The Shape of **Better**

NationsTrustBank

Annual Report | 2025

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How to read this report

As part of our commitment towards reducing our environmental impact, we will only be printing a limited number of copies of this Annual Report. The Report is available for perusal and download through digital mediums.

Scan QR code for the Annual Report 2025

The PDF version of the Annual Report 2025 can be read at: https://www.nationstrust.com/about-us/investor-relations/annual-reports

The Shape of **Better**

The Shape of Better is how we describe progress that can be seen, measured and felt. It is the way we grow as a financial institution, as an employer and as a responsible citizen, by choosing the long view over the easy win.

This year, our Simplicity Mark becomes more than a symbol. It is a reminder that better is dynamic and living, moving with purpose, responding with agility and staying true to what matters. Within its form, you will find the work we do to create value for customers, communities and shareholders: strengthening our fundamentals, serving with greater insight, investing in capability and managing risk with discipline.

Among our achievements are the standards that hold it all together; ethical governance, accountability and transparency, ensuring trust is built through action, not assumption.

As we continue to shape what comes next, resilience will be strengthened, inclusion will be made meaningful and growth will continue, because

Better is not a destination.
It is how we work, **every day.**

Purpose

Together, we will broaden access to economic opportunities and create inclusive, financial eco-systems that enrich lives and foster sustainable growth for all our stakeholders.

Values

- Respect
- Integrity
- Collaboration
- Excellence

Nations Trust Bank **in brief.**

Nations Trust Bank serves Sri Lanka through three connected pillars. Consumer Banking simplifies everyday needs with cards, deposits, lending and digital access. Commercial Banking partners entrepreneurs and growing businesses with working capital, trade finance and advisory support. Corporate Banking structures large-scale financing, transaction banking and treasury solutions that power growth. Across all three, we shape better through disciplined risk management, ethical governance and service designed around what customers value most. Guided by strong governance and a focus on sustainable value creation for every stakeholder.

"we shape better through disciplined risk management, ethical governance and service"

Our Proposition

CONSUMER BANKING

"We offer personalised services through a segmented approach, leveraging our expertise in premium products and services to provide comprehensive solutions that support and help you achieve your goals."

Product Portfolio

- Savings & Investment Products
- Leasing
- Loans (Personal/Vehicle/Housing)
- Credit and Debit Cards
- Bancassurance

COMMERCIAL BANKING

"We nurture and support commercial businesses with tailored facilities and resources, while also providing expert advisory services to help them grow, scale and achieve long-term success."

Product Portfolio

- Trade Finance
- Term Loans
- Leasing
- Business Banking
- Nations Business Investment Planner

CORPORATE BANKING

"We provide an expert business partnership and access to a robust financial ecosystem to support large businesses, helping them sustain growth and achieve continued success at scale."

Product Portfolio

- Working Capital Finance
- Supply Chain Finance
- Structured Finance and Syndicates
- Trade Finance
- Cash Management
- Corporate Cards

Scan for more information about the Bank's offerings

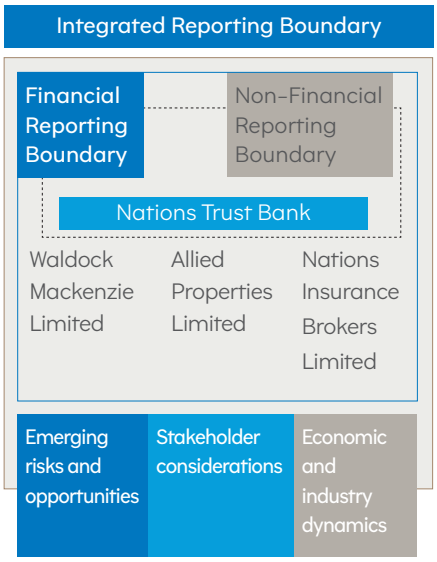
Overview

Report Profile

This Integrated Annual Report provides a comprehensive and transparent account of the performance of Nations Trust Bank PLC (hereinafter referred to as Nations Trust or the Bank). The report outlines the Bank's strategic priorities, key operational achievements and governance practices and illustrates how Nations Trust has navigated a dynamic operating environment while balancing short, medium and long term priorities to achieve Bank's strategy.

This is the 12th integrated report and previous integrated reports for the past 11 years, including the most recent report for the FY 2024 can be downloaded from – https://www.nationstrust.com/about-us/investor-relations/annual-reports

Reporting Frameworks	
Financial Reporting	The Companies Act No. 7 of 2007
	Banking Act No.30 of 1988, its amendments and directions of the Central Bank of Sri Lanka
	Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka
	Listing Rules of the CSE and subsequent revisions to date
Governance and Risk Reporting	Corporate Governance Requirements stipulated under the Listing Rules of the Colombo Stock Exchange
	Code of Best Practice for Corporate Governance (2023) issued by the Institute of Chartered Accountants of Sri Lanka
Integrated Reporting	Integrated Reporting Framework <IR> by the International Integrated Reporting Council (IIRC)
Sustainability Reporting	Global Reporting Initiative (GRI) Standards "In Accordance" (The GRI Content Index is on page 268)
	United Nations Sustainable Development Goals (SDG's)
	SLFRS S 1 and S 2



Scope and Boundary

This Integrated Annual Report covers the period 1st January 2025 to 31st December 2025 and incorporates relevant post-balance sheet events and developments up to the date of Board approval on 20th February 2026.

Assurance

All sections of Nations Trust Bank's Integrated Annual Report for FY 2025, including narrative disclosures as well as supporting qualitative and quantitative data have been reviewed by the respective internal experts. Financial information have been further reviewed by the Board Audit Review Committee and approved by the Board.

Assurance on both the financial statements and sustainability reporting have been obtained through Messrs. Ernst and Young.

Forward-Looking Statements

This Integrated Annual Report includes forward-looking statements and indications of future plans, where relevant, which reflect the current views, assumptions and strategic direction of Nations Trust Bank PLC at the time of publication. Given the dynamic nature of the operating environment and the influence of factors beyond the Bank's control, actual outcomes may differ materially from those expressed or implied in such statements. Accordingly, the Bank does not undertake any obligation to publicly update or revise forward-looking information subsequent to the release of this Report and readers are advised to exercise due caution when relying on such statements.

The Board further confirms that there have been no restatements, revisions, or amendments to information disclosed in the Bank's previously published Annual Reports, unless otherwise indicated.

Feedback

The Board values stakeholder feedback on this integrated annual report and encourages readers to submit their comments to:

Samadhi Hondamuni,
Vice President,
Financial Reporting and Control

E-mail
samadhi.hondamuni@nationstrust.com

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THE SIX CATEGORIES OF CAPITAL

OUR STAKEHOLDERS

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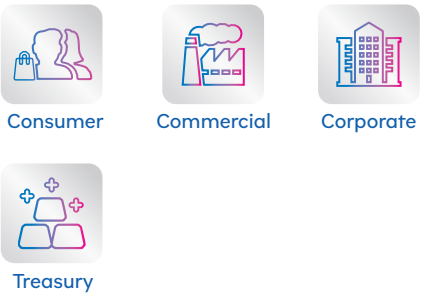


Key Improvements in FY 2025 Report

- Seamless connectivity between content elements
- Enhancements to the Value Creation Model to better depict Outputs for Nations Trust and Stakeholder Outcomes
- Comprehensive Corporate Governance Disclosures updated in line with best practices
- Adoption of the SLFRS S1 and S2 Reporting Framework

Board Responsibility Statement

All information contained in this report have been internally reviewed by the Board of Directors of Nations Trust Bank. The Bank continues to adhere to its best practice of obtaining external assurance for its annual reports. In this regard, Messrs Ernst & Young were engaged to provide independent assurance. The assurance statement of the external party can be found on page 107.

In the Board's opinion, all indicators measuring methodologies, assumptions and estimations used in preparing this report comply with GRI standards and the Integrated Reporting Framework. Any restatements to the numbers and statements presented, along with their underlying reasons are clearly explained in the relevant sections of this report.

This Report was approved by the Board on 20th February 2026.

Board of Directors

Sherin Cader
Chairperson/Non-Executive Director

Hemantha D Gunetilleke
Executive Director/ Chief Executive Officer

Chanaka Wickramasuriya
Senior Director

Arjun Fernando
Non-Executive Director

Ramesh Shanmuganathan
Non-Executive Director

Chandika Hettiarachchi
Non-Executive Director

Sanjeev Jha
Non-Executive Director

Charitha Subasinghe
Non-Executive Director

Arjuna Wignaraja
Independent Non-Executive Director

Roshan Perera
Independent Non-Executive Director

Coralie Pietersz
Independent Non-Executive Director

Peshala Attygalle
General Counsel/ Company Secretary

Sherin Cader
Chairperson/Non-Executive Director

Date of appointment
Appointed to the Board on 15th December 2018
(Appointed as the Chairperson on 1st May 2023)
Last Re-election: At the AGM held on 28th March 2025

Board Sub-committees served
Chairperson of Board Supervisory Committee and Board Credit Committee of the Bank and also serves as a member of the Nomination and Governance Committee and the Board Human Resources and Remuneration Committee of the Bank.

Current appointments
- Chief Financial Officer, Financial Services Industry Group of John Keells Holdings PLC (JKH), a listed company.
- Responsible for the Group Sustainability, Enterprise Risk Management (ERM), Group Initiatives (GI) function and JKH Group Business Process Review (GBPR) function of John Keells Holdings PLC.
- Serves on the Board of John Keells Stock Brokers (Pvt) Ltd, an unlisted company as an Executive Director.

Previous appointments
- General Manager – Finance & Planning of Union Assurance PLC.
- Financial Controller of JKH.
- Before being appointed as the Chairperson of the Bank, Sherin served on the Boards of Waldock Mackenzie Limited and Allied Properties Limited, two subsidiaries of the Bank. She has also served as the Chairperson of the Board Human Resources and Remuneration Committee and as a member of the Board Audit Review Committee and the Board Integrated Risk Management Committee of the Bank.

Skills and experience
Sherin counts over 28 years of experience in both finance and operations. She has served in diverse roles for companies within JKH in the Financial Services Sector, IT Enabled Services Sector and Center Functions.

Sherin is a Fellow Member of both the Chartered Institute of Management Accountants, UK and the Association of Chartered Certified Accountants, UK. She is also a Chartered Global Management Accountant, UK and a Solution Consultant mySAP Financials – Managerial and Financial Accounting.

Hemantha D Gunetilleke
Executive Director/Chief Executive Officer

Date of appointment
Appointed as the Executive Director/Chief Executive Officer on 04th April 2022

Elected at the AGM held on 31st March 2023.

Board Sub-committees served
A member of Board Information Technology Advisory Committee of the Bank.

Current appointments
- Serves on the Boards of three subsidiary companies (unlisted) of the Bank, namely Waldock Mackenzie Limited, Allied Properties Limited and Nations Insurance Brokers Limited.
- He also serves on the Board of Sri Lanka Banks' Association (SLBA) as the Vice Chairperson and as a member of Financial Ombudsman Sri Lanka (Guarantee) Limited (FOSL) as an ex-officio appointee.

Previous appointments
- Hemantha has been an integral part of the Corporate Management Team of the Bank for the past 10 years heading various functions of the Bank including Consumer Banking and Corporate Banking.
- He also served as the Deputy Chief Executive Officer of the Bank for two years prior to his appointment as the Executive Director/Chief Executive Officer in April 2022.
- He previously served as a member of the Related Party Transactions Review Committee and the Board Integrated Risk Management Committee of the Bank.

Skills and experience
Hemantha is a career banker with extensive international banking experience and a proven track record in Corporate Banking, Credit, Balance Sheet Management and International Trade Finance. He graduated from Warwick Business School, UK in 1996 with a BSc in Management Science and holds a BSc in Financial Services from the University of Manchester, UK. He is an Associate of the Chartered Institute of Bankers (ACIB), UK and an Alumnus of Harvard Business School, USA (AMP 206).

Chanaka Wickramasuriya
Senior Director

Date of appointment
Appointed to the Board on 16th December 2018
(Appointed as the Senior Director on 18th January 2025)
Last Re-election: At the AGM held on 31st March 2023

Board Sub-committees served
The Chairperson of the Nomination and Governance Committee, Board Human Resources and Remuneration Committee and Related Party Transactions Review Committee and also serves as a member of Board Credit Committee of the Bank.

Current appointments
- Serves on the Boards of following unlisted companies as a Non-Executive Director of Global Rubber Industries (Pvt) Ltd, Ayenka Holdings (Pvt) Ltd and Global Sea Food (Pvt) Ltd and as an Independent Director of Sri Lanka Technology Campus (Pvt) Ltd.

Board of Directors

- Serves as the Chair - Investment Committee - Lynear Wealth Management - Unit Trust Fund.
- Serves as a Short-Term Consultant – World Bank.

Previous appointments
- Joint Managing Partner of Ironwood Capital Partners Private Equity Fund and Executive Director of Ironwood Investment Holding (Pvt) Ltd, Ironwood Services Holding (Pvt) Ltd, Ironwood Education (Pvt) Ltd, Ironwood Healthcare Holding (Pvt) Ltd.
- Non-Executive Director of The Laundromat (Pvt) Ltd.
- Non-Executive Director of The Fabulous Gateway (Pvt) Ltd.
- Managing Partner of LR Global Lanka Private Equity Fund.
- Partner- Global Portfolio Manager of the Global Private Equity Fund of Aureos Capital Limited.
- Country Head Fitch Ratings Lanka Ltd.
- Head of Private Equity - Lyner Partner (Pvt) Ltd.
- Chief of Party - Chemonics/USAID Sri Lanka Energy Program.

Skills and experience
Chanaka is a Chartered Financial Analyst of CFA institute, Charlottesville VA, USA and he holds a BSc in Electrical Engineering from the State University of New Jersey.

Arjun Fernando
Non-Executive Director

Date of appointment
Appointed to the Board on 18th January 2019
Last Re-election: At the AGM held on 31st March 2023

Board Sub-committees served
A member of the Board Supervisory Committee, the Nomination and Governance Committee, the Board Credit Committee and the Board Information Technology Advisory Committee of the Bank.

Current appointments
- Serves on the Board of Central Finance Company PLC, a listed company, as the Chairperson.
- Serves on the Boards of following unlisted companies as an Independent Non-Executive Director;
  - NDB Capital Holdings PLC, NDB Securities (Pvt) Ltd and NDB Zephyr Partners Limited
  - Durdans Medical & Surgical Hospitals (Pvt) Ltd

Previous appointments
- Chief Executive Officer/ (Ex-Officio) Director of DFCC Bank.
- Chairperson/Director of DFCC Bank's Subsidiaries, Joint Ventures and Associates.
- DFCC Bank's Nominee Director of Credit Information Bureau of Sri Lanka and the Sri Lanka Banks' Association.
- Chairperson of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) and the World Federation of Development Finance Institutions.
- Independent Director of Home Finance Company in Fiji.
- Served in various executive capacities in HSBC Sri Lanka, HSBC Hong Kong and HSBC Bangladesh.
- Served as a Consultant of M & J Secure Holdings (Pvt) Ltd.

Skills and experience
Arjun is a professional banker with 40 years' of experience in banking, finance and business administration. He is an Associate of the Chartered Institute of Bankers (UK). He holds a MSc in Management from Clemson University of South Carolina, USA and a BSc in Engineering from Southern Illinois University of Illinois, USA.

Ramesh Shanmuganathan
Non-Executive Director

Date of appointment
Appointed to the Board on 25th January 2021
Last Re-election: At the AGM held on 28th March 2024

Board Sub-committees served
Chairperson of the Board Information Technology Advisory Committee of the Bank.

Current appointments
- Executive Vice President /Group CIO of JKH.
- Serves on the Boards of three unlisted companies, John Keells Information Technology (Pvt) Ltd as an Executive Director, Informate (Pvt) Ltd and John Keells BPO Solutions Lanka (Pvt) Ltd as a Non-Executive Director.
- Serves on the Boards of Waldock Mackenzie Limited and Allied Properties Limited, two unlisted subsidiary companies of the Bank as Non-Executive Director.

Previous appointments
- Director /Chief Executive Officer Keells Business Systems Limited (KBSL), Sri Lanka.
- Director Strategy and New Business Initiatives at John Keells Computer Services (JKCS), Sri Lanka.

Skills and experience
Ramesh is an Executive Vice President of the JKH Group and provides stewardship for the Business led Digital/IT strategy and execution across the Group as the Group Chief Information Officer. He also provides leadership to John Keells IT and John Keells X as the Chief Executive Officer.

Ramesh has over 26 years of experience, with 20+ at the C-level. He is a Hayes-Fulbright Scholar and holds to his credit a Doctor of Philosophy (Technology Management) from Keisei International University (Seoul, South Korea), Master of Science (Information Technology

and Computer Science) with Phi Kappa Phi Honours from Rochester Institute of Technology (New York, USA), Master of Business Administration from Postgraduate Institute of Management, University of Sri Jayewardenepura, Bachelor of Science in Electronics and Telecommunications Engineering with First Class Honours from the University of Moratuwa. He has obtained Doctorate of Business Administration (DBA) from the International School of Management, Paris. He is a Chartered Engineer, Chartered IT Professional and a Fellow of the British Computer Society and Institute of Engineers, UK.

Chandika Hettiarachchi

Non-Executive Director

Date of appointment

Appointed to the Board on 5th January 2022
Last Re-election: At the AGM held on 28th March 2025

Board Sub-committees served

A member of Board Credit Committee of the Bank.

Current appointments

- Serves as the Chairperson of two subsidiary companies (unlisted) of the Bank namely, Waldock Mackenzie Limited and Allied Properties Limited.
- Director-Marketing of Central Finance Company PLC, a listed Company.
- Serves on the Boards of the following unlisted companies as a Non-Executive Director.

  CF Insurance Brokers Limited, Central Transport and Travels Limited, CF Growth Fund, Hettiarachchi Property Holdings (Pvt) Ltd, Willuwa Wilpattu (Pvt) Ltd, Urban Gardens (Pvt) Ltd.
- Serves as the Chairperson of the Board of Leasing Association of Sri Lanka.
- Serves on the Board of Credit Information Bureau as a Director.

Previous appointments

The following positions were held at Central Finance Company PLC prior to being appointed as the Director-Marketing.

- Senior Manager - Credit
- Assistant General Manager - Credit
- Senior Assistant General Manager - Credit /Micro Leasing /Product Development.
- Deputy General Manager - Credit and Product Development.
- General Manager - Marketing and Product Development.
- Council member of Sri Lanka Institute of Credit Management.
- Carried out many assignments for International Development Agencies as a Consultant including International Finance Corporation (IFC).

Skills and experience

Chandika is an Associate member of the Chartered Institute of Management Accountants of UK (ACMA) and a Chartered Global Management Accountant (CGMA). Holds a Master of Business Administration Degree from the University of Wales, UK.

Sanjeev Jha

Non-Executive Director

Date of appointment

Appointed to the Board on 01st May 2022
Elected at the AGM held on 31st March 2023

Board Sub-committees served

A member of Related Party Transactions Review Committee of the Bank.

Current appointments

- Serves as the Chairperson of Nations Insurance Brokers Limited, a subsidiary of the Bank.
- Serves as a Non-Executive Director on the Boards of Maxop Engineering Company Pvt Ltd, India and Jaynix Engineering Pvt Ltd, India.
- A consultant to Fairfax Asia Limited which is a subsidiary of Fairfax Financial Holdings Limited, Canada and Newline Insurance Group, UK.

Previous appointments

- CEO and Managing Director of Fairfirst Insurance Limited, Sri Lanka.
- Served as a Non-Executive Director on the Boards of Paramount Health Services and Insurance TPA, Pvt Ltd, India.
- Served as an Advisor to CamCom Technologies (Pvt) Ltd, India.
- Served as an Advisor to Symbo Platform, India.
- A member of the Academic Council for the management institute Birla Institute of Management Technology, India.
- Mentor with the FinTech Center of Entrepreneurship under the Ministry of Electronics and Information Technology, Government of India.
- Advisor to the Hirdaramani Group, Sri Lanka.

Skills and experience

Sanjeev has four decades of extensive experience in business leadership, strategy and business operations. He is a Fulbright Scholar in Leadership Management from Carnegie Mellon University, Tepper School of Business, USA and holds BA in Economics from St. Xavier's College, MA in Economics from University of Mumbai and Ph.D in Economics from the University of Mumbai.

Board of Directors

Charitha Subasinghe

Non-Executive Director

Date of appointment
Appointed to the Board on 19th June 2023
Elected at the AGM held on 28th March 2024

Board Sub-committees served
A member of Board Audit Review Committee, Board Integrated Risk Management Committee and Board Supervisory Committee of the Bank.

Current appointments

- Serves on the Boards of 19 companies as follows;

  Executive Director/CEO of Jaykay Marketing Services (Pvt) Ltd and as an Executive Director of John Keells Office Automation (Pvt) Ltd, both are unlisted companies.

- Serves as a Director of Ceylon Cold Stores PLC, a listed company.

- Serves as a Director of following unlisted companies;

  Logipark International (Pvt) Ltd, Mortlake (Pvt) Ltd, Cinnamon Hotel Management Limited, J K Packaging (Private) Limited, John Keells Singapore (Pte) Limited, John Keells Warehousing (Pvt) Ltd, John Keells Teas (Pvt) Ltd, Whittall Boustead (Pvt) Ltd, British Overseas (Pvt) Ltd, JK Land (Pvt) Ltd, Mack Air (Pvt) Ltd, Mackinnons Travels (Pvt) Ltd, Mack International Freight (Pvt) Ltd, Mackinnon Mackenzie & Company (Shipping) Limited, Inchcape Mackinnon Mackenzie Shipping (Pvt) Ltd, John Keells CG Auto (Pvt) Ltd.

Previous appointments

- Non-Executive Director of John Keells Capital (Pvt) Ltd.
- Sector Financial Controller - Retail Sector of Food and Beverage of JKH.

Skills and experience
Charitha is the President-Retail of the JKH Group since 2018. The Retail sector of JKH comprises of the Keells supermarket chain consisting of 132 outlets and John Keells Office Automation.

Charitha counts over 25 years' of experience in the fields of accounting, financial management and marketing. He holds a MBA from the University of Colombo, is an Associate Member of the Chartered Institute of Management Accountants (ACMA), UK and holds a Diploma from the Chartered Institute of Marketing, UK.

Arjuna Wignaraja

Independent Non-Executive Director

Date of appointment
Appointed to the Board on 9th December 2024
Elected at the AGM held on 28th March 2025

Board Sub-committees served
A member of Board Integrated Risk Management Committee, Board Supervisory Committee and Board Information Technology Advisory Committee of the Bank.

Current appointments

- Serves as the Executive Director of AH Consulting (Pvt) Ltd and Good Life X (Pvt) Ltd.
- Serves on the Boards of the following unlisted companies as an Independent Non-Executive Director;

  Asia Securities (Pvt) Ltd, Asia Securities Wealth Management (Pvt) Ltd, Asia Securities Advisors (Pvt) Ltd, Cenmetrix (Pvt) Ltd, Bartleet & Company (Pvt) Ltd, KalyanaSL Guarantee Ltd.

- Serves as a Non-Executive Director of Spirit Kitchens (Pvt) Ltd and SK Catering (Pvt) Ltd.
- Serves as an advisor to the Boards of Medihelp Holdings (Pvt) Ltd.

Previous appointments

- Advisor to the Xebero Group and its subsidiaries namely, Ontomatrix (Pvt) Ltd and Codelantic (Pvt) Ltd.
- Advisor/Vice President of Cerberus Frontier Fund and Board advisor of Timex Garments (Pvt) Ltd.
- Executive Director of Remote Sensing Metrics Asia (Pvt) Ltd.
- Managing Director, Stax Colombo.
- Chairperson/Independent Non-Executive Director of South East Asia Leadership Academy (SEALA).
- Independent Non-Executive Director of Lankan Angel Network (LAN) and SL2College.

Skills and experience
Arjuna is a professional with three decades of experience in the fields of business strategy, private equity investment, entrepreneurship and governance. He commenced his career at the Boston Consulting Group and then spent two decades at advisory firm Stax before joining Cerberus Frontier, an investment fund. He now focuses on regenerative business model innovation at Good Life X.

Arjuna holds Bachelor of Arts degree in Economics (with Honors) from Princeton University, USA and an MBA from the Kellogg Graduate School of Management at Northwestern University, USA.

Roshan Perera

Independent Non-Executive Director

Date of appointment
Appointed to the Board on 10th January 2025
Elected at the AGM held on 28th March 2025

Board Sub-committees served
Chairperson of Board Integrated Risk Management Committee and also serves as a member of the Board Audit Review Committee and Nomination and Governance Committee of the Bank.

Current appointments

- Independent Non-Executive Director of Senkadagala Finance PLC.
- Consultant, Centre for Poverty Analysis (CEPA).

Previous appointments

- Independent Non-Executive Director of Union Bank of Colombo PLC.
- Member of the Governing Council of Sri Lanka Institute of Directors.
- Non-Executive Director of Institute of Policy Studies.
- Non-Executive Director of Sri Lankan Airlines Limited.
- Director of Risk Management Department, Additional Director-Bank Supervision Department and Deputy Director-Economic Research Department at the Central Bank of Sri Lanka.
- Consultant to Ministry of Public Enterprise, M/s PricewaterhouseCoopers, United Nations Development Programme (UNDP) and World Bank.
- Course Coordinator of Bandaranaike Academy for Leadership and Public Policy.
- Senior Research Fellow Advocata Institute.

Skills and experience

Roshan is a professional with three decades of experience in the fields of macroeconomics and public policy, regulation and supervision of financial institutions, risk management and corporate governance. She holds a Doctor of Philosophy in Economics from the University of Melbourne, Australia; a Master in Public Administration from Harvard Kennedy School of Government, USA and a Master in Environmental Geography from University of Illinois in Chicago, USA. She also holds a Master in Economics and a Bachelor of Arts in Economics from the University of Colombo, Sri Lanka.

Coralie Pietersz

Independent Non-Executive Director

Date of appointment

Appointed to the Board on 25th March 2025
Elected at the AGM held on 28th March 2025

Board Sub-committees served

Chairperson of the Board Audit Review Committee and a member of the Board Integrated Risk Management Committee, the Related Party Transactions Review Committee and Board Human Resources and Remuneration Committee of the Bank.

Current appointments

- Serves on the Board of Bogala Graphite Lanka PLC, a listed company as the Chairperson.
- Serves on the Boards of following listed companies as an Independent Non-Executive Director.

  RIL Property PLC, United Motors Lanka PLC, Panasian Power PLC.
- Serves on the Boards of following unlisted companies as a Director

  Tambapanni Academic Publishers (Private) Limited, Compass Advisory Services (Pvt) Ltd.
- Committee Member of Association of Friends Prisoners' Children.
- Treasurer of The Dutch Burgher Union of Ceylon.

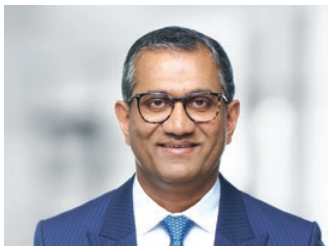
Previous appointments

- Finance Manager of Commercial Bank of Ceylon PLC followed by roles in Internal Audit and Corporate Banking.
- CFO of Nations Trust Bank PLC.
- Group CFO of Richard Peiris & Co. PLC.
- Finance Director of Finlays Colombo Limited.
- Finance Director of Hapugastenne Plantations PLC and Udapussellawa Plantations PLC.
- Served as the Senior Director of Seylan Bank PLC.
- Served as an Independent Director of People's Leasing & Finance PLC, CT CLSA Asset Management (Pvt) Ltd, CT CLSA Capital (Pvt) Ltd and Hemas Pharmaceuticals (Private) Limited.
- Trustee of Dianne Milhuisen Trust Fund.

Skills and experience

Coralie has over 30 years' experience at senior levels, across several industries, in both the public and private sectors. Coralie trained with Thornton Baker, Chartered Accountants, in London, now known as Grant Thornton. She is an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Institute of Chartered Accountants of Sri Lanka and of the Institute of Certified Management Accountants of Sri Lanka. She has a BSc (Hons) in physics from the University of Sussex and holds an MBA from Heriot-Watt University, Edinburgh.

Corporate Management



Hemantha D Gunetilleke
Executive Director/
Chief Executive Officer

Senal Seneviratne
Executive Vice President
Corporate Banking

Perry Savundranayagam
Executive Vice President
Treasury/Investment Banking

Sheahan Daniel
Executive Vice President
Consumer Banking

Arosha Liyanaarachchi
Executive Vice President
Commercial Banking

Deepal Akuretiyagama
Chief Operating Officer

Chamila Sumathiratne
Chief Credit Officer

Niluka Gunatilaka
Senior Vice President
Cards and Consumer Assets

Sanjaya Senarath
Chief Marketing Officer

Kushlani Allis
Chief Financial Officer

Sampath Perera
Chief Data Officer

Priyantha Samaradiwakara
Senior Vice President
Leasing

Harsha Perera
Senior Vice President
Operations Service Delivery

Saaraa Warnakulasooriya
Chief Internal Auditor

Menaka Wavita
Senior Vice President
Branches

Jakque Diasz
Senior Vice President
Treasury Sales

Peshala Attygalle
General Counsel/
Company Secretary

Lilanthi Delgoda
Chief People Officer

Indrajith Alexander
Chief Risk Officer

Vice Presidents

Kalana Kumarasinghe
Chief Information Officer

Hemesha Seneviratne
Chief Compliance Officer

Rasanja De Silva
Vice President
Branches

Vidharshana Perera
Vice President
Collections & Recoveries

Shiyamal De Silva
Vice President
Operations Service Delivery

Nishantha Pathirage
Vice President
Corporate Banking

Asela Wijesinghe
Vice President
Treasury Trading & ALM

Sampath Lokubarana
Vice President
Branch Operations & Compliance

Athula Weerasinghe
Vice President
Digital Infrastructure & Operations

Nalin Webster
Vice President
Cards Business Operations

Naveendran Anthonypillai
Vice President
Commercial Banking

Suresh Goonewardene
Vice President
Commercial Banking

Lakshan Wanniarachchi
Vice President
Structured Finance & Institutional Banking

Lasith Ranatunga
Vice President
Corporate Credit Management

Chandana Dodanwela
Vice President
Branches

Dineth Nanayakkara
Vice President
Transaction Banking

Sisila Katukurunda
Vice President
Commercial Credit Management

Samadhi Hondamuni
Vice President
Financial Reporting & Control

Buddhika Godakanda
Vice President
IT Strategy & Program Management

Yasas Mapalana
Vice President
Digital Banking & Enterprise Solutions

Chamath Algawatta
Chief Information Security Officer

Dasun Perera
Vice President
Consumer Portfolio & Wealth Management

Performance Highlights

Financial Capital

Figures In LKR Million	2025	2024	Change
Performance of the Year (Group)			
Operating income	52,200	44,402	18%
Operating expense	16,957	14,974	13%
Profit after tax	19,258	16,802	15%
Financial Position			
Customer deposits	502,219	384,655	31%
Loans and receivables	430,368	287,363	50%
Total assets	700,309	545,586	28%
Total equity	96,916	79,477	22%
Profitability			
Net interest margin (Bank)	6.05%	6.94%	
Cost to income ratio	32.49%	33.72%	
Return on assets	3.02%	3.27%	
Return on equity	21.86%	24.22%	
Investor Information			
Market value per share – voting (LKR)	313.00	186.50	
Market value per share – non-voting (LKR)	385.50	215.50	
Net asset value per share (LKR)	293.12	243.65	
Earnings per share – basic (LKR)	57.76	50.39	
Dividend per share (LKR)	7.00	6.50	
Dividend yield (Voting)	2.24%	3.49%	
Market capitalisation (LKR million)	106,725	62,119	
Capital Adequacy Ratio (Bank)			
Tier 1	19.06%	20.87%	
Total capital	20.17%	22.05%	
Leverage ratio	12.14%	12.57%	
Risk Management (Bank)			
Stage 3 Loans/Gross Loans	0.91%	1.60%	
Stage 3 Impairment/Stage 3 Loans	66.69%	60.55%	
Liquidity Coverage Ratio (All currency)	203.40%	320.56%	
Net Stable Funding Ratio	138.32%	154.73%	

Economic Value Creation

LKR 15.0 Bn
Taxes to Government

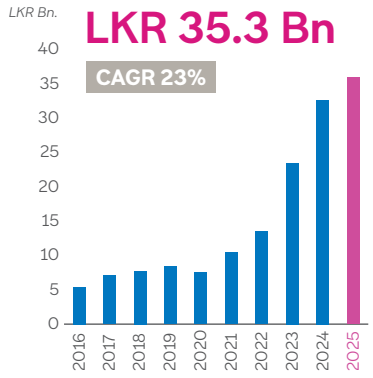
LKR 9.6 Bn
Salaries and Benefits to Employees

LKR 7.9 Bn
Payments to Suppliers

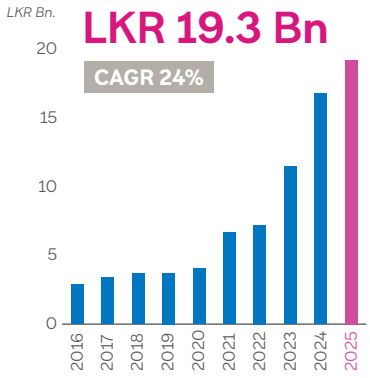
LKR 2.3 Bn
Dividends to Shareholders

10 Year Performance Trends

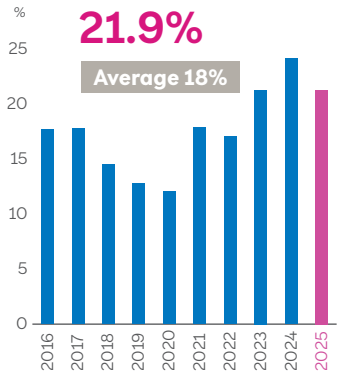
Profit Before Tax



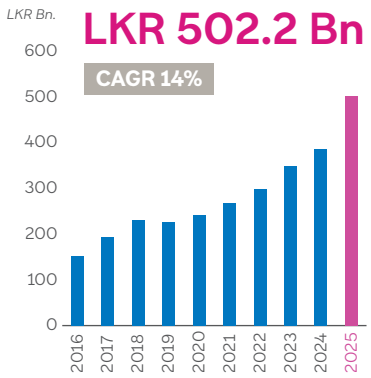
Profit After Tax



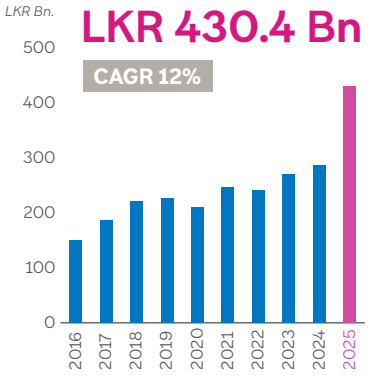
Return on Average Equity



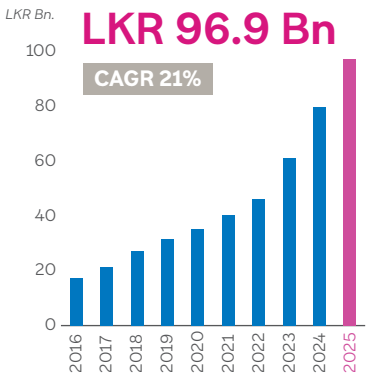
Deposits



Loans & Advances



Total Shareholders' Funds



Human Capital

443
New recruits

9.6 Bn
Distributed as monetary benefits to employees

606
Training sessions

48,501
Total training hours

Intellectual Capital

ISO 27001:2022
Upgraded to ISO 27001:2022

Manufactured Capital

1.47 Bn
Invested in Property, Plant and Equipment and supporting infrastructure

40
Technology and security enhancements implemented to strengthen system resilience and continuity

Social and Relationship Capital

98%
Branch Customer Satisfaction Score

LKR 108.7 Mn
Invested in community initiatives

2,863
Community beneficiaries reached through environmental, education and inclusion programmes

Natural Capital

92%
Year-on-year growth in the green financing portfolio

5%
Year-on-year reduction in Scope 1 emissions

60%
Green Portfolio on Renewable Energy

Chairperson's Message

Dear Stakeholders,

I am pleased to present the Integrated Annual Report and Financial Statements of Nations Trust Bank PLC, for the financial year ended 31st December 2025.

The year 2025 marked a period of renewed confidence for Sri Lanka as the economy continued its steady transition toward recovery. Improvements across key sectors, together with strengthening macroeconomic fundamentals, rising credit appetite, and greater financial system stability, created a more conducive operating environment for the banking industry.

Against this backdrop, Nations Trust delivered a strong performance during FY 2025. The Bank continued to demonstrate disciplined execution of its strategic priorities, outperforming industry growth across several key dimensions, while making excellent headway in positioning the Bank as a highly customer-centric niche bank.

Operating Environment

The year marked a turning point for the country as economic stability improved, supported by political consistency and the continued implementation of reforms.

Inflation remained well contained, while liquidity conditions improved and fiscal consolidation eased pressure on private sector credit, collectively fostering a more stable interest rate environment. The external sector also demonstrated strong performance with improved reserve levels and exchange rate stability, reinforcing confidence in the country's recovery trajectory.

However, the year was not without its challenges. At the point where the economy was regaining momentum, the impacts of Cyclone Ditwah in December 2025 brought significant human, social and economic costs and underscored the stark realities and growing risks associated with climate-related events. Additionally, global uncertainties, including geopolitical tensions, volatile commodity prices and increasing trade protectionism continued to weigh on the predictability of the global economic environment. Sri Lanka remains particularly vulnerable to such external shocks, underscoring the importance of maintaining macroeconomic discipline and strengthening economic resilience.

Despite these conditions and on the back of Sri Lanka's economic revival, the domestic banking sector recorded commendable performance for the year. Credit granted by banks to the private sector expanded steadily, while sector profitability improved meaningfully, supported by stronger balance sheets and improved asset quality.

As Sri Lanka continues its path of recovery and reform, the resilience shown over the past year provides a solid foundation for the future. Continued commitment to stability, discipline and structural transformation will be vital to sustaining this progress and achieving long term, inclusive growth.

Performance Overview

Strategic Endeavours

Anchored by our strategic roadmap to grow the Bank and strengthen the Bank's balance sheet, we remain deliberate in seeking opportunities to deepen our presence within our core customer segments. Our focus continues to be on pursuing scalable, value-accretive growth aligned with our long-term objectives.

It was within this strategic context that the opportunity to acquire the Retail Banking business of HSBC - Sri Lanka emerged. Recognising the strong strategic fit and the clear synergies inherent in the transaction, the Board granted its approval, followed by the formal announcement on 24th September 2025 in compliance with Section 8 of the CSE listing rules, declaring the Bank's intention to acquire HSBC's Retail Banking operations in Sri Lanka. The proposed acquisition, which would be funded internally, will onboard 200,000+ customers of HSBC Sri Lanka, across premium banking, credit cards, retail loans and deposits under the Nations Trust banner.

As the first local bank to introduce Private Banking in Sri Lanka and the market leader in credit cards, this transaction further strengthens our leadership in the premium retail banking segment. It significantly enhances our ability to serve a larger share of Sri Lanka's affluent and mass-affluent clientele. Equally important is the Bank's strong alignment with HSBC-Sri Lanka's culture, brand values, customer-centricity and digital leadership that together represent the deep conviction to deliver differentiated, high-quality banking experiences to customers.

We are working closely with HSBC Sri Lanka and the Central Bank of Sri Lanka to ensure a seamless transition, which we aim to complete in 2Q 2026.

Governance and Compliance

As the regulatory landscape for banks and listed entities in Sri Lanka continues to evolve rapidly, the Board dedicated considerable time and oversight to disseminate the new regulatory and supervisory requirements that came into effect in 2025. Particular emphasis was placed on complying with the new Corporate Governance provisions for Licensed Commercial Banks set out under the Banking Act Direction No. 5 of 2024. In this regard, a series of targeted enhancements were undertaken to further strengthen the Bank's governance framework in line with the mandated timelines.

I'm pleased to confirm that Nations Trust Bank PLC has complied with all relevant statutory and regulatory obligations.

Digital Transformation

Digital transformation remained a core strategic priority, underpinning our efforts to build a resilient, intelligent and scalable operating model.

During the year, we commenced the first phase of our multi-year IT infrastructure modernisation programme, transitioning from legacy, hardware-dependent systems to a fully virtualised and containerized architecture. This has strengthened system agility, scalability and operational resilience for higher transaction volumes and data-intensive operations.

Upgrades were made to core banking and enterprise platforms, enabling seamless integration across digital channels and third-party ecosystems while strengthening system availability, processing speeds and overall service reliability across branches and digital touchpoints.

In addition, modernisation of enterprise content management capabilities enabled end-to-end automation of key workflows, particularly within the credit lifecycle resulting in significantly enhanced straight-through processing, faster turnaround times and stronger integration across platforms.

In 2025, the Bank advanced its cybersecurity posture by strengthening real time threat monitoring and response capabilities through the establishment of a dedicated Security Operations Centre. The Bank also completed its transition to the latest ISO 27001 standard during the year, reflecting its ongoing commitment to robust information security governance and alignment with globally recognised best practices.

Employees

We remain committed to fostering an inclusive, equitable and diverse workplace. We take pride in maintaining a 50:50 gender ratio, reflecting our long standing commitment to promoting female participation across the Bank.

Our culture continues to be shaped by our core values of Respect, Integrity, Collaboration and Excellence. Guided by these principles, we strive to create an environment where our people can grow, contribute meaningfully and collectively to be a part of the Bank's strategic aspirations. To this end, we continue to invest in talent development, career mobility and holistic employee well-being to ensure that our teams are equipped with the skills and support needed to thrive and progress alongside the Bank.

ESG Integration

Recognising the vital role banks can play in advancing ESG outcomes at a national and systemic level, Nations Trust continues its effort to embed ESG considerations across its operations and business decisions.

Having aligned our ESG framework with key sustainability priorities and commencement of monitoring of targets in the previous year, we took measured steps to adopt the SLFRS S1 and S2 reporting framework. Being the first

Chairperson's Message

year of implementation, the Bank is applying transitional relief provisions for climate resilience assessment, scenario analysis and the phased adoption of Scope 3 disclosures. The internal assurance processes were enhanced to improve compliance with environmental requirements as well as to improve accuracy and reliability of environmental disclosures. The governance mechanisms were further strengthened through the introduction of quarterly reporting to the Nomination and Governance Committee.

In parallel, the Bank continued to prioritise its broader social responsibilities. In support of national recovery following the devastating impact of Cyclone Ditwah, the Bank contributed LKR 100 million to the Rebuild Sri Lanka Fund.

Moving Ahead with Clarity and Purpose

The year 2025 marked a pivotal juncture in Sri Lanka's economic recovery, with the progress achieved laying the foundation for the banking sector to support the country's long-term growth ambitions. Moreover, the strengthening of the local banking sector reflected in improved asset quality, stronger balance sheets, and prudent capital management, collectively positions banks to responsibly support credit growth while remaining resilient to external shocks. Against this backdrop, the Central Bank's forward-looking framework for sector consolidation, represents a timely and necessary step towards enhancing the resilience, scale and competitiveness across the industry.

For Nations Trust, this emerging environment presents a clear opportunity to leverage the acquisition of HSBC's retail banking operations to reinforce our leadership in premium and retail banking. This integration will enable us to deepen customer relationships, enhance our retail value proposition and expand our product and service capabilities to consolidate our positioning across our chosen segments in the years ahead.

Appreciations

I would like to express my deep appreciation to the entire Nations Trust team, led by our CEO, Hemantha D Gunetilleke, whose leadership continues to be instrumental in translating strategy into sustained performance.

On behalf of the Board, I wish to welcome Coralie Pietersz who was appointed to the Board as an Independent Non-Executive Director on 25th March 2025, whose extensive knowledge, skills and extensive experience will strengthen the collective insights of the Board of Directors.

I wish to extend my sincere appreciation to my fellow Board members for their invaluable counsel, contribution and unwavering commitment during the year.

On behalf of the Board, I would like to extend my sincere appreciation to Rachini Rajapaksa, Independent Non-Executive Director who retired from the Board with effect from 29th April 2025 and Russell De Mel, Independent Non-Executive Director who retired from the Board with effect from 6th June 2025, upon reaching their tenure of nine years as Directors for their dedicated service, wise counsel and invaluable contributions to the Bank over the years.

I thank our valued investors, customers and business partners who have supported our journey and count on their continued trust and confidence placed in us as we advance into the next phase of the Bank's journey. I also wish to place on record our deep appreciation to the Governor and the leadership of our regulator, the Central Bank of Sri Lanka for the continued guidance and support extended to the banking sector.

Sherin Cader
Chairperson

20th February 2026
Colombo

Chief Executive Officer's Review

Dear Stakeholders,

It is with great pleasure that I present the Annual Integrated Report and the Annual Financial Statements of Nations Trust Bank PLC for the year ended 31st December 2025.

Having marked the Bank's 25th year in 2024, we entered 2025 with a strong focus on accelerating our growth momentum. I am pleased to report that the Bank not only met, but significantly exceeded the expectations set for the year under review, culminating in the reaffirmation of the Bank's long-term issuer rating of 'A(lka)' with a Stable Outlook by Fitch Ratings during the year.

Economic Stability and a Growth Environment

Throughout 2025, Sri Lanka continued to chart a steady course towards economic stability amidst the progressive improvement in macroeconomic fundamentals. The continuation of the IMF programme, coupled with a stable government, reinforced policy credibility and fiscal discipline. This resulted in broad-based improvement across all economic indicators. Subdued inflation and the accommodative monetary policy by the Central Bank of Sri Lanka, contributed to a much-needed boost in economic activity and an increase in credit growth.

The country's balance of payments position improved, aided by robust export performance and higher remittance inflows, alongside the exponential growth in tourism. The Sri Lankan Rupee (LKR) recorded a modest depreciation of around 3.1% against the US dollar by mid-year, mainly due to higher vehicle imports, but remained broadly stable for the remainder of 2025, closing the year at approximately LKR 309/USD.

Despite the economic stability, Sri Lanka remains vulnerable to downside risks and external shocks. The Country's high debt burden underscores the importance of sustaining fiscal consolidation and reform momentum. Likewise, natural disasters, such as the recent Cyclone Ditwah, highlights the economy's vulnerability to climate-related shocks, with adverse spillover effects on livelihoods, infrastructure and supply chains.

Global uncertainties also posed challenges. Trade disruptions arising from policy shifts in major markets, ongoing geopolitical conflicts affecting key trading partners and broader global economic volatility continued to weigh on export performance and capital flows.

Purpose-Driven Strategy

Amidst this progressive economic environment, we at Nations Trust positioned ourselves to respond to new opportunities through a purpose-driven strategy designed to create and deliver value for our customers, shareholders and the wider community.

Our Commercial Banking team concentrated on supporting the revival and growth of the SME sector, by leveraging concessionary credit lines secured through ongoing partnerships with local and global funding institutions. Through these initiatives, we focused on empowering manufacturing, export-oriented industries and import-substitution to help our customers capture market opportunities both locally and internationally.

Chief Executive Officer's Review

Our efforts in Corporate Banking were directed towards enabling customers in high-growth sectors to scale up both locally and internationally. Our Corporate Banking business also served as a catalyst in attracting high value foreign direct investment into the country, signalling strong investor confidence in Sri Lanka's economic trajectory.

With improving macroeconomic conditions fuelling retail credit demand, our Consumer Banking business moved swiftly to build momentum across core customer segments. We also worked deliberately to capitalise on the strong uptake for leasing facilities, following the removal of vehicle import restrictions with a focus on financing environmentally friendly mobility options.

By responding decisively to the opportunities presented by the national economic recovery, the Bank achieved robust loan growth of LKR 143 billion in 2025, representing a year-on-year expansion of 50% - strong validation of our commitment as a trusted partner in Sri Lanka's sustainable growth journey.

Delivering Outstanding Financial Results

During the year under review, the Bank's medium term strategy continued to be executed with clarity, discipline and precision. We continued to refine our business models, strengthen our risk frameworks while pursuing opportunities aligned with our long term vision. Our deliberate approach to balance sheet optimisation and focus on high growth segments resulted in total assets reaching LKR 700 billion, underscoring the resilience and scalability of our franchise.

Amidst a declining interest rate environment, we maintained rigorous focus on Asset and Liability Management, ensuring strong liquidity throughout the year. This prudent stewardship enabled Nations Trust to preserve a healthy Net Interest Margin of 6.05%. Fee based income grew by 10% to LKR 8.9 billion, driven by credit growth, trade financing, cash management operations and credit cards.

Our ongoing transformation journey continued to yield operational efficiencies, through redesigned processes, lean methodologies, digitisation and a more agile organisational structure. As a result, total costs were contained at LKR 17.0 billion, reflecting a 13% increase, while the Cost to Income ratio remained at an efficient 32.5%.

The deep work undertaken during the past five years, post-COVID, resulted in a continued improvement in portfolio quality, resulting in the lowest Net Stage 3 ratio in the industry at 0.9%. The year under review closed with a Stage 3 Provision Cover of 66.7%, while total impairment recorded a net reversal of LKR 106.3 million. These risk ratios underscore the prudent and disciplined credit culture embedded across the Bank and complements our objectives around profitability, capital formation and long term value creation.

Strong core performance translated into a Profit Before Tax of LKR 35.3 billion, up by 8%, reflecting our ability to execute effectively and consistently on our strategic priorities. After accounting for taxes, the Bank recorded its highest ever Profit After Tax of LKR 19.3 billion, a growth of 15% compared to last year.

Improved macroeconomic indicators that drove credit demand saw the Bank's Net Loans and Advances grow by 50%. Concurrently, our deposit base continued its upward trajectory, supported by deep customer engagement and targeted acquisition within our core segments. As a result of the strong credit growth, the consolidated Liquidity Coverage Ratio declined to 203.40% as at end-2025 (2024: 320.56%). A focused approach to liquidity planning and balance sheet management, ensured that liquidity parameters were well above the regulatory minimum, demonstrating our steadfast commitment to stability and market confidence.

Following another successful year, Nations Trust concluded the FY 2025 with a strong capital and funding profile, ensuring ample capacity to pursue future growth opportunities and fulfill our strategic objectives. These developments collectively enhanced the Group's capacity to absorb risks and support future growth ambitions. Shareholders' funds rose by 22% to LKR 96.9 billion and continue to operate with strong capital buffers evidenced by a Group Tier 1 Capital Adequacy Ratio of 19.6% and Group Total Capital Adequacy Ratio of 20.7%, comfortably above the minimum regulatory requirements.

Reinventing Customer Journeys

Innovation has always been the hallmark of the Bank's customer value proposition, inevitably shaping how we curate customer journeys and build long-term banking relationships. In 2025, we continued our firm commitment to promoting digital adoption among our customers and across the wider economy. During the year, we focused on strengthening our digital frontend ecosystem with the roll out of the new version of Nations Direct Enterprise (NDE), our digital banking platform serving Commercial and Corporate customers. The upgrade of NDE has enabled enhanced transactional capabilities for our corporate customers by embedding customisable host-to-host API integrations, thereby enabling clients to manage payments and collections seamlessly in line with their operating models.

The pace of digital customer onboarding continued to gain strong momentum, providing an impetuous toward a decisive step towards an entirely digital customer journey. Today more than 96% of the Bank's customer transactions originate through digital channels, setting a strong benchmark for digitalisation of banking services.

Building Scale for Future Growth

On 24th September 2025, the Bank signed a Sales and Purchase Agreement with the Hongkong and Shanghai Banking Corporation (HSBC) to acquire their Retail Banking franchise in Sri Lanka. This acquisition, once completed in 2Q 2026, will be a pivotal point in the Bank's growth journey.

The transaction includes HSBC Sri Lanka's branch network, premium banking customers, credit cards, retail loans and more than 200,000 consumer banking customer accounts. The value of this acquisition to the Bank is due to the direct strategic alignment in terms of customer segments, products and propositions and people and culture. This acquisition therefore, will be a major catalyst in further accelerating the Bank's growth journey.

People and Culture

Our people are the heart of our organisation. It is their passion, commitment and expertise that anchors our performance, resilience and ability to innovate. As a bank with 2,462 employees across multiple generations, spread across Sri Lanka, our priority has always been to build an inclusive environment where talent is nurtured, diversity is respected and success is celebrated.

To further strengthen cohesion and alignment across the organisation, we refreshed our values, restating them under Respect, Integrity, Collaboration and Excellence, key tenets that now resonate across every aspect of the Bank. To make these values more tangible and engaging, we introduced symbolic spirited animals – the Wolf for Respect, the Seahorse for Integrity, the Bee for Collaboration and the Eagle for Excellence, each chosen for traits that closely mirror the essence of the value it represents. Our values are at the core of our every interaction and decision, whether internally or externally. Every team member is required to live up to these values in all interactions whether official or personal and define how we collectively serve each other, our customers, communities and our country.

Realigning for Sustainability

Sustainability is central to how we create value. Guided by our Board-approved Sustainability Policy, we continue to embed Environmental, Social and Governance (ESG) considerations across strategy, risk management and day-to-day decision-making. We continue to leverage our Environment and Social Risk Management framework to integrate sustainability considerations into our lending decisions, which enables Nations Trust to channel capital towards ESG-linked financing.

In 2025, we deepened our impact by accelerating ESG-linked financing to support several transformative projects, including the country's largest rooftop solar installation and a major waste-to-energy initiative, underscoring our commitment to align with the Government's 2030 energy sustainability agenda.

During the year, we also commenced the adoption of the SLFRS S1 and S2 sustainability disclosure framework. Leveraging the transitional relief provisions, we are adopting a phased implementation approach to focus on strengthening our data capture procedures, governance and reporting capabilities to facilitate more transparent sustainability disclosures over time.

Outlook and Prospects

Looking ahead to 2026, Sri Lanka's outlook remains firmly positive. Macroeconomic stability is expected to continue, supported by a stable currency, easing inflation and a soft interest rate environment, alongside progressive policy reforms and further progress in good governance.

Within this context, in 2026 and beyond, the Bank aims to deliver on its strategic plans and commitments to our stakeholders. Our immediate strategic priorities remain unchanged and are anchored on sustainable growth delivered through a combination of organic expansion and selective inorganic opportunities.

Appreciations

As we conclude what has been one of the most remarkable years in the Bank's journey, I would like to express my sincere thanks to all our customers for placing their trust in Nations Trust. Your confidence in our products, services and our people has been the driving force behind our continued growth and commitment to excellence.

This past year has once again demonstrated the extraordinary value of teamwork in achieving our strategic objectives. I would like to extend my heartfelt gratitude to our remarkable team, all 2,462 of them, whose dedication, resilience and passion for delivering exceptional customer experiences have been instrumental in driving the Bank forward.

I also wish to thank our Chairperson and the Board of Directors for their unwavering guidance, support and trust in the Bank's vision. A special word of thanks to the Governor and the Management of the Central Bank of Sri Lanka for their steadfast oversight, guidance and leadership.

My sincere appreciation also goes to our business partners and investors for their continued confidence and collaboration, which have been critical to our success.

Looking ahead, I invite all our stakeholders to join the Bank's onward journey as we aim for even greater heights. I believe, together, we can continue to innovate, grow and create lasting value for our nation.

Hemantha D Gunetilleke
Executive Director/Chief Executive Officer

20th February 2026
Colombo

Key Milestones

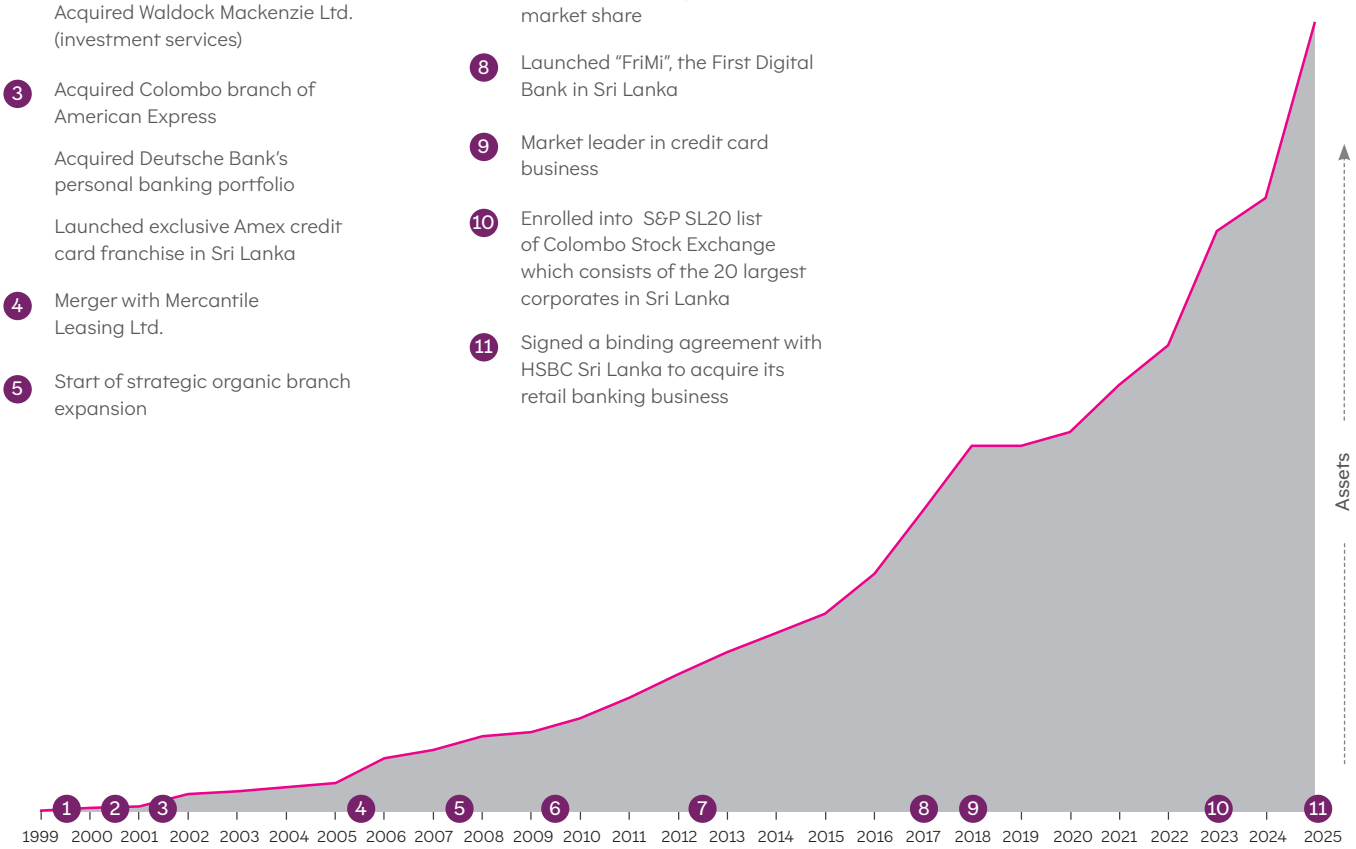
Since inception, Nations Trust has grown steadily across Corporate, Commercial and Consumer banking. Through strategic acquisitions, innovative products and a clear focus on serving customers, the Bank has strengthened its position in the market. By bringing together people, processes and systems smoothly, Nations Trust has kept business running without interruption, while achieving significant growth. This journey is a testament to the Bank's commitment, resilience and drive for lasting success.

1. Acquired Hong Kong-based Overseas Trust Bank Colombo Branch
2. Acquired Kandy branch of Standard Chartered Bank

   Acquired Waldock Mackenzie Ltd. (investment services)
3. Acquired Colombo branch of American Express

   Acquired Deutsche Bank's personal banking portfolio

   Launched exclusive Amex credit card franchise in Sri Lanka
4. Merger with Mercantile Leasing Ltd.
5. Start of strategic organic branch expansion
6. Expansion beyond Western Province with branches opened in the Southern, Northern and Eastern Provinces
7. Credit card base reached 200,000 cards capturing 20% market share
8. Launched "FriMi", the First Digital Bank in Sri Lanka
9. Market leader in credit card business
10. Enrolled into S&P SL20 list of Colombo Stock Exchange which consists of the 20 largest corporates in Sri Lanka
11. Signed a binding agreement with HSBC Sri Lanka to acquire its retail banking business



Value Creation Model

Inputs

Financial Capital

Shareholders' Fund
LKR 96.9 Bn
Deposit Base
LKR 502.2 Bn

Intellectual Capital

Brand Identity
Knowledge Base
Culture of Innovation
Standards and Certifications

Human Capital

Employees
2,462
Overall Gender Balance
50%
Remuneration and Benefits
Performance Management
Training and Development
Employee Relations
Employee Wellbeing

Manufactured Capital

Branches	ATMs	CRMs
90	**55**	**102**

Nations Direct Online Banking Platform and Mobile app
Nations Direct Enterprise

Social and Relationship Capital

Product Responsibility
Customer Outreach
Customer Communication and Engagement
Customer Experience
Complaint Handling
Customer Privacy
Procurement Best Practices
Community Projects

Natural Capital

Green Finance
Environment and Social Risk Management System (ESRMS)
Green Operations
Green Projects

Value Transformation

Purpose

Together, we will broaden access to economic opportunities and create inclusive, financial eco-systems that enrich lives and foster sustainable growth for all our stakeholders.

Business Focus
Customer Experience

Lending
Deposit Mobilisation
Facilitating Payments
Digital Solutions
Transactional Banking Services

Business Activities Delivered through our Business Verticals

Consumer
Commercial
Corporate
Treasury

Digitisation and Automation
Cost and Efficiency

Corporate Governance
Risk Management Framework
ESG Focus
Macroeconomic Developments
Regulatory Developments

Outputs for Nations Trust

Financial Capital
LKR 430.4 Bn Total Loan Book
LKR 38.8 Bn Net Interest Income
32% Cost to Income Ratio

Intellectual and Manufactured Capital
Increased public trust in the Nations Trust brand
Strong competitive edge over peers
Increased market share in chosen segments

Human Capital
Higher employee motivation and loyalty
Lower employee attrition

Social and Relationship Capital
65 Customer NPS
Recognition as a preferred partner by suppliers
Good standing in the community

Natural Capital
73% Loans and Advances screened for environmental and social impacts
5% Reduction in Scope 1 emissions

Stakeholder Outcomes

SHAREHOLDERS / INVESTORS
21.9% Return on equity
LKR 7.00 Dividend per share
LKR 57.76 Earnings per share
70.2% Increase in share price

CUSTOMERS
Access to a wide range of conventional banking products and services for Consumer, Commercial and Corporate Customers
Enhanced customer experience through the best in-class digital banking solutions

EMPLOYEES
443 New recruits
547 Promotions
48,501 Training hours

REGULATORS
LKR 15.0 Bn Taxes paid
Incidents of non-compliance of regulations – **None**

COMMUNITIES
LKR 108.7 Mn spent on CSR

Stakeholder Engagement

Nations Trust accepts that maintaining open and continuous dialogue with its stakeholders is essential to identifying and responding to stakeholder expectations. The Bank adopts a structured and multi-channel approach to connect with and capture a wide range of stakeholder perspectives.

While providing stakeholders with a platform to voice concerns, share expectations and offer feedback, Nations Trust's stakeholder engagement framework also serves as a tool for the Bank to communicate its purpose, performance and strategic direction in a transparent and meaningful manner, thereby strengthening trust and long-term relationships.

STAKEHOLDER ENGAGEMENT PRINCIPLES

Proactive
Action oriented, open minded and acting with integrity

Inclusive
Build respectful, inclusive and collaborative relationships with our diverse stakeholders

Focused
Carry out customised engagement activities to meet the needs of the stakeholders

Accountable
Set clear deliverables for measuring and evaluating the quality of our engagement

Transparent
Share engagement outcomes with stakeholders

STAKEHOLDER ENGAGEMENT PROCESS

Stakeholder Identification
Established stakeholders

Stakeholder Analysis and Mapping
Prioritise stakeholders

Develop Suitable Stakeholder Communication Strategies
Determine stakeholder engagement methodologies

Monitor and Evaluate
Review stakeholder feedback and strengthen engagement methodologies

Shareholders

9,000+ individual and institutional shareholders

Medium and Frequency of Engagement	Stakeholder Expectations	Nations Trust's Response	Value Creation
• Annual General Meeting • Annual report • Extraordinary General Meetings (as needed) • Interim financial statements (quarterly) • CSE announcements (as needed) • Press conferences / press releases (as needed) • Corporate website (continuous and ongoing) • Social media platforms (continuous and ongoing)	• Value creation in a dynamic and challenging operating environment • Financial strength and stability • Corporate governance and risk management practices • Transparent and timely communication • The Group's social and environmental impacts	Alongside the disciplined execution of its strategy and a prudent approach to growth, Nations Trust focuses on preserving financial strength and stability by maintaining sound capital and liquidity positions, safeguarding asset quality and ensuring resilience against external shocks, while continuing to support customers and economic activity. These efforts are reinforced by a robust corporate governance framework and an integrated risk management structure, with active Board oversight, clearly defined policies and continuous monitoring of key and emerging risks, enabling Nations Trust to operate with confidence, agility and long-term sustainability.	

	2025	2024	2023
DPS	7.00	6.50	5.00
NAVPS	293.12	243.65	191.25
ROA %	3.02	3.27	2.56
ROE %	21.86	24.22	21.34

Further Reading:

Social and Relationship Capital - page 94

Customers

Individuals, SMEs and Corporate customers

Medium and Frequency of Engagement	Stakeholder Expectations	Nations Trust's Response	Value Creation
• One-on-one engagements with branch teams and relationship managers (continuous and ongoing) • Mobile and internet banking platforms • Customer satisfaction surveys (annual) • Market research (as needed) • Product promotion campaigns (continuous and ongoing) • Corporate website (continuous and ongoing) • Social media platforms (continuous and ongoing)	• Superior service quality and convenience • Financial strength and stability • Innovative and customer-centric banking solutions • Clear and accurate information on financial services provided	Nations Trust invests in strengthening service quality, accessibility, while continuing to innovate through customer-centric banking solutions that enhance convenience and responsiveness. Clear, transparent and accurate communication on products and services underpins these efforts, enabling customers to make informed financial decisions and reinforcing Nations Trust's position as a trusted banking partner.	

	2025	2024	2023
Customer NPS	65	53	48

4% year-on-year growth in the customer base

Further Reading:

Social and Relationship Capital - page 94

Stakeholder Engagement

Employees

2,462 employees at all operational levels of Nations Trust

Medium and Frequency of Engagement	Stakeholder Expectations	Nations Trust's Response	Value Creation
• Employee engagement surveys (annual) • Staff meetings at multiple levels (ongoing) • Performance appraisals (annual) • Employee suggestion schemes (continuous and ongoing) • Grievance reporting procedure (as needed) • Employee engagement and work-life balance events (continuous and ongoing) • Open door policy (as needed)	• Opportunities for career progression • Training and development • Fair remuneration • Job security • Workplace health and safety practices • Work-life balance • Inclusive and equitable work environment	Nations Trust approach focuses on employee growth, well-being and inclusion. Through fair remuneration, career development opportunities, a safe and supportive work environment and a strong emphasis on equity and work-life balance, the Bank seeks to attract, motivate and retain talent while fostering long-term employee engagement and stability.	2025 / 2024 / 2023 New Recruits: 443 / 485 / 578 Employees Promotions: 547 / 649 / 393 Gender ratio at a leadership level Male 78% - Female 22%) **Further Reading:** Human Capital - page 86

Regulators

Central Bank of Sri Lanka, Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka, Inland Revenue Department and other regulatory bodies

Medium and Frequency of Engagement	Stakeholder Expectations	Nations Trust's Response	Value Creation
• Directives and circulars (continuous and ongoing) • Interim financials (quarterly) • Annual report (annual) • CSE / SEC filings (as mandated) • Other regulatory submissions (as mandated) • Other meetings (as mandated)	• Compliance with statutory and regulatory requirements • Advanced national initiatives to restore economic stability and recovery • Financial inclusion • Payment of statutory dues	Nations Trust actively engages with regulators through transparent reporting, timely disclosures and ongoing dialogue, ensuring compliance with all laws and guidelines. By monitoring regulatory developments and integrating them into governance, risk and operations, the Bank proactively manages compliance and supports the stability and resilience of the banking sector.	2025 / 2024 / 2023 Tax Paid: 15.0 / 15.2 / 12.4 **Further Reading:** Corporate Governance Report - page 109 Financial Capital - page 76

Suppliers and Business Partners

1,200+ suppliers providing essential products and services for operations of Nations Trust

Medium and Frequency of Engagement	Stakeholder Expectations	Nations Trust's Response	Value Creation
• One-to-one engagement (as needed) • Written communication (as needed) • Relationship building initiatives (as needed) • Supplier on-boarding (annual) • Supplier due diligence (annual) • Press conferences / press releases (as needed) • Corporate website (continuous and ongoing) • Social media platforms (continuous and ongoing)	• Opportunities for mutual value creation • Timely payment • Ease of doing business • Ethical, efficient and transparent procurement practices	Nations Trust engages suppliers and business partners as long-term collaborators, guided by principles of mutual value creation, fairness and trust. The Bank promotes ease of doing business through clear processes, open communication and timely settlement of obligations, while ensuring that procurement activities are conducted in an ethical, efficient and transparent manner. By maintaining strong governance standards and fostering constructive partnerships, Nations Trust seeks to build resilient supply relationships that support operational effectiveness and shared growth objectives.	

	2025	2024	2023
Amount Paid to Suppliers (LKR Bn)	7.9	5.9	5.3
New Suppliers Onboarded	453	408	367

Further Reading:

Social and Relationship Capital - page 94

Community

Communities across Sri Lanka

Medium and Frequency of Engagement	Stakeholder Expectations	Nations Trust's Response	Value Creation
• CSR activities organised by branches (continuous and ongoing) • Financial literacy awareness programmes (as needed) • Corporate website (continuous and ongoing) • Social media platforms (continuous and ongoing)	• Social and environmental impact • Positive community impact • Ethical business practices	Nations Trust actively supports community empowerment by investing in initiatives that enhance education, health and overall well-being, while promoting financial inclusion and equitable access to banking services, thereby addressing inequalities and empowering communities to contribute to broader socio-economic development.	

	2025	2024	2023
CSR Investments	108.7	18.3	19.3

Further Reading:

Social and Relationship Capital - page 94

Material Topics

Nations Trust defines Material Topics as those with the potential to significantly influence the Bank's ability to create value over the short, medium and long term. The Bank follows a structured process to identify these topics, leveraging internal assessments and stakeholder insights, alongside global standards such as the GRI Universal Standards, The AccountAbility AA1000AS Standards and the key principles of the COSO Risk Management Framework.

Once identified, material topics are prioritised using a materiality matrix, which evaluates each topic's significance to the Bank against its importance to stakeholders. To strengthen the robustness of the process, the Double Materiality filter is also applied to examine topics through dual perspectives in order to gain a holistic understanding of both financial and ESG risks and opportunities, in turn shaping the Bank's strategic planning and capital allocation processes:

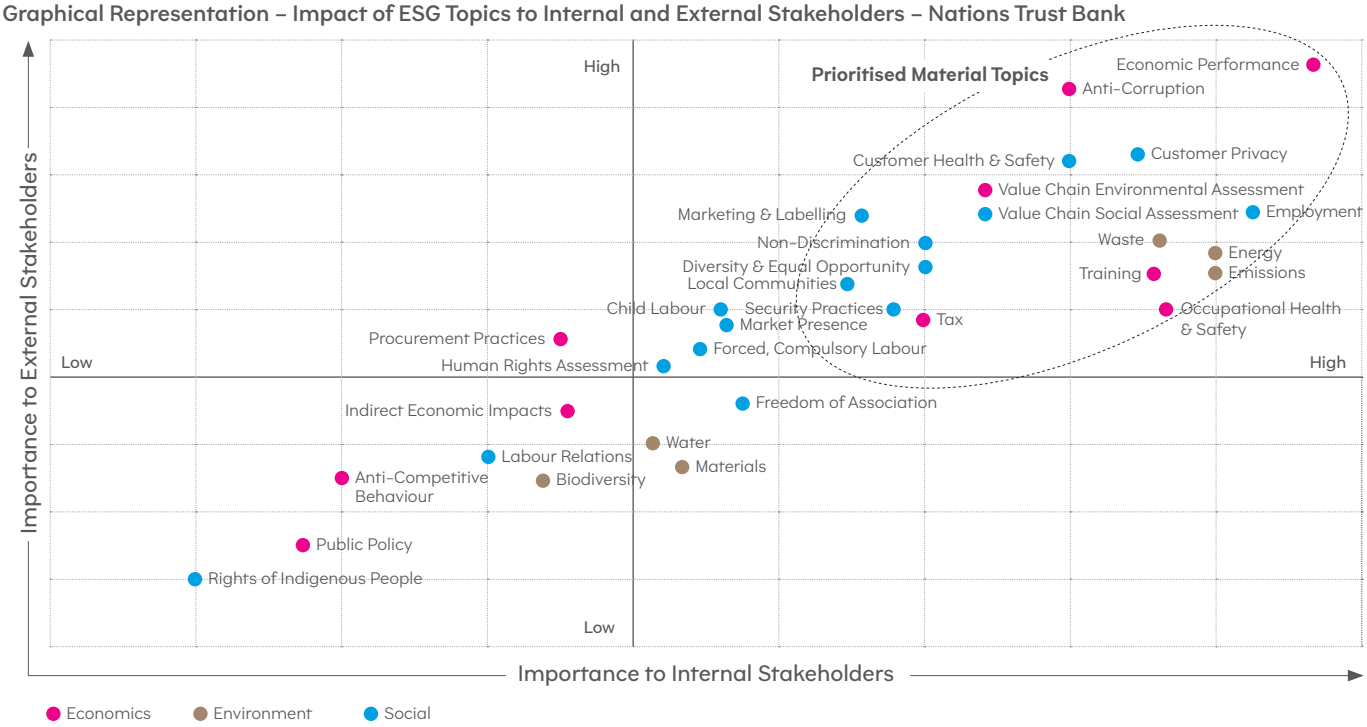
- **Impact Materiality:** Considering how the Bank's operations, products and value chain activities affect the environment, society and the communities in which it operates.
- **Financial Materiality:** Assessing the potential implications of these topics on the Bank's financial performance, long-term sustainability and access to resources.

Materiality Determination Process

Identify
Combining internal assessments and stakeholder insights, together with global standards such as the GRI Universal Standards, The AccountAbility AA1000AS Standards and the key principles of the COSO Risk Management Framework

Prioritise
Identified material topics are mapped on the materiality matrix to prioritise them according to the significance to the Bank and importance to stakeholders

Graphical Representation – Impact of ESG Topics to Internal and External Stakeholders – Nations Trust Bank



Validate
Prioritised Material Topics are further validated using the Double Materiality Filter to assess both financial materiality and impact materiality

Integrate
Material Topics are integrated to the Bank's Strategy

Material Topic

Based on the above, the following topics were identified as representing the Bank's most significant impacts on the Economy, Environment and People for 2025.

1	GRI 201- Economic Performance
2	GRI 205-Anti-Corruption
3	GRI 207-Tax
4	GRI 302-Energy
5	GRI 305-Emissions
6	GRI 306-Waste
7	GRI 308-Supplier Environmental Assessment
8	GRI 401-Employment
9	GRI 403-Occupational Health & Safety
10	GRI 404-Training & Education
11	GRI 405-Diversity & Equal Opportunity
12	GRI 406-Non-Discrimination
13	GRI 410-Security Practices
14	GRI 413-Local Communities
15	GRI 414-Supplier Social Assessment
16	GRI 416-Customer Health & Safety
17	GRI 417-Marketing & Labelling
18	GRI 418-Customer Privacy

Disclosure 3-3: Management of Material Topics

Nations Trust reviewed its material topics and concluded that no changes were required. An overview of the Management Approach for each material topic including specific commitments, policies, grievance handling mechanisms and the approach for managing impacts and mitigating risks for each material topic, is available in the QR code.

Scan QR code for Disclosure of Management Approach

Strategy and Resource Allocation

The Board provides oversight and direction for the annual strategic planning cycle. The Bank's short, medium and long term strategic priorities are set taking cognisance of internal and external factors, including macroeconomic and regulatory developments, competitive dynamics, customer needs, emerging technologies, ESG considerations and the Bank's risk profile.

Guided by these insights, the four core strategic pillars: Business Focus, Customer Experience, Cost and Efficiency and Digitisation and Automation are established which forms the basis of Nations Trust's strategy. Together these pillars support sustainable growth, resilience and long-term value creation. The Board monitors strategy execution through continuous performance reviews supported by established KPIs, risk dashboards and regular management updates to ensure course correction as appropriate to align strategic initiatives with the Bank's risk appetite and long-term objectives.

Business Focus	Drive growth across focused business lines, aiming for scale and consistent returns while aligning with internal capabilities and long-term strategic aspirations			
Priorities for 2025	Key Outcomes	Stakeholders Impacted	Way Forward	More Information
Targeted lending to capitalise on market opportunities Lending to high-growth sectors Leveraged cross-selling opportunities across business verticals Leveraged declining interest rates to effectively manage cost of funds Strengthening portfolio quality	17.6% - year-on-year growth in total operating income 0.91% - Stage 3 ratio (1.60% - 2024) 30.6% year-on-year growth in the deposit base 30% CASA Ratio (31% - 2024)	Shareholders Government	Capture emerging opportunities for growth while maintaining focus on selected segments Emphasis on maintaining portfolio quality Optimising the return on investments in a declining interest rate environment while strategically managing cost of funds	Business Reviews - page 72 Financial Capital - page 76

Customer Experience	Transform the customer experience through digital delivery, innovative financial solutions and superior service quality			
Priorities for 2025	Key Outcomes	Stakeholders Impacted	Way Forward	More Information
Enhancing customer experience by expanding the product range and strengthening outreach through digital channels Strengthen the financial resilience of customers through proactive engagement Provided advisory services particularly to SME customers to support their growth Brand building and engagement initiatives to drive new customer acquisition and strengthen relationships with the existing base Improving efficiency of the complaint resolution process Upskilled human capital to meet the evolving needs of customers and deliver exceptional service	65 Customer Net promoter score (53 - 2024) 95% complaints resolved within SLA 1,300+ external customer communications	Customers	Maintain emphasis on providing customer centric financial solutions that are tailored to meet specific customer needs Continued focus on providing superior service quality leveraging the Bank's digital strength	Social and Relationship Capital - page 94

Cost and Efficiency	Drive operational and process efficiency across the Bank, by streamlining our cost structures, simplifying our processes and accelerating turnaround times for delivery to improve Cost to Income Ratios across every business line			
Priorities for 2025	**Key Outcomes**	**Stakeholders Impacted**	**Way Forward**	**More Information**
Optimised the physical network while promoting digital service delivery Implemented lean initiatives and automation to streamline processes and increase efficiency and productivity Focus on digitisation and automation to streamline internal workflows Driving cost efficiencies across the value chain Re-skilled and right sized teams in line with the Bank's strategic objectives Rationalised large cost pools	32.5% Cost to Income Ratio (33.7% – 2024) 11 digital focused training programmes for staff 10 processes automated	Shareholders Customers Employees Business Partners	Ongoing emphasis on rationalising costs and improving efficiency by leveraging technology to streamline processes and drive automation	Manufactured Capital – page 78 Social and Relationship Capital – page 94

Digitisation and Automation	Invest in scalable digital platforms to increase operational efficiency, drive innovation, improve returns, strengthen resilience and enhance the overall customer experience			
Priorities for 2025	**Key Outcomes**	**Stakeholders Impacted**	**Way Forward**	**More Information**
Ongoing improvements to the navigation and functionality of Nations Trust's digital banking platforms Utilised advanced digital tools to enhance personalisation on digital platforms Ongoing emphasis on digitalising internal processes Strengthening information security resilience Tightening data privacy architecture in compliance with the Personal Data Protection Act	96% of transactions completed across digital platforms (96% – 2024) 40 technology and security enhancements implemented to strengthen system resilience and continuity	Customers Shareholders Employees	Ongoing focus on upgrading the Bank's digital capabilities to facilitate future growth	Manufactured Capital – page 78 Social and Relationship Capital – page 94

SLFRS Sustainability-related Financial Disclosures

Section 1: Basis of Preparation

1. Reporting Entity, Organisation Boundary and Value Chain

Nations Trust Bank PLC (The Group) is a licensed commercial bank under the Banking Act No. 30 of 1988, as amended. It is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The Group's registered office is located at No. 46/58, Nawam Mawatha, Colombo 02.

The Group offers a broad range of financial services, including deposit mobilisation, corporate and retail banking, private banking , project financing, trade financing, leasing, supply chain financing, treasury and government securities operations, investment services, foreign currency remittances, travel-related services, and the issuing and acquiring of credit and debit cards. Its services are supported by electronic banking channels such as internet, and mobile banking. The Group's subsidiaries: Allied Properties Limited is engaged in renting out premises, while Nations Insurance Brokers Limited provides insurance broking services. Waldock Mackenzie Limited became inoperative following the discontinuation of its investment manager operations (its sole business) activity—effective 24 November 2024 and remained inoperative as of 31 December 2025.

2. Basis of Materiality

Materiality is determined following the basis in use for financial reporting purposes. These thresholds are subject to annual review in line with the Group's applicable internal policies and framework.

Applicable balance sheet materiality threshold is 1% of Total Assets

Applicable Income Statement level materiality threshold is 10% of Proft Before Tax (PBT)

3. Functional Currency

Sri Lankan Rupee

4. Sources of Guidance

The Group's sustainability-related financial disclosures are prepared with reference to SLFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information (S1) and SLFRS S2 – Climate-related Disclosures (S2), which together provide the authoritative framework for identifying, assessing and presenting material sustainability and climate-related risks and opportunities. These Standards are supplemented by jurisdictional guidance, including the Sustainable Finance Roadmap 2.0 issued by the Central Bank of Sri Lanka and Sri Lanka's NDC 3.0 commitments under the Paris Agreement, which reaffirms Group's understanding of national policy direction and transition pathways. Internally, the Group relies on its Risk Management Framework, deliberations of the Sustainability Steering Committee, and quarterly insights from the Sustainability Performance Analyzer (SPA) report to ensure that disclosures are grounded in the Group's governance processes, risk oversight structures and performance evidence, and remain connected to the strategic, financial and operational information presented in the Integrated Annual Report.

5. Reporting Period

Financial year of 2025 (From 1st January 2025 to 31st December 2025)

6. Time Horizon

The Group applies three planning horizons, such as short term (12 months), aligned to the annual budgeting, risk-appetite and committee oversight cycle described in the Risk Management Review (page 56) and Board Integrated Risk Management Report (BIRMC, page 138), Medium term (2–5 years), consistent with the Group's strategic planning and portfolio-steering cadence set out in Strategy and Resource Allocation (page 30) together with risk governance linkages in the Risk Management Review, and Long term (>5 years), which captures structural policy and market shifts that can influence our business model and enterprise value, as discussed in the Operating environment (page 54) and the Risk Management Review of the Integrated Annual report.

7. Connected Information

The Group identifies Extreme Weather: a Physical Risk (CRRO1) and Policy pressure on high-emission industries: a Transition Risk (CRRO 2) as two climate risks that transmit through credit, liquidity and operational risk channels, elevating staging/ Impairment Provisioning needs, creating event-driven deposit outflows, and adding data, reporting and process complexity in underwriting and monitoring. These risks are to be managed within the Integrated Risk Management (IRM) Framework where risk identification, measurement, control and monitoring take place across three lines of defense as outlined in the Risk Management review report.

Sustainability-Linked Products: the Opportunity that Group has identified as material (CRRO 3) is the strategic response that feeds back to mitigate CRRO 1 and CRRO 2. By scaling sustainability-linked/green financing and client enablement, the Group supports climate resilience through relocation and infrastructure upgrades (physical adaptation) and technology upgrades/ KPI-linked transitions (policy alignment), which, together with risk appetite, stress testing and Internal Capital Adequacy Assessment Process (ICAAP)/Pillar II will strengthen asset quality, funding mix and resilience under the same IRM governance architecture.

The three key CRROs are recognized, assessed and quantified across pre-defined time horizons namely, short (12 months), medium (2- 5 years) and long term (above 5 years) in line with the Group's business planning and risk assessment cycles.

In terms of governance connectivity, responsibility sits within the Board. (through Nomination & Governance Committee) Relevant processes are in place through which Group incorporates climate related risk consideration in to its value chain environmental assessment

as part of the sustainability governance framework as outlined in material topics (page 28).

Selected Sustainability performance indicators (SPIs) are evaluated and submitted for review and challenge via dashboards such as sustainability performance analyzer (SPA) tool, and performance reviews are conducted ensuring alignment to risk appetite and long-term objectives.

Report on Natural capital (page 102) further outlines Group's approach towards measurement and quantification of contribution made for national priorities on environmental sustainability , which supports indirectly to mitigate climate risk aspects.

The current year's impacts stemming from physical risk, although below the materiality thresholds applicable for sustainability disclosures ,have been assessed and reported in the general-purpose financial statements (referred to as Financial statements in the upcoming paragraphs) with in the Group's current scope. References where applicable have been made to, Notes to Financial statements.

8. Transitional Reliefs

The Group has applied the following Transitional Reliefs in preparing the sustainability related financial disclosures.

- SLFRS S1 - Disclosure of information on only climate-related risks and opportunities: In the first annual reporting period in which an entity applies this Standard, the entity is permitted to disclose information on only climate-related risks and opportunities (in accordance with SLFRS S2) and consequently apply the requirements in this Standard only in so far as they relate to the disclosure of information on climate-related risks and opportunities.
- SLFRS S1 - Disclosure of comparative information: in the first annual reporting period in which the entity applies this Standard, it is not required to disclose comparative information about its climate-related risks and opportunities; and in the second annual reporting period in which the entity applies this Standard, it is not required to disclose comparative information about its sustainability-related risks and opportunities, other than its climate-related risks and opportunities.
- SLFRS S2 - Disclosure of Scope 3 greenhouse gas emissions: Entities must initially report only Scope 1 and Scope 2 emissions. Full compliance with Scope 3 emissions, becomes mandatory two years after the initial application date.
- SLFRS S2 - Disclosure of qualitative information regarding anticipated financial effects of climate-related risks and opportunities: entities are permitted to defer the disclosure of qualitative information regarding anticipated financial effects for a period of two years following the mandatory application of the standard
- SLFRS S2 - Disclosures on Climate resilience: Relief period of two years are granted to apply the requirements from the date of mandatory application to fully comply with climate resilience disclosure requirements.

9. Significant Judgements, Uncertainties and Proportionality

(i) Identification of climate-related risks and opportunities

Judgement was applied in identifying Extreme Weather Events as a material climate-related physical risk with the potential to affect the Group's cash flows, asset quality, operational resilience and access to capital. This assessment considered historical weather patterns in Sri Lanka, the geographic distribution of the Group's branch network and lending exposures, and management's experience during past flood, drought and storm events.

(ii) Determination of materiality

The Group exercised judgement in determining materiality based on the potential impact on enterprise value, and where applicable, based on the probability of individual weather events occurring within a specific reporting period. This includes the assessment of second-order impacts such as increased credit provisioning, potential liquidity stress arising from customer relief measures, and operational disruptions affecting service delivery.

(iii) Time horizons (Short, Medium and Long term)

Management judgement was used in application of short, medium and long-term horizons when evaluating the potential effects of extreme weather events. Given the acute nature of physical climate risks in Sri Lanka, extreme weather events are considered capable of impacting the Group across all three-time horizons, with potential immediate effects on operations, liquidity, and credit risk assessment, as well as longer-term implications for the overall quality and resilience of the Group's portfolio.

(iv) Quantification of the anticipated Financial impact

The Group is progressing to building the data, systems and methodologies required to quantify the financial effects of climate -related risks and opportunities. As a result, anticipated impacts are primarily disclosed qualitatively at this stage. Where quantitative estimation is not yet reliable—due to evolving data and measurement assumptions—management applies a proportional approach and avoids premature quantification. Quantitative disclosures will be introduced progressively as the Groups' measurement capability and underlying data mature.

SLFRS Sustainability-related Financial Disclosures

10. Statement of Compliance

This report constitutes the consolidated sustainability-related financial disclosures for Nations Trust Bank PLC and its subsidiaries (collectively, the 'Group') for the financial year ended 31st December 2025.

The Group's sustainability-related disclosures have been prepared in accordance with the SLFRS Sustainability Disclosure Standards as issued by the Institute of Chartered Accountants of Sri Lanka, adhering to the mandatory disclosure requirements prescribed for the 2025 reporting period.

Section 2: Governance

This section outlines the Group's governance processes, controls and procedures to monitor, manage and oversee climate-related risks and opportunities.

1. Board Oversight Role

- Responsibility: Anchored at Board level, with oversight provided through the Group Nomination and Governance Committee. The Group's strategic direction on integrating environmental, social, and governance (ESG) priorities into its operations, risk management, and long-term business planning is guided by the Sustainability Steering Committee. The implementation of these priorities is delegated to the Sustainability Function, ensuring effective execution and alignment across the organisation
- Skills and Competencies: The Board includes experts in Banking, Risk, Finance, ESG and Sustainability areas.
- Inform: The Board is informed through quarterly sustainability dashboards (SPA) and risk reporting, where quarterly progress made on material usage and disposal, carbon footprint, number of training hours on sustainability related topics etc. are presented and discussed.
- Address: Climate-related issues are considered during strategic planning and the annual budgeting process. As part of this process, climate-risk-sensitive portfolios are assessed and reflected through appropriate levels of impairment provisioning.
- Monitor: The Group monitors the key sustainability related performance indicators that were identified as material, on a quarterly basis, through the Sustainability Performance Analyzer (SPA) dashboard which is presented to the Board subcommittee overseeing Sustainability. The board subcommittee provides strategic directions to the sustainability unit to address if any indicator shows negative changes.

2. Management Role

- The Group sustainability and climate-related agenda is guided and overseen through a structured governance framework designed to ensure strategic alignment, accountability, and effective implementation across all business units. Central to this framework is the Sustainability Steering Committee (SSC), which plays a pivotal role in embedding environmental, social, and governance (ESG) priorities into the Group's operations, risk management, and long-term business planning.
- The Sustainability Steering Committee is responsible for steering, coordinating, and implementing the Group's sustainability and climate-related strategies, policies, and procedures. The Committee ensures that sustainability considerations including climate risk, sustainability finance, and related regulatory developments—are integrated into decision-making processes and performance management across the Group.
- The Committee comprises of ten members, representing a cross-section of senior leadership to ensure comprehensive oversight and cross-functional execution. The Committee is chaired by the Chief Executive Officer (CEO), underscoring the strategic importance placed on sustainability at the highest level of governance. Other key members include the Chief Financial Officer (CFO), Chief Risk Officer (CRO), Chief People Officer (CPO), and Chief Marketing Officer (CMO), Chief Operating Officer (COO) along with three Business Unit Heads who bring operational insights and ensure that sustainability initiatives are effectively translated into business-level action.
- Through its work, the Sustainability Steering Committee provides direction on ESG priorities, monitors progress against strategic objectives, evaluates climate-related risks and opportunities, and ensures alignment with the Group's broader corporate strategy. The Committee meets on a quarterly basis to review performance, address emerging issues, and recommend enhancements to the Group sustainability frameworks, disclosures, and implementation mechanisms.
- This governance structure reflects the Group's commitment to maintaining robust oversight of sustainability matters and ensuring that ESG and climate-related considerations remain integral to long-term value creation and responsible banking practices.
- Policies and Procedures such as ESRM Framework, Credit Policy with specific ESG screens, Business Continuity/ Disaster Recovery (BC/DR) plans, and the Supplier Code of Conduct are the tools that assist in fostering and maintaining governance over the Group, sustainability and climate related strategies
- Board delegated authority to Nomination and Governance Committee for provision of strategic direction on the Group's sustainability agenda is outlined in the Terms and reference of Nomination and Governance Committee Report (page 130), while further information on the ESRM framework, Business Continuity/ Disaster Recovery plans are provided in the risk management review report (page 56)

Section 3: Strategy

This section outlines the Group's strategy for managing the material climate-related risks and opportunities.

CRRO 1: Extreme Weather Events (Physical Risk)

CRRO 1	Extreme Weather Events	
CRROs impact on Prospects	Description	Climate change in Sri Lanka presents multifaceted risk implications for the Group, including elevated credit risk arising from borrower stress, market risk linked to fluctuations in asset valuations, liquidity risk associated with stress-driven deposit outflows, and operational risk stemming from damages to infrastructure, necessitating a comprehensive risk management and response.
	Physical Risk or Transition Risk	Physical Risk
	Time Horizon	Short (S), Medium (M) and Long (L).
	Define time horizon	Refer Note 6
Business Model and Value Chain	Current Effects on Business Model and Value Chain	No material impact on the Group's current business model or value chain has been identified. The Group has undertaken a comprehensive assessment of both directly and indirectly affected portfolios, (especially in lieu of the cyclone Ditwah as outlined in the Note 47 – Risk Disclosures to Financial Statements) which indicates that the current and potential impacts are not material at this stage.
	Anticipated Effects on Business Model and Value Chain	**Curtail credit risk elevation from exposure to climate risk:** Acute events such as floods, storms, earth slips and droughts can disrupt customer operations, damage assets, and supply chains, leading to weakening cash flows and elevating repayment risk. This may result in higher Stage 3 loans, increased impairment provisions and, in some cases, the need for temporary relief measures. To mitigate these impacts, the Group integrates climate-related risk factors into credit assessments, rationalise exposure to high-risk sectors and geographies, and engages proactively with climate-vulnerable borrowers to support relocation, infrastructure upgrades and more climate-resilient financing decisions. **Increased Operational Resilience:** Extreme weather can disrupt branch operations—particularly low-lying branches and increase operational risk through service interruptions and infrastructure damage. Continued digitization and Business Continuity Planning are core to keeping branch operations uninterrupted. **Liquidity Management Strategies:** To address potential liquidity pressures arising from climate-related events, the Group maintains healthy liquidity buffers and adequate levels of funding to ensure stability during periods of stress. **Regulatory Compliance and Reporting:** Heightened regulatory scrutiny of climate-related risks is driving the integration of climate considerations such as Extreme Weather Events into enterprise risk management frameworks and the need to enhance the transparency of disclosures on exposure to extreme weather events.

SLFRS Sustainability-related Financial Disclosures

CRRO 1	Extreme Weather Events	
	Where is it Concentrated?	**Credit Risk** Heightened sensitivity in agriculture and asset-intensive operations / manufacturing/logistics, that comes with in the commercial and corporate banking portfolios where physical-asset damage and supply disruptions translate quickly to cash-flow stress and elevated PD/LGD. Our agriculture and selected foreign exposures have historically required additional impairment buffers. **Liquidity Risk** Extreme weather events may give rise to liquidity pressures, as heightened uncertainty or financial stress among customers can lead to increased withdrawal activity. Such conditions could place short-term pressure on the Group's liquidity positions. **Operational Risk** Extreme weather events can disrupt The banking operations by damaging branch networks, IT infrastructure and communication systems, potentially resulting in service interruptions and higher recovery-related operating costs.
Strategy and Decision Making	Plans to respond to in Strategy, Risk Management, Transition Plans and Climate-related Targets	**Credit Risk** Embed climate risk in origination & portfolio steering: *Direct adoptation actions* • **Geotag the lending book:** Integrate climate risk drivers into credit scoring/ borrower evaluation to detect location based physical risk early. • **Diversification of Loan Portfolios:** Rationalise exposure to high-risk sectors (e.g., agriculture in flood-prone areas) by diversifying the loan portfolio across various industries and geographic regions. *Indirect adaptation actions* • **Customer Education:** Provide resources and guidance to borrowers on risk management and disaster preparedness, helping them mitigate potential impacts and improve repayment capacity. • **Climate Adaptation Financing**: Having regular discussions with Borrowers who are prone to natural disasters to support them through financing projects to relocate, upgrade infrastructure. **Operational Risk** *Direct adaptation actions* • **Sustain service continuity via digital channels:** Maintain a digital first operating model (96% of transactions digital) to keep customer access during localized branch disruptions. • Develop and regularly update comprehensive disaster recovery and business continuity plans. *Indirect adaptation actions* • Provide training for employees on emergency response procedures and business continuity protocols. **Liquidity Risk** *Direct adaptation Actions:* • Enhance and maintain healthy liquidity buffers and funding plans to ensure access to liquidity during crises.

CRRO 1	Extreme Weather Events	
	How the Group is Resourcing and Plan to Resource Activities	Financial Investment • **Insurance and Risk Transfer:** Strengthen risk mitigation by maintaining appropriate insurance coverage to transfer a portion of the financial exposure arising from extreme weather events. Human Capital Development • **Training and Development Programs:** Implement targeted training programs to strengthen employee capabilities in climate risk management, disaster recovery planning, and effective customer engagement during extreme weather events. • **Cross-Functional Teams:** The Group's ESG strategy operates via the Sustainability Steering Committee and a central Sustainability Team, with departmental representatives embedding the ESG framework and Key sustainability performance indicators (KSPIs/ SPIs) across divisions Strategic Partnerships • **Engagement with Industry Groups:** Engage with relevant industry associations focused on climate risk and sustainability to exchange best practices, leverage shared research, and collaborate on initiatives addressing climate-related challenges. Continuous Monitoring and Evaluation • **Performance Metrics:** Collaborate with relevant industry associations to share best practices on development of Key Performance Indicators (KPIs) and matrices that will help measure the progress made on climate risk initiatives • **Regular Reviews:** we have a mechanism embedded to our regular procedures where, effectiveness of key sustainability performance indicators are measured and based on which decisions are made on resource allocation, allowing for adjustments as needed.
	Progress (qualitative and quantitative)	Human Capital Development • **External expertise:** consultancy and advisory services received for ESMS uplift. A Separate assignment with external experts has commenced for the purpose of embedding sustainability risk aspects including climate risk exposures to the Pillar II assessment methodology which is work in progress. Disaster Recovery Technology: • Business Continuity Planning (BCP) drills confirmed viability of work from anywhere operations; business continuity and disaster recovery plans are regularly updated, and staff are trained on emergency response. Strategic Partnerships • **Industry Engagement:** The Group joined the Climate Risk forum conducted by International Financial Corporation (IFC), collaborating with other financial institutions to share best practices for climate risk management.

