagement.

Resource allocation

The retail banking arm of NSB contributed to 27% of segmental assets and 94% of segmental liabilities for 2024.

- **Technology investments:** NSB has made significant investments in digital banking platforms such as NSB Mobile, API gateway development, and new core banking system implementation to enhance the customer experience.
- **Employee development:** NSB emphasised on training its workforce to adapt to technological advancements and evolving customer needs. This ensures that employees are well-equipped to deliver high-quality service.

Strategic initiatives for 2024

- The "NSB *Ran Themasa*" initiative was unveiled to bolster the Bank's pawning services by providing attractive gifts to pawning customers.
- To diversify its lending portfolio and promote foreign remittances, the Bank introduced property mortgage loans specifically designed for migrant workers.
- A seasonal loan programme, the "Festival Advance Loan Scheme," was launched to strategically cater to customer needs during the festive season.
- The Bank rolled out its EPOST product, deploying 20 mobile devices to post offices to enhance accessibility and operational efficiency.
- The T24 Core Banking system was successfully implemented, streamlining banking operations and improving service delivery.
- A 24-month Fixed Deposit Scheme, branded as "*Abhiman Samarum*," was introduced, offering a specialised long-term savings solution with attractive returns.
- A Solar Loan scheme was launched in collaboration with Hayleys Fentons, to support customers investing in renewable energy and advance sustainable development efforts.
- To commemorate its 52nd anniversary, the Bank introduced the "*Senehase Dayada*" special promotional programme. As part of this initiative, the Bank opened *Hapan* Children's Savings Accounts for all babies that were born between the 16th and 31 March 2024, with an initial deposit of Rs. 2,000, fostering a culture of savings from infancy.
- Weekend operations were reinstated at selected branches, with 39 branches open on Saturdays and 7 branches offering services on Sundays, providing customers with improved access and convenience.

Financial review

For the year ended 31 December	2024 Rs. Mn.	% of Total
Net interest income	47,861	65.8
Net operating income	38,090	58.5
Assets of the segment	476,386	27.2
Liabilities of the segment	1,557,461	94.2

Table 20

The deposits of the retail banking segment, along with loans and receivables, have demonstrated a consistent upward trajectory in recent years. While interest income has experienced a slight decline and impairments have risen due to the expansionary monetary policy stance, the retail division of NSB reflects a promising growth trajectory for the years ahead.

Dominant contribution to net interest income (NII): Retail Banking is the primary contributor to NSB's interest income, generating Rs. 47.86 Bn., which constitutes 65.8% of total NII. This underscores the segment's foundational role in interest earnings through its vast base of retail deposits and lending, particularly housing, pawning, and personal loans.

Leader in fee income: Retail banking leads NSB's total fee and commission income. This includes income from ATM and card services, digital banking fees, and account maintenance, reflecting the effectiveness of the Bank's digital and transactional services push. A 10% increase in fee income of card and digital banking was recorded for the year 2024.

Modest other income: The segment contributed for a 6.5% of the total other income of the Bank. This is related to gains from ancillary retail offerings, recovery income and indicates potential for broadening revenue sources.

Strong operational efficiency: Despite its large size, the net operating income stands at Rs. 38.1 Bn., comprising 58.5% of total segmental operating income. This indicates solid cost and income management amid scale-driven operations.

Balance sheet impact: Retail banking represents 27.2% of total assets, affirming its central role in loan book expansion and savings mobilisation. At the same time, it accounts for a significant 94.2% of total liabilities, reflecting the segment's dominance in deposit-taking which is a critical pillar for the Bank's funding structure.

The majority of retail lending disbursements for the year 2024 were for pawning, which contributed 29% of retail lending. Due to residual economic disruptions, demand for consumption loans declined in the industry as a whole and the Bank's retail lending portfolio recorded a marginal decline of 2%.

NSB holds 8.6% market share of savings and time deposits in the banking industry. Savings and time deposits mobilised by the retail banking segment have grown 5% in 2024 despite the rate cuts resulting from the expansionary monetary policy stance implemented by CBSL.

Outlook for 2025 and beyond

Focus area	Strategic direction
Full digital ecosystem rollout	Launch a unified digital banking ecosystem integrating savings, payments, investments, and credit.
Expanded affordable housing finance	Strengthen housing finance partnerships with government and private developers.
Enhanced personalisation via AI and analytics	Offer predictive banking tools and hyper-personalised product recommendations.
Deepened financial literacy and inclusion	Expand "Branch-on-Wheels" and youth empowerment programmes across provinces.
Retail segment profitability optimisation	Boost cross-selling, reduce delinquency rates, and grow non-interest income channels.

Corporate banking segment

GRI 203-1, 2

Segment objectives

The corporate banking segment at NSB plays a vital role in supporting large corporates, banks, financial institutions, and their subsidiaries, as well as state-owned enterprises by offering direct lending, loan syndication, and tailored debt solutions aligned with their business cycles and strategic goals. In 2024, the segment continued to enhance its contribution to national development by financing critical power and energy projects and the working capital needs of large corporates, while ensuring robust credit risk management and value creation.

The segment's core objectives include:

- Strengthening institutional relationships through bespoke financing structures.
- Enhancing sectoral exposure to infrastructure, renewable energy, etc.
- Driving fee-based income via structured lending and corporate financing.

What we offer

NSB's corporate banking suite is designed to provide comprehensive and customisable financial services for corporate clients, including:

- **Working capital finance:** Short-term loans, revolving credit facilities.
- **Term lending:** Medium to long-term loans for capital expenditure and project financing.
- **Structured finance:** Syndicated loans and tailor-made financing packages.
- **Public sector financing:** Loans to SOEs and government authorities.
- Investments in securitisations, private placements, and debentures.

Contribution to the Bank

30.3%
Net operating income

11.7%
Segment assets

3.9%
Segment liabilities

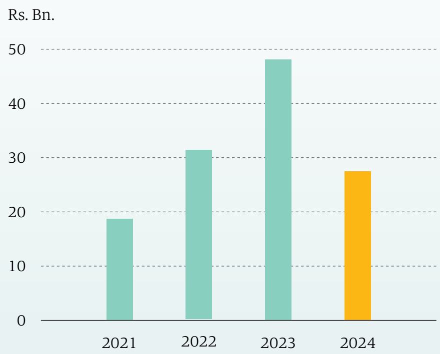
Operating environment in 2024

Operating environment	Impact on NSB
Post-crisis economic stabilisation	Increased credit demand for capital expansion and restructuring.
Rising demand in renewable energy and infrastructure	New lending opportunities in sustainable finance.
Declining interest rates: CBSL's expansionary monetary policy reduced policy rates.	Encouraged long-term borrowing and induced repayment cycles.
Regulatory capital requirements	Need for optimised risk-weighted asset allocation.

Key financial highlights

Interest income

Graph 13



Investments
Rs. 134 Bn.

Debt securities issued
Rs. 65 Bn.
174%

Loans and advances
Rs. 72 Bn.
19%

Segment strategies and risk and opportunities matrix

Strategic focus	Risks and opportunities	NSB's response
Sector-specific portfolio diversification	Risk of concentration in state-sector lending.	Introduced exposure ceilings as directed by CBSL and diversified exposure into the renewable energy sector.
Customised corporate credit structuring	Opportunity to support post-crisis recovery through tailored financing.	Launched structured loan products and syndicated loan arrangements.
ESG-aligned lending	Opportunity to tap green investments and sustainability-linked credit.	Continued the integration of ESG filters in project appraisals.

Resource allocation

The corporate banking arm of NSB contributed 12% of segmental assets and 4% of segmental liabilities for 2024.

- **Dedicated relationship teams:** Sector-focused corporate relationship managers for strategic accounts.
- **Credit risk expertise:** Strengthened industry-specific risk assessment through training and system support.
- **Marketing and outreach:** Resources were directed towards targeted campaigns to attract and retain corporate clients, emphasising NSB's expertise in delivering reliable and innovative financial solutions.

Strategic initiatives for 2024

- Successfully serving as the lead bank and trustee, the Bank concluded a wind power securitisation for Ceylex Renewables, under the brand name "Windscape Mannar."
- The corporate loan module of the new core banking system was successfully implemented, streamlining processes and enhancing efficiency in managing corporate loan operations.
- The delegation of authority levels for corporate loan approvals were elevated, optimising and expediting the loan approval process to achieve greater operational efficiency.

Financial review

For the year ended 31 December	2024 Rs. Mn.	% of Total
Net interest income	19,624	27.0
Net operating income	19,721	30.3
Assets of the segment	205,653	11.7
Liabilities of the segment	65,162	3.9

Table 21

Strong contribution to net interest income (NII): The corporate banking segment generated Rs. 19.62 Bn. in net interest income, contributing a significant 27.0% to the Bank's overall NII. This robust performance reflects effective pricing of credit facilities, optimised asset-liability management, and enhanced risk-based lending practices targeted at corporates.

Modest non-interest income: Fee and commission income represented a relatively small share of the total segment income. This reflects a moderate uptake, suggesting room for growth in structured fee-based products and cross-selling opportunities.

Decline in other income: The segment reported a negative other income indicating a loss component driven by provisioning adjustments tied to corporate exposures.

Operating income and asset share: Despite the dip in other income, corporate banking maintained a strong operational base, posting Rs. 19.72 Bn. in operating income accounting for 30% of total segmental profitability. The segment manages Rs. 205.7 Bn. in assets, comprising 11.7% of total assets, underscoring its growing importance in NSB's balance sheet mix.

Efficient liability management: Liabilities under the segment were Rs. 65.16 Bn., representing just 3.9% of total Bank liabilities. This indicates strong asset origination relative to funding obligations, and also signals a reliance on central or treasury-level funding for corporate lending operations.

Outlook for 2025 and beyond

Focus area	Strategic direction
Technology integration	Enhance digital platforms to streamline corporate banking operations and improve client experiences.
Risk management	Strengthen frameworks for credit evaluation, and the adoption of mathematical models to price securitisation facilities based on market rates, and risk mitigation to ensure portfolio stability.
Product innovation	Develop customised financial products, including sustainable finance solutions, to meet evolving client needs.
Employee development	Implement advanced training programmes to equip staff with the expertise required for complex transactions.
Sustainability initiatives	Expand green financing options to support environmentally conscious corporate investments.
Market expansion	Target growth in underpenetrated sectors and regions to diversify the client base and enhance profitability.

International banking segment

Segment objectives

The international banking segment of NSB is strategically positioned to support cross-border financial flows, foreign remittances, international trade finance, and correspondent banking relationships. The overarching objective is to facilitate Sri Lanka's economic integration with global markets while strengthening foreign currency inflows and supporting customers with international financial needs.

In 2024, the segment focused on:

- Enhancing remittance channels and correspondent banking partnerships.
- Expanding foreign currency deposit mobilisation and trade finance services.
- Supporting Sri Lankans overseas with secure and accessible banking solutions.
- Strengthening compliance with international anti-money laundering (AML) and combating the financing of terrorism (CFT) standards.

What we offer

- **Foreign currency accounts:** Personal Foreign Currency Account (PFCA), Business Foreign Currency Account (BFCA), Special Deposit Account (SDA) and Inward Investment Account (IIA) accounts in USD, EUR, GBP, AUD, and JPY.
- **Inward and outward remittances:** Via SWIFT, remittance partners, 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 services:** Global partnerships for multicurrency transactions.

Contribution to the Bank

3.2%
Net operating income

1.0%
Segment assets

1.6%
Segment liabilities

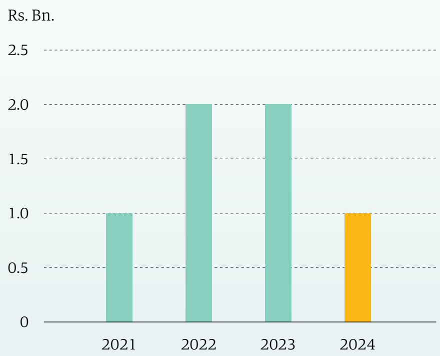
Operating environment in 2024

Operating environment	Impact on NSB
Economic uncertainty leads customers to Government banks	Increased preference for NSB as a trusted Government bank, boosting investments and deposit mobilisation.
High worker migration from Sri Lanka	Increased inward remittances, enhancing foreign currency reserves and deposit volumes.
Rising demand for overseas studies	Growth in outward remittances, creating demand for targeted financial products for students.
Increase in domestic tourism	Positive signalling for remittance market, fostering potential growth in tourism-related financial services.
Global remittance market opportunities in prominent countries	Opportunity to enhance inward and outward remittance services and mobilise deposits internationally.
Collaboration with Sri Lanka Post for international remittances	Expands customer engagement across various demographic levels through improved accessibility.

Key financial highlights

Interest income

Graph 14



Placements with banks

Rs. 15 Bn.

34% ↓

Deposits

Rs. 25 Bn.

6% ↓

Segment strategies and risk and opportunities matrix

Strategic focus	Risks and opportunities	NSB's response
Strengthen remittance ecosystem	Volatility in global labour markets, potential regulatory tightening	Improved relationships with exchange houses through NSB representatives and captured the foreign remittance market.
Expand correspondent banking relationships	Risk of de-risking by foreign banks.	Improved risk rating metrics and compliance transparency to sustain key correspondent ties.
Strengthen domestic market penetration	Growing competition from private banks, opportunity to leverage island-wide branch network.	Enhanced accessibility through branch-level digital solutions and customer-centric outreach programmes.
Enhance customer experience	Rising customer expectations for seamless digital and personalised banking services.	Rolled out advanced digital platforms.
Improve risk mitigation framework	Elevated credit risks and currency fluctuations.	Deployed advanced risk analytics and proactive monitoring systems to minimise exposure.

Resource allocation

The international arm of NSB contributed to 1.0% of segmental assets and 1.6% of segmental liabilities for 2024.

- **Technology investments:** Implementation of the new core banking system.
- **Compliance enhancements:** Developing detailed compliance reporting mechanisms for international transactions provides greater transparency and mitigates reputational risks.
- **Human capital development:** Continuous upskilling initiatives equip employees to leverage cutting-edge technology platforms in delivering enhanced international banking services.
- **Customer-centric initiatives:** Conducted business promotions through business promotion officers appointed overseas.
- As of 31 December 2024, the Bank was tied up with 28 exchange houses and 12 correspondent banks for our valued customers to send their money back to their families.

Financial review

For the year ended 31 December	2024 Rs. Mn.	% of Total
Net interest income	1,859	2.6
Net operating income	2,059	3.2
Assets of the segment	17,057	1.0
Liabilities of the segment	26,007	1.6

Table 22

In 2024, the international banking segment of NSB delivered a modest yet strategically relevant performance, aligned with its facilitative role in cross-border financial services, remittance inflows, and foreign currency operations. Though relatively small in terms of asset and liability contribution, the segment remains critical for the Bank's diversification and foreign exchange liquidity strategy.

Net interest income stood at Rs. 1,859 Mn. and contributed 2.6% of the Bank's total net interest income. This reflects income earned primarily from international lending, foreign deposit placements, and nostro accounts.

Net fee and commission income was primarily derived from remittance services, SWIFT-related charges, and correspondent banking fees.

Other income in this segment represented a 8.3% of the total other income of the Bank. The ratio highlights the importance of non-interest income from FX transactions and cross-border banking operations.

Net operating income was reported at Rs. 2,059 Mn., and accounted for 3.2% of the total, reflecting a healthy operational margin given the segment's lean cost structure.

Assets of the segment totalled Rs. 17,057 Mn., and contributed a minimal 1.0% to total Bank assets, emphasising the segment's limited asset-intensive operations.

Liabilities stood at Rs. 26,007 Mn. (1.6% of total liabilities), comprising mainly foreign currency obligations and balances from international partners.

We divested our foreign asset portfolio as a part of the Banks asset allocation strategy. The trust placed by the FC deposit holders with our prestigious bank remains constant, even through the economic storms. Earnings from international business also stagnated during the past few years due to a constrained promotional budget.

Outlook for 2025 and beyond

Focus area	Strategic direction
Market penetration	Establishing new partnerships with exchange houses, entering into strategic agreements with exchange houses and banks, fostering enhanced collaboration to streamline cross-border remittance services and expand operational reach.
Boost convenience, streamline transfers, and expand market reach	The creation of a dedicated remittance application designed to facilitate seamless, secure, and efficient cross-border transactions, offering users enhanced accessibility and a streamlined digital experience for managing international remittances.

Treasury and dealing segment

Segment objectives

The treasury and dealing segment serves as the financial nerve centre of NSB, focusing on the optimal management of liquidity, interest rate positioning, foreign currency reserves, and investment portfolios. Its primary mandate is to enhance returns on the Bank's investments while ensuring regulatory compliance, market risk mitigation, and systemic liquidity support to the broader financial system.

Key objectives for 2024 included:

- Maximising returns through strategic deployment of surplus funds in government and high-grade debt instruments.
- Ensuring sound foreign currency liquidity management amidst market volatility.
- Supporting the Bank's Asset-Liability Management (ALM) strategy through yield curve positioning and interest rate hedging.
- Strengthening the Bank's market-making capacity in primary and secondary Government Securities markets.

Operating environment in 2024

Challenges and trends	Impact on NSB
Declining interest rate environment	Mark-to-market opportunities on fixed-income securities.
Exchange rate appreciation and volatility	Forex revaluation gains, but compressed spreads.
Government debt restructuring programme	Investor sentiment improved in domestic bond market.

What we offer

- **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.

Contribution to the Bank

8.0%
Net operating income

58.3%
Segment assets

0.04%
Segment liabilities

Segment strategies and risk and opportunities matrix

Strategic focus	Risks and opportunities	NSB's response
Optimise investment portfolio yield	Risk of declining interest rates lowering reinvestment returns.	Realigned portfolio duration and rebalanced yield curves.
Strengthen FX dealing and trading	Risk from sharp currency movements; opportunity for proprietary trading gains.	Calibrated FX position limits, and improved pricing for customer conversions.
Deepen liquidity management tools	Risk of mismatched maturities or illiquid windows.	Enhanced short-term liquidity forecasting and ALM focus.
Enhance risk-adjusted returns	Opportunity to improve net interest income (NII) through optimal Treasury mix.	Adopted risk-based ALCO strategies for active yield and duration management.

Resource allocation

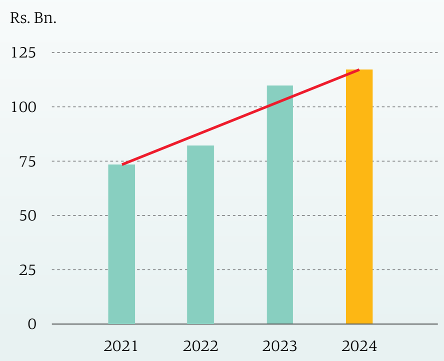
The treasury and dealing arm of NSB contributed to 58.3% of segmental assets and 0.04% of segmental liabilities for 2024.

- **Technology investment:** Initiated the implementation of a new Treasury Management System (TMS) for real-time position tracking and improved compliance.
- **Talent development:** Up-skilled dealing room staff on derivative pricing, macroeconomic modelling, and global market analysis, rotating staff across ALM, forex, fixed income, and money markets to develop multi-asset class expertise and cross-functional decision-making agility.
- **Infrastructure upgrade:** Enhanced connectivity with CBSL's RTGS and LankaSecure platforms, improving settlement efficiency and collateral management.

Key financial highlights

Interest income

Graph 15



Investments

Rs. 980 Bn.

10%

Risk and compliance strengthening

- Rolled out enhanced market risk dashboards aligned with the internal Value-at-Risk (VaR) framework and stress-testing protocols.
- Strengthened Treasury Middle Office functions for surveillance of limit breaches, risk-weighted asset optimisation, and P and L attribution.

Financial review

For the year ended 31 December	2024 Rs. Mn.	% of Total
Net interest income	3,438	4.7
Net operating income	5,189	8.0
Assets of the segment	1,022,223	58.3
Liabilities of the segment	738	0.04

Table 23

In 2024, the treasury and dealing segment of NSB made a substantial contribution to the Bank's overall profitability and asset structure, reflecting its core function in liquidity management, investment portfolio handling, and foreign exchange trading. The segment emerged as a major income generator, particularly through market-sensitive operations and efficient asset deployment strategies.

- **Net interest income** amounted to Rs. 3,438 Mn., which represented 4.7% of the Bank's total net interest income. This income was primarily derived from Government Securities, money market placements, and interest rate positioning.
- **Net fee and commission income** This was mainly earned from treasury-related customer services, such as FX transactions and institutional dealings.
- **Other income** accounted for a significant 94.1% of the Bank's total other income. This demonstrates the segment's strength in generating non-interest income through foreign exchange trading and mark-to-market gains.
- **Net operating income** reached Rs. 5,189 Mn., which is a 8.0% contribution to the Bank's total, highlighting the high profitability and operational efficiency of the segment with a lean cost structure.
- **Assets of the segment totalled** Rs. 1,022,223 Mn., which represented the largest share of total assets at 58.3%. This reflects the segment's dominant role in asset-liability management, including investment portfolios, liquidity buffers, and trading securities.
- **Liabilities** were minimal at Rs. 738 Mn., and made up only 0.04% of the Bank's total liabilities, indicating the segment's limited reliance on borrowings or customer deposits and its focus on deployment rather than funding.

Outlook for 2025 and beyond

Focus area	Strategic direction
Full implementation of treasury management system	Achieve straight-through-processing (STP) in all treasury operations.
Primary dealer functionality	Establish a dedicated Primary Dealer Unit by integrating NSB Fund Management Company operations into Treasury.
FX market presence	Launch an FX Trading Platform to enhance foreign exchange dealing efficiency and customer engagement.
Deepen interbank market participation	Strengthen role as an active liquidity provider and rate setter in money markets.

Financial capital

A foundation for sustainable growth

What is Financial Capital at NSB

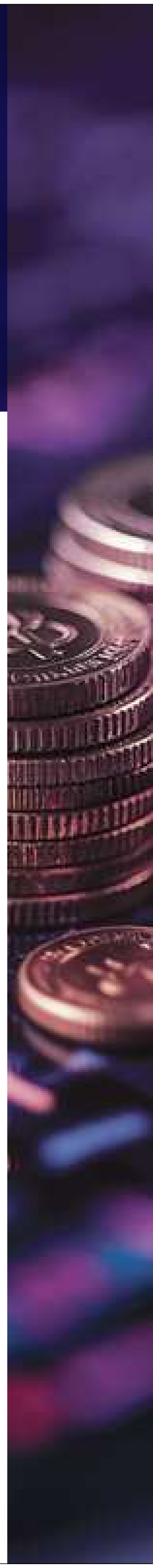
At NSB, financial capital forms the foundation of our operations and strategic direction. It comprises customer deposits, borrowings, retained earnings, and deposits, ensuring liquidity, effective risk management, and the ability to invest in technology and innovation. This strong capital base enables us to drive growth, maintain financial stability, and deliver long-term value to our stakeholders.

Our focus

We are committed to building a robust and resilient financial foundation that supports sustainable growth. Our focus is on prudent liquidity management and efficient capital allocation while maintaining a healthy balance between customer deposits, borrowings, and retained earnings to uphold a strong balance sheet.

How financial capital links with our strategy

- It enables the Bank to invest in cutting-edge technology, innovative services, and strategic growth initiatives and ensuring we remain at the forefront of the industry.
- It supports advanced risk mitigation strategies, fostering long-term stability and trust among stakeholders.
- By maintaining strong liquidity and prudent capital allocation, we are well prepared to navigate market volatility and seize emerging opportunities.
- A solid financial base allows us to build and maintain strong partnerships, expand our reach, and enhance our service offerings.



How financial capital supports our value creation

Financial capital plays a crucial role in supporting our value creation by enabling sustainable growth, enhancing risk resilience, and driving profitability. It acts as a buffer against risks, protecting depositors and sustaining trust in the banking system.

Financial capital on sustainable performance

Financial capital is a key driver of sustainable performance in banks, ensuring long-term stability, responsible growth, and resilience to economic shocks. By efficiently managing financial capital, we align profitability with environmental, social, and governance (ESG) goals – creating enduring value for all stakeholders.

Related stakeholders

Link to strategic pillars

Customer centricity	Promoting organic growth	Reinforcing risk culture	Sustainability

Material matters

- 1 Transformative political shift
- 2 Macroeconomic stability and growth
- 3 Asset quality and growth
- 4 Financial sustainability
- 5 Enhanced customer expectations
- 7 Talent retention and management
- 10 New technological advancements
- 15 Excellence in governance and regulatory engagements

Contribution to SDGs

Potential trade-offs

Human capital
Reducing investments in employee welfare, training, and development to maximise profits. (Negative)

Manufactured capital
Under-investing in infrastructure and operational assets to prioritise immediate financial gains. (Negative)

Intellectual capital
Limiting funding for research and innovation to focus on short-term financial performance. (Negative)

Social and relationship capital
Lowering spending on stakeholder engagement or CSR activities, potentially harming reputation and trust. (Negative)

Natural capital
Prioritising financial returns over sustainability initiatives, leading to resource depletion or environmental harm. (Negative)

Impact: Positive | Negative

Enablers of sustainable value creation

1. Strengthening core earnings through net interest income growth
2. Diversifying revenue through non-interest income
3. Managing credit risk amidst elevated impairments
4. Cost management and strategic investments in capacity building
5. Upholding fiscal responsibility through tax contributions
6. Ensuring sustainable profitability and value delivery
7. Balanced and resilient balance sheet expansion
8. Safeguarding asset quality
9. Strategic investment allocation for long-term growth
10. Prudent debt and liability management
11. Maintaining strong capital and liquidity buffers
12. Driving sustainable shareholder value creation

Interest income ↓
Rs. 203.7 Bn. (2023 – Rs. 227 Bn.)

Net interest income growth ↑
146.2% [2023 – (8.9)]

Cost to income ratio ↓
38.7% (2023 – 71.6%)

Value for shareholder

Return on equity ↑
18.1% (2023 – 9.4%)

Provision coverage

Impairment coverage ratio (Stage 3) ↓
44.5% (2023 – 53.3%)

Growth in assets and deposits

Assets growth ↓
3.9% (2023 – 4.3%)

Deposits growth ↑
5.0% (2023 – 0.4%)

Strong capital and liquidity

Total CAR ↑
25.9% (2023 – 19.3%)

All currency LCR ↑
344.5% (2023 – 293.7%)

1 Strengthening core earnings through net interest income growth

The Bank's net interest income (NII) surged to an impressive Rs. 72.8 Bn., reflecting a remarkable 146% growth compared to the previous year, despite a 10% drop in interest income. This exceptional performance was primarily driven by a 34% decline in interest expense, which outpaced the decrease in interest income, significantly boosting NII.

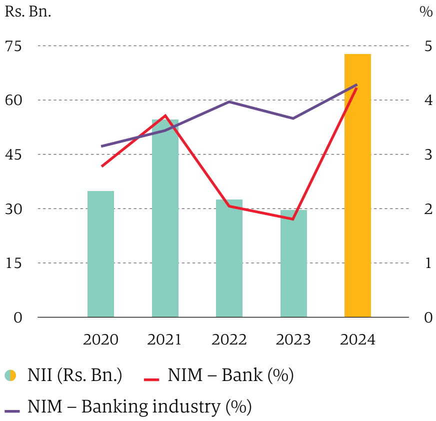
The drop in interest expense was largely attributable to the downward trend in market interest rates, stemming from the relaxed monetary policies and administrative measures implemented by the CBSL. In alignment, NSB proactively repriced deposits, effectively lowering interest costs.

Interest income declined by 10% to Rs. 203.7 Bn. from Rs. 227.0 Bn. in 2023. The decrease was mainly due to a drop in the loans and advances portfolio, impacted by the subdued economic environment and lower interest rates throughout 2024. Income generated from investments in debt instruments, including Government Securities, debentures, and corporate debt instruments, also saw a marginal dip. These instruments collectively contribute to over 60% of total interest income. The decline occurred despite a 4.4% year-on-year increase in average interest-earning assets.

Interest expenses declined by Rs. 66.4 Bn. to Rs. 131.0 Bn. compared to Rs. 197.4 Bn. in 2023. As a share of total interest income, total interest expenses declined to 64.3%, from 87.0% in the prior year.

As a result of these dynamics, NSB recorded a net interest margin of 4.23%, a 244 basis points increase from 1.79% in 2023, marking the highest margin recorded in the past decade.

NII vs NIM
Graph 16



Key risks

Fluctuating market rates, mismatched repricing between assets and liabilities, subdued demand and asset quality concerns posed significant challenges in achieving targets. Regulatory constraints and the slow pace of economic recovery further hampered efforts, particularly in expanding loan book and impairing yields.

Outlook

NII is expected to stabilise, supported by a rebound in credit demand, particularly within the retail segments and more refined asset-liability management practices.

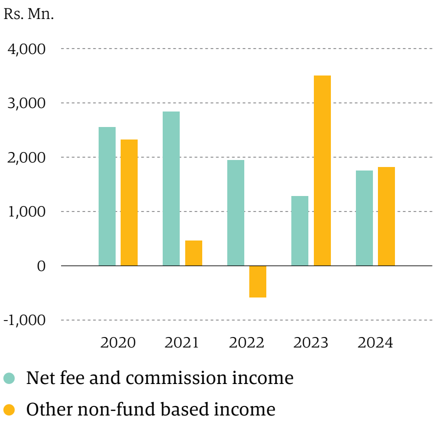
2 Diversifying revenue through non-fund based income

Non-interest income includes various revenue streams such as net fees and commissions, trading gains or losses, fair value changes in financial investments, and other operating income, including gains or losses from asset sales, foreign exchange fluctuations, and dividend income.

During 2024, net fee and commission-based income grew by 37.2%, rising to Rs. 1.8 Bn. from Rs. 1.3 Bn. in 2023, driven by new loan disbursements, early loan settlements, increased card issuance, and higher trade and remittance related fees.

However, mark-to-market gains from the trading portfolio amounted to only Rs. 911.6 Mn. in 2024 compared to Rs. 1.4 Bn. in 2023. Losses from foreign exchange revaluations and derivative financial instruments also contributed to a 26% reduction in total non-interest income.

Non-fund based income
Graph 17



Key risks

Regulatory restrictions on fees, market volatility, and declining interest rates pressured revenue streams, leading to losses in fixed-income securities portfolios and pressuring non-interest income. Additionally, weak credit demand and a slow economic recovery constrained growth in fee-based income and investment returns.

Outlook

With inflation easing and interest rates stabilising, the environment is becoming more favourable for gains in securities portfolios and expansion in investment banking. Diversifying income through innovative financial products and leveraging technology for enhanced fee-based services will be pivotal in mitigating risks and supporting sustainable growth in non-interest income.

3 Managing credit risk amidst elevated impairments

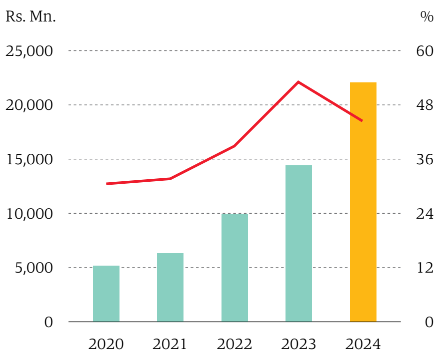
In 2024, the Bank adopted a forward-looking and risk-sensitive approach to credit risk management, resulting in a significant increase in impairment charges to Rs. 11.2 Bn., up from Rs. 4.3 Bn. in 2023, marking a 163% year-on-year increase. This increase included provisions against not only customer loan portfolios but also a part of the treasury receivables, in line with the Bank's comprehensive coverage of credit exposures under SLFRS 9.

The surge in impairment was primarily driven by the recalibration of key parameters of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), to reflect the decline in borrower creditworthiness amidst ongoing macroeconomic uncertainties.

The Bank further refined its Expected Credit Loss (ECL) models through more granular segmentation and application of macroeconomic overlays, incorporating multiple forward-looking scenarios, including stress conditions, into its provisioning methodology. Elevated impairment levels reflected an increase in Stage 2 and Stage 3 exposures, particularly among retail and corporate borrowers facing prolonged cash flow pressures. In addition, the Bank applied more stringent staging criteria to treasury receivables, introducing prudent provisioning buffers in response to external sector vulnerabilities and fiscal consolidation risks.

Provision coverage

Graph 18



Key risks

Economic uncertainty, regulatory changes, and shifting market conditions contributed to reduced asset values, leading to higher impairment charges. Sector-specific challenges, such as weakened demand and increasing regulatory requirements further impacted asset recoverability and financial performance.

Outlook

While some stabilisation is expected with improving economic indicators and easing inflationary pressures, credit risk remains elevated. The Bank expects impairment levels to gradually decline in the medium term, depending on borrower cash flow recovery and sustained macroeconomic stability.

4 Cost management and strategic investments in capacity building

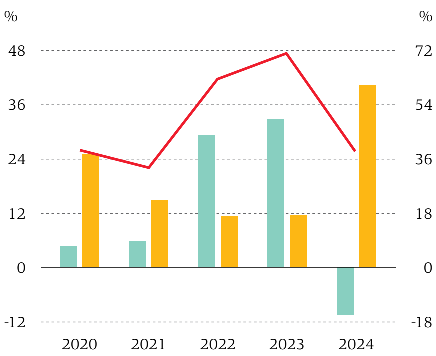
Operating expenses, which include personnel costs, depreciation and amortisation, and other overheads, increased significantly to Rs. 29.3 Bn. in 2024, marking a 19.8% rise from Rs. 24.5 Bn. in 2023, despite the Bank's implementation of cost containment initiatives. Personnel expenses, comprising 69.2% of total operating costs, grew by 26% to Rs. 20.3 Bn., primarily due to the successful execution of the collective salary agreement, which became effective from 1 January 2024.

Depreciation and amortisation expenses, accounting for 5.7% of total operating costs, increased by 16.9% to Rs. 1.7 Bn., compared to Rs. 1.4 Bn. in 2023. This increase was driven by strategic investments in IT infrastructure upgrades, to enhance digital service delivery including the implementation of a new core banking system and enhancements to cybersecurity.

Other operating expenses, covering administration, establishment costs, and Directors' emoluments grew by 6.1% to Rs. 7.4 Bn. However, the Bank's cost-to-income ratio (excluding taxes) improved significantly to 38.7%, down from 71.6% in the previous year, and remained well below the industry average of 73.2%.

Cost and income growth

Graph 19



- Income growth (LHS)
- Operating expenses (without VAT) growth (LHS)
- Cost to income without VAT (RHS)

Key risks

Despite ongoing cost rationalisation, expanding operations, meeting regulatory compliance, and implementing upgraded technology platforms contributed to a notable rise in operating expenses.

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.

5 Upholding our fiscal responsibility through tax contributions

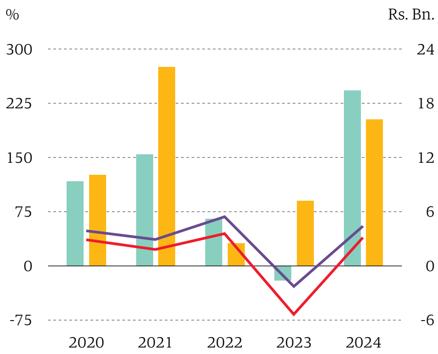
GRI 207-3

In 2024, the Bank made a substantial fiscal contribution of Rs. 19.5 Bn. to the national economy, in contrast to the Rs. 1.6 Bn. tax reversal in 2023. This total includes Value Added Tax (VAT) on financial services, Social Security Contribution Levy (SSCL), and income tax.

Reflecting strong top-line growth and improved profitability, income tax obligations rose to Rs. 10.1 Bn., a 446% increase over the Rs. 2.9 Bn. reversal in the previous year. Concurrently, VAT and SSCL on financial services experienced a sharp increase of 618%, reaching Rs. 9.3 Bn., up from Rs. 1.3 Bn. in 2023. The effective tax rate (excluding deferred tax) increased to 33.8% in 2024 from (10.7%) in the previous year, primarily due to the significant rise in profitability.

Tax impact on profitability

Graph 20



- Total taxes paid (Rs. Bn.) (RHS)
- Profit after tax (Rs. Bn.) (RHS)
- Effective income tax rate (based on PBT) (%) (LHS)
- Effective tax rate (based on operating profit) (%) (LHS)

Key risks

In 2024, tax contributions were impacted by several fiscal and regulatory risks. The reintroduction of certain direct and indirect taxes, frequent policy shifts, and stricter enforcement of tax regulations increased compliance complexity and administrative burdens.

Outlook

The Bank anticipates continued volatility in the fiscal policy environment as the Government seeks to enhance revenue collection to support debt sustainability and public finance reforms.

6 Sustainable profitability and value delivery

The Bank's operating profit before tax surged by 540% in 2024, reaching Rs. 35.8 Bn., compared to Rs. 5.6 Bn. in 2023. This exceptional growth was achieved despite elevated impairment charges and other operating expenses, driven largely by a 122% increase in operating income. A key contributor was the 146% rise in net interest income, which significantly boosted the Bank's financial performance.

Profit before tax for the year reached Rs. 26.4 Bn., reflecting a 516% increase compared to Rs. 4.3 Bn. in 2023, primarily due to the sharp reduction in interest expenses.

Despite a challenging economic environment, the Bank delivered strong profit after tax of Rs. 16.3 Bn., more than double of the previous year's Rs. 7.2 Bn., representing a robust growth of 126%.

Earnings per ordinary share rose significantly to Rs. 17.32 in 2024, up from Rs. 7.68 in 2023, underscoring the Bank's improved profitability.

In line with these results, return on equity (ROE) rose to 18.07% as of 31 December 2024, from 9.36% at the end of 2023. Similarly, return on assets (ROA) also improved significantly to 1.54% compared to 0.26% in the previous year.

Profit after tax remains a key indicator of the Bank's ability to generate sustainable earnings from its operations. The following graph illustrates the primary drivers of earnings performance in 2024.

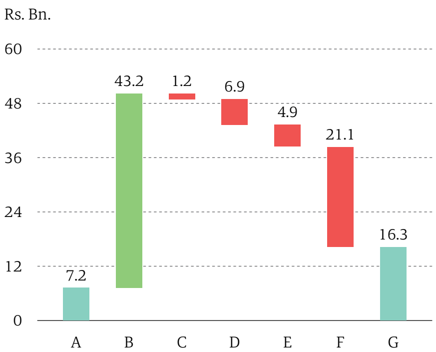
Key risks

Economic volatility, evolving regulations, rising operational costs, and supply chain disruptions presented key challenges. Investments in technology and sustainability, along with competitive and sector-specific pressures, also impacted long-term value creation.

Outlook

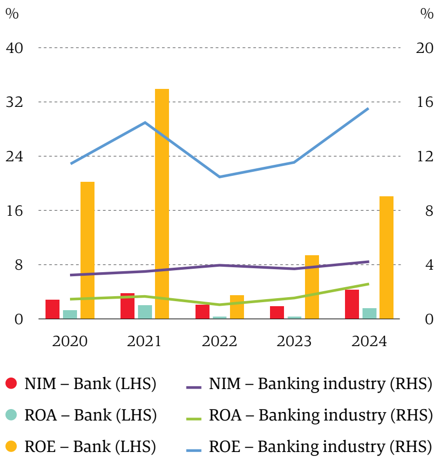
Continued focus on prudent risk management, income diversification, and digital transformation to sustain and strengthen long-term profitability.

Drivers of earnings — Graph 21

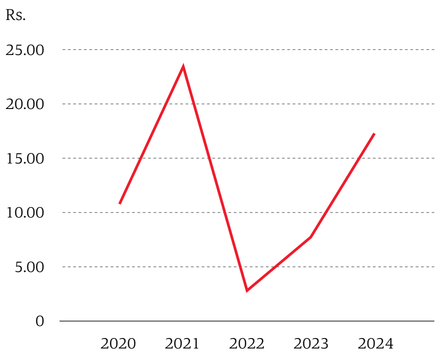


A – Profit after tax 2023
B – Net interest income
C – Net non-interest income
D – Impairment
E – Administration and other overhead expenses
F – Taxes
G – Profit after tax 2024

Profitability ratios — Graph 22



Earnings per share — Graph 23



Changes in statement of comprehensive income

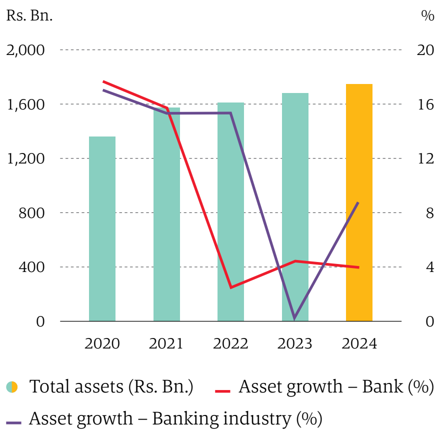
The primary driver of the increase in the other comprehensive income, was the gain from items not reclassified to the Income Statement. The Bank recorded a gain of Rs. 2.5 Bn. from the fair value change of equity investments designated at fair value through other comprehensive income. However, this was partly offset by the loss of Rs. 1.7 Bn. (net of taxes) due to the remeasurement of post-employment benefit obligations. Gains from items that will be reclassified to the Income Statement amounted to Rs. 388.2 Mn.

7 Balanced and resilient balance sheet expansion

Total assets

The Bank's total asset base grew by 3.9% in 2024, reaching Rs. 1.8 Tn., compared to Rs. 1.7 Tn. at the close of 2023. This growth reflects a deliberate and targeted strategy aimed at optimising core operations and leveraging emerging opportunities. This balance sheet growth was underpinned by a 19% increase in financial assets measured at fair value through profit or loss, a 10% rise in investments in debt and other instruments, which increased to Rs. 1 Tn. from Rs. 943.8 Bn. in the prior year. Concurrently, net loans and advances grew marginally by 1%, reaching Rs. 532.4 Bn. in 2024 from Rs. 526.5 Bn. in 2023.

Asset growth — Graph 24



Total liabilities

The Bank's deposit base increased by 5%, reaching Rs. 1.6 Tn. by the end of 2024, up from Rs. 1.5 Tn. in 2023, reflecting strong depositor confidence and effective mobilisation efforts.

Total borrowings declined by 30.5% due to the redemption of Rs. 6.3 Bn. in unlisted, rated, senior, unsecured, redeemable debentures, and the repayment of a Rs. 33.5 Bn. loan facility from the Central Bank of Sri Lanka.

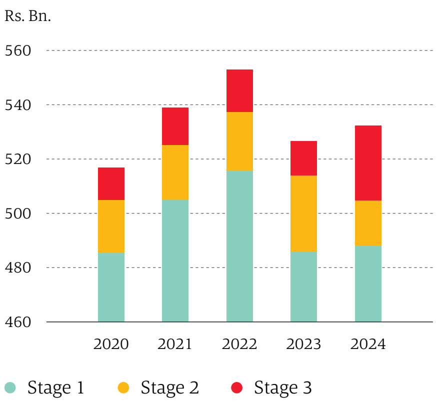
8 Safeguarding asset quality

In 2024, the Bank reclassified non-performing loans related to State-Owned Enterprises (SOEs) to Stage 3, reflecting a commitment to robust credit risk management. This led to an increase in Stage 3 loans to Rs. 49.7 Bn. in 2024, up from Rs. 27.1 Bn. in 2023, representing a substantial increase of 83% year-on-year. Despite the increase, the Bank implemented recovery initiatives in collaboration with key stakeholders, maintaining critical relationships.

The outlook for SOE credit risk improved, supported by recent policy reforms. Provision coverage was maintained at prudent levels at 44% for Stage 3 loans, and 1% and 11% for Stage 1 and Stage 2 loans respectively ensuring a well-balanced provisioning strategy.

Asset quality

Graph 25



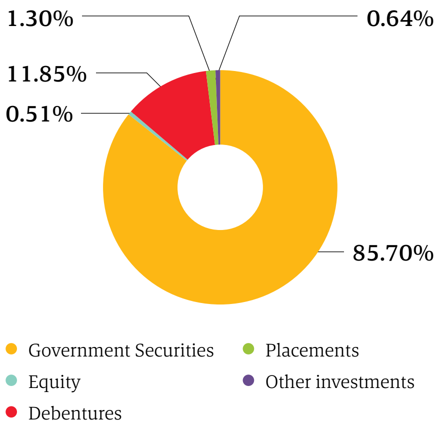
9 Strategic investment allocation for long-term growth

Investments

The Bank's overall investment portfolio, comprising both equity and debt instruments, increased by 8% during 2024. Debt instruments, including Government Securities, corporate debt, and trust certificates, made up 97.5% of the total portfolio. With subdued private credit amid high interest rates, the Bank increased investments in Government Securities by 10%. Foreign currency placements dropped by 34%, driven by strategic divestments in response to exchange rate volatility.

Composition of investments

Graph 26



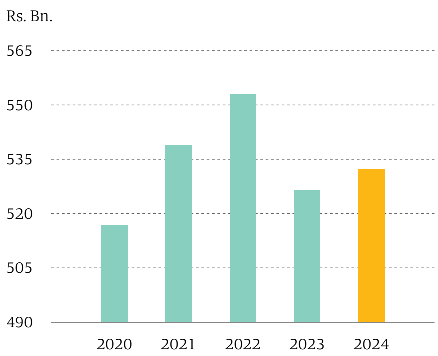
Loans and advances

The Bank's loans and advances portfolio, which mainly includes housing loans, pawning advances, personal loans, and other types of loans, totalled Rs. 532 Bn. by the end of December 2024, illustrating a rise of 1.1% from Rs. 526 Bn. reported in the prior year.

This increase was primarily driven by securities purchased under resale agreements (Reverse Repo), which rose by 322% in 2024. Despite a Rs. 44.5 Bn. decline in long-term loans, pawning advances increased by Rs. 24.7 Bn. in 2024.

Net loans and advances

Graph 27



10 Prudent debt and liability management

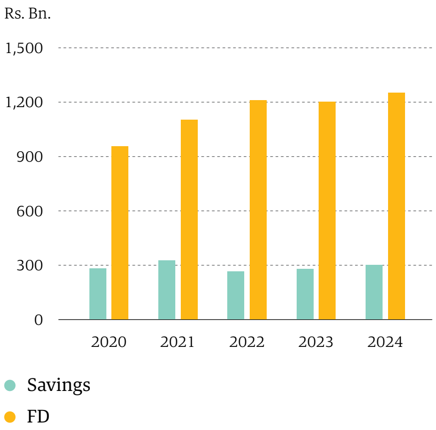
Deposits

Customer deposits continued to be the Bank's primary funding source, accounting for 89% of total assets in 2024.

During the year, the Bank successfully mobilised Rs. 84.9 Bn., with a strategic emphasis on increasing the low-cost savings deposits. By end 2024, the total deposit base rose by 5%, to Rs. 1.6 Tn., from Rs. 1.5 Tn. in 2023.

Despite the declining interest rate environment, both savings and fixed deposits portfolios demonstrated solid growth at the end of year 2024. Savings deposits increased by 9.0% to Rs. 302.5 Bn., while fixed deposits rose by 4.0% to Rs. 1.3 Tn. by year-end. Deposit composition remained stable, with savings making up of 20% of the total, and the remainder comprising fixed deposits, with a marginal decrease compared to the previous year.

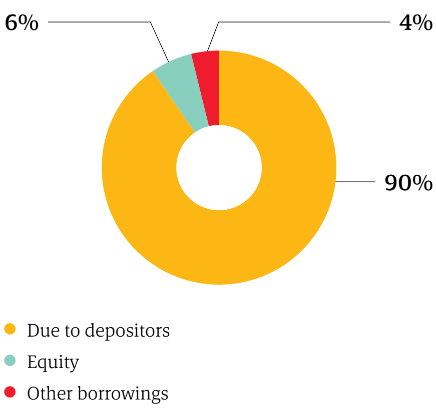
Savings vs time deposits — Graph 28



Other liabilities and equity

Other liabilities declined to Rs. 97.3 Bn. in 2024 from Rs. 123.1 Bn. reported in 2023, mainly due to the redemption of Rs. 6.3 Bn. in unlisted, rated, senior, unsecured, redeemable debentures, along with the full settlement of the Rs. 33.5 Bn. CBSL loan facility. Boosted by strong profitability, total equity grew by 21% to Rs. 98.8 Bn. by the year-end.

Funding structure — Graph 29



11 Maintaining strong capital and liquidity buffers

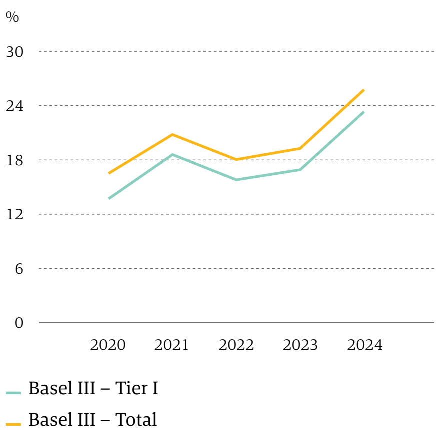
Capital management

Prudent capital management is a top priority of the Bank. The Bank maintained strong capital buffers despite a tough operating environment, avoiding the need for external capital infusion.

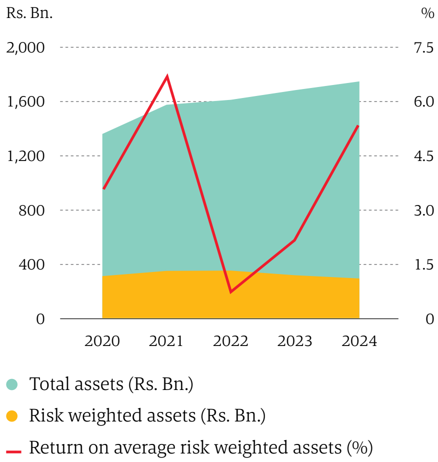
Total shareholder's equity rose to Rs. 98.8 Bn. in 2024, up from Rs. 81.4 Bn. in 2023, further strengthening the Bank's financial position. This was driven by improved profitability, with earnings per share rising to Rs. 17.32 from Rs. 7.68 in 2023.

As a result, key capital ratios remained well above regulatory requirements. By the end of 2024. The Tier 1 capital ratio stood at 23.42% and the total capital ratio at 25.88%, significantly exceeding the regulatory minimums of 8.5% and 12.5%, respectively, improving from 16.91% and 19.26% reported in 2023. Furthermore, the Bank's Basel III leverage ratio also improved to 8.0% in 2024 from 6.23% reported a year ago, significantly exceeding the minimum regulatory requirement of 3.0%.

Capital adequacy ratios — Graph 30



Return on average risk weighted assets — Graph 31



Liquidity management

In alignment with its evaluation of liquidity risk under stressed market conditions, the Bank ensured the maintenance of adequate liquidity buffers and adopted a proactive approach to liquidity management. This enabled the Bank to sustain sufficient liquidity levels, even amid a volatile and constrained liquidity environment.

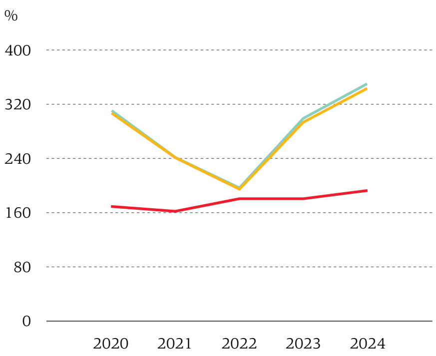
To safeguard against unexpected cash flow disruptions and meet regulatory requirements, the Bank strategically maintained portfolios comprising highly marketable and liquid instruments. These portfolios serve as a reliable cushion during potential stress scenarios, reinforcing the Bank's financial resilience and operational stability.

The Bank maintained a liquidity coverage ratio (LCR) of more than 100% throughout 2024, calculated as the ratio of high-quality liquid assets to net cash outflows over a 30-day period. Notably, the LCR for all currencies stood at 344.6% at the end of the year, while the Rupee LCR stood at 351.3%.

Furthermore, the net stable funding ratio (NSFR), a key metric for assessing long-term funding stability, was recorded at 193.5% at the end of 2024, significantly exceeding the minimum threshold of 100%.

Liquidity ratios

Graph 32



12 Driving a sustainable shareholder value creation

In 2024, the Bank remained firmly committed to delivering sustainable value to its shareholder through a balanced approach to profitability, capital optimisation, and strategic reinvestment. Enhanced earnings performance, prudent risk management, and disciplined cost control collectively contributed to the strengthening of the Bank's financial position, thereby supporting long-term value creation. The increase in earnings per share and return on equity reflects the effective deployment of shareholder capital and the resilience of the Bank's core operations.

To preserve capital and fund future growth, no dividend was declared in 2024. This strategy not only preserved financial stability but also positioned the Bank to seize emerging opportunities in a recovering economy reinforcing shareholder confidence in the Bank's long-term vision.

For more details to the Annual Report of the Board of Directors from pages 223 to 228.

Horizontal and vertical analysis

A detailed horizontal and vertical analysis of the statement of financial position and the income statement spanning a five-year period is provided on pages 449 to 451.

These insights help track financial trends, compare historical performance, and highlight key strengths and risk areas in the Bank's financial health.

For the year ended December 31	2024	2023	2022	2021	2020
Return on average shareholder's equity (ROE) %	**18.07**	9.36	3.40	33.92	20.15
Earnings per share (Rs.)	**17.32**	7.68	2.69	23.53	10.75
Net asset value (NAV) per share (Rs.)	**105.15**	86.57	77.54	80.86	57.89

Table 24

Performance of the Group

The NSB Group delivered record breaking results in 2024, marking a significant milestone in its history. While the Bank accounted for 98.5% of the total assets of the Group, the Group's assets grew by 4% from Rs. 1.7 Tn. in 2023 to Rs. 1.8 Tn. in 2024. This growth highlights the Group's ability to maintain a robust and resilient asset base amidst dynamic economic conditions.

Profitability reached exceptional levels, with the Group's profit before tax (PBT) recording an all-time high of Rs. 28.5 Bn. in 2024, reflecting a remarkable 256% increase compared to Rs. 8 Bn. in the previous year. Similarly, profit after tax (PAT) demonstrated a growth from Rs. 9.6 Bn. in 2023 to Rs. 17.7 Bn. in 2024.

Financial capital risks, impact on NSB, and mitigation strategies

Risks and challenges	Impact on NSB	NSB's response
Economic volatility	Fluctuations in interest rates and inflation affecting profitability and growth.	Diversify investment portfolios and focus on stable revenue streams.
Credit risk	Increased non-performing loans impacting asset quality and financial stability.	Strengthen credit evaluation processes and enhance recovery mechanisms.
Regulatory changes	Compliance costs and operational adjustments due to evolving regulations.	The Bank's compliance team diligently monitors adherence to evolving regulatory requirements while proactively investing in advanced regulatory technology to maintain robust compliance frameworks.
Liquidity risk	Challenges in maintaining adequate liquidity for operational needs.	Maintain optimal liquidity ratios and establish contingency funding plans.
Market competition	Pressure on margins due to intense competition in the financial sector.	Enhance customer experience to retain loyalty.

Future outlook

Short-term

- Improve net interest margins through asset-liability rebalancing and interest rate optimisation.
- Maintain strong capital adequacy and liquidity positions in line with regulatory requirements, to support business growth.

Medium to long-term

- Continue investing in core banking upgrades, cloud computing, and AI to future-proof financial services.
- Scale up green financing and ESG-aligned lending to support national sustainability goals.
- Expand fee-based services, digital financial products, and partnerships to reduce reliance on interest income.
- Strengthen capital structure through prudent profit retention and optimal portfolio management.
- Maintain strong liquidity buffers and risk-adjusted asset allocation to absorb macroeconomic shocks.

Manufactured capital

The backbone of our operations

What is Manufactured Capital at NSB

Manufactured capital represents the Bank's physical and technological infrastructure, which serves as the backbone for delivering seamless, innovative, and customer-centric banking solutions.

Our focus

Our focus on manufactured capital is to reach even the furthest corner of the Sri Lankan financial market, through live edge digital infrastructure together with island wide branch network and postal network.

How manufactured capital links with our strategy

- Ensure our operational efficiency through Modernised IT infrastructure, digital platforms, Smart branches and Smart Zones.
- Expand our market presence and reach underserved markets via digital platforms and upgraded branch network.
- Our green buildings and solar-powered branches lower carbon footprints.

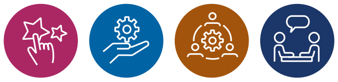
How manufactured capital supports our value creation

Manufactured capital supports banks' value creation by enhancing operational efficiency, customer experience, and innovation through modern infrastructure, digital platforms, and eco-friendly systems.

Manufactured capital on sustainable performance

Manufactured capital enhances our sustainable performance by promoting eco-efficient infrastructure, digitalisation, and resource optimisation. Investments in green buildings, energy-efficient systems, and paperless banking platforms reduce the environmental footprint while improving operational efficiency.

Related stakeholders



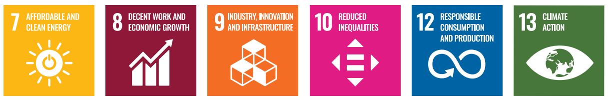
Link to strategic pillars

Customer centricity	Promoting organic growth	Enhancing employee engagement	Accelerating digital transformation	Sustainability

Material matters

- 2 Macroeconomic stability and growth
- 4 Financial sustainability
- 5 Enhanced customer expectations
- 10 New technological advancements

Contribution to SDGs



Potential trade-offs

Financial capital
Increased cost due to branch expansion reduce short-term profitability. (Negative)

Intellectual capital
Investment in digital transformation and IT infrastructure (Positive)

Human capital
Digital transformation and automation leads to job redundancies. (Negative)

Social and relationship capital
Focus on infrastructure reduce community engagement. (Positive)

Natural capital
Green banking infrastructure reduces carbon footprint. (Positive)

Impact: Positive | Negative

Enablers of sustainable value creation

1. Our presence
2. Strengthening branch network and physical infrastructure
3. Digital transformation and technology integration
4. Operational efficiency and process automation

Invested in digital capital
Rs. 2,044.2 Mn.
(2023 – Rs. 350.6 Mn.)

Number of cards in use
1.2 million

Digital products under the brand name of NSB nextGen

Virtual Card

NSB PayApp

NSB e-kyc

NSB e-Post

1 Our presence

As a bank, we take pride in our extensive presence across the island, ensuring our products and services reach every province, district, community, and social segment. Our network comprises 262 branches, 8 regional offices, and 417 ATMs/CRMs equipped with Visa and Master debit card facilities. Furthermore, our partnership with LankaPay Common ATM Switch grants access to a vast network of over 6,000 ATMs, including Cash Deposit Machines (CDMs) and Cash Recycle Machines (CRMs), nationwide.

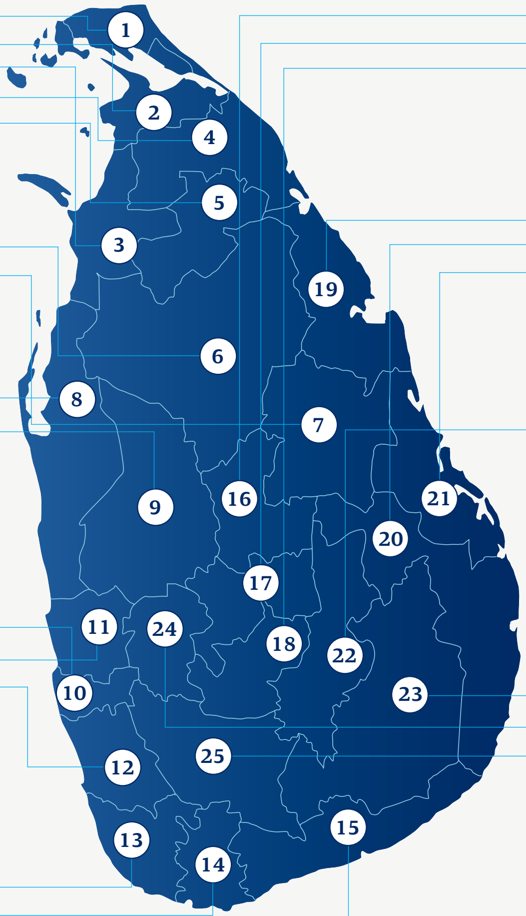
Northern Province	20	30	10
1. Jaffna	14	21	7
2. Kilinochchi	1	2	1
3. Mannar	2	3	1
4. Mullaitivu	2	2	–
5. Vavunia	1	2	1

North Central Province	15	21	4
6. Anuradhapura	12	18	4
7. Polonnaruwa	3	3	–

North Western Province	27	41	11
8. Puttlam	8	14	5
9. Kurunegala	19	27	6

Western Province	82	162	60
10. Colombo	43	97	36
11. Gampaha	27	48	19
12. Kalutara	12	17	5

Southern Province	39	53	13
13. Galle	15	20	5
14. Matara	13	19	4
15. Hambantota	11	14	4



Central Province	28	39	7
16. Matale	4	6	2
17. Nuwara Eliya	7	8	1
18. Kandy	17	25	4

Eastern Province	17	21	3
19. Trincomalee	2	2	–
20. Ampara	8	10	2
21. Batticaloa	7	9	1

Uva Province	13	21	6
22. Badulla	6	13	4
23. Monaragala	7	8	2

Sabaragamuwa Province	21	29	8
24. Kegalle	10	13	3
25. Ratnapura	11	16	5

Scan to view more details on our branches and networks.

Figure 10

Branches ATMs/CRMs Smart zones

2 Strengthening branch network and physical infrastructure

In an era of rapid digital transformation, NSB recognises that a strong physical presence remains a vital pillar of financial inclusion, particularly for customers in rural and semi-urban areas who rely on in-person banking services. Our commitment to nationwide accessibility, customer convenience, and service excellence has driven continuous investments in expanding and upgrading our branch network. By modernising existing branches and introducing new service models, NSB is reinforcing its role as a trusted and accessible banking partner for all Sri Lankans.

Expanding the branch network for greater reach

NSB remains committed to strategically expanding its branch network to high-potential and underserved areas, ensuring broader financial access for customers, particularly in remote and rural regions. This initiative aligns with NSB's core mandate of promoting financial inclusion, empowering individuals and businesses to integrate into the formal banking system and driving economic growth. By extending its presence to unbanked and underbanked communities, NSB enhances accessibility to essential banking services such as savings, credit facilities, and digital banking solutions, fostering long-term financial stability for a larger segment of the population.

However, during the year 2024, no new branch openings were undertaken due to prevailing market conditions, strategic considerations, and a greater emphasis on optimising existing operations. Instead, NSB focused on strengthening its current branch network through enhancements in service delivery, infrastructure improvements, and digital transformation. A significant development in this regard was the relocation of the Ampara branch to a more strategic and accessible location, ensuring improved customer convenience and operational efficiency. This relocation reflects NSB's continuous efforts to optimise its branch footprint, aligning physical banking infrastructure with evolving customer needs and demographic shifts.

Renovation and modernisation of existing branches

To improve service efficiency and elevate customer experience, NSB upgraded its Moratuwa branch with contemporary interiors and ergonomically designed service counters. The redesign focused on enhancing comfort and functionality for both staff and customers by optimising counter height, layout, and accessibility, thereby minimising strain and fatigue while ensuring a more seamless banking experience. Additionally, branch accessibility for differently abled individuals has further strengthened inclusivity in service delivery.

Integrating eco-friendly banking spaces

In alignment with NSB's commitment to sustainability, several branches have adopted green building principles. Renovations included:

- Energy-efficient lighting and motion sensor technology to reduce power consumption
- Digital documentation systems to minimise paper usage
- Sustainable building materials for an environmentally responsible infrastructure

Natural capital on pages 146 to 151 for more details.

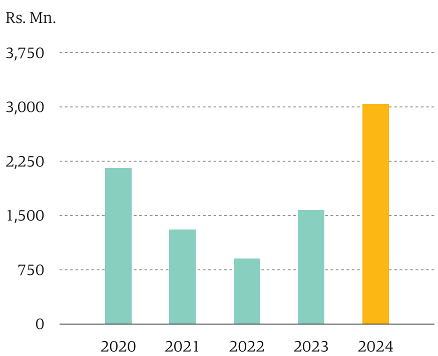
3 Digital transformation and banking infrastructure

In an era of rapid digitalisation, NSB continues to embrace technology as a key enabler of its growth and service excellence. The Bank recognises that evolving customer preferences, increasing demand for convenience, and the need for secure transactions require a digital first approach. Throughout 2024, NSB made significant strides in expanding digital banking channels, upgrading IT systems, and fortifying cybersecurity frameworks to enhance its service offerings. These initiatives have positioned the Bank at the forefront of Sri Lanka's digital banking revolution, ensuring customers have access to secure, seamless, and innovative banking solutions.

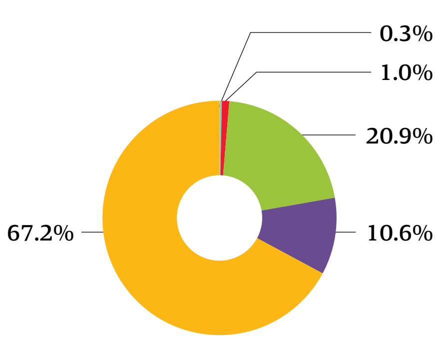
Fixed asset allocation

A comprehensive breakdown of our fixed asset distribution, including detailed allocations across various asset categories, is meticulously detailed on page 302.

New additions to PPE — Graph 33



Composition of PPE — Graph 34



New Core Banking System (CBS) implementation

As a key milestone in our digital transformation journey, the Bank successfully implemented the Temenos T24 Core Banking System (CBS) in 2024. This transition from a homegrown system to a universal T24 CBS was a complex undertaking, but it has delivered significant advantages.

Page 122 on Intellectual Capital for more details.

Human Resource Information System (HRIS)

Our new HR information System is a transformative upgrade designed to meet the evolving needs of our workforce while ensuring that core HR processes are both efficient and employee centric. By automating day-to-day activities such as performance evaluations and leave management, the system minimises manual errors and reduces paperwork, thereby freeing up HR resources for more strategic initiatives.

Page 122 on Intellectual Capital for more details.

Treasury management system

The Bank is in the process of implementation of a new Treasury Management System. It is a strategic investment that optimises financial operations by automating critical tasks such as cash flow management, bank reconciliation, and liquidity forecasting to ensure fluidity in short- and long-term obligations.

EPOST

The digital transformation of the postal sector has taken a significant leap forward with the introduction of the EPOST product. Designed to integrate modern digital solutions into traditional postal services, EPOST enhances operational efficiency and customer engagement by streamlining transactions and enabling real-time communication across post offices. Already, 20 advanced mobile devices have been deployed to selected post offices, equipping postal teams with the technology needed to process requests faster and manage digital payments securely. This initiative not only modernises the service delivery framework but also paves the way for an integrated digital ecosystem, ensuring that postal banking services remain agile, accessible, and aligned with contemporary customer needs.

Expansion of NSB digital banking services

NSB virtual card

In a groundbreaking collaboration reflecting of NSB's commitment to innovation, the Bank has joined forces with Mastercard to introduce the first-ever Pay by Account (PbA) technology-backed Mastercard Platinum Debit Card in Sri Lanka. This collaboration extends the reach of the NSB PayApp globally, promising an enriched user experience and enticing rewards for its esteemed customers.

Page 122 on Intellectual Capital for more details.

The redesigned NSB internet banking

Our revamped NSB internet banking platform embodies a transformative leap in digital banking, combining enhanced security features, real-time transaction tracking, and an optimised user experience.

Cybersecurity and data protection

In an increasingly digital and interconnected financial landscape, cybersecurity and data protection have become paramount to ensuring the safety, integrity, and trust of banking operations. As cyber threats continue to evolve in complexity and scale, NSB has proactively enhanced its cybersecurity framework to safeguard customer information, prevent financial fraud, and ensure compliance with global security standards.

Through advanced cybersecurity strategies, cutting-edge technology investments, and a dedicated Cybersecurity Operations Centre (CSOC), NSB has reinforced its resilience against cyber threats while delivering secure, seamless, and efficient digital banking experiences.

Our online banking platforms, mobile banking, and payment gateways are secured with high-level encryption and security protocols. Our APIs are secured, and cloud security measures are being taken place to protect invaluable customers data.

Rigorous vulnerability assessments, regular penetration testing, and constant system audits help us identify and rectify security gaps proactively. Complementing to these technical measures, comprehensive employee training and awareness programmes foster a culture of security mindfulness across the Organisation.

We have further ensured the information security by below mentioned measures.

- Payment Card Industry – Data Security Standard (PCI DSS)
- Baseline Security Standard (BSS)
- Privileged Access Management System
- Web Application Firewall (WAF)
- Security Information and Event Management (SIEM)
- SWIFT CSP (Customer Security Programme)

Pages 122 to 123 on Intellectual Capital for more details.

4 Operational efficiency and process automation

In today's competitive and technology-driven banking landscape, operational efficiency is paramount for ensuring long-term sustainability. This year, we have taken significant strides to streamline our back-office operations, placing a strong emphasis on efficiency, agility, and cost-effectiveness.

Enterprise General Ledger (EGL) System

A key initiative in this journey has been the automation of our General Ledger through the deployment of an advanced Enterprise General Ledger (EGL) system. This transformative upgrade has streamlined our accounting processes by automating manual entries, consolidating data across various departments, and facilitating real-time financial reporting. The EGL system not only minimises errors and reduces the time required for reconciliation but also empowers our teams to focus on higher-value strategic activities. By integrating seamless data flows and enhanced analytics, it enables swift decision-making in response to both regulatory changes and market dynamics. Ultimately, this comprehensive automation effort positions the Bank to achieve sustained competitive advantage and operational excellence in an increasingly digital era.

Paperless banking initiatives

- Launched paperless initiatives to minimise environmental impact while reducing operational costs.
- Encouraged customers to adopt e-statements, digital receipts, and online forms for a more sustainable banking experience.

Page 150 on Natural Capital for more details.

Future outlook

Short-term

- Expansion of smart branches with self-service kiosks.
- Strengthening IT infrastructure for faster processing.
- Implementation of AI-driven fraud detection.
- Upgrading cybersecurity frameworks.
- Expansion of solar-powered branches.

Medium to long-term

- Scaling up paperless banking initiatives.
- Full-scale migration to cloud-based banking.
- Strengthening IT governance and compliance.

Manufactured capital risks, impact on NSB, and mitigation strategies

Risks and challenges	Impact on NSB	NSB's response
System failures in core banking platforms, mobile apps, or ATMs.	Loss of customer trust due to service outages or data breaches.	Upgrade legacy systems with modern, scalable technology.
Aging branches, ATMs, and data centres	Operational failures and higher maintenance costs.	Regular maintenance and upgrades of physical assets.
Underinvestment in modern infrastructure can reduce efficiency and competitiveness	Loss of business opportunities due to outdated infrastructure.	Invest in eco-friendly and resilient infrastructure.
Cybersecurity threats targeting digital infrastructure	Service disruptions, leading to customer dissatisfaction and reputational damage.	Implement robust cybersecurity protocols and regular penetration testing.

Human capital

Our people, our priority

What is Human Capital at NSB

Human capital is the most important asset in our Bank that helps us to sustain and thrive in the competitive banking business.

Our focus

We focus on maintaining a positive and supportive work environment while creating opportunities for development.

How human capital links with our strategy

Human capital is at the core of all our objectives, driving our short-and long-term strategies. It is the effort of our team that makes everything achievable.

- Our team is adaptable to changes and proactively manages challenges.
- Our team offers an excellent service to our customers, in turn providing a competitive edge and driving sustainable growth.
- Our team is committed to upholding a robust governance framework.

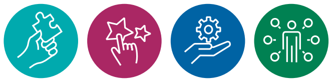
How human capital supports our value creation

Our team's skills, knowledge and capabilities ensure enhanced customer satisfaction, increased financial gains, and improved performance.

Human capital on sustainable performance

Our skilled and engaged team is committed to higher performance, distinguishing us from our competitors, and enabling sustained success in the market.

Related stakeholders



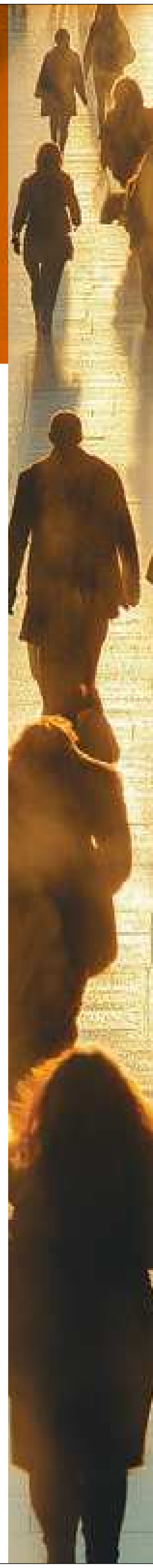
Link to strategic pillars

Customer centricity	Enhancing employee engagement	Promoting organic growth

Material matters

- 4 Financial sustainability
- 7 Talent retention and management
- 8 Future proofing talent
- 9 Employee health, safety, and well-being
- 15 Excellence in governance and regulatory engagements

Contribution to SDGs



Potential trade-offs

Financial capital

(−) Higher investment in employee training and benefits may reduce short-term profits.

(+) Improved employee productivity and innovation can enhance long-term profitability.

Manufactured capital

(−) Automation and digitalisation may reduce the reliance on reliance on human capital, leading to workforce restructuring.

(+) Skilled workforce improves efficiency in utilising physical and technological assets.

Intellectual capital

(+) Investing in employee development enhances knowledge, skills, and institutional expertise.

(−) Loss of experienced employees without knowledge transfer can weaken intellectual capital.

Social and relationship capital

(+) Strong employee engagement fosters better customer relationships and corporate reputation.

(−) Workforce changes or restructuring may impact trust and relationships with stakeholders.

Impact: Positive (+) | Negative (−)

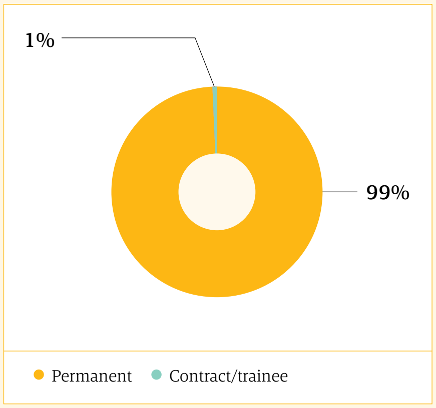
Enablers of sustainable value creation

1	Human capital management at NSB
2	Employee engagement and communication
3	Training and development
4	Remuneration and recognition
5	Performance management
6	Employee health, safety and welfare
7	Diversity, equity and inclusion

GRI 405-1

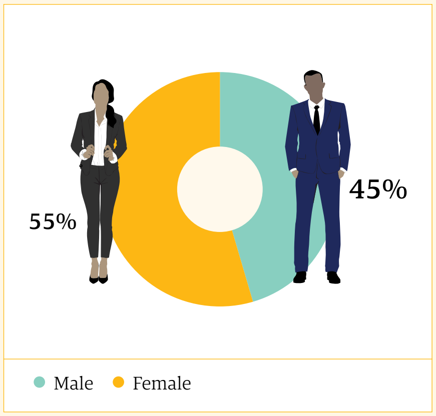
Employment by type

Graph 35



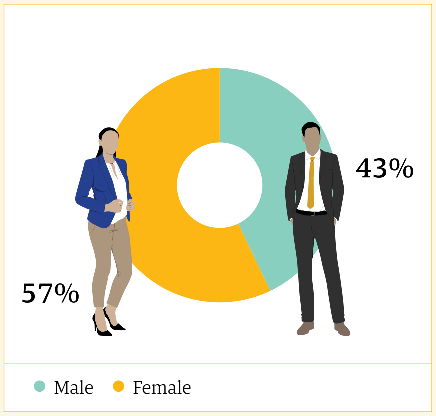
Employees by gender

Graph 36



Training hours by gender

Graph 37



1 Human capital management at NSB

At NSB, human capital management is a strategic pillar that drives organisational excellence, sustainable growth, and long-term value creation. With a steadfast commitment to nurturing talent, fostering inclusivity, and enhancing employee well-being, NSB ensures a dynamic and future-ready workforce. Through comprehensive talent acquisition, leadership development, and continuous learning initiatives, the Bank empowers its employees to thrive in an evolving financial landscape.

A structured approach to performance management, career progression, and employee engagement reinforces a culture of accountability, innovation, and high productivity. By integrating cutting-edge HR technologies, data-driven decision-making, and progressive workplace policies, NSB remains at the forefront of building a resilient, agile, and purpose-driven workforce, dedicated to delivering exceptional service and advancing the Bank's strategic vision.

HR governance framework

GRI 408-1 GRI 409-1

At NSB, HR governance is the cornerstone for creating a high-performing, ethical, and inclusive workplace that aligns with corporate objectives and regulatory frameworks. Our governance framework is meticulously designed to ensure transparency, accountability, and compliance with national labour laws and global best practices. By embedding structured policies on recruitment, compensation, performance management, diversity, and employee well-being, NSB upholds the highest standards of fairness and integrity in all its human capital decisions.

The overall responsibility for our HR strategy lies with the Board of Directors. The Human Resources Development (HRD) division is entrusted with the implementation of the Bank's people strategy, ensuring alignment with organisational goals. It regularly updates and submits detailed reports on its initiatives and progress to both the General Manager/CEO and the Board of Directors, maintaining transparency and accountability in its operations.

Human resources policies at NSB GRI 2-23, 24 GRI 402-1

Critical area	Local legislation	Policy at NSB
Managing the HR function of the Bank	Related legislation: Shop and Office Act	Human Resource Policy
Grievance handling	Industry best practice	Human Resource Policy
Salary and non-salary benefits	Shop and Office Employees Act	Collective Agreement
Recruitment and termination	Termination of Employment of Workmen Act	Recruitment – approved schemes of recruitment Disciplinary terminations – disciplinary code of the Bank
Training	Industry best practice	Training and Development Policy
Occupational health and safety	Shop and Office Act	Human Resource Policy
Human rights	Constitution of Sri Lanka	Human Rights Policy
Bribery and corruption	Anti-Bribery and Corruption Act	Anti-Bribery and Corruption Policy
Addressing harassment: sexual/non-sexual discrimination	Penal Code Act	Human Resource Policy
Internal dispute resolution	Industry best practice	Disciplinary Code of the Bank
Auditing of the HR function	Industry best practice	Human Resource Policy
Performance management and succession planning	Industry best practice	Human Resource Policy and circulars

NSB remains fully compliant with all employee-related laws and regulations in Sri Lanka, with no reported violations or penalties throughout the year.

To uphold ethical labour practices, the Bank conducts regular internal audits, reporting its findings to the Board Audit Committee and promptly implementing improvements. Strict background checks, supplier assessments, and contractual safeguards ensure the absence of child or forced labour. Additionally, NSB fosters employee awareness and collaborates with regulatory bodies to maintain fair and responsible employment standards.

