



**Annual Report 2024**  
**Trust in Better.**

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## FINANCIAL STATEMENTS

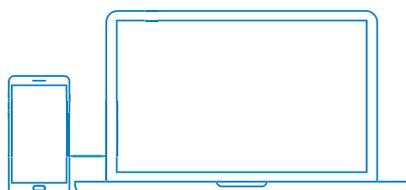
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### How to read this report

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The PDF version of the Annual Report 2024 can be read at: <https://www.nationstrust.com/about-us/investor-relations/annual-reports>

## Trust in Better.

Trust in Better means more than just progress, it embodies our relentless pursuit of excellence, innovation, and sustainable growth. It is our commitment to always strive for exceptional products, services, and experiences for our customers, communities, and stakeholders.

We believe in the power of continuous improvement, be it in our products, technology, or people, to ensure we remain at the forefront of an ever-changing industry.

We have embraced 'Trust in Better' through strategic investments, operational efficiencies, and strong governance. It is not just a mindset; it is our promise to deliver lasting impact, redefine success, and set new benchmarks for what is possible. Our commitment to this philosophy ensures that we are not just meeting expectations, but exceeding them - creating long-term, sustainable value for all.

Together, we are building a brighter, more sustainable future. As we continue this journey, Trust in Better will remain the foundation of everything we do, empowering us to push boundaries, innovate fearlessly, and deliver excellence at every turn.



## **Our Vision**

We help people and businesses by providing financial services and information to achieve their goals and aspirations in a sustainable way.

## **Our Mission**

We will work smart to become the most respected financial service provider.

## **Values**

- Trust
- Agility
- Proactive
- Excellence
- Collaboration

# Overview

## About this Report

The 11th integrated annual report of Nations Trust Bank PLC (“Nations Trust Bank” or “the Bank”) provides a concise and balanced assessment of how the Bank successfully directed its strategy in the face of unprecedented economic uncertainties to create value for its stakeholders.

## Reporting Entity

This report covers the operations of Nations Trust Bank and its subsidiaries, Waldock Mackenzie Limited, Allied Properties Limited and Nations Insurance Brokers Limited (collectively “the Group”). The Group operates exclusively in Sri Lanka.

## Reporting Period

This report covers the period from 1st January 2024 to 31st December 2024. The Group adopts an annual reporting cycle, and this report published in February 2025, builds on the previous report for the financial year ending 31st December 2023.

## Standards and Principles

This report has been prepared in accordance with

- Companies Act No. 7 of 2007 and subsequent amendments
- Banking Act No. 30 of 1988 its amendments and directions of the Central Bank of Sri Lanka
- Sri Lanka Financial Reporting Standards
- Listing Rules of the CSE and subsequent revisions to date
- Integrated Reporting Framework
- UN Sustainable Development Goals

## Board Responsibility Statement

All information contained in this report has 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 and the assurance statement of the external party can be found on page 60.

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 21st February 2025.

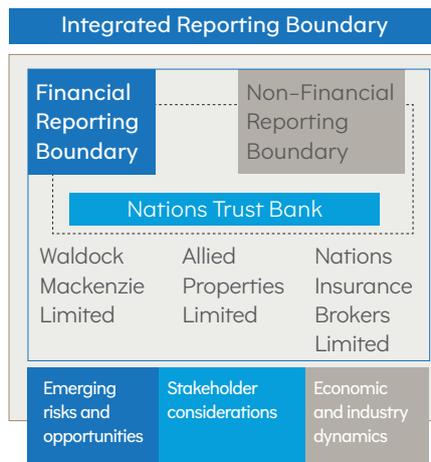
- GRI Standards
- International Sustainability Standard Board

## Assurance

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

## Scope and Boundary

This report covers the operations of Nations Trust Bank and its subsidiaries. Financial information in the Financial Statements and the narrative represents consolidated information unless otherwise stated. Qualitative non-financial disclosures represent only the Bank. The narrative also includes information on the opportunities and risks that emerged from the external environment and the outcomes attributed to our stakeholders. The scope and boundary of the integrated report is presented below.



## Changes to Reporting

There were no major changes to the Bank's size, shareholding structure or supply chain during the year under review. There were several restatements of non-financial information disclosed in the previous Annual Report under Natural Capital.

## Disclaimer for the Forward-Looking Statements

This report contains certain forward-looking statements regarding The Group's performances, financial position and operations. These statements involve risks and uncertainty as they relate to events that could occur in the future. These factors may cause actual results to differ from those expressed/implied by such forward-looking statements. The reader is advised to seek expert professional advice in all such respects.

## Feedback

We understand that integrated reporting is a journey of continuous improvement and we are committed to consistently enhancing the quality and readability of our report. We welcome your suggestions and comments on this report. Please direct your feedback to,

**Samadhi Hondamuni,**  
Vice President,  
Financial Reporting and Control

E-mail  
samadhi.hondamuni@nationstrust.com

## Navigation Icons

### THE SIX CATEGORIES OF CAPITAL

 Financial Capital	 Intellectual Capital	 Human Capital
 Manufactured Capital	 Social and Relationship Capital	 Natural Capital

### OUR STAKEHOLDERS

 Customers	 Shareholders	 Employees
 Business Partners	 Government	 Community

### STRATEGIC FOCUS AREAS

 Business Focus	 Cost and Efficiency	 Customer Experience
 Digitisation and Automation		

# Nations Trust Bank at a Glance

Nations Trust Bank PLC, a licensed commercial bank in Sri Lanka is committed to delivering innovative banking solutions that cater to the evolving needs of its customers. Known for its customer-centric approach, the Bank offers a wide range of services for Consumer, Commercial and Corporate customer segments. The Bank continues to focus on building strong, long-term relationships driven by a commitment to excellence, digital transformation and sustainable growth. With a deep understanding of customer needs and a dedication to continuous improvement, Nations Trust Bank remains a trusted partner in Sri Lanka's banking sector.

"We help people and businesses by providing financial services and information to achieve their goals and aspirations in a sustainable way."

## Our Proposition



### CONSUMER BANKING

"We offer personalized 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 Financing
- Structured Finance and Syndications
- Trade Financing
- Cash Management
- Corporate Cards



Scan for more information about the Bank's offerings

## Customer Value Proposition

At Nations Trust Bank, we are committed to delivering exceptional banking experiences tailored to the evolving needs of our customers. Through a seamless blend of digital innovation and personalized service, we empower individuals and businesses across Consumer, Commercial, and Corporate segments. Our customer-centric approach is built on trust, convenience, and financial expertise, ensuring that every interaction adds value.

NationsTrustBank

Private Banking



Business Banking

# Year in Review

## Operating Environment

- The gradual improvement in macro-economic conditions led to a revival in business activity and increased consumer confidence.
- An improved external sector performance contributed to increased gross official reserves as well as the appreciation and greater stability of the Sri Lankan Rupee.
- The gradual easing of import restrictions.
- An evolving regulatory landscape with new regulations issued to strengthen customer data protection, technology risk management and corporate governance.
- The successful completion of Sri Lanka's International Sovereign Bond Restructuring Programme, leading to an upgrade in the country's sovereign rating.

## Strategic Focus

- Capitalising on market opportunities by adopting a selective lending strategy and a risk-based approach to optimising returns.
- Emphasis on profitability through the effective management of funding cost and asset quality.
- Delivery of customer-centric solutions through a lifecycle proposition and relationship-driven approach.
- Leveraging technology to streamline processes and enhance the customer value proposition.
- Maintained focus on building an inclusive, value driven work environment.
- Ongoing emphasis on enhancing the sustainability of our value chain in alignment with our ESG strategy.

## Key Financial Highlights

Profit After Tax

**LKR 16.8 Bn**

(2023: LKR 11.5 Bn)

Total Capital Ratio

**22.7%**

(2023: 19.7%)

Stage 3 Ratio

**1.6%**

(2023: 2.3%)

Return on Equity

**24.2%**

(2023: 21.3%)

Liquidity Coverage Ratio

**320.6%**

(2023: 274.1%)

Stage 3 Provision Cover Ratio

**60.6%**

(2023: 55.3%)

# Performance Highlights



## Financial Capital

Figures In LKR Million	2024	2023	Change
<b>Performance of the Year (Group)</b>			
Operating income	44,402	45,032	-1%
Operating expense	14,974	14,079	6%
Profit after tax	16,802	11,471	47%
<b>Financial Position</b>			
Customer deposits	384,655	347,769	11%
Loans and receivables	287,363	270,945	6%
Total assets	545,586	516,134	6%
Total equity	79,477	61,126	30%
<b>Profitability</b>			
Net interest margin (Bank)	6.94%	7.72%	
Cost to income ratio	33.72%	31.26%	
Return on assets	3.27%	2.56%	
Return on equity	24.22%	21.34%	
Return on risk weighted assets	4.94%	3.88%	
<b>Investor Information</b>			
Market value per share - voting (LKR)	186.50	107.50	
Market value per share - non-voting (LKR)	215.50	99.80	
Net asset value per share (LKR)	243.65	191.25	
Earnings per share - basic (LKR)	50.82	34.69	
Dividend per share (LKR)	6.50	5.00	
Dividend yield (Voting)	3.49%	4.65%	
Market capitalisation (LKR million)	62,119	34,025	
<b>Capital Adequacy Ratio (Bank)</b>			
Tier 1	20.87%	17.52%	
Total capital	22.05%	19.07%	
Leverage ratio	12.57%	9.72%	
<b>Risk Management (Bank)</b>			
Stage 3 Loans/Gross Loans	1.60%	2.34%	
Stage 3 Impairment/Stage 3 Loans	60.55%	55.30%	
Liquidity coverage ratio (All currency)	320.56%	274.10%	
Net stable funding ratio	154.73%	158.59%	

## Economic Value Creation

**LKR 15.2 Bn**

Taxes to Government

**LKR 8.6 Bn**

Salaries and Benefits to  
Employees

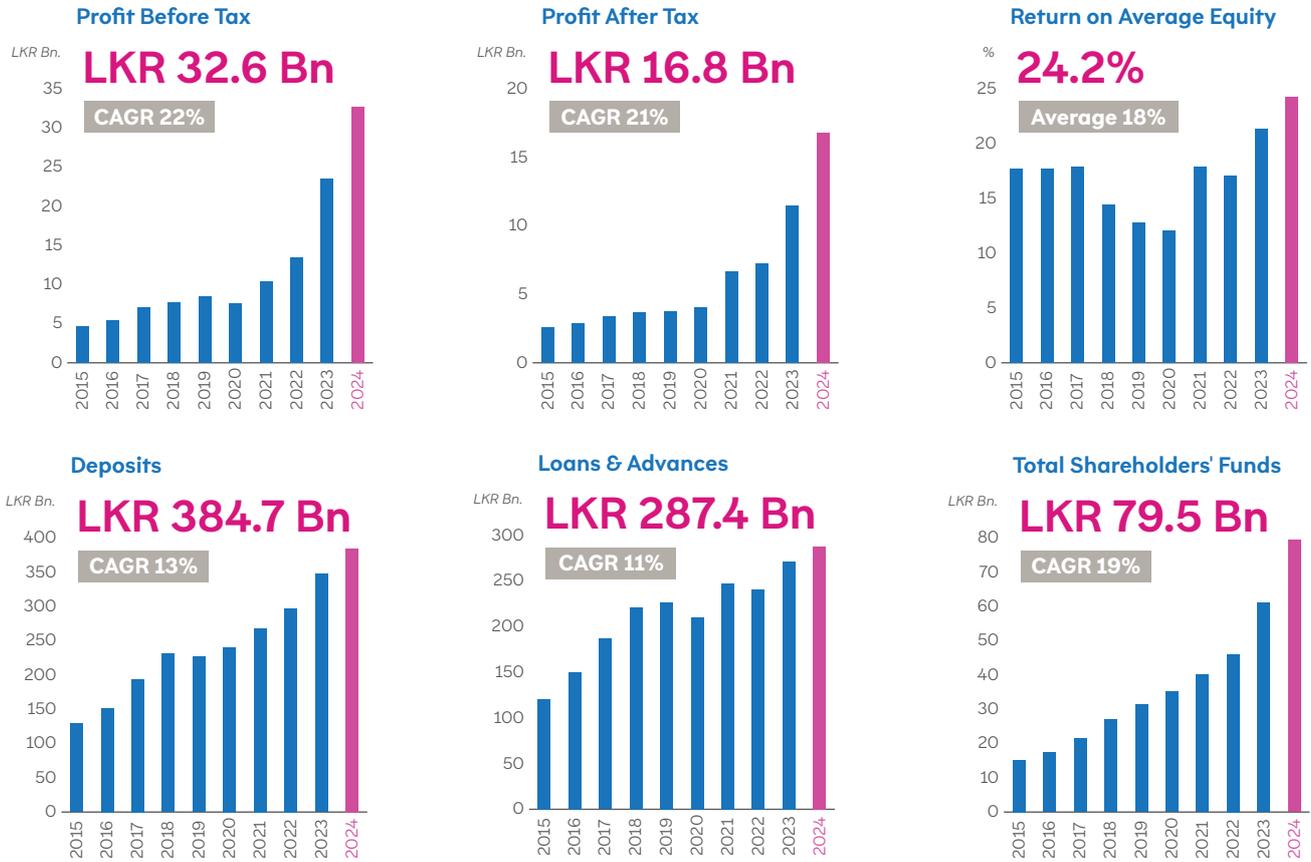
**LKR 5.9 Bn**

Payments to Suppliers

**LKR 2.1 Bn**

Dividends to Shareholders

### 10 Year Performance Trends



#### Human Capital



#### Intellectual Capital



#### Manufactured Capital



#### Social and Relationship Capital



#### Natural Capital



## 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 ending 31st December 2024.

The Bank has demonstrated a commendable financial performance, maintaining strong asset quality and liquidity while achieving double digit earnings growth reflecting its ability to navigate a complex macroeconomic landscape.

The results outlined in this report reflect the agile strategy, digitalisation initiatives, and continuous capacity building, complimented by an ESG strategy designed to deliver value to our stakeholders.

### Operating Context

The Sri Lankan economy rebounded over the course of 2024, with economic growth resuming in the third quarter of 2023. The Central Bank of Sri Lanka reduced policy rates amidst a backdrop of deflation, following stabilisation from the previous crisis highs, thereby facilitating credit growth in the private sector.

2024 saw the successful conclusion of the national External Debt Restructuring. This led to credit rating upgrades from international agencies, which improved confidence and unlocked bilateral funding. The economy's improving performance, coupled with structural reforms, has positioned Sri Lanka on a more sustainable growth trajectory and paving the way for stronger long-term economic expansion. These positive indicators reflect a stabilising economy and a promising outlook for the future.

### Performance Oversight

Nations Trust Bank achieved a Profit After Tax of LKR 16.8 Bn, marking a year-on-year growth of 46.5%. This was accomplished despite sluggish credit growth and protracted market uncertainty over political and policy positions during an election year.

The Bank grew its bottom line through careful cost management, strategic investments, and prudent lending practices. Operational Profits expanded, and Net Interest Income remained stable, despite margin pressures. The Bank's Capital Adequacy Ratio stood at 22.7%, well above the regulatory requirement of 12.5%, while the Bank remained highly liquid recording a Liquidity Coverage ratio of 320.6%, well above the minimum requirement of 100%, affirming sound liquidity management.

The stringent focus on asset quality has improved overall portfolio quality and reduced impairment charges resulting in a net Stage 3 Loan ratio of 1.6%.

In 2024, the Bank continued to support vulnerable businesses through extended moratoria, capacity building and advisory services. We aim to go beyond financial transactions in our engagement with these customers. Additionally, we partnered with multilateral agencies to channel concessionary funding to targeted economic groups such as women entrepreneurs and small businesses, as done in the past.

The Bank's Earnings per share increased by 46.5% to LKR 50.82 and Net Assets per share increased by 27.4% to LKR 243.65. The strong performance and market factors supported an increase in the market value by 82.6% to LKR 62.1 Bn by the close of the year, with the voting share price rising from LKR 107.50 to LKR 186.50. The Board has declared a first and final dividend of LKR 6.50 per share for the financial year ended 31st December 2024, comprising LKR 3.25 in cash and LKR 3.25 in scrip to be paid in March 2024.

## Other Board Priorities

### Commitment to Governance and Compliance

The Board maintained high standards of governance, assisted by the Board Sub Committees, in response to an evolving landscape. The Bank is fully compliant with the directions on corporate governance issued by the Central Bank of Sri Lanka. The Bank has also complied with the changes to the Listing Rules of the Colombo Stock Exchange effective for the year, ensuring adoption/ revision of all mandatory policies and the reconstitution where necessary of requisite Board Sub Committees within

the given time frames. Additionally, the Bank appointed a Senior Director to strengthen the governance structure as mandated by the Central Bank of Sri Lanka.

### IT Governance

The Bank continued to invest in becoming future-ready by modernising workflows through digital transformation and technology integration, empowering customers to manage their transactions and financial needs seamlessly. Onboarding and facilitating customers to perform transactions through digital channels and continued efforts on automating internal work processes have supported in maintaining the Cost to Income ratio.

The Board continues to monitor technology investments, their outcomes, and their impact on the business while ensuring adequate investments are made in the governance to mitigate potential cybersecurity risks.

### Employees

We are indeed fortunate to have a strong team aligned with common goals within a framework of shared values. The Board is committed to ensuring their personal and professional growth and also creating a talent pipeline to ensure the Bank's sustainable and profitable growth. I wish to acknowledge, with gratitude, the contribution and commitment of our employees during the year under review.

The Corporate Governance and the Human Capital sections of this report provide further details on the best practices, policies and procedures in place to ensure that Nations Trust Bank is an employer of choice.

Nations Trust Bank achieved a Profit After Tax of LKR 16.8 Bn, marking a year-on-year growth of 46.5%. This was accomplished despite sluggish credit growth and protracted market uncertainty over political and policy positions during an election year.

### Integrating ESG

In 2024, the Bank fully integrated its ESG framework, aligning it with key sustainability priorities. We have since commenced systematic monitoring of ESG targets to track progress effectively, creating new safeguards to protect the Bank from emerging sustainability and climate-related risks.

This ESG framework is essential to realising the Bank's growth plans, aligning with local regulatory requirements and international sustainability criteria set by multilateral development agencies, enabling broader collaboration with such funding partners. It also reflects the Bank's social responsibility. Nations Trust Bank's sustainability initiatives extend beyond compliance, focusing on environmental conservation, cultural enrichment, and creative entrepreneurship. Through these channels, we will strategically support wildlife, young artists and innovation-entrepreneurs. These efforts reflect our commitment to responsible corporate citizenship as detailed in the Social and Relationship Capital and Natural Capital sections of this report.

## Chairperson's Message

### Looking Ahead

The global economy is projected to grow at a steady 3.3% over the next two years, with headline inflation declining to 4.2% in 2025 and to 3.5% in 2026. Geopolitical tensions and policy uncertainties are expected to continue influencing global markets, leading to potential risks.

Sri Lanka expects modest GDP growth in 2025, fuelled by ongoing economic reforms and efforts to address the underlying causes of the recent economic crisis. The government's effort to raise fiscal revenues and adjust taxes on external trade and income aim to enhance fiscal stability. Inflation rates are forecasted to be around 5.5%, contributing to predictable interest rates. Maintaining price stability and managing inflation will be crucial for economic stability and growth. While Sri Lanka faces economic challenges, the outlook for 2025 presents numerous opportunities for the banking sector. By leveraging these opportunities, the banking sector can play a pivotal role in driving economic growth, supporting clients, and maintaining financial stability.

The Bank is well positioned to participate in targeted growth segments aligned to the country's growth plans. We will continue our stance on responsible lending and optimise returns while maintaining our sustainable growth trajectory. Governance will remain a key pillar, and we will continue our efforts in integrating ESG into our business strategies as the country transitions to a low carbon economy.

### Appreciations

It is with pleasure that I convey my appreciation to the Nations Trust Team led by our CEO, Hemantha D Gunetilleke, who has provided steadfast leadership navigating complexities and uncertainties during the year to deliver a stellar performance.

On behalf of the Board, I wish to welcome Arjuna Wignaraja and Roshan Perera who were appointed to the Board as Independent Non-Executive Directors on 9th December 2024 and 10th January 2025, respectively. They bring extensive knowledge and skills, further strengthening the collective insights of the Board of Directors.

I wish to thank my fellow Board members for their valuable contributions and guidance during an uncertain and

challenging year. On behalf of the Board, I would like to extend my sincere appreciation to Conrad D'Souza, Senior Director who retired from the Board with effect from 18th January 2025 upon reaching his tenure of nine years as a Director and Savanth Sebastian who resigned from the Board with effect from 18th June 2024.

I thank our investors, customers and business partners who have supported our journey and count on their continued trust and confidence in the years ahead. 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 guiding and supporting the banking sector amidst multiple challenges.



Sherin Cader  
Chairperson

21st February 2025  
Colombo

# Chief Executive Officer's Review



## Dear Stakeholders,

I am pleased to present the Integrated Annual Report and the Annual Financial Statements for the 12 months ended 31st December 2024 for Nations Trust Bank PLC.

During the year we remained focused on the Bank's long-term strategy with a commitment to building on the successes and learnings from the prior years to achieve meaningful outcomes for our customers, team members and shareholders. Overall, 2024 was another strong year for the Bank, achieving a PAT of LKR 16.8 Bn which represents a 4 times growth over 4 years. Supported by strong bottom line growth, we achieved a market leading ROE of 24.2%, offering strong shareholder returns.

At the outset, I would like to thank our team, all 2,473 of them who worked tirelessly to achieve these results while serving our 650,000 customers. Each year, as a team, we strive to be better while embracing our core values that drive progress and a shared commitment to 'Trust in Better.'

In 2024, the Bank celebrated a significant milestone in our journey – our 25th year of operations. During this relatively short time period, we have emerged as a strong and agile force, in a highly competitive banking industry while earning a reputation for excellence, agility, innovation and responsible banking.

### Regaining Stability

After 4 years of unprecedented socioeconomic pressure, extreme market volatility and political uncertainty, 2024 proved to be a year of relative stability. Significant improvements in key macro-economic variables, including the rapid decline in interest rates and inflation, a stronger LKR and the completion of the national External Debt Restructuring contributed to a sense of stability returning to the market. The year ended on a positive note with Sri Lanka's International Debt and Sovereign Rating being upgraded to CCC+ by Fitch, signalling the easing of the sovereign debt crisis. Following the upgrade of the Sovereign, Fitch also recalibrated the rating of several Sri Lankan banks.

Accordingly, Nations Trust Bank was upgraded from 'A-(lka)' to 'A(lka)' by Fitch with a stable outlook.

### Strategic Growth and Resilience

The deep work undertaken during the pandemic years and the financial crisis to reposition the Bank's strategic direction has been a key catalyst that set the Bank on a path of strong growth. The strategic decisions made around our business models, the approach to risk, balance sheet management and expansion into new areas of opportunity resulted in total assets expanding to LKR 546 Bn. Further, careful attention to Assets and Liability Management through a dynamic interest rate environment ensured that the Bank maintained strong liquidity and a Net Interest Margin at 6.94%.

Our deposit franchise continued to perform well in 2024, as we successfully consolidated market share amongst our key customer segments. Throughout the year, the Bank remained highly liquid in both LKR and Foreign Currency with a LCR of 320.6%.

## Chief Executive Officer's Review

Fee based income increased by 13.6% to LKR 8.06 Bn. The relatively moderate performance was mainly attributed to the softness of import trade activity. The Bank's export sector however continued to expand rapidly, driven by the Bank's excess foreign currency liquidity which enabled us to support the growth of our export customers.

In 2024, we continued to challenge our operating models and have embedded efficiency into processes and people structures across the Bank. These initiatives, building on the work undertaken in the preceding years have ensured that the Bank's Total Costs were controlled at LKR 15.0 Bn, with an annual increase of only 6.4%. Our Cost to Income Ratio remained at 33.7%.

During the year we continued to reposition our risk appetite across key products and market segments. These initiatives have ensured that our strong performance in profitability and return ratios are bolstered by one of the lowest Net Stage 3 ratios in the industry at 1.6%, highlighting the quality of our asset portfolio and our risk-based approach to balance sheet growth. Along with the easing of the crisis years, we continued to focus on cleansing the Stage 3 book and closed the year with an Impairment Coverage of 57.8%. Despite the relatively high coverage ratio, total impairments on credit and prudential provisions were revised to LKR 3.2 Bn reflecting the improving macro-economic conditions and successful de-risking of the Bank's credit portfolio.

In Q4 2024, the Bank disposed of its remaining International Sovereign Bond portfolio of USD 25 Mn, thereby increasing impairment reversals and further strengthening the Bank's USD liquidity.

Profit Before Tax increased 39% to LKR 32.6 Bn reflecting the execution of a prudent strategy that delivered on key performance indicators.

During the year, the Bank paid taxes of LKR 15.2 Bn at an effective tax rate of 48.5%, contributing towards national fiscal consolidation.

In 2024, the Bank recorded a Profit After Tax of LKR 16.8 Bn, an increase of 46.5%, the highest profit recorded to date.

Strong growth in profitability over several successive years has resulted in a build-up of the Bank's capital reserves with Shareholder Funds increasing to LKR 79.5 Bn. The Bank has always maintained strong Capital Adequacy buffers, comfortably above the minimum regulatory requirements and closed the year with a Capital Adequacy Ratio of 22.7%. These strong capital reserves and the unwavering support of our shareholders, a majority of whom are institutional investors, continues to be a great strength, as the Bank builds scale and seizes growth opportunities.

The clear articulation of strategy, undertaking deep work where needed to refine details and pursuing opportunities within a carefully defined space has helped the Bank make the right choices, resulting in sustained growth and tangible returns.

### Supporting Business Revival and Nurturing Economic Growth

As the country made steady progress towards macroeconomic stability, we remained focused on delivering an exceptional banking experience to our customers across our core business segments. As the economic environment improved and signs of growth emerged, we actively sought opportunities to support the growth aspirations of our customers.

We have been particularly successful in supporting the business revival of Small and Medium Enterprise (SME) customers. The provision of LKR 2.0 Bn in concessionary funding to these customer segments during the year, in partnership with multilateral agencies is noteworthy. We have been equally successful in supporting the revival of

Profit After Tax  
**LKR 16.8 Bn**  
(2023: LKR 11.5 Bn)

Total Capital Ratio  
**22.7%**  
(2023: 19.7%)

Return on Equity  
**24.2%**  
(2023: 21.3%)

trade and foreign exchange transactions with our SME and corporate customers, thereby playing an active role in the revival of the national economy. During the year, we paid special attention to the needs of our borrowing customers who required ongoing assistance in the aftermath of the pandemic and the economic crisis, in order to ensure the survival of viable enterprises. Accordingly, a Business Revival Unit was established in line with regulatory guidance to provide technical assistance to develop extended repayment plans and overall support in business revival. The many success stories of innovation and entrepreneurship, coupled with resilience, a willingness to change and the integrity to repay debt, gives us much hope for early economic revival as a nation.

We are very thankful to our loyal customers who continue to place trust in the Bank. We believe their trust in us is a testament to our ingrained culture of service excellence, fairness, customer centric banking solutions and digital innovation which makes banking with us seamless. We will continue to protect the trust placed in the Bank by our customers by always adhering to prudent and ethical banking practices that ensure the stability, sustainability and longevity of Nations Trust Bank.

### Driving Success through People and Culture

Our team as always has been the key driver of the Bank's success. A primary focus of the Bank has always been to attract and retain the right talent that lives the Bank's values while driving both organisational and personal growth. Our team of 2,473 made up of relatively young talent, remained agile and focussed on delivering our core strategic objectives through the year. During the year we continued to build a culture of learning with 74,206 hours of learning and development. I am fortunate to have an energetic, ambitious and young team of professionals who are eager to reimagine and redefine banking for a new and emerging Sri Lanka. The Nations Spirit embodies a commitment to continuous improvement, and this is reinforced throughout our interactions on a day-to-day basis. The Nations Spirit is the common thread that runs through our team of diverse people and together we are determined to deliver better outcomes year after year for our stakeholders.

### Commitment to Sustainability and Governance

The Bank is steadfast in its commitment to integrating sustainability into its operations by effectively managing Environmental, Social, and Governance (ESG) impacts, risks, and opportunities. This commitment is driven by our ESG strategy, which includes both the ESG Management Framework and the Environmental and Social Management System (ESMS) Strategy. While the ESG Management Framework has been successfully established, continuous efforts are being made to enhance the existing ESMS strategy to ensure a more structured approach to managing sustainability risks.

Further strengthening our sustainability governance, the Bank has now adopted a Board-approved Sustainability Policy, which serves as the guiding force in driving the ESG Framework forward.

I would like to thank our team, all 2,473 of them who worked tirelessly to achieve these results while serving our 650,000 customers. Each year, as a team, they strive to be better while embracing our core values that drive innovation, progress and a shared commitment to 'Trust in Better.'

Our sustainability approach is built on three key pillars: Sustainable Finance, Sustainable Culture, and Responsible Organisation. While all three pillars are integral to our journey, in 2024, we placed a greater emphasis on fostering a Sustainable Culture within the organization. This year, we actively encouraged staff engagement in sustainability initiatives and CSR projects, focusing on practical, hands-on involvement. By embedding sustainability into our organisational culture, we are ensuring that our commitment goes beyond policy and translates into meaningful action.

As we move forward, the Bank remains dedicated to achieving its ESG objectives, strengthening its role as a responsible corporate entity, and driving sustainable impact within the communities we serve.

### Appreciations

As the Bank records another stellar year, I am deeply appreciative of all our customers who placed their trust in the Bank and our amazing team for delivering another record year for the Bank. I also wish to thank the Chairperson and our Board of Directors for their guidance, support and understanding as always.

I also wish to acknowledge the guidance and support extended by our regulator, the Central Bank of Sri Lanka. We extend our heartfelt appreciation to the Governor and the leadership of the Central Bank of Sri Lanka for safely steering the entire banking sector through several years of socio and macroeconomic stress.

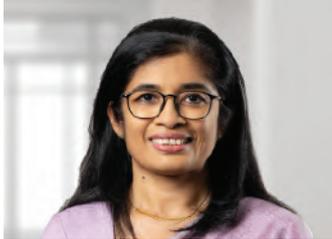
I thank our business partners and investors for their continued support and confidence placed in the Bank. The year 2024 has shown us once again, that a tenacious focus on core objectives, team work and the resolve to do what is right, no matter the circumstances, is the recipe for long term success and growth. I believe our results have once again, showcased our professionalism, customer centricity and ability to successfully navigate a dynamic external environment to achieve meaningful results. As we look to the future, we remain committed to delivering responsible outcomes, sustainable growth and extraordinary value for our customers, our people and our shareholders.



**Hemantha D Gunetilleke**  
Executive Director/Chief Executive Officer

21st February 2025  
Colombo

## Board of Directors



**Sherin Cader**  
Chairperson/Non-Executive  
Director



**Hemantha D Gunetilleke**  
Executive Director/  
Chief Executive Officer



**Chanaka Wickramasuriya**  
Senior Director



**Rachini Rajapaksa**  
Independent Non-Executive  
Director



**Russell De Mel**  
Independent Non-Executive  
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



**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 30th March 2022

**Board Sub-committees served**

Chairperson of the Board Supervisory Committee and the 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.
- 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 Waddock 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 27 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 04th April 2022  
Elected at the AGM held on 31st March 2023.

**Board Sub-committees served**

A member of the Board Credit Committee and the Board Information Technology Advisory Committee of the Bank.

**Current appointments**

Serves on the Boards of three subsidiary companies (unlisted) of the Bank, namely Waddock 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 9 years heading various functions of the Bank including Consumer Banking and Commercial 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 and the Board Human Resources and Remuneration Committee and also serves as a member of the Board Credit Committee and the Related Party Transactions Review Committee of the Bank.

**Current appointments**

- Chief of Party – Chemonics/USAID Sri Lanka Energy Program.
- Serves on the Boards of following unlisted companies as a Non-Executive Director;
  - Global Rubber Industries (Pvt) Ltd, The Fabulous Gateway (Pvt) Ltd, Ayenka Holdings (Pvt) Ltd and Global Sea Food (Pvt) Ltd.
- Serves as the Chair – Investment Committee – Lynear Wealth Management – Unit Trust Fund.

**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.
- 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.

**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.

## Board of Directors

### Rachini Rajapaksa

*Independent Non-Executive Director*

#### Date of appointment

Appointed to the Board on 29th April 2016

Last Re-election: At the AGM held on 31st March 2023

#### Board Sub-committees served

The Chairperson of the Board Audit Review Committee and also serves as a member of the Board Integrated Risk Management Committee, the Board Human Resources and Remuneration Committee and the Board Information Technology Advisory Committee of the Bank.

#### Current appointments

Serves as an Independent Non-Executive Director at First Capital Holdings PLC, Asia Siyaka Commodities PLC, Sri Lanka Accounting G Auditing Standards Monitoring Board, Asset Machinery and Equipment (Pvt) Ltd, Asset Enterprises (Pvt) Ltd and Wealth Lanka Bond House Ltd, AgriOne Solutions (Pvt) Ltd.

#### Previous appointments

- Past President/Director – CFA Society Sri Lanka.
- Chief Financial Officer, IBM – Sri Lanka and Bangladesh.
- Senior Fund Manager at Ceybank Asset Management.
- Audit Supervisor, PricewaterhouseCoopers Sri Lanka

#### Skills and experience

Rachini holds extensive leadership experience in the fields of fund management and finance. She is a Chartered Financial Analyst of the CFA Institute, Charlottesville, Virginia USA and is a Fellow Member of the Chartered Institute of Management Accountants, UK.

### Russell De Mel

*Independent Non-Executive Director*

#### Date of appointment

Appointed to the Board on 6th June 2016

Last Re-election: At the AGM held on 28th March 2024

#### Board Sub-committees served

Chairperson of the Related Party Transactions Review Committee and also serves as a member of the Board Credit Committee and the Board Human Resources and Remuneration Committee of the Bank.

#### Previous appointments

- Served on the Boards of Singer Finance Lanka PLC and HDFC Maldives (nominee of IFC) and AIA Insurance PLC.
- Director/CEO and Group CEO at National Development Bank PLC.
- Vice President of Group Risk Management and Corporate Banking at NDB.
- Served on the Boards of over 25 listed and non-listed companies.

#### Skills and experience

Russell is a professional accountant with over 20 years' experience in Development Banking including Project Financing,

SME Financing and Merchant Banking and around 9 years of experience in Commercial and Investment Banking. He is a Fellow of the Chartered Institute of Management Accountants, Chartered Global Management Accountants and Fellow of the Certified Management Accountants of Sri Lanka.

### 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 Committee, the Board Credit Committee and the Board Information Technology Advisory Committee of the Bank.

#### Current appointments

- Serves on the Boards of Central Finance Company PLC, a listed company as a Non-Executive Director.
- Serves on the Boards of following unlisted companies as an Independent Non Executive Director;
  - NDB Capital Holdings PLC NDB Securities (Pvt) Limited NDB ZEPHYR Partners Limited.
  - Durdans Medical G Surgical Hospitals (Pvt) Ltd.
- Serves as a Consultant of M G J Secure Holdings (Pvt) Ltd.
- Served as a consultant of Certis Lanka Group.

#### 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 and HSBC Hong Kong.

#### Skills and experience

Arjun is a professional banker with 39 years of experience in banking, finance, and business administration. He is an Associate of the Chartered Institute of Bankers (U.K.). 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-committee 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 at 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 25 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 05th January 2022

Elected at the AGM held on 30th March 2022

#### 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 Ltd, 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.

#### 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.

## Board of Directors

### 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

#### 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 Paramount Health Care Services and Insurance TPA, India, 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.
- A member of the Academic Council for the management institute Birla Institute of Management Technology, India and is a Mentor with the FinTech Center of Entrepreneurship under the Ministry of Electronics and Information Technology, Government of India.
- Advisor to CamCom Technologies (Pvt) Ltd, India.

#### Previous appointments

- CEO and Managing Director of Fairfirst Insurance Limited, Sri Lanka. He was on the advisory Board of Symbo Platform, 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 a BA in Economics from St. Xavier's Collage, MA in Economics from University of Mumbai and Ph.D in Economics from the University of Mumbai.

### 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 (Pvt) Ltd, John Keells Singapore (Pte) Ltd, 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 G Company (Shipping) Ltd, 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

#### Board Sub-committees served

A member of Board Integrated Risk Management Committee and Board Supervisory 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 G Company (Pvt) Ltd, KalyanaSL Guarantee Ltd.
- Serves as an advisor to the Boards of Medihelp Holdings (Pvt) Ltd, Xebero (Pvt) Ltd and its subsidiaries namely, Ontomatrix (Pvt) Ltd and Codelantic (Pvt) Ltd.

**Previous appointments**

- Advisor/Vice President of Cerberus Frontier and Board Advisor of Timex Garments (Pvt) Ltd.
- Executive Director of Remote Sensing Metrics Asia (Pvt) Ltd.
- Chairperson/ Independent Non-Executive Director of South East Asia Leadership Academy (SEALA).
- Independent Non- Executive Director of Lankan Angel Network (LAN) and SL2 College.

**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 a Bachelor of Arts degree in Economics (with Honors) from the 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

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

**Current appointments**

- Independent Non-Executive Director of Senkadagala Finance PLC.
- Course Coordinator of Bandaranaike Academy for Leadership and Public Policy.
- Senior Research Fellow Advocata Institute.

**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 SriLankan Airlines Limited.
- Director of Risk Management Department, Additional Director-Bank Supervision Department and 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.

**Skills and experience**

Roshan is a professional with three decades of experience in the fields of economics, risk management, policy research and corporate governance. She holds a Doctor of Philosophy in Economics from the University of Melbourne, Australia. She holds 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.

## 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



**Randil Boteju**  
Chief Digital Officer



**Sanjaya Senarath**  
Chief Marketing Officer



**Kushlani Allis**  
Chief Risk Officer



**Sampath Perera**  
Acting Chief Financial Officer/  
Chief Data Officer



**Priyantha Samaradiwakara**  
Senior Vice President  
Leasing



**Nisaja Aryasinghe**  
Chief Compliance Officer



**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

## Vice Presidents



**Kalana Kumarasinghe**  
Deputy Chief Information 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



**Dineth Nanayakkara**  
Vice President  
Transaction Banking



**Chamila Hewawasam**  
Vice President - IT Governance/  
Program Management



**Chandana Dodanwela**  
Vice President  
Branches



**Sisila Katukurunda**  
Vice President  
Commercial Credit Management



**Samadhi Hondamuni**  
Vice President  
Financial Reporting/Control

# One Ecosystem. Infinite Possibilities.



## Nations Direct



App



Desktop



Smart  
Statements

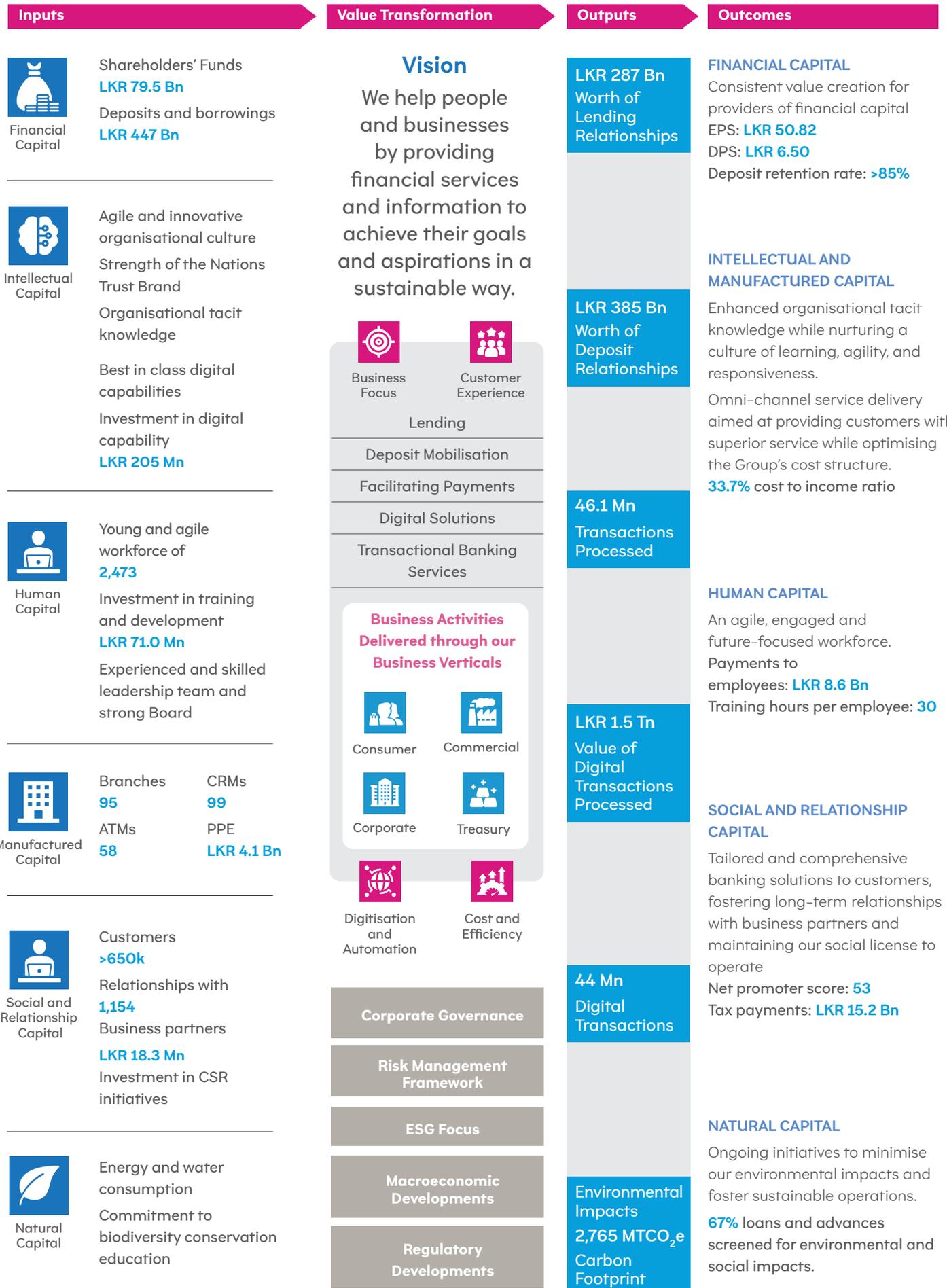


Smart  
ATMs



Nations  
Direct Enterprise

# Value Creation Model



**Inputs**

**Value Transformation**

**Outputs**

**Outcomes**



Financial Capital

Shareholders' Funds  
**LKR 79.5 Bn**  
Deposits and borrowings  
**LKR 447 Bn**



Intellectual Capital

Agile and innovative organisational culture  
Strength of the Nations Trust Brand  
Organisational tacit knowledge  
Best in class digital capabilities  
Investment in digital capability  
**LKR 205 Mn**



Human Capital

Young and agile workforce of **2,473**  
Investment in training and development  
**LKR 71.0 Mn**  
Experienced and skilled leadership team and strong Board



Manufactured Capital

Branches **95**      CRMs **99**  
ATMs **58**      PPE **LKR 4.1 Bn**



Social and Relationship Capital

Customers **>650k**  
Relationships with **1,154**  
Business partners  
**LKR 18.3 Mn**  
Investment in CSR initiatives



Natural Capital

Energy and water consumption  
Commitment to biodiversity conservation education

## Vision

We help people and businesses by providing financial services and information to achieve their goals and aspirations in a sustainable way.



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

LKR 287 Bn  
Worth of Lending Relationships

LKR 385 Bn  
Worth of Deposit Relationships

46.1 Mn  
Transactions Processed

LKR 1.5 Tn  
Value of Digital Transactions Processed

44 Mn  
Digital Transactions

Environmental Impacts  
2,765 MTCO<sub>2</sub>e  
Carbon Footprint

## FINANCIAL CAPITAL

Consistent value creation for providers of financial capital  
EPS: **LKR 50.82**  
DPS: **LKR 6.50**  
Deposit retention rate: **>85%**

## INTELLECTUAL AND MANUFACTURED CAPITAL

Enhanced organisational tacit knowledge while nurturing a culture of learning, agility, and responsiveness.  
Omni-channel service delivery aimed at providing customers with superior service while optimising the Group's cost structure.  
**33.7%** cost to income ratio

## HUMAN CAPITAL

An agile, engaged and future-focused workforce.  
Payments to employees: **LKR 8.6 Bn**  
Training hours per employee: **30**

## SOCIAL AND RELATIONSHIP CAPITAL

Tailored and comprehensive banking solutions to customers, fostering long-term relationships with business partners and maintaining our social license to operate  
Net promoter score: **53**  
Tax payments: **LKR 15.2 Bn**

## NATURAL CAPITAL

Ongoing initiatives to minimise our environmental impacts and foster sustainable operations.  
**67%** loans and advances screened for environmental and social impacts.

# Operating Landscape

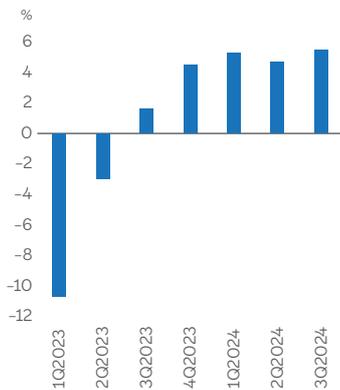
In 2024, the Sri Lankan economy experienced successive phases of recovery, further advancing the progress initiated in 2023. Supported by renewed business and consumer confidence, price stability and accommodative monetary policy, domestic economic activity expanded steadily in 2024, recording its highest growth rate since 2017. The newly-elected government's commitment to economic reforms under the ongoing IMF-EFF programme assisted in easing pre-election uncertainties about potential policy shifts, thereby preserving economic stability and boosting investor confidence. External sector performance also improved, driven by increased foreign exchange inflows resulting in stronger external buffers. Sri Lanka also successfully completed its external debt restructuring programme in December 2024, which subsequently resulted in a sovereign rating upgrade by two leading rating agencies. Building on these achievements, a sustained commitment to key economic reforms, will enable the country to maintain the stability achieved in 2024, accelerate economic growth in the short to medium term and strengthen its resilience against future shocks.

## Economic Environment

### GDP Performance

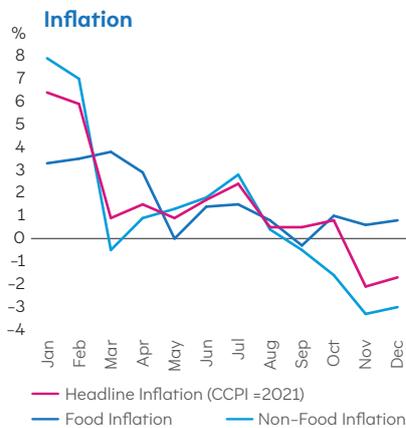
The Sri Lankan economy recorded notable growth in 2024, with real GDP expanding by 5.5% in 9M 2024, supported by an accommodative monetary policy and a low inflation environment. All three key economic sectors – Agriculture, Industry and Services – contributed to the economic recovery, recording positive growth rates of 3.0%, 10.8% and 2.6% respectively.

#### Quarterly GDP



### Inflation

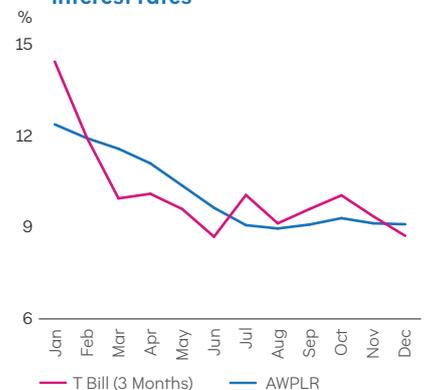
Inflation gradually declined during 2024 and reached deflationary levels towards the year end. As at December 2024, headline and core inflation stood at -1.7% and 2.7% respectively. While headline inflation is expected to remain negative in the short term as prices continue to adjust downward, it is projected to return to positive territory towards mid-2025 and align with CBSL's target level of 5% in the medium term supported by appropriate policy measures.



### Interest Rates

Underpinned by declining inflation and the gradual resumption of economic activities, the CBSL maintained an accommodative monetary policy during 2024. Accordingly, interest rates were revised downward three times, which resulted in a decline in market interest rates, supporting investment and consumer spending.

#### Interest rates



In 2024 also saw the CBSL shift from a dual policy interest rate system to a single policy interest rate mechanism, which led to the introduction of the Overnight Policy Rate (OPR) as the primary tool of monetary policy. Accordingly, the OPR stood at 8% as at end-December 2024.

The Bank rate also gradually eased over 2024, declining to 10% in December 2024 from 14.5% on 1st January 2024.

### External Position and Exchange Rate

#### Exchange rate



Sri Lanka's external position strengthened significantly in 2024, driven by increased foreign exchange inflows from exports, the resurgence in the tourism sector and higher workers' remittances. Notably, earnings from the tourism sector expanded by 53.2% in 2024.

Sri Lanka's trade deficit widened to USD 6.1 Bn in 2024 reflective of higher import expenditure as restrictions on imports were gradually eased. Meanwhile, the current account balance recorded a surplus for the second consecutive year while the balance of payments position also strengthened. Gross official reserves expanded to USD 6.1 Bn as at end-December 2024 (end-December 2023: USD 4.4 Bn) following CBSL's concerted efforts to rebuild external buffers and preserve the stability of the Sri Lankan Rupee against the US Dollar.

Reflective of improved external sector stability, the Sri Lankan Rupee appreciated by 10.7% to LKR 292.67 against the US Dollar as at end-December 2024.

Significantly, the GoSL successfully completed its international debt restructuring process in December 2024. This milestone led to the country's sovereign rating being upgraded by Fitch Ratings and Moody's Ratings to CCC+ and Caa1 respectively, further enhancing investor confidence.

### Fiscal Consolidation

Fiscal sector performance continued to improve in 2024. Policy measures implemented under the IMF-EFF arrangement resulted in a notable increase in tax revenue collection and improved fiscal indicators. Structural reforms, including the introduction of cost-reflective pricing mechanisms for major utilities, also supported this progress. Improved fiscal performance contributed to a reduction in risk premia on government securities, further facilitating the CBSL's efforts to ease monetary policy to support economic growth.

## Banking Industry

Easing macro-economic conditions alleviated pressure on the banking industry, enhancing its stability and resilience. Renewed economic activity contributed to a gradual increase in credit demand while simultaneously reducing the sector's default risk. Profitability also improved, supported by the faster re-pricing of deposits relative to loans in a declining interest rate environment. Improved profitability, increased investments in government securities and capital raised through debenture issues collectively strengthened the banking industry's capital position. Moreover, increased investments in government securities also enhanced the sector's liquidity, further enhancing its overall strength and stability.

### Assets - 9M 2024

**4.0%**  
Growth in total banking assets

**2.1%**  
Growth in gross loans and advances

**11.6%**  
Growth in investments

Stage 3 loans to total loans and advances

**12.6% in 3Q 2024**

13.4% in 3Q 2023

Stage 3 impairment coverage ratio

**52.3% in 3Q 2024**

46.9% in 3Q 2023

**12.5%**  
ROE

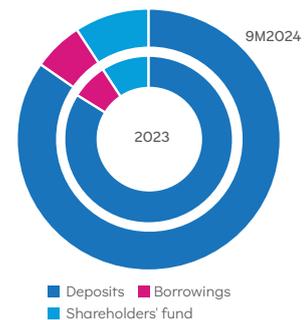
### Funding - 9M 2024

**4.3%**  
Growth in Deposits

**7.5%**  
Growth in Shareholders' Funds

**-7.2%**  
Growth in Borrowings

### Funding Composition



### Performance - Y-o-Y

**14.0%**  
Growth in Total Income

**20.4%**  
Growth in Net Interest Income

**-7.7%**  
Growth in Non-Interest Income

Net Interest Margin  
**4.0% in 3Q 2024**  
3.5% 3Q 2023

Cost to Income ratio  
**42.3% in 3Q 2024**  
41.0% in 3Q 2023

Driven by personnel and operating cost increases.

Impairment expenses  
**-37.7% growth**

Operating expenses  
**17.7% growth**

Profit before corporate tax

**29.4%**  
**growth in 3Q 2024**

Supported by lower impairment

### Capitalisation

	3Q2024	3Q2023
Tier 1 capital ratio	14.8%	13.5%
Capital adequacy ratio	18.5%	16.4%
Common equity Tier 1 ratio	14.5%	13.2%

# Sustainability Integration

Our sustainability strategy is closely aligned to our business strategy, reaffirming our commitment to responsible economic contribution. By integrating business growth with financial inclusivity, environmental stewardship and social responsibility, we create value for all stakeholders while strengthening business resilience for long-term success.

### Our Commitment to Sustainability

As a leading financial institution, we recognise our responsibility and influence in shaping a more sustainable and inclusive economy. At Nations Trust Bank, we embrace this role, actively fostering sustainable growth along our value chain, to create a better future for all stakeholders. This commitment is driven from the top, with the Board of Directors and Management proactively leading the transition. Our dedication to sustainability is deeply embedded in our strategic approach, ensuring its integration across all facets of our operations and value chain.

### Our Sustainability Purpose

We aim to meet the financial goals of our shareholders and customers with high integrity by ensuring that our business practices are conducted responsibly. This extends beyond regulatory compliance to include environmental and social responsibility within our operations and value chain.

## Sustainability Approach



Our sustainability approach is guided by our corporate and sustainability policies, corporate governance, the ESG Management Framework, and our Environmental and Social Management System (ESMS). While the ESG Management Framework seeks to manage our sustainability impacts and ESG risks and opportunities stemming from our operations, the ESMS aims to manage impacts from our lending portfolio.

During the year under review, the Bank made significant progress in aligning its sustainability approach with the requirements of SLFRS Sustainability Standards S1 and S2. It enhanced the management of sustainability and climate-related risks and opportunities by formally identifying and integrating them into Bank’s overall Risk Management Framework. This integration has facilitated improved impact assessment, monitoring, resource allocation and mitigation efforts.

**OUR SUSTAINABILITY STRATEGY**

The Bank’s Board approved ESG strategy comprises the ESG Management Framework and the ESMS strategy.

In 2024, the Bank continued to integrate the management of sustainability impacts and Environmental, Social and Governance (ESG) risks and opportunities through the implementation of the Board approved ESG strategy, encompassing the ESG Management Framework and ESMS Strategy. The ESG Management Framework has been successfully implemented and the Bank plans to strengthen its existing ESMS strategy.

Nations Trust Bank ESG strategy is focused on managing and mitigating the environmental, social and governance impacts that we have on our environment and society. These impacts, caused by our operations and value chain, will be monitored through the ESG Management Framework and Environmental and Social Management Process. ESG strategy of the Bank comprises of 2 main segments.

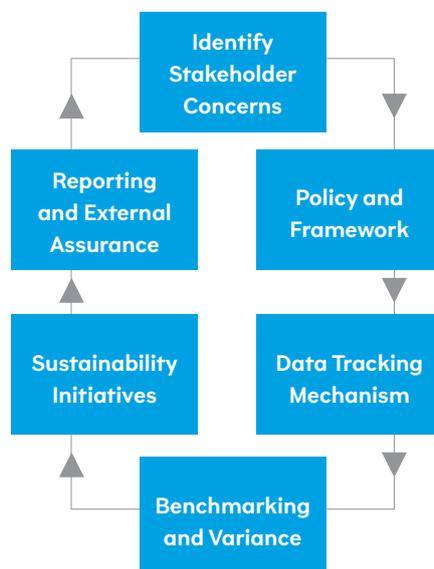
<p><b>A</b></p> <p><b>ESG Management Framework for Operations</b></p>	<p>Implemented from 2023, these internal processes are designed to measure and manage the sustainability impacts of the Bank’s operations</p>
<p><b>B</b></p> <p><b>Environmental and Social Management System for Portfolio</b></p>	<p>Enables the assessment of Environmental and Social impacts of projects financed by the Bank to facilitate compliance with Environmental and Labour Laws of the country while encouraging compliance with higher voluntary benchmarks to minimise impacts along the Bank’s value chain</p>

**A ESG Management Framework for Operations**

The Bank’s ESG Management Framework is designed to systematically identify the most critical sustainability-related topics impacted by its operations, as well as the risks and opportunities arising from its impacts and dependencies. In 2023, the year of implementation, the Bank conducted a comprehensive internal perception study to assess the material topics arising from both its impacts and its risks and opportunities.

The identification of these material topics was undertaken by aligning the internal perception study with the GRI Universal Standards, the AccountAbility AA1000AS Standard and key principles of the COSO Risk Management Framework. The Board has delegated the management of these material topics to the CEO who is assisted by the Sustainability Team which is headed by the Chief Marketing Officer (CMO). A dedicated officer oversees the

implementation of the ESG strategy under the guidance of the CMO and the Board Supervisory Committee. Nations Trust Bank has appointed departmental representatives who liaise with the Sustainability Team on data collation, and implementation of the ESG Management Framework at a Divisional level.



The review of the Bank’s policies for Sustainability and ESG considerations initiated in 2023, following the implementation of its sustainability strategy, was completed in 2024 with the development of a comprehensive sustainability policy. The Bank’s comprehensive spreadsheet tool – the Sustainability Performance Analyser (SPA) – tracks the Key Sustainability Performance Indicators (KSPIs) of the Bank’s material topics, which are aligned with the GRI Standards. These KSPIs are tracked on a quarterly basis and reported to the Board Supervisory Committee and the Board on a quarterly basis. During the year under review, KSPIs were developed to enable the monitoring of the Bank’s key sustainability- and climate-related risks and opportunities and incorporated into the SPA.

Nations Trust Bank’s Sustainability Team is responsible for collecting the necessary data pertaining to the KSPIs and presenting any critical concerns relating to any of these KSPIs to the

## Sustainability Integration

relevant senior management teams. This information is utilised by the senior management team to identify areas for improvement, identify ESG risks and opportunities, allocate capital budgets and provide direction for the Bank’s overall strategy. The Bank intends to establish ESG and Sustainability targets in the forthcoming years in alignment with the requirements of SLFRS Sustainability Standards S1 and S2.

The Bank has chosen the GRI Standards as an internal and external sustainability performance reporting framework and prepares its report based on the International Integrated Reporting Council (IIRC), Integrated Reporting Framework. The report is also aligned to the UN Sustainable Development Goals (UNSDGs).

This report provides an overview of Nations Trust Bank’s strategy, corporate governance framework, risk management process, and its environmental and social responsibility efforts, towards ensuring an improved triple-bottom line and holistic performance. It also attempts to provide a clear, concise, and balanced overview of Nations Trust Bank’s performance to all significant stakeholders.

### Materiality Assessment

The Bank’s materiality assessment is based on an internal perception study which aligns with the GRI Universal Standards, the AccountAbility AA1000AS Standards and key principles of the COSO Risk Management Framework.

 <p><b>GRI Standards</b> Used to assess the universe of ESG topics.</p>	 <p><b>AccountAbility AA1000AS Standards</b> Used to assess impact of risks and opportunities of each ESG topic using 6-part Materiality Test.</p>	 <p><b>COSO Risk Management Framework</b> Used to estimate the impact severity x likelihood of occurrence for each ESG topic.</p>
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Nations Trust Bank’s materiality assessment involved identifying its Environmental, Social and Governance impact topics using GRI Standards as the basis for its ESG universe. In line with the GRI 3 Standard, the Bank then prioritised these topics adopting a double materiality assessment approach considering both impact materiality and financial materiality. Impact materiality reflects the actual or potential impacts that an organisation has on the economy, environment and people. Financial impact focuses on how these issues affect the Bank’s financial performance. Investors and shareholders were the key stakeholders in assessing financial materiality, while impact materiality was guided by the expectations of significant stakeholders. The materiality assessment process was informed by external sustainability consultants and the ESG & CSR Steering Committee. Nations Trust Bank intends to validate the identified material topics through an external independent stakeholder engagement in the future.

### **B** ESMS Strategy for Portfolio

Nations Trust Bank’s Integrated Risk Management Department screens the corporate and SME facilities exceeding LKR 50 Mn, as well as facilities funded by IFC for environmental and social considerations. These facilities undergo thorough environmental and social risk assessments following the ESMS Procedure and Exclusion List, supported by the Credit Policy. With the implementation of the Bank’s ESG Strategy, ESMS will be further strengthened to support Sustainable Financing facilities.

### Stakeholder Engagement

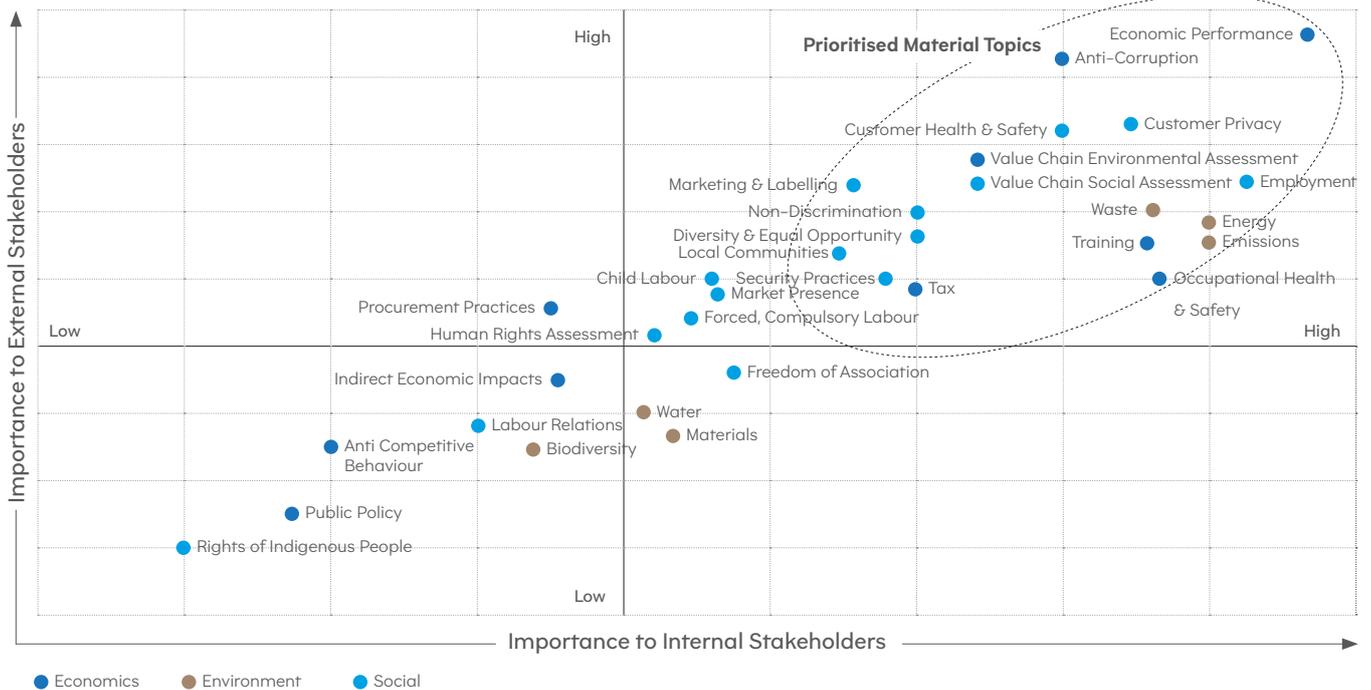
Nations Trust Bank defines its significant stakeholders as those who can influence the operations of the Bank. Stakeholder concerns, opinions, perspectives are key considerations in the Bank’s assessment of its material topics and strategy.

The Bank has implemented established processes and mechanisms to engage with key stakeholders to proactively identify concerns and issues. Any grievances or negative impacts that are identified through the engagements are communicated to the Board and Senior Management as relevant and necessary processes are implemented to remediate and avoid recurrence.

Nations Trust Bank engages with customers on an ongoing basis through customer engagement surveys, and relationship management initiatives. Proactive engagement is also maintained with regulatory bodies including CBSL and Inland Revenue Department. The Bank engages with suppliers primarily through its Procurement Unit and the Administration and Facilities Unit. Nations Trust Bank intends to further develop these engagements through supplier engagements, supplier codes of conduct and supplier self-declaration questionnaires in the future. The Bank maintains an open-door policy where employees are encouraged to voice their concerns to their line managers or to the HR Department. Nations Trust Bank also has in place an Anti-Sexual Harassment Policy where any concerns can be raised without fear of reprisal. The Bank also engages with external consultants and regulatory bodies on its core banking operations as well as sustainability management to obtain the views of experts in their relevant fields. Please also refer the “Stakeholder Engagement” section of this report for additional information on ongoing stakeholder engagements in 2024.

In 2024, the materiality assessment was extended to support the identification of sustainability and climate related risks and opportunities in alignment with SLFRS Sustainability Standards S1 and S2. Following the identification of its key material topics, the Bank then assessed the associated sustainability and climate related risks and opportunities pertaining to each topic. These were then incorporated into the Bank’s Enterprise Risk Register to enable ongoing monitoring and mitigation.

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



**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 2024.

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

**Disclosure 3-3: Management of Material Topics**

Nations Trust Bank 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

# Stakeholder Engagement

The Group is cognisant of the importance of proactively engaging with key stakeholders whose interests are impacted or influenced by its operations. Given the uncertainties that prevailed during 2024, the Group intensified its efforts to foster meaningful stakeholder engagement, enabling mutual value creation. The Group proactively engaged with key stakeholders to identify concerns through open, consistent and transparent communication and addressed them through strategic interventions.