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CRRO 1	Extreme Weather Events	
	Progress (qualitative and quantitative)	Continuous Monitoring and Evaluation • Group's Environmental and Social Risk System (ESRMS) is applied to all credit proposals exceeding LKR 50 million to undergo sector-specific screening based on risk classifications outlined by the Asian Development Bank, where higher-value proposals require further review where environmental and social risks are consistently assessed, monitored, and mitigated. • The Group's credit assessment framework is further enhanced through the integration of its Environmental and Social Management System (ESMS), which enables systematic identification and evaluation of environmental and social risks arising from lending activities • SPA tool tracks KSPIs and escalations to management/Board on quarterly basis.
Financial Effects	Current year financial effects to P&L, BS and CF (Profit and Loss, Balance Sheet, Statement of Cashflows)	We have not identified material financial effects to the current financial year. The impact arising from Cyclone Ditwah on the loan portfolio was critically assessed as outlined in Note 47 Risk disclosures to Financial Statements. Impact is concluded to be below the materiality thresholds for the purpose of the sustainability disclosures
	Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year	We have not identified Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year.
	Anticipated financial effect over short, medium and long term to P&L, BS and CF	Refer Note 8 for Transitional Relief
Climate resilience	Resilience Assessment	Refer Note 8 Transitional Relief
	How and When Climate Scenario Analysis was performed. Disclosure of (i) Inputs; (ii) Key Assumptions, and (iii) Reporting period in which scenario analysis was carried out	Refer Note 8 Transitional Relief
Judgements and Uncertainties	Judgements	Refer note 9 for Judgements
	Uncertainties	Refer note 9 for Uncertainities

CRRO 2 – Policy pressure on traditionally high emission industries (Transition Risk)

CRRO 2	Policy pressure on traditionally high emission industries (Transition Risk)	
CRROs impact on Prospects	Description	The Group recognises that tightening policy and regulatory expectations around decarbonisation can materially affect borrowers operating in traditionally high-emission sectors, with second-order impacts on the Group's asset quality, capital allocation and client demand for transition finance
	Physical Risk or Transition Risk	Transition Risk
	Time Horizon	M and L
	Define time horizon	Refer Note 6
Business Model and Value Chain	Current Effects on Business Model and Value Chain	Current year's effects on the business model and value chain are not material that warrants a disclosure.
	Anticipated Effects on Business Model and Value Chain	• **Evolving Business Models:** As national sustainable finance expectations advance, the Group anticipates re-weighting toward taxonomy aligned activities and away from persistently carbon intensive exposures, supported by ESMS process enhancements. Suppliers/logistics tied to carbon intensive processes may face input repricing and policy pass through, influencing borrower resilience and transaction demand for transition solutions. Group's sustainability approach positions the Group to engage and enable client transitions. • **Increased Operational Resilience:** The Group enhances operational resilience through investments in modern, energy-efficient infrastructure, including renovating its new Head Office. These investments support business continuity, reduce long-term operating costs, improve energy efficiency, and strengthen the Group's ability to withstand climate-related disruptions. The Group wishes to extend these investments to the other Group owned key infrastructure as well. • **Regulatory Compliance and Reporting:** Heightened regulatory scrutiny of climate-related risks is driving the integration of climate considerations into enterprise risk management frameworks and the enhancement of transparent disclosures on exposure to traditionally high emission industries.
	Where is it Concentrated?	Credit Risk Policy tightening can raise capex/opex for high-emission clients (compliance, technology upgrades), potentially leading to weakening cash flows and heightening credit risk and expected credit losses (ECL) for affected segments, especially during the transition period. Liquidity Risk Policy pressure on high-emission industries can create liquidity risk via higher customer withdrawals, greater drawdowns on facilities, and weaker funding confidence, falling values of carbon-intensive collateral may also limit secured funding. The Group plans to factor these dynamics into the Group's stress testing policies.

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CRRO 2	Policy pressure on traditionally high emission industries (Transition Risk)	
	Where is it Concentrated?	**Operational Risk** Policy pressure on traditionally high-emission industries may give rise to operational risk for the Group through increased complexity in credit assessment, data management, client engagement, and regulatory reporting. Rapid policy changes and heightened supervisory expectations can place additional strain on systems, processes, and staff, increasing the risk of execution errors, control weaknesses, and service disruptions if not effectively managed.
Strategy and Decision Making	Plans to respond to in Strategy, Risk Management, Transition Plans and Climate-related Targets	**Credit Risk** *Direct Mitigation Actions:* • **Enhanced Credit Assessments:** Origination & portfolio steering: Progressively integrate transition risk factors into underwriting and pricing, using strengthened ESMS criteria and planned green tagging to deploy capital towards lending opportunities with lower emission. • Green tag the lending book while integrating climate risk drivers into credit scoring/borrower evaluation to detect location based physical risk early. *Indirect Mitigation Actions:* • **Climate Adaptation Financing:** Having regular discussions with Borrowers who are prone to relevant policies such as , emission and decarbonization policies to support them through financing the transition phase • **Client Engagement:** Use the Group's responsible banking commitments to educate and enable customers to adopt sustainable technologies and practices, aligned with National Sustainable Finance direction. • **Framework Alignment to S1/S2:** The Group advanced its journey towards embedding sustainability/climate risks into the Risk Management Framework, followed by quantification of financial impacts, and maintenance of governance via BIRMC and related committees for ongoing oversight and escalation. **Liquidity Risk** *Direct Mitigation Actions:* Enhance and maintain contingency funding plans to ensure access to liquidity during crises **Operational Risk** *Direct Mitigation Actions:* Enhance operational resilience through investments in modern, energy-efficient infrastructure.
	How the Group is Resourcing and Plan to Resource Activities	**Human Capital Development** • **Training and Development Programs:** Implement targeted training programs to strengthen employee capabilities in climate risk management, transition drivers, sector pathways specific to traditionally high emission industries, ESMS enhancements, • **Certification Pathways:** Sponsor climate/sustainable finance credentials for frontline and risk teams (e.g., credit underwriters) and embed climate risk modules in mandatory compliance learning. • **Cross-Functional Teams:** Create cross:functional working groups (Risk, Business, Finance, Sustainability) to share sector insights, align methodologies, and accelerate best-practice adoption.

CRRO 2	Policy pressure on traditionally high emission industries (Transition Risk)	
		Strategic Partnerships • **Engagement with Industry Groups:** Participate in local associations and working groups on sustainable finance to harmonize practices and policy engagement, supporting the Group's Responsible banking commitments • **Blended-Finance & DFI Links:** Pursue lines of credit/guarantees with DFIs and local programs to de-risk lending to high-emission sectors transitioning to lower-carbon models, align products with national sustainable finance direction. Continuous Monitoring and Evaluation • **Regular Reviews:** Thorough, Portfolio Steering Dashboards: Implement quarterly dashboards integrating ESMS flags, green tags, pricing differentials, and utilisation of adaptation/transition products if found material, feed insights into strategy, risk appetite, and capital allocation.
	Progress (qualitative and quantitative)	Financial Investment • Although not material for the purpose of this disclosure, the Group's spending on structural changes to the Group's current head office at Nawam mawatha leading to modern, efficient and climate-resilient infrastructure is disclosed in Note 16.2 to Financial Statements Human Capital Development • Approximately 10 hours of training sessions were provided to Board members in 2025 on incorporating ESG into the corporate strategy Strategic Partnerships • **Industry Engagement:** The Group joined the Climate Risk forum conducted by IFC, collaborating with other financial institutions to share best practices for climate risk management. Continuous Monitoring and Evaluation • The Groups credit assessment framework is further strengthened by the integration of its Environmental and Social Management System (ESMS), which supports the systematic identification and evaluation of environmental and social risks arising from lending activities, which is being further enhanced to capture specific climate risks outlined in this disclosure. • SPA tool tracks quarterly KSPIs and presents the status of a selected special performance indicators to management/Board which is under further improvements • As outlined under CRRO 1 as well, The Group's ESRMS applies to all credit proposals above LKR 50 million, with sector-specific screening based on Asian Development Bank's risk classifications. High-value proposals undergo joint review by the Credit Department and the Integrated Risk Management Division to ensure consistent management of environmental and social risks.

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CRRO 2	Policy pressure on traditionally high emission industries (Transition Risk)	
Financial Effects	Current year financial effects to P&L, BS and CF	We have not identified material financial effects to the current financial year.
	Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year	We have not identified Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year.
	Anticipated financial effect over short, medium and long term to P&L, BS and CF	Refer Note 8 Transitional Relief
Climate resilience	Resilience Assessment	Refer Note 8 Transitional Relief
	How and When Climate Scenario Analysis was performed. Disclosure of (i) Inputs; (ii) Key Assumptions, and (iii) Reporting period in which scenario analysis was carried out	Refer Note 8 Transitional Relief
Judgements and Uncertainties	Judgements	• Policy pressure on traditionally high-emission industries has been identified as a material climate-related transition risk due to its potential to affect the Group's EV (enterprise value) through direct and indirect exposure to affected borrowers. • Such policy developments may adversely impact borrower cash flows, asset quality, liquidity dynamics, and stakeholder confidence over the medium to long term. • While the Group's own operations are not emissions-intensive, its role as a financial intermediary creates material exposure to transition risks arising within its lending and investment portfolios.
	Uncertainties	• **Regulatory timing, scope and stringency:** The pace at which Sri Lanka's sustainable-finance expectations and sector-specific climate policies evolve—and how strictly they will be applied—remains uncertain. Shifts in policy design or enforcement can materially change borrower economics and the Group's exposure profile. • **Taxonomy and classification maturation:** As national taxonomies and sustainable-finance definitions are operationalised, eligibility thresholds and classification rules may change, impacting which activities qualify as transition-aligned and how portfolios are tagged and reported. • **Data availability and granularity at borrower level:** Limited access to borrower-specific emissions, transition plans and KPI baselines (especially among SMEs) constrain precise exposure measurement, makes near-term assessments reliant on qualitative judgement, sector proxies and management overlay.

CRRO 3: Sustainable Financing Opportunities (Opportunity)

CRRO 3- Opportunity	Sustainable Financing	
CRROs impact on Prospects	Description	Sustainable financing represents a significant climate-related opportunity for Banks by enabling the alignment of lending, borrowing and investment activities with environmental objectives, attracting sustainability-focused investors, lenders and borrowers, i.e. the key stakeholders who will be of cornerstones of the Group's ESG objectives.
	Physical Risk or Transition Risk	Not applicable
	Time Horizon	S, M and L
	Define time horizon	Refer Note 6
Business Model and Value Chain	Current Effects on Business Model and Value Chain	• **Business Model Diversification:** The significant growth of 92% recorded in the Group's green finance portfolio during the reporting period stands as clear evidence of the rising market demand and the strong potential for green and climate-aligned projects. This has created a platform for the Group to build on this momentum, to further develop innovative sustainable financing solutions that would enable the Group to fuel the growth in the coming years. • **Increased Customer Loyalty and Investor Trust:** Offering sustainable financing products fosters stronger relationships with customers who prioritize environmental responsibility. This alignment with customer values enhances trust and loyalty, contributing to long-term client retention. By creating a portfolio of sustainable financing-based products the Group positions itself to access sustainable finance funding, for example via labelled bond issuance such as green bonds, blue bonds etc., broadening investor appeal and potentially lowering funding costs relative to conventional sources as the domestic sustainable-finance ecosystem matures. This alignment work underpins investor-grade transparency and readiness for such instruments. • **Regulatory Compliance and Competitive Advantage:** As regulatory frameworks increasingly emphasize sustainability and climate risk disclosure, entities that proactively engage in sustainable financing are better positioned to comply with regulations, reducing potential legal and reputational risks while gaining a competitive edge. • **Operational Efficiency and Innovation:** The focus on sustainable financing products (especially sustainability KPIs linked products) encourages the Group to adopt innovative practices and technologies that improve operational efficiency, such as digital platforms for green investments and enhanced data analytics for assessing environmental impact.

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CRRO 3- Opportunity	Sustainable Financing	
	Anticipated Effects on Business Model and Value Chain	• **Strategic Business Model Evolution:** As demand for sustainable financing grows, the Group will increasingly integrate sustainability objectives and KPIs into their core business models, prioritizing green investments and financing options. This evolution will position The Group amongst the key players in the market in the transition to a low-carbon economy, enhancing market relevance. • **Expanded Market Opportunities and Innovative Financial products:** The rise in sustainable financing is creating new market opportunities for the Group as demand grows for environmentally friendly products and services, particularly among businesses and consumers seeking funding for renewable energy projects, energy-efficient technologies, and sustainable infrastructure. This shift is simultaneously driving innovation in financial products, prompting the Group to develop solutions such as sustainability-linked loans, green mortgages, green wealth management products focused on sustainable enterprises, thereby diversifying their offerings while meeting the needs of an increasingly sustainability-conscious clientele.
	Where is it Concentrated?	**Credit Risk** Sustainable financing encourages the Group to assess the environmental impact of their lending practices, leading to a more nuanced understanding of credit risk and credit assessment. By prioritizing loans for green projects, the Group could optimize exposure to high-emission sectors that may face regulatory or market challenges. **Liquidity Risk** The growth of sustainable financing may lead to liquidity risk if clients in high-emission sectors experience financial difficulties due to regulatory changes or market shifts. This could result in increased defaults or withdrawals, straining the Group's liquidity position whilst elevating exposure to credit risk **Operational Risk** Implementing sustainable financing initiatives may require the Group to invest in new technologies and processes, which can introduce operational risks during the transition. Activities such as updating policies and ESMS controls; implementing green/geo-tagging and new data/reporting flows; calibrating KPI-linked pricing models, coordinating third-party inputs, upskilling teams; and ensuring accurate, decision-useful disclosures can create temporary risks of process inconsistency, data/label errors, conduct concerns and resilience pressures.

CRRO 3- Opportunity	Sustainable Financing	
Strategy and Decision Making	Plans to respond to in Strategy, Risk Management, Transition Plans and Climate-related Targets	Credit Risk *Direct mitigation actions* • **Enhanced Credit Assessments:** Integrate environmental and sustainability criteria into credit scoring models and borrower evaluations to better assess the climate-related risks associated with lending. • **Sectoral Exposure Limits:** Establish limits on exposure to high-emission sectors, reducing overall credit risk and encouraging lending to more sustainable industries, • **Risk appetites, Provisioning for overlays & staging discipline:** Set risk-appetite limits that progressively favor taxonomy-aligned sectors and rationalise persistently high-emission activities. *Indirect mitigation actions* • **Client Enablement:** Provide sector playbooks and advisories to help craft scalable transition plans (e.g., renewable capex, efficiency retrofits) aligned to National Sustainable Finance direction and Group's Responsible Banking stance. • **Capability Building:** Targeted training for Relationship Managers and Credit teams on KPI integrity, sustainability-linked documentation, and ESMS red-flags to reduce greenwashing and conduct risk. Operational Risk *Direct mitigation actions* • **Policy & control refresh**: Update credit and product policies to include ESMS criteria, taxonomy eligibility and disclosure requirements, implement maker–checker controls for sustainable finance classification to reduce label/ data errors. *Indirect mitigation actions* • **Training & role clarity:** Targeted programs for frontline, risk, finance, and reporting teams on ESMS, tagging, KPI/SPT (Sustainability Performance Targets) mechanics and disclosure expectations to reduce execution error. • **Third party risk management:** Apply vendor due diligence and periodic performance reviews for any data/tools used in tagging or metrics to ensure methodology transparency and data integrity.

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CRRO 3-Opportunity	Sustainable Financing	
		Liquidity Risk *Direct Mitigation Actions:.* • **Liquidity buffers & HQLA calibration:** Maintain prudent high quality liquid asset buffers aligned to stress scenarios that reflect transition sensitive deposit cohorts and potential facility drawdowns. • **Behavioral analytics:** Introduce early warning indicators specific to deposit behavior and utilisation of undrawn commitments, introduce early warning indicators into ALCO dashboards *Indirect mitigation actions* • **Product Diversification:** Develop retail/SME labelled products (e.g., green savings) to broaden the stable deposit base and align with client sustainability preferences. • **Client engagement:** Work with transition-sensitive depositors and borrowers on orderly funding plans (e.g., phased capex, milestone-based disbursements), smoothing cash-flow volatility that could otherwise transmit to the liquidity shortfalls.
	How the Group is Resourcing and Plan to Resource Activities	Financial Investment • **Green Bonds and Sustainable Financing:** The Group is exploring diverse long-term funding mechanisms to enable investments in resilience and sustainability, including renewable energy and community-level climate initiatives, with options under consideration such as green and sustainability bonds. Encourage implementation of sustainability linked deposit products such as green savings accounts. Human Capital Development • **Training and Development Programs:** Role-specific training for frontline, credit risk, portfolio management, treasury, finance, and reporting teams on ESMS criteria, sustainable-finance eligibility, KPI/SPT (sustainability performance targets) mechanics, and climate-aware credit/liquidity assessments—building on Group's established training cadence and governance routines. Second-line and third-line capability uplift (risk/compliance/internal audit) to strengthen maker–checker controls over sustainable-finance classifications, Management information quality, and quality of S1/S2 disclosures, reducing operational and conduct risk during the transition.

CRRO 3- Opportunity	Sustainable Financing	
		Strategic Partnerships • **Industry Engagement:** Engagement with industry platforms and associations referenced in Group's Responsible Banking stance (e.g.: National Sustainable Finance initiatives), to align product standards, tagging practices, and disclosures with local market expectations– supporting credibility with investors and stakeholders. • **Cross-Functional Teams:** Establish cross-functional teams that include representatives from risk management, operations, marketing, and customer service to ensure a holistic approach to implementing sustainable financing strategies. Continuous Monitoring and Evaluation Develop key performance indicators (KPIs) to measure the effectiveness of sustainable financial product as a strategy in terms of Product uptake, NIM (Net interest margins) from sustainable financing products and KPIs for environmental impacts.
	Progress (qualitative and quantitative)	Strategic partnership • **Industry Engagement:** The Group joined the Sustainable Finance Coalition, collaborating with other financial institutions to discuss success stories of globally accepted sustainability financing products.
Financial Effects	Current year financial effects to P&L, BS and CF	The Group's Green finance portfolio increased by 92% during the year to LKR 8.7 Bn as at 31.12.2025 as presented in Note 13.1 to Financial Statements
	Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year	We have not identified Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year.
	Anticipated financial effect over short, medium and long term to P&L, BS and CF	Refer Note 8 Transitional Relief
Climate resilience	Resilience Assessment	Refer Note 8 Transitional Relief
	How and When Climate Scenario Analysis was performed. Disclosure of (i) Inputs; (ii) Key Assumptions, and (iii) Reporting period in which scenario analysis was carried out	Refer Note 8 Transitional Relief

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CRRO 3-Opportunity	Sustainable Financing	
Judgements and Uncertainties	Judgements	• **Materiality to enterprise value:** Management judged that scaling sustainable finance across lending, funding (access to sustainable funding) and treasury investments can reasonably be expected to influence cash flows, access to finance and cost of capital over the medium to long term, even though no material current financial effect is reported. This reflects the diversification of products and investor appeal and the Group's ongoing move to commence quantifying sustainability-related financial impacts. • **Proportionality of disclosure (current stage):** Given the early stage of market development and internal measurement, management determined that qualitative disclosure is presently appropriate
	Uncertainties	• **Market demand and client adoption:** The pace, pricing and mix of customer uptake for sustainability-linked/taxonomy-aligned products remain uncertain, influenced by sector economics, technology costs, and macro conditions affecting the timing and scale of the opportunity's realised value. • **Access to sustainable funding:** The timing, pricing and investor appetite for any potential sustainable-finance-related funding (e.g., labelled issuance/facilities) are subject to market dynamics and evolving disclosure expectations, creating uncertainty around funding advantages and volume. • **Policy/taxonomy evolution:** Changes in sustainable finance frameworks (eligibility, classification and disclosure requirements) could alter product design, reporting scope and investor perceptions, with implications for the opportunity set and comparability. Finance frameworks (eligibility, classification, and disclosure requirements) could alter product design, reporting scope and investor perceptions, with implications for the opportunity set and comparability. • **KPI calibration for Sustainability financing products**: Selecting decisions useful KPIs and ambitious yet achievable SPTs entails estimation uncertainty; suboptimal calibration could reduce pricing efficacy or raise conduct/greenwashing concerns, requiring iteration as market practice matures.

Section 4: Risk Management

This section explains how the Group identifies, assesses, prioritises, and monitors climate-related risks and opportunities, and the extent to which these processes are integrated into the Group's overall risk management framework. Consistent with SLFRS S2 transitional relief, climate scenario analysis and some quantitative financial-effects disclosures will be phased-in, in subsequent periods; current-year disclosures remain primarily qualitative.

Processes and Policies Relating to Climate-related Risks

In 2025, the Group's climate-related focus centers on two themes: (i) Physical risk—extreme weather events (e.g. floods, storms, droughts) that could disrupt borrower operations and the Group's service continuity and (ii) Transition risk—policy and regulatory pressure on traditionally high-emission industries that could affect borrower economics during transition periods. These themes ought to be tracked for potential transmission into credit quality (cash-flow stress, staging), liquidity (behavioral deposit shifts, drawdowns), market (valuation), and operational resilience (branch/IT disruption).

The Group's Environmental & Social Management System (ESMS) functions as a credit risk screening tool used in lending, designed to identify environmental and social factors that may have financial implications. While ESMS may surface certain climate relevant flags (e.g., flood exposure of collateral)

As part of the Group's ESG journey, the comprehensiveness and coverage of such tools will be further developed.

Identification - processes and inputs
Risk taxonomy and horizons: In 2025 the Group recognised physical (e.g., extreme weather) and transition risks (e.g., policy pressure on high-emission sectors) across short (12 months), medium (2–5 years) and long (>5 years) horizons to ensure connectivity with budgeting, strategy and portfolio steering cycles, in the future. As outlined in the Risk management review the Group is committed to enhancing the risk identification process to incorporate climate risk related aspects as well

Once enhanced, Climate drivers will be identified through established enterprise routines that will begin to capture climate signals even before dedicated tooling is fully deployed. These include portfolio and sector reviews, early-warning indicators (PD, LGD, EAD trends; stage migrations), concentration monitoring and operational resilience evidence from the Business Continuity Management System (BCMS) and disaster recovery (DR) drills. Issues will be escalated via the Group's committee structures in place (MCC, ALCO, ORMC, ERMC, BIRMC as explained in the Risk Management Report) to ensure timely management attention.

The Group has not yet performed dedicated climate scenario analysis; this is deferred under SLFRS S2 transitional relief. The Group intends to build climate scenarios on the foundation of its existing sensitivity/scenario stress testing architecture across credit, liquidity, market and operational risks.

Assessment - nature, likelihood and magnitude
Nature: The Group evaluates physical risk (acute weather events) for potential effects on borrower cash flows, collateral condition and service continuity, and on the path to include transition risk triggers for potential effects on borrower viability during policy driven shifts in high emission sectors

Likelihood: Likelihood assessments are qualitative at this stage and leverage existing risk identification cycles, historical event experience for physical risk, and the cadence of management and Board level oversight (ERMC/ALCO/ORMC/BIRMC), as outlined in the Risk management report (page 56)

Magnitude / exposure: Magnitude is evaluated using the Group's current measurement toolkit—PD/LGD/EAD, Stage 3 and impairment coverage, concentration metrics, liquidity ratios and funding concentration, and BCMS testing—to understand how a physical risk driver could influence loss outcomes, capital and liquidity if it materialises. Dedicated climate-specific quantification will be developed as data and methods mature.

Prioritisation
Climate-related risks (currently physical risk) are prioritised within existing risk-type frameworks rather than as a stand-alone climate module. In credit, sector/location insights, concentration limits and early-warning indicators guide escalation and portfolio steering. In operational risk, BCMS results inform preparedness priorities for extreme-weather-consistent disruptions. The Group-wide climate prioritization schema (with climate-specific thresholds/KRIs) is intended as part of the S2 roadmap.

Monitoring
Periodic risk reporting, portfolio reviews and committee oversight are used to monitor climate-related risks (Physical risk) and mitigation progress. Monitoring will be further strengthened and widened as part of the Group's ESG journey.

Monitoring thresholds to reflect financial statement line items-based materiality parameters (1% of total assets; 10% of PBT) to align escalation with the basis of materiality used in sustainability disclosures.

Changes in the Process
During 2024, the Group commenced its journey towards embedding transition risk related triggers in to the risk assessment , monitoring process , quantification of the financial impacts of sustainability and climate-related topics and to enhance data, analytics and portfolio tooling (e.g., geo-/green-tagging), enabling more

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structured assessment and reporting going forward, which was fast tracked with external consultation in 2025.

The Group has also engaged with external experts in bringing sustainability and climate risk aspects into pillar II assessments under ICAAP.

Processes and Policies Relating to Climate-related Opportunities.

Identification

The Group sees sustainable/green finance as a distinct opportunity. In 2025, the green finance portfolio recorded strong growth, evidencing client demand and internal prioritisation. Opportunity identification and monitoring are handled through product and portfolio dashboards and the SPA KPI cadence. Formal climate-scenario-based opportunity sizing is deferred under transitional relief and will be built on the Group's stress-testing infrastructure

Assessment

Eligibility & additionality: ESMS/ taxonomy screens and credible KPI/ SPT baselines ensure materiality, measurability and ambition where external technical validation was material. As outlined in this section, currently the risk assessment is limited to environmental and social risk triggers that cover physical risks to a greater extent and will be further enhanced as part of the Group's ESG journey.

Prioritisation

As part of Risk appetite & strategy alignment process, the Group prioritise sectors/uses of proceeds that favor green taxonomy aligned assets.

Monitoring

- Product & portfolio KPIs track environment and social risk tagged portfolio (including physical risk tagged exposures), against a selected verified KPI/SPT outcomes and Dashboards (SPA analyzer) which gets presented at Board level.

Integration to Overall ERM

Climate-related risks and opportunities are not yet fully embedded across the Integrated Risk Management Framework. More particularly the Group is still in process of incorporating transition risk triggers in the risk management process while bringing in enhancements on the physical risk triggers and sustainable financing related risk triggers.

The integration occurs primarily through existing structures: governance via MCC/ALCO/ORMC/ERMC/BIRMC, (as defined in the Risk Management Report) credit processes (sector/concentration oversight, early-warning triggers) and BCMS for operational resilience. As SLFRS S2 adoption progresses, the Group intends to deepen climate integration into risk appetite, ICAAP, stress testing, capital planning and recovery planning, supported by clearer climate-specific KRIs, data improvements (e.g., consistent geolocation and sector overlays) and transparent scenario assumptions and time horizons.

Section 5: Metrics and Targets

1) Cross Industry Metrics

i) Greenhouse Gas Emissions (GHG)

Basis of Determination of Organizational Boundary and Operational Boundary

The Group determines its organizational boundary for GHG reporting in line with the consolidation principles applied for financial reporting, consistent with GHG protocol. GHG protocol requires entities to apply the same reporting entity definition used in Financial Statements when preparing sustainability related disclosures, ensuring consistency and connected information across reporting streams.

Accordingly, the Group's GHG inventory encompasses the parent entity together with all subsidiaries and structured entities that fall within the consolidated group, including leased operations under the Group's operational control, in line with recognised sustainability boundary guidance for consolidated and partially owned entities.

The Group's operational boundary is defined in accordance with GHG protocol. Climate related Disclosures and requires the Group to report climate related information across its full value chain, including Scope 1, Scope 2 and material Scope 3 emissions, subject to Transitional reliefs applied and requires the Group to report climate related information across its full value chain, including Scope.

The Group therefore applies materiality and completeness principles in determining its GHG reporting boundaries, ensuring that disclosures reflect the full range of activities, exposures, and value chain relationships, subject to transitional reliefs applied that may influence long-term financial and sustainability performance.

ii) Methodology used for the measurement and disclosure of GHG Emissions

The Group measures and reports its Greenhouse Gas (GHG) emissions in accordance with the GHG Protocol

Corporate Accounting and Reporting Standard, applying an operational control approach to define emission sources across its operations.

The Group's direct GHG emissions arising from fuel consumption across its operational footprint are disclosed under Scope 1. This includes diesel and petrol usage from generators and The Group's vehicles at head office locations, the branch network, and ATM sites that operate on leased premises. Fuel usage data is captured from supplier invoices, meter readings, and operational logs,

The Group's indirect GHG emissions are associated with electricity consumed across all Group owned and Group controlled premises, that are purchased from the country's utility providers.

Purchased energy consumption from utility providers is quantified based on primary data sourced from utility invoices and integrated Energy Management Systems in group owned and as well controlled premises. This data reflects consumption across all facilities under the Group's operational control.

The Group's methodology ensures that reported GHG emissions reflect actual energy use across operations, enabling year on year comparability from this year onwards and supporting informed decision making on energy efficiency and decarbonization initiatives.

Summary of GHG Emissions

Scope	2025 (mtCO2e)
Scope 1	180
Scope 2	2,655
Scope 3 (Note: Refer Transitional Relief)	–
Total	**2,835**

GHG Scope 1 and Scope 2 Emissions

Description	Greenhouse gas emissions (metric tones CO2e) 2024/25		
	Scope 1	Scope 2	Total
Consolidated accounting group	180	2,655	2,835
Other investee (investment in associate, joint ventures)	–	–	–
Total (Operational control approach)	**180**	**2,655**	**2,835**

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Key Assumptions and Sources of GHG Measurement

Scope	Emission Sub-category	Activity	Data Source	Emission Factor	Source of GWP Values
Scope 1	Stationary combustion	Generators for buildings	Vouchers / Petty cash	IPCC	IPCC Sixth Assessment Report (AR6)
Scope 1	Mobile combustion	Running Bank Vehicles	Vouchers / Petty cash	IPCC	IPCC Sixth Assessment Report (AR6)
Scope 1	Process combustion	N/A	N/A	N/A	N/A
Scope 1	Fugitive Emissions	HVAC operations	Supplier Invoices	IPCC	IPCC Sixth Assessment Report (AR6)
Scope 2	Electricity Consumption	Banking operations	Monthly bills	Sri Lanka Energy Balance 2022, published by Sri Lanka Sustainable Energy Authority	N/A

2) Climate-related Physical Risks

The Group is currently in the process of developing a framework to identify the sectors and geographical areas that are vulnerable to climate related physical risks and hence amount of assets or business activities vulnerable to climate related physical risks would be disclosed in the coming financial year.

3) Climate-related Transition Risks

The Group is currently applying transition reliefs on the computation of scope 3 financed emissions and the bank would disclosing the amount of assets or business activities vulnerable to climate related transition risks in the coming financial year.

4) Climate-related Opportunities

The business activities aligned with climate-related opportunities include focusing lending on Sri Lanka Green Taxonomy–aligned green financing, including renewable energy financing, and the value of this green portfolio amounts to LKR 8.78 billion as of 31 December 2025, as reported in Note 13.1 to Financial statements.

5) Capital Expenditure

As of 2025, the Group has not yet incurred climate-specific capital expenditure. However, the Group expects to carry out investments on climate-related systems and data including geo-tagging, green tagging etc.

6) Internal Carbon Pricing

The Group does not apply an internal carbon pricing in assessing or managing climate-related risks or opportunities,

7) Remuneration

The Group does not currently link executive directors and key management personnel or employee remuneration to climate-related or other sustainability-related performance metrics, as such linkage is not yet a feature of of the Group's internal framework.

Industry Specific Metrics (for Climate topics)

Sustainability Accounting Standards Board (SASB) Index

Commercial Banks – Sustainability Accounting Standard (Version 2023-12)

Table 1: Sustainability Disclosure Topics & Metrics

Topic	Metric	Category	Unit of Measure	Code	Disclosure reference and/or response
Incorporation of Environmental, Social, and Governance (ESG) Factors in Credit Analysis	Number of facilities for which the Environmental & Social Management System (ESMS) Screening	Discussion and Analysis	Number		In line with international good practices on responsible lending, the Bank conducts ESMS Checklist assessments for all credit facilities above LKR 50 million. For major or complex transactions, IRMD also conducts an independent review where ESG aspects are also looked at ,in addition to the Credit Department's assessment.
	Number of ESMS related trainings provided to front line credit staff	Discussion and Analysis	Number		ESMS trainings are conducted to ensure that front-line credit staff have the knowledge and practical capability to identify, assess, and manage environmental and social (E&S) risks within credit proposals.

Table 2: Activity Metrics

Activity Metric	Category	Unit of Measure	Code	Disclosure reference and/or response		
				Personal		Small Business
Number of checking and savings accounts by segment	Quantitative	Number	FN-CB-000.A	772,183		63,761
Value of checking and savings accounts by segment ('000)	Quantitative	Reporting currency	FN-CB-000.A	119, 676, 062		39, 601, 759
				Personal	Small Business	Corporate
Number of loans by segment	Quantitative	Number	FN-CB-000.B	4,233	8,583	3,815
Value of loans by segment ('000)	Quantitative	Reporting currency	FN-CB-000.B	7, 363, 605	60, 707, 610	298, 579, 709

8) Climate related Targets

Currently, the Group has not yet set climate related targets. However, the Group is in the process of initiating a structured roadmap to develop impactful climate targets in the upcoming financial year.

Operating Environment

SRI LANKAN ECONOMY

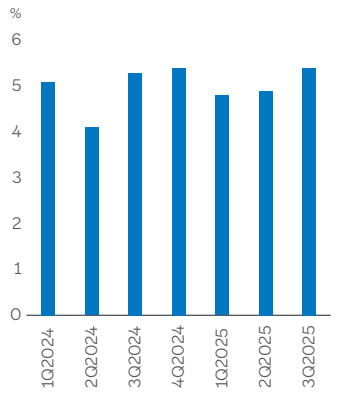
Overview

In 2025, Sri Lanka's economy continued its growth trajectory, to demonstrate a firm recovery from the severe downturn experienced during the 2022 crisis. The country's reform agenda under the International Monetary Fund's Extended Fund Facility (EFF) remained a key anchor for macroeconomic stability. Acknowledging the sustained improvements in growth performance, inflation dynamics and reserve buffers, IMF approval was granted for the disbursement of the fifth tranche under the EFF programme in July 2025, further reinforcing policy credibility and external confidence. Nevertheless, the importance of sustaining reforms to build resilience and debt sustainability, continued to be highlighted through the latest IMF staff assessments.

GDP Growth

Building on the revival in economic activity observed in 2024, strong growth momentum was sustained across all key sectors in 2025, with GDP growth expected to be around 5% for the year. The industrial sector continued to lead the recovery during the year driven by improved manufacturing output and stronger construction activity. Easing input cost pressures and improved access to financing, attributed to the low interest rate environment, further reinforced the sector's recovery momentum.

Quarterly GDP

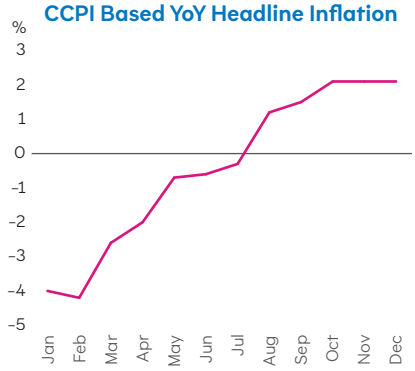


The services sector also recorded broad-based expansion, driven by a robust rebound in tourism, growth in trade and transport activities and steady performance in financial services as business confidence strengthened. Meanwhile, the agriculture sector recorded healthy growth, amidst favourable cultivation conditions in most regions.

However, this positive momentum was partially disrupted by the impact of Cyclone Ditwah, which affected several regions of the country in November 2025. The cyclone caused localised damage to agricultural production, infrastructure and livelihoods, particularly in vulnerable communities, resulting in temporary supply disruptions and income losses. While the overall macroeconomic impact remained largely contained, the event highlighted Sri Lanka's vulnerability to climate-related shocks and underscored the importance of strengthening disaster preparedness, climate resilience and adaptive capacity to safeguard long-term economic stability and inclusive growth.

Inflation

CCPI Based YoY Headline Inflation

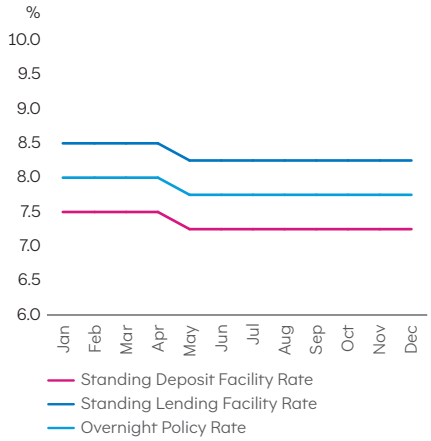


Inflation was well managed during 2025. Headline inflation, as measured by the Colombo Consumer Price Index (CCPI), recorded a significant deflation early in the year, reaching around –4.2% in February 2025, largely due to VAT-related base effects and downward adjustments in baseline electricity tariffs. As supply pressures eased and food prices rose, the deflationary trend began to reverse from March 2025 onwards, with inflation gradually moving toward positive territory by August 2025 followed by relative stability for the remainder of the year.

Interest Rates

The Central Bank's continued accommodative monetary policy stance, aimed at supporting a sustainable economic recovery, resulted in a broad-based easing of market interest rates during 2025. Short-term market rates adjusted downward in line with the policy rate reduction in May 2025, with the Average Weighted Call Money Rate (AWCMR) remaining closely aligned with the Overnight Policy Rate (OPR). This easing cycle filtered through by contributing to a sustained decline in both lending and deposit rates. Accordingly, the Average Weighted Prime Lending Rate (AWPR) declined to 8.22% by end-June 2025 and remained broadly stable thereafter, reflecting improved liquidity conditions and subdued inflationary pressures. By end-2025, interest rates had largely stabilised at mid-single digit levels, creating a more predictable environment for private sector credit expansion.

Interest rates



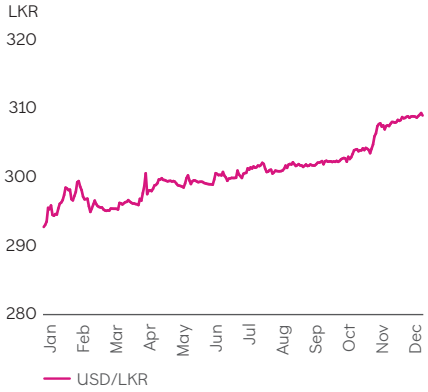
External Sector

The external sector tabled a resilient performance bolstered by a USD 1.7 billion surplus in the current account during 2025. Overall, strong non-merchandise trade inflows and improvements across various income components bolstered the current account position. Both tourism earnings and workers' remittances growing by 2% and nearly 23% respectively year on year, contributed significantly to the current account. Meanwhile, both merchandise exports and imports increased, with export growth led by higher earnings from textiles and garments and food, while the rise in imports was driven mainly by the increase in vehicle imports following the lifting of restrictions on vehicle imports in February 2025.

Exchange Rate

Sri Lanka rupee (LKR) recorded a modest depreciation of 3.4% against the USD as of 31st December 2025, influenced in part by higher vehicle import demand and external sector developments. Underpinned by prudent monetary management by the Central Bank, including efforts to rebuild official reserves, the LKR closed relatively steady at approximately LKR 309–310 per USD as at 31st December 2025.

Exchange rate



Sources:

Macroeconomic Developments in Charts (CBSL) – as at 31st December 2025

Monetary Policy Report (CBS) – August 2025

Banking Sector Performance

Loans and Advances

Influenced by the steady expansion in private sector credit demand on the back of Sri Lanka's economic revival, the banking sector registered a strong performance for 2025. Credit growth in the banking sector gathered momentum during the year bolstered by improving macroeconomic conditions. Gross Loans and Receivables as at 2025 Q3 recorded a 16.9% year-on-year increase compared to the corresponding period in the previous year. In line with this expansion, total sector assets grew by 15.5%, reaching LKR 24.5 trillion as at end of 2025 Q3.

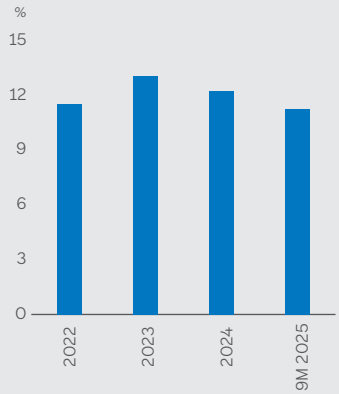
Deposits

Total liabilities of the sector (excluding equity) grew to LKR 22.2 trillion as at the end of 2025 Q3, denoting a 15.1% year-on-year improvement compared to the corresponding period in the previous year. The increase mainly reflects the expansion in deposits, further reaffirming the fact that the banking sector continued to be funded largely by deposits mobilised from the public.

Assets Quality

Asset quality of the banking sector improved slightly, but remained at elevated levels in 2025, as reflected through the ratio of Stage 3 loans to total loans, reduced marginally to 11.2% as at 2025 Q3 from 12.4% recorded at the end of the corresponding period in 2024.

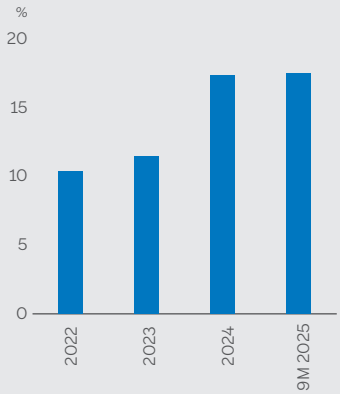
Gross Stage 03 Ratio



Profitability

The banking sector reported a robust improvement in profitability. PAT rose from LKR 180.3 billion as at 2024 Q3, up 51.7% to LKR 279.1 billion as at 2025 Q3.

Return on Equity



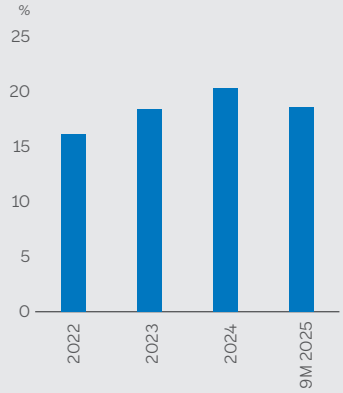
Liquidity

The banking sector continued to maintain healthy liquidity levels, with sector Rupee Liquidity Coverage Ratio (LCR) well above the regulatory minimum requirements throughout the year.

Capital

The Total Regulatory Capital buffer of the banking sector was maintained during the year, with the Total Capital Ratio marginally increasing to 18.6% in Q3 2025 from 18.5% in Q3 2024. However, the total capital base of the banking sector surged significantly by 20.8% to LKR 2.3 trillion in Q3 2025 compared with Q3 2024.

Total Capital Ratio



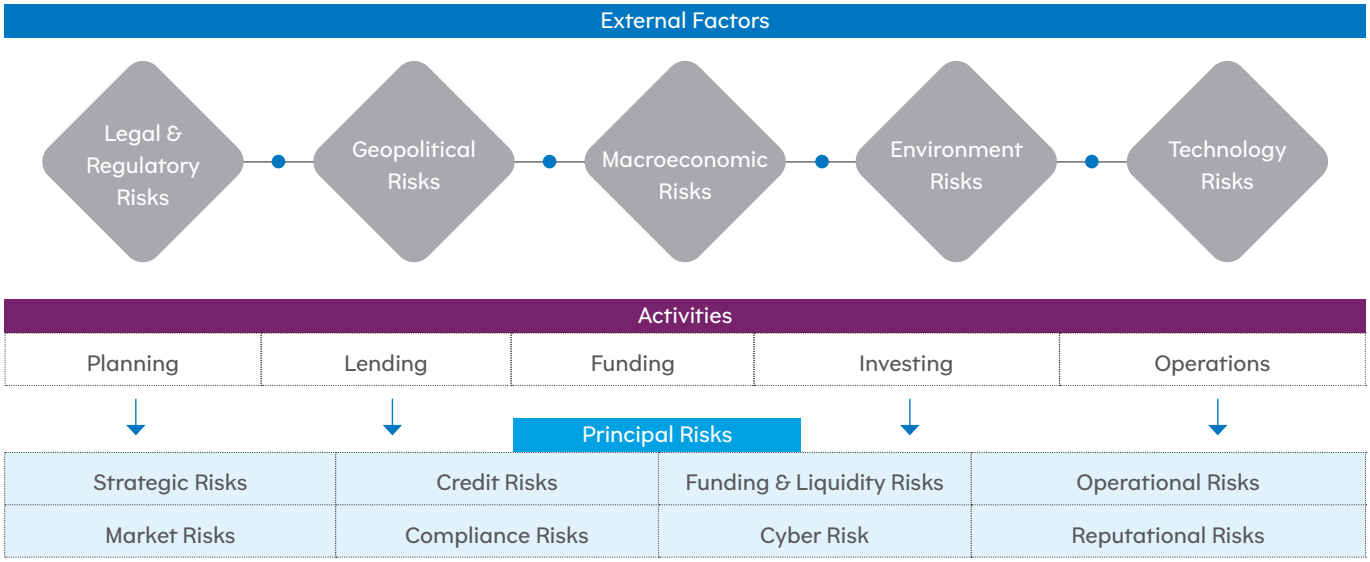
Risk Management Report

Integrated Risk Management Framework

As a licensed commercial bank regulated by the Central Bank of Sri Lanka (CBSL), Nations Trust's approach to risk management is based on the Integrated Risk Management (IRM) Framework which ensures risk management is fully embedded into organisation wide decision making processes in line with the Bank's strategic objectives and risk appetite.

Link to Strategy and Operating Environment

Strategy and the operating environment are deeply interconnected with risk management and this relationship is embedded in our strategic planning and risk management processes, as outlined below:



By integrating risk considerations across business units and support functions the IRM Framework enables the Bank to adopt a holistic view of risks to ensure all risks within the risk universe are systematically identified, assessed, monitored and managed in a consistent and coordinated manner across the Bank. In this way, the integrated approach facilitates proactive management of both existing and emerging risks to minimise the likelihood and impact of adverse events that could affect the Bank's customers, shareholders, employees, regulators and the broader financial system.

The key objectives of Nations Trust's Integrated Risk Management Framework are to:

- Safeguard financial soundness and resilience by managing all material risks that could impact the Bank's capital adequacy, liquidity, earnings stability and long term sustainability.
- Support strategic decision making by ensuring risk considerations are embedded into strategy formulation, business planning, product development and capital allocation processes.
- Support regulatory compliance, including Banking Act Directions and CBSL supervisory guidelines, while aligning with global risk management best practices.
- Translating the Board approved risk appetite into measurable limits, policies and controls to promote appropriate risk taking behaviour at all levels of operation.
- Enable early risk identification and mitigation through continuous monitoring, stress testing, scenario analysis and the use of key risk indicators to detect emerging and evolving risks.
- Drive accountability and ownership of risk by clearly defining roles and responsibilities across the three lines of defense.
- Foster a strong risk culture that encourages transparency, ethical conduct, timely escalation of issues and informed risk taking consistent with the Bank's values.

Risk Management Process

A robust Risk Management Process underpins Nations Trust's Integrated Risk Management (IRM) Framework. Structured around a disciplined four step approach, the process supports the proactive identification, assessment, control and monitoring of risks across all levels of the Bank, in line with strategic objectives, risk appetite and regulatory expectations.

Risk Management Process

Risk Identification

Regular scans identify internal and external risks. Top down and bottom up approaches are used.

Risk Measurement

Risks are assessed using qualitative and quantitative techniques.

Risk Control

Risks are managed within the risk appetite. This safeguards assets and supports reliable performance.

Risk Monitoring

Risk exposures are monitored through risk indicators and limits. Risk reports are reviewed by management.

The three lines of defence mechanism forms an integral part of the Risk Management Process

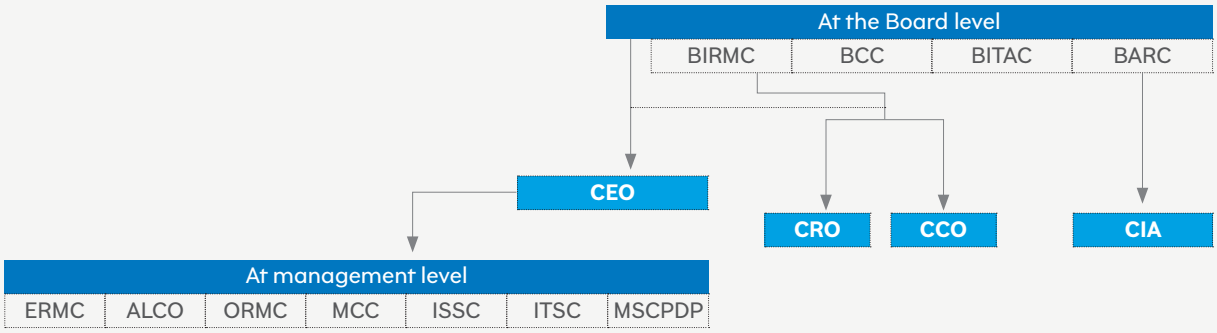
1st Line of Defence BUSINESS LINES	2nd Line of Defence RISK MANAGEMENT & COMPLIANCE	3rd Line of Defence INTERNAL AUDIT
Heads of business units, operations and corporate support are tasked with identifying, assessing, monitoring, managing and reporting risks within their respective areas of responsibilities.	The Risk Management Department is responsible for implementing policy, monitoring and reporting key risks, while the Compliance Department monitors compliance with regulations. Both functions report directly to the BIRMC.	Provides independent assurance of the adequacy and effectiveness of internal controls, including overall risk exposures and reports independently to BARC.

Risk Management Report

Risk Governance and Oversight

The success of the IRM Framework is supported by a solid risk governance and oversight structure, led by the Board of Directors.

Risk Governance Structure



Abbreviation

BIRMC – Board Integrated Risk Management Committee
BCC – Board Credit Committee
BITAC – Board Information Technology Advisory Committee
BARC – Board Audit Review Committee
ERMC – Executive Risk Management Committee
ALCO – Asset and Liability Management Committee
ORMC – Operational Risk Management Committee
MCC – Management Credit Committee
ISSC – Information Security Steering Committee
ITSC – Information Technology Steering Committee
MSCPDP – Management Steering Committee for Privacy Data Protection
CEO – Chief Executive Officer
CRO – Chief Risk Officer
CCO – Chief Compliance Officer
CIA – Chief Internal Auditor

Authority	Risk Category	Risk Governance and Oversight Responsibilities
Board of Directors	All Risks	As the Bank's highest governance authority, the Board is responsible for; Setting the Bank's risk strategy and defining Nations Trust's risk appetite in line with the Bank's short, medium and long term strategic objectives. Establishing risk policies and tolerance limits for each material risk category.
Board Integrated Risk Management Committee (BIRMC)	All Risks	Monitoring risk exposures against the Board-approved Risk Appetite Statement, metrics and limits. Reviewing risk management policies, risk concentrations, stress testing results, risk grids, compliance reports and programme, remediation of breaches, review internal capital adequacy assessment process, recovery plans and making appropriate recommendations to the Board. Overseeing the Management Committees involved in risk management and reviews the performance of the Chief Risk Officer and Chief Compliance Officer.
Board Credit Committee (BCC)	Credit Risk	Recommending credit policies and monitoring credit risk. Approving credit facilities. Reviewing the credit strategies of Corporate Banking, Off Shore Lending, Structured Finance, Commercial Banking, Consumer Banking and Counterparty limits. Providing strategic direction to Business Units regarding high-risk industries and vulnerable customer segments.
Board Audit Review Committee (BARC)	Operational Risk Compliance Risk Reputation Risk	Ensuring the integrity of the Bank's financial statements, prior to its submission to the Board of Directors. Reviewing internal control framework. Ensuring the independence of the Internal Audit function. Overseeing the Bank's Whistleblowing policy framework.

Authority	Risk Category	Risk Governance and Oversight Responsibilities
Board IT Advisory Committee (BITAC)	Strategic Risk	Making policy recommendations and providing oversight of management's approach to technology risks, including cyber threat management and regulatory compliance.
	Cyber Risks	Optimising the Bank's technology investments. Ensuring availability of the required skills and competencies for the implementation of the Bank's technology strategy.
Executive Risk Management Committee (ERMC)	All Risks	Supporting the BIRMC in its activities and is responsible for the effective implementation of the policy framework in monitoring and managing risk.
Management Credit Committee (MCC)	Credit Risk	Review and Recommending policy guidelines, approving credit facilities within the Delegated Authority (DA) granted by Board Credit Committee and managing the health of the credit portfolio of the Bank.
Asset and Liability Management Committee (ALCO)	Market/Liquidity Risk	Managing market risk and financial stability, ensuring it stays within the risk appetite set by the Board. It reviews liquidity forecasts to identify and manage gaps, assesses the adequacy of funding plans and stress testing results.
Operational Risk Management Committee (ORMC)	Operational Risk	Implementing the operational risk management policies, identifying, measuring and monitoring operational risks and recommending revisions and new policies as deemed necessary. The Operational Risk Management Committee provides governance and oversight by monitoring the effectiveness of the operational risk management framework, ensuring adherence to risk appetite and overseeing significant operational risks, controls, incidents and remediation actions across the organization.
Information Security Steering Committee (ISSC)	Cyber Risks	Provides oversight of the Bank's information security, data governance, technology risk and related operational matters to ensure compliance with ISO/IEC 27001:2022 and the regulatory requirements of the Central Bank of Sri Lanka.
Information Technology Steering Committee (ITSC)	Information Technology Risk	Oversight of the organization's Information Technology digital governance by defining and overseeing how IT policies, resources and system designs are created, used, managed and followed. This helps ensure that technology supports business goals and that technology risks are properly managed.
Management Steering Committee for Privacy Data Protection (MSCPDP)	Privacy Risk	The Management Steering Committee on Privacy Data Protection provides governance oversight of the Bank's privacy risk management policy framework, ensuring robust implementation of data protection policies and controls. It monitors the identification and mitigation of key privacy and data handling risks in line with regulatory expectations and the Bank's risk appetite. The Committee oversees material incidents, control effectiveness and remediation actions to strengthen the Bank's overall privacy data protection posture.

Risk Management Tools

Risk management tools operate in tandem with the Risk Management Process to provide a structured and disciplined approach to enable consistent risk measurement, timely reporting and effective escalation, while enhancing management's ability to anticipate emerging risks and ensure alignment with the Bank's risk appetite and strategic objectives.

Risk Appetite

The risk appetite which articulates the level and type of risk that Nations Trust is prepared to accept in pursuit of its strategic, financial and operational objectives. The risk appetite is a Board approved framework that establishes clear tolerance thresholds across key risk categories, including credit, market, liquidity, operational and cyber risks, thereby serving as a guiding framework to ensure that risks are managed prudently within defined boundaries. Strategic initiatives, product offerings and investment decisions are evaluated against the Bank's risk appetite to balance the Bank's growth ambitions with the need to maintain financial stability and resilience, thereby enabling sustainable growth while preserving capital and maintaining regulatory compliance.

Risk Management Report

The Board of Directors reviews and approves the risk appetite on an annual basis.

Key Risk Indicator	Position as at 31.12.2025	Position as at 31.12.2024
Credit Risk		
Stage 3 Ratio (Gross)	3.85%	6.20%
Impairment (Stage 3) to Stage 3 Loans Ratio	66.69%	60.55%
Market Risk		
Interest Rate Risk in Banking Book (EVE)	7.88%	9.39%
Operational Risk		
Operational losses to Operating expenses	0.51%	0.05%
Liquidity Risk		
Liquidity Coverage Ratio (LCR)	203.40%	320.56%

Policies and Procedures

Comprehensive risk policies and procedures play a vital role in translating the Board-approved risk appetite and tolerance limits into actionable guidance for day-to-day operations. Well-designed policies and procedures accompanied with clearly delineated roles, responsibilities and decision making protocols, provide a practical mechanism to ensure employees at all levels perform their day-to-day operational responsibilities in line with Nations Trust's strategic objectives and risk culture.

Risk and Control Self Assessments (RCSA)

RCSAs are conducted by all key business and operational units to evaluate exposures to risks and controls established to mitigate them. The Key Risk Indicators identified through this process are monitored to note exceptions and anomalies for investigation, and serve as an input to determining internal audit scope. In this context, RCSA is to provide a structured and consistent framework to:

- Document and categorise risks based on their nature, potential impact and likelihood.
- Assign risk ownership, mitigation measures and control mechanisms implemented to manage each risk.
- Track changes in risk exposure over time and highlight emerging or evolving risks.
- Support decision making by providing management and the Board with a clear overview of the Bank's risk profile.
- Facilitate alignment with the Bank's risk appetite, tolerance levels and regulatory expectations.
- Serve as a foundation for reporting to senior management, the Board Integrated Risk Management Committee and the Board.

Stress Testing

Stress testing is a critical tool used to monitor and measure potential vulnerabilities that could potentially affect the Bank's balance sheet, capital adequacy, liquidity and earnings. The Stress Testing Policy establishes the systems, methodologies, tools and techniques used to identify, assess, monitor and report risks.

Stress testing techniques typically used include sensitivity analysis and scenario analysis which are conducted for all material risk categories, to assess the potential impact of both stressed and normal conditions on the Bank's financial and operational stability. Different degrees of stress levels are applied in accordance with the Bank's Stress Testing Policy, broadly categorised as Minor, Moderate and Severe, to capture a spectrum of plausible adverse scenarios.

Stress testing outcomes are reported quarterly to the Board Integrated Risk Management Committee, along with actionable recommendations. The BIRMC, in turn, provides oversight, guidance and resources to management to ensure that appropriate mitigating actions are implemented effectively.

Capital Planning

Nations Trust's capital management framework is designed to ensure that the Bank maintains adequate capital to meet regulatory requirements, support business growth and absorb potential losses arising from its risk exposures. The framework aligns with the Banking Act Direction No. 1 of 2016 on Capital Requirements under Basel III for Licensed Commercial Banks and Licensed Specialised Banks, which stipulates minimum capital ratios and buffers relative to total risk weighted assets.

Capital requirements are measured as a percentage of Risk Weighted Assets (RWAs), calculated in accordance with CBSL guidelines as follows:

- **Credit Risk**: Standardised Approach
- **Market Risk**: Standardised Measurement Method
- **Operational Risk**: Basic Indicator Approach

The Bank's capital position is monitored continuously to ensure capital allocation aligns with strategic priorities, business plans and risk appetite. Regular reviews of capital needs, forecasted plans and business unit requirements ensure Nations Trust remains well capitalised, resilient and positioned to deliver sustainable growth while safeguarding stakeholder interests.

Components of Capital (Group)	Regulatory Limit	2025	2024
Common Equity Tier 1 Capital	7.00%	19.61%	21.47%
Tier 1 Capital	8.50%	19.61%	21.47%
Total Capital	12.50%	20.72%	22.66%

Internal Capital Adequacy Assessment Process (ICAAP)

The Internal Capital Adequacy Assessment Process forms a critical component of Basel III Pillar II guidelines for identifying all material risks, estimating their impact and guiding capital augmentation plans in order to strengthen capital adequacy to absorb unexpected losses.

Periodic ICAAP assessments enable the Bank to evaluate its capital requirements over a three year horizon. These plans are submitted for Board approval and communicated to the regulator.

Recovery Plan

Banking Act Direction No. 01 of 2025 issued by the Central Bank of Sri Lanka requires all banks to develop and maintain a Recovery Plan (RCP). The RCP identifies credible options to survive a range of severe but plausible stressed scenarios. It covers governance, escalation process, continuity of critical functions, identification of trigger points to activate recovery options and internal and external communications. It is aligned with the Bank's overall risk management framework, liquidity contingency plans, capital plans and business continuity plans. The recovery plan covers both Bank and the subsidiaries of Nations Trust.

Resolution Data Templates (RDTs)

In line with regulatory expectations, Bank continues to maintain comprehensive and up-to-date Resolution Data Templates (RDTs) as required under the resolution regime established by the Central Bank of Sri Lanka under the Banking (Special Provisions) Act No. 17 of 2023 (BSPA) and the Central Bank of Sri Lanka Act No. 16 of 2023.

Accordingly, the Bank ensures that RDTs capture accurate and timely financial, operational and structural information necessary to support effective resolution planning and execution by the regulator.

Consistent with CBSL's expectations for licensed banks, the RDTs facilitate assessment of the Bank's critical functions, intra group interdependencies, funding structures and loss-absorbing capacity. The Bank has implemented strong internal governance over resolution data, including defined ownership, validation processes and periodic reconciliations with core systems to ensure accuracy, completeness and consistency. Ongoing enhancements to data quality, documentation and reporting capabilities further strengthen the Bank's preparedness for orderly resolution, in line with CBSL's broader financial system stability objectives.

Risk Awareness Culture

The effectiveness of Nations Trust's Integrated Risk Management (IRM) Framework is underpinned by a robust culture of risk awareness. The Board sets the tone at the top, consistently emphasising the importance of proactive risk management and reinforcing accountability across all levels of the organisation. In support of this mandate, the Risk Management Department conducts training and capacity building initiatives to ensure employees clearly understand their responsibilities in managing risk and cultivate the behaviors, decision making practices and mindsets necessary to embed risk conscious thinking throughout day-to-day operations.

Credit Risk

Credit risk refers to the potential for financial loss resulting from a borrower or counterparty failing to meet their contractual obligations. As a licensed commercial bank with significant lending operations, credit risk represents Nations Trust's most material risk. For Nations Trust, credit risk is presented in the form of Default Risk, Counterparty Risk and Concentration Risk.

Credit Risk Management Framework

Policies and Procedures

Credit Risk at Nations Trust is governed by a comprehensive set of Board approved policies which aim to promote prudent risk taking in alignment with the Bank's strategic objectives, risk appetite and regulatory requirements.

At the core of this framework are the Credit Policy and the Credit Risk Rating Policy, which together provide the overarching structure for credit risk management across the Bank. These policies define clear standards governing segregation of duties, delegated credit approval authorities, exposure and concentration limits (including single borrower and group limits), portfolio quality benchmarks and other key prudential indicators. The Credit Policy translates the Bank's credit strategy into operational practices within the approved risk appetite and is supported by structured risk scorecards, internal risk rating models and advanced statistical and data analytics. This integrated approach enables consistent, objective assessment of obligor credit risk and facilitates effective measurement and proactive management of its impact on overall portfolio quality.

The Bank's credit assessment framework is further enhanced through the integration of its Environmental and Social Management System (ESMS), which enables systematic identification and evaluation of environmental and social risks arising from lending activities.

Risk Management Report

In line with this framework, all project loans with a value exceeding LKR 50 million which is the current individually significant threshold are subject to a comprehensive environmental and social risk assessment in accordance with the ESMS.

All credit related policies, standards and procedures are subject to at least annual review and are updated as necessary to reflect changes in the operating environment, regulatory developments, portfolio performance and emerging risks.

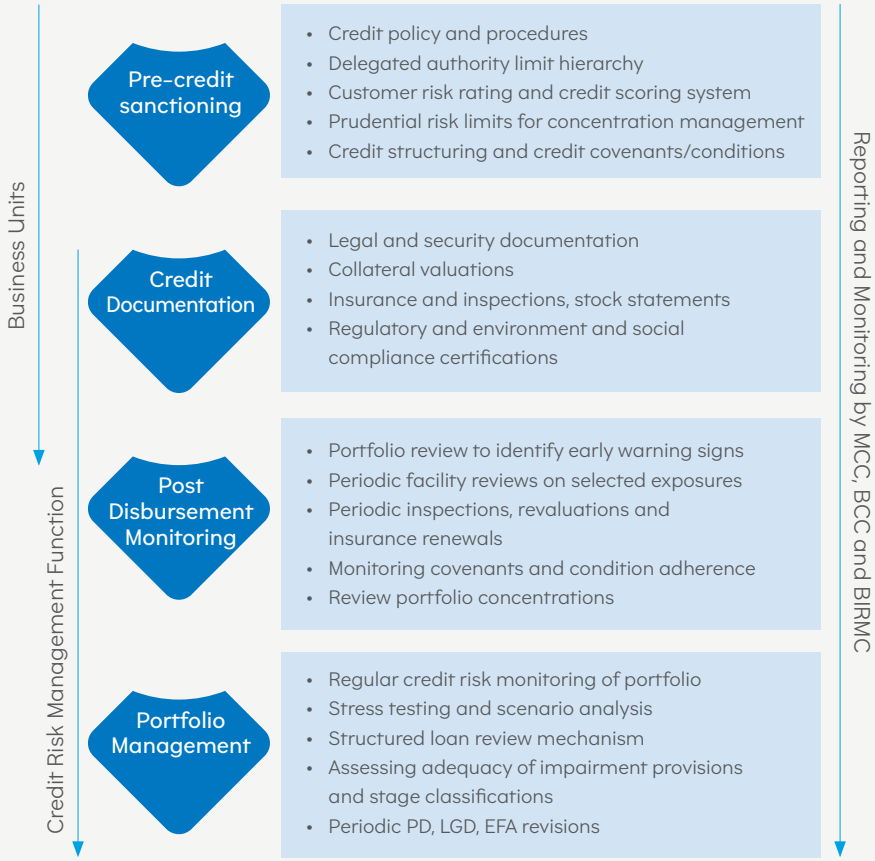
Complementing the credit policy framework, is the Loan Review Mechanism Policy (LRM) which institutionalises the governance structure and oversight mechanisms to support post disbursement monitoring. In compliance with the CBSL directives, at least 30% of the Bank's lending portfolio is subjected to LRM review annually, with key findings reported to BIRMC on a quarterly basis.

Key indicators employed for credit risk monitoring and reporting include Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD), Stage 3 ratio, impairment coverage ratio, early warning signal indicators, significant increase in credit risk (SICR) assessments etc. In addition, large exposures are subject to enhanced monitoring and stricter oversight in line with internally defined thresholds for industry sector concentrations and offshore country exposures, thereby mitigating concentration risk and supporting portfolio diversification.

Further, the Bank conducts regular stress testing to assess the resilience of its credit portfolio under adverse conditions. These stress tests incorporate a range of scenarios, including accelerated portfolio growth combined with asset quality deterioration, increased stage migrations, higher default and loss rates and scenario based simulations of Expected Credit Losses (ECL). The results are used to evaluate the potential impact on capital adequacy, cash flows and earnings and to inform strategic decision making and risk mitigation strategies.

Credit Risk Management Processes

Key credit risk management structures, tools, controls and processes are summarised below:



Governance and Oversight

Oversight of credit risk at Nations Trust is exercised through a well defined governance structure involving both Board level and Management level committees. Board level oversight is vested in the Board Integrated Risk Management Committee and the Board Credit Committee, both jointly responsible for setting strategic direction, approving policies and monitoring adherence to the Bank's approved risk appetite and credit risk parameters.

At the Management level, the Management Credit Committee, chaired by the Chief Executive Officer and comprising the Chief Credit Officer and Heads of Business Units, is tasked with the day-to-day monitoring and management of credit risk.

The Chief Risk Officer participates in MCC meetings in an independent capacity, providing objective risk oversight and ensuring alignment with the Bank's overall risk management framework.

Credit Risk Context and Strategy in FY 2025

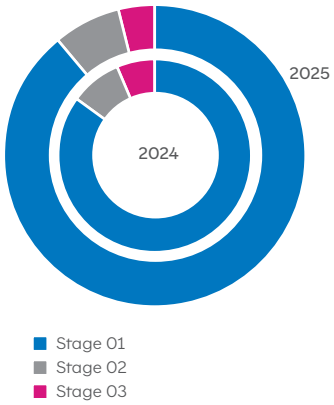
Nations Trust's credit risk management in 2025 was driven by the gradual improvement in macroeconomic conditions supported by the broad based recovery across key sectors of the economy. While this environment created fresh opportunities for credit expansion, the Bank maintained a prudent and selective growth strategy, focusing mainly on its chosen customer and industry segments, coupled with close monitoring of early warning signals to support the identification and management of default risk.

Meanwhile, credit concentration risk continued to be managed through a well diversified portfolio spread across sectors, geographies and customer segments. Meanwhile, credit concentration risk continued to be prudently managed through a well-diversified portfolio spanning across sectors, geographies and customer segments. As part of the Bank's ongoing efforts to strengthen concentration risk oversight, the existing credit risk appetite limits were comprehensively reviewed during 2025 and several focused limits were refined. These enhancements are expected to further reinforce portfolio resilience and support disciplined, sustainable growth in the years ahead.

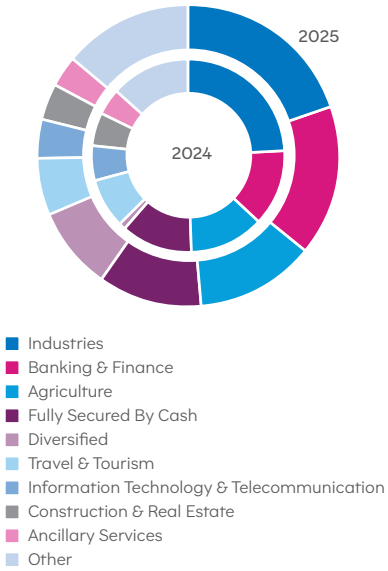
Stress testing was conducted to assess the Bank's resilience to adverse scenarios involving large borrower defaults. This included simulating the migration of individually significant exposures to Stage 3, with the top decile of borrowers by exposure size used as a proxy for assessing the potential impact of large borrower stress on asset quality and capital adequacy. In addition, concentration risk was quantitatively assessed using the Herfindahl Hirschman Index (HHI), with outputs incorporated into Pillar II capital requirements under the Internal Capital Adequacy Assessment Process.

The Bank recognises Environmental, Social and Governance (ESG) risks as emerging risk drivers with potential implications for financial performance, resilience and reputation. ESG considerations are progressively embedded into the Bank's risk management framework, particularly within credit risk assessment and portfolio monitoring processes. Governance structures, policies and internal controls are being strengthened to ensure effective identification, assessment and oversight of material ESG risks, in line with regulatory expectations and international best practices.

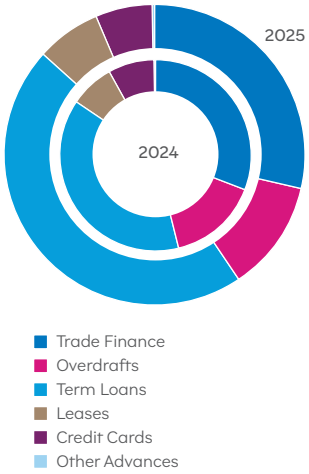
Stage Breakdown



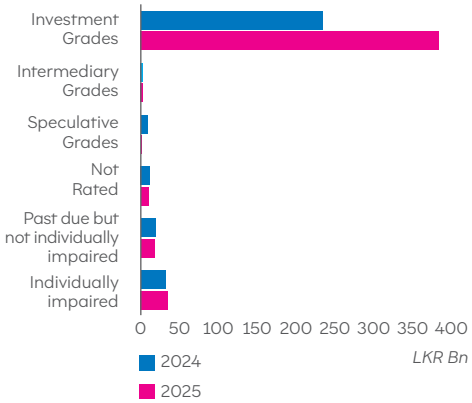
Sectoral Distribution of Loans



Product-wise Distribution



Credit Quality



Risk Management Report

Credit Risk Forecast and Management Priorities for 2026

The credit risk environment in 2026 is expected to be impacted by a combination of factors, including the pace of economic recovery, interest rate movements, exchange rate stability, fiscal consolidation measures and sector specific performance following amidst geopolitical uncertainties. Against this backdrop, a gradual normalisation of credit quality is anticipated, with modest increases in non performing loans.

Nations Trust for its part, will continue to pursue measured loan growth while prioritising asset quality supported by risk-based credit underwriting standards to minimise potential adverse impact on credit quality over time. This will be coupled with heightened risk oversight and disciplined concentration risk management to enhance portfolio resilience in the year ahead.

Market Risk

Market Risk is the likelihood of incurring losses as a result of changes in the value of Nations Trust's assets and liabilities owing to movements in policy interest rates, fluctuations in the exchange rate, performance of the local equities market and global commodity prices.

Material Market Risks for Nations Trust include; Interest Rate Risk and Foreign Exchange Risk. The Bank's exposure to commodity and equity risk is minimal.

Interest Rate Risk (IRR)

IRR represents the potential impact on future cash flows and fair values of financial instruments arising from movements in interest rates. Nations Trust's exposure to interest rate risk arises primarily from its lending, Investments, securities trading, and deposit taking activities. The Bank manages this risk primarily by repricing its interest rate sensitive assets and liabilities with reference to their maturity profiles with defined IRR maturity mismatch limits.

Foreign Exchange Risk (Forex)

Forex risk is the risk of potential loss arising from fluctuations in the value of assets and liabilities denominated in foreign currency, due to changes in foreign exchange rates.

Market Risk Management Framework

Policies and Procedures

The Board approved Market Risk Management Policy provides the overarching framework governing the identification, measurement, monitoring and control of market risk exposures. The policy defines clear governance structures, risk limits and control mechanisms to ensure that exposures arising from interest rate risk and foreign exchange risk remain within the Bank's approved risk appetite and applicable regulatory thresholds.

The Investment Policy sets out the strategic parameters for managing the Bank's local and foreign currency denominated investment portfolio. The main objective of the policy is to guide the pursuit of investment opportunities that generate optimal risk adjusted returns while ensuring full compliance with statutory and regulatory requirements applicable to investment activities.

The Asset and Liability Management Policy serves as the fundamental pillar for managing IRR associated with the Bank's lending and funding activities. The policy sets out a structured framework to optimise assets and liabilities, manage repricing mismatches and ensure financial stability under varying interest rate scenarios.

Governance and Oversight

The Asset and Liability Management Committee stand as the primary body charged with monitoring IRR and forex risk exposures in line with the Bank's approved risk appetite and strategic objectives.

The day-to-day management of both IRR and foreign exchange risk is undertaken by the Treasury Unit. Within the Treasury value chain, the Treasury Front Office executes market transactions within clearly defined limits, including currency specific and aggregate exposure limits, as well as dealer and counterparty thresholds.

Independent oversight of market risk is provided by the Treasury Middle Office (TMO), which is responsible for measuring, monitoring and reporting interest rate and foreign exchange risk exposures to ensure compliance with approved limits. The TMO conducts regular stress testing using interest rate and exchange rate scenario Analysis to assess the resilience of the Bank's positions under adverse market conditions. In addition, the TMO periodically reviews market risk-related policies, methodologies and exposure limits, providing independent risk insights to ALCO, the Executive Risk Management Committee, the Board Integrated Risk Management Committee and the Board.

The Treasury Back Office (TBO) supports the control environment by ensuring the accurate settlement and reconciliation of treasury transactions. It also escalates material discrepancies and control issues in accordance with established procedures, thereby reinforcing operational integrity within Treasury operations.

Market Risk Context and Strategy in FY 2025

Market risk dynamics in 2025 were influenced largely by shifts in domestic interest rates and the performance of the Sri Lankan Rupee against the USD. Domestic interest rates, which continued its downward trend in the first half of 2025, driven by the CBSL's monetary policy reforms alongside easing of inflationary pressures, began to stabilise from mid 2025 onwards with minimal volatility experienced for the remainder of the year.

Meanwhile the Sri Lankan Rupee also demonstrated relative stability following progress in sovereign debt restructuring alongside improved tourism earnings and rising worker remittances, while easing of import restrictions and strengthening investor sentiment led to a notable increase in foreign exchange market activity.

In response to these evolving conditions, Nations Trust refined its market risk appetite and control parameters during the year. Key Risk Indicators (KRIs) and portfolio limits were recalibrated to reflect lower interest rate volatility and improved liquidity conditions. Scenario-based limits were introduced to better capture tail risks arising from geopolitical events and potential market disruptions, while foreign exchange exposure limits were aligned with the Bank's updated strategic priorities and balance sheet positioning. The stress testing framework was further enhanced to assess the impact of market disruptions on interest rate risk in both the trading and banking books, using measures such as Earnings at Risk (EaR) and Economic Value of Equity (EVE).

Foreign exchange risk was evaluated through exchange rate shock scenarios of varying magnitudes applied to the Bank's Net Open Position. Ongoing monitoring also incorporated maturity and interest rate gap analysis, duration and PVBP measures, sensitivity analysis and revised KRIs to track emerging trends and exposures.

Governance over market risk was further strengthened during the year. Oversight by the Board Integrated Risk Management Committee was enhanced, alongside a more clearly articulated three lines of defense framework to ensure effective segregation of roles and responsibilities. Board level oversight over risk appetite was also reinforced, including closer integration of product governance considerations. Reporting mechanisms were strengthened through the introduction of more focused market risk dashboards for Treasury and Risk teams.

The market risk policies were also updated to reflect changes in market conditions and the evolving regulatory guidelines linked to the Central Bank of Sri Lanka's revised monetary policy framework. In parallel, more emphasis on ensuring continued alignment with the FX Global Code.

Market Risk Ratios	2025	2024
Sensitivity of trading portfolio to interest rate (PVBP)	0.02%	0.02%
Interest Rate Risk in Banking Book (EVE)	7.88%	9.39%
NOP Sensitivity (@ 5% rate shock)	0.21%	0.19%

Market Risk Forecast and Management Priorities for 2026

Looking ahead, market risk mitigation strategies will focus on maintaining a well diversified trading and investment portfolio across instruments and tenors, thereby reducing concentration risk and sensitivity to market movements. At the same time, the Bank will continue to explore the use of hedging instruments, including forward contracts and swaps, to manage interest rate and foreign exchange exposures.

Other priorities for the year ahead include strengthening scenario planning and risk analytics. Further, as the Bank introduces new products and expands its portfolio, market risk management will remain closely aligned with strategic growth objectives and regulatory expectations to ensure sustainable, risk adjusted performance.

Liquidity Risk

Liquidity Risk arises in the event the Bank fails to efficiently convert assets into cash or secure adequate funding to meet its obligations as they fall due, without incurring material losses.

Liquidity Risk Management Framework

Policies and Procedures

The Board approved Liquidity Risk Management Policy establishes the framework for managing liquidity risk at Nations Trust. The Policy sets out clear principles, governance arrangements and control mechanisms to safeguard the balance sheet by ensuring the Bank maintains an adequate liquidity profile at all times, in order to meet contractual obligations and regulatory requirements under both normal and stressed market conditions. The policy is complemented by a Board approved Contingency Funding Plan to minimise potential liquidity pressures on the Bank's balance sheet.

Liquidity stress testing forms a core component of the Bank's liquidity risk management practices. Stress testing is conducted to assess the Bank's ability to withstand significant cash outflows and sustain funding for a minimum period of up to one month. Key indicators include maturity mismatch analysis, concentration of funding, the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), liquidity early warning signals and intraday liquidity measures. These stress scenarios are linked to adverse macroeconomic conditions and market disruptions, to evaluate the robustness of existing liquidity buffers, funding sources and contingency actions under severe but plausible conditions. In addition, liquidity stress testing, liquidity simulations and risk grid assessments are undertaken to identify emerging vulnerabilities.

Governance and Oversight

Governance and oversight of liquidity risk falls under the purview of the Board Integrated Risk Management Committee. The BIRMC is responsible for providing oversight of liquidity risk management within the Bank's approved Liquidity Risk Management Framework and tolerance limits.

Risk Management Report

The day-to-day management of liquidity is undertaken by the Treasury Unit, which ensures that funding and cash flow requirements are met in line with operational needs.

The Asset and Liability Management Committee plays a central role in managing liquidity risk by reviewing cash flow projections, funding capacity, pricing strategies, liquidity buffers, contingency funding arrangements and regulatory and prudential considerations. In discharging this responsibility, ALCO is supported by the Treasury Middle Office and the Finance division, which provide independent monitoring, analysis and reporting.

Liquidity Risk Context and Strategy in FY 2025

Key factors impacting liquidity risk in 2025 were the stronger deposit inflows on the back of the gradual recovery in economic activity, while the easing of import restrictions increased foreign currency demand and related liquidity outflows. At the same time, the Central Bank of Sri Lanka's accommodative monetary policy stance contributed to lower funding costs, creating the space for banks to further strengthen its liquidity buffers.

Nations Trust's liquidity risk mitigation strategy in 2025 focused on maintaining a diversified and stable funding profile. Funding sources were broadened through a mix of retail deposits, longer tenor instruments and engagements with multilateral funding lines. Considering the improved liquidity environment, the Liquidity Risk Management Policy was revised to incorporate updated risk parameters and with Key Liquidity Risk Indicator thresholds recalibrated to align with prevailing market conditions. In parallel, the Contingency Funding Plan was further enhanced to better address potential foreign currency liquidity stress scenarios, while limits on interbank exposures were strengthened to further mitigate concentration and counterparty risks.

Risk monitoring mechanisms were also enhanced, with additional sensitivity Analysis covering deposit outflows and balance sheet shocks, multi scenario liquidity stress testing and closer monitoring of maturity gaps and funding concentration risks. To support effective oversight and regulatory compliance, dedicated liquidity dashboards were introduced for Treasury, ALCO and BIRMC, complemented by periodic regulatory reporting to the CBSL under the Liquidity Monitoring Framework.

From a governance perspective, the role of the ALCO was reinforced under the overall oversight of the BIRMC, with increased Board level engagement on liquidity stress testing outcomes and funding strategy. In line with this enhanced governance framework, the Bank strengthened its internal escalation protocols, formalised more frequent review cycles and ensured that strategic decisions relating to balance sheet optimisation and liquidity risk were aligned with the institution's broader risk appetite and long term sustainability objectives.

Liquidity Ratios	2025	2024
Liquidity Coverage Ratio	203.40%	320.56%
Net Stable Funding Ratio	138.33%	154.73%
Net Advances to Deposit Ratio	87.40%	75.60%
Net Loans to Total Assets	61.10%	53.00%
Purchased Funds to Total Assets	28.40%	27.20%
Commitments to Total Loans	9.43%	10.78%

Liquidity Risk Forecast and Management Priorities for 2026

In 2026, Nations Trust's liquidity risk strategy will continue to focus on supporting growth initiatives while preserving balance sheet stability. Emphasis will be placed on optimising liquidity and funding structures, including in the context of potential inorganic growth opportunities. The Bank will also continue to align its liquidity management practices with Basel III standards, ensuring robust buffers, strong governance and sustained resilience in a dynamic operating environment.

Operational Risk

Operational risk is the possibility of incurring losses as a result of inadequate or failed internal processes, people, systems, or from external events.

Operational Risk Management Framework

Policies and Procedures

Nations Trust's Operational Risk Management Framework is anchored by a comprehensive Operational Risk Management Policy, which defines limits and tolerance levels for key aspects that could potentially give rise to operational risk. The Policy also establishes clear escalation and exception handling mechanisms, with breaches and material issues reviewed by the relevant Executive Committees and the Board Integrated Risk Management Committee and escalated to the Board where necessary.

Supporting this overarching policy, is a range of area specific policies and procedures that provide detailed guidance on identifying, assessing and managing transactions or incidents that may result in operational losses. These policies enable early detection, timely intervention and effective remediation, thereby minimising potential financial, operational and reputational impacts.

Business Continuity Management System (BCMS) forms a critical pillar of Nations Trust's operational risk framework. The BCMS is underpinned by a Board approved BCMS policy and supporting procedures have been developed in line with the ISO 22301:2019 Business Continuity Management Standard.

Accordingly, Nations Trust's BCMS includes Business Impact Analysis and enterprise-wide risk assessments, which are formally documented and serve to inform the design of continuity and recovery strategies, The BCMS is regularly tested and periodically reviewed to ensure continued relevance amid changes in operations, technology and the external risk environment.

Operational risk identification, measurement and monitoring are supported by a comprehensive suite of tools and reporting mechanisms. These include Transaction in Difficulty reporting, Risk and Control Self Assessments (RCSAs), Risk Control Matrices (RCM), scenario analysis and stress testing based on historical loss events and varying shock magnitudes, Key Risk Indicators (KRIs), risk and control reviews, Business Continuity and Recovery Plans and risk grids.

RCSAs are conducted annually across all key business and operational units to assess inherent risks and the effectiveness of mitigating controls. KRIs derived from this process are continuously monitored to identify exceptions and anomalies, which are investigated and also forms the scope of internal audit activities. Loss events are systematically linked back to RCSAs and KRIs to address root causes and reduce the likelihood of recurrence.

In line with Basel requirements, Nations Trust maintains a centralised operational risk loss database that captures both actual loss events and near misses, that provide the basis for formulating strategies for managing future risk exposures.

Operational risk dashboards, incorporating loss data, RCSA outcomes and KRI trends, are made available to the Operational Risk Management Committee (ORMC), ERMC, BIRMC and the Board, enabling effective oversight.

Governance and Oversight

The Board retains ultimate responsibility for the oversight of operational risk management. Governance and oversight for operational risk is further reinforced through clearly defined roles and responsibilities across the organisation. Acting under authority delegated by the Board, the Board Integrated Risk Management Committee and the Board Audit Review Committee collectively oversee and ensure the adequacy and effectiveness of the Bank's internal control environment.

At the management level, the Executive Risk Management Committee, supported by the Operational Risk Management Committee, oversees operational risk exposures, emerging risk issues and the strengthening of the Bank's risk culture.

The Risk Management Department, through its dedicated Operational Risk Management Unit, is responsible for the independent measurement, monitoring and management of operational risk across the Bank and reports directly to the BIRMC.

Operational execution of the BCMS is overseen by the Disaster Management Implementation Team, led by the Chief Operating Officer, while enterprise level risk oversight is provided by the Chief Risk Officer in conjunction with the BIRMC. At the business unit level, Business Continuity Management Committees ensure ownership and accountability for continuity responsibilities, promoting consistency and alignment between enterprise-wide risk considerations and functional preparedness.

Outsourced activities are subject to a structured governance framework overseen by a dedicated Monitoring Committee. Periodic reviews and on-site visits are conducted to assess service providers' ability to meet agreed service levels and to confirm the existence and adequacy of Business Continuity Plans for outsourced functions. In addition, critical shared services are reviewed under the Bank's recovery procedures, ensuring that dependencies on third parties do not compromise the Bank's operational resilience.

Operational Risk Context and Strategy in FY 2025

The increasingly complex and interconnected operating environment continued to influence operational risk management strategies in 2025, prompting a series of mitigation measures to reinforce the operational risk management framework.

Most notably, the Risk and Control Self Assessment (RCSA) process was enhanced through targeted capacity building for unit level Risk and Compliance Coordinators aimed at improving the quality and consistency of risk identification and control evaluation. Reporting and collaboration were further enhanced through the use of an automated engaging platform to manage RCSA and Risk Control Matrix processes. This enabled improved data quality, consistency and visibility of operational risk exposures to support more informed management and Board level oversight.

All operational risk related policies and procedures were reviewed during the year to ensure continued alignment with evolving regulatory and operational requirements. Risk monitoring was also further strengthened through enhanced tracking of Key Risk Indicators across business units, enabling early identification of emerging risks and adverse trends. Simultaneously, the incident review process was reinforced to ensure comprehensive root cause analysis and timely remediation, while reporting on Management Self Identified Issues was strengthened through closer integration with the RCSA process.

Likewise, product governance processes were tightened to ensure appropriate risk assessment and oversight throughout the product lifecycle. In parallel, automation of selected transaction processing limits was introduced to reduce manual intervention and associated operational risks.

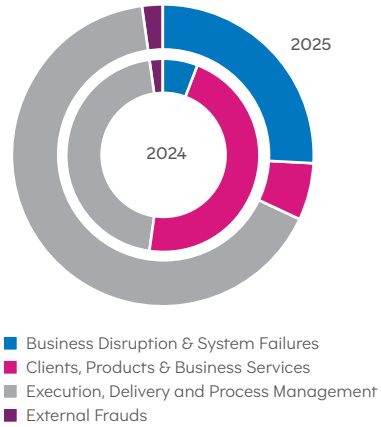
Risk Management Report

Operational risk governance was further strengthened through expanded engagement across existing management and Board level forums, including the ORMC, ERMC, BIRMC, RPTRC, Consequence Management Committee (CMC), Product Governance Committee, Outsourcing Monitoring Committee and Procurement Committee. In response to heightened data protection requirements, operational risk oversight was also extended through the PDPA Working Committee, ensuring closer coordination on data related risks and controls.

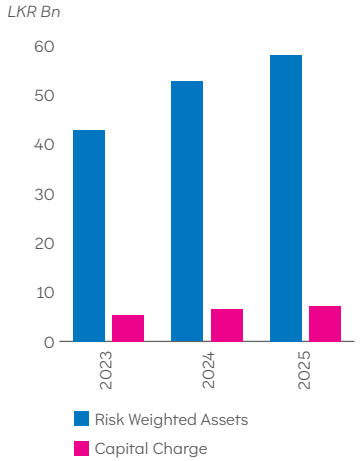
Business continuity arrangements were also enhanced through updated Business Impact Analysis, strengthening contingency planning for service disruptions and further aligning the Business Continuity Management System with ISO 22301:2019 requirements. Business Impact Analysis were refreshed across mission critical units, incorporating updated third party linkages and interdependencies. Coordination between business continuity, IT and critical operations teams was strengthened to ensure recovery strategies remained aligned with emerging risk scenarios, while control design weaknesses identified through BCMS audits and incident reviews were promptly addressed.

Alternate work arrangements were formalised through defined remote access protocols and resource reallocation plans, supported by IT disaster recovery capabilities to maintain operational continuity where access to primary locations may be constrained. Preparedness was reinforced through regular testing and monitoring, including quarterly self assessments for Tier I mission critical units, scenario-based drills, alternate site activation exercises and call tree testing to validate escalation and communication mechanisms.

Operational Losses by Type



Risk Weighted Assets and Capital Charge for Operational risk



Operational Risk Forecast and Management Priorities for 2026

In the year ahead, the Bank will continue to strengthen its operational risk management framework by embedding operational resilience considerations more deeply into the day-to-day operations to ensure operational risk management practices remain robust and capable of withstanding unforeseen disruptions.

To that end, the focus will be on data-driven decision making facilitated through enhanced analytics, improved risk dashboards and greater integration of risk data across functions to support earlier identification of emerging risks, more effective scenario analysis and stronger management and Board-level oversight.

Additionally, Nations Trust will continue to strengthen its Business Continuity Management System (BCMS), with a clear objective of achieving full ISO: 22301:2019 certification by 2026, thereby reinforcing organisational resilience and preparedness for disruptive events. Equally important, the Bank will focus on strengthening governance frameworks around third party risk and conduct risk, with efforts focused on aligning outsourced service providers with evolving regulatory expectations through more rigorous oversight of service provider performance to promote greater compliance across the value chain.

Information and Cybersecurity Risk

As a Bank, Nations Trust is inherently exposed to a range of IT and cybersecurity risks that threaten the confidentiality, integrity and availability of critical information assets and systems. With the rapid digitisation of financial services and increasing reliance on third party service providers, the threat landscape has become more complex, heightening the potential for unauthorised access, data breaches, system outages and non-compliance with data protection regulations.

Information and Cybersecurity Risk Management Framework

Policies and Procedures

Nations Trust's Information Security Management System (ISMS) integrates international and local regulatory standards along with global best practices as set out under ISO 27001 Information Security Standard and is operationalised through Board-approved policies and procedures designed to safeguard information assets, ensure system resilience and manage cyber threats effectively. With the transition of ISO 21007:2013 version to ISO 27001:2022 version, the Bank ensures the policies, procedure and process are ready to handle modernized and evolved risks that new digital and artificial intelligence era banking systems face.

The Information Security Management System (ISMS) Policy serves as the central pillar of this framework by establishing the principles, controls and governance mechanisms required to protect the confidentiality, integrity and availability of information. This is complemented by a range of supporting policies, including the Acceptable Usage Policy and the Encryption Policy, that collectively aim to ensure consistent application of security controls across the Bank and promote responsible behaviour in the use of technology and information resources.

Additionally, the Fraud Risk Management Policy addresses risks arising from internal and external fraud and the Cyber Security Incident Response Policy defines structured processes for identifying, responding to and recovering from cybersecurity incidents.

Monitoring of information and cybersecurity risks follows a multi layered approach encompassing routine vulnerability assessments, security and compliance reviews and continuous monitoring through the Bank's Security Information and Event Management (SIEM) systems. Key Risk Indicators (KRIs) and risk grids are also used to track risk trends, identify emerging threats and escalate issues in a timely manner, thereby enabling proactive risk management and informed decision-making. CBSL mandated disaster recovery drills are also conducted annually.

Governance and Oversight

The Board of Directors retains ultimate responsibility for information and cybersecurity risk management, supported by key Board sub committees, including the Board Integrated Risk Management Committee, Board Audit Review Committee and the Board Information Technology Advisory Committee, who together provide focused oversight of cyber risks, regulatory compliance and strategic technology initiatives.

Executive oversight is led by the Chief Information Security Officer (CISO), who is responsible for the design, implementation and ongoing compliance with ISO 27001 standard as well for monitoring emerging cyber threats, ensuring CBSL compliance requirements and other regulatory reporting related to information security.

A cross-functional Information Security Steering Committee, comprising representatives from IT, Risk, Compliance and business units, provides enterprise-wide coordination. At the operational level, specialised teams execute and maintain security controls: the IT governance, risk management and compliance functions oversee ISMS processes and audits, IT Security Operations implement and monitor technical security controls and the Privacy team oversees PDPA compliance and data protection practices.

Information and Cybersecurity Risk Context and Strategy in FY 2025

The information and cybersecurity risk landscape in 2025 reflected ongoing changes in technology adoption. The use of third party service providers, particularly cloud based and outsourced services, remained an area of focus in managing systemic and concentration risk considerations. At the same time, regulatory scrutiny intensified, with greater emphasis placed on data privacy, conduct risk and operational resilience. While the Bank's digital transformation initiatives continued to enhance efficiency and customer experience, they also introduced additional risks linked to legacy system dependencies, accelerated technology deployments and the potential for service disruptions.

Against a backdrop of escalating cyber threats, Nations Trust strengthened its preventive and detective controls. Quarterly vulnerability assessments and penetration testing were implemented for critical systems and mobile applications, alongside the adoption of advanced threat detection tools to improve early identification of cyber risks. These measures are designed to enhance the Bank's ability to anticipate, detect and respond to increasingly sophisticated threat vectors.

Addressing operational resilience remained a key strategic priority, prompting disaster recovery capabilities to be further enhanced. Real time incident response protocols were implemented, through the Security Operations Centre established in 2025 to support 24/7 threat monitoring, detection and response capabilities. In parallel, a comprehensive Cloud Service Management Procedure was introduced to reinforce governance and risk management over cloud based environments and outsourced services.

The completion of the ISO 27001 certification audit, the Bank successfully transitioned to the latest ISO 27001 standard in 2025, further reinforcing the robustness and maturity of its ISMS. In addition, an external ISO/IEC 27001 pre certification audit and a SWIFT Customer Security Programme audit and firewall review were conducted by third parties.

Regulatory compliance requirements issued by the Central Bank of Sri Lanka, particularly the Technology Resilience Guidelines and the Payment-Related Mobile Application Guidelines, remained a key focus during the year. Comprehensive gap assessments were conducted, followed by periodic progress reviews to ensure timely and effective compliance. Internally, the Bank's audit function undertook detailed reviews to assess the efficacy of Nations Trust's information security governance, compliance with CBSL directives and the scope and adequacy of penetration testing activities.

Meanwhile, in compliance with the Personal Data Protection Act (PDPA), existing data governance structures, consent management processes, access controls and breach response protocols, were all reviewed and updated based on PDPA focused gap assessments conducted in line with evolving regulatory expectations and best practices.

Risk Management Report

Revised data governance structure provides clear and precise visibility into data collected, process and stored as per the Bank's operational requirement and helps controls of data transmission by advanced data classification and data loss prevention measures.

Information and Cybersecurity Risk Forecast and Management Priorities for 2026

Moving forward, the key priority will be to enhance preventive controls, deployment of advanced monitoring tools and closer collaboration between business units, risk, compliance and technology teams to ensure timely detection and mitigation of potential fraud risks. In parallel, the Bank will seek to further improve its user access review processes and exception monitoring mechanisms to reduce the likelihood of unauthorised access and control lapses.

Strong emphasis will also be placed on compliance with the Personal Data Protection Act, specifically in relation to strengthening data governance frameworks, establishing stricter controls over data access and usage and implementing more robust breach detection and response protocols to safeguard customer and employee information.

Additionally, Nations Trust plans to implement advanced security technologies to strengthen its cybersecurity posture, including File Integrity Monitoring (FIM), Network Detection and Response (NDR) and an Email Threat Prevention solution to further reinforce the Bank's resilience against evolving cyber threats and ensure alignment with regulatory requirements and global best practices.

The Bank's security focus also extends to protecting its customers through the adoption of state of the art mobile application protection technologies, ensuring that Nations Trust mobile application provides proactive resilience against modern mobile malware and spyware that target banking customers.

Strategic Risk

Strategic risk arises from factors such as regulatory changes, economic fluctuations, disruptive technologies, competitive pressures, or suboptimal strategic decisions that could negatively affect the Bank's long term objectives.

At Nations Trust, strategic risk is overseen directly by the Board of Directors. The Board sets the overall strategic direction and monitors the execution of the Bank's strategy. Each planning cycle begins with a comprehensive assessment of internal and external environments, enabling the Board and senior leadership to identify key risks and opportunities. Insights from this analysis inform the Bank's strategic priorities, which are translated into corporate goals and cascaded down to business units through detailed business plans and further into departmental objectives and KPIs.

Performance against these strategic objectives is continuously monitored by the Board and its committees, particularly the Board Integrated Risk Management Committee. The Board and the BIRMC received regular progress updates covering key performance metrics, risk dashboards and operational updates to ensure effective implementation and timely identification of emerging risks. Deviations or potential issues are discussed at Board level to determine the need for corrective action to safeguard the Bank's strategic trajectory.

Looking ahead to 2026, Nations Trust will strengthen its strategic planning and risk oversight processes to ensure that decision-making remains agile and responsive, enabling the Bank to navigate an increasingly complex and dynamic risk landscape while safeguarding long term objectives.

Reputation Risk

As a Bank, a sound reputation is central to safeguarding Nations Trust's license to operate. In striving to build a solid reputation, the Bank's leadership sets the tone from the top to promote a culture of transparency, integrity and accountability, collectively aimed at earning and retaining the trust of customers and all other stakeholders. Moreover, structured stakeholder engagement strategies ensure concerns are identified and addressed promptly and effectively.

These commitments are further reinforced through the Bank's Code of Ethics that clearly communicates Nations Trust's core values and expected standards of behaviour to all employees. In addition, a formal Anti Corruption Policy is in place and applies to all Board members, employees, business partners and other stakeholders. Regular training ensures continued awareness and adherence. During the year under review, the Bank conducted a thorough assessment of all its operations. There were no recorded incidents related to anti-corruption during the year.

Complementing these efforts, the Bank's compliance function monitors adherence to regulatory requirements while keeping track of emerging trends to anticipate new regulations and ensure the Bank adapts as needed to prevent potential reputational damage.

ESG Risk

The Bank recognises Environmental, Social and Governance (ESG) risks as a key component of its overall risk profile and integrates ESG considerations into its risk management framework in line with global best practices. ESG risks may materialise independently or amplify traditional financial risks, including credit, market, operational, reputational and strategic risks. Accordingly, the Bank adopts a structured, forward looking and prudent approach to identifying, assessing, monitoring and managing ESG related risks supported by the established Sustainable Policy and ESMS framework across all business lines. In terms of ESG, additional information on the applicable disclosure requirements are provided in the S1 and S2 disclosure section.

Emerging Risks

Nations Trust continues to proactively identify and manage emerging risks within a rapidly evolving regulatory and operating environment. The Central Bank of Sri Lanka has strengthened sector wide expectations through updated requirements such as mandatory reporting of technology and cyber security incidents under Circular No. 2 of 2025, highlighting the growing importance of operational resilience and cyber risk oversight for licensed banks. In parallel, CBSL's Sustainable Finance Roadmap 2.0 places greater emphasis on integrating climate related financial risks into risk management practices, reflecting national priorities around resilience, data quality and sustainable finance adoption amidst increasing climate-driven disruptions.