Human Rights

At NSB, our commitment to human rights goes beyond compliance with relevant regulations and laws, as outlined in the previous section. We uphold and integrate human rights principles into our daily operations, ensuring that all employees are treated with dignity, respect, and fairness. Our policies and practices reflect our dedication to providing equal opportunities and preventing discrimination, while also fostering a safe and inclusive environment for everyone. In alignment with both legal standards and ethical expectations, we strive to promote human rights in every aspect of our business, from internal operations to external engagements.

Talent acquisition, retention and succession planning

GRI 202-2 GRI 401-1

Recruitment and career progression

At NSB, recruitment and career progression are fundamental to cultivating a skilled and dynamic workforce. Our structured and transparent hiring process identifies individuals who have the right expertise and qualifications and align with our values and vision. We recruit talent from diverse sources, integrating experienced professionals and fresh graduates to enrich our team with varied perspectives.

Once onboard, employees are provided with clear career growth pathways, supported by structured development programmes, mentorship, and regular performance evaluations. Emphasising meritocracy, we promote internal mobility, allowing employees to explore different roles and expand their expertise. By fostering a culture of continuous learning and opportunity, NSB empowers its workforce to reach their full potential while driving the Bank's long-term success.

Recruitment process at NSB

Figure 11

Total recruitments by age and gender

Graph 38

Professionally qualified employees in the permanent cadre

531

During the year, the Bank promoted 530 employees (215 male and 315 females) and transferred 677 of employees with an internal mobility rate of 16%.

Talent retention

GRI 401-1

At NSB, we deeply value our most treasured asset, our people and are committed to fostering an environment where talent thrives and talented individuals remain with us. We ensure employees achieve professional growth and personal well-being through continuous learning, work-life balance, and competitive financial rewards. Our holistic approach inspires excellence, loyalty, and fulfilment, making their journey with NSB both impactful and rewarding.

Retention ratio

96.23%

2023 – 96.30%

Comparison of turnover rates over the years	2024 %	2023 %	2022 %
Turnover	**3.77**	3.70	1.90
Voluntary turnover	**2.52**	2.20	1.00

Table 25

Voluntary turnover
2.52%
2023 – 2.20%

Total investment for training
Rs. 15.9 Mn.
2023 – Rs. 13.2 Mn.

Succession planning

NSB's succession planning strategy ensures leadership continuity by identifying and training high-potential employees for key roles. Through structured talent assessments, leadership training, and career development programmes, the Bank cultivates a pipeline of future leaders. Regular performance evaluations and mentorship initiatives help align individual growth with organisational goals. This proactive approach strengthens institutional resilience, minimises disruptions, and sustains NSB's long-term strategic vision.

During the year, a critical Corporate Management position (critical business position) became vacant but was promptly filled through external recruitment, demonstrating the effectiveness of NSB's robust succession planning.

Leadership development

At NSB, leadership development is pivotal in driving our organisational success. We prioritise fostering a culture of leadership trust, where transparency, accountability, and ethical decision-making form the foundation of our leadership approach. This trust empowers leaders at all levels to inspire their teams and align their efforts with the Bank's strategic goals. Our leadership development programmes are meticulously designed to cultivate emerging leaders while enhancing the competencies of our existing leadership team through targeted training, mentorship, and continuous learning initiatives. By maintaining a well-structured span of control, we ensure that leaders can effectively oversee their teams while fostering meaningful engagement, personalised guidance, and a collaborative work environment that drives both individual and organisational success. This enables a dynamic and responsive leadership structure that supports NSB's growth and the evolving demands of the banking sector. Through these efforts, NSB aims to develop leaders who are equipped to lead with integrity, drive innovation, and navigate the future with confidence.

2 Training and development

GRI 404-1, 2, 3

NSB is committed to continuous learning and professional growth through structured training and development programmes. The Bank offers a blend of technical, leadership, and soft skills training to enhance employee competencies and career progression. Tailored workshops, e-learning modules, and external certifications ensure staff remain equipped with industry best practices and regulatory updates. By fostering a culture of learning, NSB empowers its workforce to drive innovation, improve service excellence, contribute to the Bank's long-term success, and deliver exceptional value to our clients and stakeholders.

Process of training and development

Identify required skill set: Define what skills are necessary for success in specific roles or projects.

Assess existing skill levels: Evaluate the current capabilities of employees.

Determine the training gap: Identify the difference between required and existing skills.

Assess findings: Analyse the gaps and prioritise them based on organisational needs.

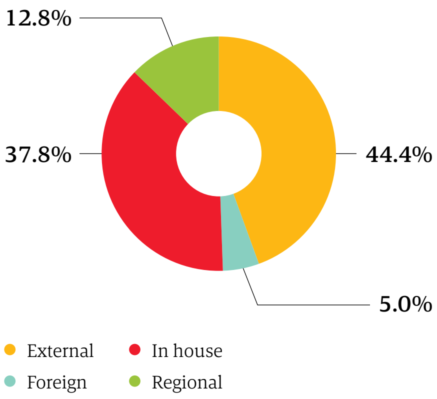
Determine required types of training: Choose appropriate training methods (e.g. on-the-job training, workshops, e-learning).

Implement training programmes: Execute the training initiatives.

Evaluate training effectiveness: Measure the success of the training and make improvements.

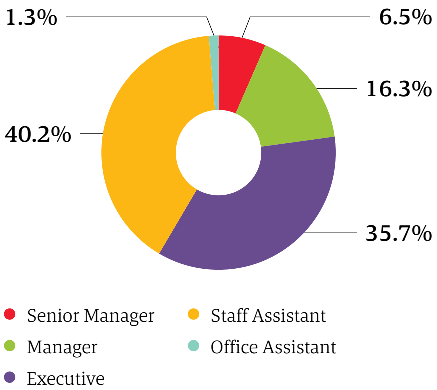
Number of training programmes

Graph 39



Training hours by grade

Graph 40



Transition and future workforce capabilities assessment at NSB

NSB proactively manages workforce transitions by enhancing future-ready skills through upskilling, reskilling, and succession planning. With evolving industry demands, we focus on training, digital literacy, and leadership development to equip employees for emerging roles. Regular capability assessments help identify skill gaps and implement structured development plans, ensuring a resilient and innovative workforce that drives long-term growth and operational excellence.

3 Employee engagement

At NSB, employee engagement is at the heart of our organisational ethos. We believe that a motivated and connected workforce is the cornerstone of our success, and we actively cultivate a culture of collaboration, recognition, and empowerment. Through regular communication, meaningful feedback, and opportunities for professional growth, we ensure that every employee feels valued and heard. Our initiatives, from team-building activities to wellness programmes and leadership development, are designed to inspire passion, satisfaction and commitment. By fostering a sense of purpose and belonging, we create an environment where employees are not only engaged but also deeply invested in the Bank's mission, driving innovation and excellence together.

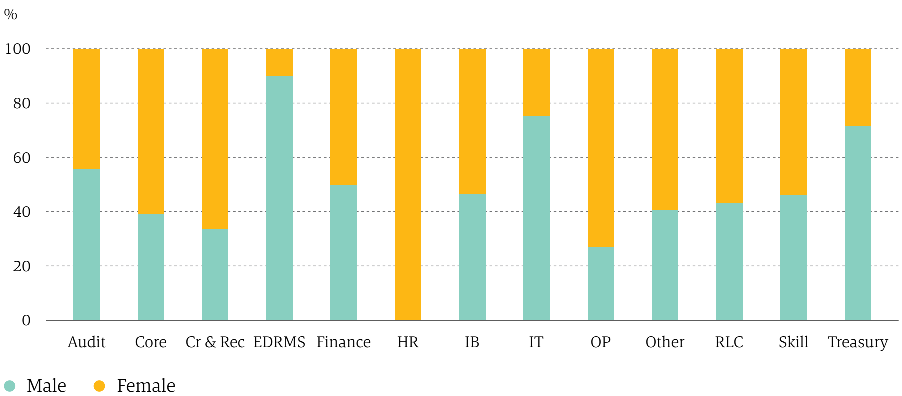
Revenue per employee
Rs. 49.6 Mn.
2023 – Rs. 53.8 Mn.

Profit per employee
Rs. 6.3 Mn.
2023 – Rs. 1.0 Mn.

Human capital ROI
9.2 Times
2023 – 13.4 Times

Training hours by category and gender

Graph 41



Employee voice

NSB encourages employees to share their ideas, feedback, and concerns through structured channels such as employee surveys, suggestion schemes, and regular communication forums. By actively listening to its workforce, NSB ensures that employees feel valued and empowered, which in turn drives engagement, innovation, and organisational success. This emphasis on employee voice aligns with NSB's broader goals of maintaining a motivated workforce and delivering exceptional service to its customers.

Further, NSB upholds the freedom of association, dialogue and negotiations with employee unions operating in the Bank. This encourages transparency, positive relationships and employee engagement in crucial employee-related decisions.

Freedom of association and collective bargaining

GRI 2-30 GRI 407-1

The Bank recognises the importance of its relationship with unions and representative associations for long-term growth, benefiting both employees and the organisation. The Management prioritises open and frequent communication with all employees, whether union members or not, to ensure smooth relations. Regular interaction with union representatives allows for better information sharing and helps all parties understand the Bank's activities and goals, fostering a culture of mutual understanding.

4 Remuneration and recognition

GRI 201-3 GRI 202-1 GRI 401-2 GRI 405-2

At NSB, we recognise that competitive and fair remuneration is essential to attracting, retaining, and motivating top talent. Our compensation philosophy is designed to reflect the value we place on our employees' contributions, ensuring they are rewarded for their dedication, expertise, and performance. We offer a comprehensive remuneration package that includes not only competitive base salaries but also performance-based incentives, bonuses, and long-term financial benefits. In addition to their monthly salary, all confirmed employees are entitled to a comprehensive array of financial benefits designed to enhance their well-being and security. These include annual salary increments, performance-based bonuses, leave encashment, and reimbursement of medical expenses.

The Bank also provides compassionate compensation schemes in the event of death, permanent disability, or partial disability, alongside concessional loan rates and honoraria payments. Furthermore, employees benefit from membership privileges that are covered under defined benefit plans, ensuring long-term financial stability and peace of mind. At every stage, we strive to offer a holistic support system that reflects our commitment to their prosperity and fulfilment. By aligning our remuneration strategy with industry standards and individual achievements, we strive to create a culture of recognition and fairness, where employees feel truly valued for their impact on the Bank's success.

NSB fosters a culture of appreciation by recognising and rewarding employee contributions through various initiatives. The Bank acknowledges outstanding performance with merit-based incentives, service awards, career advancement opportunities and everyday gestures of gratitude, and we ensure that hard work and innovation never go unnoticed. Special recognition programmes honour long-standing service, outstanding contributions, and innovation, while also acknowledging employee talents in areas such as sports, art, and literature. These initiatives foster a sense of appreciation, motivation, and belonging within the organisation. By cultivating a workplace where dedication and excellence are appreciated, NSB strengthens employee engagement, loyalty, and overall organisational success.

External workforce cost
Rs. 573.4 Mn.
2023 – Rs. 486.0 Mn.

Total workforce cost
Rs. 20,306.1 Mn.
2023 – Rs. 16,110.5 Mn.

Felicitation of employees securing National level Awards

Education 4
Sports 1
Aesthetics 1

5 Performance management GRI 404-3

We have established a robust and comprehensive performance evaluation system, designed to uncover the strengths and areas for improvement within our team. Our performance management framework is meticulously crafted to align seamlessly with our organisational objectives. At the heart of our Performance Management policy lies a focus on:

- Bridging skill gaps to propel success,
- Identifying and addressing skill deficiencies to build stronger, more cohesive teams, and
- Streamlining and optimising our performance management process.

Each year, we conduct thorough reviews for all employees, utilising tailored criteria that reflect the unique demands of different job levels. This ensures that assessments are fair, relevant, and directly tied to individual roles and responsibilities. To further enhance fairness and eliminate bias, we employ a balanced scorecard approach, which evaluates corporate management against Key Performance Indicators (KPIs). This target-driven system fosters objectivity and empowers employees to see how their efforts contribute to the Bank's overarching goals.

Through this process, we are able to identify individuals with exceptional skills and potential and provide them with opportunities to be nurtured as future leaders. This not only strengthens our talent pipeline but also ensures the continued growth and success of our Organisation.

The Bank has fully automated the Performance Appraisal System during the year 2024

4,183 employees participated in the performance appraisal

1,898 males and 2,285 female appraisals

6 Occupational health, safety and welfare

GRI 403-1, 2, 3, 4, 5, 6, 7, 8, 9, 10

NSB is deeply committed to safeguarding the health, safety, and well-being 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 respective amendments, and globally recognised safety standards, the Bank implements rigorous policies and conducts regular risk assessments to uphold the highest safety standards. To cultivate a culture of awareness and preparedness, NSB offers comprehensive training programmes that empower employees with the expertise to identify and mitigate workplace hazards effectively. Furthermore, the Bank champions employee welfare through initiatives that promote mental well-being, ergonomic workspaces, and easy access to quality medical care, ensuring a workplace that prioritises both health and productivity.

Health and safety details

Cases	2024	2023
Occupational accidents	9	7
Lost working days	433	N/A
Work related fatalities	Nil	Nil

Table 26

Work-life balance

NSB is dedicated to fostering a vibrant and engaging workplace culture by promoting social and recreational activities that enhance work-life balance and strengthen camaraderie among employees. These initiatives play a vital role in cultivating a positive and harmonious work environment, with key events such as NSB Colours Night, *Vesak Bakthi Gee*, Christmas Carols, and New Year Celebrations serving as cherished annual traditions. Through these festivities, the Bank not only nurtures a sense of unity and belonging but also reinforces its commitment to employee well-being and a fulfilling workplace experience.

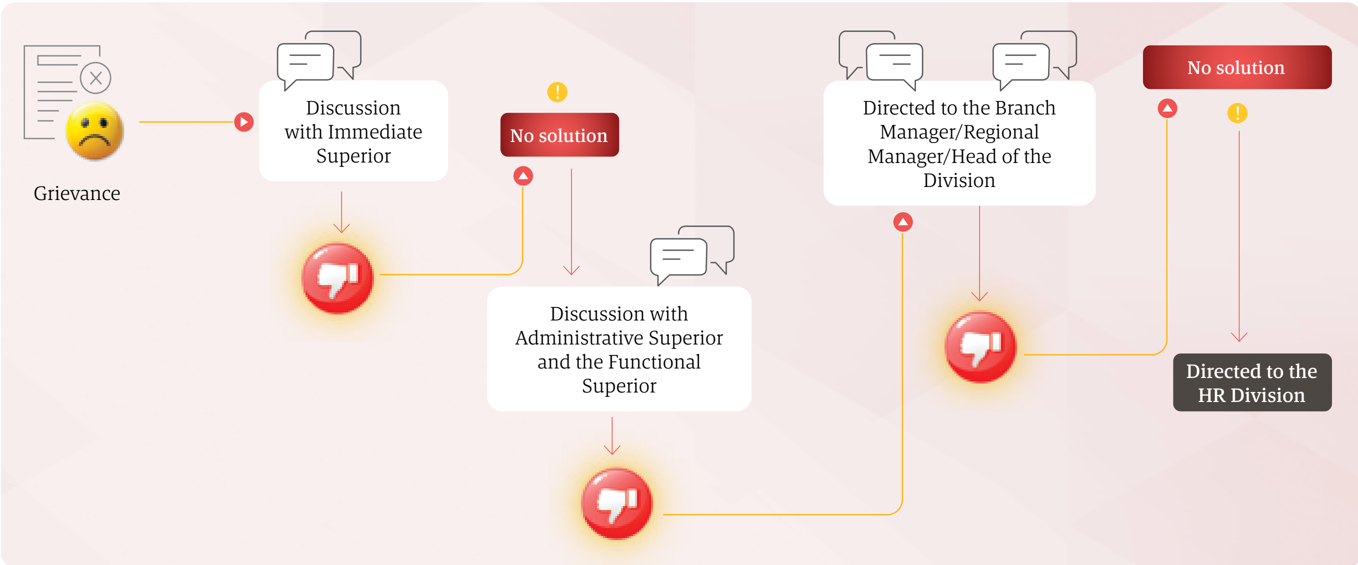
In addition, the Bank provides the following welfare and recreational facilities to the staff to promote the work-life balance of our team:

- A well-equipped in-house Medical Centre, operated by a Board-approved hospital, is available at the Bank's Head Office, with specialised doctors offering consultations twice a month.
- NSB collaborates with leading private hospitals to conduct medical clinics at the Head Office, ensuring employees have convenient access to quality healthcare.
- The Welfare Division arranges seminars and lectures by expert resource personnel on essential health and wellness topics, including stress management, eye care, and cardiovascular disease prevention.
- The Head Office canteen offers nutritious meals at concessionary rates, with the Welfare Division overseeing hygiene and quality standards.
- The NSB Sports Club encourages employees to nurture their athletic skills and engage in healthy competition through various sports activities.
- An in-house gym, managed by the NSB Sports Club, is available at the Head Office, promoting employee fitness and well-being.
- A well-stocked library is provided to support employees in expanding their knowledge and professional expertise.
- The NSB Arts Circle enriches the workplace experience by organising cultural and recreational events such as dramas, film screenings, and musical performances.

Grievance handling

NSB upholds a fair and transparent grievance resolution framework, offering employees multiple avenues to address their concerns effectively. The Bank follows the "Step Ladder System," a structured approach where grievances are escalated through a defined hierarchy to ensure timely and appropriate resolution. Simultaneously, an "Open Door Policy" is in place, allowing employees to directly present their concerns to an independent party appointed by the HR Committee, ensuring impartiality and confidentiality. While employees are encouraged to seek resolution through the "Step Ladder System" whenever possible, both mechanisms serve as integral pillars of NSB's commitment to fostering a supportive and equitable work environment. The detailed processes are outlined below:

Step Ladder System



Open Door Policy

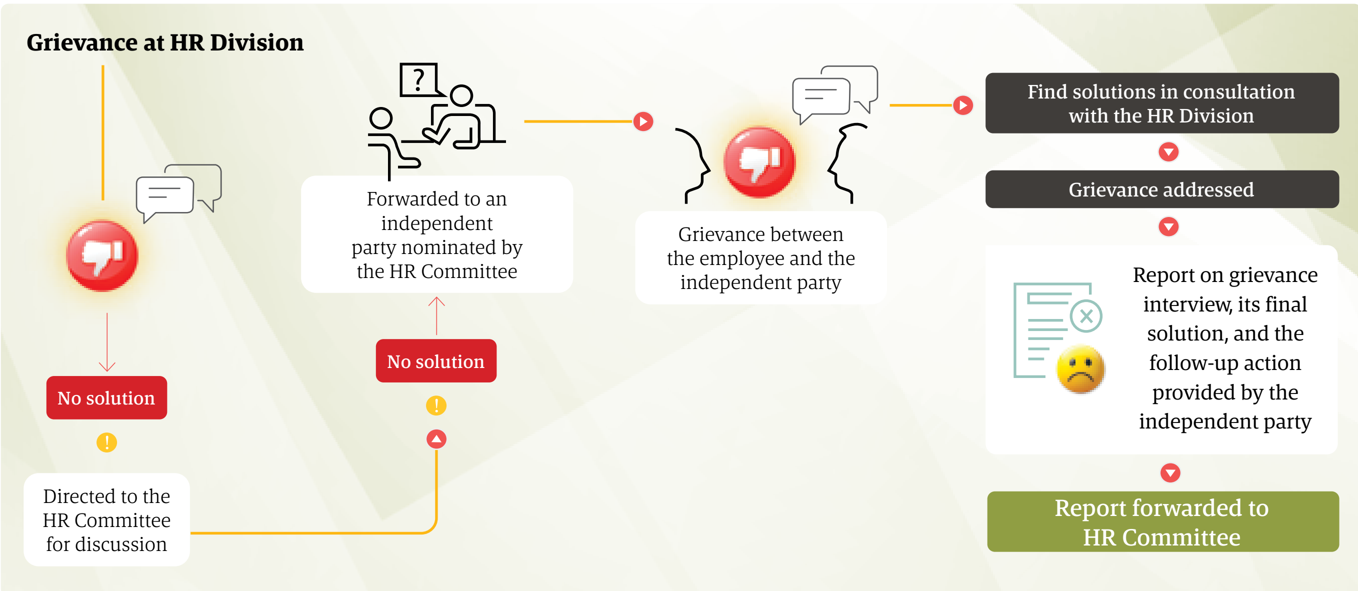


Figure 12

The Bank has established a dedicated Grievance Handling Committee, specifically designed to address issues faced by female employees. This Committee, composed of accomplished female Deputy General Managers, ensures a supportive, empathetic, and understanding environment for resolving concerns. By empowering women to lead this initiative, the Bank underscores its commitment to gender equality, inclusivity, and fostering a workplace where every voice is heard and valued.

Number of grievances handled through the Human Resource Committee

29

Zero tolerance of workplace harassment GRI 406-1

The Bank has a zero-tolerance level to any form of workplace harassment, seeing it as a violation of a fundamental human right of the employee as well as his/her personal dignity that could result in serious mental health issues.

Therefore, the Bank has strict policies and procedures to prevent the occurrence of such incidents. Employees are strictly prohibited from harassing any stakeholder of the Bank, including customers, vendors, other employees, or any visitors. An employee who harasses or solicits favours (including sexual favours) from an unwilling subordinate in return for promotions, salary increments, transfers or any similar promise will be dealt with under the provisions of the Disciplinary Code of the Bank. If an employee feels he/she is being harassed or discriminated against, the Bank has a clear procedure to deal with the issue.

Number of complaints regarding discriminations

0

Whistle-blower policy

Designed to safeguard employees against discrimination or dismissal when reporting corruption or fraud, this policy encompasses prevention, early detection, reporting, monitoring, recovery, and follow-up measures. It provides employees with the confidence that any whistle-blowing related to accounting irregularities, auditing discrepancies, coercion, collusion, corruption, internal control breaches, financial misreporting, fraud, misappropriation, or other misconduct will be addressed with the utmost integrity and ethical standards. At the same time, it ensures the strongest possible protection for whistle-blowers, fostering a culture of transparency, accountability, and trust within the organisation.

7 Diversity, equity and inclusion GRI 405-1

Diversity, equity, and inclusion at NSB are fundamental pillars that drive the Bank's commitment to creating a workplace where every individual feels valued, respected, and empowered. By embracing diversity in all its forms, gender, ethnicity, age, and background, NSB fosters a culture of innovation and collaboration. Equity ensures that all employees have fair access to opportunities, resources, and support, enabling them to thrive and reach their full potential. Inclusion is at the heart of NSB's ethos, ensuring that every voice is heard, respected, and integrated into the decision-making processes. Through targeted initiatives, policies, and training, NSB champions a workplace that celebrates differences, promotes fairness, and builds a sense of belonging for all.

Our team consists of a diverse set of people who belong to different races, religions, gender and also physical abilities, yet we offer similar opportunities to all, despite the differences. The Bank made conscious efforts to write job descriptions that eliminated any possibility of unconscious bias when recruiting new employees. Our promotion policy also eliminates any bias towards any differences in our teams.

Number of employees based on category and age

Category	Senior Grade	Managers	Executives	Staff Assistants	Office Assistants	Total
Less than 25	–	–	–	1	4	5
25-40 years	1	167	803	1,619	408	2,998
40-50 years	11	224	264	159	157	815
50-60 years	16	194	80	33	42	365
Total	28	585	1,147	1,812	611	4,183

Table 27

Young blood in decision-making positions

Grade	2024	2023	Change
Assistant General Managers	1	–	1
Regional Managers	–	–	–
Branch Managers	78	97	(19)
Other Chief/Senior Managers	123	94	29
Total	202	191	11

Table 28

Women leadership

Grade	2024	2023	Change
Deputy General Managers	3	3	–
Assistant General Managers	10	8	2
Regional Managers	2	3	(1)
Branch Managers	96	99	(3)
Other Chief/Senior Managers	130	144	(14)
Total	241	257	(16)

Table 29

GRI 401-3

Number of employees that availed themselves of maternity leave

172

Number of employees that returned to work after maternity leave

172 (100%)

Human capital risks, impact on NSB, and mitigation strategies

Risks and challenges	Impact on NSB	NSB's response
Talent retention	Higher turnover may lead to knowledge loss and recruitment costs.	Enhanced employee value proposition, internal promotion opportunities, and competitive benefits.
Skill gaps and workforce adaptability	Reduced productivity and difficulty in meeting evolving industry demands.	Upskilling, reskilling, and leadership training programmes to equip employees for future roles.
Change management	Resistance to change may lead to non-achievement or partial achivement of set targets.	During the year, the Bank implemented the new core banking system and automated the performance appraisals. Conducted continuous training on system functionalities.
Evolving regulatory environment	Non-compliance risks, potential penalties, and operational inefficiencies.	Regular compliance training and policy updates to ensure regulatory alignment.

Future outlook

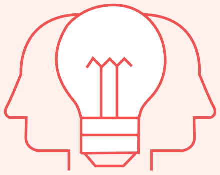
Short-term

- Strengthening employee engagement and retention strategies
- Enhancing digital literacy and technology adoption among staff
- Expanding leadership development initiatives

Medium to long-term

- Embedding a culture of continuous learning and innovation
- Advancing workforce planning for emerging industry needs
- Building a future-ready workforce aligned with industry transformation
- Leveraging AI and automation to optimise human capital efficiency
- Sustaining a high-performance culture to drive long-term growth
- Establishing NSB as an employer of choice in the banking sector

Intellectual capital



Strength of our knowledge and brand

What is Intellectual Capital at NSB

Intellectual capital at NSB embodies the collective expertise, innovative capability, and knowledge-driven assets that propel our strategic initiatives and competitive edge. It encompasses the skills and insights of our workforce, the intellectual property embedded in our processes and innovations, and the organisational learning that drives continuous improvement.

Our focus

Cultivating a culture of continuous learning, innovation, and knowledge sharing.

How intellectual capital links with our strategy

Embedded in our long-term strategy, intellectual capital enables us to:

- Foster innovation, efficiency, and customer-centric growth
- Navigate industry challenges and adapt to change effectively
- Consistently deliver exceptional banking experiences, strengthening customer loyalty and trust.
- Differentiate the Bank in the market

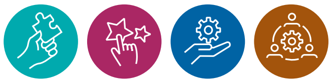
How intellectual capital support value creation

In an era defined by knowledge, innovation and credibility, the strength of our structural and reputational capital solidifies NSB's position as a leader in the financial sector.

Intellectual capital on sustainable performance

We continue to invest and expand our intellectual capital to enhance our financial and non-financial performance to drive long-term, sustainable success.

Related stakeholders



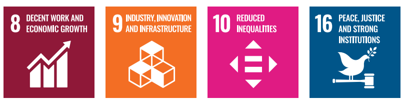
Link to strategic pillars

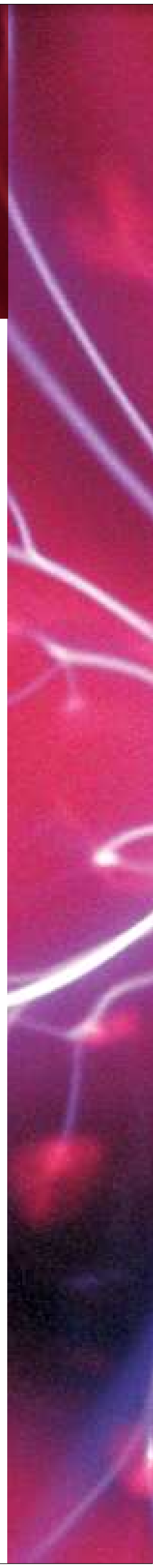
Customer centricity	Promoting organic growth	Enhancing employee engagement	Accelerating digital transformation

Material matters

- 2 Macroeconomic stability and growth
- 4 Financial sustainability
- 7 Talent retention and management
- 8 Future proofing talent
- 10 New technological advancements
- 12 Growing requirements for digital literacy
- 15 Excellence in governance and regulatory engagements

Contribution to SDGs





Potential trade-offs

Financial capital

Investments in R&D and technology may reduce short-term profitability. (−)

High cost of innovation can strain financial resources. (−)

Manufactured capital

Increased digitisation reduces reliance on physical infrastructure. (+)

Human capital

Automation may require workforce redundancies. (−)

Employee development enhances expertise and innovation. (+)

Social and relationship capital

Data-driven banking enhances customer experience but may reduce human interaction. (−)

Natural capital

Technology adoption may increase energy consumption and e-waste. (−)

Digital transformation reduces paper usage, enhancing sustainability. (+)

Impact: Positive (+) | Negative (−)

Enablers of sustainable value creation

1	Structural capital
2	Tacit knowledge
3	Reputational capital

Brand value:
Rs. 23 Bn. (2023)

Brand rating:
AA (2023)

Employees with over 10 years service:
1,895
2023 – 1,916

Credit worthiness:
AAA
2023 – AAA

Investment in digitalisation:
Rs. 2.0 Bn.
2023 – Rs. 0.4 Bn.

1 Structural capital

Structural capital represents the institutional knowledge, processes, technologies, and governance frameworks that drive NSB's efficiency, innovation, and service excellence. The Bank continues to refine its internal systems and structures to ensure agility, risk resilience, and superior service delivery.

Processes and procedures

We have systematically enhanced our operational workflows to drive efficiency, regulatory compliance, and a seamless customer experience. The Bank has adopted a strategy of process modernisation by embracing automation, analytics, and lean methodologies to ensure that its service delivery is fast, secure, and adaptive to future needs.

Process optimisation through lean management

At NSB, our commitment to process optimisation is embodied in our strategic adoption of lean management techniques, which empower us to streamline operations, eliminate inefficiencies, and enhance overall agility. By conducting detailed value stream mapping, we meticulously analyse every step of our workflows from customer onboarding and transaction processing to back-office functions to identify and remove non-value-added activities. This continuous improvement approach not only simplifies processes but also drives faster turnaround times and cost savings.

Standardisation and process manuals

NSB is committed to achieving operational excellence through meticulous standardisation of our processes. To this end, we have developed a centralised digital repository that houses updated process manuals and Standard Operating Procedures (SOPs). This repository serves as a single, authoritative source of guidance for all staff across branches and divisions, ensuring that every team member has immediate access to the latest procedures and best practices. By digitising these materials, we facilitate consistent and standardised service delivery, reduce variability, and minimise errors across different locations. Moreover, the digital platform supports continuous learning and improvement by enabling real-time updates, version control, and feedback loops, thus empowering employees to contribute to process enhancements.

Technology and innovation

NSB recognises that technology is not merely a support function but a strategic enabler of transformation. In 2024, we expanded our technology roadmap to bolster digital resilience, drive innovation, and elevate customer-centric service delivery.

New Core Banking System implementation

As a cornerstone of our digital transformation journey, the Bank successfully implemented the Temenos T24 Core Banking System (CBS) in 2024. This significant undertaking, while presenting considerable challenges due to the transition from a homegrown system to a universal T24 CBS, has yielded substantial benefits.

Implementing T24 CBS from a decentralised CBS has transformed the Bank's operations, offering improved efficiency, scalability, and customer satisfaction. While the transition requires effort, the long-term benefits far outweigh the challenges, positioning the Bank for sustainable growth and competitiveness in the digital era. Despite the complexities inherent in such a large-scale conversion, the Bank has effectively stabilised the core system and is now strategically positioned to advance other critical initiatives.

Human Resource Information System (HRIS)

As part of NSB's ongoing digital transformation and commitment to building a future-ready workforce, the introduction of a new Human Resource Information System (HRIS) in 2024 marked a pivotal shift in how the Bank manages, supports, and engages its human capital. This upgrade reflects NSB's strategy to align HR operations with modern best practices, while also fostering a culture of transparency, empowerment, and continuous development.

The new HRIS is built around the principle of employee enablement. It offers a user-friendly interface accessible through desktop ensuring that employees across all branches and divisions can access HR services with ease.

Routine yet critical HR processes such as performance evaluations, attendance tracking, leave requests and employee records management have been fully automated. This has significantly reduced manual paperwork, minimised human error, and accelerated processing times, allowing the HR team to shift their focus from transactional tasks to strategic workforce development.

Built with robust data security protocols, the system ensures that employee data is the securely stored, with restricted access based on roles and responsibilities.

NSB virtual card

In a pioneering partnership that underscores NSB's relentless pursuit of innovation, the Bank has teamed up with Mastercard to launch Sri Lanka's first-ever Mastercard Platinum Debit Card powered by Pay by Account (PbA) technology. This collaboration not only propels the NSB PayApp onto a global platform but also delivers an enhanced user experience complemented by attractive rewards for our valued customers.

The introduction of the innovative Pay by Account technology enabled Mastercard Debit Card represents a significant leap in digital payment capabilities, opening doors to a myriad of opportunities within the payment ecosystem. NSB leads the Sri Lankan market by unveiling the first-ever virtual card with comprehensive digital capabilities, tailored to meet the evolving needs of both digital-savvy and newfound users of digital banking services.

This empowers NSB customers to tokenise various financial instruments, facilitating seamless payments in the open-loop payment ecosystem through e-commerce, QR, and Contactless.

Payment Card Industry Data Security Standard (PCI DSS)

PCI DSS is an information security standard for organisations that handle branded credit/debit cards from the major card schemes. It is one of the most accepted international standards for payment card security and is based on specific technical and operational controls for card operations and related information systems. Presently, the Bank provides Mastercard and Visa branded debit cards for customers and PCI DSS assures the safety of card holders' data. In 2024, the Bank initiated steps to comply with the new version of PCI DSS certification.

Baseline Security Standard (BSS)

NSB implemented BSS across its branch network in 2024. The Central Bank of Sri Lanka, the Sri Lanka Computer Emergency Readiness Team, Co-ordination Centre (Sri Lanka CERT|CC) and the Sri Lanka Banks' Association (SLBA) worked towards the establishment of the Baseline Security Standard for Information Security Management, based on the globally recognised ISO 27000 series of International Standards for information security. The implementation of the Standard will be supervised by CBSL.

Privileged access management system

NSB implement privileged access management (PAM) to protect against the threats posed by credential theft and privilege misuse. PAM refers to a comprehensive cybersecurity strategy comprising people, processes and technology to control, monitor, secure and audit all human and non-human privileged identities and activities across an enterprise IT environment.

Web Application Firewall (WAF)

We enhanced the capacity of WAF in 2024 enabling incident monitoring. A WAF helps us to protect web applications by filtering and monitoring HTTP traffic between a web application and the internet. It typically protects web applications from attacks such as cross-site forgery, cross-site-scripting (XSS), file inclusion, and SQL injection, among others.

Security Information and Event Management (SIEM)

NSB upgraded its SIEM in 2024. In the security world, the primary system that aggregates logs, monitors them, and generates alerts about possible security systems, is a Security Information and Event Management (SIEM) solution.

SWIFT Customer Security Programme (CSP)

We complied with SWIFT CSP requirements for 2024 successfully. Swift's Customer Security Programme helps us to ensure our defences against cyberattacks are up to date and effective, to protect the integrity of the wider financial network.

Governance and risk management

NSB's intellectual capital is firmly underpinned by a culture of strong governance and proactive risk management. These pillars are essential not only for maintaining regulatory compliance but also for ensuring operational continuity, stakeholder confidence, and sustainable growth. The Bank's robust frameworks, systems, and oversight mechanisms ensure that risks are effectively identified, assessed, mitigated, and monitored across all functions.

Integrated Risk Management (IRM) Framework

Our Integrated Risk Management (IRM) framework is embedded with risk awareness across strategic planning and daily operations, guided by a robust Three Lines of Defence model. The Bank also refined its Risk Appetite Framework to reflect evolving economic and digital landscapes, conducted regular stress testing and scenario planning, and initiated efforts to monitor environmental and climate-related risks in alignment with emerging global disclosure standards.

Cybersecurity governance

As the Bank continues to expand its digital footprint, cybersecurity has emerged as a strategic priority integral to its intellectual capital base. Recognising the evolving threat landscape, NSB has adopted a multi-layered cybersecurity strategy that ensures data integrity, customer privacy, and system continuity.

Guided by the Board, the Board Information Technology Strategy Committee and Information Technology Steering Committee (ITSC) are dedicated in providing ICT services and infrastructure that meet both current and future demands while ensuring efficient operational management. To support NSB's objective of creating a secure, convenient and efficient business environment, the ITSC has implemented governance standards and strategies across the Bank within the regulatory framework.

The Bank adopted a Zero Trust Architecture, enforcing continuous verification of all users and devices to mitigate insider and lateral threats. To enhance cyber resilience, NSB also launched comprehensive employee cyber hygiene initiatives, including phishing simulations and mandatory training, while routinely conducting cybersecurity audits and penetration testing in alignment with ISO/IEC 27001 standards.

Intellectual capital and INTEGRATED THINKING

At NSB, we integrate strategy, governance and performance for a holistic approach of our business operations and their impact on our stakeholders. In this process, our intellectual capital, consisting of tacit knowledge, expertise and skills, play a pivotal role. We continuously utilise, manage and develop our intellectual capital to align all aspects of the Bank, to make better decisions.

Our considerations

- We leverage tacit knowledge and innovative thinking to develop new products that meet the evolving needs of our customers.
- Our policies and procedures ensure regulatory compliance and seamless implementation across all levels of the Bank.
- A well-established brand and strong reputation enable us to engage with society through impactful CSR initiatives.
- Our corporate culture empowers us to make informed financial and non-financial decisions.
- We maintain transparency by openly communicating both our strengths and areas for improvement in intellectual capital to our stakeholders fostering trust and accountability.

2 Tacit knowledge

Tacit knowledge is the intangible, but indispensable expertise embedded within the human fabric of NSB. It includes the skills, experiences, intuition, and insights of employees developed over years of service. This form of intellectual capital is critical in maintaining continuity, driving innovation, and reinforcing NSB's adaptive capability in an increasingly digital and regulated environment. As this knowledge is often difficult to document, it plays a crucial role in shaping customer relationships, refining risk management strategies, improving operational efficiencies, and enhancing business agility.

NSB actively fosters the retention and transfer of tacit knowledge through structured mentorship programmes, cross-functional collaboration, leadership development initiatives, and a culture of continuous learning. Additionally, the Bank leverages digital platforms and knowledge-sharing systems to capture and disseminate critical insights, ensuring that institutional wisdom is preserved and utilised for strategic advantage.

By harnessing the collective expertise of its employees, NSB remains agile, innovative, and well-equipped to navigate an evolving financial landscape delivering sustained value to customers, shareholders, and the wider community.

Employees with more than 20 years experience
333

Employees with more than 10 years experience
1,895

Professionally qualified staff
531

Training expenditure
Rs. 15.9 Mn.

3 Reputational capital

Reputational capital represents the collective perception of NSB's trustworthiness, ethical conduct, and institutional integrity. It is built over decades through consistent delivery, transparency, and stakeholder engagement, and serves as a powerful differentiator in the competitive financial services sector.

A trusted brand

NSB's brand stands as a hallmark of trust, stability, and excellence in the financial sector, reinforcing its position as a leading and secure banking institution. The NSB brand is built on decades of financial strength, and customer confidence, and unwavering commitment to national economic development.

Our reputation is shaped by the consistent delivery of reliable banking solutions, ethical business practices, and strong governance standards. To further strengthen our market presence, we continuously invest in brand development through innovative digital banking services, customer-centric initiatives, and strategic partnerships.

By maintaining a strong brand identity, the Bank not only deepens customer loyalty but also strengthens stakeholder confidence, ensuring long-term sustainability and a competitive edge in the evolving financial landscape.

- Unique Government guarantee to uphold claims on all deposits and interest thereon assures safety
- Brand is synonymous with trust as the premier savings bank in Sri Lanka
- AAA credit rating by Lanka Rating Agency (LRA)
- Achieved many financial and non-financial milestones
- Wide network across the island provides wider reach

"NSB" Brand holding a value of Rs. 23 Bn. is the 7th most valuable brand in Sri Lanka as per the Brand Finance Sri Lanka (2023).

During 2024, we have undertaken several initiatives to instil our brand in our customer's mind. (to CSR initiatives in Community Capital pages 143 to 145).

In this digital era, social media plays a crucial role in shaping brand perception and strengthening customer engagement. Recognising this, we have expanded our social media presence, achieving overall growth compared to the previous year.

CSR and financial inclusion

The Bank's corporate responsibility programmes focus on bridging the financial literacy gap in underserved areas, empowering women entrepreneurs, and fostering savings habits among students. These initiatives not only uplift communities but also reinforce NSB's image as a bank with a purpose beyond profit.

Community Capital pages 143 to 145 for more detail.

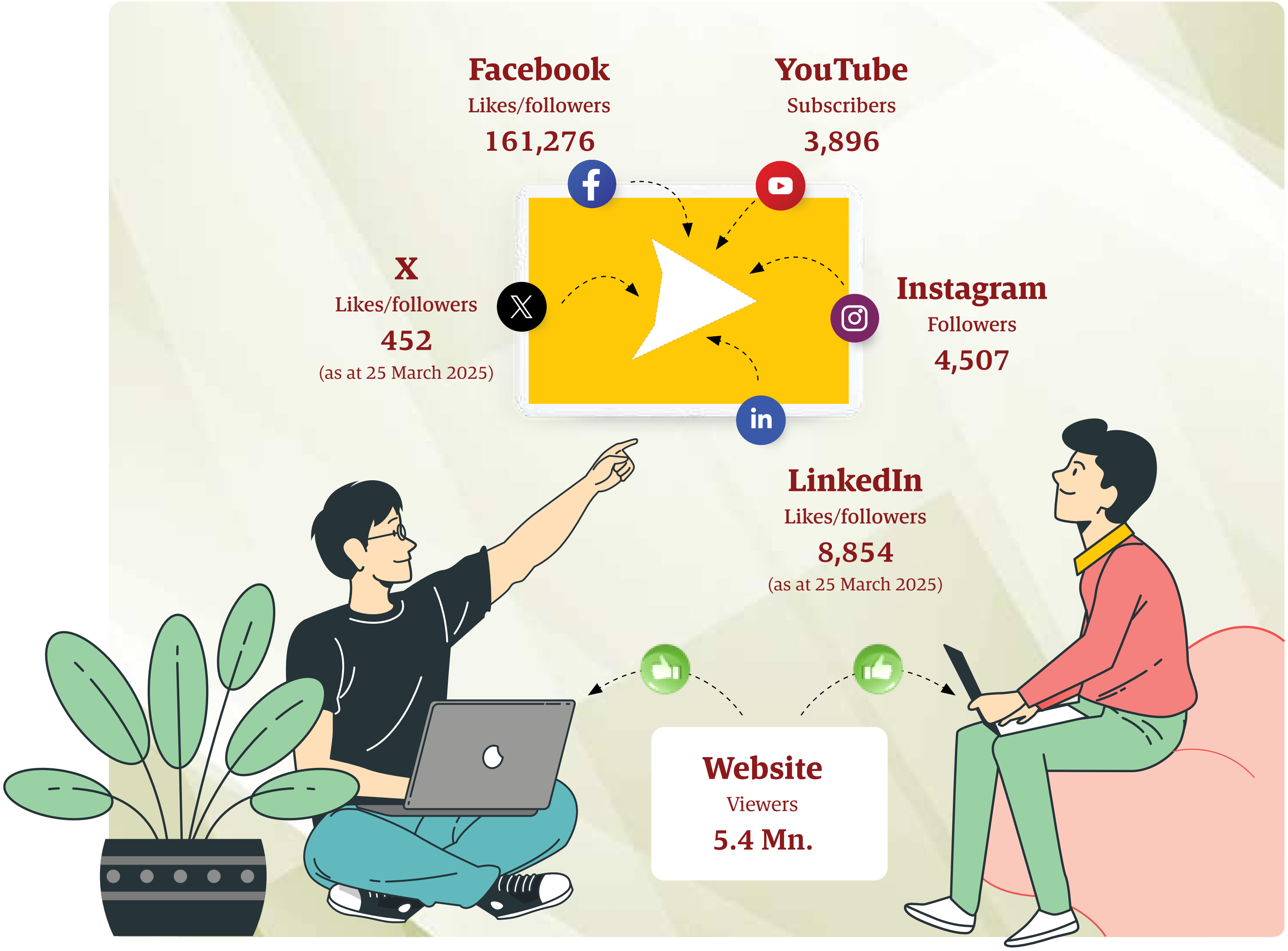


Figure 13

Awards and recognitions

In 2024, we continued to build on our strong foundation, further enhancing our credibility and industry standing. Our presence in the industry has been acknowledged by esteemed pioneers, reinforcing our growing reputation.

Pinnacle Sri Lanka 2024

- Best Customer Service Provider Bank of the Year 2024
- Best Women Savings Plan of the Year 2024 – NSB *Sthree*
- Best CEO of the Year 2024 (Overall sector)

TAGS Awards 2024

- State Bank Sector – Silver
- Integrated Reporting – Certificate of Recognition

CMA Excellence in Integrated Reporting Awards 2024

- One of the Ten Best Integrated Reports
- Best Integrated Report (State Banking Sector) – Winner

Satyn

- Women-friendly Workplace Awards – One of Sri Lanka's Most Outstanding Women-friendly Workplaces

Technnovation 2024

- Bank of the year for Financial Inclusivity Category B – Gold
- Bank of the year for Excellence in Customer Convenience Category C – Gold
- Overall Award Excellence in Digital Payments (Banking Institutions) – Merit

Figure 14

We have excelled not only in financial performance but also in non-financial achievements, demonstrating our unwavering commitment to strategic objectives. These accolades not only elevate our market value but also inspire us to deliver even greater value to our stakeholders.

Certifications

- Baseline Security Standards (BSS)
- PCI DSS certification
- SWIFT CSP compliance

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 have shaped the culture of NSB over past five decades, guiding its employees and management in building meaningful relationships with stakeholders.

Our strong, positive culture is rooted in ethical banking practices, where we promote knowledge sharing, transparency, and community building. A well-defined set of principles governs every aspect of the Bank's operations, ensuring consistency and accountability. 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.

Creativity
Challenging existing practices whilst continuously seeking out novel concepts.

Trust
Building relationships through having complete confidence in the interests of all involved.

Integrity
Being honest, consistent and transparent in all our actions and decisions.

Mutual respect
Recognising the inherent worth of every individual and treating everyone with dignity.

Intellectual capital risks, impact on NSB, and mitigation strategies

Risks and challenges	Impact on NSB	NSB's response
Loss of key talent	Erosion of institutional knowledge and expertise	Implementing robust succession planning
	Disruption in strategic decision-making and operations	Enhancing employee retention through competitive benefits and career development programmes
Knowledge drain due to retirement	Loss of experienced professionals	Structured knowledge transfer programmes
	Potential skill gaps in critical areas	Mentorship initiatives to groom future leaders
Cybersecurity threats to intellectual assets	Exposure of proprietary financial models and strategies	Strengthening IT security protocols
	Potential data breaches affecting customer trust	Conducting regular cybersecurity awareness training

Future outlook

Short-term

- Enhancing employee training in digital banking and regulatory compliance.
- Upgrading IT infrastructure and cybersecurity measures.
- Strengthening data-driven decision-making and process automation to optimise operations, personalise customer interactions, and identify new growth opportunities.

Medium to long-term

- Proceeding with AI-driven banking solutions and fintech collaborations for improved decision making and excelling in customer service.
- Expanding digital financial literacy among customers and employees.

Social and relationship capital

Building trust, building value

What is Social and Relationship Capital at NSB

Social and relationship capital reflects the value derived from our strong stakeholder relationships, community engagement, and commitment to financial inclusion. It also signifies how effectively we build and maintain trust, reputation, and long-term partnerships with **customers, business partners, regulators, and the wider community.**

Our focus

We focus on financial inclusion, stakeholder trust, and community engagement by expanding banking access, promoting ethical banking, and strengthening strategic partnerships. Our CSR initiatives in education, healthcare, and sustainability reinforce our commitment to social responsibility and foster long-term stakeholder confidence and value creation.

How social and relationship capital links with our strategy

- Strengthening trust and engagement with customers leads to higher retention, cross-selling opportunities, and digital adoption.
- Maintaining transparent relationships with regulators ensures compliance, risk management, and operational stability.
- Collaborating with FinTech and corporate partners accelerates innovation, product diversification, and financial inclusion.
- Investing in social responsibility initiatives strengthens community trust and aligns with ESG goals.

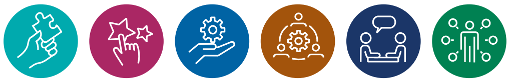
How social and relationship capital supports our value creation

By leveraging shared norms, values, and trust, our social and relationship capital enhances stakeholder confidence, fuels innovation, and drives sustainable value creation for the nation's economic progress.

Social and relationship capital on sustainable performance

We aim to deliver sustainable financial solutions and a lasting socio-economic impact through these deep-rooted relationships.

Related stakeholders



Link to strategic pillars

Customer centricity	Promoting organic growth	Accelerating digital transformation	Sustainability

Material matters

1 Transformative political shift
2 Macroeconomic stability and growth
3 Asset quality and growth
4 Financial sustainability
5 Enhanced customer expectations
6 Growing influence of social media
10 New technological advancements
11 Cyberthreat and information security
12 Growing requirements for digital literacy
14 Climate change and environmental resilience
15 Excellence in governance and regulatory engagements

Contribution to SDGs

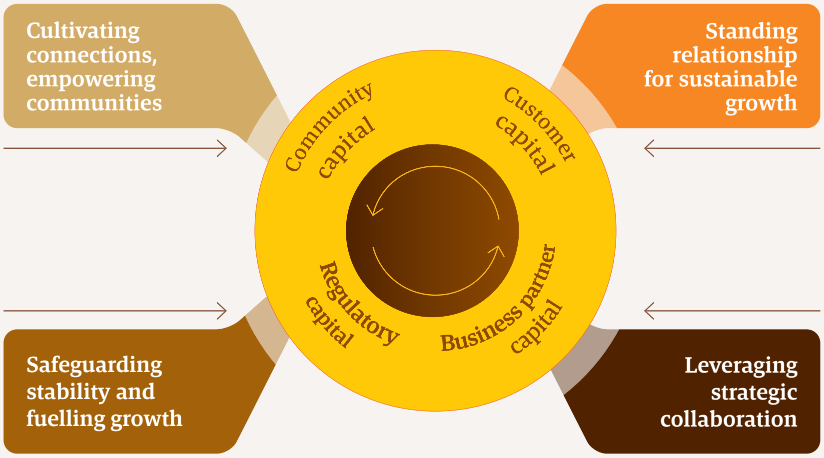


Figure 15

Customer capital

Strengthening relationships for sustainable growth

Customer capital at NSB embodies our commitment to building trust, fostering financial inclusion, enhancing digital accessibility, and delivering superior banking experiences. Our approach is centred on understanding evolving customer needs, offering personalised financial solutions, and leveraging digital innovation to provide seamless and inclusive banking services.

At NSB, we recognise that strong customer relationships are integral to our long-term success. By continuously enhancing service quality, expanding access to financial services, and embedding responsible banking practices, we ensure that our customers experience not just banking services but a reliable financial partnership that nurtures their aspirations and financial well-being.

In 2024, we deepened our commitment to embedding sustainability into every customer touchpoint, ensuring that our services empower individuals, businesses, and communities to thrive in a rapidly evolving financial landscape. This section illustrates how our customer-centric strategies create lasting value for stakeholders and society alike.

Economic value distributed to depositors and lenders

131 Bn.

2023 – 197 Bn.

Active customers' accounts

10.42 million

2023 – 13.03 million

Our customer value proposition

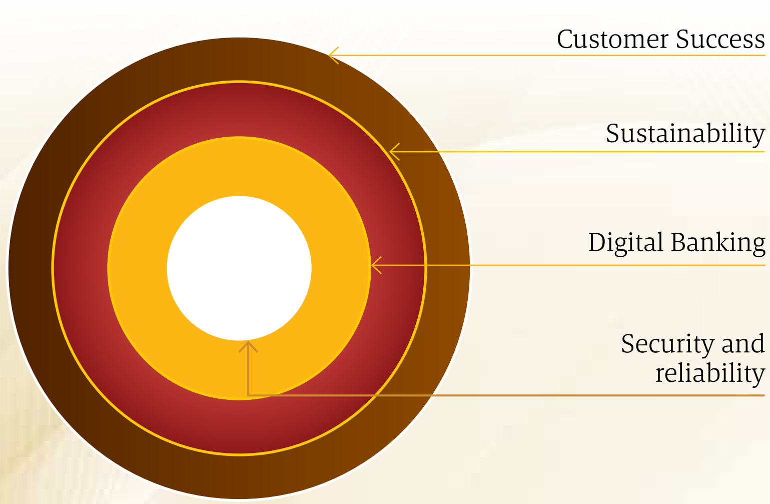
At NSB, our customer value proposition is rooted in delivering exceptional financial solutions tailored to meet diverse customer needs while fostering trust, innovation, and sustainability. We ensure the security and confidentiality of customer assets, supported by a strong heritage of reliability. Through cutting-edge digital platforms, we offer seamless banking experiences, empowering customers with convenience and accessibility. By promoting green financial solutions and sustainable practices, we align with eco-conscious values while enriching lives through financial literacy and education. Our unwavering commitment to superior service and personalised support ensures that we not only meet but exceed customer expectations, making NSB a trusted partner in financial success and sustainable growth. “Our value proposition is not just about profit, it is about purpose”.

100% Government Guarantee

Only Sri Lankan bank which GOSL guarantees the full repayment of deposits and interest thereon to its customers in a default situation by the Bank.

AAA lka

(LRA 2024)



Potential trade-offs

Financial capital

Expanding physical branch presence and upgrading infrastructure for better customer service requires a high capital investment. (Negative)

Manufactured capital

Investing in physical assets to increase customer experience may divert resources from manufacturing and technological upgrades. (Negative)

Intellectual capital

Investing heavily in personalised customer service may slow down digital innovation in AI and automation. (Negative)

Human capital

Pressure to meet customer demands may overburden staff. (Negative)

Natural capital

Increased banking activities and promotional events may contribute to a higher carbon footprint and resource consumption. (Negative)

Impact: Positive + | Negative −

Enablers of sustainable value creation

1	Digital transformation for seamless banking
2	Personalised services for a diverse customer base
3	Fostering loyalty and long-term relationships
4	Ethical and sustainable banking
5	Financial literacy and customer empowerment

1 Digital transformation for seamless banking

The rapid evolution of financial technology has redefined customer expectations, making convenience, security, and efficiency the cornerstone of modern banking experiences. Customers today demand instant, intuitive, and personalised financial services, accessible anytime and anywhere. In response, NSB has embarked on an ambitious digital transformation journey, reimaging how banking services are delivered while ensuring accessibility, security, and customer satisfaction.

Our digital-first approach is designed to meet the needs of an increasingly tech-savvy customer base, ensuring that financial services are not just efficient but also inclusive, secure, and future-ready.

Expanding digital banking infrastructure

To ensure seamless round-the-clock banking accessibility, we have significantly expanded our digital banking ecosystem, introducing a range of innovative services that enhance customer convenience:

Successful implementation of the Temenos T24 Core Banking System (CBS)

The transition from a decentralised CBS to Temenos T24 CBS has transformed NSB's operations, enhancing efficiency, scalability, and customer satisfaction. While the transition posed challenges, the long-term benefits far outweigh the complexities, positioning NSB for sustainable growth and competitiveness in the digital era. The system is now stabilised, enabling the Bank to advance other critical initiatives.

(Intellectual Capital on page 122 for more details).

Enhanced mobile banking and self-service platforms

Our mobile banking app now features an intuitive interface, faster processing times, and personalised financial insights, allowing customers to manage their accounts effortlessly.

Strengthening digital onboarding and remote banking

Aligned with our commitment to financial inclusion, NSB is eliminating traditional barriers through digital onboarding solutions.

Seamless account opening and e-KYC (Electronic Know Your Customer)

Customers can now open accounts remotely through a fully digitised onboarding process, minimising paperwork while ensuring compliance with anti-money laundering (AML) regulations.

Enhancing cybersecurity and digital trust

With the growing adoption of digital banking, cybersecurity and fraud prevention are at the forefront of our strategy. We have deployed state-of-the-art security measures to ensure that all customer transactions remain safe, private, and protected from cyberthreats.

- Real-time transaction monitoring – Fraud detection systems identify and prevent suspicious activities in real time.
- End-to-end encryption and multi-factor authentication (MFA) – Advanced encryption protocols and MFA safeguard customer data and prevent unauthorised access.
- Awareness campaigns on digital security – To protect customers against online fraud, phishing scams, and identity theft, we conduct regular digital security awareness programmes through social media and our official website.

(Intellectual Capital on page 123 for more details).

Transforming payment solutions for a seamless and cashless banking experience

NSB is actively driving the transition towards a cashless economy by introducing next-generation payment solutions that enhance speed, security, and convenience.

Key payment innovations

- Contactless payments and QR code-based transactions – Our ecosystem supports tap-and-go Near Field Communication (NFC) payments and QR code-based transactions, allowing customers to make secure purchases without physical cash handling.
- Instant fund transfers and real-time settlements – We have integrated fast-payment networks, enabling instant fund transfers within and beyond NSB.

2 Personalised services for a diverse customer base

At NSB, 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. By offering customised financial products for individuals and large corporations, we foster strong, lasting customer relationships, ensuring that every segment has access to solutions that align with their unique financial goals and aspirations. The grid below exemplifies the breadth and depth of our offering.

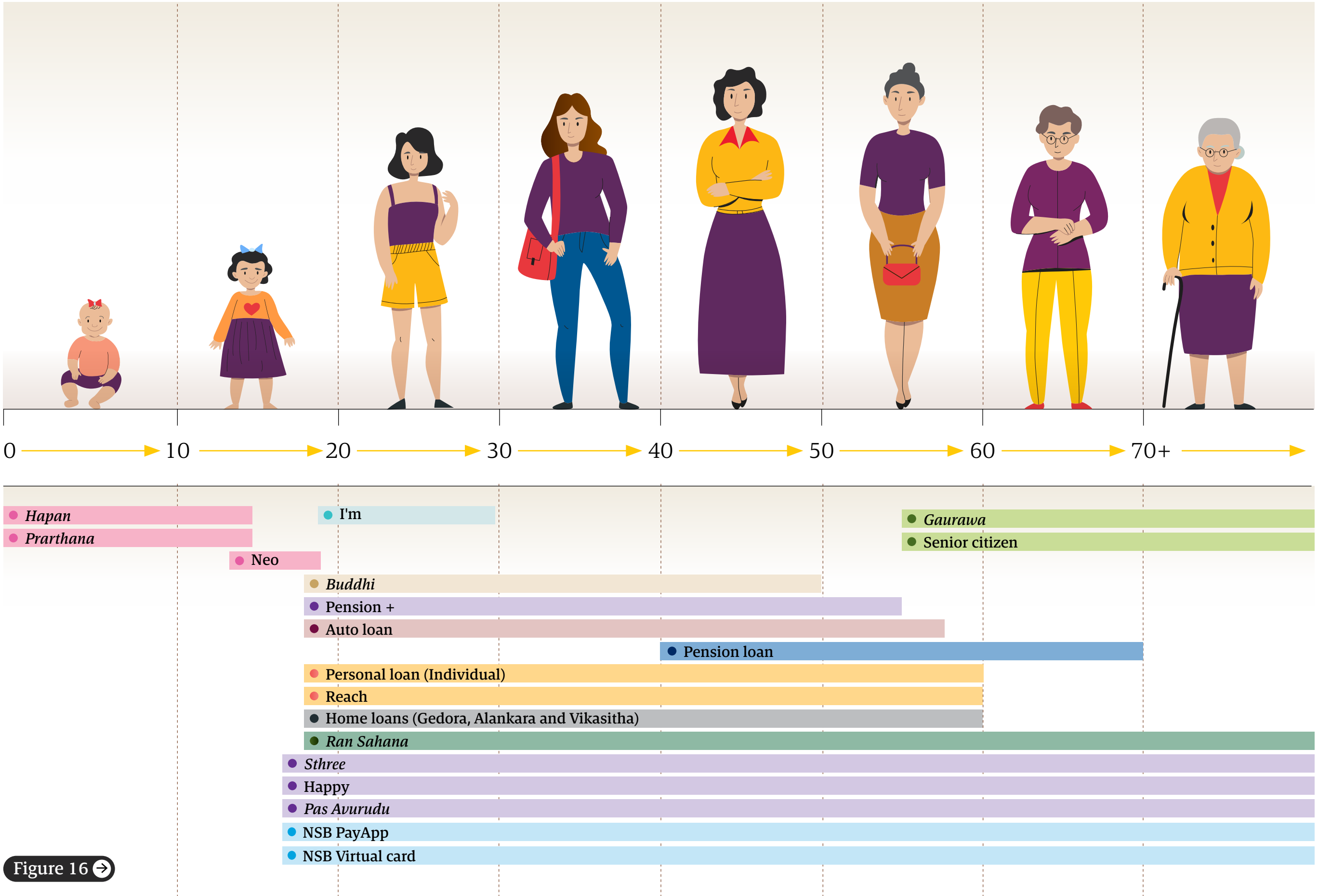


Figure 16

To enhance financial inclusion, we provide youth-focused banking programmes that encourage sound financial habits from an early age and senior citizen banking solutions that prioritise security, accessibility, and ease of use. Our personalised advisory services further empower customers to make informed financial decisions with the support of expert consultants.

NSB also ensures that regulatory compliance is a core element of all product innovations and enhancements. Through a rigorous product development framework overseen by the Product Development Committee (PDC), every financial solution undergoes a comprehensive evaluation to align with customer needs, regulatory standards, and ethical banking principles. By integrating compliance, innovation, and customer-centricity into our service model, we reinforce our position as a trusted and forward-thinking financial institution.

Serving defferently abled customers

In line with our commitment to accessibility and inclusivity, we have prioritised establishing barrier-free branches that cater to differently abled individuals. We always ensure such accessibility is a standard requirement for all newly established branches as well as relocated branches. To date, 229 of our branches have been equipped with differently abled access facilities to accommodate individuals with special needs. By continuing to enhance accessibility across our branch network, we reaffirm our commitment to inclusive banking, ensuring that every customer enjoys a seamless and dignified banking experience.

3 Fostering loyalty and long-term relationships

At NSB, fostering customer loyalty and long-term relationships is a key pillar of our customer capital strategy, ensuring that we go beyond transactional banking to create meaningful, lasting connections with our customers. A strong foundation of trust, personalised engagement, and proactive service enables us to build lifelong relationships with individuals, businesses, and institutions. By continuously innovating and enhancing customer experiences, we ensure that NSB remains the bank of choice for generations, providing financial security, stability, and growth opportunities for all.

"We value our customers" During the year we recognised and appreciated *Hapan* account-holding highfliers of the 2023 scholarship examination.

Commitment to customer-centric service excellence

Customer loyalty is built on a foundation of exceptional service quality and personalised banking experiences. At NSB, we prioritise:

- **Omnichannel service excellence** – Providing seamless customer interactions across our 262 branches, NSB's digital banking platform, the NSB PayApp, and our NSB Call Centre, ensuring accessibility and convenience at every touchpoint (Manufactured Capital on pages 102 to 107 for more detail).
- **Dedicated relationship management** – Strengthening engagement through customer relationship officers who offer personalised financial guidance and a deep understanding of individual and business needs.
- **Efficient complaint resolution and support** – The customer journey begins from the very first interaction and extends to the resolution of any banking concerns. We have established a robust and responsive system to efficiently manage customer complaints, ensuring that every concern is addressed with the highest level of professionalism and care.

To facilitate seamless communication, we provide multiple channels for customers to voice their queries and grievances, including our 24/7 call centre, online channels, island-wide branches, social media, email, Skype, and web chat. Additionally, suggestion boxes are available at branch premises for customer feedback.

Our call centre serves as the primary point of contact, staffed with highly trained professionals who promptly handle inquiries and escalate them to the relevant departments when necessary. Each query is assigned a unique reference number, enabling customers to track progress easily. Furthermore, a detailed monthly report on customer complaints and resolution actions is presented to the Management, ensuring continuous service enhancement.

To uphold our commitment to exceptional service, we continue to empower employees through the "Across the Bank" training programme, equipping them with the skills needed to resolve issues effectively and transform challenges into positive customer experiences.

Customer satisfaction statistics

Number of complaints to CBSL **104** (2023 – 62)	Number of customer complaints received **492** (2023 – 488)	Number of cards in use **1,171,547** (2023 – 1,147,651)
Number of enquiries received over the phone **391,148** (2023 – 434,110)	Number of complaints to Financial Ombudsman **6** (2023 – 1)	Number of enquiries resolved **455** (2023 – 361)

Number of customer complaints on breaching customer privacy and loss of customer data **Nil** (2023 – Nil)

Transparent and responsible banking GRI 206-1

At NSB, responsibility is a fundamental principle that underpins every facet of our operations, from product development and service delivery to marketing and customer engagement. We are committed to upholding the highest ethical standards by ensuring transparency, accountability, and customer-centricity in all our interactions. Our dedication to responsible banking is demonstrated through the following key initiatives:

- *Providing safe and suitable financial solutions* – We meticulously design our products and services to meet the diverse needs of our customers, ensuring that they are accessible, beneficial, and aligned with their financial well-being.
- *Ensuring clear and timely communication* – We prioritise transparency by providing customers with comprehensive, relevant, and timely information, enabling them to make well-informed financial decisions.
- *Proactive feedback management* – Customer concerns and queries are addressed swiftly and efficiently through structured grievance-handling mechanisms, fostering trust and long-term relationships.
- *Enhancing employee competency* – Our workforce is continuously trained to understand customer needs better, ensuring superior service delivery and personalised financial guidance.
- *Displaying essential financial information* – All key financial data, including interest rates, exchange rates, and lending rates, are prominently displayed at our branches, on digital platforms, and through electronic media to ensure full visibility and accessibility.
- *Transparent communication of terms and conditions* – In adherence to the Customer Charter, formulated in compliance with CBSL guidelines, we ensure that all product terms, service conditions, and complaint resolution procedures are clearly communicated to customers. Our grievance redressal process, including access to the Financial Ombudsman, is visibly displayed across all branches.
- *Ensuring public access to information* – In full compliance with the Right to Information (RTI) Act, NSB has appointed a Public Information Officer and implemented a well-defined procedure to facilitate public access to relevant banking information.

Furthermore, all marketing and promotional materials adhere strictly to regulatory requirements, with every advertisement featuring:

- NSB's call centre contact details and corporate website for easy customer access.
- The Bank's official credit rating, ensuring transparency regarding financial stability.
- The distinctive NSB identity, including the 100% government guarantee, official Bank logo, and corporate slogan.

We take immense pride in our commitment to responsible banking, and during the reporting period, there were no instances of non-compliance with product and service labelling, marketing communications, or regulatory guidelines. By embedding responsibility at the core of our business, we continue to uphold our reputation as a trusted and ethical financial institution.

4 Ethical and sustainable banking

As a responsible financial institution, NSB upholds the highest standards of ethics, transparency, and sustainability in its banking operations. Our commitment to ethical banking is deeply embedded in our business practices, ensuring that we operate with integrity while creating long-term value for customers, society, and the economy. By fostering a culture of accountability and responsibility, we aim to strengthen customer trust and promote financial inclusion while driving positive social and environmental impact.

Fair and transparent marketing GRI 417-1, 2, 3

At NSB, we believe that customer trust is built on honest and transparent communication. To ensure customers make informed financial choices, we maintain clear, accurate, and responsible product labelling and marketing communications. We adhere to strict ethical standards, avoiding misleading claims, hidden terms, or deceptive practices. Our marketing materials provide precise details on financial products and services, empowering customers with full disclosure of benefits, terms, and conditions. Additionally, we comply with all CBSL regulations regarding advertising and marketing, ensuring ethical representation of our offerings across all platforms.

Sustainable financing solutions

Recognising the vital role of financial institutions in promoting sustainability, NSB actively supports green and responsible banking initiatives. We have integrated environmental, social, and governance (ESG) considerations into our investment and lending decisions, ensuring that we fund projects that contribute positively to the economy, society, and environment. Our key sustainable financing initiatives include:

- Funding environmentally responsible projects, such as renewable energy, green infrastructure, and eco-friendly enterprises (Natural Capital page 148).
- Encouraging responsible consumption and sustainable investments, offering financial products that incentivise eco-conscious decision-making (Natural Capital page 148).

Customer-centric business ethics GRI 418-1

Ethical banking goes beyond compliance; it is about ensuring fairness, inclusivity, and equal access to financial opportunities for all customers. NSB operates on a foundation of fair lending policies, ensuring that every customer, regardless of their background, receives unbiased financial services. Our ethical commitments include:

- **Data protection and privacy:** We safeguard customer data through robust cybersecurity measures and strict confidentiality protocols, ensuring information security and compliance with data protection regulations.
- **Non-discriminatory banking practices:** We foster an inclusive banking environment, offering services that cater to diverse customer needs, including individuals from marginalised communities, differently abled persons, and senior citizens.
- **Fair and responsible lending:** We promote affordable credit facilities and fair loan repayment structures, ensuring that customers are not subjected to predatory lending practices.

Strengthening ethical governance and accountability

To reinforce our commitment to ethical and sustainable banking, NSB has established internal policies and governance frameworks that promote accountability and compliance. Our Board Audit Committee (BAC), and the Board Integrated Risk Management Committee (BIRMC) ensure that all banking activities align with ethical best practices, regulatory requirements, and corporate social responsibility (CSR) commitments.

Furthermore, we actively engage with regulators, industry bodies and other stakeholders to advocate for ethical banking standards and financial inclusion initiatives.

5 Financial literacy and customer empowerment

Empowering customers with financial knowledge is crucial to promoting responsible banking and sustainable wealth creation.

Key financial literacy programmes

- Community financial education – Conducting nationwide workshops on savings, investments, and digital banking security through Facebook and TikTok.
- Cybersecurity awareness campaigns – Educating customers on online fraud prevention, phishing attacks, and safe digital banking practices through Facebook and TikTok.

Customer capital risks, impact on NSB, and mitigation strategies

Risks and challenges	Impact on NSB	NSB's response
Declining customer trust and loyalty	Reduced deposits, reputational damage, and customer attrition.	Strengthen transparency, improve service quality, and enhance customer engagement initiatives.
Economic downturn and loan defaults	Increased non-performing loans (NPLs), affecting profitability.	Implement risk-based lending, introduce flexible repayment plans, and strengthen credit assessments.
Digital transformation challenges	Loss of tech-savvy customers to digital-first competitors.	Invest in digital banking innovations and cybersecurity, and enhance mobile banking services.
Competition from other banks	Loss of high-value customers to competitors offering better rates and services.	Offer competitive loan schemes, introduce loyalty programmes, and enhance relationships.

Future outlook

Short-term

- Enhance digital customer experiences through seamless online and mobile banking platforms.
- Introduce customised financial products tailored to diverse customer needs.
- Expand financial literacy programmes to empower informed financial decision-making.

Medium to long-term

- Innovate sustainable financial products, such as green financing and ESG-linked solutions.
- Strengthen customer relationships through advanced data analytics for personalised services.
- Invest in AI-driven customer service tools for real-time assistance and predictive engagement.

Business partner capital

Leveraging strategic collaboration

At NSB, our business partners, including suppliers, service providers, strategic allies, and industry bodies, play a critical role in enabling the Bank to achieve its mission of financial inclusion and national economic development. Strengthening business partner capital is a key focus area, ensuring that our engagements with external partners drive efficiency, innovation, and shared prosperity. By fostering responsible procurement, meaningful collaboration, and strategic alliances, we create long-term value for both NSB and our broader stakeholder network.

Number of suppliers
266
2023 – 256

Potential trade-offs

Financial capital
Investments in supplier development and partnerships may increase costs. (Negative)

Manufactured capital
Collaboration with partners may require additional infrastructure investment. (Negative)

Intellectual capital
Sharing intellectual resources with partners could limit proprietary use. (Negative)

Human capital
Relying heavily on business partners may limit the development of in-house expertise and critical skills. (Negative)

Natural capital
Lack of aligned sustainability practices can hinder green goals. (Positive)

Impact: Positive | Negative

Enablers of sustainable value creation

1	Responsible procurement
2	Two-way dialogue
3	Providing value to outsource service providers
4	Bolstering strategic alliances
5	Industry memberships

1 Responsible procurement GRI 204-1

Sustainable and ethical procurement practices at NSB

At NSB, 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.

Strategic partnerships and local collaboration

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 exclusively working with local suppliers. This approach enhances community engagement, supports national economic growth, and reduces reliance on foreign procurement. In 2024, total procurement spending amounted to Rs. 3 Bn. from 266 suppliers, with 100% of our goods and services sourced locally, ensuring compliance with the National Procurement Guidelines set by the Government of Sri Lanka.

Transparent and inclusive procurement process

NSB adheres to a procurement process built on principles of fairness, equality, confidentiality, and accountability. Selection procedures are transparent, providing equal opportunities for vendors and maintaining uniformity in evaluations. To ensure ethical practices, our procurement process revolves around:

- Maximising economic value and operational efficiency.
- Adhering to prescribed standards, rules, and regulations.
- Safeguarding bidder confidentiality.
- Compliance with local and international laws.
- Expedited delivery of goods and services to meet operational timelines.

Sustainability integration in procurement

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.

Key initiatives under responsible procurement

- Sustainable supplier selection: Partnering with suppliers who demonstrate compliance with environmental, social, and governance standards, ensuring ethically sourced and eco-friendly materials.
- 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.

- Supply chain risk management: Conducting due diligence to address financial instability, ethical concerns, and legal non-compliance among suppliers.

Governance and oversight

While procurement is executed by NSB's Supply Division, it is meticulously overseen by Procurement Committees, the Technical Evaluation Committees, and the Bid Opening Committees, appointed by the Board of Directors, General Manager/CEO, or delegated authority. Additionally, 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.

Evolving needs and continuous improvement

Our procurement plan is updated annually to reflect changing requirements, ensuring responsiveness to emerging trends and operational needs. Services from external suppliers encompass fixed assets, consumables, promotional items, maintenance, construction, and consultancy support for specialised projects.

2 Two-way dialogue: Strengthening engagement and collaboration

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.

Our approach to two-way dialogue includes:

- Supplier and partner feedback mechanisms: Regular engagement forums and structured feedback processes allow partners to voice concerns, propose innovations, and contribute to service improvements.
- Periodic performance reviews: Assessing supplier and service provider performance against key indicators such as timeliness, quality, and compliance to drive continuous improvement.
- Collaborative problem-solving: Addressing challenges proactively through mutual discussions, ensuring that potential service disruptions are mitigated effectively.
- Knowledge sharing and training: Organising workshops, briefings, and information sessions to ensure vendors and partners remain updated on industry best practices, regulatory requirements, and NSB's evolving business needs.

By fostering an inclusive and collaborative relationship, NSB ensures that its partners remain committed, engaged, and aligned with its strategic objectives.

3 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.

Key initiatives in this area include:

- Fair compensation and timely payments: Ensuring that all outsourced service providers are paid promptly for their services, maintaining financial stability within the supplier network.
- Capability enhancement: Providing 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 to drive innovation, efficiency, and cost optimisation.

During the year, we paid Rs. 573 Mn. to our outsourced service providers comprising employees on contract basis within the Bank. Our outsourcing policy provides the guidelines on outsourcing and specifies the criteria to assess the need for an outsourced activity, service, process, or function and its implementation.

4 Bolstering strategic alliances for growth and innovation

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.

Key initiatives taken by the Bank with Business Partner Capital include:

- 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.

By bolstering strategic alliances, NSB ensures business expansion, technological advancement, and regulatory compliance, reinforcing its leadership in the Sri Lankan banking industry.

Our partnership with Hayleys Solar

We appreciated our postal network for promotion of NSB transactions

5 Industry memberships: Advocating for progressive financial policies

GRI 2-28

NSB actively participates in industry forums, financial associations, and regulatory committees to advocate for progressive banking policies, innovation, and sustainable economic practices.

Key engagements in this area include:

- **Active memberships for industry collaboration**

We are proud members of various organisations dedicated to addressing industry challenges and fostering a favourable operating environment. Through these memberships, we actively contribute to the development and growth of the sector while promoting collective progress.

- 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:**

Engaging with government stakeholders and financial regulators to contribute to national financial strategies and digital transformation roadmaps.

- **Research and development contributions:**

Supporting 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.

Business partner capital risks, impact on NSB, and mitigation strategies

Risks and challenges	Impact on NSB	Mitigation strategies
Non-compliance with regulations	Financial penalties and reputation damage.	Regular compliance audits and partner adherence checks.
Dependence on limited suppliers	Disruptions in the supply chain and increased costs.	Diversify supplier base and implement contingency plans.
Supplier ethical issues	Harm to brand reputation and stakeholder trust.	Partner exclusively with ESG-compliant suppliers.

Future outlook

Short-term

- Strengthen partnerships with local suppliers to promote regional economic growth.
- Enhance compliance monitoring to ensure adherence to ESG standards and legal requirements.

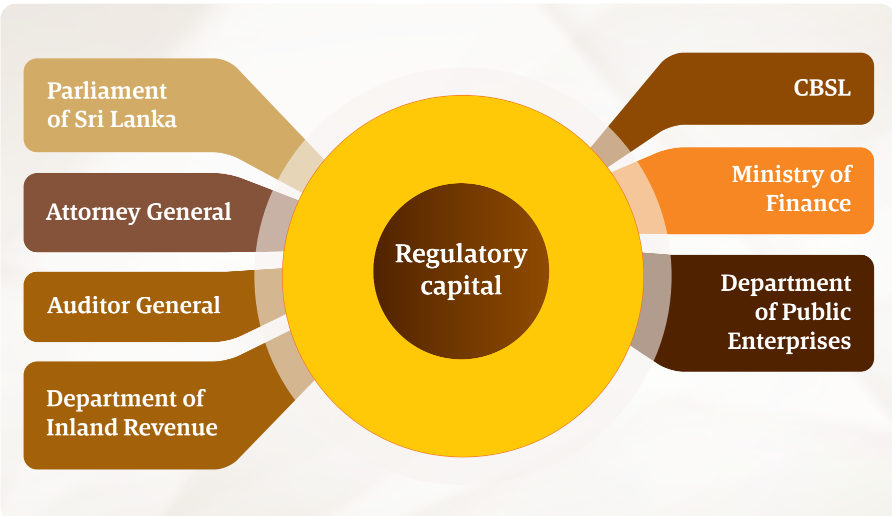
Medium to long-term

- Diversify the supplier base to reduce dependency and mitigate supply chain risks.
- Foster strategic collaborations with suppliers to drive innovation and sustainability practices.

Regulatory capital

Safeguarding stability and fuelling growth

Our regulators



At NSB, regulatory capital plays a pivotal role in ensuring the Bank's stability, integrity, and long-term success within Sri Lanka's financial sector. Our commitment to compliance, ethical banking, and governance excellence fosters trust among regulators, customers and other stakeholders alike. By adhering to stringent regulatory requirements and embedding strong governance frameworks, we safeguard financial stability while reinforcing our contribution to national economic development.

Tax paid
Rs. 19,493 Mn.
2023 – (Rs. 1,628 Mn.)

Special fee paid
Rs. 320 Mn.
2023 – Rs. 320 Mn.