## SHAREHOLDERS



### Key Concerns

- 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.



### Our Response

Adapted strategy to evolving market conditions to consistently deliver long term value to shareholders.



### Value Created

**46.5% growth**

in Earnings Per Share

**LKR 6.50**

Dividends Per Share



### Engagement Mechanism

- Annual General Meeting (Annual)
- Investor Forums (Quarterly)
- Annual Report (Annual)
- CSE Announcements (Ongoing)
- Press Releases (Ongoing)



## EMPLOYEES



### Key Concerns

- Opportunities for career progression.
- Training and development.
- Fair remuneration.
- Job security.
- Workplace health and safety practices.
- Work-life balance.
- Inclusive and equitable work environment.



### Our Response

An employee value proposition that nurtures a supportive, safe, and inclusive work environment alongside avenues for professional development and growth.



### Value Created

**LKR 8.6 Bn**

Payments to Employees

**LKR 71.0 Mn**

Investment in Training



### Engagement Mechanism

- Employee engagement surveys (Annual)
- Staff meetings at multiple levels (Ongoing)
- Performance appraisals (Annual)
- Employee suggestion schemes (Ongoing)
- Grievance reporting procedure (Ongoing)
- Work-life balance events (Ongoing)

 **CUSTOMERS**

<p> <b>Key Concerns</b></p> <ul style="list-style-type: none"> <li>• Superior service quality and convenience.</li> <li>• Financial strength and stability.</li> <li>• Innovative and customer-centric banking solutions.</li> <li>• Clear and accurate information on financial services provided.</li> <li>• Swift turnaround times and fair pricing.</li> </ul> <p> <b>Our Response</b></p> <p>Delivered holistic financial solutions tailored to fulfil the specific needs of customers through an omni-channel approach.</p>	<p> <b>Value Created</b></p> <p><b>53</b> Net promoter score</p> <p><b>&gt;85%</b> Deposit Retention Rate</p> <p> <b>Engagement Mechanism</b></p> <ul style="list-style-type: none"> <li>• Online and local engagement by branch teams and relationship managers (Ongoing)</li> <li>• Customer satisfaction surveys (Annual)</li> <li>• Market research (Ongoing)</li> <li>• Product promotion campaigns (Ongoing)</li> </ul>
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 **BUSINESS PARTNERS**

<p> <b>Key Concerns</b></p> <ul style="list-style-type: none"> <li>• Opportunities for mutual value creation.</li> <li>• Timely payment.</li> <li>• Ease of doing business.</li> <li>• Ethical, efficient and transparent procurement practices.</li> </ul> <p> <b>Our Response</b></p> <p>Mutual value creation through long-term strategic partnerships and collaborative and ethical business practices.</p>	<p> <b>Value Created</b></p> <p><b>LKR 5.9 Bn</b> Payments to Business Partners</p> <p><b>408</b> New Partnerships</p> <p> <b>Engagement Mechanism</b></p> <ul style="list-style-type: none"> <li>• One-to-one engagement (Ongoing)</li> <li>• Written communication (Ongoing)</li> <li>• Relationship building initiatives (Ongoing)</li> </ul>
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 **COMMUNITY**

<p> <b>Key Concerns</b></p> <ul style="list-style-type: none"> <li>• The Bank's social and environmental impacts.</li> <li>• Positive community impacts.</li> <li>• Ethical business practices.</li> </ul> <p> <b>Our Response</b></p> <p>Continued investments in impactful community and environmental initiatives.</p>	<p> <b>Value Created</b></p> <p><b>LKR 18.3 Mn</b> Investment in CSR</p> <p> <b>Engagement Mechanism</b></p> <ul style="list-style-type: none"> <li>• Local branch engagement (Ongoing)</li> <li>• Social events and sponsorships (Ongoing)</li> </ul>
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 **GOVERNMENT**

<p> <b>Key Concerns</b></p> <ul style="list-style-type: none"> <li>• Compliance with all relevant regulations.</li> <li>• Advanced national initiatives to restore economic stability and recovery.</li> <li>• Timely payment of taxes.</li> <li>• Financial inclusion.</li> </ul> <p> <b>Our Response</b></p> <p>The Bank's dedicated compliance unit ensures ongoing adherence to all rules, regulations, and guidelines.</p>	<p> <b>Value Created</b></p> <p><b>LKR 15.2 Bn</b> Tax Payments</p> <p>Compliance with all laws and regulations</p> <p> <b>Engagement Mechanism</b></p> <ul style="list-style-type: none"> <li>• Statutory reporting (Ongoing)</li> <li>• Meetings and industry forums (Ongoing)</li> </ul>
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# Delivering Our Strategy

Our business model enables us to leverage synergies across the organisation to create long-term, sustainable value for our stakeholders.

Our strategy, built on the four pillars described below, has been carefully crafted to effectively navigate the dynamics of our operating environment to strengthen our position as a customer-centric, digitally enabled, future-fit bank.



## BUSINESS FOCUS

Drive growth across focused business lines, aiming for scale and consistent returns while aligning with internal capabilities and long-term strategic aspirations.

### Key Highlights in 2024

- Pursued opportunities in selected segments.
- Strategic measures to effectively manage cost of funding.
- Proactively focused on preserving portfolio quality.
- Leveraged cross-selling opportunities across business verticals.

- Continued to grow our wallet share within the Corporate and Commercial Banking segments.
- Robust liquidity, capital and risk management to capture opportunities from market movements.
- Increased emphasis on strengthening the Bank's ESG strategy.

### Key Performance Indicators

- Growth in net operating income 26.8%
- Stage 3 ratio of 1.60% (2023: 2.4%)
- -142.6% in impairment charges
- 11% in the deposit base

### Way Forward

- Capture emerging opportunities for growth while maintaining focus on selected segments.
- Ongoing focus on maintaining portfolio quality.
- Optimising the return on investments in a low interest rate environment while strategically managing cost of fund.



## CUSTOMER EXPERIENCE

Transform the customer experience through digital delivery, innovative financial solutions and superior service quality.

### Key Highlights in 2024

- Broadened and deepened customer relationships.
- Strengthened the financial resilience of customers through proactive engagement.

- Provided advisory services particularly to SME customers to support their growth.
- Ongoing emphasis on facilitating customer convenience through the enhancement of digital platforms.
- Implemented customer engagement initiatives to enhance the customer experience.
- Upskilled our talent to meet the evolving needs of customers and deliver exceptional service.

### Key Performance Indicators

- Net promoter score: 53 (2023: 48)

### Way Forward

- 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.

## Our Strategic Pillars



**BUSINESS FOCUS**



**COST AND EFFICIENCY**



**CUSTOMER EXPERIENCE**



**DIGITISATION AND AUTOMATION**



### 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.

#### Key Highlights in 2024

- Optimised the physical network while promoting digital service delivery.
- Implemented lean initiatives and automation to streamline processes and increase efficiency and productivity.

- Prioritised technology related training of staff to harness benefits from the Bank's superior digital capabilities.
- Re-skilled and right sized teams in line with the Bank's strategic objectives.
- Rationalised large cost pools.

#### Key Performance Indicators

- Cost to Income Ratio at 33.7% (2023: 31.3%).
- +6.4% in operating expenses.
- 68 digital focused training programmes for staff.
- 23 processes automated.

#### Way Forward

- Ongoing emphasis on rationalising costs and improving efficiency by leveraging technology to streamline processes and drive automation.



### DIGITISATION AND AUTOMATION

Invest in scalable digital platforms to increase operational efficiency, drive innovation, improve returns, strengthen resilience and enhance the overall customer experience.

#### Key Highlights in 2024

- Enabled online onboarding of new customers for most financial services.
- Ongoing improvements to the navigation and functionality of our digital banking platforms.

- Re-launched FriMi, the Bank's fully fledged digital banking experience, offering enhanced features for personalisation and financial management.
- Strengthened our digital capabilities to provide customers with seamless access to our transaction banking product proposition.
- Ongoing investments in protecting the security and privacy of customer data.
- Ongoing emphasis on digitalising internal processes.
- Utilised advanced digital tools to enhance personalisation on digital platforms.

#### Key Performance Indicators

- 96% of transactions completed across digital platforms (2023: 96%).
- 96% digitally engaged customers.
- Zero instances of breaches in customer data privacy and security.

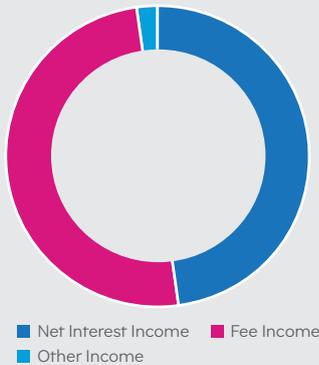
#### Way Forward

- Ongoing focus on upgrading the Bank's digital capabilities to facilitate future growth.

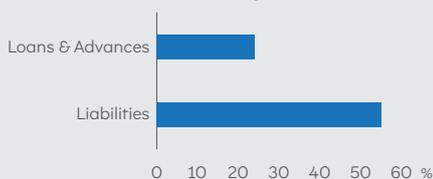
# Business Line Reviews

## CONSUMER BANKING

Composition of Revenue



Contribution to Group - Consumer



### Operating Environment

- Improving macro-economic conditions led by;
  - Declining inflation and interest rates.
  - Currency appreciation.
  - Increased economic activities and business sentiment.
  - The gradual lifting of import restrictions.

### Our Strategic Response

- Targeted lending and deeper market penetration within the affluent and mass affluent customer segments.
- Curated holistic value propositions that fulfilled the specific needs of customers.
- Proactive margin management in a declining interest rate environment.
- Leveraged technology to streamline processes and enhance the customer value proposition.
- Strategic focus on preserving portfolio quality.

### Performance in 2024

- Improving consumer sentiment, a disciplined approach to margin management, a strategic focus on improving portfolio quality and technology-driven operational efficiencies led to strong performance by the Consumer Banking Unit recording a profit before tax growth of 6% in 2024.

### Lending Strategy

- The Unit's lending strategy continued to focus on resilient sectors of the economy with efforts channelled towards expanding its market position in the affluent and mass-affluent segments.
- Emphasis was placed on delivering a holistic value proposition to customers leveraging cross-sell opportunities across business verticals to increase wallet share and drive deeper market penetration.
- Ongoing efforts to strengthen asset quality included the introduction of a segment-based approach to credit underwriting to facilitate consistency in credit underwriting across product lines.
- Credit cards** – Improved consumer sentiment contributed to increased volumes in 2024. The segment's performance was also driven by improved spend within the tourism sector which recorded a notable recovery during the year. Also the Bank launched Sri Lanka's first metal credit card, the American Express Platinum Reserve, an exclusive value proposition aimed at strengthening the Bank's presence in the ultra-affluent market segment.
- Leasing** – The restrictions on vehicle imports in place since 2020 continued to impact portfolio growth. However, declining interest rates contributed to an uptick in demand within the second-hand vehicle market. Focus was maintained on deepening relationships with existing customers by leveraging cross-sell opportunities and enhancing operational efficiency.

### Managing Cost of Funding

- The prudent management of funding costs was a key strategic priority given the declining interest rate environment.
- Emphasis was placed on expanding the Bank's CASA base through focused strategic interventions. These efforts proved favourable, as the Bank's notable CASA ratio of 30% contributed to lower funding costs, favourably impacting the NIM.
- Moreover, strong customer engagement and digital enablement supported a fixed deposit rollover ratio exceeding 85%, ensuring a stable deposit base.

### Digital Transformation

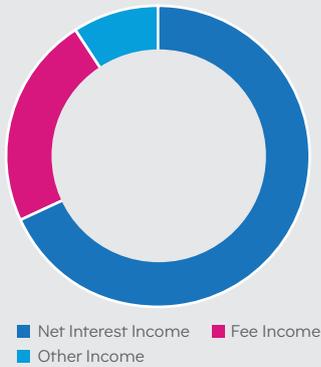
- Harnessing technology to drive transformation across various operational areas remained a key strategic focus during the year.
- This included,
  - Focused efforts to transition customers to digital channels.
  - Utilising advanced analytics to deliver highly-personalised offerings to customers.
  - Streamlining processes and enhancing operational efficiency.
- The Unit re-launched FriMi, the Bank's fully-fledged digital banking experience. The new app offers enhanced features for personalisation and financial management alongside improved data security and privacy and trilingual support.

### Outlook for 2025

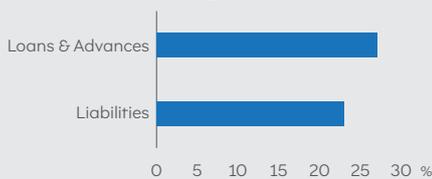
- Improving macro-economic conditions and consumer confidence, as well as the resumption of vehicle imports is expected to generate new opportunities in consumer lending.
- Digitalisation will remain a key enabler in the year ahead, with ongoing efforts focused on enhancing the customer value proposition and driving operational efficiency.

## COMMERCIAL BANKING

Composition of Revenue



Contribution to Group - Commercial



### Operating Environment

- Improving macro-economic conditions led by;
  - Declining inflation and interest rates.
  - Currency appreciation.
  - Increased economic activities and business sentiment.
  - The gradual lifting of import restrictions.

### Our Strategic Response

- Provided tailored solutions to assist customers in navigating a dynamic and challenging operating environment while building resilience to external shocks.
- Ongoing emphasis on building and maintaining long term relationships with customers.
- Supported the rehabilitation of businesses and enhanced their resilience to economic downturns.
- Aligned lending activities with national efforts to rebuild the economy.

### Performance in 2024

Underpinned by the gradual recovery in economic activity and a targeted lending strategy, the Commercial Banking Unit delivered commendable performance in 2024. Loan portfolio expanded by 24% in line with gradual pick up of economic activities while declining interest rate environment and effective margin management resulting satisfactory NII generation. Profitability was upheld by improving portfolio quality and the strategic emphasis on digitalisation to drive operational efficiencies.

### Lending Strategy

- The Unit adopted a holistic approach to lending which extended beyond providing financing, to include customised advice on business and cashflow management for long term growth.
- Strategic focus was placed on pursuing opportunities in the export sector and the domestic manufacturing sector engaged in import substitution activities.
- The Unit also offered access to concessionary funding lines provided by Multilateral Lending Agencies to eligible clients.
- Ongoing emphasis on sustainable financing included focused efforts to develop the SME sector and support the growth of female entrepreneurs through targeted lending and advisory services.

### Fostering SME Sector Revival

- Improving macro-economic conditions presented opportunities for business revival and recovery.
- Accordingly, the Unit engaged proactively with customers in financial stress, offering customised repayment plans in line with revised cashflows to support business recovery.
- The Bank also established a dedicated Business Rehabilitation Unit in line with regulatory requirements to identify viable businesses in financial stress and offer tailored solutions to support their recovery.

### Portfolio Quality

- The Unit's portfolio quality improved in 2024, underpinned by robust credit management strategies, proactive engagement with customers and a gradually improving macro-economy.
- Commitment to providing customised repayment plans aligned with business cashflows and focused efforts to support businesses with viable recovery plans also contributed to a reduction in Stage 3 loans during the year under review.

### Expansion of Advisory Services

- Ongoing efforts to enhance customers' business and financial acumen through financial advisory services remained a priority in 2024.
- Focus areas included,
  - Navigating the dynamics of the macro-economy.
  - Cashflow management.
  - Supporting SMEs in their transition to digital platforms.
  - Enhancing the sustainability of businesses.
  - Building resilience to the implications of climate change.

### Integrating Technology for Value Creation

- The Unit also leveraged digital solutions to streamline internal processes and improve productivity, enabling greater operational efficiency.

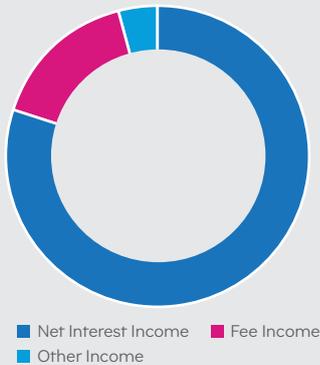
### Outlook for 2025

- As economic activity continues to gain momentum, the Business Unit is positioned to capture emerging growth opportunities while supporting the customers to further align with overall expansion of the national economy.
- Focus will also be maintained on leveraging digitalisation to enhance the customer banking experience while driving operational efficiency.

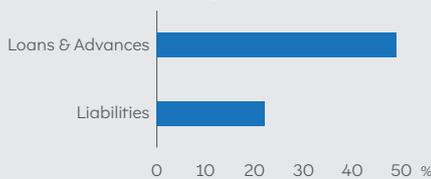
# Business Line Reviews

## CORPORATE BANKING

Composition of Revenue



Contribution to Group - Corporate



### Operating Environment

- Improving macro-economic conditions led by;
  - Declining inflation and interest rates.
  - Currency appreciation.
  - Increased economic activities and business sentiment.
  - The gradual lifting of import restrictions.

### Our Strategic Response

- A growth strategy anchored on supporting business growth and value chain development.
- A customer-centric, holistic value proposition that comprises tailored banking solutions, superior service quality and best-in-class digital capabilities.
- Prudent asset quality management.
- Strategic efforts to expand sustainable financing with specific emphasis on the renewable energy sector and climate related financing.

### Performance in 2024

The sustained performance of the Corporate Banking Unit was driven by a targeted growth strategy, proactive engagement with customers, and effective margin management in a declining interest rate environment. Performance was also upheld by a reduction in impairment charges resultant of prudent asset quality management in a gradually improving economic environment. Sustainable Financing also expanded in 2024, supported by lending to the renewable energy sector.

### Lending Strategy

- The Unit's lending strategy focused on supporting business growth and value chain development with particular emphasis on the export and manufacturing sectors.
- Resultant of these strategic efforts, and increasing business activity amidst improving macro-economic conditions, the Unit recorded notable portfolio growth.
- Aligned with the Bank's ESG strategy, the Unit also strategically expanded its sustainable financing portfolio focusing on the renewable energy sector and climate related financing.
- The Unit's competitive position in the corporate banking industry was underpinned by superior service quality, best-in-class digital capabilities and the delivery of holistic, customer-centric financial solutions leveraging synergies across all business verticals.

### Preserving Asset Quality

- Robust credit management strategies and proactive customer engagement in an improving macro-economic environment, facilitated an improvement in portfolio quality.
- Moreover, the Unit's committed to offering customers bespoke solutions aligned with business cashflows also contributed to improved portfolio quality and a reduction in impairment charges.

### Transactional Banking Services

- Import and foreign currency trading volumes recorded notable growth supported by the gradual easing of import restrictions and the uptick in economic activity.
- However, a contraction in margins led to a dip in fee income generated from transactional banking services, although this was offset to some extent by the expansion in volumes.
- The Unit continued to strengthen relationships with customers to gain a deeper understanding of the specific needs of corporates across various industries, enabling the delivery of tailored solutions.

### Digital Experience

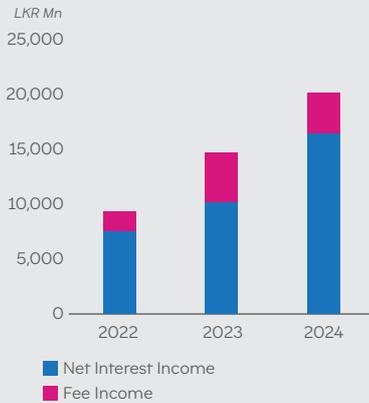
- The Unit remained committed to enhancing the customer experience by leveraging the Bank's best-in-class digital capabilities.
- Nation's Direct Enterprise, the Bank's corporate online platform continued to offer a range of features that facilitated a seamless payment experience for customers.
- New digital initiatives were also launched to enable customisation of the platform to fulfil specific needs of key corporates customers.

### Outlook for 2025

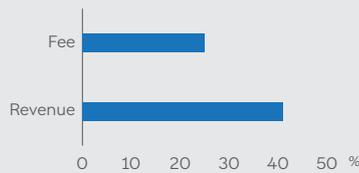
- As economic conditions continue to improve, the Unit plans to monitor developments closely to capitalise on emerging opportunities.
- Concurrently, the strategic focus on lending to the export and manufacturing sectors while exploiting opportunities in transactional banking services is expected to be maintained.
- The Unit also intends on exploring emerging opportunities in sustainable financing.
- The Unit will continue to pursue strategies to leverage the Bank's best-in-class digital platforms to enhance service quality.

## TREASURY

### Divisional Performance - Treasury



### Contribution to Group - Treasury



### Operating Environment

- Improving macro-economic conditions led by;
  - Declining inflation and interest rates.
  - Currency appreciation.
  - Increased economic activities and business sentiment.
- Completion of Sri Lanka's International Sovereign Bond restructuring in December 2024.
- Sovereign rating upgrade to CCC+ and Caa1 (stable outlook) by Fitch Ratings and Moody's Ratings respectively.

### Our Strategic Response

- Maintained a risk based approach to optimising returns from market movements while ensuring a strong liquidity position.
- Digitalisation to automate and streamline routine processes to efficiently manage an expanding product portfolio.

### Performance in 2024

The Treasury division delivered a strong performance in 2024, with revenue and profit expanding by 37% and 54% respectively. Performance was underpinned by the astute management of the Bank's assets and liabilities, effectively balancing risk reward dynamics, and optimally managing interest rate and foreign exchange risks in alignment with market conditions and the Bank's strategic goals.

### Key Functions

#### Fixed Income

Manages the Bank's interest rate risk arising from investments and trading activities.

- The substantial reduction in yields on government securities and the normalisation of the yield curve presented new opportunities for fixed income investments.
- The Unit monitored these developments closely to align its investment and trading activities with market conditions.
- A risk-based approach was adopted consistently to ensure investments aligned with the Bank's risk appetite and strategic objectives.

#### Foreign Exchange

Manages foreign exchange risk and facilitates client requirements.

- The foreign exchange market operated with increased liquidity during 2024, supported by higher foreign exchange inflows as well as increased interbank activity.
- This enabled the Bank to fulfil customers' foreign exchange needs more effectively and efficiently.
- Improved market liquidity and increasing business activity supported steady volume growth which to some extent offset the impact of contracting margins.
- The Bank continued to manage its Net Open Position prudently, proactively responding to movements in the exchange rate and overall liquidity conditions of the market.

### Asset Liability Management

Responsible for ensuring the Bank achieves the optimum funding mix, asset pricing and liquidity.

- The Bank continued to place emphasis on strengthening its low-cost funding base during the year under review, resulting in a 10% expansion of its savings deposit base.
- These efforts contributed significantly to the effective management of the Bank's funding costs, as yields on interest bearing assets continued to trend downward in a declining interest rate environment.
- Resultantly, the Bank's NII remained relatively stable while the contraction in the NIM was limited to 6.94% in 2024 (2023: 7.72%).
- Emphasis was also placed on maintaining a strong liquidity position, supporting the lending activities of the commercial, consumer and corporate units.
- Deposits accounted for 79% of total funding as at the year end and recorded a growth of 11% during the year.
- Following a careful evaluation of the options offered by the GoSL under its External Debt Restructuring programme, Nations Trust Bank chose to dispose of its ISB investments. This decision was made as the Bank's ISB exposure was minimal and its disposal had a limited impact on its capital, liquidity and overall financial positions.

### Outlook for 2025

- The Business Unit is well-positioned to capture new opportunities that are likely to emerge from renewed investor confidence following the completion of the international sovereign bond restructuring, the sovereign rating upgrade and overall resurgence in economic activity.
- Treasury continues to focus on maintaining a strong liquidity position to meet contractual obligations and lending objectives.
- Optimising the return on investments in a low-interest rate environment while strategically managing cost of funding will be a key objective.



# Financial Capital

The Group delivered strong performance in 2024, driven by a well-executed strategy, effective risk management and a lean, agile business model. With a robust liquidity position and a solid capital base, the Group is well-positioned for growth and committed to delivering consistent returns to shareholders.

## Value creation in 2024

**46.5%**  
Growth  
in PAT

**2.8%**  
Growth  
in NII

**3.3%**  
Return  
on Assets

**24.2%**  
Return  
on Equity

**LKR 50.82**  
Earnings  
per Share

**LKR 243.65**  
Net Asset  
Value per Share

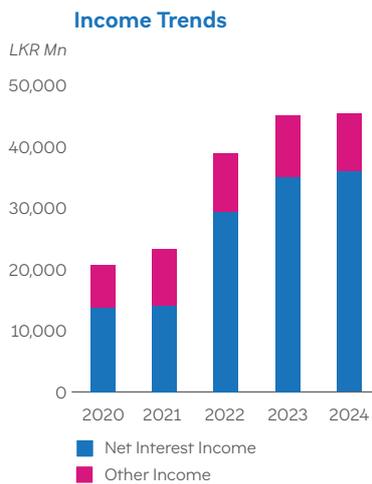
## FINANCIAL PERFORMANCE

### Net Interest Income

The Group's net interest income increased by 2.8% to LKR 35.9 Bn in 2024. Astute management of its treasury portfolio bolstered interest income as yields on interest earning assets continued to trend downward in a declining interest rate environment. Proactive measures to manage funding costs through focused CASA growth and repayment of high-cost borrowings contributed to a 21% decline in funding costs. Timely repricing of assets and liabilities contained the dip in the NIM to 6.94% in 2024 (2023: 7.72%) despite the declining interest rate environment.

### Other Income

Increased business activity and consumer spending on the backdrop of improving macro-economic conditions contributed to a 14% expansion in net fee and commission income to LKR 8.1 Bn in 2024. Net fee and commission income generated from trade finance and cash management increased as economic activity recovered. Concurrently, net fee and commission income generated from credit cards also expanded reflective of increased credit card spend. Overall, the Group's operating income decreased to LKR 44.4 Bn in 2024 compared to previous year owing to the de-recognition of International Sovereign Bonds that resulted in a disposal loss.



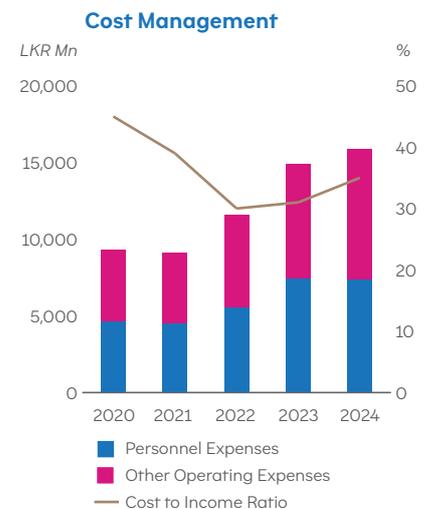
### Impairment Charges

The Group recorded an impairment reversal of LKR 3.2 Bn in 2024 compared with the impairment charge of LKR 7.5 Bn in 2023. Proactive efforts to manage portfolio quality through robust customer engagement, and data analytics for monitoring, led to the Group's stage 3 loan ratio improving to 1.6% in 2024 (2023: 2.3%) that was well below the industry average. The Group's stage 3 impairment provision cover ratio increased to 60.6% as at end-2024 (2023: 55.3%).

### Cost Management

Group operating expenses increased by 6% to LKR 15 Bn in 2024 driven primarily by increased personnel expenses. Our team is integral to value creation, and we strive to reward and

recognise their contribution through fair remuneration aligned with industry norms. Consequently, personnel expenses increased by 15% to LKR 8.6 Bn in 2024. Other operating expenses declined by 4% to LKR 5.5 Bn in 2024 underpinned by the Bank's strategic efforts to optimise costs through digitalisation, automation and lean practices. The Group's Cost to Income ratio inched up to 33.7% in 2024 (2023: 31.3%) given the one-off loss recorded on its ISB disposal. The Group's cost-to-income ratio excluding this impact remained unchanged compared with the previous year, at 31.3%.



### Taxation

Taxes and levies on financial services increased by 34% to LKR 6.9 Bn. The Bank's income tax expense increased by 31% to LKR 8.9 Bn given the improved performance.

**Approach to Taxation**

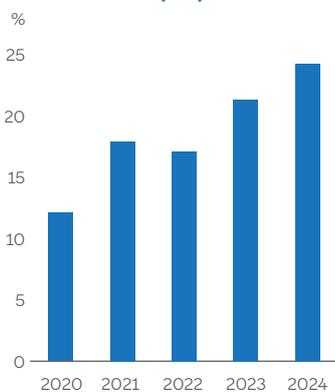
A dedicated unit implements Nations Trust Bank’s tax strategy under the purview of the CFO. The unit functions to optimize the Group’s tax cost to ensure continued contribution to Government revenue while fulfilling shareholder needs. The Bank adopted a cordial and transparent approach towards dealing with tax authorities in 2024 and complied fully with all relevant tax regulations and guidelines. The Board monitored the Bank’s tax compliance on a regular basis.

**Profitability**

Underpinned by effective margin management, increased net fee and commission income, improved asset quality and other operating income, the Group recorded strong performance in 2024. The Group’s profit before tax rose by 41% to LKR 25.7 Bn while profit after tax expanded by 46.5% to LKR 16.8 Bn.

Consistent strategic focus on delivering shareholder value resulted in an improved ROE of 24.2% in 2024 (2023: 21.3%) that remains well above the industry average. Earnings per Share improved to LKR 50.82 in 2024 from LKR 34.69 the previous year.

**Return on Equity**

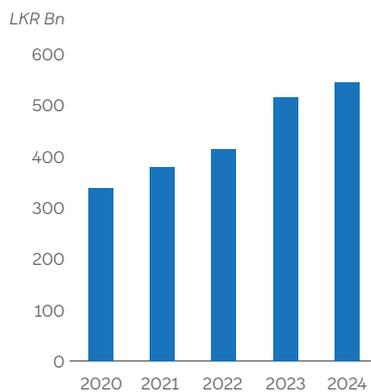


**FINANCIAL POSITION**

**Asset Growth**

The Group’s total assets expanded by 6% to LKR 545.6 Bn as at end-2024 underpinned by loan growth and increased investments in financial assets. Improving macro-economic conditions and increased business activity presented new opportunities for lending. Following a careful risk-reward assessment, the Group capitalised on these opportunities focusing on reviving industry sectors. Consequently, the Group’s gross loans and advances expanded by 6% to LKR 308.1 Bn as at end-2024. A well disciplined approach to liquidity management is maintained as we remain in a strong position to meet our obligations as they fall due. The Group’s consolidated Liquidity Coverage Ratio strengthened further to 320.56% as at end-2024 (end-2023: 274.10%) and was well above the statutory minimum requirement. The Group’s asset mix remained relatively unchanged with loans and advances accounting for 53% of total assets as at end-2024.

**Total Assets**



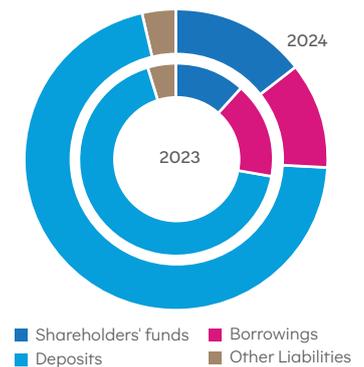
**Capital and Funding**

The Group’s capital and funding position remained strong as at end-2024, providing a solid foundation for future growth and the pursuit of its strategic objectives.

Shareholders’ funds expanded by 30% to LKR 79.5 Bn supported by strong performance in 2024. Stated Capital increased by 6% to LKR 12.1 Bn following the declaration of scrip dividends for 2023 while retained earnings expanded by 34% underpinned by the strong performance in 2024. The Group’s Tier 1 and Overall Capital Adequacy Ratios stood at 21.5% and 22.7% respectively as at end-2024 and was comfortably above the regulatory requirement.

Total liabilities expanded by 2% to LKR 466.1 Bn as at end-2024. The Bank’s deposit base expanded by 11% to LKR 384.7 Bn as at end-2024. Conscious efforts to expand its low-cost funding base resulted in the CASA base expanding by 10% while its time deposit base also recorded growth. Strong deposit growth coupled with a healthy Deposit Rollover Ratio over 85% contributed to a stable funding base in 2024. Strategic efforts to optimise funding costs in a declining interest rate environment led to the settlement of high-cost borrowings in 2024.

**Funding Composition**



## Financial Capital

### Commitment towards Sustainability objectives: Nation Trust's Approach

As we continue to navigate an ever-changing financial landscape, our strong financial position and disciplined approach to capital allocation will contribute to sustainable returns on investment for our stakeholders, enhancing long-term value creation. Our approach to managing financial capital through the lens of SLFRS Sustainability Standards S1 and S2 reflects our belief that sustainable growth can only be achieved through responsible, transparent, and accountable business practices.

Impact Topic from Materiality Assessment	SRRO that is relevant for the Impact Topic	Commitments, Governance and Strategy description to manage (a) Impact Topic and (b) SRRO
 Emissions	Physical Risks of Climate Change	<ul style="list-style-type: none"> <li>• Minimise damage to infrastructure &amp; to ensure recoverability upon destruction</li> <li>• Avoid loss of business/ disruptions to banking operations.</li> <li>• Minimise credit risk due to deterioration of repayment capacity affecting asset quality</li> <li>• Identification of climate-risk sensitive portfolio for better estimation of Impairment provisions</li> </ul>
	Transition Risks of Climate Change	<ul style="list-style-type: none"> <li>• Increase investments in low-carbon technologies and sustainable ventures, while divesting from carbon-intensive industries.</li> <li>• Climate Risk considerations to be built into risk management, data and modelling capabilities</li> <li>• Minimise Reputational damage due to high carbon footprint</li> <li>• Create Public awareness</li> </ul>
 Environment Risk	Poor waste management & increased energy usage creating adverse impact on Bank's reputation & possible fines from regulatory /governing bodies	<ul style="list-style-type: none"> <li>• Implement proper waste management processes</li> <li>• Install Solar and energy efficient ACs/lighting in bank premises</li> <li>• Reduce carbon footprint/material usage</li> </ul>

Specific Mitigation Activities undertaken to manage SRRO	Page Number where Impact Topic and SRRO are further described	Financial Impact of both Strategy and Mitigation Activities (LKR Mn.)
<ul style="list-style-type: none"> <li>• Insurance policies are in place to cover up losses on buildings &amp; infrastructure.</li> <li>• Business Continuity Plans (BCP) to ensure un-interrupted operations.</li> <li>• Digitalisation strategy enabling the customers to access their accounts through online banking platforms.</li> <li>• Laptops are provided to staff enabling work from home facilities for un-interrupted service to the customers</li> <li>• Maintain adequate provision for climate-risk sensitive portfolio</li> </ul>	53	<ul style="list-style-type: none"> <li>• Property Insurance premium for the year – LKR 9.8 Mn.</li> <li>• Tested &amp; evaluated the viability of working from anywhere through the BCP drills.</li> <li>• Approx. LKR 487 Mn investment on offsite Data center &amp; DR site, digital banking related IT infrastructure &amp; ATM/CRM network maintenance.</li> <li>• Over 300 Laptops given for staff at a cost of Approx. LKR 99Mn and LKR 50 Mn is spent on WFH enablement.</li> <li>• LKR 3.5 Bn impairment provisions made on agriculture portfolio &amp; Maldives portfolio.</li> </ul>
<ul style="list-style-type: none"> <li>• Concentrated efforts made on improving the sustainable finance portfolio and green leases</li> <li>• Reduction of carbon footprint through investments in solar energy, energy-efficient air conditioners, and other sustainable technologies</li> </ul>	57-59	<ul style="list-style-type: none"> <li>• LKR 6.5 Mn invested in 2017 to set up the Solar unit at Nawam Mawatha premises &amp; contributed 40,860 kWh to the grid in 2024.</li> <li>• LKR 206 Mn is expected to be invested in installing energy saving air conditioners under "Project Fusion."</li> <li>• LKR 1.6 Mn spent on purchasing energy saving lights.</li> <li>• Sri Lanka Green Finance Taxonomy qualified portfolio of LKR 4.6 Bn &amp; Hybrid &amp; Electric vehicle leasing portfolio of LKR 6 Bn.</li> <li>• LKR 1.9 Mn is spent on reforestation project at Union Place, Staple Street &amp; Sir James Peiris Mawatha.</li> </ul>
<ul style="list-style-type: none"> <li>• Waste segregation processes are in place at all locations.</li> <li>• Power generation through Solar at Nawam Mawatha premises along with energy efficient air conditioners &amp; lighting</li> <li>• Establish targets to reduce carbon footprint / material usage</li> </ul>	57-59	<ul style="list-style-type: none"> <li>• 691 units disposed through third party e-waste disposal agents &amp; 45 used full computers sets were donated for SOS Children's Village Piliyandala.</li> <li>• 40,860 Kwh power generated through Solar at Nawam Mawatha premises.</li> <li>• LKR 46 Mn is spent on providing transportation for staff to travel to the office from five different routes.</li> <li>• LKR 15 Mn savings on stationary material cost compared to 2023.</li> </ul>

## Financial Capital

Impact Topic from Materiality Assessment	SRRO that is relevant for the Impact Topic	Commitments, Governance and Strategy description to manage (a) Impact Topic and (b) SRRO
 <p>Occupational Health &amp; Safety</p>	<ul style="list-style-type: none"> <li>• Prolonged sitting, repetitive tasks, and poor workstation ergonomics leading to pains/strains</li> <li>• Fire and electrical hazards</li> <li>• Risks of bank robbery, attacks, hostage situations and customer aggression</li> </ul>	<ul style="list-style-type: none"> <li>• Provide improved infrastructure and furniture for employees</li> <li>• Create staff awareness on fire safety measures &amp; security hazards</li> <li>• Provide with insurance covers for occupational injuries &amp; other personal health conditions</li> <li>• Physical &amp; remote monitoring of security levels at all locations</li> </ul>
 <p>Customer Health &amp; Safety</p>	<ul style="list-style-type: none"> <li>• Inability to serve differently-abled customers</li> <li>• Damage to properties and human health &amp; safety</li> <li>• Cyber Security breaches and data privacy violations resulting in identity theft, fraud, reputation damage, and regulatory penalties.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure all customers are treated fairly, ethically &amp; equitably</li> <li>• Provide disability access to branches/ATMs across the country</li> <li>• Strengthen security surveillance at all customer accessible locations</li> <li>• Ensure robust cyber security measures to safeguard customer data and prevent unauthorised access</li> <li>• Implement data privacy policies, consent mechanisms, and data breach response plans in the event of a security incident</li> </ul>
 <p>Staff Attrition</p>	<ul style="list-style-type: none"> <li>• High staff turnover resulting in draining of expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Develop &amp; retain highly-skilled top performers through various target programs &amp; progression planning.</li> <li>• Provide competitive remuneration coupled with other employee benefits &amp; engagement activities</li> <li>• Support sportsmanship &amp; nurture staff talents</li> </ul>

Specific Mitigation Activities undertaken to manage SRRO	Page Number where Impact Topic and SRRO are further described	Financial Impact of both Strategy and Mitigation Activities (LKR Mn.)
<ul style="list-style-type: none"> <li>High standard state-of-the-art open office work environment under "Project Fusion"</li> <li>Periodically conduct fire safety drills at all main locations &amp; branches</li> <li>Implementing surveillance cameras, access controls, and security personnel to deter criminal activity and respond to security threats</li> </ul>	48-52	<ul style="list-style-type: none"> <li>The 'Project Fusion' to be in full implementation by 2025.</li> <li>LKR 274 Mn spent on security services, surveillance cameras, police alarm system &amp; access controls and fire safety drills &amp; equipment.</li> <li>LKR 200 Mn invested on comprehensive staff health related insurance policies and other allowances.</li> <li>LKR 103 Mn spent on janitorial services, pest control &amp; for regular maintenance services of lifts, generators, etc.</li> </ul>
<ul style="list-style-type: none"> <li>Enable accessibility for differently-abled individuals to ATMs, branches, etc.</li> <li>Robust cyber security measures are in place to safeguard customer data and prevent unauthorised access.</li> <li>Regular staff training through online modules &amp; mock spam simulations</li> </ul>	53, 44-47	<ul style="list-style-type: none"> <li>Launched first time in Sri Lanka "The Touch Card" specially designed debit card for the visually impaired and partially sighted customers. Additional cost per card USD 0.05.</li> <li>All branch ATMs/CRMs are equipped with touch sense Braille keypads.</li> <li>Disability access provided at all Branches, ATMs &amp; main locations.</li> <li>LKR 287 Mn invested on IT security expenses.</li> <li>LKR 246 Mn spent on branch security &amp; janitorial services.</li> </ul>
<ul style="list-style-type: none"> <li>Target management training programs &amp; grooming sessions for selected top performers.</li> <li>Competitive market remuneration based on merit &amp; skills</li> <li>Department level engagement activities are carried out to build relationships &amp; improve leadership qualities</li> <li>Sports activities are sponsored through the Sports Club</li> <li>Toastmaster, Music Club, Photography Club in operation to enhance &amp; support staff talents</li> </ul>	48-52	<ul style="list-style-type: none"> <li>LKR 71 Mn invested on staff trainings.</li> <li>LKR 8.4 Mn paid to other professional bodies as membership fees on behalf of the employees.</li> <li>LKR 30.9 Mn invested for employee engagement activities.</li> <li>LKR 54.6 Mn spent for Sports activities &amp; other programs conducted by the Sports Club.</li> <li>24 meetings were conducted by the Toastmaster Club - LKR 1.1 Mn expensed.</li> </ul>

# Intellectual Capital

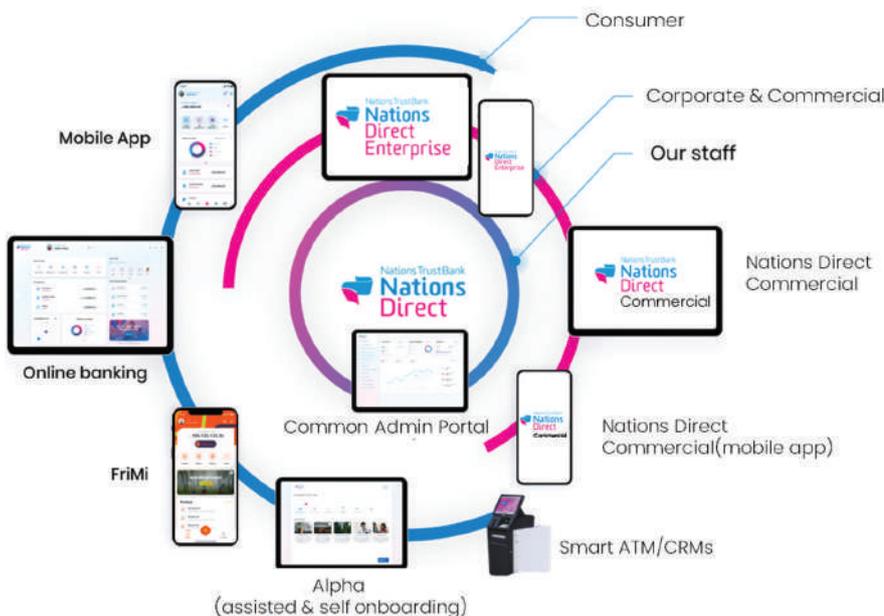
Our Intellectual Capital forms the foundation of our capacity to deliver innovative, state-of-the-art solutions that serve the unique needs of our customers and is nurtured by a culture that fosters creativity, promotes shared knowledge and embodies the pursuit of excellence.

### Value creation in 2024

- Leveraged technology to elevate the customer experience through the delivery of tailored solutions that fulfilled customers' specific needs.
- Enhanced brand value through business forums, premium experiences and networking opportunities that connect like-minded customers and foster deeper engagement.
- Developed a culture of innovation to drive transformative strategies and empower employees to explore new solutions.
- Built process efficiency through digitalisation and automation of workflows.
- Initiated ongoing investments to safeguard data security and customer privacy.

### Best-in-Class Digital Solutions

Digitalisation is integral to our value creation process, shaping our customer value proposition, driving innovation, transforming product delivery and enabling operational excellence. A strategic and forward-looking approach to evolving our best-in-class digital solutions have been vital to sustaining our competitive edge in a rapidly evolving banking industry and achieving our strategic objectives.



simple, swift and secure experience. This is achieved through customer-centric product features, ease of access and comprehensive information. Digital applications within this ecosystem have also empowered our staff to deliver a superior service and facilitate swifter customer resolutions.

Robust digital feedback systems and journey management tools have been integrated across all Nations Direct solutions to gather insights into customer interactions. This enables us to continually adapt our offerings to fulfil the diverse and evolving needs of our customers. Key improvements to the Nations Direct ecosystem that enhanced value to customers in 2024 included,

- Facilitation of government payments such as IRD and Customs.
- Enabled real-time withholding tax certificates and account confirmation letters.
- LANKAQR payments via the Nations Direct app.

### Nations Direct Platform

Digitalisation has transformed the delivery of financial services in the banking sector and redefined customer interactions. Embracing this shift, our customer-focused, digital-first strategy has enabled us to continuously refine our offerings to meet evolving needs and enhance customer satisfaction.

To this end, Nations Trust Bank's Nations Direct digital eco-system is a unique banking experience that humanises digital banking by creating personalised and seamless digital interactions between users and digital platforms. All platforms within the Nations Direct digital ecosystem offer customers across all business verticals, a seamless,

**All your investments  
in one place with  
Nations Direct**

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### FriMi – Sri Lanka's 1st Digital Banking Experience

Guided by deep market insights from multiple focus groups, the Bank continued to evolve with FriMi, Sri Lanka's first fully-fledged digital banking platform. Centred on the themes of financial freedom and living effortlessly, the Bank upgraded and re-launched FriMi in 2024, introducing a range of innovative features that delivered an intuitive and user-friendly digital banking experience, aligned with the evolving needs of its target market. The upgraded app introduced several new features which include,

- Advanced tools for personalisation – Users can personalise their app interface by adding, removing and rearranging widgets, adjusting the font size, and switching to Dark Mode in low light conditions.
- Enhanced privacy – The app interface can be hidden by tilting the phone towards oneself, enabling discretion in public settings.

- The 'Budget' tool to support personal financial management.
- A scheduled payments feature – This tool automates recurring payments such as utility bills, credit card settlements and fund transfers.
- New security features to protect users from deliberate and accidental data losses.
- Tools to centrally manage bank accounts in multiple banks, payments and settlements.
- Greater control over virtual and physical debit cards by enabling activation and deactivation, adjustment of transaction limits and control over the pin number.
- Improvements to LANKAQR code payments.
- Trilingual customer support and app usage.

Since its launch in 2017, FriMi has consistently redefined the digital user experience through the seamless integration of banking, payments, money

management and lifestyle services. In 2024, FriMi became the first Sri Lankan app to be certified under the Mastercard Digital First Platform, exemplifying the Bank's digital-first mindset and unwavering commitment to fulfilling the highest standards of digital innovation and customer experience.

### Digitalising Transactions

Transitioning financial transactions to digital platforms is at the core of our strategy, and we have successfully shifted over 96% of all financial transactions to digital modes. Customers can complete the entire onboarding process digitally, enabling them to bank with us from any location with internet access. Progress made in 2024 on enhancing the digitalised transactions include,

- Multiple payment options introduced to digital platforms facilitating ease of payments.
- Integration of LANKAQR payments and using credit cards as a payment mode via Nations Direct app, enhancing flexibility of payments.

## Intellectual Capital

Our digital focus is underpinned by a robust cyber security strategy that continuously evolves to address the ever-changing landscape of cybersecurity threats. During the year under review, numerous new security measures were introduced to enhance the security of digital transactions.

### Customer Journey Management

Our ability to consistently elevate the customer digital experience is underpinned by sophisticated tools that analyse customer transactions and behaviour. We actively seek customer feedback to gain insights into our platforms as well as to understand evolving customer needs and preferences. This data-driven approach has enabled us to proactively anticipate customer needs, identify pain points and address these with tailored and streamlined solutions that facilitate a seamless digital banking journey. Ongoing efforts to improve the customer journey on our digital platforms include the extension of self on-boarding to foreign currency accounts and improvements to the account opening process. Moreover, the design and layout of multiple customer feedback touchpoints were revamped to facilitate greater engagement.

### Personalised Services

In 2024, the Bank began leveraging the concept of mass-personalisation, an advanced form of personalisation that utilises real-time data and advanced analytics to deliver highly tailored product suggestions to meet the specific needs of individual customers. Other initiatives to enhance personalisation in 2024, included the introduction of tailored dashboards that display customers' financial portfolios to enable effective financial management.

### Security Enhancements

To ensure data security and privacy in a landscape of ever-evolving cyber security threats, the Bank continued to invest in enhancing its cyber security measures.

Resultantly, numerous new digital security features including advanced encryption methods and new multi-layer security authentication methods were introduced during the year under review.

### Compliance and System Updates

The Nations Direct platform was updated to align with the regulatory requirements of the Financial Consumer Protection Regulations No. 01 of 2023 issued by the Central Bank of Sri Lanka.

### Brand Identity

Simplicity is central to everything we do, embodied in our corporate logo, the "Simplicity Mark." This guiding principle shapes our innovation strategy and customer value proposition. By focusing on simplicity, we build customer loyalty, strengthen relationships, and position ourselves uniquely in Sri Lanka's banking industry. We are committed to continuous evolution and refinement to stay relevant, ensuring our brand promise is consistently delivered across all touchpoints and reinforcing our position as the preferred choice for premium financial services.

### Brand Engagement and Marketing Campaigns

In 2024, the Bank continued to build on its commitment to brand evolution and customer-focused innovation through a series of strategic brand and marketing initiatives. As part of the ongoing brand-refresh campaign, branches were upgraded to align their design with our refreshed visual identity, creating a cohesive and recognisable look.

In addition, the launch of our 'Trust in Better' brand proposition reinforced our dedication to setting higher standards and exceeding expectations. This campaign underscored our ongoing focus on delivering exceptional service, driving innovation, and fostering sustainable growth, all while maintaining our position as a trusted partner in both business and community engagement.

By focusing on simplicity, we build customer loyalty, strengthen relationships, and position ourselves uniquely in Sri Lanka's banking industry. We are committed to continuous evolution and refinement to stay relevant, ensuring our brand promise is consistently delivered across all touchpoints and reinforcing our position as the preferred choice for premium financial services.

Nations Trust Bank introduced Sri Lanka's first metal credit card, the American Express Platinum Reserve, available exclusively to our Private Banking customers. This top-tier product offering further reinforces our commitment to delivering premium solutions for our valued clientele.

The Bank proudly launched the Touch Card, becoming the first in Sri Lanka to introduce this Mastercard initiative. Designed to assist visually impaired and partially sighted cardholders, this innovative card enhances accessibility while reaffirming the Bank's commitment to delivering inclusive and globally benchmarked banking experiences.

The Bank deepened its engagement with customers through a series of exclusive events and strategic partnerships, driven by a deep understanding of their business and lifestyle needs. These initiatives spanned various sectors, from business forums and networking opportunities to premium experiences and lifestyle seminars, fostering connections and knowledge-sharing among key stakeholders.

Notable highlights included our role as the exclusive banking partner at the Chamber of Young Lankan Entrepreneurs (COYLE) Leadership Forum, which brought together industry veterans and aspiring entrepreneurs. We also hosted the Nations Sunrise Economic Forum, providing a platform for thought leadership, and organized the Corporate Connect Forum to promote the Bank's Nations Direct Enterprise platform. In addition, we launched exclusive products such as the 'Nations Empower' Corporate Employee Programme, offering tailored financial solutions to employees of the Bank's corporate clients.

Our Private Banking clients were treated to a variety of premium events, including art exhibitions, jazz performances and lifestyle seminars with world-renowned health experts. These initiatives, alongside engaging experiences for Junior Members, further solidified our commitment to providing exceptional services and experiences to our most valued clientele.

Seasonal campaigns such as 'Spark Connections This Avurudu' were tailored to offer curated promotions for the festive season, while the 'Swipe and Win a Trip to the Prague Christmas Market' campaign inspired our travel-enthusiast customers to fulfil their travel aspirations, adding a touch of excitement to their banking experience.

Additionally, Nations Trust Bank partnered with American Express on the 'Experience Sri Lanka' initiative, designed to attract global American Express cardmembers to visit Sri Lanka. This collaboration aimed to boost tourism

and support the local merchant network, contributing to the broader economic growth of the country.

In the digital space, the relaunch of the FriMi app and the associated marketing campaigns reinforced our position as a sophisticated digital banking platform, providing customers with a seamless, personalised banking experience.

Internally, the Bank launched the #BeingBetter campaign, which encourages employees to drive improvements in efficiencies, innovation, productivity and planning. This initiative aimed to foster a culture of continuous improvement, empowering staff to contribute to the Bank's growth and success through enhanced performance.

Through these strategic brand-building activities, the Bank continues to enhance its reputation, foster long-term relationships and support the growth of businesses and individuals alike.

### A Culture of Innovation

The Bank identifies innovation as a key driver for maintaining its competitive position in a banking industry that is undergoing rapid digital transformation. Accordingly, Nations Trust Bank invests significantly in fostering a diverse, adaptable and future-ready team equipped with strong digital skills and a mind-set for out-of-the-box thinking. Our employees are empowered with the resources needed to explore creative solutions and new approaches to drive meaningful transformations within the organisation.

Leveraging technology to foster innovation lies at the core of our strategy. We have been at the forefront of deploying transformative technological solutions that have reimaged the customer banking experience in Sri Lanka while enhancing operational efficiency. Innovation and digitalisation serve as the foundation for delivering seamless, customer-centric banking solutions across our omnichannel platforms, sustaining our competitive advantage over the years.

### Digitally Enabled Workplace

Effectively delivering our digital-first strategy depends significantly on a team that is digitally proficient and future-ready. We consistently invest in equipping the Nations Trust Bank team with advanced technological skills and expertise through regular training and by fostering a culture that embraces technology. To this end,

- Continuous engagement with Digital Ambassadors at branch level ensures that the team is aware of our latest digital advancements.
- Launch of #DigiWeek as an internal staff campaign with HR drove awareness on digital platforms, know-how and implementation of digital initiatives.

### Systems and Processes

We continuously review and upgrade our systems and processes to ensure agility and adaptability in an ever-evolving business environment. Leveraging potential digital platforms to streamline operations and enhance customer experience is critical to our strategy. The Lean Team proactively reviews the Bank's internal processes to identify areas for improvement, focusing on how digitalisation can drive operational excellence and elevate the customer experience. Through the automation of processes and the re-design of critical workflow systems, the Bank has achieved significant cost efficiencies and swifter turnaround times, while minimising errors. Our customer-centric approach to deploying technology has redefined the customer banking experience, strengthening the Bank's competitive advantage in the market. Strategic emphasis on digitalisation has also led to significant reductions in paper consumption, minimising the impact on the environment. During the year under review, key process improvements that were implemented included, digitalising the issuance of account confirmation letters and purchase orders and increased workflow efficiency.



## Human Capital

The Bank thrives on the expertise of a diverse and dynamic team, whose commitment to learning and collaboration drives its continued success.

### Value creation in 2024

- Created opportunities for professional development and career progression through multi-skilling and competency-based development.
- Focused on building an inclusive, value-driven work environment.
- Leveraged technology, lean initiatives and process restructuring to enhance the productivity and efficiency of our team.

### Management Approach

Building on its strong brand presence and a compelling employee value proposition, Nations Trust Bank has positioned itself as an employer of choice in Sri Lanka. The Bank's people management policy framework aligns with all pertinent labour laws, regulations and industry standards and is reviewed by the Board Human Resources and Remuneration Committee periodically to ensure relevancy.

As an equal opportunity employer, we adopt an unbiased approach to recruitment and remuneration. We are also committed to ensuring equity in the workplace, with no discrimination related to gender, race or any other factor. Nations Trust Bank offers its

employees equitable and market-aligned remuneration that is linked to performance and potential. In adherence with local labour laws and regulations, the Bank's compensation structure ensures compliance with statutory benefits including Employees' Provident Fund (EPF), Employees' Trust Fund (ETF) and Gratuity.

The Bank has in place Anti-Bribery and Anti-Corruption, Anti-Sexual Harassment, Drug-Free Workplace and Speak Up policies and procedures alongside a Professional Code of Conduct to guide employee conduct. These policies and procedures also include a safe and transparent process for reporting incidents that violate these policies without the fear of retribution.

**2,473**  
Total  
Employees

**472**  
Manpower from  
Outsourced  
Service Providers

**92.4%**  
Permanent  
Employees

**82.5%**  
Retention Rate

**LKR 71.0 Mn**  
Investment in Training

**649**  
Promotions  
During the Year

**49.1%**  
Female  
Representation

### Team Profile

Our dynamic team of 2,473 individuals collectively possess diverse skills and experience that are aligned with the

### Employees by Employment Contract and Region

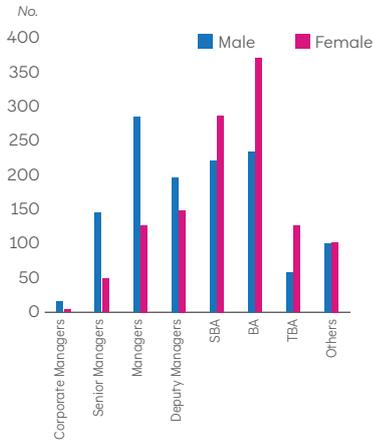
Workforce by Region and Contract	Permanent	Temporary	Total
Western Province	1,856	173	2,029
Central Province	81	3	84
North Central Province	17	1	18
Eastern Province	33	1	34
Southern Province	114	6	120
North Western Province	90	3	93
Uva Province	25	1	26
Sabaragamuwa	30	1	31
Northern Province	38	-	38
Overseas	-	-	-
<b>Total</b>	<b>2,284</b>	<b>189</b>	<b>2,473</b>

### Employees by Age and Category (%)

Employees by gender and category	Below 30		30 -50		50 Above	
	Male	Female	Male	Female	Male	Female
Corporate Managers	-	-	9 (0.4%)	4 (0.2%)	7 (0.3%)	-
Senior Managers	-	-	122 (4.9%)	38 (1.5%)	23 (0.9%)	11 (0.4%)
Deputy Managers	13 (0.5%)	8 (0.3%)	266 (10.8%)	117 (4.7%)	6 (0.2%)	2 (0.1%)
Others	33 (1.3%)	37 (1.5%)	158 (6.4%)	110 (4.4%)	6 (0.2%)	2 (0.1%)
<b>Total</b>	<b>422 (17.1%)</b>	<b>733 (29.6%)</b>	<b>184 (7.4%)</b>	<b>151 (6.1%)</b>	<b>9 (0.4%)</b>	<b>2 (0.1%)</b>
<b>Total</b>	<b>468 (18.9%)</b>	<b>778 (31.5%)</b>	<b>739 (29.9%)</b>	<b>420 (17.0%)</b>	<b>51 (2.1%)</b>	<b>17 (0.7%)</b>

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

**Employees by Gender and Category**



strategic needs of the Bank. Nations Trust Bank’s future-fit digital strategy is strongly supported by a youthful team with an average age of 31 years while 50.4% of employees are below the age of 30. Moreover, 51% of employees have completed over five years of service at Nations Trust Bank, strengthening its intellectual capital. All employees are employed on a full-time basis with 92% of the workforce belonging to the permanent cadre. The entire workforce is based in Sri Lanka, and operate through the Bank’s Head Office and branch network. There is no trade union representation within the Bank’s workforce.

**Talent Movement in 2024**

The Bank’s focus on optimising and right sizing its team continued into 2024, with recruitment focused primarily on filling vacancies on replacement basis. Emphasis was placed on recruiting talent that possessed the competencies required to drive the Bank’s digitalisation strategy. The strength of the Nations Trust Bank brand has provided a competitive edge in attracting top talent. Moreover, collaborations with schools, universities and professional bodies to identify and attract talent have enabled a strong pipeline of entry-level banking trainees.

To support the retention of high-performing talent, the Bank performed a talent identification and profiling

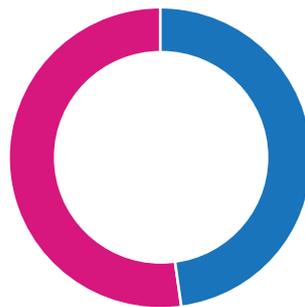
	Number	% of Female Workforce
Maternity leave availed	22	1.8%
Returned to work after maternity leave	22	1.8%
Resignations after maternity leave	0	0%
Retained within the organization after 12 months taking maternity leave	22	1.8%

initiative in 2024 while also reviewing its remuneration structure to ensure alignment with industry norms. Furthermore, aligned with creating opportunities for growth and career progression, the Bank filled 223 vacancies internally, promoted 649 team members and facilitated 575 employee transfers across departments, during the year under review.

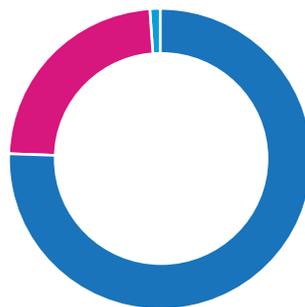
The Bank’s employee retention rate improved to 82.5% in 2024 (2023: 79.2%) while natural attrition including migration contributed to an employee turnover rate of 17.5% in 2024.

**Profile of New Recruits**

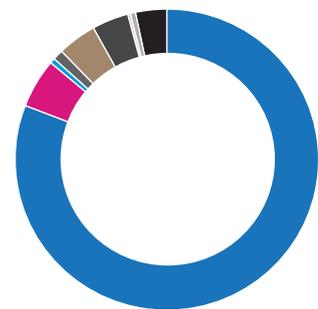
**Recruitment by Gender**



**Recruitment by Age**



**Recruitment by Region**



**People Strategy in 2024**

In 2024, the Bank’s people strategy focused on,

- Strengthening the Bank’s employer branding in the market to support the attraction of high-performing and high-potential talent.
- Creating a future-fit workforce by developing the skills and competencies of our team in alignment with the Bank’s ‘Being Better’ campaign aimed at elevating employee conduct and enhancing productivity.

**Employee Productivity**

The Bank continued to leverage digitalisation to streamline processes and automate routine activities, to enhance the efficiency and productivity.

## Human Capital

of its team. During the year under review, the Bank re-designed its office layout, creating collaborative workspaces to promote team work and innovative thinking. Ongoing efforts to enhance the efficiency and productivity of its workforce have resulted in,

- Revenue per employee LKR 18.0 Mn
- Personnel cost per staff LKR 3.5 Mn

### Employee Value Creation

#### Employee Engagement and Well-being

Nations Trust Bank conducted numerous employee engagement activities during the year. These included,

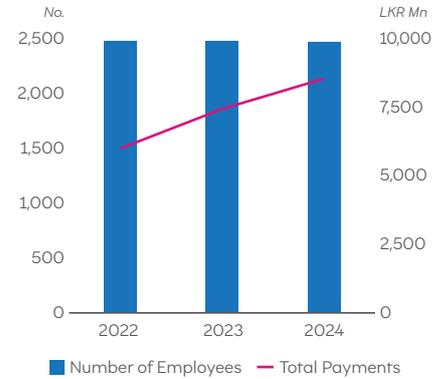
- Team building activities at branch and department levels.
- A beach cleanup project organised across eight coastal areas with the active participation of 315 staff members.
- Involved team members in biodiversity conservation by promoting participation in the renovation of the Wildlife Conservation Centre at Hiyare.
- A blood donation campaign with over 160 donors participating.
- Other events organised during the year under review included,
  - International Women’s and Men’s Day Celebrations
  - Nations Sports Day
  - Nations Cricket Carnival
  - Nations Christmas Carols
  - Nations Year-end Dance
  - Religious Ceremony

Our 252 strong team of male and female athletes, represented Nations Trust Bank across 12 sports at all key Mercantile Sporting events, creating a platform for collaboration and engagement while promoting a culture of sport and well-being.

### Rewards and Recognition

The Bank is committed to fostering an environment where employee contributions are recognised and rewarded. The Bank has implemented a transparent reward system ensuring equity in remuneration. Job specific certifications serve as pre-requisites for promotions, supporting employees in building the skills required for career progression.

### Remuneration Paid



Beach clean-up initiative by the staff volunteers



Blood donation camp organized for staff blood donors



Visit to Hiyare animal rehabilitation center by the staff volunteers



Branches and departments celebrating International Women's Day

### Average Training Hours per Employee by Category and Gender

Breakdown by gender and category	Male	Female	Total
Corporate Managers	45	29	42
Senior Managers	20	18	19
Managers	68	56	64
Deputy Managers	34	30	32
Senior Banking Assistants	25	28	27
Banking Assistants	16	13	14
Banking Trainees	29	27	27
Fixed Term Contractees	23	25	24
Minor and Other Staff	4	10	6
<b>TOTAL</b>	<b>34</b>	<b>26</b>	<b>30</b>

2023		2024
LKR 89.3 Mn	Total investment in training (LKR Mn)	LKR 71.0 Mn
64,425	Total number of training hours	74,206
2,411	Number of employees trained	2,459

All eligible staff members successfully completed their annual performance reviews in 2024, in line with the Bank's performance management process. This provided an opportunity for employees to receive constructive feedback, fostering professional development and growth. During the year, 223 vacancies were filled internally, in accordance with the Bank's talent development initiatives and promotion policy.

The Bank's 'Heroes Inspire' programme continued to recognise the contribution of team members who consistently go the extra mile in fulfilling customer needs. Customers are provided opportunities to acknowledge employees who deliver exceptional service with a 66% increase in the number of employee acknowledgements in 2024. The Bank also recognised 11 staff members as 'Employee of the Month' in recognition of their commitment to delivering exceptional customer service.