As digital ecosystem dependencies deepen, enhanced technology risk management and third party oversight expectations particularly concerning data protection, cloud governance and business continuity management systems further reshape banks' operational risk profiles, in line with CBSL's evolving technology risk framework. Meanwhile, Sri Lanka's post crisis economic recovery presents opportunities as well as vulnerabilities tied to interest rate movements, fiscal consolidation efforts and external sector pressures, necessitating continued strengthening of Nations Trust's stress testing, capital planning and early warning mechanisms to navigate potential volatility in credit, liquidity and market conditions.

Against this backdrop, Nations Trust remains committed to enhancing its forward looking risk identification, scenario analysis and horizon scanning capabilities to ensure resilience, regulatory compliance and long term stability in the face of emerging and rapidly evolving risks.

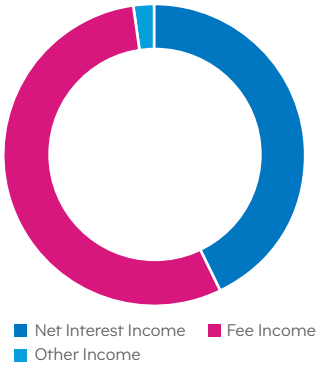
Consumer Banking

Operating Environment

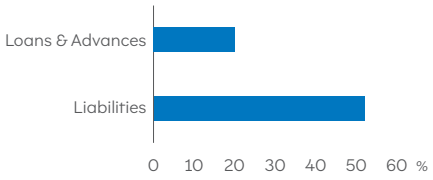
- Improving macroeconomic conditions supported by lower interest rates and easing inflation, helped restore consumer confidence.
- Positive consumer sentiment leading to a strong demand for credit across retail segments.
- High credit demand for investments, especially among affluent and mass affluent customer groups.
- Surge in demand for leasing and vehicle financing following the easing of restrictions on vehicle imports.

Key Performance Highlights for 2025

Composition of Revenue



Contribution to Group - Consumer



Lending Approach

Improving economic conditions in 2025 translated into strong demand for retail credit across all key segments, creating the ideal backdrop for Nations Trust's Consumer Banking segment to resume targeted lending. Seeing the visible uptick in the appetite for credit, particularly for investment purposes, our lending strategy for 2025 revolved around facilitating the needs of Nations Trust Private Banking and Inner Circle customers.

Similarly, with the resumption of vehicle imports during the year, Nations Trust moved swiftly to capitalise on the surge in demand for vehicle leasing and financing solutions. Working to deepen the penetration into this area, we expanded our partner networks with vehicle importers and dealers, including forming several new ties ups with Electronic Vehicle (EV) dealers to gain an early advantage in the EV leasing space. In parallel, we moved ahead with plans to repurpose Nations Trust EV offering as a bundled solution combining EV financing with solar investment options, a move that generated considerable interest among retail customers and led to a substantial increase in the Bank's green finance portfolio.

Meanwhile as consumer confidence improved and spending patterns normalised amidst easing inflationary pressures, we redoubled efforts to grow Nations Trust market share in the credit card segment. New customer acquisition strategies were accelerated with the Bank leveraging its highly coveted Private Banking and Inner Circle proposition to grow the high net worth card base. These efforts were further reinforced by the launch of the Nations Trust Private Banking MasterCard in partnership with MasterCard International. The new Private Banking MasterCard, which complements the existing American Express portfolio continues to play an important role cementing Nations Trust's dominance within the high net-worth customer segment.

Strategies to expand the mass affluent card base also gathered momentum in 2025, culminating in a solid improvement in the new customer acquisitions compared to previous years.

Likewise, targeted promotional campaigns contributed to increased card spend and utilisation across the Nations Trust card portfolio, translating into an incremental growth in transaction volumes throughout FY 2025.

Deposit Mobilisation and Savings Growth

Nations Trust's deposit portfolio also recorded good growth in 2025. With most consumers now well adjusted to the revised tax regime, the renewed inclination towards structured savings, ensured the Bank continued to experience a steady inflow of deposits through much of the current year. Moreover the anticipation of further volatility in interest rates in 2026, also proved to be a key factor for customers to lock in returns in advance.

Meanwhile, Nations Trust's savings portfolio experienced a positive movement in 2025, fuelled by improving disposable income levels alongside a strong customer preference for liquidity readiness in anticipation of more lucrative investment opportunities.

Digital Adoption

As always, driving digital adoption remained a key strategic priority for Nations Trust during 2025. Efforts to onboard customers onto digital channels were intensified, led by a broad based campaign aimed at positioning the Nations Trust mobile banking app as the primary interface for everyday banking needs of customers. This targeted push delivered visible results during the year, as testified by the notable increase in digital engagement and transaction activity through the mobile app.

In parallel, Nations Trust continued its digital technology migration aimed at improving the efficiency of internal workflows in order to enhance customer convenience and overall experience. As part of the ongoing automation and digitisation agenda, a series of work stream efficiency improvements were rolled out with a view to improving service delivery and responsiveness across all key retail product verticals.

Way Forward

The outlook for Nations Trust's Consumer Banking segment appears positive, with the stable macroeconomic forecast for 2026 expected to lay the foundation for sustained demand for core consumer banking products in the coming years. Against this backdrop, Nations Trust will pursue aggressive expansion of its consumer banking franchise through focused tactical approaches targeting captive market share growth across all product verticals. Advancing the customers' digital migration journey will be another key priority for Nations Trust in the years ahead.

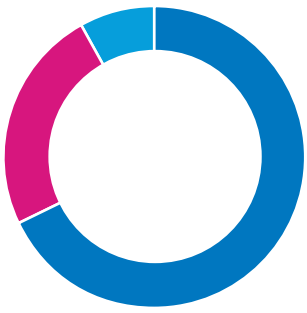
Commercial Banking

Operating Environment

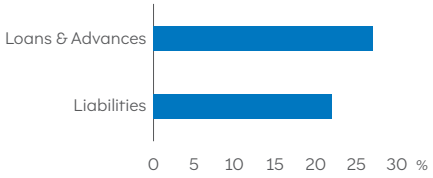
- Broad-based economic revival supported by improving macroeconomic indicators including easing of inflationary pressures, stabilising interest rates and strengthened external sector performance.
- Recovery in key sectors including manufacturing, exports, services and trade alongside renewed business confidence helped to boost investment and expansion.
- Removal of restrictions on vehicle imports supported trade activity resulting in improved business confidence.
- Increased economic activity translated into stronger performance within the financial sector, as business began expanding operations, re-activating investment and business expansion plans and seeking banking partnerships to support business transformation.

Key Performance Highlights for 2025

Composition of Revenue



Contribution to Group - Commercial



Lending Approach

For our Commercial Banking segment, the positive growth trajectory in the economy provided a solid platform for growth in 2025. Given the visible increase in credit demand, we focused on deepening ties with long-standing customers while also accelerating client acquisitions, especially among new and emerging businesses. At the same time, we continued to maintain a selective and long-term approach to lending, where the emphasis remained on structuring customised credit facilities to enable clients to grow in alignment with the evolving economic landscape in a sustainable manner.

Sector Focus

Our sector strategy continued to be anchored to national economic priorities and was specifically concentrated on manufacturing, export-oriented industries and import substitution sectors, all areas that contribute meaningfully towards national productivity, generating employment and boosting foreign exchange earnings.

As always, we continued to support the SME sector revival through a targeted approach designed to empower SMEs to capitalise on the wider economic momentum. In a notable development, we signed up as a participating bank under the National Credit Guarantee Institution (NCGI) to leverage more affordable credit access for SMEs. Partnerships with ADB, FMO, IFC and government funding institutions were also further strengthened to deliver targeted financial support to businesses that promote environmental stewardship, women-led entrepreneurship and socially inclusive development.

These efforts were coupled with tailor made financing solutions and relationship-based advisory services to assist SMEs to stabilise operations, align repayments with cash flows and position their businesses for sustainable growth over time. In this regard, the Beyond Ordinary – Nations Business Advisory support programme for commercial clients was further expanded in 2025 with sessions offering access to relevant knowledge, industry trends and market intelligence, conducted across key geographies of the country.

Asset Quality

The focus on asset quality management was further intensified in 2025 with our Loan Rehabilitation Unit overseeing client engagements to ensure timely restructuring, recovery and preserve long term portfolio stability.

Deposit Mobilisation and CASA Growth

Deposit mobilisation efforts were driven by a strong push for digital adoption amongst clients. A key initiative was the launch of the enhanced version of the Nations Direct Enterprises (NDE) online banking platform with upgraded functionality for improved transaction experiences, stronger security, better visibility over business cash flows and integrated digital tools to support operational efficiency.

Likewise, the launch of the Nations Trust Business Mastercard in late 2024 also gained significant traction in the year under review in order to make a notable contribution towards enhancing the CASA mix in the current year.

Way Forward

Looking ahead, we will aim to scale up efforts to support high-impact sectors of the economy in partnership with development finance institutions, government bodies and sectoral agencies to support the national growth agenda. Sustainable finance will be another key imperative going forward.

In tandem with the expansion in the lending book, we will also focus on increasing digital penetration among the client base in order to enhance customers' banking experience, improve efficiencies across value chains and driving liability growth.

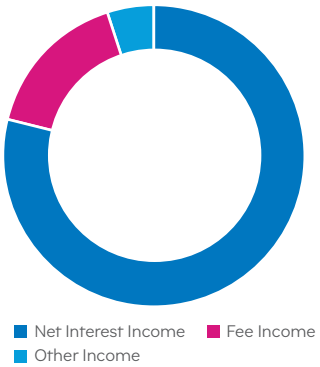
Corporate Banking

Operating Environment

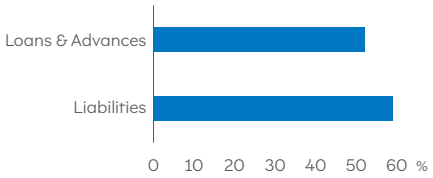
- Economic recovery-led corporate growth translating into the demand for trade finance and capital expenditure projects.
- Keen interest for ESG and green financing among corporates.
- Increased need for digital adoption among corporates to streamline operations, optimise cash flows and reduce operational costs.

Key Performance Highlights for 2025

Composition of Revenue



Y-o-Y Growth (%)-Corporate



Lending Approach and Sector Focus

The business unit continued to maintain a disciplined lending approach to ensure credit deployment in 2025 was directed towards long-term growth and economic stability. Accordingly, we adopted a tactical strategy to focus mainly on corporates demonstrating sound financials as well as operating in sectors with strong potential for sustained growth including telecommunications, infrastructure, logistics and utilities.

Supporting export-oriented businesses was also a key priority, which saw the unit facilitating the acquisition of a local apparel company by a foreign investor, marking the first cross-border apparel investment since the economic crisis. Likewise, we continued to facilitate CAPEX needs of top tier and second tier exporters, particularly in the agriculture sector.

Meanwhile, in keeping with our commitment to align with the government's 2030 vision to achieve energy sustainability, ESG linked financing was significantly accelerated in 2025. With the allocation of a dedicated funding line for this purpose, several notable projects were financed including one of Sri Lanka's largest rooftop solar project at a warehousing complex in the Western Province and a large-scale waste to energy project in the Sabaragamuwa Province.

Asset Quality

Targeted lending to high growth sectors alongside stringent client selection helped to preserve asset quality with NPAs and impairment being well managed in the current financial year.

Deposit Mobilisation and CASA Growth

Our deposit mobilisation strategy for corporate clients was underpinned by efforts to drive digital adoption, in particular automated payment processes to boost the CASA base. To that end, a series of enhancements were made to our Corporate Banking platform, including customisable host to host API integrations to enable corporates to manage payments and collections more effectively to complement their respective business models.

Digital Adoption

Building on our past efforts, we continued to prioritise digital adoption by helping corporate clients and their employees leverage technology to streamline operations, optimise cash flows and access banking services more efficiently.

Apart from enhancements to the Corporate Banking platform, our transaction banking services were also significantly expanded to enable corporates to optimise their value chains by integrating suppliers and distributors into their financial ecosystem.

Promotional campaigns were centred around driving digital adoption. The Nations Direct campaign, themed "Go Direct with Nations Direct", highlighted the capabilities of our platform through a video series featuring an influencer.

Meanwhile, as part of the broader approach to strengthen CASA, we continued to promote value-added solutions such as the "NPower" Corporate Employee Programme, which helps employees of large corporates build a strong savings culture that would empower them to access a range of formal financial services. These efforts were complemented by capacity building and advisory services aimed at improving financial literacy among these target groups.

Way Forward

In the year ahead, our direct lending activities will focus on supporting corporates in achieving sustainable growth through strategic business expansion both locally and internationally. At the same time, we will continue to enhance digital platforms and transaction banking solutions to improve efficiency and convenience for clients. We will continue to reinforce relationships with our corporate customers, thereby cementing our status as the most trusted banking partner for corporates in Sri Lanka.

Treasury

Operating Environment

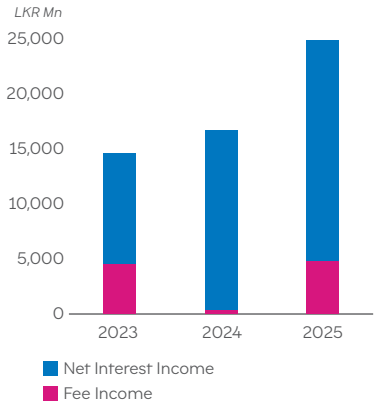
Building on the strong rebound seen in the latter part of 2024, Sri Lanka's economy continued to recover steadily in 2025. Inflation continued to trend toward the CBSL's medium term target of 5%–7%, while accommodative monetary policy adjustments saw policy rates declining progressively throughout 2025. The declining rate environment was instrumental in fuelling private sector credit appetite, after several years of subdued demand. With robust expansion witnessed across all key sectors of the economy, GDP growth is estimated to be approximately 5% in 2025.

Triggered by the softening of the interest rates, activity in the domestic fixed income securities market also experienced a notable uptick, particularly across longer tenors, underscoring strengthening investor confidence in Sri Lanka's capital markets.

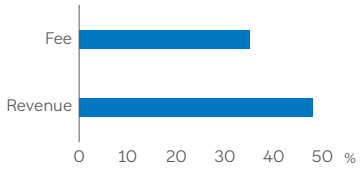
Meanwhile, external sector resilience on the back of improved tourism receipts and incremental growth in remittance inflows helped bolster foreign exchange liquidity and contributed to exchange rate stability.

Key Performance Highlights for 2025

Treasury Income



Contribution to Group – Treasury



Interest Rate Risk Management

Against the backdrop of declining interest rates, Nations Trust's Treasury adopted a highly disciplined approach to managing interest rate risk, with a view to safeguarding earnings and preserving balance sheet stability. Amidst the strong revival in lending activity, funding strategies were realigned to support asset growth, while ensuring structural mismatches were minimised. At the same time, the impact of interest rate movements on both assets and liabilities were also continuously assessed, with particular emphasis on repricing mismatches to minimise potential adverse impacts. These efforts were complemented by regular gap analysis, duration monitoring and stress testing to ensure exposures remained within the Bank's approved risk appetite and internal tolerance limits regardless of evolving interest rate dynamics.

As part of the overall approach to managing interest rate risk, the Treasury also focused on strategically positioning the fixed income securities book to optimise portfolio yields.

Foreign Exchange Risk Management

Treasury is also responsible for managing the Bank's exposure to foreign exchange rate risks while facilitating client requirements through the forex sales and trading desks. Associated market risks arising from the expansion in FOREX operations was effectively managed through real time monitoring and controls to ensure FOREX exposures remained well within the approved risk thresholds at all times.

Treasury continued to manage the Bank's Net Open Position prudently, by responding to movements in the exchange rate and overall liquidity conditions of the market.

Liquidity Risk Management

Managing liquidity risk inherent in the balance sheet is a central function of the Treasury. Given the evolving market dynamics in 2025, the Treasury continued to focus on maintaining strong liquidity to support growing credit demand. Anticipating a growth in assets amidst strong credit appetite alongside a possible drop in liabilities in light of the low interest rate environment, the Treasury's efforts to proactively manage liquidity requirements were led by a pragmatic approach to diversify the fund base by tapping into both wholesale and retail sources.

Equally importantly, liquidity positions were monitored on an ongoing basis through stress testing, cash flow gap analysis and contingency funding assessments. Notably, all regulatory liquidity metrics, including the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) were maintained well above minimum regulatory thresholds throughout the year, ensuring Nations Trust maintained sufficient buffers to meet short-term obligations while preserving balance sheet flexibility to support sustainable growth.

Way Forward

A disciplined approach to balance sheet management, combined with customer-centric product offerings will remain at the heart of Treasury's strategy to strengthen the Bank's readiness to seize opportunities in the coming years. As economic activity strengthens further in 2026, a top priority for the Treasury will be to ensure the Bank is equipped to support expanding client activity across Corporate, Consumer and Commercial Banking.

Financial Capital

Management Approach

Our approach to managing Financial Capital is centred on prudent balance sheet management, disciplined capital allocation, resilient liquidity practices, and a strong focus on sustainable profitability. Building on these principles, Nations Trust delivered a strong performance in 2025, underpinned by a well-executed strategy, and strengthened by its lean, agile business model.

The Group's financial capital and liquidity management prioritises long-term value creation for all stakeholders. Through strong governance, prudent risk management, and disciplined financial stewardship, Nations Trust is committed to delivering consistent returns that align with shareholder and stakeholder interests.

Key Highlights for 2025

14.6% Growth in PAT

8.0% Growth in NII

3.0% Return on Assets

21.9% Return on Equity

LKR 57.76 Earnings per Share

LKR 293.12 Net Asset Value per Share

Sustainable Development Goals (SDGs)

Financial Performance

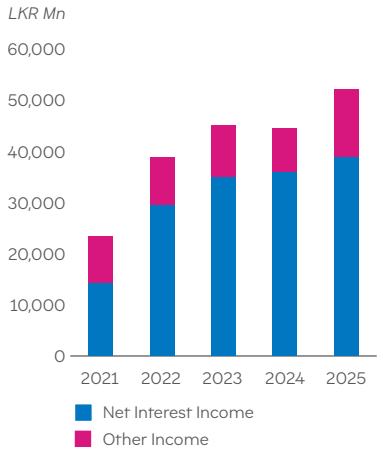
Net Interest Income

The year in review was marked by a declining interest rate environment, pressurising yields on interest earning assets. The Group's net interest income increased by 8% to LKR 38.8 billion in 2025, where the net loan growth of 50% predominantly supported the increase in NII. In improving its funding base, the Group was focused on low cost funding through CASA which grew by 26%. Robust asset and liability management practices, facilitating timely repricing of assets and liabilities contained the contraction in the NIM to 6.0% in 2025 (2024: 6.9%), despite the pressures exerted from declining interest rates.

Other Income

A growth of 10% in net fee and commission income to LKR 8.9 billion was recorded in 2025. The growth in net fee and commission income was driven through increased credit growth, trade financing and cash management activities. Fee and commission income generated from credit cards also expanded, reflective of the increased credit card spend following new card launches and strategic initiatives. The Group's operating income grew by 18% compared to 2024, in which the de-recognition of International Sovereign Bonds was recorded last year.

Income Trends



Impairment Charges

Nations Trust leverages data driven decision making to manage credit risk effectively, beginning from the pre evaluation and extending throughout the entire customer life cycle. The Group recorded an impairment reversal of LKR 106.3 million in 2025 compared to a reversal of LKR 3.2 billion in the previous year, mainly on account of ISB de-recognition. The Group's Stage 3 loan ratio net of provisions improved to 0.9% in 2025 (2024: 1.6%), maintaining well below industry norms. Further, the Group's Stage 3 provision cover increased to 66.7% as at end-2025 (2024: 60.6%), reflecting a prudent approach to credit risk management.

Cost Management

The increase in personnel expenses in line with the staff benefits and compensation packages, coupled with the growth in transactional volumes and tariff increases led to the increase in Group operating expenses by 13% year-on-year (LKR 17.0 billion). Nations Trust maintained its focused drive on digitalisation, automation and lean methodologies, proactively challenging the status quo to strengthen resource optimisation in managing its Cost : Income ratio. The Group's cost to income ratio was maintained at 32.5% in 2025 compared to 33.7% in 2024.

Taxation

Taxes and levies on financial services increased to LKR. 6.9 billion whilst the Bank's income tax expense increased to LKR 9.1 billion, owing to a higher taxable profit.

Approach to Taxation

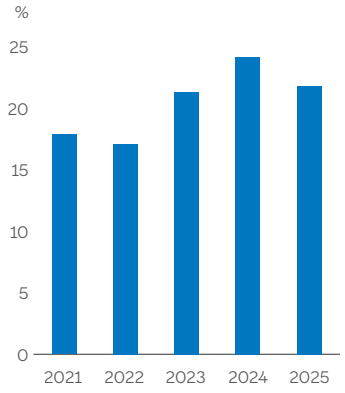
The tax strategy is executed by a specialised unit consisting of experienced individuals operating under the supervision of the Chief Financial Officer. The unit functions to optimise the Group's tax cost to ensure continued contribution to government revenue, while fulfilling shareholder needs. Nations Trust continued to maintain a cordial and transparent approach with the tax authorities during 2025 and complied fully with all relevant tax regulations and guidelines. The Board monitored the Bank's tax compliance on a regular basis.

Profitability

Driven by prudent margin management, growth in net fee and commission income, enhanced asset quality and other operating income, the Group posted a robust financial performance in 2025. The Group's profit before tax grew by 10% to LKR 28.4 billion while profit after tax expanded by 15% to LKR 19.3 billion.

Sustained strategic emphasis towards shareholder value creation throughout the years contributed to a Return on Equity of 21.9% in 2025 (2024: 24.2%), well above the industry benchmark. The improvement in Earnings per Share from LKR 50.39 in 2024 to LKR 57.76 in 2025, demonstrated the Group's solid earnings trajectory and reinforces its commitment to delivering sustained value creation.

Return on Equity



Financial Position

Asset growth

Group total assets grew by 28%, surpassing the LKR 700 billion milestone as at end-2025. The Group's loans and advances expanded by 50%, driven by increased demand for credit. As a result, the Group's asset mix became increasingly weighted towards loans and advances, accounting for 61% of Total assets as at end-2025, an increase from 53% recorded in 2024.

Nations Trust continued to place strong emphasis on prudent liquidity management to ensure its ability to meet all obligations as they fall due, while supporting ongoing and projected business growth. The consolidated Liquidity Coverage Ratio declined to 203.40% as at end-2025 (2024: 320.56%). However, the focused approach to liquidity planning and balance sheet management, ensured that liquidity parameters were well above the minimum stipulated regulatory requirements.

Capital and Funding

The Group concluded the year 2025 with a strong capital and funding profile, ensuring ample capacity to pursue future growth opportunities and fulfil its strategic objectives. Shareholders' funds recorded a healthy growth of 22% to end the year in review at LKR 96.9 billion, driven primarily by the robust expansion in retained earnings of 29%, reflecting the year's strong performance on profitability. Stated Capital increased by 7% to LKR 13.0 billion owing to the declaration of scrip dividends for 2024. An improvement in Net Asset Value per Share from 243.65 in 2024 to 293.12 in 2025 signifies the Group's solid capital generation capabilities and reinforces the value created for its shareholders. As a result, key regulatory capital ratios, including Group Tier 1 (19.6%) and Group Total Capital Adequacy (20.7%), remained comfortably above the minimum requirements, ensuring a stable capital buffer that underpins the Group's strategic objectives and long-term value creation for shareholders.

With a view of consolidating its capital strength and supporting sustainable future growth, Nations Trust announced its proposed issuance of BASEL III compliant Tier 2 listed rated unsecured subordinated redeemable debentures during December 2025. The proposed debenture, subject to regulatory and shareholder approvals intends to raise LKR 10 billion, with an option to issue a further LKR 5 billion, at the discretion of the Bank, in the event of an oversubscription.

As at end-2025, total liabilities stood at LKR 603.4 billion, reflecting a 29% increase. The Bank's funding structure continued to be anchored predominantly by the customer deposit base which expanded by 31% to 502.2 billion. The healthy expansion in CASA, coupled with constantly maintaining of a healthy rollover ratio on term deposits ensured stable funding.

Manufactured Capital

Management Approach

As a Bank with a wide physical presence and an expanding digital footprint, Nations Trust recognises the need to manage its infrastructure and technology assets with discipline, foresight and strategic intent. These assets, encompassing physical facilities, digital platforms and core systems, are fundamental to service delivery, operational resilience and the overall customer experience.

Our approach is guided by structured governance frameworks that link capital allocation decisions to strategic priorities, operational requirements and risk considerations. Investments are evaluated with a view to maintaining an appropriate balance between physical and digital capabilities by ensuring that resources are deployed efficiently while supporting scale, accessibility and continuity. Emphasis is also placed on initiatives that improve operational efficiency, strengthen service reliability, enable digital adoption and enhance customer engagement with sustainability and risk considerations embedded into planning and execution processes.

Key Highlights for 2025

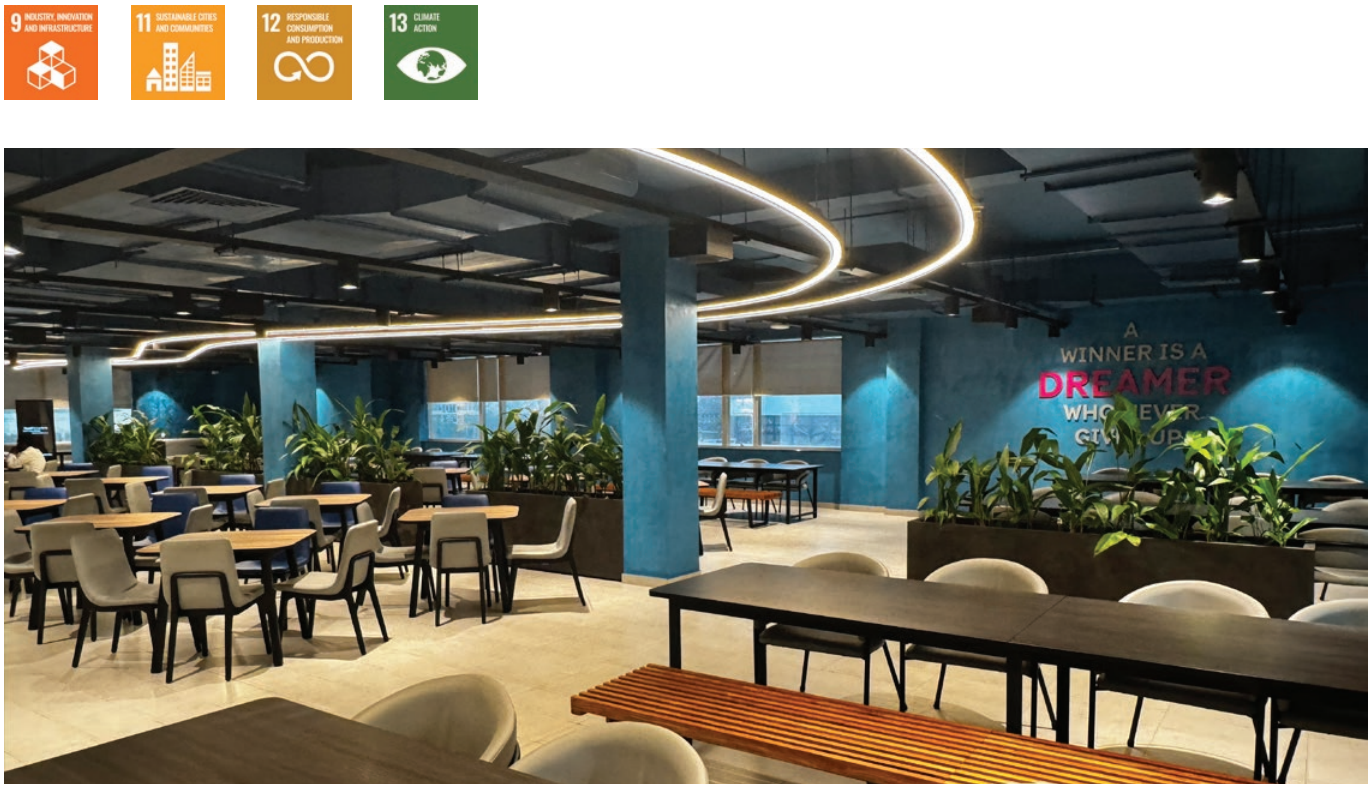
LKR 1.47 Bn
Invested in Property, Plant and Equipment and supporting infrastructure

3
Branches relocated and refurbished to enhance accessibility and service delivery

10
Internal processes digitised or automated, reducing manual intervention and turnaround times

40
Technology and security enhancements implemented to strengthen system resilience and continuity

Sustainable Development Goals (SDGs)



Branch/ATM Network

Nations Trust's branch footprint represented by an island-wide network of 90 physical touch-points serves as the main delivery channel offering banking propositions across Consumer, Commercial and Corporate customer segments. Building on its extensive physical presence, the Bank allocates considerable resources each year to further refine and optimise its branch network to cater to evolving customer needs.

Ongoing network optimisation efforts in 2025 saw the relocation of both Bandarawela, Jaffna branches and the refurbishment of the Nawam Mawatha branch to enhance accessibility, operational efficiency and customer experience. In parallel, an offsite CRM facility was established at the Kurunegala Bazaar to better serve commercial customers in the area. Furthermore, IOC Kirimandala Mawatha, CRM was also established.

Internal process optimisation initiatives also continued throughout the year to support faster decision-making and improved operational efficiency at branch level. Operating workflows were standardised and simplified following comprehensive reassessments conducted by Nations Trust's Lean Transformation Team. Strong emphasis was also placed on digitisation and automation was used to reduce manual intervention, accelerate transaction processing and improve turnaround times.

Branch governance structures were revamped with the relocation of roles and responsibilities to strengthen accountability and support faster decision-making. Simultaneously, delegated authority levels were revisited and internal controls were reinforced to maintain robust risk management and regulatory compliance across branch operations, with compliance oversight strengthened through centralised monitoring mechanisms.

Jaffna branch relocation

New investments in the network aim to ensure ATMs / CRMs are located in high population density areas with increased customer footfall.

Ongoing operational improvements during the year saw the CRM deposit limits being increased from LKR 200,000 to LKR 500,000 in order to providing customers with greater flexibility in managing cash transactions while supporting more efficient cash handling and reduced paper usage across the network.

Property, Plant and Equipment

Investment in Property, Plant and Equipment (PPE) enables the creation of the asset base required to operationalise Nations Trust's branch / ATM networks and centrally owned buildings.

PPE investments are guided by a disciplined approach where preliminary proposals submitted by business heads are consolidated into the annual Capital Expenditure (CAPEX) budget and presented for approval of the Board.

Working within the budget allocations, business units submit requisitions based on operational requirements, technology upgrades or regulatory mandates. Requests are assessed based on complexity and value with technical and financial evaluations and approval thresholds applied in line with internal policies. Projects are prioritised according to strategic relevance and their contribution to the Bank's overall objectives with capital expenditure relating to assets such as land and buildings for branches and ATMs reviewed for alignment with strategic and operational plans.

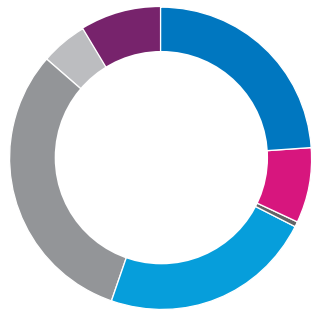
Following budget approval, execution is governed through a structured procurement framework to ensure transparency, compliance and value for money.

Asset Decarbonisation

Our approach to asset decarbonisation focuses on improving the efficiency of physical assets. Through targeted upgrades to buildings, systems and workspaces, we aim to reduce our environmental footprint while maintaining operational effectiveness and meeting stakeholder expectations for comfort, convenience and environmental quality.

Environmental considerations are integrated into the management of physical assets by prioritising investments that reduce carbon emissions, energy use and water consumption. As such all new investments and asset replacements are assessed against operational requirements and long-term resource efficiency goals.

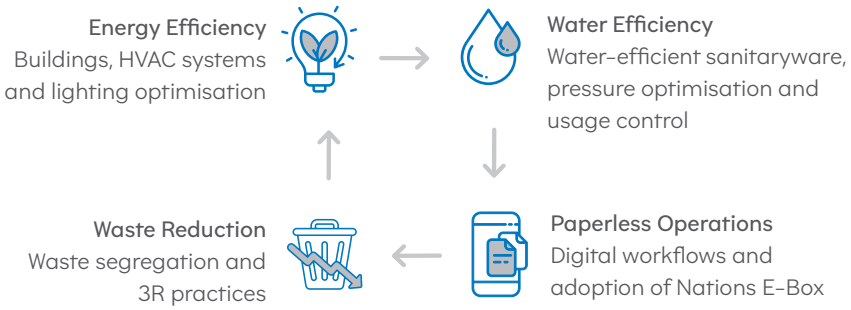
Investment in Property, Plant & Equipment



- Lands, Buildings & Other Infrastructure (24%)
- Furniture & Fittings (8%)
- Motor vehicles (0.5%)
- Computer Equipment (23%)
- Intangible Assets (31%)
- Leasehold Improvements (5%)
- Other Operational Assets (8.5%)

Manufactured Capital

De-carbonising Nations Trust's Physical Assets



Efforts for 2025 were led by the Fusion Project aimed at modernising Nations Trust's corporate office through investment in environmentally friendly equipment such as low-power devices, LED lighting solutions and focus on energy-efficient layouts. At the same time, operational practices were strengthened to improve energy efficiency, optimise water use and reduce waste, while digital adoption was intensified specifically to reduce paper waste.

Focus Area	Key Initiative
Energy Reduction	Investment in a new energy-efficient Central Air Conditioning system with automated operating capability
	Installation of energy-efficient LED linear lighting with optimised layouts
	Replacement of motors, water pumps and fans with lower-stress equipment
Air Quality Management	Redesigning office layouts using lighter colours and open workstations with shared ventilation systems
Water Conservation	Replacement of selected sanitaryware with water-efficient alternatives
	Optimisation of water pressure in high consumption areas
Reducing Paper Waste	Implementation of paperless workflow systems in key credit-related functions
	Promotion of Nations E-Box through digital customer platforms

Newly refurbished Head office

Digital Channels

Digital channels form a core component of the Bank's service delivery model. Nations online banking, Internet Payment Gateway, Self On-Boarding platform, the Nations Direct app, Nations E-Box together with the FriMi app, support everyday transactions for retail customers, while Nations Direct Enterprise enables commercial and corporate customers to manage transactions efficiently.

Taking steps to further expand the Bank's digital channels, a Digital Onboarding platform was piloted in 2025. The initiative which forms part of the Bank's broader digitalisation agenda aims to deliver a more seamless and consistent onboarding experience to support merchant acquisition.

Nations Direct

Nations Direct Enterprise

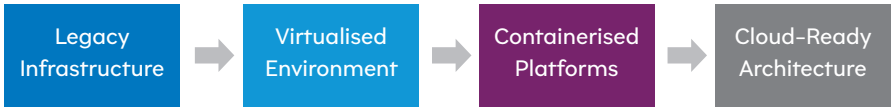
FriMi

IT Infrastructure

IT infrastructure forms the backbone of the Bank's operations, enabling the secure and reliable delivery of core banking services and digital channels. Designed as an enterprise-wide environment, Nations Trust's IT infrastructure supports mission-critical workloads while providing the scalability, resilience and control required in a highly regulated banking context.

The Bank's IT infrastructure which in the past was heavily reliant on physical servers and legacy hardware was migrated to a fully virtualised and containerised architecture as part of the first phase of the IT infrastructure modernisation programme initiated in 2025.

IT Infrastructure Modernisation Journey



Key investments included the Core Banking System upgrade which included the introduction of industry leading API based solution to support an API-first and open banking architecture, alongside the implementation of a Supply Chain Financing module to strengthen offerings for corporate and commercial banking customers.

The enterprise content management platform was also modernised through migration to the latest version to facilitate end-to-end automation of the credit workflow while strengthening integration with core banking, internet banking and Nations Direct platforms. The modernised platform is also expected to provide a scalable foundation for future technology integration.

Given Nations Trust's rapidly increasing transaction volumes and data-intensive operations, the Bank's core database infrastructure was upgraded to the latest Oracle Exadata platform equipped to deliver high-speed storage and the ability to optimise Oracle workloads to enable faster transaction processing and query execution.

Network infrastructure was further strengthened to support branch operations, digital channels and enterprise communications. An island-wide SD-WAN rollout across the branch network enabled direct internet access, dynamic path selection and optimised bandwidth utilisation, significantly reducing latency for critical applications and enhancing business continuity. In parallel, call management systems were upgraded through migration to the latest platform, enabling advanced voice and unified communication features, improving call quality and reliability and supporting seamless collaboration.

Digitisation and Process Automation

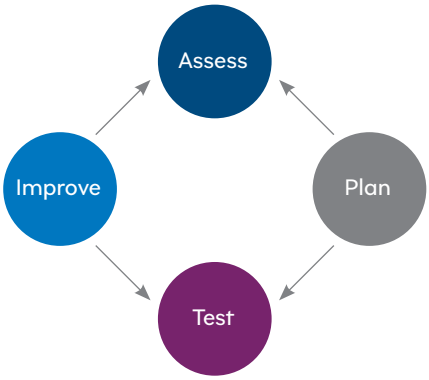
Digitisation and automation are central to how the Bank strengthens operational efficiency, consistency and scalability across its internal processes. By reducing reliance on manual interventions, we aim to improve turnaround times, enhance accuracy and allow teams to redirect capacity towards higher value, customer-focused activities.

Support Systems

Support systems create an ecosystem to enable Nations Trust to sustain operations in the face of disruption. The Bank's main support systems, include the Business Continuity Management framework and Disaster Recovery infrastructure that collectively ensure preparedness, coordination and recovery across critical functions to support the uninterrupted availability of essential services even in the event of unplanned disruptions.

Business continuity is managed through a structured Business Continuity Management System. The framework is supported by a Board-approved BCMS policy and procedures developed in line with global best practices including the ISO 22301:2019 Business Continuity Management Standard.

Business Continuity Lifecycle



Disaster Recovery infrastructure supports the timely recovery of critical systems and data within defined recovery parameters. Nations Trust's Disaster Recovery Plan (DRP) infrastructure is located at an independent state-of-the-art, Tier 3-certified Disaster Recovery site with real-time replication of core systems. The complex is equipped with redundant network architecture to maintain connectivity during outages, while backup power and cooling systems are in place to support uninterrupted operations at recovery locations. As part of ongoing improvement initiatives strengthen recovery capabilities, defined backup and recovery procedures are tested regularly to ensure data integrity, while recovery simulations covering core banking systems, together with application-level testing for customer-facing platforms, are conducted to validate recovery readiness.

Information Security Systems

Information security underpins the protection of the integrity, availability and confidentiality of the Bank's systems and data. As Nations Trust's operations and digital channels continue to expand, the focus remains on clear accountability, disciplined risk management and continuous oversight to safeguard the Bank's information assets.

Accordingly, Nations Trust Bank Information Security Management System is aligned with Central Bank of Sri Lanka requirements on technology risk management and incident reporting, as well as the ISO 27001 Information Security Management Standard, the framework brings together policy governance, risk assessment, control implementation and monitoring within a single system.

Compliance with the CBSL Technology Resilience and Payment-Related Mobile Application Guidelines is monitored

Manufactured Capital

Policies Introduced in 2025

- Information Security Management System
- Acceptable Usage Policy
- Encryption Policy

through structured gap assessments and periodic follow-ups. Continuous monitoring through a 24/7 Security Operations Centre, together with defined incident response protocols, supports timely detection, escalation and response to security events.

Control effectiveness is reinforced through both technical and procedural measures. The implementation of a Security Information and Event Management solution enhanced the Bank's ability to correlate events and respond to potential threats across its technology environment. Cybersecurity measures are further strengthened through the deployment of next-generation firewalls across all data centres and internet gateways, providing advanced threat protection capabilities including intrusion prevention, Secure Socket Layer (SSL) inspection and sandboxing.

In 2025, these controls were integrated with the Security Information and Event Management system to enable real-time monitoring, while encryption and multi-factor authentication were embedded across infrastructure layers to protect customer data and support compliance with Central Bank of Sri Lanka and Personal Data Protection Act (PDPA) requirements.

Assurance regarding the effectiveness of information security controls was obtained through a multi-pronged approach combining internal due diligence and independent assurance. This includes annual ISO 27001 surveillance audits, vulnerability assessments and penetration testing conducted by independent specialists, as well as regulatory audits carried out by the Central Bank of Sri Lanka.

Another notable development in the current year was the introduction of new policies, namely the Information Security Management System Policy, Acceptable Usage Policy and Encryption Policy, collectively providing the structure for strengthening governance and accountability across the Bank.

Future Plans

Nations Trust's future investments in infrastructure will aim to optimise both physical and digital infrastructure. The expansion of physical touch-points will be assessed selectively to complement the growth of digital payment usage in keeping Sri Lanka's shift towards a digital-first economy.

Furthermore, given the growing complexity of Nations Trust's digital ecosystem, information security resilience will remain a key priority in the coming years. Specific plans in this regard will include the implementation of File Integrity Monitoring, Network Detection and Response capabilities and enhanced Email Threat Prevention solutions to strengthen threat detection and response across the technology environment. The Bank will also working towards achieving full ISO 22301 certification by 2026, reinforcing the operational resilience framework that underpins continuity across critical functions.

Intellectual Capital

Management Approach

Intellectual Capital at Nations Trust consists of intangible assets that play a central role in supporting informed decision-making, enhancing operational discipline and long-term competitiveness, while strengthening stakeholder confidence.

The Bank's approach to developing Intellectual Capital is anchored in disciplined brand stewardship to ensure brand values, positioning and messaging remains across customer and stakeholder touch-points. Brand-building initiatives are complemented by investments in developing institutional knowledge and capability, with emphasis on fostering a culture of innovation that encourages continuous improvement in how the Bank operates and responds to change.

The voluntary adoption of globally recognised standards and best practices that contribute towards strengthening the Bank's institutional capacity along with memberships, affiliations and strategic associations that align with the Bank's objectives, also contribute towards enhancing the Nations Trust's Intellectual Capital.

Key Highlights for 2025

Ranked 4th in the Bank Brands Category
LMD Most Loved Brands 2025

Trust in Better.
Strengthen the 'Trust in Better' proposition

ISO 27001:2022
Upgraded to ISO 27001:2022

Sustainable Development Goals (SDGs)

Intellectual Capital

Corporate Brand

Corporate branding efforts in 2025 focused on reinforcing Nations Trust Bank's position as a trusted and progressive Bank.

'Trust in Better' campaign
The 'Trust in Better.' campaign was designed as a comprehensive 360-degree communication initiative to further strengthen the Bank's brand proposition. Using engaging storytelling and a consistent message, the campaign was rolled out across press, radio and key digital platforms including Meta, LinkedIn, YouTube and TikTok to enhance brand awareness and drive meaningful engagement among customers, employees, investors and the wider public. The campaign also strategically leveraged the recent acquisition announcement to reinforce stakeholder confidence and trust, while elevating brand visibility.

Launch of new corporate film
Nations Trust launched its new corporate film in July 2025 across internal channels and social media platforms. The film which brings the "Trust in Better" brand proposition to life through compelling and authentic storytelling, also reflects the Bank's purpose and its steadfast commitment to raising standards, fostering progress and pursuing excellence in all aspects of its operations. By highlighting real moments and genuine experiences, the film resonated strongly with employees, customers and the wider public, reinforcing Nations Trust's positioning as a forward-looking, purpose-driven financial institution built on trust.

Seasonal and other special day campaigns
A series of seasonal and special-day campaigns, including Avurudu and Christmas were carried out to complement and reinforce the "Trust in Better" brand proposition. Each initiative was curated to strengthen emotional connection, enhance brand recall and communicate the relevance of Nations Trust's promise across diverse audiences.

Knowledge Base

Nations Trust's knowledge base is a critical component of the Bank's Intellectual Capital. Our highly skilled and experienced C-suite team form the core of our knowledge base. With expertise spanning across retail and corporate banking, treasury and financial markets, risk management, credit, technology, compliance, human resources and marketing, our C-suite team have a strong understanding of market dynamics, customer behaviour and emerging risks enabling the Bank to respond with agility to changing economic and regulatory conditions, while maintaining a disciplined approach to governance and performance management.

The knowledge base is further strengthened through continuous professional development, structured leadership forums and regular engagement with external experts, regulators and industry bodies. In addition, cross-functional collaboration, succession planning and targeted training programmes ensure the transfer of knowledge across leadership levels.

A Culture of Innovation

At Nations Trust, innovation is embedded as an organisational capability driven by the collective skills, perspectives and adaptability of our people. We cultivate an environment that encourages critical thinking, collaboration and the disciplined review of existing practices, enabling teams to respond effectively to evolving operating requirements and business priorities.

A central role in embedding this capability is played by the Bank's Lean Team, which is responsible for reviewing internal processes to identify opportunities for improvement. The team focuses on how workflow redesign can be applied to strengthen operational efficiency, reduce manual intervention and minimise the risk of error across the organisation.

Standards and Certifications

Our Intellectual Capital is supported by the adoption of voluntary standards that strengthen governance, reinforce risk discipline and enhance stakeholder confidence. These standards also reflect the Bank's commitment to aligning its internal systems and controls with recognised global best practices, beyond minimum regulatory requirements.

ISO 27001 Information Security Management Standard

Nations Trust has remained an ISO 27001 Information Security Management Standard certified organisation for the past 10 years.

In 2025, the Bank successfully completed its transition to ISO 27001:2022, the latest version of the Information Security Management standard. The updated standard incorporates enhanced controls to address emerging cyber risks and evolving technological environments, while strengthening the governance framework underpinning information security management. Through this transition, the Bank streamlined security-related processes and reinforced accountability across systems, supporting a structured and risk-based approach to safeguarding information assets. Adoption of the updated standard reflects the Bank's continued emphasis on protecting data integrity, confidentiality and availability in line with globally recognised best practices.

Memberships and Affiliations

Memberships and affiliations provide unique benefits that enhance Nations Trust's institutional knowledge, innovation capacity and competitive positioning. Interacting with banking association and industry forums promotes knowledge sharing and thought leadership to improve industry-wide standards, while affiliations with subject matter experts and professional bodies enable collaboration to facilitate targeted efforts.

- Ceylon Chamber of Commerce
- Leasing Council of Bankers of Sri Lanka
- The Employers' Federation of Ceylon
- Payment Card Industry Association of Sri Lanka
- The Financial Ombudsman Sri Lanka (Guarantee) Limited
- Association of Compliance Officers of Banks
- International Chamber of Commerce Sri Lanka
- Sri Lanka Forex Association
- American Chamber of Commerce in Sri Lanka
- Sustainable Banking Initiative of the Sri Lanka Banks' Association
- Biodiversity Sri Lanka
- Sri Lanka Banks Association (Guarantee) Ltd
- Sri Lanka Japan Business Council
- Fitch Ratings Lanka Ltd
- Banks' CIO Forum
- Sri Lanka Malaysia Business Council
- Asian Development Bank
- International Finance Corporation
- Ministry of Finance, Planning and Economic Development

Future Plans

Going forward, Nations Trust will continue to strengthen its position as a trusted, responsible and progressive banking institution by bringing the 'Trust in Better' promise to life through visible, meaningful action. This will be complemented by clear, consistent and compelling storytelling across all touch-points to reinforce Nations Trust's role as a bank that delivers better outcomes for customers, employees and stakeholders, while maintaining a confident, modern and human tone aligned with the Bank's long-term growth strategy. At the same time, the brand will evolve with a stronger focus on thought leadership, integrated ESG impact, people and culture and relationship-led banking, ensuring relevance in a rapidly changing financial landscape.

Looking ahead, Private Banking will continue to evolve beyond traditional financial services by enhancing its value proposition through curated lifestyle-led offerings. By leveraging selective partnerships and platforms, the Bank aims to deliver distinctive experiences aligned with clients' evolving expectations, while reinforcing its positioning as a trusted and premium financial partner.

Across consumer banking, a sharper focus will be placed on driving engagement and usage through targeted, insight-led communication, supported by seasonal and lifecycle-based strategies. Mastercard brand equity will be further strengthened by clearly articulating its value, benefits and everyday relevance, encouraging sustained usage and long-term loyalty.

To support these ambitions, Nations Trust will continue to amplify its omni-channel digital marketing capabilities by leveraging its existing martech ecosystem to deliver consistent, personalised and compliant customer experiences across all segments. All brand and marketing activities will be aligned with the evolving regulatory landscape, including PDPA requirements, ensuring trust, transparency and responsible growth remain at the core of the Nations Trust brand.

Human Capital

Management Approach

At Nations Trust, we believe that our ability to sustain and grow our core business is contingent on the capability, commitment and passion of the 2,462 strong team of Nations Trust employees across Sri Lanka. Against the backdrop the highly competitive environment in which we operate, we aim to build a strong Human Capital base that has the capacity and capability to take ownership for Nations Trust's current and future growth trajectory.

Striving to position Nations Trust as an employer of choice, our Human Capital Management approach focuses on creating an empowered workforce that is fully engaged and invested in the Bank's journey. A comprehensive, Board-approved policy framework that is fully compliant with all applicable regulatory requirements and closely aligned with global best practices, prioritises talent development, throughout the entire employee lifecycle.

Equally, we focus on managing a multi-generational workforce within an inclusive work environment and a strong organisational culture that respects employee rights and fosters engagement, collaboration and trust. We also place a strong emphasis on employee well-being by promoting workplace health and safety, open dialogue and ethical conduct supported by robust Speak Up mechanism that encourage transparency and accountability.

Governance and oversight for Human Capital matters are provided by the Board of Directors, assisted by the Human Resource and Remuneration Committee, while the responsibility for policy implementation rests with the Chief People Officer and the HR Team.

Key Highlights for 2025

443
New recruits

LKR 9.6 Bn
Distributed as monetary benefits to employees

606
Training sessions

48,501
Total training hours

Sustainable Development Goals (SDGs)

Team Profile

Nations Trust's Human Capital base consists of diverse mix of employees across age groups, gender and experience levels, collectively forming 2,462 strong workforce deployed across customer facing roles at branches, operational support functions and specialised business units within the Bank.

Employees by Employment Contract and Region

Workforce by Region and Contract	Permanent	Temporary	Total
Western Province	1,806	232	2,038
Central Province	81	7	88
North Central Province	20	1	21
Eastern Province	29	1	30
Southern Province	106	2	108
North Western Province	81	7	88
Uva Province	16	3	19
Sabaragamuwa Province	29	3	32
Northern Province	38	–	38
Overseas	–	–	–
Total	2,206	256	2,462

Employees by Age and Category (%)

Employees by Gender and Category	Below 30		30 -50		50 Above	
	Male	Female	Male	Female	Male	Female
Corporate Managers	–	–	7 (0.3%)	3 (0.1%)	8 (0.3%)	1 (0.05%)
Senior Managers	–	–	130 (5.3%)	36 (1.5%)	31 (1.3%)	13 (0.5%)
Managers	8 (0.3%)	7 (0.3%)	258 (10.5%)	143 (5.8%)	9 (0.4%)	1 (0.05%)
Deputy Managers	38 (1.5%)	39 (1.6%)	170 (6.9%)	120 (4.9%)	5 (0.2%)	3 (0.1%)
Others	387 (15.8%)	708 (28.7%)	170 (6.8%)	154 (6.3%)	11 (0.4%)	2 (0.1%)
Total	433 (17.6%)	754 (30.6%)	735 (29.8%)	456 (18.6%)	64 (2.6%)	20 (0.8%)

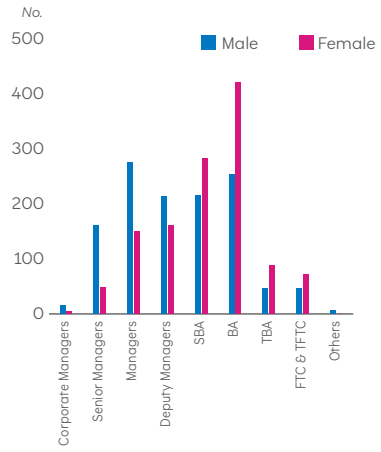
The Bank does not engage employees on a part-time basis

Employees by Contract and Gender

Workforce by Contract	Male	Female	Total
Permanent Contract	1,136	1,070	2,206
Fixed Term/ Temporary	96	160	256
Total	1,232	1,230	2,462

460 Manpower from Outsourced Service Providers

Employees by Gender and Category



Nations Trust Human Capital Management Framework

Policies and Procedures

HR Policy covering Recruitment, Compensation & Benefits

Anti Bribery and Corruption Procedure and Policy

Code of Conduct

Whistleblowing Policy

Data Privacy Policy

Disciplinary Inquiry Procedure

Sexual Harassment Procedure

Consequence Management Procedure

Grievance Procedure

Procedure for Handling Frauds by Staff

Regulatory Compliance

Shop and Office Employees Act of 1954

EPF Act

ETF Act

Payment of Gratuity Act of Sri Lanka

Voluntary Best Practices

UNGC Principle 3: Freedom of association and the effective recognition of the right to collective bargaining

UNGC Principle 4: Elimination of all forms of forced and compulsory labour

UNGC Principle 5: Effective abolition of child labour

UNGC Principle 6: Elimination of discrimination in respect of employment and occupation.

Human Capital

Talent Development

Talent Attraction and Recruitment

Individual values, abilities and exposure serves as a key criterion when attracting talent that aligns with organisational requirements, values and long term business objectives of the Bank. As an equal opportunity employer, Nations Trust's Recruitment Policy supports both external recruitment as well as internal mobility by encouraging current employees to apply for open positions. Hence all vacancies are notified internally and advertised externally.

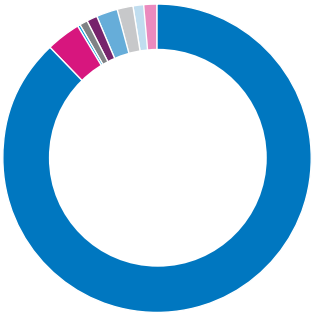
Nations Trust's Internship Programme for school leavers and undergraduate students, serves as a key platform for entry level recruitments. The intensive internship programme provides participants exposure to branch banking operations as well as selected specialised functions enabling direct access to ambitious, high achievers.

When filling vacancies, both internal and external candidates are shortlisted based on a series of assessments connected to the prospective job role with successful candidates facing several rounds of interviews before final selections are made. Moreover, we ensure that the selection is unbiased and free from discrimination based on gender, age or any other status protected by law, underlining our commitment to unbiased selection based solely on merit. No incidents of discrimination were reported in the current financial year. Our selection process also includes comprehensive screening to verify the credentials of all new recruits, including appropriate verifications to ensure minimum age requirements are met, ensuring Nations Trust's operations are not at risk for child labour further more no incidents of child labour were reported during the reporting period.

It is the Bank's policy to recruit only full time employees. Nations Trust does not recruit part time or freelance employees. Further, all members of the senior management locally, from within Sri Lanka.

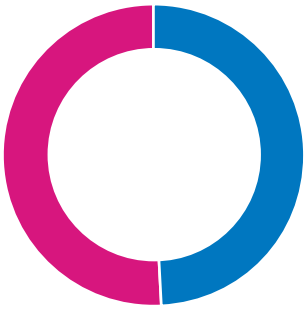
Profile of New Recruits

Recruitment by Region



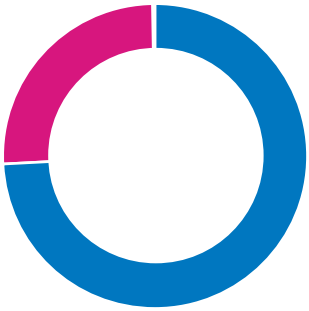
- Western Province (390 - 88%)
- Central Province (15 - 3%)
- North Central Province (2 - 0%)
- Eastern Province (3 - 1%)
- Southern Province (5 - 1%)
- North Western Province (10 - 3%)
- Uva Province (8 - 2%)
- Sabaragamuwa Province (5 - 1%)
- Northern Province (5 - 1%)
- Overseas (0 - 0%)

Recruitment by Gender



- Male (219 - 49%)
- Female (224 - 51%)

Recruitment by Age



- Below 30 years (329 - 74%)
- 30-50 years (113 - 26%)
- Above 50 years (1 - 0%)

On-boarding

It is mandatory for all new recruits to participate in our structured on-boarding programme. The 01 day on-boarding programme is designed to familiarise employees with Nations Trust's policies, procedures, values and role expectations at the outset of their journey with the Bank, while providing the foundational knowledge required to perform effectively within their respective functions.

Upon completion of the on-boarding process, all new recruits remain on probation for a period of 06 months, at the conclusion of which they are absorbed to the main cadre based on their performance and conduct upon successful completion of their probationary period.

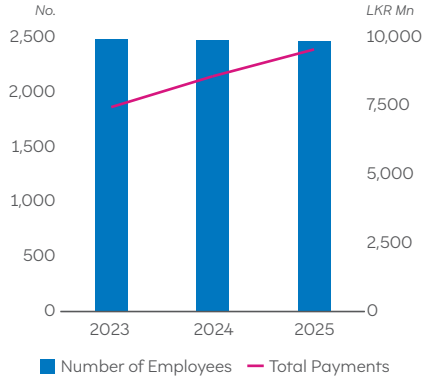
As per our terms of employment, employees are free to leave the organisation during the on-boarding period or anytime thereafter, subject to fulfilling all applicable contractual notice periods and internal clearance requirements. Hence, Nations Trust's operations are not at risk for forced or compulsory labour.

Remuneration and Benefits

Nations Trust's remuneration and benefit structures remain fair, equitable and competitive, underscoring the Bank's efforts to attract and retain top talent while safeguarding employees' financial well-being.

Our remuneration practices are guided by approved policies to maintain consistency across roles and grades, while regular market research and benchmarking exercises by the Board Human Resource and Remuneration Committee ensures the Bank's compensation packages remain competitive within the industry. For employees categorised under the minimum wage regulations, Nations Trust's salary scales are significantly higher than the regulatory minimum.

Remuneration Paid



Nations Trust complies with all statutory retirement benefit obligations pertaining to employees. Accordingly, the Bank contributes an equivalent of 12% of the employees' basic monthly salary to the Employees' Provident Fund and an equivalent of 3% to the Employees' Trust Fund. We also provide necessary allocations to meet gratuity obligations for all employees who have been in employment for over 05 years.

In addition to their basic salary, all Nations Trust employees are entitled to a range of benefits, including health insurance coverage, wellness programmes and applicable allowances.

Employees Benefits at a Glance

Supporting employee well-being beyond basic remuneration

Health Insurance Coverage
Comprehensive medical insurance coverage.

Wellness Programmes
Initiatives for physical and mental well-being.

Allowances
Applicable allowances for employee needs.

	Number	% of Female Workforce
Maternity leave availed	16	1.30
Returned to work after maternity leave	16	1.30
Resignations after maternity leave	–	–

Performance Management

We recognise that an effective performance management framework is critical to aligning individual contributions with organisational objectives, while fostering accountability, fairness and continuous improvement. In keeping with this premise, Nations Trust's performance management process is designed to support employee development and ensure that performance outcomes are assessed in a transparent and consistent manner across all employee segments.

The performance management cycle begins with target setting at the start of the year. Individual targets are established in line with business goals and functional priorities to provide employees with clarity on expected outcomes and performance standards. Progress against these targets are supported through continuous monitoring during the year, enabling regular feedback and guidance.

A formal mid-year review is conducted to assess progress against agreed targets, identify development needs and address performance gaps. This review facilitates structured dialogue between employees and managers and supports alignment for the remainder of the performance cycle.

The annual performance review incorporates a structured self-assessment process, enabling employees to reflect on their performance and development during the year. This self-assessment is complemented by managerial evaluation to provide a balanced assessment of performance outcomes. The outcomes of the annual review are used as inputs in determining increments, bonuses and promotion decisions.

Beach clean-up initiative by staff volunteers

Toastmasters Club Contest

Sports & Welfare Club

Nations Music Club Initiatives

Human Capital

Training and Development

Our training and development initiatives aim to build technical, behavioural and leadership skills to enable employees to perform effectively in their roles and support the achievement of business objectives.

In the year under review, targeted learning interventions were implemented to support both current and future readiness of employees.

Training Focus for 2025

In 2025, training interventions were expanded to address functional and behavioural competencies across multiple employee segments, complemented by the continued use of digital learning platforms to support compliance and consistent knowledge dissemination. Likewise, leadership development initiatives, including High Potential programmes, executive coaching and mentoring, were implemented to strengthen the leadership pipeline and ensure long term organisational continuity. In parallel, values driven employee engagement initiatives, such as the Lego Day programme, were introduced to reinforce collaboration, creativity and alignment with the Bank's refreshed core values.

Training Topic	Target Employees
Customer Experience	All staff
Credit Management	Branch/Department Credit Managers & Assistants
Leadership Development	High-Potential Staff & Branch Leadership Teams
Certification Programme	Branch Staff
Compliance	All Staff
Onboarding Programme	All Staff
Lean Transformation (Yellow Belt)	Managers
Soft Skills Programmes	All Staff
Career Development Programmes	Junior Grades

Lean for Managers Programme by Nations Transformation Team

Negotiations Skills Programme for the Middle Management

Branch Operations Managers Programme

Trainee Credit Analyst Programme

PB RO Development Programme

SME training academy

Average Training Hours per Employee by Category and Gender

Breakdown by Gender and Category	Male	Female	Total
Corporate Managers	28	39	30
Senior Managers	23	22	23
Managers	26	35	30
Deputy Managers	23	27	24
Senior Banking Assistants	15	12	13
Banking Assistants	15	12	13
Banking Trainees	36	30	32
Fixed Term Contractees	16	16	16
Minor and Other Staff	3	-	3
TOTAL	21	19	20

Digital Learning

In recent years, Nations Trust's e-learning platforms have proven instrumental in providing flexible access to learning resources while enabling the Bank to deliver consistent, scalable and timely training. Today, the Bank uses e-learning tools to complement instructor led training programmes to create an environment for continuous learning. A significant proportion of mandatory training is now conducted through e-learning.

As at 31st December 2025, the overall e-learning completion rate was 99%.

Mandatory e-Learning Modules

- Lean Foundation
- Related Party Transactions
- Financial Crime Compliance
- General Compliance
- Anti Bribery and Corruption
- Information Security
- Essentials of Credit - Foundation
- Essentials of Risk - Basic
- Essentials of Risk - Intermediate
- Code of Professional Conduct
- Financial Consumer Protection
- Personal Data Protection Act

Career Development

We view career development as a key enabler of both employee growth and organisational sustainability. By supporting employees in building their careers through clear development pathways, we are able to strengthen engagement, retain institutional knowledge and build a pipeline of talent aligned with our long term business objectives.

Career development is facilitated through Individual Development Plans (IDPs), which provide a structured framework for identifying and informing developmental needs of employees to enable the deployment of targeted initiatives, including leadership development, soft skills training, coaching and mentoring interventions to empower employees to take ownership of their professional growth.

A range of leadership skills programmes were conducted during the year for various employee segments.

Another longstanding career development initiative is the Train the Trainer certification programme that gives employees the opportunity to become part of the Bank's internal pool of trainers.

Nations Trust's overall employee retention rate of 85.4% for FY 2025 stands as a testament to the effectiveness of our career development efforts.

Working Environment

Diversity and Inclusion

As a non-discriminatory and equal opportunity employer, Nations Trust is firmly committed to diversity and inclusion in the workplace and continues to strive to improve gender representation across all employee categories.

To that end, Nations Trust remains a strong advocate of gender pay equity, as reflected by the 1:1 ratio in the remuneration provided to men and women performing similar roles across all job categories.

Occupational Health and Safety

Given the nature of Nations Trust's operations, Bank employees are not exposed to serious occupational risks. Nevertheless, we recognise the importance of proactively managing workplace health and safety to protect the well-being of employees, customers and any third parties present at Nations Trust locations at any given time.

A comprehensive Employee Health and Safety framework underpins our approach and focuses on prevention, preparedness and awareness. The framework is aligned with applicable regulatory requirements and recognised industry best practices and provides a structured basis for managing health and safety risks across branches and departments.

Human Capital

In keeping with the emphasis on continuous improvement, safety systems were further strengthened in the year under review, starting with key updates to the Health and Safety Policy, Emergency Preparedness Procedures and Incident Reporting Guidelines. Enhancements were also made to incident reporting mechanisms to improve monitoring and follow up. In addition, the safety audit programme was strengthened to focus on targeted corrective action to address gaps identified through mandatory annual emergency drills.

As part of emergency response preparedness, First Aid and Fire Safety training continued to be conducted for both branch and department staff.

No workplace injuries were reported during 2025.

Nations Trust's Health and Safety Framework

Training and Awareness
First Aid Training
Fire Safety Training
Health and Safety Awareness Sessions

Policy and Governance
Health and Safety Policy
Alignment with regulatory requirements and industry best practices

Occupational Health and Well-being
Annual medical check ups
Employee wellness programmes
Mental health support, including access to counselling

Emergency Preparedness
Fire drills
Evacuation procedures

Workplace Safety
Regular workplace safety audits
Hazard identification and mitigation

Employee Communication and Grievance Handling

At Nations Trust, we believe that effective employee communication is essential to earning and retaining employee trust. Accordingly, we have implemented a range of channels to connect with employees. Formal communication mechanisms include structured meetings, circulars and internal communication platforms. These formal channels are used to communicate operational changes.

Meanwhile, our open door policy empowers employees to engage directly with management to raise concerns and seek guidance. Moreover, a formal grievance handling process is also in place to address employee concerns in a fair and confidential manner. The process provides employees with a clear mechanism to raise grievances and ensure issues are reviewed, investigated and resolved in line with established procedures and timelines.

In addition, a Speak Up process is available for employees to report concerns without fear of retaliation. The Speak Up mechanism is designed to protect confidentiality and support responsible disclosure, while ensuring that reported matters are reviewed and addressed through appropriate governance channels.

Strong employee relations built over the years has prevented the need for a collective bargaining agreement. Hence, Nations Trust's operations are not at risk for the violation of the right to freedom of association or collective bargaining.

Employee Engagement

Our employee engagement initiatives are designed to strengthen collaboration, reinforce shared values and foster a positive workplace experience. Likewise

individual and team recognition programmes form an important part of our engagement initiatives, further reinforcing shared ownership and fostering team spirit. Key initiatives implemented during the year included:

- Employee engagement activities organised at branch and department levels through a structured Employee Engagement Calendar.
- Celebration of internationally recognised observance days, including International Women's Day and World Environment Day, providing opportunities for employees to engage around themes of inclusion, awareness and shared responsibility.
- Allocation of a dedicated engagement fund per employee, enabling teams to design and implement initiatives that promote interaction, participation and team cohesion.
- Introduction of Lego as a creative engagement tool to reinforce our core values of Respect, Integrity, Collaboration and Excellence through teamwork and problem solving.
- Lego Day initiative conducted in August 2025, where employees participated in team based activities and created Lego structures representing the Bank's core values, encouraging creativity, collaboration and open communication across teams.
- Conducted "Sing Your Heart Out", a Clarence themed singalong event that encouraged creative expression, team bonding and a relaxed, fun atmosphere across teams.
- Rolled out a Men's Day special e-flyer week along with the "Mind Matters" mental wellbeing session, reinforcing awareness, inclusivity and the importance of emotional and mental health at work.
- Wrapped up the year with December Carols, bringing employees together to celebrate the season, strengthen connections and end the year on a joyful, unifying note.

Workplace Culture

Nations Trust's workplace culture is defined by the shared commitment to values that guide how we engage with one another, serve our customers and represent the organisation. As a Bank with a multi-generational workforce, our values form the common thread that unites our workforce.

During the year, we introduced refreshed core values – Respect, Integrity, Collaboration and Excellence, collectively forming a common cultural framework that transcends roles, functions and locations to create a unified workforce anchored in shared principles.

Each value is represented through a symbolic animal, providing a distinctive and meaningful way to translate abstract principles into relatable attributes. This approach reinforces consistent understanding across the organisation and supports the practical application of values in everyday work.

These values are intended to serve not only as behavioural guides, but as a source of collective identity, empowering employees to act as ambassadors of Nations Trust in their daily interactions. By integrating these values into employee engagement initiatives, including team based activities and creative platforms such as Lego Day, we aim to strengthen ownership and embed values driven behaviour across the organisation. By reinforcing shared values through daily interactions and engagement initiatives, we seek to cultivate a workplace culture where employees are empowered to act as agents of change and contribute meaningfully to a more inclusive, collaborative and high performing organisation.

As a first step, a series of events was organised to drive the "Sustainability Culture" by encouraging teams to participate in environmental activities, among them Hiyare and WPNS workshops designed to promote environmental conscious behaviour among Nations Trust staff. These engagement initiatives were aimed at reinforcing the value of "Integrity" which under our new value definitions, is represented by the Seahorse. The initiatives were designed to demonstrate to staff how integrity underpins Nations Trust's commitment to championing sustainability through resilience, adaptability and conviction similar to that of the Seahorse.

Initiatives by Nations Music Club

Lego Day at Nations Trust

Social and Relationship Capital

Management Approach

Social and relationship capital reflects the quality and strength of Nations Trust relationships with customers, suppliers and the wider community. These connections are critical to building trust and stakeholder confidence in turn fuelling our ability to grow in a competitive operating environment.

Hence, our approach to building Social and Relationship Capital is guided by clear governance frameworks, defined accountability and structured engagement mechanisms that set out how primary stakeholder relationships with customers, suppliers and the community, are managed and built upon during the course of our day-to-day operations.

Key Highlights for 2025

98%
Branch Customer Satisfaction Score

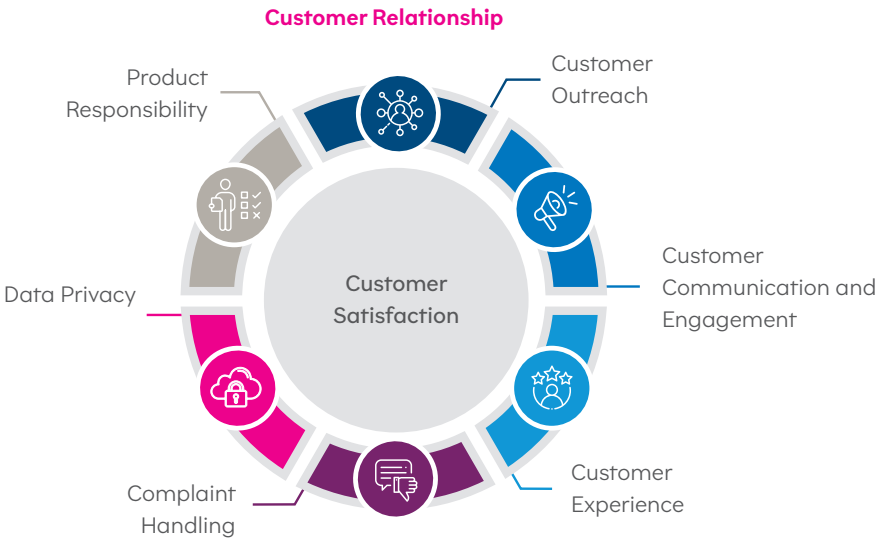
LKR 108.7 Mn
Invested in community initiatives

2,863
Community beneficiaries reached through environmental, education and inclusion programmes

Sustainable Development Goals (SDGs)

Customer

- Strong customer relationships underpin how the Bank delivers its banking propositions and sustains long-term business performance across Consumer, Commercial and Corporate segments.
- Our approach to managing customer expectations and maintaining customer relationships is framed around six-core pillars, all aimed at achieving the ultimate objective of 100% customer satisfaction.



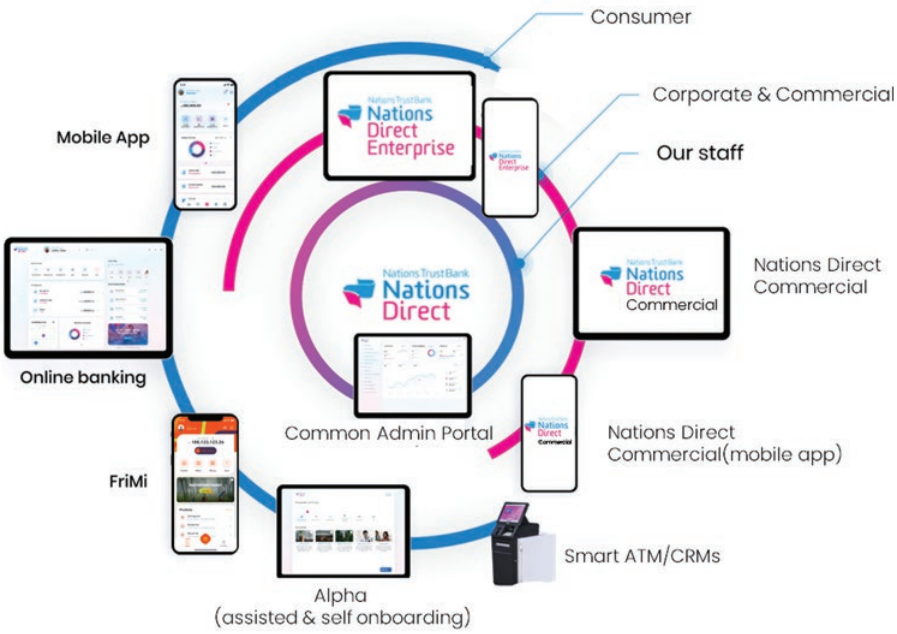
Customer Service Week

Product Responsibility

Product Responsibility plays a key role in how we build and sustain long-term customer relationships. Our products are structured to reflect the distinct needs of different customer segments while ensuring consistency in service delivery at every interaction.

Our Consumer Banking product portfolio offers a comprehensive suite of products and services to cater to the full gamut of retail customer needs, from mainstream banking requirements of individuals and the specific needs of the mass affluent category to the discerning needs of high-net-worth individuals and the dynamic requirements of digitally savvy customer segments.

Likewise, Commercial Banking solutions are structured to support Small and Medium-sized Enterprises (SMEs) and Middle Market Enterprises (MMEs) as they seek to scale, diversify and expand their businesses.



Social and Relationship Capital

The Corporate Banking proposition encompasses a broad range of solutions to meet the more complex requirements of large corporate customers.

Nations Trust's Value Proposition	Target Customer Segment	Core Products
Consumer Banking	Mainstream Banking	Savings / Term Deposits, Leasing, Home Loans, Personal Loans, Credit Cards, Inward Remittances
	Mass Affluent	Inner Circle
	High Net-worth	Private Banking, Relationship Banking
	Digital Savvy	Nations Nova
Commercial Banking	SMEs & MMEs	Business Accounts, Financing, Cash Management Solutions, Advisory Services, Nations Direct Enterprise Platform
Corporate Banking	Large Corporates, including listed entities and MNC's	Trade Finance, Treasury, Structured Credit Facilities, Nations Direct Enterprise Platform

No incidents of non-compliance concerning the health and safety impacts of products and services were reported in FY 2025.

Customer Outreach

Customer outreach is a critical component of how we deliver banking propositions to diverse customer segments across Sri Lanka. Over the years, we have invested significantly in building a robust customer outreach framework encompassing physical and digital touch-points.

Given that our branch network remains the primary channel for customer acquisition and engagement, we continue to invest significant resources each year towards enhancing accessibility, service delivery and operational effectiveness of our branch network. Nations Trust's ATM and CRM network also forms an important part of our customer outreach framework. ATMs and CRMs extend access to essential banking services, support convenience and reinforce the Bank's physical presence across key locations.

In recent years, digital channels have emerged as an increasingly important avenue for expanding customer outreach. Digital platforms complement physical channels by enabling wider reach, faster onboarding and continuous engagement beyond branch operating hours. Ongoing enhancements to digital channels in 2025 saw the integration of the GovPay feature on the Nations Direct platform to enable customers to complete routine transactions more efficiently.

As part of our multi channel approach to outreach, we also pursue strategic partnerships to enhance convenience and deliver a seamless banking experience across all touch-points.

Customer Communication and Engagement

Clear, timely and accurate communication forms the foundation of how we build and maintain customer trust. As a licensed commercial bank, Nations Trust is required to ensure that information relating to products, services, pricing and processes is conveyed in a manner that supports customer to make informed decisions. Accordingly, we comply with all disclosures mandated by the Central Bank of Sri Lanka. In addition to regulatory mandated requirements, all our external communications are guided by stringent standards and internal review processes to ensure clarity and consistency. The Marketing Unit is responsible for managing all corporate communications and marketing activities to ensure accuracy and alignment with all laws and regulations as well as industry best practices. No Incidents of non-compliance concerning product and service information and labelling or non-compliance concerning marketing communications were reported in FY 2025.

While formal communication focuses on keeping stakeholders informed, our ongoing engagement initiatives are designed to encourage dialogue and build long-term relationships.

Nations Nova

The main objective of the Nations Nova launch campaign was to build awareness and drive digital customer acquisition for the Bank, while positioning Nations Trust as a thought leader in the financial well-being space.

Targeting mainly tech-savvy individuals who are keen on managing their finances and value financial literacy, this go-to-market campaign ran from March 2025 to August 2025, across both traditional and digital mediums including Meta platforms, YouTube, Google Display Network (GDN) and TikTok with influencer collaborations.

Nations Direct

A thematic campaign launched under the theme of "Go Direct with Nations Direct" to raise awareness about Nations Direct. As a part of the campaign a video series with a key influencer was also carried out.

Amazing ECO Trails

Amazing ECO Trails was conducted as a flagship engagement initiative for the Middle Market Enterprise (MME) segment, bringing together over 140 participants, including MME representatives, relationship managers and senior management. Held under the sustainability theme, the event focused on promoting environmental consciousness through practical measures, including the elimination of plastic and polythene, the removal of flex branding and the use of recycled and upcycled materials for event structures and branding. The entire event was designed as an outdoor, activity-based experience that encouraged teamwork, problem-solving and interaction beyond transactional banking relationships.

Tokens of appreciation, such as clay water bottles and recycled packaging, were also used in place of conventional merchandise.

As part of efforts to promote carbon-conscious practices, the initiative was supported by Control Union and encouraged the use of hybrid and electric transport among participating teams. The initiative concluded with a collaborative tree-planting activity, resulting in 150 trees being planted with the participation of attendees, reinforcing the programme's environmental focus.

Beyond Ordinary – Nations Business Advisory

Nations Business Advisory is a structured engagement platform designed to facilitate informed dialogue with business customers beyond routine banking interactions. The forum is designed to provide participants with insights into local and international market developments, economic trends and emerging business considerations relevant to decision making.

The event also highlighted the importance of digital transformation for businesses through the Nations Direct Enterprises Experience Center, offering participants an interactive, hands-on experience.

Premium Card member Experiences – American Express

We continued to curate exclusive lifestyle experiences for American Express Card members as part of our engagement strategy within the premium segment. In 2025, Card members selected through a Swipe & Win campaign were rewarded with complimentary front-row access to the Formula 1 Singapore Grand Prix, providing a once-in-a-lifetime global experience.

Lifestyle engagement was further strengthened through the renewal of our partnership with Colombo Fashion Week's Luxury Edit: Couture + Trousseau for the ninth year, where Nations Trust continued its role as the Official Fashion Card. This collaboration enabled the curation of exclusive experiences for selected Card members while supporting lifestyle-led engagement and reinforcing positioning within the premium card segment.

Meanwhile seasonal campaigns such as 'Style the Season with Amex' and 'Bring the Season to Life with Amex', were tailored to offer curated promotions for the festive season. Additionally, Nations Trust American Express partnered as the Official Lifestyle Partner for Bavarian Oktoberfest 2025, and the Royal Colombo Golf Club Oktoberfest.

Sports and Lifestyle Engagement Platforms for Private Banking Customers

We continued to leverage sports and lifestyle platforms as a means of fostering long-term relationships with key stakeholders.

The Nations Trust Golf Championship

The Nations Trust Golf Championship, held in partnership with the Royal Colombo Golf Club, remained a key engagement platform, bringing together high-net-worth participants and partners through a shared sporting interest. The inclusion of a Junior Golf Championship formed part of the targeted approach to reach potential future customers.

Partnership with Yevan David

Nations Trust's partnership with Yevan David, Sri Lanka's first FIA Formula 3 motor racing driver, emphasises Nations Trust's commitment to nurturing the growth of talented young

Social and Relationship Capital

individuals who bring pride to Sri Lanka, underscoring the Bank's core values and aspirational brand positioning particular among youth and high-net-worth audiences. Moreover, Yevan's discipline, achievements and growing international presence is expected to enhance the Bank's brand equity and visibility across both digital and traditional media platforms.

Curated Brand engagements

- Masterpieces Art Rotation in partnership with George Keyt Foundation
- IHH Healthcare Parkway Partnerships Consultation Events
- The Classic Car Showcase partnership with Classic Car Club of Ceylon

This series of curated brand engagements served as exclusive platforms to promote the Nations Trusts brand equity and drive cross-selling opportunities across wealth management, premium cards and lifestyle banking, while enhancing client acquisition, media visibility and reinforcing Nations Trust's positioning as a leader in premium financial services.

Trade and Industry Partnerships

We continued to strengthen relationships with trade and industry bodies to support corporate and commercial engagement.

Tie Up with the Free Trade Zone Manufacturers' Association (FTZMA)

Our collaboration with the Free Trade Zone Manufacturers' Association (FTZMA) enabled sustained interaction with businesses operating within Sri Lanka's industrial and investment zones.

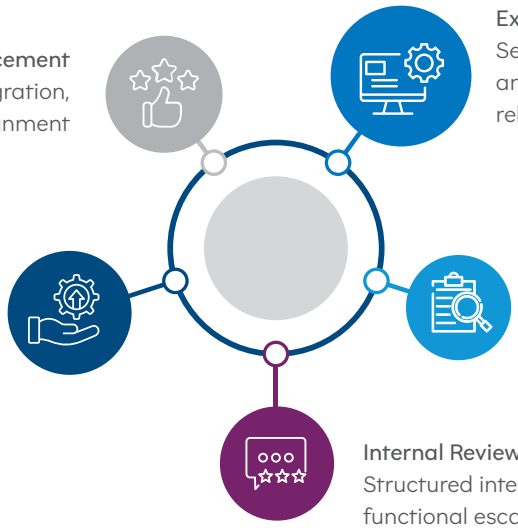
Partnership with the COYLE Leadership Business Forum 2025

Nations Trust's partnership with the COYLE Leadership Business Forum 2025, for the third consecutive year, reflects the forums' strong alignment with Nations Trust's brand purpose of enabling progress through trusted partnerships, thought leadership and innovation. The 2025 forum which brought together business leaders, entrepreneurs, senior executives and emerging leaders on a national platform focused on leadership and business transformation, further reinforces the Bank's positioning as a banking partner that supports leadership excellence and forward-looking business growth.

Corporate Sponsor of SLASSCOM Events

Nations Trust partnered with SLASSCOM, the national chamber for the knowledge and innovation industry. SLASSCOM with a membership comprising a diverse cross-section of business entities, is recognised for facilitating trade and business, promoting education and employment, encouraging research and innovation and influencing national policies for the industry. The association with SLASSCOM provides a platform to position Nations Trust as technology-led and innovation-driven enterprise, reinforcing brand relevance within future-oriented business communities across the Commercial Banking, Corporate Banking and Private Banking segments.

Customer Experience Management Framework



Behavioural Reinforcement
Service standards, Feedback integration, Performance management alignment

Experience Monitoring
Service delivery performance, Digital and physical touchpoints, Operational reliability

Process & Service Improvements
Improving reliability, Reducing repeat occurrences, Strengthening communication

Insight Identification
Service delivery friction, Technical disruptions, Value perception feedback

Internal Reviews and Escalation
Structured internal review, Cross-functional escalation, Subject matter expert assessment

Customer Experience

Customer experience is integral to how we maintain trust, service reliability and operational efficiency across delivery channels. At Nations Trust we continuously monitor customer experience across all products, services and touch-points to identify pain points and emerging issues, in order to ensure matters are reviewed and escalated internally to support corrective action where required.

Customer Satisfaction

Customer satisfaction provides a key measure of how effectively service delivery, responsiveness and engagement translate into positive outcomes. Structured feedback mechanisms enable the Bank to assess perceptions across multiple touch-points and ensure insights are captured in a timely, objective and reliable manner.

Customer satisfaction is assessed through a combination of quantitative and qualitative mechanisms including the branch-wide Customer Satisfaction Survey, QR-based real-time feedback deployed at branch counters and targeted surveys covering key customer journeys. Additionally, process-specific assessments are conducted for loan onboarding, Private Banking account opening and existing clients, Inner Circle account opening and existing clients, card onboarding and existing cardholders, as well as Nations Nova account opening.

The Branch customer Satisfaction Survey conducted in 2025 saw the participation of over 88,000 customers representing Retail, Private Banking and other segments across both urban and semi-urban areas. Based on the outcomes, the Branch CSAT score was recorded at 98%, reflecting consistently high levels of satisfaction with frontline service delivery. Moreover 1,300+ external commendations were also received through multiple feedback channels, reflecting positive service experiences of customers.

Customer Satisfaction Highlights 2025

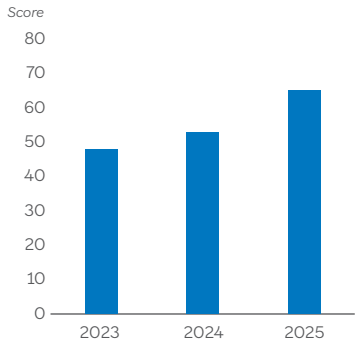
98%
Branch Customer Satisfaction Score
Based on feedback from over 88,000 customers across the branch network

65
Net Promoter Score (NPS)
Improved from 53 in 2024 and above the internal benchmark of 40

95%
Complaints Resolved Within SLA
Contributing to improved post-resolution satisfaction

1,300+
External Customer Commendations
Received through multiple feedback channels during the year

Net Promoter Score



Customer advocacy, as measured through the Net Promoter Score (NPS), surpassed the internal benchmark of 40 to reach 65 in 2025, from 53 in 2024 reflecting sustained improvements over the past three years.

In 2025, the Net Promoter Score survey platform was fully automated to capture real time feedback to thus, ensuring responses remain current and less susceptible to bias.

As part of broader service quality enhancements during the year, a Mystery Shopper Programme was conducted to gain objective insights into service delivery.

Complaint Handling

At Nations Trust, we recognise that effective complaint management is fundamental to sustaining customer trust and confidence. Our key commitments in this regard include ensuring the timely resolution of complaints, maintaining transparent and open communication with customers and systematically identifying root causes to drive continuous service improvement.

As part of our ongoing improvement efforts, thematic issues which were detected in 2024, were addressed during the current year, in turn leading to the notable reduction in the recurrence of similar issues in 2025.

Additionally, the Complaints Procedure which was updated in 2024 was full institutionalised in 2025, in full compliance with the Customer Charter and all requirements outlined in the Financial Consumer Protection Regulation. The updated framework which establishes service level agreements, mandatory interim updates, a maximum resolution period for open complaints and enhanced root cause analysis and consequence management, have all contributed significantly towards streamlining the complaint handling process and expediting resolution.

In parallel, several workflow systems were reorganised to improve case tracking, strengthen accountability across business units and enable better escalation and monitoring of unresolved

Social and Relationship Capital

complaints. Most notably, message routing from app and web-based channels was streamlined by directing queries to branches for faster action, reducing response times, while steps were taken to provide customers with an acknowledgement, a case reference number and indicative timelines for complaint resolution.

Special emphasis was also placed on strengthening governance and oversight of the complaint handling in line with the Financial Consumer Protection Regulations and Personal Data Protection Act guidelines.

Complaint Handling Framework

Receive
Branch I Phone I Email I App I Third-party

Acknowledge
Logged within SLA
SMS confirmation (end 2025)

Investigate
Review
Interim updates
Escalation if required

Resolve
Within SLA
Clear response
Max 21 days

Improve
Root cause analysis
Corrective action
Prevent recurrence

Customer Privacy

Protecting customer privacy, both personal and related transactional data, remains a fundamental priority for Nations Trust. To fulfil this commitment, the Bank has established a comprehensive data privacy and information security framework, supported by robust policies, procedures and controls governing the collection, access, processing, storage and retention of customer information reinforcing regulatory compliance.

Guided by Nations Trust's Management Steering Committee for Data Privacy Protection established with approval of Board of Directors, the Bank's Data Protection Officer oversees privacy governance, monitoring adherence to the Personal Data Protection Act and ensuring uniform application of privacy controls across the organisation. The Data Protection Officer also reviews queries for privacy including breaches through structured investigations, keeping customers informed throughout the process and providing transparent responses upon resolution.

In 2025, the Data Protection Management Programme and investigation process was enhanced in alignment with the regulatory developments more specifically Personal Data Protection Act No. 9 of 2022 and amendments. The scope of investigations now explicitly addresses privacy breach risks and regulatory implications, with defined roles and responsibilities spanning the Customer Experience, Compliance, Legal, Operational Risk and Internal Audit functions.

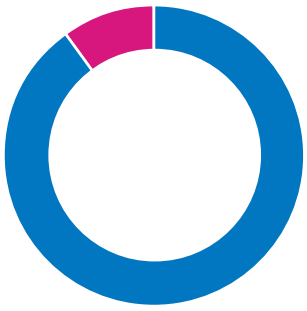
These efforts are complemented by specialised training sessions led by the Data Protection Officer which were conducted to keep teams updated on the latest data protection procedures. Ongoing training initiatives continued throughout the year, focusing on educating front-line employees regarding privacy-sensitive activities such as managing address changes, statement handling, risks associated with unintended recipients and the release of retained third-party cards. Concurrently, efforts to enhance customer education were also intensified.

During the year, the few reported customer privacy-related queries were thoroughly investigated according to Nations Trust's standard procedures. Most claims could not be substantiated due to insufficient evidence or were withdrawn by the reporting party. When opportunities to improve staff conduct were identified, corrective measures were implemented, records were duly updated, reinforced processes and notified the affected individuals in writing upon case resolution.

Suppliers

Suppliers are critical to managing our operational requirements across a range of functions, including infrastructure, technology, marketing and service delivery. Hence, we continue to build constructive working relationships with a range of both local and overseas suppliers based on the principle of shared value. Our supplier interactions over the years have been dominated by local suppliers who continue to account for approximately 90% of our annual average procurement spend.

Average Annual Procurement Spent



Procurement Best Practices

Procurement best practices are designed to support fair supplier selection, manage risk and ensure compliance with regulatory and internal governance requirements. Our commitment to Procurement Best Practices is guided by Nations Trust's Procurement Policy and governed by the centralised Procurement Unit, which coordinates sourcing activities, ensures adherence to policy requirements and supports consistency across procurement decisions.

Supplier registration forms the entry point to our procurement framework. Suppliers are invited to register with Nations Trust subject to a compliance screening, with the verification of statutory documentation.

Supplier Onboarding Process

Registration
- Ad hoc registrations as needed

Conflicts Disclosure
- Declaration of potential conflicts of interest
- Transparency requirement

Screening
- Know Your Customer (KYC)
- Anti-Money Laundering (AML)

Approval & Onboarding
- Due diligence when required
- Final approvals and onboarding

Successful candidates are onboarded to our supplier registry with the approval of the Chief Financial Officer. Where potential risks or negative impacts are identified, such suppliers are not onboarded.

Procurement takes place based on approved operational and strategic budgets.

Community

Our aim as a Bank is to contribute positively towards the communities we serve. In striving to maximise the positive impacts to the community through our core business activities, we focus on enabling access to financial services and supporting economic participation, particularly across small and medium-sized enterprises.

At the same time, we recognise the need to manage day-to-day challenges faced by communities. To that end, we engage continuously with communities to understand their needs and provide support through targeted projects.

Nations Trust's CSR Committee is the main decision making authority for community projects. Projects are selected based on stakeholder feedback, strategic relevance and the potential for long-term impact and, is financed through the Board approved annual CSR budget. Guided by this structured approach, the Bank's community investments are channelled through three core CSR pillars - Environment, Arts & Culture and Creative Entrepreneurship.

The Environment pillar focuses on conservation, climate action and promoting environmentally responsible practices to protect natural ecosystems. The Arts & Culture pillar supports the preservation and promotion of Sri Lanka's rich cultural heritage, fostering creativity, identity and social cohesion, while the Creative Entrepreneurship pillar aims to empower individuals and communities by nurturing innovation, skills development and livelihood creation, thereby enabling inclusive economic growth. Project execution under each pillar is jointly monitored by the CSR Committee, the Sustainability Team and Sustainability Champions across the organisation.

Apart from projects undertaken in line with the CSR pillars, Nations Trust also allocates resources towards emergency relief as and when needed. In 2025, Nations Trust donated LKR 100 million as Flood Relief Assistance to the Rebuilding Sri Lanka Fund.

Flood Relief Assistance to the Rebuilding Sri Lanka Fund

Future Plans

Looking ahead, we will prioritise customer experience by expanding our product portfolio across lifestyle, travel and wellness segments and integrating curated experiences into Private Banking. In parallel, we will focus on strengthening digital communication and transparency, reinforcing assurance at physical touch-points and further elevating complaint handling governance as well as advancing privacy and data protection readiness.

Our procurement practices will also continue to evolve in line with governance and efficiency objectives. Procurement-related policies and procedures will be further streamlined alongside the phased implementation of a procure-to-pay system from 2026 to automate processes from supplier registration through bidding, invoicing and asset disposal. A broader environmental, social and governance screening framework for suppliers will also be introduced from 2026 to strengthen responsible sourcing.

Supporting Hope SL

Nations Trust proudly partnered with Hope SL in 2025 to support the Karapitiya Cancer Hospital Project - a landmark initiative dedicated to advancing cancer care in Sri Lanka. This collaboration reflects our shared commitment to uniting communities and businesses for a greater purpose.

Locations:
Southern Region
Panadura Region
Northern Region

Natural Capital

Management Approach

As a Bank with a strong national footprint, Nations Trust recognises the importance of managing its environmental responsibilities with discipline and intent. Although, our impact on the environment is relatively limited owing to the nature of our business as a service organisation, we remain aware of the growing significance of environmental and social risks within the financial sector. Therefore, driven by a firm commitment to integrate environmental sustainability into decision making we aim to minimise the adverse impact caused to the environment by our operations.

Our environmental management approach is guided by a Board approved Sustainability Policy that integrates ESG considerations across both business and operational activities. From a business perspective, our Environment & Social Risk Management Manual (ESRM) serves as the foundation for embedding environmental and social considerations across lending operations, while operationally our commitment is driven by the emphasis on Green Operations. In keeping with the commitment to Green Operations, a digital tool tracks quantitative GRI indicators linked to the Bank's Material Topics in order to create a database and enable regular review and ensure continuous improvement.

During the year, Nations Trust ensured full compliance with all applicable environmental regulations in its operations. The Bank did not incur any fines or penalties for delays or non-compliance with environmental laws and regulations, further underscoring its commitment to responsible practices.

Additionally, we also allocated significant resources each year towards Green Outreach projects designed to raise awareness and to support the achievement of national priorities on environmental conservation and biodiversity preservation.

Key Highlights for 2025

92%
Year-on-year growth in the green financing portfolio

5%
Year-on-year reduction in Scope 1 emissions

61%
Contribution from Renewable Energy for Green portfolio

Sustainable Development Goals (SDGs)

Green Finance

Nations Trust's Sustainability Policy serves as the foundation for embedding environmental considerations across lending operations. Since entering the Green Finance space, 3 years ago, the Bank has made steady progress in expanding the scope and scale of its green finance activities, guided by regulatory requirements and a robust Environment and Social Risk Management (ESRM) system that assess environmental and social risks associated with lending activities.

This approach enables financing to be channelled towards sustainability projects such as renewable energy generation, energy efficient technologies and carbon transition initiatives across various industries.

Key Highlights 2025

- Financed 6.9 MW rooftop solar project, one of the largest in Sri Lanka
- Strengthened offshore sustainability financing

Regulatory Requirements Guiding Green Finance

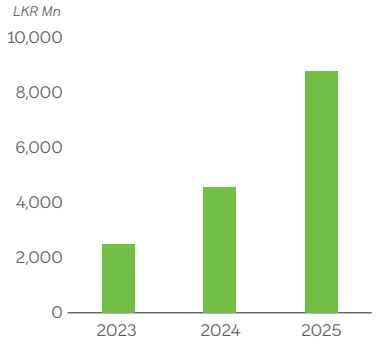
Regulatory Requirements

CBSL Sustainable Finance Roadmap

Sri Lanka Green Finance Taxonomy

Environmental and social risk reviews form an integral part of Nations Trust's Green Finance model. At present, the Bank's credit policy dictates that all credit proposals over LKR 50 million be subject to environmental and social screening, based on the sector specific risk classifications outlined by the Asian Development Bank. Additionally, credit proposals above a specified threshold require the joint review and sign-off by both the Credit Department and the Integrated Risk Management Division.

Growth in Green Finance Portfolio over the past 3 years



Although Sri Lanka's green taxonomy currently does not consider EV financing as an eligible green lending category, considering the country's significantly high renewable energy contributions to the generation mix, Nations Trust's Electric Vehicle (EV) financing portfolio has always remained an important part of the Bank's wider green finance agenda.

Green Operations

Green Operations are anchored in the principle of resource efficiency, with the Bank working to ensure environmental considerations are embedded in day-to-day operational practices to support the effective management of energy, emissions and waste.

Energy

Given that electricity is the primary source of energy powering day-to-day operations at branches, energy management remains a key focus area for Nations Trust which has prompted a two-pronged approach to reduce energy consumption coupled with investments in energy efficient solutions. A major development during the year was the transition to the newly refurbished and renovated Head Office built to reduce the Bank's operational carbon footprint by incorporating energy-efficient design principles, optimised lighting and cooling systems.

Energy efficiency across Nations Trust's wider operations, including branch network and support functions were enhanced through ongoing efforts to refine internal processes and reduce reliance on energy intensive activities. Operational changes introduced in recent years continued to deliver improvements in resource use, while employee engagement initiatives helped bring about responsible behaviour related to energy conservation.

A major development during the year was the transition into the newly renovated Head Office at Nawam Mawatha, Colombo 02. The upgrade transformed the existing premises from an older facility into a purpose-designed workspace built with sustainability and energy efficiency at its core. The redesign incorporates abundant natural light, energy-efficient LED lighting, the latest HVAC technology, that enhance operational efficiency and overall employee well-being.