Potential trade-offs

Financial capital
Compliance costs may reduce profitability. (Negative)

Manufactured capital
Capital retention may delay infrastructure upgrades. (Negative)

Human capital
Regulatory pressure can increase staff workload and stress. (Negative)

Intellectual capital
Regulatory rigidity can slow innovation. (Negative)

Social and relationship capital
Regulatory actions can impact public perception. (Negative)

Natural capital
Regulatory focus might overlook sustainability initiatives. (Negative)

Impact: Positive | Negative

Enablers of sustainable value creation

1	Consistent compliance with regulations
2	Anti-money laundering and prevention of bribery and corruption
3	Strong governance and prudent risk management
4	Bolstering strategic alliances
5	Contributions to government

1 Consistent compliance with regulations

A cornerstone of NSB's success is its unwavering commitment to regulatory compliance, ensuring that all banking operations are conducted in strict adherence to national and international financial laws. The Bank proactively engages with regulators such as the CBSL, Ministry of Finance, and other relevant authorities to align with monetary policies, capital adequacy requirements, and prudential norms.

Key compliance initiatives include:

- Adherence to Basel III standards to maintain a robust capital structure.
- Timely implementation of CBSL directives on banking practices, lending policies, and financial reporting.
- Proactive risk-based supervision to identify and mitigate potential regulatory risks.
- Transparent financial disclosures to ensure accountability and regulatory confidence.

By consistently complying with evolving regulations, NSB fortifies its operational resilience, safeguards depositor confidence, and reinforces its leadership in the banking industry.

2 Anti-money laundering and prevention of bribery and corruption

GRI 205-2, 3

As a state-owned bank entrusted with public funds, NSB upholds the highest standards of financial integrity, ethical conduct, and fraud prevention. The Bank remains steadfast in its fight against money laundering, terrorism financing, bribery, and corruption, in alignment with Financial Intelligence Unit (FIU) guidelines and global best practices.

Our key initiatives include:

- Implementation of a robust Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) Framework to detect, report, and prevent illicit financial activities.
- Enhanced know your customer (KYC) procedures and continuous monitoring of transactions to identify suspicious activity.
- Comprehensive employee training programmes on ethical banking practices and regulatory compliance.
- Strict enforcement of anti-bribery and anti-corruption policies, ensuring zero tolerance for unethical behaviour across all levels of the organisation and there were no incidents reported in 2024.

Through these proactive measures, NSB fortifies its reputation as a responsible financial institution while supporting national and international efforts to combat financial crime.

3 Strong governance and prudent risk management

NSB operates under a rigorous corporate governance framework that ensures transparency, accountability, and ethical leadership in all banking activities. Our governance structure is designed to mitigate risks, enhance decision-making, and safeguard the interests of all stakeholders (Corporate Governance Report on pages 169 to 183).

By maintaining robust governance and risk control mechanisms, NSB ensures long-term financial sustainability while reinforcing regulatory confidence.

4 Contributions to government and national economic stability

As Sri Lanka's premier savings institution, NSB plays an instrumental role in supporting government-led financial and economic policies that drive national development. The Bank actively contributes to the nation's economic growth through:

- Mobilising savings and channelling funds into national infrastructure projects, fostering economic progress.
- Extending affordable credit to key sectors, aligning with government priorities for financial inclusion.
- Collaborating with regulatory bodies to develop policies that enhance financial stability and customer protection.
- Timely tax contributions and dividend payments to the state, reinforcing the Bank's role in national revenue generation.

By actively supporting government initiatives, NSB reinforces its position as a key driver of economic resilience, financial accessibility, and national prosperity.

Regulatory capital risks, impact on NSB, and mitigation strategies

Risks and challenges	Impact on NSB	NSB's response
Tightening of Capital Adequacy Requirements	Puts pressure on capital buffers, limiting capacity for credit expansion and strategic investments.	Maintain capital levels well above the Basel III regulatory minimums through internal capital generation and conducting stress testing to measure the Bank's ability to withstand any idiosyncratic shock.
Volatility in Risk Weighted Assets (RWAs)	Affects capital ratios due to shifts in credit quality or asset mix, potentially triggering regulatory intervention.	Enhance credit risk modelling and maintain a balanced asset mix to reduce capital volatility.
Capital Erosion from Market Losses and Impairments	Elevated impairments, particularly on sovereign and treasury assets, reduce core capital levels (CET 1).	Apply forward-looking ECL models and maintain prudent provisioning buffers to preserve capital strength.

Future outlook

Short-term

- Strengthen internal controls to ensure immediate compliance with updated regulations.
- Enhance staff training programmes to address regulatory changes effectively.
- Invest in technology for real-time monitoring and reporting of compliance metrics.

Medium to long-term

- Develop robust capital planning strategies to meet evolving regulatory requirements.
- Build expertise in ESG compliance and align operations with sustainability-focused regulations.
- Foster collaboration with regulatory authorities to stay ahead of potential legislative shifts.

Community capital

Cultivating connections, empowering communities

At NSB, our commitment to community capital extends beyond financial services. It is a cornerstone of our mission to drive sustainable socio-economic development across Sri Lanka. As a state-owned financial institution, we recognise our responsibility to foster inclusive growth, uplift communities, and contribute to national development. By leveraging our financial strength and strategic initiatives, we ensure that our operations create long-term positive impacts on society.

In 2024, our approach to community capital was guided by four key enablers that drive sustainable value creation. These enablers not only align with our corporate purpose but also reinforce our role as a responsible corporate citizen dedicated to national progress.

Enablers of sustainable value creation

1	Financial inclusion and accessibility
2	Social responsibility and community engagement
3	Sustainable development and green initiatives
4	Supporting local enterprises and strategic alliances for growth

Potential trade-offs

Financial capital
CSR spending can limit revenue-focused initiatives. (Negative)

Human capital
Employee time on outreach may reduce core productivity. (Negative)

Manufactured capital
Funds for community support may delay infrastructure upgrades. (Negative)

Intellectual capital
Community focus might slow Research and Development initiatives. (Negative)

Social and relationship capital
Overemphasis on local communities may neglect broader stakeholders. (Negative)

Natural capital
Outreach programmes involving travel, materials, or events can contribute to a higher environmental footprint. (Negative)

Impact: Positive | Negative

1 Financial inclusion and accessibility

NSB remains steadfast in its commitment to bridging economic disparities by ensuring that banking services are accessible, inclusive, and affordable to all Sri Lankans. Financial inclusion is a critical enabler of national development, and in 2024, we took significant steps to expand our reach, especially in rural and underserved areas.

- Branch relocation and digital banking: To enhance accessibility, we continued to relocate our branch network to strategic locations and promote digital banking platforms that provide seamless financial services to customers across the country (Manufactured Capital on pages 102 to 107 and Intellectual Capital on pages 120 to 127).
- Our mobile banking solutions and ATM network have been instrumental in bringing banking services closer to the people.
- **Empowering underserved communities:** Special financial literacy programmes and banking products were introduced to support marginalised groups, including women, low-income families, and first-time account holders, enabling them to participate in the formal economy. We conducted 16 financial literacy programmes in collaboration with Foreign Employment Bureau for migrant workers, 985 literacy programmes were conducted while promoting *Sthree* product for Sri Lankan women.
- **Affordable and inclusive financial products:** Tailored financial solutions, including affordable housing finance and youth savings schemes were offered to support individuals in achieving financial security and building a stable future (Customer Capital on pages 129 to 136 for more details).

By prioritising financial inclusion, NSB has not only contributed to national development but also empowered individuals with the tools and resources needed for long-term financial well-being.

2 CSR and community engagement

GRI 413-1, 2

As a socially responsible institution, NSB is committed to giving back to communities through targeted CSR initiatives that enhance education, healthcare, and social welfare. We believe that investing in society's well-being translates into long-term economic stability and prosperity.

- Education and youth development: Recognising the importance of education in nation-building, we provided scholarships, school infrastructure support, and digital literacy programmes to students across the country. Our initiatives aimed to bridge the educational gap and provide equal learning opportunities.
- We offer internship programmes for local government and private universities. NSB is an approved training partner of The Institute of Chartered Accountants of Sri Lanka. We have empowered individuals with the skills required in the banking and financial sector.
- As a responsible bank in Sri Lanka, we collaborated with the Foreign Employment Bureau to conduct nation-wide financial literacy programmes for migrant workers.
- Healthcare and well-being: NSB actively contributed to public health programmes, including financial aid for hospitals, awareness campaigns on financial wellness, and initiatives supporting mental and physical health.
- Disaster relief and emergency support: As a state-owned bank, we have always stood by our communities in times of need. In response to natural disasters and economic challenges, we provided immediate relief, financial assistance, and rebuilding support to affected individuals and businesses.
- Employee-driven community engagement: Our employees play a crucial role in community development. Through volunteer programmes and outreach initiatives, NSB staff actively participated in charitable activities, environmental clean-ups, and financial education workshops.

By embedding community well-being into our corporate strategy, we reaffirm our dedication to sustainable social development and national progress.

3 Sustainable development and green initiatives

NSB is committed to driving community-focused sustainability through responsible banking practices that prioritise environmental protection, green financing, and climate resilience. We recognise that sustainable economic growth must go hand in hand with environmental stewardship.

- Promoting green financing: In 2024, we strengthened our support for renewable energy projects, eco-friendly businesses, and sustainable construction practices. Our specialised loan schemes encouraged customers to adopt energy-efficient housing solutions and solar power systems (Natural Capital on page 148).
- Paperless banking and carbon reduction: Our digital transformation initiatives helped reduce the Bank's environmental footprint by promoting e-statements, digital payments, and mobile banking, significantly cutting down on paper usage (Natural Capital on page 150).
- Community awareness on sustainability: We actively engaged with communities through environmental education programmes, advocating for responsible resource usage, waste reduction, and climate action.

Through these efforts, NSB continues to align financial growth with sustainable development, ensuring that future generations benefit from an economically and environmentally resilient Sri Lanka.

4 Supporting local enterprises and strategic alliances for growth

NSB recognises the vital role that local businesses and strategic partnerships play in community-driven economic development. Through industry collaborations, we contribute to job creation and national productivity.

- Strengthening strategic alliances: NSB actively partners with government agencies, industry bodies, and community organisations to implement programmes that drive economic progress. These partnerships have been crucial in expanding financial literacy, providing training for entrepreneurs and strengthening local supply chains.
- Driving infrastructure and employment growth: Through coordinated efforts with real estate developers, construction firms, and service providers, we have supported large-scale housing projects, public sector developments, and employment generation initiatives that stimulate the national economy.

CSR initiatives

Our contribution to community well-being through CSR projects in education, healthcare, environmental sustainability, and disaster relief are lined up below. We believe our sponsorship of local events, scholarships, and social impact projects builds goodwill and long-term relationships with our communities.

Blood Donation 2024

Rehabilitation of Kubichchankulama wewa by NSB Pension Society

Kumarathunga Munidasa Sponsorship awards

APB Sponsorship

Community capital risks, impact on NSB, and mitigation strategies

Risks and challenges	Impact on NSB	NSB's response
Failure to meet community expectations regarding ethical practices, sustainability, or social impact.	Loss of customer trust, reduced deposits, and lower business opportunities.	Implement strong ESG policies.

Future outlook

Short-term

- Promoting awareness and training for communities to adopt digital banking channels.
- Increasing CSR spending on health, education, and livelihood programmes.
- Strengthening community resilience against economic shocks and climate risks.

Medium to long-term

- Promoting green loans, social bonds, and investments in eco-friendly community projects.
- Integrating community development goals into business models rather than treating them as separate initiatives.
- Leveraging AI, blockchain, and mobile platforms to enhance community access to financial services.

Natural capital

Conserving to serve you better

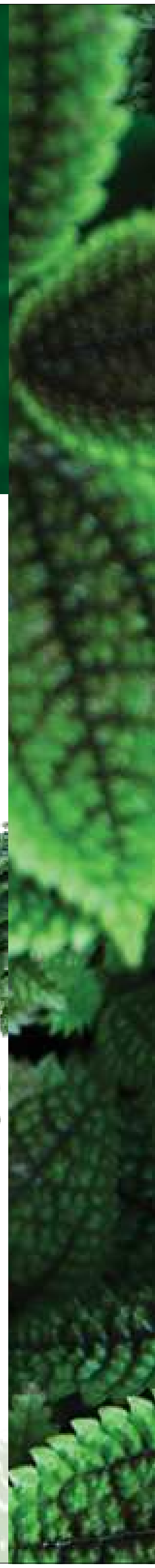
GRI 201-2

What is Natural Capital at NSB

Natural capital refers to the natural resources and ecosystems that support economic and social well-being. At NSB, we view air, water, land, biodiversity, and climate stability as critical assets that influence our long-term business sustainability.

Our focus

Embedding natural capital into our strategic priorities by ensuring that our operations, investments, and policies contribute to environmental preservation, climate resilience, and long-term value creation for all stakeholders.



How natural capital links with our strategy

Natural capital is increasingly integral to NSB's strategic direction, both influencing and being influenced by our core objectives.

- By proactively addressing climate change and biodiversity risks across operations, supply chains, and markets, NSB enhances resilience and ensures sustainable long-term profitability.
- By advancing green banking, digital solutions, and sustainable financial literacy, NSB enables customers to make eco-conscious financial decisions.
- By expanding our green financing portfolio to support renewable energy and eco-friendly housing, NSB drives sustainable economic growth.

How natural capital supports our value creation

It strengthens value creation by mitigating environmental risks, enhancing brand reputation, and unlocking new business opportunities in sustainable finance.

Natural capital on sustainable performance

Acting as both a catalyst for value creation and a shield against environmental risks, the focus on biodiversity, climate resilience, and resource efficiency fosters stability, drives cost efficiency, and unlocks new market potential.

Related stakeholders

Link to strategic pillars

Accelerating digital transformation	Sustainability

Material matters

- 2 Macroeconomic stability and growth
- 4 Financial sustainability
- 10 New technological advancements
- 14 Climate change and environmental resilience

Contribution to SDGs

Potential Trade-offs

Capital	Trade-off	Impact
Financial capital	Sustainability compliance can increase operational costs.	Negative
Human capital	Funds for environmental projects may reduce staff benefits.	Negative
Manufactured capital	Environmental constraints can limit asset expansion.	Negative
Intellectual capital	Environmental focus may shift resources from innovation.	Negative
Social and relationship capital	Environmental restrictions may affect stakeholder expectations.	Negative

Impact: Positive | Negative

Enablers of sustainable value creation

1	Governing natural capital for lasting impact
2	Building a greener future: sustainable spaces for a sustainable tomorrow
3	Sustainable financing
4	Responsible consumption
5	Digital transformation for environmental sustainability
6	Stakeholder engagement and partnerships

GRI 302-1, 3 GRI 303-5

Eco loans granted
Rs. 4 Bn.

Net metering connected branches
45

Units transferred to the national Grid
467,762 kWh
(Data available only for 42 branches)

Energy consumption
32,883 GJ
(For 259 branches)

water consumption
62,744 m^3
(NWSDB Water connection)

Energy consumption per branch
125.5 GJ

Energy consumption per employee
7.8 GJ

1 Governing natural capital for lasting impact

The Board of Directors, through the Corporate Sustainability Committee (CSC), provides strategic direction for the Management of natural capital.

The Board is responsible for:

- Setting sustainability policies and objectives that align with global ESG frameworks and national environmental regulations.
- Ensuring that sustainability risks and opportunities are assessed within NSB's Integrated Risk Management (IRM) framework.
- Approving investments in green finance, renewable energy projects, and climate-resilient businesses.
- Overseeing compliance with local and global environmental regulations, ensuring transparency in sustainability reporting.

Corporate Sustainability Committee (CSC)

The Corporate Sustainability Committee is responsible for overseeing all sustainability-related activities within the Bank, ensuring that environmental, social, and governance principles are effectively integrated into our operations. The Committee plays a crucial role in policy formulation, stakeholder engagement, accountability, and governance under the Bank's Sustainability Policy Framework. Its key responsibilities include:

- **Policy development and implementation:** Formulating policies, standards, and procedures for maintaining, developing, implementing, and monitoring the Sustainability Policy Framework, and recommending them for approval by the Board of Directors.
- **Stakeholder engagement and materiality assessment:** Ensuring that the Sustainability Policy Framework addresses materially relevant issues, aligns with stakeholder expectations, and influences sustainability performance through decisions, actions, and communication with both internal and external stakeholders.
- **Monitoring and accountability:** Evaluating the Bank's impact on stakeholders and the impact of stakeholders on the Bank, ensuring accountability in sustainability initiatives. The CSC also facilitates stakeholder participation in shaping sustainability strategies and provides quarterly progress updates to the Board of Directors.
- **Committee structure and governance:** Recommending any necessary changes to the CSC's constitution to enhance its effectiveness, subject to approval by the Board of Directors.

2 Building a greener future: Sustainable spaces for a sustainable tomorrow

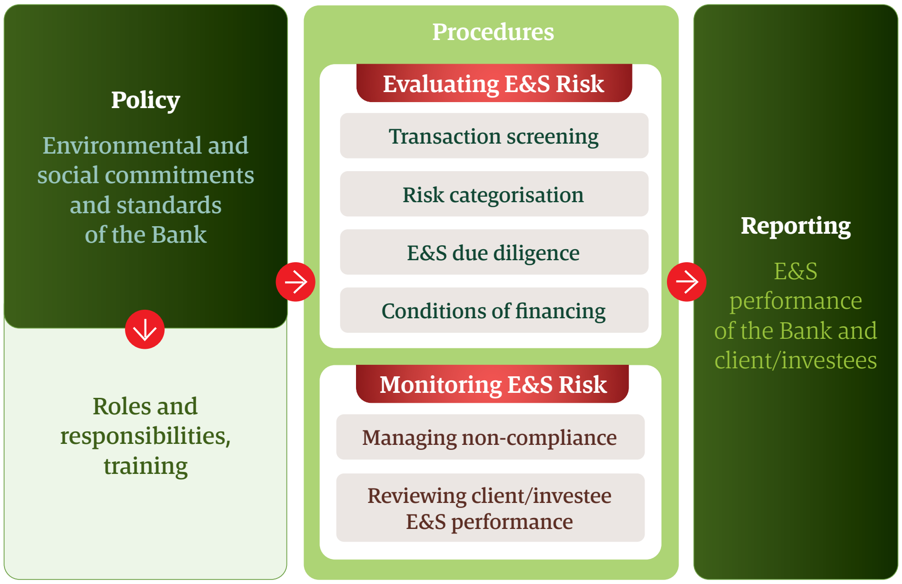
At NSB, we embrace green architecture and renewable energy as key drivers of sustainability and resource efficiency. With 15% of our branches operating on renewable energy and 45 solar-powered locations connected to Net Metering, we are committed to reducing our environmental footprint. Our energy-efficient buildings, equipped with glazed windows, natural lighting, and green workspaces, enhance both operational sustainability and employee well-being.

One circuit bungalow in Kataragama and the wastewater treatment plant in Anuradhapura exemplify our commitment to eco-friendly infrastructure. In alignment with the Kigali Amendment, which aims to curb hydrofluorocarbon (HFC) emissions and mitigate global warming, NSB continues to integrate climate-conscious banking practices, ensuring a sustainable future for generations to come.

3 Sustainable financing

As a financial institution dedicated to sustainability, we recognise that our lending decisions have the potential to impact the environment, and we are committed to responsible lending practices that align with our long-term vision for sustainable development. To mitigate environmental and social risks, we have embedded Environmental, Social, and Governance considerations into our credit and risk evaluation framework, ensuring that transactions with higher ESG risks undergo enhanced scrutiny. Our Corporate Credit Policy includes a comprehensive exclusion list, preventing financing for activities that could lead to significant environmental harm. Additionally, all customers must comply with local ESG-related regulations, and borrowers are required to submit an environmental impact assessment as part of their loan application process. Through these measures, we ensure that our financing activities support sustainable growth while minimising adverse environmental and social impacts.

During the year, no loan applications or financial facilities were declined on environmental grounds. Our approach focuses on encouraging customers to progressively align with higher ESG industry standards by integrating sustainable practices into their operations. Our commitment to responsible financing is reinforced by comprehensive due diligence and governance protocols, which are clearly outlined in our Environmental and Social Risk Management (ESRM) Policy, as mentioned below.



NSB tied-up with Hayleys Fentons for the purpose of introducing a special loan scheme to install solar panel systems.

During the year, NSB successfully concluded a wind power securitisation for Ceylex Renewables, branded as "Windscape Mannar." This groundbreaking transaction was led by the NSB as the lead banker and the trustee.

4 Responsible consumption

Reducing our operational footprint is an essential component of NSB's commitment to natural capital conservation. We actively promote resource efficiency, waste reduction, and sustainable procurement to minimise our impact on the environment.

Energy efficiency and renewable energy integration

At NSB, responsible energy consumption is central to our sustainability strategy, driving efforts to support a greener and more resilient future. Through the integration of renewable energy, energy-efficient infrastructure, and eco-conscious building designs, we reduce our carbon footprint and enhance resource efficiency. Our primary energy sources include electricity, sourced from the national grid and supplemented by solar panel systems, as well as diesel and petrol. Key initiatives undertaken by the Bank include:

- Increasing solar power generation to reduce dependency on electricity from the national grid
- Installing inverter-operated, CFC-free AC units, which will save power and reduce carbon emissions
- Limiting the use of AC to regular banking hours
- Installing energy-efficient lighting such as LED and CFL bulbs
- Using LED screen monitors for computers
- Promoting recycling across all branches
- Continuously engaging employees on the importance of energy conservation through internal communication

7.81 GJ per employee energy consumption

125.51 GJ energy consumption per branch

Water conservation and sustainable usage

At NSB, we understand that water as a precious and finite resource that is essential for the well-being of communities and the environment. Our commitment to sustainable water management is embedded in our operations and aligned with our overarching sustainability strategy.

- **Responsible water use:** In 2024, the Bank utilised 62,744 m^3 of water, and proactive measures are underway to achieve a reduction in consumption in the next year. We strive to minimise water consumption across all our operations by employing efficient technologies and practices.

This includes adopting water-saving fixtures, optimising processes to reduce water usage, and promoting awareness among employees and stakeholders about the importance of water conservation.

- **Environmental impact management:** We carefully manage the impact of our water usage on the environment by ensuring sustainable withdrawal, consumption, and discharge practices. Regular monitoring and adherence to regulatory standards ensure minimal disruption to natural water systems.
- **Transparent reporting and metrics:** NSB tracks and reports on key water-related metrics, such as total water withdrawal and consumption to measure and improve our performance.

5 Digital transformation for environmental sustainability

Paperless banking and digital office transformation

As part of our commitment to environmental sustainability and operational efficiency, NSB is accelerating the transition towards paperless banking and a digitally optimised workplace. By reducing dependence on paper-based transactions and documentation, we aim to minimise waste, lower carbon emissions, and enhance overall banking efficiency.

- Expanding initiatives at our digital banking centre
- Utilising social media platforms for digital advertising
- Implementing an e-renewal letter system and PIN issuance via SMS
- Customers are encouraged to use e-statements, online fund transfers, and digital receipts, reducing the need for printed documents and traditional paper-based correspondence. By encouraging our customers to embrace digital payment channels, we are taking significant steps toward a sustainable and technology-driven financial ecosystem.
- Adopting an e-based approval system to replace internal paper-based memos and approvals
- OASYS system implementation – Our manual internal requests for IT hardware and software, premises maintenance, and vehicles have been migrated to the OASYS system.
- To eliminate manual paperwork and enhance efficiency, we have implemented a digital document management system. This reduces physical storage needs and improves data retrieval speed, making banking operations more streamlined and environmentally friendly.
- Converting NSB's physical operational manuals into a centralised NSB Digital library.
- Increase in CRM usage.

6 Stakeholder engagement and partnerships

GRI 308-1 GRI 414-1

Sustainable procurement

NSB is committed to responsible sourcing by prioritising suppliers that adhere to strong Environmental, Social, and Governance standards. Our sustainable procurement strategy ensures that all materials used in banking operations are eco-friendly, ethically sourced, and aligned with global sustainability practices. Vendors and service providers are evaluated not only on cost and performance, but also on their sustainability credentials including responsible sourcing, emissions reductions, and ethical labour practices.

- **Eco-friendly supplier partnerships:** We collaborate with suppliers who demonstrate sustainability best practices, ensuring that our purchases such as office supplies, IT infrastructure, and construction materials are either biodegradable, recyclable, or energy-efficient.
- **Green product selection:** Our procurement policies prioritise sustainable alternatives, including the use of recycled paper, eco-conscious packaging, and energy-efficient appliances, thereby helping to minimise our environmental footprint.
- **Sustainable IT infrastructure:** We invest in low-energy servers, cloud-based solutions, and digital tools to reduce hardware dependency and decrease electronic waste (e-waste).

Waste management

Effective waste management is a crucial part of NSB's environmental responsibility efforts, ensuring that hazardous and non-hazardous waste is segregated, minimised, and disposed of responsibly. Our waste management initiatives focus on reducing landfill contributions, improving recycling rates and promoting circular waste practices.

- **Recycling and waste segregation programmes:** The Bank has established a comprehensive waste segregation initiative, encouraging the recycling and repurposing of materials such as paper, plastic, and organic waste wherever possible. Waste is disposed of responsibly in partnership with municipal or urban councils, adhering to the standards set by the Central Environmental Authority (CEA). Employees are actively encouraged to embrace waste reduction through awareness campaigns and strategically placed recycling stations. Food and polythene waste are handed over to the Municipal Solid Waste Management Programme, while other waste materials are auctioned through the Supplies Division.
- **Hazardous and non-hazardous waste tracking:** We actively monitor, measure, and report the volume and composition of waste generated by our operations. This includes tracking paper waste and biodegradable materials to ensure proper disposal, recycling, or safe treatment.
- **Responsible waste disposal:** NSB ensures that hazardous waste, including outdated IT equipment and chemical-based materials, is disposed of in compliance with environmental regulations.

Natural capital risks, impact on NSB, and mitigation strategies

Risks	Impact on NSB	Mitigation strategies
Climate change and environmental	Increased credit risk for climate-sensitive sectors	Integrate climate risk assessments into credit evaluations.
	Operational disruptions from extreme weather	Strengthen disaster recovery plans.
	Higher insurance/compliance costs	Expand green financing to renewable energy.
Regulatory and compliance	Penalties/reputational damage from non-compliance	Monitor compliance via the Compliance Division.
	Stricter ESG reporting rules	Embed ESG risk assessments in credit processes.
	Restrictions on high-emission financing	Align reporting with GRI and CBSL principles.
Resource depletion and energy	Rising operational costs from energy use	Expand solar-powered branches/ energy-efficient offices.
	Business continuity risks	Implement energy-saving measures.
	Pressure to adopt renewables	Partner with renewable energy providers.
Biodiversity loss and land degradation	Financial/reputational risks from harmful projects	Adopt Environmental and Social Risk Management (ESRM) frameworks.
	Regulatory scrutiny on high-impact industries	Exclude financing for high-risk industries.
Waste management and pollution	Costs from poor waste practices	Expand digital banking to reduce paper waste.
	Reputational damage	Implement recycling/segregation programmes.
	Stricter waste regulations	Source eco-friendly materials and track waste.
Reputational and consumer expectations	Loss of customer trust	Strengthen ESG integration in operations.
	Reduced investor confidence	Launch green financial products.
	Pressure to prioritise sustainability	Enhance transparency in sustainability reporting.

Future outlook

Short-term

- Strengthening climate risk assessments in lending and investment decisions.
- Expanding green financing initiatives, including loans for renewable energy.
- Increasing solar-powered branches and implementing energy-efficient technologies to reduce reliance on non-renewable energy.
- Enhancing sustainable procurement policies and waste management programmes to reduce environmental impact.
- Aligning sustainability reporting and disclosures with SLFRS S1, SLFRS S2, SASB and TCFD frameworks for improved transparency.

Medium to long-term

- Advancing net zero and carbon neutrality initiatives, including carbon offset programmes and emission reduction targets.
- Expanding green financial products, such as green bonds, ESG investment portfolios, and sustainability-linked savings accounts.
- Supporting biodiversity conservation through financing reforestation, afforestation, and marine ecosystem protection projects.
- Implementing comprehensive water conservation strategies, including rainwater harvesting and sustainable water management in NSB facilities.
- Strengthening strategic partnerships with environmental agencies, regulators, and sustainability-focused institutions to drive collective impact.

Statement on corporate governance

NSB regards governance as far more than a compliance checkbox, it is the bedrock of ethically rigorous and accountable management, permeating every stage of our value creation chain. Deeply embedded within NSB's Integrated Thinking philosophy, governance steers decision-making processes to align with ethical, responsible, and morally sound principles, reinforcing our core values and strategic ambitions. Our governance model is designed to cultivate enduring value, nurturing a culture rooted in integrity and sustainability while ensuring organisational transparency and accountability.

Underpinning NSB's governance framework is a commitment to strong leadership, unbiased oversight, and managerial accountability, all anchored in a robust ethical foundation. The Bank's governance structure establishes well-defined boundaries, with the Board of Directors bearing ultimate responsibility. Strategic oversight is delegated to Board Committees and Corporate Management, under the leadership of the General Manager/CEO, while the Board maintains comprehensive supervision over the Bank's operations. This ensures alignment with economic, social, and environmental sustainability, as well as shareholder expectations.

The Board is instrumental in shaping and endorsing the Bank's strategic and operational goals, with a focus on delivering equitable value to all stakeholders. It further safeguards the integrity and efficiency of NSB's banking operations, emphasising principles such as transparency, accountability, impartiality, and operational excellence. Compliance with industry benchmarks, regulatory mandates, and legal standards underscores NSB's unwavering commitment to ethical corporate governance.

At NSB, governance is a multidimensional initiative aimed at driving strategic success, protecting stakeholder interests, and providing ethically grounded, sustainable services to society. As a result, governance remains a top priority for the Bank. For a detailed analysis of NSB's corporate governance framework and compliance standing, to pages 169 to 183 of the Report.

Moving forward, the Bank stands fully committed to adhering to the provisions outlined in **Section 6.2 of the Banking Act Direction No. 05 of 2024** on Corporate Governance for Licensed Banks, which came into effect on 1 **January 2025**. With a proactive approach to regulatory compliance, NSB will ensure seamless integration of these governance requirements into its operational and strategic frameworks, reinforcing its dedication to **transparency, accountability, and exemplary corporate stewardship.**

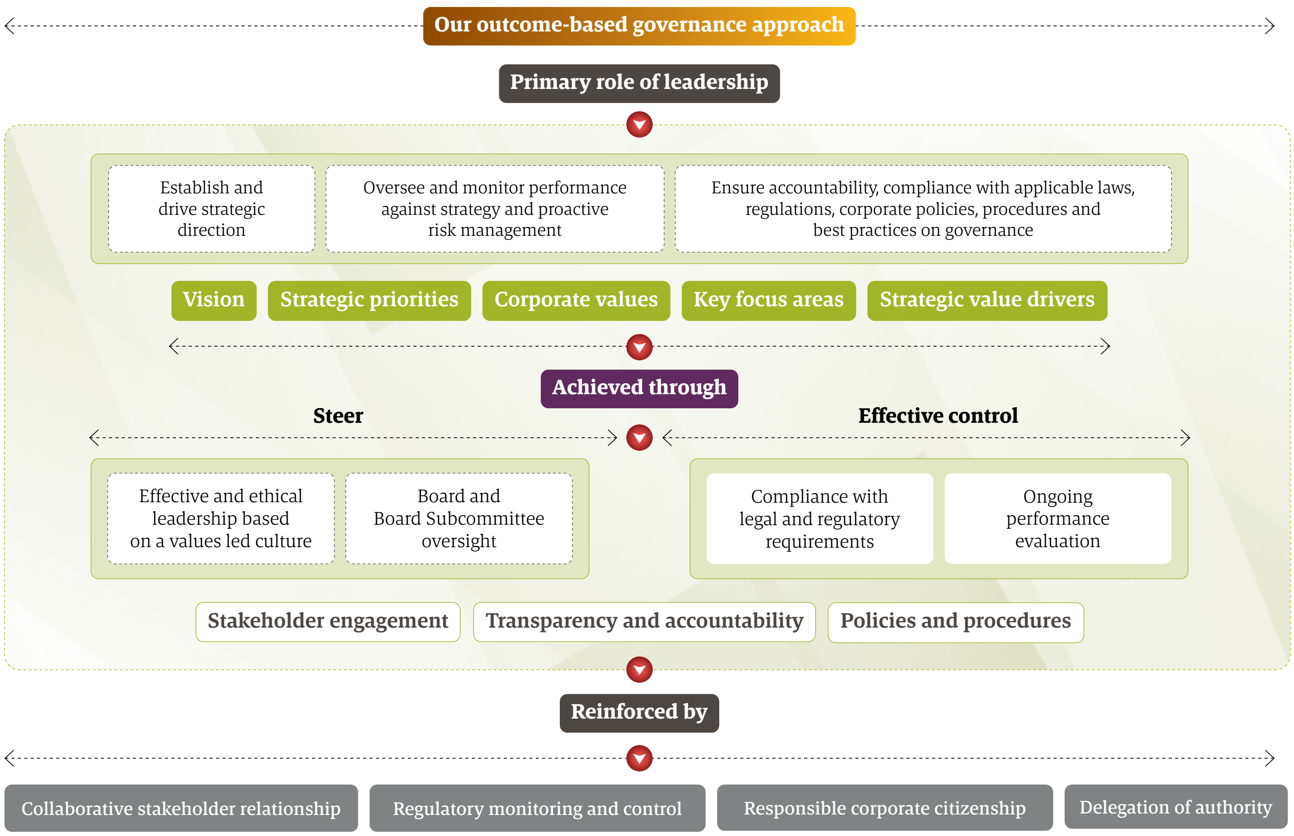


Figure 17 Our outcome-based governance approach

Statement on risk management

At NSB, we place the highest priority on maintaining a robust risk management framework that enables us to effectively navigate in complex and evolving financial landscape.

As the largest Licensed Specialized Bank in Sri Lanka, we are aware of the risks posed by the domestic macroeconomic environment, regulatory changes, and external market forces.

Our risk management approach is designed not only to protect the financial stability of the Bank but also to contribute to the resilience of the overall economy of Sri Lanka.

NSB's risk management governance structure is designed to ensure accountability, transparency, and effective decision-making. The Board of Directors, assisted by the Board Integrated Risk Management Committee (BIRMC), oversees the implementation of risk policies and monitors the evolving risk profile of the Bank.

The Board of Directors delegates powers to General Manager/CEO and the management committees to have an integrated approach in achieving strategic objectives to ensure capital efficiency and operational efficiencies.

The Chief Risk Officer (CRO) leads the risk management function and ensures alignment of the Bank's strategic objectives to risk appetite levels and comply with regulatory requirements and best practices.

We adopt a comprehensive and proactive approach in risk identification which includes obtaining information from liaison officers attached to business lines/support services divisions to conduct risk assessment and generate risk reports to the Board of Directors, BIRMC and Senior Management.

Regular stress testing and scenario analysis, particularly in light of Sri Lanka's history of macroeconomic challenges, help us assess the resilience of our operations under different stress levels in order to take pre-emptive risk mitigation actions.

2024 Developments

In 2024, NSB continued to strengthen the risk management framework in response to both domestic and global challenges, ensuring that we remain resilient in the face of emerging risks.

In response to the multiple headwinds faced by Sri Lankan economy, resulting adverse implications for borrowers' ability to meet their debt obligations, we strengthened our credit risk management framework by adopting more stringent monitoring of the loan portfolio. Enhanced monitoring of early warning signs of potential defaults and more frequent stress tests aided to take prompt actions to minimise default risk and to understand the potential impact to the solvency indicators.

Figure 18 Risk culture

Statement on risk management

Internal validation of Rating Assessment Models used for corporate counterparty rating allowed the Bank to evaluate the effectiveness of the models in use, identify areas for improvement, and implement necessary adjustments to enhance the reliability and accuracy of the outcomes.

As a part of integrating Environmental, Social and Governance (ESG) factors into our risk management framework, the Bank assessed the ESG risks associated with credit proposals. Comprehensive scenario analysis models and more rigorous stress testing abetted the Bank to understand and mitigate ESG risks arising from adverse conditions.

In 2024, the Bank migrated to a new core banking solution, marking a significant technological advancement. This migration is expected to enhance the efficiency and scalability of our banking operations, enabling better management of customer data, faster transaction processing, and the ability to offer a wider range of digital banking services while strengthening our risk management capabilities by providing more robust data analytics and real-time monitoring tools, supporting our commitment to operational resilience and improved decision-making.

Priorities in 2025

As we move into the year 2025, it is our priority to achieve the expected financial and operational efficiencies from the new Core Banking implementation.

We are committing towards providing a better customer experience, strengthening internal processes and controls to minimise operational risk exposures and costs, and move in to new revenue streams through service enhancements along with digitalisation initiatives.

Further, the Bank strives to be in compliant to new regulatory developments such as Banking Special Provisions Act No. 17 of 2023, CBSL Directions on Corporate governance and stakeholder expectations on sustainability etc.

Accordingly, our risk management processes prioritise addressing emerging risk areas from both internal and external changes in the year ahead facilitated by the risk culture developed over the years, where the Board of Directors consistently prioritise risk management while achieving the Strategic Business Plan of the Bank.

NSB approach to Risk Management is explained in detail in pages 195 to 219.

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Independent Limited Assurance Report to the Directors of National Savings Bank on Sustainability Indicators in the Integrated Annual Report for the year ended 31 December 2024

Conclusion

We have performed a limited assurance engagement on whether the Sustainability Indicators in the Integrated Annual Report of National Savings Bank for the year ended 31 December 2024 has been prepared in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards.

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Sustainability Indicators in the Integrated Annual Report of National Savings Bank for the year ended 31 December 2024 (summarised in the table below) are not prepared, in all material respects, in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards.

Limited assurance sustainability indicators	Integrated Annual Report page
Highlights	14
Our triple focus: economy, society and sustainability	15
Information provided on following	
Financial capital	92 to 101
Manufactured capital	102 to 107
Human capital	108 to 119
Intellectual capital	120 to 127
Social and relationship capital	128 to 145
Natural capital	146 to 151

This conclusion on the Sustainability Indicators in the Integrated Annual Report of National Savings Bank for the year ended 31 December 2024 does not extend to any other information that accompanies the integrated report. We have read the other information, but we have not performed any procedures with respect to the other information.

Basis for conclusion

We conducted our engagement in accordance with Sri Lankan Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by The Institute of Chartered Accountants of Sri Lanka (ICASL). 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 1 (SLSQM 1), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and, accordingly, maintains a comprehensive system of quality management, including documented policies and 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 our conclusion.

Criteria used as the basis of reporting

The criteria used as the basis of reporting is the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Intended purpose of our Report

We have been engaged by the Directors of National Savings Bank ("the Bank") to provide limited assurance on the Sustainability Indicators in the Integrated Annual Report of National Savings Bank for the year ended 31 December 2024 (the "Integrated Report"), prepared in accordance with Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards.

Restriction on use or distribution of our Report

This report has been prepared for the Directors of National Savings Bank for the purpose of providing an assurance conclusion on the Sustainability Indicators in the Integrated Annual Report of National Savings Bank for the year ended 31 December 2024 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 the 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.

Board of Directors and Management's responsibility

The Board of Directors and Management are responsible for:

- designing, implementing and maintaining internal controls relevant to the preparation of the Sustainability Indicators in the Integrated Annual Report of National Savings Bank for the year ended 31 December 2024 that are free from material misstatement, whether due to fraud or error.
- selecting suitable criteria for preparing the Sustainability Indicators in the Integrated Annual Report of National Savings Bank for the year ended 31 December 2024 and appropriately referring to or describing the criteria used; and
- preparation and fair presentation of the Sustainability Indicators in the Integrated Annual Report of National Savings Bank for the year ended 31 December 2024 in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.
- preventing and detecting fraud and for identifying and ensuring that the Bank complies with laws and regulations applicable to its activities.
- ensuring that staff involved with the preparation and presentation of the Sustainability Indicators in the Integrated Annual Report of National Savings Bank for the year ended 31 December 2024 are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Inherent limitations in preparing the limited assurance sustainability indicators

Due to the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur in disclosures of the Sustainability Information and not be detected. Our engagement is not designed to detect all internal control weaknesses in the preparation of the Sustainability Information because the engagement was not performed on a continuous basis throughout the period and the audit procedures performed were on a test basis.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Sustainability Indicators in the Integrated Annual Report of National Savings Bank for the year ended 31 December 2024 are 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; and;
- reporting our conclusion to the Board of Directors.

Summary of the work we performed as the basis for our conclusion

We exercised professional judgement and maintained professional skepticism throughout the engagement. We designed and performed our procedures to obtain evidence about the Sustainability Indicators in the Integrated Annual Report of National Savings Bank for the year ended 31 December 2024 that is sufficient and appropriate to provide a basis for our conclusion.

Our procedures selected depended on our understanding of the Sustainability Indicators in the Integrated Annual Report of National Savings Bank for the year ended 31 December 2024 and 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:

- interviews with 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;
- enquiries of management to gain an understanding of the Bank's processes for determining material issues for the Bank's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Sustainability Indicators in the Integrated Annual Report of National Savings Bank for the year ended 31 December 2024;
- enquiries about the design and implementation of the systems and methods used to collect and report the Sustainability Indicators in the Integrated Annual Report of National Savings Bank for the year ended 31 December 2024 Indicators, including the aggregation of the reported information;
- comparing the Sustainability Indicators in the Integrated Annual Report of National Savings Bank for the year ended 31 December 2024 to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Sustainability Indicators in the Integrated Annual Report of National Savings Bank for the year ended 31 December 2024 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;
- reading 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.

A limited assurance engagement is restricted primarily to enquires and analytical procedures. 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.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Directors of National Savings Bank.

Chartered Accountants
Colombo

2 May 2025

Compendium

Governance

Board of Directors

Dr Harsha Cabral PC

Chairman
Independent Non-Executive Director

BNNEC

Date of appointment

2 May 2023

Skills and expertise

Dr Cabral is a President's Counsel in Sri Lanka with thirty-seven (37) 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 nineteen years (19) 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 Independent 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.

Mr Jude Nilukshan

Ex-Officio Director, Non-Independent Non-Executive Director

BIRMC BAC BHRRC BNC BNNEC

Date of appointment

28 February 2022

Skills and expertise

Mr Nilukshan holds a Master's Degree in International Trade & Economic Cooperation from Kyung Hee University, South Korea and a BSc Management special Degree, from the University of Sri Jayewardenepura. He has training on Public Financial Management from various reputed local and international institutions/universities. He obtained a certificate of Public Administration and other relevant qualifications from Sri Lanka Institute of Development Administration (SLIDA). Mr Jude Nilukshan, is a special grade officer of Sri Lanka Administrative Service, having over 24 years of experience in the public sector. During his public service he held various senior managerial positions of the General Treasury and the Office of the Cabinet of Ministers.

Other current appointments

Director General of National Budget in General Treasury, Governing Council member of Sri Lanka Institute of Development Administration (SLIDA), Member of National Operation Room (NOR) headed by the Secretary to the Prime Minister, Member of Cabinet Subcommittee on Establishment Matters and various Cabinet appointed official committees.

Previous key appointments

Senior Assistant Secretary to the office of the Cabinet of Ministers during 2015-2020. Director, Deputy Director/Assistant Director of the National Budget Department, Director/ Deputy Director and Director Excise Tax of the Sri Lanka Customs. Chairman, Board of Shrama Vasana Fund. Represented the General Treasury in several key state-owned institutions including 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), Public Servants Mutual Provident Association (PSMPA) and has been appointed as a nominated member by Prime Minister to the Board of Directors of the National Film Corporation.

Mr S R W M Ruwan Palitha Sathkumara

Ex-Officio Director, Independent Non-Executive Director

BNC BHRRC 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 24 years of experience in the public sector.

Other current appointments

Postmaster General, Department of Posts, Ministry representative/Board Member of Sri Lanka Rupavahini Corporation.

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.

Mr Dushyanta Basnayake

Non-Independent
Non-Executive Director

BITSC BAC BNC BNNEC

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 35 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

Independent Non-Executive Director

BAC BHRRC 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 21 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, Vice President – ISACA Sri Lanka Chapter (Affiliated to ISACA Global USA), 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. Council Member – University of Colombo

Ms Shashi Kandambi

General Manager/CEO

Date of appointment

10 January 2024

Skills and expertise

Ms Shashi Kandambi holds an MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, Postgraduate Diploma in Business and Finance from CA Sri Lanka, and Diploma in Banking from the Institute of Bankers Sri Lanka (IBSL).

Ms Kandambi was the Senior Deputy General Manager of International Banking at Sampath Bank, where she had a long-standing and successful career. Her banking experience spans over 36 years including 11 years in Corporate Management. She has extensive experience in the fields of International Operations and Trade Services, Corporate Credit, Corporate Digitalisation, Corporate Finance, FCBU, Treasury, Primary Dealer Unit, Legal, Recoveries, and International Trade. She also has a proven track record of successfully developing and executing strategic plans, managing financial resources, risk mitigation and maintaining strict corporate governance standards.

Ms Kandambi also has expertise in customer focus, innovation and technology, regulatory compliance, and crisis management.

Other current appointments

Chairperson of SWIFT User Group and National Member Group, Director of Sri Lanka Banks' Association, Director of the Institute of Bankers of Sri Lanka, Chairperson of The Financial Ombudsman Sri Lanka (Guarantee) Ltd., Director of NSB Fund Management Company, Director of Lanka Financial Services Bureau Ltd., Member of the Council of Advisors of Association of Professional Bankers – Sri Lanka.

Previous key appointments

Senior Deputy General Manager at Sampath Bank with over three decades of experience in the banking industry (January 1989 – January 2024 at Sampath Bank), including a decade dedicated to Corporate Management, Past President of Association of Professional Bankers, Member of the Academic Council of Sri Lanka Banks' Association.

Ms Anupama Muhandiram

Secretary to the Board of Directors

Date of appointment

6 December 2016

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 18 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, and she is the Founder Secretary of Association of Board/Company Secretaries of Banks in Sri Lanka. She has overseas exposure to an Australian Legal Firm as a Trainee.

BNNEC Non-urgent and Non-essential Expenses Committee – Member	BNN EC Non-urgent and Non-essential Expenses Committee – Chairman
BIRMC Integrated Risk Management Committee – Member	BIRMC Integrated Risk Management Committee – Chairman
BAC Board Audit Committee – Member	BAC Board Audit Committee – Chairman
BHRRC Human Resource and Remuneration Committee – Member	BHRRC Human Resource and Remuneration Committee – Chairman
BNC Nomination Committee – Member	BNC Nomination Committee – Chairman
BITSC Board Information Technology Strategy Committee – Member	BITSC Board Information Technology Strategy Committee – Chairman

Corporate management

Ms Shashi Kandambi
General Manager/CEO

Mr K Raveendran
Senior Deputy General Manager

Ms G V A D D Silva
Deputy General Manager
(Treasury & International)

Mr G W E Jayaweera
Deputy General Manager
(Audit)

Ms M N A Fernando
Deputy General Manager
(Human Resource Development)

Mr W M R B Weerakoon
Deputy General Manager
(Administration)

Ms K D Jayatilake
Deputy General Manager
(Legal)/ Chief Legal Officer

Mr Lasith Nanayakkara
Chief Information Officer/
Deputy General Manager
(Information Technology)

Executive management

Mr W M Karunaratne
Assistant General Manager
(Engineering)

Mr J H T Chandraratne
Assistant General Manager
(Engineering)

Mr A L A Haleem
Assistant General Manager
(Operations)

Ms W P U A de Silva
Assistant General Manager
(Corporate Finance)

Ms R A N N Wijesinghe
Assistant General Manager
(Operations)

Ms I K L Sasi Mahendran
Compliance Officer

Ms R P A M P Rajanayake
Chief Risk Officer

Ms S W A Weerasinghe
Assistant General Manager
(Treasury)

Mr L C Senanayake
Assistant General Manager
(IT)

Executive management

Ms M A P Muhandiram
Secretary to the Board of Directors

Mr M D Suranjana
Assistant General Manager (Audit)

Mr H M G P J Herath
Assistant General Manager (Operations)

Mr S Sivasorupan
Assistant General Manager (Postal Banking)

Mr D M C P B Dissanayake
Assistant General Manager (Core Banking)

Ms S H A S Kumari
Assistant General Manager (Recoveries)

Mr D L P Abaysinghe
CEO – NSB Fund Management Company

Mr H M M Herath
Assistant General Manager (IT)

Mr K D K K Wijewardena
Assistant General Manager (Operations)

Mr A P R De Zoysa
Chief Information Security Officer

Ms C N Ekanayake
Assistant General Manager (Talent Management)

Ms K B N C Kumari
Assistant General Manager (Finance)

Ms M D T Perera
Assistant General Manager (Marketing)

Chief managers

Mr S B Suranga
Regional Manager (Western 3)
Regional Office (Western 3)

Ms J M A K Jayasinghe
Regional Manager (Western 2)
Regional Office (Western 2)

Mr N Baheerathan
Regional Manager (Eastern)
Regional Office (Eastern)

Mr H D U Susantha Kumara
Regional Manager (Uva)
Regional Office (Uva)

Ms D A V Wijewantha
Regional Manager (North Western)
Regional Office (North Western)

Mr K Sansayan
Regional Manager (Northern)
Regional Office (Northern)

Mr S N R Senadheera
Regional Manager (Western 1)
Regional Office (Western 1)

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 (Southern 2)
Regional Office (Southern 2)

Mr I N S A Nanayakkara
Regional Manager (Southern 1)
Regional Office (Southern 1)

Mr A B C R Wijayapala
Chief Manager
Credit Administration Division

Mr M V G Susil Kumara
Chief Manager
Branch Management Division

Mr M W K C De Silva
Chief Manager
Corporate Finance Division

Ms W E C Perera
Chief Manager
Risk Management Division

Mr J L P Manjula
Chief Manager
Supplies Division

Ms K C Thayananthan
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 Dharshana
Chief Manager
Pawning and Operations

Mr H M R Pushpakumara
Branch Manager
Kuliyapitiya Branch

Ms T A D N Anuruddi
Branch Manager
Galle Branch

Mr E A R Abeysinghe
Chief Manager
NSB Fund Management Company Ltd.

Ms G A D Godamulla
Chief Manager
Finance and Planning Division

Mr W M M R P Perera
Branch Manager
City Branch/International Division

Mr R M C K Rajapakse
Chief Manager
Postal Bank 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

Ms B M M C K Basnayake
Chief Manager (IT)
Information Technology Division

Ms 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

Mr K H A Sunil
Branch Manager
Matara Branch

Ms M D A P Goonatillake
Chief Manager
IT/E-banking Unit

Ms K G Ranasinghe
Branch Manager
Panadura Branch

Mr H P T S Jayasooriya
Chief Manager
Recoveries Division

Mr I S Jayasuriya
Chief Manager
Branch Management Division

Mr B L R Mendis
Chief Manager (Security)
Security Division

Chairman's message

At National Savings Bank, we recognise that strong corporate governance is the cornerstone of sustainable success, institutional resilience, and stakeholder trust. As Chairman, I firmly believe that governance is not merely a regulatory requirement, but a strategic enabler that empowers the Bank to fulfil its mandate as a trusted custodian of national savings and a catalyst for economic development.

In an era defined by rapid transformation driven by digital innovation, evolving regulatory expectations, and socio-economic complexity, it is imperative that our governance practices remain agile, transparent, and future-focused. At NSB, we are guided by a clear purpose to act in the best interests of our stakeholders, and we are committed to doing so with integrity, accountability, and prudence.

Our governance framework is anchored on four key pillars: Board effectiveness, ethical leadership, robust risk oversight, and strategic stakeholder engagement. Throughout 2024, the Board of Directors remained deeply engaged in shaping the Bank's strategic direction, overseeing risk management, and upholding the highest standards of fiduciary responsibility. We ensured that decisions were taken with due consideration of both financial and non-financial factors, aligning with our long-term vision and national development priorities.

The Bank continues to maintain a clear division of responsibilities within the Board and Management, fostering a culture of constructive challenge, transparency, and collective accountability. We have ensured an appropriate mix of skills, independence, and diversity at the Board level to navigate an increasingly complex operating environment.

The Bank is well-prepared to meet emerging governance expectations, particularly through its commitment to complying with the revised Corporate Governance Directions issued by the Central Bank of Sri Lanka, which enhance Board accountability, risk oversight, and internal control mechanisms. In addition, we are making steady progress towards aligning with the forthcoming SLFRS S1 and S2 Sustainability Disclosure Standards, which will further elevate the transparency, integrity of our reporting, and stakeholder confidence.

At NSB, governance extends beyond structures and policies it is embedded in our culture. From the branch network to the Boardroom, we cultivate a deep sense of ethical responsibility, supported by clear codes of conduct, whistle-blower mechanisms, and zero-tolerance for conflicts of interest or misconduct. The Bank's governance philosophy is also reflected in our continued integration of Environmental, Social, and Governance (ESG) principles into business strategy and decision-making.

This Integrated Annual Report, along with the annexures on compliance disclosures presented on pages 394 to 418, illustrates how our governance framework is applied in practice and reaffirms our ongoing adherence to regulatory requirements and best practices. It reflects our unwavering commitment to excellence in governance, accountability, and ethical leadership.

As we move forward, we remain steadfast in our commitment to continuous improvement. We will continue to evaluate and enhance our governance framework, drawing on global best practices while remaining grounded in our national identity and values. By reinforcing these principles across every facet of our operations, we will strengthen our capacity to support Sri Lanka's development goals and secure a resilient and inclusive future.

I would like to extend my sincere appreciation to the Board, Management, and all employees of NSB for their unwavering dedication to the Bank's governance principles. I am confident that by upholding the values of transparency, accountability, and ethical conduct, National Savings Bank will continue to be a pillar of stability, a model of good governance, and a trusted partner in Sri Lanka's journey towards a more resilient and inclusive future.

Dr Harsha Cabral PC
Chairman

25 March 2025
Colombo

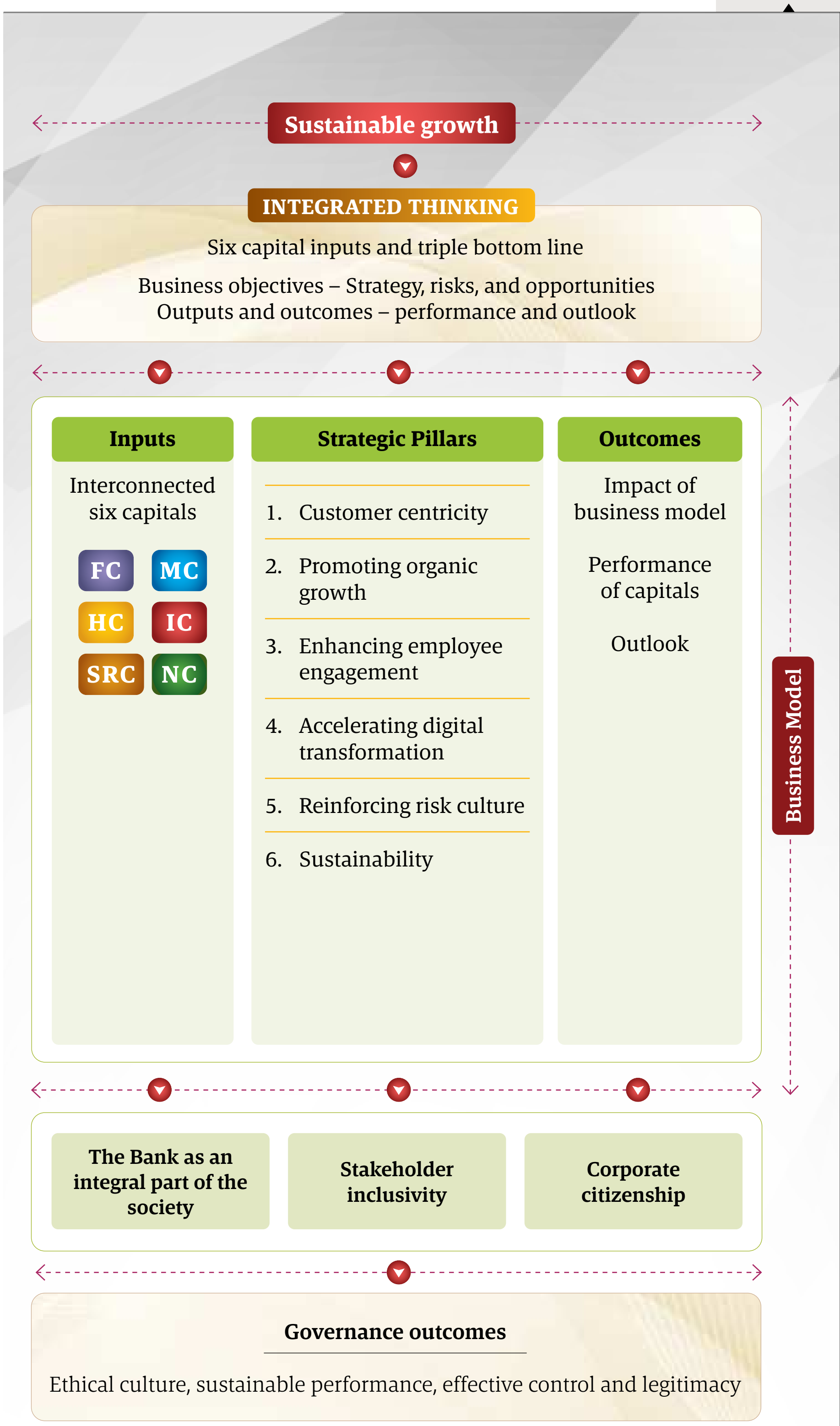


Figure 19

Our governance philosophy for sustainable value creation

At NSB, our governance philosophy is deeply rooted in the enduring principles of integrity, accountability, transparency, and sustainability. We regard sound governance not merely as a compliance imperative, but as the foundation upon which our operations are built, crucial for cultivating stakeholder confidence and delivering sustainable, long-term value.

Integrity and accountability form the ethical backbone of our governance practices. We are steadfast in our commitment to the highest standards of conduct, ensuring decisions are guided by honesty, fairness, and a genuine commitment 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 embedding these values into every aspect of our governance practices, we strive not only to fulfil regulatory obligations but to surpass them setting a benchmark for principled, forward-looking governance in the banking industry.

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. 12 of 2007 on Corporate Governance and subsequent amendments thereto, issued by the CBSL, which was revoked with effect from 1 January 2025 (pages 394 to 412 for comprehensive disclosures)
- Compliance with other disclosure requirements issued by the Central Bank of Sri Lanka for preparation of Annual Financial Statements of licensed banks (pages 419 to 425 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 (pages 413 to 418 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. 12 of 2007 on Corporate Governance, in accordance with the requirements set by the Central Bank of Sri Lanka.

Governance structure

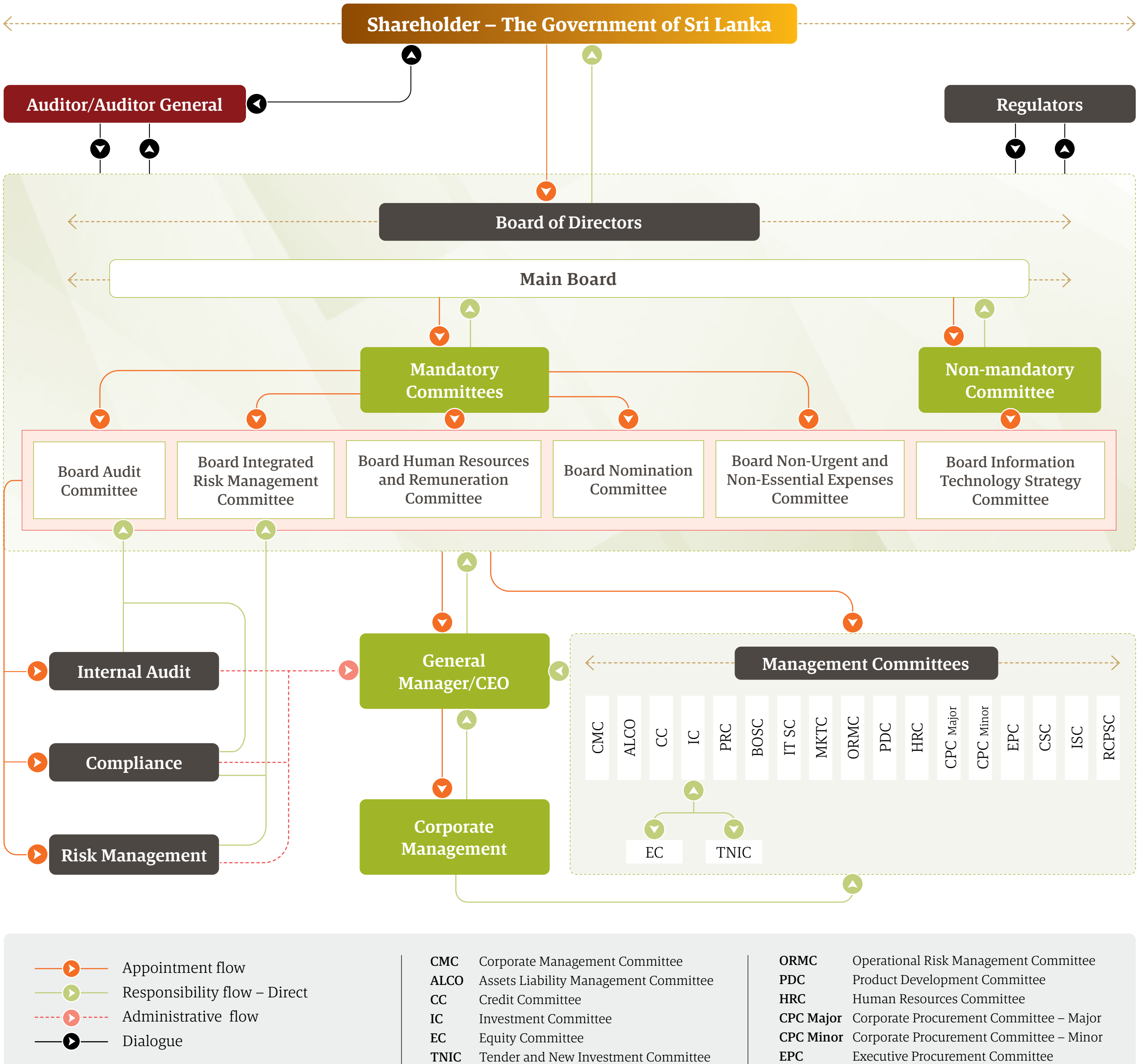
GRI 2-9, 13

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.

Governance structure of National Savings Bank



CMC	Corporate Management Committee	**ORMC**	Operational Risk Management Committee
ALCO	Assets Liability Management Committee	**PDC**	Product Development Committee
CC	Credit Committee	**HRC**	Human Resources Committee
IC	Investment Committee	**CPC Major**	Corporate Procurement Committee – Major
EC	Equity Committee	**CPC Minor**	Corporate Procurement Committee – Minor
TNIC	Tender and New Investment Committee	**EPC**	Executive Procurement Committee
PRC	Performance Review Committee	**CSC**	Corporate Sustainability Committee
BOSC	Branch Operations Steering Committee	**ISC**	Information Security Committee
IT SC	IT Steering Committee	**RCPSC**	Recovery Plan Steering Committee
MKTC	Marketing Committee		

Figure 20

Board of Directors

(Principles 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:** The responsibility of setting the Bank's vision, mission, and strategic direction while overseeing the alignment of strategic priorities with national development objectives lies with the Board. 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:** The Board defines the Bank's risk appetite and ensurs 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:** The Board 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 lies with the Board. The Board also ensures that succession plans are in place to support leadership continuity and organisational 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 judgement 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 2024, the Board comprises five Directors, each bringing significant expertise and insight to Board discussions. Of these, three are Independent Non-Executive Directors, while the remaining two serve as Non-Independent Non-Executive Directors. Detailed profiles, including qualifications and areas of expertise, are presented on pages 160 to 162. Information regarding their roles in Board subcommittees is provided on page 175.

Diversity of Board skills and expertise

(Principle A.10.1)

At NSB, we recognise that a well-balanced and highly skilled Board is fundamental to strong governance and strategic value creation. The collective expertise of the Board encompasses a rich blend of technical knowledge, industry insight, leadership experience, and diverse perspectives equipping the Bank to navigate complexity and seize emerging opportunities with confidence.

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 judgement, 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 160 to 162.

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 175.

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.

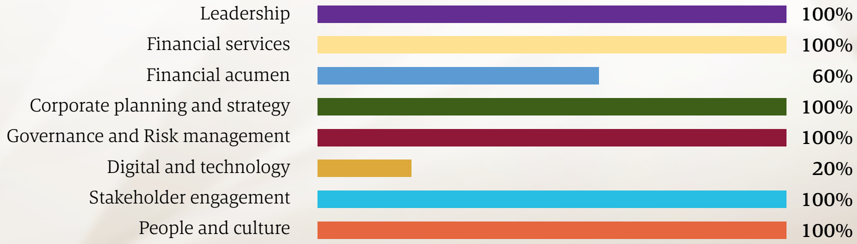
Tenure of Non-Executive Directors

2 Less than 2 years Non-Executive Directors

3 2 to 4 years Non-Executive Directors

Diversity of expertise GRI 405-1

Graph 42



Conflict of interest

(Principle A.5.5, and A 10.1)

GRI 2-15

The National Savings Bank Act and the amended Corporate Governance Direction No. 12 of 2007 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 2024, 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 49.5.2 of the Financial Statements.

Board meetings

(Principles A.1.1 and A.10.1)

During the year 2024, there were 13 scheduled Board meetings, and the details of attendance are shown below in Table 30. 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 2025 to 2027. 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

Name of the Director	Date of appointment	Age	Director Status	Attended/Eligible to attend							Tenure in the Board (Years)
				Board	BAC	BHRRC	BNC	BIRMC	BITSC	BNNEC	
Dr Harsha Cabral PC Chairperson	2 May 2023	63	NED/ID	13/13	–	–	–	–	–	6/6	1+
Mr Jude Nilukshan Ex-officio Director	28 February 2022	54	NED/NID	12/13	8/9	8/9	11/11	7/8	1/3	6/6	3+
Mr S R W M Ruwan Palitha Sathkumara Ex-officio Director	27 March 2023	54	NED/ID	13/13	–	9/9	11/11	7/8	6/6	–	2+
Mr Dushyanta Basnayake Director	31 March 2023	60	NED/NID	13/13	8/9	–	11/11	–	6/6	6/6	2+
Mr Ashane Jayasekara Director	9 January 2024	45	NED/ID	12/13	8/8	7/7	–	8/8	6/6	–	1+

NED – Non-Executive Director **NID** – Non-Independent Director **ID** – Independent Director

Table 30

Board subcommittees

(Principles A.7.1 to A.7.3, A.7.5 and/or, 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 judgement 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), was necessitated by the Banking Act Direction No. 12 of 2007, while the establishment of the Board Non-urgent Non-essential Expenses Committee (BNNEC) was mandated by the Banking Act Direction No. 1 of 2023. 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 2024, and the focus for 2025 and beyond for each committee are provided in their respective committee reports, available from pages 184 to 194.

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) and the Executive Procurement Committee 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:

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, International, 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 Finance and Planning, Credit, Corporate Finance, Recoveries, 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, International, Credit, Treasury, Legal, 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 Consultants 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.	General Manager/CEO, Senior DGM, KMPs from the Divisions of Finance and Planning, Legal, 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.

Management committee	Objective and responsibilities	Composition
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.
Operational Risk Management Committee (ORMC)	Manage operational risks 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, Credit, 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 next most senior Deputy General Manager.
Corporate Procurement Committee (Major)	Ensuring smooth functioning of the procurement process of the Bank.	General Manager/CEO, 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.

Appointment, re-election and resignation of Directors

(Principles A.7, A.8 and A.9.3)

GRI 2-10

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. 12 of 2007 on Corporate Governance. 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 175.

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 actively 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.

Key focus areas in 2024

GRI 2-16

In response to the evolving political landscape and signs of economic stabilisation throughout 2024, the Board maintained a strong focus on shaping and guiding NSB's strategic direction. Working closely with the General Manager/CEO and the Corporate Management Team, the Board provided oversight and support for the effective execution of the Bank's long-term strategy as approved.

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 2024, 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 2024	Outcomes	Strategic pillars	Stakeholder	2025 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 2025–2027. • Reviewed and approved the Revised Budget for 2024 and the Budget for 2025. • 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.	• Customer centricity • Promoting organic growth • Enhancing employee engagement • Accelerating digital transformation • Reinforcing risk culture • Sustainability		Provide strategic oversight to ensure flawless execution of the 2025-2027 Strategic Business Plan, navigating evolving operational landscapes while maintaining resilience amidst macroeconomic volatility.
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	• Customer centricity • Promoting organic growth • Enhancing employee engagement • Accelerating digital transformation • Reinforcing risk culture • Sustainability		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.	• 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.	• Customer centricity • Promoting organic growth • Accelerating digital transformation • Reinforcing risk culture • Sustainability		Evaluate and track the Bank's advancements in fostering a customer-centric approach, ensuring continuous improvement in service quality, engagement, and satisfaction.

Board activities in 2024	Outcomes	Strategic pillars	Stakeholder	2025 governance objectives
• 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.	• Aligning business strategies with customer expectations to foster loyalty and sustainable growth.			
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 2024 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.	• Customer centricity • Promoting organic growth • Accelerating digital transformation • Reinforcing risk culture		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	• Promoting organic growth • Reinforcing risk Culture		Ensure the Bank is 100% compliant with regulatory requirements and industry best practices.

Board activities in 2024	Outcomes	Strategic pillars	Stakeholder	2025 governance objectives
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.	• Customer centricity • Promoting organic growth • Enhancing employee engagement • Accelerating digital transformation • Reinforcing risk culture • Sustainability		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				
• Considered independent Board evaluation and subcommittee 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	• Reinforcing risk culture		Oversee the Bank's compliance with best practice governance standards.

Board's role in risk management

The Board recognises the importance of integrating risk management into the Bank's overall business strategy. It places significant emphasis on prudent oversight of risk management practices, a responsibility that it has delegated to the Board Integrated Risk Management Committee (BIRMC). This Committee is entrusted with overseeing the Bank's risk management functions. The Bank has developed a robust risk management framework, including risk appetite and tolerance limits, to effectively monitor its risk profile. Regular reports on the Bank's risk profile are submitted to the Board through the BIRMC, allowing for thorough monitoring and assessment. Any deviations from agreed risk appetite levels prompt discussions with management, leading to the formulation of appropriate mitigation strategies. Risks associated with the Bank's operations are carefully considered and extensively deliberated during the review of the Strategic Business Plan, ensuring that long-term strategic objectives adequately address risk factors. Further details on risk management are provided in the Risk management report on pages 195 to 219.

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.

Chairman

GRI 2-11

The Chairman is a Non-Executive 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.

General Manager/CEO

GRI 2-12

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 2024, three out of five Directors were Independent Non-Executive Directors (INEDs), highlighting the Board's strong commitment to independence. Their only association with the Bank and its Group is through their directorships, ensuring their judgement remains impartial and free from external influences or conflicts of interest.

A strong 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.

Directors' remuneration, level and make up of remuneration

(Principle A10, B.1, B.2 and B.3)

GRI 2-19

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.

Board and Board subcommittee evaluation

(Principle A. 9)

GRI 2-18

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. 12 of 2007 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 Nomination Committee by the Secretary to the Board.

Board evaluations for 2024 were taken up at the Board meeting held during first quarter of 2025.

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 Ashane Jayasekara
Chairman
Board Audit Committee

Composition of the Committee

During the year under review, the Board Audit Committee (BAC) comprised the following Non-Executive Directors:

Name	Membership status	Eligible to attend	Attended
Mr Ashane Jayasekara*	Chairman	08	08
Mr Dushyanta Basnayake**	Member	09	08
Mr Jude Nilukshan**	Member	09	08

*Non-Executive, Independent Director ** Non-Executive, Non-Independent Director

Profiles of the above members are given on pages 160 to 163.

Regular Attendees by Invitation

The Superintendent of Audit, National Audit Office
Deputy General Manager (Audit)
Assistant General Manager (Audit)
Deputy General Manager (Finance, Corporate Planning and MIS)/ Senior Deputy General Manager

Quorum

Minimum of two Directors.

Secretary to the Committee

The Secretary to the Board of Directors functions as the Secretary to the BAC.

Terms of Reference of the Board Audit Committee

The Board Audit Committee (BAC) of the Bank was constituted in accordance with the Banking Act Direction No. 12 of 2007 on "Corporate Governance for Licensed Specialised Banks" issued by the Central Bank of Sri Lanka under Section 3 (6) (ii) and 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 Terms and Reference (TOR) of the BAC has been approved by the Board of Directors and reviewed regularly, and the TOR was last reviewed in 2024 by taking into consideration the new developments in the banking sector.

Key responsibilities of the Committee

The Committee is empowered by the Board of Directors in discharging its responsibilities and fulfilling its 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 TOR 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 with the Charter in performing Committee's functions and discharging its responsibilities.

Reporting to the Board

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 compiled within all material aspects.

Activities in 2024

During the financial year ended 31 December 2024, the Committee held nine meetings.

The Superintendent of Audit, National Audit Office as the representative of the Auditor General, attended eight BAC meetings on invitation. The Senior Management including General Manager/ CEO of the Bank participated in 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.

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 judgement contained therein prior to their release. The Committee shall focus on major judgement 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 2023 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 Section 10 of the Banking Act, Direction No. 1 of 2016 requires an independent review of 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 of ICAAP.

In accordance with Section 10 of the Banking Act, Direction No. 1 of 2016, the BAC rigorously reviewed the Bank's capital assessment processes to ensure compliance with regulatory standards and uphold integrity, accuracy, and reasonableness. This involved a detailed examination of the ICAAP to monitor the adequacy of internal controls, ensuring that the framework effectively addressed various risk categories, including credit, market, operational, and liquidity risks. Through these efforts, the Committee prioritised strengthening the mechanisms that safeguard the Bank's financial stability while promoting transparency in capital adequacy reporting.

The Committee's oversight extended to validating the underlying assumptions and methodologies deployed within the ICAAP, assessing the accuracy of data inputs, and reviewing significant financial judgements tied to capital adequacy. Additionally, the Committee evaluated the Bank's capacity to operate under adverse conditions by ensuring adequate capital buffers were maintained to mitigate potential losses.

Risks and internal control over financial reporting

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 adopt a 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).

The 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 assessed 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. BAC also reviewed findings and recommendations of the External and Internal Audits, together with Management's responses.

The Directors' Statement on Internal Control and the Auditor General's Report on Internal Control are provided on pages 230 to 232. 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 2024 has been achieved by the end of 2024.

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 the Government Audit 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 2023, 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.

Other key matters addressed

- 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 sustainability of good corporate governance practices in the Bank.

The Fraud Risk Management and Whistle-blowing Policy of the National Savings Bank is a 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. Further, it also provides a means for early detection of fraud and other problematic situations.

The BAC reviewed fraud cases on a quarterly basis. During the quarterly review, the BAC scrutinised statistical information as well as details of each fraud, action taken thereon and issued directions on 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 (SLFRSs) applicable to the Bank and made required recommendations therein.

Regulatory 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 2025 and beyond

- Maintain a strong emphasis on ensuring that the Bank's financial systems, processes, and internal controls are effectively adapting to the intricate demands of both external and internal environments.
- Continuously assess and implement necessary enhancements in response to the Auditor General's independent reviews, carefully evaluating their implications for the Bank's operations.

Committee evaluation

The Committee annually conducted self-evaluation of the effectiveness of the Committee and results are communicated to the Board.

Accordingly, the Committee self-evaluation for the year 2024 was conducted during the first quarter of the year 2025 and communicated to the Board.

Ashane Jayasekara
Chairman
Board Audit Committee

25 March 2025
Colombo

Report of the Board Human Resource and Remuneration Committee

Mr S R W M R P Sathkumara
Chairman
Board Human Resource and Remuneration Committee

Composition of the Committee

During the year under review, the Board Human Resource and Remuneration Committee (BHRRC) comprised the following Non-Executive Directors:

Name	Membership status	Eligible to attend	Attended
Mr S R W M R P Sathkumara*	Chairman	09	09
Mr Jude Nilukshan**	Member	09	08
Mr Ashane Jayasekara*	Member	07	07

*Non-Executive, Independent Director   ** Non-Executive, Non-Independent Director

Profiles of the above members are given on pages 160 to 162.

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.

Terms of Reference of the BHRRC

The Board Human Resource and Remuneration Committee (BHRRC) constituted in terms of the provisions of Section 3 (6) (i) and (iii) of Banking Act Direction No. 12 of 2007 issued by the Monetary Board of the Central Bank of Sri Lanka (CBSL) under Section 76 J (1) of the Banking Act No. 30 of 1988, as amended. 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.

Reporting to the Board

The Committee is directly reporting to the Board of Directors about its activities along with the minutes of the meetings. The BHRRC fosters open communication between Human Resource Development Division and the Board of Directors to ensure transparency and accountability. The Committee is of the view that Terms of Reference (TOR) of the Committee compiled within all material aspects.

Activities during the year 2024

Important activities attended and carried out by the Committee during the year 2024 were as follows:

- **Performance appraisal of Key Management Personnel (KMPs) for 2023:** The Committee evaluated the performance metrics of its top management, including the General Manager/CEO, Senior Deputy General Manager (DGM), all DGMs, and Assistant General Managers (AGMs), excluding those directly reporting to the Board or a subcommittee.

The focus was on measuring their contributions towards achieving strategic goals and ensuring alignment with the Bank's overall objectives.

- **Reviewed the recruitment and promotion of staff based on the requirements of the Bank:** A thorough review of recruitment practices and staff promotion criteria was conducted to ensure that they align with the operational and strategic needs of the Bank. This process aimed to maintain workforce efficiency while providing career growth opportunities for employees.
- **Consideration of appeals submitted by staff on HR-related matters:** The Committee addressed appeals lodged by employees concerning human resource issues, ensuring that grievances were resolved transparently and in alignment with organisational policies and fairness principles.
- **Review of the effect of disciplinary procedures/punishments on staff promotions:** The impact of disciplinary actions on employee career advancement was evaluated to ensure consistency and fairness in promotional decisions while reinforcing accountability within the workforce.
- **Review of recruitment methodology:** Examined its recruitment methods to identify potential improvements in attracting qualified candidates, optimising hiring processes, and ensuring alignment with market standards.
- **Recruitment of required staff to the Bank:** Efforts were undertaken to address staffing needs by recruiting new employees, to enhance the Bank's talent pool and support its expanding operations.
- **Initiatives for recruitment for the key positions of the Bank:** Recruitment efforts focused on filling critical roles such as Deputy General Manager (Finance, Corporate Planning and MIS) and Assistant General Manager (IT), prioritising the skills and experience necessary to drive the Bank's operational and strategic goals.
- **Disciplinary inquiries for the year 2024:** The Bank managed and reviewed disciplinary inquiries during the year to uphold organisational integrity and ensure adherence to policies and ethical standards.
- **Amended the Human Resource Policy Manual:** Revised the Human Resources Policy Manual of the Bank to reflect evolving organisational needs, regulatory requirements, and industry best practices, ensuring a comprehensive and updated framework for HR management.
- **Succession Plan for the Treasury Back Office and Treasury Front Office:** A detailed succession plan was developed to address critical roles in the Treasury Back Office and Front Office, ensuring business continuity and the availability of skilled personnel for these key functions.
- **Organisational Structure of the Bank:** Revisited the Bank's organisational structure to optimise workflows, address operational needs, and ensure alignment with strategic objectives, enhancing overall efficiency.
- **Reviewed Training and Development Policy:** Assessed the training and development framework of the Bank to ensure that employees are equipped with the necessary skills and knowledge, fostering professional growth and supporting organisational success.