### Competency and Capability Building

The Bank continued to provide ongoing opportunities for micro learning through digital platforms, with a total of 15,052 hours of e-learning delivered through the Nation Genius platform. These training programmes focused on mandatory, regulatory requirements.

In 2024, 92% of its team received opportunities for training and development resulting in a total of 74,206 hours of learning. In addition to technical and soft skill development, the Bank has also invested in developing leadership and relationship management competencies. An average of 30 hours of training per employee were conducted during the year under review, supported by an investment of LKR 71.0 Mn.

The Bank partnered with both local and foreign training institutions to expose its team to local and international best practice. Certifications developed in-house equip team members in key roles including Branch Managers, Operations Managers and Relationship Managers with the skills and competencies

required to carry out their responsibilities effectively.

The Bank has also implemented unique, internally-designed programmes including the Management Trainee Programme, Potential Branch Manager Development Programmes, Credit Analyst Programme, focused on developing team members to take on greater responsibility and support their career progression.

Training programmes conducted during the year include:

- Harvard Business School Advanced Management Programme
- International exposure through foreign trainings including Financial Markets Trading, Corresponding Banking related training, J.P. Morgan Payment Banking Forum, Mastercard Academy trainings, Bond Portfolio training for key segment teams
- Leadership & Management Development Program for High Potential Talent
- Management Trainee & Credit Executive Programme
- Strengthening credit and risk competency through in-house SME Academy for Credit Staff
- Advanced Negotiation Skills Workshop for key Relationship Managers
- Structured career development Programmes such as Breaking Barriers for potential managers and Leading at the Peak and Elevate Excellence for managers & deputy managers driving key business
- Internal certification Programmes for Branch Operational Managers, relationship & portfolio teams
- Financial Consumer Protection Regulation training for all staff
- Speechcraft Programmes to enhance communications skills of for Branch Managers, Collection & Recovery teams
- Department specific career development Programmes for operations staff, Contact Centre, Collections and Cards teams
- Impactful sales development Programmes for key account relationship managers through Sri Lanka Institute of Marketing (SLIM)
- Digital & Technology trainings on internal platforms & external technologies including JustPay & LankaQR
- Lean training for key segments including yellow belts, boot camps and all Deputy Manager staff trainings
- Regulatory Good Governance training including, FX regulations, Anti-money laundering, Ethics & Professionalism, Anti-Bribery & Anti-Corruption and Internal Compliance training for branches and external exposure through Compliance Symposium.
- English language and communications Programmes for contact center teams
- Legal competency enhancement through external training
- Career guidance Programmes for interns and fixed term contract staff
- Strengthening dealing room competency through stimulated Bourse game experience
- First Aid and Fire Programmes to ensure workplace safety
- Outbound trainings for key segments teams
- Training offered by external education partners including Central Bank, Institute of Bankers, Ceylon Chamber of Commerce, SLIM CIM, CIMA, FIU, IFC, CIPM, Colombo Law Society, Employers' Federation of Sri Lanka, Institute of Chartered Accountants of Sri Lanka, Tech Cert, Sri Lanka Forex Association, Sri Lanka Banks' Association, Asian Bankers Association, Sri Lanka Institute of Directors, Institute of Chartered Professional Managers of Sri Lanka, International Compliance Association, Ernst & Young, KPMG and Mastercard Academy.

## Human Capital



Manager Development Program for identified high potential talent



Branch leadership team at the annual outbound training



Development Program for Branch Managers

### Occupational Health and Safety

The Bank's Occupational Health and Safety Management System is based on its Health, Safety and Environment (HSE) Procedure, and covers its employees, customers, visitors and vendors. The procedure encompasses the well-being of the said stakeholders, identification and mitigation of HSE risks and continuous awareness, training and call to action for all staff and other stakeholders. In adherence with its HSE Procedure, Nations Trust Bank identifies and addresses risks that are specific to the banking industry. These risks include emergency situations such as robbery and theft, risks associated with falls, equipment malfunctioning, electrocution, ergonomic factors, lighting concerns, exposure to natural disasters and the personal safety of staff members. The occupational health services employed

by the Bank are currently geared towards protecting the staff and workers from risks arising from fire safety. The CRE and Administration Division, along with the HR Division acts as the custodians for the infrastructure, reporting and mitigating Occupational Health and Safety Risks, with all employees sharing final responsibility for ensuring a functional H&S system.

Employees and staff are encouraged to log any suggestions, complaints and observations by raising a ticket online through the Facilities Management System available at the Facilities Management Help Desk. The Administration Division conducts drills to ensure that all staff in major buildings are trained for evacuation during emergency situations. Furthermore, fire marshals have been assigned to each location. Regular training for fire marshals is conducted along with the line managers and branch managers who are responsible for ensuring that employees directly reporting to them are well-versed in the HSE Procedure and mitigating HSE risks. The Bank is committed to continuing its efforts to expanding its staff well-being initiatives by incorporating awareness campaigns, counselling, and programmes such as gym memberships and annual health check-ups. These measures aim to safeguard employees from non-communicable diseases such as hypertension, diabetes, stress, and cardiac-related ailments. Currently the Bank provides a medical insurance scheme to all its employees which covers personal accidents, OPD and hospitalisation. The Bank manages its occupational health and safety incidents in a decentralised manner, with Bank branches tracking incidents quarterly and reporting the data to the HR Division. This information is then forwarded to the Sustainability Division, where it is recorded using the Sustainability Performance Analyser (SPA) tool and presented to the management on a quarterly basis.

The Bank also intends to increase vigilance and implement additional precautionary measures to mitigate health and safety risks at the workplace. The Bank intends to establish formal record-keeping logbooks at every branch and Head Office to ensure the maintenance of comprehensive records of health and safety related incidents. Nations Trust Bank is also in the process of implementing a Supplier Assessment Procedure to ensure that its supply chain partners engage in ethical business conduct. The Supplier Assessment Procedure encompasses environmental and social requirements in addition to the prevention and mitigation of occupational health and safety hazards. Despite proactive measures taken by the Bank to minimise health and safety risks, we are deeply saddened to report that a fatality was recorded in 2024, due to a road accident that occurred during staff commuting.

### Nurturing a Diverse and Inclusive Culture

The Bank is committed to fostering a culture of diversity and inclusivity within the workplace. Accordingly, recruitment and promotions at Nations Trust Bank are guided by clearly defined, transparent policies that prevent discrimination based on gender, race or any other factor. The Bank also upholds equality in remuneration by ensuring a 1:1 remuneration ratio between female and male employees at all levels. Through initiatives including its 'Speak Up Policy', employees are encouraged to report any incidents of discrimination with assurance that no punitive action will be taken against them. There were no reported incidents of discrimination during the year.

Recognising the importance of family, the Bank provides 84 days of maternity leave and 5 days of paternity leave to new parents. The Bank maintains a 100% maternity return rate reflecting the support and inclusive environment fostered by the Bank.



## Manufactured Capital

As a vital part of its value creation process, Nations Trust Bank's Manufactured Capital complements its digital banking strategy by deepening customer relationships through tailored in-person interactions and brand engagement.

### Value Creation in 2024

- Deposit Retention Rate: >85%.
- Growth in Deposit Base: 11%.
- Strengthened Customer Relationships.

### Management Approach

The Bank has implemented a structured approach to managing its Manufacturing Capital. A formal committee oversees the administration and management of its physical infrastructure. This committee, comprising representatives from Marketing, Legal, Finance, the Corporate Infrastructure Team and the Head of Branches, meet regularly to assess the Bank's infrastructure needs.

### Branch Operations

Nations Trust Bank adopts an omni-channel service delivery strategy which includes a physical network of 95 branches strategically located across the island. In 2024, the Bank leveraged its extensive branch network to personalise in-person customer engagement, deepening relationships and enhancing satisfaction. As part of its brand refresh campaign, the Bank continued to align the design and aesthetics of its branches with its key brand attributes of simplicity and strength, fostering greater brand engagement.

As economic activity gradually regained momentum, the Nations Trust Bank's physical footprint played a pivotal role in identifying reviving industry segments to facilitate loan growth while preserving portfolio quality. The in-person interaction enabled by its physical presence enabled the delivery of tailored banking solutions and personalised service, positioning the Bank as a trusted financial partner dedicated to the long-term prosperity of its customers and the broader economy.

Nations Trust Bank remains steadfast in its commitment to ensuring the safety of customers and third parties visiting its branches. This commitment is upheld through a comprehensive Health, Safety, and Environment (HSE) Procedure, with ultimate accountability resting with the CEO. The CRE and Administration Division is responsible for the day-to-day implementation of the policy, encompassing all locations, employees, outsourced personnel and third parties.

Throughout the year, the CRE and Administration Division assessed all major branches to identify and mitigate potential risks. Security measures include strategically-placed CCTV cameras monitored by outsourced security providers and on-site security personnel who ensure protection while offering courteous services, including greeting customers and managing parking facilities.

Each branch is equipped with firefighting equipment, including fire extinguishers, fire hydrant systems, smoke detectors, fire exits, and assembly points. Fire Marshals are appointed at every branch to lead evacuation procedures and handle basic firefighting during emergencies. Regular fire drills are conducted at larger branches to ensure preparedness given a fire emergency. As testament to this strategic focus, no incidents of non-compliance regarding health and safety impacts were reported at any of the Bank's branches in 2024.

95  
Branches

99  
CRMs

58  
ATMs

LKR 179 Mn  
Investment in PPE

LKR 546 Bn  
Total Assets

### Driving Operational Efficiency

Ongoing efforts to harness the potential of technology to streamline processes and enhance operational efficiency continued into 2024. Nations Trust Bank continued to re-evaluate and refine its internal processes to create a leaner and more agile operation, driving cost efficiency and enabling optimal resource allocation.

### Key Initiatives Implemented in 2024 Included:

**Process Automation:** Ongoing focus on automating processes led to optimised team structures, increased productivity and accuracy and cost rationalisation.

**Operational Reassessment:** The Lean Transformation Team, in collaboration with departmental personnel, conducted a comprehensive review of the Bank's internal processes. Through this study, the team identified areas for improvement and resource allocation to enhance operational efficiency and deliver a superior customer experience.



## Social and Relationship Capital

Built on trust and collaboration, our Social and Relationship Capital represent the relationships we have nurtured along our value chain, driving both our strategic aspirations and delivering mutual value.

### Value Creation in 2024

- Elevated the customer experience by consistently refining our value proposition.
- Ongoing emphasis on enhancing the sustainability of our value chain.
- Ongoing investments in strategic CSR initiatives.

## CUSTOMERS

Nations Trust Bank's customer base comprises over 650,000 corporate, SME, and retail customers based primarily in Sri Lanka.

### Elevating the Customer Experience

Elevating the customer experience forms the foundation of our strategy and we consistently refine our customer value proposition to deliver relevant, holistic and personalised financial solutions that are tailored to meet the unique needs of our customers.

Our dedication to integrating cutting-edge technologies with our commitment to exceptional service has enabled us to deliver an unmatched customer experience, fostering trust and deepening relationships. The continuous improvement of products, systems and policies while proactively addressing gaps and strengthening controls in line with emerging trends in the macro-economy, continued into 2024, enabling a seamless and secure banking experience for our customers.

Technology and digitalisation is vital to enhancing our customer experience across omni-channel touchpoints, enhancing convenience and ease of banking. The digitalisation of over 96% of our service offerings has empowered our customers to fulfil their banking needs from anywhere, improving accessibility and efficiency.

Technology has also enabled personalised offerings and allowed the Bank to leverage synergies across business verticals to develop value propositions tailored to meet the unique needs of our customers. During the year under review, the Bank leveraged an array of tools including hyper-personalisation, to deliver relevant, personalised solutions that fulfilled specific customer needs.

Aligned with our strategic focus on digitalisation and innovation, we continued to introduce innovative financial products, pioneering several industry-first innovations. In 2024, the Bank re-launched FriMi with a range of new innovative features, further strengthening Sri Lanka's first digital banking experience. The Bank also pioneered the introduction of metal credit cards in the country during the year under review.

Responsible, best-in-class service delivery forms an integral part of the Bank's customer value proposition and is underpinned by its strong customer-centric culture. In 2024, Nations Trust Bank took steps to ensure the alignment of service delivery, policies and procedures with the Financial Consumer Protection Regulations, ensuring fair treatment, inclusivity and transparency. Ongoing efforts to promote inclusivity include trilingual access to customer information, and implementing initiatives that support assistive technology to cater to customers with special assistance

**>650K**  
Total Customers

**1,154**  
Suppliers

**53**  
Net Promoter Score

**LKR 18.3 Mn**  
Total Investment in ESG and CSR

needs. These improvements are reflected both in our branches and digital channels, underscoring our commitment to providing an inclusive and customer-friendly experience.

In 2024, the Bank celebrated the Customer Service Week under the theme "Above and Beyond". This initiative reaffirmed our service promise to our customers through internal and external programmes that emphasised our ongoing commitment to providing an exceptional service at every touchpoint.

Aligned with our digital-first strategy, we place strong emphasis on safeguarding customer privacy and data integrity. Accordingly, the Bank's IT Unit has implemented rigorous IT protocols and data security measures including firewalls and protection against malware as well as clear roles and password hierarchies to safeguard customer privacy and data integrity. Furthermore, the Unit performed routine and systematic data backups and incorporated system redundancies to ensure continuous operations during emergencies or unexpected failures.

The Bank is committed to responsible marketing practices, ensuring customers have access to accurate information about Nations Trust Bank's product and service range. The Marketing Unit is responsible for managing all corporate communications and marketing activities of the Bank and ensures accuracy and alignment with all laws and regulations including those set by the Central Bank of Sri Lanka (CBSL) as well as industry best practice.

Reflective of our strong commitment to responsible marketing practices and safeguarding customer privacy and data integrity, no instances of non-compliance concerning product and service information, customer privacy and labelling or marketing communications were reported during the year under review.

### Customer Engagement

Nations Trust Bank's capacity to deliver a seamless, personalised banking experience to its customers is underpinned by strong customer engagement and robust feedback mechanisms. This has facilitated deeper insights into customer preferences, needs and pain points enabling proactive action.

Aligned with the Customer Satisfaction Score (CSAT) methodology, the Bank has introduced QR codes across its branch network to capture real-time customer feedback, easily and conveniently. We also prioritise open communication and have implemented multiple channels to facilitate ongoing dialogue with customers, enabling transparency and responsiveness in customer interactions.

### Customer Centric Culture

Customer centricity is embedded in Nations Trust Bank's corporate culture and shapes all its strategic decisions. Robust engagement mechanisms and data analytics have enabled proactive, data-driven insights into evolving customer preferences and needs. These insights inform strategy formulation

ensuring new products, technology investments and staff training are aligned with delivering a superior, customer-focused banking experience. Frontline team members receive regular training on service excellence while this mindset is reinforced through reward programmes such as 'Heroes Inspire'. This holistic approach has enabled the Bank to consistently elevate the customer experience and enhance satisfaction.

### Customer Satisfaction

Nations Trust Bank's customer focus has yielded significant results in enhancing customer satisfaction. The Bank's Net Promoter Score (NPS) has consistently improved over the last 3 years as shown in the highlights on page 31. The Bank achieved a NPS of 53 in 2024, surpassing its internal benchmark of 40 and increasing from its 2023 score of 48.

Moreover, the Bank received over 3,300 external commendations from customers in 2024 through its numerous customer feedback mechanisms.

The Bank also noted a 15% decrease in customer complaints in 2024 compared to the previous year. Additionally, 96% of customer complaints and concerns were resolved and addressed within the Bank's established Service Level Agreements (SLAs), demonstrating its commitment to resolving customer concerns in a timely manner.

## BUSINESS PARTNERS

The Bank's supply chain partners exceed 1,154 and encompass a diverse range of businesses, including, equipment and maintenance service providers, manpower providers, waste disposal services and suppliers of fuel, stationery and other consumable items. Emphasis is placed on working with local suppliers or local agents representing international agents to support the development of local businesses.

### Sustainable Value Chains

We, at Nations Trust Bank are dedicated to promoting sustainable business

practices across our value chain encompassing customers and suppliers.

During the year under review, the Bank reviewed its Environmental and Social Management System (ESMS) procedures and processes to ensure relevancy in addressing customer and portfolio-related sustainability priorities. Going forward, the Bank intends to develop the ESMS further to assess other significant customer portfolios.

The Bank's Supplier Assessment policies ensure transparent evaluation of Environmental, Social and Governance (ESG) impacts of our suppliers. This will be supported by the introduction of supplier and customer questionnaires, incorporating the sustainability criteria to gather objective data from suppliers and customers to facilitate comprehensive assessments. Insights gained from these assessments are expected to enhance existing procurement and credit evaluation processes and direct the Bank's future sourcing and lending decisions.

The Bank also remains committed to assessing its Scope 3 carbon footprint of its value chain and will commence tracking Scope 3 emissions within the next few years.

Recognising the inherent vulnerabilities within the banking environment, we have implemented proactive measures to ensure the preparedness of our outsourced security personnel through training initiatives to effectively handle various customer interactions and potential situations.

The Bank maintains memberships in numerous associations to advocate for best practices in the banking sector as well as to advance its sustainability priorities. Memberships held in 2024 are given below,

- Ceylon Chamber of Commerce
- Leasing Council of Bankers of Sri Lanka
- The Employers' Federation of Ceylon

## Social and Relationship Capital

- 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

## ENGAGING WITH OUR COMMUNITY

**LKR 18.3 Mn**  
Investment in CSR & ESG

### Nations Trust Bank's CSR Governance Framework

In 2024, Nations Trust Bank refined its CSR focus to better align with its values and sustainability strategy. Consequently, the CSR pillars now center on Environment, Arts & Culture and Creative Entrepreneurship. This better reflects the Bank's focus on nurturing local artists and its commitment to preserving the the country's artistic heritage for future generations. Aligned with these objectives, the Bank implemented numerous initiatives to promote the works of emerging Sri Lankan artists and creative entrepreneurs.

### Nurturing Creativity Among Local Artists

In collaboration with the George Keyt Foundation, Nations Trust Bank organised Sri Lanka Art 2024 at the JDA Perera Gallery, providing a unique opportunity for emerging Sri Lankan artists to exhibit their work.



*Sri Lanka Art 2024 at the JDA Perera Gallery*

### Preserving Sri Lanka's Cultural Heritage

Nations Trust Bank sponsored the restoration of George Keyt's mural art at the Gothami Viharaya in Colombo, preserving it for future generations to appreciate its historic and artistic significance. The initiative is an extension of the Bank's long-term partnership with the George Keyt Foundation.



*Restoration of George Keyt's mural art*

### Partnering with One of the World's Largest Brokers of Fine Arts

The Bank supported the George Keyt Foundation Charity Auction which was organised in collaboration with Sotheby's in December 2024. Proceeds raised from the auction are expected to support a range of initiatives dedicated to preserving Sri Lanka's artistic heritage and nurturing creativity, including establishing a museum, compiling a catalogue raisonné, producing a documentary, supporting artists, and publishing works on modern and contemporary art. The contributions made by the Bank during 2024, are expected to play an important role in launching these activities in the year ahead.



*The George Keyt Foundation Charity Auction at Cinnamon Life Colombo*

### Enhancing Computer Literacy of Underprivileged Children

In partnership with the Roshan Mahanama Trust, the Bank donated 45 refurbished desktop computers to SOS Village, Piliyandala, to support IT literacy among the children in their care. The Bank also donated a collection of children's toys to support their learning and development.



*Computer Donation Program at SOS Village, Piliyandala*



# Natural Capital

Nations Trust Bank adopts a strategic approach to optimizing resource utilisation and minimising its environmental impacts within its operations and across the value chain, upholding its commitment to environmental responsibility and driving the transition towards a more sustainable economy.

### Value Creation in 2024

- Promoting sustainable resource consumption through digitalisation and automation.
- Increased emphasis on sustainable financing initiatives.
- Long-established collaborations for biodiversity preservation.

### Management Approach

As a leading bank, the Board of Directors and Management of Nations Trust Bank are strongly committed to advancing Sri Lanka’s shift toward a sustainable, green, and inclusive economy. Understanding the vital role financial institutions play in economic growth, the Bank actively uses its influence to drive meaningful and positive change.

During the year under review, the Bank conducted an evaluation of its material topics through an internal management perception study. This exercise was aligned with the Global Reporting Initiative (GRI) Standards, the AccountAbility AA1000 Standards, and the COSO Framework. The GRI Standards provided insights into the spectrum of potential sustainability topics and impacts, while the COSO Framework’s risk management principles helped identify risks and opportunities arising from these topics. Additionally, the six-part materiality assessment outlined in the AA1000 Standard was utilised to evaluate the financial impact, regulatory requirements, science-based targets, peer norms, stakeholder and societal expectations, as well as risks associated with sustainability-related impacts.

As a result of this materiality assessment, the Bank identified key environmental topics as priorities, including energy, emissions, waste management, and responsible value chains. To address these material topics, the Bank reviewed and refined its Environmental, Social, and Governance (ESG) Strategy, alongside a comprehensive set of policies, systems,

**6,309.5 MWh**  
Electricity Consumption

and procedures. These measures now serve as the foundation of the Bank’s environmental agenda for the coming years.

The Bank continues to systematically monitor the impacts of its operations and value chain through the ESG Management Framework and the Environmental and Social Management Process that was deployed last year. Within this strategic framework, the Bank has identified three core focus areas, encapsulated under the following overarching pillars: Sustainable Finance, Responsible Organisation, and Sustainable Culture. These pillars guide the Bank’s initiatives, driving progress toward its sustainability objectives and aligning with global sustainable development goals.

During the year, Nations Trust Bank 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.

### Sustainable Finance

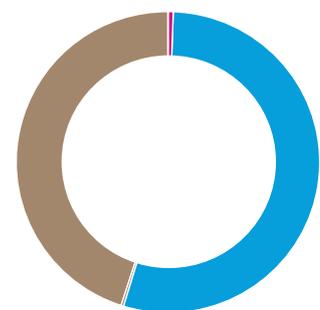
The Sustainable Finance pillar reflects the Bank’s commitment to integrating sustainability into its lending activities and is operationalised through its Environmental and Social Management System (ESMS).

**0.06 GJ**  
Energy Intensity Per Square Feet

The ESMS was formulated based on the guidelines of CBSL’s Sustainable Finance Roadmap, Green Finance Taxonomy and Banking Act No. 5 of 2022 on Sustainable Finance as well as global and local industry best practices, including the Sustainable Banking Initiative of the Sri Lanka Banks’ Association. Accordingly, all corporate and SME facilities exceeding LKR 50 million and IFC funded facilities were assessed for environmental and social risks through the ESMS prior to credit approval.

Information related to the Bank’s sustainable financing portfolio is reported to the CBSL on a quarterly basis.

### Sustainable Finance Portfolio - 2024



- Agriculture Forestry and Logging (0.05%)
- Manufacturing (0.76%)
- Electric Power Generation, Transmission and Distribution (53.96%)
- Water Supply, Sewerage and Waste Management (0.44%)
- Other Sectors (44.79%)

## Natural Capital

### Responsible Organisation

This pillar embodies the Bank's commitment to responsible resource utilisation and minimising the environmental impact of its operations. The Bank's formal assessment of its material environmental impacts has enabled focused monitoring and mitigation efforts. Strategic focus on digital banking and employee awareness initiatives also play a key role in driving the Bank's commitment to sustainable operations. The Bank's approach to managing its material environmental topics of energy, emissions and waste management is discussed below.

### Energy and Emission Management

Nations Trust Bank relies on multiple energy sources to sustain its business operations, including electricity from the National Grid of Sri Lanka and fossil fuels for backup power generation and transportation.

#### Energy consumption in 2023 & 2024

	2023	2024
Diesel (l)	24,415	15,590
Petrol (l)	11,011	14,257
Electricity (kWh)	5,957,705	6,309,534
Diesel consumption in GJ	787**	502
Petrol consumption in GJ	319**	413
Electricity consumption in GJ	21,448	22,714
Total energy consumption in GJ	22,554**	23,630

\*\* This number has been restated due to GHG emission factor.

The Bank is cognisant of the carbon footprint resulting from its operations and its implications for climate change. The Bank also recognises its exposure to both physical and transition risks associated with climate change and monitors them closely. Strategic emphasis on digitalisation and comprehensive insurance coverage helps partially mitigate the physical risks associated with climate change.

The Bank's Scope 1 and Scope 2 emissions assessment encompasses its entire operations which include its Head Office and 95 branches. The Bank is in the process of measuring its Scope 3 carbon footprint relating to its supply chains, employee commute, business travel, and financed emissions in the next few years. The Bank's carbon footprint for Scope 1 and Scope 2 is given below.

	2023	2024
Scope 1	76 MT **	66MT
Scope 2	2,549 MT **	2,699 MT
Total Scope 1 and 2	2,629 MT**	2,765 MT
Scope 1 and 2 intensities per square feet	6.49 kgCO2e**	6.78 kgCO2e

#### The carbon emissions breakdown of 2023 and 2024 is as follows:

	2023	2024
Electricity	96.9% **	97.6 %
Diesel	2.2%**	1.3 %
Petrol	0.8%**	1.04%

\*\* This number has been restated due to GHG emission factor.

In 2024, the Bank used 33 kg of R22, 17 kg of R410 and 10 kg of R134A refrigerant gas for refilling during air conditioning maintenance, resulting in a carbon footprint of fugitive emissions totalling 102 MTCO2e from ozone depleting sources. This was in comparison to the usage of 55 kg of R22, 15 kg of R410 and 10 kg of R134A refrigerant gas in 2023.

### Paper Consumption

Nations Trust Bank's strategic focus on digitalisation has contributed significantly to minimising paper consumption and related waste within its operations. The Bank has extended these efforts downstream in its value chain, encouraging customers to adopt paperless interactions. Key initiatives implemented to minimise the Bank's paper consumption within its own operations and along the value chain include,

- The digitalisation of internal processes including approvals and back-end processes.
- The discontinuation of the printing of paper leaflets for promotions.
- A predominantly digital customer onboarding model, eliminating the need for physical documentation.
- The Bank issues Eco-Champion E-Certificates to customers in recognition of their contribution to tree conservation by opting for paperless platforms like Nations E-Box.
- Transitioning all customers to digital statements.

In 2024, the Bank's paper consumption amounted to 17.3 MT in comparison to 17.4 MT in 2023.

### Waste Management

The Bank's operations generate both hazardous and non-hazardous waste necessitating responsible disposal methods to mitigate adverse impacts on the environment and the community. Non-hazardous waste includes paper, cardboard, plastic and food waste while hazardous waste comprises electronic waste, used oil and oil filters from backup generators. The Bank has implemented processes to segregate waste to enable responsible disposal. Plastic and polythene waste is disposed of, primarily through the municipal councils into landfills while food waste is reused as animal feed. The Bank has contracted licensed third parties to recycle its paper waste which resulted in 8.13 MT in 2024.

The Bank has implemented a Board-approved process for the responsible

disposal of e-waste, including laptops and computers which is also aligned with the Bank's data security procedures. During the year under review, 64.8 MT of non-hazardous waste with 28.3 MT of recycled or reused waste and 36.5MT was sent to landfills through municipal waste disposal mechanisms. Additionally, out of 4.56 MT of hazardous waste, and 4.50 MT was recycled through third party vendors.

### Environmental & Biodiversity Conservation Initiatives

Nations Trust Bank's strong commitment to biodiversity conservation has been enabled by long-term collaborations with environmental organisations, including Wildlife Conservation Society of Galle, Wildlife and Nature Protection Society (WNPS) and Biodiversity Sri Lanka.

#### Urban Forestry Initiative

In 2024, the Bank established a partnership with the Colombo Municipal Council (CMC) to initiate a project focused on expanding green spaces across Colombo City. This involved planting CMC-recommended trees including Kobo Neela, Mee and Karanda along major roadways within the Colombo City to provide shade and address air pollution. The project was initiated along Union Place, Staple Street and Sir James Peiris Mawatha and will be extended to other areas designated by the CMC in the year ahead. The Bank has committed to maintaining the trees for a period of two years.



Urban Forestry Initiative at Union Place

#### Beach Clean Up Programme

Nations Trust Bank organised a beach clean-up programme in February

covering 8 beaches across Jaffna, Batticaloa, Uswatakeiyawa, Wellawatte, Panadura, Aluthgama, Hikkaduwa, and Weligama. Over 300 members of the Nations Trust Bank team volunteered, collecting more than 360 industrial garbage bags of waste, which were handed over to the respective municipal councils for responsible disposal.

#### Hiyare Biodiversity Conservation Project

Through its long-established partnership with the Wildlife Conservation Society of Galle, the Bank has actively supported the biodiversity conservation efforts of the Animal Rescue and Rehabilitation Centre at the Hiyare Rainforest, for over a decade. The Animal Rescue and Rehabilitation Centre provides shelter and treatment to ailing and injured wild animals in the Hiyare forest and surrounding regions, and the Bank finances the cost of medicine, food, veterinary fees and transportation for the animal hospital.

During the year under review, the Bank also refurbished the hospital. The Bank actively engaged its staff in this initiative, with approximately 40 team members participating. Deepening this collaborative partnership, the Hiyare Research Centre and Animal Hospital conducted a biodiversity conservation awareness programme for the participating team members from the Bank at the project's conclusion.



Refurbishment programme at Hiyare Animal Rescue & Rehabilitation Centre.

#### Promoting Public Awareness About Biodiversity Conservation

Recognising the important role of awareness in advancing biodiversity conservation, the Bank continued to

support numerous initiatives in 2024 to educate the community in this regard.

#### Sponsoring WNPS Publications

Through the longstanding partnership with the Wildlife and Nature Protection Society (WNPS), the Bank continued to support the publication of the Loris magazine and the Warana/Waranam, the leading national publications on wildlife and conservation in Sri Lanka. In 2024, two issues of the Loris magazine were published while a combined issue of the Warana/Waranam, a bilingual format with information in both Sinhalese and Tamil were also published.



Loris publications in 2024

#### Biodiversity Education Programmes at Research Centre in Hiyare

The Bank sponsored the monthly lecture series on wildlife and conservation conducted by the WCSG's Education and Research Center for visitors, students and wildlife enthusiasts. The Nations Trust Bank team was also encouraged to attend this programme. In 2024, nine lectures were conducted, engaging approximately 565 participants.

#### The Nations Trust Bank WNPS Monthly Lecture Series

The Bank sponsored the Nations Trust Bank WNPS Lecture Series for the eighth consecutive year, maintaining its commitment to raising public awareness about key environmental and biodiversity issues in Sri Lanka. The lecture series aimed to educate the community about urgent issues within the environmental and biodiversity conservation sphere and featured expert environmental conservationists who shared valuable insights. Eleven lectures were conducted monthly during 2024.

# Independent Assurance Report



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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 2024

### 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 2024 (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 December 2024. 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.

## 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.

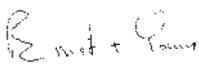
## Emphasis of Matter

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 2024, in order for it to be in accordance with the Criteria.



21st February 2025  
Colombo

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, 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, B Vasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCA FCCA MBA (US-JSL), G B Gouffian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shaktivel 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.

### Highlights During the Year 2024

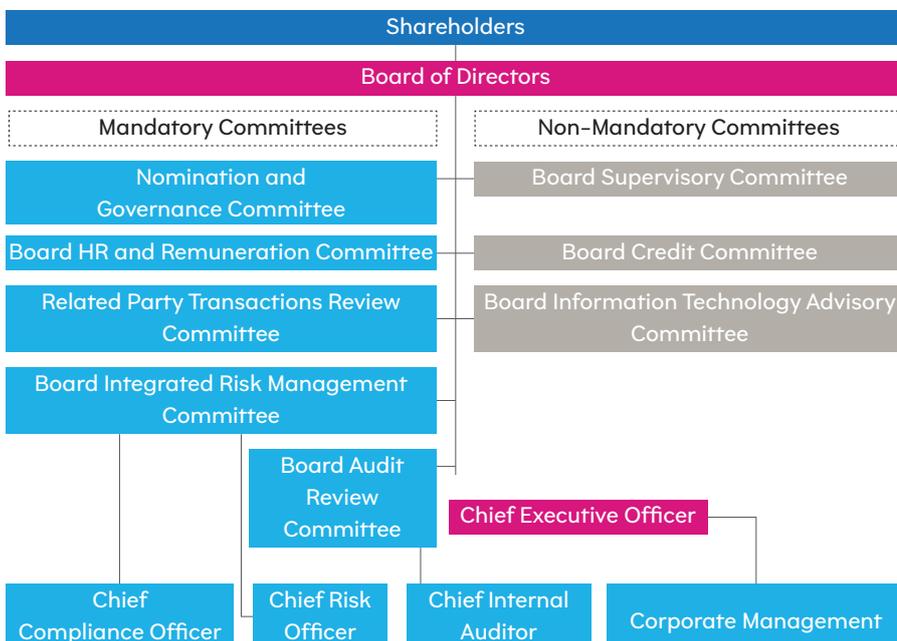
- Alignment with Banking Act Directions No. 5 of 2024 on Corporate Governance for Licensed Banks issued by CBSL.
- Reconstitution of Board Sub-Committees to align with the new regulatory requirements.
- Appointment of a new Director.

### Regulatory Developments in 2024

Central Bank of Sri Lanka issued Banking Act Directions No. 5 of 2024 on Corporate Governance for Licensed Banks 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 carefully reviewed the new Directions and implemented measures to align with its requirements during the year under review. Whilst the Bank is already compliant with the current requirements, the Board has also developed a plan for full compliance within the stipulated timelines.

### 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 of Directors serves as the apex governing body of the Bank and 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 Board Human Resources and Remuneration Committee, Related Party Transactions Review Committee, Board Integrated Risk Management Committee to align with the requirements of the new CBSL Directions on Corporate Governance and Section 9 of the Listing Rules of the Colombo Stock Exchange. The Board Supervisory Committee was also reconstituted during the year under review.

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 92 to 106 provide insights into their activities during the year. 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 Committee
- Assets & Liability Management Committee
  - Executive Risk Management Committee
  - Operations Risk Management Committee
  - IT Steering Committee
  - Information Security Steering Committee
  - Management Credit Committee
  - ESG Steering Committee

### 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 CSE and has made reference to the same on its official website.

### An Effective Board

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 Composition

The Bank's Board is comprised of 12 Directors of whom 11 are Non-Executive Directors who are leading professionals in their respective fields. Collectively they possess the skills, industry insights and experience needed to effectively fulfil the remit of the Board and support the growth and other aspirations of the Bank. Objectivity of deliberations is facilitated by the presence of 5 Independent Directors.

#### Board Composition



41%

Independent 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:

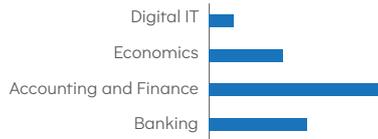
Governance Framework																
Regulatory	Voluntary															
<ul style="list-style-type: none"> <li>Companies Act No. 7 of 2007 (as amended)</li> <li>Banking Act No. 30 of 1988 (as amended)</li> <li>All Directions for Licensed Commercial Banks issued by the CBSL</li> <li>Continuing Listing Requirements of the CSE</li> <li>Corporate Governance Rules of the CSE</li> </ul>	<p><b>Policies Reviewed in 2024</b></p> <ul style="list-style-type: none"> <li>GRI Standards published by Global Reporting Initiative</li> <li>Board Charter</li> <li>Policy on Remuneration</li> <li>Policy on Internal Code of Business and Ethics</li> <li>Policy on Risk Management and Internal Controls</li> <li>Policies on Relations with Shareholders and Investors</li> <li>Policy on Sustainability</li> <li>Speak-up Policy</li> <li>Policy on Anti-Bribery and Corruption</li> </ul>															
Key Mechanisms																
<ul style="list-style-type: none"> <li>Strategic Planning</li> <li>Stakeholder Engagement</li> <li>Budgeting and Finance</li> <li>Risk Management</li> <li>People Management</li> <li>IT Governance</li> <li>Sustainability and ESG Integration</li> </ul>																
Internal																
<ul style="list-style-type: none"> <li>Articles of Association</li> <li>Board Charter, Board Procedure</li> <li>Board Sub-Committee Terms of Reference</li> <li>Code of Ethics</li> <li>Code of Conduct</li> <li>Board-Approved Policy Framework</li> </ul>																
<p><b>Skill Alignment to Strategic Focus Areas</b></p> <table border="1"> <tbody> <tr> <td></td> <td>Business Focus</td> <td>Banking experience</td> </tr> <tr> <td></td> <td>Cost and Efficiency</td> <td>Multi-disciplined banking experience</td> </tr> <tr> <td></td> <td>Customer Experience</td> <td>Finance, Accounting and Auditing</td> </tr> <tr> <td></td> <td>Digitisation and Automation</td> <td>IT and Digital Strategy</td> </tr> <tr> <td></td> <td>ESG and Sustainability Integration</td> <td>Sustainability Strategy</td> </tr> </tbody> </table>			Business Focus	Banking experience		Cost and Efficiency	Multi-disciplined banking experience		Customer Experience	Finance, Accounting and Auditing		Digitisation and Automation	IT and Digital Strategy		ESG and Sustainability Integration	Sustainability Strategy
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	Customer Experience	Finance, Accounting and Auditing														
	Digitisation and Automation	IT and Digital Strategy														
	ESG and Sustainability Integration	Sustainability Strategy														

## Corporate Governance

### Gender Balance



### Composition of skills



### Retirement

Directors are elected or re-elected by the shareholders at the Annual General Meeting. Separate resolutions are prepared for each Director for this purpose. The Nominations and Governance Committee reviews potential nominees for Board vacancies, carefully mapping the skills, experience and attributes of potential candidates against the strategic objectives of the Bank and the existing skillset of the Board. Due care is taken to ensure that potential nominees meet the fit and proper criteria set out by the CBSL and the CSE. Following this assessment, the Nominations and Governance Committee then makes recommendations to the Board who deliberates the proposed nominees prior to approval. Casual vacancies occurring during the year are filled by the Board as permitted by the Bank's Articles of Association with prior approval of the CBSL. Shareholders are informed of the Board appointments via the CSE immediately after the appointment. The CSE announcement also includes a brief profile of the Director and any shareholdings he/she may hold in the Bank. All Directors appointed to fill casual vacancies retire at the end of the financial year and can be elected at the next Annual General Meeting.

### Tenure of Non-Executives



### Retirement/Resignation

- Savanth Sebastian resigned w.e.f. 18th June 2024
- Conrad D' Souza retired w.e.f. 18th January 2025

### Board meetings

Directors can serve a maximum of 9 years on the Bank's Board in accordance with the CBSL directions and retire on the completion of their tenure. Directors may resign prior to this by submitting a letter of resignation to the Chairperson via the Company Secretary who will consider the same. Upon acceptance, a notice is sent to the CSE to inform shareholders of such resignation and reasons therefore.

### Director Induction and Training

Arjuna Wignaraja and Roshan Perera (whose profiles are set out on page 18-19) were appointed in December 2024 and January 2025, respectively, and will offer themselves for election at the Annual General Meeting. An introductory pack including rules of corporate governance, internal policies and procedures relating to the Board were shared with the said Directors. Once elected, these Directors will participate in an induction programme which includes discussions with the Executive Director/ Chief Executive Officer and Corporate Management to ensure familiarity with the operations of the Bank, the relevant regulatory framework and the processes of the Board.

### Age Representation



### Appointments

- Arjuna Wignaraja appointed w.e.f. 09th December 2024
- Roshan Perera appointed on 10th January 2025

The Directors attend the training sessions organised by the CBSL and undertake training in their personal capacities as well. Additionally, the management provides updates on regulatory changes, the operating environment and industry best practice. External consultants, auditors and other experts also make presentations of the Board from time to time on relevant matters, including sustainability and ESG ensuring that the Board is up to date on matters relevant to the Bank.

**Director Assessment:** The Board evaluates its performance on an annual basis. The evaluation is carried out through a self-assessment survey which includes criteria on board effectiveness, efficiency and procedures followed.

Each Director carries out a self-assessment of his/her own effectiveness as an individual as well as the effectiveness of the Board as a whole. The assessment expands to Board Sub-Committees where all Sub-Committee members are required to carry out a self-assessment on his/her role as a member of the Committee.

### Governance Outcomes in 2024

● <b>Capital and Liquidity</b>	Capital and Liquidity buffers of the Bank are above industry and peers	● <b>Managing for returns</b>	The Bank has recorded the highest ROE, above industry and peers.
● <b>Sound Risk Management</b>	Prudent management of exposures	● <b>Digital Dividends</b>	Oversight of IT investments and progress to drive effective change and realise potential returns.
● <b>People and Culture</b>	Ensure the people and culture of the Bank evolve to meet new challenges while holding to values.	● <b>Integrating ESG</b>	Establishing a Board-led ESG agenda and strategy to realise long term sustainable growth.

### Board meetings

The Board convened 14 times during the year. The Directors' attendance at Board meetings and Sub-Committee meetings is set out in the table below:

DIRECTOR	BOARD	BARC	BSC	HRRC	BCC	BIRMC	NGC	RPTRC	BITAC
01 Sherin Cader	14/14		12/12	03/03	17/17		04/04		
02 Conrad D'Souza <sup>1</sup>	14/14	14/14		03/03		09/09	04/04		
03 Rachini Rajapaksa	14/14	14/14		03/03		09/09			12/13
04 Russell De Mel	12/14			03/03	17/17			04/04	
05 Savanth Sebastian <sup>2</sup>	05/05	07/07	05/05			03/03			
06 Chanaka Wickramasuriya	14/14				16/17		04/04	04/04	
07 Arjun Fernando	14/14		12/12		16/17		03/04		12/13
08 Ramesh Shanmuganathan	11/14								13/13
09 Chandika Hettiarachchi	14/14								
10 Hemantha D Gunetilleke	14/14					09/09		04/04	12/13
11 Sanjeev Jha	13/14								
12 Charitha Subasinghe	12/14	10/14	09/12			08/09			
13 Arjuna Wignaraja <sup>3</sup>	01/01								

<sup>1</sup> Appointed as the Chairperson of the HRRC with effect from 1st October 2024/ Retired from the Board of the Bank with effect from 18th January 2025.

<sup>2</sup> Resigned from the Board of the Bank with effect from 18th June 2024

<sup>3</sup> Appointed as a Director of the Bank with effect from 9th December 2024

### Access to Information

The Chairperson ensures that the Board has sufficient information on matters set before the Board and Directors have access to key management personnel to seek clarification required. The business units regularly make presentations to the Board on the interim progress and its journey in line with the strategy and vision of the Bank. Directors also have access to relevant information and professional advice required to discharge their duties effectively.

Board papers are circulated in advance of the Board meetings to ensure Board members have sufficient time to prepare.

Critical concerns are immediately flagged to the Board by the CEO in discussion with the Chairperson and with relevant Corporate Management members. There is a schedule of matters on which the CEO is required to inform the Board immediately. 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.

### Managing Conflicts of Interest

Directors are required to declare existing and potential conflicts of interest annually and update them as and when they change. The Rules of Procedure for the Board of Directors clearly states

## Corporate Governance

that Directors must declare their interest on any matters that may be set before the Board and excuse themselves from discussions, deliberations and voting on such matters by informing the Board, the Chairperson or the Company Secretary. The Company Secretary maintains a register of Directors' Interests.

### Director Remuneration

Board Human Resource and Remuneration Committee (HRRC) assisted the Board to determine Director Remunerations. This HRRC undertakes a review of the remuneration levels and makes recommendations to the Board in respect of the remuneration of Executive Directors and Non-Executive Directors in accordance with the established policies of the Bank.

### Sound Risk Management

The Board is ultimately responsible for effective management of risks and has set in place a strong risk governance structure, framework of policies and procedures and has allocated sufficient resources for managing the same. The BIRMC assists the Board with oversight of this vital function while the BARC has oversight of the effective operation of internal controls.

Board oversight on risk management is elaborated in the Risk Management Review section published on pages 74 to 91 in this Report.

### People and Culture

People engagements, training and development activities remained a key focus driving significant gains in productivity. Right sizing the team was a priority and this was achieved by natural attrition during the year without resorting to lay-offs which would have had a significant adverse impact on employee morale.

The Board of Directors also play a vital role in setting the correct tone at the top and continues to reinforce the values and standards of conduct through the following:

- Codes of Professional Conduct
- Speak-up Policy
- Related Party Transactions Policy
- Employee Grievance Procedure
- Anti-Bribery & Anti-Corruption Policy and Anti-Bribery & Anti-Corruption Procedure
- Drug-Free Workplace Procedure
- Sexual Harassment Procedure
- Consequence Management Procedure

### ESG Integration

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 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. This is detailed in the Sustainability Integration section published on page 26 in this Annual Report.

### Shareholder Communication

Board approved investor relations policy, communication policy and corporate disclosure policy are in place ensuring effective communication and relations with shareholders and investors.

### Compliance with Laws/Regulations on Corporate Governance

The Bank's level of compliance with the Banking Act Direction No.11 of 2007 (as amended) and Section 9 of the Listing Rules of the Colombo Stock Exchange is disclosed in the reports published on pages 259 to 263 in this Annual Report.

# 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 2024. 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 21st February 2025.

## 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 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** – Property rental

**Nations Insurance Brokers Limited** – Insurance broking

**Waldock Mackenzie Limited** – Inoperative

From November 2024, the investment manager operation of Waldock Mackenzie Limited, which was the only business line of the said company, was discontinued.

Other than the aforesaid, there has been no material change to the activities of the Bank or any of the subsidiaries of the Bank during the period under review.

## Financial Statements

Financial Statements of the Bank and the Group are given on pages 114 to 211 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 2024 and their Report on the Financial Statements is given on Page 110 to 113 of this Annual Report.

## Material Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 119 to 139.

## 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 72 to 73 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 2024 and 2023 are given below.

Name of the Director	No. of Shares	
	2024	2023
Sherin Cader – <i>Chairperson</i>	-	-
Conrad D'Souza – <i>Senior Director</i> (Retired w.e.f 18th January 2025)	-	-
Chanaka Wickramasuriya – <i>Senior Director</i>	-	-
Rachini Rajapaksa	-	-
Russell De Mel	-	-
Arjun Fernando	-	-
Ramesh Shanmuganathan	-	-
Chandika Hettiarachchi	-	-
Sanjeev Jha	-	-
Hemantha D Gunetilleke	-	-
Charitha Subasinghe	-	-
Arjuna Wignaraja (Appointed w.e.f. 9th December 2024)	-	N/A
Savanth Sebastian (Resigned w.e.f. 18th June 2024)	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 to the Financial Statements.

### 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
<b>Non-Executive Directors</b>			
Sherin Cader – <i>Chairperson</i>	14	14	Nil
Arjun Fernando	14	14	Nil
Ramesh Shanmuganathan	14	11	O3
Chandika Hettiarachchi	14	14	Nil
Sanjeev Jha	14	13	O1
Charitha Subasinghe	14	12	O2
<b>Independent Non-Executive Directors</b>			
Conrad D'Souza – <i>Senior Director</i> (Retired w.e.f. 18th January 2025)	14	14	Nil
Chanaka Wickramasuriya – <i>Senior Director</i>	14	14	Nil
Rachini Rajapaksa	14	14	Nil
Russell De Mel	14	12	O2
Savanth Sebastian (Resigned w.e.f. 18th June 2024)	05	05	Nil
Arjuna Wignaraja (Appointed w.e.f. 9th December 2024)	01	01	Nil
<b>Executive Director</b>			
Hemantha D Gunetilleke	14	14	Nil

Savanth Sebastian, Independent Non-Executive Director resigned from the Board of the Bank with effect from 18th June 2024 on the grounds of conflict of interests stemming from his appointments to other entities.

Conrad D' Souza, Senior Director retired from the Board of the Bank with effect from 18th January 2025 due to completion of 9 years' 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.

Arjuna Wignaraja and Roshan Perera were appointed to the Board as Independent Non-Executive Directors with effect from 9th December 2024 and 10th January 2025, respectively. They are recommended for election by the shareholders pursuant to Article 25 of the Articles of Association of the Bank at the Annual General Meeting scheduled to be held on 28th March 2025.

### Corporate Donations

No donations have been made by the Bank during the year.

Independent Non-Executive Director, Rachini Rajapaksa and Non-Executive Directors Sherin Cader and Chandika Hettiarachchi 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. Rachini Rajapaksa and Sherin Cader were last re-elected at the AGM held on 31st March 2023 and 30th March 2022, respectively. Chandika Hettiarachchi was last elected at the AGM held on 30th March 2022.

Having given due consideration to the criterion set out in the Banking Act No. 30 of 1988 (as amended), Banking Act Directions No. 5 of 2024 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 election and 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 Directions No. 5 of 2024 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	11,256	12,471
Fees for Other Services	3,792	3,981

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.

The retiring Auditors, Messrs Ernst & Young have expressed their willingness to be re-appointed and as such, the Board recommends an adoption of a resolution to re-appoint them as Auditors and authorise the Directors to fix their remuneration.

### Financial Results and Dividend

Consolidated Income Statement along with the Bank's Income Statement for the year is given on page 115. The Statement of Financial Position of the Bank and the Group is given on page 114.

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 6.50 per share to holders of both Ordinary Voting shares and Ordinary Non-Voting Convertible shares for the

year ended 31st December 2024. The said dividend of LKR 6.50 per share consist of LKR 3.25 per share in the form of cash dividend and LKR 3.25 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, 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 on pages 236 to 239 and information relating to debentures issued by the Bank is given on page 162 to 163 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 on page 114 to 211 of this Annual Report.

### Capital Adequacy

The Group's capital adequacy ratios as at 31st December 2024 were 21.5% for Tier I and 22.7% for Tier I & II and are above the minimum requirements of the Central Bank of Sri Lanka.

### Transactions with Related Parties

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	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
LKR '000												

#### Items in the Statement of Financial Position

##### Assets

Accommodation												
Loans and Advances	-	-	-	4,831	94,267	92,392	6,464	6,485	-	615,824	1,229,619	4,918,285
Credit Cards	-	-	4,207	3,601	19,212	19,404	4,066	2,459	900	-	9,477	11,728
Derivative Financial Assets	-	-	-	-	-	-	-	-	-	-	350	353
Other Assets	-	-	-	-	-	-	-	-	-	-	19,813	-
Letter of Credit / Guarantees	-	-	-	-	-	-	-	-	61,290	47,999	967,287	1,906,467
Undrawn Facilities	-	-	10,377	4,032	34,663	40,062	4,476	4,857	2,032,759	1,331,178	7,731,472	5,989,984
<b>Total Accommodation</b>	-	-	<b>14,584</b>	<b>16,065</b>	<b>148,142</b>	<b>151,858</b>	<b>15,006</b>	<b>13,801</b>	<b>2,094,949</b>	<b>1,995,000</b>	<b>9,958,019</b>	<b>12,826,818</b>
Less: Cash Collaterals against Total Accommodations	-	-	9,377	9,390	39,491	48,419	3,530	1,308	-	-	-	-
<b>Total Net Accommodation</b>	-	-	<b>5,207</b>	<b>3,073</b>	<b>108,650</b>	<b>103,439</b>	<b>11,476</b>	<b>12,494</b>	<b>2,094,949</b>	<b>1,995,000</b>	<b>9,958,019</b>	<b>12,826,818</b>
Total Net Accommodation % of Total Regulatory Capital	-	-	0.01%	0.01%	0.25%	0.18%	0.03%	0.02%	4.80%	3.54%	22.81%	22.77%

##### Liabilities

Due to Customers	98,318	1,761,429	149,753	149,603	166,383	128,305	128,842	55,149	11,158,425	16,732,934	3,600,480	437,999
Repurchase and Other Borrowings	2,456,270	433,123	-	-	11,879	25,035	-	3,016	1,824,648	516,568	837,458	273,644
Debenture Issued	-	-	-	-	-	-	-	-	656,861	335,026	300,954	416,317
Other Liabilities	-	-	-	-	-	3,073	-	5,479	1,562	-	262,665	470,928
Derivative Financial Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

##### Equity

Dividends (Net)	-	-	-	37	28	125	-	-	468,490	707,103	-	-
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## 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	
LKR '000	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
<b>Commitments:</b>												
Forward - Foreign Exchange Contracts	-	-	-	-	-	-	-	-	-	-	176,735	86,882
<b>Items in Statement of Profit or Loss</b>												
Interest Income Earned	-	-	757	1,077	9,843	1,305	879	1,306	18,031	27,190	508,546	1,005,750
Interest Expenses Paid	227,053	333,539	8,865	18,206	11,565	9,234	5,101	4,765	861,673	1,399,979	57,536	114,051
Fees and Other Income Earned	7,102	7,118	911	662	2,422	324	605	674	2,056	6,964	474,060	388,923
Expenses Paid	127,408	115,826	-	-	-	-	-	-	48,555	51,157	82,686	62,160
<b>Compensation paid:</b>												
Short-Term Employee Benefits	-	-	122,843	114,632	717,291	623,341	-	-	-	-	-	-
Post Employment Benefits	-	-	11,460	7,559	73,213	70,781	-	-	-	-	-	-
<b>No. of Shares of the Bank acquired</b>												
Voting	-	-	-	-	10	2,115	-	-	3,671,711	10,158,456	-	-
Non-Voting	-	-	-	-	-	95	-	-	855,906	2,303,826	-	-

\* 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 hold material interest in the Bank, transactions with these entities have been disclosed.

Key Management Personnel (KMP) mainly consists of Bank's Corporate Management as designated by the Corporate Governance structure.

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 aggregate value of remuneration paid by the Bank to KMP and aggregate value of transactions of the Bank with KMP are specified herein.

The Directors wish to make the following declarations with regard to the transactions with related parties in terms of Rule 9.16 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 they are aware of changes to the regulatory framework, particularly to 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, 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, Social Security Contribution Levy Act No. 25 of 2022, Finance Act No. 5 of 2005, Listing Rules of the CSE, Securities and Exchange Commission Act 19 of 2021, Financial 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 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

Annual General Meeting of the Bank will be held on Friday, 28th March 2025 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

21st February 2025  
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 at commercial rates with entities in which a Key Management Personnel (KMP) of the Bank is the Chairperson or a Director of such entities, the details of which are given below.

### Details of the transactions carried out with Director related entities during the year 2024

Name of the related party	Name of Director	Relationship	Details
Allied Properties Limited	Chandika Hettiarachchi	Director	A sum of LKR 123,106,044.00 was paid as Interest Expense
	Hemantha D Gunetilleke	Director	A sum of LKR 127,408,309.00 was paid as Rent Expenses
	Ramesh Shanmuganathan	Director	
Central Finance Company PLC	Chandika Hettiarachchi	Director	A sum of LKR 18,028,107.00 was received as Interest Income
	Arjun Rishya Fernando	Director	A sum of LKR 807,627.00 was received as Other Income
			A sum of LKR 48,555,284.45 was paid as Other Expenses
			A sum of LKR 19,349,706.40 as Cash Dividend
CF Insurance Brokers Limited	Chandika Hettiarachchi	Director	A sum of LKR 947,720.00 was received as Other Income
			A sum of LKR 5,045,573.81 as Cash Dividend
Ceylon Cold Stores PLC	Charitha Subasinghe	Director	A sum of LKR 136,124.00 was paid as Interest Expense
			A sum of LKR 152,338.00 was received as Other Income
			A sum of LKR 23,167,841.00 was received as Interest Income
Infomate (Private) Limited	Ramesh Shanmuganathan	Director	A sum of LKR 39,900.00 was received as Other Income
			A sum of LKR 694,771.00 was paid as Interest Expense
Jaykay Marketing Services (Private) Limited	Charitha Subasinghe	Director	A sum of LKR 11,282,490.00 was received as Interest Income
			A sum of LKR 593,955.00 was paid as Interest Expense
			A sum of LKR 9,465,379.00 was received as Other Income
			A sum of LKR 253,899.86 was paid as Other Expenses
John Keells Information Technologies (Private) Limited	Ramesh Shanmuganathan	Director	A sum of LKR 595,171.00 was received as Other Income
	Charitha Subasinghe	Director	A sum of LKR 10,463 was paid as Interest Expense
			A sum of LKR 2,486,755.00 was received as Interest Income
John Keells Stock Brokers (Private) Limited	Sherin Cader	Director	A sum of LKR 1,101.00 was received as Interest Income
			A sum of LKR 1,419,248.00 was paid as Interest Expense
			A sum of LKR 14,881.00 was received as Other Income
Nations Insurance Brokers Limited	Sanjeev Jha	Director	A sum of LKR 89,537,917.00 was paid as Interest Expense
	Hemantha D Gunetilleke	Director	A sum of LKR 6,985,236.00 was received as Other Income
Waldock Mackenzie Limited	Chandika Hettiarachchi	Director	A sum of LKR 14,408,846.00 was paid as Interest Expense
	Hemantha D Gunetilleke	Director	A sum of LKR 116,649.00 was received as Other Income
	Ramesh Shanmuganathan	Director	

## Details of accommodation granted and balances outstanding as at 31 December 2024

Name of the related party	Name of Director	Relationship	Accommodation Granted	Limit LKR	Amount outstanding as at 31 December 2024 LKR
Jaykay Marketing Services (Private) Limited	Charitha Subasinghe	Director	Letters of Guarantee - Off Balance Sheet	500,000,000	35,102,115
CF Insurance Brokers Limited	Chandika Hettiarachchi	Director	Letters of Guarantee - Off Balance Sheet	276,188,164	26,188,164
Central Finance Company PLC	Chandika Hettiarachchi	Director	Letters of Guarantee - Off Balance Sheet	1,810,861,268	1,473,700
John Keells Information Technologies (Private) Limited	Ramesh Shanmuganathan	Director	Loans & advances	300,000,000	41,786,174
	Charitha Subasinghe	Director			
John Keells Office Automation (Pvt) Ltd	Charitha Subasinghe	Director	Bank/Shipping Guarantee - Off Balance Sheet	1,400,000,000	254,412,614

# Risk Management Review

Nations Trust’s Risk Management Framework is underpinned by formal structures, a comprehensive policy framework and established processes and systems to ensure risks are managed in alignment with the Board-defined risk appetite.

## Risk Management Framework

Nations Trust Bank has implemented a robust and structured Risk Management Framework to effectively identify, assess, monitor and mitigate risks that could impact its operations and stability. The Framework encompasses all activities of the Bank and is aligned with industry best practice while maintaining compliance with all regulatory risk management requirements.

Nations Trust Bank’s Risk Management Framework is underpinned by formal structures, a comprehensive policy framework and established processes and systems to ensure risks are managed in alignment with the Board-defined risk appetite. The Bank periodically reviews and updates its risk management framework, adopting a data-driven approach supported by digital and advanced analytical tools to effectively capture the evolving risk landscape.

In 2024, as part of aligning its processes with the requirements of SLFRS Sustainability Standards S1 and S2, Nations Trust Bank incorporated environmental and social risks into its Risk Management Framework, enabling a holistic approach to risk management and enhancing its long-term resilience.

Key features of the Bank’s Risk Management Framework are given below.



## Compliance with SLFRS S1 and S2

In 2024, the Bank updated its Risk Management Framework to incorporate the requirements of SLFRS Sustainability Standards S1 and S2.

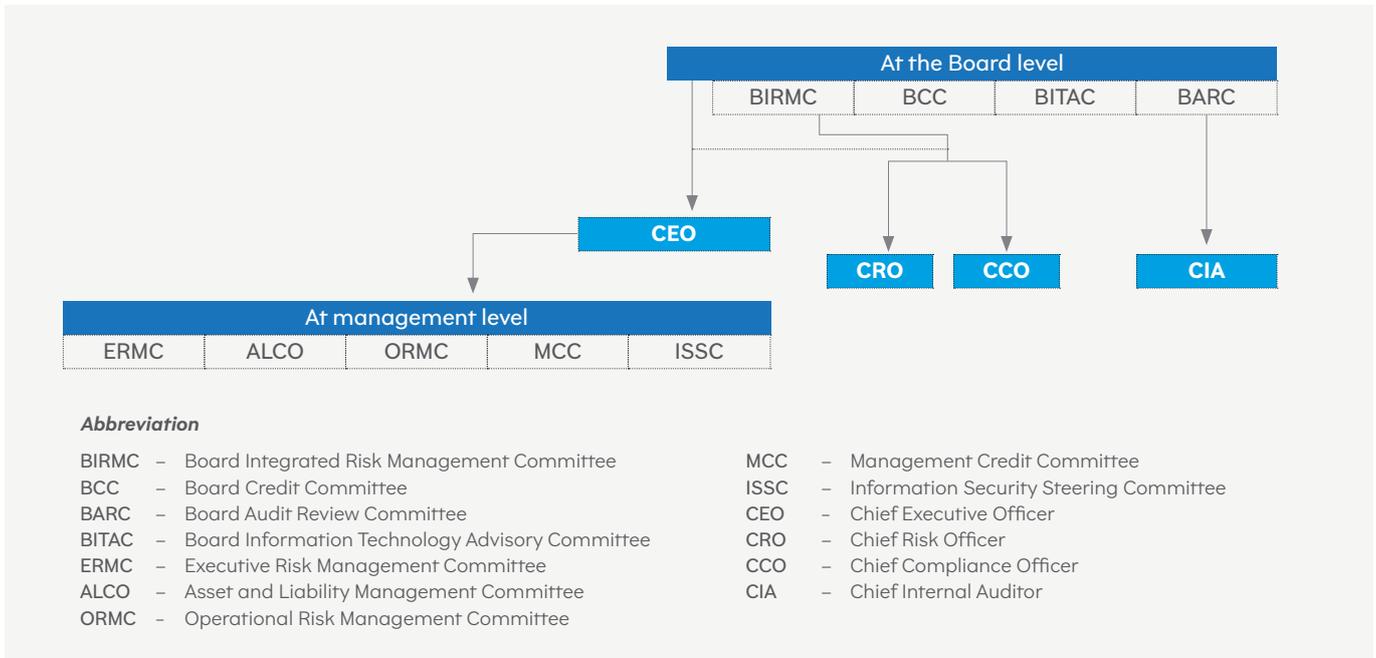
While the Bank has routinely considered social and environmental risks in its risk assessments, these considerations were formally incorporated into the Bank’s Risk Management Framework in 2024, to fulfil the requirements of SLFRS Sustainability Standards and facilitate disclosure of the Bank’s key sustainability and climate related risks and opportunities. Furthermore, the Bank also commenced quantifying the financial impacts of its identified sustainability and climate related risks and opportunities.

This report outlines the progress the Bank made in 2024 towards aligning its processes and reporting with the SLFRS Sustainability Standards. The Bank intends to continue these efforts in the year ahead to ensure full compliance by 2025.

**Risk Governance**

The Board of Directors holds ultimate responsibility for the effective management of risk at Nations Trust Bank, and is assisted by the Board Integrated Risk Management Committee in this regard. Other Board Committees also provide oversight in managing specific risks and contribute to the overall risk management of the Bank. At the monthly Board meetings, risk management is consistently addressed and includes a review of reports from Board Sub-Committees to evaluate risk exposures, performance and the financial stability.

The Bank’s risk governance structure is given below.



