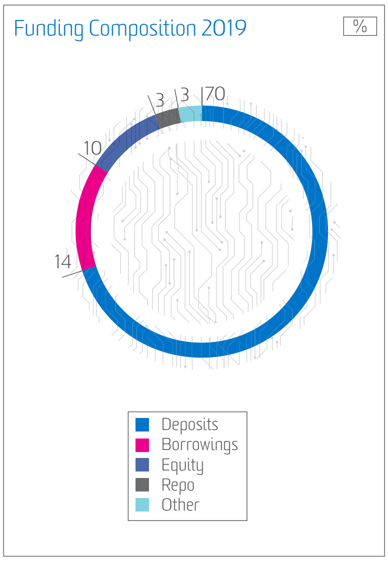
Nations Trust Bank PLC

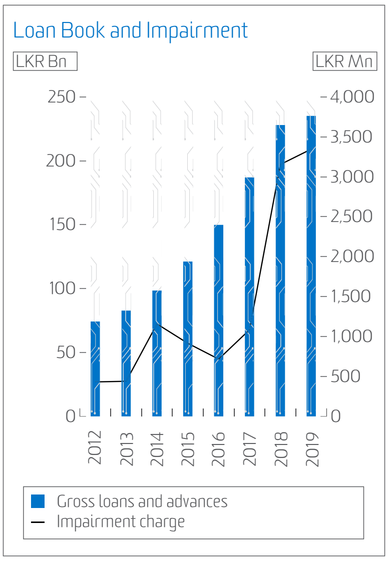
Market Disclosures 31st December 2019

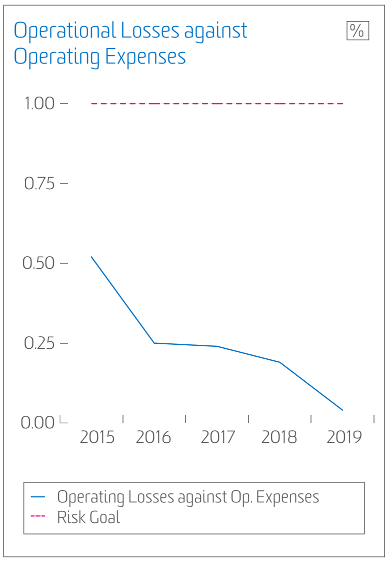
RISK MANAGEMENT REVIEW

At Nations Trust Bank, the sustainable creation of stakeholder value is underpinned by a robust risk management framework and practices which have evolved over the years to become deeply embedded in our culture.

In response to emerging risk trends, regulatory changes and an increasingly dynamic business environment, the Bank has focused on proactively strengthening its Integrated Risk Management Framework, allowing it to be resilient through business cycles. This report provides a concise yet comprehensive understanding of the Integrated Risk Management Framework in place within the Bank and key aspects of our risk performance during the year.







(A) LINKING BUSINESS STRATEGY TO RISK MANAGEMENT

At Nations Trust Bank, risk management is embedded into strategic planning including projects and all daily operations. In addition to regulatory requirements, our risk management framework embraces globally accepted best practices in identifying, assessing, measuring and managing the key risks faced, including the critical interdependencies between the risks.

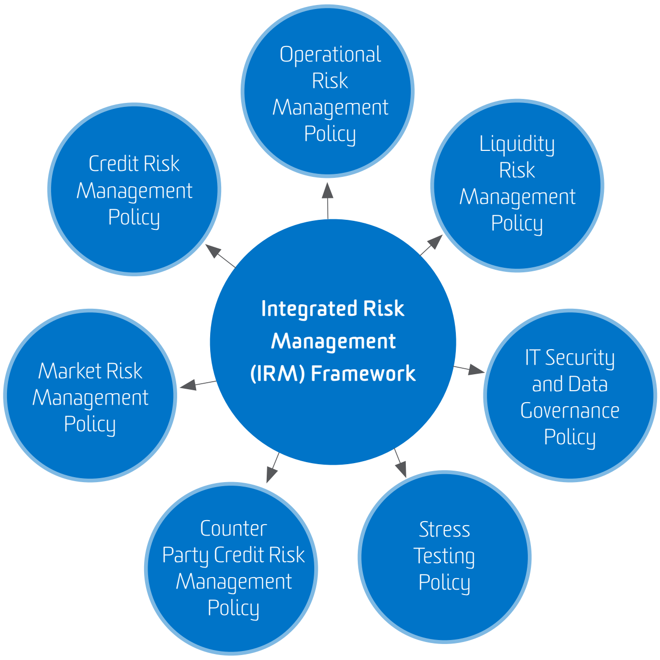
Our business model and risk exposures

The Bank's risk profile is reflected in its business model which represents the business activities and processes in place to transform inputs into long-term value for stakeholders. The risk management framework is aligned to the Bank's overall business strategy, enabling it to proactively identify, measure, mitigate and respond to emerging risks arising due to the Bank's strategic agenda. Key risks stemming from the Bank's business model are given below;

	Activity	Risk exposure
Risks arising from the Bank's operations and processes	Lend	Credit risk
	Fund	Funding and liquidity risk
	Trade	Market risk
	Key operations and processes	Operational risk (IT, people related risk, legal risk)
	Compete	Strategic risk
	Regulated industry	Compliance risk
Risks monitored by the Bank for impact	Geopolitical risk	
	Macro-economic risk	
	Legal risk	

Assessing the components of the business model enables the Bank to evaluate the robustness of the existing business model and identify the events that could impact sustainable value creation. The assessment also identifies opportunities for improving operational and compliance efficiency. This enables the Bank to identify the risks it is willing to take – often defined or characterised as the risk appetite.