Focus for 2025 and beyond

- **Remuneration Policy:** The Committee continues to ensure that the Bank's Remuneration Policy remains relevant, competitive, and aligned with industry standards and organisational goals.
- **Human Resource Strategy:** Focus is placed on enhancing the human resource strategy to foster a culture of engagement, collaboration, and employee satisfaction.
- **Terms of Reference (TOR):** The Committee remains diligent in fulfilling its responsibilities outlined in the Terms of Reference to ensure effective governance and operational excellence.

Committee evaluation

The Committee annually conducted self-evaluation of the effectiveness of the Committee and results are communicated to the Board.

The Committee is fully assured that this report is accurate and free of material misstatements.

S R W M R P Sathkumara
Chairman
Board Human Resource and Remuneration Committee

25 March 2025
Colombo

Report of the Board Nomination Committee

Mr S R W M R P Sathkumara
Chairman
Board Nomination Committee

Composition of the Committee

During the year under review, the Board Nomination Committee (BNC) comprised the following Non-Executive Directors:

Name	Membership status	Eligible to attend	Attended
Mr S R W M R P Sathkumara*	Chairman	11	11
Mr Jude Nilukshan**	Member	11	11
Mr Dushyanta Basnayake**	Member	11	11

*Non-Executive, Independent Director ** Non-Executive, Non-Independent Director

Profiles of the above members are given on pages 160 to 162.

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 of Directors, functions as the Secretary to the BNC.

Terms of Reference of the Committee

The Board of Directors has established the Board Nomination Committee (BNC) in compliance with the Banking Act Direction No. 12 of 2007, Corporate Governance for Licensed Specialised Banks in Sri Lanka issued by the Monetary Board of the Central Bank of Sri Lanka under Section 76 J (1) of the Banking Act No. 30 of 1988 as amended, to ensure Board oversight and control over selection of Key Management Personnel.

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 Personnel.

Further, the Committee shall ensure that the Directors, General Manager/CEO and Key Management Personnel are fit and proper persons to hold the 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.

Reporting to the Board

The Committee reports its activities and meeting minutes directly to the Board of Directors, ensuring transparency and accountability. It confirms that its Terms of Reference (TOR) have been comprehensively followed in all essential aspects, reflecting its commitment to governance and compliance standards.

Activities during the year 2024

During the year ended 31 December 2024, eleven (11) Nomination Committee meetings were held.

Important activities attended and carried out by the Committee during the year were as follows:

- **Evaluation of Recruitment Schemes for Key Management Personnel (KMPs):** The Committee conducted a comprehensive review of the recruitment schemes applicable to the Bank's Key Management Personnel. This assessment ensured that the criteria, processes, and policies governing recruitment are transparent, effective, and tailored to meet the strategic needs of the Organisation and market requirements.
- **Conducting Interviews for Promotions/Appointments of KMPs:** A structured approach was adopted to interview candidates for promotions or appointments across banking and non-banking streams. These interviews aimed to identify individuals with the required expertise, leadership capabilities, and alignment with organisational values to excel in Senior Management roles.

- **Development of Selection Criteria and Methodology:** Clear and objective selection criteria, along with a systematic methodology, were established to ensure a fair and merit-based evaluation process. This framework emphasised consistency, transparency, and alignment with the Bank's strategic objectives, ensuring confidence in the recruitment practices.
- **Expedited Internal Promotions to Strengthen Leadership Continuity:** During the year, the Committee took steps to expedite internal promotions in alignment with the Bank's succession planning framework. This initiative aimed to recognise and reward high-performing employees while ensuring the timely filling of critical vacancies, thereby strengthening leadership continuity and operational efficiency.
- **Engagement of External Consultant to Strengthen Specialised Expertise:** To augment the Bank's internal capabilities, the Committee approved the engagement of two external consultant on a contract basis, bringing in specialised expertise aligned with the Bank's strategic priorities. This initiative is aimed at enriching the decision-making process with independent perspectives and industry-specific knowledge, thereby supporting the Bank's long-term goals and operational excellence.

Focus for 2025 and beyond

- Ongoing oversight of matters concerning KMP to ensure adherence to regulatory compliance requirements.
- Regular evaluation and monitoring of the succession plan to verify its implementation and alignment with the Bank's strategic objectives.
- Assessment and refinement of recruitment strategies to identify and appoint qualified candidates for KMP positions.

Committee evaluation

The Committee annually conducted an evaluation of the effectiveness of the Committee and results were communicated to the Board.

S R W M R P Sathkumara
Chairman
Board Nomination Committee

25 March 2025
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 three Non-Executive Directors.

Name	Membership status	Eligible to attend	Attended
Mr Jude Nilukshan**	Chairman	08	07
Mr S R W M R P Sathkumara*	Member	08	07
Mr Ashane Jayasekara*	Member	08	08

*Non-Executive, Independent Director ** Non-Executive, Non-Independent Director

Profiles of the above members are given on pages 160 to 162.

The General Manager/CEO and the Chief Risk Officer are also permanent members of BIRMC.

Regular Attendees by Invitation

The Compliance Officer of the Bank is a regular attendee on invitation. Other DGMs, AGMs, 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. 12 of 2007, Corporate Governance for Licensed Specialised Banks in Sri Lanka, issued by the Monetary Board of Central Bank of Sri Lanka under the power vested in the Monetary Board, in terms of the Banking Act No. 30 of 1988.

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 Basel III directions issued by CBSL

The Committee reviews policies, reports and proposals on risk and compliance related to the Bank. BIRMC grants approval for proposals within its mandate and recommends proposals/reports to the Board of Directors which required to be scrutinised by the Board.

The respective chapter/segment on risk management presents detailed introduction to the risk management functions of the Bank and its significance. BIRMC is supported by Risk Management, Compliance Divisions and other operational divisions in discharging its responsibilities.

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.

Activities during the year 2024

As outlined in its charter, BIRMC convenes quarterly; however, additional meetings are scheduled as needed to address arising priorities and requirements. During the year 2024, NSB convened eight meetings.

The Committee assesses all main risks such as Operational, Credit, Market, Liquidity, etc., which can adversely affect to the Bank. It maintains a close relationship with the KMP and the Board to fulfil its statutory, fiduciary and regulatory responsibilities for risk management.

Report of the Board Integrated Risk Management Committee

Effectiveness of the risk management process is annually audited by the Internal Audit Division of the Bank.

Important activities attended and carried out by the Committee during the year were as follows:

- Review of reports on Risk Appetite Statement and, Tolerance Limits of the Bank and other reports highlighting different aspects of risk of the Bank (i.e. credit risk, market risk, liquidity risk, operational risk, HR risk, technical risk, cybersecurity risk, etc.)
- Review Risk Control Self Assessment (RCSA) reports, Root Cause Analysis Reports and Stress Testing/scenario analysis reports to recommend control enhancements and risk mitigation actions.
- Review of different risk limits and grant necessary approvals
- Reviewing of adequacy of measures and standards maintained by the Bank to meet internationally recognised norms in the industry, regulations/guidelines of the regulator – Central Bank of Sri Lanka and Internal Capital Adequacy Assessment Process (ICAAP) in line with audit concerns on ICAAP document
- Follow-up progress of rectification process of supervisory concerns raised by the Central Bank of Sri Lanka at their examination
- Review periodic reports on Related Party Transactions, key issues of the Bank such as financial frauds, Fraud Risk Management – Whistle – Blowing Policy
- Review of compliance assessments on Bank and its core functions such as pawning, credit, human resource management, maintaining KYC (Know Your Customer) requirement etc.
- Continuous monitoring and review over status of Bank's compliance with Basel III standards
- Annual review of Compliance Programme and Compliance Manual

Focus for 2025 and beyond

- Maintain a strong emphasis on macro and micro environmental dynamics, market conditions, and both local and global risk factors.
- Ensure continuous monitoring and effective implementation of the Bank's risk and compliance strategy to uphold governance standards.
- Analyse prevailing trends in risk management across local and international landscapes to inform strategic decision-making.
- Focus on adapting to evolving regulatory requirements while aligning the Bank's risk management and compliance approach with market developments.

Committee evaluation

The Committee annually conducted self-evaluation of the effectiveness of the Committee and results are communicated to the Board.

Jude Nilukshan
Chairman
Board Integrated Risk Management Committee

25 March 2025
Colombo

Report of the Board Non-urgent and Non-essential Expenses Committee

Dr Harsha Cabral PC
Chairman
Board Non-urgent and Non-essential Expenses Committee

Composition of the Committee

During the year under review, the Board Non-urgent and Non-essential Expenses Committee (BNNEC) comprised the following Non-Executive Directors:

Name	Membership status	Eligible to attend	Attended
Dr Harsha Cabral PC*	Chairman	06	06
Mr Jude Nilukshan**	Member	06	05
Mr Dushyanta Basnayake**	Member	06	06

*Non-Executive, Independent Director ** Non-Executive, Non-Independent Director

Profiles of the above members are given on pages 160 to 162.

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.

Quorum

Minimum of two Directors.

Secretary to the Committee

The Secretary to the Board of Directors functions as the Secretary to the BNNEC.

Terms of Reference of the BNNEC

The Section 3.5 of the Banking Act Direction No. 01 of 2023 dated 2 February 2023, required the licensed banks to form a Board level subcommittee to operate during the years 2023 and 2024 which is entrusted with the responsibility of evaluating and approving non-essential and/or non-urgent expenditure and/or capital expenditure to be incurred by the Bank, if any. Accordingly, the Bank has formed the BNNEC ensuring the compliance with above Direction.

Role and responsibilities of the Committee

The Role and Responsibilities of the Committee as per the Charter includes the followings:

(a) To follow the established guidelines as per the approved policy by the Board of Directors with regard to the expenses require the prior approval of BNNEC.

(b) to ensure that non-essential and/or non-urgent and/or capital expenditure of the Bank for the years 2023 and 2024 recommended to the Board are strongly justifies as cost effective and obtain approval of this Board Subcommittee.

(c) to ensure that the Bank avoids overspending or incurring unnecessary costs for the years 2023 and 2024.

Activities During the year 2024

During the year ended 31 December 2024, six (06) BNNEC meetings were held.

The Committee ensured a prudent approach towards the Bank's capital expenditure for the year 2024 by rigorously reviewing and approving only costs deemed essential and urgent. Non-critical and discretionary expenditures were deliberately avoided to maintain financial discipline and optimise resource allocation. This measured approach aimed to uphold the Bank's financial health while supporting expenditures critical to operational continuity and strategic objectives. The oversight provided by the Committee reflects its commitment to balancing fiscal responsibility with the Bank's immediate and necessary financial needs.

Committee evaluation

The Committee annually conducted self-evaluation of the effectiveness of the Committee and results are communicated to the Board.

The Committee is fully convinced that this Report is accurate and free of material misstatements.

Dr Harsha Cabral PC
Chairman
Board Non-urgent and Non-essential Expenses Committee

25 March 2025
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.

During the year under review, the BITSC comprised the following Non-Executive Directors:

Name	Membership status	Eligible to attend	Attended
Mr Dushyanta Basnayake**	Chairman	06	06
Mr Jude Nilukshan** (19 March 2024 – 27 May 2024)	Member	03	01
Mr S R W M R P Sathkumara*	Member	06	06
Mr Ashane Jayasekara*	Member	06	06

*Non-Executive, Independent Director ** Non-Executive, Non-Independent Director

Profiles of the above members are given on pages 160 to 162.

Regular Attendees by Invitation

The General Manager/CEO provide information to the Committee and attends meetings of the Committee on invitation.

Secretary to the Committee

The Secretary to the Board of Directors, functions as the Secretary to the BITSC also.

Terms and reference of the Committee

The Board of Directors of the Bank has established the BITSC in compliance with the Banking Act Direction No. 12 of 2007, Corporate Governance for Licensed Specialised Banks in Sri Lanka issued by the Monetary Board of the Central Bank of Sri Lanka under Section 76 J (1) of the Banking Act No. 30 of 1988 as amended.

The BITSC was established in order to ensure the Bank's 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. BITSC 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 2024

During the financial year ended 31 December 2024, six BITSC meetings were held.

- The Committee recommended procurement proposals pertaining to ICT projects of the Bank to the Board of Directors.
- Reviewed, improved and recommended the Terms of Reference (TOR) of the BITSC to the Board for approval.
- Foresaw the need of customer's data protection and ensured all necessary policies and procedures were in place to secure information.

Focus for 2025 and beyond

- Driving innovation to meet evolving customer needs and maintain competitiveness: Maintain ongoing vigilance to ensure the Bank remains at the forefront of technological innovation, adapting to dynamic customer demands to sustain competitiveness in the market while fulfilling regulatory obligations.
- Cybersecurity Preparedness: Continuously prioritising proactive measures to address evolving cybersecurity threats and safeguard the Organisation.
- IT Governance Framework: Maintaining and strengthening the IT Governance Framework as a core pillar to ensure operational resilience, compliance, and sustained innovation.

Committee evaluation

Committee annually conducted self-evaluation of the effectiveness of the Committee and results are communicated to the Board.

The Committee is completely convinced that this report is accurate and free of material misstatements.

Dushyanta Basnayake
Chairman
Board Information Technology Strategy Committee

25 March 2025
Colombo

National Savings Bank's approach to manage risks in a complex risk landscape

Risk management and recovery strategies, combined with economic recovery in 2024, enabled the Bank to achieve its risk appetite levels in solvency indicators despite the distress experienced in previous years due to economic challenges.

External environment

Economic indicators are among the most critical external factors influencing banking operations, ultimately affecting the bottom line and the quality of the balance sheet. In 2024, the Sri Lankan economy showed signs of recovery from the economic downturn, primarily driven by key economic policy decisions, including monetary stabilisation measures and fiscal reforms. Additionally, the Government's debt restructuring efforts under the IMF-supported programme and the Debt Sustainability Analysis (DSA) contributed to achieving long-term debt sustainability.

Significant changes in the political environment of the country improved public sentiments toward a more transparent and resilient economic future. Following the presidential election, investor confidence showed signs of improvement, with foreign investors emerging as net buyers in both the equity and government securities markets. In the last 15 consecutive weeks of the year 2024 ended by 26 December, Sri Lanka recorded a total inflow of Rs. 29.9 Bn (USD 103.1 Mn) in to Government Securities.

The Colombo Stock Exchange (CSE) closed the year with a record-breaking market capitalisation of Rs. 5.69 Tn., reflecting a 34% increase from the previous year. Foreign participation increased significantly, accounting for approximately 10% of total market turnover in 2024 more than double the level recorded in pandemic year, i.e, 2021. These trends were driven by increased political stability and anticipated economic reforms.

New regulations imposed on the banking sector, aimed at strengthening corporate governance have become essential in fostering more accountable and responsible banking practices.

The challenging macroeconomic environment that prevailed led to the deterioration of asset quality, as borrowers faced difficulties in meeting their debt obligations. To address this, guidelines were issued by the regulator for the establishment of a Business Revival Unit to support the sustainable recovery of non-performing borrowers and improve asset quality.

The economy, planetary ecology, and human civilisation are increasingly vulnerable to the accelerating impacts of climate change, including extreme weather events and rising sea levels. If left unaddressed, climate risks could significantly impact businesses, particularly in agriculture, tourism, and coastal industries, reducing profitability and increasing operational costs.

According to Asian Development Bank, climate-related disruptions could erode up to 2.2% of South Asia's GDP annually by 2050, underscoring the urgent need for mitigation and adaptation strategies.

In response, the Bank has taken steps to minimise its environmental impact by promoting green banking initiatives and sustainable financing during the year under review.

Advancements in technology and innovation continue to create new growth opportunities in banking and improve service efficiency. However, they also introduce significant cybersecurity threats. To mitigate these risks, robust measures were implemented to safeguard people, systems, and processes.

In mid-December 2024, Sri Lanka successfully concluded the exchange of USD 12.55 Bn. worth of International Sovereign Bonds (ISBs) under the local bonds option, issuing eight new LKR Treasury Bonds as part of the External Debt Restructuring (EDR) process.

Following this restructuring, Fitch and Moody's upgraded Sri Lanka's Local and Foreign Currency Issuer Default Ratings (IDR) to CCC+ and Caa1, respectively, by the end of 2024. As a result, both direct and indirect investments are expected to increase, positively impacting the banking sector and contributing to the country's economic stability.

Risk management framework

Integrated risk management is a continuous, proactive, and systematic process to understand, manage and communicate risk from a Bank-wide perspective. It involves an ongoing assessment to identify potential risks at all levels of the Bank, with results communicated to higher levels to facilitate informed decision-making.

An effective risk management framework not only ensures compliance with regulatory requirements but also strengthens resilience and supports a sustainable business model. By identifying, assessing, controlling, and monitoring various risks, banks can safeguard themselves from potential financial shocks and enhance decision-making.

The Board of Directors holds ultimate responsibility for establishing and overseeing the Bank's Integrated Risk Management Framework (IRMF), which is supported by systems, structures, policies, procedures, processes and people.

To ensure effective implementation, the Board of Directors has delegated authority to the Board Integrated Risk Management Committee (BIRMC) to develop and monitor compliance with the risk management policies. The Committee reports regularly to the Board on its activities.

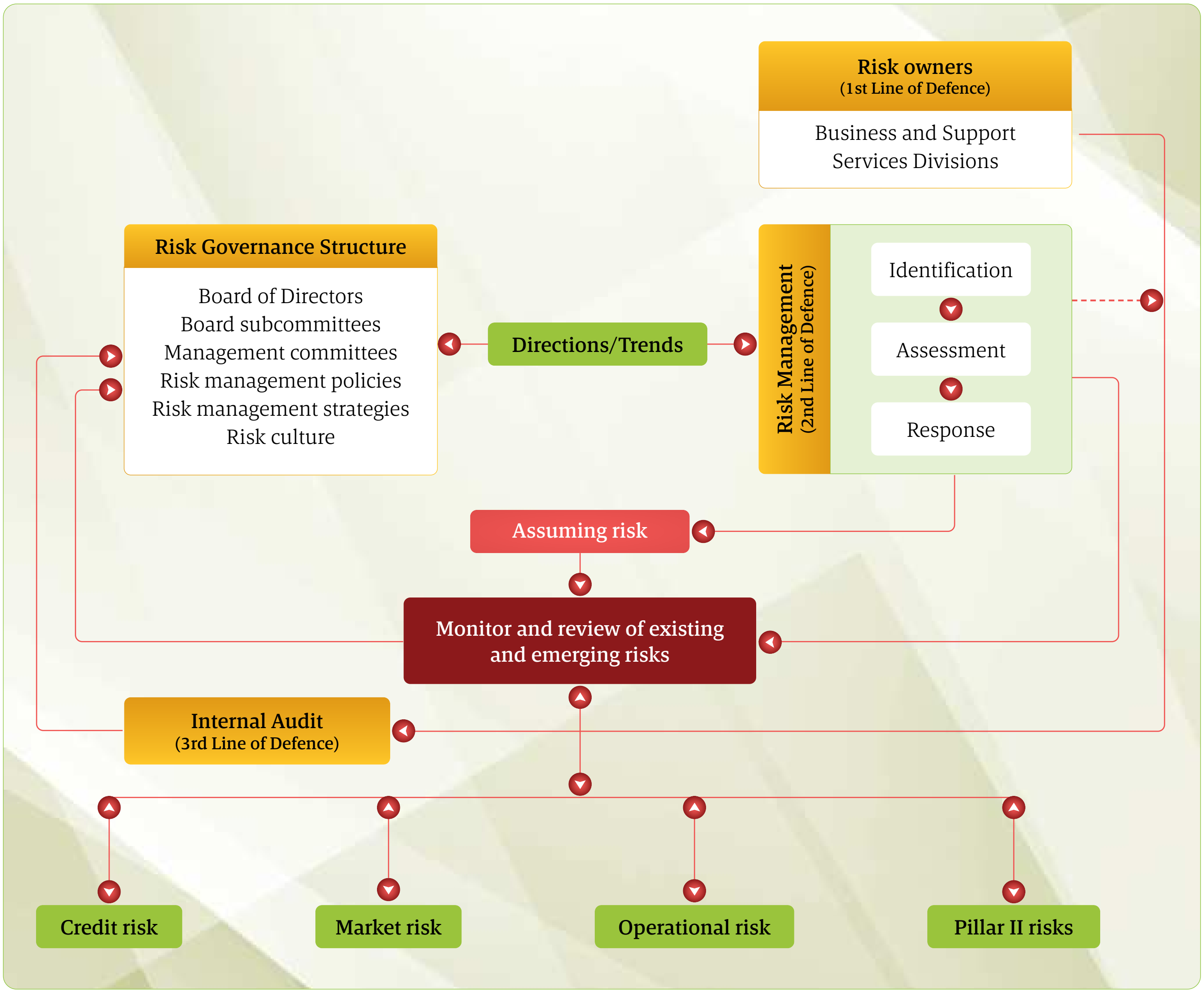


Figure 21 Risk management framework

Risk management	Credit risk	Market risk	Operational risk
Policies	Integrated Risk Management Policy Stress Testing Policy Risk Management Disclosure Policy ICAAP Management Policy Model Risk Management Policy		
	Credit Risk Management Policy	Market and Liquidity 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) • M Duration • Sensitivity Analysis • Scenario Analysis • Stress Testing	• Monitoring Risk Limits • Loss Event Data Analysis • Incident Monitoring • Business Impact Analysis • 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) • NPL Monitoring and Analysis	• Risk Appetite Dashboard • Equity Risk Review • Foreign Currency Risk Review • Interest Rate Risk Review • Fixed Income Securities Portfolio Review • Liquidity Risk Review	• Risk Appetite Dashboard • Loss Events Analysis • OKRIs Dashboard • RCSA Reports • Root Cause Analysis • Customer Complaint Analysis • Report on Business Disruptions and System Failures

Table 31 Risk Management Policies, Approaches, and Reports within IRMF

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, reports and either controls or mitigates the material risks. It also defines the oversight mechanisms and committees responsible for risk governance.

Risk management strategy: Approach to manage 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 manage risks arising from the business strategy and provides an overview of how IRMF addresses each material risk, referring relevant regulations, policies and procedures.

A comprehensive set of risk identification and assessment approaches facilitate understanding the inherent risks, level of controls in place and the exposure to residual risks in order to determine risk mitigation mechanism.

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).

Risk management report

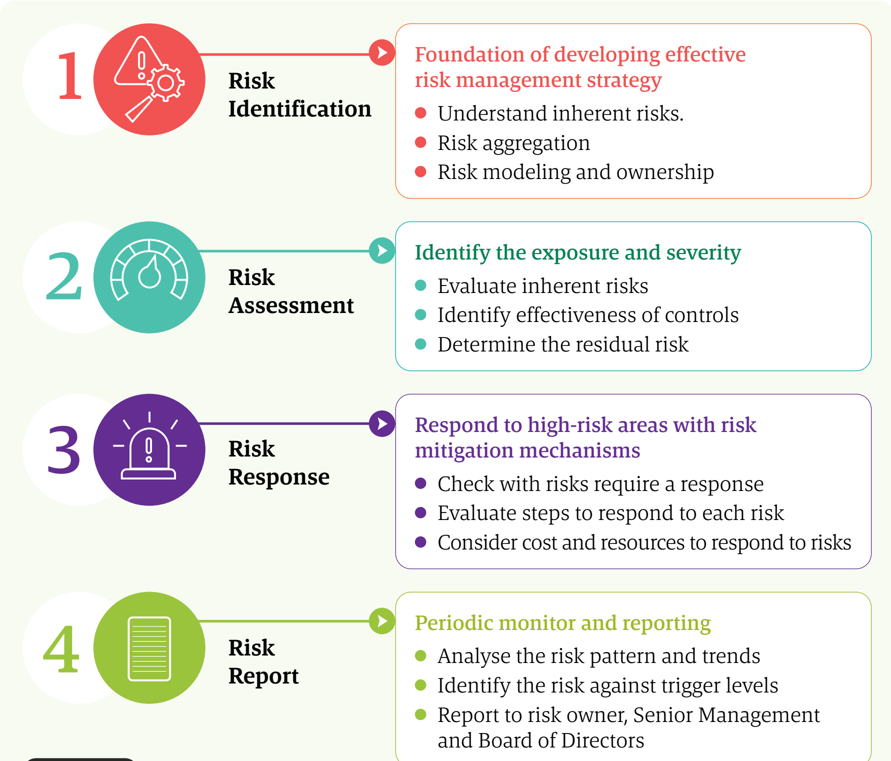


Figure 22 Risk management principles

Risk appetite statement: Defining tolerance and trigger 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.

Within the IRMF, implementing a risk appetite framework enables the identification, measurement, and monitoring of risks ensuring timely controls and corrective actions. The risk appetite statement acts as the guiding principle for risk management activities, providing clarity and direction for top management while aligning with regulatory requirements and the Bank's risk-bearing capacity.

The Bank adopts a top-down approach in setting risk appetite at corporate level, using qualitative and quantitative parameters to minimise adverse impacts to values and financial stability.

Focused area	Indicator	2024 – Actual percentage	Performance against risk appetite
Profitability	NIM	**4.23**	🟡
	ROE	**18.07**	✅
	ROA	**1.54**	✅
Capital adequacy	CET 1	**21.71**	✅
	Tier 1	**23.42**	✅
	Total capital	**25.88**	✅
Liquidity	LCR (Rupee)	**351.33**	✅
	NSFR	**193.53**	✅
Leverage	Leverage ratio	**8.00**	✅

Risk levels

✅ Within the risk appetite limit 🟡 Within the maximum tolerance limit
❌ Below the maximum tolerance limit

Table 32 Financial Indicators against Risk Appetite Levels

All strategic-level risk indicators remained above the predefined risk appetite levels (RALs), demonstrating the adequacy and effectiveness of the Bank's risk management and recovery measures. These measures were carefully and strategically implemented during the economic downturn.

Embedding a strong risk management culture

The Board 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 the alignment of Risk Principles to 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.

Three Lines of Defence

The Three Lines of Defence model is a widely adopted framework in risk management, ensuring that risk management and internal controls are effectively implemented across the Organisation. This model divides risk management responsibilities into three distinct layers, each with specific roles and duties.

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 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.

Second Line of Defence

Comprising the Risk Management Division (RMD) and the Compliance Division, this layer 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).

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 also provide an independent assurance to the Board on the adequacy and effectiveness of first and second lines of defence.

1st Line of Defence

Business and support services functions

- Daily execution of risk and control procedures
- Identify and assess controls for risk mitigation
- Develop and application of internal policies, procedures, and controls
- Ongoing monitoring and periodic reviews
- Ensuring activities are consistent with Bank's goals

Business and Support Services Divisions

2nd Line of Defence

Risk management and compliance

- Establish and develop Risk Management Framework
- Monitor compliance to rules, regulations, policies, and procedures.
- Support and guidance to the first line
- Independent reporting to the BOD and BIRMC

Risk Management and Compliance Divisions

3rd Line of Defence

Assurance

- Ensure the adequacy of internal controls
- Advisory role for process improvement
- Independent reporting to the BOD and BAC

Internal Audit Division

Figure 23 Three Lines of Defence

Governance structure

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.

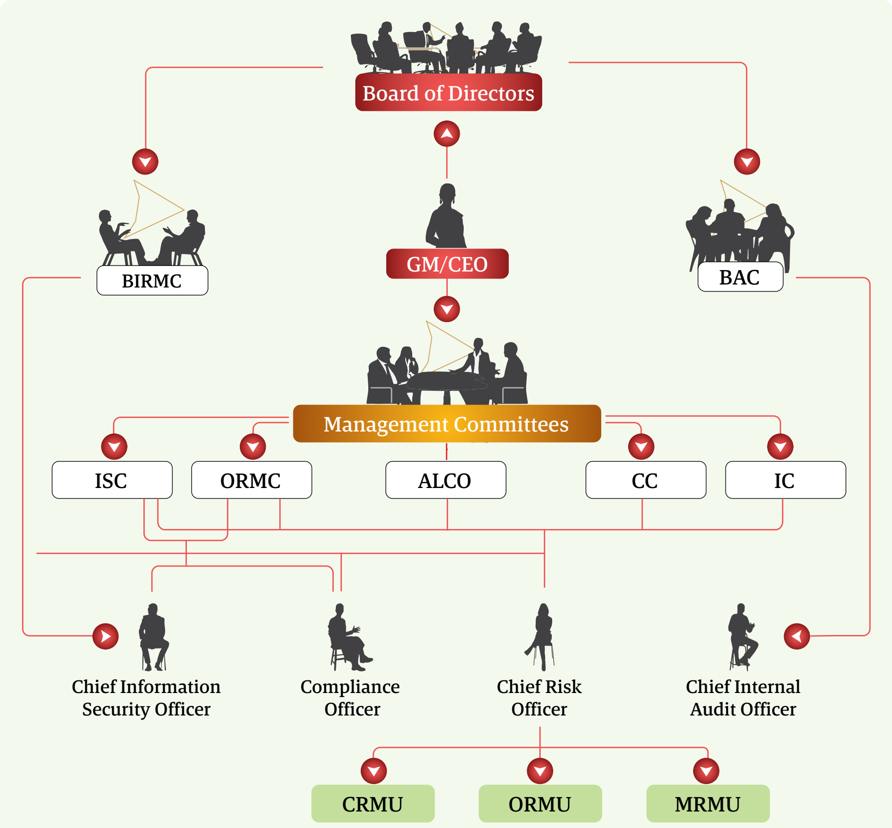
NSB is committed to uphold high standards of risk governance, ensuring that risk management practices align with best practices. This enables the Board of Directors and the Senior Management to undertake risk-related activities effectively and prudently. The Board of Directors is at the top of the risk governance structure and plays a central role in setting the overall risk appetite for the Bank. The Board is responsible for approving the Risk Management Framework and ensuring that the Bank has adequate resources, policies, and procedures to manage risks effectively. It 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 IRMF.

To support risk oversight, the Board 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.



BIRMC – Board Integrated Risk Management Committee **BAC** – Board Audit Committee
GM/CEO – General Manager/Chief Executive Officer **ISC** – Information Security Committee
ORMC – Operational Risk Management Committee **ALCO** – Asset and Liability Management Committee
CC – Credit Committee **IC** – Investment Committee **CRMU** – Credit Risk Management Unit
ORMU – Operational Risk Management Unit **MRMU** – Market Risk Management Unit

Figure 24 Risk Governance framework.

The key risk components faced by the Bank, Risk Level and how they are managed 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 • Collateralization • Valuation/revaluation of collaterals and monitoring of LTV ratios • Monitoring against credit limits • Monitoring of early warning indicators, trends of non-performing advances • Independent risk review/monitoring at transaction and portfolio level • Post disbursement reviews/LRM • Stress testing • Impairment provisioning • Continuous training and development		↑
Concentration risk	• Limit monitoring: exposure limits, concentration limits, (Herfindahl – Hirschman Index – HHI) • Stress testing		↑
Cross border credit risk	• Collateralisation • Limit monitoring • Stress testing		→

Risk component	Risk management approach	Inherent risk level	Impact*
Market risk			
Re-pricing risk	• Monitoring re-pricing gap limits • Limits on Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL)		↓
Yield curve risk	• Sensitivity/stress testing with rate shocks • Monitors the portfolio yield, duration and duration gap • Stop loss Limits		↓
Basis risk	• Sensitivity to rate shocks on RSA/RSL gap		→
FX risk	• Exchange rate movements • FX VaR • Limit monitoring. • Stress testing.		↓
Equity price risk	• Limit monitoring. • Equity VaR • Mark to market FVPL and FVOCI portfolio on a daily basis • Stress testing		↓
Commodity price risk	• Monitor LTV on pawning • Monitor gold prices • Stress testing		→

* YoY change in impact on earnings and capital Increase in impact

→ No change | ↑ Increase in impact | ↓ Decrease in impact

Risk component	Risk management approach	Inherent risk level	Impact*
Liquidity risk			
Liquidity Risk	• Monitor regulatory ratios against the minimum requirements. • Monitor contractual and behavioral maturity gaps against limits in prescribed time buckets. • Monitor liquidity ratios under stock approach. • Liquidity contingency planning • Stress testing and scenario analysis		↓
Operational risk			
Fraud risk	• Fraud risk management and whistle blowing process. • Internal controls • Key Operational Risk Indicators (KORIs) monitoring • Loss event monitoring • Risk Control Self-Assessment (RCSA) • Anti bribery and corruption risk assessment		↑
IT/ Cyber security	• Internal controls • Information security management policies, procedures and systems • KORIs monitoring • Incident reporting • Risk Control Self-Assessment (RCSA)		↑
Business continuity risk	• KORIs monitoring • Business Continuity Management System (BCMS) implementation		↑
Compliance/ regulatory risk	• Compliance programme and examinations • KORIs monitoring • Compliance risk scorecard		↑
Legal risk	• Legal clearance on contractual obligations • KORIs monitoring		→

* YoY change in impact on earnings and capital

→ No change | ↑ Increase in impact | ↓ Decrease in impact

Table 33 Risk Review

The Bank's Risk Register documents both existing and emerging risks. It is periodically updated by the RMD using the risk identification and assessment tools and models. Accordingly, there are four principal risks, which are credit risk, market risk (i.e., equity, foreign currency and interest rate), operational risk and liquidity risk. Risk reports submit to the Management and Board Level Committees provide insight on principal risks as well as existing and emerging risks. The impact of Economic, Social, and Governance (ESG) changes on these risks is assessed periodically.

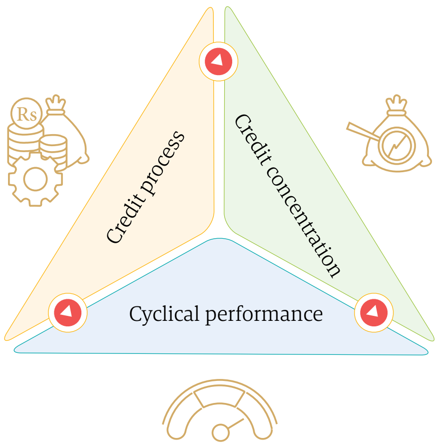
As climate-related risks continue to evolve, the Bank evaluates their impact on key risk areas, particularly credit risk and operational risk.

Below is an overview of how principal, existing, and emerging risks were managed during the period under review.

Credit risk

Credit risk refers to the potential for loss arising from a borrower's or counterparty's failure to repay a loan or fulfil contractual obligations. These exposures primarily stem from direct lending activities, as well as commitments and contingencies.

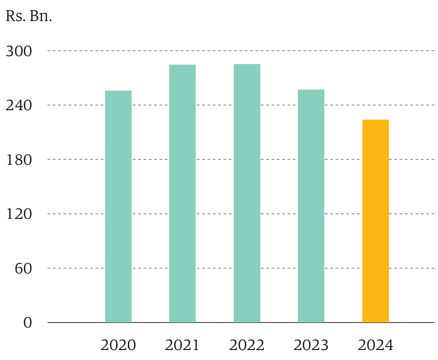
Credit risk mainly includes counterparty default risk, concentration risk, and settlement risk.



In 2024, the Bank's maximum gross exposures to credit risk increased by 6.3% while allowance for impairments increased by 29.3% to Rs. 28.9 Bn.

Risk weighted assets for credit risk

Graph 43



In compliance with CBSL Directions No. 1 of 2016, the Bank adopts the Standardised Approach for calculating Risk Weighted Assets (RWAs) for credit risk. This approach involves applying specific risk weights to net counterparty exposures across defined categories, with due consideration given to a specified set of qualifying collateral.

A reduction in RWAs for credit risk was observed during 2024.

Default risk

In 2024, the value of credit-impaired (Stage 3) loans and advances increased to Rs. 49.7 Bn., an increase from Rs. 27.1 Bn. in 2023. As of 31 December 2024, the Bank's Stage 3 impaired loan ratio stood at 5.2% compared to 2.4% in 2023.

The decline in credit portfolio quality resulted in an impairment charge of Rs. 6.6 Bn. (compared to Rs. 5.1 Bn. in 2023), bringing the total credit impairment provision to Rs. 28.9 Bn. The Stage 3 provision coverage is reported as 44.5% at the year-end, compared to 53.3% in 2023.

As at 31 December	2024 Maximum credit risk exposure			2023 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	**1,711,564,236**	**28,947,718**	**1,682,616,520**	1,610,623,211	22,386,638	1,588,236,573	5.9
On-balance sheet exposure	**1,698,436,824**	**28,947,718**	**1,669,489,108**	1,604,618,000	22,386,638	1,582,231,362	5.5
Off-balance sheet exposure	**13,127,412**	**–**	**13,127,412**	6,005,211	–	6,005,211	118.6
Major credit risk exposures Financial assets at amortised cost							
– Loans and advances	**561,313,699**	**28,934,686**	**532,379,013**	548,897,902	22,377,372	526,520,530	1.1
– Debt and other instruments	**1,039,038,477**	**3,905**	**1,039,034,572**	943,705,329	645	943,704,684	10.1

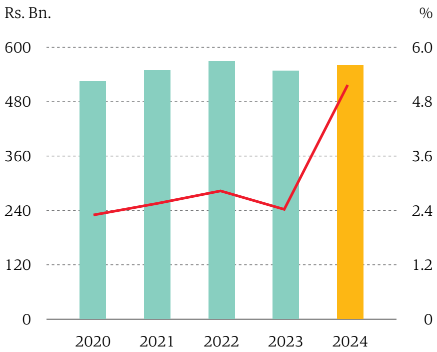
Table 34 Maximum credit risk exposures

	Stage 3 loans and advances Rs. '000	Allowance for individual impairment Rs. '000	Allowance for collective impairment Rs. '000	ECL allowance Rs. '000
2023	27,120,378	4,062,127	10,386,780	14,448,907
2024	**49,677,946**	**3,754,556**	**18,350,326**	**22,104,882**

Table 35 Distribution of Stage 3 credit impaired loans and advances

Gross loans and advances

Graph 44

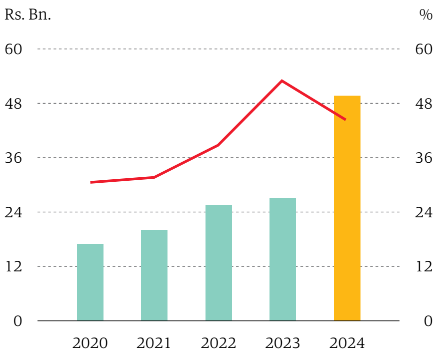


Gross loans and advances (Rs. Bn.)

Impaired loans (Stage 3) ratio (%) (net of Stage 3 impairment)

Stage 3 loans

Graph 45



Stage 3 loans (Rs. Bn.)

Impairment Stage 3 provision coverage (%)

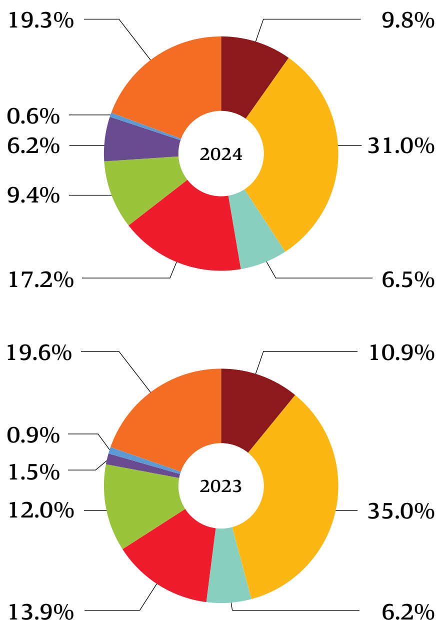
Concentration risk

The concentration limits are outlined in the Bank's risk appetite statement.

Concentration levels are monitored on quarterly basis against established thresholds at the Board, BIRMC, and CC levels to ensure compliance. The Bank uses the Herfindahl-Hirschman Index (HHI) and stress testing to assess concentration risk and identify potential interdependencies between exposures that may only become evident under stressed conditions.

Exposure by product

Graph 46



House and property loans

Personal loans

Loans against deposits

Pawning

Term loans-SOEs and GOSL

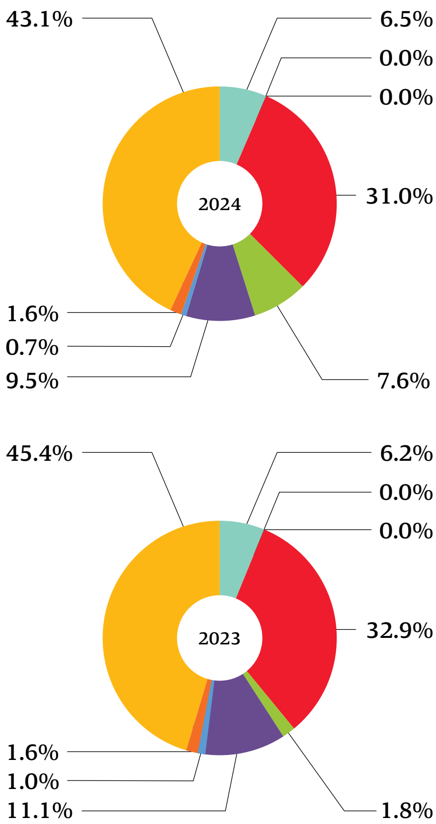
Term loans-Banks and NBFI

Term loans – Corporates

Investments in debt instruments

Exposure by industry

Graph 47



Agriculture and fishing

Tourism

Transport

Construction/housing

Financial and business services

Infrastructure

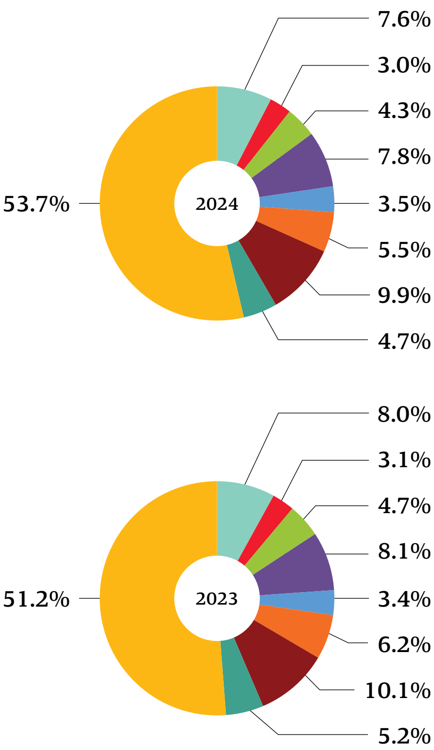
Power and energy

Education

Personal/pawning/ other

Exposure by geography

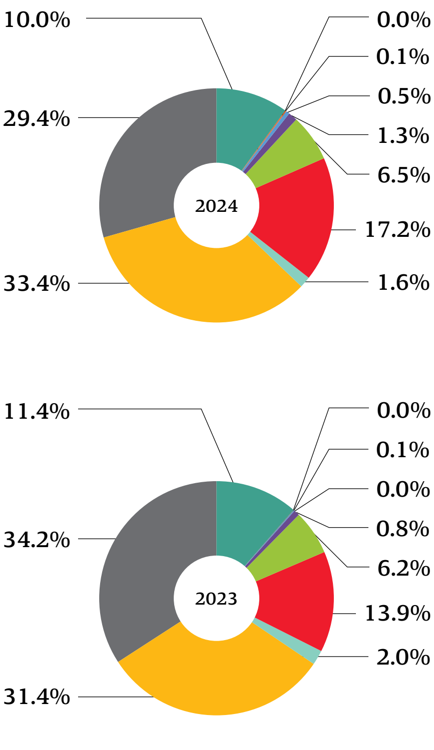
Graph 48



- Central Province
- Eastern Province
- North Central Province
- North Western Province
- Northern Province
- Sabaragamuwa Province
- Southern Province
- Uva Province
- Western Province

Exposure by collateral

Graph 49



- Immovable property
- Corporate guarantee
- Movable property
- Lease receivables
- Other
- Cash
- Gold
- Unsecured
- Treasury guarantee
- Personal guarantee

The Bank's credit and investment portfolio is primarily composed of retail lending products. Personal loans have the largest share, representing 48.1% of the retail lending portfolio. Meanwhile, exposure to State-Owned Enterprises (SOEs) which accounts for 77.6% of the corporate loan and investment portfolio (consist mainly of loans and debt instruments backed by Treasury Guarantees), represents the largest portion of the corporate lending portfolio.

The Bank maintains a moderate risk appetite for sector concentration. The personal lending and pawning sector is the largest contributor, representing 43.1% of the Bank's total loan exposure. Construction follows as the second-largest sector, with 31.0% exposure.

A high geographic concentration in the Western Province has emerged, primarily due to the majority of large loans being booked by the Credit Division. Government (treasury guarantees or government securities) backed loans represent 33.4% of the total loan and investment 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, as loans and investments account for 39.7% of total assets, while credit risk represents over 76.7% of total risk-weighted assets.

Credit risk is governed by a Board-approved credit risk management framework, which includes a robust risk governance structure and a comprehensive set of risk management procedures.

The Board-established credit policies and procedures ensure the segregation of duties among officers in functional areas, assist credit risk management at the business line level, across the three key stages of the credit process. These policies are reviewed periodically, along with risk appetite and credit limits determined annually based on prevailing and anticipated market conditions.

Loan origination
- Credit evaluation and rating
- Collateralisation
- Legal checks
- Inspection and valuation
- Credit approval under delegated authority structure

Documentation and disbursement
- Verification of documentation
- Loan agreement
- Terms and conditions
- Mortgage bonds
- Insurance (Title/Fire insurance/DTA)
- Disbursement
- Loan Review Mechanism (LRM)

Post disbursement management
- Post disbursement monitoring
- Rescheduling/Restructuring
- Recovery action

Figure 25 Credit Risk Management Process.

The risk management process is strengthened by the CRMU within the RMD, which provides independent risk analysis and monitoring 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.

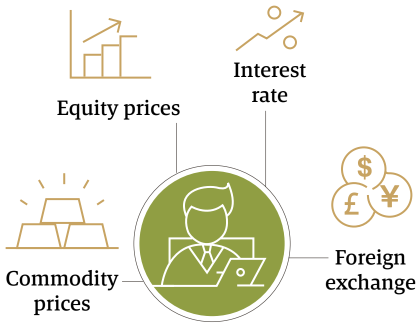
To ensure proactive and corrective credit risk management, CRMU:
- Conducts independent risk assessments and rating validations for credit exposures at the transaction level.
- Monitors early warning signals, trends in non-performing credits, concentration risks, and overall credit portfolio performance.
- Conducts stress testing and scenario analysis to assess the potential impact of vulnerabilities under different risk scenarios.

Insights from periodic Risk and Control Self-Assessments (RCSA) of credit-related products and processes help to identify areas for improvement. CRMU recommends enhancements to processes and controls. Additionally, the Loan Review Mechanism (LRM) plays a crucial role in identifying credit risks and operational risks in credit to facilitate recommending corrective measures, thereby improving overall credit portfolio quality.

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 future expected cash flows, earnings and capital level.

The Bank's exposures to market risk arises from both trading book and non-trading book.



Bank's assets exposed to market risk accounted for 95.3% of the total assets while liabilities exposed to market risk variables accounted for 92.6% of the total assets as at the end of year 2024. Most financial assets are exposed to interest rate risk. Net exposure open for foreign currency risk is 0.02% of the total assets while 0.3% is exposed to equity price risk.

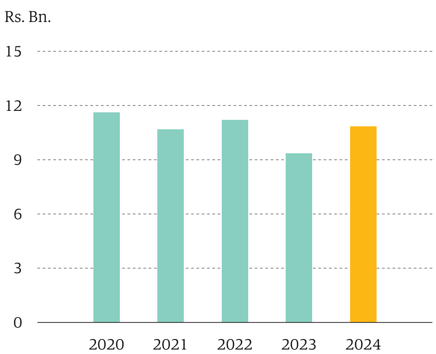
As at 31 December 2024	Amount as per financial statements Rs. '000	Exposure to trading risk Rs. '000	Exposure to non-trading risk Rs. '000	Market risk type
Financial assets				
Cash and cash equivalents	8,358,742		8,358,742	IRR, FX
Balances with central banks	357,054		357,054	IRR
Placements with banks	14,794,637		14,794,637	IRR, FX
Derivative financial instruments	9,131		9,131	IRR, FX
Financial assets measured at fair value	21,086,781	21,086,781		IRR, Equity
Financial assets at amortised cost – Loans and receivables	532,379,013		532,379,013	IRR, FX
Financial assets at amortised cost – Debt and other instruments	1,039,034,572		1,039,034,572	IRR
Financial assets measured at fair value through OCI	53,469,178		53,469,178	IRR, Equity
Total	1,669,489,108	21,086,781	1,648,402,327	
Financial liabilities				
Due to banks	487,521		487,521	IRR, FX
Derivative financial instruments	258,409		258,409	IRR, FX
Financial liabilities at amortised cost – Due to depositors	1,556,270,863		1,556,270,863	IRR, FX
Financial liabilities at amortised cost – Due to other borrowers	48,190,057		48,190,057	IRR
Lease liability	1,281,561		1,281,561	IRR
Debt securities issued	16,966,482		16,966,482	IRR
Total	1,623,454,893	–	1,623,454,893	

Table 36 Market risk exposures

RWAs for market risk of the Bank increased by 15.7% to Rs. 10.9 Bn. during the year due to increased investments in fixed income securities in mark-to-market portfolios. NSB calculates RWAs for market risk under Standardised Measurement Method (SMM).

Risk weighted assets for market risk

Graph 50



Interest rate risk

Interest rate risk in trading book

Interest rate risk (IRR) in trading book arises from the Bank's interest rate sensitive investments held in trading portfolio. Interest rate risk in trading Government Securities portfolios is monitored using M-duration against predetermined appetite limits, unrealised gains/losses and capital requirement which is calculated based on duration of the securities held in the trading book.

Portfolio type	2024		2023	
	Book value Rs. '000	Fair value Rs. '000	Book value Rs. '000	Fair value Rs. '000
FVPL portfolio	20,451,390	20,874,049	16,445,943	16,923,123
FVOCI portfolio	45,234,756	47,900,345	56,102,161	58,894,209
Total	65,686,146	68,774,394	72,548,104	75,817,332

Table 37 Government Securities FVPL and FVOCI positions

Bank's Government securities investments in FVPL and FVOCI portfolios stood at 7.1% 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. 68.8 Bn. Price Value of a Basis Point (PV01) on both FVPL and FVOCI portfolio is less than 0.01% of the portfolio's market value.

Interest Rate Risk in 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.)	73,052	85,498	124,872	273,099	380,635	289,178	409,649
RSL (Rs. Mn.)	297,268	513,950	323,275	375,797	84,773	21,851	5,000
Period Gap (RSA-RSL) – (Rs. Mn.)	(224,216)	(428,452)	(198,403)	(102,698)	295,862	267,327	404,649
Cumulative Gap – (Rs. Mn.)	(224,216)	(652,668)	(851,071)	(953,768)	(657,906)	(390,579)	14,070
Actual gap as a percentage of RSL – 2024 (%)	**-75.4**	**-83.4**	**-61.4**	**-27.3**	**349.0**	**1,223.4**	**8,093.0**
Actual gap as a percentage of RSL – 2023 (%)	-72.7	-87.9	-65.2	-34.5	747.6	1,222.6	2,052.0

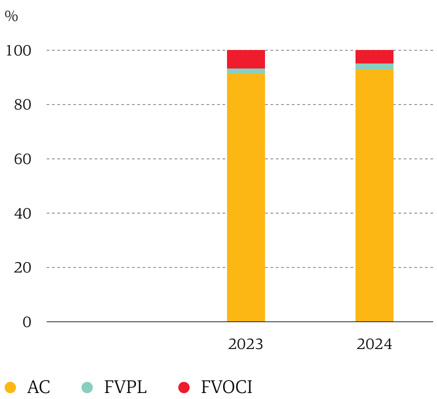
Table 38 Interest rate sensitivity gap – Banking Book

The Bank's exposure to IRR arises from fluctuations in market interest rates, which impact net interest income (NII). This has potential impact on the 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.

A lowering 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 interest sensitive assets and liabilities and the interest rate indices on which instruments are priced. Hence, IRR in Banking Book is managed to minimise significant adverse impact on the capital base and future earnings of the Bank.

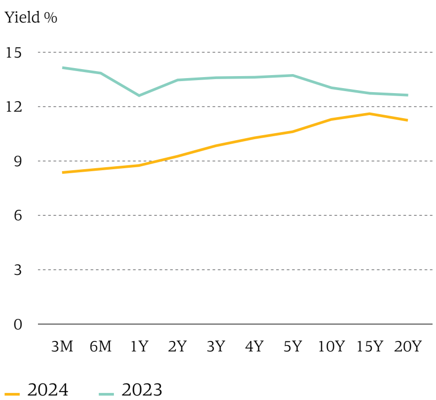
Investments in Government Securities

Graph 51



Government securities Yield curve Mid-YTM

Graph 52



The Bank primarily assesses IRR through an interest rate repricing gap analysis, which indicates vulnerabilities to earnings and capital from the extraordinary rate shocks. This analysis measures the difference between the amount of interest-earning assets and interest-bearing liabilities repriced within defined maturity buckets. The Bank evaluates IRR from both an earnings perspective and an economic value perspective.

Effective IRR management is crucial since over 90% of the Bank's assets and liabilities are interest rate sensitive, making the Bank's NII or NIM highly sensitive to interest rate volatility.

The Bank's IRR management strategies includes minimising mismatches in maturities (for fixed rate assets and liabilities) or aligning repricing dates (for floating-rate assets and liabilities). Improvements were observed in several maturity buckets at the end of 2024.

Equity price risk

Portfolio type	2024		2023	
	Book value Rs. '000	Market value Rs. '000	Book value Rs. '000	Market value Rs. '000
FVPL portfolio	**187,520**	**212,732**	1,048,601	825,378
FVOCI portfolio	**2,784,598**	**5,568,833**	2,784,598	3,030,202
Total	**2,972,118**	**5,781,565**	3,833,199	3,855,580

Table 39 Equity portfolio position

The extent of equity investments is determined based on the risk limits framework, Investment Policy Statement (IPS) and prevailing market conditions. Monitoring of investments in equity securities is crucial for managing equity price risk within the Bank's risk appetite.

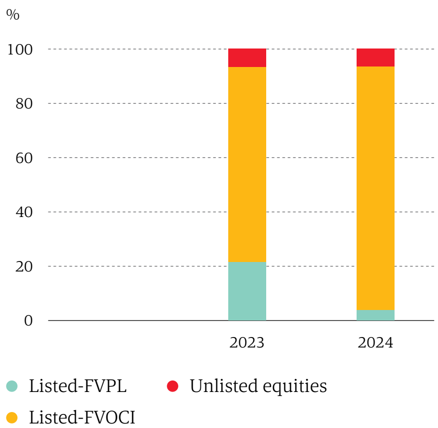
Equity price risk refers to the risk of depreciation in the value of equity portfolio investments due to stock market dynamics, exposing the Bank to potential variations in income and reserves. The Bank faces equity price risk from its investments in listed equity instruments for both ordinary shares and unit trusts. A comprehensive limit structure is in place to monitor equity transactions and portfolio risks driven by changes in market variables and trading operations.

The Bank's listed equity portfolio comprises both FVPL and FVOCI portfolios. The FVOCI portfolio includes equity investments made for strategic and statutory purposes.

The FVPL portfolio reduced due to increase in disposals as at year end with the positive performance in the equity market.

Investments in equity

Graph 53



Foreign exchange risk

Foreign Exchange (FX) risk arises from unhedged positions in foreign currencies. The Bank, under the Standardised Measurement Approach (SMA) 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 2024, the Bank's NFCE was USD 1.054 Mn. which represents 0.4% of the total regulatory capital of the Bank.

	>1 month	1-3 months	3-6 months	6-9 months	9-12 months
USD	(11,509,080)	18,672,796	164,623	(9,137,521)	1,809,181
EUR	(2,612,584)	(348,868)	2,093,475	(702,184)	1,570,160
GBP	(2,063,805)	(702,660)	612,809	990,791	1,162,864
SGD	–	–	–	–	–
AUD	(2,441,415)	(487,517)	260,856	1,291,431	1,376,645
JPY	–	–	–	–	–
AED	–	–	–	–	–
CAD	–	–	–	–	–
CHF	–	–	–	–	–

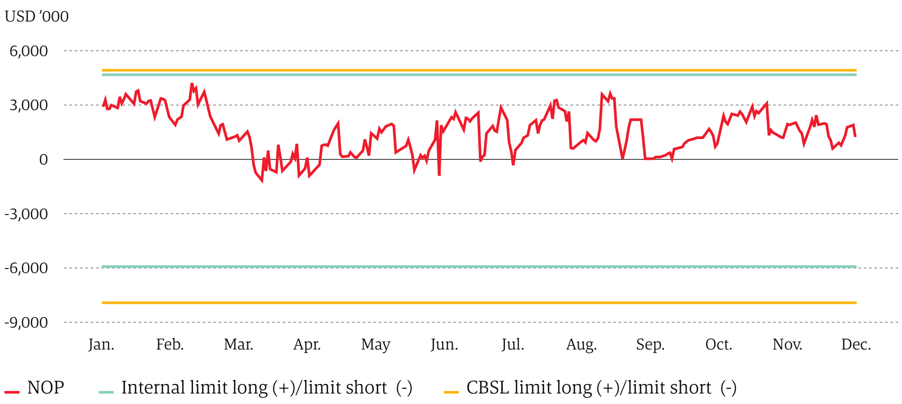
Table 40 Currency-wise maturity gaps for FX operations

Foreign currency in '000	2024	2023
USD	**(2,520)**	(1,390)
EUR	**902**	2,772
GBP	**1,108**	238
JPY	**2,726**	1,900
AUD	**1,600**	1,184
SGD	**11**	–

Table 41 Structural net foreign currency exposures

Net open position

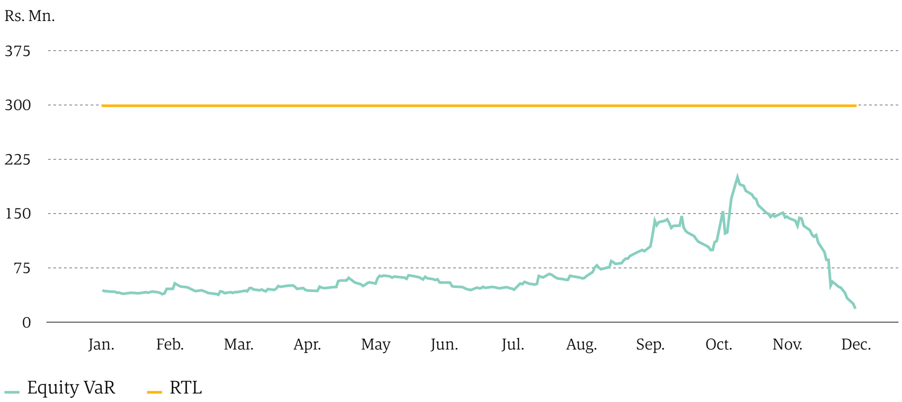
Graph 54



The Bank measures price volatility under market risk management function using VaR measures for equity trading book and foreign currency open position. VaR remained within the Risk Tolerance Limit (RTL) for both risks.

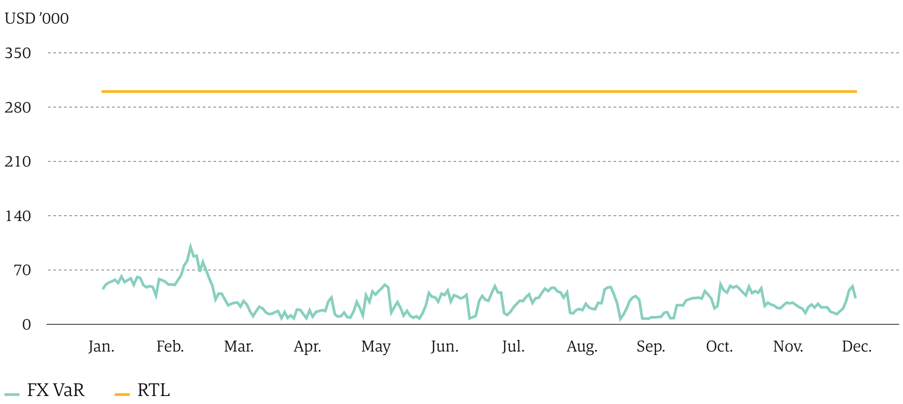
Movements in equity VaR

Graph 55



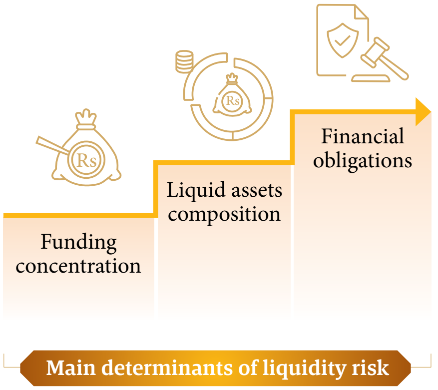
Movements in FX VaR

Graph 56



Liquidity and funding risk

Liquidity and Funding Risk is the risk that 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 to ensure that the Bank operates within predefined liquidity limits and remains in compliance with the Bank's 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	2024	2023	Regulatory minimum
LCR – Rupee percentage	**351.3**	299.2	100
LCR – All currency percentage	**344.6**	293.7	100
NSFR percentage	**193.5**	180.5	100

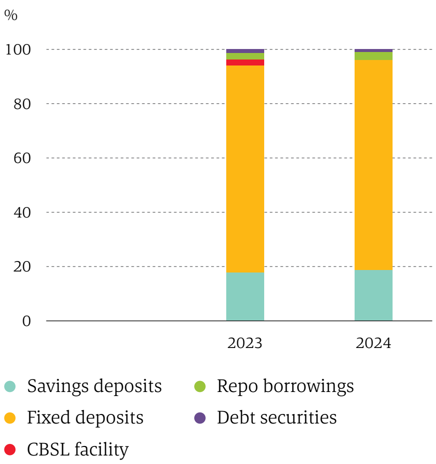
Table 42 Regulatory liquidity ratios

Funding diversification by products

The economic crisis, marked by a shortage of foreign currency reserves, led to historically high interest rates. In 2024, NSB's deposit base grew by 5.0% YoY, reaching Rs. 1.56 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 8.7% YoY, while fixed deposits grew by 4.1% YoY.

Funding diversification by product

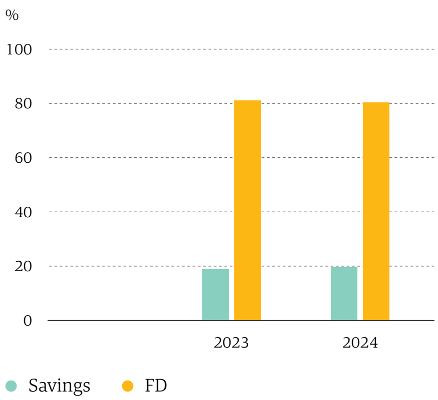
Graph 57



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 FDs) through an island-wide network of branches enables reducing concentration risk in funding. Funding risks are managed by the Asset and Liability Management (ALM) unit within the Treasury Division according to the policies and procedures approved by the Board of Directors.

FD Savings mix

Graph 58



The Bank manages liquidity risk by monitoring key liquidity indicators in line with regulatory requirements, 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 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 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 stock approach	2024 %	2023 %
Net loans to total assets	**30.4**	31.2
Loans to customer deposits	**36.1**	37.0
Liquid assets to short-term liabilities	**62.4**	54.0
Purchased funds to total assets	**17.1**	19.7
(Large liabilities – temporary investments) to (Earning assets – temporary investments)	**-2.5**	-6.4
Commitments to total loans ratio	**0.9**	1.1

Table 43 Ratios under stock approach

Flow approach

Under the flow approach, liquidity gap analysis is used by the Bank to assess liquidity risk. Liquidity gaps are regularly monitored against established limits and the data is used for sensitivity analysis and stress testing.

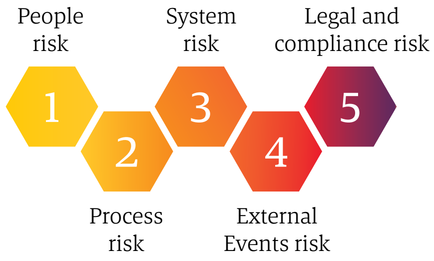
Monitoring maturity gap analysis helps foresee potential adverse liquidity scenarios.

Bank – Rs. Mn.	0-3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
Assets with contractual maturity	181,665	431,524	399,226	297,876	442,146	1,752,438
Liabilities with contractual maturity	814,196	710,663	86,025	22,924	118,630	1,752,438
Maturity gap	(632,531)	(279,138)	313,201	274,952	323,516	(0)
Cumulative gap	(632,531)	(911,669)	(598,468)	(323,516)	0	(0)
Actual Gap as a percentage of liabilities – 2024	**-78%**	**-39%**	**364%**	**1,199%**	**273%**	**–**
Actual Gap as a percentage of liabilities – 2023	-80%	-51%	850%	1,230%	256%	–

Table 44 Contractual maturity gaps

Operational risk

Operational risk refers to the potential for loss arising from inadequate or failed internal processes, systems, human errors, or external events that disrupt an organisation's operations. Operational 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.



The Operational Risk Management function is responsible for defining and overseeing the implementation of the operational risk management framework, ensuring the Bank's operational risk profile is properly managed. It also provides early warning signals when risk levels exceed acceptable tolerance levels, enabling timely decisions and corrective actions by the first line of defence.

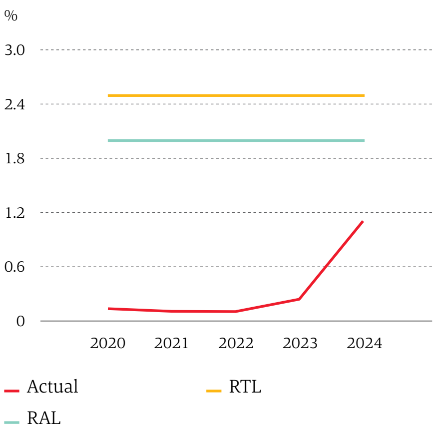
Operational risks are categorised into seven major loss event types:

- Internal Fraud (IF)
- External Fraud (EF)
- Execution, Delivery, and Process Management (EDPM)
- Employment Practices and Workplace Safety (EPWS)
- Client, Products, and Business Practices (CPBP)
- Damage to Physical Assets (DPA)
- Business Disruptions and System Failures (BDSF)

In 2024, total loss reported from these categories were 1.10% of three-year average audited gross income, keeping the Bank within its approved RALs for the year.

Actual operational losses against risk appetite and tolerance limit

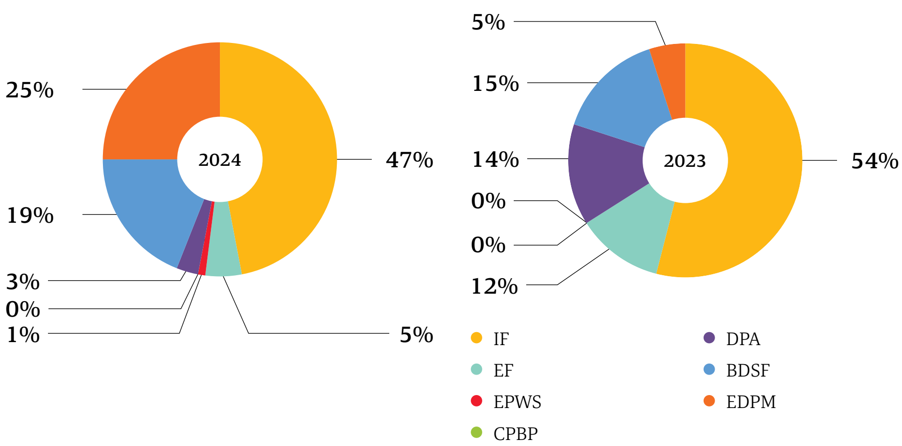
Graph 59



Over the past seven years, the Bank has consistently maintained operational losses below its RAL. This highlights the presence of effective governance structure, policies, internal controls, processes, and procedures in managing operational risks.

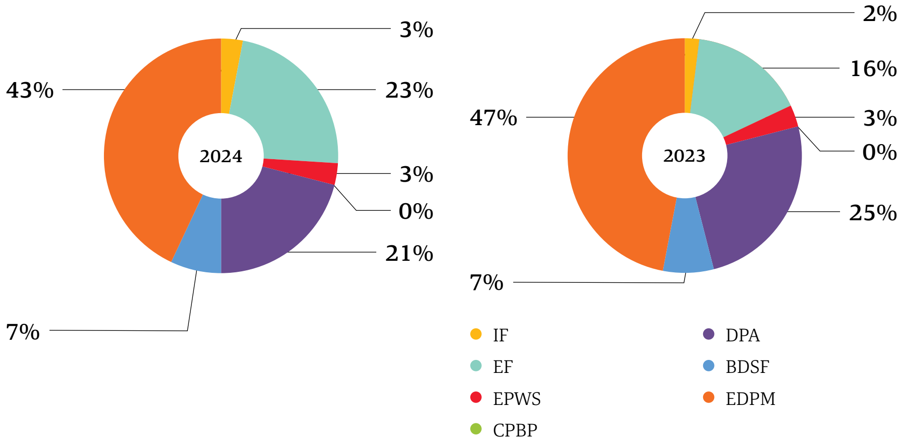
Loss events – severity

Graph 60



Loss events – frequency

Graph 61



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.

An operational risk management framework, supported by risk management tools and strong directives from senior management, forms the core of the Bank's approach to manage operational risks.

Once risks are identified, appropriate strategies are applied to mitigate their impact.

RMD uses various techniques and processes to identify, assess and report operational risks to the ORMC and BIRMC for timely decision making.

A critical part of managing operational risk is collecting and analysing loss event data. Data stemming from incidents causing financial or non-financial losses, are categorised according to the Basel Accords' seven loss event categories. This helps to identify the nature, severity, probability, and patterns of loss events.

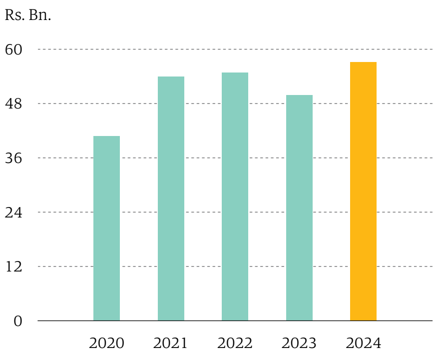
The KORI matrix, consists of six indexes: i.e audit issue management, business continuity management, information security, product quality, process quality, and compliance used for monitoring operational risks across the Bank. KORIs are used as an effective risk identification tool, facilitate taking preventive and corrective actions in a timely manner.

RCSA is a key process where risk management teams, along with process owners, systematically assess operational risks and the effectiveness of existing controls. This process ensures that risks are identified and mitigated effectively, maintaining alignment with the Bank's risk appetite.

Root Cause Analysis (RCA) is used by the Bank to identify the fundamental cause of an incident and prevent its recurrence. Instead of merely fixing symptoms, RCA identifies the core reasons behind loss events or near-misses. This approach helps the Bank to implement long-term solutions to prevent recurrence.

The Bank uses stress testing and scenario analysis to uncover hidden vulnerabilities in adverse conditions, evaluating how various hypothetical situations could impact the Bank's financial performance. These techniques help the Bank to understand potential financial impacts and set trigger levels for necessary preventive action.

Risk weighted assets for operational risk Graph 62



In compliance with CBSL Direction No. 01 of 2016, the Bank adopts Basic Indicator Approach (BIA) for capital calculations. RWAs computed using BIA for Operational Risk is 19.59% of the total RWAs of the Bank. Efforts are in progress to meet the qualifying criteria to reach more advanced methods to determine the required capital to cover operational losses.

Some operational risks have high severity but low likelihood, making insurance an effective risk transfer strategy. The Administration Division centrally manages the Bank's insurance function, ensuring that policies are adequate and regularly reviewed. ORMU team monitors the recovering of losses from insurance policies on a periodic basis.

Additionally, outsourcing is used as a cost-saving and risk transfer strategy. The Bank follows the Board-approved Outsourcing Policy and CBSL guidelines, conducts due diligence on vendors before entering new or renewing agreements. This ensures that outsourced services align with internal policies and risk management requirements of the Bank.

Fraud risk GRI 205-1

Fraud risk refers to the potential financial, material, or reputational loss resulting from fraudulent actions committed by internal parties or external parties. Effective management of fraud risk is crucial for maintaining financial integrity and trust.

Fraud Risk Management involves implementing robust internal controls, fostering a culture of ethical behavior, conducting regular fraud risk assessments, and ensuring that policies and procedures are in place to prevent, detect, and respond to fraudulent activities.

Operational Risk Management Policy, Whistleblowing Policy and Anti Bribery & Corruption Policy details the policies and procedures to manage fraud risk and bribery & corruptions.

Fraud risk can be coupled with bribery and corruption; hence employees and all relevant parties are refrain from accepting gifts and hospitality, payments for facilitation, political contributions, cash payments and commissions, sponsored travel and lodging, and charitable contributions in return for the service provided.

Information technology risk

Information Technology (IT) risk is a critical component of operational risk, posing threat to business data, critical systems, and various business processes.

The Bank's technology risk management strategy aims to establish business resilience by considering the sensitivity of data, criticality of information systems, and type of IT infrastructure, utilising feasible and standardised technologies in Information and Communication Technology (ICT).

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.

During the year under consideration Bank experienced a significant change in IT infrastructure with the migration to a new Core Banking System by Temenos. Other key IT-related risks include system interruptions and failures, errors, fraud through system manipulation, and cyberattacks.

The IT Division, headed by the CIO/DGM IT, manages IT risks and reports to the IT Steering Committee (ITSC).

The Information Security Division (ISD), led by the Chief Information Security Officer (CISO) is responsible for implementing the information security risk management framework, complying to the 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 continuously strengthens its information security posture to enhance resilience against evolving cyber threats. A 24x7x365 Security Operations Centre (SOC) operates under the ISD. Data Leakages Prevention (DLP) and Data Classification Solution are initiatives taken to protect and secure data and comply with regulations. Further the Bank achieved ISO 27001:2013 certification for IT Division, Information Security Division and Card Centre.

The Bank is actively working towards compliance with the CBSL "Regulatory Framework on Technical Risk Management and the Resilience of Licensed Banks," ensuring the enhancement of IT and Information Security Management Systems through regular control reviews.

The Operational Risk Management 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 Security risks using KORIs which are monitored against the 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 through the BIRMC for prompt risk mitigation actions.

Business continuity risk

Business continuity risk refers to potential disruptions that could impact an organisation's ability to maintain essential operations during unforeseen events, such as natural disasters, cyberattacks, pandemics, or supply chain interruptions.

Effective management of these risks is crucial to ensure operational resilience and minimise downtime during unexpected challenges.

The Bank has established a governance structure, comprehensive policies, and processes to support Business Continuity Management (BCM). These measures are designed to ensure business operations continue with minimal disruptions. Administration Division is responsible for implementing, testing, and monitoring the BCM framework. IT Division manages the Disaster Recovery site of the Bank, providing an essential layer of protection.

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 in response to emerging risks and challenges.

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 the BIRMC.

During 2024, the Bank implemented several measures to mitigate compliance and regulatory risks:

- Report suspicious transactions to the Financial Intelligent Unit (FIU) to prevent, detect, investigate and prosecute money laundering and financing of terrorism in compliance with the Financial Transaction Reporting Act No. 6 of 2006. This is facilitated through a transaction monitoring system and branch-level tip-offs.
- Compliance to Direction No. 12 of 2007 on corporate governance in the exercise of the powers conferred by Section 76 (J) (1) of the Banking Act No. 33 of 1988 to determine the allocation of authority and the 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.

- Ensure timely review of applicable policies and procedures.
- Conduct compliance assessments on branches, divisions, and products of the Bank and assess the overall compliance of the Bank.
- Periodic training and awareness programs are conducted, and system-based monitoring and updates keeping the business informed and prepared.

Legal risk

Legal risk refers to the potential for financial losses, reputational damage or operational disruptions arising from 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 nonadherence 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 mitigatory measures to safeguard the Bank's interests.

The Legal Division provides legal support, guidance, and counsel to manage crisis situations, resolve issues pertaining to subsidiaries, facilitate recoveries and revision of internal policies and procedures considering the development in the law which may have a material impact on 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 environmental, social, or governance 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 fair labor practices.

Governance risks – Corporate governance best practices, accountability, anti-corruption policies, whistleblowing mechanisms, grievance redress systems, and tax fairness.

The Bank recognises the importance of managing Environmental & Social (E&S) risks to support a greener, climate-friendly, and socially inclusive environment. E&S risk management is incorporated into the Bank's overall risk management framework, ensuring that sustainability is a core consideration in business activities.

As governance risk falls also within the scope of risk management, the Bank ensures to identify and develop business activities sustainably while creating innovative financial solutions to support sustainable initiatives.

The economic, operational, and financial consequences of climate change as well as efforts to mitigate it pose climate-related financial risks. The Bank conducts climate risk assessments on a periodic basis.

Reputational risk

Reputational risk refers to the potential adverse impact on the Bank's brand value due to negative stakeholder perceptions of its activities, business practices, products and services. Effectively managing reputational risk requires a comprehensive strategy, including proactive stakeholder engagement, ethical leadership, transparent communication, and robust cybersecurity measures. Integrating reputational risk management into the Bank's overall risk management framework enhances resilience and sustains customer confidence.

The Bank safeguards its brand value and reputation across all customer touchpoints by implementing comprehensive policies, procedures, internal controls, and best practices in risk management. These measures are designed to enhance the customer experience and foster loyalty. Additionally, the Marketing Division closely monitors all media publications, including social media, and takes prompt action when necessary.

The Bank has a zero-risk appetite for reputational losses. As the second line of defence, RMD closely monitors reputational risk and communicates any concerns to management for appropriate action. A scorecard-based model is used to assess the reputational risk within the ICAAP.

Strategic risk

Strategic risk refers to potential financial losses or adverse social outcomes arising from decisions that impact the Bank's long-term objectives and overall strategy. This risk may stem from various factors, including adverse economic conditions, governance issues, external market dynamics, technological changes or shifts in customer preferences.