The roles and responsibilities with regard to risk management of these committees are set out below:

Board Committees	Responsibilities
<b>Board Integrated Risk Management Committee (BIRMC)</b>	<p>The BIRMC is responsible for overseeing the Bank’s risk management functions. This includes;</p> <ul style="list-style-type: none"> <li>Monitoring risk exposures against the Board-approved Risk Appetite Statement, metrics and limits.</li> <li>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.</li> <li>Oversees the Management Committees involved in risk management and reviews the performance of the Chief Risk Officer and Chief Compliance Officer.</li> <li>In 2024, the BIRMC was also assigned the responsibility of providing oversight of the Bank’s sustainability and climate related risks.</li> </ul>
<b>Board Credit Committee (BCC)</b>	<p>The BCC provides oversight of credit risk which is the largest risk exposure of the Bank. This includes;</p> <ul style="list-style-type: none"> <li>Recommending credit policies and monitoring credit risk.</li> <li>Reviewing the credit strategies of Corporate Banking, Off-Shore Lending, Structured Finance, Commercial Banking, Consumer Banking and Counterparty limits.</li> <li>Providing strategic direction to Business Units regarding high-risk industries and vulnerable customer segments.</li> </ul>

## Risk Management Review

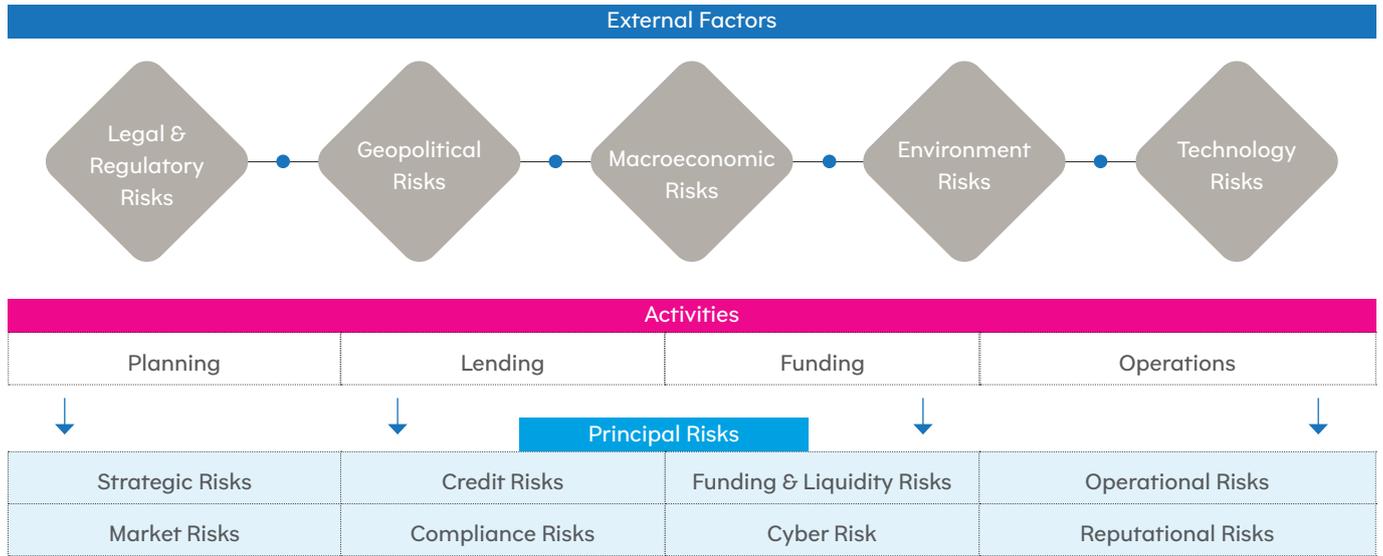
Board Committees	Responsibilities
Board Audit Review Committee (BARC)	<p>Key risk management related responsibilities of the BARC include,</p> <ul style="list-style-type: none"> <li>Ensuring the integrity of the Bank's financial statements, prior to its submission to the Board of Directors.</li> <li>Reviewing internal control framework.</li> <li>Appointing the external auditors and reviewing statutory audit.</li> <li>Ensuring the independence of the Internal Audit function.</li> <li>Overseeing the Bank's whistleblowing policy framework.</li> </ul>
Board IT Advisory Committee (BITAC)	<p>The BITAC provides oversight of the Bank's information security and cyber related risks</p> <ul style="list-style-type: none"> <li>Making policy recommendations, monitoring threats and compliance.</li> <li>Optimising the Bank's technology investments.</li> <li>Ensuring availability of the required skills and competencies for the implementation of the Bank's technology strategy.</li> </ul>
Executive Committees	Responsibilities
Executive Risk Management Committee (ERMC)	ERMC supports the BIRMC in its activities and is responsible for the effective implementation of the policy framework in monitoring and managing risk.
Asset and Liability Management Committee (ALCO)	ALCO manages 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)	ORMC is responsible for implementing the operational risk management policies of the Bank, identifying, measuring and monitoring operational risks and recommending revisions and new policies as deemed necessary.
Management Credit Committee (MCC)	The primary responsibilities of the MCC are recommending policy guidelines, approving credit facilities and managing the health of the credit portfolio of the Bank.
Information Security Steering Committee (ISSC)	The ISSC is responsible for the management of information and cyber security risks.

In line with best practice, Nations Trust Bank's risk management structure is based on the three lines of defence approach with clearly defined roles and responsibilities at the three levels of risk management.

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.

### Link to Strategy & 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.



### Risk Management Policies

Aligned with the Basel III regulatory framework, the Bank's Board-approved risk management policy framework aims to establish robust processes for identifying, measuring, monitoring, and managing risks. These policies are formulated within the Bank's defined Risk Appetite supporting its strategic objectives.

### Nations Trust Bank's Risk Management Policy Framework

Risk Type	Related Policies
Credit risk	<ul style="list-style-type: none"> <li>Credit Policies</li> <li>Counterparty Risk Policy</li> <li>Expected Credit Loss Policy</li> <li>Credit Risk Rating Policy</li> <li>Loan Review Mechanism Policy</li> </ul>
Market risk <ul style="list-style-type: none"> <li>Exchange rate risk</li> <li>Interest rate risk</li> <li>Liquidity risk</li> </ul>	<ul style="list-style-type: none"> <li>Market Risk Management Policy</li> <li>Investment Policy</li> <li>Asset Liability Management (ALM) Policy</li> <li>Liquidity Risk Management Policy</li> </ul>
Operational risks	<ul style="list-style-type: none"> <li>Operational Risk Management Policy</li> <li>Fraud Risk Management Policy</li> </ul>
Information and cyber security risks	<ul style="list-style-type: none"> <li>Information Security Management System Policy</li> <li>Cyber Security Incidents Response Policy</li> </ul>
Compliance and regulatory risks	<ul style="list-style-type: none"> <li>Financial Crime Compliance Policy</li> <li>Compliance Charter</li> </ul>
Sustainability and climate related risks	<ul style="list-style-type: none"> <li>Sustainability Policy</li> </ul>
General	<ul style="list-style-type: none"> <li>Business Continuity Management Policy</li> <li>Integrated Risk Management Framework Policy</li> <li>Financial Consumer Protection Policy</li> <li>Stress Testing Policy</li> <li>Market Risk Disclosure Policy</li> </ul>

## Risk Management Review

### RISK APPETITE

A clearly defined Risk Appetite Statement guides the Bank's executive management in their daily risk management activities. The Risk Appetite Statement is reviewed annually or more frequently if deemed necessary and recommendations are made by the BIRMC to the Board for deliberation and approval. The Bank's risk appetite in 2024 for key risks is given below.

Key Risk Indicator	Position as at 31.12.2024	Position as at 31.12.2023
<b>Credit Risk</b>		
Stage 3 Ratio (Gross)	6.20%	7.39%
Impairment (Stage 3) to Stage 3 Loans Ratio	60.55%	55.30%
<b>Market Risk</b>		
Sensitivity of trading portfolio to interest rate	1.91%	1.58%
<b>Operational Risk</b>		
Operational losses to operating expenses	0.48%	0.10%
<b>Liquidity Risk</b>		
Liquidity Coverage Ratio (LCR)	320.56%	274.10%

### STRESS TESTING

To proactively manage risks, the Bank conducts continuous stress testing to assess the potential impacts of realistic stress scenarios and prepare contingency plans in the event they materialise. The Bank has established a governance framework for stress testing which provides guidance for material risks including credit, market, operational and liquidity risks. Different degrees of stress levels are assessed according to the Bank's Stress Testing Policy which broadly categorises these as Minor, Moderate and Severe. Numerous stress testing techniques including sensitivity analysis and scenario analysis are used to serve different objectives and enhance the Bank's risk understanding. Results of stress testing are reported to the BIRMC quarterly, along with recommendations. The BIRMC in turn provides oversight, guidance and resources to management as appropriate.

Risk Type	Stress Test	Potential Impact on Bank
Credit Risk	<ul style="list-style-type: none"> <li>Portfolio growth along with a deterioration in asset quality.</li> <li>Increase in stage shifts.</li> <li>Increase in loss rates and scenario based simulation of Expected Credit Loss (ECL).</li> </ul>	Potential impact on cashflows and earnings.
Interest Rate Risk	Parallel movement in interest rates across portfolios.	Implications on earnings through margin mismatches.
Foreign Exchange Risk	Exchange rate shocks of different magnitudes to the Bank's Forex Net Open Position.	Potential impact on earnings from forex trading losses.

Risk Type	Stress Test	Potential Impact on Bank
Liquidity Risk	In a liquidity stress scenario, the capacity to fund a cash outflow for up to one month with linking to macro-economic variables.	Implications on the Bank's capital adequacy and liquidity position.
Operational Risk	Scenarios based on historical events from internal loss data, Shocks of different magnitude to the operating loss.	Implications on earnings, Implications on the capital charge for operational risk.

## RISK REPORTING AND MEASUREMENT

The Bank produces regular reports on key risks to support decision making, potential impact monitoring as well as evaluating emerging risk by key management personnel of the Bank which includes the senior management, executive committees, Board sub-committees and the Board. This also enables the Bank's three lines of defence to effectively discharge its duties with regard to risk management. These reports are designed to convey the Bank's key risks and its potential implications through a clear, structured and comprehensive format enabling a holistic understanding of the Bank's risk landscape. To further enhance clarity, quality and timeliness of risk reporting, the Bank continuously evolves its risk reporting practices by integrating advanced visualisation techniques and tools.

### Tools and Techniques Used for Reporting Different Categories of Risks

Risk Exposure	Tools and Techniques for Risk Reporting
Credit Risk	Probability of Default (PD), Loss Given Default (LGD), Exposure At Default (EAD), Risk Rating, Risk Scoring, Portfolio concentration management towards economic sectors, countries and geographies, Stage 3 Ratio, Impairment Coverage Ratio, Early Warnings Signal Monitoring and Significant Increase in Credit Risk assessments, Stress Testing, Risk Grid.
Market Risk	Maturity/Interest Rate Risk Gap analysis, Interest Rate Risk Ratio, PVBP, Duration Analysis, Sensitivity Analysis, and Stress Testing on IRR in Trading/Banking book (EAR and EVE), Risk Grid
Liquidity Risk	Maturity Mismatch, Concentration of Funding, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) Liquidity Early Warning Signals, Intraday Liquidity Management, Liquidity Stress Testing, Contingency Funding Plan, Liquidity Transfer Pricing, Liquidity Simulations, Risk Grid
Operational Risk	Transaction In Difficulty, Risk Control Self-Assessment, Risk Control Matrices, Scenario Analysis, Stress testing, Key Risk Indicators, Risk and Control reviews, Business Continuity Management and Recovery Plans, Risk Grid
Information & Cyber Risk	Vulnerability Assessments, Security Reviews, Compliance Reviews, Security Incident and Event Management (SIEM) and Key Risk Indicators, Risk Grid
Reputational Risk	Customer feedback/complaints, Positive/Negative publicity through Qualitative Scorecard Approach
Strategic Risk	Risk Appetite for Sectors, Segments, Products, Macro, Industry and Competitor Analysis, Strategic Initiatives through Qualitative Scorecard Approach, Budgeting, Capital Plan, Risk Grid
Environmental & Social Risks	Risk Grid, KRI Dashboards

## Risk Management Review

### RISK CULTURE

The Board and Senior Management are committed to fostering a culture of risk awareness across the Bank, empowering business line employees to grow their portfolios within the defined risk appetite. This is supported by a clear delegation of authority, enabling effective risk acceptance and management aligned with the Bank's strategic objectives. Regular training programmes and meetings at various levels, play a key role in reinforcing and enhancing risk awareness. Additionally, case studies of significant loss events provide practical insights for understanding and managing risk.

Risk culture is further strengthened through Risk and Control Self-Assessments conducted by departmental heads, which are reviewed and constructively challenged by the Risk Management Department to ensure consistency across all departments and alignment with the overarching Integrated Risk Management Framework of the Bank.

Employee performance evaluations incorporate risk management criteria, incentivising sound decision-making, adherence to corporate values, and appropriate risk behaviors. The integration of risk considerations into performance assessments helps reinforce the Bank's risk culture.

Nations Trust Bank considers cultivating a strong risk culture on an ongoing process that includes addressing multiple qualitative aspects. Accordingly, the Bank invests significant resources in strengthening its risk culture, recognising it as a vital component in maintaining the Bank's financial stability and resilience. This entails ongoing communication, mandatory risk-related and technical training to manage specific types of risks and shape the values, attitudes and awareness of employees, alongside standardised procedures and robust internal controls to support daily operations.

#### Improvements to overall risk management framework 2024

- Developed risk management tools on integrated engaging platforms for enhanced insights and collaboration with multiple stakeholders.
- Automated processes within the governance, risk and control clusters for more effective risk identification and monitoring.
- Physically reallocated the governance risk and control units to one location to foster collaboration and build cross functional capabilities.

### MANAGING THE MATERIAL RISKS

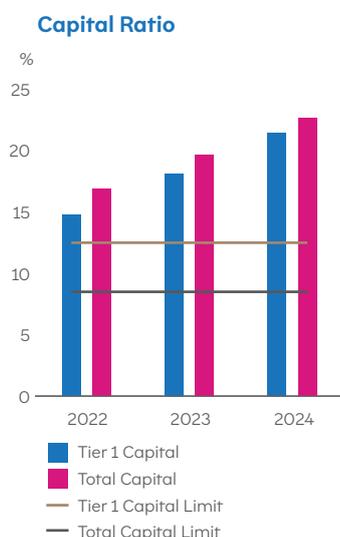
#### Capital Management

The Bank's capital management strategy ensures adequate capital is available to meet regulatory requirements and support business expansion, taking into considering its risk profile and exposures. The Bank manages its capital position within the regulatory requirements of the Banking Act Direction No. 1 of 2016 Capital Requirements Under Basel III for Licensed Commercial Banks and Licensed Specialised Banks. This sets out the minimum capital ratios and buffers in respect of total risk weighted assets.

The Bank's capital management strategy is also aligned to industry best practices and includes ongoing oversight of safeguards, alignment of capital needs with medium term business plans, strategies and evaluation of budgeted and forecasted capital plans. Furthermore capital allocation to business units, reviews of the Bank's risk appetite and risk goals are carried out to ensure the Bank remains well-capitalised.

The table below summarises the Bank's capital position in 2024.

Components of Capital (Group)	Regulatory Limit	2024	2023
Common Equity Tier 1 Capital	7.00%	21.47%	18.14%
Tier 1 Capital	8.50%	21.47%	18.14%
Total Capital	12.50%	22.66%	19.68%



### Risk Weighted Assets

Capital requirements are measured as a percentage of Risk Weighted Assets which are calculated on the following basis as per CBSL Direction No.1 of 2016:

- Credit Risk – The Standardised Approach
- Market Risk – The Standardised Measurement Method
- Operational Risk – Basic Indicator Approach

### ICAAP Framework

#### Credit Risk Exposures

	2024 LKR. 000's	2023 LKR. 000's	Change %
Loans & Advances	308,858,789	292,574,972	5.57%
Gross Stage 03 Loans	19,137,102	21,606,986	-11.43%
Gross Stage 03 Loans %	6.20%	7.39%	-16.10%
Loan Impairment Charge	1,760,467	5,651,667	-68.85%
Loan Impairment Provision	20,725,588	20,819,532	-0.45%
Off Balance Sheet Amount (After Credit Conversion Factor)	21,032,497	20,109,897	4.59%
Off Balance Sheet Impairment Charge	7,551	324,154	-97.67%
Off Balance Sheet Impairment Provision	1,291,885	1,290,742	0.09%

#### KEY INITIATIVES IN 2024

- Development and implementation of a comprehensive system solution to manage data and perform computations related to Expected Credit Loss (ECL) for all lending products across the Bank.

The ICAAP forms part of the Basel III Pillar II guidelines issued by the Basel Committee on Banking Supervision. Its main purpose is to identify additional risks which are material to a bank and establish requirements to strengthen capital adequacy by estimating economic capital to account for unexpected losses.

The risk profile assessment of Nations Trust Bank includes the assessment of all material risks i.e. Credit Risk, Market Risk, Operational Risk, Credit Concentration Risk, Residual Credit Risk, Interest Rate Risk in the Banking Book (IRRBB), Liquidity Risk, Strategic Risk, Reputational Risk, Governance/ Compliance Risk, and Technology Risk including Cyber Security Risk.

The ICAAP helps the Bank to periodically evaluate its capital requirements for the next three years and develop capital augmentation plans based on identified requirements. This is submitted for Board approval and to the regulator.

### Recovery Plan

As per Banking Act Direction No. 09 of 2021 issued by CBSL, all banks are required to establish and maintain a Recovery Plan (RCP). This plan outlines credible measures to manage a range of severe but plausible stress scenarios and addresses governance, escalation procedures, critical function continuity, trigger points to activate recovery options, and internal and external communications. Nations Trust Bank's Recovery Plan is aligned with its overall risk management framework, liquidity contingency plans, capital plans and business continuity plans. The Bank's recovery plan was reviewed during the year and approved by the Board.

### Credit Risk

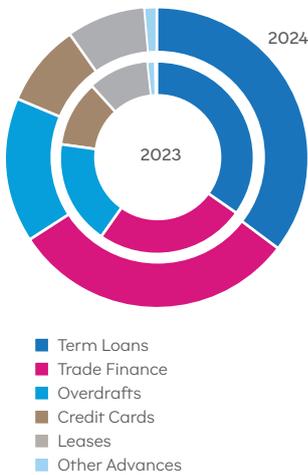
Credit Risk is the largest risk exposure of the Bank. It is managed in line with the Credit Risk Management Framework with significant resources allocated to monitoring and managing this risk.

#### Credit Risk Components

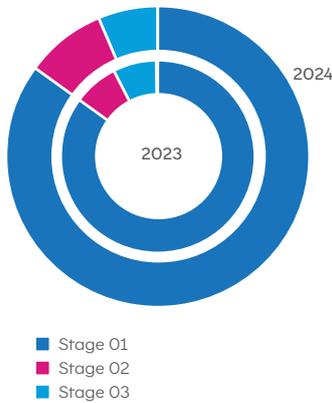
- Default Risk
- Counterparty Risk
- Concentration Risk

# Risk Management Review

**Product-wise Distribution**



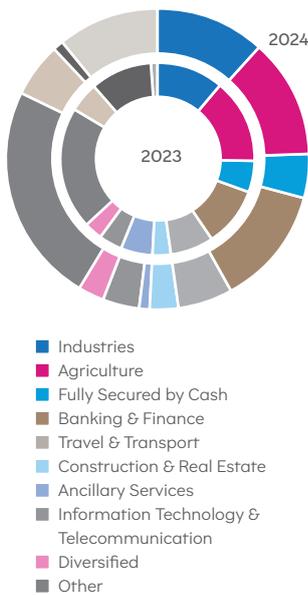
**Stage Breakdown**



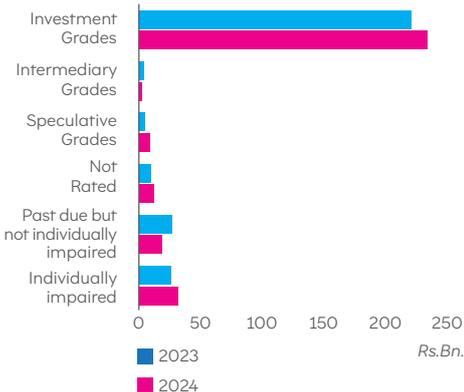
**Credit Risk Review**

The Bank maintained its stringent oversight of credit risk to detect early warning signs and proactively implement measures to manage key exposures. As economic activity gradually recovered, a focused lending strategy that carefully optimised returns while maintaining portfolio quality resulted in a credit growth of 5.8% in 2024. Stage 3 loans amounted to 6.2% of the total loan book as at end-December 2024 (end-December 2023: 7.4%) while impairment charges declined by 68.9% to LKR 1,760 Mn in 2024 (2023: LKR 5,652 Mn). Provision cover over Stage 3 exposures improved to 60.5% as at end-December 2024.

**Sectoral Distribution of Loans**

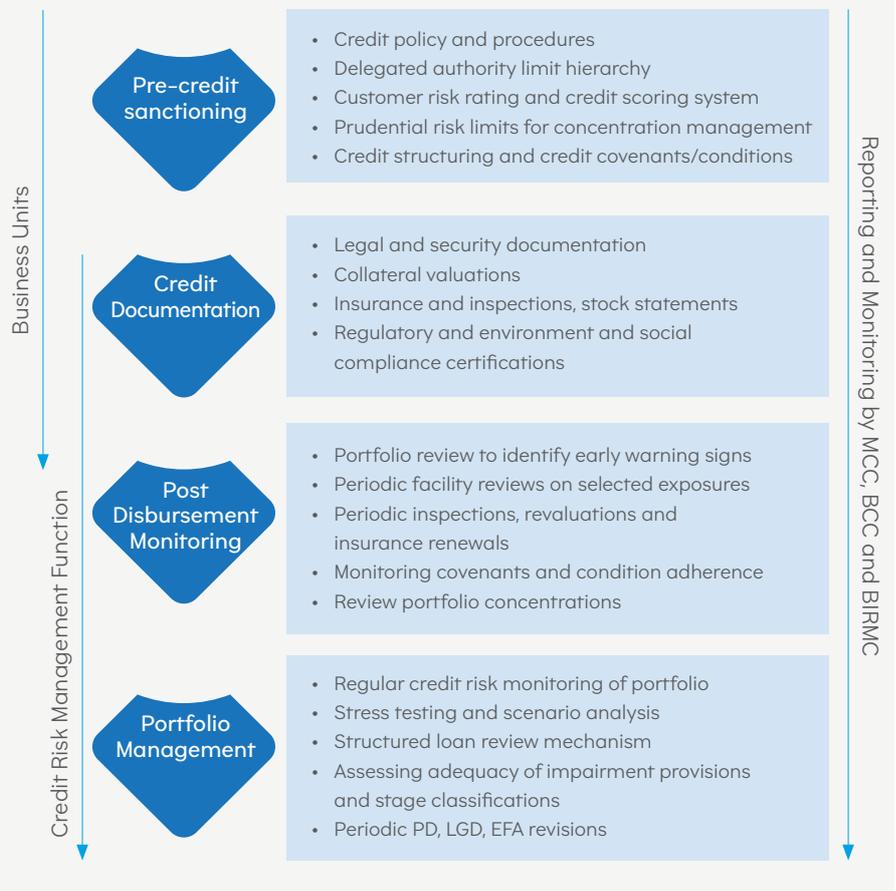


**Credit Quality**



**Credit Risk Management Processes**

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



### Oversight

BIRMC is supported by a dedicated Board Credit Committee which has oversight responsibility for credit risk in addition to the reviews by BIRMC. Additionally, the Management Credit Committee (MCC) which is chaired by the CEO and comprises Chief Credit Officer, heads of business units, is responsible for monitoring and management of credit risk. The CRO is invited to attend meetings of the MCC as an independent participant.

### Credit Policy Framework

The Bank has a comprehensive credit policy framework covering the entire credit risk management process including clearly-defined segregation of duties, limits, delegation of authority, single borrower and group exposure limits, overall credit quality and other prudential indicators. The framework is reviewed and updated regularly and tightened or eased as deemed appropriate by the BCC and the Board, based on the recommendation by the management.

### Risk Scoring

Customised risk scorecards, based on advanced statistical data analytics, are used to assess risks when underwriting consumer credit facilities.

### Risk Rating

Internal risk ratings are assigned to borrowers to facilitate assessment of the overall quality of the portfolio.

### Culture of Responsible Lending

Comprehensive training is provided to frontline employees to ensure that risk attitudes are aligned to the Bank's risk appetite and target risk profile. This is regularly reinforced through business review meetings, awareness programmes and post credit reviews etc.

The Bank has also incorporated an Environmental and Social Management System (ESMS) into credit assessments to identify and mitigate environmental and social risks associated with lending activities. Accordingly, all project loans exceeding LKR 50 Mn are subject to an environmental and social risk assessment under the ESMS.

### Segregation of Duties and Delegated Authority

Authority has been delegated to committees and individuals holding specified roles in the Bank for approval and other credit related activities. Clear outline of roles in the credit process serves as a check and balance in managing credit risk.

### Concentration Risk

Concentration risk is managed by maintaining a well-diversified portfolio under various dimensions of customer segments, customer rating, products, geographics, industries and large exposures. Furthermore, credit concentration risk is quantified using HHI model to derive additional capital requirements under Pillar 2 during the ICAAP computation.

### Default Risk

Default risk eased somewhat in 2024, as economic conditions gradually improved. However, Nations Trust Bank remained prudent, carefully selecting customer and industry segments for growth. Moreover, the Bank proactively engaged with customers enabling early intervention for those identified as vulnerable.

### Market Risk

Improving macro-economic conditions contributed to a more stable market environment in 2024. Interest rates continued their downward trajectory due to accommodative monetary

policy measures while the Sri Lankan Rupee appreciated against the US Dollar. Prudent oversight, a balanced risk management approach and well-aligned policies enabled the Bank to navigate market developments effectively while optimising opportunities for growth.

### Managing Market Risks

Market risk is inherent in most transactions, while external factors can also impact the valuations of portfolios of assets and liabilities. The Bank ensures that its exposures are within the limits defined in its Risk Appetite Statement, optimising profitability while preserving financial stability. Nations Trust Bank's market risk exposure primarily stems from its Banking Book. Interest Rate Risk (IRR) and Foreign Exchange (FX) Risk are the key components of the Bank's market risk as its commodity and equity risk exposures are minimal.

### 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. Managing the Bank's forex risk is the responsibility of the Treasury Unit, which operates with a clear segregation of duties across the front, middle and back-office functions to maintain effectiveness of robust internal control framework. Forex risk is managed through defined limits which includes exposures to currencies on an individual and aggregate basis and dealer and counterparty limits. The TMO monitors forex exposures to ensure they are maintained within approved limits.

## Risk Management Review

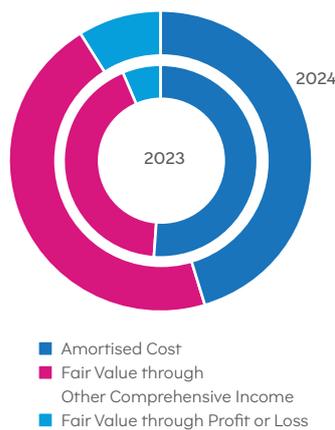
### Market Risk Management

<b>Oversight and Supervision</b>	<p><b>Asset and Liability Management Committee (ALCO):</b> Responsible for overseeing the Bank's Market Risk exposures and Liquidity and balance sheet management.</p> <p><b>Treasury Unit:</b> Manages market risk on a day to day basis operating within the market risk management framework.</p> <p><b>Treasury Middle Office (TMO):</b> Operates independently from the Treasury and measures, monitors and reports on market risk exposures using market risk dashboards, The TMO also assists in reviewing the Bank's market risk related policies and exposure limits and supports decision making of the ALCO, ERM, BIRMC and the Board.</p> <p><b>Treasury Back Office (TBO):</b> Treasury Back Office performs settlement, reconciliation of transactions and escalates key issues as needed.</p>
<b>Policy Framework</b>	<p><b>The Market Risk Management Framework policy:</b> The Board-approved policy framework provides guidance to manage market risks.</p> <p><b>Other relevant policies:</b> The Investment Policy, Asset and Liability Management Policy, and the Stress Testing Policy collectively provide guidance on systems, procedures, tools and techniques to identify, assess, monitor and report on all market related risks.</p>
<b>Risk Limits</b>	<p>Limits have been clearly defined for the Bank's Treasury activities with respect to FX positions and Government Securities Portfolio.</p> <p>Treasury plays an important role in managing the asset and liability position of the Bank. TMO ensures that the Treasury Front Office operates within the limits defined by the Bank's risk appetite.</p>
<b>Stress Testing</b>	<p>Stress testing is conducted by the TMO on interest rates and exchange rates using scenario analysis to test the resilience of the Bank's exposures to potential shocks and to design suitable responses.</p>
<b>Internal Model Approach</b>	<p>In compliance with CBSL Direction No.1 of 2016, which is aligned with Basel III requirements, the Bank uses the Standardised Measurement Method, for computing regulatory capital for market risk.</p>

#### KEY INITIATIVES IN 2024

1. Robust risk analytics and risk dashboards to reflect market dynamics enabling swift decision making
2. Improved risk reporting & process efficiency through automation
3. Strengthening the Market Risk monitoring function through ongoing training and development and knowledge sharing.

#### Government Securities Portfolio Composition



#### Interest Rate Risk (IRR)

IRR refers to the potential impact on future cashflows and fair values of financial instruments arising from movements in interest rates. The Bank's exposure to interest rate risk arises from its lending, securities trading and deposit activities. The Bank manages this risk primarily by repricing its interest rate sensitive assets and liabilities with reference to their maturity profiles with defined limits. The management of IRR is overseen by the ALCO, with support from the Treasury Unit.

#### Interest Rate Risk in Banking Book (IRRBB)

IRRBB is the current or prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect the Bank's banking book positions. Changes in interest rates

influence the present value and timing of future cashflows, which in turn affects the underlying value of the Bank’s assets, liabilities and off-balance sheet items.

The Bank uses the following indicators to measure IRRBB:

- Economic Value of Equity (EVE) – used to measure the impact of changes in interest rates on Capital

**Liquidity Risk**

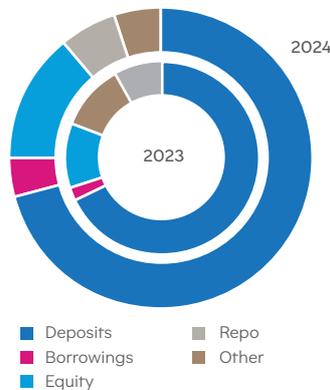
Liquidity risk refers to the Bank’s potential inability to meet its payment obligations as they fall due or that it can do so only at an excessive cost.

**Liquidity Risk Management**

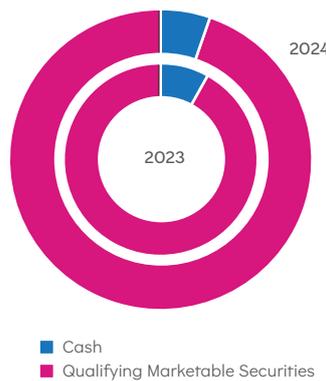
Liquidity risk management enables the Bank to maintain sufficient funds which are appropriately diversified in terms of tenor, quality and currency.

BIRMC is tasked with the oversight of liquidity risk management within the approved liquidity risk limits and framework. While the Treasury Unit is responsible for the day-to-day management of liquidity of the Bank, ALCO is responsible for the management of liquidity risk and takes into consideration the Bank’s cashflow projections, funding capabilities, pricing decisions, liquidity levels, contingency funding plans, regulatory and prudential concerns with support from TMO and Finance. The Bank continued to maintain healthy levels of liquidity in 2024.

**Funding Composition**



**High Quality Liquid Asset (HQLA) Composition**



**Operational Risk**

Operational risk is inherent in all transactions undertaken by the Bank and plays a vital role in optimising economic capital allocation to support business growth. The Bank proactively assesses and monitors its operational risk through a structured approach, to minimise losses arising from operational risk. Information and Cyber Security risk included in the Basel III definition of operational risk is segregated as a separate pillar, reflecting resources allocated to manage this key risk due to its increasing importance.

**Operational Risk Components**

- People Risk
- Process Risk
- Systems/Technology Risk
- Compliance and Legal Risk

Liquidity Ratios	2024	2023
Net Stable Funding Ratio	154.73%	158.59%
Liquidity Coverage Ratio	320.56%	274.10%
Net Advances to Deposit Ratio	75.60%	76.70%
Net Loans to Total Assets	53.00%	51.20%
Purchased Funds to Total Assets	27.20%	29.80%
Commitments to Total Loans	10.78%	10.82%

**Operational Risk Management**

<b>Governance and Oversight</b>	<p><b>Board:</b> The Board is assisted by the BIRMC and the Board Audit Review Committee in providing oversight over the adequacy and effectiveness of internal controls.</p> <p><b>Risk Management Committees:</b> ERMC is supported by the ORMC who addresses concerns regarding operational risk and the Bank’s risk culture.</p> <p><b>Risk Management Department:</b> An Operational Risk Management Unit is established to measure, monitor and manage operational risk. The Risk Management Department reports directly to the BIRMC.</p>
<b>Operational Risk Management Policy Framework</b>	Operational Risk Management policies are revised periodically to ensure that they are fit for purpose in this rapidly evolving area of risk.

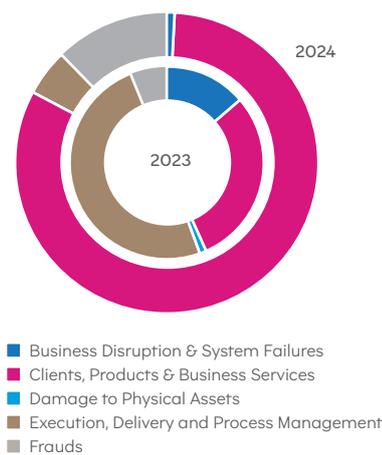
## Risk Management Review

<b>Limits &amp; Tolerance Levels</b>	Limits and tolerance levels have been defined for specific aspects of operational risk that serve as mitigates to excessive risk exposures. Exceptions are reviewed and reported to the relevant Executive Committees and the BIRMC, and may be escalated to the Board if required.
<b>Risk and Control Self Assessments (RCSA)</b>	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.
<b>Risk Reporting</b>	An operational risk loss database is maintained based on Basel requirements, which also captures near misses. This is a key input in modelling future risk exposures while providing other insights. Operational risk dashboards are made available to ORMC, ERMC, BIRMC and the Board enabling monitoring of operational risk. Loss events are linked to RCSA and Key Risk Indicators to minimise repeat errors.
<b>Outsourced Services</b>	Outsourced activities are governed by a Monitoring Committee and periodical visits are made to verify the abilities of service providers to maintain agreed services levels and to ensure Business Continuity Plans are established for the outsourced activities. Critical shared services are also reviewed under the Bank's recovery procedure.
<b>Insurance</b>	All insurable risks are managed through insurance, by transferring the risk.
<b>Business Continuity Management (BCM)</b>	Periodic BCP/DR are conducted to improve business resilience in all operationally critical activities. The IT Disaster Recovery Centers and the Primary Data Centers are also well-governed and tested on its capabilities to manage any unplanned interruptions.

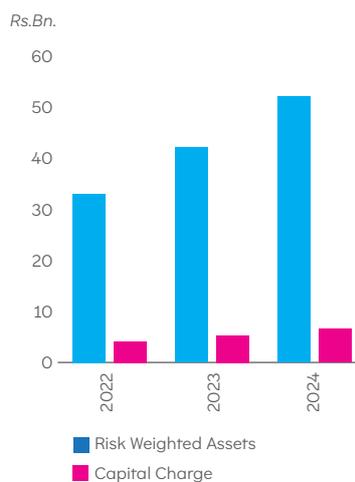
### KEY INITIATIVES IN 2024

- Strengthening controls related to fraud prevention and monitoring with emphasis on digital fraud.
- Enhancing the Risk and Control Self-Assessment to improve the identification of risks.
- Aligning the Bank's Business Continuity Management with ISO BCM standard.
- Continuous training to improve the competencies of the Risk and Compliance Coordinators for identifying enterprise level risks.

**Operational Losses by Type**



**Risk Weighted Assets & Capital Charge for Operational risk**



## Information Security and Cyber Risk

Technology plays a central role in the Bank's operations, necessitating an increased focus on Information Security and Cyber Security Risk. The escalating sophistication and severity of cyber threats have made it a key business risk. The most common forms of cybercrime in 2024 included phishing which targets consumers' confidential banking information and identity theft. Recognising the elevated threat level and potential impact, the Bank considers it as a separate pillar from operational risk to effectively safeguard its customers and assets. Given the Bank's digital banking focus, information security and cyber security risks are continually assessed, monitored and appropriate mitigation strategies implemented.

### Information Security Management

<b>Governance and Oversight</b>	<p><b>Board:</b> The Board is assisted in information technology governance aspects of information technology by the Board Information Technology Advisory Committee (BITAC) and the BIRMC.</p> <p><b>Chief Information Security Officer:</b> Ensures the Bank's IT risk management strategy is operationalised throughout the Bank.</p> <p><b>IT Governance and Information Security Units:</b> Ensures compliance with the established governance framework.</p> <p><b>IT Division:</b> Ensures that systems are run smoothly, while safeguarding the information assets of the Bank.</p> <p><b>IT Risk Management unit operating under the Chief Risk Officer (CRO):</b> This pillar provides insights and feedback on technology risk resilience. Efforts focus on enhancing information security on an ongoing basis while ensuring compliance with regulatory requirements across the Bank.</p>
<b>Certification</b>	The Bank has obtained ISO 27001:2013 certification and is aligned to International Cyber Security Standards, supporting a structured and disciplined approach to the management of risk.
<b>Vulnerability Assessments and Penetration Tests</b>	The Bank conducts vulnerability assessments quarterly for internal and external assets within the Bank's infrastructure, while annual penetration testing exercises are conducted by external experts.
<b>Monitoring and controls against cyber threats</b>	The 24/7 Security Operation Centre continually monitors cyber threats with procedures for action. Cyber security tools and processes have been established to detect, prevent and respond to cyber events.
<b>IT Disaster Recovery Plan</b>	Disaster Recovery plans are tested regularly and revised if required.
<b>Data Security controls</b>	Data leakage prevention tools and processes have been implemented to protect sensitive data.

### KEY INITIATIVES IN 2024

- Initiated the implementation of a new Security Information and Event Management solution (SIEM) tool with enhanced monitoring capabilities.
- Revamped the Information and Data Security eLearning Modules
- Aligned processes with the Zero Trust Framework, a global cyber security framework designed to safeguard against cyber security threats
- Privilege Access management solution was operationalised.

## Risk Management Review

### Strategic Risk

Strategic risk is the risk that the Bank's future business plans and strategies may result in financial loss or be inadequate to protect the Bank's competitive position and shareholder returns. It occurs when strategies fail to align with the operating environment or are impacted by significant events.

### Strategic Risk Management

The Board holds collective responsibility for setting the Bank's strategic direction, carefully evaluating and deliberating alternative strategies to determine the most effective course of action. The Bank's strategic planning process rigorously tests key assumptions to ascertain potential challenges and areas of concern. A robust compliance function ensures adherence to regulatory requirements while monitoring emerging trends, enabling the anticipation of new regulations and a proactive understanding of their potential implications. The Bank views the effective balance of risk and return through a comprehensive understanding of risks and opportunities, an essential part of managing strategic risk effectively.

### Reputation Risk

The Bank's reputation is vital in building and maintaining the trust of its customers, who rely on the institution as a reliable custodian of their wealth. This trust enables the Bank to mobilise funds and disburse the same as loans. Sound corporate governance, regulatory compliance, sustainable performance, innovation, and service quality significantly influence its reputation. Therefore, safeguarding its reputation is a top priority at Nations Trust Bank, with every effort directed toward its preservation.

### Mitigation

The Bank's leadership establishes a strong foundation by promoting a culture of transparency, integrity, and accountability throughout the organisation. This commitment is further supported by key measures, including:

- A comprehensive Code of Ethics, distributed to all employees, which clearly communicates the Bank's core values and expected standards of behavior across all levels.
- Engagement strategies designed to identify and address stakeholder concerns effectively and in a timely manner.
- A robust training and development programme that supports compliance.
- Implemented a comprehensive Anti-Corruption Policy which has been communicated across the organisation from the Board to all employees, including business partners and stakeholders. Regular training on anti-corruption is provided to members of governance bodies and employees to ensure awareness and adherence to the policy. 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.

### Sustainability and Climate Risks

#### Governance

Effectively addressing the implications of sustainability and climate related risks is a key priority at Nations Trust Bank. Accordingly, the Bank's Board of Directors holds overall responsibility for overseeing the effective management of these risks. In 2024, Board-level oversight

of sustainability and climate related risk management was further strengthened with responsibility for effectively managing these assigned to both the BIRMC and the ESG & CSR Steering Committee. Additionally, the Board also approved the Terms of Reference of the ESG & CSR Steering Committee.

The CEO is responsible for the implementation of the sustainability strategy within the Bank. The CEO is assisted by the Bank's Sustainability Team, which is led by the Chief Marketing Officer and comprises a cross-functional team of senior management. In 2024, the capabilities of the Sustainability Team were enhanced by the appointment of an Sustainability Manager, to oversee the implementation of the Bank's ESG strategy under the guidance of the Chief Marketing Officer and the Board Supervisory Committee. Representatives from each functional unit were also identified to liaise with the Sustainability Team to embed the Bank's sustainability strategy within daily operations and support data collection for performance monitoring.

The Board Supervisory Committee and the ESG Steering Committee monitors the Bank's ESG performance of the Bank.

The IRM Unit is tasked with identifying and reviewing the Bank's sustainability and climate related risks and developing risk mitigation strategies. These are reported to BIRMC and the Board periodically. Unit also collaborates closely with functional units and the Bank's branch network to ensure risk mitigation strategies are implemented. During the year under review, the Bank's sustainability and climate related risks were incorporated into the Bank's Risk Grid assessment conducted by the

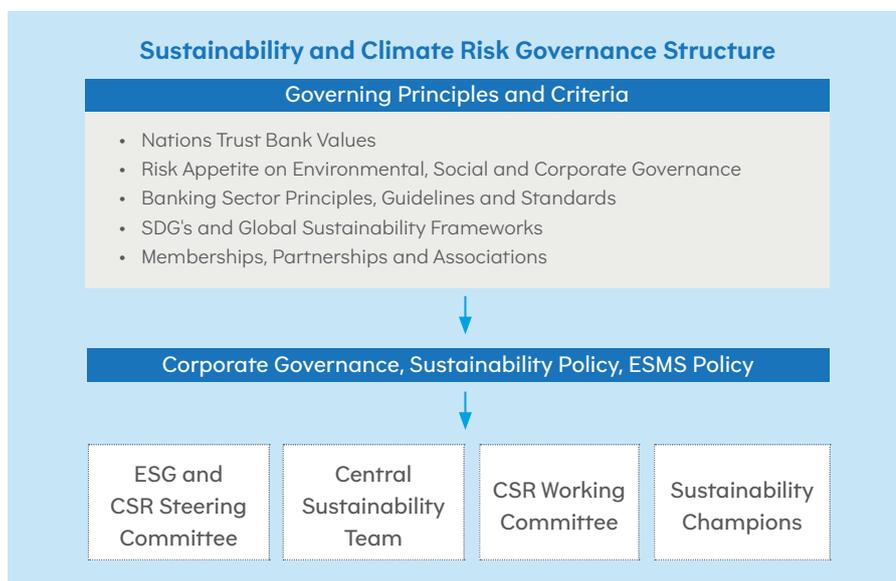
Chief Risk Officer and the risk team. This included an assessment of all existing and potential risks, risk events, their implications on the Bank, adequacy of control measures and areas for improvement. Periodically these risk implication strategies are reviewed and presented to BIRMC and Board.

The Internal Audit and Compliance Units perform audits to assess compliance with the Bank’s sustainability related policies and regulatory requirements. The Sustainability Unit complements these efforts by conducting internal assurance to ascertain compliance with SOPs and management approaches formulated to address the Bank’s impacts on broader stakeholder groups. External assurance is also sought for Sustainability Disclosures.

to effectively identify and mitigate sustainability and climate related risks.

**Risk Management**

The Bank utilised its materiality assessment for the identification of its sustainability and climate related risks and opportunities as it considers the Bank’s impacts on the environment, society and employees while also considering its dependencies on the external environment and social resources. Nations Trust Bank’s materiality assessment incorporates the principles of the GRI Universal Standards, the Accountability AA1000AS Standards and the key principles of the COSO Risk Management Framework. The sustainability team reassessed its material topics along with an impact assessment. The material topics were then prioritised based on the “Likelihood of Occurrence” and “Impact Severity” using the standard risk rating framework applicable for prioritising all risks within the Bank. Based on this assessment the identified sustainability and climate related risks were incorporated into the Bank’s overall risk grid for monitoring alongside the Bank’s other key risk categories.



The Bank’s approach to managing its sustainability and climate-related risks are guided by its Board approved Sustainability Policy which comprises the ESG Management Framework for Operations and the Environmental and Social Management System (ESMS). The ESG Management Framework guides the Bank’s approach in managing its sustainability and climate related risks within its internal processes while the ESMS addresses sustainability and climate related considerations in credit approvals.

ESG dashboards have also been developed to capture the Bank’s sustainability related and climate related performance and facilitate analysis. This is reviewed by the Board Supervisory Committee on a quarterly basis with key insights reported to the Board.

Nations Trust Bank continued to invest in building the sustainability and climate related risk management capabilities of its team. Members at all levels of the Bank attended training programmes to enhance the competencies required

The Bank’s Sustainability Management Framework and Risk Management Framework also supports the oversight and review of SRROs. Identification of sustainability and climate related risks and opportunities during the year under review was performed focusing on the Bank’s operations. Nations Trust Bank intends on extending this assessment along its value chain in the future.

## Risk Management Review

The Bank's sustainability and climate related risks and opportunities, the time horizon for its potential occurrence, its current and anticipated impact on the Bank's financial position and mitigation strategies are presented below.

Sustainability risks and risk events	Time horizon of potential occurrence	Current effect on financial position	Anticipated effects on financial position	Mitigation strategy
<b>Environmental risks:</b> <ul style="list-style-type: none"> <li>• Pollution</li> <li>• Increased energy use and wastage</li> </ul>	Immediate	Low	Low	<ul style="list-style-type: none"> <li>• Implement proper waste management processes</li> <li>• Install solar and energy efficient ACs/lighting in bank premises</li> <li>• Reduce carbon footprint/material usage</li> </ul>
<b>Staff health and safety related risks:</b> <ul style="list-style-type: none"> <li>• Poor workplace ergonomics</li> <li>• Fire and electrical hazards</li> <li>• Risks of bank robberies, attacks, hostage situations and customer aggressions</li> </ul>	Immediate based on occurrence	Low	Low	<ul style="list-style-type: none"> <li>• Provide improved infrastructure and furniture for employees</li> <li>• Create staff awareness on fire safety measures &amp; security hazards</li> <li>• Provide with insurance covers for occupational injuries &amp; other personal health conditions</li> <li>• Physical &amp; remote monitoring of security levels at all locations</li> </ul>
<b>Customer health and safety related risks:</b> <ul style="list-style-type: none"> <li>• Inability to serve differently abled customers</li> <li>• Damage to properties and human health</li> <li>• Cyber security breaches and data privacy violations</li> </ul>	Immediate	Low	Medium	<ul style="list-style-type: none"> <li>• Ensure all customers are treated fairly, ethically &amp; equitably</li> <li>• Provide disability access to branches/ATMs across the country</li> <li>• Strengthen security surveillance at all customer accessible locations</li> <li>• Ensure robust cyber security measures to safeguard customer data and prevent unauthorised access</li> <li>• Implement data privacy policies, consent mechanisms, and data breach response plans in the event of a security incident.</li> </ul>
<b>Climate risk - Physical:</b> <ul style="list-style-type: none"> <li>• Floods, extreme weather, heat waves</li> <li>• Health impacts</li> </ul>	Immediate upon occurrence	Low	Medium	<ul style="list-style-type: none"> <li>• Minimise damage to infrastructure &amp; to ensure recoverability upon destruction</li> <li>• Avoid loss of business/ disruptions to banking operations.</li> <li>• Minimise credit risk due to deterioration of repayment capacity affecting asset quality</li> <li>• Identification of climate-risk sensitive portfolio for better estimation of Impairment provisions</li> </ul>

Sustainability risks and risk events	Time horizon of potential occurrence	Current effect on financial position	Anticipated effects on financial position	Mitigation strategy
<b>Climate risk - Transitional:</b> <ul style="list-style-type: none"> <li>Government policies and regulations aimed at reducing greenhouse gas emissions</li> <li>Investor preference to fund sustainable investments while divesting from carbon intensive industries</li> </ul>	Short to medium term	Low	Medium	<ul style="list-style-type: none"> <li>Increase investments in low-carbon technologies and sustainable ventures, while divesting from carbon-intensive industries.</li> <li>Climate Risk considerations to be built into risk management, data and modelling capabilities</li> <li>Minimise reputational damage due to high carbon footprint</li> <li>Create public awareness</li> </ul>
<b>Staff Attrition:</b> <ul style="list-style-type: none"> <li>High staff turnover resulting in draining of expertise</li> </ul>	Immediate upon occurrence	High	High	<ul style="list-style-type: none"> <li>Develop &amp; retain highly-skilled top performers through various target programmes &amp; progression planning.</li> <li>Provide competitive remuneration coupled with other employee benefits &amp; engagement activities.</li> </ul>

### Opportunities arising from sustainability and climate change related risks

Sustainability related opportunities	Time horizon of potential occurrence	Current effect on financial position	Anticipated effects on financial position
<b>Environmental opportunities</b> International concessionary funding lines for sustainable businesses that will expand lending portfolio	Short to medium term	Low	Medium
<b>Staff health and safety related opportunities</b> Enhanced employer reputation and branding	Short to medium term	Low	Low
<b>Customer health and safety related opportunities</b> Business continuity and resilience	Short to medium term	Low	Medium
<b>Climate related opportunities</b> Funding lines for renewable energy, solar power	Short to long term	Medium	High

1. Short term: 1-3 years

2. Medium term: 3- 5 years

3. Long term: over 5 years

The Bank monitors its operating environment on an ongoing basis for changes to the risk grading of identified sustainability and climate related risks and opportunities as well as new sustainability and climate related risks that may emerge and continues to implement strategic interventions to respond to these developments effectively.

Moreover, sustainability considerations form an integral part of the Bank's strategy formulation process and incorporates the necessity for potential trade-offs in ensuring long term sustainable value creation.

# 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 2024 and as at date is as follows;

### Conrad D' Souza

Chairperson (as at 31.12.2024)  
(Senior Director)<sup>1</sup>

### Roshan Perera

Chairperson (current)  
(Independent Non-Executive Director)<sup>2</sup>

### Rachini Rajapaksa

(Independent Non-Executive Director)<sup>3</sup>

### Charitha Subasinghe

(Non-Executive Director)<sup>4</sup>

### Arjuna Wignaraja

(Independent Non-Executive Director)<sup>5</sup>

<sup>1</sup> Appointed as a member/Chairperson w.e.f. 1st November 2021 and retired from the Bank w.e.f. 18th January 2025.

<sup>2</sup> Appointed as a member/Chairperson w.e.f. 18th January 2025

<sup>3</sup> Appointed as a member w.e.f. 1st April 2018

<sup>4</sup> Appointed as a member w.e.f. 29th June 2023

<sup>5</sup> Appointed as a member w.e.f. 1st January 2025

Savanth Sebastian, Independent Non-Executive Director, who served as a member, resigned from the Board of the Bank with effect from 18th June 2024.

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 nine (09) meetings during the year under review and the Directors' attendance at such meetings is given on page 65 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

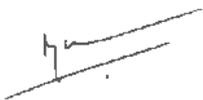
In order to ensure that timely risk mitigation measures are initiated based on the robust risk management structure in place, the BIRMC carried out the following responsibilities during the year:

- 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) and Recovery Plan.
- Approve annual compliance programme and review periodic compliance reports including the Compliance Charter.
- Set objectives and carryout 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 2024, the Bank navigated a myriad of risks as the economy rebounded in a year where political uncertainty prevailed owing to both presidential and parliamentary elections. Market risk exposures were carefully managed to effectively respond to fluctuations

in interest rates while cautiously broadening the risk appetite, reflecting changed in the operating environment. As the offshore banking strategy gained momentum, the Bank made a concerted effort to diversify credit exposures into new geographic markets while simultaneously derisking its portfolio beyond Sri Lanka. This approach involved careful market research and analysis, ensuring the Bank remained attuned to local economic conditions and regulatory environments. Additionally, cyber security threats persisted as a significant concern, particularly with the rapid growth of digital banking, necessitating robust measures to safeguard sensitive data and maintain consumer trust. In 2024, several key regulatory compliance directives were implemented, requiring continuous attention to ensure adherence and impacting operational models and overall risk exposures.



**Roshan Perera**  
*Chairperson*  
Board Integrated Risk Management  
Committee

21st February 2025  
Colombo

# Board Credit Committee Report

## Composition of the committee

The members of Board Credit Committee (BCC), as appointed by the Board of Directors, for the period ended 31st December 2024 and the Committee's composition as at that date of this Annual Report is as follows:

**Sherin Cader** – Chairperson  
(Non-Executive Director)<sup>1</sup>

**Arjun Fernando**  
(Non-Executive Director)<sup>2</sup>

**Russell De Mel**  
(Independent Non-Executive Director)<sup>3</sup>

**Chanaka Wickramasuriya**  
(Senior Director)<sup>4</sup>

<sup>1</sup> Appointed as a member/Chairperson w.e.f. 1st May 2023

<sup>2</sup> Appointed as a member w.e.f. 1st January 2021

<sup>3</sup> Appointed as a member w.e.f. 27th June 2016

<sup>4</sup> Appointed as a member w.e.f. 17th December 2018

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 seventeen meetings during the year under review and the Directors' attendance at such meetings is given on Page 65 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.

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 Directors or their close relations, which are approved by the Board of the Bank. With effect from 1st January 2025, all related party accommodations are approved by the Board with 2/3rd majority not taking into account any interested Directors, as prescribed by the Banking Act Determination No. 04 of 2024;
2. Approve/decline Interest Waivers and Principal Write-offs in order to facilitate settlement of bad debts or to rehabilitate/restructure bad debts;
3. Review the quality of the credit portfolio of the Bank including Top 20 Exposures, Watch-listed Customers etc.;
4. Review, provide input and advice on credit origination, appraisal, approval, and administration processes/procedures;

The Committee also provided special guidance on managing the main credit portfolios and to inculcate a healthy lending culture during the year under review when lending under volatile market conditions. The main functions carried out 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;

- Providing strategic directions to the Business Units specially focusing on high-risk industries to maintain credit quality;
- Guidance and monitoring of customer segments adversely impacted under prevailing macro-economic conditions whilst directing the Bank for prudent management of credit growth;
- Closely monitoring identified individual and group exposures promoting smooth recovery, accommodating new exposures without compromising on due diligence and guidance on exposure management with enhanced focus on mitigating downside risks assigned to an individual or group relationship;
- Special focus extended on the offshore strategy of the Bank by conducting in-depth assessments of the current macro-economic conditions of the target markets, the risks associated with foreign borrowers and the impact of the existing/potential economic reforms impacting the overall transaction prior to venturing into new markets for credit sanctioning; and
- Regular review of 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

21st February 2025  
Colombo

# Board Supervisory Committee Report

The members of the Board Supervisory Committee (BSC) are appointed by the Board of Directors and the Committee's composition as at 31st December, 2024 and as at date is as follows;

**Sherin Cader** – Chairperson  
(Non-Executive Director)<sup>1</sup>

**Arjun Fernando**  
(Non-Executive Director)<sup>2</sup>

**Charitha Subasinghe**  
(Non-Executive Director)<sup>3</sup>

**Arjuna Wignaraja**  
(Independent Non-Executive Director)<sup>4</sup>

<sup>1</sup>Appointed as a member w.e.f. 17th December 2018 and as the Chairperson w.e.f. 1st November 2021

<sup>2</sup>Appointed as a member w.e.f. 1st August 2019

<sup>3</sup>Appointed as a member w.e.f. 29th June 2023

<sup>4</sup>Appointed as a member w.e.f. 1st January 2025

Savanth Sebastian, who was a member of the Committee resigned from the Board of the Bank on 18th June 2024.

The Company Secretary functions as the Secretary to the Committee.

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 Executive Director/CEO attends all meetings by invitation.

The BSC held twelve meetings during the year under review and the Directors' attendance at such meetings is given on Page 65 of this Annual Report.

## Terms of Reference

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 ensure 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

21st February 2025  
Colombo

# Nomination and Governance Committee Report

The members of the Nomination and Governance Committee are appointed by the Board of Directors. The Committee's composition as at 31st December 2024 and as at date is as follows;

**Conrad D'Souza**  
Chairperson  
(as at 31.12.2024)  
(Senior Director)<sup>1</sup>

**Chanaka Wickramasuriya**  
– Chairperson (current)  
(Senior Director)<sup>2</sup>

**Arjun Fernando**  
(Non-Executive Director)<sup>3</sup>

**Sherin Cader**  
(Non-Executive Director)<sup>4</sup>

**Roshan Perera**  
(Independent Non-Executive Director)<sup>5</sup>

<sup>1</sup> Appointed as a member/Chairperson w.e.f. 23rd December 2019 and retired from the Board of the Bank w.e.f. 18th January 2025

<sup>2</sup> Appointed as a member w.e.f. 23rd December 2019 and appointed as the Chairperson w.e.f. 18th January 2025

<sup>3</sup> Appointed as a member w.e.f. 1st January 2021

<sup>4</sup> Appointed as a member w.e.f. 1st May 2023

<sup>5</sup> Appointed as a member w.e.f. 18th January 2025

The Company Secretary functions as the Secretary to the Committee.

## Meetings

The Committee held four meetings during the year under review and the Directors' attendance at such meetings are given on Page 65 of this Annual Report. The Committee also considered certain proposals via circulation.

## Terms of Reference

The Terms of Reference (ToR) of the Committee was reviewed taking into consideration Direction 6.4 of the Banking Act Directions No. 5 of 2024 which enhanced the responsibilities of the Committee. The scope of responsibilities of the Committee are specified in Direction No. 6.4 of the

Banking Act Directions No. 05 of 2024 and Section 9.11.5 of the Listing Rules of the CSE. 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 appointing the Chief Executive Officer and 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 to the criteria prescribed by the Central Bank of Sri Lanka.
- Ensuring that the Bank has a robust succession plan for CEO and the key management personnel.
- 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 Chief Executive Officer 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 in evaluating and reviewing the skills required for the Bank and the Board. When recommending the appointment of new Directors, the Committee considered for each appointment,

the particular 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 Directors.
- Considered the proposal for the appointment of Arjuna Wignaraja and Roshan Perera to the Board of the Bank and determined that they are fit and proper persons to hold such positions.

Upon receipt of the approval of the Central Bank of Sri Lanka, Arjuna Wignaraja and Roshan Perera was appointed as Directors of the Bank with effect from 9th December 2024 and 10th January 2025, respectively. An introductory pack which includes, inter alia the Rules of Corporate Governance, Articles of Association, Board Charter, Board Procedure was shared with the said Directors. Further an orientation program will be conducted by the Bank collectively for newly appointed Directors which would further familiarize them with their roles, responsibilities and the Bank's operations. 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 Senior Director, Conrad D'Souza, Independent Non-Executive Director, Russell De Mel and Non-Executive Director, Ramesh Shanmuganathan in terms of the provisions contained in the Articles of Association and recommended these Directors for re-election at the AGM held in March 2024.

As per the 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, Ramesh Shanmuganathan who was re-elected at the AGM held in March 2024 nominated to the Board by the Bank's material shareholder, John Keells Holdings PLC, together with Non-Executive Directors, Sherin Cader and Charitha Subasinghe. Please refer the profiles of Directors given on pages 15 to 19 of this Annual Report for details of directorships and other positions held, the date last re-appointment as a Director, the Board Committees served on and the respective dates of appointment and reappointment to the Board of the Bank.

- Worked closely with the Board to ensure that the Key Management Personnel (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. The Committee also considered and determined whether the KMP are fit and proper persons to hold their respective offices.
- Considered the appointment, promotion and extension of employment contracts of KMPs 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.
- Reviewed and recommended The Organizational Structure of the Bank for approval of the Board
- Considered the Affidavits 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. 3(2)(iv) of the Banking Act Directions No. 11 of 2007 (as amended) 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 impending 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. The performance of the Chairperson was also discussed at the meeting of the Non-Executive Directors 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 meetings and 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 also 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 2023 and the evaluation for the year under review will be conducted during 2025.

Corporate Governance requirements stipulated under the Listing Rules of the Colombo Stock Exchange (CSE) and the Banking Act Directions, No. 05 of 2024 have already been met by the Bank or are being implemented. 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 Direction 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 259 to 263 of this Annual Report.



**Chanaka Wickramasuriya**  
Chairperson  
Nomination and Governance Committee

21st February 2025  
Colombo

# Board 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 2024 and as at date is as follows;

**Conrad D'Souza** – Chairperson  
(as at 31.12.2024)  
(Senior Director)<sup>1</sup>

**Chanaka Wickramasuriya** – Chairperson  
(current)  
(Senior Director)<sup>2</sup>

**Sherin Cader**  
(Non-Executive Director)<sup>3</sup>

**Rachini Rajapaksa**  
(Independent Non-Executive Director)<sup>4</sup>

**Russell De Mel**  
(Independent Non-Executive Director)<sup>5</sup>

<sup>1</sup> Appointed as a member w.e.f. 1st January 2021 and as Chairperson w.e.f. 1st October 2024. D'Souza retired from the Board of the Bank effective 18th January 2025.

<sup>2</sup> Appointed as a member and Chairperson w.e.f. 18th January 2025.

<sup>3</sup> Appointed as member and Chairperson w.e.f. 1st May 2023 until 30th September 2024.

<sup>4</sup> Appointed as a member w.e.f. 1st February 2020

<sup>5</sup> Appointed as a member w.e.f. 1st February 2020

Rachini Rajapaksa functions as the Secretary to the Committee.

## Meetings

During the year 2024, three HRRC meetings were held and the Directors' attendance at such meetings are given on page 65. 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.

The Head of HR, Chief Financial Officer and AVP Talent Acquisition & HR Operations were invited on a need basis.

## Terms of Reference

The workings of the Committee are governed by the Board Human Resources & Remuneration Committee Charter, 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.

## Activities During the Year

In keeping with the objectives of the Board Human Resources & Remuneration Committee Charter, the Committee during 2024, placed emphasis in ensuring that the Compensation and 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 2024, the increments proposed for 2024 and changes to Compensation & Benefits were reviewed. The management presented market information, staff attritions in 2023 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 2024, the Committee also evaluated the performance of the CEO and other Key Management Personnel of the Bank in 2023 against their pre-agreed objectives and targets.

The committee reviewed and recommended the Goals & Objectives of CEO and KMPs including Chief Risk Officer (CRO), Chief Compliance Officer (CCO) & Chief Internal Auditor (CIA) for 2024. The objectives of CRO, CCO & CIA were reviewed with the input of Chairpersons of BIRMC & BARC who the roles report to.

Employee Share Appreciation Rights (ESAR) grant on account of Year 2023 was recommended to the Board of Directors in March 2024.

In June 2024, the committee approved and recommended to the Board the proposed Variable Bonus and Treasury Bonus Schemes effective 2024.

Representatives of 'Great Place to Work' shared insights and findings of the survey conducted during December 2023, with the members of the Committee in June 2024.

In December 2024, the Committee reviewed and approved the proposed enhancements to the Staff Surgical & Hospitalization and Personal Accident Insurance Limits for selected categories of staff, effective January 2025.

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 of the Committee.



**Chanaka Wickramasuriya**  
Chairperson  
Board Human Resources and  
Remuneration Committee

21st February 2025  
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 2024 was as follows;

### Ramesh Shanmuganathan

– Chairperson  
(Non-Executive Director)<sup>1</sup>

### Rachini Rajapaksa

(Independent Non-Executive Director)<sup>2</sup>

### Arjun Fernando

(Non-Executive Director)<sup>3</sup>

### Hemantha D Gunetilleke

(Executive Director/CEO)<sup>4</sup>

<sup>1</sup> Appointed as a member and Chairperson w.e.f. 20th April 2021

<sup>2</sup> Appointed as a member w.e.f. 20th April 2021

<sup>3</sup> Appointed as a member w.e.f. 29th June 2021

<sup>4</sup> Appointed as a member w.e.f. 4th April 2022

The Deputy Chief Information Officer serves as the Secretary to the BITAC from July 2024.

## 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 13 meetings during the year under review and the Director's attendance at such meeting is given on page 65 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.
- Achieve highest level of Process Efficiencies and Straight Through Processing (STP).
- Reinforcing governance and adherence to evolving regulatory requirements.

## Activities During the Year

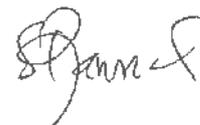
Following are some of the activities performed by the BITAC during 2024

- 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 the status of information security controls and risks, zero trust framework adoption, and updates on the security dashboard. The committee further provided inputs and recommendations for the implementation of a new SIEM tool. Further recommendations and direction were provided for the scoping of external penetration tests and compliance to 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

21st February 2025

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 2024 and as at date is as follows;

**Russell De Mel** – Chairperson  
(Independent Non-Executive Director)<sup>1</sup>

**Chanaka Wickramasuriya**  
(Senior Director)<sup>2</sup>

**Hemantha D Gunetilleke**  
(Executive Director/CEO)<sup>3</sup>

**Sanjeev Jha**  
(Non-Executive Director)<sup>4</sup>

<sup>1</sup> Appointed as a member/Chairperson w.e.f. 1st April 2018

<sup>2</sup> Appointed as a member w.e.f. 23rd December 2019

<sup>3</sup> Appointed as a member w.e.f. 4th April 2022, stepped down as a member w.e.f. 1st January 2025

<sup>4</sup> Appointed as a member w.e.f. 1st January 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 65 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 Direction No. 11 of 2007 of Central Bank of Sri Lanka (CBSL) and 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 Listing Rules of the CSE and the CBSL Rules on Corporate Governance.
2. Ensuring that a robust framework exists for approving, managing and reporting related party transactions in accordance with applicable rules.
3. Establish guidelines for the senior management to follow in the Bank's ongoing dealings with related parties. Thereafter, the Committee, on an annual basis, reviews and assesses ongoing relationships with related parties to determine whether such dealings are in compliance with the Committee's guidelines and that the related party transactions remain appropriate.

## 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 related party transactions during the year under review and recommended any comments/observations to the Board.

The Committee also 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.

Both the Terms of Reference of the Committee and the Policy on Related Party Transactions were reviewed by the Committee and approved by the Board in December 2024 taking into consideration the provisions of the Banking Act Direction No.5 of 2024 on Corporate Governance for Licensed Banks.

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 of the Committee.



**Russell De Mel**  
Chairperson  
Related Party Transactions Review Committee

21st February 2025  
Colombo

# Directors' Statement on Internal Control Over Financial Reporting

## Responsibility

In line with the Banking Act Direction No. 11 of 2007, section 3 (8) (ii) (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.
- Policies / Charters are developed covering all functional areas of the Bank and these are approved by the Board or Board approved sub committees. Such policies and charters are reviewed and approved periodically.
- The Internal Audit Department of the Bank verifies the compliance with policies and procedures 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. Onsite

audits, offsite audits, process audits, 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 submitted to the Board on a periodic basis. Further details of the activities undertaken by the BARC are set out in the Board Audit Review Committee Report on page 104.
- 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 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

## Directors' Statement on Internal Control Over Financial Reporting

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 is progressively improving the required policies, procedures, financial models and underlying data used in its impairment assessments and related calculations. During the year too, the Bank continued to refine the models used in the computations and the data extraction procedures pertaining to the calculations performed in respect of SLFRS 9. The Board will continuously take steps to strengthen the processes and controls around management information systems and reports required for validating and complying 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 2024 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.