Energy Efficiency Features in the New Head Office

- Natural lighting
- LED lighting
- Latest HVAC systems

Energy consumption increased only marginally by 0.6%, despite the construction activities carried out for the Fusion Project at the Nawam Mawatha building

Staff Awareness Session at Hiyare Animal Rescue and Rehabilitation Centre

Natural Capital

Energy Consumption in 2024 & 2025

Energy Source	Energy Unit	2025	2024
Grid Electricity	kWh	6,362,188	6,309,534
Diesel	Litres	15,033	15,590
Petrol	Litres	13,327	14,257
Energy Source	**Energy Unit**		
Grid Electricity	GJ	22,904	22,714
Diesel	GJ	580	602*
Petrol	GJ	456	488*
Total Energy Consumption	GJ	23,940	23,804*
Energy Intensity	GJ per Sq. ft	0.06	0.06

* This has been restated due to a change in GHG emission factor

Emissions

Managing greenhouse gas emissions is an important part of how Nations Trust assesses its environmental impact, with the current measurement boundary covering emissions arising from the Bank's operational activities. Since commencing its carbon footprint calculation journey in 2023, Nations Trust has measured its Scope 1 and Scope 2 emissions. In 2025, the Bank completed all computations internally based on globally accepted emission factors.

Moreover, going beyond the current quantification of Scope 1 and Scope 2 emissions, the Bank has commenced work to improve data capture in order to assess Scope 3 financed emissions in due course.

Emissions (MTCO2e)	2025	2024
Scope 1 (from diesel and petrol use in Bank owned vehicles, generators and fugitive emissions from refrigerant gases)	180	190*
Scope 2 (from the purchase of electricity)	2,655	2,633*
Total	2,835	2,823*
Emission Intensity per square meters kgCO2e	7.16	6.92*

* This has been restated due to a change in GHG emission factor and inclusion of fugitive emissions under scope 1 emissions

Emission factors for diesel and petrol consumption were sourced from the Greenhouse Gas Management Institute and GHG Protocol, Version 2.0 issued in March 2024.

The emission factor used for grid electricity is the Average Grid Emission Factor for 2022, which is the latest officially published value by the Sri Lanka Sustainable Energy Authority (SLSEA).

Emissions of Gases with Global Warming Potentials (GWP).

Type of Gas	GWP Value	2025	2024
CO2	1	2,725	2,707
R22	1,960	69	65
R410	2,088	41	35
R134A	1,530	-	15
Total		2,835	2,823

Global Warming Potentials (GWP) are based on 100-year time-horizon values from the IPCC Sixth Assessment Report (AR6), as referenced by the GHG Protocol and U.S. EPA Technology Transitions GWP Reference Table, which provides AR6-aligned 100-year GWP's.

Waste Management

The waste generated through Nations Trust's operations primarily consists of paper waste attributed to administrative functions, e-waste owing to IT hardware replacements and food waste generated by employees. With each waste stream requiring a different form of handling and disposal, appropriate segregation, collection, and treatment procedures have been established for each waste stream. At the same time, significant emphasis is placed on the 3R principles of Reduce, Reuse and Recycle to minimise waste at source, encourage reuse where possible and maintaining proper segregation processes that support recycling and responsible disposal.

Reduce, Reuse & Recycle (3R)

Reduce

- Responsible consumption
- Encourage double sided printing where practical
- Avoid unnecessary material use
- Digital signage instead of printed notices
- Smart inventory controls

Reuse

- Better use of existing materials
- Refurbished computers donated to extend equipment life

Recycle

- Segregation at source
- Paper / e-waste recycling → licensed recycler
- Food waste recycling → community farms

Paper consumption for the year is 18 MT compared to 17.3 MT in 2024 with 3.6 MT recycled this year.

Digital adoption over the years has contributed significantly towards waste reduction efforts by lowering the need for paper based processes and improving the way information is generated, shared and stored across the organisation.

Digital Processes to support Waste Reduction

Transition to e-statement reduced reliance on printed communication

Digital onboarding to minimise documentation requirements

Introduction of the "Nations E-Box" to encourage retail customers to manage all their statements digitally

Automated workflows to reduce the need for printed material for meetings, training and communication

Support through Memberships

Nations Trust is a long standing member of Biodiversity Sri Lanka, a national platform driven by the private sector, to promote biodiversity and environmental conservation in Sri Lanka.

Green Awareness

Green awareness initiatives remained an important part of how Nations Trust's efforts to encourage a culture of sustainability and drive staff engagement in environmental activities. Our efforts focused on encouraging a culture of sustainability and ensuring that staff engagement with environmental priorities continued to strengthen over the year.

Working to further broaden environmental awareness among stakeholders, preliminary work was undertaken to develop a mechanism to incorporate environmental criteria into vendor screening processes to evaluate suppliers against defined environmental expectations and encourage them to align with the standards the Bank apply internally.

Green Outreach Programmes

Our continued support to community based environmental initiatives reflect Nations Trust's commitment to Natural Capital stewardship beyond its operational footprint. Typically, we undertake projects that contribute to safeguarding ecosystems and benefit both communities and the broader environment.

Nations Trust's ongoing partnership with the Wildlife and Nature Protection Society through the Nations Trust WNPS Public Lecture Series promotes public awareness on environmental and conservation themes and supports national efforts to build a better understanding of biodiversity protection and ecological resilience.

In 2025, Nations Trust supported 10 workshops conducted by the WNPS to raise awareness on protecting Sri Lanka's wildlife with topics ranging from Wetland Preservation, Endangered Leopards, Endemic Biota and Stories of freshwater fish and winged mammals, as well as the Care and Release of Orphaned Elephants along with a special segment on New age wildlife photography. A total of 2,500 participants benefited from the 10 workshops.

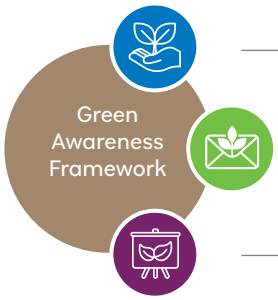
We also continue to support the Animal Rescue and Rehabilitation Programme at Hiyare, in Galle District which provides medical care and rehabilitation for injured wildlife. This initiative plays an important role in preserving biodiversity (In addition to our membership with Biodiversity Lanka) and contributes to the protection of vulnerable species within the country's natural ecosystems.

Staff Visit to Hiyare Animal Rescue and Rehabilitation Centre – 'Nature Walk' Programme

Natural Capital

Impact of the Animal Rescue Programme at Hiyare

	2025
Total number of animals rescued	281
Total number of animals released back into the wild	109
Number of student awareness sessions conducted at the Biodiversity Education Center	12
Number of students participating in the awareness sessions conducted at the Biodiversity Education Center	300

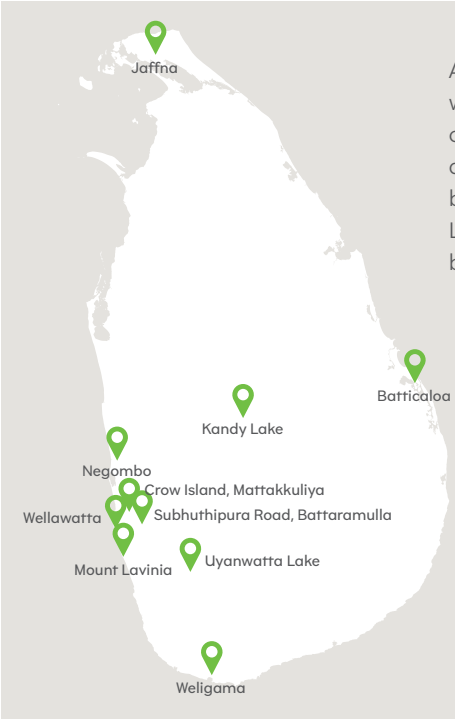


Employee Induction
All new recruits introduced to Nations Trust's sustainability approach

In-House Awareness
Regular environmental campaigns
Email based sustainability boosters
Green office reminders

Capacity Building
External training for Sustainability, Credit and Risk teams

The Bank's urban forestry initiative with the Colombo Municipal Council remains an important component of its outreach activities. The programme aims to strengthen environmental balance in urban areas, enhance green cover and improve the wellbeing of communities living in densely populated environments.



A key outreach effort during the year was the islandwide clean up initiative conducted across a range of coastal and inland locations. Led entirely by branch teams from across Sri Lanka, the campaign covered seven beaches, a wetland and two lakes

WNPS Public Lecture held on 14th August 2025

WNPS Monthly Lecture held at BMICH

Staff participation in the beach cleanup initiative

Future Plans

The immediate focus will be on expanding the scope of Nations Trust's emissions reporting to include financed emissions. Another key focus area will be to improve the depth and consistency of environmental data captured across the organisation, to support more comprehensive reporting over the medium term. Strengthening supplier and value chain screening will also remain a key priority in line with efforts to integrate environmental considerations more fully into procurement and third party engagements.

Independent Assurance Report

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Chartered Accountants
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Independent practitioner's assurance report to the Board of Directors of Nations Trust Bank PLC on the Sustainability reporting criteria presented in the Integrated Annual Report FY 2025

Scope

We have been engaged by Nations Trust Bank PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Nations Trust Bank PLC's Economic, Environment, Social and Governance (EESG) indicators (the "Subject Matter") contained in Nations Trust Bank PLC's (the "Entity's") Integrated Annual Report for the year ended 31 December 2025 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Nations Trust Bank PLC

In preparing the Subject Matter, Nations Trust Bank PLC applied the following criteria ("Criteria"):

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at https://www.globalreporting.org

Such Criteria were specifically designed for the purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators contained in the Entity's Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

Nations Trust Bank PLC's responsibilities

Nations Trust Bank PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the Nations Trust Bank PLC on 11 February 2026. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent Assurance Report

Description of procedures performed

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. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Validated the information presented and checked the calculations performed by the organization through recalculation.
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- Conducted interviews with relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

Emphasis of matter

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Report.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of Nations Trust Bank PLC for the year ended 31 December 2025, in order for it to be in accordance with the Criteria.

Ernst + Young

20th February 2026
Colombo

Partners: D K Hulangamuwa FCA FCMA LLB (London), Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA, M U M Mansoor ACA

Principals: T P M Ruberu FCMA FCCA MBA, G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

Corporate Governance

Nations Trust Bank upholds high standards of corporate governance, consistently refining its structures, policies and practices in line with evolving regulatory requirements and industry best practices. Robust corporate governance serves as a key enabler of the Bank's strategy, driving performance with integrity and accountability.

Regulatory Developments in 2025

The Banking Act Directions No.5 of 2024 on Corporate Governance for Licensed Banks issued by the Central Bank of Sri Lanka (CBSL Corporate Governance Directions) came into operation on 1st January 2025. These directions were issued with the aim of strengthening the corporate governance processes and procedures of licensed commercial banks to enhance the overall stability of the banking sector and the financial system. The Board, together with the Board Sub-committees closely monitored and complied with the requirement within the specified timeframes.

Nations Trust's Approach to Corporate Governance

Nations Trust Bank PLC is committed to maintaining the highest standards of corporate governance, upholding principles of integrity, transparency and accountability at all times. Our governance framework is designed to protect the interests of all stakeholders and support the Bank's sustainable, long-term growth.

The Bank's corporate governance approach is founded on a robust governance structure that incorporates both mandatory regulatory requirements and voluntary best practices. This integrated approach ensures that Nations Trust's reputation is safeguarded and the Bank continues to set benchmarks within Sri Lanka's banking sector.

Highlights During the Year 2025

- Alignment with Banking Act Directions No.05 of 2024 on Corporate Governance for Licensed Banks issued by CBSL
- Reconstitution of Board Sub-Committee to align with the new regulatory requirements.
- Appointment and induction of new Directors.

A Framework for Governance

The Bank's corporate governance framework is designed to safeguard stakeholder value, reinforce core principles of integrity, transparency and accountability, comply with regulatory requirements and voluntarily adopted governance frameworks. Accordingly, the Bank's policies, procedures and structures comply with regulatory requirements and the requirements of several voluntary standards on corporate governance and industry best practices as presented below:

Governance Framework

Regulatory

- Companies Act No. 7 of 2007 (as amended)
- Banking Act No. 30 of 1988 (as amended)
- All Directions for Licensed Commercial Banks issued by the CBSL
- Continuing Listing Requirements of the CSE
- Corporate Governance Rules of the CSE

Voluntary

- GRI Standards published by Global Reporting Initiative
- Board Charter
- Policy on Remuneration
- Policy on Internal Code of Business and Ethics
- Policy on Risk Management and Internal Controls
- Policies on Relations with Shareholders and Investors
- Policy on Sustainability
- Speak-up Policy
- Policy on Anti-Bribery and Corruption

Key Mechanisms

- Strategic Planning
- Stakeholder Engagement
- Budgeting and Finance
- Risk Management
- People Management
- IT Governance
- Sustainability and ESG Integration

Internal

- Articles of Association
- Board Charter, Board Procedure
- Board Sub-Committee Terms of Reference
- Code of Ethics
- Code of Conduct
- Board-Approved Policy Framework

Skill Alignment to Strategic Focus Areas

Business Focus	Banking experience
Cost and Efficiency	Finance, Accounting and Auditing
Customer Experience	Multi-disciplined banking experience
Digitisation and Automation	IT and Digital Strategy
ESG and Sustainability Integration	Sustainability Strategy

Corporate Governance

A Comprehensive Policy Framework

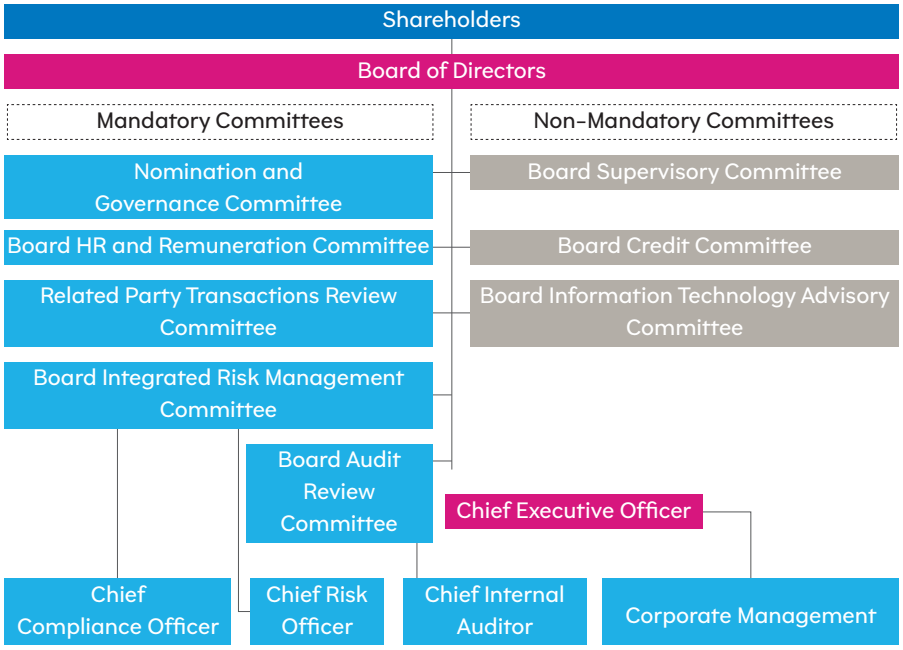
The Board has approved policies that collectively form a comprehensive policy framework to guide management in the day-to-day operations of the Bank in compliance with the governance framework set out above. During the year under review, specific policies were assessed for compliance with new regulatory requirements while ensuring fitness-for-purpose in an evolving operating landscape. Policies due for routine assessment were also reviewed during the year. The Bank maintains all policies required by Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE) and has made reference to the same on its official website.

To ensure the continued effectiveness, resilience and relevance of our governance framework, the Board regularly reviews and updates its policies, procedures and governance structures.

This ongoing process allows Nations Trust to remain aligned with evolving regulatory expectations and global best practice standards, thereby supporting our long-term vision and strategic objectives.

Governance Structure

The governance structure of the Bank has evolved to ensure effective oversight of critical aspects of the Bank's operations. It is structured to fulfil regulatory requirements.



The Board

The Board of Directors of Nations Trust serves as the apex governing body, providing strategic direction and stewardship to ensure the Bank's sustainable, long-term growth. Operating under the Rules of Procedure for the Board of Directors, the Board is responsible for setting the Bank's overall strategy, offering entrepreneurial leadership and guiding the corporate management team to effectively implement this strategy.

Matters Reserved Expressly for Board Approval

01 | Strategy

Approving the Bank's Strategic Plan

Reviewing actual performance against strategy

Approving capital projects, investments, acquisitions, mergers and disposals

02 | Financial Results & Dividends

Approval of interim and year-end financial statements, dividends and any significant change in accounting policies or practices

03 | Risk Capital and Liquidity Planning

Approving changes to the Bank's capital structure

Approving the annual capital plan

Establishment of the Bank's risk appetite

04 | Board and Sub Committee Membership

Board appointments and removals

Approving the establishment of Board Sub committee and their membership

05 | Governance and Control

Approval of regulatory filings

Review and approval of the Terms of Reference of Board Sub Committees

Overseeing the Board and Board Sub Committee performance evaluation process

Review and update of the corporate governance framework

Assigning the duties and responsibilities of the Managing Director / Chief Executive Officer

Appointment and removal of the Company Secretary and Key Management Personnel

06 | Remuneration

Approval of the Remuneration framework for the Bank

Review and update the Remuneration Policy

The Board, as the main custodian of corporate governance, establishes and upholds robust governance policies and frameworks, ensuring full compliance with all legal, regulatory and ethical requirements. Certain key matters of strategic, financial and governance significance are reserved exclusively for Board approval, thereby ensuring appropriate control and accountability at the highest level.

The Rules of Procedure for Board of Directors and the Board Charter specify the composition, structure, conduct of meetings and other matters relating to the Board ensuring effective execution of the Board's responsibilities.

Board Sub-Committees

The Board is assisted by eight Board Sub-Committees which facilitate oversight over specific areas. Of the 8 Board Sub-Committees, five are mandated by regulations. During the year under review, the Bank reconstituted the membership of the regulatory Board Sub Committees to align with the Corporate Governance Directions and to facilitate the effective discharge of their duties and responsibilities. The roles and responsibilities of the Board and Board Sub-Committees are clearly defined in the respective Terms of Reference (ToR). The Committee reports on pages 126 to 142 provide insights into their activities during the year.

Management

The CEO is supported by Executive Committees appointed for specific purposes, facilitating regular monitoring of strategy implementation, effective management of risk on a day-to-day basis whilst setting the tone for good governance.

Executive Committees

- Assets and Liability Management Committee
- Executive Risk Management Committee
- Operations Risk Management Committee
- IT Steering Committee
- Information Security Steering Committee
- Management Credit Committee
- ESG Steering Committee
- Management Steering Committee for Privacy Data Protection

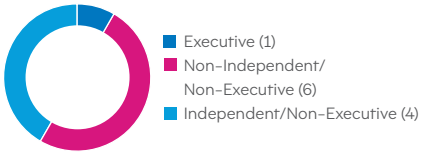
Board Composition

Nations Trust is governed by a competent and balanced Board of Directors, whose composition is determined in accordance with the Bank's Articles of Association and aligned with prevailing regulatory requirements.

The current Nations Trust Board comprises eleven (11) Directors of whom four (04) are Independent Non-Executive Directors, Six (06) Non-Executive Directors and one (01) Executive Director. All Directors bring diverse professional expertise and extensive experience across a wide range of disciplines, including banking, finance, operations, risk management, sustainability, corporate strategy and information technology. This extensive knowledge base enables the Board to provide effective leadership, anticipate and manage emerging risks and capitalise on growth opportunities in a dynamic business environment. The presence of Independent Non-Executive Directors significantly strengthens governance by providing independent oversight, enhancing accountability and supporting objective, well-informed decision-making by the Board.

In 2025, the Board conducted a comprehensive assessment of its composition to ensure alignment with the requirements set forth in CBSL Corporate Governance Directions. The Board remains committed to achieving full compliance with these regulations within the designated timeframe.

Board Composition



Gender Balance

8 Males

3 Females

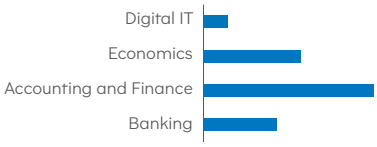
Tenure of Non-Executives

04	03	03
<3 years	3-6 years	6-9 years

Age Representation

01	07	03
40-50 years	50-60 years	older than 60

Composition of skills



Appointment / Re-Election / Resignation / Retirement of Directors

The appointment of new Directors takes place due to causal vacancies arising as a result of resignations or retirements of existing Board members. New Director appointments may also be necessitated to strengthen the Board's collective skills, expertise and capacity to address the Bank's evolving strategic and governance needs.

The process for appointing new Directors is governed by the Board-approved Policy on Board Composition and Succession Planning and the Procedure for Appointment of Directors.

Corporate Governance

In accordance with these policies, all proposed new appointments are first reviewed by the Nomination and Governance Committee (NGC) to assess their credentials, performance and track record as well as any external directorships held, to ensure such commitments do not impede the candidate's ability to exercise due care, skill and diligence in fulfilling their responsibilities towards Nations Trust. The NGC also evaluates the attributes of the potential candidate against the strategic objectives of the Bank and the skillset of the Board and successful candidates are recommended to the Board for approval.

Any Director appointed to fill a casual vacancy during the year is required to stand for re-election at the subsequent AGM for shareholder approval.

Further, in accordance with the Bank's Articles of Association, one-third of the Non-Executive Directors are expected to retire by rotation at each AGM and may offer themselves for re-election, subject to applicable rules and the NGC's clearance regarding the eligibility of Directors seeking re-election, with due consideration of their attendance, level of engagement and overall contribution to Board deliberations in the past.

In line with CBSL Corporate Governance Directions and the Listing Rules of the CSE, Directors are required to retire from the Bank's Board after serving a maximum of nine years or upon reaching the age of 70, whichever occurs first. Directors may also choose to resign earlier by submitting a formal letter of resignation to the Chairperson through the Company for consideration. Once accepted, a notice is provided to the CSE to inform shareholders of the resignation and its underlying reasons.

The Board ensures that all changes pertaining to the appointment, re-election, resignation, or retirement of Directors are communicated to the CSE and shareholders in a timely manner.

Retirement/Resignation

- Conrad D'Souza (Senior Independent Director) retired w.e.f. 18th January 2025
- Rachini Rajapaksa (Independent Non-Executive Director) retired w.e.f. 29th April 2025
- Russell De Mel (Independent Non-Executive Director) retired w.e.f. 6th June 2025

Appointments

- Roshan Anne Perera (Independent Non-Executive Director) appointed w.e.f. 10th January 2025
- Coralie Pietersz (Independent Non-Executive Director) appointed w.e.f. 25th March 2025

Retired by Rotation and Re-elected at the AGM on 28th March 2025

Name of Director
Sherin Cader (Chairperson) - Non-Executive Director
Chandika Hettiarachchi - Non-Executive Director
Rachini Rajapaksa - Independent Non-Executive Director

Responsibilities of Individual Directors

All members of the Nations Trust Board are expected to dedicate adequate time and attention to the affairs of the Bank. This includes active participation in Board meetings and the application of their expertise, insights and independent judgment to support sound and effective decision-making. Directors are also required to participate in the annual self-assessment process to evaluate their individual performance and overall contribution to the Board and Board Sub Committees.

Conflicts of Interest

Directors are required to act in good faith when discharging their fiduciary responsibilities to shareholders and other stakeholders. As part of these obligations, Directors must proactively avoid any situation that may give rise to an actual, potential, or perceived conflict and to identify and promptly disclose any such actual or perceived conflicts of interest. Where conflicts of interest exist, Directors are further expected to recuse themselves from discussions and abstain from voting on such matters at Board meetings.

At the time of appointment and thereafter annually, each Director must formally declare all conflicts of interest to the Board. In 2025, the Bank further strengthened its conflict-of-interest management framework to align with the CBSL Corporate Governance Directions. Disclosure of Directors' Interests remains a standing agenda item at all Board meetings.

Directors interests in contracts are disclosed on page 124 of the Annual Report

Directors' Remuneration

The Nations Trust Board has established a comprehensive Remuneration Policy to ensure Directors, Key Management Personnel (KMP) and employees benefit from fair, transparent and market-competitive remuneration that recognises performance and promotes sustainable value creation.

As per the policy, the remuneration of Executive Directors is performance-driven and comprises both fixed and variable components that link rewards to the achievement of the Bank's strategic priorities. A similar principles-based

approach applies to the remuneration of KMP which ensures consistency, equity and alignment across senior leadership roles.

Meanwhile, Non-Executive Directors receive a fixed fee for their service on the Board and its Sub-Committees. These fees are benchmarked against industry norms and reviewed by the Board to ensure continued alignment with market practices.

During the year under review, the Human Resources and Remuneration Committee (HRRC) conducted a comprehensive assessment of Directors' remuneration relative to prevailing industry standards. The review confirmed that Nations Trust's remuneration structures remain competitive and in line with market benchmarks and aligning remuneration with the Bank's risk culture and risk appetite.

Division of Responsibilities

In line with global best practices, Nations Trust maintains a clear division of responsibilities at the highest leadership level, where the roles of the Chairperson and the Executive Director/Chief Executive Officer have been clearly segregated to ensure no single individual holds undue authority or decision-making powers.

Further, given that the Chairperson serves in a Non-Independent, Non-Executive capacity, the Bank has appointed a Senior Director to provide additional oversight, facilitate Board effectiveness and ensure the continued robustness of the Bank's governance framework.

Duties & Responsibilities of the Senior Director

The Senior Director plays a vital role in strengthening the Bank's governance framework by serving as a trusted intermediary between the Chairperson and the Board.

A key responsibility of the Senior Director is to support and, where necessary, challenge the Chairperson by providing objective advice on Board matters and ensuring the views of all Directors, are adequately considered.

At least once every financial year, the Senior Director convenes a meeting with Non-Executive Directors on the Board, without the presence of the Chairperson and the Executive Director. The purpose of this meeting is to carry out an independent evaluation of the Board's overall effectiveness as well as to assess the performance of the Chairperson.

The Senior Director also convenes annually, a meeting of Independent Directors, without the presence of the other Directors to discuss matters and concerns relating to the Bank and the operation of the Board.

Board Succession Planning

Nations Trust's approach to Board succession planning is designed to safeguard continuity in governance, strategic direction and Board effectiveness maintained under the purview of the NGC, the Bank's Board succession planning process is based on regular reviews by the NGC to identify gaps considering changes in the Board composition owing to upcoming retirements, resignations and regulatory developments.

Moving to further strengthen the Board succession planning framework in alignment with the requirements of the CBSL Corporate Governance Directions, the NGC in 2025 adopted a forward-looking approach to comprehensively assess potential skill requirements, director tenure limits, independence criteria and compliance with regulatory "fit and proper" standards. This rigorous process was aimed at ensuring the Board continues to maintain the right balance of expertise, experience and independence to effectively guide the Bank's strategic objectives while meeting evolving governance expectations for the foreseeable future.

Company Secretary

The Company Secretary plays a critical role in supporting the effectiveness of the Board and ensuring the Bank's governance framework operates seamlessly. As a trusted advisor to the Board, the Company Secretary provides expert guidance on matters of corporate governance, regulatory compliance and Board procedures.

Key responsibilities of the Company Secretary include; coordinating and scheduling Board and Committee meetings, managing the preparation and circulation of Board papers and ensuring the accurate documentation and communication of Board decisions. All Directors have unrestricted access to the Company Secretary for the purpose of obtaining information and advice to facilitate informed decision-making.

The Company Secretary also oversees the induction and ongoing professional development of Directors, ensuring that Board members remain well-informed, effective and up-to-date with regulatory and governance requirements.

In addition, the Company Secretary serves as a vital liaison between the Board, management and shareholders, facilitating smooth engagement and communication across all stakeholders.

The appointment of the Company Secretary follows a rigorous selection process, including fit and proper assessment and Board approval, followed by approval of the CBSL.

Director Induction and Training

The Bank has implemented a comprehensive induction process designed to ensure that new Board members are well-equipped to understand their responsibilities and contribute effectively to the strategic and operational functions of the Board.

Corporate Governance

Key components of the induction sessions for new Directors

Overview of the Bank's governance structure and Board protocols
An in-depth review of the organisational hierarchy, decision-making processes and the established protocols guiding Board operations.

Legal and fiduciary responsibilities of Directors
Clarification of the legal duties, including duty of care, duty of loyalty and other fiduciary obligations that Directors must uphold to ensure responsible governance.

Declaration of interests and core dealings of Directors
Procedures for disclosing potential conflicts of interest and managing core dealings to maintain transparency and integrity within the Board.

Strategic Plan for the next three years
Presentation and discussion of the strategic objectives approved by the Board, outlining the Bank's vision, goals and key initiatives for the short to medium term.

Training for Directors is considered a key priority in enabling the Board members to make informed, strategic decisions. Each year, the Bank provides the Directors access to training conducted by external auditors, industry experts and regulators, covering emerging regulatory updates, governance best practices, financial reporting, technology developments and other relevant areas. Additionally, the management provides updates on regulatory changes, the operating environment and industry best practices. The Directors attend the training sessions organised by the CBSL and undertake training in their personal capacities as well.

To ensure training is timely, relevant and aligned with the evolving needs of the Board and the Bank, all Director training initiatives are coordinated by the Company Secretary in close consultation with the Chairperson.

Board Meetings

Board meetings are held roughly at monthly intervals or more often when needed. It is mandatory for Directors to attend all scheduled Board meetings. Furthermore, Board members are expected to come well prepared and engage in robust discussions on key matters pertaining to the Bank.

The Chairperson ensures the effectiveness of Board meetings by encouraging active participation, open dialogue and the consideration of diverse perspectives from all Directors, while maintaining a disciplined approach to ensure adequate time for deliberation on all agenda items.

Members of the Corporate Management team often attend Board meetings by invitation, as needed, to provide insights, updates and subject-matter expertise to support informed Board deliberations.

The Company Secretary records the proceedings of each Board meeting. Draft minutes are first presented to the Chairperson for review and once approved, are circulated to Directors and relevant members of Corporate Management who attended the meeting.

Critical concerns are immediately flagged to the Board by the CEO in discussion with the Chairperson and with relevant Corporate Management members. In line with established practice, the CEO promptly updates the Board on matters that warrant immediate escalation.The risk appetite of the Bank is approved by the Board Integrated Risk Management Committee and the Board and the Chief Risk Officer is expected to notify BIRMC of any breaches. Chief Internal Auditor and the Chief Compliance Officer are required to flag any gaps in internal control or regulatory compliance to Board Audit Review Committee and BIRMC respectively.

Planning of Board Meetings

Meeting calendar is prepared annually in advance by the Company Secretary in consultation with the Chairperson and communicated to all Board members.

The Chairperson assisted by the Company Secretary, sets the Board agenda establishing the meeting time to ensure all agenda items receive adequate time for discussion. Every Board meeting agenda includes a segment where the Chairperson of each Board committee is required to provide an update on significant matters discussed at their respective Board sub-committee meetings held since the previous Board meeting. Directors are also allowed to make a written request to the Chairperson detailing any additional matters to be included in the agenda.

The finalised agenda along with a comprehensive Board pack containing relevant Board Papers are circulated among all Directors at least four (04) working days prior to the meeting date, allowing Board members sufficient time to review the same.

Attendance at Meetings

DIRECTOR		BOARD	BSC	RPTRC	NGC	BIRMC	BCC	BARC	BITAC	HRRC
01	Sherin Cader	17/19	12/13		03/03		15/16			03/03
02	Chanaka Wickramasuriya[1]	19/19		04/04	03/03		15/16			03/03
03	Conrad D'Souza[2]					01/01				
04	Rachini Rajapaksa[3]	04/04				03/03		03/03	04/04	01/01
05	Russell De Mel[4]	07/07		02/02			05/05			01/01
06	Arjun Fernando	19/19	13/13		03/03		16/16		11/12	
07	Ramesh Shanmuganathan	13/19							12/12	
08	Chandika Hettiarachchi[5]	17/19					08/11			
09	Hemantha D Gunetilleke	19/19							11/12	
10	Sanjeev Jha	18/19		04/04						
11	Charitha Subasinghe	15/19	11/13			06/08		09/11		
12	Arjuna Wignaraja[6]	19/19	11/13			08/08			06/07	
13	Roshan Perera[7]	19/19			03/03	07/07		11/11		
14	Coralie Pietersz[8]	16/17		02/02		03/04		08/08		02/02

[1] Appointed as the Senior Director and Chairperson of the HRRC and NGC with effect from 18th January 2025 and appointed as the Chairperson of the RPTRC with effect from 6th June 2025.

[2] Retired from the Board of the Bank with effect from 18th January 2025.

[3] Retired from the Board of the Bank with effect from 29th April 2025.

[4] Retired from the Board of the Bank with effect from 6th June 2025.

[5] Appointed as a member of the BCC with effect from 6th June 2025.

[6] Appointed as a member of the BITAC with effect from 6th June 2025.

[7] Appointed as a Director of the Bank with effect from 10th January 2025 and appointed as the Chairperson of the BIRMC and as a member of the NGC and BARC with effect from 18th January 2025.

[8] Appointed as a Director of the Bank with effect from 25th March 2025 and as the Chairperson of the BARC with effect from 29th April 2025 and as a member of the RPTRC, HRRC and BIRMC with effect from 6th June 2025.

Board and Board Sub Committee Evaluation

The performance of the Board and its Sub-Committees is evaluated through a comprehensive Board self-assessment questionnaire, which is completed annually by each Director. The questionnaire seeks Directors' feedback on the effectiveness of the Board across multiple areas, including strategic oversight, governance practices, quality of deliberations and decision-making. Directors are also required to assess the performance of and their individual contributions to, the Board Sub-Committees on which they serve.

Responses submitted by Directors are reviewed by the Senior Director and the key findings are subsequently discussed at a Board meeting. The summary of individual self-evaluations relating to the 2024 assessment cycle were reviewed and deliberated by the Board during 2025. The findings from this evaluation confirmed that the Board and its Committees continue to demonstrate the appropriate mix of competencies, independence and governance discipline required to function effectively and discharge its responsibilities in line with applicable regulatory requirements and recognised best practices. The individual self-evaluations survey relating to the 2025 assessment cycle was conducted and results are currently being evaluated.

Evaluating the Performance of the CEO

The Board conducts a formal evaluation of the Executive Director / Chief Executive Officer at the end of each financial year to measure his performance against the strategic priorities, financial targets and operational objectives approved by the Board at the beginning of the year.

The evaluation carried out during 2025 focused on assessing against approved Key Performance Indicators (KPIs) for FY 2024 covering key areas such as strategic execution, financial performance, leadership effectiveness and alignment with the Bank's long-term value creation objectives.

Corporate Governance

Based on the outcome of this evaluation, the Board submitted its recommendations to the Human Resources and Remuneration Committee regarding any adjustments to the Executive Director / Chief Executive Officer remuneration.

Management Committees

Management Committees are established to support effective and timely decision-making and to ensure the successful execution of the Bank's strategic objectives, operational plans and risk management frameworks. Management Committees are appointed by the Executive Director / Chief Executive Officer to assist in promoting cross-functional collaboration, enhancing accountability and facilitating disciplined oversight across key business and support functions.

Key Board Responsibilities

Regulatory Compliance

The Board of Directors of Nations Trust bears ultimate responsibility for ensuring full compliance with all applicable laws, regulations and supervisory directives. The Board exercises comprehensive oversight of compliance matters and works closely with the Board Sub Committees and the executive leadership team to monitor, promote and enforce compliance across all levels of the Bank.

To further strengthen accountability and promote an ethical culture, the Board has established secure and confidential whistleblowing and communication channels that enable employees and other stakeholders to report compliance concerns or potential violations without fear of retaliation.

The Chief Compliance Officer closely monitors regulatory developments and informs the Board at each Board meeting to ensure timely awareness and informed oversight. Additionally, the Board also maintains ongoing engagement with regulatory authorities and, where appropriate, consults with subject matter experts to better understand emerging requirements and facilitate the timely adoption of new regulatory standards.

During 2025, the Board ensured full compliance with all applicable regulatory requirements and no material instances of regulatory non-compliance were reported during the financial year.

Internal Control and Financial Reporting

As the highest governing body of the Bank, the Nations Trust Board is accountable for the Bank's financial stewardship. Accordingly, the Board has established a comprehensive system of internal controls to safeguard assets, prevent fraud and financial misstatements and ensure compliance with applicable accounting standards, regulatory requirements and internal policies.

In fulfilling its fiduciary obligations, the Board also assumes responsibility for the integrity, accuracy and timeliness of the Bank's financial reporting. The Board ensures that financial statements are prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS), relevant regulatory requirements and international best practices, thereby presenting a true and fair view of the Bank's financial position, performance and cash flows.

The Board seeks assurance regarding the Bank's financial statements from the Board Audit Review Committee (BARC). In this regard, the Board and the BARC, collectively reviews and approves quarterly and annual financial statements prior to publication. The BARC also engages closely with both internal and external auditors to ensure that significant audit findings, control weaknesses, or material issues are addressed promptly and effectively.

Risk Management

The Board holds ultimate responsibility for ensuring the Bank's risk management frameworks remain robust, effective and aligned with Nations Trust's strategic objectives. In this context, the Board sets the Bank's overall risk appetite and provides oversight of the risk governance framework via the Board Integrated Risk Management Committee (BIRMC).

Acting under authority delegated by the Board, the BIRMC oversees the development and implementation of comprehensive policies and processes for identifying, assessing, monitoring and mitigating risks that may impact the Bank's operations, reputation, or financial performance. Under the supervision of the BIRMC, the Bank's Risk Department regularly conducts enterprise-wide risk assessments and monitors key risk indicators in order to implement appropriate mitigation strategies to address both inherent and emerging risks.

The BIRMC also seeks independent assurance from internal and external auditors on the effectiveness and integrity of the Bank's risk management and internal control frameworks and considers recommendations for continuous improvement to strengthen risk resilience across the organization.

Board oversight on risk management is elaborated in the Risk Management Report section published on pages 56 to 71 in this Report

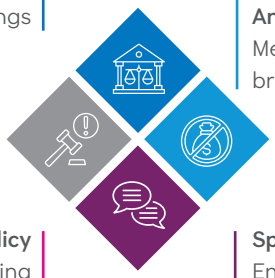
Conduct and Ethics

The Nations Trust Board sets the tone for fostering a culture of ethics, integrity and accountability across the Bank. This commitment is embedded within a Board-approved conduct framework comprising the Code of Professional Conduct, the Anti-Bribery & Anti-Corruption Policy and the related Procedures, which clearly define expected standards of behaviour for employees. The framework is further reinforced by the Speak-Up Policy, which provide secure, confidential and accessible mechanisms for employees and other stakeholders to raise concerns or report suspected misconduct without fear of retaliation.

Nations Trust's Conduct Framework

Code of Professional Conduct
Guidelines for ethical behaviour in professional settings

Anti-Bribery and Anti-Corruption Policy and Anti-Bribery and Anti-Corruption Procedure
Measures to prevent and address bribery and corruption



Whistleblowing Policy
Formal process for reporting illegal or unethical activities

Speak up Policy
Encourages reporting of misconduct without fear of retaliation

Information Technology (IT) and Cybersecurity Governance

The Board holds ultimate responsibility for the formulation and deployment of the Bank's IT strategy to support the achievement of Nations Trust's strategic objectives. The Board exercises rigorous oversight over strategic investments in digital banking and IT infrastructure, assisted by the BIRMC, the BARC, and the Board Information Technology and Advisory Committee (BITAC).

Meanwhile, in light of the growing reliance on digital channels and technology-enabled operations, the Board proactively monitors the Bank's information security posture. Executive accountability for information security is vested in the Chief Information Security Officer (CISO), who leads the Information Security Management System (ISMS), provides expert guidance on emerging cyber threats and ensures ongoing compliance with ISO 27001 and Central Bank of Sri Lanka (CBSL) guidelines, including governance, risk management, compliance and regulatory reporting obligations. In 2025, Nations Trust further strengthened its information security posture by successfully transitioning to the latest edition of ISO 27001, reinforcing the Bank's commitment to resilient, secure and well-governed digital operations.

The Information Security Steering Committee (ISSC), a cross functional team comparing representatives from IT, Risk, Compliance and Business units, provides oversight of the ISMS by approving its scope, reviewing key risks and ensuring alignment with regulatory and business requirements. At the operational level, dedicated teams implement and maintain security controls, with the Governance, Risk and Compliance (GRC) function overseeing the ISMS and audit processes, IT Security Operations managing technical safeguards and the Privacy function ensuring compliance with the Personal Data Protection Act (PDPA) and data protection standards.

Human Capital Governance

The Board assumes the responsibility for ensuring that the Bank's people strategy remains closely aligned with Nations Trust's long-term strategic objectives. In this regard, the Board, working in close collaboration with the HRRC provides strategic oversight and direction on workforce-related matters, including the review of talent pipelines, leadership development initiatives and succession planning for key leadership roles, thereby supporting business continuity and organisational resilience.

As part of its oversight responsibilities, the Board, together with the HRRC, also ensures the development and implementation of a remuneration framework that is competitive, equitable and aligned with regulatory requirements and prevailing market practices.

Stakeholder Engagement

The Nations Trust Board acknowledges that transparent communication and proactive responsiveness are fundamental to building and sustaining stakeholder trust. Operating under the delegated authority of the Board, Nations Trust's Corporate Management team is entrusted with the responsibility of managing day-to-day interactions with stakeholders.

Further details on the Bank's stakeholder engagement approach are provided in the Stakeholder Engagement section on page 24 of this report.

Environmental and Social Governance (ESG)

The Bank's sustainability approach is integrated into its corporate governance framework, ensuring responsible decision-making and long-term value creation. Guided by the corporate and sustainability policies, ESG Management Framework and Environmental and Social Management System (ESMS), Environmental, Social and Governance (ESG) considerations are embedded into the Bank's operations, risk management and strategic planning. The Board together with the NGC provides oversight and strategic direction on sustainability and ESG matters, ensuring alignment with our corporate values and long-term objectives. This structured approach strengthens accountability, enhances stakeholder trust and supports our commitment to sustainable growth. During the year, Nations Trust strengthened its ESG oversight by enhancing ESG dashboards to include

Corporate Governance

quarterly reporting to the NGC. Internal assurance processes were also improved to ensure compliance with environmental requirements and to enhance the transparency, accuracy and reliability of ESG-related disclosures.

Shareholder Relations and Communication

The Board recognises the critical importance of providing shareholders with clear, transparent and timely information, ensuring that all disclosures comply with applicable regulatory requirements. To this end, the Board emphasises accurate communication through formal channels such as CSE announcements, press releases and other official platforms, covering financial performance, strategic initiatives and other material developments.

The Board is equally committed to addressing shareholder inquiries promptly and encourages shareholders to raise questions or seek clarifications either during the Annual General Meeting or directly to the Company Secretary.

In 2025, these practices were formalised through the establishment of a Board-approved Investor Relations Policy, which sets out structured guidelines for engaging with shareholders and investors. The policy incorporates transparent reporting mechanisms, regular performance updates and clear procedures to address shareholder concerns, underscoring Nations Trust's commitment to open and accountable investor communication.

Annual General Meeting (AGM)

Nations Trust's Board of Directors are entrusted with the responsibility of convening the Annual General Meeting (AGM) in full compliance with legal and regulatory requirements, including notice periods, quorum and agenda specifications. The Board oversees the preparation of all necessary documentation for the AGM, including financial statements, the annual report and proposed resolutions.

The Annual Report, notice of AGM, resolutions requiring shareholder approval and voting instructions are distributed to shareholders at least 15 working days in advance, providing sufficient time for review and preparation.

All Board members are required to be present at the AGM to give shareholders the opportunity to raise concerns and provide feedback.

The next AGM is scheduled to be held on 27th March 2026.

Compliance with Laws/Regulations on Corporate Governance

The Bank's level of compliance with the CBSL Corporate Governance Directions and Rule 9 of the Listing Rules of the CSE is disclosed in the reports published on pages 276 to 310 in this Annual Report.

Access to Information

All Board Directors have the right to access essential information needed to prepare for and contribute effectively at meetings. Directors are allowed to request data relating to the Bank's operations, financial performance, risks and strategic plans and any other relevant documents. They are also allowed to reach out to KMP's to seek clarifications. Directors may also obtain independent professional advice service, as needed to fulfill their role as Board members. All such expenses are borne by the Bank.

Annual Report of the Board of Directors on the Affairs of the Bank

The Directors of Nations Trust Bank PLC have the pleasure in presenting their Report on the Affairs of the Bank together with the Audited Financial Statements for the year ended 31st December 2025. The details set out herein provide pertinent information in accordance with statutory requirements, requirements of relevant regulatory authorities for listed companies in the financial services industry and best accounting practices.

General

Nations Trust Bank PLC is a public limited liability company incorporated in Sri Lanka on 21st January 1999 under the Companies Act No. 17 of 1982. The Bank was quoted in the Colombo Stock Exchange in May 1999 and is a licensed commercial bank under the Banking Act No. 30 of 1988 (as amended). The Bank was re-registered on 14th February 2008 as required under the provisions of the Companies Act No. 7 of 2007 (as amended).

The Annual Report of the Board of Directors on the Affairs of the Bank and the Audited Financial Statements were approved by the Directors on 20th February 2026.

Statement of Compliance on the Contents of the Annual Report

The Annual Report including the Audited Financial Statements have been prepared and presented with the disclosures in accordance with the Sri Lanka Accounting Standards and other applicable regulatory requirements.

Principal Activities

Nations Trust Bank PLC is a licensed commercial bank in Sri Lanka carrying on banking business. There are three fully owned subsidiaries of the Bank which, together, constitute the Group.

Bank

The principal activities of the Bank are commercial, personal and private banking, trade services, leasing, treasury and capital market services and fee-based activities.

Subsidiaries

The principal activities of the Bank's subsidiaries are as follows;

Allied Properties Limited – Renting of premises

Nations Insurance Brokers Limited – Insurance broking

Waldock Mackenzie Limited – Inoperative (In November 2024, the investment manager operation of Waldock Mackenzie Limited, which was its only business line, was discontinued).

There has been no material change to the activities of the Bank or any of the subsidiaries mentioned above during the period under review.

Financial Statements

Financial Statements of the Bank and the Group are given on pages 150 to 247 of this Annual Report.

Independent Auditors' Report

The Auditors of the Bank, Messrs Ernst & Young, Chartered Accountants have carried out the audit of the consolidated Financial Statements for the financial year ended 31st December 2025 and their Report on the Financial Statements is given on Page 150 to 247 of this Annual Report.

Significant Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 158 to 175.

Interests Register

All Directors have made general declarations as provided for in Section 192 (2) of the Companies Act No. 7 of 2007 (as amended). Arising from these, details of contracts in which the Directors of the Bank have an interest is given on pages 124 to 125 of this Report.

Entries were made in the Interest Register on payments approved by the Board to the Directors.

Directors' Shareholding

Directors' shareholding as at 31st December 2025 and 2024 are given below.

Name of the Director	No. of Shares	
	2025	2024
Sherin Cader – *Chairperson*	–	–
Conrad D'Souza – *Senior Director* (Retired w. e. f. 18th January 2025)	N/A	–
Rachini Rajapaksa (Retired w. e. f. 29th April 2025)	N/A	–
Russell De Mel (Retired w. e. f. 6th June 2025)	N/A	–
Chanaka Wickramasuriya – *Senior Director*	–	–
Arjun Fernando	–	–
Ramesh Shanmuganathan	–	–
Chandika Hettiarachchi	–	–
Sanjeev Jha	–	–
Hemantha D Gunetilleke	–	–
Charitha Subasinghe	–	–
Arjuna Wignaraja	–	–
Roshan Perera (Appointed w.e.f. 10th January 2025)	–	N/A
Coralie Pietersz (Appointed w.e.f. 25th March 2025)	–	N/A

Annual Report of the Board of Directors on the Affairs of the Bank

Directors' Remuneration

Directors' fees and emoluments paid during the year are given in Note 44 of the Financial Statements given on page 218 of this Annual Report.

Corporate Donations

The Bank donated LKR 100 million to Government's "Rebuilding Sri Lanka" Fund to support people affected by the disaster caused by Cyclone Ditwah.

Directorate

The names of the Directors of the Bank during the year under review and their attendance at Board meetings during the year are as follows;

Name and designation	Eligibility	Present	Excused
Non-Executive Directors			
Sherin Cader - Chairperson	19	17	2
Arjun Fernando	19	19	Nil
Ramesh Shanmuganathan	19	13	6
Chandika Hettiarachchi	19	17	2
Sanjeev Jha	19	18	1
Charitha Subasinghe	19	15	4
Independent Non-Executive Directors			
Conrad D'Souza-Senior Director (Retired w.e.f.18th January 2025)	Nil	Nil	Nil
Rachini Rajapaksa (Retired w.e.f. 29th April 2025)	4	4	Nil
Russell De Mel (Retired w.e.f. 6th June 2025)	7	7	Nil
Chanaka Wickramasuriya-*Senior Director*	19	19	Nil
Arjuna Wignaraja	19	19	Nil
Roshan Perera (Appointed w.e.f. 10th January 2025)	19	19	Nil
Coralie Pietersz (Appointed w.e.f. 25th March 2025)	17	16	1
Executive Director			
Hemantha D Gunetilleke	19	19	Nil

Senior Director, Conrad D'Souza and Independent Non-Executive Directors, Rachini Rajapaksa and Russell De Mel retired from the Board of the Bank with effect from 18th January 2025, 29th April, 2025 and 6th June 2025, respectively. The said retirements took place due to completion by each Director of 9 year service on the Board of the Bank in terms of Direction No. 3.2.(b) of the Banking Act Directions No. 5 of 2024 on Corporate Governance.

Roshan Perera and Coralie Pietersz were appointed to the Board as Independent Non-Executive Directors with effect from 10th January 2025 and 25th March 2025, respectively. They were elected by the shareholders pursuant to Article 25 of the Articles of Association of the Bank at the Annual General Meeting (AGM) held on 28th March 2025.

Independent Non-Executive Director, Chanaka Wickramasuriya and Non-Executive Directors. Arjun Fernando and Sanjeev Jha retire by rotation and being eligible for re-election are recommended by the Board for re-election as provided for in Article 27 of the Articles of Association of the Bank at the AGM to be held on 27th March 2026. Chanaka Wickramasuriya and Arjun Fernando were last re-elected and Sanjeev Jha was elected at the AGM held on 31st March 2023.

Having given due consideration to the criterion set out in the Banking Act No. 30 of 1988 (as amended), Banking Act Direction No. 5 of 2024 on Corporate Governance and Rule No.9.7.3 of Listing Rules of the Colombo Stock Exchange (CSE), the Board is of the view that all Directors of the Bank including those who are recommended for re-election are fit and proper persons to hold office as Directors of the Bank. Further, based on the Declarations submitted by the Independent Non-Executive Directors in terms of the criteria for independence specified in Direction No. 2.5(b) of the Banking Act Direction No. 5 of 2024 on Corporate Governance and Rule No. 9.8.3 of the Listing Rules of the CSE, the Board has determined that the Independent Non-Executive Directors of the Bank continue to be considered as Independent Non-Executive Directors.

Auditors

The Bank's Auditors during the period under review were Messrs. Ernst & Young, Chartered Accountants. The following payments were made to them during the year as fees and reimbursable expenses.

	Bank (LKR '000)	Group (LKR '000)
Audit Fees	17,773	19,084
Fees for Other Services	5,070	5,277

Other services consisted of advisory and tax related work.

As far as the Directors are aware, the Auditors do not have any relationship with or interest in the Bank or any of its subsidiaries other than those disclosed above.

According to the Direction 6.2(d)(iv) of the Banking Act Directions No. 5 of 2024 on Corporate Governance the engagement of the external auditor

shall not exceed six years. Given that the incumbent external auditor, Messrs Ernst & Young, Chartered Accountants has exceeded this duration, the Board has recommended the appointment of Messrs KPMG, Chartered Accountants as the external auditor for the Bank for the financial year ending 31st December 2026. A proposal has been included in the Notice of Meeting for the AGM scheduled on 27th March 2026 seeking shareholder approval to appoint Messrs KPMG, Chartered Accountants as the external auditor of the Bank for the financial year ending 31st December 2026 and to authorise the Directors to determine their remuneration.

Financial Results and Dividend

Consolidated Income Statement along with the Bank's Income Statement for the year is given on page 151. The Statement of Financial Position of the Bank and the Group is given on page 150.

Having satisfied the solvency test requirements under the Companies Act No.7 of 2007 (as amended), the Directors have declared a first and final dividend of LKR 7.00 per share to holders of both Ordinary Voting shares and Ordinary Non-Voting Convertible shares for the year ended 31st December 2025. The said dividend of LKR 7.00 per share consist of LKR 3.50 per share in the form of cash dividend and LKR 3.50 per share in the form of scrip dividend. The scrip dividend is subject to the approval of the CSE. In terms of Articles of Association of the Bank, the payment of dividend does not require approval of shareholders.

Information on Shares and Debentures

Information relating to the holding of shares of the Bank is given in pages 274 to 277 and information relating to debentures issued by the Bank is given on pages 198 to 199 of this Annual Report.

Post-Balance Sheet Events

No circumstances have arisen since the reporting date that would require adjustment or disclosure other than those disclosed in Note 50 to the Financial Statements contained in page 247 of this Annual Report.

Capital Adequacy

The Group's capital adequacy ratios as at 31st December 2025 were 19.06% for Tier I and 20.17% for Tier I & II, and are above the minimum requirements of the Central Bank of Sri Lanka (CBSL).

Transactions with Related Parties

The Bank is in compliance with the Rules of the CSE and Directions issued by the Central Bank of Sri Lanka (CBSL) on Related Party Transactions.

Details of significant Related Party transactions are given in the table below;

Category of Related Party	Subsidiary Companies *	Directors of the Bank	Key Management Personnel (KMP) of the Bank	Close Relations of Directors and KMP	Shareholders owning a material interest in the Bank **	Concerns in which Directors, Close Relations of Directors or material shareholders have a substantial interest	Concerns whose Director is a Director of the Bank	Concerns in which KMP or Close Relation of KMP have a substantial interest
LKR '000	2025	2025	2025	2025	2025	2025	2025	2025
Items in the Statement of Financial Position								
Assets								
Accommodation								
Loans and Advances	-	7	61,624	1,662	-	-	2,510,417	-
Credit Cards	-	3,739	17,380	6,568	6,344	12,871	976	-
Derivative Financial Assets	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	18,020	-	-
Letter of Credit / Guarantees	-	-	-	-	7,000	39,667	-	-
Undrawn Facilities	-	31,080	29,268	6,043	61,854	73,034	141,680	-
Total Accommodation	-	34,826	108,272	14,273	75,198	143,592	2,653,073	-
Less: Cash Collaterals against Total Accommodations	-	23,345	107,929	10,171	84,344	65,112	7,597	-
Total Net Accommodation	-	11,481	343	4,102	-9,146	78,480	2,645,476	-
Total Net Accommodation % of Total Regulatory Capital	-	0.01%	0.00%	0.00%	-0.01%	0.08%	2.85%	-

Annual Report of the Board of Directors on the Affairs of the Bank

Category of Related Party	Subsidiary Companies *	Directors of the Bank	Key Management Personnel (KMP) of the Bank	Close Relations of Directors and KMP	Shareholders owning a material interest in the Bank **	Concerns in which Directors, Close Relations of Directors or material shareholders have a substantial interest	Concerns whose Director is a Director of the Bank	Concerns in which KMP or Close Relation of KMP have a substantial interest
LKR '000	2025	2025	2025	2025	2025	2025	2025	2025
Liabilities								
Due to Customers	381,686	248,018	114,713	115,741	14,919,116	4,421,025	34,403	-
Repurchase and Other Borrowings	2,569,924	-	26,701	-	2,183,012	1,740,738	566,744	-
Debenture Issued	-	-	-	-	334,948	300,848	-	-
Other Liabilities	-	-	-	-	1,672	5,964	28	-
Derivative Financial Liabilities	-	-	-	-	-	-	-	-
Equity								
Dividends (Net)	-	-	-	-	621,693	-	-	-
Commitments:								
Forward - Foreign Exchange Contracts	-	-	-	-	-	-	-	-
Items in Statement of Profit or Loss								
Interest Income Earned	-	413	6,028	497	11,947	35,320	178,070	-
Interest Expenses Paid	217,041	14,940	7,862	6,435	779,363	289,725	3,360	-
Fees and Other Income Earned	6,985	1,104	2,263	472	2,390	497,933	1,785	-
Expenses Paid	272,725	-	-	-	71,672	78,251	-	-
Compensation paid :								
Short-Term Employee Benefits	-	142,950	750,410	-	-	-	-	-
Post Employment Benefits	-	14,142	98,370	-	-	-	-	-
No. of Shares of the Bank acquired								
Voting	-	-	572	-	181,047,815	-	-	-
Non-Voting	-	-	33	-	43,789,576	-	-	-

* Subsidiaries of the Bank are Waldock Mackenzie Limited, Allied Properties Limited and Nations Insurance Brokers Limited.

** Since John Keells Holdings PLC together with Mackinnon & Keells Financial Services Limited, Central Finance Company PLC together with CF Growth Fund Limited and CF Insurance Brokers Limited and HWIC Asia Fund each hold material interest in the Bank, transactions with these entities have been disclosed.

Key Management Personnel (KMP) consists of the Bank's Management personnel as prescribed by the Corporate Governance directives and rules.

As required by Rule 9.3.2 (a) of the CSE listing rules, there are no non-recurrent Related Party transactions which exceeds the lower of 10% of the equity or 5% of the total assets.

As required by Rule 9.3.2 (b) of the CSE listing rules, there are no recurrent Related Party transactions which exceeds 10% of the gross revenue/income.

The Directors wish to make the following declarations with regard to the transactions with Related Parties in terms of Rule 9.17 of the Listing Rules of the CSE;

- That the Directors have declared all material interests in contracts involving the Bank and that they have refrained from voting on matters in which they were materially interested;
- That the Directors have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith;
- That arrangements are in place to make the Directors aware of the applicable laws, rules and regulations and changes to the regulatory framework, particularly to Banking Act Direction No. 5 of 2024 on Corporate Governance of the CBSL and Listing Rules of the CSE and applicable capital market provisions;
- The Directors undertake to disclose if there are any material non-compliance with law or regulation and any fines, which are material, imposed by the government or regulatory authority in any jurisdiction where the Bank has operations.

Report on Compliance with Prudential Requirements, Regulations, Laws and Internal Controls

The Bank has complied with all the regulatory and prudential requirements arising from the provisions in the statutes applicable to the Bank including the Banking Act, No. 30 of 1988 and directions and determinations issued by the CBSL thereunder, Central Bank of Sri Lanka Act, No. 16 of 2023, Foreign Exchange Act, No. 12 of 2017, Companies Act, No. 7 of 2007 (as amended), Sri Lanka Accounting and Auditing Standard Act, No. 15 of 1995, Prevention of Money Laundering Act, No. 5 of 2006, Financial Transactions Reporting Act, No. 6 of 2006, Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005, Inland Revenue Act, No. 24 of 2017 , Value Added Tax Act, No. 14 of 2002, Nation Building Tax Act, No. 9 of 2009, Social Security Contribution Levy Act, No. 25 of 2022, Finance Act, No. 5 of 2005, Economic Service Charge Act, No. 13 of 2006, Listing Rules of the CSE, Securities and Exchange Commission Act, No. 19 of 2021, Finance Leasing Act No. 56 of 2000, Payment of Gratuity Act, No. 12 of 1983, Employees' Provident Fund Act, No. 15 of 1958, Employees' Trust Fund Act, No. 46 of 1980, Anti-Corruption Act, No.9 of 2023, Personal Data Protection Act No.9 of 2022 etc. and the respective amendments to such statutes.

The Bank has established and maintained an effective system of internal controls which is improved on a continuous basis based on the recommendations of the Internal Audit Department, observations of the CBSL and the external auditors during their inspections and audits.

Compliance with Transfer Pricing Regulations

All transactions entered into with associated persons during the period are on an arm's length basis and are comparable with transactions carried out with non-associated persons.

Directors of Subsidiary Companies

Directorates of the Bank's subsidiary companies are as follows;

Waldock Mackenzie Limited
Chandika Hettiarachchi - Chairperson
Ramesh Shanmuganathan
Hemantha D Gunetilleke

Nations Insurance Brokers Limited
Sanjeev Jha – Chairperson
Hemantha D Gunetilleke

Allied Properties Limited
Chandika Hettiarachchi – Chairperson
Ramesh Shanmuganathan
Hemantha D Gunetilleke

Going Concern

The Directors, after making necessary inquiries, have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

Annual General Meeting

Twenty Seventh (27th) Annual General Meeting of the Bank will be held on Friday, 27th March 2026 at 10.00 a.m. at the Auditorium of the Ceylon Chamber of Commerce, No.50, Nawam Mawatha, Colombo 02.

For and on behalf of the Board,

Sherin Cader
Chairperson

Hemantha D Gunetilleke
Executive Director/
Chief Executive Officer

Peshala Attygalle
General Counsel/Company Secretary

20th February 2026
Colombo

Directors' Interest in Contracts with the Bank

Related party transactions as required by LKAS 24 "Related Party Disclosures", are detailed in Note 44 to the financial statements. In addition, the Bank carries out transactions in the ordinary course of its business on an arm's length basis with entities where a Director of the Bank has an interest as declared by them, the details of which as at 31st December 2025 are given below.

Name of the related party	Name of Director	Relationship	Details
Allied Properties Ltd	Chandika Hettiarachchi	Chairperson	A sum of LKR 116,089,190.00 was paid as Interest Expense
	Ramesh Shanmuganathan	Director	A sum of LKR 257,233,748.00 was paid as Rent Expenses
	Hemantha D Gunetilleke	Director	
Central Finance Company PLC	Arjun Fernando	Director	A sum of LKR 11,919,116.00 was received as Interest Income
	Chandika Hettiarachchi	Director	A sum of LKR 1,018,918.00 was received as Other Income
			A sum of LKR 13,547,235.00 was paid as Interest Expense
			A sum of LKR 56,202,262.00 was paid as Other Expenses
			A sum of LKR 102,392,428.00 as Dividend
CF Insurance Brokers Ltd	Chandika Hettiarachchi	Director	A sum of LKR 40,924.00 was received as Other Income
			A sum of LKR 45,342,381.00 as Dividend
Ceylon Cold Stores PLC	Charitha Subasinghe	Director	A sum of LKR 2,601,018.00 was paid as Interest Expense
			A sum of LKR 187,969.00 was received as Other Income
			A sum of LKR 214,805.00 was received as Interest Income
Infomate (Pvt) Ltd	Ramesh Shanmuganathan	Director	A sum of LKR 54,800.00 was received as Other Income
			A sum of LKR 1,066,958.00 was paid as Interest Expense
Jaykay Marketing Services (Pvt) Ltd	Charitha Subasinghe	Director	A sum of LKR 1,630,265.00 was received as Interest Income
			A sum of LKR 661,485.00 was paid as Interest Expense
			A sum of LKR 8,628,607.00 was received as Other Income
			A sum of LKR 17,749,800.00 was paid as Other Expenses
John Keells Information Technologies (Pvt) Ltd	Ramesh Shanmuganathan	Director	A sum of LKR 526,192.00 was received as Other Income
			A sum of LKR 1,508,090.00 was paid as Interest Expense
John Keells Stock Brokers (Pvt) Ltd	Sherin Cader	Director	A sum of LKR 1,989,368.00 was received as Interest Income
			A sum of LKR 7,427.00 was paid as Interest Expense
			A sum of LKR 35,880.00 was received as Other Income
Nations Insurance Brokers Ltd	Sanjeev Jha	Director	A sum of LKR 87,609,733.00 was paid as Interest Expense
	Hemantha D Gunetilleke	Director	A sum of LKR 6,985,236.00 was received as Other Income
Waldock Mackenzie Ltd	Chandika Hettiarachchi	Director	A sum of LKR 13,342,088.00 was paid as Interest Expense
	Hemantha D Gunetilleke	Director	
	Ramesh Shanmuganathan	Director	
Cinnamon Hotel Management Ltd	Charitha Subasinghe	Director	A sum of LKR 935,142.00 was received as Other Income
			A sum of LKR 76,713.00 was paid as Interest Expense
John Keells CG Auto (Pvt) Ltd	Charitha Subasinghe	Director	A sum of LKR 12,000.00 was received as Other Income
			A sum of LKR 1,000.00 was received as Other Income
John Keells Warehousing (Pvt) Ltd	Charitha Subasinghe	Director	A sum of LKR 4,200.00 was received as Other Income
			A sum of LKR 4,256,981.00 was received as Interest Income
Mack Air (Pvt) Ltd	Charitha Subasinghe	Director	A sum of LKR 34,000.00 was received as Other Income

Name of the related party	Name of Director	Relationship	Details
Mackinnons Travels (Pvt) Ltd	Charitha Subasinghe	Director	A sum of LKR 3,740.00 was received as Other Income
			A sum of LKR 61,675.00 was received as Interest Income
			A sum of LKR 1,000.00 was paid as Interest Expense
Senkadagala Finance PLC	Roshan Perera	Director	A sum of LKR 135,272,500.00 was received as Interest Income
			A sum of LKR 1,509,725.00 was received as Other Income
Asia Securities (Pvt) Ltd	Arjuna Wignaraja	Director	A sum of LKR 213,880.00 was received as Other Income
			A sum of LKR 39,987,067.00 was received as Interest Income
			A sum of LKR 320.00 was paid as Interest Expense
Cenmetrix (Pvt) Ltd	Arjuna Wignaraja	Director	A sum of LKR 37,539.00 was received as Other Income
			A sum of LKR 1,096,137.00 was received as Interest Income
			A sum of LKR 1,913,328.00 was paid as Interest Expense
Global Rubber Industries (Pvt) Ltd	Chanaka Wickramasuriya	Director	A sum of LKR 9,387.00 was received as Other Income
			A sum of LKR 1,713,907.00 was received as Interest Income
Kalyana S L Guarantee Ltd	Arjuna Wignaraja	Director	A sum of LKR 6,909.00 was received as Other Income
			A sum of LKR 178,687.00 was paid as Interest Expense
Lynear Wealth Management (Pvt) Ltd	Chanaka Wickramasuriya	Director	A sum of LKR 166,867.00 was received as Other Income
			A sum of LKR 7,799.00 was received as Interest Income
			A sum of LKR 171.00 was paid as Interest Expense
Panasian Power PLC	Coralie Pietersz	Director	A sum of LKR 1,750.00 was received as Other Income
United Motors Lanka PLC	Coralie Pietersz	Director	A sum of LKR 6,300.00 was received as Other Income
Willuwa Wilpattu (Pvt) Ltd	Chandika Hettiarachchi	Director	A sum of LKR 700.00 was received as Other Income
			A sum of LKR 1,266,945.00 was paid as Interest Expense

Details of accommodation granted and balances outstanding as at 31 December 2025

Name of the related party	Name of Director	Relationship	Accommodation Granted	Limit LKR	Amount outstanding as at 31 December 2025 LKR
Central Finance Company PLC	Chandika Hettiarachchi	Director	Letters of Guarantee - Off Balance Sheet	28,459,341	7,000,000
	Arjun Fernando	Director			
John Keells Office Automation (Pvt) Ltd	Charitha Subasinghe	Director	Bank / Shipping Guarantee -Off Balance Sheet	55,961,052	39,670,177
Senkadagala Finance PLC	Roshan Perera	Director	Term Loan	3,010,416,667	2,510,416,668
Asia Securities (Pvt) Ltd	Arjun Fernando	Director	Overdraft	700,000,000	560,433,375
Cenmetrix (Pvt) Ltd	Arjun Fernando	Director	Overdraft	6,400,000	6,310,743

Board Integrated Risk Management Committee Report

Composition

The members of the Board Integrated Risk Management Committee (BIRMC) are appointed by the Board of Directors. The Committee's composition as at 31st December 2025 and as at date is as follows;

Roshan Perera - Chairperson
(Independent Non-Executive Director) [1]

Charitha Subasinghe
(Non-Executive Director) [2]

Arjuna Wignaraja
(Independent Non-Executive Director) [3]

Coralie Pietersz
(Independent Non-Executive Director) [4]

[1] Appointed as a member/Chairperson w.e.f. 18th January 2025

[2] Appointed as a member w.e.f. 29th June 2023

[3] Appointed as a member w.e.f. 1st January 2025

[4] Appointed as a member w.e.f. 6th June 2025

Conrad D'Souza (Independent Non-Executive Director) who served as the Chairperson and Rachini Rajapaksha who served as a member of the Committee retired from the Bank w.e.f. 18th January and 29th April 2025, respectively.

The Chief Executive Officer, the Chief Risk Officer and the Chief Compliance Officer ceased to be members with effect from 1st January 2025 pursuant to Direction 6.5 of the Banking Act Directions No. 5 of 2024 on Corporate Governance for Licensed Banks.

Chief Risk Officer serves as the Secretary to the Committee.

Other relevant Key Management Personnel of the Bank attend meetings by invitation. In addition, senior management of the Integrated Risk Management Department and other units attended meetings by invitation when required.

Meetings

The BIRMC held eight (08) meetings during the year under review and the Directors' attendance at such meetings is given on page 115 of this Annual Report. Minutes of the meetings were forwarded to the Board. The BIRMC also approves a Risk Assessment Report which is submitted to the Board within a week of every meeting. The BIRMC reviewed risk policy frameworks, risk management strategies and key risk indicators at the meetings and was satisfied that the risk exposures of the Bank are being appropriately managed.

Terms of Reference

Board Integrated Risk Management Committee's mandate includes the following:

- Ensure that the Bank has a comprehensive Enterprise Risk Management framework in place with respect to its operating model, activities and risk profile.
- Assess the key risk types and emerging risks and effectiveness of the risk management framework and policies.
- Ensure that the Board of Directors is kept updated of the Group's risk exposure in relation to the approved risk appetite.
- Ensure that a compliance function is in place to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies relating to all areas of Bank operations.

Role and Responsibilities

In order to ensure that timely risk mitigation measures are initiated based on the robust risk management structure in place, the BIRMC carried out the following responsibilities during the year:

- Exercise oversight on behalf of the Board of the key risks of the Group and made recommendations to the Board on the Risk Appetite Statement.
- Monitor the risk profile and adherence to the Board approved Risk Appetite Statement, Metrics and Limits.
- Review of risk reports, risk concentrations and remediation of breaches.
- Review the design and execution of stress testing framework and results.
- Review the Bank risk grid taking into consideration material changes in the Bank's risk profile or the external environment and providing necessary guidance and recommendations.
- Review risk management policies and Terms of Reference of management committees overseeing risk management functions.
- Monitor the effectiveness of Management committees overseeing risk management.
- Review and recommend to the Board the regulatory submission of the Group's internal capital adequacy assessment process (ICAAP), Recovery Plan and Resolution plan.
- Approve annual compliance programme and review periodic compliance reports including the Compliance Charter.

- Set objectives and carry out performance appraisal of Chief Risk Officer and Chief Compliance Officer.
- Review the Bank's compliance risk and the effectiveness of its Compliance Programme, ensuring risk mitigation measures are taken to combat financial crime and comply with the applicable laws, rules and regulations.

The process through which the BIRMC discharges its responsibilities is further detailed in the Risk Management section of this annual report.

In 2025, whilst the country's overall outlook improved from a macro-economic, financial and political stability perspective, there were key risks events which required the Bank to manage the risk profile of the Bank. The geopolitical tensions in the region, the fragmentation of global trade and supply chains and the impact of Cyclone Ditwah were key events which warranted the Bank to re-assess the risk mitigants and strategies, particularly on credit, market and operational risks and resilience of business continuity. The increased appetite for diversifying credit exposures via offshore banking strategy gathered momentum in 2025 which was well supported by increased oversight and governance from the committee on such exposures. Top and emerging risks formed a regular agenda item in the risk committee with enhanced oversight on Information Technology Risks, Cyber Risks, Geopolitical Risks, Liquidity and Financial Crime Compliance and Regulatory Compliance risks. In 2025, several key regulatory compliance directives were implemented, requiring continuous attention to ensure adherence and impacting operational models and overall risk exposures. With the Bank poised to complete the acquisition of the Hongkong and Shanghai Banking Corporation Limited, Sri Lanka retail banking business in 1H2026, the overall Risk Appetite of the Bank will be re-assessed to consider the increased balance sheet and customer growth and the knock on impact of scale of operations.

Roshan Perera
Chairperson
Board Integrated Risk Management Committee

20th February 2026
Colombo

Board Credit Committee Report

Composition

The members of Board Credit Committee (BCC), as appointed by the Board of Directors, for the year ending 31st December 2025 and the Committee's composition as at that date of this Annual Report is as follows:

Sherin Cader – Chairperson
(Non-Executive Director) [1]

Arjun Fernando
(Non-Executive Director) [2]

Chandika Hettiarachchi
(Non-Executive Director) [3]

Chanaka Wickramasuriya
(Senior Director) [4]

[1] Appointed as a member/Chairperson w.e.f. 1st May 2023

[2] Appointed as a member w.e.f. 1st January 2021

[3] Appointed as a member w.e.f. 06th June 2025

[4] Appointed as a member w.e.f. 17th December 2018

Russell De Mel who was a member of the Committee retired from the Board of the Bank on 06th June 2025.

The Chief Credit Officer functions as the Secretary to the Committee.

The Chief Executive Officer of the Bank attends all Committee meetings by invitation and other members from the Senior Management of the Bank participate in the meetings by invitation as required.

Meetings

The Committee held sixteen meetings during the year under review and the Directors' attendance at such meetings is given on page 115 of this Annual Report. The minutes of all meetings, which included proceedings and decisions of the BCC, were submitted to the Board of Directors for information on a regular basis.

The Committee also approved credit proposals by circulation, ratified at the subsequent meeting and a summary submitted to the Board of Directors for information.

The Committee which derives its scope and authority from the Board of Directors was established to provide guidance to the Management to ensure balance between risk and growth in the Bank's expansion strategies.

The BCC is not a mandated committee in terms of the Corporate Governance Directions issued by the Central Bank of Sri Lanka nor the Listing Rules of the Colombo Stock Exchange.

Terms of Reference

The mandate of the Board Credit Committee includes the following:

1. Approve/decline all credit facilities and reviews which are above the level of delegated authority granted to the Management Credit Committee and will constitute the final credit approving authority of the Bank, other than for accommodations to related parties, which are approved by the Related Party Transactions Review Committee and the Board of Directors.
2. Providing strategic direction on local entities / industries and granting preliminary guidance and clearance on offshore credit.
3. Approve/decline Interest Waivers in order to facilitate settlement of bad debts or to rehabilitate/restructure bad debts and Principal Write-offs;
4. Review the quality of the credit portfolio of the Bank including Top 20 Exposures, Customers on Watch-list etc.;
5. Review, provide input and advice on credit origination, appraisal, approval, and administration processes/ procedures;

The Committee offered specific guidance on the management of core credit portfolios and reinforced a prudent lending culture to support effective decision making. The main functions carried out during the year are as follows;

- Regular review of the Credit strategies pertaining to Corporate Banking, Off-Shore Lending, Structured Finance, Commercial Banking (Middle Market Enterprises and SMEs) and Counterparty limits;
- Provided strategic directions to the Business Units specially focusing on high-risk industries to maintain credit quality;
- Offered directions on identifying and tracking customer segments vulnerable to or impacted by prevailing macroeconomic challenges, with an emphasis on safeguarding the Bank through sound credit risk management;
- Ensured rigorous monitoring of identified individual and group exposures, support effective recovery strategies, and allow new exposures under strict due diligence, complemented by guidance on managing exposures with heightened attention to minimizing downside risks;
- Strengthened offshore credit by conducting thorough assessments of macroeconomic trends in target markets, identifying risks tied to foreign borrowers, and reviewing the influence of economic reforms on the viability of a transaction prior to credit approval.; and
- Periodic follow-up over credit sanctioned on a post facto basis inclusive of heightened purview of interest write offs and waivers accommodated.

The Committee carried out a self-evaluation of its performance during the year and concluded that it has performed its duties and responsibilities satisfactorily in keeping with its terms of reference.

Sherin Cader
Chairperson
Board Credit Committee

20th February 2026
Colombo

Board Supervisory Committee Report

Composition

The members of the Board Supervisory Committee (BSC) are appointed by the Board of Directors and the Committee's composition as at 31st December 2025 and as at date is as follows;

Sherin Cader – Chairperson
(Non-Executive Director) [1]

Arjun Fernando
(Non-Executive Director) [2]

Charitha Subasinghe
(Non-Executive Director) [3]

Arjuna Wignaraja
(Independent Non-Executive Director) [4]

[1] Appointed as a member on 17th December 2018 and as the Chairperson on 1st November 2021

[2] Appointed as a member on 1st August 2019

[3] Appointed as a member on 29th June 2023

[4] Appointed as a member on 1st January 2025

The Company Secretary functions as the Secretary to the Committee.

Meetings

The BSC meets in advance of the Board meeting and the minutes are submitted to the Board of Directors for information. The Corporate Management team along with the Director/CEO attends all meetings by invitation.

The BSC held thirteen meetings during the year under review and the Directors' attendance at such meetings is given on page 115 of this Annual Report.

Terms of Reference/Roles and Responsibilities

The mandate of the BSC includes the following;

1. Review the performance of the Bank and its business units to ensure that the Management and staff are focused on achievement of plans and objectives set by the Board. The review also covers the support functions of the Bank and ensures that cost efficiencies and productivity is achieved across the Bank.
2. Approving expenditure within limits delegated by the Board of Directors.
3. Providing input and guidance to CEO and Corporate Management on key initiatives vis-à-vis products, distribution channels etc. prior to being presented to the Board of Directors for approval.
4. Review, provide input and guidance on policy, strategic plans, annual plans, business plans and other proposals impacting the operations of the Bank prior to such policies, plans and proposals being presented to the Board of Directors for approval.
5. Review the operational governance framework at the Bank to ensure that adequate policies, procedures and processes are in place to carry out the operations of the Bank and that these are reviewed periodically.

The Committee carried out a self-evaluation of its performance during the year and concluded that it has performed its duties and responsibilities satisfactorily in keeping with its terms of reference.

Sherin Cader
Chairperson
Board Supervisory Committee

20th February 2026
Colombo

Nomination and Governance Committee Report

Composition

The members of the Nomination and Governance Committee are appointed by the Board of Directors. The Committee's composition as at 31st December 2025 and as at date is as follows;

Chanaka Wickramasuriya – Chairperson *(Senior Director)* [1]

Arjun Fernando
(Non-Executive Director) [2]

Sherin Cader
(Non-Executive Director) [3]

Roshan Perera
(Independent Non-Executive Director) [4]

[1] Appointed as a member w. e. f. 23rd December 2019 and as the Chairperson w. e. f. 18th January 2025

[2] Appointed as a member w. e. f. 1st January 2021

[3] Appointed as a member w. e. f. 1st May 2023

[4] Appointed as a member w. e. f. 18th January 2025

Mr. Conrad D'Souza (Independent Non-Executive Director) who served as the Chairperson of the Committee ,retired from the Bank w.e.f 18th January 2025.

The Company Secretary functions as the Secretary to the Committee.

Meetings

The Committee held three meetings during the year under review and the Directors' attendance at such meetings are given on page 115 of this Annual Report. The Committee also considered certain proposals via circulation.

Terms of Reference

The scope of responsibilities of the Committee are specified in Direction No. 6.4 of the Banking Act Directions No. 05 of 2024 on Corporate Governance and Section 9.11.5 of the Listing Rules of the Colombo Stock Exchange (CSE). In addition, the Board has delegated its responsibility concerning sustainability as specified in Direction No. 1.1.(w) of the Banking Act Directions No. 05 of 2024 to the Committee. Accordingly, the Committee's main responsibilities include the following:

- Selecting and appointing new Directors, considering and recommending from time to time the requirements of additional/new expertise on the Board and recommending after due consideration the re-election of current Directors.
- Implementing a procedure to select and appoint the Chief Executive Officer (CEO) and Key Management Personnel (KMP) of the Bank and setting up criteria for their appointment or promotion.
- Ensuring that the Directors and the KMP are fit and proper persons to hold office as per the criteria prescribed by the Central Bank of Sri Lanka.
- Quarterly evaluating the status of independence of the Independent Non-Executive Directors as required by the Direction No. 6.4(f) of the Banking Act Directions No. 5 of 2024.
- Ensuring that the Bank has a robust succession plan for CEO and KMP.
- Reviewing of the structure, size, qualifications and composition of the Board and Board Sub Committees.
- Ensuring compliance with the provisions of the Articles of Association, written law, the Rules of the CSE and Directions of the Central Bank of Sri Lanka as may be applicable to the appointment of Directors, the CEO and KMP.
- Review and recommend the overall Corporate Governance Framework of the Bank in terms of the applicable rules and regulations.
- Promoting sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies and ensure that the relevant policies are in place.

Role and Responsibilities

During the year under review, the Committee carried out the following functions:

- Worked closely with the Board to evaluate and review the skills required for the Bank and the Board. When recommending the appointment of new Director the Committee considered for each appointment, the skills, knowledge and experience that would benefit the Board in line with the Board approved policy, namely, the Board Composition and Succession Plan.
- Identified Board diversity to be an essential factor for effective Board performance and ensured same when appointing new Director.
- Considered the proposal for the appointment of Coralie Pietersz to the Board of the Bank and determined that she is fit and proper person to hold such position.

  Upon receipt of the approval of the Central Bank of Sri Lanka, Coralie Pietersz was appointed as a Director of the Bank with effect from 25th March 2025. An introductory pack which includes, inter alia the Rules of Corporate Governance, Articles of Association, Board Charter and Board Procedure was shared with her.

  Further, an orientation programme was conducted by the Bank collectively for the new appointees to the Board to further familiarize them with their roles, responsibilities and the Bank's operations. The orientation programme mainly covered an overview of the Bank's governance structure and Board protocols, legal and fiduciary responsibilities of Directors, Declaration of interest and core dealings of Directors and Strategic Plan of the Bank. The Directors are periodically apprised on the new developments of the applicable laws and regulations by the Company Secretary and the Compliance Officer at regular Board meetings.
- Considered the proposal for the re-election of Non-Executive Directors, Sherin Cader and Chandika Hettiarachchi and Independent Non-Executive Director, Rachini Rajapaksa in terms of the provisions contained in the Articles of Association and recommended these Directors for re-election at the AGM held in March 2025.

In terms of Articles of Association of the Bank, not exceeding one third (1/3) of the Directors (excluding Executive Directors) shall retire from the office at every Annual General Meeting.

Non-Executive Director, Sherin Cader who was re-elected at the AGM held in March 2025 was nominated to the Board by the Bank's material shareholder, John Keells Holdings PLC, together with Non-Executive Directors, Charitha Subasinghe and Ramesh Shanmuganathan. Non-Executive Director, Chandika Hettiarachchi who was re-elected at the AGM held in March 2025 was nominated to the Board by the Bank's material shareholder, Central Finance PLC together with Non-Executive Director, Arjun Fernando. Please refer the Profiles of Directors given on pages 7 to 11 of this Annual Report for details of directorships and other positions held, the date last re-elected as a Director, the Board Sub-Committees served and the respective dates of appointment to the Board of the Bank.

Independent Non-Executive Director Rachini Rajapaksa who was re-elected at the AGM held in March 2025 retired from the Board of the Bank with effect from 29th April 2025 upon completion of 9 years service on the Board of the Bank in terms of Directions No. 3.2(b) of the Banking Act Directions No. 5 of 2024.

- Worked closely with the Board to ensure that the KMP comprised of persons of required skill and expertise and that their responsibilities and areas of authority are aligned with the Board approved strategy of the Bank.
- Considered the appointment, promotion and extension of employment contracts of KMP as well as role rotations amongst KMPs. In each instance, the Committee determined that each such KMP are fit and proper persons to hold their respective offices for which they were considered. When considering the appointment of the Chief Risk Officer and the Chief Compliance Officer, the concurrence of the Board Integrated Risk Management Committee was obtained.
- Reviewed and recommended The Organizational Structure of the Bank for approval of the Board.
- Considered the Affidavits and Declarations submitted by the Directors continuing in office in terms of the Banking Act Direction No. 8 of 2019 (as amended) and the declarations submitted in terms of Rule 9.7 of the Listing Rules of the CSE and recommended that each such Director was a fit and proper person to hold such office, for approval of the Board.
- Considered the Declarations submitted by the Independent Non-Executive Directors and recommended that they satisfy the criteria for independence specified in Direction No. 2.5(b) of the Banking Act Directions No. 5 of 2004 as well as the criteria specified in Rule No. 9.8.3 of the Listing Rules of the CSE.
- Reviewed the composition of each of the Board Sub Committees taking into consideration the retirements of Directors, the proposed appointments to the Board as well as the Rules pertaining to the Board Sub Committee compositions as stipulated in the Banking Act Direction No.5 of 2024 as well as the Listing Rules of the CSE.
- Reviewed and recommended certain mandatory policies of the Bank approval of the Board in terms of the requirement given in Rule No. 9.2 of the Listing Rules of the CSE.

During the year under review, an Independent Directors' meeting chaired by the Senior Director was conducted and issues pertaining to the Bank were discussed. The Senior Director also chaired a meeting of Non-Executive Directors during which the performance of the CEO and the Bank were evaluated. At this meeting, the performance of the Chairperson was also discussed without the presence of the Chairperson. The recommendations from the meetings were communicated by the Senior Director to the Chairperson for implementation.

The proceedings of the Committee's meetings along with the recommendations made at the meetings and via circulation were duly reported to the Board.

The Committee carried out a self-evaluation of its performance during the year and concluded that it has carried out its functions satisfactorily in keeping with its Terms of Reference. A similar assessment on all other Board Sub-committees were carried out by the Directors of the respective Board Sub-Committees. During the year under review, the Board of Directors performed an annual self-evaluation of its individual performance and assessment of overall performance of the Board for the year 2024. The Directors' self evaluation for the year 2025 is underway.

Corporate Governance requirements stipulated under the Listing Rules of the Colombo Stock Exchange (CSE) and the Banking Act Directions No. 05 of 2024 are met by the Bank or are being implemented prior to the prescribed effective dates. The Bank is continuously improving its processes to ensure overall compliance with the aforesaid regulations. The extent of Bank's compliance with the rules on Corporate Governance in terms of Banking Act Directions No. 11 of 2007 (as amended), Banking Act Directions No. 5 of 2024 and Section 9 of the Listing Rules of the CSE is given in the report published on page 278 to 310 of this Annual Report.

Chanaka Wickramasuriya
Chairperson
Nomination and Governance Committee

20th February 2026
Colombo

Human Resources and Remuneration Committee Report

Composition

The members of the Human Resources and Remuneration Committee (HRRC) are appointed by the Board of Directors and the Committee's composition as at 31st December 2025 and as at date is as follows;

Chanaka Wickramasuriya – Chairperson
(Independent Non-Executive Director) [1]

Sherin Cader
(Non-Executive Director) [2]

Coralie Pietersz
(Independent Non-Executive Director) [3]

[1] Appointed as a member and Chairperson w.e.f 18th January 2025
[2] Appointed as member w.e.f 1st May 2023
[3] Appointed as a member w.e.f 6th June 2025

Lilanthi Delgoda, Chief People Officer (CPO) of the Bank, functions as the Secretary to the Committee w.e.f 29th April 2025 subsequent to the retirement of Ms Rachini Rajapaksa who was also a member of the Committee from the Board of the Bank.

During the year 2025, three HRRC meetings were held and the Directors' attendance at such meetings are given on page 115. The Chief Executive Officer (CEO) was present at all meetings of the Committee, except when matters relating to the CEO or matters in which the CEO has a direct or indirect interest were discussed.

CPO, CFO, CRO, General Counsel/ Company Secretary, Principal Officer-NIBL and AVP-Talent Acquisition & HR Operations attended meetings by invitation when required.

Terms of Reference

The workings of the Committee are governed by the Board HRRC Terms of Reference, the objectives of which are:

1. To assist the Board of Directors in the establishment of remuneration policies and practices.
2. To review and recommend to the Board, the remuneration policy for the CEO and other Key Management Personnel of the Bank.
3. To set goals and targets for Non-Executive Directors.
4. To set goals and targets for the CEO and other Key Management Personnel.
5. To evaluate the performance of the CEO and other Key Management Personnel against the set goals and targets.

In performing this role, the Committee ensures that:

1. Shareholders and employees interests are aligned.
2. The Bank is able to attract, motivate and retain management talent and ensure their loyalty.
3. The integrity of the Bank's compensation and reward programme is maintained.

In keeping with the objectives of the Board HRRC Terms of Reference (TOR), the Committee during 2025, placed emphasis in ensuring that the Compensation & Benefits policies of the Bank are appropriate in attracting and retaining the skills required to achieve the short and long term strategic objectives of the Bank.

In March 2025, the increments proposed for 2025 and changes to Compensation & Benefits were reviewed. The management presented market information, staff attritions in 2024 and plans for key talent retention. The Bank wide distribution of performance appraisal ratings, performance based annual increments and the Variable & Treasury Bonus payments proposed by the management were reviewed and approved.

In creating a performance driven culture, the Bank administers a variable bonus scheme linked to the Bank's performance for the year vis-à-vis the annual budget and the performance of peer group of banks. Individuals are rewarded based on their individual performance and responsibility levels.

During 2025, the Committee evaluated the performance of the CEO and other Key Management Personnel (KMP) of the Bank for 2024 against their pre-agreed objectives and targets.

The Committee also reviewed and recommended the Goals & Objectives of CEO and KMPs including Chief Risk Officer (CRO), Chief Compliance Officer (CCO) & Chief Internal Auditor (CIA) for 2025. The objectives of CRO, CCO & CIA were reviewed with the input of Chairpersons of BIRMC & BARC who the roles report to and the final ratings given to them were ratified by the respective sub-committees.

Employee Share Appreciation Rights (ESAR) grant on account of 2024 was recommended to the Board of Directors in March 2025. The Committee reviewed the current methodology for Employee Share Appreciation Rights (ESAR) Scheme and agreed to adopt the same methodology for 2026.

In October 2025, the Committee reviewed, Respectful Workplace Policy and the Diversity, Equity & Inclusion Policy and proposed amendments to further refine both policies.

The Committee reviewed the annual salary revision philosophy adopted by the Bank over the past two years and agreed that from 2026 onwards, salary revisions will be effective from 1st April each year, without backdating to 1st January. The Committee also approved a one-time ex-gratia payment to eligible staff to offset the loss of increments for the first three months of 2026.

The Annual Variable Bonus Pool and Treasury Bonus Pool calculation methodologies applied over the past two years were reviewed by the Committee and it was agreed to continue with the same approach for 2026.

The Committee also reviewed the methodology used to develop leaders within the Bank to ensure a strong succession plan for future Key Management Positions.

The Committee reviewed whether the compensation of the Directors, CEO and KMPs aligns with the Bank's risk appetite parameters, in accordance with Banking Act Direction No. 5 of 2024 and recommended a methodology to be adopted from 2026, subsequent to its review by the BIRMC.

It was agreed to proceed with the existing remuneration for the Non-Executive Directors and to review it once the results of the salary survey commissioned by the Bank is finalised.

In December 2025, the Committee approved the renewal of Staff Life & Hospitalization and Group Personal Accident Insurance for 2026.

The Committee approved and recommended to the Board the Clawback Policy and the Addendum to the Letter of Appointment, established in accordance with Section 6.3(i) of the Banking Act Direction No. 5 of 2024 on Corporate Governance for Licensed Banks.

A Relief Assistance for staff impacted by recent extreme weather conditions was approved and recommended to the Board.

Chanaka Wickramasuriya
Chairperson
Human Resources and Remuneration Committee

20th February 2026
Colombo

Board Information Technology Advisory Committee Report

Composition

The members of the Board Information Technology Advisory Committee (BITAC) are appointed by the Board of Directors and the Committee's composition as at 31st December 2025 and as at date is as follows;

Ramesh Shanmuganathan
- Chairperson
(Non-Executive Director) [1]

Arjuna Wignaraja
(Independent Non-Executive Director) [2]

Arjun Fernando
(Non-Executive Director) [3]

Hemantha D Gunetilleke
(Executive Director/CEO) [4]

[1] Appointed as a member and Chairperson w.e.f. 20th April 2021

[2] Appointed as a member w.e.f. 9th June 2025

[3] Appointed as a member w.e.f. 20th April 2021

[4] Appointed as a member w.e.f. 4th April 2022

Ms. Rachini Rajapaksa (Independent Non-Executive Director) who served as a member of the Committee, retired from the Bank w.e.f. 29th April 2025

The Chief Information Officer serves as the Secretary to the Committee.

Meetings

The Committee meets monthly and minutes are submitted to the Board of Directors for review. Relevant Corporate Management members attend meetings by invitation. The BITAC held 12 meetings during the year under review and the Director's attendance at such meeting is given on page 115 of this annual Report.

Terms of Reference

The Committee's main responsibilities include the following.

- Provide stewardship, guidance, and oversight to the Board and management in ensuring alignment of overall Governance of Technology at the Bank.
- Facilitate better integration between the Board and management in driving Technology as a Strategic asset/ investment for the Bank by providing oversight and guidance to the Board and management.
- Exercise oversight and provide directions and guidance to the CEO and the executive management to maximise value delivery from Technology strategies, initiatives, and investments for the Bank
- Exercise oversight and provide guidance and direction to the Management on Governance, Risk and Compliance of Technology of the Bank.
- Ensure that the Technology Leadership and talent to deliver the Bank's strategies are in place.
- Review of performance, monitoring of IT-enabled investment, projects, and service delivery.
- Progressive review of operational SLA between Business and IT.
- Progressive review of IT investments against planned value delivery/ recognition.
- The Committee provided oversight and recommendations for technology investments in relation to the following key strategic objectives of the Bank.
- Becoming the best digital bank involves embracing a strategic vision that integrates technology.
- Ensuring a robust, reliable, and scalable digital foundation.
- Strengthening cyber security measures to safeguard customer data and operations.
- Reinforcing governance and adherence to evolving regulatory requirements.

Activities During the Year

Following are some of the activities performed by the BITAC during 2025

- Providing guidance and oversight to the Board/management in ensuring alignment of overall Governance of Technology at the Bank by reviewing ITSC ToR, ISMS Policy documents.
- From a security perspective of the Bank, Committee reviewed and recommended new Information Security Policies including business continuity and disaster recovery policy/ procedures and critical information systems and encryption policy of the Bank.
- In addition, the Committee reviewed and shared expertise recommendations for Bank's core banking system upgrade and Data centre infrastructure upgrade.
- Strengthening the Bank's AI journey with a clear focus on customer experience and decision-making.
- Guided technology functions on HSBC consumer portfolio acquisition specifically on best practices in integrations.
- The Committee further provided inputs and recommendations for the implementation of new SIEM and PAM tools. Further recommendations and directions were provided for the scoping of external penetration tests and compliance with the CBSL technology risk resilience requirements.
- The Committee reviewed ITSC presentations and progress of strategic projects and 2024 – 2026 Technology Transformation Strategy and Roadmap.

- The Committee reviewed the ISSC meeting minutes/presentations to assess the effectiveness and progress of ongoing Cyber Security Control implementations and Risk mitigations.
- The Committee referred any matters that came to the attention of the BITAC that are relevant for noting or consideration, or which should be dealt with by, the Board, Board Audit Review Committee (BARC) or Board Integrated Risk Management Committee (BIRMC).

The Committee carried out a self-evaluation of its performance during the year and concluded that it has carried out its functions satisfactorily in keeping with its Terms of Reference.

Ramesh Shanmuganathan
Chairperson
Board Information Technology Advisory Committee

20th February 2026
Colombo

Related Party Transactions Review Committee Report

Composition

The members of the Related Party Transactions Review Committee are appointed by the Board of Directors and the Committee's composition as at 31st December 2025 and as at date is as follows;

Chanaka Wickramasuriya
– Chairperson
(Senior Director) [1]

Sanjeev Jha
(Non-Executive Director) [2]

Coralie Pietersz
(Independent Non-Executive Director) [3]

[1] Appointed as a member w.e.f. 23rd December 2019 and as the Chairperson w.e.f. 6th June 2025

[2] Appointed as a member w.e.f. 1st January 2025

[3] Appointed as a member w.e.f. 6th June 2025

Russell De Mel (Independent Non-Executive Director) who served as the Chairperson of the Committee, retired from the Bank w.e.f. 6th June 2025

The Company Secretary functions as the Secretary to the Committee.

Meetings

The Committee meets quarterly. The minutes of the Committee meetings are submitted to the Board of Directors for review. Relevant Corporate Management members attend meetings by invitation.

The Committee held four meetings during the year under review and the members' attendance at such meetings is given on page 115 of this Annual Report.

Terms of Reference

The Terms of Reference of the Committee sets out the scope of the Committee in accordance with the Banking Act. Directions No. 5 of 2024 on Corporate Governance of Central Bank of Sri Lanka (CBSL) and Rule 9 of the Listing Rules of the Colombo Stock Exchange (CSE). The Committee's main responsibilities include the following:

1. Review of related party transactions either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction in accordance with the aforesaid regulatory requirements.

2. Review of accommodation to related parties prior to such accommodation being granted and ensure that such transactions are free from any conflicts of interest.

3. Ensuring that a robust framework exists for approving, managing and reporting related party transactions in accordance with applicable rules.

4. Establish guidelines for the senior management to follow in its ongoing dealings with related parties.

5. Annually review and assess ongoing relationships with related parties to determine whether such dealings are in compliance with the Committee's guidelines and the appropriateness of the transactions with related parties of the Bank.

6. Submission of quarterly report to the Board including details of related parties, related party transactions and economic consequences of related party transactions.

Roles and Responsibilities

A Board approved Policy on Related Party Transactions is in place. Related Party Transactions Monitoring Procedure approved by the Committee sets out a comprehensive process for managing related party transactions. The Committee reviewed all transactions with related parties during the year under review and the recommendations and observations were provided for consideration of the Board.

The Committee regularly reviewed the mechanism/process for recording, monitoring and reporting related party transactions and provided necessary guidance and advice to ensure the effectiveness of the process and transparency of such transactions with related parties.

The Committee provided a quarterly report to the Board which consisted of information pertaining to the related party transactions reviewed by the Committee during the reporting period, together with its observations and recommendations.

All accommodations to related parties which were submitted to the Committee were reviewed having regard to the regulatory requirements set out by the CBSL and CSE and the recommendations and observations were provided for consideration of the Board.

The Committee carried out a self-evaluation of its performance during the year under review and concluded that it has carried out its functions satisfactorily in keeping with the Terms of Reference of the Committee.

Chanaka Wickramasuriya
Chairperson
Related Party Transactions Review Committee

20th February 2026
Colombo

Directors' Statement on Internal Control Over Financial Reporting

Responsibility

In line with the Banking Act Directions No. 05 of 2024 section 9.2 (b), the Board of Directors presents this report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control over financial reporting mechanism in place at Nations Trust Bank PLC, ("the Bank"). In considering such adequacy and effectiveness, the Board recognises that the business of banking requires reward to be balanced with risk on a managed basis and as such the internal control over financial reporting systems are primarily designed with a view to highlighting any deviations from the limits and indicators which comprise the risk appetite of the Bank. In this light, the system of internal controls over financial reporting can only provide reasonable, but not absolute assurance, against material misstatement of 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 control over financial reporting as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the Guidance for Directors of Banks on the Directors' Statement on Internal Control over Financial Reporting issued by the CA Sri Lanka. The Board has assessed the internal control over financial reporting taking into account principles for the assessment of internal control over financial reporting system as given in that guidance.