Key factors, such as internal and external environmental changes, competitor behavior, customer trends, and technological advancements, are carefully considered when formulating the Bank's strategic business plan, ensuring alignment with its risk appetite. The Board and Senior Management remain vigilant in safeguarding the Bank's solvency and ensuring the timely management of strategic risks.

Favorable economic factors facilitated in achieving the strategic objectives during the year 2024, resulting improved financial performance compared to the year 2023.

A scorecard-based model is also used to assess strategic risk within ICAAP.

Capital management

The Bank requires a strong capital position to satisfy regulatory capital requirements, provide financial security to its depositors and borrowers, maintain levy for future business expansion and generate adequate return to its shareholders.

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 risk profile. The capital management process aligns with guidelines issued by the CBSL.

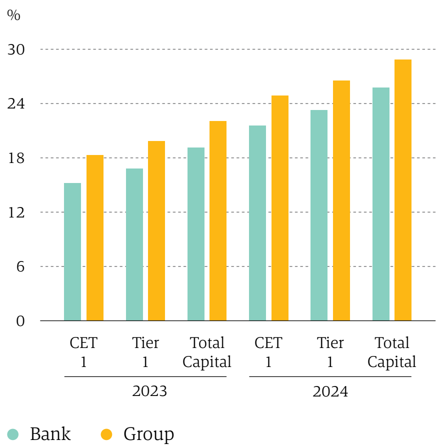
As per the Banking Act Directions No. 11 of 2019, on amendments to Directions on Capital Requirements under Basel III for Licensed Commercial Banks and Licensed Specialised Banks, it is required to maintain the minimum capital ratios as prescribed in the Table 45.

The Bank managed to maintain the capital adequacy above the regulatory minimum requirement level for the year 2024. CET1 ratio position increased during the year to 21.71% as at 31 December 2024, from 15.33% as at 31 December 2023. The Bank's Tier 1 capital ratio increased to 23.42% as at 31 December 2024. Total Capital ratio increased to 25.88% as at 31 December 2024 against 19.26% as at 31 December 2023.

The total capital ratio for the Group is 29.06% in 2024 against 22.24% as at December 2023. As the 100% state owned savings bank, there are limited options available to raise regulatory capital externally. Hence, retained earnings are the main source to augment the capital of the Bank. The contribution of retained earnings to augment the capital is Rs. 16.2 Bn. in the year 2024 against Rs. 7.2 Bn. in the year 2023.

Capital level Bank and Group

Graph 63



Capital adequacy ratio

Ratios (%)	Regulatory minimum	Actual as at 31 December 2024		Actual as at 31 December 2023	
		Bank	Group	Bank	Group
CET 1 plus CCB	7	**21.71**	**25.03**	15.33	18.39
Tier 1 plus CCB	8.5	**23.42**	**26.69**	16.91	19.94
Total capital	12.5	**25.88**	**29.06**	19.26	22.24

Table 45 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 as a stress testing buffer. Stress Testing is conducted on existing and projected risk areas to assess the capital requirement under stress conditions.

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 the BIRMC, provides oversight, while the 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 process. The Bank's risk assessments incorporate both Pillar I and Pillar II risks.

The Bank's ICAAP is governed by four core principles, serving as fundamental guidelines for both the Bank and the regulator. The Bank employs internal models to assess and quantify its risk profile and internal capital requirements. The risk assessments capture both Pillar I and Pillar II risks. Risk appetite limits are set considering the capital requirement, to facilitate monitoring of capital levels on a regular basis. The ICAAP is linked to capital levels, ensuring that the Bank holds capital in excess of regulatory minimum requirements to cover all risk exposures (i.e. Pillar I and Pillar II)

Stress testing

Stress testing is an integral part of ICAAP. The Bank's stress testing framework is governed by the stress testing policy approved by the Board of Directors and guidelines issued by the CBSL. NSB's stress testing framework includes stress tests on all the material risks such as credit risk, 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, i.e. minor, medium and major (or Low, Medium and High) for stress testing purposes.

Stress testing provides an understanding on the ability of the Bank to withstand unforeseen scenarios of varying severity under adverse economic, political and physical changes in the environment in which it operates.

Sensitivity analysis is used to measure the impact of individual market factor movements on specific instruments or portfolios, including interest rates, foreign exchange rates and equity prices. The Bank mainly uses sensitivity analysis to identify the impact on trading and banking book due to adverse interest rate fluctuations and reports are submitted to 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 2024	48	558	606
Rate shock Change in M2M value			
100 bps increase in yield	(73)	(553)	(626)
200 bps increase in yield	(145)	(1,091)	(1,236)
100 bps decrease in yield	74	567	641
200 bps decrease in yield	150	1,149	1,299

Table 46 Sensitivity Analysis-Interest Rate Risk in Trading Book – Government Securities

100bp 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 (Rs. Mn.)	(224,217)	(428,452)	(198,403)	(102,698)	295,862	267,327	404,649	14,069
	Impact on NII (Rs. Mn.)	2,156	3,580	1,250	267	–	–	–	7,254
Consolidated level	Gap (Rs. Mn.)	(242,908)	(428,991)	(198,510)	(103,735)	301,707	269,416	405,850	2,828
	Impact on NII (Rs. Mn.)	2,336	3,585	1,251	270	–	–	–	7,442

Table 47 Sensitivity Analysis: Assessment of yield curve risk in Banking Book

The results obtained from stress testing exercise are used in setting risk appetite and risk limits, capital planning, strategic business planning and to manage the risks in critical business operations to support proactive decision making.

Implications from the different economic conditions were stress tested to early communicate the impacts to the Senior Management, Board of Directors and the regulator through ICAAP.

Risk area	Scenario	Impact to CAR at different stress levels %		
		Low	Medium	High
Credit risk	Credit risk – Increase in PD By 10% By 20% By 30%	(0.762)	(1.493)	(2.262)
Market risk	Interest rate risk: Increase in market yield Low 50bps Medium 100bps High 200bps	(0.104)	(0.207)	(0.409)
	Equity price risk: Decline in market prices Low 10% Medium 20% High 30%	(0.004)	(0.007)	(0.011)
	FX Risk: Exchange rate movement Low 10% Medium 15% High 20%	(0.001)	(0.002)	(0.003)
Operational risk	Increase in operational losses classified under Basel II loss event categories	(0.099)	(0.138)	(0.181)

Table 48 Impact to the capital adequacy at different stress levels

Recovery planning

In a severe stress scenario, it is requested for banks to be prepared to restore their viability in a timely manner by dealing with capital, liquidity and all other aspects that may arise from institutional specific stresses, market wide stresses or from combination of both.

Recovery planning is influenced by the early warning indicators and recovery triggers considering current risk profile, risk appetite and tolerances. Recovery plan identifies a full range of recovery options for the Bank to survive in severe stress scenarios.

Bank has in place a Recovery Plan (RCP) approved by the Board of Directors, documented to comply with the Banking Act Direction No. 09 of 2021 on Recovery Plans for Licensed Commercial Banks and Licensed Specialised Banks.

Minimum Disclosure Requirements – Pillar III

Minimum disclosure requirements were introduced by the CBSL within the Basel III Framework to allow the market participants to gauge the capital adequacy and risk exposures of the Bank. pages 426 to 437 for minimum disclosure requirements as per Banking Act Directions No. 01 of 2016 and subsequent addendums.

Compendium

Financial reports

Financial Calendar

Financial calendar 2024

Publication of Interim Financial Statements for the quarter ended 31 March 2024	31 May 2024
Publication of Interim Financial Statements for the quarter ended 30 June 2024	30 August 2024
Publication of Interim Financial Statements for the quarter ended 30 September 2024	29 November 2024
Publication of Financial Statements (Audited) for the year ended 31 December 2024	21 March 2025

Proposed financial calendar 2025 (Tentative)

Publication of Interim Financial Statements for the quarter ended 31 March 2025	23 May 2025
Publication of Interim Financial Statements for the quarter ended 30 June 2025	22 August 2025
Publication of Interim Financial Statements for the quarter ended 30 September 2025	21 November 2025
Publication of Financial Statements (Audited) for the year ended 31 December 2025	20 March 2026

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 2024 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. 12 of 2007 on Corporate Governance for Licensed Specialised 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 28 February 2025.

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. The Bank has been assigned AAA (Stable) long-term initial rating by the Lanka Rating Agency.

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.

In accordance with the absorption process of SLSB by NSB, all assets and liabilities of SLSB are to be transferred to the NSB as directed by the Central Bank of Sri Lanka. 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 2024 are provided in the Chairman's Message (page 16), General Manager/CEO's Review (page 20), "Management Discussion and Analysis" on pages 81 to 151 and Audited Financial Statements (pages 237 to 391). These reports form an integral part of the Annual Report.

2.7 Branch network expansions

During the year under review, no new branches were added to the Bank's network, which continues to consist of 262 branches. The Bank also operates a total of 417 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 2024 duly certified by the Senior Deputy General Manager and approved and signed by the General Manager/CEO and two Directors including Chairman of the Bank are given on pages 238 to 241 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 248 to 264 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 2024 and its profit for the year then ended. The Directors are of the view that the Financial Statements appearing on pages 237 to 391 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. The Statement of Directors' Responsibility for Financial Reporting appearing on page 229 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 2024. Further, the Auditor General has carried out the audit of NSB Fund Management Company and SLSB. In 2024, 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 234 of this Annual Report.

3 Future developments

An overview of the future developments of the Bank is given in the Chairman's Message (page 19), General Manager/ CEO's Review (page 24) and "Management Discussion and Analysis" on pages 81 to 157 in the Integrated Annual Report 2024.

4 Gross income

The gross income of the Bank for 2024 was Rs. 207,637 Mn. (2023 – Rs. 232,064 Mn.) while the Group's income was Rs. 213,417 Mn. (2023 – Rs. 238,825 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 97.3% (2023 – 97.2%) of the Gross Income of the Group. The main income of the Bank and the group is interest income that comprise 98.1% (2023 – 97.8%) and 97.8% (2023 – 96.8%) 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. 26,431 Mn. and Rs. 28,522 Mn. respectively (2023 – Rs. 4,287 Mn. and Rs. 8,022 Mn.).

The Profit after Tax of the Bank and the Group stood at Rs. 16,285 Mn. and Rs. 17,660 Mn. respectively (2023 – Rs. 7,216 Mn. and Rs. 9,617 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	**2024 Rs. Mn.**	2023 Rs. Mn.	**2024 Rs. Mn.**	2023 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	**35,778**	5,589	**38,411**	10,109
VAT on financial services	**8,208**	1,143	**8,683**	1,833
Social Security Contribution Levy (SSCL) on financial services	**1,139**	159	**1,206**	254
Income tax expenses	**10,145**	(2,929)	**10,862**	(1,594)
Profit for the year	**16,285**	7,216	**17,660**	9,617
Other comprehensive income for the year, net of tax	**1,184**	385	**1,388**	867
Total comprehensive income for the year	**17,470**	7,602	**19,048**	10,483
Appropriations:				
Transfer to statutory reserve	**(326)**	(144)	**(347)**	(182)
Contribution to the National Insurance Trust Fund (NITF)	**(163)**	–	**(163)**	–
Contribution to the Consolidated Fund/dividend	**–**	–	**–**	–
Transfers to unclaimed deposit reserve	**(162)**	–	**(162)**	–
Transfers to reserves	**(16,819)**	–	**(18,736)**	–

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 275 and 311.

5.3 Dividends, taxes and levies/contribution to nation

The Group contributed Rs. 21,234 Mn. by way of taxes and levies to the Government in 2024 (2023 – Rs. 813 Mn.). This consisted of:

	Bank		Group	
For the year ended 31 December	**2024 Rs. Mn.**	2023 Rs. Mn.	**2024 Rs. Mn.**	2023 Rs. Mn.
Income tax	**10,145**	(2,929)	**10,862**	(1,594)
Value added tax/SSCL	**9,347**	1,301	**9,889**	2,087
Special fee	**320**	320	**320**	320
Contribution to the Consolidated Fund	**–**	–	**–**	–
Contributions to National Insurance Trust Fund	**163**	–	**163**	–
Total contribution	**19,976**	(1,308)	**21,234**	813

5.4 Reserves

The total reserves of the Bank stood at Rs. 89,443 Mn. as of 31 December 2024 (2023 – Rs. 71,974 Mn.). The Group's Reserves consist of:

	Bank		Group	
For the year ended 31 December	**2024 Rs. Mn.**	2023 Rs. Mn.	**2024 Rs. Mn.**	2023 Rs. Mn.
Statutory reserve fund	**5,695**	5,369	**5,811**	5,464
Revaluation reserve	**7,946**	7,946	**8,643**	8,643
Retained earnings	**28,462**	14,408	**33,772**	18,606
Other reserves	**47,339**	44,251	**49,209**	45,676
Total reserves	**89,443**	71,975	**97,435**	78,389

Information on changes of reserves is given in the Statement of Changes in Equity on pages 242 to 245.

6 Service charges to Postmaster General (PMG)

Service charges to the PMG for 2024 amounting to Rs. 359 Mn. has been provided for on the same basis as in 2023.

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 322 to 332 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. 3,044 Mn. (2023 – Rs. 1,576 Mn.) and Group amounted to Rs. 3,054 Mn. (2023 – Rs. 1,578 Mn.), the details of which are given in Notes 26. (a), 26. (b) and 29.1 to the Financial Statements on pages 302 to 306 and 310 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 2024 was Rs. 17,416 Mn. and Rs. 18,556 Mn. respectively (2023 – Rs. 17,249 Mn. in the Bank and Rs. 18,389 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 300.

- Note 29 to the Financial Statements: Goodwill and Intangible Assets on page 309.
- Note 48.1 to the Financial Statements: Capital Commitments on page 339.

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 2024 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 334 in Notes 43 on Stated Capital/Assigned Capital and Note 46.1 on Unclaimed Deposit Reserve on page 336.

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 2024 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 319 on subordinated liabilities.

12 Issue of senior debenture

Outstanding debenture of the Bank as of December 31, 2024, 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 320 of this Annual Report.

13 Share information

The basic earnings per share and net assets value per share of the Bank and the Group 2024 were Rs. 17.32 (2023 – Rs. 7.68) and Rs. 105.15 (2023 – Rs. 86.57) respectively for the period under review. The details are given in Note 14 on basic earnings per ordinary share on page 277 and Note 50 on net assets value per ordinary share on page 346.

14 Donations

The Bank did not carry out any programme relating to corporate social responsibility due to restrictions imposed by the Government.

15 Board of Directors

15.1 Information of the Directors held office during the year 2024

The Board of Directors who held the office during the financial year 2024 of the Bank comprised five 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. The following were the Directors during the year and their brief profiles appear on pages 160 to 162 of this Annual Report.

Name	Tenure	Membership status
Dr Harsha Cabral PC – Chairman	02 May 2023 to date	NED/ID
Mr Jude Nilukshan – Ex-officio Director	28 February 2022 to date	NED/NID
Mr S R W M R P Sathkumara – Ex-officio Director	27 March 2023 to date	NED/ID
Mr Dushyanta Basnayake – Director	31 March 2023 to date	NED/NID
Mr Ashane Jayasekara – Director	09 January 2024 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

Mr Oshada Rodrigo

Mr K Raveendran

Names of the Directors of Sri Lanka Savings Bank Limited are as follows:

Mr B M D B Basnayake – (Chairman)

Mr H M S Dharmawardane (up to 04 February 2024)

Mr H D P Gamage

Mr N P Imbulagoda

Mr M K G J Arunashantha

Mr H K D L Gamini (up to 13 March 2024)

Ms S 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. 12 of 2007 on “Corporate Governance for Licensed Specialised Banks in

Sri Lanka" issued by the CBSL and Board Non-urgent Non-essential Expenses Committee as mandated by the Banking Act Direction No. 1 of 2023.

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 2024 and the details of the attendance by Directors at meetings are disclosed in page 175 and the Reports of these SubCommittee are given on pages 184 to 194.

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 page174 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 49.5.2 to the Financial Statements on page 343. 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 2024 are given in Note 49.5.1 to the Financial Statements on pages 343.

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 49.5.3 on pages 344 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 146 to 151.

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 347.

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 195 to 219 in risk management report and Board Integrated Risk Management Report on pages 191 to 192 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 184 to 186 in this report.

The Board has issued a statement on the internal control mechanism of the Bank in accordance with the Direction No. 3 (8) (ii) (b) of the Banking Act Direction No 12 of 2007 on Corporate Governance for licensed specialised banks which is given on pages 394 to 412 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 form the Auditor General on Directors' Statement on Internal Control which is give in page 232 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 274.

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 440 to 443 under GRI Index.

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 2024 on pages 108 to 119.

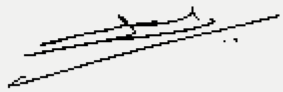
26 Outstanding litigation

In the opinion of the Directors and the Bank's lawyers, outstanding litigation against the Bank disclosed in Note 51 to the Financial Statements in page 346 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

M A P Muhandiram
Secretary to the Board

28 February 2025
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 keep proper books of accounts of all the transactions and prepare Financial Statements in accordance with Generally Accepted Accounting Principles, Sri Lanka Accounting Standards and Sri Lanka Financial Reporting Standards that 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 of Income Statement, Statement of Comprehensive Income, Statement of Financial Position as at 31 December 2024, Statement of Changes in Equity, Statement of Cash Flows, 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 2024; and
2. Financial performance of the Bank and its Subsidiaries for the financial year ended 31 December 2024.

In preparing these Financial Statements, the Directors are required to ensure that:

1. The accounting policies adopted to prepare the Financial Statements which are depicted in page 248 were appropriate according to the existing financial reporting frame work. These policies were consistently applied and adequately disclosed.
2. Reasonable and prudent judgments have been made where necessary to ensure the proper reflection of the form and substance of 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 Act No. 30 of 1988 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 are also responsible for ensuring that proper accounting records which correctly record and explain the Bank's financial position, with reasonable accuracy at any point of time is determined by the Bank, enabling 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 exhibited on pages 238 to 391). The Financial Statements for the year 2024 prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and Banking Act No. 30 of 1988 and amendments thereto.

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 has also 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 230 of this Annual Report and Auditor General's Assurance Report on the Bank's Internal Control is given on page 232.

Audit report

The Auditor General has been made available with all records of the Bank including the Financial Statements by the Board of Directors and provided every opportunity to undertake the inspections they considered appropriate all of which the Auditor General's Department has examined and have expressed the Auditor General's opinion which appears as reported by him on page 234 of this Annual Report.

Compliance report

The Directors confirm that to the best of their knowledge and belief that all taxes payable by the Bank and the Group and 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 the 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 "Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka, 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 and 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,

M A P Muhandiram
Secretary to the Board

28 February 2025
Colombo

Directors' Statement on Internal Control Over Financial Reporting

Responsibility

This report has been issued in line with the Banking Act Direction No. 12 of 2007, Section 3 (8) (ii) (b), and prepared based on principles D.1.5 of Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka (Code) the Board of Directors 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 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 misstatement 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 and this process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory requirements and other guidelines. The process is regularly reviewed by the Board and confirmed the compliance with the Guidance for Directors of the Bank on the Directors' Statement on Internal Controls issued by The Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control system taking into account all main principles for the assessment of 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 and is in accordance with the relevant accounting principles and regulatory requirements.

The 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 adopted in applying and reviewing the design and effectiveness of the internal control system on financial reporting

The Board has also put in place the system of reviewing the design and the effectiveness of system of internal control periodically. The key processes, among other things include the following:

- The Board Subcommittees have been established with defined scopes and functions to assist the Board in ensuring the effectiveness of the Bank's operations and that the Bank's operations are in accordance with the corporate objectives, strategies, policies and business directions that have been approved.
- The Board Audit Committee (BAC) reviews periodically the internal control issues identified by the Internal Audit Division of the Bank, the External Auditors, Regulatory Authorities and corrective actions are taken to rectify 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.
- The BAC reviews the internal audit function with particular emphasis on the scope of audits and quality of the same. The activities attended to by the BAC during the year 2024 are set out in the Board Audit Committee report appearing on page 184 of this Annual Report. The Internal Audit Division of the Bank carries out audit 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 the BAC for implementation. The Internal Audit Division carries 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 are carried out to provide an independent and objective report on operational and management activities. The findings of the audits are submitted to the BAC for review at their periodic meetings. The activities of the BAC, along with minutes of the Committee meetings are submitted for information of the Board on a periodic basis.
- The Board Integrated Risk Management Committee (BIRMC) has been established by the Board to assist the Board to oversee the overall management of principal areas of risk of the Bank. The Board has also established an independent compliance unit which ensures 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 the BIRMC to the Board periodically.
- Management level committees have also been functioning with appropriate empowerment to ensure effective management and supervision of 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.

The Bank adopted the new Sri Lanka Accounting Standards Comprising LKAS and SLFRS in 2012. Since adoption of such Sri Lanka Accounting Standards, continue monitoring and progressive enhancement on processes to comply with new requirements of recognition, measurement, classification and disclosure are being made.

The comments made by the external auditors in connection with 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 2024 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 Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

By Order of the Board,

Dr Harsha Cabral PC
Chairman

Ashane Jayasekara
Director

Jude Nilukshan
Director

28 February 2025
Colombo

Independent Assurance Report on Internal Control

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. BAN/A/NSB/2024/IC/03
ඔබේ අංකය / உமது இல. / Your No.
දිනය / திகதி / Date 16 May 2025

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 included in the annual report for the year ended 31 December 2024.

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 3 (8) (ii) (b) of the Banking Act Direction No. 12 of 2007, 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 National Savings Bank.

I conducted this 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.

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 judgement, 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.

My 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.

G H D Dharmapala
Auditor General (Acting)

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
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General Manager/CEO's and Senior Deputy General Manager'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 2024 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. 12 of 2007 on Corporate Governance issued by the CBSL.

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 2023. Accordingly, there was no necessity to amend comparative information to comply with the current presentation.

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 pages 230 of this Annual Report. The Auditor General has audited the effectiveness of the Internal Controls over financial reporting adapted by the Bank and has given an unqualified opinion which is provided on page 232 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 234 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 184 to 186 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 346 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 2024 have been paid, or where relevant, provided for.

Shashi Kandambi
General Manager/CEO

K Raveendran
Senior Deputy General Manager

28 February 2025
Colombo

Auditor General's Report

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දිනය / திகதி / Date } 28 February 2025

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 2024 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 2024 comprising the statement of financial position as at 31 December 2024 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 2024, 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 2024 Annual Report

The other information comprises the information included in the Bank's 2024 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 2024 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.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
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1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the Financial Statements, management is responsible for assessing the 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 judgement 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance 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.

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2 Report on Other Legal and Regulatory Requirements

2.1 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 requirement.

2.1.1 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.

2.2 National Audit Act No.19 of 2018 includes specific provisions for following requirements;

2.2.1 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.

2.2.2 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.

2.2.3 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.

2.3 Based on the procedures performed and evidences 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.

W P C Wickramaratne
Auditor General

Content of Financial Statements

Income Statement

For the year ended 31 December	Note	Page	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Bank Change %	Group 2024 Rs. '000	Group 2023 Rs. '000	Group Change %
Gross income	3	265	**207,636,948**	232,064,322	(11)	**213,417,164**	238,824,651	(11)
Interest income			**203,748,274**	226,967,227	(10)	**208,632,122**	231,204,088	(10)
Less: Interest expenses			**130,966,199**	197,402,011	(34)	**133,360,073**	199,266,982	(33)
Net interest income	4	265	**72,782,075**	29,565,216	146	**75,272,049**	31,937,106	136
Fee and commission income			**2,078,830**	1,593,415	30	**2,085,090**	1,605,521	30
Less: Fee and commission expenses			**328,272**	317,046	4	**328,737**	317,292	4
Net fee and commission income	5	268	**1,750,558**	1,276,369	37	**1,756,353**	1,288,229	36
Net gain/(loss) from trading	6	269	**911,630**	1,425,791	(36)	**1,791,936**	3,701,827	(52)
Net fair value gains/(losses) from financial instruments at fair value through profit or loss	7	269	**–**	–	–	**–**	–	–
Net gains/(losses) from derecognition of financial assets	8	270	**442,273**	1,820,617	(76)	**442,273**	1,820,617	(76)
Net other operating income	9	270	**455,941**	257,272	77	**465,743**	492,598	(5)
Total operating income			**76,342,477**	34,345,265	122	**79,728,354**	39,240,377	103
Less: Impairment charges	10	271	**11,206,056**	4,258,828	163	**11,193,684**	4,159,978	169
Net operating income			**65,136,421**	30,086,437	116	**68,534,670**	35,080,399	95
Less: Expenses								
Personnel expenses	11	272	**20,306,147**	16,110,458	26	**20,846,003**	16,424,824	27
Depreciation and amortisation expenses			**1,674,524**	1,432,520	17	**1,689,188**	1,448,489	17
Other expenses	12	274	**7,377,618**	6,954,619	6	**7,588,394**	7,097,612	7
Operating profit before VAT and SSCL on financial services			**35,778,132**	5,588,840	540	**38,411,085**	10,109,474	280
Less: Value Added Tax (VAT) on financial services			**8,207,522**	1,142,716	618	**8,683,243**	1,832,755	374
Less: Social Security Contribution Levy (SSCL) on financial services			**1,139,934**	158,708	618	**1,205,905**	254,298	374
Operating profit after VAT and SSCL on financial services			**26,430,676**	4,287,416	516	**28,521,937**	8,022,421	256
Share of profits of associates and joint ventures			**–**	–	–	**–**	–	–
Profit before income tax			**26,430,676**	4,287,416	516	**28,521,937**	8,022,421	256
Less: Income tax expenses	13	275	**10,145,432**	(2,929,067)	446	**10,862,124**	(1,594,388)	781
Profit for the year			**16,285,244**	7,216,483	126	**17,659,813**	9,616,809	84
Profit attributable to:								
Equity holders of the Bank			**16,285,244**	7,216,483	126	**17,659,813**	9,616,809	84
Non-controlling interests			**–**	–	–	**–**	–	–
Profit for the year			**16,285,244**	7,216,483	126	**17,659,813**	9,616,809	84
Earnings per share on profit								
Basic earnings per ordinary share (Rs.)	14	277	**17.32**	7.68	126	**18.79**	10.23	84
Diluted earnings per ordinary share (Rs.)			**17.32**	7.68	126	**18.79**	10.23	84
Profit for the year			**16,285,244**	7,216,483	126	**17,659,813**	9,616,809	84

The Notes to the Financial Statements disclosed on pages 248 to 391 are integral parts of these Financial Statements.

Statement of Comprehensive Income

For the year ended 31 December	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Bank Change %	Group 2024 Rs. '000	Group 2023 Rs. '000	Group Change %
Profit for the year	**16,285,244**	7,216,483	126	**17,659,813**	9,616,809	84
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	**996,856**	3,742,285	(73)	**1,053,092**	3,919,079	(73)
Fair value gains/(losses) transferred to income statement on disposal of debt instrument at fair value through other comprehensive income	**(442,273)**	(1,820,617)	(76)	**(442,273)**	(1,820,617)	(76)
Deferred tax effect on above	**(166,375)**	(576,501)	(71)	**(183,246)**	(629,539)	(71)
Total items that will be reclassified to income statement	**388,208**	1,345,167	(71)	**427,573**	1,468,923	(71)
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	**2,538,631**	1,971,371	29	**2,705,001**	2,070,885	31
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	**(2,228,542)**	(6,107,248)	(64)	**(2,231,825)**	(6,106,664)	(63)
Deferred tax effect on above	**486,042**	1,723,862	(72)	**487,027**	1,723,503	(72)
Remeasurement of post employment benefit obligations (net of taxes)	**(1,742,500)**	(4,383,386)	(60)	**(1,744,798)**	(4,383,161)	(60)
Changes in revaluation surplus	–	2,075,948	(100)	–	2,333,511	(100)
Deferred tax effect on above	–	(623,608)	(100)	–	(623,608)	(100)
Changes in revaluation surplus (net of taxes)	–	1,452,340	(100)	–	1,709,903	(100)
Share of profits of associates and joint ventures	–	–	–	–	–	–
Total items that will not be reclassified to income statement	**796,131**	(959,675)	183	**960,203**	(602,373)	259
Other comprehensive income for the year, net of taxes	**1,184,339**	385,492	207	**1,387,776**	866,550	60
Total comprehensive income for the year	**17,469,583**	7,601,975	130	**19,047,589**	10,483,359	82
Attributable to:						
Equity holders of the Bank	**17,469,583**	7,601,975	130	**19,047,589**	10,483,359	82
Non-controlling interests	–	–	–	–	–	–
Total comprehensive income for the year	**17,469,583**	7,601,975	130	**19,047,589**	10,483,359	82

The Notes to the Financial Statements disclosed on pages 248 to 391 are integral parts of these Financial Statements.

Statement of Financial Position

As at 31 December	Note	Page	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Bank Change %	Group 2024 Rs. '000	Group 2023 Rs. '000	Group Change %
Assets								
Cash and cash equivalents	16	281	**8,358,742**	9,508,563	(12)	**8,544,416**	9,546,756	(10)
Balances with central banks	17	281	**357,054**	246,998	45	**357,117**	247,232	44
Placements with banks	18	282	**14,794,637**	22,576,750	(34)	**14,794,637**	23,618,966	(37)
Derivative financial instruments	19	282	**9,131**	924	888	**54,892**	11,231	389
Financial assets recognised through profit or loss	20	283						
– measured at fair value			**21,086,781**	17,748,501	19	**46,749,528**	40,189,162	16
– designated at fair value			**–**	–	–	**–**	–	–
Financial assets at amortised cost								
– loans and advances	21	286	**532,379,013**	526,520,530	1	**527,715,322**	523,809,104	1
– debt and other instruments	22	292	**1,039,034,572**	943,704,684	10	**1,048,965,769**	953,056,324	10
Financial assets measured at fair value through other comprehensive income	23	295	**53,469,178**	61,924,412	(14)	**55,306,512**	62,694,519	(12)
Investments in subsidiaries	24	299	**7,311,000**	7,311,000	–	**–**	–	–
Investments in associates and joint ventures	25	300	**–**	–	–	**–**	–	–
Property, plant and equipment	26	300	**17,415,792**	17,248,961	1	**18,556,112**	18,389,400	1
Right-of-use assets	27	306	**1,041,185**	1,164,595	(11)	**1,066,014**	1,193,161	(11)
Investment properties	28	307	**–**	–	–	**349,000**	349,000	–
Goodwill and intangible assets	29	309	**2,183,860**	744,715	193	**2,185,087**	747,225	192
Deferred tax assets	30	311	**4,995,021**	5,885,288	(15)	**4,995,021**	5,885,288	(15)
Other assets	31	314	**50,002,248**	72,378,671	(31)	**50,127,502**	72,570,357	(31)
Total assets			**1,752,438,214**	1,686,964,592	4	**1,779,766,929**	1,712,307,725	4
Liabilities								
Due to banks	32	315	**487,521**	8,984,779	(95)	**487,521**	15,399,100	(97)
Derivative financial instruments	33	316	**258,409**	201	128,421	**258,409**	201	128,421
Financial liabilities recognised through profit or loss	34	316	**–**	**–**	**–**	**–**	**–**	**–**
Financial liabilities at amortised cost	35	316						
– due to depositors			**1,556,270,863**	1,482,532,430	5	**1,556,681,918**	1,482,951,028	5
– due to debt securities holders			**–**	–	–	**–**	–	–
– due to other borrowers			**48,190,057**	61,611,014	(22)	**66,049,093**	72,891,598	(9)
Lease liability	36	318	**1,281,561**	1,365,547	(6)	**1,314,177**	1,400,575	(6)
Debt securities issued	37	319	**16,966,482**	23,806,514	(29)	**17,039,651**	23,879,683	(29)
Retirement benefit obligations	38	322	**17,489,868**	18,100,399	(3)	**17,597,407**	18,169,106	(3)
Current tax liabilities	39	333	**3,648,729**	–	100	**4,054,844**	305,869	1,226
Deferred tax liabilities	30	311	**–**	–	–	**61,869**	58,630	6
Other provisions	40	333	**–**	–	–	**–**	–	–
Other liabilities	41	333	**9,002,109**	9,189,455	(2)	**9,387,245**	9,463,508	(1)
Due to subsidiaries	42	333	**–**	–	–	**–**	–	–
Total liabilities			**1,653,595,599**	1,605,590,339	3	**1,672,932,134**	1,624,519,298	3

As at 31 December	Note	Page	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Bank Change %	Group 2024 Rs. '000	Group 2023 Rs. '000	Group Change %
Equity								
Stated capital/Assigned capital	43	334	**9,400,000**	9,400,000	–	**9,400,000**	9,400,000	–
Statutory reserve fund	44	334	**5,694,877**	5,369,172	6	**5,810,742**	5,464,218	6
Retained earnings	45	334	**28,462,305**	14,408,118	98	**33,771,814**	18,605,719	82
Other reserves	46	335	**55,285,433**	52,196,963	6	**57,852,239**	54,318,490	7
Total shareholders' equity			**98,842,615**	81,374,253	21	**106,834,795**	87,788,427	22
Non-controlling interests	47	337	**–**	–	–	**–**	–	–
Total equity			**98,842,615**	81,374,253	21	**106,834,795**	87,788,427	22
Total equity and liabilities			**1,752,438,214**	1,686,964,592	4	**1,779,766,929**	1,712,307,725	4
Contingent liabilities and commitments	48	338	**15,042,447**	9,884,874	52	**15,050,755**	9,928,995	52
Memorandum information								
Number of employees			**4,212**	4,358				
Number of branches			**262**	262				

Note: Amounts stated are net of impairment and depreciation.

The Notes to the Financial Statements disclosed on pages 248 to 391 are integral parts 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 2024 and its profit for the year ended.

K Raveendran
Senior Deputy General Manager

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

Ashane Jayasekara
Director

Shashi Kandambi
General Manager/CEO

28 February 2025
Colombo
Sri Lanka

Statement of Changes in Equity

Bank

	Stated capital/ assigned capital Rs. '000	Statutory reserve fund Rs. '000	Revaluation reserve Rs. '000
Balance as at 1 January 2023	9,400,000	5,224,842	6,493,876
Profit for the year 2023	–	–	–
Other comprehensive income (net of tax)	–	–	1,452,340
Total comprehensive income for the year	–	–	1,452,340
Transactions with equity holders, recognised directly in equity			
Transfers to/from reserves during the year	–	144,330	–
Contribution to consolidated fund – dividend/levy	–	–	–
Contribution to national insurance trust fund	–	–	–
Transfers to unclaimed deposits reserve	–	–	–
Total transactions with equity holders	–	144,330	–
Balance as at 31 December 2023	9,400,000	5,369,172	7,946,216
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	–	325,705	–
Contribution to consolidated fund – dividend/levy	–	–	–
Contribution to national insurance trust fund	–	–	–
Transfers to unclaimed deposits reserve	–	–	–
Total transactions with equity holders	–	325,705	–
Balance as at 31 December 2024	9,400,000	5,694,877	7,946,216

The Notes to the Financial Statements disclosed on pages 248 to 391 are integral parts of these Financial Statements.

OCI reserve Rs. '000	Other reserves Rs. '000	Retained earnings Rs. '000	Total equity Rs. '000
(1,669,876)	42,084,235	11,359,152	72,892,229
–	–	7,216,483	7,216,483
2,956,339	–	(4,023,187)	385,492
2,956,339	–	3,193,296	7,601,975
–	–	(144,330)	–
–	–	–	–
–	–	–	–
–	880,049	–	880,049
–	880,049	(144,330)	880,049
1,286,463	42,964,284	14,408,118	81,374,253
–	–	16,285,244	16,285,244
2,926,839	–	(1,742,500)	1,184,339
2,926,839	–	14,542,744	17,469,583
–	–	(325,705)	–
–	–	–	–
–	–	(162,852)	(162,852)
–	161,631	–	161,631
–	161,631	(488,557)	(1,221)
4,213,302	43,125,915	28,462,305	98,842,615

Statement of Changes in Equity

Group

	Stated capital/ assigned capital Rs. '000	Statutory reserve fund Rs. '000	Revaluation reserve Rs. '000
Balance as at 1 January 2023	9,400,000	5,281,952	6,932,981
Prior year adjustment*	–	–	–
Restated opening balance as at 1 January 2023	9,400,000	5,281,952	6,932,981
Profit for the year 2023	–	–	–
Other comprehensive income (net of tax)	–	–	1,709,903
Total comprehensive income for the year	–	–	1,709,903
Transactions with equity holders, recognised directly in equity			
Transfers to/from reserves during the year	–	182,266	–
Contribution to consolidated fund – dividend/levy	–	–	–
Contribution to national insurance trust fund	–	–	–
Transfers to unclaimed deposits reserve	–	–	–
Total transactions with equity holders	–	182,266	–
Balance as at 31 December 2023	9,400,000	5,464,218	8,642,884
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	–	346,524	–
Contribution to consolidated fund – dividend/levy	–	–	–
Contribution to national insurance trust fund	–	–	–
Transfers to unclaimed deposits reserve	–	–	–
Total transactions with equity holders	–	346,524	–
Balance as at 31 December 2024	9,400,000	5,810,742	8,642,884

*Please refer Note 53 for details of prior year adjustment.

The Notes to the Financial Statements disclosed on pages 248 to 391 are integral parts of these Financial Statements.

Statement of Changes in Equity

OCI reserve Rs. '000	Other reserves Rs. '000	Retained earnings Rs. '000	Total equity Rs. '000
(1,765,659)	42,951,306	13,589,101	76,389,681
19,900	–	15,438	35,338
(1,745,759)	42,951,306	13,604,539	76,425,019
–	–	9,616,809	9,616,809
3,179,609	–	(4,022,962)	866,550
3,179,609	–	5,593,847	10,483,359
–	410,401	(592,667)	–
–	–	–	–
–	–	–	–
–	880,049	–	880,049
–	1,290,450	(592,667)	880,049
1,433,850	44,241,756	18,605,719	87,788,427
–	–	17,659,813	17,659,813
3,132,574	–	(1,744,798)	1,387,776
3,132,574	–	15,915,015	19,047,589
–	239,544	(586,068)	–
–	–	–	–
–	–	(162,852)	(162,852)
–	161,631	–	161,631
–	401,175	(748,920)	(1,221)
4,566,424	44,642,931	33,771,814	106,834,795

Statement of Cash Flows

For the year ended 31 December	Note	Page	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Cash flows from operating activities						
Interest receipts			**202,040,657**	213,131,665	**207,054,865**	217,040,151
Interest payments			**(141,113,474)**	(214,047,888)	**(120,872,004)**	(215,725,905)
Net commission receipts			**1,750,558**	1,276,369	**1,756,353**	1,288,229
Trading income			**1,319,972**	3,025,719	**2,050,386**	3,864,848
Payment to employees			**(19,229,579)**	(13,670,876)	**(19,753,044)**	(13,985,920)
VAT and SSCL on financial services			**(9,495,582)**	(1,676,459)	**(10,045,524)**	(2,452,649)
Receipts from other operating activities			**341,384**	263,012	**351,186**	347,353
Payment on other operating activities			**(6,999,833)**	(6,962,648)	**(7,212,338)**	(7,076,615)
Operating profit before change in operating assets and liabilities			**28,614,103**	(18,661,106)	**53,329,880**	(16,700,508)
(Increase)/decrease in operating assets						
Placements with banks			**7,060,549**	(11,652,088)	**8,026,324**	(12,248,452)
Derivative financial instrument			**(241,327)**	80,310	**(276,780)**	77,223
Financial assets at FVPL			**(3,106,029)**	(3,521,905)	**(6,325,589)**	(15,034,040)
Financial assets at amortised cost – loans and advances			**(15,430,619)**	23,620,755	**(13,466,139)**	26,461,823
Financial assets at amortised cost – debt and other instrument			**(91,233,762)**	(13,316,612)	**(91,744,837)**	(13,853,444)
Proceeds from the sale and maturity of financial investments			**–**	–	**–**	–
Other assets			**17,754,749**	(2,500,591)	**17,794,102**	(2,482,936)
			(85,196,439)	(7,290,131)	**(85,992,919)**	(17,079,826)
Increase/(decrease) in operating liabilities						
Due to bank			**(8,750,000)**	4,750,000	**(20,625,367)**	2,518,067
Derivative financial instrument	33	316	**258,208**	201	**258,208**	201
Financial liabilities at amortised cost – due to depositors			**85,708,062**	9,809,431	**85,696,513**	11,156,350
Financial liabilities at amortised cost – due to debt securities holders			**–**	–	**–**	–
Financial liabilities at amortised cost – due to other borrowers			**(12,579,138)**	44,462,152	**(23,170,978)**	53,457,442
Debt securities issued	37	319	**(6,323,000)**	–	**(6,323,000)**	3,617
Other liabilities			**(5,895,370)**	2,109,889	**(5,757,565)**	2,073,966
			52,418,762	61,131,673	**30,077,811**	69,209,643
Net cash generated from operating activities before income tax			**(4,163,574)**	35,180,436	**(2,585,228)**	35,429,309
Income tax paid	39	333	**(5,035,397)**	(2,403,112)	**(5,637,408)**	(2,739,667)
Net cash (used in)/from operating activities			**(9,198,971)**	32,777,324	**(8,222,636)**	32,689,642

For the year ended 31 December	Note	Page	Bank **2024 Rs. '000**	Bank 2023 Rs. '000	Group **2024 Rs. '000**	Group 2023 Rs. '000
Cash flows from investing activities						
Purchase of property, plant and equipment			**(620,581)**	(1,145,156)	**(630,105)**	(1,147,412)
Proceeds from the sale of property, plant and equipment			**7,287**	3,438	**7,287**	3,438
Net (increase)/decrease in finance instruments at fair value through other comprehensive income			**11,877,564**	(30,021,350)	**11,058,062**	(29,937,745)
Proceeds from the sale and maturity of financial investments			**–**	–	**–**	–
Net purchase of intangible assets			**(177,346)**	(344,272)	**(177,346)**	(344,272)
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			**11,086,924**	(31,507,340)	**10,257,898**	(31,425,991)
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			**–**	–	**–**	–
Interest paid on subordinated debt			**(3,223,872)**	(600,000)	**(3,223,872)**	(604,003)
Contribution to consolidated fund – dividend/levy			**–**	–	**–**	–
Net cash from financial activities			**(3,223,872)**	(600,000)	**(3,223,872)**	(604,003)
Net increase/(decrease) in cash and cash equivalents			**(1,335,919)**	669,984	**(1,188,610)**	659,648
Cash and cash equivalents at the beginning of the year			**9,564,741**	8,894,757	**9,603,169**	8,943,521
Exchange difference in respect of cash and cash equivalent			**–**	–	**–**	–
Cash and cash equivalents at the end of the year			**8,228,822**	9,564,741	**8,414,559**	9,603,169
Reconciliation of cash and cash equivalents						
Cash in hand	16	281	**4,496,582**	2,991,147	**4,499,644**	2,994,088
Balances with banks	16	281	**3,645,461**	6,185,654	**3,828,073**	6,220,907
Money at call and short notice	16	281	**217,246**	333,054	**217,246**	333,054
Balances with Central Banks	17	281	**357,054**	246,998	**357,117**	247,232
Due to banks	32	315	**(487,521)**	(192,112)	**(487,521)**	(192,112)
			8,228,822	9,564,741	**8,414,559**	9,603,169

The Notes to the Financial Statements disclosed on pages 248 to 391 are integral parts 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 licensed specialised 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	**2024**	2023
Bank	**4,212**	4,358
Group	**4,331**	4,479

Corporate information is presented in the inner back cover of the Annual Report.

The Bank possesses 262 Branches, 295 ATMs, and 122 CRMs of its Service Outlets and 652 Post Offices and 3,354 Sub-Post Offices as its agency network.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements for the year ended 31 December 2024 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 projects, pawning, internet 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) was refrained from granting new loans, accepting deposits, recruiting new staff and entering into new contracts with any party since 2021, due to merger process with NSB. SLSB will merge with National Savings Bank on 30 June 2025 and 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 31 December 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 Group and the Bank for the year under review. (Pages 238 and 239)

ii. Statement of Financial Position (SOFP) providing the information on the financial position of the Group and the Bank as at the year end. (Pages 240 and 241)

iii. Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Bank. (pages 242 and 244)

iv. Statement of Cash Flows providing the information to the users, on the ability of the Group and the Bank to generate cash and cash equivalents and utilisation of those cash flows. (Page 246)

v. Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information. (Pages 248 to 391)

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 2024 (including comparatives for 2023) were approved and authorised for issue on 28 February 2025 by the Board of Directors. (The Financial Statements of the Group and the Bank for the year ended 31 December 2023, were approved, and authorised for issue by the Board of Directors on 20 March 2024).

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 55 on pages 379 to 382.

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 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 347.

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 provides 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 254.
- The contractual cash flow characteristics of the financial assets as set out in Note 2.5.1.4.2 on page 255.

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 56 to the Financial Statements on page 383.

2.1.12.4 Impairment losses on financial assets

The measurement of impairment losses both under SLFRS 9 and LKAS 39 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 2024.

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 56 on pages 383 to 388.

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 337.

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 de-recognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. 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 Associates

Details are given in the Note 25 on page 300.

2.4.1.6 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 and 49.4 – Transaction with subsidiary companies on pages 341 and 342 respectively.

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 "deminimise" 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 281.

(b) Balances with central banks
Details of "Balances with central banks" are given in Note 17 on page 281.

(c) Placement with banks
Details of "Placement with banks" are given in Note 18 on page 282.

(d) Financial assets at amortised cost - Loan and advances
Details of "Loan and advances" are given in Note 21 on page 286.

(e) Financial assets at amortised cost - Debt and other instruments
Details of "Debt and other instruments" are given in Note 22 on page 292.

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 296.

(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 pages 297 to 299.

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 315.

(b) **Due to depositors**
Details of "Due to depositors" are given in Note 35 on page 317.

(c) **Due to debt securities holders**
Details of "Due to debt securities holders" are given in Note 35 on page 316.

(d) **Due to other borrowers**
Details of "Due to other borrowers" are given in Note 35 on page 317.

(e) **Debt security issued**
Details of "Debt security issued" are given in Note 37 on pages 319 to 321.

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 56 on pages 253 and 383.

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 260.

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

- 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 289.

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. Bank and the group do not have any debt instrument measured at fair value through OCI subject to impairment as at reporting period.

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 (SICR)

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 300.

2.5.3.1 Depreciation

Details of "Depreciation" are given in Note 26 on page 302.

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 309.

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 actuarial valuation 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 2024, by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries.

The principal financial assumptions used in the valuation as at 31 December 2024 are as follows:

Interest/discount rate	11% p.a.
Increase in cost of living allowances	6.5% p.a.
Increase in average basic salary	8% p.a.

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 323 to 325.

The past service cost not funded is recognised in Other Comprehensive Income immediately upon actuarial valuation. The actuarial valuation as at 31 December 2024 indicated a deficit in net obligation of Rs. 12,899 Mn. which has been provided in full. The details of unfunded pension liability are given in Note 38(a) 1 on pages 323 to 325.

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 actuarial valuation 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 2024, by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional actuaries.

The principal financial assumptions used in the valuation as at 31 December 2024 are as follows:

Interest/discount rate	11% p.a.
Increase in cost of living allowances	6.5% p.a.
Increase in average basic salary	8% p.a.

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 325 to 328.

The past service cost not funded is recognised in Other Comprehensive Income immediately upon actuarial valuation. The actuarial valuation as at 31 December 2024 indicated a deficit in net obligation of Rs. 447 Mn which has been recognised. The details of advance payment to Pension II are given in Note 38 (a) 2 on pages 325 to 328.

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. 788 Mn. has been provided from the profit of 2024.

The latest actuarial valuation was carried out as of 31 December 2024, by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries. The principal financial assumptions used in the valuation as at 31 December 2024 are as follows:

Interest/discount rate	11.5% p.a.
Medical cost inflation rate	8% p.a.

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 329 to 331.

The past service cost not funded is recognised in Other Comprehensive Income immediately upon actuarial valuation. The actuarial valuation as at 31 December 2024 indicated a deficit in net obligation of Rs. 5,143 Mn. which has been provided in full. The details of unfunded liability are given in Note 38 (a) 3 on pages 329 to 331.

2.5.6.4 Defined contribution plans

Details of defined contribution plans are given in Note 11 on page 273.

2.5.7 Other Liabilities

Details of other liabilities are given in Note 41 on page 333.

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.

2.5.8.1 Provision for fraudulent withdrawals

The total value of fraudulent withdrawals identified as at 31 December 2024 was Rs. 290 Mn. And ex-gratia payment Rs. 15 Mn. received from insurance. A provision of Rs. 275 Mn. has been made for the balance fraudulent withdrawals as at as at 31 December 2024.

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 338.

2.5.10 Earnings Per Share (EPS)

Details of "Basic and Diluted EPS" are given in Note 14 on page 277.

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 265 to 277.

2.6.1 Interest Income and Expenses

Details of "Interest income and expenses" are given in Note 3 to 4 on pages 265 to 267.

2.6.2 Fee and Commission Income

Details of "Commission income and expenses" are given in Note 5 on page 268.

2.6.3 Net Gain/(Loss) from Trading

Details of "Net gains/(losses) from trading" are given in Note 6 on page 269.

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 270.

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 270.

2.7 Significant Accounting Policies – Taxation

2.7.1 Current Taxation

Details of current taxation are given in Note 13 on page 275.

2.7.2 Deferred Taxation

Details of deferred taxation are given in Notes 13 and 30 on pages 275 and 311 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 social security contribution levy on financial services adjusted for emoluments of employees and economic depreciation.

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 246.

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 Date

Details of events after reporting date are given in Note 52 on page 347.

2.11 Accounting Standards Issued but Not Yet Effective as at Reporting Date

There were no new or amended standards and interpretations that are issued but not yet effective, up to the date of issuance of the Bank's/Group's Financial Statements that results in a material impact to Bank or Group.

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.

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	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Interest income	**203,748,274**	226,967,227	**208,632,122**	231,204,088
Fee and commission income	**2,078,830**	1,593,415	**2,085,090**	1,605,521
Net gain/(loss) from trading	**911,630**	1,425,791	**1,791,936**	3,701,827
Net fair value gains/(losses) from financial instruments at fair value through profit or loss	**–**	–	**–**	–
Net gains/(losses) from de-recognition of financial assets	**442,273**	1,820,617	**442,273**	1,820,617
Net other operating income	**455,941**	257,272	**465,743**	492,598
Gross income	**207,636,948**	232,064,322	**213,417,164**	238,824,651

4 Net interest income

Accounting policy

Recognition of interest income and interest expenses

For all financial instruments measured at amortised cost, interest-bearing 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.

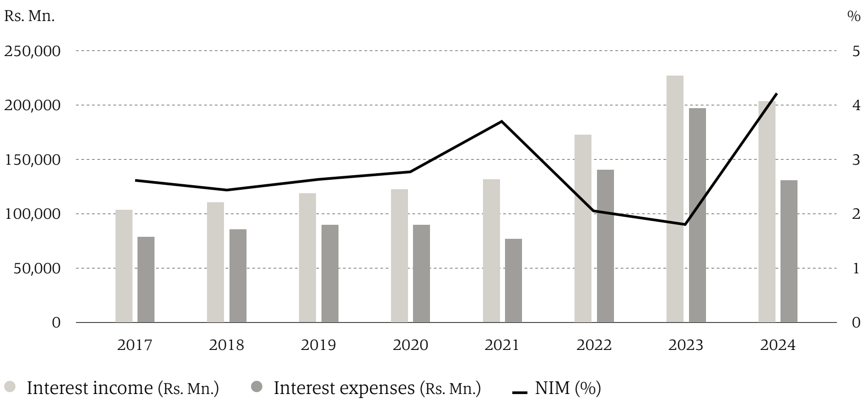
Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

4. Net interest income (contd.)

For the year ended 31 December	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
4. (a) Interest income				
Cash and cash equivalents	**66,042**	186,984	**69,056**	196,588
Balances with central banks	**–**	–	**–**	–
Placements with banks	**1,300,589**	1,260,615	**1,349,728**	1,416,223
Derivative financial instruments	**–**	–	**–**	–
Financial assets recognised through profit or loss				
– Measured at fair value	**2,193,865**	3,214,030	**5,374,556**	5,797,276
– Designated at fair value	**–**	–	**–**	–
Financial assets at amortised cost				
– Loans and advances	**68,747,284**	87,805,226	**68,824,412**	87,768,331
– Debt and other instruments	**127,020,632**	127,897,236	**128,501,143**	129,337,433
Financial assets measured at fair value through other comprehensive income	**4,419,862**	6,603,136	**4,513,227**	6,688,235
Others	**–**	–	**–**	–
Total interest income	**203,748,274**	226,967,227	**208,632,122**	231,204,088
4. (b) Interest expenses				
Due to banks	**337,623**	699,246	**509,448**	1,685,203
Financial liabilities recognised through profit or loss	**–**	–	**–**	–
Financial liabilities at amortised cost				
– Due to depositors	**123,882,172**	185,701,754	**123,892,009**	185,556,313
– Due to debt securities holders	**–**	–	**–**	–
– Due to other borrowers	**3,427,151**	3,443,789	**5,639,363**	4,468,243
Debt securities issued	**3,319,253**	7,557,223	**3,319,253**	7,557,223
Total interest expenses	**130,966,199**	197,402,011	**133,360,073**	199,266,982
Net interest income	**72,782,075**	29,565,216	**75,272,049**	31,937,106

Interest income vs interest expense

Graph 64



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	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Interest income				
Financial assets recognised through profit or loss				
– measured at fair value	**2,193,865**	3,214,030	**5,374,556**	5,797,276
– designated at fair value	**–**	–	**–**	–
Financial assets at amortised cost				
– loans and advances (Securities purchased under resale agreements)	**930,973**	802,154	**930,103**	680,788
– debt and other instruments	**109,630,388**	95,565,494	**110,756,375**	96,550,554
Financial assets measured at fair value through other comprehensive income	**4,419,862**	6,603,136	**4,513,227**	6,688,235
	117,175,088	106,184,814	**121,574,261**	109,716,853
Less: Interest expenses				
Due to banks (Securities sold under repurchase agreements)	**337,623**	699,246	**509,448**	1,618,294
Due to other borrowers (Securities sold under repurchase agreements)	**3,427,152**	3,443,789	**5,635,552**	4,455,234
	3,764,775	4,143,035	**6,145,000**	6,073,529
Net interest income from Sri Lanka Government Securities	**113,410,313**	102,041,779	**115,429,261**	103,643,325

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 2024 bank has recognised Rs. 105.9 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. 379.8 Mn. as at 31 December 2024. 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. 155.3 Mn. of day one loss as at 31 December 2024.

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.

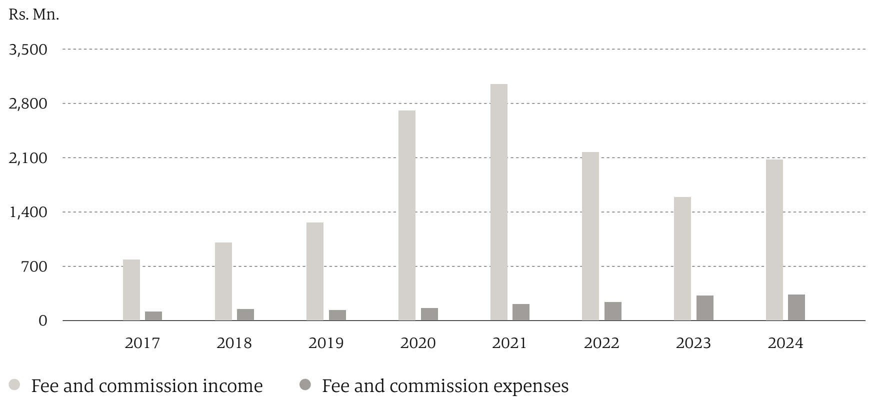
(b) Fee and commission income from providing transaction services:

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	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Fee and commission income	**2,078,830**	1,593,415	**2,085,090**	1,605,521
Fee and commission expenses	**(328,272)**	(317,046)	**(328,737)**	(317,292)
Net fee and commission income	**1,750,558**	1,276,369	**1,756,353**	1,288,229
Comprising				
Loans	**721,275**	501,788	**721,476**	502,091
Cards	**492,917**	446,578	**492,917**	446,578
Trade and remittances	**426,474**	237,369	**426,474**	237,369
Corporate banking	**8,767**	4,000	**8,767**	4,000
Deposits	**48,636**	45,900	**48,636**	45,900
Guarantees	**17,038**	22,178	**17,038**	22,178
Others	**35,451**	18,557	**41,045**	30,114
Net fee and commission income	**1,750,558**	1,276,369	**1,756,353**	1,288,229

Fee and commission income vs expenses Graph 65



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	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Foreign exchange				
– From other customers	**(33,967)**	200,367	**(33,967)**	200,367
Fixed income securities	**623,483**	836,455	**1,468,336**	3,109,403
Equity securities	**555,233**	335,908	**555,233**	335,908
Derivative financial instruments	**(233,119)**	53,062	**(197,666)**	56,150
Total	**911,630**	1,425,791	**1,791,936**	3,701,827

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	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 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 de-recognised asset at amortised cost.

	Bank		Group	
For the year ended 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Recognised at:				
Fair value through profit or loss	**–**	–	**–**	–
Amortised cost	**–**	–	**–**	–
Fair value through other comprehensive income	**442,273**	1,820,617	**442,273**	1,820,617
Total	**442,273**	1,820,617	**442,273**	1,820,617

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.

	Bank		Group	
For the year ended 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Gain/(loss) on investment properties	**–**	–	**–**	–
Gain/(loss) on sale of property, plant and equipment	**4,439**	2,311	**4,396**	2,311
Gain/(loss) on revaluation of foreign exchange	**105,430**	(8,652)	**105,430**	(8,652)
Revaluation gain on investment properties	**–**	–	**–**	144,023
Recovery of loans written off	**–**	–	**9,381**	11,908
Less: Loans written off	**–**	–	**–**	–
Dividend income	**164,373**	106,614	**167,331**	107,276
Rent income	**25,305**	31,106	**19,255**	31,149
Other income	**156,394**	125,892	**159,950**	204,582
Total	**455,941**	257,272	**465,743**	492,598

10 Impairment charges

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	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Impairment charge	**11,163,749**	4,213,060	**11,151,377**	4,111,956
Loan write-off/waive-off	**42,307**	45,768	**42,307**	48,022
Total	**11,206,056**	4,258,828	**11,193,684**	4,159,978

10.1 Impairment charges

		Bank		Group	
For the year ended 31 December	Note	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Cash and cash equivalents					
Stage 1		**(746)**	153	**(746)**	153
Placement with banks					
Stage 1		**1,252**	(14)	**1,100**	113
Stage 2		**–**	2,847	**–**	2,847
Financial assets at amortised cost – loans and advances	21 (d)				
Stage 1		**274,093**	(264,912)	**268,455**	(278,552)
Stage 2		**(1,372,754)**	878,398	**(1,391,335)**	858,756
Stage 3		**7,655,975**	4,535,471	**7,668,017**	4,467,493
Financial assets at amortised cost – debt instruments	22 (b)				
Stage 1		**3,260**	(10)	**3,217**	19
Stage 2		**–**	(938,873)	**–**	(938,873)
Stage 3		**–**	–	**–**	–
Financial assets measured at fair value through other comprehensive income	23 (b)	**–**	–	**–**	–
Contingent liabilities and commitments	48	**–**	–	**–**	–
Investments in subsidiaries	24 (d)	**–**	–	**–**	–
Investments in associates and joint ventures	25	**–**	–	**–**	–
Property, plant and equipment	26	**–**	–	**–**	–
Investment properties	28	**–**	–	**–**	–
Others	31.1	**–**	–	**–**	–
Receivable from treasury	31.2	**4,602,669**	–	**4,602,669**	–
Total		**11,163,749**	4,213,060	**11,151,377**	4,111,956

10. Impairment charges (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. 5,791.1 Mn. were moved from Stage 1 to Stage 2 and provision for impairment was increased by Rs. 556.7 Mn. for the year ended 31 December 2024.

Movement of loans and advances from Stage 1 to Stage 2

	Stage 1	Stage 2	Net impact
Exposure (Rs. '000)	(5,791,068)	5,791,068	–
Impairment provision (Rs. '000)	(94,070)	650,812	556,742

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. 416.3 Mn. were moved from Stage 2 to Stage 3 and provision for impairment was increased by Rs. 118.2 Mn. for the year ended 31 December 2024.

Movement of loans and advances from Stage 2 to Stage 3

	Stage 2	Stage 3	Net impact
Exposure (Rs. '000)	(416,274)	416,274	–
Impairment provision (Rs. '000)	(46,441)	164,593	118,152

Refer Note 21(f) forward looking information relating to Loan and Advances and ECL provision for more detail on page 291.

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".

11. Personnel expenses (contd.)

For the year ended 31 December	Note	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Salary and bonus		**15,662,688**	12,602,261	**16,053,927**	12,872,160
Contributions to defined contribution plans		**1,417,025**	1,143,867	**1,448,931**	1,169,720
Contributions to defined benefit plans	11(a,b,c,d)	**2,806,163**	2,107,483	**2,843,838**	2,123,031
Share based expenses		**–**	–	**–**	–
Others		**420,271**	256,847	**499,307**	259,913
Total		**20,306,147**	16,110,458	**20,846,003**	16,424,824

11.(a) Contribution – National Savings Bank Employees Pension Scheme I

For the year ended 31 December	Note	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Amount recognised as expense	38(a.1)	**1,750,753**	1,623,871	**1,750,753**	1,623,871

Actuarial valuation was carried out as of 31 December 2024, by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries. (Refer Note 38.a.1 on page 323)

11.(b) Contribution – National Savings Bank Employees Pension Scheme II

For the year ended 31 December	Note	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Amount recognised as expense	38(a.2)	**267,143**	(249,176)	**268,430**	(247,891)

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 Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries, on 31 December 2024. (Refer Note 38.a.2 on page 325)

11.(c) Contribution – Medical Assistance Scheme for the Retired Employees of NSB

For the year ended 31 December	Note	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Amount recognised as expense	38(a.3)	**788,267**	732,788	**788,267**	732,788

Retired staff medical scheme has been established for the all employees of the Bank. Actuarial valuation was carried out by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries, on 31 December 2024. (Refer Note 38.a.3 on page 329)

11. Personnel expenses (contd.)

11. (d) Contribution – Gratuity

For the year ended 31 December	Note	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Amount recognised as expense	38(a.4)	**–**	–	**40,957**	15,549

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 331).

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.

For the year ended 31 December	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Directors' emoluments	**2,413**	1,563	**7,641**	6,042
Auditors' remunerations	**8,473**	6,095	**14,569**	11,640
Non-audit fees to auditors	**–**	–	**–**	–
Professional and legal expenses	**47,753**	21,019	**66,491**	33,053
Deposit insurance premium paid to the CBSL	**1,413,300**	1,460,374	**1,413,488**	1,460,591
Special fees paid to Treasury	**320,000**	320,000	**320,000**	320,000
Office administration and establishment expenses	**4,613,329**	4,289,781	**4,685,660**	4,364,486
Others	**972,350**	855,787	**1,080,545**	901,800
Total	**7,377,618**	6,954,619	**7,588,394**	7,097,612

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.

		Bank		Group	
For the year ended 31 December	Note	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Current tax expenses					
Current year		**8,935,497**	–	**9,770,215**	527,665
Prior year's (over)/under provision		**–**	(460,517)	**(105,378)**	(460,813)
Deferred tax expenses					
Effect of change in tax rates		**–**	–	**–**	–
Temporary differences	13(b)	**1,209,935**	(2,468,550)	**1,197,287**	(1,641,339)
Prior years' (over)/under provision	13(b)	**–**	–	**–**	(19,900)
Total		**10,145,432**	(2,929,067)	**10,862,124**	(1,594,388)
Effective tax rate (%)		**38.39**	(68.32)	**38.08**	(19.87)
Effective tax rate (excluding deferred tax) (%)		**33.81**	(10.74)	**33.89**	0.83

13. Income tax expenses (contd.)

13. (a) Reconciliation of tax expenses

	Bank		Group	
For the year ended 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Profit before tax	**26,430,676**	4,287,416	**28,521,937**	8,022,421
Income tax for the period (Accounting profit @ tax rate)	**7,929,203**	1,286,225	**8,556,581**	2,406,726
Add : Tax effect of expenses that are not deductible for tax purposes	**6,452,494**	2,181,865	**6,675,894**	2,432,342
: Unused tax losses	**–**	2,060,914	**–**	2,060,914
(Less): Tax effect of expenses that are deductible for tax purposes	**2,880,047**	5,315,160	**2,896,107**	5,389,567
: Tax effect of exempt income	**505,239**	213,844	**505,239**	213,844
: Utilised tax losses	**2,060,914**	–	**2,060,914**	768,906
Tax expense for the year	**8,935,497**	–	**9,770,215**	527,665
Tax rate (%)	**30**	30	**30**	30

13.(b) The deferred tax (credit)/charge in the Income Statement comprise of the following:

	Bank		Group	
For the year ended 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Deferred tax assets	**1,209,935**	(2,468,550)	**1,199,900**	(2,471,349)
Deferred tax liabilities	**–**	–	**(2,613)**	810,110
Deferred tax (credit)/charge to Income Statement	**1,209,935**	(2,468,550)	**1,197,287**	(1,661,239)

14 Basic 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 2024.

	Bank		Group	
For the year ended 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Net profit attributable to ordinary equity holders	**16,285,244**	7,216,483	**17,659,813**	9,616,809
Net profit attributable to ordinary equity holders adjusted for the effect of dilution	**16,285,244**	7,216,483	**17,659,813**	9,616,809
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	**17.32**	7.68	**18.79**	10.23
Diluted earnings per ordinary share	**17.32**	7.68	**18.79**	10.23

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	**2024 '000**	2023 '000	**2024 '000**	2023 '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

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 – 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**

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 – 2023

As at 31 December	Note	AC Rs. '000	FVPL Rs. '000	FVOCI Rs. '000	Total Rs. '000
Assets					
Cash and cash equivalents	16	9,508,563	–	–	9,508,563
Balances with central banks	17	246,998	–	–	246,998
Placements with banks	18	22,576,750	–	–	22,576,750
Derivative financial instruments	19	–	924	–	924
Loans and advances	21	526,520,530	–	–	526,520,530
Debt instruments	20, 22 and 23	943,704,684	16,923,123	58,894,210	1,019,522,017
Equity instruments	20 and 23	–	825,378	3,030,202	3,855,580
Total financial assets		1,502,557,525	17,749,425	61,924,412	1,582,231,362

As at 31 December	Note	AC Rs. '000	FVPL Rs. '000	Total Rs. '000
Liabilities				
Due to banks	32	8,984,779	–	8,984,779
Derivative financial instruments	33	–	201	201
Financial liabilities				
– Due to depositors	35	1,482,532,430	–	1,482,532,430
– Due to debt securities holders	35	–	–	–
– Due to other borrowers	35	61,611,014	–	61,611,014
Debt securities issued	37	23,806,514	–	23,806,514
Total financial liabilities		1,576,934,737	201	1,576,934,938

15. (c) 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**

15. Analysis of financial instruments by measurement basis (contd.)

15. (c) Group – 2024 (contd.)

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	**1,556,681,918**		**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**

15. (d) Group – 2023

As at 31 December	Note	AC Rs. '000	FVPL Rs. '000	FVOCI Rs. '000	Total Rs. '000
Assets					
Cash and cash equivalents	16	9,546,756	–	–	9,546,756
Balances with central banks	17	247,232	–	–	247,232
Placements with banks	18	23,618,966	–	–	23,618,966
Derivative financial instruments	19	–	11,231	–	11,231
Loans and advances	21	523,809,104	–	–	523,809,104
Debt instruments	20, 22 and 23	953,056,324	39,363,784	59,459,820	1,051,879,928
Equity instruments	20 and 23	–	825,378	3,234,699	4,060,077
Total financial assets		1,510,278,382	40,200,393	62,694,519	1,613,173,294

As at 31 December	Note	AC Rs. '000	FVPL Rs. '000	Total Rs. '000
Liabilities				
Due to banks	32	15,399,100	–	15,399,100
Derivative financial instruments	33	–	201	201
Financial liabilities				
– Due to depositors	35	1,482,951,028		1,482,951,028
– Due to debt securities holders	35	–	–	–
– Due to other borrowers	35	72,891,598	–	72,891,598
Debt securities issued	37	23,879,683	–	23,879,683
Total financial liabilities		1,595,121,409	201	1,595,121,610

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	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Cash in hand	**4,496,582**	2,991,147	**4,499,644**	2,994,088
Balances with banks	**3,645,461**	6,185,654	**3,828,073**	6,220,907
Money at call and short notice	**217,246**	333,054	**217,246**	333,054
Gross cash and cash equivalents (*)	**8,359,289**	9,509,855	**8,544,963**	9,548,049
Impairment for expected credit losses	**(547)**	(1,292)	**(547)**	(1,293)
Net cash and cash equivalents (*)	**8,358,742**	9,508,563	**8,544,416**	9,546,756

(*) Gross cash and cash equivalents are reported in the Statement of Cash Flows.

17 Balances with central banks

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Non-statutory balances with central banks				
Central Bank of Sri Lanka	**357,054**	246,998	**357,117**	247,232
Total	**357,054**	246,998	**357,117**	247,232

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.

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Placements with banks – Sri Lanka				
Sri Lankan Rupee (LKR)	**–**	–	**–**	1,042,367
American Dollar (USD)	**9,775,159**	16,243,898	**9,775,159**	16,243,898
Euro (EUR)	**1,790,922**	2,009,359	**1,790,922**	2,009,359
Great British Pound (GBP)	**1,964,241**	1,764,938	**1,964,241**	1,764,938
Australian Dollar (AUD)	**1,272,894**	1,827,454	**1,272,894**	1,827,454
Placements with banks – Outside Sri Lanka				
American Dollar (USD)	**–**	738,430	**–**	738,430
Gross placements with banks	**14,803,216**	22,584,079	**14,803,216**	23,626,446
Impairment for expected credit losses	**(8,579)**	(7,329)	**(8,579)**	(7,480)
Net placements with banks	**14,794,637**	22,576,750	**14,794,637**	23,618,966

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.

19. Derivative financial instruments (contd.)

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

		Bank		Group	
As at 31 December	Note	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Foreign currency derivatives					
Currency swaps	48.2	**9,131**	924	**9,131**	924
Forward foreign exchange contracts		**–**	–	**45,761**	10,307
Total		**9,131**	924	**54,892**	11,231

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.

20. Financial assets recognised through profit or loss (contd.)

As at 31 December	Note	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Measured at fair value					
Sri Lanka Government Securities					
Treasury Bills		**20,141,100**	13,916,242	**30,774,770**	28,560,671
Treasury Bonds		**732,949**	3,006,881	**15,762,026**	10,803,113
Equity securities	20(b)	**212,732**	825,378	**212,732**	825,378
Unit trust		**–**	–	**–**	–
Subtotal		**21,086,781**	17,748,501	**46,749,528**	40,189,162
Designated at fair value		**–**	–	**–**	–
Total		**21,086,781**	17,748,501	**46,749,528**	40,189,162

20. (a) Analysis

As at 31 December	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
By collateralisation				
Pledged as collateral	**–**	–	**25,662,748**	19,493,329
Unencumbered	**21,086,781**	17,748,501	**21,086,780**	20,695,833
Total	**21,086,781**	17,748,501	**46,749,528**	40,189,162
By Currency				
Sri Lankan Rupee	**21,086,781**	17,748,501	**46,749,528**	40,189,162
United States Dollar	**–**	–	**–**	–
Total	**21,086,781**	17,748,501	**46,749,528**	40,189,162

20. Financial assets recognised through profit or loss (contd.)

20. (b) Equity securities (quoted) – Bank and Group

As at 31 December	2024			2023		
	Number of shares	**Cost Rs. '000**	**Market value Rs. '000**	Number of shares	Cost Rs. '000	Market value Rs. '000
1. Banks						
Commercial Bank of Ceylon PLC (NV)	–	–	–	430,634	35,420	34,623
DFCC Bank	–	–	–	529,196	45,434	42,124
Hatton National Bank PLC (NV)	–	–	–	624,232	91,537	87,393
Sampath Bank PLC	–	–	–	1,000,000	71,750	70,500
Seylan Bank PLC (NV)	–	–	–	500,000	21,500	17,750
Nations Trust Bank PLC	–	–	–	500,000	54,100	53,750
National Development Bank PLC	–	–	–	960,522	70,683	62,338
Subtotal		–	–		390,424	368,478
2. Capital Goods						
Access Engineering PLC	**2,016,000**	**62,271**	**69,552**	–	–	–
ACL Cables PLC	–	–	–	1,594,338	169,711	109,691
John Keells Holdings PLC	**5,300,000**	**102,849**	**119,780**	–	–	–
Lanka Walltiles PLC	–	–	–	644,999	45,868	27,219
Royal Ceramics Lanka PLC	–	–	–	950,000	66,918	25,080
Subtotal		**165,120**	**189,332**		282,497	161,990
3. Diversified Financials						
Vallibel Finance PLC	–	–	–	650,000	26,386	20,800
Subtotal		–	–		26,386	20,800
4. Energy						
Lanka IOC PLC	–	–	–	538,630	35,957	54,940
Subtotal		–	–		35,957	54,940
5. Food Beverage and Tobacco						
Ceylon Cold Stores PLC	–	–	–	200,000	9,600	8,480
Subtotal		–	–		9,600	8,480
6. Materials						
Tokyo Cement Company (Lanka) PLC (NV)	–	–	–	150,000	5,475	5,700
Dipped Products PLC	–	–	–	1,393,313	72,042	38,873
CIC Holdings PLC	–	–	–	1,005,257	88,030	64,337
Chevron Lubricants Lanka PLC	–	–	–	709,957	84,781	64,109
Subtotal		–	–		250,328	173,019
7. Telecommunication Services						
Dialog Axiata PLC	**2,000,000**	**22,400**	**23,400**	–	–	–
Subtotal		**22,400**	**23,400**		–	–

20. Financial assets recognised through profit or loss (contd.)

20. (b) Equity securities (quoted) – Bank and Group (contd.)

As at 31 December	**2024**			2023		
	Number of shares	**Cost Rs. '000**	**Market value Rs. '000**	Number of shares	Cost Rs. '000	Market value Rs. '000
8. Transportation						
Expolanka Holdings PLC	–	–	–	124,846	17,432	17,884
Subtotal					17,432	17,884
9. Utilities						
LVL Energy Fund PLC	–	–	–	3,597,704	35,977	19,787
Subtotal		–	–		35,977	19,787
Total		**187,520**	**212,732**		1,048,601	825,378

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 254 and 255.

21. Financial assets at amortised cost – Loans and advances (contd.)

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Gross loans and advances				
Stage 1	**492,507,588**	490,248,344	**487,777,387**	487,393,234
Stage 2	**19,128,165**	31,529,180	**19,183,611**	31,657,602
Stage 3	**49,677,946**	27,120,378	**51,077,085**	28,545,272
Gross loan and advances	**561,313,699**	548,897,902	**558,038,083**	547,596,108
(Less): Accumulated impairment under:				
Stage 1	**4,700,749**	4,426,656	**4,703,623**	4,435,168
Stage 2	**2,129,055**	3,501,809	**2,133,932**	3,525,267
Stage 3	**22,104,882**	14,448,907	**23,485,206**	15,826,569
Total Impairment	**28,934,686**	22,377,372	**30,322,761**	23,787,004
Net loans and advances	**532,379,013**	526,520,530	**527,715,322**	523,809,104

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.

21. (a) Analysis by product

		Bank		Group	
As at 31 December	Note	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
By product					
Trade finance		**–**	–	**–**	–
Lease rental and hire purchase receivable	(21.e)	**–**	–	**25,911**	74,111
Pawning		**119,692,775**	94,935,475	**119,692,803**	94,935,503
Staff Loans		**16,307,926**	15,219,547	**16,648,714**	15,557,481
Term loans					
Short-term		**95,669**	206,092	**95,669**	206,092
Long-term		**384,286,416**	428,838,174	**385,812,874**	430,466,687
Others					
Sri Lanka Government Securities		**–**	–	**–**	–
Loan to Government		**–**	–	**–**	–
Securities purchased under resale agreements		**40,930,913**	9,698,614	**35,762,112**	6,356,234
Gross total		**561,313,699**	548,897,902	**558,038,083**	547,596,108

21. Financial assets at amortised cost – Loans and advances (contd.)

21. (b) Analysis by currency

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
By currency				
Sri Lankan Rupee	**557,795,130**	545,097,593	**554,519,514**	543,795,799
United States Dollar	**3,518,569**	3,800,309	**3,518,569**	3,800,309
Gross total	**561,313,699**	548,897,902	**558,038,083**	547,596,108

21. (c) Analysis by industry

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
By industry				
Agriculture and fishing	**36,406,612**	33,935,917	**36,572,677**	34,249,380
Manufacturing	**–**	–	**587,812**	569,274
Tourism	**70,349**	73,354	**115,389**	125,031
Transport	**–**	16,019	**15,415**	53,126
Construction/housing	**173,805,328**	180,302,455	**174,296,676**	180,635,738
Traders	**–**	–	**391,901**	369,412
New economy	**–**	–	**27,269**	21,717
Others				
Financial and business services	**42,893,107**	9,908,156	**42,893,107**	9,908,156
Infrastructure	**53,544,313**	61,075,939	**53,544,313**	61,075,939
Power and energy	**4,026,768**	5,698,971	**4,026,768**	5,698,971
Education	**8,764,010**	8,876,295	**8,764,010**	8,876,295
Personal/pawning/other	**241,803,212**	249,010,796	**236,802,746**	246,013,069
Gross total	**561,313,699**	548,897,902	**558,038,083**	547,596,108

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 cash, gold, Government Securities. 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 258.

21. Financial assets at amortised cost – Loans and advances (contd.)

21. (d) Movements in impairment during the year (contd.)

As at 31 December	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Stage 1				
Balance as at 1 January	**4,426,656**	4,691,568	**4,435,168**	4,713,720
Charge/(write back) to Income Statement	**274,093**	(264,912)	**268,455**	(278,552)
Write-off during the year	**–**	–	**–**	–
Other movements	**–**	–	**–**	–
Balance as at 31 December	**4,700,749**	4,426,656	**4,703,623**	4,435,168
Stage 2				
Balance as at 1 January	**3,501,809**	2,623,411	**3,525,267**	2,666,511
Charge/(write back) to Income Statement	**(1,372,754)**	878,398	**(1,391,335)**	858,756
Write-off during the year	**–**	–	**–**	–
Other movements	**–**	–	**–**	–
Balance as at 31 December	**2,129,055**	3,501,809	**2,133,932**	3,525,267
Stage 3				
Balance as at 1 January	**14,448,907**	9,913,436	**15,826,569**	11,370,985
Charge/(write back) to Income Statement	**7,698,282**	4,581,239	**7,710,325**	4,515,514
Write-off during the year	**(42,307)**	(45,768)	**(42,307)**	(48,022)
Other movements	**–**	–	**(9,381)**	(11,908)
Balance as at 31 December	**22,104,882**	14,448,907	**23,485,206**	15,826,569
Total impairment provision as at 31 December	**28,934,686**	22,377,372	**30,322,761**	23,787,004

21. (e) Lease and hire purchase receivables

As at 31 December	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Gross lease and hire purchases receivables	**–**	–	**26,570**	74,770
Unearned interest asset	**–**	–	**6,592**	13,819
Unearned interest liability	**–**	–	**(7,251)**	(14,478)
Net lease and hire purchases receivables	**–**	–	**25,911**	74,111

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	**2024** %	2023 %
Base case	**20**	10
Upside case	**5**	10
Downside case	**75**	80

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.)