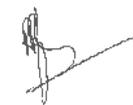
### Review of the Statement by External Auditors

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 2024 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 103 to this Annual Report.

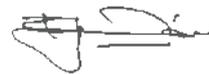
By order of the Board



Sherin Cader  
Chairperson



Rachini Rajapaksa  
Chairperson  
Board Audit Review Committee



Hemantha D Gunetilleke  
Executive Director/Chief Executive Officer

21st February 2025  
Colombo

# Auditor's Statement on Internal Control Over Financial Reporting



Ernst & Young  
Chartered Accountants  
Rotunda Towers  
No. 109, Galle Road  
P.O. Box 101  
Colombo 03, Sri Lanka

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ey.com

## INDEPENDENT ASSURANCE REPORT 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 2024.

### 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 Chartered 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.

21st February 2025  
Colombo

Partners: D K Hulugamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manabunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman FCA FCMA, Ms. L H L Fonseka FCA, Ms. P V K N Sajjewanani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, B Yasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCA FCCA MGA (USJ-SL), G B Goudan ACA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunahilaka ACA, W S J De Silva Bsc (Hons) · MIS Msc - IT, V Shaktivel B.Com (Sp)

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# 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 2024 was as follows;

**Rachini Rajapaksa** – Chairperson  
(Independent Non-Executive Director)<sup>1</sup>

**Conrad D'Souza**  
(Independent Non-Executive Director)<sup>2</sup>

**Charitha Subasinghe**  
(Non-Executive Director)<sup>3</sup>

**Roshan Perera**  
(Independent Non-Executive Director)<sup>4</sup>

<sup>1</sup> Appointed as a member w.e.f. 29th April 2016 and as the Chairperson w.e.f. 17th December 2018

<sup>2</sup> Appointed as a member w.e.f. 1st October 2022 and resigned from the committee w.e.f. 18th January 2025

<sup>3</sup> Appointed as a member w.e.f. 29th June 2023

<sup>4</sup> Appointed as a member w.e.f. 18th January 2025

Independent Non-Executive Director Savanth Sebastian, resigned from the Board of the Bank with effect from 18th June 2024.

Brief profiles of the BARC members are given on pages 15 to 19 of the Annual Report.

Chief Internal Auditor reports directly to the Chairperson of the BARC as a best practice that strengthens the independence of the position and acts as the secretary to the BARC.

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 fourteen occasions during the year under review and the Directors' attendance at such meetings are given on page 65 of this Annual Report.

Four of these meetings were held to review and recommend the Bank's Quarterly and Annual Financial Statements to the Board of Directors for their approval.

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

The Charter of the BARC clearly defines the Terms of Reference of the committee.

During the year, the roles and functions of the BARC were governed by the Banking Act Direction No.11 of 2007 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 jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The BARC Charter was reviewed during the year by incorporating the changes stemming from the Banking Act Directions No.5 of 2024 on Corporate Governance for Licensed Banks in Sri Lanka as applicable at present. Accordingly, the reviewed BARC Charter was last approved on 29th January 2025 by the Board of Directors.

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 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 including review of the external audit function, its fees and effectiveness, 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.
3. 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
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) The underlying assumptions for estimates and judgements
- c) Any changes made in accounting policies and practices
- d) Significant adjustments arising from the annual audit
- e) Disclosures made under financial reporting
- f) Compliance with Sri Lanka Accounting Standards (SLFRS/LKAS) and other regulatory provisions
- g) 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 impacts performance of portfolios, computations to obtain deeper understanding of indicators, trends attributable to portfolio quality and impairment provisions. The operating environment has increased the level of judgement that management has been required to exercise over the year on 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 has been provided for in the financial statements.

As a part of an initiative to provide continuous support to audit committees providing insights and updates related to the financial services sector, to assist in making better and informed decisions, representatives of external auditors conducted a session on accounting implications on potential GDP linked sovereign bonds issued as part of the debt restructuring framework.

### 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. To this end, the risk and significance-based audit plan covering all significant operational areas and mandatory regulatory audits including branches, departments, credit portfolios and special reviews for the year 2024 was approved by the BARC. 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, pre/post implementation reviews of selected IT systems, thematic reviews and advisory. Proactive monitoring based on fraud typologies ensured identification of early warning signals (EWS) and timely implementation of risk mitigation measures.

Enhanced understanding of information security risks and identifying possible mitigation strategies over the Bank's dynamic IT environment was addressed in the plan. Digitalisation strategy of the Bank has resulted in higher reliance on IT controls, migrating swiftly from a manual control environment. Hence, the plan was to engage early by way of pre and post implementation reviews of selected systems. The Committee periodically reviewed the progress of the Internal Audit plan.

The BARC provides a forum for review of Internal Audit reports including the evaluation of the Bank's internal control systems, audit observations, recommendations and corrective actions 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 gaps. 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.

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

## Board Audit Review Committee Report

the adequacy of internal controls. The committee has reviewed cyber resilience by evaluating the Bank's risk management practices and its ability to effectively respond to cyber threats. Additionally, 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 2024 in line with the Banking Act Directions No.5 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.

### Risks and Internal Controls

Internal Audit team uses an Audit Risk Assessment Framework approved by the BARC to determine the risk levels of auditable units based on the audits conducted as per the approved audit plan.

All key controls of the Bank have been documented by the relevant process owners and Internal Audit has introduced required audit procedures and relevant audit programmes to test the effectiveness of internal controls. The BARC sought and obtained the required assurance from the heads of the units on the remedial action taken in order to maintain the effectiveness of internal controls. Any significant non-compliance was followed-up by the BARC and where necessary management was advised to enhance and strengthen the internal controls as required.

### Regulatory compliance

Regulatory risk continued to be a heightened area of focus with the dynamic changes in the regulatory landscape. Given the frequent issuance of regulations and continuously expanding scope of regulatory compliance, verifications were performed to ensure compliance to applicable regulatory requirements.

### 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 to ensure that provision of such services do 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 2024 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

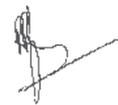
- 3) Reviewed the Audit Completion Letter issued by the External Auditors together with management responses thereto
- 4) Discussed further strengthening of internal controls where applicable and adequacy of impairment provisioning
- 5) Discussed the Key Audit Matters to understand why such matters were 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.

### Reappointment of External Auditors

The BARC has recommended to the Board of Directors that Messrs Ernst & Young be reappointed as External Auditors of the Bank for the financial year ending 31st December 2025 subject to the approval of the shareholders at the next Annual General Meeting.

### 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.



**Rachini Rajapaksa**  
Chairperson  
Board Audit Review Committee

21st February 2025  
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 Auditors' Report on page 110 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 2024, 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 2024 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 6.50 per share, which consists of LKR 3.25 per share in the form of cash dividend and LKR 3.25 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 and given 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 and 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*

21st February 2025  
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 2024 are prepared and presented in conformity with the requirements of the following:

- Sri Lanka Accounting Standards;
- Companies Act;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Banking Act No. 30 of 1988 and subsequent amendments thereto and the Directions, Determinations and Guidelines issued by the Central Bank of Sri Lanka (CBSL);
- Listing Rules of the Colombo Stock Exchange (CSE); and
- Code of Best Practice on Corporate Governance 2017 issued by the CA Sri Lanka

The specific Financial information requirements prescribed by the CBSL have been taken in to account in the preparation of the Financial Statements, disclosures made in this Annual Report and the Interim Financial Statements.

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.

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 in 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 is 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.

We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and detection of fraud that involves management or other employees. 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 110. 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.

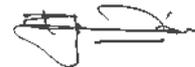
The BARC, inter alia, reviewed all the internal and external audit and inspection programs, the efficiency of internal control systems and procedures and also reviewed the quality of significant accounting policies and their adherence to Statutory and Regulatory requirements, the details of which are given in the 'Report of the Board Audit Committee' on pages 104 to 106. The Bank engaged the services

of a firm of Chartered Accountants approved by the CBSL to strengthen the audit and inspection functions. 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.

It is also declared and confirmed that the Group and the Bank have complied with and ensured compliance with the guidelines for the audit of listed companies where mandatory compliance is required.

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 in respect of the employees of the Group and the Bank as at 31st December 2024 have been paid, or where relevant provided for.



**Hemantha D Gunetilleke**

*Executive Director/Chief Executive Officer*



**Sampath Perera**

*Acting Chief Financial Officer/  
Chief Data Officer*

21st February 2025  
Colombo

# Independent Auditors' 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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Email: eyst@lk.ey.com  
ey.com

## INDEPENDENT AUDITORS' 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 of the statement of financial position as at 31 December 2024, the statement of profit or loss, the statement of comprehensive income, the 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 2024, 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

##### Expected Credit Losses of Loans and Advances measured at amortised cost

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 involvement of significant management judgements, assumptions and level of uncertainty associated with estimating future cash flows to recover such loans and advances; and
- the materiality of the reported amount of expected credit losses.

#### How our audit addressed the key audit matter

In addressing the adequacy of expected credit losses of loan and advances, our audit procedures included the following key procedures:

- Assessed the Bank's expected credit loss computations with the underlying methodology including responses to economic conditions to 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, which included assessing the level of oversight, review, and approval of 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
<p>Key areas of significant judgements, assumptions and estimates made by management in the assessment of expected credit losses for loans and advances include forward-looking macroeconomic scenarios, associated weightages and considerations that indicate significant increase in credit risk. These are subject to inherently heightened levels of estimation uncertainty.</p> <p>Information of such key estimates, assumptions and judgements are disclosed in Note 3.5.</p>	<ul style="list-style-type: none"> <li>• Evaluated the reasonableness of credit quality assessments and related stage classifications.</li> <li>• The following procedures were also performed: <ul style="list-style-type: none"> <li>• For loans and advances assessed on an individual basis for impairment: <ul style="list-style-type: none"> <li>• Tested the arithmetical accuracy of the underlying individual impairment calculations.</li> </ul> </li> <li>• Evaluated the reasonableness of key inputs used in the 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.</li> <li>• For loans and advances assessed on a collective basis for impairment: <ul style="list-style-type: none"> <li>• Tested the key inputs and the calculations used in the allowances for expected credit losses.</li> </ul> </li> <li>• Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each scenario.</li> <li>• 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.</li> </ul> </li> </ul>
<p><b>Information Technology (IT) systems related internal controls over financial reporting</b></p> <p>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.</p> <p>Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.</p>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> <li>» Obtained an understanding of the internal control environment of the processes and tested relevant key controls relating to financial reporting and related disclosures.</li> <li>» Involved our internal specialised resources and; <ul style="list-style-type: none"> <li>» 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</li> <li>» Obtained a high-level understanding of the cybersecurity risks affecting the bank and the actions taken to address these risks primarily through inquiry.</li> </ul> </li> <li>» Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.</li> </ul>

## Independent Auditors' Report

### Other information included in the Group's 2024 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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.



21st February 2025  
Colombo

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, 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, B Vasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shaktivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

# Statement of Financial Position

As at 31 December	Notes	Bank		Group	
		2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
<b>Assets</b>					
Cash and Cash Equivalents	6	20,814,294	40,179,820	20,814,297	40,179,823
Balances with Central Bank of Sri Lanka	7	1,183,473	2,683,927	1,183,473	2,683,927
Reverse Repurchase Agreements	8.1	2,389,147	1,502,215	2,389,147	1,502,215
Derivative Financial Instruments	9.1	224,298	3,660	224,298	3,660
Financial Assets – Recognised through Profit or Loss	10	17,194,759	10,934,069	17,194,759	10,934,069
Financial Assets at Fair Value through Other Comprehensive Income	11	107,014,877	79,922,903	107,014,877	79,922,903
Financial Assets at Amortised Cost – Debt Instruments	12	96,796,064	97,357,849	96,796,064	97,357,849
Financial Assets at Amortised Cost – Loans and Advances	13	287,362,553	270,944,786	287,362,553	270,944,786
Other Assets	14	4,957,400	3,352,652	4,966,009	3,377,829
Investments in Subsidiaries	15	678,710	678,710	-	-
Property, Plant and Equipment	16	3,018,207	2,597,097	4,083,195	3,500,423
Right of Use Assets (ROU)	17	1,284,457	1,319,294	1,284,746	1,229,055
Intangible Assets	18	1,408,451	1,353,420	1,408,927	1,353,909
Deferred Tax Assets	25	1,114,316	3,334,268	863,450	3,143,936
<b>Total Assets</b>		<b>545,441,006</b>	<b>516,164,670</b>	<b>545,585,795</b>	<b>516,134,384</b>
<b>Liabilities</b>					
Due to Banks	19	27,403,357	49,681,663	27,403,357	49,681,663
Derivative Financial Instruments	9.2	372,084	658,707	372,084	658,707
Financial Liabilities at Amortised Cost					
Due to Depositors	20	384,784,916	349,533,404	384,655,365	347,768,600
Repurchase Agreements	20	21,985,170	7,064,447	19,528,900	6,631,325
Due to Other Borrowers	20	9,111,275	18,613,640	9,118,377	18,500,429
Debt Securities Issued	21	5,979,693	8,686,333	5,979,693	8,686,333
Retirement Benefit Obligations	22.2	1,457,883	1,242,223	1,469,319	1,250,916
Current Tax Liabilities	23	4,590,390	5,618,515	4,640,244	5,667,233
Other Liabilities	24	12,869,931	16,120,684	12,941,381	16,163,041
<b>Total Liabilities</b>		<b>468,554,699</b>	<b>457,219,616</b>	<b>466,108,720</b>	<b>455,008,247</b>
<b>Equity Attributable to Equity Holders of the Parent</b>					
Stated Capital	26	12,106,272	11,426,882	12,106,272	11,426,882
Statutory Reserve Fund	27	3,610,418	2,783,805	3,610,418	2,783,805
Retained Earnings	28	53,907,156	39,879,971	55,916,531	41,623,436
OCI Reserve	29.1	6,201,721	3,908,263	6,201,721	3,908,263
Revaluation Reserve	29.2	1,060,740	946,133	1,642,133	1,383,751
<b>Total Equity</b>		<b>76,886,307</b>	<b>58,945,054</b>	<b>79,477,075</b>	<b>61,126,137</b>
<b>Total Liabilities and Equity</b>		<b>545,441,006</b>	<b>516,164,670</b>	<b>545,585,795</b>	<b>516,134,384</b>
<b>Contingent Liabilities and Commitments</b>	47	<b>406,713,119</b>	<b>316,741,904</b>	<b>406,713,119</b>	<b>316,741,904</b>
<b>Net Assets Value per Ordinary Share (LKR)</b>	49.2	<b>235.70</b>	<b>184.42</b>	<b>243.65</b>	<b>191.25</b>
<b>Memorandum Information</b>					
Number of Employees		2,455	2,460	2,473	2,481
Number of Branches		95	96	95	96
Number of Offsite ATMs and CRMs		22	37	22	37
Credit Rating		A(1ka)	A-(1ka)		

The Notes to the Financial Statements from pages 119 to 211 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.

  
Sampath Perera

Acting Chief Financial Officer/Chief Data Officer

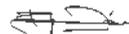
The Board of Directors is responsible for these Financial Statements.

Approved and signed for and on behalf of the Board of Directors by;

  
Sherin Cader  
Chairperson

21st February 2025  
Colombo

  
Rachini Rajapaksa  
Independent Non-Executive Director

  
Hemantha D Gunetilleke  
Executive Director/Chief Executive Officer

# Statement of Profit or Loss

For the Year Ended 31 December	Notes	Bank		Group	
		2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Gross Income		73,733,111	81,663,630	73,935,003	81,872,837
Interest Income	30	64,011,042	70,557,953	64,013,004	70,557,953
Interest Expense	31	(28,330,417)	(35,958,403)	(28,097,288)	(35,607,076)
<b>Net Interest Income</b>		<b>35,680,625</b>	<b>34,599,550</b>	<b>35,915,716</b>	<b>34,950,877</b>
Fee and Commission Income	32.1	9,302,329	8,125,393	9,501,908	8,334,600
Fee and Commission Expense	32.2	(1,435,542)	(1,234,146)	(1,435,542)	(1,234,149)
<b>Net Fee and Commission Income</b>		<b>7,866,787</b>	<b>6,891,247</b>	<b>8,066,366</b>	<b>7,100,451</b>
Net Gain/(Loss) from Trading	33	(1,711,545)	(1,267,093)	(1,711,545)	(1,267,093)
Net Fair Value Gains/(Losses) from Financial Instruments at Fair Value through Profit or Loss	34	425,253	187,912	425,253	187,912
Net Gains/(Losses) on Derecognition of Financial Assets at Fair Value through Other Comprehensive Income	11.4	(142,447)	284,380	(142,447)	284,380
Net Gains/(Losses) on Derecognition of Financial Assets at Amortised cost	12.5	(3,418,674)	-	(3,418,674)	-
Net Other Operating Income/(Loss)	35	5,267,153	3,775,085	5,267,504	3,775,085
<b>Total Operating Income</b>		<b>43,967,152</b>	<b>44,471,081</b>	<b>44,402,173</b>	<b>45,031,612</b>
Impairment (Charges)/Reversals	36	3,196,442	(7,499,963)	3,196,442	(7,499,963)
<b>Net Operating Income</b>		<b>47,163,594</b>	<b>36,971,118</b>	<b>47,598,615</b>	<b>37,531,649</b>
Personnel Expenses	37	(8,521,293)	(7,405,900)	(8,562,987)	(7,441,295)
Depreciation of Property, Plant and Equipment	16	(197,998)	(203,519)	(241,730)	(247,549)
Depreciation of Right of Use (ROU) Assets	17	(482,510)	(488,053)	(391,983)	(397,526)
Amortisation of Intangible Assets	18	(330,402)	(329,319)	(330,527)	(329,443)
Other Operating Expenses	38	(5,424,837)	(5,633,242)	(5,446,897)	(5,663,147)
<b>Total Operating Expenses</b>		<b>(14,957,040)</b>	<b>(14,060,033)</b>	<b>(14,974,124)</b>	<b>(14,078,960)</b>
<b>Operating Profit before Taxes and Levies on Financial Services</b>		<b>32,206,554</b>	<b>22,911,085</b>	<b>32,624,491</b>	<b>23,452,689</b>
Taxes and Levies on Financial Services	39	(6,885,794)	(5,142,161)	(6,887,934)	(5,144,852)
<b>Profit before Income Tax</b>		<b>25,320,760</b>	<b>17,768,924</b>	<b>25,736,557</b>	<b>18,307,837</b>
Income Tax Expense	40	(8,788,494)	(6,662,271)	(8,934,125)	(6,836,956)
<b>Profit for the Year</b>		<b>16,532,266</b>	<b>11,106,653</b>	<b>16,802,432</b>	<b>11,470,881</b>
Attributable to:					
<b>Equity Holders of the Bank</b>		<b>16,532,266</b>	<b>11,106,653</b>	<b>16,802,432</b>	<b>11,470,881</b>
<b>Earnings Per Share</b>					
Basic / Diluted Earnings Per Share - LKR	41	50.00	33.60	50.82	34.70
Dividend Per Share - LKR	42	6.50	5.00	6.50	5.00

The Notes to the Financial Statements from pages 119 to 211 form an integral part of these Financial Statements.

# Statement of Comprehensive Income

For the Year Ended 31 December	Notes	Bank		Group	
		2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
<b>Profit for the Year</b>		16,532,266	11,106,653	16,802,432	11,470,881
<b>Other Comprehensive Income/(Expense)</b>					
<b>Items that will be reclassified to profit or loss in subsequent periods:</b>					
<b>Debt Instruments at Fair Value through Other Comprehensive Income</b>					
Net Change in Fair Value during the year	29.1	3,276,369	5,582,838	3,276,369	5,582,838
Changes in Allowance for Expected Credit Losses	29.1	-	314	-	314
Deferred Tax related to the above	29.1 & 25	(982,911)	(1,674,945)	(982,911)	(1,674,945)
Net gains/(losses) on Financial Instruments at Fair Value through Other Comprehensive Income		2,293,458	3,908,207	2,293,458	3,908,207
<b>Items that will not be reclassified to profit or loss in subsequent periods:</b>					
Actuarial gain / (loss) on defined benefit plan	22.2	(114,812)	(165,123)	(120,891)	(161,660)
Deferred Tax related to the above	25	34,444	49,537	36,267	48,498
Net Gains / (Losses) on Actuarial Valuation of Defined Benefit Plan		(80,368)	(115,586)	(84,624)	(113,162)
Gain on Revaluation of Land and Buildings	29.2	163,724	-	369,117	-
Deferred Tax related to the above	29.2 & 25	(49,117)	-	(110,735)	-
Net Gain on Revaluation of Land and Buildings		114,607	-	258,382	-
Total items that will not be reclassified to the Statement of Profit or Loss		34,239	(115,586)	173,758	(113,162)
<b>Other Comprehensive Income for the Year, Net of Tax</b>		2,327,697	3,792,621	2,467,216	3,795,045
<b>Total Comprehensive Income for the Year, Net of Tax</b>		18,859,963	14,899,274	19,269,648	15,265,926
Attributable to:					
Equity Holders of the Bank		18,859,963	14,899,274	19,269,648	15,265,926

The Notes to the Financial Statements from pages 119 to 211 form an integral part of these Financial Statements.

## Statement of Changes in Equity

BANK	Notes	Stated Capital		Statutory Reserve Fund	Retained Earnings	OCI Reserve	Revaluation Reserve	Total
		Voting	Non-Voting					
		LKR '000	LKR '000					
<b>As at 01 January 2023</b>		7,167,872	3,233,560	2,228,472	30,650,134	56	946,133	44,226,227
Profit for the year		-	-	-	11,106,653	-	-	11,106,653
Other Comprehensive Income		-	-	-	(115,586)	3,908,207	-	3,792,621
Total Comprehensive Income		-	-	-	10,991,067	3,908,207	-	14,899,274
Scrip Dividends for 2022	26 & 28	885,820	139,630	-	(1,205,722)	-	-	(180,272)
Fractions of shares paid in cash for 2022		-	-	-	(175)	-	-	(175)
Conversion of Non Voting Shares to Voting Shares	26	76	(76)	-	-	-	-	-
Transfers to the Statutory Reserve Fund	27.2	-	-	555,333	(555,333)	-	-	-
<b>As at 31 December 2023</b>		8,053,768	3,373,114	2,783,805	39,879,971	3,908,263	946,133	58,945,054
<b>As at 01 January 2024</b>		8,053,768	3,373,114	2,783,805	39,879,971	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)	-	-	-
<b>As at 31 December 2024</b>		8,642,017	3,464,255	3,610,418	53,907,156	6,201,721	1,060,740	76,886,307

GROUP	Notes	Stated Capital		Statutory Reserve Fund	Retained Earnings	OCI Reserve	Revaluation Reserve	Total
		Voting	Non-Voting					
		LKR '000	LKR '000					
<b>As at 01 January 2023</b>		7,167,872	3,233,560	2,228,472	32,026,947	56	1,383,751	46,040,658
Profit for the year		-	-	-	11,470,881	-	-	11,470,881
Other Comprehensive Income		-	-	-	(113,162)	3,908,207	-	3,795,045
Total Comprehensive Income		-	-	-	11,357,719	3,908,207	-	15,265,926
Scrip Dividends for 2022	26 & 28	885,820	139,630	-	(1,205,722)	-	-	(180,272)
Fractions of shares paid in cash for 2022		-	-	-	(175)	-	-	(175)
Conversion of Non Voting Shares to Voting Shares	26	76	(76)	-	-	-	-	-
Transfers to the Statutory Reserve Fund	27.2	-	-	555,333	(555,333)	-	-	-
<b>As at 31 December 2023</b>		8,053,768	3,373,114	2,783,805	41,623,436	3,908,263	1,383,751	61,126,137
<b>As at 01 January 2024</b>		8,053,768	3,373,114	2,783,805	41,623,436	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)	-	-	-
<b>As at 31 December 2024</b>		8,642,017	3,464,255	3,610,418	55,916,531	6,201,721	1,642,133	79,477,075

The Notes to the Financial Statements from pages 119 to 211 form an integral part of these Financial Statements.

# Statement of Cash Flows

For the Year Ended 31 December	Notes	Bank		Group	
		2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
<b>Cash Flows from Operating Activities</b>					
Receipts of Interest Income		58,825,370	73,635,700	58,827,332	73,635,700
Payments of Interest Expense		(28,341,184)	(35,537,119)	(28,108,054)	(35,236,349)
Receipts of Fees and Commission Income		7,635,271	8,140,695	7,908,083	8,349,902
Payments of Fees and Commission Expense		(1,435,542)	(1,234,146)	(1,435,542)	(1,234,146)
Net Trading Proceeds		(2,218,805)	(548,799)	(2,218,805)	(548,799)
Proceeds from sale of financial assets at FVOCI		632,400	3,021,956	632,400	3,021,956
Proceeds from sale of financial assets at Amortised Cost		4,490,137	-	4,490,137	-
Gratuity Payments		(166,541)	(163,927)	(170,886)	(165,421)
Payments for Operating Expenses		(17,977,193)	(14,283,947)	(18,039,569)	(14,437,005)
Payments for Taxes and Levies on Financial Services		(6,554,566)	(5,369,194)	(6,621,307)	(5,371,877)
<b>Net Cash Flow from Operating Activities before Income Tax (A)</b>		<b>14,889,347</b>	<b>27,661,219</b>	<b>15,263,789</b>	<b>28,013,961</b>
Income Tax paid		(8,594,255)	(7,220,232)	(8,738,004)	(7,411,113)
<b>Operating Profit before Changes in Operating Assets and Liabilities</b>		<b>6,295,092</b>	<b>20,440,987</b>	<b>6,525,785</b>	<b>20,602,848</b>
<b>(Increase)/Decrease in Operating Assets</b>	43.1	<b>(46,630,997)</b>	<b>(133,072,103)</b>	<b>(46,630,997)</b>	<b>(133,073,386)</b>
<b>Increase/(Decrease) in Operating Liabilities</b>	43.2	<b>34,051,078</b>	<b>113,632,601</b>	<b>33,693,095</b>	<b>113,264,523</b>
<b>Net Cash Flows (used in) from Operating Activities</b>		<b>(6,284,827)</b>	<b>1,001,485</b>	<b>(6,412,117)</b>	<b>793,985</b>
<b>Cash Flows from Investing Activities</b>					
Purchase of Property, Plant and Equipment	16	(455,421)	(256,970)	(455,430)	(257,095)
Proceeds from Sale of Property, Plant and Equipment and Intangible Assets		3,141	8,258	3,141	8,258
Purchase of Intangible Assets	18	(623,890)	(397,631)	(624,000)	(397,631)
		(1,076,170)	(646,343)	(1,076,289)	(646,468)
<b>Cash Flows from Financing Activities</b>					
Proceeds from Other Borrowed Funds		1,018,598	1,351,679	1,018,598	1,351,679
Repayment of Other Borrowed Funds		(8,567,582)	(13,166,618)	(8,567,582)	(13,166,618)
Repayment of Subordinated Debt		(1,751,041)	(3,500,000)	(1,751,041)	(3,500,000)
Operating Lease Rentals Paid	174	(717,446)	(665,641)	(590,037)	(457,900)
Interest Paid on Subordinated Debt		(948,959)	(1,251,683)	(948,959)	(1,251,683)
Dividends Paid		(918,710)	(180,448)	(918,710)	(180,448)
		(11,885,140)	(17,412,711)	(11,757,731)	(17,204,970)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>(19,246,137)</b>	<b>(17,057,569)</b>	<b>(19,246,137)</b>	<b>(17,057,453)</b>
Cash and Cash Equivalents at the beginning of the period		39,545,578	56,603,147	39,545,581	56,603,034
Cash and Cash Equivalents at the end of the period		20,299,441	39,545,578	20,299,444	39,545,581
<b>Reconciliation of Cash and Cash Equivalents</b>					
Cash in Hand	6	11,563,596	12,497,649	11,563,599	12,497,652
Balances with Banks	6	9,253,026	27,687,557	9,253,026	27,687,557
Money at Call and Short Notice	6	-	-	-	-
Deposits from Other Banks	19	(517,181)	(639,628)	(517,181)	(639,628)
		20,299,441	39,545,578	20,299,444	39,545,581
<b>A. Reconciliation of Operating Profit</b>					
<b>Profit before Income Tax</b>		<b>25,320,760</b>	<b>17,768,924</b>	<b>25,736,557</b>	<b>18,307,837</b>
(Profit) / Loss on disposal of Property, Plant and Equipment and Intangible Assets		24,802	(4,159)	24,739	(4,159)
Impairment charge / (Reversal)	36	(3,196,442)	7,499,963	(3,196,442)	7,499,963
Provision for Gratuity	37	288,978	307,612	290,004	310,479
Other Non Cash Items*	43.3	(4,719,831)	(1,967,489)	(6,763,023)	(1,986,086)
Interest Paid on Subordinated Debt		948,960	1,251,683	948,960	1,251,683
Gratuity Payments Made		(166,541)	(163,927)	(170,886)	(165,421)
(Increase) / Decrease in Interest Receivable		(5,097,354)	3,117,230	(5,097,354)	3,117,230
Increase / (Decrease) in Interest Payable		(1,041,401)	(957,990)	(1,041,401)	(903,379)
Increase / (Decrease) in Financial Guarantee Liabilities and Deferred Income		(411,655)	15,302	(411,655)	15,302
Increase / (Decrease) in Fees and Commission and Operating Expenses Payable		2,939,071	794,070	4,944,290	570,512
		14,889,347	27,661,219	15,263,789	28,013,961

\*This mainly includes the net translation difference on the foreign currency assets and liabilities except the cash and cash equivalent. The Notes to the Financial Statements from pages 119 to 211 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. 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, effective 01st January 2025. (Previously located at No. 242, Union Place, Colombo 02).

### 1.2 Consolidated Financial Statements

The Consolidated Financial Statements of Nations Trust Bank PLC for the year ended 31st December 2024 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 telephone banking, 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 2024.

## 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. The preparation and presentation of Financial Statements and the disclosures made therein also comply with the 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, 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 "Statement of Directors' Responsibility" on page 108.

### 2.3 Approval of Financial Statements by Directors

The Consolidated Financial Statements of Nations Trust Bank PLC, for the year ended 31st December 2024 were authorised for issue in accordance with the resolution of the Board of Directors on 21st February 2025.

### 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

## Notes to the Financial Statements

- Liability for defined benefit obligations is recognised at the present value of defined benefit obligation

### 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 are 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–Time 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) Employee Benefit Liability – Gratuity

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.

## Notes to the Financial Statements

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of 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 2024 in terms of the Sri Lanka Accounting Standards, SLFRS 10 – Consolidated Financial Statements. The Bank's Financial Statements comprise of the 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

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significantly reduces measurement or recognition inconsistencies, as explained in Note 3.3.2 (vii).

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 de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

#### (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;

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- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by 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 fees 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

## Notes to the Financial Statements

financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

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.

## Notes to the Financial Statements

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.

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

## Notes to the Financial Statements

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 financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Management Department.

Reschedule/restructure 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 reschedule/restructure a loan facility of a customer, the 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 2024 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 they are treated as changes in accounting estimates.

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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 Obligations

#### (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 – Gratuity

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

Share Appreciation Rights (ESAR) Accounting Policy Employees (Senior Executives) of the Bank/Group receive benefit in the form of share-based payments, whereby employees rendered services are granted share appreciation rights 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 2024 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 2024 and 2023 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

The reserves recorded in equity (OCI) on the Group's statement of financial position include fair value reserves which comprises:

## Notes to the Financial Statements

- 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.

### 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 must 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.

## Notes to the Financial Statements

### 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/(Loss)

#### (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 Banking and Commercial Banking, Corporate Banking, Treasury functions, Fund Management, (discontinued in November 2024), 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 mobilizing deposit and current accounts from top to mid tier corporate and institutional customers.
- (iii) Treasury and Fund Management: Primary focus of business operations includes foreign exchange trading, fixed income security trading, assets & liabilities management, margin trading, 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 2024 or 2023.

Note 4 presents income and expenses 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) Amendments to LKAS 21 - Lack of Exchangeability

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. Amendments to LKAS 21 is effective for annual reporting periods beginning on or after 1st January 2025.

Implementation of this standard is not expected to have a material impact on the financial statements of the Bank/Group.

## Notes to the Financial Statements

#### 4 Segment Information

##### 4.1 Operating Segments

For the Year Ended 31 December 2024  
LKR'000

	Consumer & Commercial Banking	Corporate Banking	Treasury & Investments	Insurance Broking	Property Management	Unallocated/ Eliminations	Total Group
<b>Operating Income</b>	21,958,000	6,672,935	15,651,287	247,309	294,144	(421,502)	44,402,173
Impairment Charges	(1,046,637)	(726,887)	4,969,966	-	-	-	3,196,442
<b>Net Operating Income</b>	20,911,363	5,946,048	20,621,253	247,309	294,144	(421,502)	47,598,615
<b>Extracts of Results</b>							
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)
<b>Net Interest Income</b>	12,768,790	5,336,936	17,813,539	88,679	124,049	(216,277)	35,915,716
<b>Net Fees and Commission Income</b>	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	(2,882,933)	-	-	39,722	(1,711,545)
Net Fair Value Gains/(Losses) From Financial Instruments at Fair Value through Profit or Loss	-	-	425,253	-	-	-	425,253
Net Gains/(Losses) on Derecognition of Financial Assets at Fair Value through Other Comprehensive Income	-	-	(142,447)	-	-	-	(142,447)
Net Gains/(Losses) on Derecognition of Financial Assets at Amortised Cost	-	-	(3,418,674)	-	-	-	(3,418,674)
Net Other Operating Income/(Loss)	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 (ROU) Assets	(482,510)	-	-	(5,613)	-	96,130	(391,993)
Amortisation of Intangible Assets	(226,788)	(49,186)	(52,999)	(126)	-	(1,428)	(330,527)
<b>Capital Expenditures</b>							
Property, Plant and Equipment	20,044	14,468	1,402	-	-	142,591	178,505
Intangible Assets	17,047	-	1,678	-	-	100,668	119,393
<b>Total Assets (as at)</b>	162,123,817	147,790,619	245,661,028	1,021,725	1,760,300	(12,771,694)	545,585,795
<b>Total Liabilities (as at)</b>	305,204,087	84,616,577	64,484,075	45,254	57,094	11,701,633	466,108,720

## 4.2 Operating Segments

For the Year Ended 31 December 2023  
LKR'000

	Consumer & Commercial Banking	Corporate Banking	Treasury & Investments	Insurance Broking	Property Management	Unallocated/ Eliminations	Total Group
<b>Operating Income</b>	22,612,002	9,187,812	12,738,134	284,793	353,295	(144,424)	45,031,612
Impairment Charges	(3,684,705)	(2,321,293)	(1,493,966)	-	-	-	(7,499,963)
<b>Net Operating Income</b>	18,927,297	6,866,519	11,244,169	284,793	353,295	(144,424)	37,531,649
<b>Extracts of Results</b>							
Interest Income	21,977,682	21,083,359	27,433,772	1,33,514	180,849	(251,223)	70,557,953
Inter Segment	16,115,756	(8,850,023)	(7,265,733)	-	-	-	-
Interest Expense	(24,008,937)	(4,693,812)	(7,190,551)	(1,171)	(811)	288,206	(35,607,076)
<b>Net Interest Income</b>	14,084,501	7,539,524	12,977,488	132,343	180,038	36,983	34,950,877
<b>Net Fees and Commission Income</b>	5,744,678	1,195,784	51,253	152,451	173,257	(216,972)	7,100,451
Net Gain/(Loss) from Trading	968,148	452,503	(2,687,744)	-	-	-	(1,267,093)
Net Fair Value Gains/(Losses) From Financial Instruments at Fair Value through Profit or Loss	-	-	187,912	-	-	-	187,912
Net Gains/(Losses) on Derecognition of Financial Assets at Fair Value through Other Comprehensive Income	-	-	284,380	-	-	-	284,380
Other Operating Income/(Loss) - Net	1,814,675	-	1,924,846	-	-	35,564	3,775,085
Depreciation of Property, Plant and Equipment	(174,632)	(21,162)	(6,387)	(433)	(19,068)	(25,867)	(247,549)
Depreciation of Right of Use (ROU) Assets	(488,053)	-	-	(5,634)	-	96,161	(397,526)
Amortisation of Intangible Assets	(208,622)	(69,161)	(50,305)	(124)	-	(1,231)	(329,443)
<b>Capital Expenditures</b>							
Property, Plant and Equipment	31,491	4,406	315	-	125	229,689	266,026
Intangible Assets	29,497	9,914	11,982	-	-	250,228	301,621
<b>Total Assets (as at)</b>	150,217,979	142,939,461	232,864,938	889,308	1,584,611	(12,361,913)	516,134,384
<b>Total Liabilities (as at)</b>	269,227,939	85,787,644	84,051,805	46,642	57,487	15,836,730	455,008,247

## 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	2024				2023			
	AC	FVPL	FVOCI	Total	AC	FVPL	FVOCI	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Assets</b>								
Cash and Cash Equivalents	20,814,294	-	-	20,814,294	40,179,820	-	-	40,179,820
Balances with Central Bank of Sri Lanka	1,183,473	-	-	1,183,473	2,683,927	-	-	2,683,927
Reverse Repurchase Agreements	2,389,147	-	-	2,389,147	1,502,215	-	-	1,502,215
Derivative Financial Instruments	-	224,298	-	224,298	-	3,660	-	3,660
Financial Assets Recognised through Profit or Loss Measured at Fair Value	-	17,194,759	-	17,194,759	-	10,934,069	-	10,934,069
Financial Assets at Fair Value through Other Comprehensive Income	-	-	107,014,877	107,014,877	-	-	79,922,903	79,922,903
Financial Assets at Amortised Cost – Debt Instruments	96,796,064	-	-	96,796,064	97,357,849	-	-	97,357,849
Financial Assets at Amortised Cost – Loans and Advances	287,362,553	-	-	287,362,553	270,944,786	-	-	270,944,786
<b>Total Financial Assets</b>	<b>408,545,531</b>	<b>17,419,057</b>	<b>107,014,877</b>	<b>532,979,465</b>	<b>412,668,597</b>	<b>10,937,729</b>	<b>79,922,903</b>	<b>503,529,229</b>
<b>Liabilities</b>								
Due to Banks	27,403,357	-	-	27,403,357	49,681,663	-	-	49,681,663
Derivative Financial Instruments	-	372,084	-	372,084	-	658,707	-	658,707
<b>Financial Liabilities at Amortised Cost</b>								
Due to Depositors	384,784,916	-	-	384,784,916	349,533,404	-	-	349,533,404
Repurchase Agreements	21,985,170	-	-	21,985,170	7,064,447	-	-	7,064,447
Due to Other Borrowers	9,111,275	-	-	9,111,275	18,613,640	-	-	18,613,640
Debt Securities Issued	5,979,693	-	-	5,979,693	8,686,333	-	-	8,686,333
<b>Total Financial Liabilities</b>	<b>449,264,411</b>	<b>372,084</b>	<b>-</b>	<b>449,636,495</b>	<b>433,579,487</b>	<b>658,707</b>	<b>-</b>	<b>434,238,194</b>

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	2024				2023			
	AC	FVPL	FVOCI	Total	AC	FVPL	FVOCI	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Assets</b>								
Cash and Cash Equivalents	20,814,297	-	-	20,814,297	40,179,823	-	-	40,179,823
Balances with Central Bank of Sri Lanka	1,183,473	-	-	1,183,473	2,683,927	-	-	2,683,927
Reverse Repurchase Agreements	2,389,147	-	-	2,389,147	1,502,215	-	-	1,502,215
Derivative Financial Instruments	-	224,298	-	224,298	-	3,660	-	3,660
Financial Assets Recognised through Profit or Loss Measured at Fair Value	-	17,194,759	-	17,194,759	-	10,934,069	-	10,934,069
Financial Assets at Fair Value through Other Comprehensive Income	-	-	107,014,877	107,014,877	-	-	79,922,903	79,922,903
Financial Assets at Amortised Cost - Debt Instruments	96,796,064	-	-	96,796,064	97,357,849	-	-	97,357,849
Financial Assets at Amortised Cost - Loans and Advances	287,362,553	-	-	287,362,553	270,944,786	-	-	270,944,786
<b>Total Financial Assets</b>	<b>408,545,534</b>	<b>17,419,057</b>	<b>107,014,877</b>	<b>532,979,468</b>	<b>412,668,600</b>	<b>10,937,729</b>	<b>79,922,903</b>	<b>503,529,232</b>
<b>Liabilities</b>								
Due to Banks	27,403,357	-	-	27,403,357	49,681,663	-	-	49,681,663
Derivative Financial Instruments	-	372,084	-	372,084	-	658,707	-	658,707
Financial Liabilities at Amortised Cost								
Due to Depositors	384,655,365	-	-	384,655,365	347,768,600	-	-	347,768,600
Repurchase Agreements	19,528,900	-	-	19,528,900	6,631,325	-	-	6,631,325
Due to Other Borrowers	9,118,377	-	-	9,118,377	18,500,429	-	-	18,500,429
Debt Securities Issued	5,979,693	-	-	5,979,693	8,686,333	-	-	8,686,333
<b>Total Financial Liabilities</b>	<b>446,685,692</b>	<b>372,084</b>	<b>-</b>	<b>447,057,776</b>	<b>431,268,350</b>	<b>658,707</b>	<b>-</b>	<b>431,927,057</b>

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

## Notes to the Financial Statements

### 6 Cash and Cash Equivalents

As at 31 December	Bank		Group	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Cash in Hand	11,563,596	12,497,649	11,563,599	12,497,652
Balances with Banks (Note 6.1)	9,253,026	27,687,557	9,253,026	27,687,557
Money at Call and Short Notice	-	-	-	-
	20,816,622	40,185,206	20,816,625	40,185,209
Less: Provision for Impairment for Balances with Banks (Note 6.2)	(2,328)	(5,386)	(2,328)	(5,386)
	20,814,294	40,179,820	20,814,297	40,179,823

#### 6.1 Balances with Banks

As at 31 December	Bank/Group	
	2024 LKR '000	2023 LKR '000
Local Banks	32,906	337
Foreign Banks	9,220,120	27,687,220
	9,253,026	27,687,557

#### 6.2 Movement in Provision for Impairment during the year

As at 31 December	Bank/Group	
	2024 LKR '000	2023 LKR '000
<b>Stage 1</b>		
<b>As at 01 January</b>	5,386	21,302
Charge / (Reversal) to the Income Statement (Note 36)	(2,902)	(15,365)
Effect of change in foreign currency exchange rates	(156)	(551)
<b>As at 31 December</b>	2,328	5,386

### 7 Balances with Central Bank of Sri Lanka

As at 31 December	Bank/Group	
	2024 LKR '000	2023 LKR '000
Statutory Balance with Central Bank of Sri Lanka	1,183,473	1,703,200
Non Statutory Balance with Central Bank of Sri Lanka	-	980,727
	1,183,473	2,683,927

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 2024, the minimum cash reserve requirement was 2.0% (2023: 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	
	2024 LKR '000	2023 LKR '000
<b>Due from;</b>		
- Other Financial Institutions	1,000,227	1,502,215
- Other Counterparties	1,388,920	-
	<b>2,389,147</b>	<b>1,502,215</b>

### 8.2 Repurchase Agreements

As at 31 December	Bank		Group	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
<b>On Securities of Government of Sri Lanka</b>				
<b>Due to;</b>				
- Banks (Note 19)	12,531,500	48,291,455	12,531,500	48,291,455
- Other Financial Institutions	9,749,272	2,426,789	9,749,272	2,426,789
- Other Counterparties	12,211,973	4,637,658	9,755,703	4,204,536
	<b>34,492,745</b>	<b>55,355,902</b>	<b>32,036,475</b>	<b>54,922,780</b>
<b>On Other Securities</b>				
<b>Due to;</b>				
- Other Counterparties	23,925	-	23,925	-
	<b>23,925</b>	<b>-</b>	<b>23,925</b>	<b>-</b>
<b>Total Repurchase Agreements</b>	<b>34,516,670</b>	<b>55,355,902</b>	<b>32,060,400</b>	<b>54,922,780</b>
<b>Repurchase Agreements other than with banks (Note 20)*</b>	<b>21,985,170</b>	<b>7,064,447</b>	<b>19,528,900</b>	<b>6,631,325</b>

\*Securities sold under repurchase (repo) agreements are shown on the face of the Statement of Financial Position except for the repos with banks.

Waldock Mackenzie Limited which was classified under financial institutions in 2023 has been classified under other counterparties in 2024, given the discontinuation of the company's investment manager business line in November 2024.

## 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 2,855.04 Mn (2023- LKR 1,691.72 Mn).

**8.3.2** The Bank has allocated government securities amounting to LKR 35,219.51 Mn (2023 - LKR 53,236.95 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	12%	N/A

**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
	2024	2024	2023	2023
As at 31 December	LKR '000	LKR '000	LKR '000	LKR '000
Foreign Currency Derivatives				
- Currency Swaps	156,257	33,828,883	-	-
- Forward Foreign Exchange Contracts	65,093	3,612,682	3,024	251,270
- Spot Contracts	2,948	2,219,205	636	285,061
	224,298	39,660,770	3,660	536,331

### 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
	2024	2024	2023	2023
As at 31 December	LKR '000	LKR '000	LKR '000	LKR '000
Foreign Currency Derivatives				
- Currency Swaps	317,644	26,689,565	656,200	43,949,732
- Forward Foreign Exchange Contracts	53,591	4,690,414	1,992	221,154
- Spot Contracts	849	399,559	515	107,445
	372,084	31,779,538	658,707	44,278,331

## 10 Financial Assets - Recognised through Profit or Loss

As at 31 December	Bank/Group	
	2024	2023
	LKR '000	LKR '000
Measured at Fair Value		
Government of Sri Lanka Treasury Bills	20,690	1,914,029
Government of Sri Lanka Treasury Bonds	17,174,069	9,020,040
	<b>17,194,759</b>	<b>10,934,069</b>

### 10.1 Analysis

As at 31 December	Bank/Group	
	2024	2023
	LKR '000	LKR '000
By collateralisation		
Pledged as collateral	-	-
Unencumbered	17,194,759	10,934,069
	<b>17,194,759</b>	<b>10,934,069</b>
By currency		
Sri Lankan Rupee	17,194,759	10,934,069
United States Dollar	-	-
	<b>17,194,759</b>	<b>10,934,069</b>

## 11 Financial Assets at Fair Value through Other Comprehensive Income

As at 31 December	Bank/Group	
	2024	2023
	LKR '000	LKR '000
Debt Instruments		
- Government of Sri Lanka Treasury Bills	9,603,378	32,913,216
- Government of Sri Lanka Treasury Bonds	97,244,658	46,288,133
- Sri Lanka International Sovereign Bonds (Note 11.3)	-	697,025
Equity Instruments (Note 11.1)	166,841	24,529
	<b>107,014,877</b>	<b>79,922,903</b>

## Notes to the Financial Statements

### 11.1 Equity Instruments at Fair Value through Other Comprehensive Income

As at 31 December	Bank/Group	
	2024 LKR '000	2023 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 (2023-101 Ordinary Shares)	151,145	1
Society of Worldwide Interbank Financial Telecommunication (SWIFT) 8 Ordinary Shares (2023-12 Ordinary Shares)	11,106	19,938
	<b>166,841</b>	<b>24,529</b>

### 11.2 Analysis

As at 31 December	Bank/Group	
	2024 LKR '000	2023 LKR '000
By collateralisation		
Pledged as collateral	-	7,172,980
Unencumbered	107,014,877	72,749,923
	<b>107,014,877</b>	<b>79,922,903</b>
By currency		
Sri Lankan Rupee	107,003,771	79,205,939
United States Dollar	11,106	716,964
	<b>107,014,877</b>	<b>79,922,903</b>

### 11.3 Net Gains/(Losses) on Derecognition of Financial Assets at Fair Value through Other Comprehensive Income

For the Year Ended 31 December	Bank/Group	
	2024	2023
	LKR '000	LKR '000
Net Gains on derecognition of Financial Assets at Fair Value through Other Comprehensive Income	-	284,380
Net Losses on derecognition of Financial Assets at Fair Value through Other Comprehensive Income*	(142,447)	-
	(142,447)	284,380

\* Represent the loss from disposal of International Sovereign 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	
	2024	2023
	LKR '000	LKR '000
Government of Sri Lanka Treasury Bonds	96,281,877	86,890,669
Government of Sri Lanka Treasury Bills	-	1,932,828
US Treasury Bills	-	4,849,318
Sri Lanka International Sovereign Bonds (Note 12.5)	-	8,709,309
Quoted Debentures (Note 12.1)	514,240	514,201
Less: Provision for Impairment (Note 12.3)	(53)	(5,538,476)
	96,796,064	97,357,849

### 12.1 Quoted Debentures

As at 31 December		No of Debentures		LKR '000	
Company	Type	2024	2023	2024	2023
Commercial Leasing and Finance PLC	Unsecured, Redeemable Debentures	500,000	500,000	514,240	514,201
		500,000	500,000	514,240	514,201

## Notes to the Financial Statements

### 12.2 Analysis

As at 31 December	Bank/Group	
	2024 LKR '000	2023 LKR '000
By collateralisation		
Pledged as collateral	35,245,308	43,750,590
Unencumbered	61,550,756	53,607,259
	96,796,064	97,357,849
By currency		
Sri Lankan Rupee	96,796,064	89,337,556
United States Dollar	-	8,020,293
	96,796,064	97,357,849

### 12.3 Movement in Impairment during the year

	Bank/Group					
	2024			2023		
	Stage 01 LKR '000	Stage 02 LKR '000	Total LKR '000	Stage 01 LKR '000	Stage 02 LKR '000	Total LKR '000
<b>As at 01 January</b>	142	5,538,334	5,538,476	200	4,551,379	4,551,579
Net charge/(reversal) of impairment	(89)	-	(89)	(58)	2,276,927	2,276,869
Effect of change in foreign currency exchange rates	-	-	-	-	(522,119)	(522,119)
Financial assets derecognised or repaid (excluding write-off)	-	(5,538,334)	(5,538,334)	-	(767,853)	(767,853)
Write-off	-	-	-	-	-	-
<b>As at 31 December</b>	<b>53</b>	<b>-</b>	<b>53</b>	<b>142</b>	<b>5,538,334</b>	<b>5,538,476</b>

No impairment recognised under Stage 03 as at 31 December 2024 and 2023.

- 12.4** Considering the unprecedented changes in the macro-economic conditions and resulted changes to the business model of managing the assets, the Bank reclassified part 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 with effect from 1 April 2022, 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. There was no change to the effective interest rate used and interest income recognised on account of 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 2024 would have amounted to LKR 6,594 Mn (Amortised Cost of the remaining portfolio as at 31.12.2024 is 6,481 Mn) and would have resulted in a cumulative mark to market gain of LKR 112.485 Mn as at the reporting date.

### 12.5 Net Gains/(Losses) on Derecognition of Financial Assets at Amortised cost

For the Year Ended 31 December	Bank/Group	
	2024 LKR '000	2023 LKR '000
Net Losses on derecognition of Financial Assets at Amortised cost	(3,418,674)	-
	(3,418,674)	-

Represent the loss from disposal of International Sovereign 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 tables show reconciliations from the opening to closing balance of the gross carrying amounts and Impairment by Loans and Advances.

Bank/Group	2024				2023			
	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
Gross Loans & Advances as at 01st January	248,108,575	22,048,757	21,606,986	291,764,318	192,202,392	48,353,363	19,514,481	260,070,236
Transfer to Stage 1	4,988,015	(4,005,528)	(982,487)	-	13,857,055	(13,252,262)	(604,793)	-
Transfer to Stage 2	(10,512,615)	10,813,897	(301,282)	-	(5,988,097)	6,170,147	(182,050)	-
Transfer to Stage 3	(878,091)	(2,849,931)	3,728,022	-	(1,766,018)	(7,917,959)	9,683,977	-
New assets originated or purchased	165,934,254	9,698,729	66,971	175,699,954	158,609,087	6,433,642	255,235	165,297,964
Net Movement in Allowance for day 1 difference of staff loans*	40,007	-	-	40,007	(141,419)	-	-	(141,419)
Financial assets derecognised or repaid (excluding write-offs)	(146,340,842)	(10,569,125)	(4,860,769)	(161,770,736)	(110,392,366)	(19,826,352)	(4,970,654)	(135,189,372)
Write-offs	-	-	(1,779,962)	(1,779,962)	-	-	(3,596,650)	(3,596,650)
Changes to contractual cash flows due to modifications not resulting in derecognition	859,404	1,615,531	1,659,626	4,134,561	1,727,941	2,088,178	1,507,440	5,323,559
Gross Loans & Advances as at 31 December	262,198,707	26,752,330	19,137,105	308,088,142	248,108,575	22,048,757	21,606,986	291,764,318
Less: Provision for impairment (ECL) (Note 13.5)	(3,025,446)	(5,906,595)	(11,793,548)	(20,725,589)	(2,648,978)	(6,028,490)	(12,142,064)	(20,819,532)
Net Loan and Advances	259,173,261	20,845,735	7,343,557	287,362,553	245,459,597	16,020,267	9,464,922	270,944,786

Gross loans included under stage 1 reflects the balance net of allowance for day 1 difference of staff loans of LKR 770.65 Mn (2023 – LKR 810.65 Mn) (Note 14) which add on to LKR 308.86 Mn (2023 – LKR 292.57 Mn).

Gross amount of loans & advances individually determined to be impaired, before deducting individually assessed impairment allowance amounts to LKR 31,552 Mn (2023 – LKR 26,204 Mn).

Impairment provision made in respect of commitment and contingent liabilities amounts to LKR 1,291.88 Mn (2023 – LKR 1,290.74 Mn) 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	2024		2023	
	Rescheduled	Restructured	Rescheduled	Restructured
	LKR '000	LKR '000	LKR '000	LKR '000
Restructured/Rescheduled Loans During the Year	1,888,207	2,246,353	2,132,378	3,191,181
Restructured and Rescheduled loans upgraded and in Stage 01 at the Year End	915,301	2,481,161	1,527,706	2,578,035
Restructured and Rescheduled loans upgraded in previous years and reclassified to Stage 02 or 03 at the Year end	1,104,780	2,280,300	1,921,876	2,935,207

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	
	2024	2023
	LKR '000	LKR '000
Bills of Exchange	14,699	3,469
Trade Finance	95,901,421	89,399,465
Overdrafts	47,164,934	45,576,535
Term Loans	114,169,052	103,763,249
Staff Loans	3,818,152	3,477,105
Leases (Note 13.6)	23,109,775	23,943,559
Credit Cards	24,416,655	26,146,932
Pawning	1,184	1,741
Other Advances	262,917	262,917
	<b>308,858,789</b>	<b>292,574,972</b>

### 13.3 Gross Loans and Advances by Currency

As at 31 December	Bank/Group	
	2024	2023
	LKR '000	LKR '000
Sri Lankan Rupee	244,570,820	243,975,576
United States Dollar	64,234,313	48,548,788
Great Britain Pound	9,785	14,168
Others	43,871	36,440
	<b>308,858,789</b>	<b>292,574,972</b>

### 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

Bank/Group	2024				2023			
	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
<b>As at 1 January</b>	2,648,978	6,028,490	12,142,064	20,819,532	1,683,496	6,836,523	10,309,156	18,829,175
Transfer to Stage 1	500,518	(309-,395)	(191,123)	-	876,303	(639,444)	(236,859)	-
Transfer to Stage 2	(64,516)	137,489	(72,973)	-	(98,347)	152,065	(53,718)	-
Transfer to Stage 3	(28,527)	(875,630)	904,157	-	(53,410)	(1,286,157)	1,339,567	-
Net charge/(reversal) of impairment	(513,622)	1,089,182	2,390,144	2,965,704	(393,069)	1,982,950	4,731,794	6,321,675
Financial assets derecognised or repaid (excluding write-offs)	(888,587)	(187,467)	(1,731,253)	(2,807,307)	(398,758)	(1,829,638)	(1,277,804)	(3,506,200)
Write-offs	-	-	(1,779,956)	(1,779,956)	-	-	(3,596,650)	(3,596,650)
New assets originated or purchased including restructures and rechedulements	1,386,360	83,221	132,488	1,602,069	1,037,501	872,113	926,578	2,836,192
Effect of change in foreign currency exchange rates	(15,158)	(59,295)	-	(74,453)	(4,738)	(59,922)	-	(64,660)
<b>As at 31 December</b>	<b>3,025,446</b>	<b>5,906,595</b>	<b>11,793,548</b>	<b>20,725,589</b>	<b>2,648,978</b>	<b>6,028,490</b>	<b>12,142,064</b>	<b>20,819,532</b>

In response to improving trends in externalities prevailed during the year and the Bank's expectations of economic effects of the same, key assumptions used in the Bank's calculation of ECL have been updated as required. The Bank recorded a reversal from ECL overlay previously maintained to accommodate probable impact from any negative movements in macro economic indicators.

Further, as of the reporting date, the expected impacts have been captured via the modelled outcome as well as a separate management overlay reflecting the associated risks with both local and offshore customers. Staging of the facilities identified with an elevated risk was moved to a higher stage where necessary to capture the significant increase in credit risk. The Bank evaluated the total loan book during the identification of risk elevated customers. The additional ECL provisions as a management overlay are provided to absorb any potential economic shocks anticipated.

## Notes to the Financial Statements

## 13.6 Rental Receivable on Leases

As at 31 December	2024				2023			
	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 Receivables	10,927,609	17,303,891	1,361,392	29,592,892	11,915,325	16,512,163	2,800,620	31,228,108
Less : Unearned Income	(3,002,003)	(3,480,111)	(1,003)	(6,483,117)	(3,333,126)	(3,948,077)	(3,346)	(7,284,549)
Net Rentals Receivables	7,925,606	13,823,780	1,360,389	23,109,775	8,582,199	12,564,086	2,797,274	23,943,559
Less : Allowance for Impairment Losses	-	-	-	(1,174,252)	-	-	-	(1,343,083)
Total Net Rentals Receivables	7,925,606	13,823,780	1,360,389	21,935,523	8,582,199	12,564,086	2,797,274	22,600,476

## 14 Other Assets

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Deposits and Prepayments	3,034,403	1,296,562	3,042,991	1,305,117
Unamortised Staff Cost (Note 13)	770,645	810,653	770,645	810,653
Other Receivables	1,166,519	1,261,218	1,174,388	1,285,688
Less: Impairment for Other Receivables (Note 14.1)	(14,167)	(15,781)	(22,015)	(23,629)
	4,957,400	3,352,652	4,966,009	3,377,829

**14.1 Movement in Impairment during the year**

	Bank		Group	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
<b>As at 01 January</b>	15,781	19,325	23,629	27,174
Charge / (Reversal) to income statement (Note 36)	2,651	5,852	2,651	5,852
Write -off during the Year	(4,265)	(9,396)	(4,265)	(9,397)
<b>As at 31 December</b>	14,167	15,781	22,015	23,629

**15 Investments in Subsidiaries**

Unquoted

	Country of Incorporation	Bank			
		2024 Holding %	2023 Holding %	2024 Cost LKR '000	2023 Cost LKR '000
<b>As at 31 December</b>					
<b>Name of Company</b>					
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





## 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 - 2024	1,530,000	163,972	1,644,750	187,198	114,750	23,227	137,977
No.76, York Street Fort, Colombo 01	31 - 12 - 2024	219,000	41,883	226,590	60,040	7,590	18,157	25,747
<b>Total - Bank</b>		1,749,000	205,855	1,871,340	247,238	122,340	41,384	163,724
No.46/58, Navam Mawatha, Colombo 02	31 - 12 - 2024	-	736,484	-	941,877	-	205,393	205,393
<b>Total - Group</b>		1,749,000	942,339	1,871,340	1,189,115	122,340	246,777	369,117

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 (ROU) 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 2024 was at 12.4% (2023 - 18.8%)

#### 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
<b>Gross Carrying Amount</b>								
As at 01 January 2023	2,623,871	212,169	51,838	2,887,878	2,261,765	212,169	51,838	2,525,772
Other Adjustments	404,703	-	78,075	482,778	404,703	-	78,075	482,778
Additions	233,602	-	-	233,602	233,602	-	-	233,602
Disposals / Derecognition	(438,151)	-	(40,655)	(478,806)	(438,151)	-	(40,655)	(478,806)
As at 31 December 2023	2,824,025	212,169	89,258	3,125,452	2,461,919	212,169	89,258	2,763,346
Other Adjustment	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
<b>Depreciation</b>								
As at 01 January 2023	1,224,307	127,689	43,422	1,395,418	1,042,968	127,689	43,422	1,214,079
Other adjustments	110,561	-	(4,961)	105,600	110,561	-	(4,961)	105,600
Depreciation charge for the year	427,034	34,417	26,602	488,053	336,507	34,417	26,602	397,526
Disposals / Derecognition	(182,913)	-	-	(182,913)	(182,914)	-	-	(182,914)
As at 31 December 2023	1,578,989	162,106	65,063	1,806,158	1,307,122	162,106	65,063	1,534,291
Other Adjustment	-	-	(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
<b>Net Book Value</b>								
As at 01 January 2023	1,399,564	84,480	8,416	1,492,460	1,218,797	84,480	8,416	1,311,693
As at 31 December 2023	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

- 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 (ROU) Assets has been carried out and the results are as follows;

	Bank		Group	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Change in incremental borrowing rate (%)				
+1%	1,275,610	1,281,003	1,275,610	1,192,218
-1%	1,351,782	1,360,780	1,351,782	1,268,465

- 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 LKR '000	Group LKR '000
<b>As at 01 January 2023</b>	1,634,798	1,426,697
Adjustment to previous year opening balance	98,342	98,900
Additions	233,602	233,602
Accretion of interest	169,752	151,154
Disposal	(4,089)	(4,089)
Payments	(665,642)	(552,712)
<b>As at 31 December 2023</b>	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)
<b>As at 31 December 2024</b>	1,428,044	1,435,146

## Notes to the Financial Statements

### 18 Intangible Assets

	Bank	Group
	LKR '000	LKR '000
<b>Computer Software</b>		
<b>Cost</b>		
<b>As at 01 January 2023</b>	3,951,729	3,952,598
Additions	301,621	301,621
Capital WIP - Additions during the year	256,494	256,494
Capital WIP - Capitalised during the year	(160,484)	(160,484)
<b>As at 31 December 2023</b>	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)
<b>As at 31 December 2024</b>	4,566,047	4,567,028
<b>Amortisation</b>		
<b>As at 01 January 2023</b>	2,666,621	2,666,877
Charge for the year	329,319	329,443
<b>As at 31 December 2023</b>	2,995,940	2,996,320
Charge for the year	330,402	330,527
Write-offs	(168,746)	(168,746)
<b>As at 31 December 2024</b>	3,157,596	3,158,101
<b>Net Book Value</b>		
<b>As at 01 January 2023</b>	1,285,108	1,285,721
<b>As at 31 December 2023</b>	1,353,420	1,353,909
<b>As at 31 December 2024</b>	1,408,451	1,408,927

During the financial year, the Bank acquired intangible assets to the aggregate value of LKR 27.7 Mn (2023- LKR 141 Mn). Payments amounting to LKR 623.89 Mn (2023- LKR 397.6 Mn) were made during the year for purchase of intangible assets. During the financial year, the Group acquired intangible assets to the aggregate value of LKR 27.9 Mn. Payments amounting to LKR 624 Mn were made during the year for purchase of intangible assets.