The Board is of the view that the system of internal controls over financial reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements. The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced and in the design, operation and monitoring of suitable internal controls over financial reporting 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 over Financial Reporting

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Board and management sub committees have been established to assist the Board in ensuring the effectiveness of Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the internal controls, policies and business directions that have been approved by the Board. Details of the activities undertaken by each Board sub-committee is set out on pages 126 to 142.
- Policies / Charters are developed covering all functional areas of the Bank and these are recommended by the Board appointed sub committees and approved by the Board. Such policies and charters are reviewed and approved periodically.
- The Internal Audit Department of the Bank verifies the compliance with policies and procedures, the adequacy and the effectiveness of the internal control systems on an ongoing basis using samples and pre-defined audit procedures and highlight significant findings in respect of any non compliance. Audits are carried out according to the annual audit plan which is reviewed and approved by the Board Audit Review Committee. On-site audits, off-site audits, process audits and thematic audits are carried out across all Bank operations, covering business units, departments and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective assessment. In addition, cyber security and data security measures are monitored through appropriate audit techniques. Through these audit programmes and techniques, all key controls are tested on an ongoing basis. The findings identified by the Internal Audit Department are submitted to the Board Audit Review Committee for review at their periodic meetings and significant issues are continuously monitored for resolution.
- The Board Audit Review Committee (BARC) reviews internal control over financial reporting issues identified by the Internal Audit Department, external audit, regulatory authorities and management and evaluate the adequacy and effectiveness of the risk management and internal control systems. The BARC also reviews the internal audit activities with particular emphasis on the scope and quality of internal audits. The minutes of the BARC meetings are regularly tabled at Board meetings thereby providing Board members with access to the deliberations of the Committee. Further details of the activities carried out by the BARC during the year under review are set out in the Board Audit Review Committee Report on page 140.
- In assessing the internal control system over financial reporting, identified officers of the Bank continued to review and update all procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Bank. These in turn were verified by the Internal Audit Department for suitability of design and operating effectiveness on an

Directors' Statement on Internal Control Over Financial Reporting

ongoing basis. In adopting Sri Lanka Accounting Standards comprising LKAS and SLFRS, progressive improvements on processes to comply with requirements of recognition, measurement, classification and disclosure were made whilst further strengthening of processes namely review of disclosures with regard to financial risk management and management information are being done. The assessment included both the Bank and its subsidiaries.

- The Bank continues to strengthen its policies, procedures, financial models and underlying data used in its impairment assessments. During the year, further refinements were made on the models and the data extraction procedures used in the computations in respect of SLFRS 9. The Board will continuously take steps to strengthen the processes and controls around management information systems and reports used for validation of impairment and its compliance with SLFRS 9.
- The observations made by the External Auditor in connection with the internal control system over financial reporting in previous years, were reviewed and appropriate steps were taken in 2025 to address relevant matters raised.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

Review of the Statement by External Auditors

The external auditors, Messrs. Ernst & Young, have reviewed the Directors' Statement on internal control over financial reporting included in the annual report of the Bank for the year ended 31st December 2025 and have confirmed to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control over financial reporting of the Bank. The External Auditors' report on statement of internal controls over financial reporting is given on page 139 to this Annual Report.

By order of the Board

Sherin Cader
Chairperson

Coralie Pietersz
Chairperson – Board Audit Review Committee

Hemantha D Gunetilleke
Executive Director/Chief Executive Officer

20th February 2026
Colombo

Auditor's Statement on Internal Control Over Financial Reporting

Shape the future with confidence

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Chartered Accountants
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TO THE BOARD OF DIRECTORS OF NATIONS TRUST BANK PLC

Report on the Directors' Statement on Internal Control

We were engaged by the Board of Directors of Nations Trust Bank PLC ("Bank") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("Statement") included in the annual report for the year ended 31 December 2025.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with section 3(8)(ii)(b) of the Banking Act Direction No. 11 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities and compliance with SLSAE 3050 (Revised)

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Bank.

We conducted our 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 Charted Accountants of Sri Lanka.

This Standard required that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control Over Financial Reporting.

For purpose of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

Summary of work performed

We conducted our 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 us 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 us 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 our judgement, having regard to our understanding of the nature of the Bank, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Bank.

20th February 2026
Colombo

Partners: D K Hulangamuwa FCA FCMA LLB (London), Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA, M U M Mansoor ACA

Principals: T P M Ruberu FCMA FCCA MBA, G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

Board Audit Review Committee Report

Composition

The members of the Board Audit Review Committee (the "BARC") are appointed by the Board of Directors and the Committee's composition during the period ended 31st December 2025 was as follows;

Coralie Pietersz – Chairperson
(Independent Non-Executive Director) [1]

Charitha Subasinghe
(Non-Executive Director)

Roshan Perera
(Independent Non-Executive Director) [2]

[1] Appointed to the Board effective 25th March 2025 and joined the Committee as the Chairperson on 29th April 2025.

[2] Appointed to the Board effective 10th January 2025 and joined Committee on 29th April 2025.

Independent Non-Executive Director Rachini Rajapaksa, resigned from the Board of the Bank with effect from 29th April 2025.

Independent Non-Executive Director Conrad D'Souza, resigned from the Board of the Bank with effect from 20th January 2025.

Brief profiles of the BARC members are given on pages 7 to 11 of the Annual Report.

The Chief Internal Auditor reports functionally to the Chairperson of the BARC, which reinforces the independence of the Internal Audit function. The Chief Internal Auditor also serves as Secretary to the Committee.

The Chief Executive Officer and Corporate/ Senior Management members including the Chief Financial Officer and External Auditors attended BARC meetings on invitation.

Meetings

The BARC met on thirteen occasions during the year under review and the Directors' attendance at such meetings is given on page 115 of this Annual Report.

BARC reviewed and recommended the Bank's Quarterly and Annual Financial Statements to the Board of Directors for their approval at four of these meetings.

The minutes of BARC meetings are regularly tabled at Board meetings, thereby providing Board members with access to the deliberations of the Committee.

Terms of Reference

During the year, the roles and functions of the BARC were governed by the Banking Act Directions No.05 of 2024 on Corporate Governance for Licensed Commercial Banks in Sri Lanka and its subsequent amendments, Rules on Corporate Governance under Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

The BARC Terms of Reference was last approved on 29th January 2025 by the Board of Directors by incorporating the changes stemming from the Banking Act Directions No.05 of 2024 on Corporate Governance for Licensed Banks in Sri Lanka as applicable at present.

The BARC is responsible to the Board of Directors and reports on its activities regularly. The functions of the Audit Committee are geared to assist the Board of Directors in fulfilling its general oversight responsibilities on the financial reporting process, internal controls and functions relating to internal and external audit.

Role and Responsibilities

The Committee is mainly responsible for;

1. Reviewing financial information of the Bank in order to ensure the integrity of the Bank's quarterly and annual financial statements prepared for publication and significant financial reporting judgements, significant and unusual transactions and significant financial reporting issues contained therein, prior to submission to the Board of Directors.

2. Making recommendations on the appointment, resignation and dismissal of the External Auditors.

3. Review of the external audit function and effectiveness, its fees and monitoring of the External Auditor's independence, service period of the engagement/re-engagement of the audit partner and review of non-audit services provided by the external auditors.

   Discussing and agreeing with the external auditors the nature and scope of the audit including the preparation of financial statements in accordance with relevant accounting principles and their compliance with the applicable statutes, regulations and accounting standards and assessment of the Bank's compliance with the relevant Directions in relation to Corporate Governance and the management's internal control over financial reporting.

4. Reviewing the effectiveness of the Bank's system of internal controls.

5. Ensuring the independence of the Internal Audit function and that it is performed with impartiality, proficiency and due professional care.

6. Reviewing internal audit and investigation reports and liaising with Corporate Management of the Bank in taking precautionary measures to minimise control weaknesses, procedure violations, frauds and errors.

7. Ensuring that proper arrangements are in place for fair and independent investigation of matters raised through speak-up and for appropriate follow-up action.

8. Reviewing the Audit Completion Letter (External Auditor's Management Letter), and Central Bank of Sri Lanka (CBSL) on-site examination reports and follow-up on proper remedial action taken to address their findings and recommendations.

Financial Reporting

The BARC, as part of its responsibility to oversee the Bank's financial reporting process on behalf of the Board of Directors, reviewed and discussed with the management, the annual audited and quarterly non-audited financial statements prior to their release.

The review of financial statements considered several factors including;

a) Quality, appropriateness and acceptability of current accounting policies and practices

b) Significant judgements and significant estimates made by the management

c) The underlying assumptions for estimates and judgements

d) Any changes made in accounting policies and practices

e) Significant adjustments arising from the annual audit

f) Disclosures made under financial reporting

g) Key audit matters

h) Going concern assumptions

i) Compliance with Sri Lanka Accounting Standards (SLFRS/LKAS) and other regulatory provisions

j) Material variances in income and expenditure, assets and liabilities, between the current and previous financial periods in order to better understand the reasons for such variances, and their validity.

To facilitate the review and in making an overall assessment on the integrity of the financial reporting system, the BARC considered reports from Chief Financial Officer, Chief Risk Officer, Internal Audit Department and feedback from the External Auditors.

The Committee also obtained and reviewed the assurance received from the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Bank and Group's operations and finances.

The Committee continuously sought insights and visibility on the variables which impact performance of portfolios and trends attributable to portfolio quality and impairment provisions. The Committee was apprised frequently on the application of specific adjustments to impaired provisions including the provisioning for elevated risk industries, the Economic Factor Adjustment (EFA) to ensure the full potential impacts of credit stress have been provided for in the financial statements.

Internal Audit

Annual coverage of the audit universe by the Internal Audit team is based on a risk-based assessment aligned to the Bank's strategic plan. The audit plan addressed the key aspects of the enterprise level risk themes for the year with a mix of core assurances, regulatory reviews, end-to-end process reviews and thematic reviews . Enhanced understanding of information security risks and identifying possible mitigation strategies over the Bank's dynamic IT environment was addressed in the plan. Proactive monitoring based on fraud typologies ensured identification of early warning signals and timely implementation of risk mitigation measures. The BARC approved the audit plan for the year 2025 and periodically reviewed the actual performance.

The Committee reviewed the efficiency of the internal audit process and recommended the adoption of use of data analytics to enhance audit turnaround time and population-based testing.

The BARC provides a forum for review of Internal Audit reports including the evaluation of the Bank's internal control systems, audit observations and recommendations required to mitigate recurrence of identified issues.

The issues identified during the year were discussed and deliberated with the management with a broad view of managing significant business risks and strengthening the control environments. The department/unit heads attended the meetings when their respective audit reports were discussed.

A follow-up process is implemented by Internal Audit and monitored by the BARC periodically to ensure pending significant issues are rectified by the management in a timely manner.

The BARC reviewed the significant findings of internal investigations carried out during the year and ensured appropriate actions were taken and mitigating controls were implemented.

The BARC, through its oversight of Information Systems Audit, reviewed the Bank's Information Technology and cyber security practices to ensure the adequacy of internal controls.

The Committee has reviewed the effectiveness of IT controls ensuring that systems are secure, reliable and compliant with regulatory requirements.

The BARC also reviewed the independence, objectivity and performance of the Internal Audit function and the adequacy of its resources. The performance of the Chief Internal Auditor and senior staff of Internal Audit were reviewed by the BARC.

Speak Up (Whistleblowing)

The Speak up policy was reviewed by the BARC and approved by the Board during the year 2025 in line with the Banking Act Directions No.05 of 2024 on Corporate Governance for Licensed Banks. The Committee ensured that proper arrangements are in place for fair and independent investigations of matters received via this channel and appropriate follow-up actions for same.

Board Audit Review Committee Report

Risks and Internal Controls

The BARC continued to assess the adequacy, efficiency and effectiveness of the Bank's internal control systems and were satisfied that adequate controls and procedures are in place to provide reasonable assurance to the effect that the Bank's assets are safeguarded.

External Audit

The BARC assists the Board of Directors to implement a transparent process in;

1) Engagement and determining the remuneration of the External Auditors for audit services with the approval of the shareholders.

2) Reviewing the non-audit services provided by the External Auditors to ensure that provision of such services does not lead to impairment of the independence of the External Auditor.

3) Assisting the External Auditors to complete the audit programme within the agreed time frame in compliance with relevant guidelines issued by the CBSL, Securities and Exchange Commission of Sri Lanka and Colombo Stock Exchange.

In order to discharge its responsibilities, the BARC invited External Auditors to all regular meetings and conducted two closed sessions without management. During the meetings with External Auditors, the BARC;

1) Discussed the external audit plan, scope and methodology prior to commencement of the annual audit of financial statements for the year ended 2025 and also reviewed their independence to conduct the external audit

2) Reviewed the audited financial statements with the External Auditor who is responsible for expressing an opinion on its conformity with the Sri Lanka Accounting Standards

3) Reviewed the Audit Completion Letter issued by the External Auditors together with management responses thereto

4) Discussed further strengthening of internal controls where applicable and adequacy of impairment provisioning

5) Discussed the Key Audit Matters to understand why such matters were considered by the External Auditors to be significant risk areas in the audit and how those matters were addressed during the audit

6) Discussed new developments in regulatory environments and any changes in Accounting Standards relating to the banking industry.

Change of External Auditors

In compliance with the Direction 6.2(d)(iv) of the Banking Act Directions No.5 of 2024 on Corporate Governance, the Bank is required to change the auditor as Messrs. Ernst & Young has been the external auditor of the Bank for over six years. Therefore, the BARC and the Board recommended an adoption of a resolution to appoint Messrs. KPMG Chartered Accountants, as the External Auditors of the Bank for the financial year ending 31st December 2026, for approval of shareholders of the Bank at the Annual General Meeting to be held on 27th March 2026.

Evaluation of the Board Audit Review Committee

The Committee carried out a self-evaluation of its performance during the year and concluded that it has performed its duties and responsibilities satisfactorily in keeping with its Terms of Reference.

Coralie Pietersz
Chairperson
Board Audit Review Committee

20th February 2026
Colombo

Financial Statements

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Directors' Responsibility for Financial Reporting

The responsibility of the Directors, in relation to the Financial Statements, is set out in the following statement. The responsibility of the Auditors, in relation to the Financial Statements is set out in the Independent Auditor's Report on page 146 of this Annual Report.

Sections 150, 151, 152 and 153 of the Companies Act No. 07 of 2007 (as amended), (Companies Act) require that the Directors prepare Financial Statements for each financial year and place such statements before a General Meeting. Financial Statements comprise of the Statement of Financial Position as at 31st December 2025, the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes thereto.

The Board of Directors confirm that the financial statements give a true and fair view of the state of affairs of the Bank and the Group as at 31st December 2025 and the profit or loss of the Bank and the Group for the financial year then ended.

The Directors are of the view that, in preparing these Financial Statements:

(i) appropriate Accounting Policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;

(ii) all applicable Accounting Standards have been followed (SLFRS/LKAS);

(iii) judgments and estimates have been made which are reasonable and prudent;

(iv) The Group has adequate resources to continue in operation and has applied the going concern basis;

(v) the Financial Statements provide the information required by the Companies Act, Banking Act No. 30 of 1988 (as amended) (Banking Act), the Listing Rules of the Colombo Stock Exchange (CSE) and any other applicable laws and regulations in Sri Lanka; and

(vi) the Bank and the Group maintain sufficient accounting records to disclose the financial position of the Group with reasonable accuracy.

Further, as required by Section 56(2) of the Companies Act the Directors have confirmed, based on the information available, that the Bank satisfies the solvency test as set out in Section 57 of the Companies Act immediately after the distribution of dividends and has obtained a certificate from its Auditors, prior to declaring a first and final dividend of LKR 7.00 per share, which consists of LKR 3.50 per share in the form of cash dividend and LKR 3.50 per share in the form of scrip dividend.

The Directors have taken all reasonable steps available to them to safeguard the assets of the Bank and the Group and, in this regard to give proper consideration to the establishment of appropriate internal control systems, with a view to preventing and for the detection of fraud and other irregularities.

The Directors are required to prepare Financial Statements and to provide the Auditors with every opportunity to take whatever steps and carry out whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board,

Peshala Attygalle
General Counsel/Company Secretary

20th February 2026
Colombo

Chief Executive Officer's and Chief Financial Officer's Statement of Responsibility

The Financial Statements of Nations Trust Bank PLC (the Bank) and the Consolidated Financial Statements of the Bank and its Subsidiaries (the Group) as at 31st December 2025 are prepared and presented in conformity with the requirements of the following:

- Sri Lanka Accounting Standards (SLFRSs & LKASs) issued by the Institute of Chartered Accountants of Sri Lanka;
- Companies Act No. 07 of 2007 and amendments thereto;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Banking Act No. 30 of 1988 and subsequent amendments thereto;
- Directions, Determinations and Guidelines issued by the Central Bank of Sri Lanka (CBSL);
- Listing Rules of the Colombo Stock Exchange (CSE); and
- The Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka;

The specific financial information requirements prescribed by the CBSL have been taken in to account in the preparation of the Financial Statements and disclosures made in this Annual Report.

The Group presents the financial results to its shareholders on a quarterly basis.

The significant accounting policies have been consistently applied by the Group.

Application of significant accounting policies and estimates that involve a high degree of judgement and complexity were discussed with the members of the Board Audit Review Committee (BARC) and Bank's External Auditors. Comparative information has been amended to comply with the current presentation, where applicable.

Certain material prior year figures and phrases have been rearranged in order to be compatible with the presentation requirements of CBSL. The other accounting policies adopted by the Bank/Group are consistent with those of the previous financial year.

We confirm that to the best of our knowledge, the financial statements, material accounting policies and other financial information included in this Annual Report, fairly present in all material respects, the financial position, results of the operations and the cash flows of the Group during the year under review. We also confirm that the Group has adequate resources to continue operation and has applied the Going Concern basis in preparing these Financial Statements.

We are responsible for establishing, implementing and maintaining internal controls and procedures within the Bank and its Subsidiaries. We ensure that effective internal controls and procedures are in place, ensuring material information relating to the Group are 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 have evaluated the internal controls and procedures of the Group for the financial period under review and 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.

The Bank's Internal Audit Department also conducts periodic reviews to ensure that the internal controls and procedures are consistently followed.

The Financial Statements of the Group were audited by Messrs. Ernst & Young; Chartered Accountants and their Report is given on page 146. The BARC pre-approves the audit and non-audit services provided by Messrs. Ernst & Young, in order to ensure that the provision of such services does not contravene with the guidelines issued by the CBSL on permitted non-audit services or impair Ernst & Young's independence and objectivity.

The BARC, inter alia, reviewed all the internal and external audit and inspection programs, the efficiency of internal control systems and procedures and also reviewed the quality of significant accounting policies and their adherence to Statutory and Regulatory requirements, the details of which are given in the 'Board Audit Review Committee Report' on pages 140 to 142. The continuous inspection and audit functions, engagement of firms of Chartered Accountants and effective functioning of the BARC, ensure that the internal controls and procedures are followed consistently. To ensure complete independence, the external auditors and the internal auditors have full and free access to the members of the BARC to discuss any matters of substance. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal control and accounting.

We confirm that to the best of our knowledge:

- The Group and the Bank have complied with all applicable laws and regulations and guidelines and there is no material litigation against the Group and the Bank other than those disclosed in Note 48 of the Financial Statements.
- All taxes, duties, levies and all statutory payments payable by the Group and the Bank and all contributions, levies and taxes payable on behalf of and respect of the employees of the Group and the Bank as at 31st December 2025 have been paid, or where relevant provided for.

Hemantha D Gunetilleke
Executive Director/Chief Executive Officer

Kushlani Allis
Chief Financial Officer

20th February 2026
Colombo

Independent Auditor's Report

Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel: +94 11 246 3500
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONS TRUST BANK PLC

Report on the audit of the consolidated financial statements

Opinion

We have audited the financial statements of Nations Trust Bank PLC (the "Bank") and the consolidated financial statements of the Bank and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 December 2025, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Bank and the Group gives a true and fair view of the financial position of the Bank and the Group as at 31 December 2025, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards ("SLAuSs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Allowances for expected credit losses of Loans and Advances measured at amortised cost Allowances for expected credit losses of Loans and Advances measured at amortised cost as disclosed in Note 13.5 is determined by management based on the accounting policies described in Note 3.5 to the financial statements. This was a key audit matter due to • the significant management judgements, assumptions and the high level of estimation uncertainty involved in assessing the future recoverability of Loans and Advances; and • the materiality of the reported amount of allowance of expected credit losses.	In addressing the adequacy of the allowances for expected credit losses of loan and advances measured at amortised cost, our audit procedures included the following key procedures: • Assessed the alignment of the Bank's allowances for expected credit loss computations with the underlying methodology including responses to economic conditions and its accounting policies, based on the best available information up to the date of our report. • Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses. • Assessed the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board of Directors and management. • Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records of the Bank.

Key audit matter	How our audit addressed the key audit matter

Key areas of significant judgements, assumptions and estimates used by management in the assessment of the impairment for expected credit losses included determining whether significant increase in credit risk has occurred, forward-looking macroeconomic scenarios and their associated weightages which are subject to inherently heightened levels of estimation uncertainty and subjectivity.
 	
Information on the key estimates, assumptions and judgements is disclosed in Notes 3.5.
	• Evaluated the reasonableness of credit quality assessments and related stage classifications
	• In addition to the above, the following procedures were performed:
	  • For loans and advances assessed on an individual basis for impairment:
	  • Tested the arithmetical accuracy of the underlying individual impairment calculations.
	  • Evaluated the reasonableness of key inputs used in the allowances for expected credit losses made, with economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery action of the collaterals.
	  • For loans and advances assessed on a collective basis for impairment:
	  • Tested the key inputs and the calculations used in the allowances for expected credit losses.
	  • Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays in consideration of impact arising from the 'Ditwah' cyclone.
	  • Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios.
	• Assessed the adequacy of the related financial statement disclosures set out in notes 2.9 (iii), 3.5, 13, 36 and 47.1 to 47.2.

Information Technology (IT) systems related internal controls over financial reporting
Bank's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets.
 	
Accordingly, IT systems and related internal controls over financial reporting were identified as a key audit matter.
	Our audit procedures included the following key procedures:
	» Obtained an understanding of the internal control environment of the processes and tested relevant key controls relating to financial reporting and related disclosures.
	» Involved our internal specialized resources and;
	  » Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management, and
	  » Obtained a high-level understanding of the cybersecurity risks affecting the bank and the actions taken to address these risks primarily through inquiry.
	» Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

Independent Auditor's Report

Other information included in the Group's 2025 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 Bank's and Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs 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 SLAuSs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

- 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 controls of the Bank and the Group

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

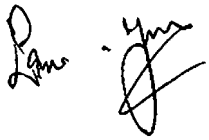
Report on Other Legal and Regulatory Requirements

Requirements of section 163(2) of the Companies Act No. 07 of 2007 and section 39 of the Banking Act No 30 of 1988 (as amended by Banking Act No.24 of 2024)

We have obtained all the information and explanations that were required for the audit. As far as appears from our examination, in our opinion, proper accounting records have been kept by the Bank.

In our opinion 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.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2097.



20th February 2026
Colombo

Partners: D K Hulangamuwa FCA FCMA LLB (London), Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA, M U M Mansoor ACA

Principals: T P M Ruberu FCMA FCCA MBA, G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

Statement of Financial Position

As at 31 December	Notes	Bank 2025 LKR '000	Bank 2024 LKR '000	Group 2025 LKR '000	Group 2024 LKR '000
Assets					
Cash and Cash Equivalents	6	19,864,631	20,814,512	19,864,477	20,814,515
Balances with Central Bank of Sri Lanka	7	2,045,786	1,183,473	2,045,786	1,183,473
Placements with banks	6.3	1,437,818	2,472,707	1,437,818	2,472,707
Reverse Repurchase Agreements	8.1	645,794	2,389,147	645,794	2,389,147
Derivative Financial Instruments	9.1	613,468	224,298	613,468	224,298
Financial Assets Recognised through Profit or Loss - Measured at Fair Value	10	11,589,905	17,194,759	11,589,905	17,194,759
Financial Assets at Fair Value through Other Comprehensive Income	11	133,112,729	107,014,877	133,112,729	107,014,877
Financial Assets at Amortised Cost - Debt Instruments	12	88,897,718	96,796,064	88,897,718	96,796,064
Financial Assets at Amortised Cost – Loans and Advances	13	430,368,007	287,362,553	430,368,007	287,362,553
Other Assets	14	2,412,826	2,484,475	2,444,550	2,493,084
Investments in Subsidiaries	15	678,710	678,710	-	-
Property, Plant and Equipment	16	4,026,924	3,018,207	5,110,266	4,083,195
Right of Use Assets	17	1,970,691	1,284,457	1,540,432	1,284,746
Intangible Assets	18	1,782,628	1,408,451	1,782,965	1,408,927
Deferred Tax Assets	25	1,127,396	1,114,316	854,968	863,450
Total Assets		700,575,031	545,441,006	700,308,883	545,585,795
Liabilities					
Due to Banks	19	42,772,586	27,403,357	42,772,586	27,403,357
Derivative Financial Instruments	9.2	37,822	372,084	37,822	372,084
Financial Liabilities at Amortised Cost					
Due to Depositors	20.1	502,605,592	384,784,916	502,219,078	384,655,365
Repurchase Agreements	20	23,479,164	21,985,170	20,909,241	19,528,900
Due to Other Borrowers	20.2	10,005,840	9,111,275	9,552,599	9,118,377
Debt Securities Issued	21	5,973,778	5,979,693	5,973,778	5,979,693
Retirement Benefit Obligation	22.2	1,659,228	1,457,883	1,668,811	1,469,319
Current Tax Liabilities	23	5,568,268	4,590,390	5,632,064	4,640,244
Other Liabilities	24	14,580,677	12,869,931	14,627,281	12,941,381
Total Liabilities		606,682,955	468,554,699	603,393,260	466,108,720
Equity Attributable to Equity Holders of the Parent					
Stated Capital	26	13,007,641	12,106,281	13,007,641	12,106,281
Statutory Reserve Fund	27	4,554,407	3,610,418	4,554,407	3,610,418
Retained Earnings	28	69,679,491	53,907,147	72,069,790	55,916,522
OCI Reserve	29.1	5,535,616	6,201,721	5,535,616	6,201,721
Revaluation Reserve	29.2	1,114,921	1,060,740	1,748,169	1,642,133
Total Shareholders' Equity		93,892,076	76,886,307	96,915,623	79,477,075
Total Equity		93,892,076	76,886,307	96,915,623	79,477,075
Total Liabilities and Equity		700,575,031	545,441,006	700,308,883	545,585,795
Contingent Liabilities and Commitments	47	486,646,914	405,421,234	486,646,914	405,421,234
Net Assets Value per Ordinary Share (LKR)	49.2	283.97	235.70	293.12	243.65
Memorandum Information					
Number of Employees		2,444	2,455	2,462	2,473
Number of Branches		90	95	90	95
Number of Offsite ATMs and CRMs		24	22	24	22
Credit Rating		A(lka)	A(lka)		

The Notes to the Financial Statements from pages 155 to 247 form an integral part of these Financial Statements.

Certification

I certify that these Financial Statements comply with the requirements of the Companies Act No. 07 of 2007.

Kushlani Allis
Chief Financial Officer

The Board of Directors is responsible for these Financial Statements.
Approved and signed for and on behalf of the Board of Directors by ;

Sherin Cader
Chairperson

Coralie Pietersz
Independent Non-Executive Director

Hemantha D Gunetilleke
Executive Director / CEO

20th February 2026
Colombo

Statement of Profit or Loss

For the Year Ended 31 December	Notes	Bank 2025 LKR '000	Bank 2024 LKR '000	Group 2025 LKR '000	Group 2024 LKR '000
Gross Income		85,308,479	73,733,111	85,539,387	73,935,003
Interest Income	30	70,345,325	64,011,042	70,346,184	64,013,004
Interest Expense	31	(31,814,157)	(28,330,417)	(31,568,084)	(28,097,288)
Net Interest Income		38,531,168	35,680,625	38,778,100	35,915,716
Fee and Commission Income	32.1	10,404,448	9,302,329	10,634,497	9,501,908
Fee and Commission Expense	32.2	(1,771,740)	(1,435,542)	(1,771,740)	(1,435,542)
Net Fee and Commission Income		8,632,708	7,866,787	8,862,757	8,066,366
Net Gain/(Loss) from Trading	33	4,536,409	(3,300,671)	4,536,409	(3,300,671)
Net Fair Value Gain/(Loss) from Financial Assets at Fair Value Through Profit or Loss	34	(668,816)	425,253	(668,816)	425,253
Net Gain/(Loss) on Derecognition of Financial Assets at Fair Value through Profit or Loss	10.2	1,602,870	1,589,126	1,602,870	1,589,126
Net Gain/(Loss) on Derecognition of Financial Assets at Fair Value through Other Comprehensive Income	11.3	1,522,909	(142,447)	1,522,909	(142,447)
Net Gain/(Loss) on Derecognition of Financial Assets at Amortised cost	12.5	-	(3,418,674)	-	(3,418,674)
Net Other Operating Income	35	(2,434,666)	5,267,153	(2,434,666)	5,267,504
Total Operating Income		51,722,582	43,967,152	52,199,563	44,402,173
Impairment (Charge)/Reversal	36	106,302	3,196,442	106,302	3,196,442
Net Operating Income		51,828,884	47,163,594	52,305,865	47,598,615
Personnel Expenses	37	(9,564,369)	(8,521,293)	(9,607,987)	(8,562,987)
Depreciation of Property, Plant and Equipment	16	(287,282)	(197,998)	(343,006)	(241,730)
Depreciation of Right of Use Assets	17	(587,722)	(482,510)	(372,592)	(391,983)
Amortisation of Intangible Assets	18	(317,445)	(330,402)	(317,584)	(330,527)
Other Operating Expenses	38	(6,274,330)	(5,424,837)	(6,316,142)	(5,446,897)
Total Operating Expenses		(17,031,148)	(14,957,040)	(16,957,311)	(14,974,124)
Operating Profit/(Loss) before VAT and SSCL on Financial Services		34,797,736	32,206,554	35,348,554	32,624,491
Taxes and Levies on Financial Services	39	(6,943,455)	(6,885,794)	(6,945,433)	(6,887,934)
Profit before Income Tax		27,854,281	25,320,760	28,403,121	25,736,557
Income Tax Expense	40	(8,974,509)	(8,788,494)	(9,145,044)	(8,934,125)
Profit for the Year		18,879,772	16,532,266	19,258,077	16,802,432
Attributable to:					
Equity Holders of the Bank		18,879,772	16,532,266	19,258,077	16,802,432
Earnings Per Share					
Basic Earnings Per Ordinary Share	41	56.62	49.58	57.76	50.39
Diluted Earnings Per Ordinary Share	41	56.62	49.58	57.76	50.39
Dividend Per Share - LKR	42	7.00	6.50	7.00	6.50

The Notes to the Financial Statements from pages 155 to 247 form an integral part of these Financial Statements.

Statement of Comprehensive Income

For the Year Ended 31 December	Notes	Bank 2025 LKR '000	Bank 2024 LKR '000	Group 2025 LKR '000	Group 2024 LKR '000
Profit for the Year		18,879,772	16,532,266	19,258,077	16,802,432
Other Comprehensive Income/(Expense)					
Items that will be reclassified to Income Statement in subsequent periods:					
Debt Instruments at Fair Value through Other Comprehensive Income					
Net Change in Fair Value during the year	29.1	(951,578)	3,276,369	(951,578)	3,276,369
Deferred Tax related to the above	29.1 & 25	285,473	(982,911)	285,473	(982,911)
Net Gain/(Loss) on Financial Instruments at Fair Value through Other Comprehensive Income		(666,105)	2,293,458	(666,105)	2,293,458
Items that will not be reclassified to Income Statement in subsequent periods:					
Actuarial gain / (loss) on defined benefit plan	22.2	(61,624)	(114,812)	(57,883)	(120,891)
Deferred Tax related to the above	25	18,487	34,444	17,365	36,267
Net Gain/(Loss) on Actuarial Valuation of Defined Benefit Plan		(43,137)	(80,368)	(40,518)	(84,624)
Gain/(Loss) on Revaluation of Land and Buildings	29.2	77,401	163,724	151,479	369,117
Deferred Tax related to the above	29.2 & 25	(23,220)	(49,117)	(45,443)	(110,735)
Net Gain/(Loss) on Revaluation of Land and Buildings		54,181	114,607	106,036	258,382
Total items that will not be reclassified to the Income Statement		11,044	34,239	65,518	173,758
Other Comprehensive Income for the Year, Net of Tax		(655,061)	2,327,697	(600,587)	2,467,216
Total Comprehensive Income for the Year, Net of Tax		18,224,711	18,859,963	18,657,490	19,269,648
Attributable to:					
Equity Holders of the Bank		18,224,711	18,859,963	18,657,490	19,269,648

The Notes to the Financial Statements from pages 155 to 247 form an integral part of these Financial Statements.

Statement of Changes in Equity

BANK	Notes	Stated Capital Voting LKR '000	Stated Capital Non-Voting LKR '000	Statutory Reserve Fund LKR '000	Retained Earnings LKR '000	OCI Reserve LKR '000	Revaluation Reserve LKR '000	Total LKR '000
As at 01 January 2024		8,053,767	3,373,124	2,783,805	39,879,962	3,908,263	946,133	58,945,054
Profit for the year		-	-	-	16,532,266	-	-	16,532,266
Other Comprehensive Income		-	-	-	(80,368)	2,293,458	114,607	2,327,697
Total Comprehensive Income		-	-	-	16,451,898	2,293,458	114,607	18,859,963
Dividends for 2023	26 & 28	587,203	92,187	-	(1,597,817)	-	-	(918,427)
Fractions of shares paid in cash for 2023		-	-	-	(283)	-	-	(283)
Conversion of Non Voting Shares to Voting Shares	26	1,046	(1,046)	-	-	-	-	-
Transfers to the Statutory Reserve Fund	27.2	-	-	826,613	(826,613)	-	-	-
As at 31 December 2024		8,642,016	3,464,265	3,610,418	53,907,147	6,201,721	1,060,740	76,886,307
As at 01 January 2025		8,642,016	3,464,265	3,610,418	53,907,147	6,201,721	1,060,740	76,886,307
Profit for the year		-	-	-	18,879,772	-	-	18,879,772
Other Comprehensive Income		-	-	-	(43,137)	(666,105)	54,181	(655,061)
Total Comprehensive Income		-	-	-	18,836,635	(666,105)	54,181	18,224,711
Dividends for 2024	26 & 28	779,127	122,233	-	(2,119,701)	-	-	(1,218,341)
Fractions of shares paid in cash for 2024		-	-	-	(601)	-	-	(601)
Conversion of Non Voting Shares to Voting Shares	26	-	-	-	-	-	-	-
Transfers to the Statutory Reserve Fund	27.2	-	-	943,989	(943,989)	-	-	-
As at 31 December 2025		9,421,143	3,586,498	4,554,407	69,679,491	5,535,616	1,114,921	93,892,076

GROUP	Notes	Stated Capital Voting LKR '000	Stated Capital Non-Voting LKR '000	Statutory Reserve Fund LKR '000	Retained Earnings LKR '000	OCI Reserve LKR '000	Revaluation Reserve LKR '000	Total LKR '000
As at 01 January 2024		8,053,767	3,373,124	2,783,805	41,623,427	3,908,263	1,383,751	61,126,137
Profit for the year		-	-	-	16,802,432	-	-	16,802,432
Other Comprehensive Income		-	-	-	(84,624)	2,293,458	258,382	2,467,216
Total Comprehensive Income		-	-	-	16,717,808	2,293,458	258,382	19,269,648
Dividends for 2023	26 & 28	587,203	92,187	-	(1,597,817)	-	-	(918,427)
Fractions of shares paid in cash for 2023		-	-	-	(283)	-	-	(283)
Conversion of Non Voting Shares to Voting Shares	26	1,046	(1,046)	-	-	-	-	-
Transfers to the Statutory Reserve Fund	27.2	-	-	826,613	(826,613)	-	-	-
As at 31 December 2024		8,642,016	3,464,265	3,610,418	55,916,522	6,201,721	1,642,133	79,477,075
As at 01 January 2025		8,642,016	3,464,265	3,610,418	55,916,522	6,201,721	1,642,133	79,477,075
Profit for the year		-	-	-	19,258,077	-	-	19,258,077
Other Comprehensive Income		-	-	-	(40,518)	(666,105)	106,036	(600,587)
Total Comprehensive Income		-	-	-	19,217,559	(666,105)	106,036	18,657,490
Dividends for 2024	26 & 28	779,127	122,233	-	(2,119,701)	-	-	(1,218,341)
Fractions of shares paid in cash for 2024		-	-	-	(601)	-	-	(601)
Conversion of Non Voting Shares to Voting Shares	26	-	-	-	-	-	-	-
Transfers to the Statutory Reserve Fund	27.2	-	-	943,989	(943,989)	-	-	-
As at 31 December 2025		9,421,143	3,586,498	4,554,407	72,069,790	5,535,616	1,748,169	96,915,623

The Notes to the Financial Statements from pages 155 to 247 form an integral part of these Financial Statements.

Statement of Cash Flows

For the Year Ended 31 December	Notes	Bank 2025 LKR '000	Bank 2024 LKR '000	Group 2025 LKR '000	Group 2024 LKR '000
Cash Flows from Operating Activities					
Interest receipts		67,314,240	58,825,370	67,315,100	58,827,332
Interest payments		(25,452,045)	(28,341,184)	(25,205,973)	(28,108,054)
Net commission receipts		8,624,468	6,199,730	8,854,516	6,472,542
Trading income/(expense)		3,812,977	(2,218,805)	3,812,977	(2,218,805)
Gratuity Payments		(175,929)	(166,541)	(175,929)	(170,886)
Payments for VAT and SSCL on Financial Services		(7,181,927)	(6,554,566)	(7,191,435)	(6,621,307)
Receipts from/ (payments) on other operating activities		(15,121,180)	(15,987,177)	(15,268,942)	(16,049,553)
Operating profit before change in operating assets and liabilities		31,820,604	11,756,827	32,140,314	12,131,269
(Increase)/Decrease in Operating Assets	43.1	(128,926,515)	(21,277,696)	(128,949,629)	(21,277,696)
Increase/(Decrease) in Operating Liabilities	43.2	122,684,379	34,051,077	122,288,926	33,693,095
Net Cash Generated from / Used in Operating Activities before Income Tax		25,578,468	24,530,208	25,479,611	24,546,668
Income Tax Paid		(7,728,971)	(8,594,255)	(7,887,348)	(8,738,004)
Net Cash (Used in)/from Operating Activities		17,849,497	15,935,953	17,592,263	15,808,664
Cash Flows from Investing Activities					
Purchase of Property, Plant and Equipment		(1,225,011)	(455,421)	(1,225,011)	(455,430)
Proceeds from Sale of Property, Plant and Equipment		3,869	3,141	3,869	3,141
Net Purchase and proceeds from sale and on maturities of financial investments		(16,818,451)	(20,287,480)	(16,818,451)	(20,287,480)
Net Investment in intangible assets		(793,215)	(567,174)	(793,215)	(567,285)
Net Cash (Used in)/from Investing Activities		(18,832,808)	(21,306,934)	(18,832,808)	(21,307,054)
Cash Flows from Financing Activities					
Repayment of Subordinated Debt		-	(1,751,041)	-	(1,751,041)
Interest Paid on Subordinated Debt		(608,672)	(948,959)	(608,672)	(948,959)
Dividend paid to shareholders of the parent company		(1,218,942)	(918,710)	(1,218,942)	(918,710)
Net proceeds from the Other debt		933,065	1,018,598	933,065	1,018,598
Net repayment of Other Debt		(770,295)	(8,567,582)	(770,295)	(8,567,582)
Operating Lease Rentals Paid		(830,743)	(717,446)	(573,509)	(590,037)
Net Cash (Used in)/from Financing Activities		(2,495,587)	(11,885,140)	(2,238,353)	(11,757,731)
Net Increase/(Decrease) in Cash and Cash Equivalents		(3,478,898)	(17,256,121)	(3,478,898)	(17,256,121)
Cash and Cash Equivalents at the Beginning of the Period		20,299,441	39,545,578	20,299,444	39,545,581
Exchange difference in respect of cash and cash equivalents		504,802	(1,990,016)	504,802	(1,990,016)
Cash and Cash Equivalents at the End of the Period		17,325,345	20,299,441	17,325,348	20,299,444
Reconciliation of Cash and Cash Equivalents					
Cash in Hand		11,536,808	11,563,596	11,536,811	11,563,599
Balances with Banks		8,329,489	9,253,026	8,329,489	9,253,026
Deposits from Other Banks		(2,540,952)	(517,181)	(2,540,952)	(517,181)
		17,325,345	20,299,441	17,325,348	20,299,444
A. Reconciliation of Operating Profit					
Profit before Income Tax		27,854,281	25,320,760	28,403,121	25,736,557
(Profit) / Loss on disposal of Property, Plant and Equipment and Intangible Assets		(2,760)	24,802	(2,760)	24,739
Impairment charge / (Reversal)	36	(106,302)	(3,196,442)	(106,302)	(3,196,442)
Provision for Gratuity	37	322,413	287,461	324,301	288,470
Other Non Cash Items	43.3	4,143,075	(2,729,814)	3,983,807	(4,773,006)
Realised gain on sale of financial assets		(3,125,778)	(1,446,679)	(3,125,778)	(1,446,679)
Interest Paid on Subordinated Debt		608,672	948,960	608,672	948,960
Gratuity Payments Made	22.2	(175,929)	(166,541)	(175,929)	(170,886)
(Increase) / Decrease in Interest Receivable		(2,981,385)	(5,097,354)	(2,981,385)	(5,097,354)
Increase/ (Decrease) in Interest Payable		5,520,838	(1,041,401)	5,520,838	(1,041,401)
Increase / (Decrease) in Financial Guarantee Liabilities and Deferred Income		(8,240)	(411,655)	(8,240)	(411,655)
Increase / (Decrease) in Fee and Commission and Operating Expenses Payable		(228,281)	(735,270)	(300,032)	1,269,966
		31,820,604	11,756,827	32,140,314	12,131,269

The Notes to the Financial Statements from pages 155 to 247 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Reporting Entity

1.1 Corporate Information

Nations Trust Bank PLC (the 'Bank') is a licensed commercial bank established under the Banking Act No. 30 of 1988, as amended. It is a public limited liability company, incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Bank is located at No. 46/58, Nawam Mawatha, Colombo 02.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of Nations Trust Bank PLC for the year ended 31st December 2025 comprises the Bank and its subsidiaries: Waldock Mackenzie Ltd, Allied Properties Limited and Nations Insurance Brokers Limited (together referred to as the 'Group'). Nations Trust Bank PLC does not have an identifiable parent of its own.

1.3 Principal Activities and Nature of Operations

Bank

The Bank provides a comprehensive range of financial services encompassing accepting deposits, corporate and retail banking, private banking, project financing, trade finance, leasing, factoring, treasury, dealing in government securities and investment services, resident and non-resident foreign currency operations, money remittance facilities, travel related services, issuing/ acquiring of credit cards and debit cards and electronic banking services such as internet banking, mobile banking etc.

Subsidiaries

The principal activities of the subsidiary companies are as follows.

Company	Principal activity
Waldock Mackenzie Limited *	Inoperative
Allied Properties Limited	Renting out premises
Nations Insurance Brokers Limited	Insurance broking

* With effect from 24th November 2024, the investment manager operations of Waldock Mackenzie Limited, which was the main and only business line of the subsidiary, was discontinued. As such the entity remains inoperative as at 31st December 2025.

2. Basis of Preparation

2.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Bank, which comprise of the Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka.

The preparation and presentation of these Consolidated Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007 and amendments thereto. The preparation and presentation of Financial Statements and the disclosures made therein also comply with the Banking Act No. 30 of 1988 and subsequent amendments thereto and Directions, Determinations and Guidelines issued by the Central Bank of Sri Lanka including Circular No. 05 of 2024 on "Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks" wherever applicable. The Bank also publishes annual and quarterly financial information and other disclosures in the Press and on the Website in compliance with the basis of the aforementioned circular.

2.2 Directors' Responsibility Statement

The Board of Directors of the Bank is responsible for these Financial Statements of the Group and the Bank as per the provisions of the Companies Act No. 07 of 2007 and amendments thereto. Sri Lanka Accounting Standards and Banking Act No.30 of 1988 (as amended).

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the "Directors' Responsibility for Financial Reporting" on page 144.

2.3 Approval of Financial Statements by Directors

The Consolidated Financial Statements of Nations Trust Bank PLC, for the year ended 31st December 2025 were authorised for issue in accordance with the resolution of the Board of Directors on 20th February 2026.

2.4 Basis of Measurement

The Financial Statements of the Bank and the Group have been prepared on a historical cost basis, except for the following material items in the Statement of Financial Position, which have been measured at fair value:

- Financial assets at fair value through profit or loss
- Debt and equity instrument at fair value through other comprehensive income
- Derivative financial instruments
- Land and buildings are measured at cost at the time of acquisition and subsequently measured at fair value on the date of revaluation
- Liability for defined benefit obligations is recognised at the present value of defined benefit obligation

Notes to the Financial Statements

2.5 Functional and Presentation Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees (LKR), which is the currency of the primary economic environment in which the Group operates (Group's functional currency). Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand ('000) unless indicated otherwise.

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

2.6 Presentation of Financial Statements

The Bank/Group presents its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 45.

2.7 Materiality and Aggregation

In compliance with Sri Lanka Accounting Standard LKAS 01 – Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately unless they are immaterial.

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of profit or loss unless required or permitted by an accounting standard or an interpretation, and as specifically disclosed in the accounting policies of the Group.

2.8 Changes in Accounting Policies

2.8.1 New and Amended Standards and Interpretations

The Group has not early adopted any standards, interpretations or amendments that have been issued but not yet effective.

Certain prior year figures and phrases have been rearranged in order to be compatible with the presentation requirements of the Central Bank of Sri Lanka.

The other accounting policies adopted by the Bank/Group are consistent with those of the previous financial year.

2.9 Material Accounting Judgements, Estimates and Assumptions

The preparation of the Bank's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets, liabilities and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most material effect on the amounts recognised in the consolidated financial statements with substantial management judgment and/or estimates are collated below with respect to judgments/estimates involved.

(i) Going Concern

The Bank's management 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, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

(ii) Fair Value of Financial Instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair

values. Judgments and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

The valuation of financial instruments is described in more detail in Note 46.

(iii) Impairment Losses on Financial Assets

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, 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. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Life Time Expected Credit Loss (LTECL) basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

(iv) Fair Value of Land and Buildings

Freehold land and buildings of the Group are reflected at fair value at the date of revaluation less any accumulated depreciation and impairment losses.

The Group measures freehold land and buildings at fair value with changes in fair value being recognised in Other Comprehensive Income. The Group engages independent valuation specialists to determine fair value of freehold land and buildings in terms of Sri Lanka Accounting Standard SLFRS 13 - Fair Value Measurement.

Lands were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property, while buildings were valued based on depreciated replacement cost.

Fair value related disclosures for land and buildings measured at fair value are summarised in the Note 46 to the financial statements.

(v) Useful Life of the 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. Judgment of the management is exercised in the estimation of these values, rates, methods hence they are subject to uncertainty. Refer Note 16.

(vi) Retirement Benefit Obligation

The cost of the defined benefit plan – gratuity is determined using an actuarial valuation. Actuarial valuation involves making assumptions about inter-alia discount rates, future salary increases, remaining working life of employees and mortality rates. Due to the long-term nature of these obligations, such estimates are subject to significant uncertainty. Description of employee benefits is given in Note 22.

(vii) Share-Based Payments

The Group measures the cost of cash settled transactions with employees by reference to the fair value of the equity instruments on the date on which those are granted. Estimating fair value for share based payment transactions require determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share appreciation rights scheme, volatility and dividend yield and making assumptions about those. Refer Note 24.2.

(viii) Taxation

The Group is subject to Income Taxes and other taxes including VAT and Social Security Levy (SSCL) on Financial Services.

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of

Notes to the Financial Statements

future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense amounts that were initially recorded, and deferred tax amounts in the period in which the determination is made. Refer Note 25 and 40.

(ix) Deferred Tax Assets

Deferred tax assets are recognised primarily in respect of loan impairment allowances which will be recovered in the foreseeable future and tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future business strategies.

Details on deferred tax assets are disclosed in Note 25 to the financial statements.

(x) Provisions for Liabilities and Contingencies

The Group receives legal claims against it in the normal course of business. When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

Contingent liabilities stemming from tax matters have been disclosed, following IFRIC 23 (uncertainties over income tax treatments) guidelines.

(xi) Determination of the Lease Term for Lease Contracts with Renewal and Termination Options (Bank as a lessee)

The Bank 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 Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

(xii) Estimating the Incremental Borrowing Rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its Incremental Borrowing Rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments.

3. Summary of Material Accounting Policies

3.1 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Bank and its subsidiaries as at 31st December 2025 in terms of the Sri Lanka Accounting Standards, SLFRS 10 - Consolidated Financial Statements. The Bank's Financial Statements comprise of the amalgamation of the Financial Statements of the Domestic Banking Unit and the Off-shore Banking Unit.

Bank consolidates a subsidiary when it controls it. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights results in control. However, in individual circumstances, the Bank may still exercise control with a less than 50% shareholding, or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability

of its returns, the Bank considers all relevant facts and circumstances, including:

- The purpose and design of the investee.
- The relevant activities and how decisions about those activities are made and whether the Bank can direct those activities.
- Contractual arrangements such as call rights, put rights and liquidation rights.
- Whether the Bank is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

All intra- group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value, at the date of loss of control.

3.2 Foreign Currency Transactions and Balances

Transactions in foreign currencies are initially recorded at the spot middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot middle rate of exchange at the reporting date. All foreign exchange differences arising on non-trading activities are taken to 'Other Operating Income/ Expense' in the Profit or Loss. Refer Note 35.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

3.3 Financial Instruments

3.3.1 Financial Instruments – Initial Recognition

(i) Date of Recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

(ii) 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 3.3.2. (i) (a) and 3.3.2. (i) (b). Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (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 accounts for the Day 1 profit or loss, as described below.

(iii) Day one Profit or Loss

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

(iv) Measurement Categories of Financial Assets and Liabilities

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, as explained in Note 3.3.2 (i)
- Fair value through other comprehensive income (FVOCI), as explained in Notes 3.3.2 (iv) and 3.3.2 (v)
- Fair value through profit or loss (FVPL) as explained in Notes 3.3.2 (vii)

The Bank classifies and measures its derivative and trading portfolio at FVPL as explained in Notes 3.3.2 (ii) and 3.3.2 (iii). The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 3.3.2 (vii).

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Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are derivative instruments or the fair value designation is applied, as explained in Note 3.3.2 (vii).

3.3.2 Financial Assets and Liabilities

(i) Due from Banks, Loans and Advances to Customers, Financial Investments at Amortised Cost

The Bank measures due from banks, loans and advances to customers and other financial investments at amortised cost only 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.

The details of these conditions are outlined below.

a. Business Model Assessment

The Bank 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:

- 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.

b. Solely Payment of Principal and Interest (SPPI) Test

As a second step of its classification process, the Bank assesses the contractual terms of financial instrument 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 Bank 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.

(ii) Derivatives Recorded at Fair Value through Profit or Loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- 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').
- 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.
- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These include cross-currency swaps and forward foreign exchange contracts. 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 fair values of derivative financial instruments recorded as assets or liabilities, together with their notional (contract) amounts are disclosed

separately in Note 9. Changes in the fair value of derivatives are included in net trading income.

Settlement of these contracts against customer is on delivery against payment basis which eliminates credit risks. Settlements against the Bank is on a gross basis subject to approved credit limits.

The notional amounts that indicate the volume of transactions outstanding at the year-end are indicative of neither the market risk nor the credit risk. This transaction type is exposed to market risks due to fluctuation of market rates.

The Bank may take positions with the expectation of gaining from favorable movements in rates. Derivatives entered for risk management purposes that do not meet the hedge accounting criteria are also included under this classification.

(iii) Financial Assets or Financial Liabilities Held for Trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the Statement of Financial Position at fair value. Changes in fair value are recognised in 'Net Fair Value Gains/(Losses) from Financial Instruments at Fair Value Through Profit or Loss'.

Included in this classification are debt securities that have been acquired principally for the purpose of selling or repurchasing in the near term.

(iv) Debt Instruments at FVOCI

The Bank classifies debt instruments 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 on debt instruments at FVOCI is recognised in Profit or Loss. The ECL calculation for debt instruments at FVOCI is explained in Note 3.5. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to Profit or Loss.

(v) Equity Instruments at FVOCI

Upon initial recognition, the Bank 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 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to Profit or Loss. Dividends are recognised in Profit or Loss as 'other operating income' when the right of the payment has been established, except when the Bank 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.

(vi) Debt Issued and Other Borrowed Funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR.

(vii) Financial Assets and Financial Liabilities at Fair Value through Profit or Loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under SLFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis or;
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy or;
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by

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the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in Profit and Loss. Interest earned or incurred is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate.

(viii) Financial Guarantees, Letters of Credit and Undrawn Loan Commitments

In the ordinary course of business, the Bank issues financial guarantees, consisting of letters of credit, guarantees, bonds and acceptances.

Financial guarantees are initially recognised in the financial statements (Within other liabilities) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each financial guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Profit or Loss, and an ECL provision as set out in Note 24.3.

The premium received is recognised in the Statement of Profit or Loss in 'Net fee and commission income' on a straight-line basis over the life of the guarantee.

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. Similar to financial guarantee contracts these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the Statement of Financial Position. The nominal values of these instruments are disclosed in Note 47.

3.3.3 Reclassification of Financial Assets and Liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

3.3.4 Modification of Financial Assets and Liabilities

(i) Modification of Financial Assets

When the contractual cash flows of a financial asset are renegotiated or otherwise modified as a result of commercial restructuring activity rather than due to credit risk and impairment considerations, the Bank performs an assessment to determine whether the modifications result in the derecognition of that financial asset. For financial assets, this assessment is based on qualitative factors.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- Whether the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, then it does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

(ii) Modification of Financial Liabilities

When the modification of the terms of an existing financial liability is not judged to be substantial and, consequently, does not result in derecognition, the amortised cost of the financial liability is recalculated by computing the present value of estimated future contractual cash flows that are discounted at the financial liability's original EIR. Any resulting difference is recognised immediately in Profit or Loss.

For financial liabilities, the Bank considers a modification to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

3.3.5 Derecognition of Financial Assets and Liabilities

(i) Derecognition due to Substantial Modification of Terms and Conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have

been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired (POCI).

(ii) Derecognition other than for Substantial Modification

a. Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset or;
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met.

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset or;
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

b. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. 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. The difference between the carrying value of the original financial liability and the consideration paid is recognised in Profit or Loss.

3.3.6 The Effective Interest Rate Methods

Under SLFRS 9, interest income is recorded using the Effective Interest Rate (EIR) method for all financial assets. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

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The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account transactions costs and any discount or premium on acquisition of the financial asset or financial liability, as well as fees and costs that are an integral part of the EIR.

The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the statement of financial position with a corresponding increase or decrease in interest income/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

3.3.7 Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when SLFRS netting criteria are met.

3.4 Repurchase and Repurchase Agreements

During its normal course of business, the Bank sells securities under agreements to repurchase (repos) and purchase securities under agreements to resell (reverse repos).

The accounting treatment of these transactions is explained below;

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 of the risks and rewards of ownership. The corresponding cash received is recognised in the Statement of Financial Position as an asset with a corresponding obligation to return it, including accrued interest as a liability within 'Repurchase Agreements', reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase price is treated as interest expense and is accrued over the life of agreement using the EIR.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within 'Reverse Repurchase Agreements', reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale price is treated as interest income and is accrued over the life of the agreement using the EIR.

3.5 Impairment of Financial Assets

(i) Overview of the Expected Credit Loss (ECL) Principles

The Bank records an allowance for ECL 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) as outlined in Note 3.5 (ii). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 47.

The 12mECL is the portion of LTECLs that represents the ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial

instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in Note 47.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instruments' 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. This is further explained in Note 47.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and Purchased or Originated Credit Impaired (POCI), as described below:

Stage 1:	When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved 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 LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3:	Loans considered credit-impaired (as outlined in Note 47). The bank records an allowance for the LTECL.
POCI:	POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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.

(ii) The Calculation of ECL

The Bank calculates ECLs based on three probability-weighted scenarios 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 mechanics of the ECL calculations are outlined below and the key elements are as follows:

- Probability of Default (PD); The PD 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. The concept of PDs is further explained in Note 47.
- Exposure at Default (EAD): The 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, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 47.
- Loss Given Default (LGD): The LGD 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 LGD is further explained in Note 47.

When estimating the ECLs, the Bank considers three scenarios (a base case, a best case, a worst case). When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out in Note 3.5 (v) below, 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.

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Provisions for ECL for undrawn loan commitments are assessed as set out in Note 24.3. The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities such as credit cards are explained in Note 3.5 (v).

The mechanics of the ECL method are summarised below:

Stage 1:	The 12mECL is calculated as the portion of LTECLs that represents the ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank 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. This calculation is made for each of the three scenarios, as explained above
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, including the use of multiple scenarios, 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 (as defined in Note 47) 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%.
POCI:	POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, discounted by the credit adjusted EIR.
Loan commitments and letters of credit:	When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, the portion of ECLs related to the drawn amount are calculated and presented together with the loan. For undrawn loan commitments and letters of credit, the ECL is recognised within Other Liabilities.
Financial guarantee contracts:	The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs by using Credit Conversion Factors (CCF) specified by the Central Bank of Sri Lanka for the purpose of calculating Capital Adequacy Ratio of the Bank. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECL related to financial guarantee contracts are recognised within Other Liabilities.

(iii) Debt Instruments Measured at Fair Value Through OCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the Statement of Financial Position, 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.

(iv) Purchased or Originated Credit Impaired Financial Assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

(v) Credit Cards and Other Revolving Facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit card facilities, in which the Bank has the right to cancel and/or reduce the facilities with a notice. Revolving facilities are subject to regular post disbursement reviews and every such facility goes through one or more formal reviews annually. Therefore, all revolving facilities are assessed for 12mECL.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is mainly based on shifts in the delinquency level of the customer with a consideration given to qualitative factors such as changes in usage also.

The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities.

The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made, as explained in Note 47, on an individual basis for corporate and on a collective basis for retail products.

The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

(vi) 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
- Inflation
- Interest rates
- Exchange rates
- Unemployment rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 36.

(vii) Collateral Valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements.

Collateral is not recorded in the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed subsequently as and when required. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily. Details of the impact of the Bank's various credit enhancements are disclosed in Note 47.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers etc.

(viii) Collateral Repossessed

The Group's policy is to sell the repossessed assets at the earliest possible opportunity. Such collateral repossessed are held on a memorandum basis without derecognising the underlying receivable.

In its normal course of business, the Bank engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

(ix) Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. 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. Any subsequent recoveries are credited to 'other operating income' in the Profit or Loss.

(x) Rescheduled and Restructured Loans

The Bank sometimes makes concessions or modifications to the original terms of loans in response to the borrower's financial difficulties, rather than taking possession of the collateral. The Bank considers a loan as rescheduled/restructured, when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been

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financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Management Department.

Rescheduling or Restructuring may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor rescheduled/ restructured loans to ensure that future payments are likely to occur. When the Bank reschedules/restructures a loan facility of a customer, such exposure is classified as stage 2 at minimum at the modification date. The Bank also considers whether such assets should be classified as stage 3. Rescheduled customers will remain in stage 3 during the curing period before the reclassification to a better stage. Restructured loans are upgraded to stage 1 from Stage 2 or 3 by the Bank's Risk Department based on their independent evaluation of the customers.

3.6 Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.6.1 Group as a Lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-Use Assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). 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, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented in Note 17 and are subject to impairment in line with the Group's policy as described in Note 3.9 - Impairment of non-financial assets.

(ii) Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include 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 Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

3.6.2 Bank as a Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on EIR over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

3.7 Property, Plant and Equipment

(i) 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.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following;

- the cost of materials and direct labour
- any other costs directly attributable to bringing the assets to a working condition for their intended use
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located.

(ii) 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 by independent professional valuers. Valuations

are performed with sufficient frequency to ensure that the carrying amounts do not differ materially from the fair values as at the reporting date. The Group has revalued its freehold land & building during the year 2025 and details of the revaluation are given in Note 16.3.

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 the Statement of Profit or Loss. 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 Statement of Profit or Loss or debited to the Other Comprehensive Income to the extent of any credit balance existing in the capital reserve in respect of that asset.

The decrease recognised in Other Comprehensive Income reduces the amount accumulated in equity under capital 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.

(iii) Subsequent Expenditure and Replacement

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

(iv) Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Lands are not depreciated.

The estimated useful lives are as follows:

Buildings	40 years
Motor Vehicles	04 years
Other Equipment	04 - 08 years
Computer Hardware	02 - 04 years
Furniture and Fittings	08 years
Leasehold Improvements	Over the lease period

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if requires. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(v) Derecognition

The carrying amount of an item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of an item of property, plant and equipment is included in the Statement of Profit or Loss when the item is derecognised.

(vi) Capital Work-in-Progress

Capital work-in-progress is stated at cost. These are the expenses of a capital nature directly incurred in the construction of buildings, machinery and system development, awaiting capitalisation. Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost less any accumulated impairment losses.

3.8 Intangible Assets

The Group's intangible assets include the cost of computer software and licenses. 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. Intangible assets acquired separately are measured on initial recognition at cost. Following the initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

Notes to the Financial Statements

they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the Profit or Loss.

Amortisation is calculated using the straight- line method to write down the cost of intangible assets to their residual values over their estimated useful lives of 5-10 years, for computer software and license fees.

3.9 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an 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. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU's) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, and other available fair value indicators.

3.10 Retirement Benefit Obligation

(i) Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund and Employees' Trust Fund contributions in line with respective statutes and regulations. The Bank and its subsidiaries except Nations Insurance Brokers Limited, contribute 12% of gross emoluments of employees to an approved private provident fund managed by Nations Trust Bank PLC and 3% gross emoluments of employees to the Employees' Trust Fund respectively. Nations Insurance Brokers Limited contributes 12% and 3% of gross emoluments of employees to the Employees' Provident Fund and the Employees' Trust Fund respectively.

(ii) Defined Benefit Plan

The Group measures the present value of the retirement benefits of gratuity which is a defined benefit plan using the projected unit credit method as recommended by LKAS 19 - Employee benefits and resulting actuarial gain/loss is recognised in full in the Other Comprehensive Income (OCI).

The actuarial valuation involves making assumptions about discount rate, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

The gratuity liability is not externally funded.

3.11 Share Based Payments

Employees (Senior Executives) of the Bank/Group receive benefit in the form of share - based payments, whereby employees rendered services are granted Employee Share Appreciation Rights (ESAR) which are settled in cash (Cash-settled transaction). A liability is recognised for the fair value of cash settled transactions. The fair value is measured initially and at each reporting date up to and including the exercise date or expiry date of ESAR, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined using a binomial model.

3.12 Taxes

(i) Current Tax

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Detailed disclosures are provided in Note 23, 25 and 40.

Income tax on profits and deferred tax assets/ liabilities were calculated at 30% for the Bank and the subsidiaries.

(ii) Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liability is not recognised for;

- Temporary differences on the initial recognition of goodwill, assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

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 profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that 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 assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred Tax Assets (DTA) and Liabilities (DTL) are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for the items that are charged or credited in the Other Comprehensive Income (OCI).

DTA and DTL are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Bank Levies

The Bank recognises the liability arising from levies when it becomes legally enforceable (i.e., when the obligating event arises) which is on 31st December each year.

(iv) Social Security Contribution Levy (SSCL)

Social Security Contribution Levy came into effect from 01st October 2022. The base of the calculation of Social Security Contribution Levy is the value addition attributable to financial services which includes operating profit before taxes on financial services adjusted for emoluments of employees and economic depreciation. SSCL rate applied during 2025 was 2.5%.

(v) VAT (Value Added Tax) on Financial Services

The base of the calculation of VAT (Value Added Tax) on Financial Services is the value addition attributable to financial services which includes operating profit before taxes on financial services adjusted for emoluments of employees and economic depreciation. The VAT rate applied during 2025 and 2024 was 18%.

3.13 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. When the effect of the time value of money is material, the Bank determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the Profit or Loss net of any reimbursement.

3.14 Fiduciary Assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the Financial Statements, as they are not the assets of the Group.

3.15 Equity Reserves

(i) Retained Earnings

Retained earnings represent the cumulative net income the Group retained rather than distributed to shareholders as dividends.

(ii) Other Comprehensive Income (OCI) Reserve

The OCI reserve includes fair value reserves which comprises:

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- the cumulative net change in the fair value of debt instruments classified at FVOCI, less the allowance for ECL.
- the cumulative net change in fair value of equity instruments at FVOCI.

(iii) Revaluation Reserve

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

3.16 Dividends on Ordinary Shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date. (Note 50).

Basic/Diluted Earnings per Share is calculated by dividing the net profit for the year attributable to Ordinary Shareholders of the Bank by the weighted average number of Ordinary Shares in issue during the year.

3.17 Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the 'Direct Method' in accordance with LKAS 7 on Statement of Cash Flows, whereby cash receipts and cash payments of operating activities, financing activities and investing activities have been recognised. Cash and cash equivalents as referred to in the statement of cash flows comprises of cash in hand and amounts due from banks on demand or with original maturity of three months or less net of amount due to banks.

3.18 Fair Value of Assets and Liabilities

Determination of Fair Value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

(i) Level 1 Financial Instruments

Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date. The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the reporting date.

(ii) Level 2 Financial Instruments

Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.

(iii) Level 3 Financial Instruments

Those that include one or more unobservable input that is significant to the measurement as whole.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the Bank manages a group of financial assets and liabilities on the basis of its net market or credit risk exposure, the fair value of the group of financial instruments is measured on a net basis, however the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the SLFRS offsetting criteria.

The Bank periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Bank's financial instruments such as credit risk. Therefore, the Bank applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for those financial instruments.

The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary based on the facts at the end of the reporting period.

3.19 Recognition of Income and Expenses

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 required for recognition of income is explained below.

3.19.1 Interest Income

The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset. The Bank ceases the recognition of interest income on assets when it is probable that the economic benefits associated will not continue to flow to the Bank. Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is also recognised using the contractual interest rate in interest income.

3.19.2 Net fee and Commission Income

(i) Fee Income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee and commission income are recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

As per SLFRS 15, the Bank adopts principles based five step model for revenue recognition. Accordingly, revenue is recognised only when all of the following criteria are met:

- The parties to the contract have approved the contract/s.
- The entity can identify each party's rights regarding the goods or services to be transferred.
- The entity can identify the payment terms for the goods or services to be transferred.
- The contract has the commercial substance.
- It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

a) Fee and Commission Income from Services where Performance Obligations are Satisfied Over Time

Performance obligations satisfied over time include asset management, custody and other management and advisory services, where the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

b) Fee and Commission Income from Providing Services where Performance Obligations are Satisfied at a Point in Time

Services provided where the Group's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of lending transactions or other securities.

c) Fee Income Forming an Integral Part of the Corresponding Financial Instrument

Fees that the Bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees. The recognition of these fees (together with any incremental costs) form an integral part of the corresponding financial instruments and are recognised as interest income through an adjustment to the EIR.

The applicability of SLFRS 15 to the Bank is limited for fee and commission income.

(ii) Fee Expense

Fee expenses have been recognised in the Financial Statements as they are incurred in the period to which they relate.

3.19.3 Net Gain/ (Loss) from Trading

Net gains/(losses) from trading includes all realised and unrealised foreign exchange transactions and unrealised fair value changes on fixed income securities.

3.19.4 Net Gain/(Loss) on Derecognition of Financial Assets Measured at Amortised Cost or FVOCI

Net gain/(loss) on derecognition of financial assets measured at amortised cost includes income or loss recognised on sale or derecognition of financial assets measured at amortised costs calculated as the difference between the book value (including impairment) and the proceeds received.

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3.19.5 Net Fair Value Gains/ (Losses) from Financial Instruments at Fair Value through Profit or Loss

Includes the results arising from unrealised net gains/ losses due to change in fair value of financial instruments at fair value through profit or loss.

3.19.6 Net Other Operating Income

(i) Dividend Income

Dividend income is recognised when the Group's right to receive the payment is established, which is generally when the shareholders approve the dividend.

(ii) Rental Income

Rental income is recognised on an accrual basis.

(iii) Other Income

Other income is recognised on an accrual basis.

(iv) Expenses

All expenditure incurred in the operation of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the Group's profit for the year.

Those expenses have been recognised in the Financial Statements as they are incurred in the period to which they relate.

3.20 Segment Information

The Group's segmental reporting is based on the following operating segments: Consumer and Commercial Banking, Corporate Banking, Treasury and Investment, Insurance Broking and Property Management.

For management purposes, the Group is organised into operating segments based on customer segments and products, as follows:

(i) Consumer and Commercial Banking: Primary focus of business is deposit mobilisation from high net worth, mass affluent customer segments and providing personal financing including personal, home loans, finance leases and credit card facilities and business financing for small and medium enterprises (SMEs) and mid-market enterprises (MMEs).

(ii) Corporate Banking: Primary focus of business is providing loans and other credit facilities and mobilising deposit and current accounts from top to mid tier corporate and institutional customers.

(iii) Treasury and Investments Primary focus of business operations includes foreign exchange trading, fixed income security trading, assets and liabilities management, money market operations and fund and fee-based activities.

(iv) Insurance Broking: Primary focus on insurance broking.

(v) Property Management: Primary focus on renting out premises.

Management monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment.

Segment performance is evaluated based on operating profits or losses which are measured differently from operating profits or losses in the consolidated financial statements. A fund transfer pricing mechanism is adopted for sourcing and utilising of funds based on the Bank's internal pricing framework.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2025 or 2024.

Note 4 presents income, expenses and income tax and certain asset and liability information regarding the Group's operating segments.

3.21 Standards Issued but Not Yet Effective

The new and amended standards and interpretations that are issued up to the date of issuance of the Group / Bank's financial statements but are not effective for the current annual reporting period, are disclosed below.

(i) SLFRS 17 - Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. SLFRS 17 is effective for annual reporting periods beginning on or after 1st January 2026. Implementation of this standard is not expected to have a material impact on the financial statements of the Bank/Group.

(ii) SLFRS 18 – Presentation and Disclosure in Financial Statements

SLFRS 18, which replaces LKAS 1, introduces significant enhancements to the way financial information is organised and communicated. The standard establishes new categories and subtotals in the statement of profit or loss to improve consistency and comparability across entities. It also requires entities to disclose management-defined performance measures, together with clear explanations and reconciliations.

SLFRS 18 is effective for annual reporting periods beginning on or after 1st January 2027.

The impact of these amendments is currently being identified and evaluated.

(iii) SLFRS 19 Subsidiaries without public accountability: Disclosures

SLFRS 19 introduces reduced disclosure requirements for subsidiaries that do not have public accountability but continue to apply the full SLFRS recognition and measurement principles. SLFRS 19 applies to Specified Business Enterprises, as defined in the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. Subsidiaries that fall within this category and do not have public accountability are eligible to apply SLFRS 19. The Standard becomes effective for annual reporting periods beginning on or after 1 January 2027. The Bank/ Group is not eligible to apply SLFRS 19.

(iv) Amendments to SLFRS 9 and SLFRS 7 – Classification and Measurement of Financial Instruments

The amendments introduce enhancements to the classification, measurement, derecognition, and disclosure requirements for financial instruments. These amendments are effective for annual reporting periods beginning on or after 1 January 2026.

The amendments are not expected to have a material impact on the financial statements of the Bank /Group.

4 Segment Information

4.1 Operating Segments

For the Year Ended 31 December 2025 LKR'000	Consumer and Commercial Banking	Corporate Banking	Treasury and Investments	Insurance Broking	Property Management	Unallocated/ Eliminations	Total Group
Operating Income	21,166,232	7,302,990	23,651,608	264,060	389,641	(574,968)	52,199,563
Impairment Charges	523,254	(415,040)	(1,912)	–	–	–	106,302
Net Operating Income	21,689,486	6,887,950	23,649,696	264,060	389,641	(574,968)	52,305,865
Extracts of Results							
Interest Income	19,857,391	17,750,151	32,808,001	87,676	117,035	(274,070)	70,346,184
Inter Segment	11,014,133	(6,238,077)	(4,776,056)	–	–	–	–
Interest Expense	(19,558,216)	(5,763,181)	(6,188,312)	–	–	(58,375)	(31,568,084)
Net Interest Income	11,313,308	5,748,893	21,843,633	87,676	117,035	(332,445)	38,778,100
Net Fee and Commission Income	7,519,621	1,223,984	(74,608)	176,384	272,606	(255,230)	8,862,757
Net Gain/(Loss) from Trading	906,476	330,108	3,324,640	–	–	(24,815)	4,536,409
Net Fair Value Gain/(Loss) From Financial Assets at Fair Value Through Profit or Loss	–	–	(668,816)	–	–	–	(668,816)
Net Gain/(Loss) on Derecognition of Financial Assets at Fair Value through Profit or Loss	–	–	1,602,870	–	–	–	1,602,870
Net Gain/(Loss) on Derecognition of Financial Assets at Fair Value through Other Comprehensive Income	–	–	1,522,909	–	–	–	1,522,909
Net Gain/(Loss) on Derecognition of Financial Assets at Amortised cost	–	–	–	–	–	–	–
Net Other Operating Income	1,426,827	5	(3,899,020)	–	–	37,522	(2,434,666)
Depreciation of Property, Plant and Equipment	(236,125)	(35,722)	(13,108)	(231)	(18,921)	(38,899)	(343,006)
Depreciation of Right of Use Assets	(587,722)	–	–	–	–	215,130	(372,592)
Amortisation of Intangible Assets	(258,368)	(14,652)	(42,594)	(139)	–	(1,831)	(317,584)
Income Tax Expense	–	–	–	–	–	–	(9,145,044)
Capital Expenditures							
Property, Plant and Equipment	40,818	8,422	4,011	–	–	1,416,776	1,470,027
Intangible Assets	213,054	–	–	–	–	403,820	616,874
Total Assets (as at)	221,783,992	235,705,262	257,850,815	1,183,959	1,993,303	(18,208,448)	700,308,883
Total Liabilities (as at)	391,024,923	117,421,858	82,234,116	53,507	63,480	12,595,376	603,393,260

4.2 Operating Segments

For the Year Ended 31 December 2024 LKR'000	Consumer and Commercial Banking	Corporate Banking	Treasury and Investments	Insurance Broking	Property Management	Unallocated/ Eliminations	Total Group
Operating Income	21,958,000	6,672,937	15,651,287	247,309	294,144	(421,504)	44,402,173
Impairment Charges	(1,046,637)	(726,887)	4,969,966	-	-	-	3,196,442
Net Operating Income	20,911,363	5,946,050	20,621,253	247,309	294,144	(421,504)	47,598,615
Extracts of Results							
Interest Income	19,122,704	15,860,398	29,041,349	89,126	125,068	(225,641)	64,013,004
Inter Segment	11,858,248	(6,273,351)	(5,584,897)	-	-	-	-
Interest Expense	(18,212,162)	(4,250,111)	(5,642,913)	(447)	(1,019)	9,364	(28,097,288)
Net Interest Income	12,768,790	5,336,936	17,813,539	88,679	124,049	(216,277)	35,915,716
Net Fee and Commission Income	6,452,843	1,048,682	140,289	158,630	170,095	95,827	8,066,366
Net Gain/(Loss) from Trading	844,347	287,319	(4,472,059)	-	-	39,722	(3,300,671)
Net Fair Value Gain/(Loss) From Financial Assets at Fair Value Through Profit or Loss	-	-	425,253	-	-	-	425,253
Net Gain/(Loss) on Derecognition of Financial Assets at Fair Value through Profit or Loss	-	-	1,589,126	-	-	-	1,589,126
Net Gain/(Loss) on Derecognition of Financial Assets at Fair Value through Other Comprehensive Income	-	-	(142,447)	-	-	-	(142,447)
Net Gain/(Loss) on Derecognition of Financial Assets at Amortised cost	-	-	(3,418,674)	-	-	-	(3,418,674)
Net Other Operating Income	1,892,020	-	3,716,260	-	-	(340,776)	5,267,504
Depreciation of Property, Plant and Equipment	(163,728)	(25,739)	(7,159)	(236)	(18,968)	(25,900)	(241,730)
Depreciation of Right of Use Assets	(482,510)	-	-	(5,613)	-	96,140	(391,983)
Amortisation of Intangible Assets	(226,788)	(49,186)	(52,999)	(126)	-	(1,428)	(330,527)
Income Tax Expense	-	-	-	-	-	-	(8,934,125)
Capital Expenditures							
Property, Plant and Equipment	20,044	14,468	1,402	-	-	142,591	178,505
Intangible Assets	17,047	-	1,678	-	-	100,668	119,393
Total Assets (as at)	162,123,817	147,790,619	245,661,028	1,021,725	1,760,300	(12,771,694)	545,585,795
Total Liabilities (as at)	305,204,087	84,616,577	64,484,075	45,254	57,094	11,701,633	466,108,720

Notes to the Financial Statements

5 Analysis of Financial Instruments by Measurement Basis

5.1 Analysis of Financial Instruments by Measurement Basis - Bank

As at 31 December	2025				2024			
	AC	FVPL	FVOCI	Total	AC	FVPL	FVOCI	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Assets								
Cash and Cash Equivalents	19,864,631	-	-	19,864,631	20,814,512	-	-	20,814,512
Balances with Central Bank of Sri Lanka	2,045,786	-	-	2,045,786	1,183,473	-	-	1,183,473
Placements with Banks	1,437,818	-	-	1,437,818	2,472,707	-	-	2,472,707
Reverse Repurchase Agreements	645,794	-	-	645,794	2,389,147	-	-	2,389,147
Derivative Financial Instruments	-	613,468	-	613,468	-	224,298	-	224,298
Financial Assets Recognised through Profit or Loss Measured at Fair Value	-	11,589,905	-	11,589,905	-	17,194,759	-	17,194,759
Financial Assets at Fair Value through Other Comprehensive Income	-	-	133,112,729	133,112,729	-	-	107,014,877	107,014,877
Financial Assets at Amortised Cost - Debt Instruments	88,897,718	-	-	88,897,718	96,796,064	-	-	96,796,064
Financial Assets at Amortised Cost - Loans and Advances	430,368,007	-	-	430,368,007	287,362,553	-	-	287,362,553
Total Financial Assets	543,259,754	12,203,373	133,112,729	688,575,856	411,018,456	17,419,057	107,014,877	535,452,390
Liabilities								
Due to Banks	42,772,586	-	-	42,772,586	27,403,357	-	-	27,403,357
Derivative Financial Instruments	-	37,822	-	37,822	-	372,084	-	372,084
Financial Liabilities at Amortised Cost								
Due to Depositors	502,605,592	-	-	502,605,592	384,784,916	-	-	384,784,916
Repurchase Agreements	23,479,164	-	-	23,479,164	21,985,170	-	-	21,985,170
Due to Other Borrowers	10,005,840	-	-	10,005,840	9,111,275	-	-	9,111,275
Debt Securities Issued	5,973,778	-	-	5,973,778	5,979,693	-	-	5,979,693
Total Financial Liabilities	584,836,960	37,822	-	584,874,782	449,264,411	372,084	-	449,636,495

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

5.2 Analysis of Financial Instruments by Measurement Basis - Group

As at 31 December	2025				2024			
	AC	FVPL	FVOCI	Total	AC	FVPL	FVOCI	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Assets								
Cash and Cash Equivalents	19,864,477	-	-	19,864,477	20,814,515	-	-	20,814,515
Balances with Central Bank of Sri Lanka	2,045,786	-	-	2,045,786	1,183,473	-	-	1,183,473
Placements with Banks	1,437,818	-	-	1,437,818	2,472,707	-	-	2,472,707
Reverse Repurchase Agreements	645,794	-	-	645,794	2,389,147	-	-	2,389,147
Derivative Financial Instruments	-	613,468	-	613,468	-	224,298	-	224,298
Financial Assets Recognised through Profit or Loss Measured at Fair Value	-	11,589,905	-	11,589,905	-	17,194,759	-	17,194,759
Financial Assets at Fair Value through Other Comprehensive Income	-	-	133,112,729	133,112,729	-	-	107,014,877	107,014,877
Financial Assets at Amortised Cost - Debt Instruments	88,897,718	-	-	88,897,718	96,796,064	-	-	96,796,064
Financial Assets at Amortised Cost - Loans and Advances	430,368,007	-	-	430,368,007	287,362,553	-	-	287,362,553
Total Financial Assets	543,259,600	12,203,373	133,112,729	688,575,702	411,018,459	17,419,057	107,014,877	535,452,393
Liabilities								
Due to Banks	42,772,586	-	-	42,772,586	27,403,357	-	-	27,403,357
Derivative Financial Instruments	-	37,822	-	37,822	-	372,084	-	372,084
Financial Liabilities at Amortised Cost								
Due to Depositors	502,219,078	-	-	502,219,078	384,655,365	-	-	384,655,365
Repurchase Agreements	20,909,241	-	-	20,909,241	19,528,900	-	-	19,528,900
Due to Other Borrowers	9,552,599	-	-	9,552,599	9,118,377	-	-	9,118,377
Debt Securities Issued	5,973,778	-	-	5,973,778	5,979,693	-	-	5,979,693
Total Financial Liabilities	581,427,282	37,822	-	581,465,104	446,685,692	372,084	-	447,057,776

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

6 Cash and Cash Equivalents

As at 31 December	Bank		Group	
	2025	2024	2025	2024
	LKR '000	LKR '000	LKR '000	LKR '000
Cash in Hand	11,536,808	11,563,596	11,536,811	11,563,599
Balances with Banks (6.1)	8,329,489	9,253,026	8,329,332	9,253,026
	19,866,297	20,816,622	19,866,143	20,816,625
Less: Provision for Impairment for Balances with Banks (Note 6.2)	(1,666)	(2,110)	(1,666)	(2,110)
	19,864,631	20,814,512	19,864,477	20,814,515

Notes to the Financial Statements

6.1 Balances With Banks

As at 31 December	Bank		Group	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Local Banks	135,399	32,906	135,242	32,906
Foreign Banks	8,194,090	9,220,120	8,194,090	9,220,120
	8,329,489	9,253,026	8,329,332	9,253,026

6.2 Movement in Provision for Impairment during the Year

As at 31 December	Bank/Group	
	2025 LKR '000	2024 LKR '000
Stage 1		
As at 01 January	2,110	5,386
Charge / (Reversal) to the Income Statement (Note 36)	(505)	(3,120)
Effect of change in foreign currency exchange rates	61	(156)
As at 31 December	1,666	2,110

6.3 Placements With Banks

As at 31 December	Bank/Group	
	2025 LKR '000	2024 LKR '000
Standard Chartered Bank	603,798	571,857
PNC Bank	834,159	516,441
Citi Bank	-	1,384,627
Less: Provision for Impairment for Placements With Banks (Note 6.4)	(139)	(218)
	1,437,818	2,472,707

The financial statement line item 'Placements with Banks' has been introduced as a separate line item in the Statement of Financial Position during the current financial year, in accordance with the presentation requirements set out in Circular No. 05 of 2024 issued by the Central Bank of Sri Lanka. In prior periods, the related balances were presented under 'Other Assets' (Note 14).

6.4 Movement in Provision for Impairment during the Year

As at 31 December	Bank/Group	
	2025 LKR '000	2024 LKR '000
Stage 1		
As at 01 January	218	-
Charge / (Reversal) to the Income Statement (Note 36)	(79)	218
As at 31 December	139	218

7 Balances With Central Bank of Sri Lanka

As at 31 December	Bank/Group 2025 LKR '000	Bank/Group 2024 LKR '000
Statutory Balance with Central Bank of Sri Lanka	2,045,786	1,183,473
Non Statutory Balance with Central Bank of Sri Lanka	-	-
	2,045,786	1,183,473

As required by the provisions of section 32 of the Central Bank of Sri Lanka Act No. 16 of 2023 cash balance is required to be maintained with the Central Bank of Sri Lanka.

For 2025, the minimum cash reserve requirement was 2.0% (2024: 2.0%) of the rupee deposit liabilities of domestic banking unit. There is no reserve requirement for foreign currency deposit liabilities in domestic banking unit and the deposit liabilities in the offshore banking business (previously known as the foreign currency banking unit).

8 Reverse Repurchase and Repurchase Arrangements

8.1 Reverse Repurchase Agreements

As at 31 December	Bank/Group 2025 LKR '000	Bank/Group 2024 LKR '000
Due from;		
Other Financial Institutions	-	1,000,227
Other Counterparties	645,794	1,388,920
	645,794	2,389,147

8.2 Repurchase Agreements

As at 31 December	Bank 2025 LKR '000	Bank 2024 LKR '000	Group 2025 LKR '000	Group 2024 LKR '000
On Securities of Government of Sri Lanka				
Due to;				
Banks (Note 19)	19,548,671	12,531,500	19,548,671	12,531,500
Other Financial Institutions	12,896,212	9,749,272	12,896,212	9,749,272
Other Counterparties	10,582,952	12,211,973	8,013,029	9,755,703
	43,027,835	34,492,745	40,457,912	32,036,475
On Other Securities				
Due to;				
Other Counterparties	-	23,925	-	23,925
Total Repurchase Agreements	43,027,835	34,516,670	40,457,912	32,060,400
Repurchase Agreements other than with Banks (Note 20)*	23,479,164	21,985,170	20,909,241	19,528,900

*Securities sold under repurchase (repo) agreements with other financial institutions and counterparties are presented on the face of the Statement of Financial Position under 'Repurchase Arrangements' (Note 20). Repo transactions entered into with banks are classified separately under 'Due to Banks' (Note 19).

Notes to the Financial Statements

8.3 Disclosure as per Registered Stock and Securities Ordinance and Local Treasury Bills Ordinance Direction No 01 of 2019 on repurchase and reverse repurchase transactions of dealer direct participants in scripless treasury bonds and scripless treasury bills.

8.3.1 The fair value of collateral held under reverse repurchase agreements by the Bank/Group amounts to LKR 759.98Mn (2024– LKR 2,855.04Mn).

8.3.2 The Bank has allocated government securities amounting to LKR 39,563.06 Mn (2024 - LKR 35,219.51 Mn) in respect of securities sold under repurchase agreements.

8.3.3 Policy on Haircut for Repurchase and Reverse Repurchase Transactions

Board approved policy guideline outlines the allocation of securities and haircut rules for repurchase and reverse repurchase agreements and valuation process. The policy has been formulated in line with the Direction No. 01 of 2019 on Registered Stock and Securities Ordinance and Local Treasury Bills Ordinance issued by the Monetary Board of the Central Bank of Sri Lanka taking into consideration the market practices. Securities are allocated/obtained as per the set guidelines.

Remaining Tenor to Maturity	Repurchase Transactions	Reverse Repurchase Transactions
Up to 1 Year	4%	10%
More than 1 year and up to 3 years	6%	10%
More than 3 years and up to 5 years	8%	12%
More than 5 years and up to 8 years	10%	15%
More than 8 years and up to 10 years	12%	20%
More than 10 years and up to 15 years	12%	25%

8.3.4 No penalties were levied on the Bank during the year, for any non compliance with the said direction.

9 Derivative Financial Instruments

9.1 Derivative Assets- Held for Trading

At a Gain Position

	Bank/Group		Bank/Group	
	Fair Value of Assets	Contract Amount	Fair Value of Assets	Contract Amount
As at 31 December	2025	2025	2024	2024
	LKR '000	LKR '000	LKR '000	LKR '000
Foreign Currency Derivatives				
Currency Swaps	580,727	59,806,045	156,257	33,439,109
Forward Foreign Exchange Contracts	32,061	3,022,839	65,093	3,432,813
Spot Contracts	680	169,149	2,948	1,877,237
	613,468	62,998,033	224,298	38,749,159

9.2 Derivative Liabilities - Held for Trading

At a Loss Position

	Bank/Group		Bank/Group	
	Fair Value of Liabilities	Contract Amount	Fair Value of Liabilities	Contract amount
As at 31 December	2025	2025	2024	2024
	LKR '000	LKR '000	LKR '000	LKR '000
Foreign Currency Derivatives				
Currency Swaps	13,557	22,211,853	317,644	26,689,565
Forward Foreign Exchange Contracts	23,890	3,052,077	53,591	4,690,414
Spot Contracts	375	103,159	849	399,559
	37,822	25,367,089	372,084	31,779,538

10 Financial Assets – Recognised Through Profit or Loss

As at 31 December	Bank/Group 2025 LKR '000	2024 LKR '000
Measured at Fair Value		
Government of Sri Lanka Treasury Bills	158,412	20,690
Government of Sri Lanka Treasury Bonds	11,431,493	17,174,069
	11,589,905	17,194,759

10.1 Analysis

As at 31 December	Bank/Group 2025 LKR '000	2024 LKR '000
By collateralisation		
Pledged as collateral	–	–
Unencumbered	11,589,905	17,194,759
	11,589,905	17,194,759
By currency		
Sri Lankan Rupee	11,589,905	17,194,759
United States Dollar	–	–
	11,589,905	17,194,759

10.2 Net Gain/(Loss) on Derecognition of Financial Assets at Fair Value through Profit or Loss

For the Year Ended 31 December	Bank/Group 2025 LKR '000	2024 LKR '000
Net Gain/(Loss) on derecognition of Financial Assets at Fair Value through Profit or Loss	1,602,870	1,589,126
	1,602,870	1,589,126

The financial statement line item 'Net Gain / (Loss) on Derecognition of Financial Assets at Fair value through Profit or Loss' has been introduced as a separate line item in the Statement of Profit or Loss during the current financial year, in accordance with the presentation requirements set out in Circular No. 05 of 2024 issued by the Central Bank of Sri Lanka. In prior periods, the related amounts were presented under 'Net Gain / (Loss) from Trading' (Note 33).

11 Financial Assets at Fair Value through Other Comprehensive Income

As at 31 December	Bank/Group 2025 LKR '000	2024 LKR '000
Debt Instruments		
Government of Sri Lanka Treasury Bills	1,442,813	9,603,378
Government of Sri Lanka Treasury Bonds	131,502,455	97,244,658
Equity Instruments (Note 11.1)	167,461	166,841
	133,112,729	107,014,877

Notes to the Financial Statements

11.1 Equity Instruments at Fair Value through Other Comprehensive Income

As at 31 December	Bank/Group 2025 LKR '000	2024 LKR '000
Lanka Clear (Private) Limited 150,000 Ordinary Shares of LKR 10/- each	1,500	1,500
Credit Information Bureau (CRIB) 9,000 Ordinary Shares of LKR 10/- each	90	90
Lanka Financial Services Bureau 300,000 Ordinary Shares of LKR 10/- each	3,000	3,000
National Credit Guarantee Institution Limited 15,114,475 Ordinary Shares of LKR 10/- each	151,145	151,145
Society of Worldwide Interbank Financial Telecommunication (SWIFT) 8 Ordinary Shares	11,726	11,106
	167,461	166,841

11.2 Analysis

As at 31 December	Bank/Group 2025 LKR '000	2024 LKR '000
By collateralisation		
Pledged as collateral	4,984,657	-
Unencumbered	128,128,072	107,014,877
	133,112,729	107,014,877
By currency		
Sri Lankan Rupee	133,101,003	107,003,771
United States Dollar	11,726	11,106
	133,112,729	107,014,877

11.3 Net Gain/(Loss) on Derecognition of Financial Assets at Fair Value through Other Comprehensive Income

For the Year Ended 31 December	Bank/Group 2025 LKR '000	2024 LKR '000
Net Gains on derecognition of Financial Assets at Fair Value through Other Comprehensive Income	1,522,909	–
Net Losses on derecognition of Financial Assets at Fair Value through Other Comprehensive Income*	–	(142,447)
	1,522,909	(142,447)

* 2024 represent the loss from disposal of International Sovering bonds classified under Financial Assets at Fair Value through Other Comprehensive Income.

12 Financial Assets at Amortised Cost – Debt Instruments

As at 31 December	Bank/Group 2025 LKR '000	2024 LKR '000
Government of Sri Lanka Treasury Bonds	87,765,335	96,281,877
Quoted Debentures (Note 12.1)	1,134,932	514,240
Less: Provision for Impairment (Note 12.3)	(2,549)	(53)
	88,897,718	96,796,064

12.1 Quoted Debentures

As at 31 December

Company	Type	No of Debentures 2025	2024	LKR '000 2025	2024
Commercial Leasing & Finance PLC	Unsecured, Redeemable Debentures	–	500,000	–	514,240
Alliance Finance Company PLC	Unsecured , Redeemable Social Bond	200,000	–	207,698	–
Fintrex Finance Limited	Unsecured , Redeemable Debenture	250,000	–	277,291	–
First Capital Holdings PLC	Unsecured , Redeemable Debenture	318,050	–	327,060	–
First Capital Treasuries PLC	Unsecured , Redeemable Debenture	298,270	–	322,883	–
		1,066,320	500,000	1,134,932	514,240

Notes to the Financial Statements

12.2 Analysis

As at 31 December	Bank/Group 2025 LKR '000	2024 LKR '000
By collateralisation		
Pledged as collateral	39,563,068	35,245,308
Unencumbered	49,334,650	61,550,756
	88,897,718	96,796,064
By currency		
Sri Lankan Rupee	88,897,718	96,796,064
United States Dollar	-	-
	88,897,718	96,796,064

12.3 Movement in Impairment during the Year

	Bank/Group 2025			2024		
	Stage 01 LKR '000	Stage 02 LKR '000	Total LKR '000	Stage 01 LKR '000	Stage 02 LKR '000	Total LKR '000
As at 01 January	53	-	53	142	5,538,334	5,538,476
Net charge /(reversal) of impairment	2,496	-	2,496	(89)	-	(89)
Financial assets derecognised or repaid (excluding write-off)	-	-	-	-	(5,538,334)	(5,538,334)
Write-off	-	-	-	-	-	-
As at 31 December	2,549	-	2,549	53	-	53

No impairment recognised under Stage 03 as at 31 December 2025 and 2024.

12.4 In April 2022, considering the unprecedented changes in macro-economic conditions and the resulting changes to the business model for managing assets, the Bank reclassified a portion of its investment in treasury bonds issued by the Government of Sri Lanka amounting to LKR 20,960 Mn from Fair Value through Other Comprehensive Income (FVOCI) to Amortised Cost, in accordance with the "Statement of Alternative Treatment (SoAT) on Re-classification of Debt Portfolio" issued by the Institute of Chartered Accountants of Sri Lanka effective 1 April 2022. There was no change to the effective interest rate applied, nor to the interest income recognised on the reclassified treasury bond portfolio for the period under review.

Had these investments continued to be carried at fair value through other comprehensive income, the fair value of the remaining portfolio as at 31 Dec 2025 would have amounted to LKR 2,622 Mn (Amortised Cost of the remaining portfolio as at 31.12.2025 is 2,486 Mn) and would have resulted in a cumulative mark to market gain of LKR 136 Mn as at the reporting date.

12.5 Net Gain/(Loss) on Derecognition of Financial Assets at Amortised cost

For the Year Ended 31 December	Bank/Group 2025 LKR '000	2024 LKR '000
Net Losses on derecognition of Financial Assets at Amortised cost *	-	(3,418,674)
	-	(3,418,674)

* 2024 represent the loss from disposal of International Sovering bonds classified under financial assets at amortised cost, calculated as the difference between the book value (excluding impairment) and the proceeds received.

13 Financial Assets at Amortised Cost - Loans and Advances

13.1 Credit Exposure Movement – ECL Stage-wise

The following table shows reconciliation from the opening to closing balance of the gross carrying amount and Impairment by Loans and Advances.

	2025				2024			
	Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
Bank/Group	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Gross Loans and Advances as at 01 January	262,198,707	26,752,330	19,137,105	308,088,142	248,108,575	22,048,757	21,606,986	291,764,318
Transfer to Stage 1	5,398,164	(4,524,039)	(874,125)	-	4,988,015	(4,005,528)	(982,487)	-
Transfer to Stage 2	(14,721,215)	14,839,151	(117,936)	-	(10,512,615)	10,813,897	(301,282)	-
Transfer to Stage 3	(622,126)	(864,719)	1,486,845	-	(878,091)	(2,849,931)	3,728,022	-
New assets originated or purchased	281,705,778	10,436,634	186,331	292,328,743	165,934,254	9,698,729	66,971	175,699,954
Net Movement in Allowance for day one difference of staff loans	(99,837)	-	-	(99,837)	40,007	-	-	40,007
Financial assets derecognised or repaid (excluding write-offs)	(134,413,446)	(16,387,672)	(2,496,199)	(153,297,317)	(146,340,842)	(10,569,125)	(4,860,769)	(161,770,736)
Write-offs	-	-	(1,114,876)	(1,114,876)	-	-	(1,779,962)	(1,779,962)
Changes to contractual cash flows due to modifications not resulting in derecognition	1,906,260	1,262,992	1,181,558	4,350,810	859,404	1,615,531	1,659,626	4,134,561
Gross Loans and Advances as at 31 December	401,352,285	31,514,677	17,388,703	450,255,665	262,198,707	26,752,330	19,137,105	308,088,142
Less: Provision for impairment (ECL) (Note 13.5)	(2,356,773)	(5,800,684)	(11,730,201)	(19,887,658)	(3,025,446)	(5,906,595)	(11,793,548)	(20,725,589)
Net Loans and Advances	398,995,512	25,713,993	5,658,502	430,368,007	259,173,261	20,845,735	7,343,557	287,362,553

Gross loans included under stage 1 reflect the balance net of allowance for day one difference of staff loans of LKR 870.48 Mn (2024 - LKR 770.65 Mn) (Note 14) which increases the total to LKR 451.13 Bn (2024 - LKR 308.86 Bn.)

Gross amount of loans and advances individually determined to be impaired, before deducting individually assessed impairment allowance amounts to LKR 35,029 Mn. (2024 - 31,552 Mn)

Impairment provision made in respect of commitment and contingent liabilities amounts to LKR 974.93 Mn (2024 - LKR 1,291.88 Mn) is reflected in Note 24.3.

The bank follows the directions issued by Central Bank of Sri Lanka in defining and Staging of restructured and rescheduled loans. Accordingly, the bank classifies loans restructured up to two times as Stage 2 and loans restructured for more than two times and rescheduled loans as Stage 3.