21. (f) Forward-Looking Information (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. 5,791.1 Mn. were moved from Stage 1 to Stage 2 and provision for impairment was increased by Rs. 556.7 Mn. for the year ended 31 December 2024.

	Stage 1 Rs. '000	Stage 2 Rs. '000	Net impact Rs. '000
Exposure	(5,791,068)	5,791,068	–
Impairment Provision	(94,070)	650,812	556,742

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. 416.3 Mn. were moved from Stage 2 to Stage 3 and provision for impairment was increased by Rs. 118.2 Mn. for the year ended 31 December 2024.

	Stage 2 Rs. '000	Stage 3 Rs. '000	Net impact Rs. '000
Exposure	(416,274)	416,274	–
Impairment provision	(46,441)	164,593	118,152

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".

22. Financial assets at amortised cost – Debt and other instruments (contd.)

As at 31 December	Note	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Sri Lanka Government securities					
Treasury Bills		**143,755,805**	81,381,441	**146,718,039**	83,062,596
Treasury Bonds		**760,751,681**	728,230,365	**767,251,459**	735,219,630
Sri Lanka Development Bonds (SLDB)		**–**	–	**–**	–
Securities purchased under resale agreements		**–**	–	**–**	50,041
Debentures (Treasury Guarantee)*		**125,964,603**	131,860,577	**125,964,603**	131,860,577
Corporate debt instruments	(22.1)	**2,739,086**	2,232,945	**3,208,422**	2,864,318
Commercial papers		**–**	–	**6,000**	6,000
Trust Certificates		**5,827,302**	–	**5,827,302**	–
Other investment		**–**	–	**165,595**	165,595
Gross total		**1,039,038,477**	943,705,329	**1,049,141,420**	953,228,757
Impairment for expected credit losses		**(3,905)**	(645)	**(175,651)**	(172,433)
Net total		**1,039,034,572**	943,704,684	**1,048,965,769**	953,056,324

* Treasury guarantee Debentures amounted to Rs. 26,491.4 Mn. is classified in to Stage 3, but impairment provision is zero due to zero LGD applied.

22.1 Corporate Debt Instruments – Bank

As at 31 December	Bank 2024 Number of debentures	Bank 2024 Carrying value	Bank 2023 Number of debentures	Bank 2023 Carrying value
People's Leasing & Finance PLC	**2,064,900**	**214,005**	2,064,900	214,025
LOLC Finance PLC	**7,500,000**	**775,615**	7,500,000	780,336
Hayleys PLC	**–**	**–**	5,000,000	535,142
Commercial Credit and Finance PLC	**1,000,000**	**107,402**	1,000,000	107,422
Nations Trust Bank PLC	**3,212,800**	**335,375**	3,212,800	335,375
Resus Energy PLC	**2,500,000**	**257,386**	2,500,000	260,645
Commercial Bank of Ceylon PLC	**2,105,800**	**224,305**	–	–
Bank of Ceylon	**5,000,000**	**520,527**	–	–
Vallibel Finance PLC	**3,000,000**	**304,471**	–	–
Net total		**2,739,086**		2,232,945

22. Financial assets at amortised cost – Debt and other instruments (contd.)

22.1 Corporate Debt Instruments – Group

As at 31 December	Group			
	2024 Number of debentures	**2024 Carrying value**	2023 Number of debentures	2023 Carrying value
People's Leasing & Finance PLC	**4,633,600**	**480,376**	6,203,600	642,460
LOLC Finance PLC	**7,500,000**	**775,615**	7,500,000	780,336
Hayleys PLC	**–**	**–**	5,000,000	535,142
Commercial Credit and Finance PLC	**1,000,000**	**107,402**	1,000,000	107,422
Nations Trust Bank PLC	**3,212,800**	**335,375**	3,212,800	335,375
Resus Energy PLC	**2,500,000**	**257,386**	2,500,000	260,645
Seylan Bank PLC	**1,000,000**	**107,052**	1,000,000	107,033
Siyapatha Finance PLC	**929,500**	**95,913**	929,500	95,905
Commercial Bank of Ceylon PLC	**2,105,800**	**224,305**	–	–
Bank of Ceylon	**5,000,000**	**520,527**	–	–
Vallibel Finance PLC	**3,000,000**	**304,471**	–	–
Net total		**3,208,422**		2,864,318

22.2 Analysis

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
By collateralisation				
Pledged as collateral	**40,408,287**	47,437,615	**47,367,819**	55,926,347
Unencumbered	**998,630,190**	896,267,714	**1,001,773,601**	897,302,410
Gross total	**1,039,038,477**	943,705,329	**1,049,141,420**	953,228,757
By Currency				
Sri Lankan Rupee	**1,039,038,477**	943,705,329	**1,049,141,420**	953,228,757
United States Dollar	**–**	–	**–**	–
Gross total	**1,039,038,477**	943,705,329	**1,049,141,420**	953,228,757

22. Financial assets at amortised cost – Debt and other instruments (contd.)

22.3 Movements in impairment during the year

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Stage 1				
Opening balance as at 1 January	**645**	655	**839**	820
Charge/(write back) to Income Statement	**3,260**	(10)	**3,217**	19
Write-off during the year	**–**	–	**–**	–
Other movements	**–**	–	**–**	–
Balance as at 31 December	**3,905**	645	**4,056**	839
Stage 2				
Balance as at 1 January	**–**	938,873	**–**	938,873
Charge/(write back) to Income Statement	**–**	(938,873)	**–**	(938,873)
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	**3,905**	645	**175,651**	172,433

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

23. Financial assets measured at fair value through other comprehensive income (contd.)

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	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Sri Lanka Government Securities	(23.c)				
Treasury Bills		**24,302,555**	42,428,135	**24,302,555**	42,428,135
Treasury Bonds		**23,597,790**	16,466,074	**25,064,210**	17,031,685
Equity securities					
Quoted equity securities	(23.d)	**5,195,626**	2,772,958	**5,564,375**	2,975,291
Unquoted equity securities	(23.e)	**373,207**	257,244	**417,848**	301,885
(Less): Impairment		**–**	–	**(42,476)**	(42,476)
Net financial assets at fair value through other comprehensive income		**53,469,178**	61,924,412	**55,306,512**	62,694,519

23. (a) Analysis

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
By collateralisation				
Pledged as collateral	**–**	–	**1,466,421**	460,888
Unencumbered	**53,469,178**	61,924,412	**53,840,091**	62,233,632
Gross total	**53,469,178**	61,924,412	**55,306,512**	62,694,519
By currency				
Sri Lankan Rupee	**53,469,178**	61,924,412	**55,306,512**	62,694,519
United States Dollar	**–**	–	**–**	–
Gross total	**53,469,178**	61,924,412	**55,306,512**	62,694,519

23. Financial assets measured at fair value through other comprehensive income (contd.)

23.(b) Movements in impairment during the year

No impairment movement during the year.

23. (c) Sri Lanka Government Securities

	Bank					
	2024			2023		
	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	**25,258,719**	**24,077,917**	**24,302,555**	43,805,328	41,226,853	42,428,135
Sri Lanka Government Securities – Treasury Bonds	**21,838,510**	**21,156,839**	**23,597,790**	15,724,930	14,875,308	16,466,074
		45,234,756	**47,900,345**		56,102,161	58,894,209

	Group					
	2024			2023		
	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	**25,258,719**	**24,077,917**	**24,302,555**	43,805,328	41,226,853	42,428,135
Sri Lanka Government Securities – Treasury Bonds	**23,186,832**	**22,375,888**	**25,064,210**	16,237,616	15,288,000	17,031,685
		46,453,805	**49,366,765**		56,514,853	59,459,820

23. (d) Quoted investments – Equity securities – Bank and Group

	Bank					
	2024			2023		
	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**	**4,183,310**	12,815,744	1,730,274	2,169,065
People's Leasing & Finance PLC	**59,547,976**	**832,312**	**1,012,316**	56,438,626	832,312	603,893
		2,562,586	**5,195,626**		2,562,586	2,772,958

23. Financial assets measured at fair value through other comprehensive income (contd.)

23. (d) Quoted investments – Equity securities – Bank and Group (contd.)

	Group					
	2024			2023		
	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**	**4,183,310**	12,815,744	1,730,274	2,169,065
People's Leasing & Finance PLC	**59,547,976**	**832,312**	**1,012,316**	56,438,626	832,312	603,893
National Development Bank	**19,076**	**1,448**	**2,160**	18,340	1,401	1,190
Commercial Bank of Ceylon PLC	**245**	**11**	**36**	241	11	23
Lanka ORIX Leasing Finance PLC	**200**	**1**	**138**	200	1	71
Sampath Bank PLC	**11,095**	**325**	**1,312**	11,095	325	782
Watawala Plantation PLC	**4,046**	**21**	**508**	4,046	21	292
Trans Asia Hotel PLC	**4,000**	**35**	**178**	4,000	35	156
Lanka Ceramic PLC	**917**	**24**	**137**	917	24	86
Lanka Walltile PLC	**585**	**2**	**34**	585	2	25
Kelani Valley Plantation PLC	**11,000**	**198**	**1,063**	11,000	198	799
Hapugastenna Plantation PLC	**100**	**3**	**5**	100	3	3
Aitken Spence PLC	**18,000**	**160**	**2,610**	18,000	160	2,088
Pan Asia Bank PLC	**10,298,499**	**96,012**	**360,448**	10,298,499	96,012	196,701
Hatton Plantations PLC	**4,000**	**30**	**120**	4,000	30	116
		2,660,856	**5,564,375**		2,660,810	2,975,291

23. (e) Unquoted investments – Equity securities

	Bank					
	2024			2023		
	Number of shares	**Cost Rs. '000**	**Cost/fair value Rs. '000**	Number of shares	Cost Rs. '000	Cost/fair value Rs. '000
Investment – Credit Information Bureau	**30,450**	**57,364**	**57,364**	30,450	57,364	57,364
Investment – Associated Newspapers of Ceylon Limited	**20,000**	**127**	**127**	20,000	127	127
Investment – Regional Development Bank (RDB)	**16,452,126**	**164,521**	**315,716**	16,452,126	164,521	199,753
(Less): Impairment Provision		**–**	**–**		–	–
		222,012	**373,207**		222,012	257,244

23. Financial assets measured at fair value through other comprehensive income (contd.)

23. (e) Unquoted investments – Equity securities (contd.)

	Group					
	2024			2023		
	Number of shares	**Cost Rs. '000**	**Cost/fair value Rs. '000**	Number of shares	Cost Rs. '000	Cost/fair value Rs. '000
Investment – Credit Information Bureau	**30,650**	**57,528**	**57,528**	30,650	57,528	57,528
Investment – Associated Newspapers of Ceylon Limited	**20,000**	**127**	**127**	20,000	127	127
Investment – Regional Development Bank (RDB)	**16,452,126**	**164,521**	**315,717**	16,452,126	164,521	199,753
Investment – 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**	**417,848**		266,652	301,885
(Less): Impairment provision		**–**	**(42,476)**		–	(42,476)
Net total		**266,652**	**375,372**		266,652	259,408

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.

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		**2024**	2023	**2024**		2023	
	Note	**%**	%	**Cost Rs. '000**	**Valuation* Rs. '000**	Cost Rs. '000	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**	**6,496,550**	4,200,000	5,501,307
Sri Lanka Savings Bank Limited (8,204,464 ordinary shares)		**100**	100	**3,111,000**	**8,806,628**	3,111,000	8,223,865
(Less): Impairment provision	24.3			**–**	**–**	–	–
Net total				**7,311,000**	**15,303,178**	7,311,000	13,725,172

* The valuation of investments in subsidiaries have been carried out on net asset basis as at 31 December 2024 based on audited Financial Statements.

24. Investments in subsidiaries (contd.)

24.1 Acquisition and disposal of subsidiary

No acquisition or disposal have been occurred during the year 2024.

24.2 Interest Income and profit of acquire

No acquisition or disposal have been occurred during the year 2024.

24.3 Movements in impairment during the year

No impairment movements during the year 2024.

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 2024.

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.

26. Property, plant and equipment (contd.)

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.

26. Property, plant and equipment (contd.)

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. (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**
Revaluation gain/(loss) (Note 26. C)	–	–	–	–	–	–	–
Write-off	–	–	–	–	–	–	–
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**
Depreciation adjustment for revalued assets (Note 26. C)	–	–	–	–	–	–	–
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**

26. Property, plant and equipment (contd.)

26. (a) Property, plant and equipment – Bank – 2023

	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 2023	12,603,413	868,735	3,821,259	2,544,477	447,254	63,351	20,348,490
Additions	21,208	90,730	1,041,511	54,111	–	17,477	1,225,037
Revaluation gain/(loss) (Note 26.C)	1,801,405	–	–	–	–	–	1,801,405
Disposals	–	–	(126,401)	(9,699)	(1,838)	–	(137,938)
Transfers/adjustment	(3,026)	(30,906)	–	(16,054)	–	(32,968)	(82,954)
Closing balance as at 31 December 2023	14,423,000	928,559	4,736,369	2,572,835	445,416	47,860	23,154,039
(Less): Accumulated depreciation							
Opening balance as at 1 January 2023	186,965	308,772	2,944,334	1,701,654	415,761	–	5,557,486
Charge for the year	90,661	50,137	407,292	156,736	21,966	–	726,792
Depreciation adjustment for revalued assets (Note 26.C)	(277,626)	–	–	–	–	–	(277,626)
Disposals	–	–	(126,100)	(8,874)	(1,838)	–	(136,812)
Transfers/adjustment	–	–	7	1	–	–	8
Closing balance as at 31 December 2023	–	358,909	3,225,533	1,849,517	435,889	–	5,869,849
(Less): Impairment	–	–	–	–	–	35,228	35,228
Net book value as at 31 December 2023	14,423,000	569,650	1,510,836	723,317	9,527	12,631	17,248,961

* Leasehold properties, improvement to rent/leasehold buildings include working progress of improvement to rent/leasehold building amounting Rs. 30 Mn. as at 31 December 2024.

** Office, sundry equipment and furniture and fittings include working progress of office equipment amounting Rs. 8.2 Mn. as at 31 December 2024.

26. Property, plant and equipment (contd.)

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
Revaluation gain/(loss)	–	–	–	–	–	–	–
Write-off	–	–	–	–	–	–	–
Disposals	–	–	(83,975)	(55,971)	–	–	(139,946)
Transfer from investment properties	–	–	–	–	–	–	–
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
Depreciation adjustment for revalued assets	–	–	–	–	–	–	–
Write-off	–	–	–	–	–	–	–
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. (b) Property, plant and equipment – Group – 2023

	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 2023	13,468,125	873,811	3,887,883	2,604,330	494,199	63,351	21,391,701
Additions	21,208	90,730	1,042,178	55,703	–	17,477	1,227,295
Revaluation gain/(loss)	2,058,968	–	–	–	–	–	2,058,968
Write-off	–	–	(5,637)	(14,995)	–	–	(20,633)
Disposals	–	–	(126,401)	(9,699)	(1,838)	–	(137,938)
Transfers/adjustment	(3,026)	(30,906)	–	(16,054)	–	(32,968)	(82,954)
Closing balance as at 31 December 2023	15,545,275	933,635	4,798,023	2,619,285	492,361	47,860	24,436,439
(Less): Accumulated depreciation							
Opening balance as at 1 January 2023	193,440	308,773	2,996,830	1,756,131	455,567	–	5,710,741
Charge for the year	91,036	50,137	412,398	158,212	24,346	–	736,129
Depreciation adjustment for revalued assets	(277,626)	–	–	–	–	–	(277,626)
Write-off	-	-	(5,636)	(14,993)	-	-	(20,629)
Disposals	–	–	(126,100)	(8,874)	(1,838)	–	(136,812)
Transfers/adjustment	–	–	7	1	–	–	8
Closing balance as at 31 December 2023	6,850	358,910	3,277,499	1,890,477	478,075	–	6,011,811
(Less): Impairment	–	–	–	–	–	35,228	35,228
Net book value as at 31 December 2023	15,538,425	574,725	1,520,524	728,808	14,286	12,632	18,389,400

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 2024.

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. Property, plant and equipment (contd.)

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	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Computer hardware	**2,506,768**	2,200,393	**2,547,146**	2,239,676
Office equipment, furniture and fittings	**387,427**	596,463	**418,294**	627,088
Sundry equipments/motor vehicles and others	**878,301**	753,792	**924,055**	799,350
Total	**3,772,496**	3,550,648	**3,889,495**	3,666,114

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	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Opening balance	**2,713,267**	2,403,399	**2,779,515**	2,469,647
Addition	**237,659**	293,958	**237,659**	293,958
Adjustments	**–**	15,910	**–**	15,910
Less:				
Disposal	**–**	–	**–**	–
Termination/transfers	**–**	–	**–**	–
Impairment	**–**	–	**–**	–
Closing balance	**2,950,926**	2,713,267	**3,017,174**	2,779,515

27. Right-of-use assets (contd.)

27. (b) Accumulated amortisation of right-of-use assets

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Opening balance	**1,548,672**	1,189,749	**1,586,354**	1,223,265
Charge for the year	**361,069**	358,923	**364,806**	363,090
Disposal	**–**	–	**–**	–
Adjustments	**–**	–	**–**	–
Termination/transfers	**–**	–	**–**	–
Closing balance	**1,909,741**	1,548,672	**1,951,160**	1,586,354
Carrying value as at 31 December	**1,041,185**	1,164,595	**1,066,014**	1,193,161

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. Investment properties (contd.)

28. (a) Fair value of investment properties

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Land				
Opening balance	**–**	–	**341,000**	195,785
Addition	**–**	–	**–**	–
Disposal	**–**	–	**–**	–
Revaluation gain	**–**	–	**–**	145,215
Transfer from property, plant and equipment	**–**	–	**–**	–
Transfer to property, plant and equipment	**–**	–	**–**	–
Impairment	**–**	–	**–**	–
Closing balance	**–**	–	**341,000**	341,000
Building				
Opening balance	**–**	–	**8,000**	9,192
Addition	**–**	–	**–**	–
Revaluation gain/(loss)	**–**	–	**–**	(1,192)
Transfer from property, plant and equipment	**–**	–	**–**	–
Transfer to property, plant and equipment	**–**	–	**–**	–
Impairment	**–**	–	**–**	–
Closing balance	**–**	–	**8,000**	8,000

28. (b) Accumulated depreciation of investment properties

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	**2024 Rs. '000**	2023 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:

As at 31 December	Note	Bank **2024** **Rs. '000**	Bank 2023 Rs. '000	Group **2024** **Rs. '000**	Group 2023 Rs. '000
Computer software	29.1	**2,178,638**	715,222	**2,179,865**	717,732
Software under development	29.2	**5,222**	29,493	**5,222**	29,493
Total		**2,183,860**	744,715	**2,185,087**	747,225

29.1 Computer software

As at 31 December	Bank **2024** **Rs. '000**	Bank 2023 Rs. '000	Group **2024** **Rs. '000**	Group 2023 Rs. '000
Cost/valuation				
Opening balance	**3,011,622**	2,674,623	**3,034,516**	2,697,517
Additions during the year	**1,946,216**	336,999	**1,946,216**	336,999
Disposal during the year	**–**	–	**–**	–
Adjustments	**(337)**	–	**(337)**	–
Closing balance	**4,957,501**	3,011,622	**4,980,395**	3,034,516
Less: Accumulated amortisation				
Opening balance	**2,296,399**	1,949,595	**2,316,784**	1,967,516
Charge for the year	**482,464**	346,805	**483,746**	349,268
Disposal	**–**	–	**–**	–
Closing balance	**2,778,863**	2,296,399	**2,800,530**	2,316,784
(Less): Impairment	**–**	–	**–**	–
Net book value	**2,178,638**	715,222	**2,179,865**	717,732

29.2 Software under development

As at 31 December	Bank **2024** **Rs. '000**	Bank 2023 Rs. '000	Group **2024** **Rs. '000**	Group 2023 Rs. '000
Cost/valuation				
Opening balance	**29,493**	22,220	**29,493**	22,220
Additions during the year	**98,015**	13,608	**98,015**	13,608
Disposal during the year	**–**	–	**–**	–
Transfer/adjustment	**(122,286)**	(6,335)	**(122,286)**	(6,335)
Closing balance	**5,222**	29,493	**5,222**	29,493

29. Goodwill and intangible assets (contd.)

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	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Intangible assets/computer software	**1,862,575**	1,538,107	**1,879,070**	1,554,602
Total	**1,862,575**	1,538,107	**1,879,070**	1,554,602

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 275.

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	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Recognised under assets	30.(a)	**(4,995,021)**	(5,885,288)	**(4,995,021)**	(5,885,288)
Recognised under liabilities	30.(b)	**–**	–	**61,869**	58,630
Net deferred tax (asset)/Liability	30.(c) and 30.(d)	**(4,995,021)**	(5,885,288)	**(4,933,152)**	(5,826,658)

30. (a) Deferred tax assets

		Bank		Group	
As at 31 December	Note	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Opening balance		**5,885,288**	2,892,984	**5,885,288**	3,663,879
Convert to deferred tax liabilities		–	–	**–**	(770,894)
Charge for the year recognised in				**–**	
– Income Statement	13(b)	**(1,209,935)**	2,468,550	**(1,209,935)**	2,468,549
– Prior year adjustment		**–**	–	**–**	–
– Other comprehensive income		**319,668**	523,754	**319,668**	523,754
Closing balance		**4,995,021**	5,885,288	**4,995,021**	5,885,288

30. Deferred tax (assets)/liabilities (contd.)

30. (b) Deferred tax liabilities

As at 31 December	Note	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Opening balance		**–**	–	**58,630**	4,155
Convert to deferred tax assets		**–**	–	**–**	(770,894)
Charge for the year recognised in					
– Income Statement	13(b)	**–**	–	**(12,647)**	807,310
– Prior year adjustment	13(b)	**–**	–	**–**	(35,338)
– Other comprehensive income		**–**	–	**15,886**	53,397
Closing balance		**–**	–	**61,869**	58,630

30. (c) Reconciliation of net deferred tax (assets)/liabilities – Bank

As at 31 December	Statement of Financial Position 2024 Rs. '000	Statement of Financial Position 2023 Rs. '000	Profit or Loss 2024 Rs. '000	Profit or Loss 2023 Rs. '000	Other Comprehensive Income 2024 Rs. '000	Other Comprehensive Income 2023 Rs. '000
Deferred tax liability on:						
Accelerated depreciation for tax purpose	**974,526**	883,565	**90,961**	122,732	**–**	–
Revaluation surplus/(loss) on freehold land and building	**3,402,330**	3,402,330	**–**	102	**–**	623,608
Unrealised gain/(loss) on financial assets measured at fair value through other comprehensive Income	**419,050**	252,675	**–**	–	**166,375**	252,675
Prior year adjustment	**–**	–	**–**	–	**–**	–
	4,795,906	4,538,570	**90,961**	122,834	**166,375**	876,282
Deferred tax asset on:						
Retirement benefit obligations	**5,246,960**	4,760,918	**–**	–	**486,042**	1,723,862
Impairment provision	**4,543,967**	3,602,026	**941,941**	530,470	**–**	–
Unrealised gain/(loss) on financial assets measured at fair value through other comprehensive income	**–**	–	**–**	–	**–**	(323,826)
Unused tax losses	**–**	2,060,914	**(2,060,914)**	2,060,914	**–**	–
Prior year adjustment	**–**	–	**–**	–	**–**	–
	9,790,927	10,423,858	**(1,118,973)**	2,591,383	**486,042**	1,400,036
Deferred tax effect on profit or loss and other comprehensive income for the year	**–**	–	**(1,209,934)**	2,468,549	**319,667**	523,754
Net deferred tax (asset)/liability	**(4,995,021)**	(5,885,288)	**–**	–	**–**	–

30. Deferred tax assets/liabilities (contd.)

30. (d) Reconciliation of net deferred tax (assets)/liabilities – Group

	Statement of Financial Position		Profit or Loss		Other Comprehensive Income	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Deferred tax liability on:						
Accelerated depreciation for tax purpose	**1,018,648**	929,668	**88,980**	164,425	**–**	–
Revaluation surplus/(loss) on freehold land and building	**3,402,330**	3,402,330	**–**	102	**–**	623,608
Unrealised gain/(loss) on financial assets measured at fair value through other comprehensive income	**469,059**	285,813	**–**	–	**183,246**	285,813
Prior year adjustment	**–**	–	**–**	–	**–**	19,900
	4,890,037	4,617,812	**88,980**	164,527	**183,246**	929,321
Deferred tax asset on:						
Retirement benefit obligations	**5,279,222**	4,766,092	**10,665**	3,289	**487,027**	1,723,503
Unused tax losses	**–**	–	**–**	(768,906)	**–**	–
Impairment provision	**4,543,967**	3,602,026	**941,941**	530,470	**–**	–
Unrealised gain/(loss) on financial assets measured at fair value through other comprehensive income	**–**	–	**–**	–	**–**	(323,826)
Tax losses	**–**	2,060,914	**(2,060,914)**	1,580,887	**–**	–
Prior year adjustment	**–**	15,438	**–**	–	**–**	–
	9,823,189	10,444,470	**(1,108,308)**	1,345,740	**487,027**	1,399,677
Deferred tax effect on profit or loss and other comprehensive income for the year	**–**	–	**(1,197,288)**	1,181,213	**303,781**	470,356
Net deferred tax (asset)/liability	**(4,933,152)**	(5,826,658)	**–**	–	**–**	–

31 Other assets

As at 31 December	Note	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Cost					
Income tax receivable		**–**	191,020	**–**	191,020
Receivables	31.1	**2,366,903**	2,211,424	**2,387,029**	2,252,758
Receivable from treasury	31.2	**32,737,108**	51,125,514	**32,826,048**	51,214,454
Deposits and prepayments		**532,909**	2,621,994	**538,234**	2,627,202
Advance payment to treasury	31.3	**2,240,000**	2,560,000	**2,240,000**	2,560,000
Advance payment made to pension II	38	**–**	2,230,673	**–**	2,230,673
Sundry debtors		**76,492**	23,037	**76,492**	23,037
Unamortised cost on staff loans (Day 1 difference)		**11,804,409**	11,167,699	**11,804,409**	11,167,699
Other assets		**244,427**	247,310	**255,290**	303,514
Total		**50,002,248**	72,378,671	**50,127,502**	72,570,357

31.1 Receivables

As at 31 December	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Cost				
Receivables	**2,491,275**	2,335,796	**2,531,856**	2,397,585
Less: Impairment	**(124,372)**	(124,372)	**(144,827)**	(144,827)
Net receivables	**2,366,903**	2,211,424	**2,387,029**	2,252,758

31. Other assets (contd.)

31.2 Receivable from Treasury

Accounting policy

The estimated future cashflows of 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	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Receivable from Treasury on interest	**20,353,308**	33,644,685	**20,442,248**	33,733,625
Other receivable from Treasury	**13,673,000**	13,673,000	**13,673,000**	13,673,000
SWAP cost receivable from Treasury	**2,894,487**	2,894,487	**2,894,487**	2,894,487
Foreign currency change incentive receivable	**225,530**	79,599	**225,530**	79,599
Dormant A/C receivable	**193,452**	833,743	**193,452**	833,743
Gross total	**37,339,777**	51,125,514	**37,428,717**	51,214,454
Less: Impairment	**(4,602,669)**	–	**(4,602,669)**	–
Net total	**32,737,108**	51,125,514	**32,826,048**	51,214,454

31.3 Advance payment to Treasury

At the request of Treasury, the Bank paid an advance of Rs. 6,000 Mn. in 2012 and Rs. 2,000 Mn. in 2013 as confirmed by the Treasury to be set-off against the profit within a period of six years starting from 2014. Effective from 1 January 2016, Treasury has agreed to set-off the balance amount of Rs. 5,333 Mn. against the profit within a period of 10 years. Thereafter Treasury has agreed to set-off the balance amount of Rs. 4,800 Mn. against the profit within a period of 15 years effective from 1 January 2017.

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	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Foreign currency borrowings	**–**	–	**–**	–
Securities sold under repurchase (Repo) agreements	**–**	8,792,667	**–**	15,206,988
Other facilities	**487,521**	192,112	**487,521**	192,112
Total	**487,521**	8,984,779	**487,521**	15,399,100

33 Derivative financial instruments

As at 31 December	Note	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Foreign currency derivatives					
Currency swaps	48.2	**258,272**	–	**258,272**	–
Forward foreign exchange contracts		**137**	201	**137**	201
Total		**258,409**	201	**258,409**	201

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 2024.

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.

As at 31 December	Note	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Due to depositors	35.1	**1,556,270,863**	1,482,532,430	**1,556,681,918**	1,482,951,028
Due to debt securities holders		**–**	–	**–**	–
Due to other borrowers	35.2	**48,190,057**	61,611,014	**66,049,093**	72,891,598
Total		**1,604,460,920**	1,544,143,444	**1,622,731,011**	1,555,842,626

35. Financial liabilities at amortised cost (contd.)

35.1 Analysis of amount due to depositors

35.1 (a) By product

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Savings deposits	**302,544,813**	278,206,152	**302,637,392**	278,309,807
Fixed deposits	**1,253,726,050**	1,204,326,278	**1,254,044,526**	1,204,641,221
Total	**1,556,270,863**	1,482,532,430	**1,556,681,918**	1,482,951,028

35.1 (b) By currency

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Sri Lankan Rupee	**1,530,649,011**	1,455,659,625	**1,531,060,066**	1,456,078,223
United State Dollar	**20,932,437**	21,387,114	**20,932,437**	21,387,114
Euro	**2,072,504**	2,402,742	**2,072,504**	2,402,742
Great Britain Pound	**1,620,031**	1,819,611	**1,620,031**	1,819,611
Australian Dollar	**994,285**	1,261,910	**994,285**	1,261,910
Japanese Yen	**2,595**	1,428	**2,595**	1,428
Total	**1,556,270,863**	1,482,532,430	**1,556,681,918**	1,482,951,028

35.2 Due to other borrowers

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Loan facility from Central Bank of Sri Lanka	**–**	33,481,521	**–**	33,481,521
Other borrowers	**48,190,057**	28,129,494	**66,049,093**	39,410,078
Total	**48,190,057**	61,611,014	**66,049,093**	72,891,598

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	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Opening balance	**1,365,547**	1,377,229	**1,400,575**	1,414,959
Additions during the year	**234,958**	266,776	**234,958**	266,776
Lease interest for the year	**199,122**	197,040	**202,942**	201,146
Less: Paid during the year	**(518,066)**	(483,745)	**(524,298)**	(490,551)
Adjustments	**–**	8,245	**–**	8,245
Closing balance	**1,281,561**	1,365,547	**1,314,177**	1,400,575

36. (b) Maturity analysis – Lease liabilities

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Amount payable within one year	**317,675**	315,726	**320,330**	318,137
Amount payable within one to three years	**587,253**	529,854	**594,736**	536,041
Amount payable within three to five years	**272,627**	364,452	**282,856**	372,940
Amount payable after five years	**104,006**	155,515	**116,254**	173,456
Total	**1,281,561**	1,365,547	**1,314,176**	1,400,575

37 Debt securities issued

As at 31 December	Note	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Subordinated liabilities					
Debenture issued by the Bank	37.1	**5,100,532**	5,108,493	**5,100,532**	5,108,493
Debenture issued by other subsidiaries		**–**	–	**73,169**	73,169
		5,100,532	5,108,493	**5,173,701**	5,181,662
Non-subordinated liabilities					
Debenture issued by the Bank	37.2	**11,865,950**	18,698,020	**11,865,950**	18,698,020
Total		**16,966,482**	23,806,514	**17,039,651**	23,879,683
Due within 1 year		**425,482**	7,265,514	**498,651**	7,338,683
Due after 1 year		**11,541,000**	11,541,000	**11,541,000**	11,541,000
Perpetual		**5,000,000**	5,000,000	**5,000,000**	5,000,000
Total		**16,966,482**	23,806,514	**17,039,651**	23,879,683

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 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 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		**100,532**	108,493	**100,532**	108,493
Amortised cost as at 31 December		**5,100,532**	5,108,493	**5,100,532**	5,108,493
Subordinated liabilities					
Floating rate subordinated liabilities	37.1.1	**5,100,532**	5,108,493	**5,100,532**	**5,108,493**
Total		**5,100,532**	5,108,493	**5,100,532**	**5,108,493**

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 2024 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	**2024 %**	2023 %	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 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	**11.46**	12.36	**5,000,000**	5,000,000	**5,000,000**	5,000,000
Interest payable								**100,532**	108,493	**100,532**	108,493
Total								**5,100,532**	5,108,493	**5,100,532**	5,108,493

* 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.

		Bank		Group	
As at 31 December	Note	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Balance as at 1 January		**17,864,000**	17,864,000	**17,864,000**	17,864,000
Amount borrowed during the year		**–**	–	**–**	–
Repayments/redemptions during the year		**(6,323,000)**	–	**(6,323,000)**	–
Sub total		**11,541,000**	17,864,000	**11,541,000**	17,864,000
Exchange rate variance		**–**	–	**–**	–
Balance as at 31 December (before adjusting for amortised interest and transaction cost)		**11,541,000**	17,864,000	**11,541,000**	17,864,000
Unamortised transaction cost		**–**	–	**–**	–
Net effect of amortised interest payable		**324,950**	834,020	**324,950**	834,020
Amortised cost as at 31 December		**11,865,950**	18,698,020	**11,865,950**	18,698,020
Non-subordinated liabilities					
Debenture issued in 2019 (Rs. 6.323 Bn.)	37.2.1	**–**	6,543,222	**–**	**6,543,222**
Debenture issued in 2021 (Rs. 11.5 Bn.)	37.2.2	**11,865,950**	12,154,798	**11,865,950**	12,154,798
Total		**11,865,950**	18,698,020	**11,865,950**	18,698,020

37. Debt securities issued (contd.)

37.2 Non-subordinated liabilities (contd.)

37.2.1 Debenture issued in 2019 (Rs. 6.323 Bn.)

Detail of debenture Issue

The objective of the issue of the Debenture is to partly finance the funding requirement of unwinding the USD/LKR Swap agreement with Central Bank of Sri Lanka. This Rs. 6,323 Mn Unlisted, Rated, Senior, Unsecured, Redeemable debentures of Rs. 100/- each issued on 10 September 2019 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. This Debenture was matured on 10 September 2024.

						Effective annual yield		Bank		Group	
Category	Face value Rs. '000	Interest rate %	Repayment terms	Issue date	Maturity date	**2024 %**	2023 %	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Issued by the Bank											
Fixed rate 5 year	6,323,000	11.25% p.a.	At Maturity	10 September 2019	10 September 2024	**11.25**	11.25	–	6,323,000	–	6,323,000
Interest payable								–	220,222	–	220,222
Total	6,323,000							–	6,543,222	–	6,543,222

* Interest payment term is annual.

37.2.2 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	**2024 %**	2023 %	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 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	**11.00**	21.99	**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	**11.00**	21.99	**1,525,000**	1,525,000	**1,525,000**	1,525,000
Interest payable								**324,950**	613,798	**324,950**	613,798
Total	11,541,000							**11,865,950**	12,154,798	**11,865,950**	12,154,798

* 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".

As at 31 December	Note	Bank **2024** **Rs. '000**	Bank 2023 Rs. '000	Group **2024** **Rs. '000**	Group 2023 Rs. '000
Provision for pension scheme I	38 (a)1	**12,899,271**	12,987,377	**12,899,271**	12,987,377
Provision for pension scheme II	38 (a) 2	**447,200**	–	**447,200**	–
Provision for retired medical assistance scheme	38 (a) 3	**4,143,397**	5,113,022	**4,143,397**	5,113,022
Provision for gratuity	38 (a) 4	**–**	–	**107,539**	68,707
Total		**17,489,868**	18,100,399	**17,597,407**	18,169,106

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 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)**

A summary of retirement benefit obligations of the Bank as at 31 December 2023 are given below:

As at 31 December 2023	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)	(25,058,641)	(5,813,536)	(6,131,827)	(37,004,004)
Fair value of plan assets	12,071,264	8,044,209	1,018,805	21,134,278
Net asset/(liability) recognised for defined benefit obligation	(12,987,377)	2,230,673	(5,113,022)	(15,869,726)

38. Retirement benefit obligations (contd.)

38. (a) Defined benefit plans (contd.)

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 2024 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries, on 31 December 2024.

Projected Unit Credit Method was used to allocate the actuarial present value of the projected benefits earned by employees to date of 31 December 2024.

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
(a) Net asset/(liability) recognised in Statement of Financial Position				
Present value of defined benefit obligation	**(25,617,802)**	(25,058,641)	**(25,617,802)**	(25,058,641)
Fair value of plan assets	**12,718,531**	12,071,264	**12,718,531**	12,071,264
Net asset/(liability) recognised for defined benefit obligation	**(12,899,271)**	(12,987,377)	**(12,899,271)**	(12,987,377)
(b) Amount recognised in Income Statement				
Past service cost	**–**	–	**–**	–
Current service cost	**62,394**	46,228	**62,394**	46,228
Interest on obligation	**3,257,623**	3,412,958	**3,257,623**	3,412,958
Expected return on plan assets	**(1,569,264)**	(1,835,315)	**(1,569,264)**	(1,835,315)
Net benefit expense	**1,750,753**	1,623,871	**1,750,753**	1,623,871
(c) Amount recognised in Other Comprehensive Income (OCI)				
Provision adjustment	**(24)**	(169)	**(24)**	(169)
Experience (gain)/loss	**(1,241,193)**	(528,477)	**(1,241,193)**	(528,477)
(Gain)/loss due to changes in assumptions	**1,387,491**	5,989,744	**1,387,491**	5,989,744
Actuarial (gain)/loss on plan assets	**(367,168)**	(1,933,902)	**(367,168)**	(1,933,902)
Total	**(220,894)**	3,527,196	**(220,894)**	3,527,196
(d) Changes in fair value of plan assets are as follows:				
Opening fair value of plan assets	**12,071,264**	10,196,196	**12,071,264**	10,196,196
Expected return on plan assets	**1,569,264**	1,835,315	**1,569,264**	1,835,315
Actual employer contribution	**1,617,990**	928,538	**1,617,990**	928,538
Benefits paid	**(2,907,155)**	(2,822,688)	**(2,907,155)**	(2,822,688)
Actuarial gain/(loss) on plan assets	**367,168**	1,933,902	**367,168**	1,933,902
Closing fair value of plan assets	**12,718,531**	12,071,264	**12,718,531**	12,071,264
(e) Changes in present value of defined benefit obligation are as follows:				
Opening defined benefit obligation	**25,058,641**	18,960,877	**25,058,641**	18,960,877
Interest cost	**3,257,623**	3,412,958	**3,257,623**	3,412,958
Past service cost	**–**	–	**–**	–
Current service cost	**62,394**	46,228	**62,394**	46,228
Benefits paid	**(2,907,154)**	(2,822,688)	**(2,907,154)**	(2,822,688)
(Gain)/loss due to changes in assumptions	**1,387,491**	5,989,744	**1,387,491**	5,989,744
Actuarial (gain)/loss on obligation	**(1,241,193)**	(528,477)	**(1,241,193)**	(528,477)
Closing defined benefit obligation	**25,617,802**	25,058,641	**25,617,802**	25,058,641

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	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
(f) Plan assets consists of followings:				
Treasury Bonds	**5,975,510**	7,298,141	**5,975,510**	7,298,141
Treasury Bills	**3,248,245**	1,337,136	**3,248,245**	1,337,136
Commercial papers	**–**	256,503	**–**	256,503
Fixed deposits	**707,926**	–	**707,926**	–
Securities purchased under resale agreements	**18,128**	1,208,498	**18,128**	1,208,498
Debentures	**2,556,122**	2,054,856	**2,556,122**	2,054,856
Trust certificates	**342,931**	123,054	**342,931**	123,054
Cash at Bank	**12,094**	2,043	**12,094**	2,043
Other assets/(liabilities)	**(142,425)**	(208,967)	**(142,425)**	(208,967)
Total	**12,718,531**	12,071,264	**12,718,531**	12,071,264

	Bank and Group	
As at 31 December	**2024 Rs. '000**	2023 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	**2,725,386**	2,742,349
Between 1-2 years	**4,897,419**	4,840,534
Between 3-5 years	**5,848,703**	5,748,414
Between 6-10 years	**6,261,783**	6,084,505
Beyond 10 years	**5,884,511**	5,642,841
Total	**25,617,802**	25,058,642

	Pension Scheme I 2024	Pension Scheme I 2023
(h) Actuarial assumption		
Future salary increment rate (%)	**8.00**	10.00
Discount rate (%)	**11.00**	13.00
Increase in future Cost of Living Allowance (COLA) (%)	**6.50**	8.00
Mortality	**GA 1983 Mortality table**	GA 1983 Mortality table
Retirement age	**60 years**	60 years
Normal form of payment	**Monthly**	Monthly

38. Retirement benefit obligations (contd.)

38. (a) Defined benefit plans (contd.)

38. (a) 1 National Savings Bank Employees' Pension Scheme I (contd.)

Actuarial assumptions

Turnover rate

Age	**2024 %**	2023 %
20	**0.3**	0.3
25	**0.3**	0.3
30	**0.3**	0.3
35	**0.3**	0.3
40	**0.3**	0.3
45	**0.3**	0.3
50	**0.3**	0.3
55	**0.3**	0.3
56	**0.3**	0.3
57	**0.3**	0.3
58	**0.3**	0.3
59	**0.3**	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 I (Bank and Group)			
	2024		2023	
	1% increase	**1% decrease**	1% increase	1% decrease
Future salary increment rate	**25,658,720**	**25,577,925**	25,095,642	25,022,769
Discount rate	**24,034,486**	**27,405,593**	23,550,975	26,756,705

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 2024 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries, on 31 December 2024.

Projected Unit Credit Method was used to allocate the actuarial present value of the projected benefits earned by employees to date of 31 December 2024.

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
(a) Net asset/(liability) recognised in Statement of Financial Position				
Present value of defined benefit obligation	**(10,471,351)**	(5,813,536)	**(10,471,351)**	(5,813,536)
Fair value of plan assets	**10,024,151**	8,044,209	**10,024,151**	8,044,209
Total	**(447,200)**	2,230,673	**(447,200)**	2,230,673

38. Retirement benefit obligations (contd.)

38. (a) Defined benefit plans (contd.)

38. (a) 2 National Savings Bank Employees' Pension Scheme II (contd.)

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
(b) Amount recognised in Income Statement				
Past service cost	**–**	–	**–**	–
Current service cost	**557,131**	177,880	**557,131**	177,880
Interest on obligation	**755,760**	432,235	**755,760**	432,235
Expected return on plan assets	**(1,045,747)**	(858,006)	**(1,045,747)**	(858,006)
FMC contribution	**(1,287)**	(1,285)	**–**	–
Net benefit expense	**265,856**	(249,176)	**267,143**	(247,891)
(c) Amount recognised in Other Comprehensive Income (OCI)				
Provision adjustment	**(816)**	(566)	**(816)**	(566)
Experience (gain)/loss	**764,440**	(221,714)	**764,440**	(221,714)
(Gain)/ loss due to changes in assumptions	**2,666,051**	3,070,510	**2,666,051**	3,070,510
Actuarial (gain)/loss on plan assets	**44,864**	(1,592,719)	**44,864**	(1,592,719)
Total	**3,474,539**	1,255,510	**3,474,539**	1,255,510
(d) Changes in fair value of plan assets are as follows:				
Opening fair value of plan assets	**8,044,209**	4,766,699	**8,044,209**	4,766,699
Expected return on plan assets	**1,045,747**	858,006	**1,045,747**	858,006
Actual employer contribution	**1,064,626**	873,466	**1,064,626**	873,466
Benefits paid	**(85,567)**	(46,681)	**(85,567)**	(46,681)
Actuarial gain/(loss) on plan assets	**(44,864)**	1,592,719	**(44,864)**	1,592,719
Closing fair value of plan assets	**10,024,151**	8,044,209	**10,024,151**	8,044,209
(e) Changes in present value of defined benefit obligation are as follows:				
Opening defined benefit obligation	**5,813,536**	2,401,307	**5,813,536**	2,401,307
Interest cost	**755,760**	432,235	**755,760**	432,235
Past service cost	**–**	–	**–**	–
Current service cost	**557,131**	177,880	**557,131**	177,880
Benefits paid	**(85,567)**	(46,681)	**(85,567)**	(46,681)
(Gain)/loss due to changes in assumptions	**2,666,051**	3,070,510	**2,666,051**	3,070,510
Actuarial (gain)/loss on obligation	**764,440**	(221,714)	**764,440**	(221,714)
Closing defined benefit obligation	**10,471,351**	5,813,536	**10,471,351**	5,813,536

38. Retirement benefit obligations (contd.)

38. (a) Defined benefit plans (contd.)

38. (a) 2 National Savings Bank Employees' Pension Scheme II (contd.)

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
(f) Plan assets consist of followings:				
Treasury Bonds	**7,164,043**	5,355,564	**7,164,043**	5,355,564
Treasury Bills	**1,462,343**	1,441,195	**1,462,343**	1,441,195
Commercial papers	**–**	153,902	**–**	153,902
Debentures	**709,292**	799,000	**709,292**	799,000
Fixed deposits	**445,851**	–	**445,851**	–
Trust certificates	**282,121**	49,608	**282,121**	49,608
Securities purchased under resale agreements	**9,104**	381,389	**9,104**	381,389
Savings	**62,926**	1	**62,926**	1
Other assets/(liabilities)	**(111,529)**	(136,450)	**(111,529)**	(136,450)
Total	**10,024,151**	8,044,209	**10,024,151**	8,044,209

	Bank and Group	
	2024 Rs. '000	2023 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	**87,860**	78,002
Between 1-2 years	**243,439**	182,962
Between 3-5 years	**620,591**	374,418
Between 6-10 years	**1,305,471**	866,826
Beyond 10 years	**8,213,990**	4,311,328
Total	**10,471,351**	5,813,536

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 2024	Pension Scheme II 2023
(h) Actuarial assumption		
Future salary increment rate (%)	**8.00**	8.00
Discount rate (%)	**11.00**	13.00
Increase in future Cost of Living Allowance (COLA) (%)	**6.00**	8.00
Mortality	**GA 1983 Mortality table**	GA 1983 Mortality table
Retirement age	**60 years**	60 years
Normal form of payment	**Monthly**	Monthly

Turnover rate

Age	**2024 %**	2023 %
20	**0.3**	0.3
25	**0.3**	0.3
30	**0.3**	0.3
35	**0.3**	0.3
40	**0.3**	0.3
45	**0.3**	0.3
50	**0.3**	0.3
55	**0.3**	0.3
56	**0.3**	0.3
57	**0.3**	0.3
58	**0.3**	0.3
59	**0.3**	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)			
	2024		2023	
	1% increase	**1% decrease**	1% increase	**1% decrease**
Future salary increment rate	**11,592,466**	**9,530,274**	6,397,178	**5,539,676**
Discount rate	**8,714,046**	**12,725,640**	5,026,700	**7,077,691**

38. Retirement benefit obligations (contd.)

38. (a) Defined benefit plans (contd.)

38. (a) 3 Retired medical assistance scheme for the retired employees of NSB

An actuarial valuation of the retired medical assistance scheme for the retired employees was carried out as at 31 December 2024 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries, on 31 December 2024.

Projected Unit Credit Method was used to allocate the actuarial present value of the projected benefits earned by employees to date of 31 December 2024.

	Bank and Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000
(a) Net asset/(liability) recognised in Statement of Financial Position		
Present value of defined benefit obligation	**(5,781,264)**	(6,131,827)
Fair value of plan assets	**1,637,866**	1,018,805
Total	**(4,143,398)**	(5,113,022)
(b) Amount recognised in Income Statement		
Past service cost	**–**	–
Current service cost	**123,575**	62,427
Interest on obligation	**797,137**	752,029
Expected return on plan assets	**(132,444)**	(81,668)
Net benefit expense	**788,268**	732,788
(c) Amount recognised in Other Comprehensive Income (OCI)		
Experience (gain)/loss	**(753,765)**	(352,611)
(Gain)/loss due to changes in assumptions	**(77,377)**	1,937,426
Actuarial (gain)/loss on plan assets	**(174,149)**	(235,369)
Contribution from employees	**(19,812)**	(24,902)
Total	**(1,025,103)**	1,324,543
(d) Changes in fair value of plan assets are as follows:		
Opening fair value of plan assets	**1,018,805**	453,708
Expected return on plan assets	**132,444**	81,668
Actual employer contribution	**732,789**	668,541
Actual participants' contribution	**19,812**	24,902
Benefits paid	**(440,133)**	(445,384)
Actuarial gain/(loss) on plan assets	**174,149**	235,369
Closing fair value of plan assets	**1,637,866**	1,018,805

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 2024 Rs. '000	2023 Rs. '000
(e) Changes in present value of defined benefit obligation are as follows:		
Opening defined benefit obligation	**6,131,827**	4,177,939
Interest cost	**797,137**	752,029
Past service cost	**–**	–
Current service cost	**123,575**	62,427
Benefits paid	**(440,133)**	(445,384)
(Gain)/loss due to changes in assumptions	**(77,377)**	1,937,426
Actuarial (gain)/loss on obligation	**(753,765)**	(352,611)
Closing defined benefit obligation	**5,781,264**	6,131,827
(f) Plan assets consist of followings:		
Treasury Bonds	**1,444,855**	759,440
Treasury Bills	**203,854**	224,967
Fixed deposits	**257,380**	–
Securities purchased under resale agreements	**3,833**	326,534
Trust certificates	**–**	–
Debentures	**174,219**	153,177
Savings	**149**	5,041
Other payable	**(446,424)**	(450,355)
Total	**1,637,866**	1,018,804
(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	**425,424**	438,074
Between 1-2 years	**770,005**	803,310
Between 3-5 years	**974,024**	1,038,303
Between 6-10 years	**1,213,585**	1,316,655
Beyond 10 years	**2,398,226**	2,535,485
Total	**5,781,264**	6,131,827

	2024 %	2023 %
(h) Actuarial assumption		
Medical cost inflation rate	**6.50**	8.00
Discount rate	**11.50**	13.00

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.)

(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			
	2024		2023	
	1% increase	**1% decrease**	1% increase	1% decrease
Medical cost escalation rate	**6,539,494**	**5,158,846**	6,914,862	5,485,560
Discount rate	**5,208,970**	**6,486,382**	5,536,917	6,860,759

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 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.

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
(a) Net benefit expense (recognised under personal expenses)				
Current service cost	–	–	**36,804**	14,554
Interest cost on benefit obligation	–	–	**4,153**	995
Net benefit expense	–	–	**40,957**	15,549
(b) Provision for gratuity				
Defined benefit obligation as at 1 January	–	–	**68,707**	58,939
Interest cost	–	–	**4,153**	995
Current service cost	–	–	**36,804**	14,554
Benefits paid	–	–	**(2,125)**	(5,197)
Actuarial (gain)/loss on obligation (recognised in OCI)	–	–	**–**	(584)
Defined benefit obligation as at 31 December	–	–	**107,539**	68,707

38. Retirement benefit obligations (contd.)

38. (a) Defined benefit plans (contd.)

38. (a) 4 Gratuity plan – Bank and Group (contd.)

	FMC		SLSB	
	2024 %	2023 %	**2024 %**	2023 %
(c) Actuarial assumption				
Future salary increment rate	**10.00**	10.00	**10.00**	10.00
Discount rate	**11.00**	13.30	**13.00**	13.00
Mortality	**–**	–	**A67/70**	A67/70

Staff turnover rate and average future working lifetime

	FMC – 2024		
Age group	**25-34**	**35-44**	**45<**
Staff turnover rate – %	**0**	**0**	**0**
Average future working lifetime – years	**26.9**	**14.8**	**5.7**

(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			
	2024		2023	
	1% increase	**1% decrease**	1% increase	1% decrease
Future salary increment rate	**1,146**	**(1,020)**	666	(600)
Discount rate	**(1,002)**	**1,146**	(578)	652

Assumptions

Financial assumptions – Rate of discount, salary increment rate

Demographic assumptions – Mortality, staff turnover, disability, retirement age

39 Current tax liabilities

As at 31 December	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Balance as at 1 January	**–**	2,760,857	**305,869**	2,943,314
Tax receivable (WHT)	**(60,351)**	(88,248)	**(192,812)**	(88,248)
Charge for the year	**8,935,497**	–	**9,770,215**	66,852
Charge/(reversal) for previous years	**–**	(460,517)	**–**	–
Payment during the year	**(5,035,397)**	(2,403,112)	**(5,637,408)**	(2,739,667)
Transfer to/(from) tax receivable	**(191,020)**	191,020	**(191,020)**	123,618
Balance as at 31 December	**3,648,729**	–	**4,054,844**	305,869

40 Other provisions

No value to be disclosed under other provision as at 31 December 2024.

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.

As at 31 December	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Sundry creditors	**333,659**	385,244	**335,283**	386,708
Interest payable	**–**	–	**68,926**	66,985
Salary related payable	**2,866,461**	2,061,830	**2,867,111**	2,061,830
Other tax payable	**599,583**	935,396	**640,292**	962,820
Other payables	**5,202,406**	5,806,985	**5,475,633**	5,985,165
Total	**9,002,109**	9,189,455	**9,387,245**	9,463,508

42 Due to subsidiaries

As at 31 December	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Payable to FMC	**–**	–	**–**	–
Total	**–**	–	**–**	–

Refer Note 49.3 and 49.4 – Related party transaction on pages 341 and 342.

43 Stated capital/assigned capital

As at 31 December	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 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 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Opening balance	**5,369,172**	5,224,842	**5,464,218**	5,281,952
Transfer during the period – 2% of profit after tax	**325,705**	144,330	**346,524**	182,266
Closing balance	**5,694,877**	5,369,172	**5,810,742**	5,464,218

45 Retained earnings

As at 31 December	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Balance as at 1 January	**14,408,118**	11,359,152	**18,605,719**	13,589,101
Opening balance adjustment*	**–**	–	**–**	15,438
Restated opening balance as at 1 January	**14,408,118**	11,359,152	**18,605,719**	13,604,539
Profit for the year	**16,285,244**	7,216,483	**17,659,813**	9,616,809
Other comprehensive income	**(1,742,500)**	(4,023,187)	**(1,744,798)**	(4,022,962)
Transfers to other reserves (statutory/other)	**(325,705)**	(144,330)	**(586,068)**	(592,667)
Contribution to National Insurance Trust Fund	**(162,852)**	–	**(162,852)**	–
Dividend/levy	**–**	–	**–**	–
Balance as at 31 December	**28,462,305**	14,408,118	**33,771,814**	18,605,719

* Please refer Note 53 comparative figures.

46 Other reserves

	Bank 2024		
	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**

	Bank 2023		
	Opening balance at 1 January 2023 Rs. '000	Movement/ transfers Rs. '000	Closing balance at 31 December 2023 Rs. '000
General reserve	37,740,877	–	37,740,877
Revaluation reserve (net of tax)	6,493,876	1,452,340	7,946,216
OCI reserve	(1,669,876)	2,956,339	1,286,463
Foreign currency translation reserve	–	–	–
Other reserves (Refer Note 46.1, 46.2)	4,343,358	880,049	5,223,407
Total	46,908,234	5,288,728	52,196,963

	Group 2024		
	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.)

	Group 2023		
	Opening balance at 1 January 2023 Rs. '000	Movement/ transfers Rs. '000	Closing balance at 31 December 2023 Rs. '000
General reserve	37,740,877	–	37,740,877
Revaluation reserve (net of tax)	6,932,981	1,709,903	8,642,884
OCI reserve	(1,765,659)	3,199,509	1,433,850
Foreign currency translation reserve	–	–	–
Other reserves (Refer Note 46.1, 46.2, 46.3)	5,210,429	1,290,450	6,500,879
Total	48,118,628	6,199,862	54,318,490

46.1 Unclaimed deposit reserve

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Opening balance	**5,221,226**	4,341,177	**5,221,226**	4,341,177
Transferred to share capital	**–**	–	**–**	–
Transferred during the year	**161,631**	880,049	**161,631**	880,049
Closing balance	**5,382,857**	5,221,226	**5,382,857**	5,221,226

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 2024, was Rs. 161.63 Mn.

46.2 Special reserve

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 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 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. Other reserves (contd.)

46.3 Special risk reserve – (NSB Fund Management Company Limited)

As at 31 December	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Opening balance	**–**	–	**1,277,472**	867,071
Transferred during the year – 25% of profit after tax	**–**	–	**239,544**	410,401
Closing balance	**–**	–	**1,517,016**	1,277,472

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

As at 31 December	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Total other reserves	**5,385,038**	5,223,407	**6,902,054**	6,500,879

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	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Commitments					
Commitment for unutilised credit facilities		**3,459,333**	3,500,994	**3,459,333**	3,503,957
Other commitments indirect credit facilities		**1,043,688**	1,158,055	**1,043,688**	1,158,055
Capital commitments	48.1	**619,267**	1,322,696	**627,575**	1,363,854
Subtotal		**5,122,288**	5,981,745	**5,130,596**	6,025,866
Contingent liabilities					
Documentary credit		**–**	452,690	**–**	452,690
Bank guarantees		**1,295,768**	2,104,277	**1,295,768**	2,104,277
Other contingencies	48.2	**8,624,391**	1,346,162	**8,624,391**	1,346,162
Subtotal		**9,920,159**	3,903,129	**9,920,159**	3,903,129
Total commitment and contingencies		**15,042,447**	9,884,874	**15,050,755**	9,928,995

48. Contingent liabilities and commitments (contd.)

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	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Commitments in relation to property, plant and equipment				
Approved and contracted for	**12,040**	130,827	**12,040**	130,827
Approved but not contracted for	**–**	–	**–**	–
Subtotal	**12,040**	130,827	**12,040**	130,827
Commitments in relation to intangible asset				
Approved and contracted for	**607,227**	1,191,869	**615,535**	1,233,027
Approved but not contracted for	**–**	–	**–**	–
Subtotal	**607,227**	1,191,869	**615,535**	1,233,027
Total	**619,267**	1,322,696	**627,575**	1,363,854

48.2 Other contingencies

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Derivatives				
Others	**–**	–	**–**	–
Forward exchange contracts				
Forward exchange sales	**8,624,391**	1,346,162	**8,624,391**	1,346,162
Total	**8,624,391**	1,346,162	**8,624,391**	1,346,162

49 Related party disclosures

Accounting policy

The Bank carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per the Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures" i.e. Government of Sri Lanka, subsidiaries, post-employment benefit plans for the Bank's employees, Key Management Personnel (KMPs). Those transactions include lending activities, 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, other than, transactions that the Key Management Personnel (KMP) have availed under schemes uniformly applicable to all staff at concessionary rates. Particulars of transactions with related parties are tabulated below:

49.1 Parent and ultimate controlling party

National Savings Bank is a Government-owned bank.

49.2 Transactions with Government of Sri Lanka (Parent) and state-controlled entities

The financial dealings carried out with the Government of Sri Lanka and state-controlled entities for the year are disclosed below:

49.2.1 Transactions which are collectively significant

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Assets				
Loans to Government	**–**	–	**–**	–
Investments made on Government Securities	**973,281,879**	885,429,139	**1,009,873,059**	917,105,830
Investments on state and state-controlled entities	**202,892,138**	228,532,408	**203,183,541**	229,593,775
Securities purchased under resale agreements	**966,088**	1,774,349	**966,088**	1,774,349
Tax receivable	**–**	191,020	**–**	191,020
Postmaster-General's current account	**627,795**	–	**627,795**	–
Advance payment to Government	**2,240,000**	2,560,000	**2,240,000**	2,560,000
Other receivables from Government	**37,339,777**	51,125,514	**37,428,717**	51,214,454
Total	**1,217,347,677**	1,169,532,831	**1,254,319,200**	1,202,359,829
Liabilities				
Securities sold under repurchase agreements	**2,509,798**	–	**2,618,006**	8,479,722
Postmaster-General's current account	**–**	43,266	**–**	43,266
Tax payable	**–**	–	**4,054,844**	305,869
Total	**2,509,798**	43,266	**6,672,850**	8,828,857
Commitment				
Undrawn loan commitment	**3,323,970**	3,323,970	**3,323,970**	3,323,970
Taxes paid				
Income tax	**8,935,497**	(460,517)	**9,664,837**	66,851
Value added tax	**8,207,522**	1,142,716	**8,683,243**	1,832,755
SSCL on financial services	**1,139,934**	158,708	**1,205,905**	254,298
Contribution to consolidated fund – dividend/levy	**–**	–	**–**	–
Total	**18,282,953**	840,906	**19,553,985**	2,153,904

49. Related party disclosures (contd.)

49.2 Transactions with Government of Sri Lanka (Parent) and state-controlled entities (contd.)

49.2.2 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:

49.3 Transactions with subsidiary company (NSB Fund Management Company Limited)

The Bank has contributed Rs. 4,200 Mn. towards the share capital of the Company. The Company invested its funds in Treasury Bills, Treasury Bonds and Repos during the year on a regular basis. All investment in Treasury Bills and Treasury Bonds of the Bank are being made through the NSB Fund Management Company Limited on which no service charges/custodian fee has been made for the year 2024 (Rs. 0.98 Mn. service charges/custodian fees in 2023).

The Bank holds following balances with NSB Fund Management Company Limited, at the reporting date:

	Bank	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000
Assets		
Securities purchased under resale agreements	**5,491,547**	3,502,933
Loans and advances	**–**	–
Other receivable	**2,684**	2,305
Total	**5,494,231**	3,505,238
Liabilities		
Other payable	**–**	–
Commitment		
Undrawn loan commitment	**–**	–
Regulatory capital	**75,660,059**	60,998,920
Balance as a percentage of the Bank's regulatory capital (%)	**7.3**	5.7

49. Related party disclosures (contd.)

49.3 Transactions with subsidiary company (NSB Fund Management Company Limited) (contd.)

The above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties. Particulars of income and expenses with related parties are tabulated below:

	Bank	
For the year ended 31 December	**2024 Rs. '000**	2023 Rs. '000
Income		
Legal fee and shared services	**1,525**	300
Interest income on loans and advances	**–**	64,670
Rent	**6,096**	6,096
Dividend	**–**	–
Interest income reverse repo	**117,630**	74,782
Total	**125,251**	145,848
Expenses		
Service charges/custodian fees	**–**	980
Real time gross settlement charges	**–**	–
Trustee fee	**300**	1,050
Interest expenses on repo's	**–**	–
Total	**300**	2,030

49.4 Transactions with subsidiary company (Sri Lanka Savings Bank Limited)

The Sri Lanka Savings Bank Limited (SLSBL) was established in July 2006 under the Banking Act and incorporated under the provision of the Companies Act. The Sri Lanka Savings Bank commenced business on 10 March 2008 as a state-owned Licensed Specialised Bank. The Bank has acquired SLSBL as fully-owned subsidiary by paying Rs. 3,111 Mn. on 11 October 2019. The CBSL has given special approval to acquisition as per the budget proposal of 2016.

The Bank holds following balances with Sri Lanka Savings Bank Limited at the reporting date.

	Bank	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000
Liabilities		
Securities sold under repurchase agreement	**–**	–
Securities sold under repurchase agreement – Interest payables	**–**	–
Due to depositors	**146**	264
Due to depositors – Interest payables	**–**	–
Total	**146**	264

49. Related party disclosures (contd.)

49.4 Transactions with subsidiary company (Sri Lanka Savings Bank Limited) (contd.)

The above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties. Particulars of income and expenses with related parties are tabulated below:

	Bank	
For the year ended 31 December	**2024 Rs. '000**	2023 Rs. '000
Expenses		
Interest expenses on securities sold under repurchase agreements	**–**	2,238
Interest expenses on due to depositors	**13**	155,582
Total	**13**	157,820

49.5 Transactions with key managerial persons

49.5.1 Compensation to Key Management Personnel (KMPs)

As per the Sri Lanka Accounting Standard -LKAS 24 - "Related Party Disclosures", the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Bank. Accordingly, Key managerial persons include members of the Board of Directors of the Bank and key employees of the Bank holding directorships in subsidiaries, NSB Fund Management Company Ltd. and Sri Lanka Savings Bank Limited, Chairman's, Directors', GM/CEO's, DGM's and Senior Management personnel reporting directly to the Chief Executive Officer.

	Bank and Group	
For the year ended 31 December	**2024 Rs. '000**	2023 Rs. '000
Short-term employee benefit	**208,853**	161,428
Post-employment benefit	**18,733**	18,157
Total	**227,586**	179,585

In addition to the above, the Bank has also provided non-cash benefits to the KMPs in line with the approved benefit plans of the Bank.

Chairman's, Directors', GM/CEO's, DGM's and Senior Management personnel reporting directly to the Chief Executive Officer emoluments and fees amounted to Rs. 208.8 Mn. in 2024. (Rs. 161.4 Mn. in 2023).

49.5.2 Transactions, arrangements, and agreements involving Key Management Personnel (KMPs)

	Bank and Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000
Assets		
Loans and advances	**153,110**	140,299

49. Related party disclosures (contd.)

49.5 Transactions with key managerial persons (contd.)

49.5.3 Net accommodation granted to related parties

(Disclosure under Rule 3 (8) (ii) (e) of the Governance Direction of No. 12 of 2007 issued by the Central Bank of Sri Lanka).

	Bank and Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000
Key Managerial Persons		
Loans and advances	**153,110**	140,299
Total net accommodation	**153,110**	140,299
Regulatory capital	**75,660,059**	60,998,920
Net accommodation as a percentage of the Bank's regulatory capital (%)	**0.2**	0.2

49.6 Transactions with post-employment benefit plans of the Bank

Transactions (SOFP) which were taken place between the Bank and post-employment benefit plans of the Bank as at the year end are summarised below:

The Bank holds following balances with post-employment benefit plans at the reporting date.

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Liabilities				
National Savings Bank Employees' Provident Fund				
Due to depositors – (Fixed deposits)	**1,400,000**	–	**1,400,000**	–
Due to other borrowers (Securities purchased under resale agreements)	**–**	595,089	**127,790**	595,089
Debt securities issued (Debentures)	**1,050,000**	1,250,000	**1,050,000**	1,250,000
National Savings Bank Employees' Pension Scheme I				
Due to depositors – (Fixed deposits)	**638,000**	–	**638,000**	–
Due to other borrowers (Securities purchased under resale agreements)	**1,300**	1,200,565	**19,407**	1,200,565
Debt securities issued (Debentures)	**250,000**	550,000	**250,000**	550,000
National Savings Bank Employees' Pension Scheme II				
Due to depositors – (Fixed deposits)	**400,000**	–	**400,000**	–
Due to other borrowers (Securities purchased under resale agreements)	**–**	375,710	**9,097**	375,710
Debt securities issued (Debentures)	**500,000**	500,000	**500,000**	500,000
Medical Assistance Scheme for the Retired Employees of NSB				
Due to depositors – (Fixed deposits)	**234,318**	–	**234,318**	–
Due to other borrowers (Securities purchased under resale agreements)	**–**	327,822	**3,829**	327,822
Debt securities issued (Debentures)	**25,000**	25,000	**25,000**	25,000
Widows'/Widowers' and Orphans' Pension Fund				
Due to depositors – (Fixed deposits)	**250,000**	–	**250,000**	–
Due to other borrowers (Securities purchased under resale agreements)	**–**	11,635	**15,373**	11,635
Debt securities issued (Debentures)	**100,000**	100,000	**100,000**	100,000

49. Related party disclosures (contd.)

49.6 Transactions with post-employment benefit plans of the Bank (contd.)

Transactions (IS) which were taken place between the Bank and post-employment benefit plans of the Bank as at the year end are summarised below in view of Bank:

	Bank		Group	
For the year ended 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Interest income				
National Savings Bank Employees' Provident Fund	**–**	–	**–**	–
National Savings Bank Employees' Pension Scheme I	**–**	–	**–**	–
Interest expenses				
National Savings Bank Employees' Provident Fund	**161,509**	346,909	**194,033**	346,909
National Savings Bank Employees' Pension Scheme I	**77,895**	315,725	**178,710**	315,725
National Savings Bank Employees' Pension Scheme II	**87,407**	187,345	**100,402**	187,345
Medical Assistance Scheme for the Retired Employees of NSB	**4,677**	43,049	**10,711**	43,049
Widows'/Widowers' and Orphans' Pension Fund	**17,648**	40,975	**19,542**	40,975

49.7 Due from other related parties

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Securities purchased under resale agreements – Entrust Securities PLC	**–**	32,772	**–**	32,772
Receivable from Entrust Securities PLC	**859,160**	859,160	**859,160**	859,160
Impairment	**(124,372)**	(124,372)	**(124,372)**	(124,372)
Total	**734,788**	767,560	**734,788**	767,560

49.8 Due to other related parties

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Other payable – Entrust Securities PLC	**734,788**	734,788	**734,788**	734,788
Total	**734,788**	734,788	**734,788**	734,788

50 Net assets value per ordinary share

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2024 Rs. '000
Amount used as the numerator				
Shareholders' funds	**98,842,615**	81,374,253	**106,834,795**	87,788,427
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.)	**105.15**	86.57	**113.65**	93.39

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	**2024 Number**	2023 Number
Tribunal/Court		
Labour Tribunal	**14**	10
District Court	**58**	90
High Court/Civil Appellate High Court/Provincial High Court	**2**	5
Court of Appeal	**4**	7
Supreme Court	**–**	4
Human Rights Commission	**40**	–
Commercial High Court	**2**	–
Arbitration	**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 Sri Lanka Savings Bank (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. Accordingly, SLSB transferred an investment maturity amounting to Rs. 1,011,058,275.53 to NSB on 24 January 2025.

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 OCI reserve and other reserve

The deferred tax on OCI reserve amounting Rs. 19.9 Mn. pertaining to subsidiary company (NSB Fund Management Company Ltd.) and deferred tax on retirement benefit obligations amounting Rs. 15.4 Mn. pertaining to subsidiary company (Sri Lanka Savings Bank Ltd.) have been adjusted as a prior year adjustment in the Financial Statement as at 31 December 2023.

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.

54. Financial risk management (contd.)

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

- IT Steering Committee (ITSC)
- Human Resource Committee (HRC)
- Branch Operation Steering Committee (BOSC)
- Performance Review Committee
- Marketing Committee
- Corporate Management Committee (CMC)
- Information Security Committee (ISC)

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; • Other retail lending (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;	**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 vii. 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. viii. Credit Monitoring Framework: Portfolio and transaction level monitoring and reporting to CC/IC/BIRMC and Board. ix. Loan Review Mechanism (LRM). x. Capital allocation under Standardised Approach. xi. Continuous training of credit staff at the credit division and branch level.

54. Financial risk management (contd.)

Material risk types (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 three key market risk components: • Interest rate risk • Equity risk • Foreign exchange risk	**Governing Policies** Market Risk and Liquidity Risk Management Policy **Key Management Committee** Asset and Liability Management Committee (ALCO) Investment Committee	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 • VaR • Sensitivity analysis and stress testing iv. Dealing room voice recordings are monitored on daily basis to ensure sound market conduct. v. Limit Monitoring Framework: Middle Office Monitoring against the Limit framework 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
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 SLAR, LCR, and NSFR against regulatory minimum requirements. v. Monitor 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 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. 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 bestpractices on Disaster Recovery and BCM.

54. Financial risk management (contd.)

Material risk types (contd.)

Description	Governing Policies and Key Management Committee	Key controls and mitigation strategies
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.
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).

54. Financial risk management (contd.)

Material risk types (contd.)

Description	Governing Policies and Key Management Committee	Key controls and mitigation strategies
Strategic risk		
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).

Broad risk categories in focus

The Bank is exposed to the following key risks from financial instruments:

54.1 Credit risk

54.1.1 Credit quality analysis

54.1.1.(a) Net exposure to credit risk by class of financial assets

54.1.1.(b) Management of the credit portfolio

54.1.1.(c) Credit quality (past due) by classes of financial assets

54.1.1.(d) Credit quality by classes of financial asset – stage-wise

54.1.1.(e) Credit quality by rating of counterparty/obligor

54.1.1.(f) Bank Guarantees, letter of credit and other undrawn commitment

54.2 Liquidity risk

54.2.1 Concentration of liquid assets

54.2.2 Remaining contractual period to maturity

54.2.3 Financial assets available to support future funding

54.3 Market risk

54.3.1 Market risk – Trading and non-trading exposure

54.3.2 Foreign exchange risk

54.3.3 Equity risk

54.3.4 Interest rate risk

54.4 Operational risk

54. Financial risk management (contd.)

54.1 Credit risk

Credit Risk is the risk of losses resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Bank which could materialise from both On or Off Balance Sheet. The On-Balance sheet credit risk arises mainly from notional value of financial products such as retail loans, corporate loans, loans to banks and financial institutions, loans to State Owned Enterprises (SOEs) . The Off-Balance sheet credit risk arises from commitments and contingencies.

Credit risk exposures of the Bank

The total credit exposure which is 30.4% of the Bank's total assets is the second major line of business (The investment in risk free securities is 62.8% of total assets). Hence the magnitude of credit risk is comparatively moderate to the Bank, albeit the fact that the Bank considers credit risk as a major type of risk.

54.1.1 Credit quality analysis

54.1.1 (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		**2024**		2023	
	Note	**Maximum exposure to credit risk Rs. '000**	**Net exposure Rs. '000**	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000
Bank					
Cash and cash equivalents	16	**8,358,742**	**3,862,161**	9,508,563	6,517,416
Balances with central banks	17	**357,054**	**357,054**	246,998	246,998
Placements with banks	18	**14,794,637**	**14,794,637**	22,576,750	22,576,750
Derivative financial instruments	19	**9,131**	**9,131**	924	924
Financial assets recognised through profit or loss	20				
– measured at fair value		**21,086,781**	**212,732**	17,748,501	825,378
– designated at fair value		**–**	**–**	–	–
Financial assets at amortised cost					
– loans and advances	21	**532,379,013**	**187,863,004**	526,520,530	248,730,754
– debt and other instruments	22	**1,039,034,572**	**8,566,388**	943,704,684	2,232,945
Financial assets measured at fair value through other comprehensive income	23	**53,469,178**	**5,568,833**	61,924,412	3,030,202
Total		**1,669,489,108**	**221,233,940**	1,582,231,362	284,161,368

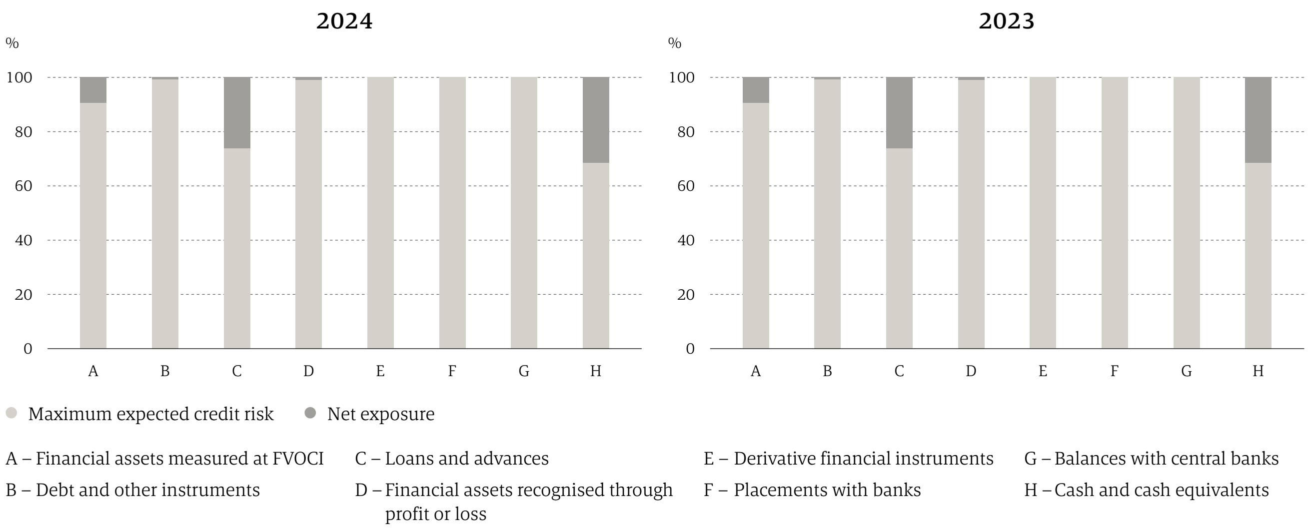
54. Financial risk management (contd.)

54.1 Credit risk (contd.)

54.1.1 Credit quality analysis (contd.)

54.1.1 (a) Net exposure to credit risk by class of financial assets (contd.)

Net exposure to credit risk – Bank Graph 66



As at 31 December	Note	**2024** Maximum exposure to credit risk Rs. '000	**2024** Net exposure Rs. '000	2023 Maximum exposure to credit risk Rs. '000	2023 Net exposure Rs. '000
Group					
Cash and cash equivalents	16	**8,544,416**	**4,044,772**	9,546,756	6,552,668
Balances with central banks	17	**357,117**	**357,117**	247,232	247,232
Placements with banks	18	**14,794,637**	**14,794,637**	23,618,966	23,618,966
Derivative financial instruments	19	**54,892**	**54,892**	11,231	11,231
Financial assets recognised through profit or loss	20				
– measured at fair value		**46,749,528**	**212,732**	40,189,162	825,378
– designated at fair value		**–**	**–**	–	–
Financial assets at amortised cost					
– loans and advances	21	**527,715,322**	**183,198,950**	523,809,104	249,361,707
– debt and other instruments	22	**1,048,965,769**	**9,207,318**	953,056,324	2,661,260
Financial assets measured at fair value through other comprehensive income	23	**55,306,512**	**5,939,747**	62,694,519	3,234,699
Total		**1,702,488,193**	**217,810,165**	1,613,173,294	286,513,141

54. Financial risk management (contd.)

54.1 Credit risk (contd.)

54.1.1 Credit quality analysis (contd.)

54.1.1 (b) Management of the credit portfolio

54.1.1 (b) 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 accessibility 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.

b. for retail lending - mortgage over residential property, gold, cash, 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.

Collateral held

Loan-to-value ratio of residential mortgage lending

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 residential mortgage loan is based on the forced sale value determined by professional valuers.