## 19 Due to Banks

As at 31 December	Bank/Group	
	2024	2023
	LKR '000	LKR '000
Money Market Borrowing	14,354,676	750,579
Securities Sold under Repurchase Agreements (Repo) (Note 8.2)	12,531,500	48,291,455
Deposits from Other Banks	517,181	639,629
	27,403,357	49,681,663

## 20 Financial Liabilities at Amortised Cost

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Due to Depositors (Note 20.1.1)	384,784,916	349,533,404	384,655,365	347,768,600
Securities Sold under Repurchase Agreements (Repo) (Note 8.2)	21,985,170	7,064,447	19,528,900	6,631,325
Due to Other Borrowers (Note 20.2)	9,111,275	18,613,640	9,118,377	18,500,429
	415,881,361	375,211,491	413,302,642	372,900,354

### 20.1 Analysis of Amount due to Depositors

#### 20.1.1 By Product

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Demand Deposits	38,225,292	34,668,206	38,176,392	34,663,916
Savings Deposits	81,310,735	73,933,880	81,310,735	73,933,880
Time Deposits	265,248,889	240,931,318	265,168,238	239,170,804
	384,784,916	349,533,404	384,655,365	347,768,600

#### 20.1.2 By Currency

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Sri Lankan Rupee	265,289,578	232,019,089	265,160,027	230,254,285
United States Dollar	112,265,997	108,218,141	112,265,997	108,218,141
Great Britain Pound	2,779,746	2,827,166	2,779,746	2,827,166
Others	4,449,595	6,469,008	4,449,595	6,469,008
	384,784,916	349,533,404	384,655,365	347,768,600

## Notes to the Financial Statements

### 20 Financial Liabilities at Amortised Cost (Contd.)

#### 20.2 Due to Other Borrowers

As at 31 December	Bank		Group	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Development Finance Institutions (DFI)	-	9,674,873	-	9,674,873
Refinance Borrowings	7,683,231	5,339,344	7,683,231	5,339,344
Financial Institutions	-	2,132,659	-	2,132,659
Operating Lease Liability	1,428,044	1,466,764	1,435,146	1,353,553
	<b>9,111,275</b>	<b>18,613,640</b>	<b>9,118,377</b>	<b>18,500,429</b>

### 21 Debt Securities Issued

As at 31 December	Bank/Group	
	2024 LKR '000	2023 LKR '000
<b>Subordinated Debt Securities Issued by the Bank</b>		
Rated, Unsecured, Redeemable Debentures (Note 21.1)	1,803,753	4,510,300
<b>Senior Debt Securities Issued by the Bank</b>		
Unlisted, Rated, Unsecured, Senior, Redeemable Debentures (Note 21.1)	4,175,940	4,176,033
	<b>5,979,693</b>	<b>8,686,333</b>

## 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 2024			Interest Rates 2024		Interest rate of Comparable Government Securities		Other Ratios as at date of Last Trade	
						Highest	Lowest	Year End	Coupon Rate	Effective Annual Yield	2024	2023	Interest Yield	Yield to Maturity
						LKR '000	LKR	LKR	(%)	(%)	%	%	%	%
For the Year Ended 31 December														
<b>Listed Debentures</b>														
Fixed Rate	** NTB-BD-23/12/24 - C2441 - 12.8	Annually	23-Dec-19	23-Dec-24	-	2,700,000	Not traded during the current period	12.80	12.80	-	13.56	Not traded during the current period		
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	9.42	13.68	Not traded during the current period		
<b>Unlisted Debentures</b>														
Fixed Rate	N/A	Semi-Annually	09-Jul-21	09-Jul-26	449,760	449,760	N/A	8.90	9.10	9.27	13.64	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	9.27	13.64	N/A		
<b>Total Debt Securities Issued</b>					<b>5,800,000</b>	<b>8,500,000</b>								

### Ratios of Debt

	2024	2023
* Debt / Equity Ratio %	15.21	41.54
Interest Cover (Times)	14.71	7.38
Quick Asset Ratio %	133.76	119.88

\* Borrowings of which original maturity with five years or more are considered for debt.

\*\* BASEL III compliant Debentures.

**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 2024.

## Notes to the Financial Statements

### 22 Retirement Benefit Obligations

The employee benefit liability is based on the actuarial valuation as of 31 December 2024, 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:

	2024	2023
Rate of Discount	11.00%	13.50%
Rate of Salary Increase	10.00%	12.00%
Retirement Age	60 years	60 years

#### 22.1 Net Benefit Expense Categorised under Personnel Expenses;

	Bank		Group	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Interest Cost	143,839	176,799	144,056	178,790
Current Service Cost	143,622	130,813	144,414	131,689
	287,461	307,612	288,470	310,479

#### 22.2 Changes in the Present Value of the Retirement Benefit Plan are as follows;

	Bank		Group	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
<b>As at 01 January</b>	1,242,223	942,933	1,250,916	953,715
Interest Cost (Note 22.1)	143,839	176,799	144,056	178,790
Current Service Cost (Note 22.1)	143,622	130,813	144,414	131,689
Benefits Paid	(166,541)	(163,927)	(170,886)	(165,421)
Gratuity Payable	(20,072)	(9,518)	(20,072)	(9,517)
Actuarial (Gain)/ Loss	114,812	165,123	120,891	161,660
<b>As at 31 December</b>	1,457,883	1,242,223	1,469,319	1,250,916

**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					Group			
2024					2023			
Salary Escalation Rate	Discount Rate	PVDBO	Effect on Other Comprehensive Income		Salary Escalation Rate	Discount Rate	PVDBO	Effect on Other Comprehensive Income
		LKR '000	LKR '000				LKR '000	LKR '000
10.0%	12.00%	1,417,503	51,816		12.0%	14.50%	1,185,919	64,997
10.0%	10.00%	1,525,288	(55,969)		12.0%	12.50%	1,275,624	(24,708)
11.0%	11.00%	1,531,902	(62,583)		13.0%	13.50%	1,281,269	(30,352)
9.0%	11.00%	1,410,409	58,910		11.0%	13.50%	1,179,910	71,006

**22.4** Average future working life time as per the assumptions made in year 2024 is 4.09 years (Year 2023- 4.3 years).

**22.5** Maturity profile of the defined benefit obligation as at 31 December is as follows;

Future Working Life Time	Group	
	2024	2023
	LKR '000	LKR '000
Within the next 12 months	305,232	275,502
Between 1 - 2 years	441,765	368,157
Between 2 - 5 years	370,740	301,944
Between 5 - 10 years	266,950	232,584
Beyond 10 years	84,632	72,729
	1,469,319	1,250,916

Weighted average duration of defined benefit obligation is 4.0 years (2023- 4.1 years).

## 23 Current Tax Liabilities

	Bank		Group	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
<b>As at 01 January</b>	5,618,515	5,179,372	5,667,233	5,242,809
Payments made / Tax credits set off	(8,594,255)	(7,220,232)	(8,738,004)	(7,411,113)
Charge for the year	7,263,653	7,571,375	7,408,538	7,747,537
(Over)/Under Provisions for the Previous Year	302,477	88,000	302,477	88,000
<b>As at 31 December</b>	4,590,390	5,618,515	4,640,244	5,667,233

The Bank computed the income tax liability for the year of assessment 2024/25 at the rate of 30%.

## Notes to the Financial Statements

## 24 Other Liabilities

As at 31 December	Bank		Group	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Accounts Payable and Sundry Creditors	5,716,023	5,604,743	5,745,577	5,633,161
Obligations under Financial Guarantees (Note 24.1)	205,300	199,981	205,300	199,981
Margin Balances	640,531	713,687	640,531	713,687
Pay Orders	284,859	975,226	284,859	975,226
Share Based Payments (Note 24.2)	215,024	142,858	215,024	142,858
Impairment in respect of off-balance sheet credit exposure (Note 24.3)	1,291,884	1,290,742	1,291,884	1,290,742
Others	4,516,310	7,193,447	4,558,206	7,207,386
	<b>12,869,931</b>	<b>16,120,684</b>	<b>12,941,381</b>	<b>16,163,041</b>

24.1 The movement in 'Obligations under Financial Guarantees' during the year is as follows;

	Bank/Group	
	2024 LKR '000	2023 LKR '000
<b>As at 01 January</b>	<b>199,981</b>	198,867
Income recognised during the year	(555,878)	(685,097)
Arising during the Year	561,197	686,211
<b>As at 31 December</b>	<b>205,300</b>	199,981

## 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		Total	
	Number of SARs	Value LKR '000												
<b>As at 01 January 2023</b>	816,333	3,195	962,511	19,680	1,188,758	34,414	1,500,000	12,383	-	-	-	-	4,467,602	69,672
Granted during the year	-	-	-	-	-	-	-	-	1,500,000	24,610	-	-	1,500,000	24,610
Exercised during the year	(686,093)	(27,484)	(962,233)	(52,499)	(262,663)	(2,687)	(157,036)	(1,666)	-	-	-	-	(2,068,025)	(84,336)
Cancelled during the year	(70,909)	(278)	(21,671)	(443)	(29,871)	(865)	(149,513)	(1,234)	-	-	-	-	(271,964)	(2,820)
Forfeited during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase in ESAR due to scrip issue	99,747	390	122,186	2,498	72,019	2,085	91,058	752	-	-	-	-	385,010	5,725
Movement of ESAR during the Period	-	32,533	-	38,268	-	24,461	-	34,745	-	-	-	-	-	130,007
<b>As at 31 December 2023</b>	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
<b>As at 31 December 2024</b>	-	-	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

## Notes to the Financial Statements

## 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	2024		2023	
	LKR '000		LKR '000	
Scheme 3	-		8,356	
Scheme 4	6,433		7,504	
Scheme 5	50,808		57,408	
Scheme 6	59,402		44,980	
Scheme 7	61,610		24,610	
Scheme 8	36,771		-	
	215,024		142,858	

The following table lists the input to the model used for valuation of the liability under ESARs as at 31 December each year.

Cost	2024								2023									
	Scheme 3	Scheme 4	Scheme 5	Scheme 6	Scheme 7	Scheme 8	Scheme 3	Scheme 4	Scheme 5	Scheme 6	Scheme 7	Scheme 8	Scheme 3	Scheme 4	Scheme 5	Scheme 6	Scheme 7	
Dividend Yield	1.46%	1.46%	1.46%	1.46%	1.46%	1.46%	1.46%	1.46%	1.46%	1.46%	1.46%	1.46%	3.77%	3.77%	3.77%	3.77%	3.77%	3.77%
Expected Volatility	30.98%	30.98%	30.98%	30.98%	30.98%	30.98%	30.98%	30.98%	30.98%	30.98%	30.98%	30.98%	38.00%	38.00%	38.00%	38.00%	38.00%	38.00%
Risk Free Interest Rate	8.81%	8.81%	8.81%	8.81%	8.81%	8.81%	8.81%	8.81%	8.81%	8.81%	8.81%	8.81%	12.70%	12.70%	12.70%	12.70%	12.70%	12.70%
Employee Turnover	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
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	0.25 Years	1.25 Years	2.25 Years	3.25 Years	4.25 Years	4.25 Years	4.25 Years
Weighted Average Share Price on Grant Date	89.61	72.26	54.98	48.75	62.00	112.00	89.61	72.26	54.98	48.75	62.00	89.61	72.26	54.98	48.75	48.75	62.00	62.00
Adjusted Share Price on Grant Date	79.52	64.12	47.80	45.03	60.74	171.46	79.52	64.12	48.79	45.96	62.00	79.52	64.12	48.79	45.96	45.96	62.00	62.00

### 24.3 Impairment Provision (ECL) for Off-Balance Sheet Credit Exposure

Provision for Impairment (ECL)	Bank/Group							
	2024				2023			
	Stage 01 LKR '000	Stage 02 LKR '000	Stage 03 LKR '000	Total LKR '000	Stage 01 LKR '000	Stage 02 LKR '000	Stage 03 LKR '000	Total LKR '000
As at 01 January	1,157,083	96,442	37,218	1,290,743	756,651	146,636	68,549	971,836
Transfer to Stage 1	32,890	(32,890)	-	-	44,049	(35,295)	(8,754)	-
Transfer to Stage 2	(10,389)	10,389	-	-	(5,586)	5,838	(252)	-
Transfer to Stage 3	(956)	(1,655)	2,611	-	(2,433)	(2,702)	5,135	-
Net charge/(reversal) of impairment	(79,628)	19,485	(2,094)	(62,237)	172,824	19,298	12,321	204,443
Net change in new exposures originated or purchased/exposures derecognised or repaid (excluding write-offs)	119,071	(12,752)	(36,531)	69,788	194,515	(35,022)	(39,781)	119,712
Effect of change in foreign currency exchange rates	(6,380)	(30)	-	(6,410)	(2,937)	(2,311)	-	(5,248)
As at 31 December	1,211,691	78,989	1,204	1,291,884	1,157,083	96,442	37,218	1,290,743

The following table show reconciliations from the opening to closing balance of gross carrying values of Commitments and Contingencies relating to above impairment.

Gross Carrying Amount	Bank/Group							
	2024				2023			
	Stage 01 LKR '000	Stage 02 LKR '000	Stage 03 LKR '000	Total LKR '000	Stage 01 LKR '000	Stage 02 LKR '000	Stage 03 LKR '000	Total LKR '000
As at 01 January	209,322,934	4,497,882	2,322,109	216,142,925	165,546,275	13,514,626	2,469,909	181,530,810
Transfer to Stage 1	646,462	(646,462)	-	-	1,558,387	(1,558,387)	-	-
Transfer to Stage 2	566,553	(566,553)	-	-	(535,578)	535,578	-	-
Transfer to Stage 3	-	-	-	-	(37,589)	(31,958)	69,547	-
Net change in new exposures originated or purchased/exposures derecognised or repaid (excluding write-offs)	49,880,219	2,174,221	(1,951,762)	50,102,678	42,791,439	(7,961,977)	(217,347)	34,612,115
As at 31 December	260,416,168	5,459,088	370,347	266,245,603	209,322,934	4,497,882	2,322,109	216,142,925

## Notes to the Financial Statements

## 25 Deferred Taxation

Bank

	2024			2023						
	1/1/2024 DTL/(DTA)	Recognised in P&L	Recognised in OCI	Recognised in Revaluation Reserves	31/12/2024 DTL/(DTA)	1/1/2023 DTL/(DTA)	Recognised in P&L	Recognised in OCI	Recognised in Revaluation Reserves	31/12/2023 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	118,118	(34,392)	-	-	83,726	131,112	(12,994)	-	-	118,118
Accelerated depreciation allowances for tax purposes- lease rentals receivable	6,295	(6,295)	-	-	-	94,737	(88,442)	-	-	6,295
Net gains on re-measuring of financial assets at FVOCI	1,674,969	-	982,911	-	2,657,879	23	-	1,674,945	-	1,674,968
Revaluation of land and building	405,486	-	-	49,117	454,603	4,054,86	-	-	-	4,054,86
Share based payments	(42,859)	(21,650)	-	-	(64,509)	(21,788)	(21,071)	-	-	(42,859)
Retirement benefit plan – Gratuity	(419,771)	(30,254)	(34,444)	-	(484,469)	(308,198)	(62,036)	(49,537)	-	(419,771)
Retirement benefit plan – Gratuity (Other)	-	47,102	-	-	47,102	-	-	-	-	-
Impairment on Loans and Advances and Other Financial Assets at Amortised Cost	(5,000,630)	1,271,285	-	-	(3,729,345)	(4,190,542)	(810,088)	-	-	(5,000,630)
Operating Lease	(75,875)	(3,428)	-	-	(79,303)	(73,402)	(2,473)	-	-	(75,875)
	(3,334,268)	1,222,368	948,467	49,117	(1,114,316)	(3,962,572)	(997,104)	1,625,408	-	(3,334,268)

## Group

	2024			2023						
	1/1/2024 DTL/(DTA)	Recognised in P&L	Recognised in OCI	Recognised in Revaluation Reserves	31/12/2024 DTL/(DTA)	1/1/2023 DTL/(DTA)	Recognised in P&L	Recognised in OCI	Recognised in Revaluation Reserves	31/12/2023 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	126,493	(35,270)	-	-	91,223	140,101	(13,608)	-	-	126,493
Accelerated depreciation allowances for tax purposes- lease rentals receivable	6,295	(6,295)	-	-	-	94,737	(88,442)	-	-	6,295
Net gains on re-measuring of financial assets at FVOCI	1,674,969	-	982,911	-	2,657,880	23	-	1,674,945	-	1,674,969
Revaluation of land and building	593,037	-	-	110,735	703,772	593,037	-	-	-	593,037
Share based payments	(42,858)	(21,650)	-	-	(64,508)	(21,788)	(21,071)	-	-	(42,858)
Retirement benefit plan – Gratuity	(422,471)	(29,159)	(36,267)	-	(487,897)	(311,431)	(62,541)	(48,498)	-	(422,471)
Retirement benefit plan – Gratuity (Other)	-	47,102	-	-	47,102	-	-	-	-	-
Impairment on Loans and Advances and Other Financial Assets at Amortised Cost	(5,002,986)	1,271,278	-	-	(3,731,708)	(4,192,898)	(810,088)	-	-	(5,002,986)
Operating Lease	(76,415)	(2,899)	-	-	(79,314)	(73,584)	(2,831)	-	-	(76,415)
	(3,143,936)	1,223,107	946,644	110,735	(863,450)	(3,771,803)	(998,581)	1,626,447	-	(3,143,936)

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		Bank/Group	
	2024		2023	
	Number	LKR '000	Number	LKR '000
<b>Ordinary Shares - Voting</b>				
<b>Issued and fully paid</b>				
As at 01 January	276,248,008	8,053,768	260,428,814	7,167,872
Scrip Dividend	5,716,050	587,203	15,818,221	885,820
Conversion of Non Voting Shares to Voting Shares	13,456	1,046	973	76
<b>As at 31 December</b>	<b>281,977,514</b>	<b>8,642,017</b>	<b>276,248,008</b>	<b>8,053,768</b>
<b>Ordinary Shares - Convertible Non Voting</b>				
<b>Issued and fully paid</b>				
As at 01 January	43,371,952	3,373,114	41,045,753	3,233,560
Scrip Dividend	864,237	92,187	2,327,172	139,630
Conversion of Non Voting Shares to Voting Shares	(13,456)	(1,046)	(973)	(76)
<b>As at 31 December</b>	<b>44,222,733</b>	<b>3,464,255</b>	<b>43,371,952</b>	<b>3,373,114</b>
<b>Total Ordinary Shares/Stated Capital as at 31 December</b>	<b>326,200,247</b>	<b>12,106,272</b>	<b>319,619,960</b>	<b>11,426,882</b>

## 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 any subsequent amendments there on. 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	
	2024	2023
	LKR '000	LKR '000
As at 01 January	2,783,805	2,228,472
Transfers during the year (Note 28)	826,613	555,333
<b>As at 31 December</b>	<b>3,610,418</b>	<b>2,783,805</b>

## Notes to the Financial Statements

### 28 Retained Earnings

	Bank		Group	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
As at 01 January	39,879,971	30,650,134	41,623,436	32,026,947
Total Comprehensive Income	16,451,898	10,991,067	16,717,808	11,357,719
Scrip Dividends for 2023	(1,597,817)	(1,205,722)	(1,597,817)	(1,205,722)
Fractions of shares paid in cash for 2023	(283)	(175)	(283)	(175)
Transfers to Reserve Fund (Note 27.2)	(826,613)	(555,333)	(826,613)	(555,333)
<b>As at 31 December</b>	<b>53,907,156</b>	<b>39,879,971</b>	<b>55,916,531</b>	<b>41,623,436</b>

### 29 Other Reserves

#### 29.1 Other Comprehensive Income (OCI) Reserve

	Bank/Group	
	2024 LKR '000	2023 LKR '000
As at 01 January	3,908,263	56
Net change in Fair value during the year	3,276,369	5,582,838
Changes in Allowance for Expected Credit Losses	-	314
Deffered tax relating to the above	(982,911)	(1,674,945)
<b>As at 31 December</b>	<b>6,201,721</b>	<b>3,908,263</b>

## 29.2 Revaluation Reserve

	Bank		Group	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
<b>As at 01 January</b>	946,133	946,133	1,383,751	1,383,751
Revaluation Surplus during the year	163,724	-	369,117	-
Deferred Tax (charge) / reversal relating to revaluation	(49,117)	-	(110,735)	-
<b>As at 31 December</b>	<b>1,060,740</b>	946,133	<b>1,642,133</b>	1,383,751

## 30 Interest Income

For the Year Ended 31 December	Bank		Group	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Cash and Cash Equivalents	538,962	1,228,206	538,962	1,228,206
Financial Assets Recognised through Profit or Loss				
- Measured at fair value	1,287,057	1,377,443	1,287,057	1,377,443
Financial Assets at Amortised Cost				
- Loans and Advances to Customers	35,475,309	43,118,804	35,475,309	43,118,804
- Reverse Repurchase Agreements	89,169	370,220	89,169	370,220
- Debt Instruments	14,652,202	11,006,709	14,654,164	11,006,709
Financial Assets Measured at Fair Value through Other Comprehensive Income	12,150,791	13,267,671	12,150,791	13,267,671
Interest Income from Interest Bearing Deposits	51,818	-	51,818	-
Interest Income Accrued on Impaired Financial Assets	(234,266)	188,900	(234,266)	188,900
	<b>64,011,042</b>	70,557,953	<b>64,013,004</b>	70,557,953

### a) Net Interest Income from Sri Lanka Government Securities

	Bank/Group	
	2024 LKR '000	2023 LKR '000
Interest income	27,849,476	25,571,933
Less: Interest expenses	-	-
	<b>27,849,476</b>	25,571,933

## Notes to the Financial Statements

### 31 Interest Expense

For the Year Ended 31 December	Bank		Group	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Due to banks	239,015	203,164	239,015	203,164
Financial liabilities at amortised cost				
- Due to customers	22,253,088	28,704,916	22,213,675	28,409,842
- Repurchase Agreements	3,441,928	3,449,899	3,254,288	3,411,434
- Due to Debt Security Holders	942,319	1,082,896	942,319	1,082,896
- Due to Other Borrowers	1,207,291	2,346,661	1,207,291	2,346,661
- Interest Expense on Lease Liabilities	246,361	169,752	239,265	151,154
- Others	415	1,115	1,435	1,925
	28,330,417	35,958,403	28,097,288	35,607,076

### 32 Net Fee and Commission Income

#### 32.1 Fee and Commission Income

For the Year Ended 31 December	Bank		Group	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Card Related Fee and Commission	4,871,335	4,300,880	4,871,335	4,300,880
Commission on Trade Finance Facilities and Remittances	1,770,220	1,921,368	1,770,220	1,921,368
Commission on Services-Loans	1,338,047	803,594	1,338,047	803,594
Commission on Services-Deposits	602,845	479,857	602,845	479,857
Other Fees	719,882	619,694	919,461	828,901
	9,302,329	8,125,393	9,501,908	8,334,600

#### 32.2 Fee and Commission Expenses

For the Year Ended 31 December	Bank		Group	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Brokerage Fee	(57,626)	(30,629)	(57,626)	(30,629)
Card Related Fee	(1,317,563)	(1,118,826)	(1,317,563)	(1,118,826)
Other	(60,353)	(84,691)	(60,353)	(84,694)
	(1,435,542)	(1,234,146)	(1,435,542)	(1,234,149)

### 33 Net Gain/ (Loss) from Trading

For the Year Ended 31 December	Bank/Group	
	2024	2023
	LKR '000	LKR '000
Foreign Exchange		
- From Banks	(5,654,360)	(4,454,486)
- From Other Customers	1,848,406	2,068,881
Realised Gains/(Losses) on Financial Investments at Fair Value through Profit or Loss	1,589,126	1,831,899
Derivative Financial Instruments	505,283	(713,387)
	(1,711,545)	(1,267,093)

### 34 Net Fair Value Gains/ (Losses) from Financial Instruments at Fair Value through Profit or Loss

For the Year Ended 31 December	Bank/Group	
	2024	2023
	LKR '000	LKR '000
Net Gains on financial assets at fair value through profit or loss	425,253	187,912
Net Losses on financial assets at fair value through profit or loss	-	-
	425,253	187,912

### 35 Net Other Operating Income/(Loss)

For the Year Ended 31 December	Bank		Group	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Dividend Income	11,179	6,403	11,179	6,403
Gain/(Loss) on Sale of Property, Plant and Equipment and Intangible Assets	(24,802)	4,159	(24,739)	4,159
Gain/(Loss) on Revaluation of Foreign Exchange	3,401,326	2,045,377	3,401,326	2,045,377
Other Non-Trading Foreign Exchange	662,839	525,303	662,839	525,303
Recovery of Loans Written -Off	991,763	1,011,187	991,763	1,011,187
Others	224,848	182,656	225,136	182,656
	5,267,153	3,775,085	5,267,504	3,775,085

## Notes to the Financial Statements

### 36 Impairment Charges

For the Year Ended 31 December	Note	Bank/Group	
		2024 LKR '000	2023 LKR '000
Financial Assets at Amortised Cost – Loans and Advances			
Stage 1	13.5	(391,624)	(970,220)
Stage 2	13.5	62,603	748,111
Stage 3	13.5	(1,431,445)	(5,429,558)
Financial Assets at Amortised Cost – Debt Instruments			
Stage 1	12.3	-	-
Stage 2	12.3	4,966,975	(1,509,074)
Stage 3	12.3	-	-
Financial Assets at Fair Value through Other Comprehensive Income – Debt Instruments			
Stage 1	29.1	-	-
Stage 2	29.1	-	(314)
Stage 3	29.1	-	-
Financial Assets at Amortised Cost– Others			
Stage 1	6.2	2,990	15,424
Stage 2		-	-
Stage 3	14.1	(5,506)	(30,178)
Contingent Liabilities and Commitments			
Stage 1	24.3	(60,988)	(403,370)
Stage 2	24.3	17,423	47,884
Stage 3	24.3	36,014	31,332
<b>Total Impairment Loss</b>		<b>3,196,442</b>	<b>(7,499,963)</b>

#### 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 169Mn (2023: LKR 292 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 2024 would have reduced by approximately 5.0% (2023 – 5.6%). The total loans and advances in stage 2 as of 31 December 2024 amount to LKR 26,752Mn.
- 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 2024 would have further increased by approximately 13.28% (2023 – 15.7%). The total loans and advances in stage 1 as of 31 December 2024 amount to LKR 262,969Mn.

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)	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
1%	42,670	43,694	73,295	76,392	44,458	43,327
5%	213,349	218,471	366,476	381,960	222,788	216,637
10%	426,699	436,942	732,952	763,921	445,575	433,273

### 37 Personnel Expenses

For the Year Ended 31 December	Bank		Group	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Salaries and Bonus	6,343,860	5,287,680	6,377,786	5,311,436
Non-statutory special payments to Directors/CEO & KMP at termination of employment or at retirement	-	-	-	-
Employee Benefits - Defined Contribution Plan	673,998	576,227	677,871	579,786
Employee Benefits - Defined Benefit Plan (Note 22.1)	287,461	307,612	288,470	310,479
Share Based Payments (Note 24.2)	102,619	157,522	102,619	157,522
Amortisation of Staff Loan Day one Difference	89,044	39,484	89,044	39,484
Other Allowances	1,024,311	1,037,375	1,027,197	1,042,588
	8,521,293	7,405,900	8,562,987	7,441,295

### 38 Other Operating Expenses

For the Year Ended 31 December	Bank		Group	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Operating Lease Expenses	146,415	154,936	146,415	154,936
Professional Fees	19,740	19,767	20,623	21,187
Auditors Fees and Expenses	11,256	10,050	12,471	11,135
Non Audit fees and Expenses to Auditors	3,792	3,856	3,981	3,856
Directors' emoluments	43,844	34,471	43,844	34,471
Legal Fees	19,216	13,223	19,216	13,223
Transport	203,645	252,068	203,735	252,111
Office Administration and Establishment	4,976,929	5,144,871	4,996,613	5,172,228
	5,424,837	5,633,242	5,446,897	5,663,147

## Notes to the Financial Statements

### 39 Taxes and Levies on Financial Services

For the Year Ended 31 December	Bank		Group	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Value Added Tax (VAT)	6,037,276	4,507,065	6,039,416	4,509,756
Social Security Contribution Levy (SSCL)	848,518	635,096	848,518	635,096
	6,885,794	5,142,161	6,887,934	5,144,852

### 40 Income Tax Expense

#### 40.1 Reconciliation between Tax Expense and the Product of Accounting Profit

A reconciliation between the tax expense and the accounting profit multiplied by Government of Sri Lanka's tax rate for the years ended 31 December 2024 and 2023 is as follows;

For the Year Ended 31 December	Bank		Group	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Accounting profit before taxation	25,320,760	17,768,924	25,736,557	18,307,837
Tax effect on accounting profit	7,596,230	5,330,686	7,720,967	5,492,360
Tax effect on deductible income	(1,015,482)	(251,116)	(1,015,482)	(251,116)
Tax effect on non deductible expenses	1,858,167	1,494,701	1,879,061	1,507,712
Under/ (Over) provision for previous years	349,579	88,000	349,579	88,000
Tax Expense	8,788,494	6,662,271	8,934,125	6,836,956

The Group tax expense is based on the taxable profit of each Company, since at present the tax laws do not provide for Group taxation.

## 41 Basic / Diluted Earnings Per Share

### 41.1 Earnings Per Share - Basic / Diluted

For the Year Ended 31 December	Bank		Group	
	2024	2023	2024	2023
<b>Amount Used as the Numerator:</b>				
Net Profit Attributable to Ordinary Shareholders (LKR '000)	16,532,266	11,106,653	16,802,432	11,470,881
<b>No of Ordinary Shares Used as the Denominator:</b>				
Weighted Average Number of Ordinary Shares (Note 41.2)	330,640,520	330,640,520	330,640,520	330,640,520
<b>Basic / Diluted Earnings per Share (LKR)</b>	<b>50.00</b>	<b>33.60</b>	<b>50.82</b>	<b>34.70</b>

### 41.2 Weighted Average Number of Ordinary Shares

Except for the scrip dividend declared for 2024 (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	
	2024 LKR '000	2023 LKR '000
<b>Dividends on Ordinary Voting Shares:</b>		
First and Final dividend for 2023: LKR 5.00 per share	1,381,307	-
First and Final dividend for 2022: LKR 4.00 per share	-	1,041,715
<b>Dividends on Ordinary Non-Voting Shares:</b>		
First and Final dividend for 2023: LKR 5.00 per share	216,793	-
First and Final dividend for 2022: LKR 4.00 per share	-	164,183
	<b>1,598,100</b>	<b>1,205,898</b>

Dividends for the year 2023 were paid in the form of cash and Scrip whilst the dividends for year 2022 were paid in the form of Scrip.

## Notes to the Financial Statements

### 42.2 Declared by the Board of Directors

(Not recognised as a Liability as at 31 December)

As at 31 December	Bank/Group	
	2024 LKR '000	2023 LKR '000
<b>Dividends on Ordinary Voting Shares:</b>		
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
<b>Dividends on Ordinary Non-Voting Shares:</b>		
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
<b>Total dividends declared</b>	<b>2,120,302</b>	<b>1,598,100</b>

The Board of Directors of the Bank has approved the payment of a first and final dividend of LKR. 6.50 per share to be distributed as LKR. 3.25 per share in the form of cash and LKR. 3.25 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:

As at 31 December	Bank/Group	
	2024 LKR '000	2023 LKR '000
Ordinary Voting Shares (Number)	69.774256	48.308808
Convertible Non-Voting Shares (Number)	110.836695	50.161475

## 43 Cash Flow Information

### 43.1 (Increase)/Decrease in Operating Assets

For the Year Ended 31 December	Bank		Group	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Balances with Central Bank of Sri Lanka	1,500,454	3,391,130	1,500,454	3,391,130
Reverse Repurchase Agreements	(880,557)	-	(880,557)	-
Financial Assets at Fair Value through Profit or Loss	(5,168,347)	(7,600,866)	(5,168,347)	(7,600,866)
Financial Assets at Fair Value through Other Comprehensive Income	(20,184,954)	(48,357,146)	(20,184,954)	(48,357,146)
Financial Assets at Amortised Cost - Debt Instruments	3,203,471	(40,752,485)	3,203,471	(40,752,485)
Financial Assets at Amortised Cost - Loans and Advances	(23,484,067)	(39,879,877)	(23,484,067)	(39,879,877)
Other Assets	(1,616,997)	127,141	(1,616,997)	125,858
	(46,630,997)	(133,072,103)	(46,630,997)	(133,073,386)

### 43.2 Increase/(Decrease) in Operating Liabilities

For the Year Ended 31 December	Bank		Group	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Repurchase Agreements	14,850,179	51,195,778	12,827,032	50,918,905
Financial Liabilities at Amortised Cost - Due to Depositors	44,532,203	60,029,642	46,167,456	59,952,646
Money market borrowing	(22,008,439)	(1,071,921)	(22,008,439)	(1,071,921)
Other Liabilities	(3,322,865)	3,479,102	(3,292,954)	3,464,893
	34,051,078	113,632,601	33,693,095	113,264,523

### 43.3 Other Non Cash Items included in Profit Before Tax

For the Year Ended 31 December	Bank		Group	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Depreciation of Property, Plant and Equipment (Note 16)	197,998	203,519	241,730	247,549
Depreciation of ROU Assets (Note 17)	482,510	488,053	391,983	397,526
Amortisation of Intangible Assets (Note 18)	330,402	329,319	330,527	329,443
(Gain)/Loss on Fair Valuation of Financial Assets at Fair Value through Profit or Loss (Note 34)	(425,253)	(187,912)	(425,253)	(187,912)
Unrealised (Gain)/Loss on Derivative Financial Instruments	(507,260)	713,387	(507,260)	713,387
Interest Income/Expense on Loans and Deposits	81,674	127,590	(1,914,848)	155,364
Effect of foreign currency devaluation	(4,879,902)	(3,641,445)	(4,879,902)	(3,641,443)
	(4,719,831)	(1,967,489)	(6,763,023)	(1,986,086)

## 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
	2024			2024
	LKR '000	LKR '000	LKR '000	LKR '000
Development Finance Institutions (DFI)	9,674,872	(9,674,872)	-	-
Refinance Borrowings	5,339,345	1,394,927	-	6,734,272
Financial Institutions	2,132,660	(2,132,660)	-	-
Rated, Unsecured, Redeemable Debentures	8,686,333	(2,700,000)	(6,640)	5,979,693
<b>Total Debt Issued and Other Borrowed Funds</b>	<b>25,833,210</b>	<b>(13,112,605)</b>	<b>(6,640)</b>	<b>12,713,965</b>
Money Market Borrowings	750,580	2,863,621	11,689,434	15,303,635
	<b>26,583,790</b>	<b>(10,248,984)</b>	<b>11,682,794</b>	<b>28,017,600</b>

For the Year Ended 31 December	Bank/Group			
	01 January	Cash Flows	Non - Cash Flows	31 December
	2023			2023
	LKR '000	LKR '000	LKR '000	LKR '000
Development Finance Institutions (DFI)	20,994,013	(9,875,653)	(1,443,488)	9,674,872
Refinance Borrowings	5,423,779	681,559	(765,993)	5,339,345
Financial Institutions	5,688,310	(2,800,000)	(755,650)	2,132,660
Rated, Unsecured, Redeemable Debentures	12,355,120	(3,500,000)	(168,787)	8,686,333
<b>Total Debt Issued and Other Borrowed Funds</b>	<b>44,461,222</b>	<b>(15,494,094)</b>	<b>(3,133,918)</b>	<b>25,833,210</b>
Money Market Borrowings	1,823,108	(1,072,528)	-	750,580
	<b>46,284,330</b>	<b>(16,566,622)</b>	<b>(3,133,918)</b>	<b>26,583,790</b>

## 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, Chief Executive Officer of the Bank.

#### (a) Compensation to Key Management Personnel

For the Year Ended 31 December	2024	2023
	LKR '000	LKR '000
Short Term Benefits	122,843	114,632
Post Employment Benefits	11,460	7,559
	<b>134,303</b>	<b>122,191</b>

In addition to the salaries, the Group also has arranged non cash benefits such as vehicle & insurance to Executive Director in line with approved benefits plan of the Group. Executive Director is also entitled to 300,853 (2023 - 234,363) share appreciation rights.

## (b) Transactions, Arrangements and Agreements involving Key Management Personnel

	Key Management Personnel and their Close Family Members (CFM)			
			Maximum Balances	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Items in the Statement of Financial Position</b>				
<b>Assets</b>				
Loans and Advances	-	4,831	4,662	5,856
Credit Cards	4,207	3,601	6,011	4,225
<b>Liabilities</b>				
Due to Customers	157,918	149,845	159,669	160,313
Other Liabilities	-	-	-	-
<b>Equity</b>				
Dividends ( Net )	-	37	-	-
<b>Commitments</b>				
Undrawn Facilities	10,377	4,032	-	-
<b>Items in Statement of Profit or Loss</b>				
Interest Income Earned	767	1,077	-	-
Interest Expenses Paid	8,945	18,213	-	-
Other Income Earned	959	673	-	-

## (c) Transactions, arrangements and agreements involving entities which are controlled, and/or jointly controlled by the KMP or their CFM.

There were no transactions carried out by the entities in which KMPs and CFMs have control or joint control for the year ended 31 December 2024 (2023 - 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 542.16 Mn (2023 - LKR 579.79 Mn) to the Fund during the year.

As at 31 December 2024, the Fund has invested a sum of LKR 552 Mn (2023 - LKR 313 Mn) in Financial Instruments (Repurchase agreements and Debentures) of the Bank. Also as at 31 December 2024, the fund has maintained a sum of LKR 5,592/- (2023 - LKR 6,000/-) in current/savings accounts of the bank.

During the year, the Bank has incurred a sum of LKR 33.81 Mn (2023 - LKR 42 Mn) as interest expense to the Fund out of which a sum of LKR 1.54 Mn (2023 - LKR 0.7 Mn) is payable as of 31 December 2024.

## Notes to the Financial Statements

#### 4.4 Related Party Disclosures (Contd.)

##### 4.4.3 Transactions with Related Entities

Year Ended 31 December	Subsidiaries*				Significant Investors**				Significant Investor Related Entities***			
	2024		2023		2024		2023		2024		2023	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
	Maximum Balances											
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Items in the Statement of Financial Position</b>												
<b>Assets</b>												
Loans and Advances	-	-	-	-	-	615,824	-	31,691	1,232,192	4,918,285	4,730,637	3,539,050
Corporate Credit Cards	-	-	900	-	900	-	-	-	9,477	11,728	12,739	12,106
Derivative Financial Assets	-	-	-	-	-	-	-	-	350	353	350	353
Other Assets	-	-	-	-	-	-	-	-	20,104	-	20,104	-
<b>Liabilities</b>												
Due to Customers	98,318	1,761,429	1,812,846	1,775,078	11,158,425	16,732,934	14,943,863	20,338,623	3,600,480	4,379,999	3,484,670	591,537
Repurchase and Other Borrowings	2,456,270	433,123	2,490,002	433,123	1,824,648	516,568	1,824,648	516,568	837,458	273,644	837,458	273,644
Debtenture Issued	-	-	-	-	656,861	335,026	656,861	335,026	300,954	416,317	300,954	416,317
Other Liabilities	-	-	-	-	1,562	-	709	-	262,665	470,928	-	470,928
<b>Equity</b>												
Dividends (Net)	-	-	-	-	468,490	707,103	-	-	-	-	-	-
<b>Commitments</b>												
Undrawn Facilities	-	-	-	-	2,032,759	1,331,178	-	-	773,172	5,989,984	-	-
Letter of Credit / Guarantees	-	-	-	-	61,290	47,999	-	-	967,287	1,906,467	-	-
Forward - Foreign Exchange Contracts	-	-	-	-	-	-	-	-	176,735	86,882	-	-
<b>Items in Income Statement</b>												
Interest Income Earned	-	-	-	-	18,031	27,190	-	-	508,546	1,005,750	-	-
Interest Expenses Paid	227,053	333,539	-	-	861,673	1,399,979	-	-	57,536	114,051	-	-
Fee and Other Income Earned	7102	7118	-	-	2,056	6,964	-	-	474,060	388,923	-	-
Expenses Paid	127,408	115,826	-	-	48,555	51,157	-	-	82,686	62,160	-	-

In addition to the above, the bank has carried out various promotional activities with related entities during the year.

Till 24th November 2024, Waldock Mackenzie Limited – Subsidiary managed portfolio of certain Post-Employment Benefit Plans of related party entities and earned a fee of LKR 6.52Mn for the year ended 31 December 2024 (2023 – LKR 6.57Mn). The maximum value of portfolio managed at any time during the year was LKR 2,539.4Mn (2023 – LKR 2,324.8Mn). There were no other transactions carried out by the subsidiaries of the Bank with related party entities other than with the Bank, for the year ended 31 December 2024 (2023 – Nil)

\* 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 2024	Bank			Group		
	Within	After	Total	Within	After	Total
	12 months	12 months		12 months	12 months	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Assets</b>						
Cash and Cash Equivalents	20,814,294	-	20,814,294	20,814,297	-	20,814,297
Balances with Central Bank of Sri Lanka	998,601	184,872	1,183,473	998,601	184,872	1,183,473
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	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	3,285,971	4,957,400	1,678,125	3,287,884	4,966,009
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 Asset (ROU)	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
Deferred Tax Assets	(30,329)	1,144,645	1,114,316	(32,479)	895,929	863,450
<b>Total Assets</b>	<b>360,774,247</b>	<b>184,666,759</b>	<b>545,441,006</b>	<b>360,778,804</b>	<b>184,806,991</b>	<b>545,585,795</b>
<b>Liabilities</b>						
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	11,068,313	1,873,068	12,941,381
<b>Total Liabilities</b>	<b>378,347,985</b>	<b>90,206,714</b>	<b>468,554,699</b>	<b>375,885,915</b>	<b>90,222,805</b>	<b>466,108,720</b>
<b>Net</b>	<b>(17,573,738)</b>	<b>94,460,045</b>	<b>76,886,307</b>	<b>(15,107,111)</b>	<b>94,584,186</b>	<b>79,477,075</b>

## Notes to the Financial Statements

### 45 Maturity Analysis of Assets and Liabilities (Contd.)

As at 31 December 2023	Bank			Group		
	Within	After	Total	Within	After	Total
	12 months	12 months		12 months	12 months	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Assets</b>						
Cash and Cash Equivalents	40,179,820	-	40,179,820	40,179,823	-	40,179,823
Balances with Central Bank of Sri Lanka	2,613,948	69,979	2,683,927	2,613,948	69,979	2,683,927
Reverse Repurchase Agreements	1,502,215	-	1,502,215	1,502,215	-	1,502,215
Derivative Financial Instruments	3,660	-	3,660	3,660	-	3,660
Financial Assets - Recognised through Profit or Loss	10,934,069	-	10,934,069	10,934,069	-	10,934,069
Financial Assets at Fair Value through Other Comprehensive Income	79,898,375	24,528	79,922,903	79,898,375	24,528	79,922,903
Financial Assets at Amortised Cost - Debt Instruments	12,762,487	84,595,362	97,357,849	12,762,487	84,595,362	97,357,849
Financial Assets at Amortised Cost - Loans and Advances	201,562,961	69,381,825	270,944,786	201,562,961	69,381,825	270,944,786
Other Assets	1,724,847	1,627,805	3,352,652	1,748,111	1,629,718	3,377,829
Investments in Subsidiaries	-	678,710	678,710	-	-	-
Property, Plant and Equipment	-	2,597,097	2,597,097	-	3,500,423	3,500,423
Right of Use Asset (ROU)	406,877	912,417	1,319,294	316,351	912,704	1,229,055
Intangible Assets	-	1,353,420	1,353,420	-	1,353,909	1,353,909
Deferred Tax Assets	-	3,334,268	3,334,268	-	3,143,936	3,143,936
<b>Total Assets</b>	<b>351,589,259</b>	<b>164,575,411</b>	<b>516,164,670</b>	<b>351,522,000</b>	<b>164,612,384</b>	<b>516,134,384</b>
<b>Liabilities</b>						
Due to Banks	49,681,663	-	49,681,663	49,681,663	-	49,681,663
Derivative Financial Instruments	658,707	-	658,707	658,707	-	658,707
Financial liabilities at Amortised Cost						
Due to Depositors	330,249,624	19,283,780	349,533,404	328,484,820	19,283,780	347,768,600
Repurchase Agreements	7,064,447	-	7,064,447	6,631,325	-	6,631,325
Due to Other Borrowers	8,180,348	10,433,292	18,613,640	8,063,220	10,437,209	18,500,429
Debt Securities Issued	2,889,026	5,797,307	8,686,333	2,889,026	5,797,307	8,686,333
Retirement Benefit Obligations	266,808	975,415	1,242,223	268,676	982,240	1,250,916
Current Tax Liabilities	5,618,515	-	5,618,515	5,667,233	-	5,667,233
Other Liabilities	13,929,713	2,190,971	16,120,684	13,972,051	2,190,990	16,163,041
<b>Total Liabilities</b>	<b>418,538,851</b>	<b>38,680,765</b>	<b>457,219,616</b>	<b>416,316,721</b>	<b>38,691,526</b>	<b>455,008,247</b>
<b>Net</b>	<b>(66,949,592)</b>	<b>125,894,646</b>	<b>58,945,054</b>	<b>(64,794,721)</b>	<b>125,920,858</b>	<b>61,126,137</b>

## 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	2024						2023						
		Fair Value Measurement Using			Total	Fair Value Measurement Using			Total					
		Date of Valuation	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	Date of Valuation	Quoted Prices in Active Markets (Level 1)		Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000			
<b>Financial Assets Measured at Fair Value</b>														
<b>Derivative Financial Instruments</b>														
Forward Foreign Exchange Contracts, Spot Contract and Currency Swaps	31-Dec-24	-	224,298	-	224,298	-	224,298	-	224,298	31-Dec-23	-	3,660	-	3,660
<b>Financial Assets at Fair Value through Profit or Loss</b>														
Government Treasury Bills	31-Dec-24	20,690	-	-	20,690	-	20,690	-	20,690	31-Dec-23	1,914,029	-	-	1,914,029
Government Treasury Bonds	31-Dec-24	9,560,593	7,613,476	-	17,174,069	-	17,174,069	-	17,174,069	31-Dec-23	895,707	8,124,333	-	9,020,040
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>														
<b>Debt Instruments</b>														
Government Treasury Bills	31-Dec-24	9,603,378	-	-	9,603,378	-	9,603,378	-	9,603,378	31-Dec-23	32,913,216	-	-	32,913,216
Government Treasury Bonds	31-Dec-24	60,640,744	36,603,914	-	97,244,658	-	97,244,658	-	97,244,658	31-Dec-23	31,607,487	14,480,646	-	46,288,133
Sri Lanka Sovereign Bonds	31-Dec-24	-	-	-	-	-	-	-	-	31-Dec-23	-	697,025	-	697,025
<b>Equity Instruments</b>														
Unquoted Equity Shares	31-Dec-24	-	-	-	166,841	-	166,841	-	166,841	31-Dec-23	-	-	24,529	24,529
		79,825,405	44,441,688	166,841	124,433,934		124,433,934		124,433,934		67,530,439	23,305,664	24,529	90,860,632
<b>Financial Liabilities Measured at Fair Value</b>														
<b>Derivative Financial Instruments</b>														
Forward Foreign Exchange Contracts, Spot Contracts and Currency Swaps	31-Dec-24	-	372,084	-	372,084	-	372,084	-	372,084	31-Dec-23	-	658,707	-	658,707
		-	372,084	-	372,084	-	372,084	-	372,084		-	658,707	-	658,707

## Notes to the Financial Statements

#### 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

	2024						2023					
	Fair Value Measurement Using			Total	Fair Value Measurement Using			Total				
	Date of Valuation	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	Date of Valuation	Quoted Prices in Active Markets (Level 1)		Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
	LKR '000	LKR '000	LKR '000	LKR '000		LKR '000	LKR '000	LKR '000	LKR '000			
<b>Bank</b>												
<b>Non Financial Assets Measured at Fair Value</b>												
Freehold Land	31-Dec-24	-	-	1,871,340	31-Dec-22	-	-	1,749,000	1,749,000			
Freehold Buildings	31-Dec-24	-	-	247,238	31-Dec-22	-	-	223,488	223,488			
<b>Total Non Financial Assets Measured at Fair Value</b>				<b>2,118,578</b>				<b>1,972,488</b>	<b>1,972,488</b>			
<b>Group</b>												
<b>Non Financial Assets Measured at Fair Value</b>												
Freehold Land	31-Dec-24	-	-	1,871,340	31-Dec-22	-	-	1,749,000	1,749,000			
Freehold Buildings	31-Dec-24	-	-	1,189,115	31-Dec-22	-	-	1,032,938	1,032,938			
<b>Total Non Financial Assets Measured at Fair Value</b>				<b>3,060,455</b>				<b>2,781,938</b>	<b>2,781,938</b>			

#### 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	
	2024	2023
	LKR '000	LKR '000
As at 01 January	24,529	27,021
Investments made during the year	151,144	1
Disposal of investment (shares bought back)	(7,077)	-
Change in value due to exchange rate fluctuation	(1,755)	(2,493)
As at 31 December	<b>166,841</b>	<b>24,529</b>

Equity instruments at FVOCI classified as "Level 3" in the fair value hierarchy comprises 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 31.12.2024 LKR '000	Fair Value as at 31.12.2023 LKR '000	Fair Value as at 31.12.2024 LKR '000	Fair Value as at 31.12.2023 LKR '000			
No 76, York Street, Fort, Colombo	Land	10.82 P	-	226,590	219,000	226,590	219,000	Direct Capital Comparison Method	Price per perch	LKR 22.75 Mn and LKR 12 Mn
	Building	8,660 (Sq.Ft.)	1	60,040	45,000	60,040	45,000		Price per Sq.Ft	LKR 3,000 - LKR 10,000
No 242, Union Place, Colombo 2	Land	77.2 P	-	1,644,750	1,530,000	1,644,750	1,530,000	Direct Capital Comparison Method	Price per perch	LKR 21.5 Mn
	Building	33,650 (Sq.Ft.)	1	187,198	178,488	187,198	178,488		Price per Sq.Ft	LKR 7,000
46/58, Nawam Mawatha, Colombo 2	Building	61,300 (Sq.Ft.)	1	-	-	941,877	809,450	Investment method	Rent per Sq.Ft	LKR 300 to LKR 400
<b>Total</b>				<b>2,118,578</b>	<b>1,972,488</b>	<b>3,060,455</b>	<b>2,781,938</b>			

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

Cash and Cash Equivalents

Balances with Central Bank of Sri Lanka

Reverse Repurchase Agreements

##### Financial Liabilities

Due to banks

Repurchase agreements

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.

(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.

Bank As at 31 December	2024						2023								
	Carrying amount			Fair Value Measurement Using			Carrying amount			Fair Value Measurement Using					
	LKR '000	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	LKR '000	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	LKR '000	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Financial Assets</b>															
Debt Instruments at Amortised Cost	96796,064	42,054,869	69700,367	-	111,755,236	97,357,849	39,459,011	67,973,263	-	107,432,274					
Loans and Advances to Customers-Gross	308,858,789	-	309,227,141	-	309,227,141	292,574,972	-	291,467,645	-	291,467,645					
<b>Total Financial Assets</b>	<b>405,654,853</b>	<b>42,054,869</b>	<b>378,927,508</b>	<b>-</b>	<b>420,982,377</b>	<b>389,932,821</b>	<b>39,459,011</b>	<b>359,440,908</b>	<b>-</b>	<b>398,899,919</b>					
<b>Financial Liabilities</b>															
Due to Customers	384,784,916	-	386,373,873	-	386,373,873	349,533,404	-	348,296,525	-	348,296,525					
Due to Other Borrowers	9,111,275	-	9,111,275	-	9,111,275	18,613,640	-	18,605,408	-	18,605,408					
Debt Securities Issued	5,979,693	-	6,080,887	-	6,080,887	8,686,333	-	8,155,431	-	8,155,431					
<b>Total Financial Liabilities</b>	<b>399,875,884</b>	<b>-</b>	<b>401,566,035</b>	<b>-</b>	<b>401,566,035</b>	<b>376,833,377</b>	<b>-</b>	<b>375,057,364</b>	<b>-</b>	<b>375,057,364</b>					

This table does not include the fair values of non-financial assets and non-financial liabilities.



## 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 is 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 the credit risk management.

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.

#### 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.

## Notes to the Financial Statements

### Risk Management during the Recovery Phase of the Economy.

During 2024, the country's economy maintained its improving trajectory, demonstrating sustained recovery following a series of unprecedented social and economic challenging events in 2022

The bank continued with its business operations with adaptation of enhanced risk management practices developed with the lesson learnt during the 2019 – 2022 period. The provision buffers created during the pandemic and economic crisis period in addition to what is required as per historical loss ratios were continued to be maintained during the year 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 Mn 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 Mn to Rupees Hundred Mn and Mid-Market Enterprise exposures between Rupees Fifty Mn to Seventy-Five Mn 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**

In 2024 also, the bank continued with its enhanced credit risk management processes to cover whether a Significant Increase in Credit Risk (SICR) has taken place for customers operating in industries affected by the negative externalities that took place during the year and previous years. The bank re-assessed the required additional provisions for customers who are still in stress or still in the process of recovery from the cash flow constraints caused by the negative externalities prevailed in previous years. The bank closely monitors those customers and Staging of those exposures were carried out on case-by-case basis as per both observed and expected developments.

## Notes to the Financial Statements

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	
		2024 LKR '000	2023 LKR '000
<b>Investment Grade</b>			
A	Less than 1%	109,120,848	91,417,192
B	Less than 1.5%	131,785,450	129,225,427
<b>Intermediary Grade</b>			
C + and C	Less than 2.5%	3,314,052	3,892,408
<b>Speculative Grade</b>			
C-	Less than 5.5%	1,014,060	3,927,998
D	Minimum of 13%	799,641	900,318
<b>Past Due - Rated Customers</b>			
	Less than 30 Days	4,955,303	9,824,144
	30 - 90 Days	4,566,105	6,478,673
	More than 90 Days	4,424,537	5,784,237
<b>Past Due - Fully Secured by Cash</b>			
		1,851,576	1,007,104
<b>Individually Impaired - Rated Customers</b>			
		30,871,518	25,892,878
<b>Sum of Amortised Cost of Rated Customers</b>			
		292,703,090	278,350,379

It is the Bank's 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. 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 2024	Neither past due nor individually impaired				Customers whose credit rating is not yet finalised	Past due but not individually impaired	Individually impaired	Total
	High Grade	Investment Grade	Intermediary Grade	Speculative Grade				
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and Cash Equivalents	20,814,294	-	-	-	-	-	-	20,814,294
Balances with Central Bank of Sri Lanka	1,183,473	-	-	-	-	-	-	1,183,473
Reverse Repurchase Agreements	-	1,000,227	-	-	1,388,920	-	-	2,389,147
<b>Derivative Financial Instruments</b>								
Forward Foreign Exchange Contracts and Currency Swaps	162,527	61,771	-	-	-	-	-	224,298
<b>Financial Assets - Recognised through Profit or Loss</b>								
Government Treasury Bills and Bonds	17,194,759	-	-	-	-	-	-	17,194,759
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>								
Government Treasury Bills and Bonds	106,848,036	-	-	-	-	-	-	106,848,036
Sri Lanka International Sovereign Bonds	-	-	-	-	-	-	-	-
Unquoted Equity Shares	-	-	-	-	166,841	-	-	166,841
<b>Financial Assets - Held to Maturity</b>								
Government Treasury Bills and Bonds	96,281,877	-	-	-	-	-	-	96,281,877
US Treasury Bills	-	-	-	-	-	-	-	-
Sri Lanka International Sovereign Bonds	-	-	-	-	-	-	-	-
Quoted Debentures	-	514,240	-	-	-	-	-	514,240
<b>Financial Assets at Amortised Cost - Loans and Advances (Gross)</b>								
	-	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
<b>Total</b>	<b>376,221,435</b>	<b>428,304,236</b>	<b>5,278,075</b>	<b>67,140,855</b>	<b>32,692,453</b>	<b>19,999,866</b>	<b>31,551,952</b>	<b>961,188,872</b>

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. 18.7Bn categorised under "past due but not individually impaired", LKR. 4.8Bn (26%) is in Stage 1, LKR. 7.5Bn (40%) is in Stage 2 and LKR. 6.6Bn (35%) is in Stage 3.

## Notes to the Financial Statements

### Credit Quality by class of Financial Assets

Bank - 31 December 2023	Neither past due nor individually impaired				Customers whose credit rating is not yet finalised	Past due but not individually impaired	Individually impaired	Total
	High Grade	Investment Grade	Intermediary Grade	Speculative Grade				
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and Cash Equivalents	40,179,820	-	-	-	-	-	-	40,179,820
Balances with Central Bank of Sri Lanka	2,683,927	-	-	-	-	-	-	2,683,927
Reverse Repurchase Agreements	-	1,502,215	-	-	-	-	-	1,502,215
<b>Derivative Financial Instruments</b>								
Forward Foreign Exchange Contracts and Currency Swaps	419	3,024	-	-	217	-	-	3,660
<b>Financial Assets - Recognised through Profit or Loss</b>								
Government Treasury Bills and Bonds	10,934,069	-	-	-	-	-	-	10,934,069
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>								
Government Treasury Bills and Bonds	79,201,349	-	-	-	-	-	-	79,201,349
Sri Lanka International Sovereign Bonds	-	-	697,025	-	-	-	-	697,025
Unquoted Equity Shares	-	-	-	-	24,529	-	-	24,529
<b>Financial Assets - Held to Maturity</b>								
Government Treasury Bills and Bonds	88,823,497	-	-	-	-	-	-	88,823,497
US Treasury Bills	4,849,318	-	-	-	-	-	-	4,849,318
Sri Lanka International Sovereign Bonds	-	-	8,709,309	-	-	-	-	8,709,309
Quoted Debentures	-	514,201	-	-	-	-	-	514,201
<b>Financial Assets at Amortised Cost - Loans and Advances (Gross)</b>								
	-	220,642,619	3,892,408	4,828,315	9,695,514	27,311,691	26,204,425	292,574,972
Commitment and Contingencies	100,082,107	140,102,386	3,435,246	61,724,478	7,343,966	4,053,721	-	316,741,904
<b>Total</b>	<b>326,754,505</b>	<b>362,764,444</b>	<b>16,733,989</b>	<b>66,552,793</b>	<b>17,064,227</b>	<b>31,365,412</b>	<b>26,204,425</b>	<b>847,439,795</b>

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. 27.3Bn categorised under "Past due but not individually impaired", LKR. 11.2Bn (27%) is in Stage 1, LKR. 7.3Bn (33%) is in Stage 2 and LKR. 8.8Bn (32%) 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 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	20,814,294	11,563,596	-	-	-	-	-	-	-	-	11,563,596	9,250,698
Balances with Central Bank of Sri Lanka	1,183,473	-	-	-	-	-	-	-	-	-	-	1,183,473
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	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	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	774,2643	(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	-	-	-	-	10,252,919	-	10,633,611	386,031,869
	961,188,819	66,350,522	6,990,381	380,792	36,610,388	8,188,902	47,995,021	682	18,195,108	(62,431,557)	122,280,240	838,908,579

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.

## Notes to the Financial Statements

## Fair Value of Collateral and Credit Enhancements Held

Bank - 31 December 2023	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	40,179,820	12,497,649	-	-	-	-	-	-	-	-	12,497,649	27,682,171
Balances with Central Bank of Sri Lanka	2,683,927	-	-	-	-	-	-	-	-	-	-	2,683,927
Reverse Repurchase Agreements	1,502,215	-	1,690,720	-	-	-	-	-	-	(188,505)	1,502,215	-
Derivative Financial Instruments	3,660	-	-	-	-	-	-	-	-	-	-	3,660
Financial Assets - Recognised through Profit or Loss	10,934,069	-	-	-	-	-	-	-	-	-	-	10,934,069
Financial Assets at Fair Value through Other Comprehensive Income	79,922,903	-	-	-	-	-	-	-	-	-	-	79,922,903
Financial Assets at Amortised Cost	97,357,849	-	-	-	-	-	-	-	-	-	-	97,357,849
Financial Assets at Amortised Cost - Loans and Advances (Gross)	292,574,972	46,350,361	2,482,811	-	35,050,192	5,745,131	56,088,148	4,550	5,299,607	(61,583,622)	89,437,178	203,137,794
Financial Guarantees	905,918	-	-	-	-	-	-	-	-	-	-	905,918
Letters of Credit	5,833,288	-	-	-	-	-	-	-	228,352	-	228,352	5,604,935
Other Commitments	310,002,698	-	-	361,718	-	-	-	-	7,417,577	-	7,779,294	302,223,404
	844,901,318	58,848,011	4,173,530	361,718	35,050,192	5,745,131	56,088,148	4,550	12,945,535	(61,772,127)	111,444,688	730,456,632

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

	2024		2023	
	Surplus Collateral LKR '000	Net Collateral LKR '000	Surplus Collateral LKR '000	Net Collateral LKR '000
Stage 3 Loans & Advances	4,675,483	5,701,944	6,474,321	6,516,753
		13,435,158		15,090,231

### Analysis of Risk Concentration

The Bank's concentrations of risk are managed by industry sector. The following table shows the risk concentration by the industry for the components of the Statement of Financial Position. Assets concentrated as "Other" include Consumer Loans secured by Residential Property, Credit Cards and Leases. A major portion of the Leases consist of Leases granted to individuals for the purpose of facilitating their small/micro level business activities which cannot be directly attributable to a single identified sector, hence classified under "Other".

During the early stages of the global pandemic the bank conducted an in-depth analysis on the probable industries which would get affected and the scale of impact it may have on the bank's lending portfolio. The negative externalities reported during 2019 to 2022 period stressed the importance of diversification of the Bank's loan book across wide range of industries which in turn would ensure the resilience of the Bank in an economic shock of this nature. The Bank is comfortable with the existing composition of its loan book and continuous monitoring activities are carried out to avoid accumulation of exposures to high-risk economic segments.

Bank - 31 December 2024	Agriculture	Ancillary Services	Banking & Finance	Construction & Real Estate	Consumer Durables & Disposables	Diversified	Food & Beverages	Health Care	Industries	Information Technology & Telecommunication	Other	Travel & Transport	Secured by Cash	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
Cash and Cash Equivalents	-	-	20,814,294	-	-	-	-	-	-	-	-	-	-	20,814,294
Balances with Central Bank of Sri Lanka	-	-	1,183,473	-	-	-	-	-	-	-	-	-	-	1,183,473
Reverse Repurchase Agreements	-	-	10,000,227	-	-	-	-	-	-	-	1,388,920	-	-	2,389,147
<b>Derivative Financial Instruments</b>														
Forward Foreign Exchange Contracts and Currency Swaps	-	-	162,251	-	2,668	-	-	-	-	59,378	-	-	-	224,286
<b>Financial Assets - Recognised through Profit or Loss</b>														
Government Treasury Bills and Bonds	-	-	17,194,759	-	-	-	-	-	-	-	-	-	-	17,194,759
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>														
Government Treasury Bills and Bonds	-	-	106,848,036	-	-	-	-	-	-	-	-	-	-	106,848,036
Sri Lanka International Sovereign Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unquoted Equity Shares	-	-	151,145	-	-	-	-	-	-	-	15,696	-	-	166,841
<b>Financial Assets at Amortised Cost</b>														
Government Treasury Bills and Bonds	-	-	96,281,877	-	-	-	-	-	-	-	-	-	-	96,281,877
US Treasury Bills	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sri Lanka International Sovereign Bonds	-	-	514,240	-	-	-	-	-	-	-	-	-	-	514,240
Quoted Debentures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment for Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	(63)
<b>Financial Assets at Amortised Cost - Loans and Advances</b>	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	1,936,616	32,564,223	37,100,178	308,858,789
Impairment for Loans and Advances	-	-	-	-	-	-	-	-	-	-	-	-	-	(20,725,588)
	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	1,936,616	32,564,223	37,100,178	533,750,111

## Notes to the Financial Statements

Bank - 31 December 2023	Agriculture	Ancillary Services	Banking & Finance	Construction & Real Estate	Consumer Durables & Disposables	Diversified	Food & Beverages	Health Care	Industries	Information Technology & Telecommunication	Other	Travel & Transport	Secured by Cash	Total
LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000
Cash and Cash Equivalents	-	-	40,179,820	-	-	-	-	-	-	-	-	-	-	40,179,820
Balances with Central Bank of Sri Lanka	-	-	2,683,927	-	-	-	-	-	-	-	-	-	-	2,683,927
Reverse Purchase Agreements	-	-	1,502,215	-	-	-	-	-	-	-	-	-	-	1,502,215
<b>Derivative Financial Instruments</b>														
Forward Foreign Exchange Contracts and Currency Swaps	-	-	419	-	2,137	-	-	-	534	353	217	-	-	3,660
<b>Financial Assets - Recognised through Profit or Loss</b>														
Government Treasury Bills and Bonds	-	-	10,934,069	-	-	-	-	-	-	-	-	-	-	10,934,069
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>														
Government Treasury Bills and Bonds	-	-	79,201,349	-	-	-	-	-	-	-	-	-	-	79,201,349
Sri Lanka International Sovereign Bonds	-	-	697,025	-	-	-	-	-	-	-	24,529	-	-	697,025
Unquoted Equity Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	24,529
<b>Financial Assets at Amortised Cost</b>														
Government Treasury Bills and Bonds	-	-	88,823,497	-	-	-	-	-	-	-	-	-	-	88,823,497
US Treasury Bills	-	-	4,849,318	-	-	-	-	-	-	-	-	-	-	4,849,318
Sri Lanka International Sovereign Bonds	-	-	8,709,309	-	-	-	-	-	-	-	-	-	-	8,709,309
Quoted Debentures	-	-	514,201	-	-	-	-	-	-	-	-	-	-	514,201
Impairment for Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,538,476)
<b>Financial Assets at Amortised Cost - Loans and Advances</b>														
Advances	39,600,863	15,861,257	30,690,518	20,659,277	9,512,382	15,253,765	12,566,744	9,620,198	57,852,400	15,324,612	2,272,804	297,216,28	33,638,524	292,574,972
Impairment for Loans and Advances	-	-	-	-	-	-	-	-	-	-	-	-	-	(20,819,532)
	39,600,863	15,861,257	26,875,666	20,659,277	9,514,519	15,253,765	12,566,744	9,620,198	57,852,933	15,324,966	2,297,550	297,216,28	33,638,524	504,339,872

**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 67% of total advances portfolio of the Bank as at December 31, 2024. 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.