For the Year Ended 31 December	2025		2024	
	Rescheduled	Restructured	Rescheduled	Restructured
	LKR '000	LKR '000	LKR '000	LKR '000
Restructured/Rescheduled Loans During the Year	701,270	3,649,542	1,888,207	2,246,353
Restructured and Rescheduled loans upgraded and in Stage 01 at the Year End	1,202,756	3,808,165	915,301	2,481,161
Restructured and Rescheduled loans upgraded in previous years and reclassified to Stage 02 or 03 at the Year end	99,502	285,095	52,346	454,154

The bank continues with legal actions for written off contracts even though amount receivable is excluded from the loan book for accounting purposes.

Notes to the Financial Statements

13.2 Gross Loans and Advances by Product

As at 31 December	Bank/Group 2025 LKR '000	2024 LKR '000
Bills of Exchange	500	14,699
Trade Finance	130,226,645	95,901,421
Overdrafts	53,606,415	47,164,934
Term Loans	202,812,188	114,169,052
Staff Loans	4,923,791	3,818,152
Leases (Note 13.6)	31,442,140	23,109,775
Credit Cards	27,964,782	24,416,655
Pawning	628	1,184
Other Advances	149,062	262,917
	451,126,151	308,858,789

13.3 Gross Loans and Advances by Currency

As at 31 December	Bank/Group 2025 LKR '000	2024 LKR '000
Sri Lanka Rupee	343,586,491	244,570,820
United States Dollar	107,436,784	64,234,313
Great Britain Pound	-	9,785
Others	102,876	43,871
	451,126,151	308,858,789

13.4 Gross Loans and Advances by Industry

The industry wise exposure of gross Loans and advances are disclosed in Note 47.

13.5 Movement in Impairment during the Year

	2025				2024			
Bank/Group	Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
Provision for Impairment (ECL)	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 01 January	3,025,446	5,906,595	11,793,548	20,725,589	2,648,978	6,028,490	12,142,064	20,819,532
Transfer to Stage 1	485,158	(206,502)	(278,656)	-	500,518	(309,395)	(191,123)	-
Transfer to Stage 2	(142,174)	177,654	(35,480)	-	(64,516)	137,489	(72,973)	-
Transfer to Stage 3	(16,232)	(178,772)	195,004	-	(28,527)	(875,630)	904,157	-
Net charge/(reversal) of impairment	(810,872)	1,022,636	2,607,037	2,818,801	(513,622)	1,089,182	2,390,144	2,965,704
Financial assets derecognised or repaid (excluding write-offs)	(838,668)	(1,024,078)	(1,517,505)	(3,380,251)	(888,587)	(187,467)	(1,731,253)	(2,807,307)
Write-offs	-	-	(1,114,876)	(1,114,876)	-	-	(1,779,956)	(1,779,956)
New assets originated or purchased including restructures and reschedulements	645,298	53,586	59,170	758,054	1,386,360	83,221	132,488	1,602,069
Effect of change in foreign currency exchange rates	8,817	49,565	21,959	80,341	(15,158)	(59,295)	-	(74,453)
As at 31 December	2,356,773	5,800,684	11,730,201	19,887,658	3,025,446	5,906,595	11,793,548	20,725,589

A comprehensive ECL assessment was performed, considering delays in cash flows, current macroeconomic conditions, and other externalities. Sufficient provisions were recorded to ensure appropriate coverage for the loan portfolio. Customers with elevated credit risk were classified under Stage 2 or Stage 3. Management overlays for high-risk segments and geographies were reviewed and maintained to ensure adequate provisions against potential adverse impacts.

Notes to the Financial Statements

13.6 Rental Receivable on Leases

As at 31 December	2025				2024			
	Bank/Group				Bank/Group			
	Within 1 year	1 - 5 years	Over 5 years	Total	Within 1 year	1 - 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Gross Rentals Receivable	13,053,167	25,167,683	928,631	39,149,481	10,927,609	17,303,891	1,361,392	29,592,892
Less : Unearned Income	(3,410,729)	(4,295,850)	(762)	(7,707,341)	(3,002,003)	(3,480,111)	(1,003)	(6,483,117)
Net Rentals Receivable	9,642,438	20,871,833	927,869	31,442,140	7,925,606	13,823,780	1,360,389	23,109,775
Less : Allowance for Impairment Losses	-	-	-	(609,241)	-	-	-	(1,174,252)
Total Net Rentals Receivable	9,642,438	20,871,833	927,869	30,832,899	7,925,606	13,823,780	1,360,389	21,935,523

14 Other Assets

As at 31 December	Bank		Group	
	2025	2024	2025	2024
	LKR '000	LKR '000	LKR '000	LKR '000
Deposits and Prepayments	659,159	561,478	684,534	570,066
Unamortised Staff Cost (Note 13.1)	870,486	770,645	870,486	770,645
Other Receivables	899,722	1,166,519	913,919	1,174,388
Less: Impairment for Other Receivables (Note 14.1)	(16,541)	(14,167)	(24,389)	(22,015)
	2,412,826	2,484,475	2,444,550	2,493,084

During the current financial year, the balance of placements with banks has been reclassified and presented as a separate line item (Note 6.3) in the Statement of Financial Position, in accordance with the presentation requirements of Circular No. 05 of 2024 issued by the Central Bank of Sri Lanka. In prior years, this balance was included under 'Other Assets.'

14.1 Movement in Impairment during the Year

	Bank		Group	
	2025	2024	2025	2024
	LKR '000	LKR '000	LKR '000	LKR '000
As at 01 January	14,167	15,781	22,015	23,629
Charge / (reversal) to income statement (Note 36)	21,149	2,651	21,149	2,651
Write-off during the Year	(18,775)	(4,265)	(18,775)	(4,265)
As at 31 December	16,541	14,167	24,389	22,015

This includes both CBSL receivable balance impairment and leasing related charges impairment.

15 Investments in Subsidiaries

Unquoted Equity Investments		Bank			
	Country of Incorporation	2025	2024	2025	2024
As at 31 December		Holding	Holding	Cost	Cost
Name of Company		%	%	LKR '000	LKR '000
Waldock Mackenzie Limited	Sri Lanka	99.99	99.99	–	–
Allied Properties Limited	Sri Lanka	99.99	99.99	652,907	652,907
Nations Insurance Brokers Limited	Sri Lanka	99.99	99.99	25,803	25,803
Net Carrying Amount				678,710	678,710

16 Property, Plant and Equipment

16.1 Bank

Gross Carrying Amounts	Land-Freehold	Land - Leasehold	Buildings	Motor Vehicles	Office and Electrical Equipments	Computer Hardware	Furniture, Fixtures and Fittings	Leasehold Improvements	Capital Work In Progress	Total
Cost	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 01 January 2024	1,749,000	-	223,489	4,059	823,327	2,752,106	926,765	432,063	77,881	6,988,690
Additions	-	-	-	-	50,755	85,571	22,825	19,342	-	178,493
Disposals	-	-	-	(577)	(9,426)	(1,193)	(691)	-	-	(11,887)
Reclassifications	-	-	-	-	-	-	-	-	-	-
Revaluation Surplus	122,341	-	41,384	-	-	-	-	-	-	163,725
Accumulated Depreciation Adjustment on Revaluation	-	-	(17,633)	-	-	-	-	-	-	(17,633)
Capital WIP - Additions during the year	-	-	-	-	-	-	-	-	354,810	354,810
Capital WIP - Capitalised during the year	-	-	-	-	-	-	-	-	(77,881)	(77,881)
As at 31 December 2024	1,871,341	-	247,240	3,482	864,656	2,836,484	948,899	451,405	354,810	7,578,317
Additions	-	-	-	62,560	366,582	550,027	215,866	274,993	-	1,470,028
Disposals	-	-	-	-	(13,625)	(35,835)	(8,773)	-	(5,895)	(64,128)
Revaluation Surplus	41,409	-	35,992	-	-	-	-	-	-	77,401
Accumulated Depreciation Adjustment on Revaluation	-	-	(16,982)	-	-	-	-	-	-	(16,982)
Capital WIP - Additions during the year	-	-	-	-	-	-	-	-	998,220	998,220
Capital WIP - Capitalised during the year	-	-	-	-	-	-	-	-	(1,243,236)	(1,243,236)
As at 31 December 2025	1,912,750	-	266,250	66,042	1,217,613	3,350,676	1,155,992	726,398	103,899	8,799,620
Depreciation / Amortisation										
As at 01 January 2024	-	-	8,415	3,760	713,445	2,474,553	803,817	387,603	-	4,391,593
Charge for the year	-	-	7,763	-	32,859	106,596	33,525	17,255	-	197,998
Disposals	-	-	-	(577)	(9,422)	(1,158)	(691)	-	-	(11,848)
Reclassifications	-	-	1,455	-	(5,353)	3,898	-	-	-	-
Accumulated depreciation adjustment on revaluation	-	-	(17,633)	-	-	-	-	-		(17,633)
As at 31 December 2024	-	-	-	3,183	731,529	2,583,889	836,651	404,858	-	4,560,110
Charge for the year	-	-	16,982	3,910	40,888	159,095	44,154	22,253	-	287,282
Disposals	-	-	-	-	(13,338)	(35,828)	(8,548)	-	-	(57,714)
Accumulated depreciation adjustment on revaluation	-	-	(16,982)	-	-	-	-	-	-	(16,982)
As at 31 December 2025	-	-	-	7,093	759,079	2,707,156	872,257	427,111	-	4,772,696
Net Book Value										
At 01 January 2024	1,749,000	-	215,074	299	109,882	277,553	122,948	44,460	77,881	2,597,097
At 31 December 2024	1,871,341	-	247,240	299	133,127	252,595	112,248	46,547	354,810	3,018,207
At 31 December 2025	1,912,750	-	266,250	58,949	458,534	643,520	283,735	299,287	103,899	4,026,924

During the financial year, the Bank acquired Property, Plant and Equipment to the aggregate value of LKR. 1,470.03 Mn (2024 - LKR 178.49 Mn). Cash payments amounting to LKR 1,225.01 Mn (2024 - LKR 455.42 Mn) were made during the year for purchase of property, plant and equipment.

Property, plant and equipment include fully depreciated assets having a gross carrying amount of LKR 4,189 Mn. (2024- LKR 4,076 Mn.)

16.1.1 The carrying amount of Bank's freehold land and buildings, if they were carried at cost less accumulated depreciation would be as follows;

As at 31 December	2025			2024		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Freehold Land	559,440	-	559,440	559,440	-	559,440
Freehold Building	124,272	63,954	60,318	124,272	60,929	63,343
Total	683,712	63,954	619,758	683,712	60,929	622,783

16.2 Group

Gross Carrying Amounts	Land-Freehold	Land - Leasehold	Buildings	Motor Vehicles	Office and Electrical Equipments	Computer Hardware	Furniture, Fixtures and Fittings	Leasehold Improvements	Capital Work In Progress	Total
Cost	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 01 January 2024	1,749,000	148,000	1,032,937	4,229	869,022	2,757,809	931,802	432,062	77,881	8,002,742
Additions	-	-	-	-	50,766	85,582	22,809	19,349	-	178,506
Disposals	-	-	-	(659)	(9,435)	(1,193)	(691)	-	-	(11,978)
Reclassifications	-	415	-	-	(709)	454	(2,165)	2,005	-	-
Revaluation Surplus	122,341	-	246,777	-	-	-	-	-	-	369,118
Accumulated Depreciation Adjustment on Revaluation	-	-	(90,599)	-	-	-	-	-	-	(90,599)
Capital WIP - Additions during the year	-	-	-	-	-	-	-	-	354,810	354,810
Capital WIP - Capitalised during the year	-	-	-	-	-	-	-	-	(77,881)	(77,881)
As at 31 December 2024	1,871,341	148,415	1,189,115	3,570	909,644	2,842,652	951,755	453,416	354,810	8,724,718
Additions	-	-	233,426	62,560	366,582	550,027	215,866	41,567	-	1,470,028
Disposals	-	-	-	-	(13,625)	(35,835)	(8,773)	-	(5,895)	(64,128)
Revaluation Surplus	41,409	-	110,070	-	-	-	-	-	-	151,479
Accumulated Depreciation Adjustment on Revaluation	-	-	(69,809)	-	-	-	-	-	-	(69,809)
Capital WIP - Additions during the year	-	-	-	-	-	-	-	-	998,220	998,220
Capital WIP - Capitalised during the year	-	-	-	-	-	-	-	-	(1,243,236)	(1,243,236)
As at 31 December 2025	1,912,750	148,415	1,462,802	66,130	1,262,601	3,356,844	1,158,848	494,983	103,899	9,967,272
Depreciation / Amortisation										
As at 01 January 2024	-	33,920	44,896	3,927	739,713	2,484,423	807,837	387,603	-	4,502,319
Charge for the year	-	-	44,246	82	39,711	106,707	33,625	17,359	-	241,730
Disposals	-	-	-	(659)	(9,355)	(1,158)	(755)	-	-	(11,927)
Reclassifications	-	-	1,457	-	(1,371)	(119)	(1,545)	1,578	-	-
Accumulated depreciation adjustment on revaluation	-	-	(90,599)	-	-	-	-	-	-	(90,599)
As at 31 December 2024	-	33,920	-	3,350	768,698	2,589,853	839,162	406,540	-	4,641,523
Charge for the year	-	1,893	69,809	3,910	45,884	159,203	44,356	17,951	-	343,006
Disposals	-	-	-	-	(13,338)	(35,828)	(8,548)	-	-	(57,714)
Accumulated depreciation adjustment on revaluation	-	-	(69,809)	-	-	-	-	-	-	(69,809)
As at 31 December 2025	-	35,813	-	7,260	801,244	2,713,228	874,970	424,491	-	4,857,006
Net Book Value										
At 01 January 2024	1,749,000	114,080	988,041	302	129,309	273,386	123,965	44,459	77,881	3,500,423
At 31 December 2024	1,871,341	114,495	1,189,115	220	140,946	252,799	112,593	46,876	354,810	4,083,195
At 31 December 2025	1,912,750	112,602	1,462,802	58,870	461,357	643,616	283,878	70,492	103,899	5,110,266

During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of LKR. 1,470.03 Mn (2024 - LKR 178.49 Mn). Cash payments amounting to LKR 1,225.01 Mn (2024 - LKR 455.42 Mn) were made during the year for purchase of property, plant and equipment.

Property, plant and equipment includes fully depreciated assets having a gross carrying amount of LKR 4,205 Mn. (2024- LKR 4,090 Mn.)

16.2.1 The carrying amount of Group's freehold land and buildings, if they were carried at cost less accumulated depreciation would be as follows;

As at 31 December	2025			2024		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Freehold Land	559,440	-	559,440	559,440	-	559,440
Freehold Building	824,467	344,005	480,462	591,042	312,813	278,229
Total	1,383,907	344,005	1,039,902	1,150,482	312,813	837,669

Notes to the Financial Statements

16.3 Details of Land and Building Stated at Valuation

Valuer – Mr. P B Kalugalagedara, Chartered Valuation Surveyor

Location	Date of Valuation	Net Book Value before Revaluation		Revaluation Amount		Revaluation Gain Recognised in OCI		
		Land	Building	Land	Building	Land	Building	Total
		LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn
No.242, Union Place, Colombo 02	31 - 12 - 2025	1,644,750	176,613	1,683,000	201,000	38,250	24,387	62,637
No.76, York Street Fort, Colombo 01	31 - 12 - 2025	226,591	53,645	229,750	65,250	3,159	11,605	14,764
Total - Bank		1,871,341	230,258	1,912,750	266,250	41,409	35,992	77,401
No.46/58, Navam Mawatha, Colombo 02	31 - 12 - 2025	-	1,122,473	-	1,196,551	-	74,078	74,078
Total - Group *		1,871,341	1,352,731	1,912,750	1,462,801	41,409	110,070	151,479

*Land and Buildings consist of properties of Nations Trust Bank PLC (The Bank) and Allied Properties Limited. Method of Valuation is disclosed in Note 46.1.2

17 Right of Use Assets

17.1 The key assumptions used for the computation of operating lease liabilities include the following:

The incremental borrowing rate used for the new agreements entered into during the year 2025 was at 11% (2024 -12%) .

17.2

	Bank				Group			
	Land and Buildings	Computer related Equipment	Motor Vehicles	Total	Land and Buildings	Computer related Equipment	Motor Vehicles	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Gross Carrying Amount								
As at 01 January 2024	2,824,025	212,169	89,258	3,125,452	2,461,919	212,169	89,258	2,763,346
Other Adjustments	3,242	-	6,144	9,386	3,243	-	6,144	9,387
Additions	427,623	-	8,166	435,789	427,623	-	8,166	435,789
Disposals / Derecognition	(250,200)	-	(3,658)	(253,858)	(250,200)	-	(3,658)	(253,858)
As at 31 December 2024	3,004,690	212,169	99,910	3,316,769	2,642,585	212,169	99,910	2,954,664
Additions	1,053,489	-	79,415	1,132,904	408,100	-	79,415	487,515
Disposals / Derecognition	(715,401)	(212,169)	(14,352)	(941,922)	(353,297)	(212,169)	(14,352)	(579,818)
As at 31 December 2025	3,342,778	-	164,973	3,507,751	2,697,388	-	164,973	2,862,361
Depreciation								
As at 01 January 2024	1,578,989	162,106	65,063	1,806,158	1,307,122	162,106	65,063	1,534,291
Other adjustments	-	-	(16,034)	(16,034)		-	(16,034)	(16,034)
Depreciation charge for the year	422,572	34,417	25,521	482,510	332,045	34,417	25,521	391,983
Disposals / Derecognition	(236,664)	-	(3,658)	(240,322)	(236,664)	-	(3,658)	(240,322)
As at 31 December 2024	1,764,897	196,523	70,892	2,032,312	1,402,503	196,523	70,892	1,669,918
Depreciation charge for the year	552,296	-	35,426	587,722	337,166	-	35,426	372,592
Disposals / Derecognition	(836,780)	(196,523)	(49,671)	(1,082,974)	(474,387)	(196,523)	(49,671)	(720,581)
As at 31 December 2025	1,480,413	-	56,647	1,537,060	1,265,282	-	56,647	1,321,929
Net Book Value								
As at 01 January 2024	1,245,036	50,063	24,195	1,319,294	1,154,797	50,063	24,195	1,229,055
As at 31 December 2024	1,239,793	15,646	29,018	1,284,457	1,240,082	15,646	29,018	1,284,746
As at 31 December 2025	1,862,365	-	108,326	1,970,691	1,432,106	-	108,326	1,540,432

17.3 In order to illustrate the significance of the incremental borrowing rate assumed in this valuation, a sensitivity analysis for all Right of Use assets has been carried out and the results are as follows;

	Bank		Group	
	2025	2024	2025	2024
	LKR '000	LKR '000	LKR '000	LKR '000
Change in incremental borrowing rate (%)				
+1%	**1,921,590**	1,275,610	**1,490,778**	1,275,610
–1%	**1,991,802**	1,351,782	**1,562,735**	1,351,782

17.4 Set out below are the carrying amounts of lease liabilities (included under due to other borrowers in Note 20.2) and the movement during the year;

	Bank	Group
	LKR '000	LKR '000
As at 01 January 2024	1,466,763	1,353,552
Additions	435,790	435,790
Accretion of interest	246,361	239,265
Disposal	(3,424)	(3,424)
Payments	(717,446)	(590,037)
As at 31 December 2024	1,428,044	1,435,146
Additions	1,299,993	649,638
Accretion of interest	305,575	238,353
Disposal	(42,026)	(42,026)
Payments	(830,743)	(573,509)
As at 31 December 2025	2,160,843	1,707,602

Notes to the Financial Statements

18 Intangible Assets

Computer Software	Bank LKR '000	Group LKR '000
Cost		
As at 01 January 2024	4,349,360	4,350,229
Additions	119,284	119,396
Write-offs	(196,649)	(196,649)
Adjustments to previous closing balances	(153,838)	(153,838)
Capital WIP - Additions during the year	539,416	539,416
Capital WIP - Capitalised during the year	(91,526)	(91,526)
As at 31 December 2024	4,566,047	4,567,028
Additions	616,873	616,873
Disposals	(101,592)	(101,592)
Capital WIP - Additions during the year	777,763	777,763
Capital WIP - Capitalised during the year	(601,422)	(601,422)
As at 31 December 2025	5,257,669	5,258,650
Amortisation		
As at 01 January 2024	2,995,940	2,996,320
Charge for the year	330,402	330,527
Write-offs	(168,746)	(168,746)
As at 31 December 2024	3,157,596	3,158,101
Charge for the year	317,445	317,584
Disposals	-	-
As at 31 December 2025	3,475,041	3,475,685
Net Book Value		
As at 01 January 2024	1,353,420	1,353,909
As at 31 December 2024	1,408,451	1,408,927
As at 31 December 2025	1,782,628	1,782,965

During the financial year, the Bank acquired Intangible Assets to the aggregate value of LKR 616.87 Mn. (2024 - LKR 119.39 Mn). Cash payments amounting to LKR 793.21 Mn (2024 - LKR 567.28 Mn.) were made during the year for purchase of Intangible Assets.

Intangible Assets include fully amortised assets having a gross carrying amount of LKR 2,561 Mn (2024 – LKR 2,354 Mn).

The disposals for the year 2025 include the disposal of Capital Work-in-Progress (CWIP)

19 Due to Banks

As at 31 December	Bank/Group 2025 LKR '000	2024 LKR '000
Money Market Borrowing	20,682,963	14,354,676
Securities Sold under Repurchase Agreements (Repo) (Note 8.2)	19,548,671	12,531,500
Deposits from Other Banks	2,540,952	517,181
	42,772,586	27,403,357

20 Financial Liabilities at Amortised Cost

As at 31 December	Bank 2025 LKR '000	Bank 2024 LKR '000	Group 2025 LKR '000	Group 2024 LKR '000
Due to Depositors (Note 20.1.1)	502,605,592	384,784,916	502,219,078	384,655,365
Securities sold under repurchase (Repo) agreements (Note 8.2)	23,479,164	21,985,170	20,909,241	19,528,900
Due to Other Borrowers (Note 20.2)	10,005,840	9,111,275	9,552,599	9,118,377
	536,090,596	415,881,361	532,680,918	413,302,642

20.1 Analysis of Amount Due to Depositors

20.1.1 By Product

As at 31 December	Bank 2025 LKR '000	Bank 2024 LKR '000	Group 2025 LKR '000	Group 2024 LKR '000
Demand Deposits	41,582,978	38,225,292	41,363,787	38,176,392
Savings Deposits	109,712,753	81,310,735	109,712,753	81,310,735
Fixed Deposits	351,301,348	265,235,152	351,134,025	265,154,501
Other	8,513	13,737	8,513	13,737
	502,605,592	384,784,916	502,219,078	384,655,365

20.1.2 By Currency

As at 31 December	Bank 2025 LKR '000	Bank 2024 LKR '000	Group 2025 LKR '000	Group 2024 LKR '000
Sri Lanka Rupee	333,761,659	265,289,578	333,375,145	265,160,027
United States Dollar	160,090,800	112,265,997	160,090,800	112,265,997
Great Britain Pound	3,099,848	2,779,746	3,099,848	2,779,746
Others	5,653,285	4,449,595	5,653,285	4,449,595
	502,605,592	384,784,916	502,219,078	384,655,365

Notes to the Financial Statements

20 Financial Liabilities at Amortised Cost (Contd.)

20.2 Due to Other Borrowers

As at 31 December	Bank		Group	
	2025	2024	2025	2024
	LKR '000	LKR '000	LKR '000	LKR '000
Refinance Borrowings	7,844,997	7,683,231	7,844,997	7,683,231
Operating Lease Liability	2,160,843	1,428,044	1,707,602	1,435,146
	10,005,840	9,111,275	9,552,599	9,118,377

21 Debt Securities Issued

As at 31 December	Bank/Group	
	2025	2024
	LKR '000	LKR '000
Subordinated Debt Securities Issued by the Bank		
Rated, Unsecured, Redeemable Debentures (Note 21.1)	1,803,278	1,803,753
Senior Debt Securities Issued by the Bank		
Unlisted, Rated, Unsecured, Senior, Redeemable Debentures (Note 21.1)	4,170,500	4,175,940
	5,973,778	5,979,693
Due within 1 Year	5,973,778	-
Due after 1 year	-	5,979,693

21.1 Details of Debentures Issued by the Bank / Group

Debenture Categories	CSE Listing	Interest Payable Frequency	Issued Date	Maturity Date	Face Value		Market Values 2025			Interest Rates 2025		Interest rate of Comparable Government Securities		Other Ratios as at date of Last Trade	
					2025	2024	Highest	Lowest	Year End	Coupon Rate	Effective Annual Yield	2025	2024	Interest Yield	Yield to Maturity
As at 31 December					LKR '000	LKR '000	LKR	LKR	LKR	(%)	(%)	%	%	%	%
Listed Debentures															
Fixed Rate	*NTB-BD-23/12/26 - C2442 - 12.9	Annually	23-Dec-19	23-Dec-26	1,800,000	1,800,000	Not traded during the current period			12.90	12.90	9.75	10.70	Not traded during the current period	
Unlisted Debentures															
Fixed Rate	N/A	Semi -Annually	09-Jul-21	09-Jul-26	449,760	449,760	N/A			8.90	9.10	9.75	10.70	N/A	
Fixed Rate	N/A	Annually	09-Jul-21	09-Jul-26	3,550,240	3,550,240	N/A			9.15	9.15	9.75	10.70	N/A	
Total Debt Securities Issued					5,800,000	5,800,000									

Ratios of Debt	2025	2024
**Debt / Equity Ratio %	12.51	15.21
Interest Cover (Times)	28.36	14.71
Quick Asset Ratio %	133.88	133.76

*BASEL III compliant Debenture.

**Borrowings of which original maturity with five years or more are considered for debt.

21.2 All the securities were issued by Nations Trust Bank PLC. The Bank has not had any defaults of principal, interest or other breaches with regard to any liabilities as of 31 December 2025.

Notes to the Financial Statements

22 Retirement Benefit Obligation

The employee benefit liability is based on the actuarial valuation as of 31 December 2025, carried out by M/s Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries.

The key assumptions used by the actuary include the following:

	2025	2024
Rate of Discount	10.00%	11.00%
Rate of Salary Increase	9.00%	10.00%
Retirement Age	60 years	60 years

22.1 Net Benefit Expense Categorised Under Personnel Expenses:

	Bank		Group	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Interest Cost	160,215	143,839	161,472	144,056
Current Service Cost	162,198	143,622	162,829	144,414
	322,413	287,461	324,301	288,470

22.2 Changes in the Present Value of the Retirement Benefit Plan are as Follows;

	Bank		Group	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
As at 01 January	1,457,883	1,242,223	1,469,319	1,250,916
Interest Cost (Note 22.1)	160,215	143,839	161,472	144,056
Current Service Cost (Note 22.1)	162,198	143,622	162,829	144,414
Benefits Paid	(175,929)	(166,541)	(175,929)	(170,886)
Gratuity Payable	(6,763)	(20,072)	(6,763)	(20,072)
Actuarial (Gain)/ Loss	61,624	114,812	57,883	120,891
As at 31 December	1,659,228	1,457,883	1,668,811	1,469,319

22.3 In order to illustrate the significance of the salary escalation rates and discount rates assumed in this valuation, a sensitivity analysis for all employees has been carried out and the results are as follows;

Group 2025				Group 2024			
Salary Escalation Rate	Discount Rate	PVDBO LKR '000	Effect on Other Comprehensive Income LKR '000	Salary Escalation Rate	Discount Rate	PVDBO LKR '000	Effect on Other Comprehensive Income LKR '000
9.0%	11.00%	1,601,110	67,701	10.0%	12.00%	1,417,503	51,816
9.0%	9.00%	1,742,507	(73,696)	10.0%	10.00%	1,525,288	(55,969)
10.0%	10.00%	1,750,105	(81,294)	11.0%	11.00%	1,531,902	(62,583)
8.0%	10.00%	1,592,891	75,920	9.0%	11.00%	1,410,409	58,910

22.4 Average Future working Life Time as per the assumptions made in year 2025: 4.8 years (Year 2024: 4.1 years).

22.5 Maturity Profile of the Defined Benefit Obligation as at 31 December is as follows;

Future Working Life Time	Group 2025 LKR '000	Group 2024 LKR '000
Within the next 12 months	303,257	305,232
Between 1 - 2 years	441,192	441,765
Between 2 - 5 years	437,141	370,740
Between 5 - 10 years	356,118	266,950
Beyond 10 years	131,103	84,632
	1,668,811	1,469,319

Weighted Average duration of Defined Benefit Obligation is 4.6 years (2024- 4.0 years)

23 Current Tax Liabilities

	Bank 2025 LKR '000	Bank 2024 LKR '000	Group 2025 LKR '000	Group 2024 LKR '000
As at 01 January	4,590,390	5,618,515	4,640,244	5,667,233
Payments made / Tax credits set off	(7,728,970)	(8,594,255)	(7,887,348)	(8,738,004)
Charge for the year	9,527,726	7,263,653	9,700,046	7,408,538
(Over)/Under Provision for the Previous Year	(820,878)	302,477	(820,878)	302,477
As at 31 December	5,568,268	4,590,390	5,632,064	4,640,244

The Bank computed the income tax liability for the year of assessment 2025/26 at the rate of 30%.

Notes to the Financial Statements

24 Other Liabilities

As at 31 December	Bank		Group	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Accounts Payable and Sundry Creditors	5,700,924	5,716,023	5,733,271	5,745,577
Obligations under Financial Guarantees (Note 24.1)	216,459	205,300	216,459	205,300
Margin Balances	790,124	640,531	790,124	640,531
Pay Orders	550,135	284,859	550,135	284,859
Share Based Payments (Note 24.2)	357,094	215,024	357,094	215,024
Impairment in respect of off-balance sheet credit exposure (Note 24.3)	976,259	1,291,884	976,259	1,291,884
Others	5,989,682	4,516,310	6,003,939	4,558,206
	14,580,677	12,869,931	14,627,281	12,941,381

24.1 The movement in 'Obligations Under Financial Guarantees' during the Year is as Follows;

	Bank/Group	
	2025 LKR '000	2024 LKR '000
As at 01 January	205,300	199,981
Income recognised during the year	(712,403)	(625,808)
Arising during the Year	723,562	631,127
As at 31 December	216,459	205,300

24.2 Share Based Payments

Provision for Employee Share Appreciation Rights (ESAR)

	Bank/Group															
	Scheme 3- 2019		Scheme 4- 2020		Scheme 5- 2021		Scheme 6- 2022		Scheme 7- 2023		Scheme 8- 2024		Scheme 9- 2025		Total	
	Number of SARs	Value LKR '000	Number of SARs	Value LKR '000	Number of SARs	Value LKR '000	Number of SARs	Value LKR '000	Number of SARs	Value LKR '000	Number of SARs	Value LKR '000	Number of SARs	Value LKR '000	Number of SARs	Value LKR '000
As at 01 January 2024	159,078	8,356	100,793	7,504	968,243	57,408	1,284,509	44,980	1,500,000	24,610	-	-	-	-	4,012,623	142,858
Granted during the year	-	-	-	-	-	-	-	-	-	-	1,500,000	38,135	-	-	1,500,000	38,135
Exercised during the year	(162,365)	(4,766)	(52,550)	(3,483)	(347,835)	(14,394)	(286,969)	(5,530)	(112,367)	(1,485)	(27,409)	(795)	-	-	(989,495)	(30,453)
Cancelled during the year	-	-	-	-	(25,233)	(1,496)	(105,574)	(3,697)	(139,816)	(2,294)	(149,502)	(4,313)	-	-	(420,125)	(11,800)
Forfeited during the year	-	-	-	-	(19,976)	(1,184)	(7,678)	(269)	(11,151)	(183)	-	-	-	-	(38,805)	(1,636)
Increase in ESAR due to scrip issue	3,287	173	2,086	155	20,054	1,188	26,432	926	31,116	511	-	-	-	-	82,975	2,953
Movement of ESAR During the Period	-	(3,763)	-	2,257	-	9,286	-	22,992	-	40,451	-	3,744	-	-	-	74,967
As at 31 December 2024	-	-	50,329	6,433	595,253	50,808	910,720	59,402	1,267,782	61,610	1,323,089	36,771	-	-	4,147,173	215,024
Granted during the year	-	-	-	-	-	-	-	-	-	-	-	-	1,500,000	21,370	1,500,000	21,370
Exercised during the year	-	-	(51,041)	(4,801)	(225,214)	(14,866)	(247,129)	(8,241)	(107,020)	(2,749)	(66,556)	(1,694)	-	-	(696,960)	(32,351)
Cancelled during the year	-	-	-	-	-	-	(15,578)	(1,016)	(167,926)	(8,161)	(115,420)	(3,208)	(101,386)	(1,444)	(400,310)	(13,829)
Forfeited during the year	-	-	-	-	-	-	(22,393)	(1,461)	(26,103)	(1,268)	(21,905)	(609)	-	-	(70,401)	(3,338)
Increase in ESAR due to scrip issue	-	-	712	91	8,588	733	13,063	852	18,208	885	18,983	528	-	-	59,554	3,089
Movement of ESAR During the Period	-	-	-	(1,723)	-	(373)	-	1,248	-	35,096	-	79,367	-	53,514	-	167,129
As at 31 December 2025	-	-	-	-	378,627	36,302	638,683	50,784	984,941	85,413	1,138,191	111,155	1,398,614	73,440	4,539,056	357,094

24 Other Liabilities (Contd.)

24.2 Share Based Payments (Contd.)

The value of the ESAR liability as at 31 December for each scheme is given below.

Scheme	2025 LKR '000	2024 LKR '000
Scheme 4	-	6,433
Scheme 5	36,302	50,808
Scheme 6	50,784	59,402
Scheme 7	85,413	61,610
Scheme 8	111,155	36,771
Scheme 9	73,440	-
	357,094	215,024

The following table lists the input to the model used for valuation of the liability under ESARs as at 31 December each year.

	2025						2024					
Cost	Scheme 4	Scheme 5	Scheme 6	Scheme 7	Scheme 8	Scheme 9	Scheme 3	Scheme 4	Scheme 5	Scheme 6	Scheme 7	Scheme 8
Dividend Yield	1.08%	1.08%	1.08%	1.08%	1.08%	1.08%	1.46%	1.46%	1.46%	1.46%	1.46%	1.46%
Expected Volatility	24.43%	24.43%	24.43%	24.43%	24.43%	24.43%	30.98%	30.98%	30.98%	30.98%	30.98%	30.98%
Risk Free Interest Rate	8.19%	8.19%	8.19%	8.19%	8.19%	8.19%	8.81%	8.81%	8.81%	8.81%	8.81%	8.81%
Employee turnover	18.22%	18.22%	18.22%	18.22%	18.22%	18.22%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%
Expected Life of the Option	-	0.25 Years	1.25 Years	2.25 Years	3.25 Years	4.25 Years	-	0.25 Years	1.25 Years	2.25 Years	3.25 Years	4.25 Years
Weighted Average Share Price on Grant Date	72.26	54.98	48.75	62.00	112.00	193.19	89.61	72.26	54.98	48.75	62.00	112.00
Adjusted Share Price on Grant Date	62.82	47.12	44.39	59.88	110.42	193.19	79.52	64.12	47.80	45.03	60.74	112.00

24.3 Impairment in Respect Of Off-balance Sheet Credit Exposure

Provision for impairment (ECL)	Bank/Group							
	2025				2024			
	Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 01 January	1,211,691	78,989	1,204	1,291,884	1,157,083	96,442	37,218	1,290,743
Transfer to Stage 1	16,840	(16,558)	(282)	-	32,890	(32,890)	-	-
Transfer to Stage 2	(8,915)	8,915	-	-	(10,389)	10,389	-	-
Transfer to Stage 3	(1,167)	(1,920)	3,087	-	(956)	(1,655)	2,611	-
Net Charge/(reversal)	51,858	32,283	2,371	86,512	(79,628)	19,485	(2,094)	(62,237)
Net change in new exposures originated or purchased/exposures derecognised or repaid (excluding write-offs)	(354,346)	(49,109)	(2,229)	(405,684)	119,071	(12,752)	(36,531)	69,788
Effect of change in foreign currency exchange rates	3,192	355	-	3,547	(6,380)	(30)	-	(6,410)
As at 31 December	919,153	52,955	4,151	976,259	1,211,691	78,989	1,204	1,291,884

The following table shows reconciliation from the opening to closing balance of gross carrying values of Commitments and Contingencies relating to above impairment.

Gross Carrying Amount	Bank/Group							
	2025				2024			
	Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 01 January	260,416,168	5,459,088	370,347	266,245,603	209,322,934	4,497,882	2,322,109	216,142,925
Transfer to Stage 1	210,376	(210,376)	-	-	646,462	(646,462)	-	-
Transfer to Stage 2	(610,528)	610,528	-	-	566,553	(566,553)	-	-
Transfer to Stage 3	(103,496)	(49,573)	153,069	-	-	-	-	-
Net change in new exposures originated or purchased/exposures derecognised or repaid (excluding write-offs)	47,008,518	(2,555,465)	(310,948)	44,142,105	49,880,219	2,174,221	(1,951,762)	50,102,678
As at 31 December	306,921,038	3,254,202	212,468	310,387,708	260,416,168	5,459,088	370,347	266,245,603

25 Deferred Taxation

Bank

	2025					2024				
	1/1/2025 DTL/(DTA)	Recognised in P&L	Recognised in OCI	Recognised in Revaluation Reserves	31/12/2025 DTL/(DTA)	1/1/2024 DTL/(DTA)	Recognised in P&L	Recognised in OCI	Recognised in Revaluation Reserves	31/12/2024 DTL/(DTA)
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Accelerated depreciation allowances for tax purposes - property plant and equipment and intangible assets	83,726	46,357	-	-	130,083	118,118	(34,392)	-	-	83,726
Accelerated depreciation allowances for tax purposes- lease rentals receivable	-	-	-	-	-	6,295	(6,295)	-	-	-
Net gains on re-measurement of financial assets at FVOCI	2,657,879	-	(285,473)		2,372,406	1,674,968	-	982,911		2,657,879
Revaluation of land and building	454,603	-	-	23,220	477,823	405,486	-	-	49,117	454,603
Share based payments	(64,509)	(42,619)	-	-	(107,128)	(42,859)	(21,650)	-	-	(64,509)
Retirement benefit plan	(437,367)	(41,914)	(18,487)	-	(497,768)	(419,771)	16,848	(34,444)	-	(437,367)
Impairment on Loans and Advances and Other Financial Assets at Amortised Cost	(3,729,345)	324,603	-	-	(3,404,742)	(5,000,630)	1,271,285	-	-	(3,729,345)
Operating Lease	(79,303)	(18,767)	-	-	(98,070)	(75,875)	(3,428)	-	-	(79,303)
	(1,114,316)	267,660	(303,960)	23,220	(1,127,396)	(3,334,268)	1,222,368	948,467	49,117	(1,114,316)

Group

	2025					2024				
	1/1/2025 DTL/(DTA)	Recognised in P&L	Recognised in OCI	Recognised in Revaluation Reserves	31/12/2025 DTL/(DTA)	1/1/2024 DTL/(DTA)	Recognised in P&L	Recognised in OCI	Recognised in Revaluation Reserves	31/12/2024 DTL/(DTA)
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Accelerated depreciation allowances for tax purposes - property plant and equipment and intangible assets	91,223	45,136	-	-	136,359	126,493	(35,270)	-	-	91,223
Accelerated depreciation allowances for tax purposes- lease rentals receivable	-	-	-	-	-	6,295	(6,295)	-	-	-
Net gains on re-measurement of financial assets at FVOCI	2,657,880	-	(285,473)	-	2,372,407	1,674,969	-	982,911	-	2,657,880
Revaluation of land and building	703,772	-	-	45,443	749,215	593,037	-	-	110,735	703,772
Share based payments	(64,508)	(42,619)	-	-	(107,127)	(42,858)	(21,650)	-	-	(64,508)
Retirement benefit plan	(440,795)	(42,483)	(17,365)	-	(500,643)	(422,471)	17,943	(36,267)	-	(440,795)
Impairment on Loans and Advances and Other Financial Assets at Amortised Cost	(3,731,708)	324,608	-	-	(3,407,100)	(5,002,986)	1,271,278	-	-	(3,731,708)
Operating Lease	(79,314)	(18,765)	-	-	(98,079)	(76,415)	(2,899)	-	-	(79,314)
	(863,450)	265,877	(302,838)	45,443	(854,968)	(3,143,936)	1,223,107	946,644	110,735	(863,450)

Deferred tax has been determined based on the effective tax rate of 30%.

DTL-Deferred Tax Liability

DTA-Deferred Tax Asset

26 Stated Capital

	Bank/Group 2025		Bank/Group 2024	
	Number	LKR '000	Number	LKR '000
Ordinary Shares – Voting				
Issued and fully paid				
As at 01 January	281,977,514	8,642,016	276,248,008	8,053,767
Scrip Dividend	4,038,393	779,127	5,716,050	587,203
Conversion of Non Voting Shares to Voting Shares	–	–	13,456	1,046
As at 31 December	286,015,907	9,421,143	281,977,514	8,642,016
Ordinary Shares – Convertible Non Voting				
Issued and fully paid				
As at 01 January	44,222,733	3,464,265	43,371,952	3,373,124
Scrip Dividend	398,842	122,233	864,237	92,187
Conversion of Non Voting Shares to Voting Shares	–	–	(13,456)	(1,046)
As at 31 December	44,621,575	3,586,498	44,222,733	3,464,265
Total Ordinary Shares/Stated Capital as at 31 December	330,637,482	13,007,641	326,200,247	12,106,281

27 Statutory Reserve Fund

27.1 Statutory reserve fund is maintained as per the requirement in terms of Section 20 of the Banking Act No. 30 of 1988 and any subsequent amendments thereon. Accordingly, a sum equivalent to 5% of profit after tax is transferred to the reserve fund until reserve fund is equal to 50% of the Bank's Stated Capital. Thereafter a further 2% of profits will be transferred until the said reserve fund is equal to the Bank's stated Capital.

27.2 Movement in Statutory Reserve Fund

	Bank/Group	
	2025	2024
	LKR '000	LKR '000
As at 01 January	3,610,418	2,783,805
Transfers during the year (Note 28)	943,989	826,613
As at 31 December	4,554,407	3,610,418

Notes to the Financial Statements

28 Retained Earnings

	Bank		Group	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
As at 01 January	53,907,147	39,879,962	55,916,522	41,623,427
Total Comprehensive Income	18,836,635	16,451,898	19,217,559	16,717,808
Dividends paid	(2,119,701)	(1,597,817)	(2,119,701)	(1,597,817)
Fractions of shares paid in cash	(601)	(283)	(601)	(283)
Transfers to Reserve Fund (Note 27.2)	(943,989)	(826,613)	(943,989)	(826,613)
As at 31 December	69,679,491	53,907,147	72,069,790	55,916,522

29 Other Reserves

29.1 Other Comprehensive Income Reserve

	Bank/Group	
	2025 LKR '000	2024 LKR '000
As at 01 January	6,201,721	3,908,263
Net change in Fair value during the year	(951,578)	3,276,369
Deffered tax relating to the above	285,473	(982,911)
As at 31 December	5,535,616	6,201,721

29.2 Revaluation Reserve

	Bank		Group	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
As at 01 January	1,060,740	946,133	1,642,133	1,383,751
Revaluation Surplus during the year	77,401	163,724	151,479	369,117
Deferred Tax (charge) / reversal relating to revaluation	(23,220)	(49,117)	(45,443)	(110,735)
As at 31 December	1,114,921	1,060,740	1,748,169	1,642,133

30 Interest Income

For the Year Ended 31 December	Bank		Group	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Cash and Cash Equivalents	258,088	509,424	258,088	509,424
Balances with Central Bank	19,412	29,538	19,412	29,538
Placements with Banks	91,553	51,818	91,553	51,818
Financial Assets Recognised through Profit or Loss				
Measured at Fair Value	1,861,955	1,287,057	1,861,955	1,287,057
Financial Assets at Amortised Cost				
Loans and Advances to Customers	38,550,049	35,475,309	38,550,049	35,475,309
Reverse Repurchase Agreements	78,610	89,169	78,610	89,169
Debt Instruments	14,263,636	14,652,202	14,263,636	14,652,202
Financial Assets Measured at Fair Value Through Other Comprehensive Income	15,430,779	12,150,791	15,430,779	12,150,791
Interest Income from Interest Bearing Deposits	-	-	859	1,962
Interest Income Accrued on Impaired Financial Assets	(208,757)	(234,266)	(208,757)	(234,266)
	70,345,325	64,011,042	70,346,184	64,013,004

30.1 Net Interest Income from Sri Lanka Government Securities

	Bank/Group	
	2025 LKR '000	2024 LKR '000
Interest income	31,446,560	27,901,294
Less: Interest expenses	-	-
Net interest income from Sri Lanka Government Securities	31,446,560	27,901,294

Notes to the Financial Statements

31 Interest Expense

For the Year Ended 31 December	Bank		Group	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Due to Banks	1,198,841	239,015	1,198,841	239,015
Financial Liabilities at Amortised Cost				
Due to Customers	25,129,301	22,253,088	25,119,060	22,213,675
Repurchase Agreements	4,058,864	3,441,928	3,852,064	3,254,288
Debt Securities Issued	602,756	942,319	602,756	942,319
Due to Other Borrowers	518,820	1,207,291	518,821	1,207,291
Interest Expense on Lease Liabilities	305,575	246,361	276,542	239,265
Others	-	415	-	1,435
	31,814,157	28,330,417	31,568,084	28,097,288

32 Net Fee and Commission Income

32.1 Fee and Commission Income

For the Year Ended 31 December	Bank		Group	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Card Related Fee and Commission	5,360,369	4,869,730	5,360,369	4,869,730
Commission on Trade Finance Facilities and Remittances	1,927,118	1,749,876	1,927,118	1,749,876
Commission on Services-Loans	1,598,775	1,374,527	1,598,775	1,374,527
Commission on Services-Deposits	758,778	655,641	758,778	655,641
Other Fees	759,408	652,555	989,457	852,134
	10,404,448	9,302,329	10,634,497	9,501,908

32.2 Fee and Commission Expense

For the Year Ended 31 December	Bank		Group	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Brokerage Fees	(70,853)	(57,626)	(70,853)	(57,626)
Card Related Fees	(1,631,769)	(1,317,563)	(1,631,769)	(1,317,563)
Other	(69,118)	(60,353)	(69,118)	(60,353)
	(1,771,740)	(1,435,542)	(1,771,740)	(1,435,542)
Net Fee and Commission Income	8,632,708	7,866,787	8,862,757	8,066,366

33 Net Gain/ (Loss) from Trading

For the Year Ended 31 December	Bank/Group	
	2025	2024
	LKR '000	LKR '000
Foreign Exchange		
From Banks	2,039,180	(5,654,360)
From Other Customers	1,772,002	1,848,406
Derivative Financial Instruments	725,227	505,283
	4,536,409	(3,300,671)

During the current financial year, the amount of Net Gain / (Loss) on Derecognition of Financial Assets at Fair Value through Profit or Loss has been reclassified and presented as a separate line item (Note 10.2) in the Statement of Profit or Loss, in accordance with the presentation requirements of Circular No. 05 of 2024 issued by the Central Bank of Sri Lanka. In prior years, this balance was included under 'Net Gain / (Loss) from Trading.'

34 Net Fair Value Gain/ (Loss) from Financial Instruments at Fair Value Through Profit of Loss

For the Year Ended 31 December	Bank/Group	
	2025	2024
	LKR '000	LKR '000
Net Gains on financial assets at fair value through profit or loss	-	425,253
Net Losses on financial assets at fair value through profit or loss	(668,816)	-
	(668,816)	425,253

35 Net Other Operating Income

For the Year Ended 31 December	Bank		Group	
	2025	2024	2025	2024
	LKR '000	LKR '000	LKR '000	LKR '000
Dividend Income	6,643	11,179	6,643	11,179
Gain/(Loss) on Sale of Property, Plant and Equipment and Intangible Assets	2,760	(24,802)	2,760	(24,739)
Gain/(Loss) on Revaluation of Foreign Exchange	(3,855,074)	3,401,326	(3,855,074)	3,401,326
Other Non-Trading Foreign Exchange	486,079	662,839	486,079	662,839
Recovery of Loans Written-off	755,604	991,763	755,604	991,763
Others	169,322	224,848	169,322	225,136
	(2,434,666)	5,267,153	(2,434,666)	5,267,504

Notes to the Financial Statements

36 Impairment Charges

For the Year Ended 31 December	Note	Bank/Group 2025 LKR '000	2024 LKR '000
Financial Assets at Amortised Cost - Loans and Advances			
Stage 1	13.5	677,105	(391,624)
Stage 2	13.5	155,477	62,603
Stage 3	13.5	(1,029,570)	(1,431,445)
Financial Assets at Amortised Cost – Debt Instruments			
Stage 1	12.3	(2,496)	(89)
Stage 2	12.3	-	4,967,064
Stage 3	12.3	-	-
Financial Assets at Amortised Cost–Others			
Stage 1	6.2 & 6.3 & 14.1	568	2,990
Stage 2	14.1	(1,323)	-
Stage 3	14.1	(12,632)	(5,506)
Contingent Liabilities and Commitments			
Stage 1	24.3	295,731	(60,988)
Stage 2	24.3	26,389	17,423
Stage 3	24.3	(2,947)	36,014
Total Impairment Loss		106,302	3,196,442

36.1 Sensitivity of Impairment Charges

Individual Impairment

If the Bank further extended the recovery cash flows by one year where the cash flow is forecasted based on collateral realisation, the cumulative impairment provision for individually significant impaired loans would have increased by LKR 154Mn (2024: LKR 169 Mn).

Collective Impairment

- If 20% of loans and advances currently in stage 2 were moved to stage 1, the ECL provision of the Bank as of 31st December 2025 would have reduced by approximately 5.6% (2024 - 5.0%). The total loans and advances in stage 2 as of 31 December 2025 amount to LKR 31,515Mn.
- If 5% of loans and advances currently in stage 1 were moved to stage 2, the ECL provision of the Bank as of 31 December 2025 would have further increased by approximately 18.02% (2024 - 13.28%). The total loans and advances in stage 1 as of 31 December 2025 amount to LKR 402,223 Mn.

  Above upgrade and downgrade ratios were derived by stressing the stage shift ratios observed in recent years.

Following is a sensitivity analysis of the variables used in the expected credit loss calculation.

Change in the variable	Impact on Allowance for Credit Loss					
	Probability of Default (PD)		Loss Given Default (LGD)		Economic Factor Adjustment (EFA)	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
1%	37,073	42,670	67,542	73,295	37,604	44,458
5%	185,364	213,349	337,709	366,476	188,021	222,788
10%	370,728	426,699	675,417	732,952	376,041	445,575

37 Personnel Expenses

For the Year Ended 31 December	Bank		Group	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Salaries and Bonus	7,044,157	6,343,860	7,077,234	6,377,786
Non-statutory special payments to Directors/CEO & KMP at termination of employment or at retirement	-	-	-	-
Employee Benefits - Defined Contribution Plan	764,572	673,998	768,616	677,871
Employee Benefits - Defined Benefit Plan (Note 22.1)	322,413	287,461	324,301	288,470
Share Based Payments	174,421	102,619	174,421	102,619
Amortisation of Staff Loan Day one Difference	49,700	89,044	49,700	89,044
Other Allowances	1,209,106	1,024,311	1,213,715	1,027,197
	9,564,369	8,521,293	9,607,987	8,562,987

38 Other Operating Expenses

For the Year Ended 31 December	Bank		Group	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Short-Term Lease Expenses	189,182	146,415	185,553	146,415
Professional Fees	243,915	19,740	244,915	20,623
Audit and Related Services Fee and Expenses	17,773	11,256	19,084	12,471
Non Audit Fees and Expenses to Auditors	5,070	3,792	5,277	3,981
Directors' Emoluments	46,950	43,844	46,950	43,844
Legal Fees	6,933	19,216	6,933	19,216
Transport Expenses	276,508	203,645	276,541	203,735
Office Administration and Establishment	5,487,999	4,976,929	5,530,889	4,996,612
	6,274,330	5,424,837	6,316,142	5,446,897

Notes to the Financial Statements

39 Taxes and Levies on Financial Services

For the Year Ended 31 December	Bank		Group	
	2025	2024	2025	2024
	LKR '000	LKR '000	LKR '000	LKR '000
Value Added Tax (VAT)	6,083,590	6,037,276	6,085,568	6,039,416
Social Security Contribution Levy (SSCL)	859,865	848,518	859,865	848,518
	6,943,455	6,885,794	6,945,433	6,887,934

40 Income Tax Expenses

40.1 Reconciliation between Tax Expense and the Product of Accounting Profit

A numerical reconciliation between tax expense (or income) and the product of accounting profit multiplied by the applicable tax rates for the years ending 2025 and 2024 is as follows.

For the Year Ended 31 December	Bank		Group	
	2025	2024	2025	2024
	LKR '000	LKR '000	LKR '000	LKR '000
Accounting profit before taxation	27,854,281	25,320,760	28,403,121	25,736,557
Tax effect on accounting profit	8,356,284	7,596,230	8,520,936	7,720,967
Tax effect on deductible income	(147,004)	(1,015,482)	(147,004)	(1,015,482)
Tax effect on non deductible expenses	1,884,203	1,858,167	1,890,086	1,879,061
Income/Profits Taxed at Concessionary rates (15%)	(298,096)	–	(298,096)	–
Under/ (Over) provision for previous years	(820,878)	349,579	(820,878)	349,579
Tax Expense	8,974,509	8,788,494	9,145,044	8,934,125

The Group's tax expense is determined based on the taxable profit of each individual company, as current tax regulations do not permit group taxation.

41 Earnings Per Share

41.1 Earnings Per Share - Basic / Diluted

For the Year Ended 31 December	Bank 2025	Bank 2024	Group 2025	Group 2024
Amount Used as the Numerator:				
Net Profit Attributable to Ordinary Shareholders (LKR '000)	18,879,772	16,532,266	19,258,077	16,802,432
No of Ordinary Shares Used as the Denominator:				
Weighted Average Number of Ordinary Shares (Note 41.2)	333,430,170	333,430,170	333,430,170	333,430,170
Basic Earnings Per Share (LKR)	56.62	49.58	57.76	50.39
Diluted Earnings Per Share (LKR)	56.62	49.58	57.76	50.39

41.2 Weighted Average Number of Ordinary Shares

Except for the scrip dividend declared for 2025 (Note 50 - Events after the reporting date), there have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements that require adjustment of the weighted average number of ordinary shares.

42 Dividends Paid and Declared

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date. Refer (Note 50).

42.1 Paid During the Year

For the Year Ended 31 December	Bank/Group 2025 LKR '000	Bank/Group 2024 LKR '000
Dividends on Ordinary Voting Shares:		
First and Final dividend for 2024: LKR 6.50 per share	1,832,854	-
First and Final dividend for 2023: LKR 5.00 per share	-	1,381,307
Dividends on Ordinary Non-Voting Shares:		
First and Final dividend for 2024: LKR 6.50 per share	287,448	-
First and Final dividend for 2023: LKR 5.00 per share	-	216,793
	2,120,302	1,598,100

Dividends for both the years 2024 and 2023 were paid in the form of cash and scrip.

Notes to the Financial Statements

42.2 Declared by the Board of Directors

(not recognised as a liability as at 31 December)

For the Year Ended 31 December	Bank/Group 2025 LKR '000	Bank/Group 2024 LKR '000
Dividends on Ordinary Voting Shares:		
First and Final dividend for 2025: LKR 7.00 per share	2,002,111	-
First and Final dividend for 2024: LKR 6.50 per share	-	1,832,854
Dividends on Ordinary Non-Voting Shares:		
First and Final dividend for 2025: LKR 7.00 per share	312,351	-
First and Final dividend for 2024: LKR 6.50 per share	-	287,448
Total dividends declared	2,314,462	2,120,302

The Board of Directors of the Bank has approved the payment of a first and final dividend of LKR 7.00 per share to be paid in the form of LKR. 3.50 per share in cash and LKR.3.50 per share in the form of scrip. Scrip Dividend conversion ratios are given in the Note 42.3

42.3 Scrip Dividend Conversion Ratio

Scrip dividend is declared by the Board of Directors in the proportion of 01 share for every:

For the Year Ended 31 December	Bank/Group 2025 LKR '000	Bank/Group 2024 LKR '000
Ordinary Voting Shares (Number)	115.3836	69.7743
Convertible Non-Voting Shares (Number)	142.1699	110.8367

43 Cash Flow Information

43.1 (Increase)/Decrease in Operating Assets

For the Year Ended 31 December	Bank		Group	
	2025	2024	2025	2024
	LKR '000	LKR '000	LKR '000	LKR '000
Balances with Central Bank of Sri Lanka	(862,313)	1,500,454	(862,313)	1,500,454
Placements with Banks	1,034,968	(1,760,147)	1,034,968	(1,760,147)
Reverse Repurchase Agreements	1,737,147	(880,557)	1,737,147	(880,557)
Financial Assets - At Amortised Cost - Debt Instruments	9,183,090	3,203,471	9,183,090	3,203,471
Financial Assets - At Amortised Cost - Loans and Advances	(140,342,648)	(23,484,067)	(140,342,648)	(23,484,067)
Other Assets	323,241	143,150	300,127	143,150
	(128,926,515)	(21,277,696)	(128,949,629)	(21,277,696)

43.2 Increase/(Decrease) in Operating Liabilities

For the Year Ended 31 December	Bank		Group	
	2025	2024	2025	2024
	LKR '000	LKR '000	LKR '000	LKR '000
Financial Liabilities - At Amortised Cost - Due to Depositors	105,875,966	44,532,202	105,619,003	46,167,456
Financial Liabilities - At Amortised Cost - Repurchase Agreements	1,433,500	14,850,179	1,319,846	12,827,032
Financial Liabilities - At Amortised Cost – Due to other borrowers	13,221,480	(22,008,439)	13,221,480	(22,008,439)
Other Liabilities	2,153,433	(3,322,865)	2,128,597	(3,292,954)
	122,684,379	34,051,077	122,288,926	33,693,095

43.3 Other Non Cash Items included in Profit Before Tax

For the Year Ended 31 December	Bank		Group	
	2025	2024	2025	2024
	LKR '000	LKR '000	LKR '000	LKR '000
Depreciation of Property, Plant and Equipment (Note 16)	287,282	197,998	343,006	241,730
Depreciation of ROU Assets (Note 17)	587,722	482,510	372,592	391,983
Amortisation of Intangible Assets (Note 18)	317,445	330,402	317,584	330,527
(Gain)/Loss on Fair Valuation of Financial Assets at Fair Value through Profit or Loss	668,816	(425,253)	668,816	(425,253)
Unrealised (Gain)/Loss on Derivative Financial Instruments	(723,432)	(507,260)	(723,432)	(507,260)
Interest Income/Expense on Loans and Deposits	(67,058)	81,675	(67,059)	(1,914,847)
Effect of foreign currency devaluation	3,072,300	(2,889,886)	3,072,300	(2,889,886)
	4,143,075	(2,729,814)	3,983,807	(4,773,006)

The financial statement line item 'Net Purchase and proceeds from sale and on maturities of financial investments' has been reclassified under "Cash Flows from Investing Activities" in the Statement of Cash Flows during the current financial year, in accordance with the presentation requirements set out in Circular No. 05 of 2024 issued by the Central Bank of Sri Lanka. In prior periods, the related amounts were presented under 'Cash Flows from Operating Activities'.

Notes to the Financial Statements

43.4 Changes in Liabilities Arising from Financing Activities

For the Year Ended 31 December	Bank/Group			
	01 January	*Cash Flows	Non - Cash Flows	31 December
	2025			2025
	LKR '000	LKR '000	LKR '000	LKR '000
Refinance Borrowings	7,683,231	(357,055)	518,821	7,844,997
Rated, Unsecured, Redeemable Debentures	5,979,693	(608,672)	602,757	5,973,778
Total Debt Issued and Other Borrowed Funds	13,662,924	(965,727)	1,121,578	13,818,775

For the Year Ended 31 December	Bank/Group			
	01 January	*Cash Flows	Non - Cash Flows	31 December
	2024			2024
	LKR '000	LKR '000	LKR '000	LKR '000
Development Finance Institutions (DFI)	9,674,872	(9,601,417)	(73,455)	-
Refinance Borrowings	6,279,137	967,745	436,349	7,683,231
Financial Institutions	2,132,660	(1,479,662)	(652,998)	-
Rated, Unsecured, Redeemable Debentures	8,686,333	(3,648,959)	942,319	5,979,693
Total Debt Issued and Other Borrowed Funds	26,773,002	(13,762,293)	652,215	13,662,924

* The Cash Flows show both capital and interest repayments.

44 Related Party Disclosures

The Bank has carried out transactions with related parties as defined in LKAS 24 - Related Party Disclosures. The pricing applicable to such transactions were based on the assessment of risk and pricing model of the Bank and was comparable with what was applied to transactions between the Bank and non related parties.

44.1 Transactions with Key Management Personnel

Key Management Personnel (KMP) include the Board of Directors of the Bank and Chief Executive Officer of the Bank.

(a) Compensation to Key Management Personnel

For the Year Ended 31 December	2025	2024
	LKR '000	LKR '000
Short Term Benefits	150,561	122,843
Post Employment Benefits	14,142	11,460
	164,703	134,303

In addition to the salaries the Group also has arranged non cash benefits such as vehicle and insurance to Executive Director in line with approved benefits plan of the Group. Executive Director is also entitled to 243,595 (2024 - 300,853) share appreciation rights.

(b) Transactions, Arrangements and Agreements involving Key Management Personnel

	Key Management Personnel and their Close Family Members (CFM)			
			Maximum Balances	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Items in the Statement of Financial Position				
Assets				
Loans and Advances	7	-	7	4,662
Credit Cards	6,691	4,207	8,103	6,011
Liabilities				
Due to Customers	286,199	157,918	296,203	159,669
Other Liabilities	-	-	-	-
Equity				
Dividends (Net)	-	-	-	-
Commitments				
Undrawn Facilities	32,729	10,377	-	-
Items in Statement of Profit or Loss				
Interest Income Earned	413	767	-	-
Interest Expenses Paid	15,935	8,945	-	-
Other Income Earned	2,159	959	-	-

There was a current account with a balance of LKR 1,990/- as of 31 December 2025 which is maintained by an entity which Key Management Personnel (KMPs) and their Close Family Members (CFMs) exercise control or joint control. (2024 – nil)

44.2 Post-Employment Benefits Plan

The Employees' Private Provident Fund of the Bank is managed by a Committee of Trustees appointed by the members.

The Bank has contributed a sum of LKR 614.07 Mn (2024 - LKR 542.16 Mn) to the Fund during the year.

As at 31 December 2025, the Fund has invested a sum of LKR 304.89 Mn (2024 - LKR 552 Mn) in Financial Instruments (Repurchase agreements and Debentures) of the Bank. Also as at 31 December 2025, the fund has maintained a sum of LKR 29.73 (2024 - LKR 5,592) in current/savings accounts of the bank.

During the year, the Bank has incurred a sum of LKR 35.99 Mn (2024 - LKR 33.81 Mn) as interest expense to the Fund out of which a sum of LKR 0.35 Mn (2024 - LKR 1.54 Mn) is payable as of 31 December 2025.

44 Related Party Disclosures (Contd.)

44.3 Transactions with Related Entities

For the Year Ended 31 December	Subsidiaries *				Significant Investors **				Significant Investor Related Entities ***			
			Maximum Balances				Maximum Balances				Maximum Balances	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Items in the Statement of Financial Position												
Assets												
Loans and Advances	-	-	-	-	-		800,000	1,050,000	-	1,232,192	2,500,000	4,730,637
Corporate Credit Cards	-	-	-	-	6,344	900	8,869	900	12,871	9,477	14,749	12,739
Derivative Financial Assets	-	-	-	-	-	-	-	-	-	350	-	350
Other Assets	-	-	-	-	-	-	-	-	18,020	20,104	18,020	20,104
Liabilities												
Due to Customers	381,686	98,318	381,686	1,812,846	14,919,116	11,158,425	16,228,329	14,943,863	4,421,025	3,600,480	10,954,855	3,484,670
Repurchase and Other Borrowings	2,569,924	2,456,270	2,606,576	2,490,002	2,183,012	1,824,648	2,183,012	1,824,648	1,740,738	837,458	1,740,738	837,458
Debenture Issued	-	-	-	-	334,948	656,861	334,948	656,861	300,848	300,954	300,848	300,954
Other Liabilities	-	-	-	-	1,672	1,562	1,672	709	5,964	262,665	5,964	262,665
Equity												
Dividends (Net)	-	-	-	-	621,693	468,490	-		-	-	-	-
Commitments												
Undrawn Facilities	-	-	-	-	61,854	2,032,759	-	-	73,034	7,731,472	-	-
Letter of Credit / Guarantees	-	-	-	-	7,000	61,290	-	-	39,667	967,287	-	-
Forward - Foreign Exchange Contracts	-	-	-	-	-	-	-	-	-	176,735	-	-
Items in Income statement												
Interest Income Earned	-	-	-	-	11,947	18,031	-		35,320	508,546	-	-
Interest Expenses Paid	217,041	227,053	-	-	779,363	861,673	-		289,725	57,536	-	-
Fees and Other Income Earned	6,985	7,102	-	-	2,390	2,056	-		497,933	474,060	-	-
Expenses Paid	272,725	127,408	-	-	71,672	48,555	-		78,251	82,686	-	-

During 2024, Waldock Mackenzie Limited, a subsidiary, managed a portfolio of certain Post-Employment Benefit Plans of related party entities and earned a fee of LKR 6.52Mn or the year ended 31 December 2024. The maximum value of the portfolio managed at any time during 2024 was LKR 2,539.4Mn. With effect from 24th November 2024, the investment manager operations of Waldock Mackenzie Limited were discontinued.

There were no other transactions carried out by the subsidiaries of the Bank with related party entities other than with the Bank, for the years ended 31 December 2025 and 2024.

* Subsidiaries of the Group includes Waldock Mackenzie Limited, Allied Properties Limited and Nations Insurance Brokers Limited.

**Significant Investors include John Keells Holdings PLC, Mackinnon Keells Limited, HWIC Asia Fund, Central Finance Company PLC, CF Growth Fund Limited and CF Insurance Brokers (Pvt) Ltd.

*** Significant investor related entities include entities controlled and/or jointly controlled by the significant investors of the Bank and private provident funds of such significant investors.

45 Maturity Analysis of Assets and Liabilities

As at 31 December 2025	Bank			Group		
	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000
Assets						
Cash and Cash Equivalents	19,864,631	-	19,864,631	19,864,477	-	19,864,477
Balances with Central Bank of Sri Lanka	1,850,365	195,421	2,045,786	1,850,365	195,421	2,045,786
Placements with banks	309,605	1,128,213	1,437,818	309,605	1,128,213	1,437,818
Reverse Repurchase Agreements	645,794	-	645,794	645,794	-	645,794
Derivative Financial Instruments	613,468	-	613,468	613,468	-	613,468
Financial Assets Recognised through Profit or Loss- Measured at Fair Value	11,589,905	-	11,589,905	11,589,905	-	11,589,905
Financial Assets at Fair Value through Other Comprehensive Income	132,945,268	167,461	133,112,729	132,945,268	167,461	133,112,729
Financial Assets at Amortised Cost - Debt Instruments	25,165,077	63,732,641	88,897,718	25,165,077	63,732,641	88,897,718
Financial Assets at Amortised Cost – Loans and Advances	277,224,927	153,143,080	430,368,007	277,224,927	153,143,080	430,368,007
Other Assets	1,926,341	486,485	2,412,826	1,933,392	511,158	2,444,550
Investments in Subsidiaries	-	678,710	678,710	-	-	-
Property, Plant and Equipment	-	4,026,924	4,026,924	-	5,110,266	5,110,266
Right of Use Assets	13,309	1,957,382	1,970,691	13,309	1,527,123	1,540,432
Intangible Assets	-	1,782,628	1,782,628	-	1,782,965	1,782,965
Defferred Tax Assets	-	1,127,396	1,127,396	-	854,968	854,968
Total Assets	472,148,690	228,426,341	700,575,031	472,155,587	228,153,296	700,308,883
Liabilities						
Due to Banks	42,772,586	-	42,772,586	42,772,586	-	42,772,586
Derivative Financial Instruments	37,822	-	37,822	37,822	-	37,822
Financial liabilities at Amortised Cost						
Due to Depositors	440,274,883	62,330,709	502,605,592	439,888,369	62,330,709	502,219,078
Repurchase Agreements	23,479,164	-	23,479,164	20,909,241	-	20,909,241
Due to Other Borrowers	198,640	9,807,200	10,005,840	198,641	9,353,958	9,552,599
Debt Securities Issued	5,973,778	-	5,973,778	5,973,778	-	5,973,778
Retirement Benefit Obligations	301,516	1,357,712	1,659,228	303,257	1,365,554	1,668,811
Current Tax Liabilities	5,568,268	-	5,568,268	5,632,064	-	5,632,064
Other Liabilities	12,352,893	2,227,784	14,580,677	12,395,823	2,231,458	14,627,281
Total Liabilities	530,959,550	75,723,405	606,682,955	528,111,581	75,281,679	603,393,260
Net	(58,810,860)	152,702,936	93,892,076	(55,955,994)	152,871,617	96,915,623

Notes to the Financial Statements

45 Maturity Analysis of Assets and Liabilities (Contd.)

As at 31 December 2024	Bank			Group		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Assets						
Cash and Cash Equivalents	20,814,512	-	20,814,512	20,814,515	-	20,814,515
Balances with Central Bank of Sri Lanka	998,601	184,872	1,183,473	998,601	184,872	1,183,473
Placements with banks	1,677,669	795,038	2,472,707	1,677,669	795,038	2,472,707
Reverse Repurchase Agreements	2,389,147	-	2,389,147	2,389,147	-	2,389,147
Derivative Financial Instruments	224,298	-	224,298	224,298	-	224,298
Financial Assets Recognised through Profit or Loss- Measured at Fair Value	17,194,759	-	17,194,759	17,194,759	-	17,194,759
Financial Assets at Fair Value through Other Comprehensive Income	106,848,036	166,841	107,014,877	106,848,036	166,841	107,014,877
Financial Assets at Amortised Cost - Debt Instruments	16,378,072	80,417,992	96,796,064	16,378,072	80,417,992	96,796,064
Financial Assets at Amortised Cost – Loans and Advances	194,252,022	93,110,531	287,362,553	194,252,022	93,110,531	287,362,553
Other Assets	1,671,429	813,046	2,484,475	1,678,125	814,959	2,493,084
Investments in Subsidiaries	-	678,710	678,710	-	-	-
Property, Plant and Equipment	-	3,018,207	3,018,207	-	4,083,195	4,083,195
Right of Use Assets	33,918	1,250,539	1,284,457	33,926	1,250,820	1,284,746
Intangible Assets	-	1,408,451	1,408,451	-	1,408,927	1,408,927
Defferred Tax Assets	-	1,114,316	1,114,316	-	863,450	863,450
Total Assets	362,482,463	182,958,543	545,441,006	362,489,170	183,096,625	545,585,795
Liabilities						
Due to Banks	27,403,357	-	27,403,357	27,403,357	-	27,403,357
Derivative Financial Instruments	372,084	-	372,084	372,084	-	372,084
Financial liabilities at Amortised Cost						
Due to Depositors	312,088,734	72,696,182	384,784,916	311,959,183	72,696,182	384,655,365
Repurchase Agreements	21,985,170	-	21,985,170	19,528,900	-	19,528,900
Due to Other Borrowers	426,749	8,684,526	9,111,275	426,937	8,691,440	9,118,377
Debt Securities Issued	181,665	5,798,028	5,979,693	181,665	5,798,028	5,979,693
Retirement Benefit Obligations	302,857	1,155,026	1,457,883	305,232	1,164,087	1,469,319
Current Tax Liabilities	4,590,390	-	4,590,390	4,640,244	-	4,640,244
Other Liabilities	10,996,979	1,872,952	12,869,931	11,068,312	1,873,069	12,941,381
Total Liabilities	378,347,985	90,206,714	468,554,699	375,885,914	90,222,806	466,108,720
Net	(15,865,522)	92,751,829	76,886,307	(13,396,744)	92,873,819	79,477,075

46. Fair Value of Assets and Liabilities

46.1. Assets and Liabilities Measured at Fair Value – Fair Value Hierarchy

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy in to which the fair value measurement is categorised. The amounts are based on the value recognised in the Statement of Financial Position in the Financial Statements.

Bank/Group

As at 31 December	2025					2024				
		Fair Value Measurement Using					Fair Value Measurement Using			
	Date of Valuation	Quoted Prices in Active Markets (Level 1) LKR '000	Significant Observable Inputs (Level 2) LKR '000	Significant Unobservable Inputs (Level 3) LKR '000	Total LKR '000	Date of Valuation	Quoted Prices in Active Markets (Level 1) LKR '000	Significant Observable Inputs (Level 2) LKR '000	Significant Unobservable Inputs (Level 3) LKR '000	Total LKR '000
Financial Assets Measured at Fair Value										
Derivative Financial Instruments										
Forward Foreign Exchange Contracts, Spot Contracts and Currency Swaps	31-Dec-25	-	613,468	-	613,468	31-Dec-24	-	224,298	-	224,298
Financial Assets at Fair Value through Profit or Loss										
Government Treasury Bills	31-Dec-25	158,411	-	-	158,411	31-Dec-24	20,690	-	-	20,690
Government Treasury Bonds	31-Dec-25	2,030,307	9,401,187	-	11,431,494	31-Dec-24	9,560,593	7,613,476	-	17,174,069
Financial Assets at Fair Value through Other Comprehensive Income										
Debt Instruments										
Government Treasury Bills	31-Dec-25	1,442,813	-	-	1,442,813	31-Dec-24	9,603,378	-	-	9,603,378
Government Treasury Bonds	31-Dec-25	57,725,724	73,776,731	-	131,502,455	31-Dec-24	60,640,744	36,603,914	-	97,244,658
Sri Lanka Sovereign Bonds	31-Dec-25	-	-	-	-	31-Dec-24	-	-	-	-
Equity Instruments										
Unquoted Equity Shares	31-Dec-25	-	-	167,461	167,461	31-Dec-24	-	-	166,841	166,841
		61,357,255	83,791,386	167,461	145,316,102		79,825,405	44,441,688	166,841	124,433,934
Financial Liabilities Measured at Fair Value										
Derivative Financial Instruments										
Forward Foreign Exchange Contracts, Spot Contracts and Currency Swaps	31-Dec-25	-	37,822	-	37,822	31-Dec-24	-	372,084	-	372,084
		-	37,822		37,822		-	372,084	-	372,084

46. Fair Value of Assets and Liabilities (Contd.)
46.1 Assets and Liabilities Measured at Fair Value - Fair Value Hierarchy (Contd.)

As at 31 December	2025					2024				
		Fair Value Measurement Using					Fair Value Measurement Using			
	Date of Valuation	Quoted Prices in Active Markets (Level 1) LKR '000	Significant Observable Inputs (Level 2) LKR '000	Significant Unobservable Inputs (Level 3) LKR '000	Total LKR '000	Date of Valuation	Quoted Prices in Active Markets (Level 1) LKR '000	Significant Observable Inputs (Level 2) LKR '000	Significant Unobservable Inputs (Level 3) LKR '000	Total LKR '000
Bank										
Non Financial Assets Measured at Fair Value										
Freehold Land	31-Dec-25	-	-	1,912,750	1,912,750	31-Dec-24	-	-	1,871,341	1,871,341
Freehold Buildings	31-Dec-25	-	-	266,250	266,250	31-Dec-24	-	-	247,238	247,238
Total Non Financial Assets Measured at Fair Value		-	-	2,179,000	2,179,000		-	-	2,118,579	2,118,579
Group										
Non Financial Assets Measured at Fair Value										
Freehold Land	31-Dec-25	-	-	1,912,750	1,912,750	31-Dec-24	-	-	1,871,341	1,871,341
Freehold Buildings	31-Dec-25	-	-	1,462,801	1,462,801	31-Dec-24	-	-	1,189,115	1,189,115
Total Non Financial Assets Measured at Fair Value		-	-	3,375,551	3,375,551		-	-	3,060,456	3,060,456

46.1.1 Movements in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value.

	Unquoted Equity Shares Bank/Group	
	2025 LKR '000	2024 LKR '000
As at 01 January	166,841	24,529
Investments made during the year	-	151,144
Disposal of investment (shares bought back)	-	(7,077)
Change in value due to exchange rate fluctuation	620	(1,755)
As at 31 December	167,461	166,841

Equity instruments at FVOCI classified as "Level 3" in the fair value hierarchy comprise of unquoted equity shares. Further details are given in Note 11.1.

46.1.2 Movements in Level 3 Non Financial Assets Measured at Fair Value

Reconciliation of non - financial assets " Freehold Land and Buildings" classified as level 3 in the fair value hierarchy

Refer Note 16 for the reconciliation of the movement in freehold land and buildings.

Unobservable Inputs used in Measuring Fair Value of Land and Buildings

The table below sets out information about significant unobservable inputs used in measuring fair value of the assets categorised under Level 3 of the fair value hierarchy.

Location	Type of Asset	Extent	No. of Buildings	Bank		Group		Valuation Technique	Significant Unobservable Inputs	Weighted Average Range of Estimates for Unobservable Inputs (Level 3)
				Fair Value as at 31.12.2025 LKR '000	Fair Value as at 31.12.2024 LKR '000	Fair Value as at 31.12.2025 LKR '000	Fair Value as at 31.12.2024 LKR '000			
No 76, York Street, Fort,Colombo	Land	10.82 P	-	229,750	226,591	229,750	226,591	Direct Capital Comparison Method	Price per perch	LKR 23 Mn and LKR 12.5 Mn
	Building	8,660 (Sq.Ft.)	1	65,250	60,040	65,250	60,040		Price per Sq.Ft	LKR 3,000 - LKR 12,500
No 242, Union Place, Colombo 2	Land	77.2 P	-	1,683,000	1,644,750	1,683,000	1,644,750	Direct Capital Comparison Method	Price per perch	LKR 22 Mn
	Building	33,650 (Sq.Ft.)	1	201,000	187,198	201,000	187,198		Price per Sq.Ft	LKR 7,500
46/58, Nawam Mawatha, Colombo 2	Building	61,300 (Sq.Ft.)	1	-	-	1,196,551	941,877	Investment method	Rent per Sq.Ft	LKR 300 to LKR 400
Total				2,179,000	2,118,579	3,375,551	3,060,456			

Fair value measurement sensitivity to unobservable inputs: Significant increases/(decreases) in any of these inputs in isolation would result in a higher/(lower) fair value.

Fair value measurements positively correlate with the unobservable inputs.

Notes to the Financial Statements

46. Fair Value of Assets and Liabilities (Contd.)

46.2 Financial Assets and Liabilities not Carried at Fair Value

Below are the methodologies and assumptions used to determine fair values for the financial instruments which are not recorded and measured at fair value in the Bank's financial statements. These fair values were calculated for disclosure purposes only.

Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity (original maturities one year or less), it is assumed that the carrying amounts approximate their fair values.

The following is a list of financial instruments whose carrying amount is a reasonable approximation of fair value as they are short-term in nature and/or they are repriced to current market rates frequently;

Financial Assets	Financial Liabilities
Cash and Cash Equivalents	Due to Banks
Balances with Central Bank of Sri Lanka	Repurchase Agreements
Reverse Repurchase Agreements	
Placements with Banks	

This assumption is also applied to demand deposits, call deposits and savings deposits which does not have a specific maturity. It is also assumed that the amortised cost of floating rate financial instruments approximate the fair value as the amortised cost represents most recent fair value. Long term deposits accepted from customers for which periodical interest is paid and loans and advances granted to customers with 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. There is a significant difference between carrying value and fair value of treasury bonds portfolio at amortised cost where the original tenure exceeds one year. In fair valuing such securities, rates published by the CBSL for similar trading securities were used. Loans and advances with fixed interest rates were fair valued using average 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. Interest rates based on treasury bond rates with similar tenure with an adjustment for premium/credit premium have been used to arrive at the fair value of debentures issued and invested.

For financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist and other relevant valuation models.

46.2 Financial Assets and Liabilities not carried at Fair Value

(a) Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's /Group's financial instruments that are not measured at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

Bank	2025					2024				
As at 31 December		Fair Value Measurement Using					Fair Value Measurement Using			
	Carrying amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Carrying amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets										
Debt Instruments at Amortised Cost	88,897,718	32,272,904	69,187,905	-	101,460,809	96,796,064	42,054,869	69,700,367	-	111,755,236
Loans and Advances to Customers-Gross	451,126,151	-	450,314,285	-	450,314,285	308,858,789	-	309,227,141	-	309,227,141
Total Financial Assets	540,023,869	32,272,904	519,502,190	-	551,775,094	405,654,853	42,054,869	378,927,508	-	420,982,377
Financial Liabilities										
Due to Customers	502,605,592	-	504,633,045	-	504,633,045	384,784,916	-	386,373,873	-	386,373,873
Due to Other Borrowers	10,005,840	-	10,005,840	-	10,005,840	9,111,275	-	9,111,275	-	9,111,275
Debt Securities Issued	5,973,778	-	6,172,373	-	6,172,373	5,979,693	-	6,080,887	-	6,080,887
Total Financial Liabilities	518,585,210	-	520,811,258	-	520,811,258	399,875,884	-	401,566,035	-	401,566,035

46.2 Financial Assets and Financial Liabilities not carried at Fair Value (Contd.)

Group As at 31 December	2025					2024				
		Fair Value Measurement Using					Fair Value Measurement Using			
	Carrying amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Carrying amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets										
Debt Instruments at Amortised Cost	88,897,718	32,272,904	69,187,905	-	101,460,809	96,796,064	42,054,869	69,700,367	-	111,755,236
Loans and Advances to Customers -Gross	451,126,151	-	450,314,285	-	450,314,285	308,858,789	-	309,227,141	-	309,227,141
Total Financial Assets	540,023,869	32,272,904	519,502,190	-	551,775,094	405,654,853	42,054,869	378,927,508	-	420,982,377
Financial Liabilities										
Due to Customers	502,219,078	-	504,246,382	-	504,246,382	384,655,365	-	386,244,322	-	386,244,322
Due to Other Borrowers	9,552,599	-	9,552,599	-	9,552,599	9,118,377	-	9,111,275	-	9,111,275
Debt Securities Issued	5,973,778	-	6,172,373	-	6,172,373	5,979,693	-	6,080,887	-	6,080,887
Total Financial Liabilities	517,745,455	-	519,971,354	-	519,971,354	399,753,435	-	401,436,484	-	401,436,484

47. Financial Risk Management

47.1 Introduction

Risks are inherent in the Bank's activities, but are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability. The Bank is primarily exposed to credit risk, liquidity risk, market risk, operational risk and technology risk.

The objective of the Risk Management Framework at the Bank is to establish a process to effectively identify, measure, manage, control and monitor risks faced by the Bank. The goal is to manage these risks while enhancing the risk-return profile of the Bank.

The Board of Directors are responsible for establishing the overall Risk Management Framework within the Bank. Risk Management Framework consists of approval of a risk governance structure and approval of detailed risk management policies and procedures with risk appetite and tolerance limits.

The Board delegates specific oversight of all risk management activities in the Bank to the Board Integrated Risk Management Committee (BIRMC). It reviews risk appetite, department risk grids and material risk issues highlighted by different executive risk committees. It also monitors compliance with Bank policies and regulations.

The Board has appointed the Executive Risk Management Committee (ERMC) which has the overall responsibility for overseeing the establishment and implementation of frameworks, policies and limits for various risk exposures. The ERMC is assisted by the Assets and Liability Management Committee (ALCO) which specifically focuses on market risk management and liquidity risk management whilst Management Credit Committee (MCC) focuses on reviewing and approving all credit risk related matters.

The Integrated Risk Management Department (IRMD), headed by the Chief Risk Officer (CRO), is responsible for developing and implementing the Bank's Risk Management Framework. It acts as the second line of defense in managing risks.

Responsibilities of the IRMD include the following:

Monitor

- Formulation of Risk policies and procedures
- Compliance with Risk policies and procedures
- Bank's overall risk profile and changes in overall risk positions
- Risks across business units and escalate risk and control issues to management

Develop, Report and Review

- Risk management standards, measurement tools and models
- Aggregate risk profile of the Bank in relation to capital

Support

- Bank's risk culture through development of a common risk language and Bank-wide training
- Interpretation of risk related regulations / leading practices to business units

Risk Measurement and Reporting Systems

The Bank uses appropriate risk measurement techniques, models and industry best practices to evaluate its various risk exposures. Such risks identified are managed through establishment of limits. These limits reflect the business strategy and the Bank's stance in the market environment as well as the level of risk that the Bank is willing to accept.

The Bank also carries out a detail stress testing exercise, which is a key component of the Internal Capital Adequacy Assessment Process (ICAAP) as well as the Risk Management Framework. This exercise measures the extent of risks the Bank is exposed to when variables associated with its risks are simulated considering extreme yet plausible changes in the external/internal environment.

The risk so measured is presented to relevant board committees and senior management at regular intervals.

Risk Mitigation

As part of its overall risk management, the Bank uses derivatives to manage exposures resulting from changes in foreign currencies. The Bank also accepts various types of collateral as a credit risk mitigant whilst insurance is used to transfer operational risks.

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Excessive Risk Concentration

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Risk Management Post Cyclone Ditwah

During 2025, the economy sustained its recovery momentum, supported by improving macroeconomic stability and continued structural reforms. In late November, Cyclone Ditwah brought severe weather impacts, causing widespread disruptions to livelihoods, services, and infrastructure in several regions across Sri Lanka. The Bank promptly activated its crisis-management protocols to safeguard operational continuity and ensure the uninterrupted delivery of essential financial services during the disaster period. Enhanced oversight was maintained over credit portfolios, with targeted support offered to customers facing temporary financial stress.

Throughout the year, the Bank continued its operations while strengthening risk management practices based on lessons learned navigating through the past unprecedented events. The Provision buffers maintained above historical loss expectations to manage elevated risk segments within the loan portfolio, including potential Ditwah-related impacts, were reviewed for adequacy and preserved at revised levels as management overlay.

47.2 Credit Risk

Credit risk is the risk that the Bank will incur a loss resulting from its customers or counterparties failing to or delaying meeting their contractual obligations. This arises from loans and receivables and investments in debt instruments forming direct funding exposures (on Balance Sheet exposure) or indirect liabilities such as Letters of Credit and Guarantees (off Balance Sheet exposure).

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations and by monitoring exposures in relation to such limits and by taking appropriate collateral.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. A scientifically developed internal risk rating mechanism has been implemented via a work-flow based software covering various types of customer segments of the Bank excluding consumer products. Such risk ratings are subject to regular revision. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action. A score card-based model is used to evaluate credit risk of consumer products as these are not evaluated through the established internal risk rating system.

Impairment Assessment

The references below show where the Bank's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the summary of significant accounting policies.

Definition of Default and Cure

The Bank considers a financial instrument as defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments or when classified as a Non-Performing Credit Facility (NPCF) as per directions issued by the Central Bank of Sri Lanka (CBSL). The Bank considers Treasury and interbank balances defaulted and take immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

Further in assessing whether a borrower is in default, the Bank reviews its individually significant loans and advances above a predefined threshold at each reporting date against a set of credit loss indicators which reflects Significant Increase in Credit Risk (SICR). Customers associated with mentioned indicators are then critically evaluated for recoverability. If there is a negative mismatch between the amount due and the expected cash flow, those customers are considered as either Stage 2 (Credit Risk is significantly Increased) or Stage 3 (Credit-impaired) customer based on the severity of indicators irrespective of the number of days past due.

Individually Assessed Allowances

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis above a predetermined threshold limit. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected payout if bankruptcy happens, the availability of other financial support, the realisable value and timing of collateral and expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention. The Bank has currently set Individually Significant Threshold at Rupees Fifty million and every customer having an aggregate exposure above such limit is individually assessed for Significant Increase in Credit Risk (SICR). The Bank applies a risk-based approach for its Corporate Banking and Mid-Market Enterprises

portfolios. Corporate Banking exposures between Rupees Fifty million to Rupees Hundred million and Mid-Market Enterprise exposures between Rupees Fifty million to Seventy-Five million are assessed against a limited number of SICR indicators and exposures above the secondary thresholds are assessed against the complete list of SICR indicators.

Collectively Assessed Allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances that have been assessed individually and found to be not requiring an impairment provision at individual customer level.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether allowance should be made for Expected Credit Losses (ECL). The collective assessment takes account of data from the loan portfolios such as utilisation of sanctioned limits, levels of arrears, historical losses on the portfolio and expected receipts and recoveries once defaulted. The Bank uses SLFRS 9 based ECL model to assess impairment as detailed in note 13.1.

Probability of Default (PD) Estimation Process

The ECL model is based on historical delinquency levels and forward looking macro-economic factors to estimate PDs of its portfolios. These macro-economic factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, Inflation, movements in Gross Domestic Product (GDP), macro environment stability in financial industry, revisions in the Interest rates, changes in regulatory environment and other available consumer data. The Bank uses aforementioned factors as appropriate to adjust the impairment allowances.

The Probability of Default only during the next twelve months is estimated for a Stage 1 asset where credit risk has remained at the same level from origination to the reporting date. For Stage 2 assets where credit risk has significantly increased compared to the level which was at the origination, Probability of Default during remaining total lifetime is estimated. Stage 3 assets are where the default event has already occurred.

Exposure at Default (EAD)

The Exposure at Default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

The Bank uses Credit Conversion Factors (CCF) which explains the historical utilisation of defaulted facilities at the time of default to calculate EAD of revolving facilities in which customers have the ability to increase their exposure. For nonrevolving facilities, the already utilised amount plus any accrued interest over same is considered as the EAD.

In order to assess impairment provision at appropriate granular level, the Bank has stratified certain portfolios further reflecting grouping of similar risk customer profiles. Such stratification of the portfolios has helped the Bank to make a reasonable assessment of required impairment provisions as it focuses on avoiding generalisation of possible potential loss indicative parameters.

Loss Given Default (LGD)

In Loans and Receivable portfolios, the Bank assesses its LGDs using the historical default database. The Bank recovers the full amount or a portion of the defaulted amount using multiple options including legal means and realisation of collateral. The total net cash flows from the date of default are discounted in order to assess the net loss incurred from the defaulted amount. The LGD of a certain portfolio represents the actual loss incurred from its defaulted exposures.

Significant Increase in Credit Risk

The Bank continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or Life Time ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have significantly increased in credit risk when the subject borrower or exposure becomes 30 days past due on its contractual payments. When estimating ECL on a collective basis for a group of similar financial assets, the Bank applies the same principle of assessing whether there has been a significant increase in credit risk since the origination.

Management of Elevated Credit Risk due to Negative Externalities

During the year, the Bank continued to apply enhanced credit risk management processes to assess whether any Significant Increase in Credit Risk (SICR) had occurred for customers operating in industries and geographies potential to be affected by various negative externalities including most recent effects by Ditwah Cyclone. In addition, to proactively mitigate potential future losses and deterioration in overall credit quality, the Bank reassessed the management overlay for exposures in potential sectors and geographies identified as having elevated risk.

Notes to the Financial Statements

Furthermore, all customers who requested a debt moratorium or debt restructuring are subject to ongoing and enhanced monitoring to ensure satisfactory performance. These customers will be assessed on a case-by-case basis to determine whether classification to Stage 2 (significant increase in credit risk) or to Stage 3 (credit-impaired) status is warranted.

Quality of Financial Assets are categorised into five categories as described below;

Credit Quality Category	Definition	Description
High Grade	Very High Safety	The exposure to the Government, Banks and Reverse Repurchase transactions backed by Government Securities are identified as 'High Grade'. The external rating of the Banks has not been considered in this regard as these exposures are highly liquid and are of self-liquidating nature.
Investment Grade (A+ and B-)	High Safety	The ability to honour the terms of trade is high or fully secured by cash. The obligor/counterparty is likely to honour its commitments even under adverse business conditions. There would be an insignificant likelihood of default associated with adverse economic events of significant scale.
Intermediary Grade (C+ and C)	Moderate Safety	The ability to honour the terms of trade is strong, but not as strong as in Investment Grade. The obligor/counterparty may take longer than anticipated/planned to honour its commitments under adverse business conditions. There is a moderate likelihood of default.
Speculative Grade (C- and D)	Low Safety	The ability to honour the terms of trade is low. Any adverse changes in the business/economic conditions may impair the obligor's/ counterparty's ability to honour its commitments.
Still under Evaluation	Safe	The ability to honour the terms of trade is assumed acceptable but yet to be confirmed by way of a finalised rating.

Credit Risk Exposure for each Internal Credit Risk Rating

Bank's Internal Credit Rating	Historical Default Rates	Amortised Cost	
		2025	2024
	%	LKR '000	LKR '000
Investment Grade			
A	Less than 1%	196,118,999	109,120,848
B	Less than 1.5%	188,015,897	131,785,450
Intermediary Grade			
C + and C	Less than 2.5%	2,950,257	3,314,052
Speculative Grade			
C-	Less than 5.5%	735,298	1,014,060
D	Minimum of 13%	418,076	799,641
Past Due - Rated Customers			
	Less than 30 Days	5,410,035	4,955,303
	30 - 90 Days	4,730,598	4,566,105
	More than 90 Days	3,921,388	4,424,537
Past Due - Fully Secured by Cash		1,363,108	1,851,576
Individually Impaired - Rated Customers		34,550,617	30,871,518
Sum of Amortised Cost of Rated Customers		438,214,272	292,703,090

It is the Bank policy to maintain accurate and consistent risk ratings across the credit portfolio. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of Obligor Risk. All internal risk ratings are tailored to measure specific default characteristics and risks inherent in various business segments. Shown above is internal credit rating classification of the Corporate, Retail & SME portfolios of the Bank. The attributable risk ratings are assessed and updated regularly.

The exposures of which credit quality is not yet aligned to a bank-wide single point indicator rating scale mainly consists of security backed lending. Housing Loans and cash secured lending are the significant security backed lending.

The total financial instruments of the Bank represent 99.9% of the Group. Hence details are given only for the Bank.

Credit Quality by class of Financial Assets

Bank - 31 December 2025	Neither past due nor individually impaired							
	High Grade	Investment Grade	Intermediary Grade	Speculative Grade	Customers whose credit rating is not yet finalised	Past due but not individually impaired	Individually impaired	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and Cash Equivalents	19,864,631	-	-	-	-	-	-	19,864,631
Balances with Central Bank of Sri Lanka	2,045,786	-	-	-	-	-	-	2,045,786
Placements with banks	1,437,818	-	-	-	-	-	-	1,437,818
Reverse Repurchase Agreements	-	645,794	-	-	-	-	-	645,794
Derivative Financial Instruments								
Forward Foreign Exchange Contracts and Currency Swaps	602,284	11,184	-	-	-	-	-	613,468
Financial Assets Recognised through Profit or Loss - Measured at Fair Value								
Government Treasury Bills and Bonds	11,589,905	-	-	-	-	-	-	11,589,905
Financial Assets at Fair Value through Other Comprehensive Income								
Government Treasury Bills and Bonds	132,945,268	-	-	-	-	-	-	132,945,268
Unquoted Equity Shares	-	-	-	-	167,461	-	-	167,461
Financial Assets at Amortised Cost - Debt Instruments								
Government Treasury Bills and Bonds	87,765,335	-	-	-	-	-	-	87,765,335
Quoted Debentures	-	1,134,932	-	-	-	-	-	1,134,932
Financial Assets at Amortised Cost - Loans and Advances (Gross)	-	384,134,896	2,950,257	1,153,375	10,298,351	17,560,490	35,028,783	451,126,152
Commitment and Contingencies	171,333,566	263,575,859	2,139,038	20,990,268	28,147,259	1,437,183	-	487,623,173
Total	427,584,592	649,502,665	5,089,295	22,143,643	38,613,071	18,997,673	35,028,783	1,196,959,722

Note : All loans under "Neither past due nor individually impaired" are Stage 1 assets. Past Due loans include any loan that is in arrears for more than one day. Out of LKR. 17.6 Bn categorised under "past due but not individually impaired ", LKR. 5.2 Bn (29%) is in Stage 1, LKR. 7.0 Bn (40%) is in Stage 2 and LKR. 5.4 Bn (31%) is in Stage 3.

Notes to the Financial Statements

Credit Quality by class of Financial Assets

Bank - 31 December 2024	Neither past due nor individually impaired							
	High Grade	Investment Grade	Intermediary Grade	Speculative Grade	Customers whose credit rating is not yet finalised	Past due but not individually impaired	Individually impaired	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and Cash Equivalents	20,814,512	-	-	-	-	-	-	20,814,512
Balances with Central Bank of Sri Lanka	1,183,473	-	-	-	-	-	-	1,183,473
Placements with banks	2,472,707	-	-	-	-	-	-	2,472,707
Reverse Repurchase Agreements	-	1,000,227	-	-	1,388,920	-	-	2,389,147
Derivative Financial Instruments								
Forward Foreign Exchange Contracts and Currency Swaps	162,527	61,771	-	-	-	-	-	224,298
Financial Assets Recognised through Profit or Loss - Measured at Fair Value								
Government Treasury Bills and Bonds	17,194,759	-	-	-	-	-	-	17,194,759
Financial Assets at Fair Value through Other Comprehensive Income								
Government Treasury Bills and Bonds	106,848,036	-	-	-	-	-	-	106,848,036
Unquoted Equity Shares	-	-	-	-	166,841	-	-	166,841
Financial Assets at Amortised Cost - Debt Instruments								
Government Treasury Bills and Bonds	96,281,877	-	-	-	-	-	-	96,281,877
Quoted Debentures	-	514,240	-	-	-	-	-	514,240
Financial Assets at Amortised Cost – Loans and Advances (Gross)	-	240,906,299	3,314,052	1,813,701	12,498,659	18,774,127	31,551,952	308,858,789
Commitment and Contingencies	133,736,469	185,821,700	1,964,023	65,327,154	18,638,034	1,225,740	-	406,713,119
Total	378,694,360	428,304,236	5,278,075	67,140,855	32,692,453	19,999,866	31,551,952	963,661,798

Note : All loans under "Neither past due nor individually impaired" are Stage 1 assets. Past Due loans include any loan that is in arrears for more than one day. Out of LKR. 18.7 Bn categorised under "past due but not individually impaired ", LKR. 4.8 Bn (26%) is in Stage 1, LKR. 7.5 Bn (40%) is in Stage 2 and LKR. 6.6 Bn (35%) is in Stage 3.

Collateral and other Credit Enhancements

The amount and type of collateral required depends on the assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.