	2024		2023	
As at 31 December	**Rs. '000**	**Composition %**	Rs. '000	Composition %
LTV ratio				
Less than 50%	**65,085,140**	**80.75**	50,095,520	78.12
51% – 70%	**12,611,782**	**15.65**	10,937,494	17.06
71% – 90%	**2,273,675**	**2.82**	2,527,642	3.94
91% – 100%	**177,576**	**0.22**	302,120	0.47
More than 100%	**448,712**	**0.56**	261,741	0.41
	80,596,885	**100.00**	64,124,517	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.

54.1.1.(b).2 Concentration of credit risk by product and sector

By setting various concentration limits under different criteria within the established risk appetite framework (i.e. single borrower/ group, industry sectors, name, concentration limits etc.), the Bank ensures that an acceptable level of risk diversification is maintained on an ongoing basis.

54. Financial risk management (contd.)

54.1 Credit risk (contd.)

54.1.1 Credit quality analysis (contd.)

54.1.1 (b) Management of the credit portfolio (contd.)

54.1.1 (b) 2 Concentration of credit risk by product and sector (contd.)

The Bank monitors the concentration of credit risk by product and sectors. An analysis of concentration risk of the Bank portfolio (Loans and advances) is given below:

Concentration by product

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Loans and advances				
Lease rental and receivable	**–**	–	**25,911**	74,111
Pawning	**119,692,775**	94,935,475	**119,692,803**	94,935,503
Staff loans	**16,307,926**	15,219,547	**16,648,714**	15,557,481
Term loans				
Short-term	**95,669**	206,092	**95,669**	206,092
Long-term	**384,286,416**	428,838,174	**385,812,874**	430,466,687
Others				
Sri Lanka Government Securities	**–**	–	**–**	–
Loan to Government	**–**	–	**–**	–
Securities purchased under resale agreement	**40,930,913**	9,698,614	**35,762,112**	6,356,234
Gross total	**561,313,699**	548,897,902	**558,038,083**	547,596,108

Concentration by sector

	Bank		Group	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Loans and advances				
Agriculture and fishing	**36,406,612**	33,935,917	**36,572,677**	34,249,380
Manufacturing	**–**	–	**587,812**	569,274
Tourism	**70,349**	73,354	**115,389**	125,031
Transport	**–**	16,019	**15,415**	53,126
Construction/housing	**173,805,328**	180,302,455	**174,296,676**	180,635,738
Traders	**–**	–	**391,901**	369,412
New economy	**–**	–	**27,269**	21,717
Others				
Financial and business services	**42,893,107**	9,908,156	**42,893,107**	9,908,156
Infrastructure	**53,544,313**	61,075,939	**53,544,313**	61,075,939
Power and energy	**4,026,768**	5,698,971	**4,026,768**	5,698,971
Education	**8,764,010**	8,876,295	**8,764,010**	8,876,295
Personal/Pawning/Other	**241,803,212**	249,010,796	**236,802,746**	246,013,069
Gross total	**561,313,699**	548,897,902	**558,038,083**	547,596,108

54. Financial risk management (contd.)

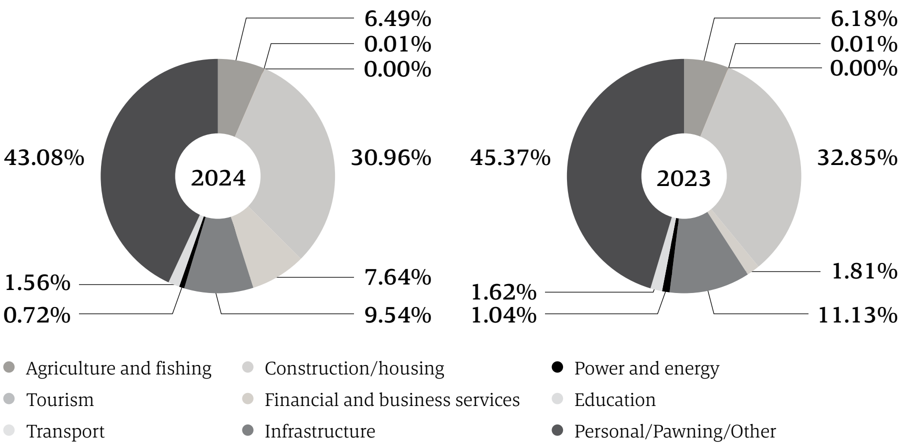
54.1 Credit risk (contd.)

54.1.1 Credit quality analysis (contd.)

54.1.1 (b) Management of the credit portfolio (contd.)

54.1.1 (b) 2 Concentration of credit risk by product and sector (contd.)

Sector classification of loans and advances – Bank Graph 67



54.1.1 (c) Credit quality (past due) by classes of financial assets – Bank

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 (gross)*	16	**8,359,289**	–	–	**8,359,289**
Balances with central banks	17	**357,054**	–	–	**357,054**
Placements with banks (gross)*	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 (gross)*	21	**466,707,508**	**90,851,635**	**3,754,556**	**561,313,699**
– debt and other instruments (gross)*	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.

54. Financial risk management (contd.)

54.1 Credit risk (contd.)

54.1.1 Credit quality analysis (contd.)

54.1.1 (c) Credit quality (past due) by classes of financial assets – Bank (contd.)

Aging 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	Past due but not impaired				
	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 (gross)*	**45,553,716**	**12,987,587**	**7,450,004**	**24,860,328**	**90,851,635**
	50%	**14%**	**8%**	**27%**	**100%**

Facilities in arrears of one day and above considered as "past due".

As at 31 December 2023	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 (gross)*	16	9,509,855	-	-	9,509,855
Balances with central banks	17	246,998	-	-	246,998
Placements with banks (gross)*	18	22,584,079	-	-	22,584,079
Derivative financial instruments	19	924	-	-	924
Financial assets recognised through profit or loss					
– measured at fair value	20	17,748,501	-	-	17,748,501
– designated at fair value		-	-	-	-
Financial assets at amortised cost					
– loans and advances (gross)*	21	477,436,042	67,399,734	4,062,127	548,897,902
– debt and other instruments (gross)*	22	943,705,329	-	-	943,705,329
Financial assets measured at fair value through other comprehensive income	23	61,924,412	-	-	61,924,412
Total		1,533,156,139	67,399,734	4,062,127	1,604,618,000

* Collectively assessed for the impairment.

Aging 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 2023	Past due but not impaired				
	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 (gross)*	32,687,296	11,391,618	5,351,707	17,969,113	67,399,734
	48%	17%	8%	27%	100%

Facilities in arrears of one day and above considered as "past due".

54. Financial risk management (contd.)

54.1 Credit risk (contd.)

54.1.1 Credit quality analysis (contd.)

54.1.1 (d) Credit quality by classes of financial asset – stage-wise – Bank

As at 31 December 2024	Note	Amortised cost: Not subject to ECL Rs. '000	Amortised cost: Stage 1 Rs. '000	Amortised cost: Stage 2 Rs. '000	Amortised cost: Stage 3 Rs. '000	Amortised cost: Total Rs. '000	Impairment provision: Stage 1 Rs. '000	Impairment provision: Stage 2 Rs. '000	Impairment provision: Stage 3 Rs. '000	Impairment provision: Total Rs. '000	As per financial position 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.

As at 31 December 2023	Note	Amortised cost: Not subject to ECL Rs. '000	Amortised cost: Stage 1* Rs. '000	Amortised cost: Stage 2 Rs. '000	Amortised cost: Stage 3 Rs. '000	Amortised cost: Total Rs. '000	Impairment provision: Stage 1 Rs. '000	Impairment provision: Stage 2 Rs. '000	Impairment provision: Stage 3 Rs. '000	Impairment provision: Total Rs. '000	As per financial position Rs. '000
Assets											
Cash and cash equivalents	16	3,084,472	6,425,383	–	–	9,509,855	1,292	–	–	1,292	9,508,563
Balances with central banks	17	246,998	–	–	–	246,998	–	–	–	–	246,998
Placements with banks	18	–	22,584,079	–	–	22,584,079	114	7,214	–	7,329	22,576,750
Derivative financial instruments	19	924	–	–	–	924	–	–	–	–	924
Financial assets recognised through profit or loss	20										
– measured at fair value		17,748,501	–	–	–	17,748,501	–	–	–	–	17,748,501
– designated at fair value		–	–	–	–	–	–	–	–	–	–
Financial assets at amortised cost											
– loans and advances	21	–	490,248,344	31,529,180	27,120,378	548,897,902	4,426,656	3,501,809	14,448,907	22,377,372	526,520,530
– debt and other instruments	22	809,611,807	134,093,522	–	–	943,705,329	645	–	–	645	943,704,684
Financial assets measured at fair value through other comprehensive income	23	61,924,412	–	–	–	61,924,412	–	–	–	–	61,924,412
Total		892,617,113	653,351,329	31,529,180	27,120,378	1,604,618,000	4,428,708	3,509,023	14,448,907	22,386,638	1,582,231,362

* Stage 1 loans for the year 2023 includes treasury guaranteed loans of Rs. 66,105.7 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.)

54.1.1 Credit quality analysis (contd.)

54.1.1 (e) Credit quality by rating of counter party/obligor – 2024

Ratings	Cash at Banks			Placements with banks		
	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**

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 denominator lending and investment, LGD is considered as 20% while PD applicable to sovereign rating is used.
4. Unless State Own Enterprises (SOE) does not have specific rating , those entities are considered as AAA rating Enterprises.
5. For treasury guaranteed loans & debentures, zero LGD was applied to calculate ECL.

	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

54. Financial risk management (contd.)

54.1 Credit risk (contd.)

54.1.1 Credit quality analysis (contd.)

54.1.1 (e) Credit quality by rating of counter party/obligor – 2023

Ratings	Cash at banks			Placements with banks		
	Exposure Rs. '000	ECL Provision Rs. '000	ECL Coverage %	Exposure Rs. '000	ECL Provision Rs. '000	ECL Coverage %
AAA	244,698	1.47	0.001	–	–	–
AA+	–	–	–	–	–	–
AA	21,732	0.45	0.002	–	–	–
AA-	11,582	0.42	0.004	–	–	–
A+	93,957	6.98	0.007	–	–	–
A	5,006,226	849.72	0.017	11,860,266	1,947.86	0.016
A-	791,175	220.30	0.028	9,182,936	2,699.98	0.029
BBB+	–	–	–	–	–	–
BBB	253,465	206.68	0.082	–	–	–
BBB-	–	–	–	1,540,877	2,680.74	0.174
BB+	2,549	6.30	0.247	–	–	–
BB	–	–	–	–	–	–
BB-	–	–	–	–	–	–
B+	–	–	–	–	–	–
B	–	–	–	–	–	–
B-	–	–	–	–	–	–
CCC	–	–	–	–	–	–
CC	–	–	–	–	–	–
DDD	–	–	–	–	–	–
D	–	–	–	–	–	–
Unrated	–	–	–	–	–	–
	6,425,383	1,292.32	0.020	22,584,079	7,328.59	0.032

54.1.1 (f) Bank Guarantees , Letter of Credit and Other Undrawn Commitment

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.

Group issue bank guarantee 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.

Group issue letter of credit with 100% or more cash back in savings accounts or fixed deposits. Therefore letter of credits are not expose to credit risk and not subject to ECL.

Undrawn Credit Commitments

Undrawn Commitment refers to the loans that the lender has agreed to be made available to the borrower under a revolving credit facility or a delayed draw term facility that the borrower has either not drawn, or has drawn and repaid. Bank calculates ECL for undrawn credit commitment considering it as part and partial of the credit facility.

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 %
78,253,050	2,488.76	0.003	132,395,720	2.90	0.000
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
2,053,766	309.39	0.015	780,336	124.03	0.016
–	–	–	549,400	166.36	0.030
386,529	202.23	0.052	–	–	–
2,000,000	1,890.02	0.095	368,066	351.66	0.096
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
5,698,971	7,374.60	0.129	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
4,062,127	4,062,127.05	100.000	–	–	–
92,454,444	4,074,392.06	4.407	134,093,522	644.95	0.0005

54. Financial risk management (contd.)
54.1 Credit risk (contd.)
54.1.1 Credit quality analysis (contd.)
54.1.1 (f) Bank Guarantees , Letter of Credit and Other Undrawn Commitment (contd.)

As at 31 December 2024	Note	Exposure				
		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**

As at 31 December 2024	Note	Expected Credit Loss (ECL)				
		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**

As at 31 December 2023	Note	Exposure				
		Not subject to ECL	Stage 1	Stage 2	Stage 3	Total
Documentary Credit	48	452,690	–	–	–	452,690
Bank Guarantees	48	2,104,277	–	–	–	2,104,277
Undrawn Credit Commitments	48	–	2,119,238	1,005,822	375,934	3,500,994
Total		2,556,967	2,119,238	1,005,822	375,934	6,057,961

As at 31 December 2023	Note	Expected Credit Loss (ECL)				
		Not subject to ECL	Stage 1	Stage 2	Stage 3	Total
Documentary Credit		–	–	–	–	–
Bank Guarantees		–	–	–	–	–
Undrawn Credit Commitments		–	3,717	868	1,191	5,776
Total		–	3,717	868	1,191	5,776

54. Financial risk management (contd.)

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 Concentration of liquid assets

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	**2024 %**	2023 %
Liquidity Coverage Ratio (Rupee)		
Year end	**351.33**	299.20
30 June	**318.64**	254.75
Year beginning	**299.20**	195.54
Liquidity Coverage Ratio (All Currency)		
Year end	**344.55**	293.71
30 June	**314.37**	258.92
Year beginning	**293.71**	193.49
Net Stable Funding Ratio		
Year end	**193.53**	180.49
30 June	**184.18**	172.19
Year beginning	**180.49**	180.51

The above details are given as per regulatory reporting.

54.2.2 Remaining contractual period to maturity – Bank and the Group

Disclosures are given in the Note 55 on pages 379 to 382.

54. Financial risk management (contd.)

54.2 Liquidity risk (contd.)

54.2.3 Financial assets available to support future funding

The table below sets out the availability of the Bank's financial assets to support future funding:

		Bank					Group				
		Encumbered		Unencumbered		Total *	Encumbered		Unencumbered		Total*
As at 31 December 2024	Note	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**

54. Financial risk management (contd.)

54.2 Liquidity risk (contd.)

54.2.3 Financial assets available to support future funding (contd.)

		Bank					Group				
		Encumbered		Unencumbered		Total *	Encumbered		Unencumbered		Total*
As at 31 December 2023	Note	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	–	–	9,509,855	–	9,509,855	–	–	9,548,049	–	9,548,049
Balances with central banks	17	–	246,998	–	–	246,998	–	247,232	–	–	247,232
Placements with banks	18	–	–	22,584,079		22,584,079	–	–	23,626,446	–	23,626,446
Derivative financial instruments	19	–	–	–	924	924	–	–	–	11,231	11,231
Financial assets recognised through profit or loss	20										
– measured at fair value		–	–	17,748,501	–	17,748,501	19,493,329	–	20,695,833	–	40,189,162
– designated at fair value		–	–	–	–	–	–	–	–	–	–
Financial assets at amortised cost											
– loans and advances	21	–	–	548,897,902	–	548,897,902	–	–	547,596,108	–	547,596,108
– debt and other instruments	22	47,437,615	–	896,267,714	–	943,705,329	55,926,347	–	897,302,410	–	953,228,757
Financial assets measured at fair value through other comprehensive income	23	–	–	61,924,412	–	61,924,412	460,888	–	62,233,632	–	62,694,519
Total		47,437,615	246,998	1,556,932,462	924	1,604,618,000	75,880,563	247,232	1,561,002,477	11,231	1,637,141,503

* Figures are stated before the impairment provisions.

54.3 Market risk

Market risk to the Bank stems from movements in market prices, in particular, changes in interest rates, foreign exchange rates and equity prices. Market risk is often propagated by other forms of financial risk such as credit and market-liquidity risk. The risk of losses would arise from on-balance sheet as well as off-balance sheet activities.

Component of market risk to NSB:

- Repricing risk
- Yield curve risk
- Basis risk
- FX risk
- Equity price risk
- Commodity price risk

54. Financial risk management (contd.)

54.3 Market risk (contd.)

54.3.1 Market risk – trading and non-trading exposure

Following table present the assets and liabilities subject to market risk between fair value through profit or loss and other than fair value through profit or loss:

As at 31 December 2024	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	**8,358,742**	–	**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**	**21,086,781**	**1,648,402,327**	**1,702,488,193**	**46,749,528**	**1,655,738,665**

As at 31 December 2024	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	**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**	–	**1,623,454,893**	**1,641,830,769**	–	**1,641,830,769**

* Figures are stated after the impairment provisions.

54. Financial risk management (contd.)

54.3 Market risk (contd.)

54.3.1 Market risk – trading and non-trading exposure (contd.)

As at 31 December 2023	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	9,508,563	–	9,508,563	9,546,756	–	9,546,756
Balances with central banks	17	246,998	–	246,998	247,232	–	247,232
Placements with banks	18	22,576,750	–	22,576,750	23,618,966	–	23,618,966
Derivative financial instruments	19	924	–	924	11,231	–	11,231
Financial assets recognised through profit or loss	20						
– measured at fair value		17,748,501	17,748,501	–	40,189,162	40,189,162	–
– designated at fair value		–	–	–	–	–	–
Financial assets at amortised cost							
– loans and advances	21	526,520,530	–	526,520,530	523,809,104	–	523,809,104
– debt and other instruments	22	943,704,684	–	943,704,684	953,056,324	–	953,056,324
Financial assets measured at fair value through other comprehensive income	23	61,924,412	–	61,924,412	62,694,519	–	62,694,519
Total		1,582,231,362	17,748,501	1,564,482,861	1,613,173,294	40,189,162	1,572,984,132

As at 31 December 2023	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	8,984,779	–	8,984,779	15,399,100	–	15,399,100
Derivative financial instruments	33	201	–	201	201	–	201
Financial liabilities recognised through profit or loss	34	–	–	–	–	–	–
Financial liabilities at amortised cost	35						
– due to depositors		1,482,532,430	–	1,482,532,430	1,482,951,028	–	1,482,951,028
– due to debt securities holders		–	–	–	–	–	–
– due to other borrowers		61,611,014	–	61,611,014	72,891,598	–	72,891,598
Lease Liability	36	1,365,547	–	1,365,547	1,400,575	–	1,400,575
Debt securities issued	37	23,806,514	–	23,806,514	23,879,683	–	23,879,683
Total		1,578,300,484	–	1,578,300,484	1,596,522,185	–	1,596,522,185

* Figures are stated after the impairment provisions.

54. Financial risk management (contd.)

54.3 Market risk (contd.)

54.3.2 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 risk.

An impact analysis of the foreign currency Net Open Position (NOP) was carried out applying shock levels of 5%, 10% and 15%, for depreciation on the current exchange rate and the impact on the currency-wise NOP and the impact on Income Statement is shown in the tables below as at 31 December 2024:

	Bank			
As at 31 December	**2024**		2023	
	USD '000	**Rs. '000**	USD '000	Rs. '000
Net open position	**(2,520)**	**(737,626)**	(1,390)	(450,382)
Stress level	**Effect on Income Statement Rs. '000**	**Revised rupee position Rs. '000**	Effect on Income Statement Rs. '000	Revised rupee position Rs. '000
Shock of 5% on exchange rate (rupee depreciation)	**(36,881)**	**(774,507)**	(22,519)	(472,901)
Shock of 10% on exchange rate (rupee depreciation)	**(73,763)**	**(811,389)**	(45,038)	(495,420)
Shock of 15% on exchange rate (rupee depreciation)	**(110,644)**	**(848,270)**	(67,557)	(517,939)

	Bank			
As at 31 December	**2024**		2023	
	JPY '000	**Rs. '000**	JPY '000	Rs. '000
Net open position	**2,726**	**5,102**	1,900	4,354
Stress level	**Effect on Income Statement Rs. '000**	**Revised rupee position Rs. '000**	Effect on Income Statement Rs. '000	Revised rupee position Rs. '000
Shock of 5% on exchange rate (rupee depreciation)	**255**	**5,357**	218	4,572
Shock of 10% on exchange rate (rupee depreciation)	**510**	**5,612**	435	4,789
Shock of 15% on exchange rate (rupee depreciation)	**765**	**5,867**	653	5,007

	Bank			
As at 31 December	**2024**		2023	
	GBP '000	**Rs. '000**	GBP '000	Rs. '000
Net open position	**1,108**	**407,020**	238	98,411

54. Financial risk management (contd.)
54.3 Market risk (contd.)
54.3.2 Foreign exchange risk (contd.)

Stress level	**Effect on Income Statement Rs. '000**	**Revised rupee position Rs. '000**	Effect on Income Statement Rs. '000	Revised rupee position Rs. '000
Shock of 5% on exchange rate (rupee depreciation)	**20,351**	**427,371**	4,921	103,332
Shock of 10% on exchange rate (rupee depreciation)	**40,702**	**447,722**	9,841	108,252
Shock of 15% on exchange rate (rupee depreciation)	**61,053**	**468,073**	14,762	113,173

	Bank			
As at 31 December	**2024**		2023	
	EUR '000	**Rs. '000**	EUR '000	Rs. '000
Net open position	**902**	**274,864**	2,772	994,191

Stress level	**Effect on Income Statement Rs. '000**	**Revised rupee position Rs. '000**	Effect on Income Statement Rs. '000	Revised rupee position Rs. '000
Shock of 5% on exchange rate (rupee depreciation)	**13,743**	**288,607**	49,710	1,043,901
Shock of 10% on exchange rate (rupee depreciation)	**27,486**	**302,350**	99,419	1,093,610
Shock of 15% on exchange rate (rupee depreciation)	**41,230**	**316,094**	149,129	1,143,320

	Bank			
As at 31 December	**2024**		2023	
	AUD '000	**Rs. '000**	AUD '000	Rs. '000
Net open position	**1,600**	**291,337**	1,184	262,138

Stress level	**Effect on Income Statement Rs. '000**	**Revised rupee position Rs. '000**	Effect on Income Statement Rs. '000	Revised rupee position Rs. '000
Shock of 5% on exchange rate (rupee depreciation)	**14,567**	**305,904**	13,107	275,245
Shock of 10% on exchange rate (rupee depreciation)	**29,134**	**320,471**	26,214	288,352
Shock of 15% on exchange rate (rupee depreciation)	**43,701**	**335,038**	39,321	301,459

54. Financial risk management (contd.)

54.3 Market risk (contd.)

54.3.3 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 0.33% of the total assets while investments in quoted and unquoted equity are 0.31% 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.

Risk of investing in equity may occurred in followings ways:

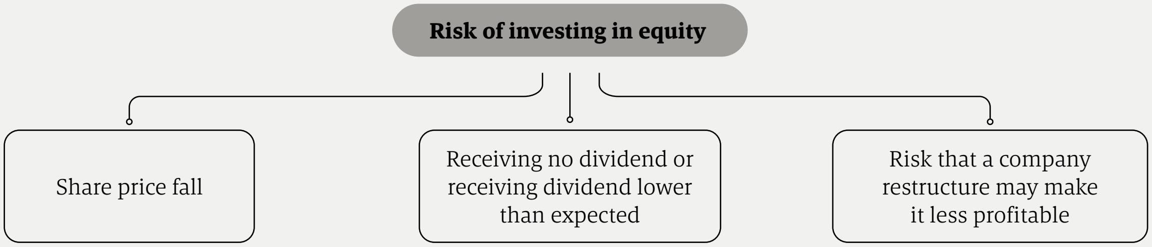


Figure 26

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	Note	Bank 2024 Financial assets recognised through profit or loss Rs. '000	Bank 2024 Financial assets measured at FVOCI Rs. '000	Bank 2024 Total Rs. '000	Bank 2023 Financial assets recognised through profit or loss Rs. '000	Bank 2023 Financial assets measured at FVOCI Rs. '000	Bank 2023 Total Rs. '000
Market value of equity securities as at 31 December	20 and 23	**212,732**	**5,195,626**	**5,408,358**	825,378	2,772,958	3,598,336

54. Financial risk management (contd.)
54.3 Market risk (contd.)
54.3.3 Equity risk (contd.)

Stress Level	2024 Impact to P&L Rs. '000	2024 Impact to OCI Rs. '000	2024 Impact to equity Rs. '000	2023 Impact to P&L Rs. '000	2023 Impact to OCI Rs. '000	2023 Impact to equity Rs. '000
Shock of 5% on equity prices (upward)	**10,637**	**259,781**	**270,418**	41,269	138,648	179,917
Shock of 5% on equity prices (downward)	**(10,637)**	**(259,781)**	**(270,418)**	(41,269)	(138,648)	(179,917)
Shock of 10% on equity prices (upward)	**21,273**	**519,563**	**540,836**	82,538	277,296	359,834
Shock of 10% on equity prices (downward)	**(21,273)**	**(519,563)**	**(540,836)**	(82,538)	(277,296)	(359,834)
Shock of 15% on equity prices (upward)	**31,910**	**779,344**	**811,254**	123,807	415,944	539,750
Shock of 15% on equity prices (downward)	**(31,910)**	**(779,344)**	**(811,254)**	(123,807)	(415,944)	(539,750)
Shock of 20% on equity prices (upward)	**42,546**	**1,039,125**	**1,081,672**	165,076	554,592	719,667
Shock of 20% on equity prices (downward)	**(42,546)**	**(1,039,125)**	**(1,081,672)**	(165,076)	(554,592)	(719,667)

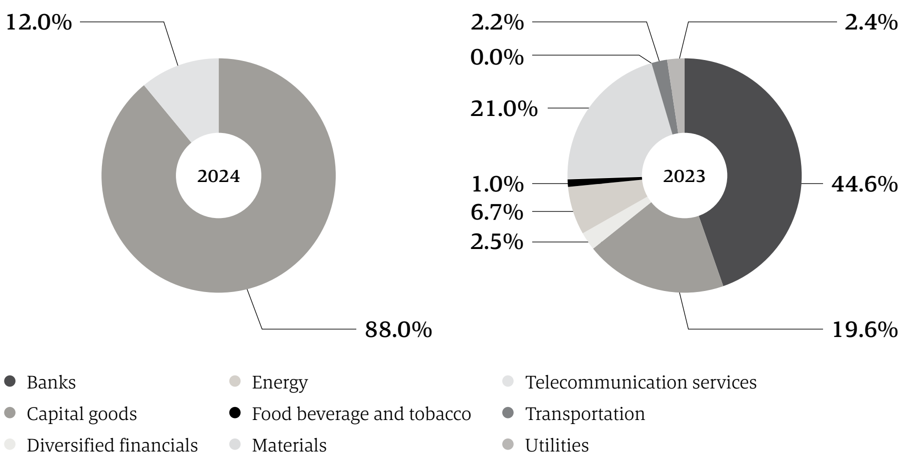
Investment in Equity Shares by Industry – Bank

Following table presents the Bank's diversification of trading portfolio to minimise the risk associated with particular sector:

As at 31 December Industry	2024 Cost Rs. '000	2024 As % of total cost %	2024 Market value Rs. '000	2024 As % of total market value %	2023 Cost Rs. '000	2023 As % of total cost %	2023 Market value Rs. '000	2023 As % of total market value %
1. Banks	**–**	**0.0**	**–**	**0.0**	390,424	37.2	368,478	44.6
2. Capital Goods	**165,120**	**88.1**	**189,332**	**89.0**	282,497	26.9	161,990	19.6
3. Diversified Financials	**–**	**0.0**	**–**	**0.0**	26,386	2.5	20,800	2.5
4. Energy	**–**	**0.0**	**–**	**0.0**	35,957	3.4	54,940	6.7
5. Food Beverage & Tobacco	**–**	**0.0**	**–**	**0.0**	9,600	0.9	8,480	1.0
6. Materials	**–**	**0.0**	**–**	**0.0**	250,328	23.9	173,019	21.0
7. Telecommunication Services	**22,400**	**11.9**	**23,400**	**11.0**	–	0.0	–	0.0
8. Transportation	**–**	**0.0**	**–**	**0.0**	17,432	1.7	17,884	2.2
9. Utilities	**–**	**0.0**	**–**	**0.0**	35,977	3.4	19,787	2.4
Total	**187,520**	**100**	**212,732**	**100**	1,048,601	100	825,378	100

54. Financial risk management (contd.)
54.3 Market risk (contd.)
54.3.3 Equity risk (contd.)

Market value of investment in equity shares by industry – Bank Graph 68



54.3.4 Interest rate risk
Interest rate risk is the risk that the net interest income will 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 represent 19.44% of savings deposits and 80.56% represent term deposits.

54.3.4.1 Exposure to interest rate risk
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.

Sensitivity of projected net interest income

	2024		2023	
	Parallel increase Rs. '000	**Parallel decrease Rs. '000**	Parallel increase Rs. '000	Parallel decrease Rs. '000
Net Interest Income (NII)				
Change in 25 bps	**(1,777,284)**	**1,777,284**	(1,857,060)	1,857,060
Change in 50 bps	**(3,554,567)**	**3,554,567**	(3,714,120)	3,714,120
Change in 100 bps	**(7,109,134)**	**7,109,134**	(7,428,240)	7,428,240

54. Financial risk management (contd.)

54.3 Market risk (contd.)

54.3.4 Interest rate risk (contd.)

54.3.4.2 Interest rate risk – sensitivity analysis

Bank's interest rate sensitivity report as at 31 December 2024 is presented below:

	Bank			
	0-1 month Rs. '000	0-3 months Rs. '000	0-6 months Rs. '000	0-12 months Rs. '000
Interest bearing assets	76,906,511	168,859,134	301,344,208	576,662,074
Bank balances and placements	2,375,254	5,073,007	7,680,321	16,669,948
Financial assets recognised through profit or loss – measured at fair value	3,854,977	10,309,201	17,922,669	20,141,099
Financial assets at amortised cost				
– loans and advances	38,091,374	71,761,025	88,871,421	251,788,127
– debt and other instruments	32,565,575	81,076,995	162,697,272	262,160,481
Financial assets measured at fair value through other comprehensive income	19,331	638,906	24,172,525	25,902,419
Interest-bearing liabilities	297,268,380	811,218,634	1,134,493,184	1,510,290,163
Due to banks	487,521	487,521	487,521	487,521
Financial liabilities at amortised cost				
– due to depositors	269,949,139	783,302,351	1,096,386,446	1,461,187,103
– due to debt securities holders	–	–	–	–
– due to other borrowers	26,831,720	27,428,762	37,518,684	48,190,057
Debt securities issued	–	–	100,533	425,482
Net rate sensitive assets (liabilities)	(220,361,869)	(642,359,500)	(833,148,974)	(933,628,089)
Interest rate sensitivity ratio (%)	26	21	27	38

54. Financial risk management (contd.)

54.3 Market risk (contd.)

54.3.4 Interest rate risk (contd.)

54.3.4.2 Interest rate risk – sensitivity analysis (contd.)

Group's interest rate sensitivity report as at 31 December 2024 is presented below:

	Group			
	0-1 month Rs. '000	**0-3 months Rs. '000**	**0-6 months Rs. '000**	**0-12 months Rs. '000**
Interest bearing assets	**74,448,123**	**172,056,500**	**309,090,884**	**585,998,406**
Bank balances and placements	**2,375,108**	**5,072,861**	**7,680,175**	**16,669,802**
Financial assets recognised through profit or loss				
– measured at fair value	**4,632,662**	**15,714,653**	**27,816,551**	**31,582,160**
Financial assets at amortised cost				
– loans and advances	**32,927,486**	**66,609,852**	**83,755,148**	**246,711,367**
– debt and other instruments	**34,493,536**	**84,020,228**	**165,666,485**	**265,132,658**
Financial assets measured at fair value through other comprehensive income	**19,331**	**638,906**	**24,172,525**	**25,902,419**
Interest-bearing liabilities	**312,723,644**	**828,240,992**	**1,151,683,878**	**1,528,560,519**
Due to banks	**487,521**	**487,521**	**487,521**	**487,521**
Financial liabilities at amortised cost				
– due to depositors	**270,266,011**	**783,624,976**	**1,096,713,707**	**1,461,526,255**
– due to debt securities holders	**–**	**–**	**–**	**–**
– due to other borrowers	**41,951,820**	**44,055,327**	**54,308,949**	**66,048,093**
Debt securities issued	**18,292**	**73,168**	**173,701**	**498,650**
Net rate sensitive assets (liabilities)	**(238,275,521)**	**(656,184,492)**	**(842,592,994)**	**(942,562,113)**
Interest rate sensitivity ratio (%)	**24**	**21**	**27**	**38**

54. Financial risk management (contd.)

54.3 Market risk (contd.)

54.3.4 Interest rate risk (contd.)

54.3.4.2 Interest rate risk – sensitivity analysis (contd.)

Bank's interest rate sensitivity report as at 31 December 2023 is presented below:

	Bank			
	0-1 month Rs. '000	0-3 months Rs. '000	0-6 months Rs. '000	0-12 months Rs. '000
Interest bearing assets	80,349,412	148,475,315	280,792,433	493,634,325
Bank balances and placements	3,623,541	6,456,260	13,044,176	25,344,723
Financial assets recognised through profit or loss				
– measured at fair value	7,170,406	11,851,262	13,051,087	14,181,757
Financial assets at amortised cost				
– loans and advances	25,412,984	40,200,711	63,907,552	157,497,888
– debt and other instruments	34,642,992	64,033,803	147,822,694	251,327,294
Financial assets measured at fair value through other comprehensive income	9,499,489	25,933,279	42,966,924	45,282,663
Interest-bearing liabilities	267,726,451	790,229,587	1,167,286,856	1,490,508,793
Due to banks	8,984,779	8,984,779	8,984,779	8,984,779
Financial liabilities at amortised cost				
– due to depositors	235,305,356	750,580,188	1,108,973,605	1,418,970,486
– due to debt securities holders	–	–	–	–
– due to other borrowers	23,436,316	30,050,821	48,606,181	61,611,014
Debt securities issued	–	613,799	722,291	942,514
Net rate sensitive assets (liabilities)	(187,377,039)	(641,754,272)	(886,494,423)	(996,874,468)
Interest rate sensitivity ratio (%)	30	19	24	33

54. Financial risk management (contd.)

54.3 Market risk (contd.)

54.3.4 Interest rate risk (contd.)

54.3.4.2 Interest rate risk – sensitivity analysis (contd.)

Group's interest rate sensitivity report as at 31 December 2023 is presented below:

	Group			
	0-1 month Rs. '000	0-3 months Rs. '000	0-6 months Rs. '000	0-12 months Rs. '000
Interest bearing assets	81,160,847	150,492,790	295,358,038	511,879,795
Bank balances and placements	4,037,242	6,869,697	13,457,877	26,405,676
Financial assets recognised through profit or loss				
– measured at fair value	7,170,406	16,402,718	24,938,535	31,980,969
Financial assets at amortised cost				
– loans and advances	25,466,118	36,908,693	64,146,142	154,295,734
– debt and other instruments	34,954,042	64,344,853	149,815,010	253,881,202
Financial assets measured at fair value through other comprehensive income	9,533,039	25,966,829	43,000,474	45,316,213
Interest-bearing liabilities	283,336,601	808,070,148	1,185,133,074	1,508,611,627
Due to banks	15,399,100	15,399,100	15,399,100	15,399,100
Financial liabilities at amortised cost				
– due to depositors	235,619,449	750,900,396	1,109,299,469	1,419,307,284
– due to debt securities holders	–	–	–	–
– due to other borrowers	32,299,760	41,083,684	59,639,045	72,889,560
Debt securities issued	18,292	686,968	795,460	1,015,683
Net rate sensitive assets (liabilities)	(202,175,754)	(657,577,358)	(889,775,036)	(996,731,832)
Interest rate sensitivity ratio (%)	29	19	25	34

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 Maturity analysis

	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 2024 Rs. '000**	Total as at 31 December 2023 Rs. '000
Assets with contractual maturity (Interest earning asset)							
Cash and cash equivalents	1,875,311	–	–	–	–	**1,875,311**	2,767,973
Placements with banks	3,197,696	11,596,941	–	–	–	**14,794,637**	22,576,750
Financial assets recognised through profit or loss							
– measured at fair value	10,309,201	9,831,898	38,993	693,955	–	**20,874,047**	16,923,123
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**	526,520,530
– debt and other instruments	81,076,995	181,083,486	288,246,320	220,267,269	268,360,502	**1,039,034,572**	943,704,684
Financial assets measured at fair value through other comprehensive income	638,906	25,263,513	14,056,320	7,941,608	–	**47,900,347**	58,894,210
	168,859,134	407,802,940	380,674,190	289,872,359	409,649,304	**1,656,857,927**	1,571,387,270
Other assets (Non-interest-earning assets)							
Cash and cash equivalents	6,483,431	–	–	–	–	**6,483,431**	6,740,590
Balances with central banks	357,054	–	–	–	–	**357,054**	246,998
Derivative financial instruments	9,131	–	–	–	–	**9,131**	924
Financial assets recognised through profit or loss							
– measured at fair value	212,732	–	–	–	–	**212,732**	825,378
Financial assets measured at fair value through other comprehensive income	–	–	–	–	5,568,833	**5,568,833**	3,030,202
Investments in subsidiaries	3,111,000	–	–	–	4,200,000	**7,311,000**	7,311,000
Property, plant and equipment	–	–	–	–	17,415,792	**17,415,792**	17,248,961
Right-of-use assets	88,139	237,590	475,217	192,354	47,885	**1,041,185**	1,164,595
Investment properties	–	–	–	–	–	**–**	–
Goodwill and intangible assets	–	–	–	–	2,183,860	**2,183,860**	744,715
Deferred tax assets	–	–	–	4,995,021	–	**4,995,021**	5,885,288
Other assets	2,544,660	23,483,721	18,076,914	2,816,386	3,080,567	**50,002,248**	72,378,671
	12,806,147	23,721,311	18,552,131	8,003,761	32,496,937	**95,580,287**	115,577,322
Total assets	181,665,281	431,524,251	399,226,321	297,876,120	442,146,241	**1,752,438,214**	1,686,964,592

55. Maturity analysis (contd.)

	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 2024 Rs. '000**	Total as at 31 December 2023 Rs. '000
Liabilities with contractual maturity (Interest-bearing liabilities)							
Due to banks	487,521	–	–	–	–	**487,521**	8,984,779
Financial liabilities at amortised cost							
– due to depositors	783,302,351	677,884,752	74,757,261	20,326,499	–	**1,556,270,863**	1,482,532,430
– due to other borrowers	27,428,762	20,761,295	–	–	–	**48,190,057**	61,611,014
Debt securities issued	–	425,482	10,016,000	1,525,000	5,000,000	**16,966,482**	23,806,514
	811,218,634	699,071,529	84,773,261	21,851,499	5,000,000	**1,621,914,923**	1,576,934,737
Other liabilities (Non-interest-bearing liabilities)							
Derivative financial instruments	258,409	–	–	–	–	**258,409**	201
Lease liabilities	75,848	241,827	587,253	272,627	104,006	**1,281,561**	1,365,547
Retirement benefit obligations	–	2,806,163	–	–	14,683,705	**17,489,868**	18,100,399
Current tax liabilities	–	3,648,729	–	–	–	**3,648,729**	–
Deferred tax liabilities	–	–	–	–	–	**–**	–
Other liabilities	2,643,479	4,894,310	664,633	799,687	–	**9,002,109**	9,189,455
Due to subsidiaries	–	–	–	–	–	**–**	–
Stated capital/assigned capital	–	–	–	–	9,400,000	**9,400,000**	9,400,000
Statutory reserve fund	–	–	–	–	5,694,877	**5,694,877**	5,369,172
Retained earnings	–	–	–	–	28,462,305	**28,462,305**	14,408,118
Other reserves	–	–	–	–	55,285,433	**55,285,433**	52,196,963
	2,977,736	11,591,029	1,251,886	1,072,314	113,630,326	**130,523,291**	110,029,855
Total liabilities	814,196,370	710,662,558	86,025,147	22,923,813	118,630,326	**1,752,438,214**	1,686,964,592

*Represents the aggregate of the contractual maturities.

55. Maturity analysis (contd.)

	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**	Total as at 31 December 2023 Rs. '000
Assets with contractual maturity (Interest-earning asset)							
Cash and cash equivalents	1,875,165	–	–	–	–	**1,875,165**	2,786,709
Placements with banks	3,197,696	11,596,941	–	–	–	**14,794,637**	23,618,966
Financial assets recognised through profit or loss							
– measured at fair value	15,714,653	15,867,507	5,615,553	9,229,843	109,238	**46,536,794**	39,363,784
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**	523,809,104
– debt and other instruments	84,020,228	181,112,430	293,576,532	221,896,077	268,360,502	**1,048,965,769**	953,056,324
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**	59,662,317
	172,056,500	413,941,907	392,120,334	300,520,063	410,984,564	**1,689,623,368**	1,602,297,204
Other assets (Non-interest-earning assets)							
Cash and cash equivalents	6,669,251	–	–	–	–	**6,669,251**	6,760,047
Balances with central banks	357,117	–	–	–	–	**357,117**	247,232
Derivative financial instruments	54,892	–	–	–	–	**54,892**	11,231
Financial assets recognised through profit or loss							
– measured at fair value	212,732	–	–	–	–	**212,732**	825,378
Financial assets measured at fair value through other comprehensive income	–	–	–	2,000	5,568,833	**5,570,833**	3,032,202
Investments in subsidiaries	–	–	–	–	–	**–**	–
Property, plant and equipment	–	–	–	–	18,556,112	**18,556,112**	18,389,400
Right-of-use assets	89,047	240,315	482,484	199,621	54,547	**1,066,014**	1,193,161
Investment properties	–	–	–	–	349,000	**349,000**	349,000
Goodwill and intangible assets	–	–	–	–	2,185,087	**2,185,087**	747,225
Deferred tax assets	–	–	–	4,995,021	–	**4,995,021**	5,885,288
Other assets	2,552,488	23,495,128	18,170,829	2,816,386	3,092,671	**50,127,502**	72,570,357
	9,935,527	23,735,443	18,653,313	8,013,028	29,806,250	**90,143,561**	110,010,521
Total assets	181,992,027	437,677,350	410,773,647	308,533,091	440,790,814	**1,779,766,929**	1,712,307,725

55. Maturity analysis (contd.)

	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**	Total as at 31 December 2023 Rs. '000
Liabilities with contractual maturity (Interest-bearing liabilities)							
Due to banks	487,521	–	–	–	–	**487,521**	15,399,100
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**	1,482,951,028
– due to other borrowers	44,055,327	21,992,766	1,000	–	–	**66,049,093**	72,891,598
Debt securities issued	73,169	425,482	10,016,000	1,525,000	5,000,000	**17,039,651**	23,879,683
	828,240,993	700,319,527	84,797,442	21,874,682	5,025,539	**1,640,258,183**	1,595,121,409
Other liabilities (Non-interest-bearing liabilities)							
Derivative financial instruments	258,409	–	–	–	–	**258,409**	201
Lease liabilities	76,459	243,872	594,736	282,856	116,254	**1,314,177**	1,400,575
Retirement benefit obligations	94,242	2,806,163	–	13,297	14,683,705	**17,597,407**	18,169,106
Current tax liabilities	44,703	4,010,141	–	–	–	**4,054,844**	305,869
Deferred tax liabilities	–	–	15,700	46,169	–	**61,869**	58,630
Other liabilities	2,792,809	4,974,160	695,501	813,628	111,147	**9,387,245**	9,463,508
Due to subsidiaries	–	–	–	–	–	**–**	–
Stated capital/assigned capital	–	–	–	–	9,400,000	**9,400,000**	9,400,000
Statutory reserve fund	–	–	–	–	5,810,742	**5,810,742**	5,464,218
Retained earnings	–	–	–	–	33,771,814	**33,771,814**	18,605,719
Other reserves	–	–	–	–	57,852,239	**57,852,239**	54,318,490
	3,266,622	12,034,336	1,305,937	1,155,950	121,745,901	**139,508,746**	117,186,316
Total liabilities	831,507,615	712,353,863	86,103,379	23,030,632	126,771,440	**1,779,766,929**	1,712,307,725

*Represents the aggregate of the contractual maturities.

56 Fair value of financial instruments

56.1 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 values 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.

56.2 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.

56. Fair value of financial instruments (contd.)

56.2 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 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		**74,182,752**	**315,716**	**9,131**	**74,507,599**
Total assets at fair value		**74,182,752**	**315,716**	**14,319,439**	**88,817,907**

		Bank			
As at 31 December 2023	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	–	–	14,423,000	14,423,000
Investment properties	28	–	–	–	–
Total non-financial assets at fair value		–	–	14,423,000	14,423,000
Financial assets					
Derivative financial instruments	19				
Currency swaps/Forwards		–	–	924	924
Financial assets recognised through profit or loss	20				
Government Treasury Bills and Bonds		16,923,123	–	–	16,923,123
Equity securities		825,378	–	–	825,378
Unit Trust		–	–	–	–
Financial assets at fair value through other comprehensive income	23				
Other investments – Government Securities		58,894,209	–	–	58,894,209
Equity securities – quoted		2,772,958	–	–	2,772,958
Equity securities – unquoted		–	199,753	–	199,753
Total financial assets at fair value		79,415,668	199,753	924	79,616,345
Total assets at fair value		79,415,668	199,753	14,423,924	94,039,345

56. Fair value of financial instruments (contd.)

56.2 Determination of fair value and fair value hierarchy (contd.)

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**
Others		–	–	**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		**101,680,668**	**315,716**	**54,892**	**102,051,276**
Total assets at fair value		**101,680,668**	**315,716**	**15,829,483**	**117,825,867**

56. Fair value of financial instruments (contd.)

56.2 Determination of fair value and fair value hierarchy (contd.)

As at 31 December 2023	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	–	–	15,538,425	15,538,425
Investment properties	28	–	–	349,000	349,000
Total non-financial assets at fair value		–	–	15,887,425	15,887,425
Financial assets					
Derivative financial instruments	19				
Currency swaps/forwards		–	–	924	924
Others		–	–	10,307	10,307
Financial assets recognised through profit or loss	20				
Government Treasury Bills and Bonds		39,363,784	–	–	39,363,784
Equity securities		825,378	–	–	825,378
Unit Trust		–	–	–	–
Financial assets at fair value through other comprehensive income	23				
Other investments – Government Securities		59,459,820	–	–	59,459,820
Equity securities – quoted		2,975,291	–	–	2,975,291
Equity securities – unquoted		–	199,753	–	199,753
Total financial assets at fair value		102,624,272	199,753	11,231	102,835,256
Total assets at fair value		102,624,272	199,753	15,898,656	118,722,681

56.3 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.

56.4 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 302 to 304.

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 242 to 245.

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 307.

Derivative financial instruments

Bank and the Group use Level 3 in fair value hierarchy to calculate fair value of derivative instruments and detail of those instruments are given in the Notes 19 and 33 on pages 282 and 316.

56. Fair value of financial instruments (contd.)

56.5 Fair value of financial instruments

		Bank			
As at 31 December		**2024**		2023	
	Note	**Carrying amount Rs. '000**	**Fair value Rs. '000**	Carrying amount Rs. '000	Fair value Rs. '000
Financial assets					
Cash and cash equivalents	16	**8,358,742**	**8,358,742**	9,508,563	9,508,563
Balances with central banks	17	**357,054**	**357,054**	246,998	246,998
Placement with banks	18	**14,794,637**	**14,794,637**	22,576,750	22,576,750
Derivative financial instruments	19	**9,131**	**9,131**	924	924
Financial assets recognised through profit or loss					
– measured at fair value	20	**21,086,781**	**21,086,781**	17,748,501	17,748,501
Financial assets at amortised cost					
– loans and advances	21	**532,379,013**	**532,379,013**	526,520,530	526,370,093
– debt and other instruments	22	**1,039,034,572**	**1,065,888,980**	943,704,684	919,845,495
Financial assets measured at fair value through other comprehensive income	23	**53,469,178**	**53,469,178**	61,924,412	61,924,412
Total financial assets		**1,669,489,108**	**1,696,343,516**	1,582,231,362	1,558,221,736
Financial liabilities					
Due to banks	32	**487,521**	**487,521**	8,984,779	8,984,779
Derivative financial instruments	33	**258,409**	**258,409**	201	201
Financial liabilities at amortised cost					
– due to depositors	35	**1,556,270,863**	**1,566,960,794**	1,482,532,430	1,488,488,330
– due to debt securities holders		**–**	**–**	–	–
– due to other borrowers		**48,190,057**	**48,190,057**	61,611,014	61,611,014
Debt securities issued	37	**16,966,482**	**16,966,482**	23,806,514	23,806,514
Total financial liabilities		**1,622,173,332**	**1,632,863,263**	1,576,934,937	1,582,890,838

		Group			
As at 31 December		**2024**		2023	
	Note	**Carrying amount Rs. '000**	**Fair value Rs. '000**	Carrying amount Rs. '000	Fair value Rs. '000
Financial assets					
Cash and cash equivalents	16	**8,544,416**	**8,544,416**	9,546,756	9,546,756
Balances with central banks	17	**357,117**	**357,117**	247,232	247,232
Placement with banks	18	**14,794,637**	**14,794,637**	23,618,966	23,618,966
Derivative financial instruments	19	**54,892**	**54,892**	11,231	11,231
Financial assets recognised through profit or loss					
– measured at fair value	20	**46,749,528**	**46,749,528**	40,189,162	40,189,162
Financial assets at amortised cost					
– loans and advances	21	**527,715,322**	**527,715,322**	523,809,104	523,698,789
– debt and other instruments	22	**1,048,965,769**	**1,075,820,177**	953,056,324	929,197,135
Financial assets measured at fair value through other comprehensive income	23	**55,306,512**	**55,306,512**	62,694,519	62,694,519
Total financial assets		**1,702,488,193**	**1,729,342,601**	1,613,173,294	1,589,203,789
Financial liabilities					
Due to banks	32	**487,521**	**487,521**	15,399,100	15,399,100
Derivative financial instruments	33	**258,409**	**258,409**	201	201
Financial liabilities at amortised cost					
– due to depositors	35	**1,556,681,918**	**1,567,371,850**	1,482,951,028	1,488,906,928
– due to debt securities holders		**–**	**–**	–	–
– due to other borrowers		**66,049,093**	**66,049,093**	72,891,598	72,891,598
Debt securities issued	37	**17,039,651**	**17,039,651**	23,879,683	23,879,683
Total financial liabilities		**1,640,516,592**	**1,651,206,524**	1,595,121,610	1,601,077,510

56. Fair value of financial instruments (contd.)

56.6 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 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. Refer Note 23 (e) on page 298.

57 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, and 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 Bank (D-SIBs). As per the CBSL Basel III Direction, the 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 2024.

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	**2024**	2023	**2024**	2023
Common Equity Tier 1 capital ratio (minimum requirement – 7.0%)	**21.707**	15.329	**25.032**	18.391
Tier 1 capital ratio (minimum requirement – 8.5%)	**23.418**	16.908	**26.692**	19.943
Total capital ratio (minimum requirement – 12.5%)	**25.883**	19.263	**29.058**	22.239

58 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).

58.1 Carrying value of securities allocated for repurchase transactions

	Bank	
As at 31 December	**2024 Rs. '000**	2023 Rs. '000
Carrying value of securities allocated for repurchase transactions	**48,190,057**	37,982,464
Market value of securities received for reverse repurchase transactions	**44,700,408**	10,329,344

58.2 Haircuts for repurchase and reverse repurchase transactions

Minimum haircuts applicable for each maturity bucket as at 31 December, are given below:

	2024 Minimum haircut		2023 Minimum haircut	
As at 31 December	**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

58.3 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 2024 and 2023.

59 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

59. 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.

For the year ended 31 December 2024	Retail Banking Rs. '000	Corporate Banking Rs. '000	Treasury and Dealing Rs. '000	International Banking Rs. '000	Unallocated Rs. '000	Total Rs. '000
Net interest income	47,861,212	19,623,926	3,438,298	1,858,639	–	72,782,075
Fee and commission income	1,957,796	21,267	47,067	52,700	–	2,078,830
Less: Fee and commission expenses	326,509	–	–	1,763	–	328,272
Net fee and commission income	1,631,287	21,267	47,067	50,937	–	1,750,558
Net gain/(loss) from trading	(54)	–	1,178,716	(267,032)	–	911,630
Net gains/(losses) from de-recognition of financial assets	–	–	442,273	–	–	442,273
Net other operating income	117,751	(239,132)	82,693	416,447	78,182	455,941
Total operating income	49,610,196	19,406,061	5,189,047	2,058,991	78,182	76,342,477
Less: Impairment charges/(Reversal)	11,520,518	(314,462)	–	–	–	11,206,056
Net operating income	38,089,678	19,720,523	5,189,047	2,058,991	78,182	65,136,421
Less: Expenses	28,789,024	34,452	127,325	387,232	20,256	29,358,289
Less: Value Added Tax (VAT) on financial services	–	–	–	–	8,207,522	8,207,522
Less: Social Security Contribution Levy (SSCL) on financial services	–	–	–	–	1,139,934	1,139,934
Segment result	9,300,654	19,686,071	5,061,722	1,671,759	(9,289,530)	26,430,676
Profit before income tax						26,430,676
Less: Income tax expenses						10,145,432
Profit for the year						16,285,244
Profit attributable to:						
Equity holders of the Bank						16,285,244
Non–controlling interests						–
Profit for the year						16,285,244
Other information						
Segment assets	476,385,976	205,652,930	1,022,222,948	17,056,878	23,808,482	1,745,127,214
Investment in subsidiaries	–	–	–	–	7,311,000	7,311,000
Total assets	476,385,976	205,652,930	1,022,222,948	17,056,878	31,119,482	1,752,438,214
Segment Liabilities	1,557,460,854	65,161,824	738,290	26,006,787	4,227,844	1,653,595,599
Total liabilities	1,557,460,854	65,161,824	738,290	26,006,787	4,227,844	1,653,595,599
Information on cash flows						
Net cash from operating activities						(9,198,971)
Cash flows from investing activities						11,884,851
Cash flows from financing activities						(3,223,872)
Capital expenditure						
Purchase of property, plant and equipment						(620,581)
Net purchase of intangible assets						(177,346)
Net cash flows generated during the year						(1,335,919)

60 Selected performance indicators (as per regulatory reporting)

	Bank		Group	
As at 31 December	**2024**	2023	**2024**	2023
Item				
Regulatory capital adequacy (LKR in Mn.)				
Common equity Tier 1	**63,454**	48,539	**75,395**	59,239
Tier 1 capital	**68,454**	53,539	**80,395**	64,239
Total regulatory capital	**75,660**	60,999	**87,519**	71,634
Regulatory capital ratios (%)				
Common equity Tier 1 capital (%)(minimum requirement – 7%)	**21.707**	15.329	**25.032**	18.391
Tier 1 capital ratio (%) (minimum requirement – 8.5%)	**23.418**	16.908	**26.692**	19.943
Total capital ratio (%) (minimum requirement – 12.5%)	**25.883**	19.263	**29.058**	22.239
Basel III leverage ratio (minimum requirement – 3.00%)	**8.00**	6.23	**8.85**	7.05
Regulatory liquidity requirement				
Liquidity coverage ratio (%) – (minimum requirement – 100%)				
Rupee (%)	**351.33**	299.20	**NR**	NR
All currency (%)	**344.55**	293.71	**NR**	NR
Net stable funding ratio (%) – (minimum requirement – 100%)	**193.53**	180.49	**NR**	NR
Assets quality				
Impaired loans (Stage 3) to total loans, ratio (%)*	**5.18**	2.41	**NR**	NR
Impairment (Stage 3) to Stage 3 loans, ratio (%)*	**44.50**	53.28	**NR**	NR
Income and profitability				
Net interest margin (%)	**4.23**	1.79	**4.31**	1.91
Return on assets (before tax) (%)	**1.54**	0.26	**1.63**	0.48
Return on equity (%)	**18.07**	9.36	**18.15**	11.72
Cost to income ratio (%)	**38.72**	71.59	**38.04**	63.93
Memorandum information				
Credit rating	**AAA**	AAA	**NR**	NR
Number of employees	**4,212**	4,358	**4,331**	4,479
Number of branches	**262**	262	**265**	265

* Including undrawn portion of credit
Note: NR – Not relevant

Compendium

Supplementary information

Compliance with Banking Act Direction No. 12 of 2007

The Banking Act Direction No. 12 of 2007 and subsequent amendments thereto on corporate governance for Licensed Specialised Banks in Sri Lanka issued by the Central Bank of Sri Lanka

		Level of compliance in 2024
3 (1)	**The Responsibilities of the Board**	
3 (1) (i)	The Board shall strengthen the safety and soundness of the Bank, by ensuring the following:	
	a. Approve and oversee the Bank's strategic objectives and corporate values and ensure that these are communicated throughout the Bank.	Complied with The Bank's strategic objectives and corporate values are determined by the Board as stated in pages 10 and 68. These are incorporated in the Board approved Strategic Business Plan for the period of 2025-2027 and communicated to all levels of employees through planned meetings. The corporate values are included in the Bank's web page.
	b. Approve the overall business strategy of the Bank, the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least the next three years.	Complied with The Board provides guidance and direction for the preparation of three year Strategic Business Plan for 2025-2027 that was approved by the Board after detailed discussion with the Corporate Management. The Strategic Business Plan is aligned with the overall risk management framework, procedures and the risk appetite of the Bank. The Bank's Strategic Business Plan for 2025-2027 was submitted to the Board and approved on 6 December 2024.
	c. Identify the principal risks and ensure implementation of appropriate systems to manage the risks prudently.	Complied with The BIRMC is entrusted with approving the Bank's risk policy, identifying principal risks, setting governance structures and implementing systems to measure, monitor and manage the principal risks. The following reports provide an insight in this regard: • Risk Management Report on Pages 195 to 219. • Board Integrated Risk Management Committee Report on pages 191 and 192.
	d. Approve implementation of a policy of communication with all stakeholders, including depositors, borrowers, creditors, shareholders.	Complied with The Bank has a Board approved and implemented Communication Policy in place covering all stakeholders to ensure effective and timely communication.
	e. Review the adequacy and the integrity of the Bank's internal control systems and management information systems.	Complied with The BAC and BIRMC are assisting the Board which reviews the adequacy and integrity of the Bank's internal control system and management information system. The Internal Audit Division and the Government Audit reviews on the same. BIRMC reviews policies in this regard. Those are reviewed by BAC and BIRMC and the Management responses on the same, during the year.
	f. Identify and designate Key Management Personnel, as defined in the International Accounting Standards.	Complied with The Bank has identified the Assistant General Managers and officers in the grades above that as well as the officers in allied grades as 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.

	Level of compliance in 2024
g. Define the areas of authority and key responsibilities for Directors themselves and for Key Management Personnel (KMP).	Complied with Areas of authority of the Board of Directors are governed by Section 7 of NSB Act. The Board Charter prepared in accordance with the NSB Act details the areas of authority and key responsibilities of the Board of Directors. 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.
h. Ensure that there is appropriate oversight of the affairs of the Bank by Key Management Personnel (KMP) that is consistent with Board policy.	Complied with The Board reviews the performance of the Bank against the Strategic Business Plan and receives reports from Board subcommittees on financial reporting, internal control, risk management and other relevant matters delegated to those committees. Further, KMPs are called by the Board to explain the matters under their purview as and when necessary. The delegated authority limits of KMPs have been approved by the Board.
i. Periodically assess the effectiveness of the Board of Directors' own governance practices, including: the selection, nomination and election of Directors and Key Management Personnel; the management of conflicts of interests; and the determination of weaknesses and implementation of changes, where necessary.	Complied with A self-evaluation of the performance of the Board is carried out annually assessing its own governance practices. The areas that need improvements have been identified and are being followed up. Appointments to the Board are made by the Minister under whose purview the Bank comes in terms of the provisions of NSB Act.
j. Ensure that the Bank has an appropriate succession plan for Key Management Personnel.	A Board approved succession plan for KMP is in place which was reviewed, revised and roll overed to the present year.
k. Meet regularly, on a need basis, with the Key Management Personnel to review policies, establish communication lines and monitor progress towards corporate objectives.	Complied with KMPs are regularly involved in discussions at the meetings of Board and its subcommittees on progress towards performance, strategy, policy and other matters pertaining to their area of responsibility. The Management is open and transparent with the Board, bringing all significant matters to its attention. Additionally, the KMPs make presentations on key items in the agenda under their purview and are called by the Board and its subcommittees in relating to the material matters in there with regard to policies towards corporate objectives.
l. Understand the regulatory environment and ensure that the Bank maintains an effective relationship with regulators.	Complied with The Directors are furnished with all the applicable regulatory requirements on appointment. The Compliance Officer brief on the regulatory developments to the Board of Directors and KMPs regularly enabling them to effectively discharge their duties. The Compliance Officer submits monthly Board paper on all returns to the regulator, on AML & CFT information and on any regulatory changes.
m. Exercise due diligence in the hiring and oversight of External Auditors.	Complied with The Auditor General is the External Auditor of the Bank in terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka and Section 37 in 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 make recommendations to Auditor General through Superintendent of Audit.

Compliance with Banking Act Direction No. 12 of 2007

		Level of compliance in 2024
3 (1) (ii)	The Board shall appoint the Chairman and the Chief Executive Officer and define and approve the functions and responsibilities of the Chairman and the Chief Executive Officer in line with Direction 3 (5) of these Directions.	Complied with 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 and CEO's functions and responsibilities have been defined and approved by the Board. The present CEO was appointed as per the NSB Act on 10 January 2024. The responsibilities of Chairman and the CEO are defined and approved in line with the Section 3 (5) of this Direction which is given in the Board Charter.
3 (1) (iii)	The Board shall meet regularly, and Board meetings shall be held at least twelve times a year at approximately monthly intervals. Such regular Board meetings shall normally involve active participation in person 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.	Complied with Regular Board meetings were held with the active participation of Directors, and the attendance at Board meetings is given on page 175 along with the number of meetings. 40 Board Papers have been approved through circulation during the year 2024 out of 493 Board papers. However, the Bank has taken every measure to minimise obtaining the approval through circulation where it is done on an exceptional basis and such resolutions are ratified by the Board at the next Board meeting.
3 (1) (iv)	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 business and the management of risks of the Bank.	Complied with Notice of the meetings, agendas and Board papers for the Board meetings are circulated to the Directors giving them time to attend and submit proposals.
3 (1) (v)	The Board procedures shall ensure that notice of at least seven 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
3 (1) (vi)	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.	Complied with The Directors are apprised of their attendance in accordance with the Banking Act Direction No. 12 of 2007. Details of Directors' attendance are given on page 175. No Director has been absent from two-thirds of the meetings in the immediately preceding 12 months or three consecutive meetings.
3 (1) (vii)	The Board shall appoint a Company Secretary who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988.	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
3 (1) (viii)	All Directors shall have access to advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable 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.

		Level of compliance in 2024
3 (1) (ix)	The Company Secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any Director.	Complied with The Secretary to the National Savings Bank maintains the minutes of the Board meetings and circulates same to all Board members after review by the Chairman. The minutes are reviewed and approved by the Board members at the next Board meeting after incorporating any amendments/inclusions proposed by the Directors. The Directors have access to the past Board papers and minutes.
3 (1) (x)	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 used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and 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 executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; (e) the Board's knowledge and understanding of the risks to which the Bank is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions.	Complied with
3 (1) (xi)	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 discharge his/her/their duties to the Bank.	Complied with Section 27 of the National Savings Bank Act states that the Board can seek independent professional advice as and when required in discharging its duties. The Board Charter also details that the Directors upon reasonable request can seek independent professional advice in appropriate circumstances, at the Bank's expense.
3 (1) (xii)	Directors shall avoid conflicts of interests, or the appearance of conflicts of interest, in their activities with, and commitments to, other organisations or related parties.	Complied with The Directors make declarations of their interest at appointment and when there is a change. Related Party Disclosure Policy is in place that details on the conflict of interest and the matters and actions to be taken on such situations. Directors withdraw from the meeting, abstain from participating in discussions, voicing their opinion or approving in situations where there is a conflict of interest.

Compliance with Banking Act Direction No. 12 of 2007

		Level of compliance in 2024
3 (1) (xiii)	The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Bank is firmly under its authority.	Complied with The Board as the apex authority responsible for oversight of the Bank's activities ensures that direction and control of the Bank is firmly under its authority. The Board Charter details the powers reserved for the Board in discharging its duties effectively.
3 (1) (xiv)	The Board shall, if it considers that the Bank is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of Bank Supervision of CBSL 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.
3 (1) (xv)	The Board shall ensure that the Bank is capitalised at levels as required by the Monetary Board in terms of the capital adequacy ratio and other prudential grounds.	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 to ensure compliance with regulatory requirements.
3 (1) (xvi)	The Board shall publish in the Bank's Annual Report, an Annual Corporate Governance Report setting out the compliance with Direction No. 03 of these Directions.	Complied with This report forms part of the Corporate Governance Report of the Bank which is given from pages 169 to 183.
3 (1) (xvii)	The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually and maintain records of such assessments.	Complied with The Bank has adopted a scheme of self-assessment to be undertaken by every Director, annually which is maintained by the Secretary to the Board. Each member of the Board carried out a self-assessment of his/her own effectiveness as an individual annually which are tabled at the Board meetings by the secretary to the Board.
3 (2) 3 (2) (i)	**Board's Composition** The number of Directors on the Board shall not be less than 7 and not more than 13.	As per Section 8 (1) of NSB Act the Board comprises seven Directors including the Chairman. Board comprised five Directors during the period of 2024. Details of the present Board are given on pages 160 to 162 in this report.
3 (2) (ii)	a. The total period of service of a Director other than a Director who holds the position of Chief Executive Officer shall not exceed nine years.	Complied with The present Board of the Bank have been in the office for a period less than nine years. Details of tenor are given on page 175.
	b. A Director who has completed nine years as at 1 January 2008, or who completes such term at any time prior to 31 December 2008, may continue for a further maximum period of three years commencing 1 January 2009.	Not applicable
3 (2) (iii)	An employee of a 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 the Chief Executive Officer of the Bank.	Complied with All Directors are Non-Executive Directors.

		Level of compliance in 2024
3 (2) (iv)	The Board shall have at least three Independent Non-Executive Directors or one third of the total number of Directors, whichever is higher.	Complied with The Board has three Independent Directors while two Directors are Non-Independent. The category of Directorship is given on page 175.
3 (2) (v)	In the event an alternate Director is appointed to represent an Independent Director, the person so appointed shall also meet the criteria that apply to the Independent Director.	Not applicable
3 (2) (vi)	Non-Executive Directors shall be persons with credible track records and/or have necessary skills and experience to bring an independent judgement to bear on issues of strategy, performance, and resources.	Complied with The Directors' profiles including the necessary information are mentioned on pages 160 to 162.
3 (2) (vii)	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-half of the number of Directors present at such meeting are Non-Executive Directors.	Complied with As per the National Savings Bank Act the quorum of the Board is four which is more than one-half of the Directors and all five of the Directors are Non-Executive Directors.
3 (2) (viii)	The Independent Non-Executive Directors shall be expressly identified as such in all corporate communications that disclose the names of Directors of the Bank.	Complied with The independent Non-Executive Directors are expressly identified as such in all corporate communications that disclose the names of the Directors of the Bank. The composition of the Board by category of the Directors, including the names of the Chairman, Non-Executive Directors, Independent and Non-Independent Directors are given on page 175.
3 (2) (ix)	There shall be a formal, considered and transparent procedure for the appointment of new Directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Appointments of Directors are carried as per the NSB Act under Section 8 (1) (a). Accordingly, five Directors are appointed by the Minister under whose purview the Bank comes in. One Director shall be the Secretary to the Treasury, or his nominee and the other Directors shall be the Postmaster General or his nominee.
3 (2) (x)	All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first General Meeting after their appointment.	Not applicable This does not arise since the Directors are appointed by the subject Minister.
3 (2) (xi)	If a Director resigns or is removed from office, the Board shall: a. announce the Director's resignation or removal and the reasons for such removal or resignation including but not limited to information relating to the relevant Director's disagreement with the Bank, if any and	Complied with The Government of Sri Lanka, the sole shareholder of the Bank makes the appointments as well as removal of Directors through the Minister under whose purview the Bank falls in. Any resignation is also referred to the same Minister. The Central Bank of Sri Lanka are kept informed of resignations as per the direction timeline.
	b. Issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.	The shareholder of the Bank is the Government of Sri Lanka and the changes to the Directorate are carried out by the Government through the subject Minister.
3 (2) (xii)	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

Compliance with Banking Act Direction No. 12 of 2007

		Level of compliance in 2024
3 (3)	**Criteria to Assess the Fitness and Propriety of Directors**	
3 (3) (i) (a) and (b)	The age of a person who serves as a Director shall not exceed 70 years.	Complied with There are no Directors who are over 70 years of age.
3 (3) (ii)	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.	Complied with No Director holds directorships of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the Bank.
3 (3) (iii)	A Director or a Chief Executive Officer of a licensed bank operating in Sri Lanka shall not be appointed as a Director or a Chief Executive Officer 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 Monetary Board. In this regard, licensed banks shall ensure to adhere to the requirement of the cooling-off period when appointing Directors or Chief Executive Officer. If a Director is appointed to the licensed bank by an appointing authority violating these directions, the licensed bank shall take steps to prevent such appointee from exercising any powers or enjoying any privileges or against this direction.	Complied with. This situation has not arisen during the year under review.
3 (4)	**Management Functions Delegated by the Board**	Complied with
3 (4) (i)	The Directors shall carefully study and clearly understand the delegation arrangements in place.	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.
3 (4) (ii)	The Board shall not delegate any matters to a Board Committee, Chief Executive Officer, 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
3 (4) (iii)	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
3 (5)	**The Chairman and Chief Executive Officer**	
3 (5) (i)	The roles of Chairman and Chief Executive Officer shall be separated and shall not be performed by the same individual.	Complied with There is a clear separation of duties between the roles of the Chairman and the General Manager/CEO. A Board Charter is in place defining the responsibilities of the Chairman and the General Manager/CEO.

		Level of compliance in 2024
3 (5) (ii)	The Chairman shall be a Non-Executive Director and preferably an Independent Director as well. In the case where the Chairman is not an Independent Director, the Board shall designate an Independent Director as the Senior Director with suitably documented Terms of Reference. The designation of the Senior Director shall be disclosed in the Bank's Annual Report.	Complied Chairman of the Bank is an Independent Non-Executive Director.
3 (5) (iii)	The Board shall disclose in its Corporate Governance Report, the identity of the Chairman and the Chief Executive Officer and the nature of any relationship.	Complied with The identity of the Chairman and the General Manager/CEO are disclosed in Annual Report on page 182. The Board is cognisant that there are no relationships of any kind of financial, business, family, any other material/relevant relationship between the Chairman and the General Manager/CEO. Also, there are no relationships among the other Board members.
3 (5) (iv)	The Chairman shall: provide leadership to the Board; ensure that the Board works effectively and discharges its responsibilities; and ensure that all key and appropriate issues are discussed by the Board in a timely manner.	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.
3 (5) (v)	The Chairman shall be primarily responsible for drawing up and approving the agenda for each Board meeting.	Complied with The Chairman draws up the agenda for the meetings.
3 (5) (vi)	The Chairman shall 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.	Complied with 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. • Clarification of matters by KMPs when required.
3 (5) (vii)	The Chairman shall 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.	Complied with
3 (5) (viii)	The Chairman shall facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relations between Executive and Non-Executive Directors.	Complied with The entire Board consists of Non-Executive Directors.
3 (5) (ix)	The Chairman shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.	Complied with Chairman is a Non-Executive Director and he is not involved directly in executive functions to supervise KMPs or any other executive duties whatsoever.

		Level of compliance in 2024
3 (5) (x)	The Chairman shall 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 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.
3 (5) (xi)	The Chief Executive Officer shall function as the apex executive-in-charge of the day-to-day management of the Bank's operations and business.	Complied with The day-to-day operations of the Bank have been delegated to the General Manager/CEO. The Board Charter specifically details such authorities of the General Manager/CEO.
3 (6)	**Board Appointed Committees**	
3 (6) (i)	Each bank shall have at least four Board Committees as set out in Directions 3 (6) (ii), 3 (6) (iii), 3 (6) (iv) and 3 (6) (v) of these Directions. Each committee shall report directly to the Board. All Committees shall appoint a secretary. The Board shall present a report of the performance on each committee, on their duties and roles at the Annual General Meeting.	Complied with The Board has established six committees. The Board Audit Committee, Board Human Resource Remuneration Committee, Board Nomination Committee, Board Integrated Risk Management Committee are mandatory as per the Banking Act Direction No. 12 of 2017 while the Board Non-urgent and Non-essential Expenses Committee is appointed to meet the expense needs of the Bank and Board IT Strategic Committee too in place. All the committees report directly to the Board through the Committee Chairpersons. The Secretary of National Savings Bank/Secretary to the Board serves as the Secretary to all Board subcommittees who arranges the meetings and maintain minutes, records etc. under the Supervision of the Committee Chairman. The reports of the Board subcommittee are given on pages 184 to 194. The Government being the sole shareholder, the Annual Report of the Bank is submitted to the Parliament of Sri Lanka and to the Ministry in charge of the Bank.
3 (6) (ii)	The following rules shall apply in relation to the Audit Committee:	
	a. The Chairman of the Committee shall be an Independent Non-Executive Director who possesses qualifications and experience in accountancy and/or audit.	Complied with The Chairman of the Audit Committee is Independent Non-Executive Director. The Chairman of the present Board holds required qualifications and experience. Profile of the present Chairman of the Committee is given on page 162.
	b. All members of the Committee shall be Non-Executive Directors.	Complied with All the Directors of the Bank are Non-Executive Directors, hence all members in the committee are Non-Executive Directors.

		Level of compliance in 2024
	c. 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 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 Auditor; provided that the engagement of the Audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.	Complied with 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. 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.
	d. The Committee shall review and monitor the External Auditor's independence and 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 and guaranteed by the Constitution of Sri Lanka. Effectiveness of the audit process is discussed with the Superintendent of the Government Audit at Board Audit Committee meetings.
	e. The Committee shall develop and implement a policy on the engagement of an External Auditor to provide non-audit services.	Not applicable The Auditor General is the External Auditor of the Bank. However, as per the Board Audit Committee Charter, the Committee ensures that in the event the Auditor General appoints another External Auditor of assistance, it does not impair that firm's independence, objectivity or effectiveness. For the audit of the year 2024, the Auditor General has obtained the consultation of Messrs Ernst & Young.
	f. The Committee shall, before the audit commences, discuss and finalise with the External Auditors the nature and scope of the audit.	Not applicable The scope and the extent of audit have been determined by the Auditor General as the External Auditor. The Audit Plan for the year 2024 prepared by the Internal Audit Division was submitted to the Committee and approval was obtained.

	Level of compliance in 2024
g. 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 has reviewed the quarterly Financial Statements and Annual Report of the Bank 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 etc., in the review report to the attention of Board Audit Committee. The BAC makes recommendation to the Board on the above based on the requirement to do so.
h. The Committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the Auditor may wish to discuss including those matters.	Complied with 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.
i. The Committee shall review the External Auditor's management letter and the Management's response thereto.	The Board Audit Committee will review the External Auditor's Report issued under the Sections 14 (2) (c) and 13 (7) (a) of the Finance Act annually and the Management response thereon.
j. 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 2024 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 Head 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 the Head, senior staff members and outsourced service providers to the internal audit function;	Not applicable No such situation has arisen during the year.

		Level of compliance in 2024
	(v) Ensure that the Committee is appraised of resignations of senior staff members of the Internal Audit Department; including the Chief Internal Auditor 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;	Not applicable No such situation has arisen during the year.
	(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.
	k. 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.
	l. The Chief Finance Officer, the Chief Internal Auditor and a representative of the External Auditors may normally attend meetings. The Committee has had at least two meetings with the External Auditors without the Executive Directors being present.	Complied with Nine meetings were held during the year 2024 and the representative of Auditor General's Office has attended all 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.
	m. The Committee shall have: (i) explicit authority to investigate into any matter within its Terms of Reference; (ii) the resources which it need 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 According to the Board Audit Charter, the Committee has been empowered with: * Explicit authority to investigate into any matter within its Terms of Reference * The resources which it needs to do so * Full access to information and * Authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary. Refer BAC report on pages 184 to 186.
	n. 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 nine 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.

		Level of compliance in 2024
	o. The Board shall disclose in an informative way: (i) details of the activities of the Audit Committee; (ii) the number of Audit Committee meetings held in the year; and (iii) details of attendance of each individual Director at such meetings.	Complied with The Report of the BAC on pages 184 to 186 disclose the following: (i) Details of the activities of the Audit Committee (ii) The number of BAC meetings held during the year 2024 (iii) Details of attendance of each individual Director at such meetings
	p. The Secretary of the Committee is the Company Secretary or the Head of the internal audit function and shall record and keep detailed minutes of the Committee meetings	Complied with The Secretary to the Board of the Bank acts as Secretary to the BAC and detailed minutes are maintained.
	q. The Committee shall review arrangements by which employees of the Bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control, or other matters. Accordingly, the Committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the Bank's relations with the External Auditor.	Complied with The Bank has a Board approved Fraud Risk Management and Whistle-Blowing Policy in place which covers these aspects. Significant findings are reported to the BAC for appropriate follow-up actions. A process and proper measures are in place to conduct fair and independent investigation and appropriate follow-up action on any concerns raised by the employees of the Bank. The BAC is the key representative body for overseeing the Bank's relations with the External Auditor.
3 (6) (iii)	The following rules shall apply in relation to the Human Resources and Remuneration Committee: a. The Committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to Directors, Chief Executive Officer (CEO) and Key Management Personnel of the Bank.	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.
	b. The Committee shall set goals and targets for the Directors, CEO, and the Key Management Personnel.	All the Directors of the Bank are Non-Executive Directors of whom five are appointed by the line Minister and the other two being Ex-Officio Directors according to the Section 8 of the NSB Act No. 30 of 1971 and the amendments therein. Therefore, specific goals and targets are not set for them. Goals and targets for the General Manager/CEO and the KMPs are set based on the Strategic Business Plan which are detailed in the Action Plan. These are linked to Key Performance Indicators of KMPs.
	c. The Committee shall evaluate the performance of the 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.	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 preceding year.
	d. The CEO shall be present at all meetings of the Committee, except when matters relating to the CEO are being discussed.	Complied with The General Manager/CEO attends all meetings of the Committee, except when matters relating to the General Manager/CEO are being discussed.