2024 LKR000	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
2023 LKR000	In Sri Lanka						Outside Sri Lanka		Total		
Central	Eastern	North Central	North Western	Northern	Sabaragamuwa	Southern	Uva	Western			
Total Gross Loans & Advances	8,212,906	2,550,459	4,100,623	17,597,229	3,421,352	3,925,010	13,085,206	2,729,954	210,392,080	26,760,153	292,574,972

### 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.

## Notes to the Financial Statements

### 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 2024 under the flow approach;

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
<b>Financial Assets</b>						
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
Reverse Repurchase Agreements	2,062,666	328,501	-	-	-	2,391,168
<b>Financial Assets - Recognised through Profit or Loss</b>						
Government Debt Securities - Treasury Bills and Bonds	9,320	564,861	1,256,310	17,842,494	6,629,423	26,302,407
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>						
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
<b>Financial Assets at Amortised Cost</b>						
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
<b>Financial Assets at Amortised Cost - Loans and Advances</b>						
	102,947,178	71,490,929	50,827,556	105,334,492	15,509,844	346,109,999
<b>Total Undiscounted Financial Assets</b>	<b>130,361,660</b>	<b>83,804,141</b>	<b>92,389,247</b>	<b>315,340,705</b>	<b>60,859,291</b>	<b>682,755,044</b>
<b>Financial Liabilities</b>						
Due to Banks	9,648,311	12,584,448	5,432,222	-	-	27,664,981
<b>Financial Liabilities at Amortised Cost</b>						
Due to Depositors	136,507,761	63,742,138	119,197,339	82,403,088	1,534,493	403,384,819
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
<b>Total Undiscounted Financial Liabilities</b>	<b>160,636,390</b>	<b>80,812,678</b>	<b>129,330,894</b>	<b>94,206,850</b>	<b>6,447,658</b>	<b>471,434,470</b>
<b>Net Undiscounted Financial Assets/ (Liabilities)</b>	<b>(30,274,730)</b>	<b>2,991,464</b>	<b>(36,941,647)</b>	<b>221,133,855</b>	<b>54,411,632</b>	<b>211,320,574</b>
<b>Gross Settled Derivatives not Held for Trading</b>						
<b>Financial Assets</b>						
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)
	-	-	-	-	-	-
<b>Financial Liabilities</b>						
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)
	-	-	-	-	-	-
<b>Total Gross Settled Derivative Assets/(Liabilities) not Held for Trading</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Net Financial Assets/ (Liabilities)</b>	<b>(30,274,730)</b>	<b>2,991,464</b>	<b>(36,941,647)</b>	<b>221,133,855</b>	<b>54,411,632</b>	<b>211,320,574</b>

Bank - As at 31 December 2023	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
<b>Financial Assets</b>						
Cash and Cash Equivalents	40,185,932	-	-	-	-	40,185,932
Balances with Central Bank of Sri Lanka	1,691,017	429,085	493,846	69,459	520	2,683,927
Reverse Repurchase Agreements	1,502,215	-	-	-	-	1,502,215
<b>Financial Assets - Recognised through Profit or Loss</b>						
Government Debt Securities - Treasury Bills and Bonds	287,086	356,537	2,409,663	11,551,356	2,094,945	16,699,586
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>						
Government Debt Securities - Treasury Bills and Bonds	2,674,217	8,007,566	34,351,341	51,208,121	6,791,753	103,032,998
Unquoted Equity Shares	-	-	-	-	24,529	24,529
<b>Financial Assets at Amortised Cost</b>						
Government Debt Securities - Treasury Bills and Bonds	4,019,843	8,308,922	9,618,792	100,780,636	27,249,028	149,977,221
Other Financial Assets	-	1,719,820	1,588,158	6,382,889	-	9,690,867
<b>Financial Assets at Amortised Cost - Loans and Advances</b>						
	113,267,184	67,360,363	52,408,511	83,608,535	12,624,359	329,268,951
<b>Total Undiscounted Financial Assets</b>	<b>163,627,494</b>	<b>86,182,291</b>	<b>100,870,312</b>	<b>253,600,996</b>	<b>48,785,133</b>	<b>653,066,228</b>
<b>Financial Liabilities</b>						
Due to Banks	25,636,163	25,231,587	-	-	-	50,867,750
<b>Financial Liabilities at Amortised Cost</b>						
Due to Depositors	132,774,709	83,671,269	121,756,944	17,917,438	11,116,104	367,236,464
Repurchase Agreements	3,156,569	1,805,334	1,207,595	-	-	6,169,497
Due to Other Borrowers	48,823	2,214,866	7,032,649	8,193,225	4,536,817	22,026,380
Debt Securities Issued	20,179	-	3,622,552	6,994,151	-	10,636,883
<b>Total Undiscounted Financial Liabilities</b>	<b>161,636,444</b>	<b>112,923,054</b>	<b>133,619,741</b>	<b>33,104,815</b>	<b>15,652,921</b>	<b>456,936,975</b>
<b>Net Undiscounted Financial Assets/ (Liabilities)</b>	<b>1,991,049</b>	<b>(26,740,762)</b>	<b>(32,749,429)</b>	<b>220,496,182</b>	<b>33,132,212</b>	<b>196,129,254</b>
<b>Gross Settled Derivatives not Held for Trading</b>						
<b>Financial Assets</b>						
Contractual Amounts Receivable	5,606,831	38,152,667	78,565	-	-	43,838,063
Contractual Amounts Payable	(5,606,831)	(38,152,667)	(78,565)	-	-	(43,838,063)
	-	-	-	-	-	-
<b>Financial Liabilities</b>						
Contractual Amounts Receivable	5,717,690	39,013,086	78,551	-	-	44,809,327
Contractual Amounts Payable	(5,717,690)	(39,013,086)	(78,551)	-	-	(44,809,327)
	-	-	-	-	-	-
<b>Total Gross Settled Derivative Assets/(Liabilities) not Held for Trading</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Net Financial Assets/ (Liabilities)</b>	<b>1,991,049</b>	<b>(26,740,762)</b>	<b>(32,749,429)</b>	<b>220,496,182</b>	<b>33,132,212</b>	<b>196,129,254</b>

## 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 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
<b>Total Commitments and Guarantees</b>	<b>265,037,890</b>	<b>68,098,238</b>	<b>72,173,939</b>	<b>1,402,053</b>	<b>1,000</b>	<b>406,713,119</b>

Note 1: Forward Exchange Contract amounts shown above are the total of gross purchase and sales contracts with the counterparties. However, the net exposure on these contracts are estimated at LKR 1,437Mn as at end of 2024 and LKR 1,093Mn 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.

Bank	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2023	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Bonds	2,856,586	4,105,167	12,376,606	3,279,361	-	22,617,721
Acceptance	675,121	3,301,841	207,842	-	-	4,184,804
Guarantees	905,918	-	-	-	-	905,918
Letters of Credit	702,210	4,140,302	990,775	-	-	5,833,288
Foreign Exchange Contracts	11,324,520	77,165,754	157,116	-	-	88,647,390
Forward Contracts to Buy/Sell Government Securities	11,951,589	-	-	-	-	11,951,589
Undrawn Commitments						
Credit Cards	50,559,438	-	-	-	-	50,559,438
Other	132,041,756	-	-	-	-	132,041,756
<b>Total Commitments and Guarantees</b>	<b>211,017,139</b>	<b>88,713,063</b>	<b>13,732,341</b>	<b>3,279,361</b>	<b>-</b>	<b>316,741,904</b>

Note 1: Forward Exchange Contract amounts shown above are the total of gross purchase and sales contracts with the counterparties. However, the net exposure on these contracts are estimated at LKR 1,097Mn as at end of 2023 and LKR 487Mn as at end of 2022 based on a 2.5% price premium movement on 6 month forward exchange rate as at end of each year.

#### 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.

While the general market risk is monitored according to the Board approved risk parameters on daily basis (some of the parameters are monitored online), the market risk management unit performs stress testing on the trading book periodically.

Probable adverse macroeconomic scenarios are considered while designing the stress testing 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. The Board has established limits on the balance sheet interest rate gaps. The Bank's policy is to monitor positions on a monthly 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 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
<b>Assets</b>							
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
<b>Total Assets</b>	<b>654,595,085</b>	<b>155,467,997</b>	<b>154,273,958</b>	<b>85,163,574</b>	<b>180,607,660</b>	<b>41,159,646</b>	<b>37,922,252</b>
<b>Liabilities</b>							
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
<b>Total Shareholder Funds and Liabilities</b>	<b>654,595,085</b>	<b>178,247,790</b>	<b>104,810,333</b>	<b>148,137,156</b>	<b>77,943,085</b>	<b>4,864,132</b>	<b>140,592,588</b>
<b>Total Interest Sensitivity Gap</b>		(22,779,793)	49,463,624	(62,973,582)	102,664,575	36,295,514	(102,670,336)
<b>Bank - As at 31 December 2023</b>							
	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
<b>Assets</b>							
Cash and balances with Central Bank of Sri Lanka	42,127,397	-	-	-	-	-	42,127,397
Loans and Advances	270,786,762	99,675,307	98,902,433	26,769,040	33,665,115	7,441,907	4,332,960
Investments	199,524,079	11,665,555	15,675,692	32,500,203	113,884,690	25,797,938	-
Other	46,608,715	6,586,833	38,152,667	78,565	-	-	1,790,650
<b>Total Assets</b>	<b>559,046,953</b>	<b>117,927,695</b>	<b>152,730,793</b>	<b>59,347,808</b>	<b>147,549,807</b>	<b>33,239,845</b>	<b>48,251,007</b>
<b>Liabilities</b>							
Deposits	343,049,970	97,059,271	79,642,784	112,020,669	15,736,100	3,309,249	35,281,898
Borrowings	81,293,856	27,927,061	28,707,421	14,145,385	7,391,727	3,122,262	-
Other	134,703,127	6,598,646	39,013,086	78,551	-	-	89,012,844
<b>Total Shareholder Funds and Liabilities</b>	<b>559,046,953</b>	<b>131,584,977</b>	<b>147,363,290</b>	<b>126,244,605</b>	<b>23,127,827</b>	<b>6,431,511</b>	<b>124,294,742</b>
<b>Total Interest Sensitivity Gap</b>		(13,657,284)	5,367,503	(66,896,797)	124,421,979	26,808,334	(76,043,735)

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	
		2024	2023	2024	2023
Asset/Liabilities	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
LKR	+100/-100	+191,239/-194,384	+132,279/-134,192	-2,514,347/+2,661,197	-2,018,301/+2,127,496
USD	+50/-50	+9,264/-9,366	+73,001/-73,657	+218,812/-223,001	+160,774/-164,081

Exposure to market risk in the trading book is separately monitored and measured by setting limits on products, maturity profile of the portfolio, cut-loss limits and by setting sub-limits within above interest rate sensitive gap analysis.

#### 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 Board has set following limits to mitigate against currency risk exposures;

- Exposure on currencies on individual and an aggregate basis
- Exposure for each currency by maturity for forward currency contracts
- Dealer and counter-party Limits
- Overnight and Intra-Day 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 2024. 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.

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The sensitivity related to trading position in the Domestic Banking Unit is given below;

Currency	Change in	Change in	Effect on Profit	Effect on Profit
	Currency Rate in %	Currency Rate in %	after tax	after tax
	2024	2023	2024	2023
			LKR '000	LKR '000
USD	+5	+5	(39,415.3)	(26,071.2)
GBP	+5	+5	(212.0)	(176.4)
EUR	+5	+5	(104.4)	(80.7)
AUD	+5	+5	745.9	512.1
JPY	+5	+5	191.8	1,044.8
Other	+5	+5	710.7	5,042.2

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	Change in	Effect on Profit	Effect on Profit
	Currency Rate in %	Currency Rate in %	after tax	after tax
	2024	2023	2024	2023
			LKR '000	LKR '000
USD	+5	+5	48,728.2	46,329.9

### 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 2024 ( 2023 - Nil).

#### 48.2 Uncertain Tax Positions

During the year a notice of assessment to the value of Rs. 802.7Mn on Surcharge tax for 2020/21 was received by the Bank. The Bank has appealed against the said notice of assessment.

#### 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	
	2024	2023
	LKR '000	LKR '000
<b>Capital Commitments for Property, Plant and Equipment</b>		
Approved and Contracted for	1,332,260	25,231
Approved but not Contracted for	2,252	82,735
	<b>1,334,512</b>	<b>107,966</b>
<b>Capital Commitments for Intangible Assets</b>		
Approved and Contracted for	328,660	269,789
Approved but not Contracted for	-	764,127
	<b>328,660</b>	<b>1,033,916</b>
	<b>1,663,172</b>	<b>1,141,882</b>

#### 48.3 Lease Arrangements

##### 48.3.1 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	
	2024 LKR '000	2023 LKR '000
Within one year	502,926	441,136
After one year but not more than five years	1,659,306	1,145,312
More than five years	495,235	167,531
	<b>2,657,467</b>	<b>1,753,979</b>

#### 48.3.2 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	
	2024 LKR '000	2023 LKR '000
Within one year	29,021	52,766
After one year but not more than five years	58,042	39,574
	<b>87,063</b>	<b>92,340</b>

## 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 maximize 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		Group	
	2024	2023	2024	2023
<b>Amount Used as the Numerator:</b>				
Net Assets Attributable to Equity Holders of the Parent (LKR'000)	76,886,307	58,945,054	79,477,075	61,126,137
<b>Number of Ordinary Shares Used as the Denominator:</b>				
Number of Ordinary Shares in Issue at the End of the Year (Note 26)	326,200,247	319,619,960	326,200,247	319,619,960
<b>Net Assets Value per Ordinary Share (LKR)</b>	<b>235.70</b>	<b>184.42</b>	<b>243.65</b>	<b>191.25</b>

## 50 Events After the Reporting Date

No material events have taken place since 31 December 2024 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. 6.50 per share to be paid and in the form of LKR. 3.25 per share in cash and LKR. 3.25 per share in the form of scrip. Scrip issue will be made in the proportion of 01 share for every 69.774256 voting shares amounting to a total of 4,041,283 new voting shares and 01 share for every 110.836695 convertible non-voting shares, amounting to a total of 398,990 new convertible non-voting shares. Fractions in shares will be paid in cash.

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# Risk Management Annexures

## Credit Risk

Table 1

### Gross Loans & Advances – Individual Impairment

2024	Exposure		Impairment Provision	Impairment		Age Analysis		
	On Balance Sheet	Off Balance Sheet		Net Present Value of Future Cash Flows*	Write Offs During the period	0 - 30 Days	31 -90 Days	Above 90 Days
Total Loans & Advances	31,551,952	-	10,245,247	21,306,705	208,673	18,160,136	2,552,637	10,839,179

\*Sum of net present value of cash flows expected through normal business activities and collateral liquidation.

Table 2

### Gross Loans & Advances – Collective Impairment

2024	Exposure		Impairment Provision	Impairment		Age Analysis		
	On Balance Sheet	Off Balance Sheet		Write Offs During the period	0 - 30 Days	31 -90 Days	Above 90 Days	
Total Loans & Advances	273,488,686	-	10,480,341	1,571,289	259,172,330	7,701,452	6,614,904	

\* Staff Loans exposures are not assessed for impairment.

## Risk Management Annexures

### Market Risk

Table 1

#### Composition of Trading and Non-Trading Book

	2024		
	Trading book (LKR million)	Non-trading book (LKR million)	Total (LKR million)
<b>Assets</b>			
Cash and Cash Equivalents	-	20,814	20,814
Balances with Central Bank of Sri Lanka	-	1,183	1,183
Reverse Repurchase Agreements	-	2,389	2,389
Derivative Financial Instruments	224	-	224
Financial Assets	17,195	107,015	124,210
Financial Assets at Amortised Cost – Debt Instruments	-	96,796	96,796
Financial Assets at Amortised Cost – Loans and Advances	-	287,363	287,363
Other Assets	-	4,957	4,957
Investments in Subsidiaries	-	679	679
Fixed Assets (PPE, ROU & Intangibles)	-	5,712	5,712
Deferred Tax Assets	-	1,114	1,114
<b>Total</b>	<b>17,419</b>	<b>528,022</b>	<b>545,441</b>
<b>Liabilities</b>			
Due to Banks	-	27,403	27,403
Derivative Financial Instruments	372	-	372
Due to Depositors	-	384,785	384,785
Repurchase Agreements	-	21,985	21,985
Due to other Borrowers	-	9,111	9,111
Debt Securities Issued	-	5,980	5,980
Retirement Benefit Obligations	-	1,458	1,458
Current Tax Liabilities	-	4,591	4,591
Other Liabilities	-	12,870	12,870
Equity & Other Reserves	-	76,886	76,886
<b>Total</b>	<b>372</b>	<b>545,069</b>	<b>545,441</b>
<b>Contingent Liabilities &amp; Commitments</b>			
Commitment & Guarantees	-	266,246	266,246
Forward on Government Securities	260	-	260
Derivative Assets- Held for Trading (Net)	140,207	-	140,207

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)	231.001	70.182	44.141	55.690	3.750	1.100	1.804	
	Liabilities (On & Off Balance sheet)	63.762	44.993	59.832	100.715	101.990	16.652	23.565	(3.840)
	Periodic Gap	167.239	25.189	(15.691)	(45.025)	(98.240)	(15.552)	(21.760)	
GBP	Assets (On & Off Balance sheet)	4.516	3.001	0.004	-	-	-	-	
	Liabilities (On & Off Balance sheet)	0.868	0.908	1.524	2.541	0.648	0.253	0.795	(0.016)
	Periodic Gap	3.648	2.093	(1.520)	(2.541)	(0.648)	(0.253)	(0.795)	
EUR	Assets (On & Off Balance sheet)	6.555	-	0.021	0.009	-	-	0.028	
	Liabilities (On & Off Balance sheet)	1.018	0.869	0.750	1.634	0.926	0.348	1.078	(0.010)
	Periodic Gap	5.537	(0.869)	(0.729)	(1.625)	(0.926)	(0.348)	(1.050)	

## 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)	95,862	105,315	42,429	25,624	113,416	48,567	38,597
	Liabilities (On & Off Balance sheet)	106,268	61,559	34,517	34,251	42,635	23,792	195,048
	Periodic Gap	(10,406)	43,756	7,912	(8,627)	70,781	24,775	(156,451)
	Cumulative Gap	(10,406)	33,350	41,262	32,635	103,416	128,191	(28,260)
USD	Assets (On & Off Balance sheet)	130	90	51	18	70	17	23
	Liabilities (On & Off Balance sheet)	65	43	53	99	96	18	68
	Periodic Gap	65	47	(2)	(81)	(26)	(1)	(45)
	Cumulative Gap	65	112	110	29	3	2	(43)
GBP	Assets (On & Off Balance sheet)	5	3	-	-	-	-	-
	Liabilities (On & Off Balance sheet)	1	-	1	1	1	-	9
	Periodic Gap	4	3	(1)	(1)	(1)	-	(9)
	Cumulative Gap	4	7	6	5	4	4	(5)
EUR	Assets (On & Off Balance sheet)	7	-	-	-	-	-	-
	Liabilities (On & Off Balance sheet)	1	1	-	1	1	-	4
	Periodic Gap	6	(1)	-	(1)	(1)	-	(4)
	Cumulative Gap	6	5	5	4	3	3	(1)

## 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	124,640	59,205	23,422	21,881	91,626	88,273	41,147	450,194
	Liabilities	132,267	62,393	48,752	43,264	42,887	7,505	3,398	340,466
	Periodic Gap	(7,627)	(3,188)	(25,330)	(21,383)	48,739	80,768	37,749	109,728
USD	Assets	160	113	81	54	-	-	-	408
	Liabilities	103	46	63	117	84	10	5	428
	Periodic Gap	57	67	18	(63)	(84)	(10)	(5)	(20)
GBP	Assets	3	3	-	-	-	-	-	6
	Liabilities	3	1	1	2	-	-	-	7
	Periodic Gap	-	2	(1)	(2)	-	-	-	(1)
EUR	Assets	7	2	-	-	-	-	-	9
	Liabilities	5	1	1	2	-	-	-	9
	Periodic Gap	2	1	(1)	(2)	-	-	-	-

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	(7)	(24)	72	275	(593)	(1,806)	(1,364)	(3,447)
Down by 100bp	7	24	(72)	(275)	593	1,806	1,364	3,447

Note : Interest sensitivity is on 100bps increase/decrease, excluding trading book

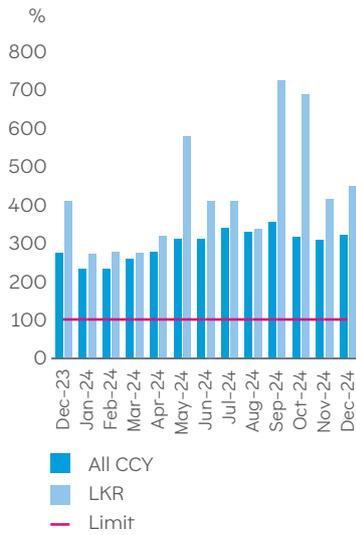
# Risk Management Annexures

## Liquidity Risk Trend Analysis

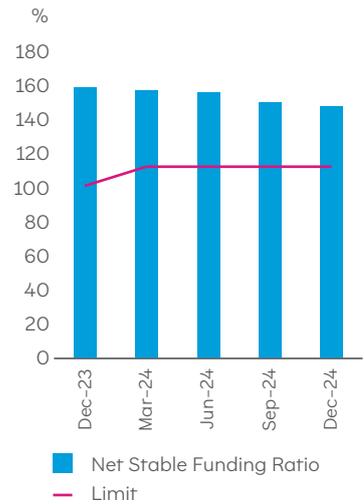
**Commitments to Total Loans**



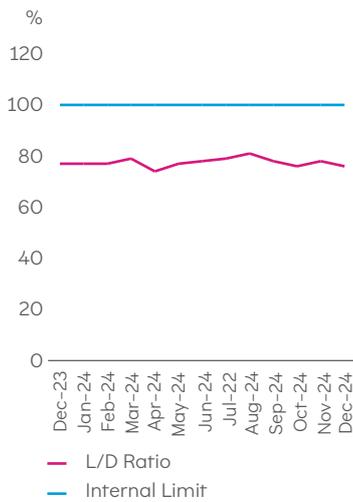
**Liquidity Coverage Ratio**



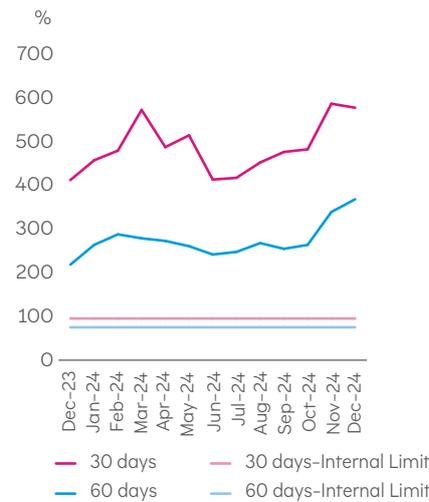
**Net Stable Funding Ratio**



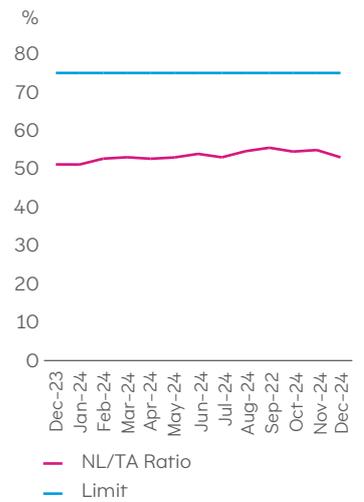
**Loan to Deposit Ratio**



**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-24	31-December-23	31-December-24	31-December-23
<b>Regulatory Capital (LKR '000)</b>				
Common Equity Tier 1	70,822,110	51,747,926	73,081,874	53,681,235
Tier 1 Capital	70,822,110	51,747,926	73,081,874	53,681,235
Total Capital	74,851,471	56,330,223	77,111,235	58,263,532
<b>Regulatory Capital Ratios (%)</b>				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7.00%)	20.87%	17.52%	21.47%	18.14%
Tier 1 Capital Ratio (Minimum Requirement - 8.50%)	20.87%	17.52%	21.47%	18.14%
Total Capital Ratio (Minimum Requirement - 12.50%)	22.05%	19.07%	22.66%	19.68%
Leverage Ratio (Minimum Requirement -3%)	12.57%	9.72%	12.96%	10.08%
<b>Regulatory Liquidity</b>				
Total Stock of High-Quality Liquid Assets (LKR'000)	210,135,367	150,385,533		
Liquidity Coverage Ratio (%)				
Rupee (Minimum Requirement - 100%)	447.74%	410.23%		
All Currency (Minimum Requirement - 100%)	320.56%	274.10%		
Net Stable Funding Ratio (Minimum Requirement - 100%)	154.73%	158.59%		

## Risk Management Annexures

**Table 2**  
**Basel III Computation of Capital Ratios**

Item	Bank		Group	
	LKR '000		LKR '000	
	31-December-24	31-December-23	31-December-24	31-December-23
<b>Common Equity Tier 1 (CET1) Capital after Adjustments</b>	70,822,110	51,747,926	73,081,874	53,681,235
<b>Common Equity Tier 1 (CET1) Capital</b>	73,344,877	56,435,616	75,354,251	58,179,078
Equity Capital (Stated Capital)/Assigned Capital	12,106,271	11,426,882	12,106,271	11,426,882
Reserve Fund	3,610,419	2,783,805	3,610,418	2,783,805
Published Retained Earnings/(Accumulated Retained Losses)	53,907,156	39,879,971	55,916,529	41,623,434
Published Accumulated Other Comprehensive Income (OCI)	3,721,032	2,344,958	3,721,033	2,344,958
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	-	-	-	-
<b>Total Adjustments to CET1 Capital</b>	2,522,767	4,687,690	2,272,377	4,497,842
Goodwill (net)	-	-	-	-
Intangible Assets (net)	1,408,451	1,353,420	1,408,927	1,353,909
Deferred tax assets (net)	1,114,316	3,334,269	863,450	3,143,934
Shortfall of the Cumulative Impairment to Specific Provisions	-	-	-	-
<b>Additional Tier 1 (AT1) Capital after Adjustments</b>	-	-	-	-
<b>Additional Tier 1 (AT1) Capital</b>	-	-	-	-
Qualifying Additional Tier 1 Capital Instruments	-	-	-	-
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
<b>Total Adjustments to AT1 Capital</b>	-	-	-	-
Investment in Own Shares	-	-	-	-
Others (specify)	-	-	-	-
<b>Tier 2 Capital after Adjustments</b>	4,029,361	4,582,297	4,029,361	4,582,297
<b>Tier 2 Capital</b>	4,029,361	4,582,297	4,029,361	4,582,297
Qualifying Tier 2 Capital Instruments	514,286	1,311,429	514,286	1,311,429
Revaluation Gains	473,067	397,935	473,067	397,935
Loan Loss Provisions	3,042,008	2,872,933	3,042,008	2,872,933
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
<b>Total Adjustments to Tier 2</b>	-	-	-	-
Investment in Own Shares	-	-	-	-
Others (specify)	-	-	-	-
<b>CET1 Capital</b>	70,822,110	51,747,926	73,081,874	53,681,235
<b>Total Tier 1 Capital</b>	70,822,110	51,747,926	73,081,874	53,681,235
<b>Total Capital</b>	74,851,471	56,330,223	77,111,235	58,263,532

Table 2 (Cond.)

## Basel III Computation of Capital Ratios (Contd.)

Item	Bank		Group	
	LKR '000		LKR '000	
	31-December-24	31-December-23	31-December-24	31-December-23
<b>Total Risk Weighted Assets (RWA)</b>	339,408,904	295,327,703	340,341,174	295,984,497
RWAs for Credit Risk	243,360,644	229,834,668	243,717,114	229,955,508
RWAs for Market Risk	43,871,249	23,161,667	43,871,249	23,161,667
RWAs for Operational Risk	52,177,012	42,331,368	52,752,811	42,867,323
<b>CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer &amp; Surcharge on D-SIBs) (%)</b>	20.87%	17.52%	21.47%	18.14%
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 (%)	20.87%	17.52%	21.47%	18.14%
<b>Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer &amp; Surcharge on D-SIBs) (%)</b>	22.05%	19.07%	22.66%	19.68%
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-24	31-December-23	31-December-24	31-December-23
<b>Tier 1 Capital</b>	70,822,110	51,747,926	73,081,874	53,681,235
<b>Total Exposures</b>	563,561,779	532,168,660	563,956,956	532,328,218
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	540,304,796	509,944,875	540,699,973	510,104,432
Derivative Exposures	2,169,806	2,158,130	2,169,806	2,158,130
Securities Financing Transaction Exposures	2,389,147	1,502,215	2,389,147	1,502,215
Other Off-Balance Sheet Exposures	18,698,030	18,563,440	18,698,030	18,563,440
<b>Basel III Leverage Ratio (%) (Tier 1/Total Exposure)</b>	12.57%	9.72%	12.96%	10.08%

## 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-24		31-December-23	
<b>Total Stock of High-Quality Liquid Assets (HQLA)</b>	210,135,367	210,135,367	150,385,533	150,385,533
<b>Total Adjusted Level 1A Assets</b>	210,975,078	210,975,078	150,792,353	150,792,353
<b>Level 1 Assets</b>	210,135,367	210,135,367	150,385,533	150,385,533
<b>Total Adjusted Level 2A Assets</b>	-	-	-	-
<b>Level 2A Assets</b>	-	-	-	-
<b>Total Adjusted Level 2B Assets</b>	-	-	-	-
<b>Level 2B Assets</b>	-	-	-	-
<b>Total Cash Outflows</b>	668,310,071	108,454,888	575,928,016	97,755,977
Deposits	280,955,251	28,095,525	249,565,293	24,956,529
Unsecured Wholesale Funding	105,166,155	51,644,653	103,762,600	54,844,535
Secured Funding Transactions	24,052	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	274,865,780	21,415,878	219,707,737	15,062,527
Additional Requirements	7,298,832	7,298,832	2,892,386	2,892,386
<b>Total Cash Inflows</b>	81,122,355	42,902,459	111,412,306	42,890,605
Maturing Secured Lending Transactions Backed by Collateral	2,391,168	-	1,502,215	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	68,281,588	41,705,884	81,238,992	42,397,427
Operational Deposits	9,253,025	-	27,687,557	-
Other Cash Inflows	1,196,575	1,196,575	983,542	493,178
<b>Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/ Total Net Cash Outflows over the Next 30 Calendar Days) * 100</b>		320.56%		274.10%

**Table 5**  
**Basel III Computation of Net Stable Funding Ratio**

Item	Bank	
	Amount (LKR'000)	
	31-December-24	31-December-23
<b>Total Available Stable Funding</b>	403,664,648	370,510,951
Required Stable Funding – On Balance Sheet Assets	250,879,941	226,295,980
Required Stable Funding – Off Balance Sheet Items	10,007,542	7,326,529
<b>Total Required Stable Funding</b>	260,887,483	233,622,509
<b>Net Stable Funding Ratio</b> (Minimum Requirement - 100%)	154.73%	158.59%

## 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)	8,642,017	3,464,255
Accounting Classification (Equity/Liability)	Equity	Equity
<b>Issuer Call subject to Prior Supervisory Approval</b>		
Optional Call Date, Contingent Call Dates and Redemption Amount (LKR '000)	N/A	N/A
Subsequent Call Dates, if Applicable	N/A	N/A
<b>Coupons/Dividends</b>		
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
<b>Convertible or Non-Convertible</b>	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
514,286	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-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)
Claims on Central Government and CBSL	97,465,351	38,332,150	97,465,351	766,643	-	0%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	0%
Claims on Public Sector Entities	4,177,883	-	4,177,883	-	3,676,489	88%
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	0%
Claims on Banks Exposures	9,278,877	65,522,801	9,278,650	1,436,141	2,311,870	22%
Claims on Financial Institutions	24,568,793	27,402,183	13,939,043	506,231	8,121,009	56%
Claims on Corporates	158,876,171	153,878,955	143,095,726	14,167,185	150,476,346	96%
Retail Claims	98,713,817	90,999,559	73,404,301	4,149,437	58,604,848	76%
Claims Secured by Residential Property	5,673,669	-	5,673,669	-	2,488,421	44%
Claims Secured by Commercial Real Estate	287,842	-	287,842	-	287,842	100%
Non-Performing Assets (NPAs)(i)	7,000,179	-	6,757,871	6,861	7,192,106	106%
Higher-risk Categories	25,803	-	25,803	-	64,507	250%
Cash Items and Other Assets	21,700,802	-	21,700,802	-	10,137,206	47%
<b>Total</b>	<b>427,769,187</b>	<b>376,135,647</b>	<b>375,806,940</b>	<b>21,032,497</b>	<b>243,360,644</b>	<b>61%</b>

Asset Class	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)
Claims on Central Government and CBSL	97,465,351	38,332,150	97,465,351	766,643	-	0%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	0%
Claims on Public Sector Entities	4,177,883	-	4,177,883	-	3,676,489	88%
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	0%
Claims on Banks Exposures	9,278,650	65,522,801	9,278,650	1,436,141	2,311,870	22%
Claims on Financial Institutions	24,569,019	27,402,183	13,939,043	506,231	8,121,009	56%
Claims on Corporates	158,876,171	153,878,955	143,095,726	14,167,185	150,476,346	96%
Retail Claims	98,713,817	90,999,559	73,404,301	4,149,437	58,604,848	76%
Claims Secured by Residential Property	5,673,669	-	5,673,669	-	2,488,421	44%
Claims Secured by Commercial Real Estate	287,842	-	287,842	-	287,842	100%
Non-Performing Assets (NPAs)(i)	7,000,179	-	6,757,871	6,861	7,192,106	106%
Higher-risk Categories	-	-	-	-	-	0%
Cash Items and Other Assets	22,121,782	-	22,121,782	-	10,558,183	48%
<b>Total</b>	<b>428,164,364</b>	<b>376,135,647</b>	<b>376,202,117</b>	<b>21,032,497</b>	<b>243,717,114</b>	<b>61%</b>

**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-23						
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)	
94,678,257	39,391,500	94,678,257	787,830	634,167	1%	
4,849,318	-	4,849,318	-	-	0%	
5,807,726	-	5,807,726	-	5,305,233	91%	
-	-	-	-	-	0%	
29,201,123	39,017,994	27,698,908	749,886	5,779,765	20%	
21,152,491	23,454,194	10,042,957	1,526,506	7,374,440	64%	
139,872,128	113,264,851	127,600,265	13,261,737	131,870,367	94%	
97,204,771	78,262,770	71,637,176	3,646,819	56,576,201	75%	
6,339,488	-	6,339,488	-	2,998,761	47%	
315,257	-	315,257	-	315,257	100%	
10,263,039	-	10,031,748	137,119	10,990,352	108%	
25,803	-	25,803	-	64,507	250%	
20,423,269	-	20,423,269	-	7,925,620	39%	
430,132,669	293,391,310	379,450,171	20,109,897	229,834,668	58%	

Group						
LKR'000 as at -31-December-23						
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)	
94,678,257	39,391,500	94,678,257	787,830	634,167	1%	
4,849,318	-	4,849,318	-	-	0%	
5,807,726	-	5,807,726	-	5,305,233	91%	
-	-	-	-	-	0%	
27,698,908	39,017,994	27,698,908	749,886	5,779,765	20%	
22,654,706	23,454,194	10,042,957	1,526,506	7,374,440	64%	
139,872,128	113,264,851	127,600,265	13,261,737	131,870,367	94%	
97,204,771	78,262,770	71,637,176	3,646,819	56,576,201	75%	
6,339,488	-	6,339,488	-	2,998,761	47%	
315,257	-	315,257	-	315,257	100%	
10,263,039	-	10,031,748	137,119	10,990,352	108%	
-	-	-	-	-	0%	
20,608,617	-	20,608,617	-	8,110,966	39%	
430,292,215	293,391,310	379,609,717	20,109,897	229,955,508	58%	

## 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-2024 (Post CCF & CRM)										
	0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka	98,231,994	-	-	-	-	-	-	-	-	-	98,231,994
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	1,002,787	-	-	3,175,096	-	-	4,177,883
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-
Claims on Banks Exposures	-	-	10,322,333	-	304,405	-	-	73,758	14,296	-	10,714,792
Claims on Financial Institutions	-	-	-	-	12,648,530	-	-	1,796,744	-	-	14,445,273
Claims on Corporates	-	-	4,255,522	-	6,764,294	-	-	146,243,095	-	-	157,262,911
Retail Claims	-	-	-	-	-	7,039,336	64,532,622	5,981,780	-	-	77,553,738
Claims Secured by Residential Property	-	-	-	4,900,382	-	-	-	773,288	-	-	5,673,669
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	287,842	-	-	287,842
Non-Performing Assets (NPAs)	-	-	-	-	137,604	-	-	5,634,775	992,352	-	6,764,731
Higher-risk Categories	-	-	-	-	-	-	-	-	-	25,803	25,803
Cash Items and Other Assets	11,563,596	-	-	-	-	-	-	10,137,206	-	-	21,700,802
<b>Total</b>	<b>109,795,590</b>	<b>-</b>	<b>14,577,855</b>	<b>4,900,382</b>	<b>20,857,620</b>	<b>7,039,336</b>	<b>64,532,622</b>	<b>174,103,583</b>	<b>1,006,648</b>	<b>25,803</b>	<b>396,839,438</b>

Description	Group										
	LKR'000 as at 31-December-2024 (Post CCF & CRM)										
	0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka	98,231,994	-	-	-	-	-	-	-	-	-	98,231,994
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	1,002,787	-	-	3,175,096	-	-	4,177,883
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-
Claims on Banks Exposures	-	-	10,322,333	-	304,405	-	-	73,758	14,296	-	10,714,792
Claims on Financial Institutions	-	-	-	-	12,648,530	-	-	1,796,744	-	-	14,445,273
Claims on Corporates	-	-	4,255,522	-	6,764,294	-	-	146,243,095	-	-	157,262,911
Retail Claims	-	-	-	-	-	7,039,336	64,532,622	5,981,780	-	-	77,553,738
Claims Secured by Residential Property	-	-	-	4,900,382	-	-	-	773,288	-	-	5,673,669
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	287,842	-	-	287,842
Non-Performing Assets (NPAs)	-	-	-	-	137,604	-	-	5,634,775	992,352	-	6,764,731
Higher-risk Categories	-	-	-	-	-	-	-	-	-	-	-
Cash Items and Other Assets	11,563,599	-	-	-	-	-	-	10,558,183	-	-	22,121,782
<b>Total</b>	<b>109,795,593</b>	<b>-</b>	<b>14,577,855</b>	<b>4,900,382</b>	<b>20,857,620</b>	<b>7,039,336</b>	<b>64,532,622</b>	<b>174,524,560</b>	<b>1,006,648</b>	<b>-</b>	<b>397,234,615</b>

Bank										
LKR'000 as at 31-Dec-2023 (Post CCF & CRM)										
0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
92,295,254		3,170,833		-	-	-	-	-	-	95,466,087
4,849,318		-		-	-	-	-	-	-	4,849,318
-		-		1,004,986	-	-	4,802,740	-	-	5,807,726
-		-		-	-	-	-	-	-	-
-		28,270,784		120,175	-	-	42,462	15,372	-	28,448,794
-		-		8,390,047	-	-	3,179,416	-	-	11,569,463
-		7,347,770		6,226,838	-	-	127,287,395	-	-	140,862,002
-		-		-	6,074,749	65,111,576	4,097,670	-	-	75,283,995
-		-		5,139,579	-	-	1,199,909	-	-	6,339,488
-		-		-	-	-	315,257	-	-	315,257
-		-		214,475	-	-	8,096,948	1,857,444	-	10,168,867
-		-		-	-	-	-	-	25,803	25,803
12,497,649		-		-	-	-	7,925,620	-	-	20,423,269
109,642,221	-	38,789,387	5,139,579	15,956,521	6,074,749	65,111,576	156,947,416	1,872,816	25,803	399,560,068

Group										
LKR'000 as at 31-Dec-2023 (Post CCF & CRM)										
0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
92,295,254		3,170,833		-	-	-	-	-	-	95,466,087
4,849,318		-		-	-	-	-	-	-	4,849,318
-		-		1,004,986	-	-	4,802,740	-	-	5,807,726
-		-		-	-	-	-	-	-	-
-		28,270,784		120,175	-	-	42,462	15,372	-	28,448,794
-		-		8,390,047	-	-	3,179,416	-	-	11,569,463
-		7,347,770		6,226,838	-	-	127,287,395	-	-	140,862,002
-		-		-	6,074,749	65,111,576	4,097,670	-	-	75,283,995
-		-		5,139,579	-	-	1,199,909	-	-	6,339,488
-		-		-	-	-	315,257	-	-	315,257
-		-		214,475	-	-	8,096,948	1,857,444	-	10,168,867
-		-		-	-	-	-	-	-	-
12,497,652		-		-	-	-	8,110,966	-	-	20,608,617
109,642,224	-	38,789,387	5,139,579	15,956,521	6,074,749	65,111,576	157,132,762	1,872,816	-	399,719,614

## Risk Management Annexures

**Table 9**  
Market Risk under Standardised Measurement Method

Item	Bank		Group	
	RWA (LKR'000)		RWA (LKR'000)	
	31-December-24	31-December-23	31-December-24	31-December-23
<b>(a) RWA for Interest Rate Risk</b>	5,366,381	2,855,031	5,366,381	2,855,031
General Interest Rate Risk	5,366,381	2,855,031	5,366,381	2,855,031
(i) Net Long or Short Position	5,366,381	2,855,031	5,366,381	2,855,031
(ii) Horizontal Disallowance	-	-	-	-
(iii) Vertical Disallowance	-	-	-	-
(iv) Options	-	-	-	-
Specific Interest Rate Risk	-	-	-	-
<b>(b) RWA for Equity</b>	-	-	-	-
(i) General Equity Risk	-	-	-	-
(ii) Specific Equity Risk	-	-	-	-
<b>(c) RWA for Foreign Exchange &amp; Gold</b>	117,525	40,177	117,525	40,177
<b>Capital Charge for Market Risk [(a) + (b) + (c)] * CAR</b>	43,871,249	23,161,667	43,871,249	23,161,667

**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-24			Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-December-23		
			1st Year	2nd Year	3rd Year			1st Year	2nd Year	3rd Year
<b>The Basic Indicator Approach</b>	15%		38,423,370	44,471,082	47,548,077	15%		22,933,969	38,423,370	44,471,082
<b>The Standardised Approach</b>			-	-	-			-	-	-
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%		-	-	-
<b>The Alternative Standardised Approach</b>			-	-	-			-	-	-
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	-	-	-
<b>Capital Charges for Operational Risk (LKR'000)</b>										
The Basic Indicator Approach	6,522,126					5,291,421				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				
<b>Risk Weighted Amount for Operational Risk (LKR'000)</b>										
The Basic Indicator Approach	52,177,012					42,331,368				
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-24			Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-December-23		
			1st Year	2nd Year	3rd Year			1st Year	2nd Year	3rd Year
<b>The Basic Indicator Approach</b>	15%		38,867,315	45,031,613	47,983,099	15%		23,269,379	38,867,315	45,031,613
<b>The Standardised Approach</b>			-	-	-			-	-	-
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%		-	-	-
<b>The Alternative Standardised Approach</b>			-	-	-			-	-	-
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	-	-	-
<b>Capital Charges for Operational Risk (LKR'000)</b>										
The Basic Indicator Approach	6,594,101					5,358,415				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				
<b>Risk Weighted Amount for Operational Risk (LKR'000)</b>										
The Basic Indicator Approach	52,752,811					42,867,323				
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 2024 to 31st December 2024.		
GRI 1 used	GRI 1: Foundation 2021		
GRI Standard/ Other Source	Disclosure	Page No	UNSDG Alignment
<b>General disclosures</b>			
GRI 2: General Disclosures 2021	2-1 Organizational details	IBC	
	2-2 Entities included in the organization's sustainability reporting	3	
	2-3 Reporting period, frequency and contact point	3	
	2-4 Restatements of information	3	
	2-5 External assurance	3	Goal 5, Goal 8
	2-6 Activities, value chain and other business relationships	55	
	2-7 Employees	48	
	2-8 Workers who are not employees	48	Goal 8
	2-9 Governance structure and composition	62-63	
	2-10 Nomination and selection of the highest governance body	64	
	2-11 Chair of the highest governance body	14, 65	
	2-12 Role of the highest governance body in overseeing the management of impacts	27	
	2-13 Delegation of responsibility for managing impacts	27	
	2-14 Role of the highest governance body in sustainability reporting	9, 13	
	2-15 Conflicts of interest	65-66	
	2-16 Communication of critical concerns	65	
	2-17 Collective knowledge of the highest governance body	64	
	2-18 Evaluation of the performance of the highest governance body	64	
	2-19 Remuneration policies	66	
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	2-21 Annual total compensation ratio	48	
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	2-24 Embedding policy commitments	26	
	2-25 Processes to remediate negative impacts	28	
	2-26 Mechanisms for seeking advice and raising concerns	28	
	2-27 Compliance with laws and regulations	57, 64-66	
	2-28 Membership associations	55-56	Goal 17
	2-29 Approach to stakeholder engagement	28, 30-31	
<b>Material topics</b>			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	28, 29	
	3-2 List of material topics	29	

GRI Standard/ Other Source	Disclosure	Page No	UNSDG Alignment
<b>Economic performance</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	29	Goal 8
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	6	
	201-2 Financial implications and other risks and opportunities due to climate change	40	
	201-3 Defined benefit plan obligations and other retirement plans	50, 164-165	
<b>Anti-corruption</b>			
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	88	Goal 10,
	205-2 Communication and training about anti-corruption policies and procedures	88	Goal 16
	205-3 Confirmed incidents of corruption and actions taken	88	
<b>Tax</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	29	Goal 10, Goal 16
GRI 207: Tax 2019	207-1 Approach to tax	38-39	
	207-2 Tax governance, control, and risk management	38-39, 174	
	207-3 Stakeholder engagement and management of concerns related to tax	30	
	207-4 Country-by-country reporting	174	
<b>Energy</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	29	Goal 10, Goal 16
GRI 302: Energy 2016	302-1 Energy consumption within the organization	58	
	302-3 Energy intensity	57	
<b>Emissions</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	29	Goal 7, Goal 13
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	58	
	305-2 Energy indirect (Scope 2) GHG emissions	58	
	305-4 GHG emissions intensity	58	
	305-6 Emissions of ozone-depleting substances (ODS)	58	
<b>Waste</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	29	Goal 15
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	58, 59	
	306-2 Management of significant waste-related impacts	58, 59	
	306-3 Waste generated	58, 59	
	306-4 Waste diverted from disposal (Recycles, reused & Recovered)	58, 59	
	306-5 Waste directed to disposal (Landfill, disposed)	58, 59	

## GRI Context Index

GRI Standard/ Other Source	Disclosure	Page No	UNSDG Alignment
<b>Supplier environmental assessment</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	29	Goal 17
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	55	
	308-2 Negative environmental impacts in the supply chain and actions taken	55	
<b>Employment</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	29	Goal 8
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	50	
	401-3 Parental leave	49	
<b>Occupational health and safety</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	29	Goal 8, Goal 3
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	52	
	403-2 Hazard identification, risk assessment, and incident investigation	52	
	403-3 Occupational health services	52	
	403-4 Worker participation, consultation, and communication on occupational health and safety	52	
	403-5 Worker training on occupational health and safety	52	
	403-6 Promotion of worker health	52	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	52	
	403-9 Work-related injuries	52	
<b>Training and education</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	29	Goal 8
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	50	
	404-2 Programs for upgrading employee skills and transition assistance programs	51	
	404-3 Percentage of employees receiving regular performance and career development reviews	51	
<b>Diversity and equal opportunity</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	29	Goal 8
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	48, 64	
	405-2 Ratio of basic salary and remuneration of women to men	52	
<b>Non-discrimination</b>			

GRI Standard/ Other Source	Disclosure	Page No	UNSDG Alignment
GRI 3: Material Topics 2021	3-3 Management of material topics	29	Goal 8
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	52	
<b>Security practices</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	29	Goal 8
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	55	
<b>Local communities</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	29	Goal 11
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	56	
<b>Supplier social assessment</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	29	Goal 17
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	55	
<b>Customer health and safety</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	29	Goal 8
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	53	
<b>Marketing and labeling</b>			
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	54	
	417-2 Incidents of non-compliance concerning product and service information and labelling	55	
	417-3 Incidents of non-compliance concerning marketing communications	55	
<b>Customer privacy</b>			
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	33	

# 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 31st December 2024, 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 2024				As at 31st December 2023			
	No. of Shareholders	Percentage %	No. of Shares	Percentage %	No. of Shareholders	Percentage %	No. of Shares	Percentage %
<b>Ordinary Shares - Voting</b>								
1 - 1,000	3,960	59.86	1,122,411	0.40	3,658	58.71	1,064,105	0.39
1,001 - 10,000	1,974	29.84	6,185,197	2.19	1,952	31.33	5,818,875	2.11
10,001 - 100,000	558	8.44	16,789,562	5.95	501	8.04	13,962,526	5.05
100,001 - 1,000,000	109	1.65	31,215,425	11.07	102	1.64	26,399,133	9.55
Over 1,000,000	14	0.21	226,664,919	80.39	18	0.28	229,003,369	82.90
<b>Total</b>	<b>6,615</b>	<b>100.00</b>	<b>281,977,514</b>	<b>100.00</b>	<b>6,231</b>	<b>100.00</b>	<b>276,248,008</b>	<b>100.00</b>
<b>Ordinary Shares - Non Voting</b>								
1 - 1000	319	86.68	46,099	0.10	302	84.59	52,055	0.12
1001 - 10,000	35	9.51	98,641	0.22	41	11.49	101,747	0.24
10,001 - 100,000	7	1.90	128,378	0.29	7	1.96	125,873	0.29
100,001 - 1,000,000	1	0.27	160,039	0.36	1	0.28	156,911	0.36
Over 1,000,000	6	1.64	43,789,576	99.03	6	1.68	42,935,366	98.99
<b>Total</b>	<b>368</b>	<b>100.00</b>	<b>44,222,733</b>	<b>100.00</b>	<b>357</b>	<b>100</b>	<b>43,371,952</b>	<b>100.00</b>

## Composition of Shareholders based on Residency and Category

	As at 31st December 2024				As at 31st December 2023			
	No. of Shareholders	Percentage %	No. of Shares	Percentage %	No. of Shareholders	Percentage %	No. of Shares	Percentage %
<b>Ordinary Shares - Voting</b>								
Resident	6,533	98.76	235,223,542	83.42	6,153	98.75	229,796,954	83.19
Non-Resident	82	1.24	46,753,972	16.58	78	1.25	46,451,054	16.81
<b>Total</b>	<b>6,615</b>	<b>100.00</b>	<b>281,977,514</b>	<b>100.00</b>	<b>6,231</b>	<b>100.00</b>	<b>276,248,008</b>	<b>100.00</b>
<b>Ordinary Shares - Non Voting</b>								
Individual	6,186	93.51	35,603,246	12.63	5,842	93.76	39,623,107	14.34
Institutional	429	6.49	246,374,268	87.37	389	6.24	236,624,901	85.66
<b>Total</b>	<b>6,615</b>	<b>100.00</b>	<b>281,977,514</b>	<b>100.00</b>	<b>6,231</b>	<b>100.00</b>	<b>276,248,008</b>	<b>100.00</b>
<b>Ordinary Shares - Non Voting</b>								
Resident	365	99.18	37,586,080	84.99	355	99.44	36,863,156	84.99
Non-Resident	3	0.82	6,636,653	15.01	2	0.56	6,508,796	15.01
<b>Total</b>	<b>368</b>	<b>100.00</b>	<b>44,222,733</b>	<b>100.00</b>	<b>357</b>	<b>100.00</b>	<b>43,371,952</b>	<b>100.00</b>
<b>Ordinary Shares - Non Voting</b>								
Individual	341	92.66	369,071	0.83	323	90.48	355,257	0.82
Institutional	27	7.34	43,853,662	99.17	34	9.52	43,016,695	99.18
<b>Total</b>	<b>368</b>	<b>100.00</b>	<b>44,222,733</b>	<b>100.00</b>	<b>357</b>	<b>100.00</b>	<b>43,371,952</b>	<b>100.00</b>

## Public Shareholding and Float Adjusted Market Capitalisation

	31.12.2024		31.12.2023	
	Number	%	Number	%
Number of Shareholders Representing the Public Holding (Voting)	6606	35.79	6,220	35.79
Number of Shareholders Representing The Public Holding (Non Voting)	361	0.98	349	1.00
Float Adjusted Market Capitalization	LKR 18.91Bn		LKR 10.67Bn	
Compliant Under	Option 1		Option 1	

## MARKET INFORMATION ON ORDINARY SHARES OF THE COMPANY

	Voting		Non-Voting	
	2024	2023	2024	2023
<b>Market value</b>				
Highest Value (LKR)	189.75	125.00	225.00	121.50
Lowest Value (LKR)	99.80	45.70	98.50	49.00
Value at End of Year (LKR)	186.50	107.50	215.50	99.80
<b>Trading Statistics</b>				
No. of Transactions	20,293	18,532	1,551	852
No. of Shares Traded (LKR Mn)	57.42	87.27	0.06	0.05
Value of Shares Traded (LKR Mn)	7,158.34	6,933.26	8.63	5.05
<b>Market Capitalization</b>				
Market Capitalization (LKR Mn)	52,588.78	29,696.66	9,530.02	4,328.52

## Investor Information

### TWENTY LARGEST VOTING SHAREHOLDERS AS AT 31ST DECEMBER 2024

Name of the Shareholder	2024		2023 *	
	No. of Shares	%	No. of Shares	%
John Keells Holdings PLC	55,611,559	19.72	54,483,737	19.72
HWIC Asia Fund	42,296,993	15.00	41,437,500	15.00
Central Finance Company PLC A/C No. 03	27,749,869	9.84	27,187,092	9.84
Mackinnons Keells Limited	27,527,718	9.76	26,969,447	9.76
Amaliya Private Limited	16,861,200	5.98	16,519,249	5.98
CF Insurance Brokers (Pvt) Ltd	13,978,215	4.96	13,694,732	4.96
CF Growth Fund Ltd A/C No. 01	13,883,461	4.92	13,601,900	4.92
Thread Capital (Pvt) Ltd	10,499,827	3.72	10,286,887	3.72
J.B. Cocoshell (Pvt) Ltd	5,738,767	2.04	4,106,426	1.49
Hatton National Bank PLC A/C No. 1	4,465,586	1.58	4,375,023	1.58
Mr. M.F. Hashim	2,961,174	1.05	2,901,121	1.05
Hatton National Bank PLC - Capital Alliance Quantitative Equity Fund	2,065,246	0.73	-	-
Mr. N.R. Somaiya	1,592,354	0.56	1,560,061	0.56
Odyssey Capital Partners (Pvt) Ltd	1,432,950	0.51	1,090,892	0.39
Mr. M.A. Jafferjee	960,610	0.34	-	-
Mr. G.B.D. Thilakarathne	919,563	0.33	3,857,010	1.40
People's Leasing & Finance PLC/Mrs. M.E. Amarasinghe	898,839	0.32	961,592	0.35
Mr. R.K. Modder	885,500	0.31	-	-
EMFI Capital Limited	872,151	0.31	1,262,323	0.46
Akbar Brothers (Pvt) Ltd A/C No. 01	867,194	0.31	-	-
	232,068,776	82.29	224,294,992	81.18
<b>Other Shareholders</b>	<b>49,908,738</b>	<b>17.71</b>	<b>51,953,016</b>	<b>18.82</b>
<b>Total</b>	<b>281,977,514</b>	<b>100.00</b>	<b>276,248,008</b>	<b>100.00</b>

\*Shareholding as at 31st December 2023 of the top twenty shareholders as at 31st December 2024.

The Director of Bank Supervision of the Central Bank of Sri Lanka (CBSL) has informed that in terms of a decision of the Monetary Board of the CBSL, John Keells Group and Central Finance Group were granted further time till 31 December 2021 to reduce their shareholding in the voting shares of the Bank to 20% and 15%, respectively. Further, John Keells Group was required to reduce its shareholding in the Bank to 15% on or before 31 December 2022. Restriction on voting rights at 10% each is applicable to John Keells Group and Central Finance Group until the shareholding is reduced to 15% each. As disclosed by the two companies in their market announcement on 31 December 2021, they have sought approval from CBSL to continue their shareholding.

## TWENTY LARGEST NON-VOTING SHAREHOLDERS AS AT 31ST DECEMBER 2024

Name of the Shareholder	2024		2023 *	
	No. of Shares	%	No. of Shares	%
John Keells Holdings PLC	18,283,973	41.35	17,926,596	41.33
Central Finance Company PLC A/C No. 03	9,280,675	20.99	9,099,276	20.98
HWIC Asia Fund	6,635,552	15.00	6,507,550	15.00
Mackinnons Keells Limited	4,765,781	10.78	4,672,630	10.77
CF Insurance Brokers (Pvt) Ltd	2,420,000	5.47	2,372,699	5.47
CF Growth Fund Ltd A/C No. 01	2,403,595	5.44	2,356,615	5.43
Mr. M. G. H. I. Jafferjee	160,039	0.36	156,911	0.36
The Incorporated Trustees of the Church of Ceylon	28,700	0.06	28,140	0.06
Mr. K.N.J. Balendra	22,479	0.05	22,040	0.05
Mr. S. J . Hirdaramani	20,872	0.05	20,465	0.05
Mr. D. C . Fernando	17,759	0.04	17,412	0.04
Vinik (Pvt) Ltd.	14,609	0.03	14,324	0.03
People's Leasing & Finance PLC/Mr. A.B.K. Weeraman	12,000	0.03	11,766	0.03
Mr. J. B . Hirdaramani	11,959	0.03	11,726	0.03
Mr. K.O.V.S.M.S.Wijesinghe	8,274	0.02	8,113	0.02
Miss. T.T. Weerasinghe	7,303	0.02	7,161	0.02
Miss. N.R. Fonseka	7,136	0.02	-	-
Mr. A.K.S. Mendis	6,136	0.01	-	-
Mr. H.P. Savidu	5,735	0.01	5,623	0.01
Mr. H.T.U.R. Siriwardana	5,148	0.01	-	-
	44,117,725	99.77	43,239,047	99.68
Others	105,008	0.23	132,905	0.32
<b>Total</b>	<b>44,222,733</b>	<b>100.00</b>	<b>43,371,952</b>	<b>100.00</b>

\*Shareholding as at 31st December 2023 of the top twenty shareholders as at 31st December 2024.

## DEBENTURE INFORMATION

The rated unsecured subordinated redeemable debentures 2019/24 and 2019/26 of the bank are listed in the Colombo Stock Exchange. Refer Note no 21.1 in Financial statements for the details of debentures.

## Corporate Governance Annexure

The Banking Act Directions No.11 of 2007 (as amended) on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank of Sri Lanka – Status of compliance as at 31st December 2024.