Fair value of Collateral and Credit Enhancements Held

Bank - 31 December 2025	Maximum Exposure to Credit Risk	Cash	Government Securities	Bank Guarantees	Property Management	Equity	Movable Property	Gold	Other	Surplus Collateral	Net Collateral	Net Exposure
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Cash and Cash Equivalents	19,864,631	11,536,808	-	-	-	-	-	-	-	-	11,536,808	8,327,823
Balances with Central Bank of Sri Lanka	2,045,786	-	-	-	-	-	-	-	-	-	-	2,045,786
Placements with banks	1,437,818	-	-	-	-	-	-	-	-	-	-	1,437,818
Reverse Repurchase Agreements	645,794	-	759,980	-	-	-	-	-	-	(114,186)	645,794	-
Derivative Financial Instruments	613,468	-	-	-	-	-	-	-	-	-	-	613,468
Financial Assets Recognised through Profit or Loss - Measured at Fair Value	11,589,905	-	-	-	-	-	-	-	-	-	-	11,589,905
Financial Assets at Fair Value through Other Comprehensive Income	133,112,729	-	-	-	-	-	-	-	-	-	-	133,112,729
Financial Assets at Amortised Cost - Debt Instruments	88,897,718	-	-	-	-	-	-	-	-	-	-	88,897,718
Financial Assets at Amortised Cost – Loans and Advances (Gross)	451,126,152	85,372,448	1,065,001	-	41,451,701	10,913,489	60,289,786	-	16,035,356	(78,333,202)	136,794,580	314,331,572
Financial Guarantees	590,546	-	-	-	-	-	-	-	-	-	-	590,546
Letters of Credit	16,596,551	-	-	-	-	-	-	-	154,227	-	154,227	16,442,324
Other Commitments	470,436,076	-	-	534,035	-	-	-	-	12,985,218	-	13,519,254	456,916,823
	1,196,957,172	96,909,257	1,824,981	534,035	41,451,701	10,913,489	60,289,786	-	29,174,802	(78,447,387)	162,650,663	1,034,306,502

Expected Credit Loss provisions are not made for customers fully collateralised by cash and Government Securities denominated in Sri Lankan Rupees. The market values of collateralisation assets were not subject to any significant deterioration within the period which requires a special attention. During the normal course of business, operating within the general legal provisions available for a commercial bank, the bank acquires the possession of collateralised assets when the contractual payments are not honoured by the customer. The bank does not consider such repossessed assets as its own assets, as per policy those assets are publicly sold in a transparent manner to recover the maximum possible market value.

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Fair Value of Collateral and Credit Enhancements Held

Bank - 31 December 2024	Maximum Exposure to Credit Risk	Cash	Government Securities	Bank Guarantees	Property Management	Equity	Movable Property	Gold	Other	Surplus Collateral	Net Collateral	Net Exposure
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Cash and Cash Equivalents	20,814,512	11,563,596	-	-	-	-	-	-	-	-	11,563,596	9,250,916
Balances with Central Bank of Sri Lanka	1,183,473	-	-	-	-	-	-	-	-	-	-	1,183,473
Placements with banks	2,472,707	-	-	-	-	-	-	-	-	-	-	2,472,707
Reverse Repurchase Agreements	2,389,147	-	2,855,040	-	-	-	-	-	-	(465,893)	2,389,147	-
Derivative Financial Instruments	224,298	-	-	-	-	-	-	-	-	-	-	224,298
Financial Assets Recognised through Profit or Loss - Measured at Fair Value	17,194,759	-	-	-	-	-	-	-	-	-	-	17,194,759
Financial Assets at Fair Value through Other Comprehensive Income	107,014,877	-	-	-	-	-	-	-	-	-	-	107,014,877
Financial Assets at Amortised Cost - Debt Instruments	96,796,064										-	96,796,064
Financial Assets at Amortised Cost – Loans and Advances (Gross)	308,858,789	54,786,925	4,135,341	-	36,610,388	8,188,902	47,995,021	682	7,742,643	(61,965,663)	97,494,240	211,364,549
Financial Guarantees	970,445	-	-	-	-	-	-	-	-	-	-	970,445
Letters of Credit	9,077,194	-	-	-	-	-	-	-	199,646	-	199,646	8,877,548
Other Commitments	396,665,479	-	-	380,792	-	-	-	-	10,252,819	-	10,633,611	386,031,869
	963,661,745	66,350,522	6,990,381	380,792	36,610,388	8,188,902	47,995,021	682	18,195,108	(62,431,556)	122,280,240	841,381,506

Given below is an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets.

Type of Collateral or Credit Enhancement	2025			2024		
	Surplus Collateral	Net Collateral	Net Exposure	Surplus Collateral	Net Collateral	Net Exposure
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Stage 3 Loans & Advances	4,778,229	4,821,723	12,566,978	4,675,483	5,701,944	13,435,158

Analysis of Risk Concentration

The Bank's concentrations of risk are managed by the industry sector. The following table shows the risk concentration by the industry for the components of the Statement of Financial Position.

The Bank is comfortable with the existing composition of its loan book and continuous monitoring activities are carried out to manage the concentration of economic segments.

Bank - 31 December 2025	Agriculture	Ancillary Services	Banking & Finance	Construction & Real Estate	Consumer Durables & Disposables	Diversified	Food & Beverages	Health Care	Industries	Information Technology & Telecom -communication	Transport & Logistics	Travel & Tourism	Other	Zero Risk	Total
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Cash and Cash Equivalents	-	-	19,866,297	-	-	-	-	-	-	-	-	-	-	-	19,866,297
Balances with Central Bank of Sri Lanka	-	-	2,045,786	-	-	-	-	-	-	-	-	-	-	-	2,045,786
Placements with banks			1,437,957												1,437,957
Reverse Repurchase Agreements	-	-		-	-	-	-	-	-	-	-	-	645,794	-	645,794
Derivative Financial Instruments															
Forward Foreign Exchange Contratcs and Currency Swaps	-	-	602,284	-	19	-	11,165	-	-	-	-	-	-	-	613,468
Financial Assets Recognised through Profit or Loss - Measured at Fair Value															
Government Treasury Bills and Bonds	-	-	11,589,905	-	-	-	-	-	-	-	-	-	-	-	11,589,905
Financial Assets at Fair Value through Other Comprehensive Income															
Government Treasury Bills and Bonds	-	-	132,945,268	-	-	-	-	-	-	-	-	-	-	-	132,945,268
Unquoted Equity Shares	-	-	151,145	-	-	-	-	-	-	-	-	-	16,316	-	167,461
Financial Assets at Amortised Cost - Debt Instruments															
Government Treasury Bills and Bonds	-	-	87,765,335	-	-	-	-	-	-	-	-	-	-	-	87,765,335
Quoted Debentures	-	-	1,134,932	-	-	-	-	-	-	-	-	-	-	-	1,134,932
Financial Assets at Amortised Cost - Loans and Advances	56,800,375	15,715,424	73,662,849	17,778,369	15,991,111	39,833,635	18,529,411	8,978,893	89,195,687	17,880,325	16,175,884	27,800,995	2,154,833	50,628,360	451,126,152
	56,800,375	15,715,424	331,201,756	17,778,369	15,991,130	39,833,635	18,540,576	8,978,893	89,195,687	17,880,325	16,175,884	27,800,995	2,816,944	50,628,360	709,338,352

*All figures are in Gross basis

Notes to the Financial Statements

Bank - 31 December 2024	Agriculture	Ancillary Services	Banking & Finance	Construction & Real Estate	Consumer Durables & Disposables	Diversified	Food & Beverages	Health Care	Industries	Information Technology & Telecomm -unication	Transport & Logistics	Travel & Tourism	Other	Zero Risk	Total
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Cash and Cash Equivalents	-	-	20,816,622	-	-	-	-	-	-	-	-	-	-	-	20,816,622
Balances with Central Bank of Sri Lanka	-	-	1,183,473	-	-	-	-	-	-	-	-	-	-	-	1,183,473
Placements with banks			2,472,925												2,472,925
Reverse Repurchase Agreements	-	-	1,000,227	-	-	-	-	-	-	-	-		1,388,920	-	2,389,147
Derivative Financial Instruments															
Forward Foreign Exchange Contratcs and Currency Swaps	-	-	162,251	-	2,668	-	-	-	-	59,378	-	-	-	-	224,298
Financial Assets Recognised through Profit or Loss - Measured at Fair Value															
Government Treasury Bills and Bonds	-	-	17,194,759	-	-	-	-	-	-	-	-	-	-	-	17,194,759
Financial Assets at Fair Value through Other Comprehensive Income															
Government Treasury Bills and Bonds	-	-	106,848,036	-	-	-	-	-	-	-	-	-	-	-	106,848,036
Unquoted Equity Shares	-	-	151,145	-	-	-	-	-	-	-	-		15,696	-	166,841
Financial Assets at Amortised Cost - Debt Instruments															
Government Treasury Bills and Bonds	-	-	96,281,877	-	-	-	-	-	-	-	-	-	-	-	96,281,877
Quoted Debentures	-	-	514,240	-	-	-	-	-	-	-	-	-	-	-	514,240
Financial Assets at Amortized Cost - Loans and Advances	38,742,251	13,961,025	39,309,450	17,039,178	10,083,831	3,377,270	13,175,282	8,884,922	74,790,986	17,893,578	6,780,523	25,783,700	1,936,616	37,100,178	308,858,789
	38,742,251	13,961,025	285,935,004	17,039,178	10,086,499	3,377,270	13,175,282	8,884,922	74,790,986	17,952,957	6,780,523	25,783,700	3,341,232	37,100,178	556,951,006

*All figures are in Gross basis

Geographical Distribution of Loans & Advances

Western Province has recorded a higher percentage of lending based on geographical distribution of the Bank's lending portfolio. It accounts for 65% of total advances portfolio of the Bank as at December 31, 2025. Although, Western Province has the highest credit concentration, we believe that a sizable portion of these lending has been utilised to facilitate industries scattered around the country. For example, most of the large corporates which have their main offices in the Western Province are engaged in an island-wide operations and accommodated across branch network.

2025 LKR'000	In Sri Lanka									Outside Sri Lanka	Total
	Central	Eastern	North Central	North Western	Northern	Sabaragamuwa	Southern	Uva	Western		
Total Gross Loans &Advances	12,782,769	2,421,464	7,686,923	28,896,764	5,615,242	5,140,609	17,111,729	3,081,848	291,724,381	76,664,422	451,126,152

2024 LKR'000	In Sri Lanka									Outside Sri Lanka	Total
	Central	Eastern	North Central	North Western	Northern	Sabaragamuwa	Southern	Uva	Western		
Total Gross Loans & Advances	9,019,844	2,390,989	4,292,064	19,604,415	4,186,094	4,172,740	13,892,264	2,396,796	207,126,471	41,777,114	308,858,789

Commitments and Guarantees

To meet the financial needs of customers, the Bank enters into various commitments and contingent liabilities. Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Bank.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank would have to pay if the guarantee is called upon. Undrawn commitments mainly consist of unutilised credit card limits and facilities granted to corporate customers where the Bank reserves the right to unconditionally cancel or recall the facility at its discretion. (Refer to "Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities" under 47.3 Liquidity Risk and Funding Management).

47.3 Liquidity Risk and Funding Management

Liquidity risk faced by the Bank falls into two major categories, namely funding liquidity risk and market liquidity risk.

The funding liquidity is the level of liquidity whereby the Bank is able to meet its current and future cash flows and collateral needs, both expected and unexpected, without materially affecting its daily operations or overall financial condition and the market liquidity is the ability to exchange financial assets in the market (interbank market) quickly without any material effect on prices/costs.

The Liquidity Risk of the bank is managed within a Board approved liquidity risk management policy and a limit framework. The two main approaches adopted are namely stock approach and flow approach.

Under the stock approach, the Bank uses certain financial ratios such as Net Loans to Total Assets, Loan to Deposits, Liquidity Coverage Ratio, Net Stable Funding Ratio etc. to measure the liquidity exposures and are monitored against the limit set by the Board.

The flow approach determines liquidity/net funding requirements of banks by analysing the Bank's current and future cash flows based on assumptions of the current and future behaviour of assets and liabilities that are classified into specified time buckets and then calculating the cumulative net flows over the time frame for liquidity assessment.

The Bank maintains a liquidity contingency plan that specifies an approach for analysing and responding to potential liquidity stress events. The plan outlines an appropriate governance structure for the management and monitoring of liquidity events, processes for effective internal and external communication and identifies potential counter measures to be considered at various stages of an event.

Further, the Bank actively manages the diversification of its deposit liabilities by source and type of deposit.

Amidst the country's volatile market conditions, the bank continued to maintain a stable liquidity profile in both local and foreign currency balance sheets. Pro-active stress tests are being carried out to assess market stresses and any potential Regulatory directions to ensure sufficient liquidity buffers are maintained.

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Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as at 31 December 2025 under the flow approach;

Bank - As at 31 December 2025	On demand (Less than 15 days)	16 days to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets						
Cash and Cash Equivalents	19,866,297	-	-	-	-	19,866,297
Balances with Central Bank of Sri Lanka	867,073	359,787	623,506	195,400	20	2,045,786
Placement with bank	-	-	309,640	-	1,128,317	1,437,957
Reverse Repurchase Agreements	258,133	390,227	-	-	-	648,360
Financial Assets Recognised through Profit or Loss - Measured at Fair Value						
Government Debt Securities - Treasury Bills and Bonds	9,913	124,388	1,237,023	7,108,150	11,437,706	19,917,179
Financial Assets at Fair Value through Other Comprehensive Income						
Government Debt Securities - Treasury Bills and Bonds	715,628	2,581,569	13,994,812	113,184,552	58,245,480	188,722,041
Unquoted Equity Shares	-	-	-	-	167,461	167,461
Financial Assets at Amortised Cost - Debt Instruments						
Government Debt Securities - Treasury Bills and Bonds	2,009,711	1,831,559	30,741,565	69,596,726	20,897,476	125,077,037
Other Financial Assets	-	68,612	-	1,066,320	-	1,134,932
Financial Assets at Amortised Cost – Loans and Advances	123,585,700	97,653,274	93,338,888	171,544,304	19,729,740	505,851,907
Total Undiscounted Financial Assets	147,312,454	103,009,416	140,245,435	362,695,452	111,606,201	864,868,958
Financial Liabilities						
Due to Banks	26,781,258	11,190,994	4,984,109	-	-	42,956,360
Financial Liabilities at Amortised Cost						
Due to Depositors	171,590,507	81,765,274	197,137,140	72,436,468	3,200	522,932,589
Due to debt securities holders - Repurchase Agreements	5,767,618	13,959,036	4,020,716	-	-	23,747,369
Due to Other Borrowers	61,458	1,584	593,914	7,651,260	3,530,237	11,838,452
Debt Securities Issued	20,179	-	6,376,897	-	-	6,397,076
Total Undiscounted Financial Liabilities	204,221,019	106,916,887	213,112,775	80,087,728	3,533,437	607,871,845
Net Undiscounted Financial Assets/ (Liabilities)	(56,908,565)	(3,907,471)	(72,867,340)	282,607,725	108,072,764	256,997,113
Gross Settled Derivatives not Held for Trading						
Financial Assets						
Contractual Amounts Receivable	14,421,621	34,908,510	38,761,186	-	-	88,091,318
Contractual Amounts Payable	(14,421,621)	(34,908,510)	(38,761,186)	-	-	(88,091,318)
Financial Liabilities						
Contractual Amounts Receivable	14,394,299	34,814,085	39,016,987	-	-	88,225,371
Contractual Amounts Payable	(14,394,299)	(34,814,085)	(39,016,987)	-	-	(88,225,371)
	-	-	-	-	-	-
Total Gross Settled Derivative Assets/(Liabilities) not Held for Trading	-	-	-	-	-	-
Total Net Financial Assets/ (Liabilities)	(56,908,565)	(3,907,471)	(72,867,340)	282,607,725	108,072,764	256,997,113

Bank - As at 31 December 2024	On demand (Less than 15 days)	16 days to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets						
Cash and Cash Equivalents	20,816,621	-	-	-	-	20,816,621
Balances with Central Bank of Sri Lanka	487,404	225,390	285,807	184,844	27	1,183,473
Placement with bank	-	-	1,677,887	-	795,038	2,472,925
Reverse Repurchase Agreements	2,062,666	328,501	-	-	-	2,391,168
Financial Assets Recognised through Profit or Loss - Measured at Fair Value						
Government Debt Securities - Treasury Bills and Bonds	9,320	564,861	1,256,310	17,842,494	6,629,423	26,302,407
Financial Assets at Fair Value through Other Comprehensive Income						
Government Debt Securities - Treasury Bills and Bonds	1,641,521	6,015,426	20,478,936	96,552,358	17,630,639	142,318,880
Unquoted Equity Shares	-	-	-	-	166,841	166,841
Financial Assets at Amortised Cost - Debt Instruments						
Government Debt Securities - Treasury Bills and Bonds	2,397,004	5,164,794	19,040,638	95,426,517	20,922,517	142,951,469
Other Financial Assets	(53)	14,240	500,000	-	-	514,186
Financial Assets at Amortised Cost - Loans and Advances	102,947,178	71,490,929	50,827,556	105,334,492	15,509,844	346,109,999
Total Undiscounted Financial Assets	130,361,660	83,804,141	94,067,134	315,340,705	61,654,329	685,227,969
Financial Liabilities						
Due to Banks	9,648,311	12,584,448	5,432,222	-	-	27,664,981
Financial Liabilities at Amortised Cost						
Due to Depositors	136,507,761	63,742,138	119,197,339	82,403,088	1,534,493	403,384,819
Due to debt securities holders - Repurchase Agreements	14,437,505	4,484,024	3,252,266	-	-	22,173,795
Due to Other Borrowers	22,634	2,068	872,170	5,406,687	4,913,166	11,216,725
Debt Securities Issued	20,179	-	576,897	6,397,076	-	6,994,151
Total Undiscounted Financial Liabilities	160,636,390	80,812,678	129,330,894	94,206,850	6,447,658	471,434,470
Net Undiscounted Financial Assets/ (Liabilities)	(30,274,730)	2,991,464	(36,941,647)	221,133,855	54,411,632	211,320,574
Gross Settled Derivatives not Held for Trading						
Financial Assets						
Contractual Amounts Receivable	15,389,213	26,445,102	28,012,105	-	-	69,846,420
Contractual Amounts Payable	(15,389,213)	(26,445,102)	(28,012,105)	-	-	(69,846,420)
	-	-	-	-	-	-
Financial Liabilities						
Contractual Amounts Receivable	15,490,950	26,592,125	28,278,005	-	-	70,361,079
Contractual Amounts Payable	(15,490,950)	(26,592,125)	(28,278,005)	-	-	(70,361,079)
	-	-	-	-	-	-
Total Gross Settled Derivative Assets/(Liabilities) not Held for Trading	-	-	-	-	-	-
Total Net Financial Assets/ (Liabilities)	(30,274,730)	2,991,464	(36,941,647)	221,133,855	54,411,632	211,320,574

Notes to the Financial Statements

Contractual Maturity of Commitments and Guarantees

Whilst the management understands above contractual maturity gaps, more emphasis is given for the behavioural nature of these cash flows when managing the overall liquidity profile. Management has arranged diversified funding sources in addition to its core deposit base and adopted a policy of managing asset growth with liquidity in mind whilst monitoring future cash flows and liquidity.

In accordance with the Bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

Bank	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2025	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Bonds	1,857,297	5,376,610	15,024,969	1,563,841	1,765	23,824,482
Acceptance	1,192,568	3,224,524	361,182	21,132	-	4,799,406
Guarantees	590,546	-	-	-	-	590,546
Letters of Credit	1,130,509	12,535,746	2,930,295	-	-	16,596,551
Foreign Exchange Contracts	28,815,921	69,722,595	77,778,173	-	-	176,316,689
Forward Contracts to Buy/Sell Government Securities	918,776	-	-	-	-	918,776
Undrawn Commitments						
Credit Cards	54,717,733	-	-	-	-	54,717,733
Other	209,858,991	-	-	-	-	209,858,991
Total Commitments and Guarantees	299,082,340	90,859,476	96,094,620	1,584,973	1,765	487,623,173

Note 1: Forward Exchange Contract amounts shown above are the total of gross purchase and sales contracts with the counter parties. However, the net exposure on these contracts are estimated at LKR 1,894 Mn as at end of 2025 and LKR 1,437 Mn as at end of 2024 based on a 2.5% price premium movement on 6 month forward exchange rate as at end of each year.

Note 2: Total Commitment and contingencies reported here are on Gross basis

Bank	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2024	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Bonds	1,293,929	4,638,068	14,354,986	1,402,053	1,000	21,690,036
Acceptance	878,722	4,262,149	335,757	-	-	5,476,628
Guarantees	970,445	-	-	-	-	970,445
Letters of Credit	1,723,315	6,160,793	1,193,086	-	-	9,077,194
Foreign Exchange Contracts	30,880,162	53,037,227	56,290,110	-	-	140,207,499
Forward Contracts to Buy/Sell Government Securities	260,017					260,017
Undrawn Commitments						
Credit Cards	53,024,905	-	-	-	-	53,024,905
Other	176,006,394	-	-	-	-	176,006,394
Total Commitments and Guarantees	265,037,890	68,098,238	72,173,939	1,402,053	1,000	406,713,119

Note 1: Forward Exchange Contract amounts shown above are the total of gross purchase and sales contracts with the counter parties. However, the net exposure on these contracts are estimated at LKR 1,437 Mn as at end of 2024 and LKR 1,093 Mn as at end of 2023 based on a 2.5% price premium movement on 6 month forward exchange rate as at end of each year.

Note 2: Total Commitment and contingencies reported here are on Gross basis

47.4 Market Risk

Market Risk denotes the risk of losses in the banking book as a result of unfavourable movements in market variables such as interest rates, foreign exchange rates, credit spreads, equity prices and commodity prices.

The Bank manages the market risk on both trading and non-trading portfolios through a comprehensive market risk management framework. The objective of such framework is to reduce the exposure to the aforementioned unfavourable movements and mitigate the impact on the economic income and cash flows.

All market risk parameters carry the concurrence of the Board of Directors. These limits are reviewed periodically to factor the market dynamics and the Bank's business need and all revisions are subject to Board approval. The exposures are monitored against the limits set by the Board and a dashboard of the Bank's market risk exposures against approved limits is shared with the management on a daily basis.

The market risk is monitored according to the Board approved risk parameters (some of the parameters are monitored online) and the stress testing on the trading book is performed by the market risk management unit on a daily basis to assess the vulnerabilities of the market.

Probable adverse macroeconomic scenarios are considered while designing the stress framework and the results of the stress testing are presented to Integrated Risk Management Committee of the Bank.

Types of Market Risk

Both trading and non-trading activities of the Bank are exposed to movements in the market indices which reflects in the profit and losses.

- Interest Rate Risk
- Currency Risk

Interest Rate Risk

Interest Rate Risk (IRR) arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Any mismatches in the cash flows (fixed rate assets or liabilities) or re-pricing dates (floating rate assets or liabilities) expose the Bank's Net Interest Income to variations. There are Board approved limits on for managing interest rate risk in the trading and banking books of the Bank. The Bank's policy is to monitor positions on a daily basis and to ensure positions are maintained within the established limits.

IRR exposure is primarily managed with repricing gap analysis that distributes interest rate sensitive assets, liabilities and off-balance sheet positions at carrying amount into a number of pre-defined time-bands according to their residual term to maturity (fixed rate) or residual term for their next re-pricing (floating rate). The classifications are based on the basis agreed at ALCO for monitoring of repricing gaps.

Notes to the Financial Statements

Bank - As at 31 December 2025	Total	On demand (Less than 15 days)	16 days to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Assets							
Cash and balances with Central Bank of Sri Lanka	22,040,702	-	-	-	-	-	22,040,702
Loans and Advances	433,259,140	142,960,477	191,159,180	52,973,430	41,897,565	4,268,489	-
Investments	234,856,405	261,101	490,820	26,037,529	130,925,223	68,461,229	8,680,504
Other	99,385,327	13,657,147	34,908,510	39,690,886	-	-	11,128,784
Total Assets	789,541,574	156,878,725	226,558,510	118,701,846	172,822,788	72,729,717	41,849,990
Liabilities							
Deposits	490,869,961	129,378,419	77,795,659	182,542,917	59,054,672	3,200	42,095,094
Borrowings	76,801,257	29,871,271	24,720,571	14,518,936	6,347,715	1,342,764	-
Other	221,846,973	16,406,083	34,814,085	39,945,907	-	-	130,704,281
Total Liabilities and Equity	789,518,191	175,655,773	137,330,315	237,007,760	65,402,387	1,345,964	172,799,375
Total Interest Sensitivity Gap		(18,777,048)	89,228,195	(118,305,914)	107,420,401	71,383,754	(130,949,386)

Bank - As at 31 December 2024	Total	On demand (Less than 15 days)	16 days to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Assets							
Cash and balances with Central Bank of Sri Lanka	22,165,154	-	-	-	-	-	22,165,154
Loans and Advances	288,528,791	96,498,426	119,665,618	34,491,425	32,482,160	5,391,163	-
Investments	224,050,782	2,726,930	7,870,338	22,660,043	148,125,499	35,768,483	6,899,490
Other	119,850,358	56,242,641	26,738,002	28,012,105	-	-	8,857,609
Total Assets	654,595,085	155,467,997	154,273,958	85,163,574	180,607,660	41,159,646	37,922,252
Liabilities							
Deposits	378,254,828	97,717,787	61,112,526	111,080,461	68,217,358	1,472,279	38,654,417
Borrowings	103,211,778	64,503,086	16,812,423	8,778,690	9,725,727	3,391,853	-
Other	173,128,479	16,026,918	26,885,385	28,278,005	-	-	101,938,171
Total Liabilities and Equity	654,595,085	178,247,790	104,810,333	148,137,156	77,943,085	4,864,132	140,592,588
Total Interest Sensitivity Gap		(22,779,793)	49,463,624	(62,973,582)	102,664,575	36,295,514	(102,670,336)

The ALCO monitors the above gaps and the sensitivity on the Profit or Loss and equity for Sri Lankan Rupee and US Dollar denominated assets and liabilities on a Bank and Group basis against the set limits. The sensitivity of the Profit or Loss and equity is measured by calculating the change in the present value of above interest rate sensitive gaps, based on assumed changes in interest rates along the yield curve.

The following table demonstrates the sensitivity of the Bank's Profit or Loss to a reasonably possible parallel shift in the interest rate yield curve, with all other variables held constant.

Bank	Increase / (Decrease) in basis points	Sensitivity to Profit after Tax		Sensitivity to Equity after Tax	
		2025	2024	2025	2024
Asset/Liabilities	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
LKR	+100/-100	+325,518/-330,538	+191,239/-194,384	-3,261,466/+3,487,814	-2,514,347/+2,661,197
USD	+50/-50	+38,587/-39,024	+9,264/-9,366	+290,640/-297,084	+218,812/-223,001

Exposure to market risk in the trading book is further monitored and measured by setting limits on products, maturity profile of the portfolio, cut-loss limits.

Currency Risk

Currency risk is the potential risk of loss due to unfavourable movements in foreign exchange rates when the Bank has foreign currency denominated assets, liabilities or trading positions. Exposure to each currency is arrived at by calculating the Net Asset or Liability position including the spot and forward contracts of the relevant currency.

The following Board approved limits are monitored to mitigate against currency risk exposures;

- Exposure for each currency by maturity for currency position
- Dealer and Counter-party Limits
- Overnight and Intra-Day position Limits
- Stop-loss limits

Treasury Middle Office (TMO) monitors the above positions on a daily basis to ensure positions are maintained within established limits. The table below indicates the currencies to which the Bank had material exposures at 31 December 2025. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Sri Lankan Rupee, with all other variables held constant, on the Profit or Loss. A negative amount in the table reflects a potential net reduction in Profit or Loss, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against the Sri Lankan Rupee would have resulted in an equivalent but opposite impact.

The sensitivity related to trading position in the Domestic Banking Unit is given below;

Currency	Change in Currency Rate in %	Change in Currency Rate in %	Effect on Profit after tax	Effect on Profit after tax
	2025	2024	2025 LKR '000	2024 LKR '000
USD	+5	+5	28,817	(39,415)
GBP	+5	+5	(159)	(212)
EUR	+5	+5	42	(104)
AUD	+5	+5	1,517	746
JPY	+5	+5	(1)	192
Other	+5	+5	395	711

Notes to the Financial Statements

In addition to the above trading exposures, the Bank carries a Positive US Dollar reserve as well. The sensitivity to Profit or Loss from this exposure is as follows;

Currency	Change in Currency Rate in %	Change in Currency Rate in %	Effect on Profit after tax	Effect on Profit after tax
	2025	2024	2025 LKR '000	2024 LKR '000
USD	+5	+5	113,067	48,728

48. Contingent Liabilities, Commitments and Leasing Arrangements

48.1 Legal Claims and Contingent Liabilities

There have been no significant legal claims against the Bank / Group as at 31 December 2025 (2024 – Nil).

48.2 Uncertain Tax Positions

During the year 2024, the Bank received a Notice of Assessment amounting to LKR 802.7 million in respect of the Surcharge Tax pertaining to the year of assessment 2020/21. The Bank has submitted an appeal in response to the assessment. As at 31 December 2025, the appeal process is still ongoing.

48.3 Capital Commitments

The commitment for acquisition of Property, Plant and Equipment and Intangible Assets incidental to the ordinary course of business as at 31 December are as follows;

As at 31 December	Group 2025 LKR '000	Group 2024 LKR '000
Capital Commitments for Property, Plant and Equipment		
Approved and Contracted for	38,170	1,332,260
Approved but not Contracted for	1,192,622	2,252
	1,230,792	1,334,512
Capital Commitments for Intangible Assets		
Approved and Contracted for	48,646	328,660
Approved but not Contracted for	1,169,813	–
	1,218,459	328,660
	2,449,251	1,663,172

48.4 Lease Arrangements

48.4.1 Operating Lease Commitments – Group as Lessee

The Group has entered into commercial leases for premises and non bank motor vehicles for bank use. These leases have an average life of five to six years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Set out below are the undiscounted potential future rental payments as at 31 December.

As at 31 December	Group 2025 LKR '000	Group 2024 LKR '000
Within one year	553,384	502,926
After one year but not more than five years	1,367,421	1,659,306
More than five years	656,806	495,235
	2,577,611	2,657,467

48.4.2 Operating Lease Receivable – Group as Lessor

The table below provides an analysis of operating lease receivables for leases of certain properties in which the Group is the lessor.

As at 31 December	Group 2025 LKR '000	Group 2024 LKR '000
Within one year	29,765	29,021
After one year but not more than five years	29,765	58,042
	59,530	87,063

49 Capital

The Bank maintains an actively managed capital base to cover risks inherent in the business and meet the capital adequacy requirements of the Central Bank of Sri Lanka. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS) and adopted by the Central Bank of Sri Lanka in supervising the Bank.

49.1 Capital Management

The primary objectives of the Bank's capital management policy are to ensure that the bank complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

Regulatory capital consists of Tier 1 Capital, which comprises share capital, share premium, retained earnings including current year profit. The other component of regulatory capital is Tier II Capital, which includes subordinated long term debt.

49.2 Net Assets Value per Ordinary Share

	Bank 2025	Bank 2024	Group 2025	Group 2024
Amount Used as the Numerator:				
Net Assets Attributable to Equity Holders of the Parent (LKR'000)	93,892,076	76,886,307	96,915,623	79,477,075
Number of Ordinary Shares Used as the Denominator:				
Number of Ordinary Shares in Issue at the End of the Year (Note 26)	330,637,482	326,200,247	330,637,482	326,200,247
Net Assets Value per Ordinary Share (LKR)	283.97	235.70	293.12	243.65

50 Events After the Reporting Date

No material events have taken place since 31 December 2025 that require disclosure or/and adjustments in these financial statements, except for the following;

(a) Dividends Declared

The Board of Directors of the Bank has approved the payment of a first and final dividend of LKR 7.00 per share to be paid and in the form of LKR 3.50 per share in cash and LKR 3.50 per share in the form of scrip. Scrip issue will be made in the proportion of 01 share for every 115.3836 voting shares amounting to a total of 2,478,827 new voting shares and 01 share for every 142.1699 convertible non-voting shares, amounting to a total of 313,861 new convertible non-voting shares. Fractions in shares will be paid in cash.

51 Other Explanatory Notes

On 24 September 2025, The Bank entered into a binding Sale and Purchase Agreement (SPA) with The Hongkong and Shanghai Banking Corporation Limited acting through Sri Lanka Branch to acquire its retail banking business in Sri Lanka which includes acquisition of all assets and liabilities of the retail business. The Bank received formal approval for the acquisition from the Central Bank of Sri Lanka (CBSL) on 1 December 2025, under Section 12(1)(c) of the Banking Act, No. 30 of 1988 as amended.

As of the date, these financial statements were authorised for issue; all significant conditions of precedent set out in the SPA have been satisfied. The transaction is expected to reach legal completion in the first half of 2026, at which point the bank will assume the control of the assets and liabilities and the Bank's balance sheet will reflect the assets and liabilities so acquired and assumed.

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Risk Management Annexures

Credit Risk

Table 1

Gross Loans & Advances – Individual Impairment

2025	Exposure		Impairment			Age Analysis		
	On Balance Sheet	Off Balance Sheet	Impairment Provision	Net Present Value of Future Cash Flows*	Write Offs During the period	0 - 30 Days	31 -90 Days	Above 90 Days
Total Loans & Advances	35,028,783	–	9,751,368	25,277,414	368,512	21,901,521	2,342,549	10,784,713

*Sum of net present value of cash flows expected through normal business activities and collateral liquidation.

Table 2

Gross Loans & Advances – Collective Impairment

2025	Exposure		Impairment		Age Analysis		
	On Balance Sheet	Off Balance Sheet	Impairment Provision	Write Offs During the period	0 - 30 Days	31 -90 Days	Above 90 Days
Total Loans & Advances	411,173,577	–	10,136,289	746,364	398,453,993	7,271,924	5,447,660

* Staff Loans exposures are not assessed for impairment.

Risk Management Annexures

Market Risk

Table 1

Composition of Trading and Non-Trading Book

	2025		
	Trading book (LKR million)	Non-trading book (LKR million)	Total (LKR million)
Assets			
Cash and Cash Equivalents	-	19,865	19,865
Balances with Central Bank of Sri Lanka	-	2,046	2,046
Placements with Banks	-	1,438	1,438
Reverse Repurchase Agreements	-	646	646
Derivative Financial Instruments	613	-	613
Financial Assets	11,590	133,113	144,703
Financial Assets at Amortised Cost - Debt Instruments	-	88,898	88,898
Financial Assets at Amortised Cost – Loans and Advances	-	430,368	430,368
Other Assets	-	2,413	2,413
Investments in Subsidiaries	-	679	679
Fixed Assets (PPE, ROU & Intangibles)	-	7,779	7,779
Deferred Tax Assets	-	1,127	1,127
Total	12,203	688,372	700,575
Liabilities			
Due to Banks	-	42,773	42,773
Derivative Financial Instruments	38	-	38
Due to Depositers	-	502,606	502,606
Repurchase Agreements	-	23,479	23,479
Due to other Borrowers	-	10,006	10,006
Debt Securities Issued	-	5,974	5,974
Retirement benefit obligations	-	1,659	1,659
Current Tax Liabilities	-	5,568	5,568
Other Liabilities	-	14,581	14,581
Equity & Other Reserves	-	93,891	93,891
Total	38	700,537	700,575
Contingent Liabilities & Commitments	176,317	310,330	486,647
Commitment & Guarantees	-	309,411	309,411
Forward on Government Securities	-	919	919
Derivative Assets- Held for Trading (Net)	176,317	-	176,317

Table 2

Net Open Position of Foreign Currency Denominated Assets and Liabilities of Domestic Banking Unit * (in millions of respective currency)

CCY		Up to One month	1 - 3 months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Over 5 Years	NOP
USD	Assets (On & Off Balance sheet)	341.064	58.332	101.001	35.533	3.588	1.676	1.887	2.659
	Liabilities (On & Off Balance sheet)	102.481	47.946	99.781	96.421	50.187	30.579	113.027	
	Periodic Gap	238.583	10.386	1.220	(60.888)	(46.599)	(28.903)	(111.140)	
GBP	Assets (On & Off Balance sheet)	7.240	–	0.003	0.001	–	–	–	(0.010)
	Liabilities (On & Off Balance sheet)	0.703	0.424	0.498	1.007	0.648	0.244	3.710	
	Periodic Gap	6.537	(0.424)	(0.495)	(1.006)	(0.648)	(0.244)	(3.710)	
EUR	Assets (On & Off Balance sheet)	5.704	0.718	0.001	0.009	–	–	0.027	0.003
	Liabilities (On & Off Balance sheet)	0.695	0.980	0.330	0.774	0.682	0.246	2.749	
	Periodic Gap	5.009	(0.262)	(0.329)	(0.765)	(0.682)	(0.246)	(2.722)	

Risk Management Annexures

Liquidity Risk

Table 1

Maturity Gaps in Major Currencies (in millions of respective currency)

CCY		Up to One month	1 - 3 months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Over 5 Years
LKR	Assets (On & Off Balance sheet)	123,791	124,586	57,286	44,045	126,956	57,806	51,762
	Liabilities (On & Off Balance sheet)	132,847	60,600	67,464	45,393	46,669	28,188	230,951
	Periodic Gap	(9,056)	63,986	(10,178)	(1,348)	80,287	29,618	(179,189)
	Cumulative GAP	(9,056)	54,930	44,752	43,404	123,691	153,309	(25,880)
USD	Assets (On & Off Balance sheet)	139	93	138	54	116	38	8
	Liabilities (On & Off Balance sheet)	117	52	99	116	57	24	140
	Periodic Gap	22	41	39	(62)	59	14	(132)
	Cumulative GAP	22	63	102	40	99	113	(19)
GBP	Assets (On & Off Balance sheet)	5	3	-	-	-	-	-
	Liabilities (On & Off Balance sheet)	1	-	-	1	1	-	11
	Periodic Gap	4	3	-	(1)	(1)	-	(11)
	Cumulative GAP	4	7	7	6	5	5	(6)
EUR	Assets (On & Off Balance sheet)	7	-	-	-	-	-	-
	Liabilities (On & Off Balance sheet)	1	-	-	-	1	-	5
	Periodic Gap	6	-	-	-	(1)	-	(5)
	Cumulative GAP	6	6	6	6	5	5	-

Interest Rate Risk

Table 1

Interest Rate Sensitive gap Analysis (in millions of respective currency)

CCY		Up to One month	1 - 3 months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Over 5 Years	Total
LKR	Assets	220,583	40,193	21,051	31,493	122,685	50,136	72,730	558,871
	Liabilities	176,923	63,256	85,322	63,989	31,884	5,510	1,346	428,230
	Periodic Gap	43,660	(23,063)	(64,271)	(32,496)	90,801	44,626	71,384	130,641
USD	Assets	230	140	181	33	-	-	-	584
	Liabilities	153	59	117	153	43	47	-	572
	Periodic Gap	77	81	64	(120)	(43)	(47)	-	12
GBP	Assets	6	-	-	-	-	-	-	6
	Liabilities	3	1	1	2	-	-	-	7
	Periodic Gap	3	(1)	(1)	(2)	-	-	-	(1)
EUR	Assets	-	1	-	-	-	-	-	1
	Liabilities	3	1	1	2	-	-	-	7
	Periodic Gap	(3)	-	(1)	(2)	-	-	-	(6)

Table 2

Interest Rate Risk in Banking Book- Economic Value of Equity (EVE) - in LKR Millions

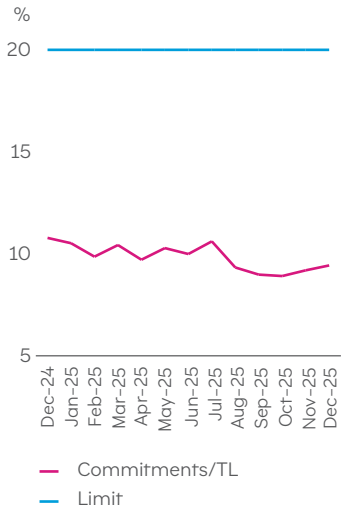
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Up by 100bp	(40)	4	147	498	(1,306)	(759)	(3,040)	(4,496)
Down by 100bp	40	(4)	(147)	(498)	1,306	759	3,040	4,496

Note : Interest sensitivity is on 100bps increase/decrease, excluding trading book.

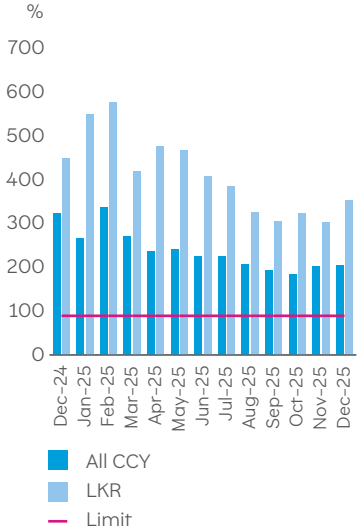
Risk Management Annexures

Liquidity Risk Trend Analysis

Commitments to Total Loans

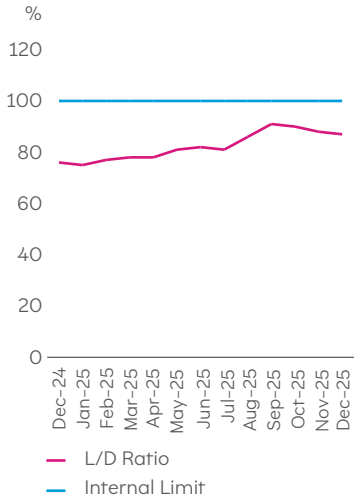


Liquidity Coverage Ratio

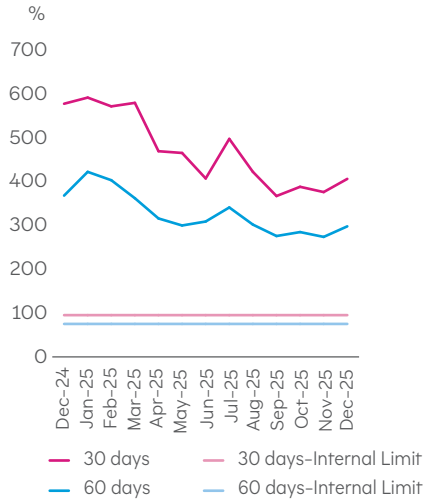


Net Stable Funding Ratio

Loan to Deposit Ratio



Liquid Assets to Short term Liabilities Ratio



Net Loans to Total Assets Ratio

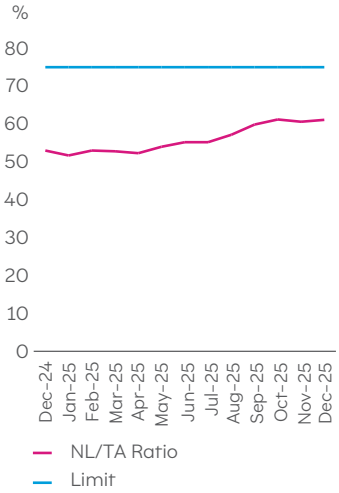


Table 1

Key Regulatory Ratios – Capital and Liquidity

Item	Bank		Group	
	31-December-25	31-December-24	31-December-25	31-December-24
Regulatory Capital (LKR '000)				
Common Equity Tier 1	87,652,886	70,822,110	90,315,275	73,081,874
Tier 1 Capital	87,652,886	70,822,110	90,315,275	73,081,874
Total Capital	92,768,154	74,851,471	95,430,133	77,111,235
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement – 7.00%)	19.06%	20.87%	19.61%	21.47%
Tier 1 Capital Ratio (Minimum Requirement – 8.50%)	19.06%	20.87%	19.61%	21.47%
Total Capital Ratio (Minimum Requirement – 12.50%)	20.17%	22.05%	20.72%	22.66%
Leverage Ratio (Minimum Requirement – 3%)	12.14%	12.57%	12.51%	12.96%
Regulatory Liquidity				
Total Stock of High-Quality Liquid Assets (LKR'000)	211,183,595	210,135,367		
Liquidity Coverage Ratio (%)				
Rupee (Minimum Requirement – 100%)	351.44%	447.74%		
All Currency (Minimum Requirement – 100%)	203.40%	320.56%		
Net Stable Funding Ratio (Minimum Requirement – 100%)	138.33%	154.73%		

Risk Management Annexures

Table 2

Basel III Computation of Capital Ratios

Item	Bank		Group	
	LKR '000		LKR '000	
	31-December-25	31-December-24	31-December-25	31-December-24
Common Equity Tier 1 (CET1) Capital after Adjustments	87,652,886	70,822,110	90,315,275	73,081,874
Common Equity Tier 1 (CET1) Capital	90,562,910	73,344,877	92,953,208	75,354,251
Equity Capital (Stated Capital)/Assigned Capital	13,007,641	12,106,271	13,007,640	12,106,271
Reserve Fund	4,554,406	3,610,419	4,554,407	3,610,418
Published Retained Earnings/(Accumulated Retained Losses)	69,679,493	53,907,156	72,069,791	55,916,529
Published Accumulated Other Comprehensive Income (OCI)	3,321,370	3,721,032	3,321,370	3,721,033
General and other Disclosed Reserves	-	-	-	-
Unpublished Current Year's Profit/Loss 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	2,910,024	2,522,767	2,637,933	2,272,377
Goodwill (net)	-	-	-	-
Intangible Assets (net)	1,782,628	1,408,451	1,782,965	1,408,927
Deferred tax assets (net)	1,127,396	1,114,316	854,968	863,450
Shortfall of the Cumulative Impairment to Specific Provisions	-	-	-	-
Additional Tier 1 (AT1) Capital after Adjustments	-	-	-	-
Additional Tier 1 (AT1) Capital	-	-	-	-
Qualifying Additional Tier 1 Capital Instruments	-	-	-	-
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	-	-	-	-
Others (specify)	-	-	-	-
Tier 2 Capital after Adjustments	5,115,268	4,029,361	5,114,858	4,029,361
Tier 2 Capital	5,115,268	4,029,361	5,114,858	4,029,361
Qualifying Tier 2 Capital Instruments	257,143	514,286	257,143	514,286
Revaluation Gains	473,067	473,067	473,067	473,067
Loan Loss Provisions	4,385,058	3,042,008	4,384,649	3,042,008
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
Total Adjustments to Tier 2	-	-	-	-
Investment in Own Shares	-	-	-	-
Others (specify)	-	-	-	-
CET1 Capital	87,652,886	70,822,110	90,315,275	73,081,874
Total Tier 1 Capital	87,652,886	70,822,110	90,315,275	73,081,874
Total Capital	92,768,154	74,851,471	95,430,133	77,111,235

Table 2 (Cond.)

Basel III Computation of Capital Ratios (Contd.)

Item	Bank		Group	
	LKR '000		LKR '000	
	31-December-25	31-December-24	31-December-25	31-December-24
Total Risk Weighted Assets (RWA)	459,956,687	339,408,904	460,512,934	340,341,174
RWAs for Credit Risk	350,804,655	243,360,644	350,771,890	243,717,114
RWAs for Market Risk	51,655,336	43,871,249	51,655,336	43,871,249
RWAs for Operational Risk	57,496,696	52,177,012	58,085,707	52,752,811
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	19.06%	20.87%	19.61%	21.47%
of which: Capital Conservation Buffer (%)	2.500%	2.500%	2.500%	2.500%
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-	-	-
Total Tier 1 Capital Ratio (%)	19.06%	20.87%	19.61%	21.47%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	20.17%	22.05%	20.72%	22.66%
of which: Capital Conservation Buffer (%)	2.500%	2.500%	2.500%	2.500%
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-	-	-

Table 3

Basel III Computation of Leverage Ratio

Item	Bank		Group	
	LKR '000		LKR '000	
	31-December-25	31-December-24	31-December-25	31-December-24
Tier 1 Capital	87,652,886	70,822,110	90,315,275	73,081,874
Total Exposures	721,992,938	563,561,779	721,998,881	563,956,956
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	696,405,746	540,304,796	696,411,688	540,699,973
Derivative Exposures	2,468,434	2,169,806	2,468,434	2,169,806
Securities Financing Transaction Exposures	645,794	2,389,147	645,794	2,389,147
Other Off-Balance Sheet Exposures	22,472,964	18,698,030	22,472,964	18,698,030
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	12.14%	12.57%	12.51%	12.96%

Risk Management Annexures

Table 4

Basel III Computation of Liquidity Coverage Ratio (All Currency)

Item	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
	LKR '000		LKR '000	
	31-December-25		31-December-24	
Total Stock of High-Quality Liquid Assets (HQLA)	211,183,595	211,183,595	210,135,367	210,135,367
Total Adjusted Level 1A Assets	212,769,923	212,769,923	210,975,078	210,975,078
Level 1 Assets	211,183,595	211,183,595	210,135,367	210,135,367
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	839,714,181	163,077,741	668,310,071	108,454,888
Deposits	328,739,571	32,873,957	280,955,251	28,095,525
Unsecured Wholesale Funding	177,072,237	92,393,133	105,166,155	51,644,653
Secured Funding Transactions	-	-	24,052	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	321,547,489	25,455,766	274,865,780	21,415,878
Additional Requirements	12,354,885	12,354,885	7,298,832	7,298,832
Total Cash Inflows	97,854,920	59,251,180	81,122,355	42,902,459
Maturing Secured Lending Transactions Backed by Collateral	648,360	-	2,391,168	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	91,337,319	59,170,475	68,281,588	41,705,884
Operational Deposits	5,788,536	-	9,253,025	-
Other Cash Inflows	80,704	80,704	1,196,575	1,196,575
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/ Total Net Cash Outflows over the Next 30 Calendar Days) * 100		203.40%		320.56%

Table 5

Basel III Computation of Net Stable Funding Ratio

Item	Bank	
	Amount (LKR'000)	
	31-December-25	31-December-24
Total Available Stable Funding	496,647,134	403,664,648
Required Stable Funding – On Balance Sheet Assets	346,935,029	250,879,941
Required Stable Funding – Off Balance Sheet Items	12,104,325	10,007,542
Total Required Stable Funding	359,039,354	260,887,483
Net Stable Funding Ratio (Minimum Requirement - 100%)	138.33%	154.73%

Risk Management Annexures

Table 6

Main Features of Regulatory Capital Instruments

Description of the Capital Instrument	Ordinary Shares (Voting)	Ordinary Shares (Non Voting)
Issuer	Nations Trust Bank PLC	Nations Trust Bank PLC
Unique Identifier (e.g. ISIN or Bloomberg Identifier for Private Placement)	LK0309N00001	LK0309N00001
Governing Law(s) of the Instrument	Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka Act	Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka Act
Original Date of Issuance	3-May-99	20-Feb-18
Par Value of Instrument	N/A	N/A
Perpetual or Dated	Perpetual	Perpetual
Original Maturity Date, if Applicable	N/A	N/A
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	9,421,143	3,586,498
Accounting Classification (Equity/Liability)	Equity	Equity
Issuer Call subject to Prior Supervisory Approval		
Optional Call Date, Contingent Call Dates and Redemption Amount (LKR '000)	N/A	N/A
Subsequent Call Dates, if Applicable	N/A	N/A
Coupons/Dividends		
Fixed or Floating Dividend/Coupon	Discretionary dividend amount	Discretionary dividend amount
Coupon Rate and any Related Index	Distributable profit that has been declared as dividend	Distributable profit that has been declared as dividend
Non-Cumulative or Cumulative	Non-Cumulative	Non-Cumulative
Convertible or Non-Convertible	Non-Convertible	Convertible
If Convertible, Conversion Trigger (s)	Non-Convertible	Starting from last market date of quarter ending 30th June and forward
If Convertible, Fully or Partially	Non-Convertible	Fully or Partially
If Convertible, Mandatory or Optional	Non-Convertible	Optional
If Convertible, Conversion Rate	Non-Convertible	1:1

	Subordinated Debt (Debentures)	Senior Debt (Debentures)	Senior Debt (Debentures)
	Nations Trust Bank PLC	Nations Trust Bank PLC	Nations Trust Bank PLC
	NTB-BD-23/12/26 - C2442 - 12.9	N/A	N/A
	Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka Act	Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka Act	Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka Act
	23-Dec-19	9-Jul-21	9-Jul-21
	100	100	100
	Dated	Dated	Dated
	23-Dec-26	9-Jul-26	9-Jul-26
	257,143	N/A	N/A
	Liability	Liability	Liability
	N/A	N/A	N/A
	N/A	N/A	N/A
	Fixed	Fixed	Fixed
	12.90%	8.90%	9.15%
	Non-Cumulative	Non-Cumulative	Non-Cumulative
	Convertible	Non-Convertible	Non-Convertible
	As per Banking Act Direction No. 1 of 2016	N/A	N/A
	Fully or Partially	N/A	N/A
	Mandatory	N/A	N/A
	Simple Average of Volume WA Price of ordinary voting shares published by the CSE, during the 3 months period, immediately preceding the date of the Trigger Event.	N/A	N/A

Risk Management Annexures

Table 7

Credit Risk under Standardised Approach – Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

Asset Class	Bank LKR'000 as at -31-December-25					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density(ii)
Claims on Central Government and CBSL	89,811,121	87,738,526	89,811,121	2,655,171	-	0%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	0%
Claims on Public Sector Entities	12,332,490	-	12,332,490	-	6,166,239	50%
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	0%
Claims on Banks Exposures	9,793,762	57,702,102	9,793,762	1,188,938	2,299,708	21%
Claims on Financial Institutions	67,235,386	227,404	45,511,310	159,310	29,008,597	64%
Claims on Corporates	226,401,059	218,730,479	207,564,797	16,750,059	216,071,027	96%
Retail Claims	121,741,968	96,283,170	93,989,106	4,703,977	75,931,253	77%
Claims Secured by Residential Property	5,642,186	-	5,642,186	-	2,559,042	45%
Claims Secured by Commercial Real Estate	1,659,764	-	1,659,764	-	1,659,764	100%
Non-Performing Assets (NPAs)(i)	5,477,441	6,278	5,193,390	2,696	5,421,158	104%
Higher-risk Categories	774,719	-	774,719	-	1,936,796	250%
Cash Items and Other Assets	21,287,879	-	21,287,879	-	9,751,070	46%
Total	562,157,775	460,687,959	493,560,522	25,460,152	350,804,655	68%

Asset Class	Group LKR'000 as at -31-December-25					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density(ii)
Claims on Central Government and CBSL	89,811,121	87,738,526	89,811,121	2,655,171	-	0%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	0%
Claims on Public Sector Entities	12,332,490	-	12,332,490	-	6,166,239	50%
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	0%
Claims on Banks Exposures	9,793,762	57,702,102	9,793,762	1,188,938	2,299,708	21%
Claims on Financial Institutions	67,235,386	227,404	45,511,310	159,310	29,008,597	64%
Claims on Corporates	226,401,059	218,730,479	207,564,797	16,750,059	216,071,027	96%
Retail Claims	121,741,968	96,283,170	93,989,106	4,703,977	75,931,253	77%
Claims Secured by Residential Property	5,642,186	-	5,642,186	-	2,559,042	45%
Claims Secured by Commercial Real Estate	1,659,764	-	1,659,764	-	1,659,764	100%
Non-Performing Assets (NPAs)(i)	5,477,441	6,278	5,193,390	2,696	5,421,158	104%
Higher-risk Categories	748,916	-	748,916	-	1,872,290	250%
Cash Items and Other Assets	21,319,624	-	21,319,624	-	9,782,812	46%
Total	562,163,717	460,687,959	493,566,465	25,460,152	350,771,890	68%

Note:

(i) NPAs – As per Banking Act Directions on Classification of loans and advances, income recognition and provisioning.

(ii) RWA Density – Total RWA/Exposures post CCF and CRM.

Bank						
LKR'000 as at -31-December-24						
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density(ii)
	97,465,351	38,332,150	97,465,351	766,643	-	0%
	-	-	-	-	-	0%
	4,177,883	-	4,177,883	-	3,676,489	88%
	-	-	-	-	-	0%
	9,278,877	65,522,801	9,278,650	1,436,141	2,311,870	22%
	24,568,793	27,402,183	13,939,043	506,231	8,121,009	56%
	158,876,171	153,878,955	143,095,726	14,167,185	150,476,346	96%
	98,713,817	90,999,559	73,404,301	4,149,437	58,604,848	76%
	5,673,669	-	5,673,669	-	2,488,421	44%
	287,842	-	287,842	-	287,842	100%
	7,000,179	-	6,757,871	6,861	7,192,106	106%
	25,803	-	25,803	-	64,507	250%
	21,700,802	-	21,700,802	-	10,137,206	47%
	427,769,187	376,135,647	375,806,940	21,032,497	243,360,644	61%

Group						
LKR'000 as at -31-December-24						
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density(ii)
	97,465,351	38,332,150	97,465,351	766,643	-	0%
	-	-	-	-	-	0%
	4,177,883	-	4,177,883	-	3,676,489	88%
	-	-	-	-	-	0%
	9,278,650	65,522,801	9,278,650	1,436,141	2,311,870	22%
	24,569,019	27,402,183	13,939,043	506,231	8,121,009	56%
	158,876,171	153,878,955	143,095,726	14,167,185	150,476,346	96%
	98,713,817	90,999,559	73,404,301	4,149,437	58,604,848	76%
	5,673,669	-	5,673,669	-	2,488,421	44%
	287,842	-	287,842	-	287,842	100%
	7,000,179	-	6,757,871	6,861	7,192,106	106%
	-	-	-	-	-	0%
	22,121,782	-	22,121,782	-	10,558,183	48%
	428,164,364	376,135,647	376,202,117	21,032,497	243,717,114	61%

Risk Management Annexures

Table 8

Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights

Description	Bank										
	LKR'000 as at 31-December-2025 (Post CCF & CRM)										
Risk Weight Asset Classes	0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka	92,466,292	-	-	-	-	-	-	-	-	-	92,466,292
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	19	-	12,332,471	-	-	-	-	-	12,332,490
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-
Claims on Banks Exposures	-	-	10,816,402		75,081	-	-	75,881	15,337	-	10,982,701
Claims on Financial Institutions	-	-	-	-	33,324,046	-	-	12,346,574	-	-	45,670,620
Claims on Corporates	-	-	3,672,867	-	10,611,070	-	-	210,030,919	-	-	224,314,856
Retail Claims	-	-	87,855	-	-	7,548,847	78,688,032	12,368,350	-	-	98,693,083
Claims Secured by Residential Property	-	-	-	4,743,299	-	-	-	898,887	-	-	5,642,186
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	1,659,764	-	-	1,659,764
Non-Performing Assets (NPAs)	-	-	-	-	61,884	-	-	4,622,172	512,029	-	5,196,086
Higher-risk Categories	-	-	-	-	-	-	-	-	-	774,719	774,719
Cash Items and Other Assets	11,536,808	-	-	-	-	-	-	9,751,070	-	-	21,287,879
Total	104,003,100	-	14,577,142	4,743,299	56,404,552	7,548,847	78,688,032	251,753,617	527,367	774,719	519,020,675

Description	Group										
	LKR'000 as at 31-December-2025 (Post CCF & CRM)										
Risk Weight Asset Classes	0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka	92,466,292	-	-	-	-	-	-	-	-	-	92,466,292
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	19		12,332,471	-	-	-	-	-	12,332,490
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-
Claims on Banks Exposures	-	-	10,816,402		75,081	-	-	75,881	15,337	-	10,982,701
Claims on Financial Institutions	-	-	-	-	33,324,046	-	-	12,346,574	-	-	45,670,620
Claims on Corporates	-	-	3,672,867	-	10,611,070	-	-	210,030,919	-	-	224,314,856
Retail Claims	-	-	87,855	-	-	7,548,847	78,688,032	12,368,350	-	-	98,693,083
Claims Secured by Residential Property	-	-	-	4,743,299	-	-	-	898,887	-	-	5,642,186
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	1,659,764	-	-	1,659,764
Non-Performing Assets (NPAs)	-	-	-	-	61,884	-	-	4,622,172	512,029	-	5,196,086
Higher-risk Categories	-	-	-	-	-	-	-	-	-	748,916	748,916
Cash Items and Other Assets	11,536,811	-	-	-	-	-	-	9,782,812	-	-	21,319,624
Total	104,003,103	-	14,577,142	4,743,299	56,404,552	7,548,847	78,688,032	251,785,359	527,367	748,916	519,026,617

Bank										
LKR'000 as at 31-Dec-2024 (Post CCF & CRM)										
0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
98,231,994	-	-	-	-	-	-	-	-	-	98,231,994
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	1,002,787	-	-	3,175,096	-	-	4,177,883
-	-	-	-	-	-	-	-	-	-	-
-	-	10,322,333	-	304,405	-	-	73,758	14,296	-	10,714,792
-	-	-	-	12,648,530	-	-	1,796,744	-	-	14,445,273
-	-	4,255,522	-	6,764,294	-	-	146,243,095	-	-	157,262,911
-	-	-	-	-	7,039,336	64,532,622	5,981,780	-	-	77,553,738
-	-	-	4,900,382	-	-	-	773,288	-	-	5,673,669
-	-	-	-	-	-	-	287,842	-	-	287,842
-	-	-	-	137,604	-	-	5,634,775	992,352	-	6,764,731
-	-	-	-	-	-	-	-	-	25,803	25,803
11,563,596	-	-	-	-	-	-	10,137,206	-	-	21,700,802
109,795,590	-	14,577,855	4,900,382	20,857,620	7,039,336	64,532,622	174,103,583	1,006,648	25,803	396,839,438

Group										
LKR'000 as at 31-Dec-2024 (Post CCF & CRM)										
0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
98,231,994	-	-	-	-	-	-	-	-	-	98,231,994
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	1,002,787	-	-	3,175,096	-	-	4,177,883
-	-	-	-	-	-	-	-	-	-	-
-	-	10,322,333	-	304,405	-	-	73,758	14,296	-	10,714,792
-	-	-	-	12,648,530	-	-	1,796,744	-	-	14,445,273
-	-	4,255,522	-	6,764,294	-	-	146,243,095	-	-	157,262,911
-	-	-	-	-	7,039,336	64,532,622	5,981,780	-	-	77,553,738
-	-	-	4,900,382	-	-	-	773,288	-	-	5,673,669
-	-	-	-	-	-	-	287,842	-	-	287,842
-	-	-	-	137,604	-	-	5,634,775	992,352	-	6,764,731
-	-	-	-	-	-	-	-	-	-	-
11,563,599	-	-	-	-	-	-	10,558,183	-	-	22,121,782
109,795,593	-	14,577,855	4,900,382	20,857,620	7,039,336	64,532,622	174,524,560	1,006,648	-	397,234,615

Risk Management Annexures

Table 9

Market Risk under Standardised Measurement Method

Item	Bank		Group	
	RWA (LKR'000)		RWA (LKR'000)	
	31-December-25	31-December-24	31-December-25	31-December-24
(a) RWA for Interest Rate Risk	6,296,602	5,366,381	6,296,602	5,366,381
General Interest Rate Risk	6,296,602	5,366,381	6,296,602	5,366,381
(i) Net Long or Short Position	6,296,602	5,366,381	6,296,602	5,366,381
(ii) Horizontal Disallowance	-	-	-	-
(iii) Vertical Disallowance	-	-	-	-
(iv) Options	-	-	-	-
Specific Interest Rate Risk	-	-	-	-
(b) RWA for Equity	-	-	-	-
(i) General Equity Risk	-	-	-	-
(ii) Specific Equity Risk	-	-	-	-
(c) RWA for Foreign Exchange & Gold	160,315	117,525	160,315	117,525
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	51,655,336	43,871,249	51,655,336	43,871,249

Table 10

Operational Risk under Basic Indicator Approach/ The Standardised Approach/ The Alternative Standardise Approach

Business Lines	Bank									
	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-December-25			Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-December-24		
			1st Year	2nd Year	3rd Year			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		44,471,082	47,548,077	51,722,581	15%		38,423,370	44,471,082	47,548,077
The Standardised Approach			-	-	-			-	-	-
Corporate Finance	18%		-	-	-	18%		-	-	-
Trading and Sales	18%		-	-	-	18%		-	-	-
Payment and Settlement	18%		-	-	-	18%		-	-	-
Agency Services	15%		-	-	-	15%		-	-	-
Asset Management	12%		-	-	-	12%		-	-	-
Retail Brokerage	12%		-	-	-	12%		-	-	-
Retail Banking	12%		-	-	-	12%		-	-	-
Commercial Banking	15%		-	-	-	15%		-	-	-
The Alternative Standardised Approach			-	-	-			-	-	-
Corporate Finance	18%		-	-	-	18%		-	-	-
Trading and Sales	18%		-	-	-	18%		-	-	-
Payment and Settlement	18%		-	-	-	18%		-	-	-
Agency Services	15%		-	-	-	15%		-	-	-
Asset Management	12%		-	-	-	12%		-	-	-
Retail Brokerage	12%		-	-	-	12%		-	-	-
Retail Banking	12%	0.035	-	-	-	12%	0.035	-	-	-
Commercial Banking	15%	0.035	-	-	-	15%	0.035	-	-	-
Capital Charges for Operational Risk (LKR'000)										
The Basic Indicator Approach	7,187,087					6,522,126				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				
Risk Weighted Amount for Operational Risk (LKR'000)										
The Basic Indicator Approach	57,496,696					52,177,012				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				

Table 10 (Contd.)

Operational Risk under Basic Indicator Approach/ The Standardised Approach/ The Alternative Standardise Approach (Contd.)

Business Lines	Group									
	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-December-25			Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-December-24		
			1st Year	2nd Year	3rd Year			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		45,031,613	47,983,099	52,199,555	15%		38,867,315	45,031,613	47,983,099
The Standardised Approach			-	-	-			-	-	-
Corporate Finance	18%		-	-	-	18%		-	-	-
Trading and Sales	18%		-	-	-	18%		-	-	-
Payment and Settlement	18%		-	-	-	18%		-	-	-
Agency Services	15%		-	-	-	15%		-	-	-
Asset Management	12%		-	-	-	12%		-	-	-
Retail Brokerage	12%		-	-	-	12%		-	-	-
Retail Banking	12%		-	-	-	12%		-	-	-
Commercial Banking	15%		-	-	-	15%		-	-	-
The Alternative Standardised Approach			-	-	-			-	-	-
Corporate Finance	18%		-	-	-	18%		-	-	-
Trading and Sales	18%		-	-	-	18%		-	-	-
Payment and Settlement	18%		-	-	-	18%		-	-	-
Agency Services	15%		-	-	-	15%		-	-	-
Asset Management	12%		-	-	-	12%		-	-	-
Retail Brokerage	12%		-	-	-	12%		-	-	-
Retail Banking	12%	0.035	-	-	-	12%	0.035	-	-	-
Commercial Banking	15%	0.035	-	-	-	15%	0.035	-	-	-
Capital Charges for Operational Risk (LKR'000)										
The Basic Indicator Approach	7,260,713					6,594,101				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				
Risk Weighted Amount for Operational Risk (LKR'000)										
The Basic Indicator Approach	58,085,707					52,752,811				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				

GRI Context Index

Statement of use	Nations Trust Bank PLC has reported in accordance with the GRI Standards for the period 1st January 2025 to 31st December 2025
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
General disclosures					
GRI 2: General Disclosures 2021	2-1 Organizational details	IBC			
	2-2 Entities included in the organization's sustainability reporting	4			
	2-3 Reporting period, frequency and contact point	4-5			
	2-4 Restatements of information	5			
	2-5 External assurance	4,107-108			
	2-6 Activities, value chain and other business relationships	95-96,100-101			
	2-7 Employees	87			
	2-8 Workers who are not employees	87			
	2-9 Governance structure and composition	6-11, 110-111			
	2-10 Nomination and selection of the highest governance body	111-112			
	2-11 Chair of the highest governance body	112			
	2-12 Role of the highest governance body in overseeing the management of impacts	33-34			
	2-13 Delegation of responsibility for managing impacts	34			
	2-14 Role of the highest governance body in sustainability reporting	5			
	2-15 Conflicts of interest	112			
	2-16 Communication of critical concerns	114			
	2-17 Collective knowledge of the highest governance body	41			
	2-18 Evaluation of the performance of the highest governance body	115			
	2-19 Remuneration policies	112-113, 132-133			
	2-20 Process to determine remuneration	112-113			
	2-21 Annual total compensation ratio			Confidentiality constraints	
	2-22 Statement on sustainable development strategy	16-18			
	2-23 Policy commitments	110, 116-118			
	2-24 Embedding policy commitments	37,40,116-118			
	2-25 Processes to remediate negative impacts	92, 99-100			
	2-26 Mechanisms for seeking advice and raising concerns	92, 99-100			
	2-27 Compliance with laws and regulations	102,116			
	2-28 Membership associations	85			
	2-29 Approach to stakeholder engagement	24-27			
	2-30 Collective bargaining agreements	92			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Material topics					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	28			
	3-2 List of material topics	29			
Economic performance					
GRI 3: Material Topics 2021	3-3 Management of material topics	29			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	14, 94			
	201-2 Financial implications and other risks and opportunities due to climate change	35-38			
	201-3 Defined benefit plan obligations and other retirement plans	89			
Anti-corruption					
GRI 3: Material Topics 2021	3-3 Management of material topics	29			
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	70			
	205-2 Communication and training about anti-corruption policies and procedures	70			
	205-3 Confirmed incidents of corruption and actions taken	70			
Tax					
GRI 3: Material Topics 2021	3-3 Management of material topics	29			
GRI 207: Tax 2019	207-1 Approach to tax	76-77			
	207-2 Tax governance, control, and risk management	76-77			
	207-3 Stakeholder engagement and management of concerns related to tax	26			
Energy					
GRI 3: Material Topics 2021	3-3 Management of material topics	29			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	104			
	302-3 Energy intensity	104			
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics	29			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	104			
	305-2 Energy indirect (Scope 2) GHG emissions	104			
	305-4 GHG emissions intensity	104			
	305-5 Reduction of GHG emissions	104			
	305-6 Emissions of ozone-depleting substances (ODS)	104			

GRI Context Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Waste					
GRI 3: Material Topics 2021	3-3 Management of material topics	29			
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	104			
	306-2 Management of significant waste-related impacts	104			
	306-3 Waste generated	105			
	306-4 Waste diverted from disposal	105			
Employment					
GRI 3: Material Topics 2021	3-3 Management of material topics	29			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	88	Requirement (b) is omitted	Confidentiality constraints	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	89			
Occupational health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	29			
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	91			
	403-5 Worker training on occupational health and safety	92			
	403-6 Promotion of worker health	92-93			
	403-9 Work-related injuries	92			
Training and education					
GRI 3: Material Topics 2021	3-3 Management of material topics	29			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	91			
	404-2 Programs for upgrading employee skills and transition assistance programs	90			
	404-3 Percentage of employees receiving regular performance and career development reviews	89			
Diversity and equal opportunity					
GRI 3: Material Topics 2021	3-3 Management of material topics	29			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	87,111			
	405-2 Ratio of basic salary and remuneration of women to men	91			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Non-discrimination					
GRI 3: Material Topics 2021	3-3 Management of material topics	29			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	88			
Customer Health and Safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	29			
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	96			
Marketing and labelling					
GRI 3: Material Topics 2021	3-3 Management of material topics	29			
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	96			
	417-2 Incidents of non-compliance concerning product and service information and labelling	96			
	417-3 Incidents of non-compliance concerning marketing communications	96			
Customer privacy					
GRI 3: Material Topics 2021	3-3 Management of material topics	29			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		Confidentiality constraints		

Investor Information

Stock Exchange Listing

The ordinary shares of the bank are all listed on the Colombo Stock Exchange.
The audited Income Statement for the year ended 31 December 2025, and the Statement of Financial Position as at that date will be submitted to the Colombo Stock Exchange within two months of the reporting date.

Distribution schedule of number of holders and percentage of holding in each class of equity securities

	As at 31st December 2025				As at 31st December 2024			
	No. of Shareholders	Percentage %	No. of Shares	Percentage %	No. of Shareholders	Percentage %	No. of Shares	Percentage %
Ordinary Shares - Voting								
1 - 1,000	5,637	66.77	1,429,617	0.50	3,960	59.86	1,122,411	0.40
1,001 - 10,000	2,166	25.66	6,604,428	2.31	1,974	29.84	6,185,197	2.19
10,001 - 100,000	509	6.03	15,128,213	5.29	558	8.44	16,789,562	5.95
100,001 - 1,000,000	115	1.36	29,680,912	10.38	109	1.65	31,215,425	11.07
Over 1,000,000	15	0.18	233,172,737	81.52	14	0.21	226,664,919	80.39
Total	8,442	100.00	286,015,907	100.00	6,615	100.00	281,977,514	100.00
Ordinary Shares - Non Voting								
1 - 1000	568	92.51	69,551	0.15	319	86.68	46,099	0.10
1001 - 10,000	33	5.37	94,809	0.21	35	9.51	98,641	0.22
10,001 - 100,000	6	0.98	117,027	0.26	7	1.90	128,378	0.29
100,001 - 1,000,000	1	0.16	155,534	0.36	1	0.27	160,039	0.36
Over 1,000,000	6	0.98	44,184,654	99.02	6	1.64	43,789,576	99.03
Total	614	100.00	44,621,575	100.00	368	100.00	44,222,733	100.00

Composition of Shareholders based on Residency and Category

	As at 31st December 2025				As at 31st December 2024			
	No. of Shareholders	Percentage %	No. of Shares	Percentage %	No. of Shareholders	Percentage %	No. of Shares	Percentage %
Ordinary Shares - Voting								
Resident	8,346	98.86	239,833,111	83.85	6,533	98.76	235,223,542	83.42
Non-resident	96	1.14	46,182,796	16.15	82	1.24	46,753,972	16.58
Total	8,442	100.00	286,015,907	100.00	6,615	100.00	281,977,514	100.00
Individual	7,980	94.53	38,238,861	13.37	6,186	93.51	35,603,246	12.63
Institutional	462	5.47	247,777,046	86.63	429	6.49	246,374,268	87.37
Total	8,442	100.00	286,015,907	100.00	6,615	100.00	281,977,514	100.00
Ordinary Shares - Non Voting								
Resident	611	99.51	37,925,247	84.99	365	99.18	37,586,080	84.99
Non-resident	3	0.49	6,696,328	15.01	3	0.82	6,636,653	15.01
Total	614	100.00	44,621,575	100.00	368	100.00	44,222,733	100.00
Individual	586	95.44	373,921	0.84	341	92.66	369,071	0.83
Institutional	28	4.56	44,247,654	99.16	27	7.34	43,853,662	99.17
Total	614	100.00	44,621,575	100.00	368	100.00	44,222,733	100.00

Public Shareholding and Float Adjusted Market Capitalization

	31.12.2025		31.12.2024	
	Number	%	Number	%
Number of shareholders representing the public holding (Voting)	8.433	35.79	6,606	35.79
Number of shareholders representing the public holding (Non Voting)	607	0.98	361	0.98
Float Adjusted Market Capitalization	LKR 32.21Bn		LKR 18.91Bn	
Compliant under	Option 1		Option 1	

Market Information on Ordinary Shares of the Company

	Voting		Non-Voting	
	2025	2024	2025	2024
Market value				
Highest Value (LKR)	324.00	189.75	480.00	225.00
Lowest Value (LKR)	171.00	99.80	180.00	98.50
Value at the end of the year (LKR)	313.00	186.50	385.50	215.50
Trading Statistics				
No. of Transactions	29,693	20,293	3,160	1,551
No. of shares Traded (LKR Mn)	43.58	57.42	0.13	0.06
Value of shares Traded (LKR Mn)	10,362.69	7,158.34	42.47	8.63
Market Capitalization				
Market Capitalization (LKR Mn)	89,522.98	52,588.78	17,201.62	9,530.02

Investor Information

Twenty Largest Voting Shareholders as at 31st December 2025

Name of the Shareholder	2025		2024	
	No. of Shares	%	No. of Shares	%
John Keells Holdings PLC	56,408,580	19.72	55,611,559	19.72
HWIC Asia Fund	42,903,190	15.00	42,296,993	15.00
Central Finance Company PLC A/C No 03	28,147,578	9.84	27,749,869	9.84
Mackinnons Keells Limited	27,922,243	9.76	27,527,718	9.76
Amaliya Private Limited	17,102,853	5.98	16,861,200	5.98
CF Insurance Brokers (Pvt) Ltd	14,178,549	4.96	13,978,215	4.96
CF Growth Fund Ltd A/C No.01	14,082,437	4.92	13,883,461	4.92
Thread Capital (Private) Limited	10,650,309	3.72	10,499,827	3.72
Hatton National Bank PLC - Capital Alliance Quantitative Equity Fund	5,666,786	1.98	2,065,246	0.73
Hatton National Bank PLC A/C No 1	4,529,586	1.58	4,465,586	1.58
J.B. Cocoshell (Pvt) Ltd	4,384,943	1.53	5,738,767	2.04
Mr. M.F. Hashim	2,829,000	0.99	2,961,174	1.05
Mr. W.G.D.C. Ranaweera	1,748,406	0.61	-	-
Mr. N.R. Somaiya	1,615,175	0.56	1,592,354	0.56
Invenco Capital Private Limited	1,003,102	0.35	-	-
Mr. M.A. Jafferjee	974,377	0.34	960,610	0.34
Mr. Y.S.H.R.S. Silva	870,768	0.30	-	-
Mr. L.J.M.A. Jayasundara	800,000	0.28	-	-
Hatton National Bank PLC A/C No. 4 (HNB Retirement Pension Fund)	745,134	0.26	-	-
Miss N.T.M.S. Cooray	721,248	0.25	-	-
	237,284,264	82.93	226,192,579	80.20
Other Shareholders	48,731,643	17.07	55,784,935	19.80
Total	286,015,907	100.00	281,977,514	100.00

*Shareholding as at 31 December 2024 of the top twenty shareholders as at 31 December 2025.

In terms of the Banking Act No.30 of 1998, as amended, John Keells Group and Central Finance Group are to reduce their respective shares carrying voting rights to 15% and the respective shareholders are required to take relevant action to comply with the said direction. Restriction on voting rights at 10% each is applicable to John Keells Group and Central Finance Group until the reduction of their respective holding to the prescribed levels.

Twenty Largest Non-Voting Shareholders as at 31st December 2025

Name of the Shareholder	2025		2024	
	No. of Shares	%	No. of Shares	%
John Keells Holdings PLC	18,448,936	41.35	18,283,973	41.35
Central Finance Company PLC A/C No 03	9,364,407	20.99	9,280,675	20.99
HWIC Asia Fund	6,695,419	15.00	6,635,552	15.00
Mackinnons Keells Limited	4,808,779	10.78	4,765,781	10.78
CF Insurance Brokers (Pvt) Ltd	2,441,833	5.47	2,420,000	5.47
CF Growth Fund Ltd A/C No.01	2,425,280	5.44	2,403,595	5.44
Mr. M.G.H.I. Jafferjee	155,534	0.35	160,039	0.36
The Incorporated Trustees of the Church of Ceylon	28,958	0.06	28,700	0.06
Mr. K.N.J. Balendra	22,681	0.05	22,479	0.05
Mr. S.J. Hirdaramani	20,621	0.05	20,872	0.05
Mr. D.C. Fernando	17,919	0.04	17,759	0.04
Vinik (Pvt) Limited	14,740	0.03	14,609	0.03
People's Leasing & Finance PLC/Mr. A.B.K. Weeraman	12,108	0.03	12,000	0.03
Mr. K.O.V.S.M.S. Wijesinghe	8,348	0.02	8,274	0.02
Miss N.R. Fonseka	8,200	0.02	7,136	0.02
Miss. T.T. Weerasinghe	7,368	0.02	7,303	0.02
Mr. H.P. Savidu	6,391	0.01	5,735	0.01
Mr. J.C.H. De Soysa	6,000	0.01	-	-
Mr. K.S.N. Hirdaramani	4,770	0.01	-	-
Mr. A.K. Gunaratne	4,089	0.01	-	-
	44,502,381	99.74	44,094,482	99.72
Others	119,194	0.26	128,251	0.28
Total	44,621,575	100.00	44,222,733	100.00

*Shareholding as at 31 December 2024 of the top twenty shareholders as at 31 December 2025.

Debenture Information

The rated unsecured subordinated redeemable debenture 2019/26 of the bank is listed in the colombo stock exchange. Refer Note no 21.1 in Financial statements for the details of debentures.

Corporate Governance Annexure

Status of compliance with Schedule 1 – The Banking Act Directions No. 5 of 2024 on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank of Sri Lanka (as at 31st December 2025).

CBSL Direction No.	Remarks on Level of Compliance	Compliance
1.	**Ultimate accountability and Responsibility of the Board**	√
	The Board is responsible for overseeing the Bank's management, strategy, financial soundness, and risk management, ensuring compliance with laws and safe practices. Directors must make objective decisions in stakeholders' best interest.	
	The responsibilities of the Directors given in the Board Charter have been aligned to reflect the overall responsibilities of the Board prescribed in this Direction as well as Directions 1.1. (a) to (w) of these Rules. The Board affirms its ultimate accountability for overseeing the Bank's governance, strategy, financial soundness and risk management. The Board ensures that all business activities comply with legal and regulatory requirements and are conducted to protect the interests of the depositors, creditors, shareholders, and other stakeholders, consistent with safe and sound banking practices. Board decisions are made collectively, with all Directors' decisions regarded as Board actions unless an official dissent is recorded.	
1.1	**Responsibilities of the Board– Exercising 'duty of care' and 'duty of loyalty' to enhance the Bank's safety and soundness**	√
	The Board confirms its unwavering commitment to fulfilling its fiduciary duties as defined in the governing rules. The Board affirms that it exercises its 'duty of care' by making all decisions with the required skill, diligence, prudence, and due care. Additionally, the Board confirms its adherence to its 'duty of loyalty' by acting in good faith and in the best interest of the Bank. All actions are taken with a primary focus on strengthening the safety and soundness of the Bank.	
1.1 (a)	**Approve and oversee Bank's strategic objectives and Corporate values in terms of the Bank's long-term goals**	√
	The Bank's strategic objectives as defined in its vision and mission statements and corporate values published on page 2 of this Annual report are established by the Board and reflects long-term goals. These objectives are communicated throughout the organization via the intranet, regular training sessions and strategy briefings. Additionally, strategic objectives and corporate values are introduced to new employees during mandatory induction programs.	
1.1 (b)	**Overall business strategy including risk policy and risk management with measurable goals.**	√
	The Strategic Plan for 2026-2030 was approved by the Board in November 2025 together with the Budget for 2025. The Board has approved the Risk Policy which includes risk management procedures and mechanisms with measurable goals. The Bank annually revises Risk Goals contained in the Risk Policy to dynamically manage the risk appetite of the Bank.	

CBSL Direction No.	Remarks on Level of Compliance	Compliance
1.1 (c)	**Risk Governance Culture**	√
1.1 (c)(i)	**Promote risk governance by identifying and managing risks.**	
	Principal risks of the Bank are identified through the Board approved risk grid. The Risk Grid is reviewed periodically by the management and submitted for review of Board Integrated Risk Management Committee (BIRMC) which is then recommended to the Board for approval. The Bank's risk grid was last approved by the Board in November 2025.	
1.1 (c)(ii)	**Establish a strong risk governance culture with clear responsibilities for the three lines of defence: business lines, risk management and internal audit**	√
	In line with the Board approved Risk Management Framework Policy, the Bank's risk management structure adheres to the Three Lines of Defence model, with each line operating independently and maintaining clearly defined roles and responsibilities across all levels of risk management.	
1.1 (c)(iii)	**Ensure strong risk governance with well-resourced risk management, compliance and internal audit functions**	√
	The Bank's risk management, compliance, and internal audit functions are appropriately structured, adequately staffed, and sufficiently resourced to fulfil their responsibilities independently, objectively, and effectively.	
1.1 (c)(iv)	**Define the Bank's risk appetite to strengthen risk governance culture**	√
	The Bank has established its risk appetite in alignment with its strategic objectives, capital adequacy, and financial plans, as articulated in the Risk Appetite Statement which was approved by the Board during the year under review.	
1.1 (c)(v)	**Outlining clear actions for breaches of risk appetite limits**	√
	Currently BIRMC monitors risk management through risk grids, risk goals and various risk reports. In the event action is required against an officer found to have failed in identifying specific risks and taking prompt corrective actions as recommended by the committee, action will be taken against him/her in terms of the Bank's established Human Resources policy. The BIRMC is authorized to direct the CEO to take appropriate action against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended. This is provided in the Terms of Reference of the BIRMC.	
1.1 (d)	**Create a policy to prevent director dominance that harms depositors, creditors, and the Bank.**	√
	The Board ensures that no single director or group of directors can dominate or exert undue influence over its deliberations and decision-making processes. This is supported by the Board Charter and the Procedure for Board of Directors. Accordingly, the Board acts collectively in the best interest of the Bank, its depositors and creditors.	
1.1 (e)	**Communication policy with all stakeholders**	√
	A Board approved Communication Policy, Investor Relations Policy and a Corporate Disclosure Policy are in place and has been communicated to the staff via the intranet of the Bank. These Policies collectively serves as the basis and sets guidelines for communicating with all stakeholders including regulators, depositors, creditors, shareholders and borrowers.	

Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
1.1 (f)	**Review adequacy and integrity of the Bank's Internal control systems and management information systems** This review is conducted routinely by the Board. Risk control matrices are examined by individual departments at predetermined intervals. The Internal Audit Department (IAD) also reviews the implementation of internal controls. The Board monitors these activities through the BIRMC and the Board Audit Review Committee (BARC). The Chairs of the respective Board Sub-Committees provide updates on committee proceedings at regular Board meetings Furthermore, the Bank utilises a Risk and Control Matrix (RCM) to govern internal controls over Management Information and Financial reporting. The documented controls within the RCM provide a reasonable assurance over the Bank's control environment including the dissemination of management information to the Board. Financial Statement Close Process (FSCP) outlines the linkages amongst core systems, Management Information and financial reporting, detailing the validation process. The information sources and the governance practices around these frameworks are reviewed and independently validated by the IAD during their planned audit programmes.	√
1.1 (g)	**Implement control systems to manage related party exposures.** The Bank has complied with the obligation to implement effective control systems for managing related party exposures and avoiding potential conflicts of interest arising from such transactions. Oversight of these controls and associated practices is delegated to the Related Party Transactions Review Committee, which conducts regular reviews and provides updates to the Board.	√
1.1 (h)	**Approve and oversee business continuity and disaster recovery plans.** The Bank executed its Board approved annual Business Continuity Plan and Disaster Recovery Drill during September 2025, effectively assessing its financial stability and operational resilience in safeguarding critical operations and services, including core banking systems. The outcomes of the exercise were reviewed by the BIRMC and subsequently approved by the Board.	√
1.1 (i)	**Oversee and review Bank's remuneration alignment with risk culture and appetite.** The Board oversees the approach to remuneration, including the monitoring, and reviewing of remuneration of Directors and KMPs through recommendations made by HRRC. For the year under review, annual objective setting for CEO and KMPs are in line with the Board approved risk appetite and risk goals for the year. These are monitored and reviewed periodically by BIRMC and reported to Board.	√
1.1 (j)	**Identification of KMPs** The Board has identified KMPs as required by the Direction. In compliance with this requirement, all Corporate Management Members of the Bank who are officers in the two layers immediately below the level of the CEO, are designated as KMPs of the Bank. Additionally, the Chief Information Officer, the Chief Compliance Officer and the Chief Information Security Officer are designated as KMPs owing to the respective positions held.	√
1.1 (k)	**Defining the areas of authority and key responsibilities for Directors and KMP** Matters reserved for the Board are specifically identified and approved by the Board. Further, the Board Charter provides concise overview of the roles and responsibilities of the Board of Directors. Areas of authority and key responsibilities of the KMP (including the CEO) are included in the respective job descriptions and Key Performance Indicators set for each role at the beginning of the year.	√

CBSL Direction No.	Remarks on Level of Compliance	Compliance
1.1 (l)	**Ensuring appropriate oversight of the affairs of the Bank by CEO and KMP** The Board conducts this review primarily through the Board Supervisory Committee (BSC), where all the KMPs present their performance and make themselves available for any clarifications and explanations required by the BSC members at such meetings. The Board monitors this through the meeting minutes of the BSC which are submitted to the Board for review and updates received by the BSC Chairperson at regular Board meetings. Additionally, KMP submit monthly management reports to the Board of Directors and provide regular presentations on their areas of responsibility. They are also called upon by the Board to clarify matters relating to their respective functions. KMP responsible for internal controls and compliance attend every BIRMC meeting. The Board has delegated the function of overseeing IAD to BARC. Further, the Board exercise oversight of the affairs of the Bank by KMP by reviewing the minutes of the meetings of the various committees, including BIRMC, BARC, Board Information Technology Advisory Committee (BITAC), Board Credit Committee (BCC), Nomination and Governance Committee (NGC), Related Party Transaction Review Committee (RPTRC), Board Human Resource and Remuneration Committee (HRRC) and Assets and Liabilities Management Committee (ALCO) which are tabled at Board meetings.	√
1.1 (m)	**Assess the effectiveness of own governance practices, including selection, nomination and election of directors, CEO and key management personnel, management of conflicts of interests and identification of weaknesses and implementation of improvements where necessary.** The Board evaluates its performance annually through a self- assessment survey conducted with the Board of Directors. Every Director is required to complete the survey which aims to obtain each Director's feedback on the Board's performance on many aspects. The survey also requires Directors to evaluate their performance and contributions to the Board and its Sub-Committees on which they serve. The responses received from the Directors are reviewed by the Senior Director and discussed at a Board meeting. The results summary of annual self-evaluations submitted by individual Directors for 2024 was reviewed and discussed by the Board during 2025. The Self-assessment survey for the year 2025 has also been concluded and the results will be presented to the Board for discussion.	√
1.1 (n)	**Self-assessment of Directors** Refer comments 1.1 (m) above which details the self-assessment procedure of the Directors. The Self - Assessment questionnaire has been approved by the Board. Records of such assessment are maintained by the Company Secretary.	√
1.1 (o)	**Succession Plan for CEO and KMP** The Bank develops and updates succession plans for the KMPs including the CEO, aligned to the Bank's strategic objectives to ensure at least one successor is identified for each role. The Human Resources Department is vested with the responsibility to annually review and update the plan. This is then submitted to the NGC for review and recommend to the Board for approval. A Board approved succession plan for Corporate Management is in place.	√

Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
1.1 (p)	**Regular meetings with CEO and KMP key management to review policies, communication and monitor corporate objectives**	√
	Further, CEO attends all Board meetings and participates at Board Sub Committee meetings on invitation. Key Management Personnel (KMPs) are requested to attend Board and Sub-Committee meetings as needed to review policies, facilitate communication, and address matters within their areas of responsibility, ensuring effective progress toward corporate objectives. KMPs may also be required to provide regular presentations to the Board. Additionally, refer remarks under Direction 1.1(l) above.	
1.1 (q)	**Keep abreast of material changes in the regulatory environment and ensure that the bank maintains an effective relationship with regulators**	√
	The Board receives updates regarding developments and changes in the regulatory environment from relevant KMP during Board meetings and Board Sub Committee meetings. These forums also review and endorse appropriate actions undertaken to ensure compliance with evolving regulations. Statutory compliance is monitored regularly by the Board. The Compliance Officer submits a monthly report detailing all regulatory returns. Additionally, a report outlining interactions with regulators and actions taken or planned in response to new regulations is submitted to the BIRMC by the Compliance Officer. Additionally, the Board members participate in director forums organized by regulatory bodies and ensure that these relationships with regulators remain strong and constructive.	
1.1 (r)	**Hiring and oversight of external auditors.**	√
	The Board has delegated the function of hiring and oversight of External Auditors to the BARC which is provided for in the Terms of Reference of the BARC. Accordingly, the BARC carries out required due diligence in hiring of External Auditors and makes recommendations to the Board. The appointment of the External Auditor is approved at the Annual General Meeting of the Bank for the respective year. This process was followed for the appointment of M/s Ernst & Young as external auditors of the Bank for the year under review.	
1.1 (s)	**Conduct itself professionally and ethically, avoiding undue benefits from all stakeholders.**	√
	This requirement is embedded in the Board Charter. Accordingly, the Board recognises the importance of maintaining integrity and transparency in all interactions and has taken the necessary steps to ensure that no undue financial or non- financial benefits, including incentives, gifts or funds have been received from employees, customers, suppliers, shareholders, or any other stakeholders of the Bank.	
1.1 (t)	**Inculcate a sound corporate culture which reinforces professional, ethical and prudent behaviour. Approve and overseeing a Code of Conduct which provides guidelines on professionally and ethically acceptable behaviours.**	√
	This requirement is embedded in the Board Charter. The Board of Directors has diligently complied with the directive to cultivate a sound corporate culture that reinforces norms for professional, ethical, and prudent behaviour throughout the Bank. The Board Charter contains the Code of Conduct for Directors and the Board approved Consolidated HR Policy contains the code of conduct for employees which are rooted in the corporate values of the Bank and provide clear guidelines on the professionally and ethically acceptable behaviours expected of both directors and employees.	

CBSL Direction No.	Remarks on Level of Compliance	Compliance
1.1 (u)	**Promptly address regulator concerns with relevant sub-committee support.**	√
	The Board of Directors is dedicated to the prompt resolution of supervisory concerns identified by regulators. To support this commitment, management provides the Board with regular updates on progress in addressing these issues. The Board offers appropriate guidance to ensure the Bank consistently remains responsive to supervisory matters.	
1.1 (v)	**Approve and annually review a whistleblowing policy encouraging confidential reporting of illegal or unethical concerns without reprisal, detailing escalation contacts, investigation procedures, employee protection, and regulatory reporting options.**	√
	The Speak-up Policy (Whistleblowing Policy) was reviewed and approved by the Board in January 2025. This policy incorporates the requirements outlined in the relevant Direction, ensuring comprehensive coverage and integration of necessary provisions. Additionally, multiple initiatives have been implemented to raise awareness among staff and foster confidence in the confidentiality of the speak-up process.	
1.1 (w)	**Promote sustainability by integrating ESG considerations and supporting greener, climate-friendly, socially inclusive businesses.**	√
	The Board of Directors is committed to promoting sustainability through the integration of appropriate environmental, social, and governance (ESG) considerations into the bank's business strategies. The Board has assigned the task of overseeing these initiatives to the Nomination and Governance Committee (NGC). The NGC is tasked with ensuring that policies are in place to support businesses that are greener, climate-friendly, and socially inclusive and reviews periodic reports on the sustainability performance of the Bank	
1.2	**Appointing Chairperson and CEO and their functions and responsibilities**	√
	The Board has appointed a Non-Executive Director, Sherin Cader as the Chairperson and Hemantha D Gunetilleke as the Executive Director/Chief Executive Officer of the Bank. The Board has formally established and approved the roles and responsibilities of both the Chairperson and the CEO through a dedicated Policy titled Functions and Responsibilities of the Chairperson and CEO. The Chairperson's functions and responsibilities are distinct from those of the CEO.	
1.3	**Board Meetings-Frequency of Board meetings and participation of Directors**	√
	Regular Board meetings are convened on a monthly basis, with additional special meetings arranged as required. Directors actively engage in discussions, offering perspectives and contributing to Board deliberations. Any concerns or comments raised by Directors that necessitate action are duly recorded in the minutes. Over the past year, the Board held 19 meetings, including three sessions specifically dedicated to reviewing quarterly financial statements. Board approvals via circular resolutions have been minimized and exercised only when essential. All approvals granted through circulation were subsequently presented at the following Board meeting for formal ratification. Most Board meetings throughout the year were conducted in person, with the majority of Directors attending physically.	

Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
1.4	**Board Procedure**	
1.4(a)	**Arrangements for Directors to include proposals in the agenda** The Board approved Rules of Procedure for Board of Directors provide that all Directors are entitled to include matters and proposals including matters pertaining to promotion of banking business, risk management and conduct of employees of the Bank. Monthly meetings are scheduled and informed to the Board at the beginning of each year to facilitate and encourage this.	√
1.4(b)	**Notice of Meetings** The Rules of Procedure for Board of Directors provide that the schedule of dates of meetings for the year is approved by the Board, and such approved schedule is notified to every Director thereby giving more than 7 days' notice. Any change of the schedule or any meeting other than that contained in the Schedule is notified to the Directors at least 7 days prior to the date of the meeting unless all the directors agree to meet at a shorter notice.	√
1.4(c)	**Directors' attendance** All directors have attended at least two-thirds of the total number of Board meetings. No director has been absent from three consecutive meetings during the year under review. Rules of Procedure for Board of Directors contains required provisions in respect of Board attendance as specified in this Direction. Details of the Directors' attendance at Board meetings are disclosed in the page 120 of the Annual Report.	√
1.5(a)	**Appointment and setting responsibilities of the Company Secretary** Peshala Attygalle who serves as the Company Secretary, is an Attorney-at-Law and satisfies the provisions contained in Section 43 of the Banking Act No.30 of 1988, (as amended). The Company Secretary's job description encompasses responsibility for providing secretarial services to the Board and shareholders' meetings, as well as performing additional duties mandated by statutes and prevailing written laws.	√
1.5(b)	**Directors' access to advise and services of the Company Secretary** All Directors are entitled to seek guidance and assistance from the Company Secretary regarding compliance with applicable rules and regulations and policies and procedures of the Bank. The Board-approved Rules of Procedure for Directors incorporate all necessary provisions as outlined in this Direction.	√
1.5(c)	**The company secretary to implement the recommendations of Nomination and Governance Committee (NGC) on directors' training needs** Acting on the instructions from the NGC, the Company Secretary actively assesses the training needs of the Directors and is dedicated to arranging relevant training sessions on a need basis. Additionally, the Company Secretary coordinates training programs organized by the External Auditors and Regulators, as well as other training requests of the Directors thereby enhancing the Directors' skills and knowledge in line with the evolving corporate landscape.	√
1.5(d)	**Maintenance of Board minutes together with the recordings of meetings** Board minutes and the recordings of Board meetings are maintained by the Company Secretary. At all times the Directors have access to the Board minutes and papers submitted to the Board through a secure electronic link via iPads. The Rules of Procedure for Board of Directors contains provisions to facilitate this requirement. The minutes and recordings of Board meetings are also available for inspection with reasonable notice by the regulator.	√

CBSL Direction No.	Remarks on Level of Compliance	Compliance
1.6	**Recording of Board Meeting Minutes with sufficient detail to serve as a reference for regulatory and supervisory authorities**	√
	Minutes of Board meetings are recorded in sufficient detail to enable a proper assessment to be made of the depth of deliberations at the meetings. The minutes of meetings include the following specified in the Rule; (a) a summary of data and information and justifications/rationale used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions reflecting the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; (d) the testimonies and confirmations of relevant key management personnel which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations appropriately; (e) the Board's knowledge and understanding of the risks to which the bank is exposed to, and an overview of the risk management measures adopted; and, (f) the Board resolutions and decisions. Every paper submitted to the Board seeking approval of the Board contains recommendations from the management and also discloses a reasonable basis for making such recommendations. Minutes refer to the paper which contains the data and opinions relied on by the Board and also contain any other matter considered by the Board outside what is contained in the paper (if any). Minutes are to be read with the relevant Board paper. Reference of the paper considered is included in the minute.	
1.7	**Directors' ability to seek independent professional advice**	√
	The Directors are able to seek independent professional advise at the expense of the Bank when deemed necessary. The Rules of Procedure for Board of Directors includes a relevant provision for same.	
1.8	**Managing Conflicts of Interest**	
1.8(a)	**Directors to avoid conflicts of interest or the potential conflicts of interest**	√
	The Rules of Procedure for the Board of Directors, along with the Board Charter, explicitly address the avoidance and management of conflicts of interest in relation to activities and commitments involving other organizations, related parties, and stakeholders. Directors are required to promptly inform the Company Secretary of the Bank about any interest that they or their close relatives possess or may acquire concerning any transaction or proposed transaction with the Bank.	
1.8(b)	**Dealings with matters with conflict of interest**	√
	Where there is a conflict of interest, such matters have been dealt with by the Board as required in this Direction. Accordingly, interested Directors abstained from participating in the discussions, voicing their opinion or approving the matters presented to the Board and Board Sub committees. The Board minutes provide evidence of compliance. Further, the interested Directors are restricted from accessing information relevant to the matter of interest.	

Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
1.8(c)	**Relationships between the Directors, and with CEO and KMP** This requirement is embedded in the Board Charter. Accordingly, the Directors have ensured that relationships among themselves, as well as between the Directors, the CEO and KMP are managed at a level that prevents excessive familiarity, undue influence or coercion. The Directors acknowledge that the commitment is essential in fostering an environment of mutual respect and collaboration while also safeguarding the integrity of decision-making processes. The Directors recognize the importance of maintaining appropriate boundaries to uphold the principles of good governance and to ensure that all interactions are conducted in a manner that supports the best interests of the Bank and its stakeholders. There are no financial, business or family relationships between the Board members other than the following; • Non-Executive Directors, Sherin Cader, Ramesh Shanmuganathan and Charitha Subasinghe were nominated to the Board by the Bank's material shareholder John Keells Holdings PLC and they each serve as employees of John Keells Group. • Non-Executive Directors, Arjun Fernando and Chandika Hettiarachchi were nominated to the Board by the Bank's material shareholder Central Finance Company PLC and they each serve as a Director of Central Finance Company PLC.	√
1.8(d)	**Policy to identify and manage conflicts of interests** The Directors have fully complied with the directive regarding the management of conflicts of interest, as outlined in the Rules of Procedure of the Board of Directors and the Board Charter which addresses the following; (i) a Board member's duty to promptly disclose any matter that may result, or has already resulted, in a conflict of interest; (ii) a Board member's duty to avoid, to the extent possible, activities that could create conflicts of interest or the potential conflicts of interest including political affiliations; (iii) situations where conflicts may arise when serving as a Board member; (iv) a Board member's responsibility to abstain from participating in discussions on any Board decisions in relation to which he/she or any of his/her close relations or a concern in which he/she has substantial interest, is interested; and, (v) the measures to be taken in the event of any non-compliance with the policy. The Board of Directors underscores the significance of transparency concerning the interests of the Directors. Anagenda item is incorporated into the agenda for each regular meeting of the Board as a prompt for the Directors to disclose their interests, or changes to that already disclosed, if any.	√

CBSL Direction No.	Remarks on Level of Compliance	Compliance
1.9	**Requirement to inform inability to meet obligations -Inform the Director of Bank Supervision if there are solvency issues before taking any decision or action.**	√
	To date, no situation has arisen to challenge the Bank's solvency status. In terms of the Rules of Procedure for Board of Directors, the Board is responsible to forthwith inform the Director of Bank Supervision of the Central Bank of Sri Lanka (CBSL) in the event if 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. The Board is furnished with sufficient information on a regular basis to enable the Board to act in the required manner if such a situation arise. The Board has also approved and established a robust assets and liability management mechanism that would keep the liquidity position under control. BIRMC discusses in detail, the Key Risk Goals at each BIRMC meeting, and the minutes of the BIRMC are submitted to the Board at regular intervals.	
1.10	**Compliance with Prudential Requirements - Capital adequacy**	√
	The Board and the BIRMC monitor capital adequacy and other prudential measures vis-a-vis regulatory requirements on a quarterly basis or as and when required. During the year under review, the Bank was in compliance with the minimum capital adequacy requirements. The Board has also reviewed the Internal Capital Adequacy Assessment Process (ICAAP) and Recovery Plans. In view of mitigating risks stemming from the macroeconomic challenges, the Bank has maintained an internal capital buffer on top of the minimum capital adequacy requirements.	
1.11	**Publication of Annual Corporate Governance Report in the Annual Report**	√
	The Corporate Governance Annexure is given on pages 276 to 310 of this Annual Report which sets out the level of compliance with these Directions.	
2	**Board Composition**	
	The Board consists of a healthy mix of knowledge, qualifications, skills and experience across relevant disciplines, including banking, finance, economics, accounting, business administration, information technology, risk management, law and other areas as determined by the Central Bank of Sri Lanka. The Board also reflects a diverse range of backgrounds and perspectives, promoting a variety of views that are essential for effective governance. This diversity is commensurate with the size, scale, diversity, and complexity of the Bank's operations, enabling the Board to make informed decisions that align with the Bank's strategic objectives and stakeholder interests.	√
2.1	**A formal and transparent procedure for appointments to the Board**	√
2.1(a)	The Board approved policy titled 'Board composition and succession plan' is in place. All appointments are considered and recommended by the Nomination and Governance Committee and approved by the Board. Thereafter, approval of the CBSL is obtained for all appointments to the Board.	
2.1(b)	**Prohibition of Directors or employees of a bank becoming a Director of another Bank**	√
	This restriction is stipulated in the Board Charter. The NGC and the Board considers this restriction when considering appointments to the Board. Based on the quarterly declarations submitted by individual directors in the year 2025, no Director is a director of another bank. Further, no employee of the Bank has been appointed, elected or nominated as a Director of another bank.	

Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
2.1 (c)	**Directors representing shareholders who violate Section 12(1C) of the Banking Act must abstain from voting on appointing independent Directors.**	√
	John Keells Holdings Group and Central Finance Group hold share capital above the regulatory threshold as disclosed in page 274 of this Annual Report and are each required to reduce their shareholdings in the manner specified therein. Accordingly, appropriate measures are put in place to ensure compliance with the requirements.	
2.2 2.2(a)	**Number of Directors**	√
	The Board shall have 7 to 13 directors, reflecting the bank's size, diversity, and operational complexity.	
	During the year under review, the composition of the Board was in compliance with this requirement. The number of directors has been carefully determined to be commensurate with the size, scale, diversity, and complexity of the Bank's operations.	
2.2(b)	The Board must include one female member by 2025. The Board consists over ten members by 31st December 2026.	√
	Throughout the year under review, the Board comprised of, at minimum two female Directors.	
2.3	**Executive Directors-Appointment of a KMP as a Director**	√
	The Board consisted of eleven directors with one Executive Director as at 31st December 2025. The number of Executive Directors has not exceeded one-third of the number of directors at any time during the year.	
2.4	**Criteria for Non-Executive Directors**	√
	Each of the Directors possess qualifications and experience with credible track records and/ or have necessary skills and experience to bring an independent judgment to bear on issues of strategy, performance and resources. Brief profiles of the Directors are given on pages 7 to 11 of this Annual Report 2025. The Directors nominate names of eminent professionals or academics from various disciplines to the Nominations and Governance Committee which then peruse the profiles and recommends suitable candidates to the Board.	
2.5 (a)	**Number of Independent Directors - At least half of the total number of directors shall be independent non-executive directors. Licensed banks shall comply with this Direction by 01.01.2027.**	To be complied by 1st January 2027
2.5(b)	**Independent non-executive directors to satisfy the criteria set out in the rule**	√
	The Board assessed the independence of each Independent Director by reviewing their submitted Declarations against the criteria outlined in this Direction and Rule 9.8.3 of the Listing Rules of the Colombo Stock Exchange. This evaluation was conducted on a quarterly basis.	
2.5(c)	**Independent non-executive directors must be clearly identified in all corporate communications disclosing bank directors.**	√
	In all corporate communications that disclose the names of the directors, the independent non-executive directors are clearly identified.	
2.6(a) to 2.6(d)	**Representation through Alternate Directors**	√
	No alternate directors were appointed during the year 2025. Currently, there are no alternate directors are appointed by the Directors.	

CBSL Direction No.	Remarks on Level of Compliance	Compliance
2.7	**Quorum for the Board Meetings -At least half the Board members must form the quorum including more than one-third independent non-executive directors, effective from 01.01.2026**	√
	This Direction was not applicable during the year 2025. Measures are taken to ensure compliance with this Direction from 1st January 2026, as required. The quorum requirements were duly met at the Board meeting held in January 2026.	
3	**Suitability of Directors**	
3.1	**Criteria to assess fitness and propriety**	√
	The Bank adheres to Section 42 of the Banking Act No.30 of 1988 (as amended) regarding the assessment of fitness and propriety of its Directors. Annual fit and proper assessments are conducted for continuing Directors, with the requisite approval obtained from the Director of Bank Supervision. During the review period, two Independent Non-Executive Directors were appointed, each with prior approval from the Director of Bank Supervision of the CBSL.	
3.2(a)	**Age of Directors should not exceed 70 years**	√
	There are no Directors on the Board of the Bank who are over 70 years of age. This restriction is encapsulated in the Board Charter.	
3.2(b)	**Period of service of a Director is limited to 9 years other than a director who holds the position of CEO or KMP position**	√
	No Director of the Bank served for a period exceeding 9 years during the year under review. This restriction is encapsulated in the Board Charter.	
3.2(c)	**Directors should not hold directorships of more than 20 companies**	√
	No Director of the Bank holds Directorships in more than 20 companies/entities/institutions inclusive of subsidiary companies of the Bank. This restriction is encapsulated in the Board Charter.	
3.2(d)	**Directors shall have sufficient time to carry out the responsibilities as a Director of the bank.**	√
	This requirement is encapsulated in the Board Charter. Each Director has devoted sufficient time and attention to effectively discharge their duties and responsibilities as required by the Board. This restriction is encapsulated in the Board Charter.	
3.3	**Cooling -Off Period when appointing Directors or Chief Executive Officer**	√
	The Bank ensures that a Director or the CEO of another licensed bank operating in Sri Lanka is not appointed as a Director or the CEO of the Bank before the expiry of a period of 6 months from the date of cessation of his/her office at that licensed Bank. This restriction is encapsulated in the Board Charter.	
4	**Delegation of functions**	
4.1	**Division of responsibilities**	√
	The Bank confirms compliance with this directive regarding the clear division of responsibilities at both the Board and key management levels. The Board approved policy on 'Matters specifically reserved for the Board of Directors' is in place. Further, the responsibilities of KMPs' are articulated within their respective Job Descriptions. This organizational framework promotes an equitable distribution of authority, thereby mitigating the risk of power being concentrated in any single individual.	

Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
4.2	**Specific matters for Board decisions.**	√
	The Bank confirms compliance with this directive. Refer remarks under Direction 4.1 above.	
4.3	**Restrictions to delegate**	√
	The Board has delegated matters pertaining to the affairs of the Bank to the Board Sub committees within the scope of the respective Board approved Terms of Reference. Also, the Board, citing within the policies and procedures in place, has delegated certain matters to KMPs who work within the Board approved delegated authority limits and the scope of their approved Job Descriptions. All delegations have been done by the Board after due consideration to the extent that such delegation would not hinder or reduce the ability of the Board as a whole to discharge its functions. The Articles of Association of the Bank and the Board Procedure stipulate provisions for delegation of powers by the Board.	
4.4	**Review of Delegation Process**	√
	As and when new requirements have arisen, the Board has reviewed and amended delegation arrangements based on the recommendations made by the management to ensure that the delegation remains relevant to the needs of the Bank.	
5	**The Chairperson and CEO**	
5.1	**Division of Responsibilities between Chairperson and CEO**	√
	Roles of the Chairperson and the CEO are distinct and such positions are held by two separate individuals. Chairperson provides leadership to the Board while the CEO manages the day-to-day operations of the Bank in line with Board approved strategic objectives, corporate values, overall risk policy and risk management procedures and giving effect to the strategies and policies approved by the Board. Board approved policy on Functions and Responsibilities of Chairperson and CEO is in place.	
5.2	**Suitability of the Chairperson**	√
5.2(a),(b) & (c)	**The Chairperson shall be an independent non-executive director. If Chairperson becomes non-independent, Senior Director to be appointed for maximum period of six months. Where the current Chairperson is a non-independent director, such Director to continue as Chairperson until 31st January 2027. A Chairperson appointed after 1st January 2025 shall be an independent non-executive director.**	
	Sherin Cader, Non-Executive non-independent Director currently serves as the Chairperson of the Board and was appointed to such position in May 2023. Independent Non-Executive Director Chanaka Wickramasuriya serves as the Senior Director of the Board. The Bank will ensure to appoint an Independent Non-Executive Director as the chairperson by 1st January 2028.	

CBSL Direction No.	Remarks on Level of Compliance	Compliance
5.3 5.3(a) G 5.3 (b)	**Responsibilities of the Chairperson.**	√
	Provide leadership to the Board, ensure the Board works effectively and duly discharges its responsibilities, and key and appropriate issues are discussed by the Board in timely manner.	
	The Chairperson has duly complied with these requirements. These are considered as the three key responsibilities of the Chairperson and are included in the policy on 'Functions of the Chairperson and the CEO' approved by the Board.	
5.3(c)	**Responsibility for agenda lies with the Chairperson but may be delegated to the Company Secretary.**	√
	Drawing up of the agenda has been delegated to the Company Secretary. Accordingly, the Company Secretary has prepared the agenda for Board meetings in consultation with the Chairperson considering the matters proposed by the Directors for inclusion in the agenda. The agenda was approved by the Chairperson.	
5.3(d)	**Chairperson to ensure that all the directors are properly briefed and provided with adequate information in a timely manner.**	√
	This has been identified as a responsibility of the Chairperson, in the policy on 'Functions of the Chairperson and the CEO' which was approved by the Board. Provisions contained in the Board Procedure further strengthens this requirement.	
5.3(e) G 5.3 (f)	**Chairperson to encourage active participation by all Directors, lead acting in the interests of the Bank and ensure constructive discussions**	√
	There is active participation by all Directors at the Board meetings as evidenced in the minutes. This has been identified as a responsibility of the Chairperson, in the policy on 'Functions of the Chairperson and the CEO' approved by the Board.	
5.3(g)	**Encourage all directors to make critical and constructive discussions at the Board meetings and ensure that dissenting views can be freely expressed and discussed within the decision-making process;**	√
	This has been identified as a responsibility of the Chairperson, in the policy on 'Functions of the Chairperson and the CEO' approved by the Board. The Chairperson ensures that diverse perspectives are heard and that dissenting views are freely expressed as part of the decision making process. This is further evidenced by the minutes of the Board meetings.	
5.3(h)	**Chairperson to refrain from direct supervision of KMP and executive duties**	√
	The Chairperson is a Non-Executive Director and does not engage in day to day supervision of management or other executive duties	
5.3(j)	**Chairperson to ensure that the steps are taken for effective communication with shareholders**	√
	This has been identified as a responsibility of the Chairperson in the Board approved policy on 'Functions of the Chairperson and the CEO. The Board approved Communications Policy, Investor Relations Policy and a Corporate Disclosure Policy have been established and collectively form the basis and sets guidelines for communicating with all stakeholders.	

Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
5.4	Conduct of CEO	√
5.4(a)	CEO functions as the apex executive-in-charge of the day-to-day management of the Bank's operations and business.	
	The Board approved policy on 'Functions of the Chairperson and CEO' encompasses the requirement of the rule. The Executive Director/CEO of the Bank does not hold any other executive function of the Bank.	
5.4(b)	CEO shall not be appointed to another entity as an employee or a director except in subsidiaries and associates	√
	The CEO is a non-executive director of each of the three subsidiary companies of the Bank. The CEO has not been appointed or nominated as an employee or a director of another licensed bank or any other company/institution/entity.	
5.4(c)	Appointment of the CEO to subsidiary or associate of the Bank	√
	CEO serves as a Director of the Bank's three subsidiary companies in non-executive capacity and has ensured the compliance with this rules which aims to ensure that the duties of subsidiaries do not affect the effective discharge of responsibilities as CEO of the Bank.	
5.5	Suitability of CEO	√
	Hemantha D Gunetilleke who serves as the CEO of the Bank satisfies the criteria for fitness and propriety and possess sufficient authority, stature, knowledge, competencies, and expertise in the core banking functions given the size, scale, diversity and complexity of operations of the Bank. The approval of the Director Supervision of the CBSL has been obtained on the assessment of the fitness and propriety of the CEO.	
6	Board Committees	
	Each licensed bank shall have at least five Board committees as set out in Directions 6.2 – 6.6 of these Directions.	√
	The Bank has established five Board Committees specified in the Rule namely Audit Review Committee, Human Resources and Remuneration Committee, Nomination and Governance Committee, Integrated Risk Management Committee and Related Party Transactions Review Committee. Other than those, the Board has established a Board Supervisory Committee, Board Credit Committee and Board Information Technology Advisory Committee.	
6.1 (a) to 6.1 (f)	Requirements for Board Committees -Functions and Reporting	
	All minutes of the Board Committees are submitted to the Board and constitute a regular agenda item. The authority of each committee has been set out in the respective Terms of Reference approved by the Board. All Board sub committees have formally appointed secretaries who arrange the meetings and maintain minutes with sufficient detail under the supervision of the Chairperson of each Board Committee. The quorum of each committee consists of at least half of the committee members. The respective reports of all Board Committees are given on pages 126 to 142 of this Annual Report.	√

CBSL Direction No.	Remarks on Level of Compliance	Compliance
6.2	**Audit Committee**	√
6.2(a)	**The Chairperson (Due date of Compliance is 1st January 2027)**	
	Ms. Rachini Rajapaksa, Independent Non-Executive Director served as the Chairperson of the Board Audit Review Committee (BARC) till 28th April 2025. She was a Chartered Financial Analyst of the CFA Institute, Charlottesville, Virginia, USA and a Fellow Member of the Chartered Institute of Management Accountants of UK. She possessed relevant skills and experience required for this position. Upon the retirement of Ms. Rachini Rajapaksa from the Board of the Bank, the Board appointed the Independent Non-Executive Director, Ms. Coralie Pietersz as the Chairperson of the BARC with effect from 29th April 2025. She is a fellow Chartered Accountant of CA Sri Lanka and possesses required experience in finance, accounting and auditing. Also, she does not chair any other Board sub committees.	
6.2(b)	**Members of the Committee**	√
	During the year under review, all the members of the BARC comprised of three non-executive directors of which two are Independent Non-Executive Directors. All members of the committee possess a collective balance of skills and expert knowledge in finance, accounting and auditing. Further information is disclosed in the profiles of the Board of Directors in this Annual Report.	
6.2(c)	**A majority of the members of the Committee shall not be constituted by the members of the Integrated Risk Management Committee and vice-versa.**	1st January 2027
	The Bank is working towards its compliance by 1st January 2027.	
6.2(d)	**Functions of the BARC**	√
	In line with the Terms of Reference, BARC has reviewed and made relevant recommendations to the Board on the following; • The reappointment of M/s Ernst & Young, Chartered Accountants as the Bank's External Auditors for audit services for the financial year 2025. • Implementation of guidelines issued to the auditors by the Central Bank of Sri Lanka from time to time. • Application of relevant accounting standards. • The incumbent Audit partner is engaged in the audit of the Bank since the year 2022 and was not engaged in the Bank's audit prior to the said engagement. • No resignation or dismissal of the auditor has taken place during the year 2025. • The BARC, having discussed and being satisfied with the audit fee proposal of the external auditor recommended the same to the Board and the Board approval has been obtained.	

Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
6.2(e)	**Review and monitor the external auditor's independence, integrity, objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.** In line with the Terms of Reference, the BARC reviews external auditor's independence, integrity, objectivity and the effectiveness of the audit process through the external auditor's audit plan, interim issues memorandum, audit completion report and management letter. Through this the Committee ensures that the audit is carried out in accordance with the regulatory standards and best practices.	√
6.2(f)	**Provision of Non Audit Services by the External Auditors** The Bank has implemented a Board approved policy on "Engagement of the External Auditor to provide Non Audit Services" which covers all aspects stated in the Direction and due consideration of the BARC is given to the aspects mentioned in this Direction when assessing the external auditor's independence or objectivity in relation to the provision of non-audit services. The BARC monitored the payments made to the External Auditor during the year under review for non-audit services to ensure compliance with the Direction.	√
6.2(g)	**Determination of scope of audit of the External Auditor** The BARC Terms of Reference requires the BARC to discuss and finalize with the external auditors, the nature and scope of the audit including the matters specified in the Direction. The External Auditor presented the proposed audit plan, detailing the nature and the audit scope for the financial year 2025 at the BARC meeting held on 12th September 2025. The Committee discussed and finalized the audit plan and scope with the External Auditor. The signed Letter of Engagement contains the agreed nature and scope of the audit to be performed in accordance with Sri Lanka Auditing Standards. During the tenure of the audit, regular status updates were obtained and discussed at the BARC meetings. As all audits within the Group are carried out by the same External Auditor, there was no requirement to discuss arrangements for coordinating activities with other auditors.	√
6.2(h)	**Review of accounting policies/systems and the internal control framework** The Committee reviewed the accounting policies and the adequacy and functioning of internal control framework during the respective audits and financial statement recommendation process. The committee also reviewed the Director's statement on internal control over financial reporting and recommended it for Board approval.	√
6.2(i)	**Review the financial information** During the year under review, the BARC reviewed the Bank's annual and quarterly financial information submitted by the Chief Financial Officer, to monitor the integrity of the financial statements of the Bank. During this process, the BARC reviewed the significant financial reporting judgments, changes in accounting policies and practices, significant adjustments to the financial statements, if any, arising from the audit, going concern assumption, compliance with relevant accounting standards and other legal requirements.	√

CBSL Direction No.	Remarks on Level of Compliance	Compliance
6.2(j)	**Discussions with the External Auditor without the presence of KMP** The BARC met the External Auditors without the presence of the management of the Bank on two occasions during the year 2025 and discussed important issues arising from the interim and final audits.	√
6.2(k)	**Review of the external auditor's management letter and the management's response** The BARC reviewed the external auditor's Management Letter in respect of the audit conducted for the financial year ended 31st December 2024 and the management response thereto. The BARC also provided their recommendations and guidance where necessary to ensure that the matters identified were resolved satisfactorily.	√
6.2(l)	**Review of internal audit function** The BARC carried out the following with regard to the Internal Audit function during the year under review. The BARC reviewed the adequacy of the internal audit function and ensured that it conforms with the Internal Audit Charter. The annual audit plan of the Internal Audit Department as well as the resource requirements were reviewed/ discussed at the time of approval of the Audit Plan. The audit plan for the year was approved by the BARC and the progress was reviewed on a regular basis. BARC also reviewed the internal audit reports and considered the findings, recommendations and corrective action. The performance appraisal of the Chief Internal Auditor was carried out by the Chairperson of the BARC in consultation with the other members of the BARC. Performance appraisals of senior staff were reviewed by the Chief Internal Auditor and presented to the BARC for their concurrence. During the year, there were no appointments or terminations of the CIA and the senior staff members (AVP and above) of the internal audit function. During the year, there were no resignations of the CIA and the senior staff members (AVP and above) of the internal audit function. As stipulated in the Terms of Reference of BARC, the BARC ensures that the internal audits are performed impartially, proficiently and with due professional care. The internal audit staff directly reports to Chief Internal Auditor who in turn directly reports to the BARC Chairperson.	√
6.2(m)	**Findings of internal investigations** The BARC reviewed findings of internal investigations including status updates of ongoing investigations and the relevant issues were discussed in detail with suitable action points agreed upon. The BARC also ensures the recommendations arising from such investigations are implemented.	√

Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
6.2(n)	**Attendance at Committee meetings** The Chief Financial Officer, Chief Internal Auditor and representatives of External Auditors normally attend regular BARC meetings. The CEO and other corporate/ senior management members attend BARC meetings upon invitation from the BARC. During the period under review, the BARC met with the External Auditor on two occasions without the presence of the management.	√
6.2(o)	**Authority to investigate** The Terms of Reference of the BARC defines the authority and responsibilities of BARC in compliance with the said direction. The BARC has; • explicit authority to investigate any matter within its Terms of Reference; • the resources which it needs to do so; • full access to information; • authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	√
6.2(p)	**Regular meetings** The Committee met 12 times during the year 2025 with due notice. Adequate notices of issues to be discussed were made available to all members of the BARC. The conclusions in discharging the duties and responsibilities were recorded in the BARC minutes.	√
6.2(q)	**The secretary of the Committee and maintaining minutes** Minutes of proceedings of BARC meetings are recorded in sufficient detail and maintained by the Chief Internal Auditor who functions as the Secretary to the BARC.	√
6.2(r)	**Implementation of Whistleblowing Policy** The Bank has implemented the Speak-up Policy (Whistleblowing) approved by the Board, where a whistle blower may, in confidence, raise concerns about possible improprieties in financial reporting, internal control, misconduct, fraud or other matters. The Committee also ensures that such matters are investigated fairly and independently, and appropriate action is taken.	√
6.2(s)	**Acting as key representative body for overseeing the Bank's relations with the external auditor.** The BARC is the key representative body for overseeing the Bank's relations with the external auditor and meets the Auditor on a regular basis to discharge this function.	√
6.3	**Human resources and Remuneration Committee**	√
6.3(a)	**The Chairperson** Conrad D'Souza, Senior Director served as the Chairperson of the Committee until his retirement from the Board of the Bank w.e.f 18th January 2025. Chanaka Wickramasuriya – Independent Non-Executive Director was appointed as the Chairperson of Human resources and Remuneration Committee (HRRC) with effect from 18th January 2025 and he is not the Chairperson of the Board.	
6.3(b)	**Members of the Committee** During the year under review, the Committee consisted of majority of independent Directors	√

CBSL Direction No.	Remarks on Level of Compliance	Compliance
6.3(c)	**CEO's attendance at meetings** CEO attended the HRRC meetings as an invitee and excused himself when matters related to him were discussed.	√
6.3(d)	**Determining the remuneration policy for directors, CEO and the key management personnel.** A Board approved Human Resources Policy is in place. In terms of the Terms of Reference of HRRC, determining remuneration of the Board and Bank's Personnel is a key responsibility of HRRC. Based on the recommendation of the HRRC, the Directors collectively decide the remuneration and benefits for the Executive Director /CEO and the remuneration of Non- Executive Directors. No Director or KMP is involved in deciding his or her remuneration. HRRC also seeks independent advice/salary survey results to determine revisions and compensation packages when deemed necessary to discharge responsibilities.	√
6.3(e)	**Goals and targets for the directors, CEO and the KMP** Goals and targets for the Directors recommended by the HRRC were approved by the Board. Goals and targets are set by the Committee for the CEO which gets cascaded as goals for the KMP through a Balanced Scorecard process. The objectives and KPIs for the year 2025 of the Executive Director/CEO and KMP of the Bank recommended by the HRRC were submitted to the Board for approval.	√
6.3(f)	**Evaluation of the performance of CEO and the KMP** The HRRC evaluated the performance of Director/CEO and KMP against the approved KPIs for the year ended 2024 and determined the basis for revision of remuneration, benefits and other payments of performance-based incentives. Performance evaluations of the Director/CEO and KMP for the year ended December 2025 will be conducted by HRRC during the year 2026.	√
6.3(g)	**Prior approval of the shareholders for special payments/ financial and non-financial benefits to be made to the directors, CEO and KMP at the termination of employment or at the retirement.** Approval will be obtained from the Shareholders as and when required. No such requirement arose during the year under review.	√
6.3(h)	**Coordinate with the Integrated Risk Management Committee to ensure that the compensation made to directors, CEO and key management personnel is within the risk appetite limits of the bank;** The compensation made to Directors, CEO and KMP during 2025 were reviewed by the HRRC and the Board. The current Bank incentive framework recognizes financial performance as well as maintaining credit quality in the asset book to be within the Bank's Risk Appetite as determinants of incentives. Effective 2026, Risk Appetite metrics related to Capital and Liquidity has been recommended by BIRMC as additional measures in determining the incentive pools in compliance with this direction. The incentives to be made to the CEO and KMPs for their performance in 2025, as well as the remuneration for Directors will be assessed having due regard to these requirements.	Partially Complied

Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
6.3(i)	**Claw-back Policy**	√
	Claw -back Policy approved by the Board was formulated prior to the effective date on 1st January 2026. Actions have been taken to include the Claw-back procedure into the employment contacts in this connection, the addendums to the Appointment Letters of the CEO and KMP were approved by the Board.	
6.4	**Nomination and Governance Committee**	
6.4(a)	**The NGC be chaired by an Independent Director who is not the chair of the Board and shall be constituted with a majority of independent directors. CEO may be present at meetings by invitation except when matters relating to CEO are being discussed;**	√
	Conrad D'Souza, Senior Director served as the Chairperson of the Committee until his retirement from the Board of the Bank with effect from 18th January 2025. Upon his retirement, Chanaka Wickramasuriya, Senior Director was appointed as the Chairperson of the Committee on 18th January 2025. He is not the Chairperson of the Board. CEO has participated at the meetings as an invitee except when matters relating to CEO were being discussed.	
	During the year under review the Committee consisted of four Non-Executive Directors out of which two were independent. The composition will be reconstituted to align with the rule which required the majority members to be independent by 1st January 2027.	To be complied by 1st January 2027
6.4(b)	**Implementation of procedure to identify, nominate and recommend new directors, CEO and KMP**	√
	The Board approved Terms of Reference of the NGC provide for this. The Committee has also adopted a process to select/recruit CEO and KMP. A Board approved policy named "Board Composition and Succession Plan" is also in place which serves as the basis for appointment of new Directors.	
6.4(c)	**Fit and proper criteria for directors, CEO and KMP**	√
	Affidavits and Declarations of the Directors including the Affidavit and Declarations of the Executive Director/CEO were submitted to the NGC during 2025 for determining the fitness and propriety of the Directors. Having considered the Affidavits, the NGC recommended that the Directors are fit and proper persons to hold their respective office for approval of the Board. A CBSL confirmation was also received on the fit and proper status of Directors. Further, the Committee also carried out an annual assessment of fitness and propriety of KMP and determined that they meet the fit and proper criteria for KMP of the Bank.	
6.4(d)	**Views of the Integrated Risk Management Committee in selecting CRO and CCO and that of the Audit Committee in selecting CIA;**	√
	In compliance with this Rule, the Committee has obtained the views of the Integrated Risk Management Committee in selecting CRO and CCO during the year under review. There was no change to the CIA during the year 2025.	
6.4(e)	**Recommending the re-election of current directors**	√
	The NGC has considered and recommended re-election of Directors in compliance with the Direction. A thorough evaluation of the performance and contribution made by the director concerned towards the overall discharge of the Board's responsibilities is carried out by the committee in this instance.	
6.4(f)	**Quarterly evaluate the status of independence of the independent non-executive directors.**	√
	During the year under review, the status of independence of Independent Non - Executive Directors were evaluated by the NGC quarterly in compliance with this rule.	

CBSL Direction No.	Remarks on Level of Compliance	Compliance
6.4(g)	**Eligibility criteria for qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO and the key management positions;**	√
	The relevant criteria have been set and included in the JDs of KMP approved by the NGC.	
6.4(h)	**Consider and recommend from time to time, the requirements of additional/new expertise to the Board and the succession arrangements for retiring directors;**	√
	The NGC has met the criteria set out in this Direction. The Board approved policy 'Board Composition and Succession Plan' for the Directors is in place. Also, a Board approved Succession Plan for KMP is in place in compliance with the requirements herein.	
6.4(i)	**Robust succession plan for CEO and the KMP**	√
	NGC reviewed and recommended to the Board for approval, a succession plan for CEO and the KMP of the Bank which complies with the criteria specified herein.	
6.4(j)	**Directors are updated on the applicable laws, regulations and technology and market developments relevant to the banking industry on a continuous basis;**	√
	On instructions of the Committee, the Secretary of the Committee ensures that the Directors take part in the relevant knowledge sharing sessions. During the year under review, the Directors took part in many knowledge sharing sessions organized by the regulators and External Auditors on the topics specified in the rule.	
6.4(k)	**Identify the training needs of the directors and make recommendations to the Board relating to training, capacity building and professional development programs for the directors on a regular basis;**	√
	The NGC has put in place a mechanism where the Chairperson of each sub Committee to consider the training needs and inform to the Company Secretary in order to arrange them. In addition, the Company Secretary has directed the Directors to many trainings during the year under review which serve them for their professional development.	
6.4(l)	**Review the structure, size, qualifications and composition of the Board and Board committees**	√
	NGC confirms compliance with the directive to review the structure, size, qualifications, and composition of the Board and its committees. As evidenced in the minutes, this review has been conducted regularly to ensure that the Board and Board sub Committees are equipped to effectively discharge their duties and responsibilities.	
6.4(m)	**Review of overall corporate governance framework and policies**	√
	The NGC confirms compliance with this directive and ensure that the overall corporate governance framework and policies of the Bank are regularly reviewed, updated, and effectively implemented. This process takes into account all applicable laws and regulations.	
6.5	**Integrated Risk Management Committee**	√
6.5(a)	**The Chairperson of the Committee (Due date to be complied:01.01.2027)**	
	Conrad D'Souza, Senior Director served as the Chairperson of the Committee until his retirement from the Board of the Bank with effect from 18th January 2025. Upon his retirement, Independent Non-Executive Director, Dr. (Ms.) Roshan Perera was appointed as the Chairperson of the Committee. She is not the Chairperson of the Board.	

Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
6.5(b)	**Composition of the Committee**	√
	During the year under review, the Committee consisted of at least three non-executive directors majority of which are independent. The Committee members possess sound collective experience in risk management issues and practices in relation to banking and/or financial services.	
6.5(c)	**A majority of the members of the Committee shall not be constituted by the members of the Audit Committee and vice-versa.**	To be complied by 1st January 2027
	Currently, majority of the members of BIRMC serve as members of BARC. Steps are been taking to ensure due compliance by the due date.	
6.5(d)	**Attendance at meetings**	√
	The CEO, CRO and CCO are regular invitees who attend to all meetings. Any other key management personnel are invited to attend the meetings on need basis.	
6.5(e)	**Working with KMP**	√
	The Committee collaborates closely with Key Management Personnel to ensure robust oversight and alignment with the bank's strategic objectives. Acting within the authority and responsibilities delegated by the Board, it is empowered to make governance and risk management decisions on the Board's behalf. This structure promotes timely, well-informed decision-making while upholding strong governance standards and accountability.	
6.5(f)	**Independent risk management function responsible for integrated risk management of the bank**	√
	To maintain independence and objectivity, the function operates under the Chief Risk Officer (CRO), who reports directly to the Board Integrated Risk Management Committee. It is supported by a dedicated team of qualified professionals responsible for executing risk management activities. This governance structure reinforces accountability, enhances oversight, and promotes sustainable risk management practices.	
	The function adopts a holistic approach to identifying, assessing, monitoring, and mitigating risks across all business and operational units, ensuring alignment with regulatory requirements and industry best practices.	
6.5(g)	**Risk Assessment of the Bank and subsidiary companies**	√
	Risk indicators are monitored by BIRMC monthly through the Key Risk Goals and relevant dashboards. Key risks of subsidiary companies are included in their respective department/ unit risk grids and presented at BIRMC.	
6.5(h)	**Reporting to the Board on the bank's exposures against the risk appetite**	√
	On monthly basis the Key Risk Goals are submitted to Board for review and information.	
6.5(i)	**Oversee the functioning of CRO**	√
	BIRMC receives regular reports and communication from CRO and other relevant functions with respect to the risk profile, exposures against the established risk appetite limits and limit breaches BIRMC.	
6.5(j)	**Oversee the strategies implemented by CEO and the key management personnel for capital and liquidity management and management of all relevant risks of the bank**	√
	All key risks and mitigating strategies, where necessary, are discussed at the Executive Risk Management Committee's or ALCO's and is escalated to BIRMC for further deliberation and approval.	

CBSL Direction No.	Remarks on Level of Compliance	Compliance
6.5(k)	**Review the adequacy and effectiveness of all management level committees** The BIRMC reviews the adequacy and effectiveness of all management level committees that have a relevance to risk. Minutes of Management level committees, namely ALCO, Management Credit Committee, Executive Risk Management Committee, Operational Risk Management Committee, Information Security Steering Committee, IT Steering Committee are submitted to the BIRMC to review the adequacy and effectiveness of same.	√
6.5(l)	**Corrective action to mitigate the effects of specific risks where such risks are at levels beyond the prudent levels** Risks are monitored through monthly submission of Key Risk Goals report and quarterly stress tests. Further, The Bank's risk grids are submitted to BIRMC meetings where deliberations on risks have been taken as reflected in the minutes. Furthermore, any exceptions to market risk limits are reported to BIRMC on a monthly basis.	√
6.5(m)	**Frequency of meetings** The BIRMC has regular meetings in compliance with its Terms of Reference and this direction. Additional meetings are held when required. The agenda covers matters pertaining to all aspects of risk management including updated business continuity plans. BIRMC has so far held 8 meetings during the year under review.	√
6.5(n)	**Officers responsible for failure to identify specific risks or implement corrective actions.** Currently BIRMC monitors risk management through the risk grids, risk goals and various risk reports. In the event action is required against an officer found to have failed in identifying specific risks and taking prompt corrective actions as recommended by the committee, action will be taken against him/her in terms of the Bank's established Human Resources policy. The Committee is authorized to direct the CEO to take appropriate action against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the Committee. This is provided in the Terms of Reference of BIRMC.	√
6.5(o)	**Risk assessment report to the Board** Standard Risk Monitoring and Assessment reports are submitted to the Board to appraise the Board of the Risk Profile of the bank, post sanction by BIRMC. Where necessary, Risk Papers are placed to obtain Board feedback and approvals. In addition, minutes of all BIRMC meetings have been submitted to the Board.	√
6.5(p)	**Compliance function** The Chief Compliance officer submits a report to the Committee at every meeting. The Bank has established a separate Compliance Division to assess the Bank's compliance. The Chief Compliance Officer carries out the compliance function and report to the committee periodically on Bank's compliance with laws, regulations and approved policies on all areas of business operations	√
6.5(q)	**Effective communication and coordination mechanism with the Audit Committee** The CIA is invited to BIRMC meetings and is privileged to discuss matters and to provide any feedback on the integrated risk management framework of the bank. At the direction of the Board Audit Review Committee (BARC), CRO is required to make representation at BARC meetings on specific risk issues.	√

Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
6.5(r)	**Examining the incentives provided to the employees** The current bank incentive framework recognizes financial performance as well as maintaining credit quality in the asset book to be within the Bank's Risk Appetite as determinants of incentives. Effective 2026, Risk Appetite metrics related to Capital and Liquidity has been recommended by BIRMC as additional measures in determining the incentive pools in compliance with this direction. The incentives to be made to the KMPs for their performance in 2025, as well as the remuneration for Directors will be assessed having due regard to these requirements.	Partially complied.
6.6	**Related party Transactions Review Committee**	√
6.6(a)	**Chairperson of the Committee** Independent Non-Executive Director, Russell De Mel was the Chairperson of the Committee until his retirement from the Board of the Bank with effect from 6th June 2025. Thereafter, Senior Director, Chanaka Wickramasuriya was appointed as the Chairperson of the Committee effective 6th June 2025. He is not the Chairperson of the Board.	
6.6(b)	**Composition of the Committee consist of at least three non-executive directors with a majority of independent directors. CEO and relevant key management personnel may attend the meetings on need basis only for the relevant agenda items;** During the year under review, the Committee consisted of three non-executive directors with a majority of two independent directors. The CEO and KMP attend on need basis.	√
6.6(c)	**Clear policy, procedures and processes for identifying monitoring and reporting related party transactions on an ongoing basis** The RPTRC act in compliance with the directive to establish a clear policy, procedures, and processes for the identification, monitoring, and reporting of related party transactions on an ongoing basis. These measures are designed to align with applicable laws and regulations, ensuring transparency and accountability in all related party dealings. The Committee is committed to maintaining robust oversight and governance practices to effectively manage potential conflicts of interest and uphold the integrity of the Bank's operations.	√
6.6(d)	**Review the related party transactions** The RPTRC is in compliance with the directive to review the related party transactions of the Bank, including those transactions defined in Direction 7.2. This review specifically focuses on transactions involving individuals classified as "related parties" as outlined in Direction 7.1.	√
6.6(e)	**Reporting to the Board quarterly** A quarterly report was submitted to the Board after each RPTRC during the year 2025 which contained the details of related parties, related party transactions and economic consequences of the related party transactions.	√
6.6(f)	**Director abstains from participating in discussions on transactions in relation to the director or any of his/her close relation or a concern in which the director has substantial interest** This is specifically provided in the Board Procedure and the Board Charter and the Directors abstains from participating in discussions regarding Board decisions on transactions involving themselves, their close relations, or any concerns in which they hold a substantial interest.	√

CBSL Direction No.	Remarks on Level of Compliance	Compliance
6.6(g)	**Transactions with related parties as defined in Direction 7.1** The Board approved Policy on Related Party Transactions contains provisions to ensure compliance with this Direction. RPTRC ensures that a robust framework exists for approving, managing and reporting related party transactions in accordance with these Directions and the Listing Rules on Corporate Governance issued by the CSE. Iven the stringent framework put in place the Bank prevent entering into transactions with related parties as defined in Direction 7.1 in a manner that would grant such parties "more favourable treatment" than that accorded to other constituents of the bank carrying on the same business.	√
7	**Related Party transactions**	√
7.1 & 7.2	**The categories of persons considered as "related parties" and Type of Related Party Transactions** The categories of individuals and entities specified as related parties in the Direction have been duly identified as related parties of the Bank for ensuring compliance with regulatory requirements and for maintaining transparency in all transactions and relationships. The Board approved Policy on Related Party Transactions contain provisions in line with this Direction. Accordingly, the Bank has identified the types of transactions given in the rule as the related party transactions. The Board procedure contains provisions on avoiding conflicts of interests. The Bank's credit policy contains provisions for ensuring compliance with this Direction. Necessary steps have been taken by the Board to avoid any conflicts of interests that may arise, when transacting with related parties as defined in the Direction. The Board has also approved a Policy for managing Related Party Transactions and monitors its implementation through Related Party Transactions Review Committee (RPTRC).	
7.3	**Applicability of Banking Act Provisions** The Bank has complied with the provisions referred in the Section 47 of the Banking Act, with respect to accommodation granted to any of its related parties defined in Direction 7.1 as applicable. The Board approved Policy on Related Party Transactions contains provisions to ensure compliance with this Direction. RPTRC ensures that a robust framework exists for approving, managing and reporting related party transactions in accordance with these Directions and the Listing Rules on Corporate Governance issued by the CSE.	√
7.4	**Accommodation Granted to persons or concerns of persons or close relations of persons who subsequently are appointed as Directors of the Bank** The Directors appointed to the Board, to whom the Bank had provided accommodation before their appointment as directors, secured the accommodation granted within the specified time frame outlined in the Direction. Further, the accommodations to Directors and/or their close relatives have been granted with the approval of the Board. The Board ensured that such accommodation was secured by security determined by the CBSL.	√

Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
7.5	**Accommodation Granted to employees or their close relations** No accommodation has been granted and a more favourable treatment relating to the waiver of fees and/or commissions other than as provided for in this Direction has not been given to employees or their close relations or any concern in which the employee or close relation has a substantial interest. The Board approved Policy on Related Party Transactions contain provisions to ensure compliance.	√
7.6	**Prior approval of Central bank for writing-off of Accommodation to Related Parties** No accommodation granted by a licensed bank to related parties given to in Direction 7.1, nor any part of such accommodation, nor any interest due thereon shall be written-off without the prior approval of the CBSL and any writing-off without such approval shall be void and of no effect. The Bank acknowledges that no accommodation granted to related parties, as defined in Direction 7.1, nor any part of such accommodation, nor any interest due thereon, shall be written off without the prior approval of the CBSL. There was no requirement to comply with this Direction based on the remarks under Direction 7.4 and 7.5.	√
8	**Senior Management (CEO and KMP)**	
8.1(a) to 8.1 (f)	**Board Oversight on Senior Management** The Board's responsibilities in terms of the executing oversight on Senior Management have been included in the Board Charter. The Board acknowledges the fact that the overall responsibility of the Board shall not be construed as an obligation to undertake the inspection of day-to-day activities, but shall rather be understood as an obligation to oversee and ensure that the senior management members are carrying out the day-to-day activities in a safe and sound manner in accordance with the Board approved strategies and policies. The areas of authority and responsibilities of the senior management have been included in the Board approved job descriptions of the CEO and KMP. Accordingly, the Board ensures effective oversight of Senior Management by monitoring that their actions and decisions remain aligned with the Bank's approved business strategy. The oversight is exercised through structured reporting to the Board and its sub committees including regular reviews by the Board Supervisory Committee where performance, strategic implementation, key initiatives and risk exposures are evaluated. The Board also assesses the adequacy of Senior management actions, competence and level of knowledge in discharging their responsibilities.	√
8.2	**Criteria to Assess the Fitness and Propriety of Senior Management** The Bank has obtained the approval of the CBSL in terms of Section 44 of the Banking Act No.30 of 1988 (as amended) when appointing, re-assessing at the time of promotions, renewal of contracts and on lateral moves to positions requiring special knowledge and/or skills and ensured that they are fit and proper persons to appoint to the respective positions.	√
8.3 (a) to 8.3(i)	**Responsibilities of Senior Management** The responsibilities of the Senior Management as set out in the Directions No.8.3(a) to 8.3(i) have been included in the job descriptions of the Senior management in an appropriate manner	√

CBSL Direction No.	Remarks on Level of Compliance	Compliance
8.3(j)	Notification to Director of Bank Supervision upon becoming aware of any material information that may negatively affect the fitness and propriety of a Board member or another senior management member.	√
	There were no such instances during the year under review	
9	**Disclosures**	
9.1	Board Responsibilities on Disclosures	√
	As set out in the Rule, the Board ensures adequate and timely public disclosures of on relevant information including but not limited to key performance indicators, capital adequacy, liquidity, business concentrations, related party transactions, corporate governance, financial statements, etc., are made with a view to facilitating enhanced market discipline and transparency commensurate with the size, scale, diversity and complexity of operations of the bank. Also, the Board ensures that annual audited financial statements and quarterly financial statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting Standards. Annual Report 2025 contained the relevant disclosures.	
9.2	Minimum Disclosures to be made in the Annual Report	√
9.2(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.	
	This is disclosed in Page 144 of this Annual Report.	
9.2(b)	A report by the Board on the bank's internal control mechanism which confirms the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	√
	This is disclosed in Page 137 and 138 of this Annual Report.	
9.2(c)	The external auditor's certification on the effectiveness of the internal control mechanism referred to in b) above. The Assurance Report issued by the Auditors under "Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Reports for Banks on Directors' Statements on Internal Control" may be used as a substitute disclosure in this regard.	√
	This is disclosed in Page 139 of this Annual Report.	
9.2(d)	Details of directors, including names, transactions with the bank and the total fees/ remuneration paid by the bank.	√
	This is disclosed in Page 119 to 123 of this Annual Report.	
9.2(e)	Total net accommodation granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the bank's regulatory capital.	√
	This is disclosed in Page 121 and 122 of this Annual Report.	
9.2(f)	The aggregate values of remuneration paid by the bank to its CEO and the key management personnel and the aggregate values of the transactions of the bank with its CEO and key management personnel, set out by broad categories such as remuneration paid, accommodation granted, and deposits or investments made in the bank.	√
	This is disclosed in Page 121 and 122 of this Annual Report.	

Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
9.2(g)	Details of Board committees including (i) details of the key activities of each Board committee during the year; (ii) the number of meetings of each committee held in the year; and (iii) attendance of each individual director at such meetings.	√
	This is disclosed in Page 115 and 126 to 142 of this Annual Report.	
9.2(h)	The following shall be disclosed in the Annual Corporate Governance Report	√
	(i) the external auditor's certification of the compliance with these Directions, clearly demonstrating the compliance status of the licensed bank with each sub-direction;	
	All findings of the Factual Findings Report of the external auditors issued under 'Sri Lanka Related Services Practice Statement 4750 have been incorporated in this Annual Report.	
	(ii) the composition of the Board, by category of directors, including the names of the Chairperson, executive directors, non-executive directors and independent non- executive directors; and,	
	This is disclosed in Page 115 and 120 of this Annual Report.	
	(iii) the identity of the Chairperson and CEO and the nature of any relationship including financial, business, family or other material/ relevant relationship(s), if any, among the Chairperson, CEO and the members of the Board.	
	The identity of the Chairperson and the CEO and the absence of a relationship between the two persons are disclosed on Page 113 of this Annual Report.	
	The relationships of the Board members are disclosed in the Page 284 of this Annual Report.	
9.2(i)	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliances.	√
	This is disclosed in Page 119 to 125, 137 to 138 and 144 of this Annual Report.	
9.2(j)	A statement of the regulatory and supervisory concerns on lapses in the bank's risk management, or non-compliance with these Directions that have been communicated by the Director of Bank Supervision, or administrative fines imposed by the Central Bank of Sri Lanka, if so directed by the Central Bank of Sri Lanka to be disclosed to the public, together with the measures taken by the bank to address such concerns.	√
	There were no supervisory concerns on lapses in the Bank's risk management or non-compliance with the said Directions that were pointed out by the Director Bank Supervision of the CBSL, or administrative fines imposed by the Central Bank of Sri Lanka which was directed by the Monetary Board to be disclosed to the Public.	
9.2(k)	The aggregate value of total non-statutory special payments/ financial or non- financial benefits made to directors, CEOs and key management personnel at the termination of employment or at the retirement during the respective financial year.	√
	No such payments were made during the year 2025.	
9.3	Disclosures to be made on Resignation, Removal or Vacation of Office of Directors -If a director resigns or is removed or is deemed to have vacated the office of director due to regulatory non-compliances and/or as decided by the Board, the Board shall disclose the director's resignation or removal or the status of being deemed vacated the office and the reasons for same in the official website of the licensed bank, including but not limited to information relating to the relevant director's disagreement with the bank, if any	√

Status of Compliance Section 9 of the Listing Rules of Colombo Stock Exchange (as at 31st December 2025)

Listing Rule No.	Remarks on level of Compliance with Reference to CBSL Corporate Governance Annexure
9.1.3	**Publish a statement confirming the extent of compliance with the Corporate Governance Rules set out in the Section 9 of the Listing Rules.**
	This Report serves to meet this requirement.
9.2	**Policies –Establish, maintain and disclose on the Bank's website**
	The Bank has established and is diligently upholding the following key policies, which are essential to the Bank's governance and operational practices. The Bank has also disclosed the existence of such policies and the details relating to implementation on the website of the Bank; 1. Board Charter The Board Charter provides a comprehensive overview of the roles and responsibilities of the Board of Directors, along with the structure and processes necessary for effective governance. It delineated the separation of roles between the Board and Management in settling the direction, management and control of Nations Trust Bank. The Board Charter is aligned with the regulatory requirements of the Central Bank of Sri Lanka and the Listing Rules of the CSE, ensuring effective governance and addresses amongst others, the following areas: (a) Matters Relating to the Board of Directors Outlines the roles, responsibilities, and authority of the Board of Directors with a focus on strategic oversight, risk management, and ensuring the sustainable growth of the Bank. (a) Matters Relating to the Board of Directors Defines the structure, purpose, and authority of the Board Sub-Committees. (b) Board Committees Defines the structure, purpose, and authority of the Board Sub-Committees including those mandated by regulations such as Board Audit Review Committee, Board Integrated Risk Management Committee, Human Resources and Remuneration Committee, Related Party Transaction Review Committee and Nominations and Governance Committee. These committees are essential to our governance framework, providing independent oversight on critical matters such as financial reporting, risk management, and internal controls. (c) Corporate Governance, Nominations, and Re-election Provides a robust framework for corporate governance. It includes the criteria for the appointment, nomination, and re-election of Directors, with a focus on ensuring a diverse and skilled Board. 2. Policy on Remuneration Our Consolidated Human Resources Policy ensures a fair, transparent, and competitive compensation structure for the Board of Directors, senior management, and all employees. It aligns with the Bank's financial performance, long-term strategy, employee's performance and promotes sustainable banking practices while incentivising high performance 3. Policy on Internal Code of Business Conduct and Ethics Our Codes of Professional Conduct establishes the ethical guidelines for all employees of the Bank and ensures that all stakeholders act with integrity and uphold the Bank's values at all times. 4. Policy on Risk Management and Internal Controls The Bank has following policies in place covering this aspect: • Risk Management Framework Policy • Internal Audit Charter These policies ensure that the Bank has a robust framework for identifying, monitoring, and mitigating risks associated with its operations, including credit, market, operational, technology and cyber security risks. These policies align with the regulations of Central Bank of Sri Lanka, ensuring that appropriate internal controls and audit mechanisms are in place to provide reasonable assurance on the control framework to safeguard the Bank's assets and financial stability.

Corporate Governance Annexure

Listing Rule No.	Remarks on level of Compliance with Reference to CBSL Corporate Governance Annexure
	5. Policy on Relations with Shareholders and Investors This policy governs how we communicate and engage with our shareholders and investors. It includes transparent reporting mechanisms, regular updates on the Bank's performance, and measures to address shareholder concerns. The policy also ensures compliance with the Colombo Stock Exchange's disclosure requirements, fostering trust and confidence among our investors. 6. Policy on Sustainability This policy outlines the Bank's commitment to environmental, social, and governance (ESG) principles, aligned with both global and local standards and frameworks. It emphasizes minimizing the environmental impact of our operations, promoting ethical governance practices, and upholding social responsibility, with a particular focus on advancing sustainable finance, fostering a responsible organization, and cultivating a culture of sustainability. 7. Policy on Control and Management of Company Assets and Shareholder Investments The Bank has following policies in place covering these aspects: (a) Assets and Liability Management Policy (b) Property Maintenance Policy (c) Investment Policy The above policies ensure the effective management and protection of the Bank's physical and financial assets, as well as the investments made by shareholders. These includes guidelines for the prudent management of resources, safeguarding shareholder interests, and ensuring the efficient allocation of capital in line with the Bank's strategic objectives and risk tolerance. 8. Policy on Whistleblowing This policy ensures that the Bank provides timely, accurate, and complete disclosures to the public and regulatory authorities. It covers financial reporting, material changes in the Bank's operations, and other key information required by the Colombo Stock Exchange and the Central Bank of Sri Lanka, fostering transparency and regulatory compliance 9. Policy on Whistleblowing Our Speak-up Policy provides a safe and confidential channel for employees and stakeholders to report unethical practices, violations of rules and regulations, fraud, misconduct or unethical behaviour within the Bank. It ensures protection from any form of reprisal against for those who use this channel, while promoting a culture of accountability and transparency, aligning with local banking regulations and international standards. 10. Policy on Anti-Bribery and Corruption This zero-tolerance policy towards bribery and corruption sets out clear guidelines for preventing, detecting, and responding to corrupt practices and issues that may arise in the course of business and to ensure that adequate procedures are implemented to prevent the occurrence of corrupt practices in the day to day operations of the Bank. It applies to all Directors, employees, and third-party associates of the Bank and complies with the Anti-Corruption Act, No. 9 of 2023.
9.3	Board Committees
	The following Board Sub Committees referred to in the Rule are constituted and maintained and are functioning effectively; • Board Nomination and Governance Committee • Board Human Resources and Remuneration Committee • Board Audit Review Committee • Related Party Transactions Review Committee The respective requirements for responsibilities and disclosures in respect of the above Sub Committees as set out in the Rules have been complied with. Further, requirements under the Rules for committee composition are complied with by each of the above Committees.

Listing Rule No.	Remarks on level of Compliance with Reference to CBSL Corporate Governance Annexure
9.4	**Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders**
9.4.1	**Records of General Meetings**
	The Bank maintains records of all resolutions and all other information specified in the Rule that is considered at General Meetings of its shareholders.
9.4.2	**Communication and relations with shareholders and investors**
	A Board approved Communication Policy, Investor Relations Policy and a Corporate Disclosure Policy have been communicated to the staff via the intranet of the Bank and provides for maintaining effective communication and relations with shareholders and investors. These Policies collectively serves as the basis and sets guidelines for communicating with all stakeholders including depositors, creditors, shareholders and borrowers. The Company Secretary and the Investor Relations Officer liaise with shareholders and investors, respectively. Their contact details are disclosed in the Corporate Information Report on the inner back cover of this Annual Report. As per the current process in effect, all issues or concerns of shareholders/investors which warrant the attention of Directors are brought to the attention of the Board by the Executive Director/CEO or the Company Secretary. The Twenty Sixth Annual General Meeting of the Bank was held in 28th March 2025 as a physical meeting and shareholder meetings were not conducted by the Bank through virtual and hybrid means.
9.5	**Policy on matters relating to the Board of Directors**
	As stated under Rule 9.2 above, the Bank has several policies governing matters relating to the Board of Directors and the provisions referred in (a), (c) to (j) of this Rule are incorporated in such policies. The Bank has not combined the role of the Chairperson and CEO as contemplated in 9.5.1(b) of this Rule.
9.6	**Chairperson and CEO**
9.6.1	The current Chairperson of the Bank is a Non-Executive Director. (Ref. disclosures under Direction No. 5.1 of the CBSL Directions on Corporate Governance Annexure)
9.6 3	**The Requirement for a Senior Independent Director (SID)**
	The requirement for a SID is not triggered under this Rule. However, the Bank has appointed an Independent Director as the Senior Director as per Direction 3(5)(ii) of CBSL Directions 11 of 2007 and will continue until an Independent Director is appointed as the Chairperson of the Board on or before 1st January 2028. (Ref. disclosure under 5.2 of the CBSL Directions on Corporate Governance Annexure) A meeting of the Independent Directors was held during the year chaired by the Senior Director. A meeting of the Non-Executive Directors was also held during the year without the presence of the Chairperson. The Senior Director chaired this meeting. A declaration by the Senior Director demonstrating the effectiveness of the duties of the Senior Director is included at page 310 of this Annual Report.

Corporate Governance Annexure

Listing Rule No.	Remarks on level of Compliance with Reference to CBSL Corporate Governance Annexure
9.7	**Fitness of Directors and CEOs**
	All Directors of the Bank were appointed by the Board based on recommendations of the Nomination and Governance Committee on the fitness and propriety of each of the Directors in terms of the directions issued under the Banking Act No. 30 of 1988 (as amended). All Directors have submitted declarations in terms of the Fit and Proper Assessment Criteria set out in Rule No.9.7.3 confirming that each of them has continuously satisfied such criteria during the year under review and as at the date of the respective declaration. The relevant disclosures referred to in Rule 9.7.5 have been included in the Annual Report of the Board of Directors' on the Affairs of the Bank published at page 119 to 123 of this Annual Report.
9.8	**Board Composition**
	At present, the Board consists of 11 Directors which includes 4 Independent Directors. (Ref. disclosures under Direction No.2(2) of the CBSL Directions on Corporate Governance Annexure) Each Independent Director has submitted Declarations in terms of the criteria set out in Rule No.9.8.3 confirming that each Director satisfies the criteria for independence set out therein and a determination to this effect has been made and is disclosed in the Annual Report of the Board of Directors' on the Affairs of the Bank published on page 119 to 123 of this Annual Report.
9.9	**Alternate Directors**
	No Alternate Directors were appointed during the year under review. The Bank will ensure to comply with the requirements set out in Rule 9.9 in the event of any appointment of an Alternate Director in future. At present, the Articles of Association of the Bank together with the Board Charter provides for the manner in which an Alternate Director could be appointed. The restrictions contained in Rule 9.9 is incorporated into the Board Charter. The Bank will ensure inclusion of the provisions set out in Rule 9.9 together with the provisions containing in the Direction No.2.6 of the CBSL Directions on Corporate Governance, appropriately, when the Articles of Association of the Bank are revised.
9.10	**Disclosures relating to Directors**
	In terms of the CBSL Directions on Corporate Governance the maximum number of Directorships that a Director can hold is 20. This has been incorporated in the Board Charter. (Ref. disclosures under Direction No. 3(2)(c) of the CBSL Directions on Corporate Governance Annexure) The Bank ensures to comply with the Rules set out herein in relation to the appointment of Directors and change of composition of Board Sub Committees. The Bank has made relevant disclosures with regard to the Directors in this Annual Report as required by this Rule. The Disclosures as required under Rule 9.10.4 (a), (b), (d), (e), (g) are included in the profiles of the Board of Directors given on page 7 to 11 of this Annual Report. The Disclosure as required under Rule 9.10.4 (c) is included in page 284 of this Annual Report. Other than the disclosures made under Direction No.3(5)(iii) of the Directions on Corporate Governance issued by CBSL, the directors or their close family members do not have any material business relationship with other directors. The Disclosures as required under Rule 9.10.4 (a) to (i) are included in pages 7 to 11, 109 to 118, 284 and 310 of this Annual Report. Rule 9.10.(i)- The Terms of Reference of the Senior Director includes the powers vested in terms of these Rules. Refer the Certification of the Senior Director in terms of 9.6.3(e) of these Rules given on page 310 of this Annual Report.

Listing Rule No.	Remarks on level of Compliance with Reference to CBSL Corporate Governance Annexure
9.11	**Nomination and Governance Committee**
	The Bank had constituted the Nomination and Governance Committee as required in terms of Direction No.6.4 of Corporate Governance Directions issued by CBSL. The composition of the Nominations and Governance Committee is in compliance with Rule 9.11.4. Ref. Direction No. 6.4 of the CBSL Directions on Corporate Governance Annexure and the Nominations and Governance Committee Report published on page 130 and 131 of this Annual Report.
9.12	**Remuneration Committee**
	Board Human Resources and Remuneration Committee was constituted as required in terms of Direction No.6.3 of the Directions on Corporate Governance issued by CBSL. Ref. Direction No.6.3 of the CBSL Directions on Corporate Governance Annexure and the Board Human Resources and Remuneration Committee Report published on page 132 and 133 of this Annual Report.
9.13	**Audit Committee**
	As required by the CBSL Directions on Corporate Governance, the Bank has constituted separate Committees to perform audit and risk functions. Accordingly, the Board Audit Review Committee performs the audit functions of the Bank and the Board Integrated Risk Management Committee performs the risk functions of the Bank. The Board approved Terms of Reference of the respective committees cover the requirements of Rule 9.13. The respective composition of the Board Audit Review Committee and Board Integrated Risk Management Committee is in compliance with Rule 9.13.3. Ref. Direction No.6.2 of the CBSL Directions on Corporate Governance Annexure and Board Audit Review Committee Report published in page 140 to 142 of this Annual Report. Ref. Direction No. 6.5 of the CBSL Directions on Corporate Governance Annexure and Board Integrated Risk Management Committee Report published in page 126 and 127 of this Annual Report.
9.14	**Related Party Transactions Review Committee**
	Related Party Transactions Review Committee was constituted as required in terms of Direction No. 6.6 of the Corporate Governance Directions of CBSL. Accordingly, the Bank is in compliance with Rule 9.14. Ref. Direction No. 6.6 of CBSL Directions on Corporate Governance Annexure and Related Party Transactions Review Committee Report published on page 136 of this Annual Report.
9.17	The additional Disclosures required by Rule No. 9.16 have been made by the Directors in the Annual Report of the Board of Directors' on the Affairs of the Bank given on page 119 to 123 of this Annual Report.

Senior Director's Certification

Certification by the Senior Independent Director in terms of the Rule No. 9.6.3 (e) of the Listing Rules of the Colombo Stock Exchange.

I was appointed as the Senior Director of Nations Trust Bank PLC ('the Bank') with effect from 18th January 2025 in terms of Direction 5.2 of the Banking Act Directions No.5 of 2024 on Corporate Governance for Licensed Commercial Banks, upon the retirement of Conrad D' Souza from the Board of the Bank who served as the Senior Director until 17th January 2025.

The Terms of Reference (TOR) of the Senior Director approved by the Board is in place and covers the duties and responsibilities enumerated under the Banking Act Directions and the Listing Rules of the Colombo Stock Exchange. The responsibilities of the Senior Director include inter alia summoning and chairing meetings of Independent Directors and Non-Executive Directors, making a full and active contribution to the discussions at Board meetings and to encourage the independence in expressing views and opinions based on relevant criteria, especially risk aspects to ensure that the decisions taken will be in the best interest of the Bank, assist in the annual review of Board effectiveness and lead governance related matters.

One meeting of Independent Non-Executive Directors was held in the year 2025 chaired by me. At that meeting, the matters and concerns relating to the Bank and the operation of the Board were discussed and the feedback from that meeting has been provided to the Chairperson of the Bank. Further, a meeting with Non-Executive Directors without the presence of the Chairperson was held chaired by me in the year 2025 and the contribution made by the Chairperson was assessed.

I state that during the year under review, I actively participated and contributed to the Board meetings and that the Board of Directors of the Bank maintained independent judgement and objectivity in all Board deliberations.

I certify that my duties and responsibilities as the Senior Director as set out in the TOR during the year under review has been duly carried out in line with the Board approved TOR.

Chanaka Wickramasuriya
Senior Director

20th February 2026

Decade at a Glance

Year Ended December 31	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
LKR Mn (Group)										
OPERATING RESULTS										
Gross Income	25,547	35,333	43,461	46,314	40,666	38,378	64,818	81,873	73,935	85,539
Net Interest Income	9,786	11,909	15,164	16,134	13,672	14,078	29,301	34,951	35,916	38,778
Net Fees & Other Income	3,925	5,005	6,146	6,418	7,026	9,192	9,566	10,081	8,486	13,421
Total Operating Income	13,711	16,914	21,310	22,552	20,698	23,269	38,867	45,032	44,402	52,200
Operating Expenses	(7,620)	(8,773)	(10,310)	(10,808)	(9,296)	(9,122)	(11,559)	(14,079)	(14,974)	(16,957)
Impairment	(690)	(1,089)	(3,274)	(3,301)	(3,847)	(3,742)	(13,842)	(7,500)	3,196	106
Profit Before Taxation	5,400	7,052	7,726	8,444	7,555	10,405	13,466	23,453	32,624	35,349
Taxation & Levies	(2,531)	(3,680)	(4,024)	(4,730)	(3,500)	(3,712)	(6,238)	(11,982)	(15,822)	(16,090)
Profit After Taxation	2,869	3,371	3,702	3,714	4,055	6,694	7,228	11,471	16,802	19,258
Other Comprehensive Income (OCI)	(236)	1,262	(288)	664	327	(1,092)	543	3,795	2,467	(601)
Total Comprehensive Income	2,633	4,634	3,414	4,378	4,382	5,602	7,771	15,266	19,270	18,657
As at December 31										
ASSETS										
Cash & Short-Term Funds	4,188	6,850	6,438	8,756	9,145	13,428	58,748	40,180	20,815	19,864
Statutory Deposits with Central Bank	8,512	11,213	12,762	8,377	2,195	6,915	6,074	2,684	1,183	2,046
Government Treasury Bills & Bonds	36,738	49,335	74,254	71,839	107,414	102,813	95,514	189,717	223,395	234,246
Investment Securities	6,926	7,028	-	-	-	-	-	-	-	-
Loans & Advances	149,818	186,746	221,506	226,794	210,186	247,441	241,241	270,945	287,363	430,368
Other Assets	1,814	1,941	5,085	4,154	4,147	4,481	8,586	7,754	7,338	6,891
Property Plant & Equipment	1,996	3,364	3,669	4,073	3,682	3,298	3,495	3,500	4,083	5,110
Intangible Assets	1,189	1,154	1,303	1,376	1,222	1,175	1,286	1,354	1,409	1,783
Total Assets	211,180	267,629	325,016	325,369	337,991	379,552	414,944	516,134	545,586	700,309
LIABILITIES										
Deposits	151,502	194,269	231,463	226,872	240,574	267,988	297,253	347,769	384,655	502,219
Due to Banks	11,851	12,315	18,475	6,484	4,942	2,016	3,989	49,682	27,403	42,773
Deferred Tax Liabilities	969	1,828	1,050	1,160	1,028	-	-	-	-	-
Borrowings	23,536	30,573	36,676	50,735	47,695	57,087	49,750	33,818	34,627	36,436
Other Liabilities	6,001	7,175	10,294	8,723	8,628	12,301	17,911	23,740	19,423	21,966
Total Liabilities	193,859	246,159	297,957	293,974	302,866	339,393	368,903	455,008	466,109	603,393
SHAREHOLDERS' FUNDS										
Share Capital/Stated Capital	5,101	5,101	8,866	9,408	9,408	9,408	10,401	11,427	12,106	13,008
Reserve Fund	796	1,011	1,199	1,372	1,562	1,882	2,228	2,784	3,610	4,554
Reserves	11,423	15,358	16,994	20,616	24,155	28,869	33,411	46,915	63,760	79,354
Total Shareholders' Funds	17,321	21,470	27,059	31,396	35,125	40,159	46,041	61,126	79,477	96,916
Total Liabilities & Shareholders' Funds	211,180	267,629	325,016	325,369	337,991	379,552	414,944	516,134	545,586	700,309
Commitments & Contingencies	123,585	171,587	190,602	199,359	197,231	217,357	226,253	316,742	405,421	486,647

Decade at a Glance

Year Ended December 31	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
RATIOS (Group)										
Operating Income Growth (%)	9.5	23.4	26.0	5.8	(8.2)	12.4	67.0	15.9	(1.4)	**17.6**
Cost/Income Ratio (%)	55.6	51.9	48.4	47.9	44.9	39.2	29.7	31.3	33.7	**32.5**
Return On Average Assets (%)	1.5	1.4	1.2	1.1	1.2	1.8	1.7	2.6	3.3	**3.0**
Total Assets to Equity (Times)	12.2	12.5	12.0	10.4	9.6	9.5	9.0	8.4	6.9	**7.2**
Tier 1 Capital Adequacy Ratio (%)	11.4	10.8	12.2	13.3	14.8	15.3	14.8	18.1	21.5	**19.6**
Total Capital Adequacy Ratio (%)	15.8	13.9	15.6	18.0	18.4	18.0	16.9	19.7	22.7	**20.7**
Return on Average Equity (%)	17.7	17.8	14.5	12.8	12.1	17.9	17.1	21.3	24.2	**21.9**
SHAREHOLDER INFORMATION (Group)										
Market Value per Share (LKR)-Voting	80.9	78.0	89.2	80.0	60.0	55.0	46.2	107.5	186.5	**313.0**
Market Value per Share (LKR)-Non Voting	-	-	82.1	80.0	75.0	65.1	57.4	99.8	215.5	**385.5**
Net Asset Value per Share (LKR)	75.1	93.1	97.4	110.6	123.7	141.5	152.7	191.2	243.6	**293.1**
Earnings Per Share (LKR)	10.0	11.8	11.3	11.4	12.4	20.5	22.2	34.7	50.39	**57.76**
Price Earning Ratio (Times) - Voting	8.1	6.6	7.9	7.0	4.8	2.7	2.1	3.1	3.7	**5.4**
Earnings Yield (%) - Voting	12.4	15.1	12.7	14.2	20.7	37.3	48.0	32.3	27.3	**18.6**
Cash Dividend Per Share (LKR)	2.1	-	-	2.3	2.0	-	-	2.5	3.25	**3.5**
Scrip Dividend Per Share (LKR)	-	2.1	2.1	-	-	3.5	4.0	2.5	3.25	**3.5**
Dividend Payout Ratio (%)	20.9	17.8	18.5	20.2	16.1	17.1	18.1	14.4	12.9	**12.1**
% of 20 Largest Shareholders-Voting	88	89	90	90	87	88	88	84	82	**83**
% of 20 Largest Shareholders-Non Voting	-	-	100	100	100	100	100	100	100	**100**
OTHER INFORMATION (Group)										
Number of Employees	2,770	2,943	3,128	3,151	2,832	2,677	2,479	2,481	2,473	**2,462**
Number of Branches	93	93	94	96	96	96	96	96	95	**90**
No of ATMs and CRMs	136	136	172	176	173	163	168	168	157	**157**

Selected Performance Indicators

Item	Bank 31.12.2025	Bank 31.12.2024	Group 31.12.2025	Group 31.12.2024
Regulatory Capital (LKR '000)				
Common Equity Tier 1	87,652,886	70,822,110	90,315,275	73,081,874
Core (Tier 1) Capital	87,652,886	70,822,110	90,315,275	73,081,874
Total Regulatory Capital Base	92,768,154	74,851,471	95,430,133	77,111,235
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (%) (Minimum Requirement - 7.00%)	19.06	20.87	19.61	21.47
Tier 1 Capital Ratio (%) (Minimum Requirement - 8.50%)	19.06	20.87	19.61	21.47
Total Capital Ratio (%) (Minimum Requirement - 12.50%)	20.17	22.05	20.72	22.66
BASEL III Leverage Ratio (Minimum Requirement - 3%)	12.14	12.57	12.51	12.96
Regulatory Liquidity				
Total Stock of High-Quality Liquid Assets (LKR '000)	211,183,595	210,135,367		
Liquidity Coverage Ratio (%) (Minimum Requirement: 100%)				
Rupee	351.44	447.74		
All Currency	203.40	320.56		
Net Stable Funding Ratio (%) (Minimum Requirement : 100%)	138.33	154.73		
Assets Quality				
Impaired Loans (Stage 3) Ratio % *	0.91	1.60		
Impairment (Stage 3) to Stage 3 Loans Ratio (%)*	66.69	60.55		
Income and Profitability				
Net Interest Margin (%)	6.05	6.94		
Return on Assets (before tax) (%)	4.37	4.92	4.46	5.00
Return on Equity (%)	22.13	24.67	21.86	24.22
Cost to income ratio (%)	32.93	34.02	32.49	33.72
Net Assets Value Per Share (LKR)	283.97	235.70	293.12	243.65
Memorandum Information				
Credit Rating	A(lka)	A(lka)		
Number of Employees	2444	2455	2462	2473
Number of Branches	90	95	90	95

*Including Undrawn Portion of Credit.

CERTIFICATION

We, the undersigned, being the Chief Executive Officer and the Chief Financial Officer of Nations Trust Bank jointly certify that :

(a) the above statements have been prepared in compliance with the format and definitions by the Central Bank of Sri Lanka.

Hemantha D Gunetilleke
Executive Director/Chief Executive Officer

Kushlani Allis
Chief Financial Officer

20th February 2026

Service Network with Location Addresses

No	Branch	Address
1	Akkaraipattu	No 210, Main Street, Akkaraipattu.
2	Akuressa	No 73, Matara Road, Akuressa.
3	Aluthgama	No 411, Galle Road, Aluthgama.
4	Ambalangoda	No 20, 5th Cross Street, Ambalangoda.
5	Anuradhapura	No 249A, Maithripala Senanayake Mawatha, Anuradhapura.
6	Avissawella	No 107, Rathnapura Road, Avissawella.
7	Badulla	No 10, Bank Road, Badulla.
8	Bandaragama	No 14, Panadura Road, Bandaragama.
9	Bandarawela	No 32 C, Esplanade Road, Bandarawela.
10	Battaramulla	No 103 A, Pannipitiya Road, Battaramulla.
11	Batticaloa	No 29, Bar Road, Batticaloa.
12	Boralesgamuwa	No 36, Lake Road, Boralesgamuwa.
13	Borella	No 67, D S Senanayake Mawatha, Borella, Colombo 8.
14	Chilaw	No 43, Kurunegala Road, Chilaw.
15	Cinnamon Gardens	No 4A, Independence Avenue, Colombo 07.
16	City Office	No 76, York Street, Colombo 01.
17	Crescat	B 14, Basement, Crescat Boulevard, Galle Road, Colombo 03.
18	Dambulla	No 700, Anuradhapura Road, Dambulla.
19	Dehiwala	No 163, Galle Road, Dehiwala.
20	Deniyaya	Janahitha Building, Pallegama Road, Deniyaya.
21	Digana	No 964/6, Nilagama, Digana, Rajawella.
22	Elpitiya	No 42, Ambalangoda Road, Elpitiya.
23	Embilipitiya	No 70, New Town Road, Embilipitiya.
24	Galle	No 144, Matara Road, Pettigalawatta, Galle.
25	Gampaha	No 112, Baudhaoka Mawatha, Gampaha.
26	Gampola	No 13, Nawalapitiya Road, Gampola.
27	Giriulla	No 145/A, Kurunegala Road, Giriulla.
28	Gothatuwa	No 35, New Town Gothatuwa, IDH.
29	Havelock Town	No 100, Havelock Road, Colombo 05.
30	Hikkaduwa	No 08, Galle Road, Hikkaduwa.
31	Homagama	No 113/A, High Level Road, Homagama.
32	Horana	No 87, Sri Somananda Mawatha, Horana.
33	Ja Ela	No 176, Negombo Road, Ja Ela.
34	Jaffna	No 14, Point Pedro Road, Jaffna.
35	Jawatte	No 139, Jawatte Road, Colombo 05.
36	Kadawatha	No 144/1A, Sumito Building, Kandy Road, Kadawatha.
37	Kaduruwela	No 292, Sawmill Junction, Kaduruwela.
38	Kaduwela	No 510, Colombo Road, Kaduwela.
39	Kalmunai	No 174, Batticaloa Road, Kalmunai.
40	Kalutara	No 340, Main Street, Kalutara South.
41	Kandy	No 147, Kotugodella Street, Kandy.
42	Karapitiya	No 241, Hirimbura Road, Karapitiya.
43	Katugastota	No 146, Kurunegala Road, Katugastota.
44	Kegalle	No 176, Walawwa Watta, Kegalle.
45	Kiribathgoda	No 69, Makola Road, Kiribathgoda.
46	Kohuwala	No 135A, Dutugemunu Street, Kohuwala.

No	Branch	Address
47	Kollupitiya	Lee Hedges Tower, No349, Galle Road, Colombo 03.
48	Kotahena	No 258, George R De Silva Mawaha, Colombo 13.
49	Kottawa	269/1, Highlevel Road, Kottawa
50	Kuliyapitiya	No 72A, Hettipola Road, Kuliyapitiya.
51	Kurunegala	No. 186, Negombo Road, Kurunegala.
52	Mahabage	No 590, Negombo Road, Mahabage.
53	Maharagama	No 129, High Level Road, Maharagama.
54	Malabe	No 410/4, Athurugiriya Road, Malabe.
55	Matale	No 237/241, Main Street, Matale.
56	Matara	No 56, Esplanade Road, Matara.
57	Matugama	No 123/1, Agalawatta Road, Matugama.
58	Minuwangoda	No 59, Negombo Road, Minuwangoda.
59	Moratuwa	No 89, New Galle Road, Moratuwa.
60	Mount Lavinia	No 269, Galle Road, Mount Lavinia.
61	Nawala	No 267/A, Nawala Road, Nawala.
62	Nawam Mawatha	No 46/58, Nawam Mawatha, Colombo 02.
63	Negombo	No 72/A, Old Chilaw Road, Negombo.
64	Nelliady	No 171/1, Jaffna – Point Pedro Road, Nelliady.
65	Nittambuwa	No 39, Kandy Road, Nittambuwa.
66	Nugegoda	No 128, High Level Road, Nugegoda.
67	Nuwara Eliya	No 2, Windsor Hotel Building, New Kandy Road, Nuwara Eliya.
68	Old Moor Street	No 360, Old Moor Street, Colombo 12.
69	Panadura	No 229, Galle Road, Panadura.
70	Peradeniya	No 903/18, Royal Mall Complex, William Gopallawa Mawatha, Kandy.
71	Pettah Bankshall Street	No 54A, Bankshall Street, Colombo 11.
72	Pettah Main Street	No 244, Main Street, Pettah. Colombo 11.
73	Pilimathalawa	No 234, Colombo Road, Pilimathalawa.
74	Piliyandala	No 30, Moratuwa Road, Piliyandala.
75	Private Banking Centre	No 53, Horton Place, Colombo 07.
76	Rajagiriya	No 196 Sri Jayawardenapura Mawatha, Welikada, Rajagiriya
77	Ratnapura	No 189, Main Street, Ratnapura.
78	Sri Sangharaja Mawatha	No 545 A, Sri Sangaraja Mawatha, Colombo 10.
79	Tangalle	No 110, Thissa Road, Tangalle.
80	Thalawatugoda	No 245/2, Pannipitiya Road, Thalawathugoda.
81	Tissamaharama	No 43/2, Kachcheriyagama, Hambanthota Road, Tissamaharama.
82	Trincomalee	No 96, Main Street, Trincomalee.
83	Union Place	No 242, Union Place, Colombo 02.
84	Vavuniya	No 45A, 02nd Cross Street, Vavuniya.
85	Wariyapola	No 84, Puttalam Road, Wariyapola.
86	Wattala	No 492,Negombo Road,Wattala.
87	Weligama	No 354/29, Sirimavo Bandaranayake Mawatha, Samaraweera Place, Weligama.
88	Wellawatta	No 595, Galle Road, Wellawatte.
89	Wennappuwa	No 289, Chilaw Road, Wennappuwa.
90	World Trade Center	World Trade Centre, Unit L03/ EB 01/ Level 3, East Tower, Colombo 01.

Service Network with Location Addresses

No	CRM Location	Address
1	Akuregoda	Keells - No. 244, Pothuarawa Road, Akuregoda.
2	ANC	ANC Education, No : 308, 310 R. A. De Mel Mawatha, Colombo 03.
3	Bellanthota	Keells - No : 208, Attidiya Road, Bellanthota.
4	CINEC	CINEC Campus (Pvt) Ltd, Millennium Drive, IT Park, Malabe.
5	Cinnamon Life	Cinnamon Life, No : 02 Glennie Street, Colombo 02.
6	Hokandara	Keells - No : 188, Hokandara Road, Thalawathugoda.
7	Thalawathugoda (Kalalgoda)	Keells - No : 158 Pannipitiya Road, Thalawathugoda.
8	Kalubowila	Keells - No : 53, Hospital Road, Kalubowila, Dehiwala.
9	Kirimandala Mw	IOC - No : 160, Kirimandala Mawatha, Narahenpita.
10	Kohuwala	Keells - No : 71 Sunethradevi Road, Kohuwala.
11	Kurunegala	Kurunegala Bazaar - No : 186, Negambo road, Kurunegala.
12	Mawaramandiya	Keells - No : 475 Udupila Road, Mawaramandiya.
13	Miriswaththa	Keells - No : 39, Gampaha Road, Miriswaththa.
14	MSC Lanka (Private) Limited	MSC Lanka (Private) Limited, No : 123, Bauddhaloka Mawatha, Colombo 04.
15	Pitakotte (Beddagana)	Keells - 216A Pitakotte - Thalawatugoda Rd, Sri Jayawardenepura Kotte.
16	Sinharamulla	Keells - No : 356, Biyagama Road, Gonawela, Kelaniya.
17	SLIC - Vauxhall	Rakshana Mandiraya,No.21, Vauxhall Street, Colombo 02.

No	ATM Location	Address
1	Cinnamon Lakeside	No : 115, Sir Chittampalam A Gardiner Mawatha, Colombo 02.
2	Digana	MAS Factory, BOI Industrial Zone, Pallekele.
3	Kaduruwela	Winterquilts (Private) Limited, BOP 398, Abayapura, Pulasthigama, Kaduruwela. (Formally- Texwin Clothing (Private) Limited)
4	Kottawa	Keells - No : 119, Horana Road, Kottawa.
5	Leesons Hospital	Leesons Hospital, No : 32, Thewatta Road, Ragama.
6	Peradeniya	Royal Mall Shopping Complex, No. 903/18, William Gopallawa Mw, Kandy.
7	Hive	No : 256 Srimath Ramanathan Mawatha, Colombo 13.

Glossary

A

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis

Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalents.

Actuarial Gain/Loss

Gain or loss arising from the difference between estimates and actual experience in an entity's pension plan.

B

Basel III

The Basel Committee on Banking Supervision (BCBS) issued the Basel III rules text, which presents the details of strengthened global regulatory standards 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.

C

CAGR

Compounded annual growth rate. The rate at which it would have grown if it grew at an even rate compounded annually.

Capital Adequacy Ratio

The relationship between capital and risk weighted assets as defined in the framework developed by the Bank for International Settlements and as modified by the Central Bank of Sri Lanka to suit local requirements.

Cost to Income Ratio

Operating expenses (excluding provision for bad and doubtful debts) expressed as a percentage of net Income.

Credit Rating

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the loans and advances to customers and other banks and investment in debt/ equity securities.

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.

Currency Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

D

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'.

Cover

Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by the current year's distributable profits.

Dividend Yield

Dividend earned per share as a percentage of its market value.

E

Earnings Per Ordinary Share (EPS)

The profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

Effective income tax rate

Provision for taxation divided by the profit before taxation.

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

Expected Credit Losses (ECL)

The weighted average, with respect to the risk of default occurring, of the difference between all contractual cash flows that are due in accordance with the contract and all the cash flows that are expected to be received, discounted at the original effective interest rate.

Exposure at Default (EAD)

ECL 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.

F

Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains the ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

Financial Asset

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 Guarantee Contract

A contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Glossary

Financial Instrument
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
Is a contractual obligation to deliver cash or another financial asset to another entity.

Financial Institutions
Scopes in both Central Bank approved and non-approved institutions, such as finance companies, leasing firms, microfinance institutions, insurance companies, primary dealers, investment banks, market intermediaries such as margin providers, investment managers, underwriters, stockbrokers, and credit rating agencies operating locally or internationally.

Forward Exchange Contract
Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

G
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.

Global Reporting Initiative (GRI)
The GRI is an international independent standards organisation that helps businesses, governments, and other organisations 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.

Group
A parent and all its subsidiaries.

Guarantees
Three party agreement involving a promise by one party (the guarantor) to fulfill the obligations of a person owning a debt if that person fails to perform.

H
High Quality Liquid Assets (HQLA)
Assets that are unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible. These include, for example, cash and claims on Central Governments and Central Banks.

I
Impaired Loans
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.

Interest Margin
Net interest income expressed as a percentage of 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 Cover
A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Interest Spread
This represents the difference between the average interest rate earned and the average interest rate paid on funds.

Internal Capital Adequacy Assessment Process
The Group's own assessment of the levels of capital that it needs to hold through an examination of its risk profile from regulatory and economic capital viewpoints.

L
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, 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.

Liquidity Coverage Ratio ('LCR')
The ratio of the stock of high quality liquid assets to expected net cash outflows over the following 30 days. High quality liquid assets should be unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible.

Loans To Deposits Ratio
Total loans and advances expressed as a percentage of the total deposit portfolio.

Liquidity Risk
The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities

Loan-To-Value Ratio (LTV)
The LTV ratio is a mathematical expression which expresses the amount of a 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 Capitalisation
Number of ordinary shares in issue multiplied by the market value of a share as at the year-end.

Materiality
The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

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.

N

Net Assets Value Per Ordinary Share

Shareholders' funds excluding Preference Shares divided by the number of ordinary shares in issue.

Net Interest Income (NII)

Difference between what banks earn on assets such as loans and securities and what it pays on liabilities such as deposits, refinance funds and inter-bank borrowings.

Net Interest Margins (NIM)

Net interest income expressed as a percentage of average Total Assets.

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.

O

Operational Risk

Operational risk refers to the losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

P

Past Due

A financial asset is past due when a counterparty has failed to make a payment when contractually due

Price Earnings Ratio (P/E Ratio)

Market price of a share divided by the earnings per share.

Price to Book Value

Market price of a share divided by the net assets value of a share.

Provision Cover

Total provisions for loan losses expressed as a percentage of net non-performing loans and advances before discounting for provisions on non-performing loans and advances.

R

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.

Return on Assets

Profit after tax divided by average assets.

Return On Equity

Profit after Tax divided by the average shareholders' funds.

Risk Appetite

The aggregate level and types of risk a firm is willing to assume within its risk capacity to achieve its strategic objectives and business plan.

Risk Weighted Assets

On Balance Sheet assets and the credit equivalent of off Balance Sheet assets multiplied by the relevant risk weighting factors.

S

Segmental Analysis

Analysis of financial information by segments of an enterprise specifically, the different industries and the different geographical areas in which it operates.

Statutory Reserve Requirement (SRR)

The Statutory Reserve Requirement (SRR) is the proportion of deposit liabilities that Licensed Commercial Banks in Sri Lanka must hold as a cash deposit with the Central Bank of Sri Lanka. Banks must maintain this reserve on a daily average basis over a 14-day maintenance period, ensuring that their average reserve balance meets or exceeds the 2% requirement

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 I Capital

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital

Supplementary capital representing revaluation reserves, general provisions and other capital instruments which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debt.

Total Capital

Capital base is summation of the core capital (Tier I) and the supplementary capital (Tier II).

V

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 payments would equal the security's current price.

Notice of Meeting

Notice is hereby given that the Twenty Seventh (27th) Annual General Meeting (AGM) of Nations Trust Bank PLC ('the Bank') will be held on Friday 27th March 2026 at 10.00 a.m. at the Auditorium of the Ceylon Chamber of Commerce, No.50, Nawam Mawatha, Colombo 02.

The business to be brought before the meeting will be:

1. To read the notice convening the Meeting.
2. To receive and consider the Annual Report of the Board of Directors and the Statement of Accounts for the period ended 31st December 2025 with the Report of the Auditors thereon.
3. To re-elect Mr. Chanaka Wickramasuriya who retires by rotation at the AGM, as a Director pursuant to Article 27 of the Articles of Association of the Bank.
4. To re-elect Mr. Arjun Fernando who retires by rotation at the AGM, as a Director pursuant to Article 27 of the Articles of Association of the Bank.
5. To re-elect Dr. Sanjeev Jha who retires by rotation at the AGM, as a Director pursuant to Article 27 of the Articles of Association of the Bank.
6. To appoint of Messrs KPMG, Chartered Accountants as the Auditors of the Bank for the financial year ending 31st December 2026 and to authorise the Directors to determine their remuneration.
7. To authorise the Board of Directors to determine and make donations as it may consider appropriate during the financial year 2026.
8. To consider any other business of which due notice has been given.

Notes:

i. A shareholder who is unable to attend the AGM is entitled to appoint a proxy to attend, speak and vote (depending on voting rights) on his/her behalf.

ii. A proxy need not be a shareholder of the Bank.

iii. A shareholder wishing to appoint a proxy may use the Proxy Form enclosed.

iv. To be valid, the completed Proxy Form must be lodged at the Registered Office of the Bank not later than forty eight (48) hours before the time appointed for the holding of the AGM.

By Order of the Board,

Peshala Attygalle

General Counsel/Company Secretary

20th February 2026
Colombo

Form of Proxy (Voting Shareholders)

I/We .....
bearing NIC No./ Passport No./ Company Reg. No.....
of .....
being a shareholder/shareholders of Nations Trust Bank PLC, hereby appoint Mr/Mrs/Miss/Ven/Rev .....
..... bearing NIC No./Passport No..... of .....
.....whom failing ;

Ms. Sherin Cader	or failing her
Mr. Chanaka Wickramasuriya	or failing him
Mr. Arjun Fernando	or failing him
Dr. Ramesh Shanmuganathan	or failing him
Mr. Chandika Hettiarachchi	or failing him
Dr. Sanjeev Jha	or failing him
Mr. Charitha Subasinghe	or failing him
Mr. Arjuna Wignaraja	or failing him
Dr.(Ms.) Roshan Perera	or failing her
Ms. Coralie Pietersz	or failing her
Mr. Hemantha D Gunetilleke	

as my/our Proxy to represent me/us and to vote for me/us on my/our behalf at the Twenty Seventh Annual General Meeting (AGM) of the Bank to be held at the Auditorium of the Ceylon Chamber of Commerce, No.50, Nawam Mawatha, Colombo 02 on Friday, 27th March 2026 at 10.00 a.m. and at any adjournment thereof.

The Proxy may vote as he/she thinks fit on any other resolution brought before the meeting and may also speak on my/our behalf at the meeting.

In witness I/we placed my/our hand/s hereto on this ..... (.....) day of March 2026.

.....

Signature/s

Please indicate with a (√) in the space below how you wish your votes to be cast:

		For	Against
1.	To receive and consider the Annual Report of the Board of Directors and the Statement of Accounts for the period ended 31st December 2025 with the Report of the Auditors thereon.	☐	☐
2.	To re-elect Mr. Chanaka Wickramasuriya who retires by rotation at the AGM as a Director pursuant to Article 27 of the Articles of Association of the Bank.	☐	☐
3.	To re-elect Mr. Arjun Fernando who retires by rotation at the AGM, as a Director pursuant to Article 27 of the Articles of Association of the Bank.	☐	☐
4.	To re-elect Dr. Sanjeev Jha who retires by rotation at the AGM, as a Director pursuant to Article 27 of the Articles of Association of the Bank.	☐	☐
5.	To appoint Messrs KPMG, Chartered Accountants as Auditors of the Bank for the financial year ending 31st December 2026 and to authorise the Directors to determine their remuneration.	☐	☐
6.	To authorise the Board of Directors to determine and make donations as it may consider appropriate during the financial year 2026.	☐	☐

Form of Proxy (Voting Shareholders)

Instructions for Completion

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

2. The completed Form of Proxy should be forwarded to the e-mail address:
   Company. Secretary@nationstrust.com or posted to the Company Secretary, Nations Trust Bank PLC, No.46/58, Nawam Mawatha, Colombo 02 to be received by the Bank not later than 48 hours prior to the time scheduled for the AGM.

3. If the Form of Proxy is signed by an Attorney, a copy of the Power of Attorney certified by the Registrar General should accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the Bank.

4. If the appointer is a Company or Corporation, this Form of Proxy must be executed under the Common Seal or the hand of a duly Authorised Officer.

5. If this Form of Proxy is returned without any indication as to how the person appointed as Proxy shall vote, the Proxy shall exercise his/her discretion as to how he/she votes, or whether he/she abstains from voting.

Please fill in the following details:

Name of Shareholder	
NIC/Passport/Company Reg. No. of Shareholder	
Share Folio Number	
Number of shares	
Name of Proxyholder	
NIC No./Passport No. of Proxyholder	

Form of Proxy (Non-Voting Shareholders)

I/We.....

bearing NIC No./ Passport No./ Company Reg. No.....

of.....

being a shareholder/shareholders of Nations Trust Bank PLC, hereby appoint Mr/Mrs/Miss/Ven/Rev .....

..... bearing NIC No./Passport No..... of .....

..... whom failing ;

Ms. Sherin Cader	or failing her
Mr. Chanaka Wickramasuriya	or failing him
Mr. Arjun Fernando	or failing him
Dr. Ramesh Shanmuganathan	or failing him
Mr. Chandika Hettiarachchi	or failing him
Dr. Sanjeev Jha	or failing him
Mr. Charitha Subasinghe	or failing him
Mr. Arjuna Wignaraja	or failing him
Dr.(Ms.) Roshan Perera	or failing her
Ms. Coralie Pietersz	or failing her
Mr. Hemantha D Gunetilleke	

as my/our Proxy to represent me/us at the Twenty Seventh Annual General Meeting of the Bank to be held at the Auditorium of the Ceylon Chamber of Commerce, No.50, Nawam Mawatha, Colombo 02 on Friday, 27th March 2026 at 10.00 a.m. and at any adjournment thereof.

In witness I/we placed my/our hand/s hereto on this ..... (.....) day of March 2026.

.....

Signature/s

Form of Proxy (Non-Voting Shareholders)

Instructions as to Completion

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be forwarded to the e-mail address: Company. Secretary@nationstrust.com or posted to the Company Secretary, Nations Trust Bank PLC, No.46/58, Nawam Mawatha, Colombo 02 to be received by the Bank not later than 48 hours prior to the time scheduled for the AGM.
3. If the Form of Proxy is signed by an Attorney, a copy of the Power of Attorney certified by the Registrar General should accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the Bank.
4. If the appointer is a Company or Corporation, this Form of Proxy must be executed under the Common Seal or the hand of a duly Authorised Officer.

Please fill in the following details:

Name of Shareholder	
NIC/Passport/Company Reg. No. of Shareholder	
Share Folio Number	
Number of shares	
Name of Proxyholder	
NIC No./Passport No. of Proxyholder	

Corporate Information

REGISTERED NAME
Nations Trust Bank PLC

LEGAL FORM
A Public Limited Liability Company incorporated in Sri Lanka under the Companies Act No.17 of 1982 and re-registered under the Companies Act No.07 of 2007. A Licensed Commercial Bank established under the Banking Act No. 30 of 1988, as amended.

COMPANY REGISTRATION NUMBER
PQ118

DATE OF INCORPORATION
21st January 1999

COMPANY SECRETARY
Peshala Attygalle
Telephone : +94 77 309 0734
E-mail : peshala.attygalle@nationstrust.com

REGISTERED OFFICE
No. 46/58, Nawam Mawatha, Colombo 02.
Telephone : +94 11 431 3131
Facsimile : +94 11 230 7854
E-mail : ntbinvestorrelations@nationstrust.com
Web page : www.nationstrust.com
SWIFT : NTBCLKLX

AUDITORS
Messrs. Ernst & Young
Chartered Accountants,
Rotunda Towers,
No. 109, Galle Road,
P.O. Box 101,
Colombo 03.

CREDIT RATING
A(lka) (Stable) from Fitch Ratings Lanka Ltd.

INVESTOR RELATIONS OFFICER
Reshan Wediwardana
Assistant Vice President - Research, Investor Relations & Strategy Implementation
Telephone : +94 76 824 4885
E-mail : reshan.wediwardana@nationstrust.com

DIRECTORS
Sherin Cader - *Chairperson*
Chanaka Wickramasuriya - *Senior Director*
Arjun Fernando
Ramesh Shanmuganathan
Chandika Hettiarachchi
Sanjeev Jha
Charitha Subasinghe
Arjuna Wignaraja
Roshan Perera
Coralie Pietersz
Hemantha D Gunetilleke - *Director/Chief Executive Officer*

BOARD SUPERVISORY COMMITTEE
Sherin Cader - *Chairperson*
Arjun Fernando
Charitha Subasinghe
Arjuna Wignaraja

BOARD AUDIT REVIEW COMMITTEE
Coralie Pietersz - *Chairperson*
Charitha Subasinghe
Roshan Perera

HUMAN RESOURCES AND REMUNERATION COMMITTEE
Chanaka Wickramasuriya - *Chairperson*
Sherin Cader
Coralie Pietersz

NOMINATION AND GOVERNANCE COMMITTEE
Chanaka Wickramasuriya - *Chairperson*
Sherin Cader
Arjun Fernando
Roshan Perera

BOARD CREDIT COMMITTEE
Sherin Cader - *Chairperson*
Chanaka Wickramasuriya
Arjun Fernando
Chandika Hettiarachchi

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE
Roshan Perera - *Chairperson*
Charitha Subasinghe
Arjuna Wignaraja
Coralie Pietersz

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE
Chanaka Wickramasuriya - *Chairperson*
Sanjeev Jha
Coralie Pietersz

BOARD INFORMATION TECHNOLOGY ADVISORY COMMITTEE
Ramesh Shanmuganathan - *Chairperson*
Arjun Fernando
Hemantha D Gunetilleke
Arjuna Wignaraja

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NationsTrustBank

www.nationstrust.com