		Level of compliance in 2024
3 (6) (iv)	The following rules shall apply in relation to the Nomination Committee:	Complied
	a. The Committee shall implement a procedure to select/appoint new Directors, CEO, and Key Management Personnel.	The five Directors are appointed by the subject Minister while the other two Directors being the Ex-officio Directors as per the NSB Act. According to the Section 11, the Minster shall nominate one of the Directors of the Board to be its Chairman. As per the Section 26, 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. Board of Directors appoints KMPs with the recommendation of Nomination Committee.
	b. The Committee shall consider and recommend (or not recommend) the re-election of current Directors.	Not applicable Five Directors are appointed by the Minister while two Directors are Ex-Officio as per the NSB Act.
	c. The Committee shall set the criteria for eligibility to be considered for appointment or promotion to the post of CEO and the key management positions.	Complied with The General Manager is appointed based on the accepted procedure with the approval of Board of Directors as per the NSB Act No. 30 of 1971 and the amendments therein. The Board approved promotion scheme is available which stipulates the attributes required to be eligible to or promoted to other key management positions.
	d. The Committee shall ensure that Directors, CEO and Key Management Personnel are fit and proper persons to hold office as specified in the criteria given in Direction 3 (3) and as set out in the statutes.	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 KMPs by the Human Resource Development Division and forwarded to the Central Bank for assessing the fitness and propriety at the time of appointment.
	e. The Committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring Directors and Key Management Personnel.	Complied with Appointment of the Chairman, Directors and the General Manager/CEO are carried out according to the NSB Act No. 30 of 1971 and the amendments therein. A Board approved Succession Plan for the KMPs is in place. Appointments of KMPs are made by the recommendations of BNC.
	f. The Committee shall be chaired by an Independent Director. The CEO may be present at meetings by invitation.	Complied with The Committee is chaired by an Independent Non-Executive Director.
3 (6) (v)	The Board Integrated Risk Management Committee:	
	a. The Committee shall consist of at least three Non-Executive Directors, Chief Executive Officer and Key Management Personnel supervising broad risk categories, i.e. credit, market, liquidity, operational, and strategic risks. The Committee shall 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 The Committee comprises three Non-Executive Directors, General Manager/CEO and the Chief Risk Officer who is responsible for supervising broad risk categories, i.e. credit, market, liquidity, operational, and strategic risks. Compliance Officer participate at all Committee meetings by invitation. Any other KMP and staff are invited based on the requirement. The Committee works closely with KMPs within the framework of authority and responsibility assigned.

Compliance with Banking Act Direction No. 12 of 2007

		Level of compliance in 2024
	b. The Committee shall assess all risks, i.e. credit, market, liquidity, operational, 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 done, both on a bank basis and group basis.	Complied with The Board has approved the policies on Credit Risk Management, Market and Liquidity Risk Management, Operational Risk Management on the recommendation of the BIRMC that provides the framework for assessment and management of risks. The Risk Management Division submits monthly reports on risk indicators both on a bank basis and group basis based on the predefined risk appetite levels which are reviewed by the Committee.
	c. The Committee shall review the adequacy and effectiveness of all management level committees 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 The Committee reviews reports of management levels committees such as the Credit Committee, Investment Committee and the Asset and Liability Management Committee (ALCO) to assess the adequacy and effectiveness in addressing specific risks and to ensure those risks are managed within quantitative and qualitative risk limits as specified by the risk appetite level of the Bank which reviewed on a regular basis. The adequacy and effectiveness of all management level committees are reviewed by the BIRMC on an annual basis.
	d. The Committee shall take prompt corrective action to mitigate the effects of specific risks.	Complied with The Committee takes prompt corrective actions to mitigate the effects of specific risks in situations where such risks are beyond prudent levels decided by the Board on recommendations of the Committee based on the regulatory and policy level requirements.
	e. The Committee shall meet at least quarterly to assess all aspects of risk management including updated Business Continuity Plans (BCP).	Complied with During the year, the Committee had eight meetings. Details of meetings and attendance are given on page 191.
	f. The Committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the Committee, and/or as directed by the Director of Bank Supervision.	Complied with The Bank has established a disciplinary action procedure to address such issues. No necessities have arisen during the year.
	g. The Committee shall 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 detailed minutes of the meetings are submitted to the next immediate Board meeting along with the recommendations and the Risk Management Reports.
	h. The Committee shall establish a compliance function to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls 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.	Complied with The compliance function has been established to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on areas of business operations. This function is headed by a dedicated Compliance Officer (CO). CO submits reports periodically to the BIRMC/Board.

		Level of compliance in 2024
3 (7)	**Related Party Transactions**	
3 (7) (i)	The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the Bank with any person.	Complied with The Board approved Related Party Transactions Policy is in place covering related parties, their transactions and restrictions on offering more favourable treatment to related parties in order to avoid any conflict of interest by the Board of Directors. Directors are requested to declare their related party transactions individually. and disclosure are declared on page 343 of the Annual Report.
3 (7) (ii)	The type of transaction with related parties that shall be covered by this Direction.	Complied with The Related Party Transactions Policy approved by the Board, covers the following transactions: (a) The grant of any type of accommodation, as defined in the Monetary Board's Directions on maximum amount of accommodation; (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 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 sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties. Information in this regard is disclosed in Note 49.5 on "Related Party Disclosures" on page 343.
3 (7) (iii)	The Board shall ensure that the Bank does not engage in transactions with related parties as defined in Direction 3 (7) (i) above, 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.	Complied with The Bank's Related Party Transactions Policy forbids transactions, which would grant related parties more favourable treatment than that accorded to other customers. Annual declarations are obtained from the Directors where such transactions would be identified. System is also developed to capture any transaction with "more favourable Treatment" than that accorded to other constituents of the Bank carrying on the same business and reported to the Board periodically. Transactions (if any) carried out with Related Parties in the normal course of business are disclosed in Note 49.5 to the Financial Statements "Related Party Disclosures" on page 343.
3 (7) (iv)	A bank shall not grant any accommodation to any of its Directors or to a close relation of such Director unless such accommodation is sanctioned at a meeting of its Board of Directors, with not less than two-thirds of the number of Directors other than the Director concerned, voting in favour of such accommodation.	Complied with No such instances were recorded

Compliance with Banking Act Direction No. 12 of 2007

		Level of compliance in 2024
3 (7) (v)	a. Where any accommodation has been granted by a bank to a person or 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, steps shall be taken by the Bank to obtain the necessary security as may be approved for that purpose by the Monetary Board, within one year from the date of appointment of the person as a Director.	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.
	b. Where such security is not provided by the period as provided in Direction 3 (7) (v) (a) above, the Bank shall take steps to recover any amount due on account of any accommodation, together with interest, if any, within the period specified at the time of the grant of accommodation or at the expiry of a period of 18 months from the date of appointment of such Director, whichever is earlier.	The Compliance Division monitored the processes with this Direction. And a quarterly report is submitted to the Board.
	c. Any Director who fails to comply with the above sub-directions shall be deemed to have vacated the office of Director and the Bank shall disclose such fact to the public.	
	d. This sub-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.	
3 (7) (vi)	A bank shall not grant any accommodation or “more favourable treatment” other than on the basis of a scheme applicable to the employees of such bank.	Complied with
3 (7) (vii)	No accommodation granted by a bank under Direction 3 (7) (v) and 3 (7) (vi) above, nor any part of such accommodation, nor any interest due thereon shall be remitted without the prior approval of the Monetary Board and any remission without such approval shall be void and of no effect.	Complied with No such instances were recorded.
3 (8)	**Disclosures**	
3 (8) (i)	The Board shall ensure that: a. 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, and that,	Complied with
	b. Such statements are published in the newspapers in an abridged form, in Sinhala, Tamil, and English.	Complied with

		Level of compliance in 2024
3 (8) (ii)	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 229 and "General Manager's/CEO's and Senior Deputy General Manager's Statement of Responsibility" on page 233.
	b. A report by the Board on the Bank's internal control mechanism that confirms 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 purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Complied with The Annual Report includes the following reports where the Board confirms that 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. Annual Report of the Board of Directors on pages 223 to 228. Statement of Directors' Responsibility for Financial Reporting on page 229. Directors' Statement on Internal Control over Financial Reporting on pages 230 and 231.
	c. The External Auditor's certification on the effectiveness of the internal control mechanism referred to in Direction 3 (8) (ii) (b) above, in respect of any statements prepared or published after 31 December 2008.	Complied with The Bank has obtained a certificate on the effectiveness of Internal Controls over Financial Reporting, which is disclosed on page 232.
	d. Details of Directors: (i) including names, fitness, and propriety, (ii) transactions with the Bank, and (iii) the total of fees/remuneration paid by the Bank.	Complied with Profiles of the Directors are given on pages 160 to 162. Refer Note 49.5 to the Financial Statements on page 343. Refer Note 49.5.1 to the Financial Statements on page 343.
	e. Total net accommodation as defined in 3 (7) (iii) 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 accommodations granted as a percentage of Bank's regulatory capital are given in Note 49.5.3 to the Financial Statements on page 344.
	f. The aggregate values of remuneration paid by the Bank to its Key Management Personnel and the aggregate values of the transactions of the Bank with its Key Management Personnel, set out by broad categories such as remuneration.	Complied with Details are given in Note 49.5.1 to the Financial Statements on page 343.
	g. The External Auditor's certification of the compliance with these Directions in the Annual Corporate Governance Reports.	Complied with The Bank will obtain a certificate from the Auditor General on the level of compliance with the Corporate Governance Direction No. 12 of 2007. All findings of the Auditor General will be incorporated in this Corporate Governance Report and any recommendations will be dealt with in the ensuing year.

		Level of compliance in 2024
	h. A report setting out details of the compliance with prudential requirements, regulations, laws, internal controls and measures taken to rectify any material non-compliance.	Complied with The Statement of Directors' Responsibility for Financial Reporting on page on 229 clearly sets out the details regarding compliance with prudential requirements, regulations, laws, and internal controls.
	i. 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 pointed out by the Director of Bank Supervision of CBSL if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the Bank to address such concerns.	There were no such incident of such nature during the period of 2024, and therefore, the Monetary Board has not directed any disclosures to be made public during the year.
3 (9) 3 (9) (i)	**Transitional and other General Provisions** Compliance with this Direction shall commence from 1 January 2008 onwards and all licensed commercial banks shall fully comply with the provisions of this Direction by or before 1 January 2009 except where extended compliance dates have been specifically provided for in this Direction.	Complied with The Bank has complied with the applicable transitional provisions.
3 (9) (ii)	In respect of the banks that have been incorporated by specific statutes in Sri Lanka, the Boards as specified in such statutes shall continue to function in terms of the provisions of the respective statutes, provided they take steps to comply with all provisions of this Direction that are not inconsistent with the provisions of the respective statutes.	Complied with NSB takes all possible measures to comply with all applicable provisions of this Direction that are not inconsistent with the provisions of NSB Act No. 30 of 1971 and its amendments, the enabling enactment. Any instances of non-compliance and where NSB has continued to function in terms of the provisions of the statutes applicable to it has been specifically mentioned above against the relevant sections.
3 (9) (iii)	This Direction shall apply to the branches of the foreign banks operating in Sri Lanka to the extent that it is not inconsistent with the regulations and laws applicable in such bank's country of incorporation. The branch of a foreign bank shall also publish its parent bank's Annual Corporate Governance Report together with its Annual Report and accounts of the branch operations in Sri Lanka.	Not applicable
3 (9) (iv)	In the event of a conflict between any of the provisions of this Direction and the Articles of Association (or Internal Rules) pertaining to any bank, the provisions of this Direction shall prevail. However, if 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.	Not applicable

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

Code reference	Principles
A	**Directors**
A.1	**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 five (05) Directors who are eminent professionals to direct and lead the Bank with effective controls. Details of the Directors during the year 2024 are given on pages 160 to 162.
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 as 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 thirteen 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 175.
A.1.2	**Roles and Responsibilities of the Board** The Board Charter details the responsibilities entrusted to the Board and given on page 173. The Board charter was last reviewed in the year 2022. 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 182 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.

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

Code reference	Principles
A.1.8	**Training of Directors** The Board of Directors of the Bank gets adequate training on appointment. Refer page 178 for details.
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. However, the Board comprised of five Directors in the year 2024 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. The Bank has complied with the required regulatory requirements relating to appointment of new Directors. Refer Section Corporate Governance on page 178 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 178 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 2025.

Code reference	Principles
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 160 to 162. Details of whether a Director is Executive, Non-Executive and/or Independent, Non-Independent are given on page 175. Related party transactions are given on Note 49.5 to the Financial Statements on page 343. Membership of Board Subcommittees and attendance at Board and Board Subcommittee are given on page 175.
A.11	**Appraisal of General Manager/Chief Executive Officer (CEO)** 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.
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 183 and Report of the BHRRC on pages 187 and 188.
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 183.
B.3	**Disclosure of remuneration** Section on "Directors' remuneration and level and make up of remuneration" on page 183. Details of Directors' total remuneration – Refer Note 49.5 to the Financial Statements on page 343 Members of the BHRRC and their Report – Refer pages 187 and 188.
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 223 to 228 and Note 49.5 to the Financial Statements on page 343.

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

Code reference	Principles
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 81 to 151. • Annual Report of the Board of Directors – pages 223 to 228. • Statement of Directors' Responsibility for Financial Reporting – page 229. • Directors' Statement on Internal Controls – pages 230 to 231. • General Manager/CEO's and Senior Deputy General Manager's Statement of Responsibility – on page 233. • Related Party Transactions – refer Note 49 on related party disclosures on pages 340 to 345. The net assets value of the Bank is disclosed in Note 50 to the Financial Statements on page 346.
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 processes 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. 12 of 2007 on Corporate Governance, 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 195 to 219 and Report of the BIRMC on pages 191 and 192 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 184 to 186 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, which is Auditor General and produced on page 232 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 191 and 192.
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 Managerial persons are given on page 343 in Note 49.5.2 of this Annual Report.
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.

Code reference	Principles
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 169 to 183. Compliance with the Code of Best Practice on Corporate Governance 2023 (the code) issued by The Institute of Chartered Accountants of Sri Lanka on pages 413 to 418.
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. 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: • Management discussion and analysis – pages 81 to 151 • Corporate governance – pages 169 to 183 • Integrated stakeholder engagement – pages 52 to 59 • Materiality – pages 39 to 51 This Annual Report has been in accordance with IIRC Framework, and the GRI guidelines.

Code reference	Principles
I	**Establishment and Maintenance of Policies**
I.1 & 1.2	**Policies relating to following areas are in place in 2024:** (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, including policies on trading in the entity's listed securities (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 number/s
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	**278**
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	**256** **256**
	ii. Reclassifications of financial instruments from one category to another.	Significant accounting policies: Note 2.5.1.7 Reclassification of financial assets and liabilities	**257**
	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	**292**
	iv. Reconciliation of the allowance account for credit losses by class of financial assets.	Note 16 – Cash and cash equivalent Note 18 – Placement with banks Note 21 (d) – Movements in impairment during the year Note 22.3 – Movement in impairment during the year	**281** **282** **289** **295**
	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	**265-276**
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	**265**
	ii. Fee income and expense.	Notes to the Financial Statements: Note 5 – Net fee and commission income	**268**
	iii. Amount of impairment losses by class of financial assets.	Notes to the Financial Statements: Note 10 – Impairment charges	**271**
	iv. Interest income on impaired financial assets.	Notes to the Financial Statements: Note 4 (a) interest income	**266**

Other disclosure requirements as required by CBSL

	Disclosure requirements	Description	Page number/s
1.3	**Other disclosures**		
1.3.1	Accounting policies for financial instruments.	Note 2.5.1 – Financial instruments – initial recognition, classification and subsequent measurement	**254**
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	**256**
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 at fair value through other comprehensive income	**295**
	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	**297** **298**
	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	**270**
	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	**238-239** **242-245**
	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	**238-239** **242-245**
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 During the period the Bank did not reclassify financial assets	**257**
	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	

	Disclosure requirements	Description	Page number/s
	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	**257**
1.3.5	Information on hedge accounting	Notes to the Financial Statements:	
		Note 2.5.1.6.2 – Derivative is held for risk management purposes and hedge accounting	**257**
		Note 19 – Derivative financial instruments	**282**
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 56.5 – Fair value of financial instruments	**387**
	ii. Description of how fair value was determined.	Notes to the Financial Statements:	
		Note 2.1.12.3 – Fair value of financial instruments	**250**
		Note 2.3 – Fair value measurement	**253**
		Note 56.2 – Determination of fair value and fair value hierarchy	**383**
	iii. The level of inputs used in determining fair value.	Notes to the Financial Statements:	
		Note 56.2 – Determination of fair value and fair value hierarchy	**383**
	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 56.3 – Reconciliation of movements between levels of fair value measurement hierarchy	**386**
	v. Information if fair value cannot be reliably measured.	Notes to the Financial Statements:	
		Note 23 (e) – Unquoted investments – equity securities	**298**
		Note 56.2 – Determination of fair value and fair value hierarchy	**383**
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	**347**
		Risk Management Report	**195-219**

Other disclosure requirements as required by CBSL

	Disclosure requirements	Description	Page number/s
2.1.2	Management's objectives, policies, and processes for managing those risks.	Notes to the Financial Statements: Note 54 – Financial risk management Risk Management Report	 **347** **195-219**
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 Risk Management Report	 **347** **195-219**
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 54.1.1 – Credit quality analysis	 **353**
	(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 54.1.1 – Credit quality analysis	 **353**
	(c) Information about collateral or other credit enhancements obtained or called.	Notes to the Financial Statements: Note 54.1.1. (b) – Management of the credit portfolio	 **355**
	(d) Credit risk management practices: – CRM practices and how they relate to the recognition and measurement ECL, including the methods, assumptions and information used to measure ECL.	Notes to the Financial Statements: Note 2.5.2.1 – Overview of the ECL principles Note 10 – Impairment charges	 **258** **271**
	– 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	**271**
	– 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	**260**
	– 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	**261**
	– How instruments are grouped if ECL are measured on a collective basis.	Note 10 – Impairment charges	**271**
	– How the Bank determines that financial assets are credit-impaired.	Note 2.5.2 – Impairment of financial assets	**258**
	– 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	**289**
	– How the modification requirements have been applied.	Note 2.5.1.9 – Modification of financial assets and financial liabilities	**258**

Disclosure requirements	Description	Page number/s
(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	**259**
– How forward-looking information has been incorporated into the determination of ECL.	Note 2.5.2.6 – Forward looking information	**260**
– Changes in estimation techniques or significant assumptions made during the reporting period.	Note 2.2 – Changes in accounting policies	**253**
(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 equivalent Note18 – Placement with banks Note 21 (d) – Movements in impairment during the year	**281** **282** **289**
– Explain the reasons for changes in the loss allowances in the reconciliation.	Note 22.3 – Movement in impairment during the year	**295**
(g) Collateral: – Bank's maximum exposure to credit risk at the reporting date	Notes to the Financial Statements: Note 54.1.1 (a) – Net exposure to credit risk by class of financial assets	**353**
– Description of collateral held as security and other credit enhancements	Note 54.1.1 (b) – Management of the credit portfolio	**355**
(h) Written-off assets	Notes to the Financial Statements: Note 21 (d) – Movements in impairment during the year	**289**
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	**195-219**
ii. Liquidity risk (a) A maturity analysis of financial liabilities.	Notes to the Financial Statements: Note 55 – Maturity analysis	**379**
(b) Description of approach to risk management.	Notes to the Financial Statements: Note 54 – Financial risk management Risk Management Report	**347** **195-219**
(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	**195-219**
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	**367** **195-219**
(b) Additional information, if the sensitivity analysis is not representative of the Bank's risk exposure.	Risk Management Report	**195-219**

Other disclosure requirements as required by CBSL

	Disclosure requirements	Description	Page number/s
	(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	**195-219**
	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	**195-219**
	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 at fair value through other comprehensive income	 **295**
	• 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 at fair value through other comprehensive income	 **295**
	(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 at through profit or loss Note 23 – Financial assets at fair value through other comprehensive income	 **283** **295**
	• 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	 **269** **270**
	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 – Financial risk management Risk Management Report	 **347** **195-219**
	(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	**195-219**
2.2.3	Information on concentrations of risk	Notes to the Financial Statements: Note 54 Financial risk management Risk Management Report	 **347** **195-219**

	Disclosure requirements	Description	Page number/s
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	**426-437**
		Risk Management Report	**195-219**
	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	**426-437**
	(b) The total amount of Tier 2 and Tier 3 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	**195-219**
	ii. Quantitative disclosures		
	(a) Capital requirements for credit risk, market risk and operational risk.	Risk Management Report	**195-219**
	(b) Total and Tier 1 capital ratio.	Risk Management Report	**195-219**

Market Discipline – Minimum Disclosure Requirements under Pillar III

Key Regulatory Ratios – Capital and Liquidity

As at 31 December Item	Bank **2024**	Bank 2023	Group **2024**	Group 2023
Regulatory capital (Rs. '000)				
Common equity Tier 1	**63,454,114**	48,539,426	**75,395,088**	59,238,806
Tier 1 capital	**68,454,114**	53,539,426	**80,395,088**	64,238,806
Total capital	**75,660,059**	60,998,920	**87,519,216**	71,634,169
Regulatory capital ratios (%)	**–**	–	**–**	–
Common equity Tier 1 capital ratio (minimum requirement: 7%)	**21.707**	15.329	**25.032**	18.391
Tier 1 capital ratio (minimum requirement: 8.5%)	**23.418**	16.908	**26.692**	19.943
Total capital ratio (minimum requirement: 12.5%)	**25.883**	19.263	**29.058**	22.239
Leverage ratio (minimum requirement: 3%)	**8.000**	6.225	**8.849**	7.053
Regulatory liquidity				
Total stock of high quality liquid assets (all currency LKR '000)	**952,016,921**	788,514,204	**N/A**	N/A
Liquidity coverage ratio (%) – rupee (minimum requirement: 100%)	**351.33**	299.20	**N/A**	N/A
Liquidity coverage ratio (%) – all currency (minimum requirement: 100%)	**344.55**	293.71	**N/A**	N/A
NSFR (%) – (minimum requirement: 100%)	**193.53**	180.49	**N/A**	N/A

Basel III Computation of Capital Ratios

As at 31 December Item	Bank 2024 Rs. '000	Bank 2023 Rs. '000	Group 2024 Rs. '000	Group 2023 Rs. '000
Common equity Tier 1 (CET1) capital after adjustments	**63,454,114**	48,539,426	**75,395,088**	59,238,806
Total common equity Tier 1 (CET1) capital	**82,275,836**	67,507,737	**87,817,904**	71,108,806
Equity capital (stated capital)/assigned capital	**9,400,000**	9,400,000	**9,400,000**	9,400,000
Reserve fund	**5,694,877**	5,369,172	**5,810,742**	5,464,218
Published retained earnings/(accumulated retained losses)	**23,111,292**	9,057,105	**28,420,814**	12,485,813
Published accumulated other comprehensive income (OCI)	**977,782**	589,575	**1,094,471**	666,898
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	**18,821,722**	18,968,309	**12,422,815**	11,869,998
Goodwill (net)	**–**	–	**–**	–
Intangible assets (net)	**2,183,860**	744,715	**2,185,087**	747,225
Revaluation losses of property, plant and equipment	**46,140**	51,023	**46,140**	51,023
Deferred tax assets (net)	**4,995,021**	5,885,288	**4,995,021**	5,885,288
Cash flow hedge reserve	**–**	–	**–**	–
Gains on sale related securitisation transactions	**–**	–	**–**	–
Defined benefit pension fund assets (net)	**–**	2,230,673	**–**	2,230,673
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	**4,876,060**	2,776,029	**5,196,568**	2,955,791
Significant investments in the capital of financial institutions where the Bank owns more than 10 percent of the issued ordinary share capital of the entity	**6,609,252**	6,752,800	**–**	–
Shortfall of the capital in financial subsidiaries	**111,389**	527,783	**–**	–
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	**7,205,945**	7,459,494	**7,124,128**	7,395,363
Total Tier 2 capital	**8,090,351**	7,459,494	**8,096,654**	7,478,325
Qualifying Tier 2 capital instruments	**–**	–	**–**	–
Revaluation gains	**5,287,981**	4,243,803	**5,287,981**	4,243,803
Loan loss provisions	**2,802,370**	3,215,691	**2,808,673**	3,234,522
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	**–**	–	**–**	–
Total adjustments to Tier 2 capital	**884,406**	–	**972,526**	82,962

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

	Bank		Group	
As at 31 December Item	**2024** **Rs. '000**	2023 Rs. '000	**2024** **Rs. '000**	2023 Rs. '000
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	**884,406**	–	**972,526**	82,962
CET1 capital	**63,454,114**	48,539,426	**75,395,088**	59,238,806
Total Tier 1 capital	**68,454,114**	53,539,426	**80,395,088**	64,238,806
Total capital	**75,660,059**	60,998,920	**87,519,216**	71,634,169
Total risk weighted assets (RWA)	**292,315,462**	316,656,440	**301,191,773**	322,111,226
RWAs for credit risk	**224,189,590**	257,255,264	**224,693,820**	258,761,746
RWAs for market risk	**10,868,856**	9,393,488	**16,426,136**	11,735,368
RWAs for operational risk	**57,257,016**	50,007,688	**60,071,816**	51,614,112
CETI capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs (%)	**21.707**	15.329	**25.032**	18.391
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 (%)	**23.418**	16.908	**26.692**	19.943
Total capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	**25.883**	19.263	**29.058**	22.239
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 December 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.

Computation of Leverage Ratio

As at 31 December Item	Bank **2024** **Rs. '000**	 2023 Rs. '000	Group **2024** **Rs. '000**	 2023 Rs. '000
Tier 1 capital	**68,454,114**	53,539,426	**80,395,088**	64,238,805
Total exposures	**855,651,706**	860,118,126	**908,551,645**	910,855,706
On-balance sheet items (excluding derivatives, and securities financing transactions, but including collateral)	**759,071,458**	769,356,091	**797,856,581**	801,059,315
Derivative exposures	**137,626**	20,140	**137,626**	20,140
Securities financing transaction exposures	**93,033,639**	86,645,709	**107,140,147**	105,637,425
Other off-balance sheet exposures	**3,408,983**	4,096,187	**3,417,291**	4,138,826
Basel III leverage ratio (%) (Tier 1/total exposure)	**8.00**	6.23	**8.85**	7.05

Basel III Computation of Liquidity Coverage Ratio (Bank)

As at 31 December Item	**2024** **Total unweighted value Rs. '000**	 **Total weighted value Rs. '000**	2023 Total unweighted value Rs. '000	 Total weighted value Rs. '000
Total stock of high-quality liquid assets (HQLA)	**952,123,286**	**952,016,920**	788,932,254	788,514,204
Total adjusted Level 1A assets	**950,707,330**	**950,707,330**	789,711,440	789,711,440
Level 1 assets	**951,910,554**	**951,910,554**	787,746,153	787,746,153
Total adjusted Level 2A assets	**–**	**–**	500,000	425,000
Level 2A assets	**–**	**–**	500,000	425,000
Total adjusted Level 2B assets	**212,732**	**106,366**	686,100	343,050
Level 2B assets	**212,732**	**106,366**	686,100	343,050
Total cash outflows	**1,564,455,222**	**289,628,506**	1,493,012,180	283,885,370
Deposits	**1,273,995,388**	**127,399,539**	1,212,597,820	121,259,782
Unsecured wholesale funding	**253,402,119**	**155,147,969**	241,474,027	158,369,494
Secured funding transactions	**26,609,535**	**–**	25,992,671	–
Undrawn portion of committed (Irrevocable) facilities and other contingent funding obligations	**6,590,418**	**3,223,237**	12,363,356	3,671,788
Additional requirements	**3,857,761**	**3,857,761**	584,307	584,307
Total cash inflows	**48,271,272**	**13,319,181**	40,224,812	15,417,697
Maturing secured lending transactions backed by collateral	**34,057,346**	**6,616,446**	13,241,124	3,563,632
Committed facilities	**–**	**–**	–	–
Other inflows by counterparty which are maturing within 30 days	**10,342,140**	**6,693,604**	20,491,958	11,850,077
Operational deposits	**3,862,655**	**–**	6,484,677	–
Other cash inflows	**9,131**	**9,131**	7,052	3,988
Liquidity coverage ratio (%) (stock of high quality liquid assets/total net cash outflow over the next 30 calendar days)*100	**–**	**344.55**	–	293.71

Computation of Net Stable Funding Ratio (Bank)

As at 31 December Item	2024 Rs. '000	2023 Rs. '000
Total available stable funding	**1,164,825,918**	1,130,807,499
Required stable funding-on balance sheet assets	**601,160,966**	626,157,020
Required stable funding-off balance sheet items	**710,598**	366,395
Total required stable funding	**601,871,564**	626,523,415
Net stable funding ratio (NSFR)	**193.53**	180.49

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	27 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 195 to 219.

Credit Risk under Standardised Approach (Bank)

Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

As at 31 December 2024	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	**988,873,890**	**3,344,375**	**947,942,977**	**61,030**	–	–
Claims on foreign sovereigns and their central banks	–	–	–	–	–	–
Claims on public sector entities	**192,038,027**	**323,970**	**92,620**	–	**92,620**	**100.00**
Claims on official entities and multilateral development banks	–	–	–	–	–	–
Claims on banks exposures	**19,114,315**	**7,572,930**	**19,114,315**	**1,117,316**	**8,925,265**	**44.12**
Claims on financial institutions	**4,774,702**	**1,000,000**	**4,774,702**	**500,000**	**3,275,101**	**62.09**
Claims on corporates	**4,260,729**	–	**4,260,729**	–	**4,260,729**	**100.00**
Retail claims	**342,972,580**	**1,295,768**	**297,637,982**	–	**134,113,565**	**45.06**
Claims secured by residential property	**61,226,243**	**135,363**	**61,226,243**	**67,681**	**22,935,704**	**37.42**
Claims secured by commercial real estate	–	–	–	–	–	–
Non-performing assets (NPAs)	**17,957,811**	–	**17,957,811**	–	**15,639,663**	**87.09**
Higher risk categories	**701,748**	–	**701,748**	–	**1,754,371**	**250.00**
Cash items and other assets	**36,013,391**	**1,662,955**	**36,013,391**	**1,662,955**	**33,192,573**	**88.10**
Total	**1,667,933,434**	**15,335,361**	**1,389,722,516**	**3,408,983**	**224,189,590**	**16.09**

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 2024	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	993,301,870	3,344,375	957,539,757	61,030	–	–
Claims on foreign sovereigns and their central banks	–	–	–	–	–	–
Claims on public sector entities	192,038,191	323,970	92,784	–	92,784	100.00
Claims on official entities and multilateral development banks	–	–	–	–	–	–
Claims on banks exposures	19,355,914	7,572,930	19,355,914	1,117,316	8,991,868	43.92
Claims on financial institutions	5,136,977	1,000,000	5,136,977	500,000	3,456,239	61.31
Claims on corporates	4,267,385	–	4,267,385	–	4,267,385	100.00
Retail claims	343,193,449	1,295,768	297,856,479	–	134,278,537	45.08
Claims secured by residential property	61,491,669	135,363	61,491,669	67,681	23,201,130	37.69
Claims secured by commercial real estate	–	–	–	–	–	–
Non-performing assets (NPAs)	17,976,625	–	17,976,625	–	15,655,765	87.09
Higher risk categories	–	–	–	–	–	
Cash items and other assets	37,567,641	1,671,263	37,567,641	1,671,263	34,750,112	88.56
Total	1,674,329,721	15,343,669	1,401,285,232	3,417,291	224,693,820	16.00

Note: (*) RWA Density – Total RWA/Exposures post CCF and CRM.

Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights (Bank)

As at 31 December 2024 Description	(Post CCF and CRM)								
Risk weight / Asset classes	0% Rs. '000	20% Rs. '000	35% Rs. '000	50% Rs. '000	75% Rs. '000	100% Rs. '000	150% Rs. '000	>150% Rs. '000	Total credit exposures amount Rs. '000
Claims on Central Government and CBSL	948,004,007	–	–	–	–	–	–	–	948,004,008
Claims on foreign sovereigns and their central banks	–	–	–	–	–	–	–	–	–
Claims on public sector entities	–	–	–	–	–	92,620	–	–	92,620
Claims on official entities and multilateral development banks	–	–	–	–	–	–	–	–	–
Claims on banks exposures	–	3,968,501	–	16,263,130	–	–	–	–	20,231,631
Claims on financial institutions	–	–	–	3,999,200	–	1,275,501	–	–	5,274,702
Claims on corporates	–	–	–	–	–	4,260,729	–	–	4,260,728
Retail claims	118,511,776	749,248	–	–	177,652,970	723,988	–	–	297,637,982
Claims secured by residential property	–	–	59,012,647	–	–	2,281,278	–	–	61,293,924
Claims secured by commercial real estate	–	–	–	–	–	–	–	–	–
Non-performing assets (NPAs)	–	–	–	5,008,258	–	12,577,593	371,961	–	17,957,811
Higher risk categories	–	–	–	–	–	–	–	701,748	701,748
Cash items and other assets	4,460,443	29,162	–	–	–	33,186,741	–	–	37,676,346
Total	1,070,976,226	4,746,911	59,012,647	25,270,587	177,652,970	54,398,449	371,961	701,748	1,393,131,499

Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights (Group)

As at 31 December 2024 Description	(Post CCF and CRM)								
Risk weight / Asset classes	0% Rs. '000	20% Rs. '000	35% Rs. '000	50% Rs. '000	75% Rs. '000	100% Rs. '000	150% Rs. '000	>150% Rs. '000	Total credit exposures amount Rs. '000
Claims on Central Government and CBSL	957,600,787	–	–	–	–	–	–	–	957,600,788
Claims on foreign sovereigns and their central banks	–	–	–	–	–	–	–	–	–
Claims on public sector entities	–	–	–	–	–	92,784	–	–	92,784
Claims on official entities and multilateral development banks	–	–	–	–	–	–	–	–	–
Claims on banks exposures	–	4,149,156	–	16,324,074	–	–	–	–	20,473,230
Claims on financial institutions	–	–	–	4,361,476	–	1,275,501	–	–	5,636,977
Claims on corporates	–	–	–	–	–	4,267,385	–	–	4,267,384
Retail claims	118,511,776	749,248	–	–	177,867,072	728,383	–	–	297,856,479
Claims secured by residential property	–	–	59,012,647	–	–	2,546,704	–	–	61,559,350
Claims secured by commercial real estate	–	–	–	–	–	–	–	–	–
Non-performing assets (NPAs)	–	–	–	5,014,504	–	12,589,337	372,784	–	17,976,625
Higher risk categories	–	–	–	–	–	–	–	–	–
Cash items and other assets	4,465,462	29,162	–	–	–	34,744,280	–	–	39,238,904
Total	1,080,578,025	4,927,566	59,012,647	25,700,054	177,867,072	56,244,374	372,784	–	1,404,702,522

Market Risk under Standardised Measurement Method

As at 31 December Item	Bank RWA amount 2024 Rs. '000	Group RWA amount 2024 Rs. '000
(a) RWA for interest rate risk	8,399,512	13,954,305
General interest rate risk	8,399,512	13,954,305
(i) Net long or short position	8,399,512	13,954,305
(ii) Horizontal disallowance		
(iii) Vertical disallowance		
(iv) Options		
Specific interest rate risk	–	–
(b) RWA for equity	1,423,122	1,425,614
(i) General equity risk	811,622	813,052
(ii) Specific equity risk	611,500	612,562
(c) RWA for Foreign Exchange and Gold	1,046,218	1,046,218
Capital charge for market risk [(a)+(b)+(c)] *CAR	1,358,607	2,053,267

Operational Risk under Basic Indicator Approach

Bank

Capital charge	Capital charge factor %	Gross income as at 31 December 2024 1st year Rs. '000	2nd year Rs. '000	3rd year Rs. '000	Rs. '000
The basic indicator approach	15	34,079,123	32,839,382	76,224,037	
Capital charge					7,157,127
Risk weighted amount for operational risk					57,257,016

Group

Capital charge	Capital charge factor %	Gross income as at 31 December 2024 1st year Rs. '000	2nd year Rs. '000	3rd year Rs. '000	Rs. '000
The basic indicator approach	15	32,834,429	37,734,741	79,610,378	
Capital charge					7,508,977
Risk weighted amount for operational risk					60,071,816

Differences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories

Bank only

As at 31 December 2024	a	b	c	d	e
Item	Carrying values as reported in published financial statements Rs. '000	Carrying values under scope of regulatory reporting Rs. '000	Subject to credit risk framework Rs. '000	Subject to market risk framework Rs. '000	Not subject to capital requirements or subject to deduction from capital Rs. '000
Assets	1,752,438,214	1,752,438,214	1,385,903,487	69,650,483	296,884,243
Cash and cash equivalents	8,358,742	8,358,742	8,351,766	6,977	–
Balances with Central Bank	357,054	357,054	357,054	–	–
Placements with banks	14,794,637	14,794,637	14,794,637	–	–
Derivative financial instruments	9,131	9,131	–	–	9,131
Financial assets recognised through profit or loss measured at fair value/other financial assets held for trading	21,086,781	21,086,781	–	21,086,781	–
Financial assets designated at fair value through profit or loss	–	–	–	–	–
Financial assets at amortised cost:	–	–	–	–	–
– **Loans and advances**	–	–	–	–	–
– Loans and receivables to banks	19,197,924	19,197,924	–	–	19,197,924
– Loans and receivables to other customers	513,181,089	513,181,089	254,169,939	–	259,011,149
– **Debt and other instruments/financial Investments held to maturity**	1,039,034,572	1,039,034,572	1,039,034,572	–	–
Financial assets measured at fair value through OCI/financial investments available for sale	53,469,178	53,469,178	36,392	48,556,726	4,876,060
Investments in subsidiaries	7,311,000	7,311,000	701,748	–	6,609,252
Investments in associates and joint ventures	–	–	–	–	–
Property, plant and equipment	17,415,792	17,415,792	17,415,792	–	–
Investment properties	–	–	–	–	–
Intangible assets	2,183,860	2,183,860	–	–	2,183,860
Deferred tax assets	4,995,021	4,995,021	–	–	4,995,021
Other assets	51,043,433	51,043,433	51,043,433	–	–

Differences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories (Contd.)

Bank only (Contd.)

As at 31 December 2024 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	**1,653,595,599**	**1,653,595,599**	–	–	–
Due to banks	**487,521**	**487,521**	–	–	–
Derivative financial instruments	**258,409**	**258,409**	–	–	–
Financial liabilities recognised through profit	–	–	–	–	–
Financial liabilities at amortised cost:	–	–	–	–	–
– Due to depositors	**1,556,270,863**	**1,556,270,863**	–	–	–
– Due to debt securities holders	–	–	–	–	–
– Due to other borrowers	**48,190,057**	**48,190,057**	–	–	–
Debt securities issued	**11,863,655**	**11,863,655**	–	–	–
Retirement benefit obligations	**17,489,868**	**17,489,868**	–	–	–
Current tax liabilities	**3,648,729**	**3,648,729**	–	–	–
Deferred tax liabilities	–	–	–	–	–
Other provisions	–	–	–	–	–
Other liabilities	**10,283,670**	**10,283,670**	–	–	–
Due to subsidiaries	–	–	–	–	–
Subordinated term debt	**5,102,828**	**5,102,828**	–	–	–
Off-balance sheet liabilities	**15,042,447**	**15,042,447**	**13,746,679**	–	**1,295,768**
Guarantees	**1,295,768**	**1,295,768**	–	–	**1,295,768**
Performance bonds	–	–	–	–	–
Letters of credit	–	–	–	–	–
Other contingent items	**8,624,391**	**8,624,391**	**8,624,391**	–	–
Undrawn loan commitments	**3,459,333**	**3,459,333**	**3,459,333**	–	–
Other commitments	**1,662,955**	**1,662,955**	**1,662,955**	–	–
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	**28,462,304**	**28,462,304**	–	–	–
Accumulated other comprehensive income	**4,213,302**	**4,213,302**	–	–	–
Other reserves	**56,767,008**	**56,767,008**	–	–	–
Total shareholders' equity	**98,842,615**	**98,842,615**	–	–	–

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 195 to 219.

D-SIB Assessment Exercise – 2024

(As per the Banking Act Direction No. 10 of 2019)	Group Rs. Mn.
Size indicator	
Section 1 – Total exposures	
Total exposures measure	1,842,314
Interconnectedness indicators	
Section 2 – Intra-financial system assets	
a. Funds deposited with or lent to other financial institutions (including unused portion of committed lines extended)	22,956
(i) Funds deposited	19,206
(ii) Lending	3,750
b. Holdings of securities issued by other financial institutions	9,824
c. Net positive current exposure of securities financing transactions (SFTs) with other financial institutions	3,200
d. Over-the-counter (OTC) derivatives with other financial institutions that have a net positive mark to market value	9
Intra-financial system assets	35,988
Section 3 – Intra-financial system liabilities	
a. Funds deposited by or borrowed from other financial institutions (including unused portion of committed lines obtained)	4,311
(i) Funds deposited	3,823
(ii) Borrowings	488
b. Net negative current exposure of securities financing transactions with other financial institutions	2,491
c. Over-the-counter derivatives with other financial institutions that have a net negative mark to market value	–
Intra-financial system liabilities	6,802
Section 4 – Securities outstanding	
Securities outstanding	17,040
Substitutability/Financial institution infrastructure indicators	
Section 5 – Payments made in the reporting year (excluding intragroup payments)	
Payments activity	2,677,322
Section 6 – Assets under custody	
Assets under custody	–
Section 7 – Underwritten transaction	
Underwritten transaction	–
Section 8 – Trading volume	
Trading Volume (Number of shares)	112,022,148

(As per the Banking Act Direction No. 10 of 2019)	Group Rs. Mn.
Complexity indicators	
Section 9 – Notional amount of over-the-counter (OTC) Derivatives	
OTC derivatives	8,624
Section 10 – Level 2 assets	
Level 2 assets	217
Section 11 – Trading and available-for-sale (AFS) securities	
Trading and available-for-sale (AFS) securities	102,111
a. debt instruments	95,904
b. equity instruments	6,152
c. derivatives	55
Section 12 – Cross-jurisdictional liabilities	
Foreign liabilities (excluding derivatives and intragroup liabilities)	1,652
Cross-jurisdictional liabilities	
Section 13 – Cross-jurisdictional claims	
Foreign claims (excluding derivatives and intragroup claims)	4,194
Cross-jurisdictional claims	

GRI content index

Statement of use

National Savings Bank has reported the information cited in this GRI content index for the period 1 January 2024 to 31 December 2024 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 – 15, 460**
	2-2	Entities included in the Organisation’s sustainability reporting	**60 – 63**
	2-3	Reporting period, frequency, and contact point	**4 – 7**
	2-4	Restatements of information	**5**
	2-5	External assurance	**155 – 157**
	2-6	Activities, value chain, and other business relationships	**64**
	2-7	Employees	**108 – 119**
	2-8	Workers who are not employees	**109**
	2-9	Governance structure and composition	**171**
	2-10	Nomination and selection of the highest governance body	**178**
	2-11	Chair of the highest governance body	**182**
	2-12	Role of the highest governance body in overseeing the management of impacts	**182**
	2-13	Delegation of responsibility for managing impacts	**177**
	2-14	Role of the highest governance body in sustainability reporting	**60**
	2-15	Conflicts of interest	**174**
	2-16	Communication of critical concerns	**178**
	2-17	Collective knowledge of the highest governance body	**160 –163**
	2-18	Evaluation of the performance of the highest governance body	**183**
	2-19	Remuneration policies	**183**
	2-20	Process to determine remuneration	**183**
	2-21	Annual total compensation ratio	**272 – 274**
	2-22	Statement on sustainable development strategy	**60 – 63**
	2-23	Policy commitments	**110**
	2-24	Embedding policy commitments	**110**
	2-25	Processes to remediate negative impacts	**115 – 117**
	2-26	Mechanisms for seeking advice and raising concerns	**115 – 117**
	2-27	Compliance with laws and regulations	**140 – 142**
	2-28	Membership associations	**139**
	2-29	Approach to stakeholder engagement	**52 – 59**
	2-30	Collective bargaining agreements	**114**
GRI 3: Material Topics 2021	**3-1**	Process to determine material topics	**39**
	3-2	List of material topics	**40**
	3-3	Management of material topics	**42 – 51**

GRI content index

GRI Standard	Disclosure		Location/Explanation
GRI 201: Economic Performance 2016	**201-1**	Direct economic value generated and distributed	**67**
	201-2	Financial implications and other risks and opportunities due to climate change	**146 – 151**
	201-3	Defined benefit plan obligations and other retirement plans	**114, 251, 322 – 332**
	201-4	Financial assistance received from government	**No assistance received from Government**
GRI 202: Market Presence 2016	**202-1**	Ratios of standard entry level wage by gender compared to local minimum wage	**114**
	202-2	Proportion of senior management hired from the local community	**111**
GRI 203: Indirect Economic Impacts 2016	**203-1**	Infrastructure investments and services supported	**85 – 86**
	203-2	Significant indirect economic impacts	**128 – 145**
GRI 204: Procurement Practices 2016	**204-1**	Proportion of spending on local suppliers	**137**
GRI 205: Anti-corruption 2016	**205-1**	Operations assessed for risks related to corruption	**214**
	205-2	Communication and training about anti-corruption policies and procedures	**141**
	205-3	Confirmed incidents of corruption and actions taken	**141**
GRI 206: Anti-competitive Behaviour 2016	**206-1**	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	**134**
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GRI Standard	Disclosure		Location/Explanation
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	414-2	Negative social impacts in the supply chain and actions taken	**No negative impacts**
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Income Statement in US Dollars

For the year ended 31 December	Bank			Group		
	2024 USD '000	2023 USD '000	Change %	**2024 USD '000**	2023 USD '000	Change %
Gross income	**709,451**	716,298	(1)	**729,201**	737,165	(1)
Interest income	**696,164**	700,565	(1)	**712,851**	713,643	(0.1)
Less: Interest expenses	**447,483**	609,308	(27)	**455,663**	615,065	(26)
Net interest income	**248,681**	91,257	173	**257,188**	98,578	161
Fee and commission income	**7,103**	4,918	44	**7,124**	4,956	44
Less: Fee and commission expenses	**1,122**	979	15	**1,123**	979	15
Net fee and commission income	**5,981**	3,940	52	**6,001**	3,976	51
Net gain/(loss) from trading	**3,115**	4,401	(29)	**6,123**	11,426	(46)
Net fair value gains/(losses) from financial instruments at fair value through profit or loss	**–**	–	–	**–**	–	–
Net gains/(losses) from de-recognition of financial assets	**1,511**	5,620	(73)	**1,511**	5,620	(73)
Net other operating income	**1,558**	794	96	**1,591**	1,520	5
Total operating income	**260,846**	106,011	146	**272,414**	121,121	125
Less: Impairment charges	**38,289**	13,145	191	**38,246**	12,840	198
Net operating income	**222,557**	92,866	140	**234,168**	108,280	116
Less: Expenses						
Personnel expenses	**69,382**	49,727	40	**71,226**	50,697	40
Depreciation and amortisation expenses	**5,721**	4,422	29	**5,772**	4,471	29
Other expenses	**25,208**	21,466	17	**25,928**	21,908	18
Operating profit before VAT and SSCL on financial services	**122,246**	17,251	609	**131,242**	31,204	321
Less: Value Added Tax (VAT) on financial services	**28,043**	3,527	695	**29,669**	5,657	424
Social Security Contribution Levy (SSCL) on financial services	**3,895**	490	695	**4,120**	785	425
Operating profit after VAT and SSCL on financial services	**90,308**	13,234	582	**97,453**	24,762	294
Share of profits of associates and joint ventures	**–**	–	–	**–**	–	–
Profit before income tax	**90,308**	13,234	582	**97,453**	24,762	294
Less: Income tax expenses	**34,665**	(9,041)	483	**37,114**	(4,921)	854
Profit for the year	**55,643**	22,275	150	**60,339**	29,684	103
Profit attributable to:						
Equity holders of the Bank	**55,643**	22,275	150	**60,339**	29,684	103
Non-controlling interests	**–**	–	–	**–**	–	–
Profit for the year	**55,643**	22,275	150	**60,339**	29,684	103
Earnings per share on profit						
Basic earnings per ordinary share (USD)	**0.06**	0.02	150	**0.06**	0.03	103
Diluted earnings per ordinary share (USD)	**0.06**	0.02	150	**0.06**	0.03	103
Profit for the year	**55,643**	22,275	150	**60,339**	29,684	103

Statement of Comprehensive Income in US Dollars

For the year ended 31 December	Bank 2024 USD '000	Bank 2023 USD '000	Bank Change %	Group 2024 USD '000	Group 2023 USD '000	Group Change %
Profit for the year	**55,643**	22,275	150	**60,339**	29,684	103
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	**3,406**	11,551	(71)	**3,598**	12,097	(70)
Fair value gains/(losses) transferred to income statement on disposal of debt instrument at fair value through other comprehensive income	**(1,511)**	(5,620)	(73)	**(1,511)**	(5,620)	(73)
Deferred tax effect on above	**(568)**	(1,779)	(68)	**(626)**	(1,943)	(68)
Total items that will be reclassified to income statement	**1,327**	4,152	(68)	**1,461**	4,534	(68)
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	**8,674**	6,085	43	**9,242**	6,392	45
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	**(7,614)**	(18,851)	(60)	**(7,626)**	(18,849)	(60)
Deferred tax effect on above	**1,661**	5,321	(69)	**1,664**	5,320	(69)
Re-measurement of post-employment benefit obligations (net of taxes)	**(5,953)**	(13,530)	(56)	**(5,962)**	(13,529)	(56)
Changes in revaluation surplus	**–**	6,408	(100)	**–**	7,203	(100)
Deferred tax effect on above	**–**	(1,925)	(100)	**–**	(1,925)	(100)
Changes in revaluation surplus (net of taxes)	**–**	4,483	(100)	**–**	5,278	(100)
Share of profits of associates and joint ventures	**–**	–	–	**–**	–	–
Total items that will not be reclassified to income statement	**2,721**	(2,962)	192	**3,280**	(1,859)	276
Other comprehensive income for the year, net of taxes	**4,048**	1,190	240	**4,741**	2,675	77
Total comprehensive income for the year	**59,691**	23,465	154	**65,080**	32,358	101
Attributable to:						
Equity holders of the Bank	**59,691**	23,465	154	**65,080**	32,358	101
Non-controlling interests	**–**	–	–	**–**	–	–
Total comprehensive income for the year	**59,691**	23,465	154	**65,080**	32,358	101
US Dollars conversion rate (Rs.)	**292.6728**	323.9773		**292.6728**	323.9773	

Statement of Financial Position in US Dollars

	Bank			Group		
As at 31 December	**2024 USD '000**	2023 USD '000	Change %	**2024 USD '000**	2023 USD '000	Change %
Assets						
Cash and cash equivalents	**28,560**	29,349	(3)	**29,194**	29,467	(1)
Balances with central banks	**1,220**	762	60	**1,220**	763	60
Placements with banks	**50,550**	69,686	(27)	**50,550**	72,903	(31)
Derivative financial instruments	**31**	3	994	**188**	35	441
Financial assets recognised through profit or loss						
– measured at fair value	**72,049**	54,783	32	**159,733**	124,049	29
– designated at fair value	**–**	–	–	**–**	–	–
Financial assets at amortised cost						
– loans and advances	**1,819,025**	1,625,177	12	**1,803,090**	1,616,808	12
– debt and other instruments	**3,550,158**	2,912,873	22	**3,584,090**	2,941,738	22
Financial assets measured at fair value through other comprehensive income	**182,693**	191,138	(4)	**188,970**	193,515	(2)
Investments in subsidiaries	**24,980**	22,566	11	**–**	–	–
Investments in associates and joint ventures	**–**	–	–	**–**	–	–
Property, plant and equipment	**59,506**	53,241	12	**63,402**	56,761	12
Right-of-use assets	**3,558**	3,595	(1)	**3,642**	3,683	(1)
Investment properties	**–**	–	–	**1,192**	1,077	11
Goodwill and intangible assets	**7,462**	2,299	225	**7,466**	2,306	224
Deferred tax assets	**17,067**	18,166	(6)	**17,067**	18,166	(6)
Other assets	**170,846**	223,407	(24)	**171,278**	223,998	(24)
Total assets	**5,987,705**	5,207,046	15	**6,081,082**	5,285,271	15
Liabilities						
Due to banks	**1,666**	27,733	(94)	**1,666**	47,531	(96)
Derivative financial instruments	**883**	1	142,168	**883**	1	142,168
Financial liabilities recognised through profit or loss	**–**	–	–	**–**	–	–
Financial liabilities at amortised cost						
– due to depositors	**5,317,443**	4,576,038	16	**5,318,847**	4,577,330	16
– due to debt securities holders	**–**	–	–	**–**	–	–
– due to other borrowers	**164,655**	190,171	(13)	**225,676**	224,990	0.3
Lease liability	**4,379**	4,215	4	**4,490**	4,323	4
Debt securities issued	**57,971**	73,482	(21)	**58,221**	73,708	(21)
Retirement benefit obligations	**59,759**	55,869	7	**60,127**	56,081	7
Current tax liabilities	**12,467**	–	100	**13,855**	944	1,367
Deferred tax liabilities	**–**	–	–	**211**	181	17
Other provisions	**–**	–	–	**–**	–	–
Other liabilities	**30,758**	28,365	8	**32,074**	29,210	10
Due to subsidiaries	**–**	–	–	**–**	–	–
Total liabilities	**5,649,981**	4,955,873	14	**5,716,050**	5,014,300	14
Equity						
Stated capital/assigned capital	**32,118**	29,014	11	**32,118**	29,014	11
Statutory reserve fund	**19,458**	16,573	17	**19,854**	16,866	18
Retained earnings	**97,250**	44,473	119	**115,391**	57,429	101
Other reserves	**188,898**	161,113	17	**197,669**	167,661	18
Total shareholders' equity	**337,724**	251,173	34	**365,032**	270,971	35
Non-controlling interests	**–**	–	–	**–**	–	–
Total equity	**337,724**	251,173	34	**365,032**	270,971	35
Total equity and liabilities	**5,987,705**	5,207,046	15	**6,081,082**	5,285,271	15
Contingent liabilities and commitments	**51,397**	30,511	68	**51,425**	30,647	68
US Dollars conversion rate (Rs.)	**292.6728**	323.9773		**292.6728**	323.9773	

Statistical indicators 2015-2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Operating results (Rs. Mn.)										
Gross income	**207,637**	232,064	174,530	134,939	127,547	121,929	111,902	107,996	87,399	79,282
Interest income	**203,748**	226,967	172,940	131,438	122,512	118,730	110,507	103,579	86,390	78,128
Interest expenses	**130,966**	197,402	140,477	76,809	87,622	89,898	85,622	78,445	60,923	51,146
Net interest income	**72,782**	29,565	32,463	54,630	34,890	28,832	24,885	25,134	25,467	26,983
Other income	**3,560**	4,780	1,357	3,293	4,881	3,067	1,254	4,308	872	1,043
Operating expenses, impairment and VAT	**50,240**	30,375	29,311	29,542	24,126	21,438	18,197	15,307	13,036	14,991
Profit before tax	**26,431**	4,287	4,510	28,381	15,645	10,462	7,941	14,135	13,303	13,034
Income tax	**10,145**	(2,929)	1,980	6,262	5,537	4,080	3,441	4,419	3,805	4,361
Profit after tax	**16,285**	7,216	2,530	22,120	10,108	6,381	4,500	9,716	9,498	8,672
Contribution to the Government	**19,656**	(1,628)	5,258	16,465	10,745	11,665	7,536	13,440	19,251	11,016
Dividends paid	**–**	–	–	3,500	1,000	2,000	500	5,111	12,026	2,800
Assets (Rs. Mn.)										
Cash and short-term funds	**8,359**	9,509	8,971	7,656	6,492	5,377	3,435	3,850	4,620	3,240
Loans and advances	**532,379**	526,521	553,027	538,942	516,795	454,395	422,895	375,704	323,811	271,751
Investments	**1,135,705**	1,053,266	978,772	980,672	798,811	647,760	565,841	593,333	554,235	549,743
Property, plant and equipment	**20,641**	19,158	16,717	17,068	17,230	15,237	13,466	12,396	7,277	7,025
Other assets	**55,354**	78,511	59,200	34,760	24,480	35,198	31,209	25,696	21,761	16,320
Total	**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	848,079
Liabilities and shareholders' funds (Rs. Mn.)										
Total deposits	**1,556,271**	1,482,532	1,476,740	1,428,467	1,237,124	1,016,574	839,574	737,213	657,280	595,776
Repo/borrowings/subordinated liabilities	**65,644**	94,402	44,631	52,935	52,796	82,940	144,313	224,143	213,162	207,101
Deferred taxation	**–**	–	–	–	–	482	582	507	416	504
Other liabilities	**31,681**	28,656	22,423	21,683	19,475	12,045	9,280	10,019	8,600	12,274
Shareholders' funds	**98,843**	81,374	72,892	76,013	54,414	45,925	43,095	39,096	32,246	32,424
Total	**1,752,437**	1,686,964	1,616,686	1,579,098	1,363,808	1,157,967	1,036,846	1,010,977	911,704	848,079
Performance ratios (%)										
Income growth	**(10.53)**	32.97	29.34	5.80	4.61	8.96	3.62	23.57	10.24	1.79
Net interest margin	**4.23**	1.79	2.03	3.71	2.77	2.63	2.43	2.61	2.89	3.32
NIM/gross income	**35.05**	12.74	18.60	40.48	27.35	23.65	22.24	23.27	29.14	34.03
Personnel cost/gross income	**9.78**	6.94	7.90	9.61	7.81	8.33	8.28	6.38	7.13	7.46
Overheads (excluding VAT and provision)/gross income	**14.30**	10.69	12.28	14.29	12.25	12.96	12.72	10.33	11.99	13.28
Profit before tax/gross income	**12.73**	1.85	2.58	21.03	12.27	8.58	7.10	13.09	15.22	16.44
Cost to deposits	**2.57**	1.77	1.70	1.91	1.72	2.26	2.22	2.10	2.12	2.25
Cost to income with financial taxes	**50.91**	75.34	72.48	43.77	48.61	65.57	66.47	49.58	50.13	46.07
Cost to income without financial taxes	**38.72**	71.59	62.93	33.17	39.12	49.35	54.18	37.75	39.59	37.41
Effective taxation rate	**54.48**	(29.12)	67.41	35.97	47.98	59.25	59.72	44.89	40.99	43.94
Return on average shareholders' equity (ROE)	**18.07**	9.36	3.40	33.92	20.15	14.34	10.95	27.24	29.37	31.15
Return on average assets (ROA)	**1.54**	0.26	0.28	1.93	1.24	0.95	0.78	1.47	1.51	1.60
Provision coverage – IFRS	**59.33**	91.34	75.22	73.52	61.88	59.06	62.68	54.73	36.14	34.07
Net Stage 3 loans to total loans	**5.18**	2.41	2.82	2.54	2.28	1.48	1.05	0.99		
Stage 3 impairment coverage	**44.50**	53.28	38.86	31.52	30.38	26.20	30.66	28.41		

Statistical indicators 2015-2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Assets and liabilities related ratios (%)										
Assets growth	**3.88**	4.35	2.38	15.79	17.78	11.68	2.56	10.89	7.50	8.80
Loans growth	**1.11**	(4.79)	2.61	4.29	13.73	7.45	12.56	16.03	19.16	22.03
Deposits growth	**4.97**	0.39	3.38	15.47	21.70	21.08	13.88	12.16	10.32	7.53
Government securities to deposits – Bank	**67.54**	66.13	63.35	66.80	61.47	60.89	60.94	62.40	66.68	73.92
Loans to deposits	**34.21**	35.51	37.45	37.73	41.77	44.70	50.37	50.96	49.27	45.61
Deposits as a percentage of assets	**88.81**	87.88	91.34	90.46	90.71	87.79	80.97	72.92	72.09	70.25
Liquidity ratios (%)										
Statutory Liquid Assets Ratio (Minimum 20%)	**–**	54.99	40.62	59.63	69.10	60.20	54.88	73.44	72.56	81.08
Rupee Liquidity Coverage Ratio (Minimum 100%)	**351.33**	299.20	195.44	240.84	311.02	278.12	245.06	377.57	379.26	441.19
All Currency Liquidity Coverage Ratio (Minimum 100%)	**344.55**	293.71	193.49	240.43	307.22	276.64	321.29	376.18	393.96	445.88
Net Stable Funding Ratio (Minimum 100%)	**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	17.90
Capital adequacy – Tier II (Minimum 10%)	**–**	–	–	–	–	–	–	–	14.68	16.40
Basel III – Tier I (Minimum 8.5%)	**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%)	**25.88**	19.26	18.00	20.83	16.45	15.82	15.90	15.31	13.86	–
Leverage Ratio – Minimum requirement (3%)	**8.00**	6.23	7.43	8.93	6.64	5.76	4.76			
Employee statistics and ratios (%)										
Number of employees	**4,212**	4,358	4,528	4,616	4,641	4,715	4,512	4,470	4,384	3,636
Profit per employee (Rs. '000)	**6,275**	984	996	6,148	3,371	2,219	1,760	3,162	3,034	3,585
Deposit per employee (Rs. '000)	**369,485**	340,186	326,135	309,460	266,564	215,604	186,076	164,925	149,927	163,855
Other information (Nos.)										
Number of branches	**262**	262	262	261	259	256	255	253	250	245
Post offices/sub-post offices	**4,006**	4,006	3,996	4,064	4,063	4,063	4,062	4,062	4,061	4,063
Number of active accounts (Mn.)	**10.42**	13.03	12.98	12.91	12.63	12.25	11.84	11.39	10.84	10.54

Analysis of deposits

	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.	2015 Rs. Mn.
Local currency deposits										
Savings	**296,756**	272,106	257,569	320,887	275,839	215,010	194,946	185,201	173,583	160,814
Time	**1,233,893**	1,183,554	1,192,621	1,091,918	945,650	789,540	633,632	542,647	475,220	427,588
	1,530,649	1,455,660	1,450,190	1,412,805	1,221,489	1,004,549	828,579	727,849	648,803	588,402
Growth (%)	**5.2**	0.4	2.6	15.7	21.6	21.2	13.8	12.2	10.3	7.4
Foreign currency deposits										
Savings	**5,788**	6,100	6,970	4,733	4,194	3,541	3,376	2,990	2,764	2,568
Time	**19,833**	20,773	19,580	10,930	11,441	8,484	7,620	6,373	5,714	4,806
	25,622	26,873	26,550	15,662	15,635	12,025	10,996	9,364	8,478	7,373
Growth (%)	**-4.7**	1.2	69.5	0.2	30.0	9.4	17.4	10.5	15.0	15.8
Total deposits	**1,556,271**	1,482,532	1,476,740	1,428,467	1,237,124	1,016,574	839,574	737,213	657,280	595,776
Growth (%)	**5.0**	0.4	3.4	15.5	21.7	21.1	13.9	12.2	10.3	7.5

Horizontal analysis of Income Statement

For the year ended 31 December	**2024**		2023		2022		2021		2020	
	Rs. Mn.	**%**	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%
Income	**207,637**	**(11)**	232,064	33	174,530	29	134,939	6	127,547	5
Interest income	**203,748**	**(10)**	226,967	31	172,940	32	131,438	7	122,512	3
Interest expenses	**(130,966)**	**(34)**	(197,402)	41	(140,477)	83	(76,809)	(12)	(87,622)	(3)
Net interest income	**72,782**	**146**	29,565	(9)	32,463	(41)	54,630	57	34,890	21
Fee and commission income	**2,079**	**30**	1,593	(27)	2,173	(29)	3,051	13	2,710	115
Fee and commission expenses	**(328)**	**4**	(317)	36	(233)	12	(208)	34	(154)	17
Net fee and commission income	**1,751**	**37**	1,276	(34)	1,940	(32)	2,843	11	2,556	126
Other non-interest income	**1,810**	**(48)**	3,504	(701)	(583)	(229)	450	(81)	2,325	20
Total operating income	**76,342**	**122**	34,345	2	33,820	(42)	57,923	46	39,771	25
Impairment charges	**(11,206)**	**163**	(4,259)	(12)	(4,862)	13	(4,304)	(12)	(4,874)	762
Net operating income	**65,136**	**116**	30,086	4	28,958	(46)	53,619	54	34,897	11
Personnel expenses	**(20,306)**	**26**	(16,110)	17	(13,791)	6	(12,970)	30	(9,967)	(2)
Depreciation and amortisation	**(1,675)**	**17**	(1,433)	1	(1,415)	2	(1,386)	12	(1,241)	19
Other expenses	**(7,378)**	**6**	(6,955)	16	(5,990)	27	(4,719)	11	(4,258)	(5)
Operating profit/(loss) before taxes	**35,778**	**540**	5,589	(28)	7,763	(78)	34,544	78	19,431	24
VAT on financial services	**(8,208)**	**618**	(1,143)	(64)	(3,186)	(48)	(6,162)	63	(3,787)	24
SSCL on financial services	**(1,140)**	**618**	(159)	136	(67)	–	–	–	–	(100)
Profit/(loss) before tax	**26,431**	**516**	4,287	(5)	4,510	(84)	28,381	81	15,645	50
Income tax expenses	**(10,145)**	**(446)**	2,929	(248)	(1,980)	(68)	(6,262)	13	(5,537)	36
Profit/(loss) for the period	**16,285**	**126**	7,216	185	2,530	(89)	22,120	119	10,108	58

Vertical analysis of Income Statement

For the year ended 31 December	**2024**		2023		2022		2021		2020	
	Rs. Mn.	**%**	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%
Income	**207,637**	**100**	232,064	100	174,530	100	134,939	100	127,547	100
Interest income	**203,748**	**98**	226,967	98	172,940	99	131,438	97	122,512	96
Interest expenses	**(130,966)**	**(63)**	(197,402)	(85)	(140,477)	(80)	(76,809)	(57)	(87,622)	(69)
Net interest income	**72,782**	**35**	29,565	13	32,463	19	54,630	40	34,890	27
Fee and commission income	**2,079**	**1**	1,593	1	2,173	1	3,051	2	2,710	2
Fee and commission expenses	**(328)**	**(0)**	(317)	(0)	(233)	(0)	(208)	(0)	(154)	(0)
Net fee and commission income	**1,751**	**1**	1,276	1	1,940	1	2,843	2	2,556	2
Other non-interest income	**1,810**	**1**	3,504	2	(583)	(0)	450	0	2,325	2
Total operating income	**76,342**	**37**	34,345	15	33,820	19	57,923	43	39,771	31
Impairment charges	**(11,206)**	**(5)**	(4,259)	(2)	(4,862)	(3)	(4,304)	(3)	(4,874)	(4)
Net operating income	**65,136**	**31**	30,086	13	28,958	17	53,619	40	34,897	27
Personnel expenses	**(20,306)**	**(10)**	(16,110)	(7)	(13,791)	(8)	(12,970)	(10)	(9,967)	(8)
Depreciation and amortisation	**(1,675)**	**(1)**	(1,433)	(1)	(1,415)	(1)	(1,386)	(1)	(1,241)	(1)
Other expenses	**(7,378)**	**(4)**	(6,955)	(3)	(5,990)	(3)	(4,719)	(3)	(4,258)	(3)
Operating profit/(loss) before taxes	**35,778**	**17**	5,589	2	7,763	4	34,544	26	19,431	15
VAT on financial services	**(8,208)**	**(4)**	(1,143)	(0)	(3,186)	(2)	(6,162)	(5)	(3,787)	(3)
SSCL on financial services	**(1,140)**	**(1)**	(159)	(0)	(67)	(0)	–	–	–	–
Profit/(loss) before tax	**26,431**	**13**	4,287	2	4,510	3	28,381	21	15,645	12
Income tax expenses	**(10,145)**	**(5)**	2,929	1	(1,980)	(1)	(6,262)	(5)	(5,537)	(4)
Profit/(loss) for the period	**16,285**	**8**	7,216	3	2,530	1	22,120	16	10,108	8

Horizontal analysis of Financial Position

As at 31 December	2024		2023		2022		2021		2020	
	Rs. Mn.	**%**	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%
Assets										
Cash and cash equivalents	**8,359**	**(12)**	9,509	9	8,734	14	7,656	18	6,492	21
Balances with central banks	**357**	**45**	247	4	236	–	–	–	–	–
Placements with banks	**14,795**	**(34)**	22,577	116	10,466	47	7,121	(46)	13,253	7
Derivative financial instruments	**9**	**888**	1	(97)	28	–	–	(100)	20	71
Financial assets recognised through profit or loss										
Measured at fair value	**21,087**	**19**	17,749	25	14,174	(28)	19,573	74	11,222	(2)
Financial assets at amortised cost										
Loans and advances	**532,379**	**1**	526,521	(5)	553,027	3	538,942	4	516,795	14
Debt and other instruments	**1,039,035**	**10**	943,705	3	919,129	(2)	935,350	24	754,233	23
Financial assets measured at FVTOCI	**53,469**	**(14)**	61,924	124	27,663	100	13,818	(10)	15,272	339
Investments in subsidiaries	**7,311**	**–**	7,311	–	7,311	52	4,811	–	4,811	–
Investments in associates and joint ventures	**–**	**–**	–	–	–	–	–	–	–	–
Property, plant and equipment	**17,416**	**1**	17,249	17	14,756	(2)	15,046	(2)	15,316	13
Right of use assets	**1,041**	**(11)**	1,165	(4)	1,214	1	1,206	(2)	1,226	14
Investment properties	**–**	**–**	–	–	–	–	–	–	–	–
Goodwill and intangible assets	**2,184**	**193**	745	(0)	747	(8)	816	19	688	15
Deferred tax assets	**4,995**	**(15)**	5,885	103	2,893	162	1,105	(24)	1,446	–
Other assets	**50,002**	**(31)**	72,379	29	56,307	67	33,655	46	23,034	(35)
Total assets	**1,752,438**	**4**	1,686,965	4	1,616,686	2	1,579,099	16	1,363,808	18
Liabilities										
Due to banks	**488**	**(95)**	8,985	120	4,087	(47)	7,687	(40)	12,862	(63)
Derivative financial instruments	**258**	**128,462**	0	–	–	–	–	–	–	–
Financial liabilities at amortised cost										
Due to depositors	**1,556,271**	**5**	1,482,532	0	1,476,740	3	1,428,467	15	1,237,124	22
Due to debt securities holders	**–**	**–**	–	–	–	–	–	–	–	–
Due to other borrowers	**48,190**	**(22)**	61,611	267	16,766	117	7,720	(5)	8,160	(62)
Lease liability	**1,282**	**(6)**	1,366	(1)	1,377	7	1,292	1	1,275	19
Debt securities issued	**16,966**	**(29)**	23,807	0	23,778	(37)	37,529	18	31,774	19
Retirement benefit obligations	**17,490**	**(3)**	18,100	45	12,489	45	8,591	(26)	11,600	131
Current tax liabilities	**3,649**	**–**	–	(100)	2,761	(40)	4,596	651	612	–
Deferred tax liabilities	**–**	**–**	–	–	–	–	–	–	–	(100)
Other provisions	**–**	**–**	–	–	–	–	–	–	–	–
Other liabilities	**9,002**	**(2)**	9,189	59	5,796	(19)	7,200	20	5,984	1
Due to subsidiaries	**–**	**–**	–	–	–	(100)	4	(7)	4	586
Total liabilities	**1,653,596**	**3**	1,605,590	4	1,543,794	3	1,503,086	15	1,309,394	18
Equity										
Stated capital/assigned capital	**9,400**	**–**	9,400	–	9,400	–	9,400	–	9,400	–
Statutory reserve fund	**5,695**	**6**	5,369	3	5,225	1	5,174	27	4,068	14
OCI reserve	**4,213**	**228**	1,286	(177)	(1,670)	154	(658)	51	(435)	(237)
Retained earnings	**28,462**	**98**	14,408	27	11,359	(17)	13,728	(5)	14,400	76
Other reserves	**51,072**	**0**	50,911	5	48,578	0	48,369	79	26,981	10
Total shareholders' equity	**98,843**	**21**	81,374	12	72,892	(4)	76,013	40	54,414	18
Total equity and liabilities	**1,752,438**	**4**	1,686,965	4	1,616,686	2	1,579,099	16	1,363,808	18

Vertical analysis of Financial Position

As at 31 December	**2024**		2023		2022		2021		2020	
	Rs. Mn.	**%**	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%	Rs. Mn.	%
Assets										
Cash and cash equivalents	**8,359**	**0.5**	9,509	0.6	8,734	0.5	7,656	0.5	6,492	0.5
Balances with central banks	**357**	**0.0**	247	0.0	236	0.0	–	–	–	–
Placements with banks	**14,795**	**0.8**	22,577	1.3	10,466	0.6	7,121	0.5	13,253	1.0
Derivative financial instruments	**9**	**0.0**	1	0.0	28	0.0	–	–	20	0.0
Financial assets recognised through profit or loss	**–**	**–**	–	–	–	–	–	–	–	–
Measured at fair value	**21,087**	**1.2**	17,749	1.1	14,174	0.9	19,573	1.2	11,222	0.8
Financial assets at amortised cost	**–**	**–**	–	–	–	–	–	–	–	–
Loans and advances	**532,379**	**30.4**	526,521	31.2	553,027	34.2	538,942	34.1	516,795	37.9
Debt and other instruments	**1,039,035**	**59.3**	943,705	55.9	919,129	56.9	935,350	59.2	754,233	55.3
Financial assets measured at FVTOCI	**53,469**	**3.1**	61,924	3.7	27,663	1.7	13,818	0.9	15,272	1.1
Investments in subsidiaries	**7,311**	**0.4**	7,311	0.4	7,311	0.5	4,811	0.3	4,811	0.4
Investments in associates and joint ventures	**–**	**–**	–	–	–	–	–	–	–	–
Property, plant and equipment	**17,416**	**1.0**	17,249	1.0	14,756	0.9	15,046	1.0	15,316	1.1
Right of use assets	**1,041**	**0.1**	1,165	0.1	1,214	0.1	1,206	0.1	1,226	0.1
Investment properties	**–**	**–**	–	–	–	–	–	–	–	–
Goodwill and intangible assets	**2,184**	**0.1**	745	0.0	747	0.0	816	0.1	688	0.1
Deferred tax assets	**4,995**	**0.3**	5,885	0.3	2,893	0.2	1,105	0.1	1,446	0.1
Other assets	**50,002**	**2.9**	72,379	4.3	56,307	3.5	33,655	2.1	23,034	1.7
Total assets	**1,752,438**	**100.0**	1,686,965	100.0	1,616,686	100.0	1,579,099	100.0	1,363,808	100.0
Liabilities										
Due to banks	**488**	**0.0**	8,985	0.5	4,087	0.3	7,687	0.5	12,862	0.9
Derivative financial instruments	**258**	**0.0**	0	0.0	–	–	–	–	–	–
Financial liabilities at amortised cost										
Due to depositors	**1,556,271**	**88.8**	1,482,532	87.9	1,476,740	91.3	1,428,467	90.5	1,237,124	90.7
Due to debt securities holders	**–**	**–**	–	–	–	–	–	–	–	–
Due to other borrowers	**48,190**	**2.7**	61,611	3.7	16,766	1.0	7,720	0.5	8,160	0.6
Lease liability	**1,282**	**0.1**	1,366	0.1	1,377	0.1	1,292	0.1	1,275	0.1
Debt securities issued	**16,966**	**1.0**	23,807	1.4	23,778	1.5	37,529	2.4	31,774	2.3
Retirement benefit obligations	**17,490**	**1.0**	18,100	1.1	12,489	0.8	8,591	0.5	11,600	0.9
Current tax liabilities	**3,649**	**0.2**	–	–	2,761	0.2	4,596	0.3	612	0.0
Deferred tax liabilities	**–**	**–**	–	–	–	–	–	–	–	–
Other provisions	**–**	**–**	–	–	–	–	–	–	–	–
Other liabilities	**9,002**	**0.5**	9,189	0.5	5,796	0.4	7,200	0.5	5,984	0.4
Due to subsidiaries	**–**	**–**	–	–	–	–	4	0.0	4	0.0
Contra Accounts	**–**	**–**	–	–	–	–	–	–	–	–
Total liabilities	**1,653,596**	**94.4**	1,605,590	95.2	1,543,794	95.5	1,503,086	95.2	1,309,394	96.0
Equity	**–**	**–**	–	–	–	–	–	–	–	–
Stated capital/assigned capital	**9,400**	**0.5**	9,400	0.6	9,400	0.6	9,400	0.6	9,400	0.7
Statutory reserve fund	**5,695**	**0.3**	5,369	0.3	5,225	0.3	5,174	0.3	4,068	0.3
OCI reserve	**4,213**	**0.2**	1,286	0.1	(1,670)	(0.1)	(658)	(0.0)	(435)	(0.0)
Retained earnings	**28,462**	**1.6**	14,408	0.9	11,359	0.7	13,728	0.9	14,400	1.1
Other reserves	**51,072**	**2.9**	50,911	3.0	48,578	3.0	48,369	3.1	26,981	2.0
Total shareholders' equity	**98,843**	**5.6**	81,374	4.8	72,892	4.5	76,013	4.8	54,414	4.0
Total equity and liabilities	**1,752,438**	**100.0**	1,686,965	100.0	1,616,686	100.0	1,579,099	100.0	1,363,808	100.0

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Al Ansari Exchange
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Western Union LLC
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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

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).

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 180 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 loose 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.

Glossary of financial and banking terms

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
A loan or a receivable placed on cash basis (Interest income is only recognised when cash is received) because, in the opinion of management, there is reasonable doubt regarding the collectability of principal or interest.

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.

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 11 257 3008-15
Fax: +94 11 257 3178
Customer Care Hotline: +94 11 237 9379
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
262 Branches
417 ATMs/CRMs

Agency Network
652 Post Offices and 3,354 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

General Manager/CEO
Ms Shashi Kandambi

Board Secretary
Ms Anupama Muhandiram

Board Audit Committee (BAC)
Mr Ashane Jayasekara – Chairman
Mr Dushyanta Basnayake
Mr Jude Nilukshan

Board Human Resources and Remunerations Committee (BHRRC)
Mr S R W M Ruwan Palitha Sathkumara – Chairman
Mr Jude Nilukshan
Mr Ashane Jayasekara

Board Nominations Committee (BNC)
Mr S R W M Ruwan Palitha Sathkumara – Chairman
Mr Jude Nilukshan
Mr Dushyanta Basnayake

Board Integrated Risk Management Committee (BIRMC)
Mr Jude Nilukshan – Chairman
Mr S R W M Ruwan Palitha Sathkumara
Mr Ashane Jayasekara

Board Non-urgent and Non-essential Expenses Committee (BNNEC)
Dr Harsha Cabral PC – Chairman
Mr Dushyanta Basnayake
Mr Jude Nilukshan

Board Information Technology Strategy Committee (BITSC)
Mr Dushyanta Basnayaka – Chairman
Mr S R W M Ruwan Palitha Sathkumara
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 Karnika Jayatilake

Auditors
Auditor General

Accounting Year
31 December

Subsidiaries of National Savings Bank
Name of the Company
NSB Fund Management Co. Ltd.

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+94 11 256 5956
Fax: +94 11 257 4387
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
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Fax: +94 11 267 4705/6
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

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