CBSL Direction No.	Remarks on Level of Compliance	Compliance
<b>3(1)</b>	<b>Responsibilities of the Board</b>	
3(1)(i)	The Board has strengthened the safety and soundness of the Bank in the following manner	
3 (1) (i) (a)	<p><b>Setting strategic objectives and corporate values</b></p> <p>The Bank's strategic objectives as defined in its vision and mission statements and corporate values are determined by the Board and are given on page 02 of the Annual Report. These are communicated to all levels of staff via intranet, regular trainings and strategy communication sessions. Strategic objectives and corporate values are also conveyed to new recruits as a part of a mandatory induction programme.</p>	✓
3 (1) (i) (b)	<p><b>Overall business strategy including risk policy and risk management with measurable goals</b></p> <p>Strategic Plan for 2024–2026 was approved by the Board in December 2023. Financial goals are updated on a 3 year rolling basis based on economic and market conditions. Strategic Plan for 2025–2027 was approved by the Board in November 2024 and the Budget 2025 was approved by the Board in December 2024.</p> <p>Board has approved the Risk Policy which includes the Risk management procedures and mechanisms with measurable goals. The Bank annually revises Risk Goals contained in the Risk Policy in order to dynamically manage the risk appetite of the Bank.</p>	✓
3 (1) (i) (c)	<p><b>Risk Management</b></p> <p>The implementation of the Risk Management Framework Policy is being monitored by the Board Integrated Risk Management Committee (BIRMC) and the Board through a well structured risk reporting mechanism. BIRMC minutes are submitted to the Board regularly as stipulated in the Terms of Reference of BIRMC.</p>	✓
3 (1) (i) (d)	<p><b>Communication with all stakeholders</b></p> <p>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. These Policies collectively serve as the basis and sets guidelines for communicating with all stakeholders including depositors, creditors, shareholders and borrowers.</p>	✓
3 (1) (i) (e)	<p><b>Internal control systems and management information systems.</b></p> <p>Such review is being carried out routinely by the Board. Risk control matrices are being looked at by individual departments at predetermined intervals. Implementation of internal controls is also looked into by the Internal Audit Department (IAD). The Board monitors these through the BIRMC and the Board Audit Review Committee (BARC). The Chair of the respective Board Sub Committees update the Board on the proceedings of those committees at regular Board meetings.</p> <p>The Bank has a Risk and Control Matrix (RCM) which governs internal controls over Management Information and financial reporting. The documented controls in RCM provides a reasonable assurance over control environment/system of the Bank including dissemination of management information to the Board. Financial Statement Close Process (FSCP) of the Bank specifies the linkages among different core systems, Management Information and financial reporting explaining 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.</p>	✓

CBSL Direction No.	Remarks on Level of Compliance	Compliance
3 (1) (i) (f)	<p><b>Identification of Key Management Personnel (KMP)</b></p> <p>The Board has identified Key Management Personnel (KMP) as required by the Direction, those who are in a position to significantly influence policy, direct activities and control over business activities, operations and risk management. As required by the relevant CBSL Direction, the Board has identified all relevant officers specified therein including the officers in the two layers immediately below the level of Director/CEO as officers performing executive functions/KMP. Accordingly, all Corporate Management members of the Bank have been designated as KMP of the Bank.</p>	✓
3 (1) (i) (g)	<p><b>Defining the areas of authority and key responsibilities for Directors and KMP</b></p> <p>Matters reserved for the Board are specifically identified and approved by the Board. Further, the Board Charter approved by the Board provides concise overview of the roles and responsibilities of the Board of Directors. Areas of authority and key responsibilities of the KMP are included in the respective job descriptions.</p>	✓
3 (1) (i) (h)	<p><b>Oversight of the affairs of the Bank by KMP</b></p> <p>Oversight of affairs of the Bank is carried out mainly through a Board Sub Committee, namely Board Supervisory Committee (BSC), where all the KMP present their performance and make themselves available for any clarifications and explanations required by the BSC members. The Board monitors this through the minutes of the BSC. The Chairperson of the BSC also updates the Board on the proceedings of BSC at regular Board meetings.</p> <p>KMP also communicate to the Board via monthly management reports submitted to the Board of Directors. KMP make regular presentations to the Board on matters under their purview and are also called in by the Board to explain matters relating to their areas.</p> <p>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 exercises oversight of the affairs of the Bank by KMP through the minutes of the meetings of the BIRMC, BARC, Board Information Technology Advisory Committee (BITAC), Board Credit Committee (BCC), Nomination and Governance Committee (NGC), Related Party Transactions Review Committee (RPTRC), Board Human Resource and Remuneration Committee (HRRC) and Assets and Liabilities Management Committee (ALCO) which are tabled at Board meetings.</p>	✓
3 (1) (i) (i)	<p><b>Assess the effectiveness of own governance practices, including selection, nomination and election of directors and key management personnel, management of conflicts of interests and determination of weaknesses and implementation of changes where necessary.</b></p> <p>The Board evaluates its performance annually through the Board of Directors self assessment questionnaire. Every Director is required to complete the questionnaire which aims to obtain Directors' feedback on the Board's performance on many aspects. The questionnaire also requires the Directors to assess the performance and their contribution to the Board Sub Committees they represent. The responses received from the Directors are reviewed by the Senior Director and discussed at a Board meeting. The summary of annual self evaluations submitted by individual Directors for 2023 was reviewed and discussed by the Board during 2024.</p>	✓
3 (1) (i) (j)	<p><b>Succession plan for KMP</b></p> <p>A comprehensive succession planning process is undertaken for KMP. The process involves identification of senior officers and grooming them to take over Corporate Management positions in the short medium and long term. The Human Resources Department is vested with the responsibility of revising and keeping the succession planning process up-to-date.</p>	✓

## Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
3 (1) (i) (k)	<p><b>Regular meetings with KMP</b></p> <p>KMP are requested to conduct presentations and/are invited to the Board meetings and Sub Committee meetings as is needed. They are requested to carry out review of policies, review of progress towards corporate objectives and other matters under their purview. Please refer 3 (1) (i) (h) as well which includes statements relating to status of compliance with this Rule.</p>	✓
3 (1) (i) (l)	<p><b>Regulatory environment and maintaining an effective relationship with regulators.</b></p> <p>The Board is updated on the developments/changes in the regulatory environment by the relevant KMP at Board meetings and relevant Board Sub Committee meetings which discuss/endorse the steps taken to comply with changes as appropriate.</p> <p>Compliance with statutory regulations is monitored regularly by the Board. The Compliance Officer submits a monthly compliance report which covers all returns submitted to the regulators. A report is submitted to the IRMC by the Compliance Officer capturing interactions with the Regulators and the actions taken/to be taken on new regulations.</p> <p>The Bank maintains effective relationship with the regulators. The Board members attend the Director forums arranged by the regulators as well.</p>	✓
3 (1) (i) (m)	<p><b>Hiring and oversight of external auditors.</b></p> <p>The Board has delegated the function of hiring and oversight of External Auditors to the BARC and Terms of References of the BARC contain necessary provisions to carry out same. Accordingly, the BARC carries out required due diligence in hiring of External Auditors and make recommendations to the Board. The appointment of the External Auditor is made at the Bank's Annual General Meeting.</p>	✓
3 (1) (ii)	<p><b>Appointment of Chairperson and CEO and their functions and responsibilities</b></p> <p>Non-Executive Director, Sherin Cader serves as the Chairperson and Hemantha D Gunetilleke serves as the Executive Director/Chief Executive Officer of the Bank.</p> <p>Functions and the responsibilities of the Chairperson and the CEO have been defined and approved by the Board. The Chairperson's functions and responsibilities are distinct from those of the CEO.</p> <p>The functions and responsibilities of the Chairperson and the CEO were reviewed during the year under review taking into consideration the functions contained in the Banking Act Directions No. 5 of 2024.</p>	✓
	<b>Board Procedure</b>	
3 (1)(iii)	<p><b>Frequency of Board Meetings and participation of Directors</b></p> <p>Regular Board meetings are held at monthly intervals and special Board meetings are scheduled if the need arises. The Directors actively participate and share their views and contribute to the Board Proceedings. Any concern or comment by such Directors requiring action is minuted. The Board met 14 times in the year 2024 in roughly monthly intervals which includes two special Board meetings held in the months of June and November.</p> <p>Approval of the Board by circular resolutions have been kept to a minimum and resorted to only where necessary. In terms of Banking Act Directions No. 5 of 2024 all subsequent circular resolutions were submitted to the next Board meeting for ratification by the Board.</p>	✓

CBSL Direction No.	Remarks on Level of Compliance	Compliance
3 (1) (iv)	<p><b>Arrangements for Directors to include proposals in the agenda</b></p> <p>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 business and management of risk of the Bank. Monthly meetings are scheduled and informed to the Board at the beginning of each year to facilitate and encourage this.</p>	✓
3(1) (v)	<p><b>Notice of meetings</b></p> <p>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 shall be 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.</p>	✓
3 (1) (vi)	<p><b>Directors' attendance</b></p> <p>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 Rule. Details of the Directors attendance at Board meetings is set out on Page 65 of the Annual Report.</p>	✓
3(1)(vii)	<p><b>Appointment and setting responsibilities of the Company Secretary</b></p> <p>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.</p> <p>The Job Description of the Company Secretary includes the responsibilities to handle the secretariat services to the Board and shareholder meetings and carry out other functions specified in the statutes and other regulations.</p>	✓
3(1) (viii)	<p><b>Directors' access to advise and services of the Company Secretary</b></p> <p>All Directors have access to obtain advice and services of the Company Secretary with regard to the compliance with relevant rules and regulations. The Rules of Procedure for Board of Directors contains required provisions as specified in this Rule.</p>	✓
3 (1) (ix)	<p><b>Maintenance of Board minutes</b></p> <p>Board minutes 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.</p>	✓

## Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
3(1)(x)	<p><b>Maintaining minutes with sufficient details to serve as reference for regulatory and supervisory authorities</b></p> <p>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.</p> <p>The minutes of the meeting include;</p> <ul style="list-style-type: none"> <li>• A summary of data and information used by the Board in its deliberations</li> <li>• The matters considered by the Board</li> <li>• The fact-finding discussions and the issues of contention or dissent</li> <li>• The testimonies and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations</li> <li>• Matters regarding the risks to which the Bank is exposed and an overview of the risk management measures adopted</li> <li>• The decisions and Board resolutions.</li> </ul> <p>Every paper submitted to the Board seeking approval of the Board contains recommendations from the management and a reasonable basis for making such recommendations.</p> <p>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 of what is contained in the paper (if any). Minutes are to be read with the relevant Board paper. Reference number of the paper considered is included in the minute.</p> <p>The Rules of Procedure for Board of Directors also provide for the requirement in relation to the contents of the Board minutes.</p>	✓
3 (1) (xi)	<p><b>Directors' ability to seek independent professional advice.</b></p> <p>Directors are able to seek independent professional advice at the expense of the Bank when deemed necessary. The Rules of Procedure for Board of Directors includes a relevant provision for same.</p>	✓
3(1)(xii)	<p><b>Dealing with conflicts of interest</b></p> <p>The Rules of Procedure for Board of Directors specifically addresses avoidance of conflicts of interest. Further, the Board Charter specifically provides that the Directors must avoid actual, potential or perceived conflicts of interests. Each Director must promptly notify the Company Secretary of the Bank of any interest that such Director or a close relation of such Director has or may have in a transaction or a proposed transaction with the Bank. Where there is a conflict of interest, such matters have been dealt with by the Board as required by the Rule and accordingly any interested Directors abstained from participating in the discussions, voicing their opinion or approving the same. The Board minutes provide evidence of compliance.</p>	✓
3(1)(xiii)	<p><b>Formal schedule of matters specifically reserved to it for Board's decision.</b></p> <p>There exists a Board approved schedule of matters reserved for the Board to ensure that the direction and control of the Bank is firmly under the authority and control of the Board.</p>	✓

CBSL Direction No.	Remarks on Level of Compliance	Compliance
3 (1) (xiv)	<p><b>Inform Central Bank if there are solvency issues prior to taking any decision or action.</b></p> <p>To date, no situation has arisen to challenge the Bank's solvency. 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 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.</p> <p>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.</p>	✓
3 (1) (xv)	<p><b>Compliance with Capital Adequacy</b></p> <p>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.</p> <p>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.</p>	✓
3 (1) (xvi)	<p><b>Publish Corporate Governance Report in this Annual Report</b></p> <p>The Corporate Governance Report is given on pages 62 to 66 of this Annual Report which sets out the level of compliance with these Directions and the Banking Act Directions No. 5 of 2024 on a best-efforts basis.</p>	✓
3 (1) (xvii)	<p><b>Self-assessment of Directors</b></p> <p>Refer 3 (1) (i) (i) above which details the self-evaluation procedure of the Board of Directors. The records of these assessments are maintained by the Company Secretary.</p>	✓
<b>3 (2)</b>	<b>Board's Composition</b>	
3(2)(i)	<p><b>Number of Directors</b></p> <p>During the year under review, the Board composition of the Bank was in compliance with this requirement. The Board currently consists of 12 Directors. This restriction is also reflected in the Articles of Association of the Bank. At present, the Board consists of 3 female Directors.</p>	✓
3(2)(ii)	<p><b>Period of service of a Director</b></p> <p>The period of service of a Director is limited to 9 years excluding the Executive Director. No Non-Executive Director of the Bank served for a period exceeding 9 years during the year under review.</p>	✓
3(2)(iii)	<p><b>Appointment of an employee as a Director</b></p> <p>The Board consisted of 11 Directors with one Executive Director and 11 Non-Executive Directors as at 31st December, 2024. Number of Executive Directors has not exceeded one-third of the number of Directors (the specified number) at any time during the year.</p>	✓
3(2)(iv)	<p><b>Independent Non-Executive Directors</b></p> <p>The Board comprised of required number of Independent Non-Executive Directors throughout the year, thus complying with the requirement of having at least 3 independent Non-Executive Directors or 1/3rd of the total number of Directors, whichever is higher.</p> <p>The Board determined the independent and non-independent status of each Non-Executive Director based on the Declarations submitted by them in accordance with the criteria defined in this Direction as well as the criteria specified in Rule 9 of the Listing Rules of the CSE.</p>	✓

## Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
3 (2) (v)	<p><b>Alternate Directors</b></p> <p>There were no Alternate Directors appointed during the year 2024.</p>	✓
3(2)(vi)	<p><b>Criteria for Non-Executive Directors</b></p> <p>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 15 to 19 of this Annual Report 2024.</p> <p>The Directors nominate names of eminent professionals or academics from various disciplines to the Nominations and Governance Committee which then peruse the profiles and recommend suitable candidates to the Board.</p>	✓
3(2)(vii)	<p><b>Quorum for the Board meetings - more than half the quorum to comprise of Non-Executive Directors</b></p> <p>All meetings of the Board held during the year have been attended by a majority of Non-Executive Directors</p>	✓
3 (2) (viii)	<p><b>Identification of status of directors in corporate communications and disclose categories of Directors</b></p> <p>The Independent Non-Executive Directors are expressly identified as such in all corporate communications that disclose the names of Directors of the Bank. The composition of the Board, including the names of the Chairperson, Executive Directors, Non-Executive Directors and Independent Non- Executive Directors are disclosed in pages 62 to 66 of this Annual Report.</p>	✓
3 (2) (ix)	<p><b>Formal and transparent procedure for appointments to the Board.</b></p> <p>A 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 and the approval of the Central Bank of Sri Lanka is obtained.</p>	✓
3 (2) (x)	<p><b>Election of Directors to fill a casual vacancy</b></p> <p>In accordance with the provisions of the Article of Association of the Bank and CBSL directions, the Directors appointed to the Board after the last AGM stand for election by the shareholders at the subsequent AGM.</p> <p>Notice of Meeting and Agenda for the AGM to be held in 2025 includes a proposal to seek shareholders' approval to elect Independent Non-Executive Directors, Arjuna Wignaraja, and Roshan Perera who were appointed to the Board after the AGM held in 2024. An additional proposal has been included in the Notice of Meeting and Agenda for the AGM to be held in 2025 to elect any other appointees to the Board, after the said Notice of AGM was issued.</p>	✓
3(2)(xi)	<p><b>Communication of reason for removal or resignation of Director</b></p> <p>Savanth Sebastian resigned from the Board of the Bank on 18th June 2024. The resignation and the reasons were promptly informed to the regulatory authorities and shareholders together with a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.</p>	✓
3(2)(xii)	<p><b>Prohibition of Directors or employees of a bank becoming a Director of another Bank</b></p> <p>This restriction is stipulated in the Board Charter.</p> <p>The Nominations and Governance Committee and the Board considers this restriction when considering appointments to the Board. Based on the quarterly declarations submitted by individual Directors in the year 2024, no Director is a Director of another Bank.</p> <p>Further, no employee of the Bank has been appointed, elected or nominated as a Director of another Bank.</p>	✓

CBSL Direction No.	Remarks on Level of Compliance	Compliance
<b>3(3)</b>	<b>Criteria to assess the fitness and propriety of directors</b>	
3(3) (i)	<b>Age of directors should not exceed 70 years</b> 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(3)(ii)	<b>Directors should not hold directorships of more than 20 companies</b> 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(3)(iii)	<b>Cooling – off period when appointing Directors or Chief Executive Officer</b> The Bank ensures that a Director or the Chief Executive Officer 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.	✓
<b>3 (4)</b>	<b>Management functions delegated by the Board</b>	
3 (4) (i) and 3 (4) (ii)	<b>All directors to study and understand the delegation arrangements. Extent of delegation should not hinder Board’s ability to discharge its functions.</b> 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, Board 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. Articles of Association and the Board Procedure stipulate provision for delegation of powers by the Board.	✓
3 (4) (iii)	<b>Review the delegation process in place on a periodic basis to ensure that they remain relevant to the needs of the bank.</b> As and when new requirements have arisen, the Board has reviewed and amended delegation arrangements based on the recommendations made by the management.	✓
<b>3 (5)</b>	<b>The Chairperson and the Chief Executive Officer</b>	
3 (5) (i)	<b>The roles of the Chairperson and the Chief Executive Officer shall be separate</b> Roles of the Chairperson and the CEO are separated and held by two separate individuals. The Chairperson provides leadership to the Board while the CEO manages the day-to-day operations of the Bank giving effect to the strategies and policies approved by the Board.	✓
3 (5) (ii)	<b>Non-Executive Chairperson and appointment of a Senior Director</b> Currently, Non-Executive Director, Sherin Cader serves as the Chairperson. Independent Non-Executive Director, Conrad D’Souza functioned as the Senior Director during the year under review. Upon his retirement with effect from 18th January 2025, Chanaka Wickramasuriya, Independent Non-Executive Director was appointed as the Senior Director with effect from 18th January 2025. Terms of Reference of the Senior Director is approved by the Board. The designation of the Senior Director has been disclosed where relevant in this Annual Report.	✓

## Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
3 (5) (iii)	<p><b>Disclosure of identity of the Chairperson and CEO and any relationship among the Board members.</b></p> <p>The identity of the Chairperson and the CEO and the absence of a relationship between the two persons are disclosed on page 242 in the this Annual Report 2024.</p> <p>There are no financial, business or family relationships between the Board members other than the following;</p> <ul style="list-style-type: none"> <li>• Non-Executive Directors, Sherin Cader, Dr. Ramesh Shanmuganathan and Charitha Subasinghe were nominated to the Board by the Bank's material shareholder John Keells Holdings PLC.</li> <li>• Non-Executive Directors, Arjun Fernando and Chandika Hettiarachchi were nominated to the Board by the Bank's material shareholder Central Finance Company PLC.</li> <li>• Non-Executive Director Dr. Sanjeev Jha was nominated to the Board by the Bank's material shareholder HWIC Asia Fund.</li> </ul>	✓
3 (5) (iv)	<p><b>The Chairperson to provide leadership to the board, ensure that the board works effectively and discharges its responsibilities and ensure that all key and appropriate issues are discussed by the board in a timely manner.</b></p> <p>The Chairperson has duly complied with these requirements. These are considered as the three key responsibilities of the Chairperson and included in the paper on 'Functions and Responsibilities of the Chairperson and the Chief Executive Officer' approved by the Board.</p> <p>The requirement is further covered by the self evaluation process of the Board.</p>	✓
3 (5) (v)	<p><b>Responsibility for agenda lies with the Chairperson but may be delegated to the Company Secretary.</b></p> <p>Drawing up of the agenda has been delegated to the Company Secretary with strict adherence to the guidelines given in the Rules of Procedure for Board of Directors. Accordingly, the Company Secretary shall draw up the agenda for Board meetings in consultation with the Chairperson taking into account the matters proposed by the Directors for inclusion in the agenda.</p>	✓
3 (5) (vi)	<p><b>Chairperson to ensure that all the directors are properly briefed and provided with adequate information in a timely manner</b></p> <p>This has been identified as a responsibility of the Chairperson, in the paper on 'Functions and Responsibilities of the Chairperson and the Chief Executive Officer' which was approved by the Board. Provisions contained in the Rules of Procedure for Board of Directors further strengthens this requirement.</p>	✓
3 (5) (vii) and 3 (5) (viii)	<p><b>Chairperson to encourage active participation by all Directors and lead acting in the interests of the Bank and also encourage participation of non executive directors and relationship between non executive and executive directors</b></p> <p>There is active participation by all Directors at the Board meetings as well as at Board subcommittee meetings as evidenced in the minutes.</p> <p>The Board evaluates its performance by using the Board Evaluation Form which is filled by each Director in relation to business strategy and contributions of Board members based on their respective fields of expertise.</p>	✓
3 (5) (ix)	<p><b>Chairperson to refrain from direct supervision of KMP and executive duties</b></p> <p>The Chairperson is a Non-Executive Director and does not engage in day-to-day supervision of management or other executive duties.</p>	✓

CBSL Direction No.	Remarks on Level of Compliance	Compliance
3 (5) (x)	<p><b>Chairperson to ensure that the steps are taken for effective communication with shareholders</b></p> <p>This has been identified as a responsibility of the Chairperson, in the Board approved paper on 'Functions and Responsibilities of the Chairperson and the Chief Executive Officer'.</p> <p>A Board approved Communication Policy, Investor Relations Policy and a Corporate Disclosure Policy have been established and collectively serves as the basis and sets guidelines for communicating with all stakeholders including depositors, creditors, shareholders and borrowers.</p>	✓
3 (5) (xi)	<p><b>CEO functions as the apex executive-in-charge of the day-to-day management of the bank's operations and business.</b></p> <p>The Board approved paper on 'Functions and Responsibilities of the Chairperson and the Chief Executive Officer' specifies this requirement.</p>	✓
<b>3 (6)</b>	<b>Board appointed committees</b>	
3 (6) (i)	<p><b>Establishing Board Sub Committees, their functions and reporting</b></p> <p>The Bank has established all four Board Sub Committees as required by the Rule, namely, the Board Audit Review Committee, the Board Human Resources and Remuneration Committee, the Nomination and Governance Committee and Board Integrated Risk Management Committee.</p> <p>The Bank has also established the Related Party Transactions Review Committee as required by Rule 9 of the CSE Listing Rules as well as the Banking Act Directions No. 5 of 2024 as well as the Board Supervisory Committee, Board Credit Committee and Board Information Technology Advisory Committee.</p> <p>All minutes of the Board Sub Committees are submitted to the Board and constitute a regular agenda item. All Board Sub Committees have formally appointed secretaries. The respective reports of the Board Sub Committees are given on pages 92 to 106 of this Annual Report.</p>	✓
<b>3 (6) (ii)</b>	<b>Audit committee</b>	
3 (6) (ii) (a)	<p><b>The Chairperson to be an independent non-executive director with qualifications and experience in accountancy and /or audit.</b></p> <p>The Board has appointed the Independent Non-Executive Director, Ms. Rachini Rajapaksa as the Chairperson of the BARC with effect from 17th December 2018.</p> <p>She is a Chartered Financial Analyst of the CFA Institute, Charlottesville, Virginia, USA and she is a Fellow Member of the Chartered Institute of Management Accountants of UK. She possesses the relevant skills and experience required for this position. Further information is disclosed in the profiles of the Board of Directors on page 16 of this Annual Report.</p>	✓
3 (6) (ii) (b)	<p><b>Committee to comprise solely of non-executive directors</b></p> <p>During the year under review, all members of the BARC are comprised of Non-Executive Directors. At present, the committee comprises of two Independent Non-Executive Directors and one Non-Executive Director.</p>	✓

## Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
3 (6) (ii) (c)	<p><b>Functions of the Board Audit Review Committee</b></p> <p>In line with the Terms of Reference, BARC has reviewed and/or made relevant recommendations to the Board on the following;</p> <ul style="list-style-type: none"> <li>• The reappointment of M/s Ernst &amp; Young, Chartered Accountants as the Bank's External Auditors for audit services for the financial year 2024.</li> <li>• Implementation of guidelines issued to the auditors by the Central Bank of Sri Lanka from time to time.</li> <li>• Application of relevant accounting standards.</li> <li>• 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.</li> <li>• No resignation or dismissal of the auditor has taken place during the year 2024.</li> </ul> <p>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.</p>	✓
3 (6) (ii) (d)	<p><b>Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and best practices.</b></p> <p>In line with the Terms of Reference, the BARC obtains representations from the External Auditor on their independence and reviews and monitors the independence, objectivity and effectiveness of their audit and ensures that the audit is carried out in accordance with the regulatory standards and best practices.</p>	✓
3 (6) (ii) (e)	<p><b>Provision of non audit services by the External Auditors</b></p> <p>The Bank has implemented a Board approved policy on "Engagement of the External Auditor to provide Non Audit Services" and that 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.</p> <p>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.</p>	✓
3 (6) (ii) (f)	<p><b>Determines scope of audit with the external auditors</b></p> <p>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.</p> <p>The External Auditor presented the proposed audit plan, detailing the nature and the audit scope for the financial year 2024 at the BARC meeting held on 20th September 2024. 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.</p> <p>During the tenure of the audit, regular status updates were obtained and discussed at the BARC meetings.</p> <p>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.</p>	✓

CBSL Direction No.	Remarks on Level of Compliance	Compliance
3 (6) (ii) (g)	<p><b>Review the financial information of the bank</b></p> <p>During the year under review, the BARC reviewed the Bank's annual and quarterly financial information and reports that were submitted by the Chief Financial Officer in order to monitor the integrity of the financial reports prepared for disclosure. When reviewing the financial reports, 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.</p>	✓
3 (6) (ii) (h)	<p><b>Discussions with External Auditor without the presence of Key Management Personnel</b></p> <p>The BARC met the External Auditors without the presence of the management of the Bank on two occasions during the year 2024 and discussed important issues arising from the interim and final audits.</p>	✓
3 (6) (ii) (i)	<p><b>Review of the external auditor's management letter and the management's response</b></p> <p>The BARC reviewed the external auditor's Management Letter in respect of the audit conducted for the financial year ended 31st December 2023 and the management's response thereto. The BARC has also provided their recommendations and guidance where necessary to ensure that the matters identified were resolved satisfactorily.</p>	✓
3 (6) (ii) (j)	<p><b>Review of Internal Audit Function</b></p> <p>The BARC carried out the following with regard to the Internal Audit function during the year under review:</p> <ul style="list-style-type: none"> <li>(i) Reviewed the adequacy of the internal audit function and ensured that it conforms with the Internal Audit Charter. The annual audit plan of Internal Audit Department as well as the staff requirements were reviewed/ discussed at the time of approving the Audit Plan.</li> <li>(ii) 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.</li> <li>(iii) 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.</li> <li>(iv) Appointments of the Chief Internal Auditor and the senior staff members of the audit team were recommended by BARC.</li> <li>(v) Resignations and/or internal transfers of the Chief Internal Auditor and senior staff members of Internal Audit were advised to the BARC at the respective BARC meetings.</li> <li>(vi) 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.</li> </ul>	✓
3 (6) (ii) (k)	<p><b>Findings of Internal Investigations</b></p> <p>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.</p> <p>The BARC also ensures the recommendations arising from such investigations are implemented.</p>	✓

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CBSL Direction No.	Remarks on Level of Compliance	Compliance
3 (6) (ii) (l)	<p><b>Attendees at Board Audit Committee meetings</b></p> <p>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 by the BARC.</p> <p>During the period under review, the BARC met with the External Auditor on two occasions without the presence of the management.</p>	✓
3 (6) (ii) (m)	<p><b>Authority to Investigate</b></p> <p>The Terms of Reference of the BARC defines the authority and responsibilities of BARC in compliance with the said direction. The BARC has;</p> <ul style="list-style-type: none"> <li>• explicit authority to investigate any matter within its Terms of Reference;</li> <li>• the resources which it needs to do so;</li> <li>• full access to information;</li> <li>• authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary</li> </ul>	✓
3 (6) (ii) (n)	<p><b>Regular meetings</b></p> <p>The Committee met 14 times during the year 2024 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.</p>	✓
3 (6) (ii) (o)	<p><b>Disclosures in Annual Report</b></p> <p>The Report of BARC given on pages 104 to 106 of this Annual Report 2024 includes the following.</p> <p>(i) details of the activities of the BARC;</p> <p>(ii) the number of audit committee meetings held in 2024;</p> <p>(iii) details of attendance of each individual Director at such meetings</p>	✓
3 (6) (ii) (p)	<p><b>Maintain minutes of meetings</b></p> <p>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.</p>	✓
3 (6) (ii) (q)	<p><b>Whistle Blowing Policy and relationship with external auditor</b></p> <p>The Bank has in place a 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 or other matters. The Committee also ensured that the procedures for the independent investigations of such matters are appropriate and are in place.</p> <p>The Speak-up Policy provides for the confidentiality of potential whistle blowers.</p> <p>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.</p>	✓

CBSL Direction No.	Remarks on Level of Compliance	Compliance
<b>3 (6) (iii)</b>	<b>Human Resources and Remuneration Committee (HRRC)</b>	
3 (6) (iii) (a)	<p><b>Determining the remuneration of directors, CEO and Key Management Personnel</b></p> <p>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.</p> <p>During the year 2024, increments, bonus scheme and compensation and benefits structure were reviewed by HRRC and recommended to the Board for approval.</p>	✓
3 (6) (iii)(b)	<p><b>Goals and targets for the directors, CEO and key management personnel.</b></p> <p>Goals and targets for the Directors recommended by the HRRC were approved by the Board.</p> <p>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 2024 of the Executive Director/CEO and KMP of the Bank recommended by the HRRC were submitted to the Board.</p>	✓
3 (6) (iii) (c)	<p><b>Evaluation of the performance of the CEO and key management personnel</b></p> <p>The HRRC evaluated the performance of Director/CEO and KMP against the approved KPIs for the year ended 2023 and determined the basis for revision of remuneration, benefits and other payments of performance-based incentives.</p> <p>Performance evaluations of the Director/CEO and KMP for the year ended December 2024 will be conducted by HRRC during the year 2025.</p>	✓
3 (6) (iii) (d)	<p><b>CEO's presence at HRRC meetings</b></p> <p>The CEO attends all HRRC meetings during the year 2024 except when matters relating to the CEO or matters in which the CEO has a direct or indirect interest are discussed. The Terms of Reference of HRRC includes provisions for same.</p>	✓
<b>3 (6) (iv)</b>	<b>Nominations and Governance Committee</b>	
3 (6) (iv) (a)	<p><b>Implement a procedure to select/appoint new directors, CEO and key management personnel</b></p> <p>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.</p> <p>A Board approved policy named "Board Composition and Succession Plan" is also in place.</p>	✓
3 (6) (iv) (b)	<p><b>Recommend (or not recommend) the re-election of current directors, taking into account the performance and contribution made by the director concerned towards the overall discharge of the board's responsibilities.</b></p> <p>The NGC has considered and recommended re-election of Directors in compliance with the Direction.</p>	✓
3 (6) (iv) (c)	<p><b>Eligibility criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO and the key management positions.</b></p> <p>The relevant criteria has been set and included in the JDs of KMP approved by the NGC.</p>	✓

## Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
3 (6) (iv) (d)	<p><b>Fit and proper criteria for directors, CEO and key management personnel</b></p> <p>Affidavits of the Directors including the Affidavit of the Executive Director/CEO were submitted to the NGC during 2024 for determining the fitness and propriety of the Directors. Having considered the Affidavits, the NGC determined that the Directors are fit and proper persons to hold their respective office. A CBSL confirmation was also received on the fit and proper status of Directors.</p> <p>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.</p>	✓
3 (6) (iv) (e)	<p><b>Consider and recommend from time to time, the requirements of additional/ new expertise and the succession arrangements for retiring directors and key management personnel.</b></p> <p>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.</p>	✓
3 (6) (iv) (f)	<p><b>Committee Chairperson and other members</b></p> <p>During the year under review, the NGC comprised of four Directors of which two are Independent Non-Executive Directors and two are Non-Executive Directors. The Senior Director, Conrad D' Souza served as the Chairperson of the NGC until his retirement from the Board, effective from 18th January 2025.</p> <p>The Executive Director/CEO was invited to attend when his presence was deemed required by the Committee.</p>	✓
<b>3 (6) (v)</b>	<b>Board Integrated Risk Management Committee (BIRMC)</b>	
3 (6) (v) (a)	<p><b>Composition of BIRMC</b></p> <p>During the year under review, the BIRMC comprised of at least three Non-Executive Directors, Executive Director/CEO, the Chief Risk Officer and the Chief Compliance Officer.</p> <p>As at the date of this Annual Report, the composition of the BIRMC is three Independent Non-Executive Directors and one Non-Executive Directors pursuant to the following reconstitutions to the Committee:</p> <ul style="list-style-type: none"> <li>Effective from 1st January 2025, the appointment of Arjuna Wignaraja as a member of the BIRMC and the Executive Director/CEO, Chief Risk Officer and Chief Compliance Officer stepping down as members of the BIRMC. This reconstitution was carried out pursuant to the requirements in the Banking Act Directions No. 5 of 2024.</li> <li>Upon the retirement of Conrad D'Souza, Senior Director from the Board of the Bank on 18th January 2025, the Independent Non-Executive Director Roshan Perera was appointed as its Chairperson effective from 18th January 2025.</li> </ul> <p>Executive Director/CEO, Chief Risk Officer and Chief Compliance Officer attended BIRMC meetings regularly by invitation.</p>	✓
3 (6) (v) (b)	<p><b>Risk assessment of the Bank, subsidiary companies and associate companies</b></p> <p>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.</p>	✓

CBSL Direction No.	Remarks on Level of Compliance	Compliance
3 (6) (v) (c)	<p><b>Review the adequacy and effectiveness of all management level committees</b></p> <p>The BIRMC reviews the adequacy and effectiveness of all management level committees that have a relevance to risk. Minutes of Management level committees, namely Assets &amp; Liability Management Committee, Executive Risk Management Committee, Operational Risk Management Committee, Information Security Steering Committee and IT Steering Committee are submitted to the BIRMC to review the adequacy and effectiveness of same. However, given the role played by the Board Credit Committee, minutes of the management level credit committee have not been submitted to BIRMC.</p>	✓
3 (6) (v) (d)	<p><b>Corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels</b></p> <p>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 on market risk limits are reported to BIRMC on a monthly basis.</p>	✓
3 (6) (v) (e)	<p><b>Frequency of Meetings</b></p> <p>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 held 9 meetings during the year under review.</p>	✓
3 (6) (v) (f)	<p><b>Officers responsible for failure to identify specific risks or implement corrective actions</b></p> <p>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 take 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.</p> <p>The Committee is authorized to direct the CEO to take appropriate actions 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.</p>	✓
3 (6) (v) (g)	<p><b>Risk assessment report to the Board</b></p> <p>A report has been submitted to the Board after each BIRMC meeting as required by the Direction. In addition, minutes of all BIRMC meetings have been submitted to the Board.</p>	✓
3 (6) (v) (h)	<p><b>Compliance function</b></p> <p>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 reports to the committee periodically on Bank's compliance with laws, regulations and approved policies on all areas of business operations</p>	✓
<b>3 (7)</b>	<b>Related Party Transactions</b>	
3 (7) (i)	<p><b>Categories of Related Parties and avoidance of conflict of interest</b></p> <p>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.</p> <p>The Board has also approved a Policy for managing Related Party Transactions and monitors its implementation through Related Party Transactions Review Committee (RPTRC).</p>	✓

## Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
3 (7) (ii)	<p>Types of transactions with related parties covered by this Direction ;</p> <p>(a) The grant of any type of accommodation, as defined in the Monetary Board's Directions on maximum amount of accommodation</p> <p>(b) The creation of any liabilities of the bank in the form of deposits, borrowings and investments</p> <p>(c) The provision of any services of a financial or non financial nature provided to the bank or received from the bank</p> <p>(d) The creation or maintenance of reporting lines and information flows between the bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.</p>	✓
	The Board approved Policy on Related Party Transactions contain provisions in line with this Direction.	
3 (7) (iii)	<p><b>Ensure that the Bank does not engage transactions with related parties that would grant such parties more favourable treatment</b></p> <p>Refer comment in 3 (7) (i) above. The Board approved Policy on Related Party Transactions contains provisions to ensure compliance with this Direction.</p> <p>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. This committee met 4 times during the year 2024.</p>	✓
3(7)(iv)	<p><b>Granting accommodation to a director or close relation of a Director</b></p> <p>All 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 Monetary Board.</p>	✓
3(7) (v)	<p><b>Accommodation granted to persons or concerns of persons or close relations of persons who subsequently are appointed as Directors of the Bank</b></p> <p>Arjuna Wignaraja was appointed as an Independent Non-Executive Director of the Bank with effect from 9th December 2024 and Roshan Perera was appointed to the Board as an Independent Non-Executive Director of the Bank with effect from 10th January 2025. The accommodations granted to Arjuna Wignaraja and Roshan Perera prior to their respective appointments as a Director of the Bank will be secured appropriately within the regulatory period as specified by the CBSL.</p>	✓

CBSL Direction No.	Remarks on Level of Compliance	Compliance
3(7)(vi)	<p><b>Accommodation to employees or their close relations</b></p> <p>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.</p> <p>The Board approved Policy on Related Party Transactions contains provisions to ensure compliance.</p>	✓
3(7)(vii)	<p><b>Prior approval of Monetary Board for remittance of accommodation</b></p> <p>There was no requirement to comply with this Direction based on the comments made under Rule Numbers 3(7)(v) and 3(7)(vi) above.</p>	✓
<b>3(8)</b>	<b>Disclosures</b>	
3(8) (i)	<p><b>Publish Annual Report and quarterly financial statements</b></p> <p>The Annual Report and quarterly financial statements were published as required by the Direction.</p>	✓
<b>3 (8) (ii)</b>	<b>Disclosures in the Annual Report</b>	
3 (8) (ii) (a)	<p>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.</p> <p>A statement to this effect is included in the report on Director's Responsibility for Financial Reporting given on page 108 of this Annual Report.</p>	✓
3 (8) (ii) (b)	<p><b>A report by the Board on the Bank's internal control mechanism</b></p> <p>The Directors' Statement on Internal Control Over Financial Reporting is included on page 101 and 102 of this Annual Report.</p>	✓
3 (8) (ii) (c)	<p><b>External Auditor's certification on the effectiveness of the internal control mechanism</b></p> <p>The Bank has obtained an Assurance Report by its External Auditors under "Sri Lanka Standard on Assurance Engagements (SLSAE) 3050. Please refer pages 103 and 106 of this Annual Report for Auditor's statement on Internal Control over Financial Reporting.</p>	✓
3 (8) (ii) (d)	<p><b>Details of Directors, including names, fitness and propriety, transactions with the Bank the total of fees/remuneration paid by the Bank</b></p> <p>The above information is included in the Annual Report of the Board of Directors on the Affairs of the Bank on pages 67 to 71 of this Annual Report.</p>	✓

## Corporate Governance Annexure

CBSL Direction No.	Remarks on Level of Compliance	Compliance
3 (8) (ii) (e)	<b>Total net accommodation as defined in 3(7)(iii) granted to each category of related parties.</b>	✓
	This is disclosed under the Annual Report of Board of Directors on the Affairs of the Bank included in pages 67 and 71 of this Annual Report.	
3 (8) (ii) (f)	<b>The aggregate values of remuneration paid by the Bank to its key management personnel and the aggregate values of the transactions of the Bank with its key management personnel</b>	✓
	Included in Annual Report of Board of Directors on the Affairs of the Bank pages 67 and 71 of this Annual Report.	
3 (8) (ii) (g)	<b>The External Auditor's certification of the compliance with Corporate Governance Directions of CBSL</b>	✓
	All findings of the 'Factual Findings Reports' of the external auditors issued under "Sri Lanka Related Services Practice Statement 4750" have been incorporated in this Report.	
3 (8) (ii) (h)	<b>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</b>	✓
	The Annual Report of Board of Directors on the Affairs of the Bank, the Statement of Director's Responsibility for Financial Reporting, the Directors' Statement on Internal Controls provide the extent of Bank's compliance in this regard.	
3 (8) (ii) (i)	<b>A statement of the regulatory and supervisory concerns on lapses in the Bank's risk management, or non-compliance with these Directions that have been pointed out by the Director of Bank Supervision, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the Bank to address such concerns.</b>	✓
	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, which was directed by the Monetary Board to be disclosed to the Public.	

### Section 9 of the Listing Rules of Colombo Stock Exchange on Corporate Governance

Listing Rule	Remarks on level of Compliance with Reference to CBSL Corporate Governance Annexure
9.1.3	<p><b>Publish a statement confirming the extent of compliance with the Corporate Governance Rules set out in the Section 9 of the Listing Rules.</b></p> <p>This Report serves to meet this requirement.</p>
9.2	<p><b>Policies –Establish, maintain and disclose on the Bank’s website</b></p> <p>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;</p> <p><b>1. Board Charter</b></p> <p>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:</p> <p><b>(a) Matters Relating to the Board of Directors</b></p> <p>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.</p> <p><b>(b) Board Committees</b></p> <p>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 Transactions 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.</p> <p><b>(c) Corporate Governance, Nominations, and Re-election</b></p> <p>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.</p> <p><b>2. Policy on Remuneration</b></p> <p>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 incentivizing high performances</p> <p><b>3. Policy on Internal Code of Business Conduct and Ethics</b></p> <p>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.</p> <p><b>4. Policy on Risk Management and Internal Controls</b></p> <p>The Bank has following policies in place covering this aspect:</p> <p>a. Risk Management Framework Policy</p> <p>b. Internal Audit Charter</p> <p>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.</p>

## Corporate Governance Annexure

Listing Rule	Remarks on level of Compliance with Reference to CBSL Corporate Governance Annexure
	<p>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.</p> <p>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.</p> <p>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.</p> <p>8. Policy on Corporate Disclosures 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.</p> <p>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 behavior 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.</p> <p>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.</p>
9.3	<p><b>Board Committees</b></p> <p>The following Board Sub Committees referred to in the Rule are constituted and maintained and are functioning effectively;</p> <ul style="list-style-type: none"> <li>• Board Nomination and Governance Committee</li> <li>• Board Human Resources &amp; Remuneration Committee</li> <li>• Board Audit Review Committee</li> <li>• Related Party Transactions Review Committee</li> </ul> <p>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.</p>

Listing Rule	Remarks on level of Compliance with Reference to CBSL Corporate Governance Annexure
9.4	<b>Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders</b>
9.4.1	<p data-bbox="292 533 592 562"><b>Records of General Meetings</b></p> <p data-bbox="292 577 1461 633">The Bank maintains records of all resolutions and all other information specified in the Rule that is considered at General Meetings of its shareholders.</p>
9.4.2	<p data-bbox="292 656 943 685"><b>Communication and relations with shareholders and investors</b></p> <p data-bbox="292 701 1469 813">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 serve as the basis and sets guidelines for communicating with all stakeholders including depositors, creditors, shareholders and borrowers.</p> <p data-bbox="292 835 1426 913">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.</p> <p data-bbox="292 936 1474 992">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.</p> <p data-bbox="292 1014 1410 1059">The shareholder meetings conducted by the Bank through virtual and hybrid means followed the Guidelines issued by the CSE and published on the CSE website</p>
9.5	<p data-bbox="292 1081 823 1111"><b>Policy on matters relating to the Board of Directors</b></p> <p data-bbox="292 1126 1469 1182">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.</p> <p data-bbox="292 1205 1369 1227">The Bank has not combined the role of the Chairperson and CEO as contemplated in 9.5.1(b) of this Rule</p>
9.6	<b>Chairperson and CEO</b>
9.6.1	The current Chairperson of the Bank is a Non-Executive Director. (Ref. disclosures under Direction No. 3(5)(i) of the CBSL Directions on Corporate Governance Annexure)
9.6.3	<p data-bbox="292 1361 876 1391"><b>The Requirement for a Senior Independent Director (SID)</b></p> <p data-bbox="292 1406 1458 1485">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 the Directions on Corporate Governance issued by CBSL. (Ref. CBSL Directions on Corporate Governance Annexure)</p> <p data-bbox="292 1507 1278 1529">A meeting of the Independent Directors was held during the year chaired by the Senior Director.</p> <p data-bbox="292 1552 1458 1608">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.</p> <p data-bbox="292 1630 1385 1686">A declaration by the Senior Director demonstrating the effectiveness of the duties of the Senior Director is included on page 263 of this Annual Report.</p>
9.7	<p data-bbox="292 1697 600 1727"><b>Fitness of Directors and CEOs</b></p> <p data-bbox="292 1742 1417 1821">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).</p> <p data-bbox="292 1843 1469 1921">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.</p> <p data-bbox="292 1944 1469 2000">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 on page 67 to 71 of this Annual Report.</p>

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Listing Rule	Remarks on level of Compliance with Reference to CBSL Corporate Governance Annexure
9.8	<p><b>Board Composition</b></p> <p>At present, the Board consists of 12 Directors which includes 5 Independent Directors. (Ref. disclosures under Direction No.3(2)(i) of the CBSL Directions on Corporate Governance Annexure)</p> <p>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 pages 67 to 71 of this Annual Report.</p>
9.9	<p><b>Alternate Directors</b></p> <p>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.</p> <p>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 is currently in the process of reviewing the Articles of Association considering the revised Directions on Corporate Governance issued by the CBSL as well and will ensure to include the provisions set out in Rule 9.9 in the revised Articles of Association of the Bank.</p>
9.10	<p><b>Disclosures relating to Directors</b></p> <p>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(3)(ii) of the CBSL Directions on Corporate Governance Annexure)</p> <p>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.</p> <p>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 pages 15 to 19 of this Annual Report. The Disclosure as required under Rule 9.10.4 (c) is included on pages 248 of this Annual Report.</p> <p>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.</p> <p>The Disclosures as required under Rule 9.10.4 (f) and (h) are included on page 65 of this Annual Report.</p> <p>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 263 of this Annual Report.</p>
9.11	<p><b>Nomination and Governance Committee</b></p> <p>The Bank had constituted the Nomination and Governance Committee as required in terms of Direction No.3(6) (iv) of Corporate Governance Directions issued by CBSL.</p> <p>The composition of the Nominations and Governance Committee is in compliance with Rule 9.11.4.</p> <p>Ref. Direction No. 3(6)(iv) of the CBSL Corporate Governance Annexure and the Nominations and Governance Committee Report published on page 96 of this Annual Report.</p>
9.12	<p><b>Remuneration Committee</b></p> <p>Board Human Resources and Remuneration Committee was constituted as required in terms of Direction No.3(6) (iii) of the Directions on Corporate Governance issued by CBSL.</p> <p>Ref. Direction No.3(6)(iii) of the CBSL Corporate Governance Annexure and the Board Human Resources and Remuneration Committee Report published on page 98 of this Annual Report.</p>

Listing Rule	Remarks on level of Compliance with Reference to CBSL Corporate Governance Annexure
9.13	<p><b>Audit Committee</b></p> <p>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.</p> <p>The respective composition of the Board Audit Review Committee and Board Integrated Risk Management Committee is in compliance with Rule 9.13.3.</p> <p>Ref. Direction No.3(6)(ii) of the CBSL Corporate Governance Annexure and Board Audit Review Committee Report published on pages 104 and 106 of this Annual Report.</p> <p>Ref. Direction No. 3(6)(v) of the CBSL Corporate Governance Annexure and Board Integrated Risk Management Committee Report published on page 92 of this Annual Report.</p>
9.14	<p><b>Related Party Transactions Review Committee</b></p> <p>Related Party Transactions Review Committee constituted by the Bank in terms of these Rules was constituted by the Bank to oversee matters relating to related party transactions under Direction 3(7) of the CBSL Directions on Corporate Governance. Accordingly, the Bank is in compliance with Rule 9.14.</p> <p>The composition of the Related Party Transactions Review Committee is in compliance with Rule 9.14.2.</p> <p>Ref. Direction No. 3(7) of CBSL Corporate Governance Annexure and Related Party Transactions Review Committee Report published on page 100 of this Annual Report.</p> <p>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 pages 67 to 71 of this Annual Report.</p>

### Certification by the Senior 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 Non-Executive Directors and of 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 2024 chaired by Conrad D'Souza. 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 Conrad D'Souza in the year 2024 and the contribution made by the Chairperson was assessed.

I state that during the year under review, the Senior Director 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 the duties and responsibilities of 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

21st February 2025  
Colombo

## Decade at a Glance

Year Ended December 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>LKR Mn (Group)</b>										
<b>OPERATING RESULTS</b>										
Gross Income	20,279	25,547	35,333	43,461	46,314	40,666	38,378	64,818	81,873	73,935
Net Interest Income	9,105	9,786	11,909	15,164	16,134	13,672	14,078	29,301	34,951	35,916
Net Fees & Other Income	3,414	3,925	5,005	6,146	6,418	7,026	9,192	9,566	10,081	8,486
Total Operating Income	12,519	13,711	16,914	21,310	22,552	20,698	23,269	38,867	45,032	44,402
Operating Expenses	(6,862)	(7,620)	(8,773)	(10,310)	(10,808)	(9,296)	(9,122)	(11,559)	(14,079)	(14,974)
Impairment	(985)	(690)	(1,089)	(3,274)	(3,301)	(3,847)	(3,742)	(13,842)	(7,500)	3,196
Profit Before Taxation	4,672	5,400	7,052	7,726	8,444	7,555	10,405	13,466	23,453	32,624
Taxation & Levies	(2,058)	(2,531)	(3,680)	(4,024)	(4,730)	(3,500)	(3,712)	(6,238)	(11,982)	(15,822)
<b>Profit After Taxation</b>	<b>2,614</b>	<b>2,869</b>	<b>3,371</b>	<b>3,702</b>	<b>3,714</b>	<b>4,055</b>	<b>6,694</b>	<b>7,228</b>	<b>11,471</b>	<b>16,802</b>
Other Comprehensive Income (OCI)	(32)	(236)	1,262	(288)	664	327	(1,092)	543	3,795	2,467
<b>Total Comprehensive Income</b>	<b>2,582</b>	<b>2,633</b>	<b>4,634</b>	<b>3,414</b>	<b>4,378</b>	<b>4,382</b>	<b>5,602</b>	<b>7,771</b>	<b>15,266</b>	<b>19,270</b>
<b>As at December 31</b>										
<b>ASSETS</b>										
Cash & Short-Term Funds	6,392	4,188	6,850	6,438	8,756	9,145	13,428	58,748	40,180	20,814
Statutory Deposits with Central Bank	5,284	8,512	11,213	12,762	8,377	2,195	6,915	6,074	2,684	1,183
Government Treasury Bills & Bonds	31,623	36,738	49,335	74,254	71,839	107,414	102,813	95,514	189,717	223,395
Investment Securities	7,065	6,926	7,028	-	-	-	-	-	-	-
Loans & Advances	121,143	149,818	186,746	221,506	226,794	210,186	247,441	241,241	270,945	287,363
Other Assets	1,386	1,814	1,941	5,085	4,154	4,147	4,481	8,586	7,754	7,339
Property Plant & Equipment	2,143	1,996	3,364	3,669	4,073	3,682	3,298	3,495	3,500	4,083
Intangible Assets	1,224	1,189	1,154	1,303	1,376	1,222	1,175	1,286	1,354	1,409
<b>Total Assets</b>	<b>176,262</b>	<b>211,180</b>	<b>267,629</b>	<b>325,016</b>	<b>325,369</b>	<b>337,991</b>	<b>379,552</b>	<b>414,944</b>	<b>516,134</b>	<b>545,586</b>
<b>LIABILITIES</b>										
<b>Deposits</b>	<b>129,158</b>	<b>151,502</b>	<b>194,269</b>	<b>231,463</b>	<b>226,872</b>	<b>240,574</b>	<b>267,988</b>	<b>297,253</b>	<b>347,769</b>	<b>384,655</b>
Due to Banks	2,276	11,851	12,315	18,475	6,484	4,942	2,016	3,989	49,682	27,403
Deferred Tax Liabilities	733	969	1,828	1,050	1,160	1,028	-	-	-	-
Borrowings	23,433	23,536	30,573	36,676	50,735	47,695	57,087	49,750	33,818	34,627
Other Liabilities	5,491	6,001	7,175	10,294	8,723	8,628	12,301	17,911	23,740	19,423
<b>Total Liabilities</b>	<b>161,090</b>	<b>193,859</b>	<b>246,159</b>	<b>297,957</b>	<b>293,974</b>	<b>302,866</b>	<b>339,393</b>	<b>368,903</b>	<b>455,008</b>	<b>466,109</b>
<b>SHAREHOLDERS' FUNDS</b>										
Share Capital/Stated Capital	5,101	5,101	5,101	8,866	9,408	9,408	9,408	10,401	11,427	12,106
Reserve Fund	661	796	1,011	1,199	1,372	1,562	1,882	2,228	2,784	3,610
Reserves	9,409	11,423	15,358	16,994	20,616	24,155	28,869	33,411	46,915	63,760
<b>Total Shareholders' Funds</b>	<b>15,171</b>	<b>17,321</b>	<b>21,470</b>	<b>27,059</b>	<b>31,396</b>	<b>35,125</b>	<b>40,159</b>	<b>46,041</b>	<b>61,126</b>	<b>79,477</b>
<b>Total Liabilities &amp; Shareholders' Funds</b>	<b>176,262</b>	<b>211,180</b>	<b>267,629</b>	<b>325,016</b>	<b>325,369</b>	<b>337,991</b>	<b>379,552</b>	<b>414,944</b>	<b>516,134</b>	<b>545,586</b>
Commitments & Contingencies	96,792	123,585	171,587	190,602	199,359	197,231	217,357	226,253	316,742	406,713

Year Ended December 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>RATIOS (GROUP)</b>										
Operating Income Growth (%)	3.3	9.5	23.4	26.0	5.8	(8.2)	12.4	67.0	15.9	(14)
Cost/Income Ratio (%)	54.8	55.6	51.9	48.4	47.9	44.9	39.2	29.7	31.3	33.7
Return On Average Assets (%)	1.6	1.5	1.4	1.2	1.1	1.2	1.8	1.7	2.6	3.3
Total Assets to Equity (Times)	11.6	12.2	12.5	12.0	10.4	9.6	9.5	9.0	8.4	6.9
Tier 1 Capital Adequacy Ratio (%)	13.2	11.4	10.8	12.2	13.3	14.8	15.3	14.8	18.1	21.5
Total Capital Adequacy Ratio (%)	15.5	15.8	13.9	15.6	18.0	18.4	18.0	16.9	19.7	22.7
Return on Average Equity (%)	17.7	17.7	17.8	14.5	12.8	12.1	17.9	17.1	21.3	24.2
<b>SHAREHOLDER INFORMATION (GROUP)</b>										
Market Value per Share (LKR)-Voting	86.3	80.9	78.0	89.2	80.0	60.0	55.0	46.2	107.5	186.5
Market Value per Share (LKR)-Non Voting	-	-	-	82.1	80.0	75.0	65.1	57.4	99.8	215.5
Net Asset Value per Share (LKR)	65.8	75.1	93.1	97.4	110.6	123.7	141.5	152.7	191.2	243.6
Earnings per Share (LKR)	9.1	10.0	11.8	11.3	11.4	12.4	20.5	22.2	34.7	50.5
Price Earning Ratio (Times) - Voting	9.4	8.1	6.6	7.9	7.0	4.8	2.7	2.1	3.1	3.7
Earnings Yield (%) - Voting	10.6	12.4	15.1	12.7	14.2	20.7	37.3	48.0	32.3	27.3
Cash Dividend per Share (LKR)	2.1	2.1	-	-	2.3	2.0	-	-	2.5	3.25
Scrip Dividend per Share (LKR)	-	-	2.1	2.1	-	-	3.5	4.0	2.5	3.25
Dividend Payout Ratio (%)	23.0	20.9	17.8	18.5	20.2	16.1	17.1	18.1	14.4	12.8
% of 20 Largest Shareholders-Voting	86	88	89	90	90	87	88	88	84	82
% of 20 Largest Shareholders-Non Voting	-	-	-	100	100	100	100	100	100	100
<b>OTHER INFORMATION (Group)</b>										
Number of Employees	2,695	2,770	2,943	3,128	3,151	2,832	2,677	2,479	2,481	2,473
Number of Branches	92	93	93	94	96	96	96	96	96	95
No of ATMs	131	136	136	172	176	173	163	168	168	157

## Selected Performance Indicators

As at 31 December – Based on Regulatory Reporting	Bank		Group	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
<b>Regulatory Capital Adequacy (LKR in Millions)</b>				
Common Equity Tier 1	70,822	51,748	73,082	53,681
Tier 1 Capital	70,822	51,748	73,082	53,681
Total Regulatory Capital	74,851	56,330	77,111	58,264
<b>Regulatory Capital Ratios (%)</b>				
Common Equity Tier 1 Capital Ratio (%) (Minimum Requirement : 7.00%)	20.87	17.52	21.47	18.14
Tier 1 Capital Ratio (%) (Minimum Requirement : 8.50%)	20.87	17.52	21.47	18.14
Total Capital Ratio (%) (Minimum Requirement : 12.50%)	22.05	19.07	22.66	19.68
<b>BASEL III Leverage Ratio (Minimum Requirement : 3%)</b>				
	12.57	9.72	12.96	10.08
<b>Regulatory Liquidity Requirement</b>				
Liquidity Coverage Ratio (%) (Minimum Requirement: 100%)				
Rupee (%)	447.74	410.23		
All Currency (%)	320.56	274.10		
Net Stable Funding Ratio (%) (Minimum Requirement : 100%)	154.73	158.59		
<b>Assets Quality</b>				
Impaired Loans (Stage 3) to Total Loans, Ratio (%)	1.60	2.34		
Impairment (Stage 3) to Stage 3 Loans, Ratio (%)	60.55	55.30		
<b>Income &amp; Profitability</b>				
Net Interest Margin (%)	6.94	7.72		
Return on Assets (Before Tax) (%)	4.92	3.97	5.00	4.09
Return on Equity (%)	24.67	21.46	24.22	21.34
Cost to Income Ratio (%)	34.02	31.62	33.72	31.26
<b>Memorandum Information</b>				
Credit Rating	A(lka)	A-(lka)		
Number of Employees	2455	2460	2473	2481
Number of Branches	95	96	95	96

## 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	Ambalantota	No 61, Main Street, Ambalantota.
6	Anuradhapura	No 249A, Maithripala Senanayake Mawatha, Anuradhapura.
7	Avissawella	No 107, Rathnapura Road, Avissawella.
8	Badulla	No 10, Bank Road, Badulla.
9	Balangoda	No 86/A, Bans Ratwatte Mawatha, Balangoda.
10	Bandaragama	No 14, Panadura Road, Bandaragama.
11	Bandarawela	No 32 C, Esplanade Road, Bandarawela.
12	Battaramulla	No 103 A, Pannipitiya Road, Battaramulla.
13	Batticaloa	No 29, Bar Road, Batticaloa.
14	Boralesgamuwa	No 36, Lake Road, Boralesgamuwa.
15	Borella	No 67, D S Senanayake Mawatha, Borella, Colombo 8.
16	Chilaw	No 43, Kurunegala Road, Chilaw.
17	Cinnamon Gardens	No 4A, Independence Avenue, Colombo 07.
18	City Office	No 76, York Street, Colombo 01.
19	Crescat	B 14, Basement, Crescat Boulevard, Galle Road, Colombo 03.
20	Dambulla	No 700, Anuradhapura Road, Dambulla.
21	Dehiwala	No 163, Galle Road, Dehiwala.
22	Deniyaya	Janahitha Building, Pallegama Road, Deniyaya.
23	Digana	No 964/6, Nilagama, Digana, Rajawella.
24	Elpitiya	No 42, Ambalangoda Road, Elpitiya.
25	Embilipitiya	No 70, New Town Road, Embilipitiya.
26	Galle	No 144, Matara Road, Pettigalawatta, Galle.
27	Gampaha	No 112, Baudhaoka Mawatha, Gampaha.
28	Gampola	No 13, Nawalapitiya Road, Gampola.
29	Giriulla	No 145/A, Kurunegala Road, Giriulla.
30	Gothatuwa	No 35, New Town Gothatuwa, IDH.
31	Hambantota	No 39, Main Road, Hambantota.
32	Havelock Town	No 100, Havelock Road, Colombo 05.
33	Hikkaduwa	No 08, Galle Road, Hikkaduwa.
34	Homagama	No 113/A, High Level Road, Homagama.
35	Horana	No 87, Sri Somananda Mawatha, Horana
36	Ja Ela	No 176, Negombo Road, Ja Ela
37	Jaffna	No 35, Stanley Road, Jaffna.
38	Jawatte	No 139, Jawatte Road, Colombo 05.
39	Kadawatha	No 144/1A, Sumito Building, Kandy Road, Kadawatha.
40	Kaduruwela	No 292, Sawmill Junction, Kaduruwela.
41	Kaduwela	No 510, Colombo Road, Kaduwela.
42	Kalmunai	No 174, Batticaloa Road, Kalmunai.
43	Kalutara	No 340, Main Street, Kalutara South.
44	Kandy	No 147, Kotugodella Street, Kandy.
45	Karapitiya	No 241, Hirimbura Road, Karapitiya.
46	Katugastota	No 146, Kurunegala Road, Katugastota.
47	Kegalle	No 179, Walawwa Watta, Kegalle.
48	Kiribathgoda	No 69, Makola Road, Kiribathgoda.

## Service Network with Location Addresses

No	Branch	Address
49	Kohuwala	No 135A, Dutugemunu Street, Kohuwala.
50	Kollupitiya	Lee Hedges Tower, No349, Galle Road, Colombo 03.
51	Kotahena	No 258, George R De Silva Mawaha, Colombo 13.
52	Kottawa	269/1, Highlevel Road, Kottawa
53	Kuliyapitiya	No 72A, Hettipola Road, Kuliyapitiya.
54	Kurunegala	No. 186, Negombo Road, Kurunegala.
55	Mahabage	No 590, Negombo Road, Mahabage.
56	Maharagama	No 129, High Level Road, Maharagama.
57	Malabe	No 410/4, Athurugiriya Road, Malabe.
58	Matale	No 237/241, Main Street, Matale.
59	Matara	No 56, Esplanade Road, Matara.
60	Matugama	No 123/1, Agalawatta Road, Matugama.
61	Mawathagama	No 56, Kurunegala Road, Mawathagama.
62	Minuwangoda	No 59, Negombo Road, Minuwangoda.
63	Moratuwa	No 89, New Galle Road, Moratuwa.
64	Monaragala *	No 190, Wellawaya Road, Monaragala.
65	Mount Lavinia	No 269, Galle Road, Mount Lavinia.
66	Nawala	No 267/A, Nawala Road, Nawala.
67	Nawam Mawatha	No 46/58, Nawam Mawatha, Colombo 02.
68	Negombo	No 72/A, Old Chilaw Road, Negombo.
69	Nelliady	No 171/1, Jaffna - Point Pedro Road, Nelliady.
70	Nittambuwa	No 39, Kandy Road, Nittambuwa.
71	Nugegoda	No 128, High Level Road, Nugegoda.
72	Nuwara Eliya	No 2, Windsor Hotel Building, New Kandy Road, Nuwara Eliya.
73	Old Moor Street	No 360, Old Moor Street, Colombo 12.
74	Panadura	No 229, Galle Road, Panadura.
75	Peradeniya	No 903/18, Royal Mall Complex, William Gopallawa Mawatha, Kandy.
76	Pettah Bankshall Street	No 54A, Bankshall Street, Colombo 11.
77	Pettah Main Street	No 244, Main Street, Pettah. Colombo 11.
78	Pilimathalawa	No 234, Colombo Road, Pilimathalawa.
79	Piliyandala	No 30, Moratuwa Road, Piliyandala.
80	Private Banking Centre	No 53, Horton Place, Colombo 07.
81	Rajagiriya	No 196 Sri Jayawardenapura Mawatha, Welikada, Rajagiriya
82	Ratnapura	No 189, Main Street, Ratnapura.
83	Sri Sangharaja Mawatha	No 545 A, Sri Sangaraja Mawatha, Colombo 10.
84	Tangalle	No 110, Thissa Road, Tangalle.
85	Thalawatugoda	No 245/2, Pannipitiya Road, Thalawathugoda.
86	Tissamaharama	No 43/2, Kachcheriyagama, Hambanthota Road, Tissamaharama.
87	Trincomalee	No 96, Main Street, Trincomalee.
88	Union Place	No 242, Union Place, Colombo 02.
89	Vavuniya	No 45A, 02nd Cross Street, Vavuniya.
90	Wariyapola	No 84, Puttalam Road, Wariyapola.
91	Wattala	No 492, Negombo Road, Wattala.
92	Weligama	No 354/29, Sirimavo Bandaranayake Mawatha, Samaraweera Place, Weligama.
93	Wellawatta	No 595, Galle Road, Wellawatte.
94	Wennappuwa	No 289, Chilaw Road, Wennappuwa.
95	World Trade Center	World Trade Centre, Unit L03/ EB 01/ Level 3, East Tower, Colombo 01.

\* Discontinued operations with effect from 1 January 2025.

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	Kohuwala	Keells - No : 71 Sunethradevi Road, Kohuwala.
10	Mawaramandiya	Keells - No : 475 Udupila Road, Mawaramandiya.
11	Miriswaththa	Keells - No : 39, Gampaha Road, Miriswaththa.
12	MSC Lanka (Private) Limited	MSC Lanka (Private) Limited, No : 123, Baudhaloka Mawatha, Colombo 04.
13	Pitakotte (Beddagana)	Keells - No : 216A Pitakotte - Thalawathugoda Rd, Sri Jayewardenepura, Kotte.
14	Sinharamulla	Keells - No : 356, Biyagama Road, Gonawela, Kelaniya.
15	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. (Formerly- 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 mitigates 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.

### 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.<sup>1</sup>

## 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.

## Glossary

### 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 Sixth (26th) Annual General Meeting (AGM) of Nations Trust Bank PLC ('the Bank') will be held on Friday 28th March, 2025 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, 2024 with the Report of the Auditors thereon.
3. To re-elect Ms. Sherin Cader 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. Chandika Hettiarachchi 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 Ms. Rachini Rajapaksa who retires by rotation at the AGM, as a Director pursuant to Article 27 of the Articles of Association of the Bank.
6. To elect Mr. Arjuna Wignaraja who was appointed to the Board after the last AGM, as a Director in terms of Article 25 of the Articles of Association of the Bank.
7. To elect Dr. (Mrs.) Roshan Perera who was appointed to the Board after the last AGM, as a Director in terms of Article 25 of the Articles of Association of the Bank.
8. To elect any other Director duly appointed to the Board of the Bank after the last AGM and after this Notice of Meeting is issued, as a Director in terms of Article 25 of the Articles of Association of the Bank.
9. To reappoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Bank for the financial year ending 31st December 2025 and to authorise the Directors to determine their remuneration.
10. To authorise the Board of Directors to determine and make donations as it may consider appropriate during the financial year 2025.
11. 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 no 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*

21st February 2025  
Colombo, Sri Lanka

## 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
Ms. Rachini Rajapaksa	or failing her
Mr. Russell De Mel	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.(Mrs.) Roshan Perera	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 Sixth (26th) 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, 28th March, 2025 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, 2025.

.....  
 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, 2024 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Ms. Sherin Cader who retires by rotation at the AGM as a Director pursuant to Article 27 of the Articles of Association of the Bank.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. Chandika Hettiarachchi who retires by rotation at the AGM as a Director pursuant to Article 27 of the Articles of Association of the Bank.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Ms. Rachini Rajapaksa who retires by rotation at the AGM, as a Director pursuant to Article 27 of the Articles of Association of the Bank.	<input type="checkbox"/>	<input type="checkbox"/>
5. To elect Mr. Arjuna Wignaraja who was appointed to the Board after the last AGM, as a Director in terms of Article 25 of the Articles of Association of the Bank.	<input type="checkbox"/>	<input type="checkbox"/>
6. To elect Dr. (Mrs. ) Roshan Perera who was appointed to the Board after the last AGM, as a Director in terms of Article 25 of the Articles of Association of the Bank.	<input type="checkbox"/>	<input type="checkbox"/>
7. To elect any other Director duly appointed to the Board of the Bank after the last AGM and after this Notice of Meeting is issued, as a Director in terms of Article 25 of the Articles of Association of the Bank.	<input type="checkbox"/>	<input type="checkbox"/>
8. To reappoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Bank for the financial year ending 31st December 2025 and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
9. To authorise the Board of Directors to determine and make donations as it may consider appropriate during the financial year 2025.	<input type="checkbox"/>	<input type="checkbox"/>

### Instructions for Completion

1. Please perfect the Form of Proxy by filling in legibly your full name and address, by 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 no 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
- Ms. Rachini Rajapaksa or failing her
- Mr. Russell De Mel 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.(Mrs.) Roshan Perera or failing her
- Mr. Hemantha D Gunetilleke

as my/our Proxy to represent me/us at the Twenty Sixth (26th) 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, 28th March, 2025 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, 2025.

.....  
 Signature/s

### Instructions for Completion

1. Please perfect the Form of Proxy by filling in legibly your full name and address, by 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 no 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 3090734

E-mail :  
peshala.attygalle@nationstrust.com

## REGISTERED OFFICE

No. 46/58, Nawam Mawatha, Colombo 02.

Telephone : +94 11 4313131

Facsimile : +94 11 2307854

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(Ika) (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*  
Rachini Rajapaksa  
Russell De Mel  
Arjun Fernando  
Ramesh Shanmuganathan  
Chandika Hettiarachchi  
Sanjeev Jha  
Charitha Subasinghe  
Arjuna Wignaraja  
Roshan Perera  
Hemantha D Gunetilleke  
– *Director/Chief Executive Officer*

## BOARD SUPERVISORY COMMITTEE

Sherin Cader – *Chairperson*  
Arjun Fernando  
Charitha Subasinghe  
Arjuna Wignaraja

## BOARD AUDIT REVIEW COMMITTEE

Rachini Rajapaksa – *Chairperson*  
Charitha Subasinghe  
Roshan Perera

## BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE

Chanaka Wickramasuriya – *Chairperson*  
Sherin Cader  
Rachini Rajapaksa  
Russell De Mel

## NOMINATION AND GOVERNANCE COMMITTEE

Chanaka Wickramasuriya – *Chairperson*  
Sherin Cader  
Arjun Fernando  
Roshan Perera

## BOARD CREDIT COMMITTEE

Sherin Cader – *Chairperson*  
Russell De Mel  
Chanaka Wickramasuriya  
Arjun Fernando

## BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

Roshan Perera – *Chairperson*  
Rachini Rajapaksa  
Charitha Subasinghe  
Arjuna Wignaraja

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Russell De Mel – *Chairperson*  
Chanaka Wickramasuriya  
Sanjeev Jha

## BOARD INFORMATION TECHNOLOGY ADVISORY COMMITTEE

Ramesh Shanmuganathan – *Chairperson*  
Rachini Rajapaksa  
Arjun Fernando  
Hemantha D Gunetilleke

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Softwave Printing and Packaging (Pvt) Ltd.



[www.nationstrust.com](http://www.nationstrust.com)