(B) APPROACH TO RISK MANAGEMENT



Our systematic, timely and structured approach to risk management contributes to efficiency and to consistent, comparable and reliable results. It is underpinned by setting objectives, strategies, policies, risk appetite and tolerance limits for key types of risk.

Integrated Risk Management Framework

The Bank's Integrated Risk Management (IRM) Framework underpins the foundation for managing risk and clearly defines the tools, techniques and activities in place to ensure that all material risks are identified, measured, managed and reported. Clearly defined roles and responsibilities, both at Board and Executive Committee level ensure independence of judgment and judicious empowerment. A comprehensive framework of policies ensures the consistency and clarity in the identification, measurement, management and reporting of key risks.

The Bank's key risk management objectives are,

- Establish a framework that supports the business activities to maximise risk-adjusted returns within the Board approved Risk Appetite and other aspects such as regulatory requirements and the Bank's internal controls
- Accurately identify and measure the sources of these risks
- Recommend appropriate levels of risks, consistent with the Board of Directors' appetite or tolerance for such risks
- Control the level of risks by establishing limits and routinely monitoring the risk exposures to these limits
- Ensure that there is no breach of relevant CBSL regulatory requirements and applicable laws including Exchange Control regulations, ICASL guidelines, Stock Exchange Requirements, CSE regulations, Company Law requirements, etc.
- Seek to enable a balance between controlling these risks and generating optimal returns within these risk constraints
- Add value to the Bank's business units, Senior Management and Board of Directors by providing analysis and recommendations to support the achievement of the overall Bank's strategic objectives.

Risk Appetite

An integral part of the Bank's Integrated Risk Management (IRM) is the development of key risk metrics, exposure limits, and governance and oversight processes to ensure enterprise-wide risks are within acceptable and manageable levels. A best-practice approach to addressing these requirements is to implement a clearly defined Risk Appetite Statement (RAS).

While developing the Bank's RAS, we have considered the following fundamental aspects with respect to strategy, risk management, and operations, including:

- The strategies for the overall organisation and individual business units and the key assumptions underlying those strategies
- The significant risks and aggregate risk levels that the Bank is willing to accept in order to achieve its'objectives
- The governance structures and risk management policies to oversee and control risks
- Assess and quantify the key risks so that the Bank can monitor exposures and key trends over time
- Establish the appropriate risk tolerances given our business objectives, profit and growth opportunities, and regulatory requirements
- Integrate our risk appetite into strategic and tactical decision making in order to optimise our risk profile
- Establish an IRM feedback loop and provide effective reporting to the Board and Senior Management

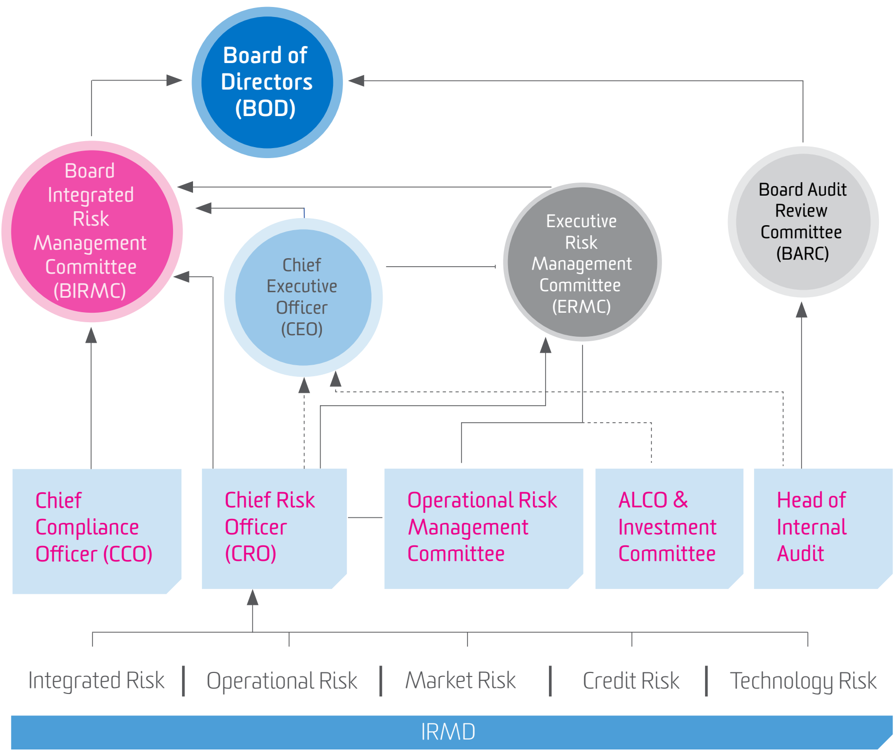
RISK MANAGEMENT REVIEW

The risk appetite is defined by the Board of Directors and clearly articulates the type and quantum of risk the Bank is willing to take in the normal course of business. It is expressed in the form of tolerance levels and triggers across a range of parameters which reflect the key risks the Bank is exposed to. The risk appetite is reviewed and updated regularly by the Board of Directors in line with the Bank's strategic and financial objectives. During the year, certain credit and market risk parameters were revised to reflect evolving risks in the industry as depicted below.

	Position as at End 2019	Limit/Range for 2019	Limit/Range for 2018
Credit Risk			
Impairment Ratio	3.22%	2.5% - 3.5%	1.5% - 2.25%
Market Risk			
Sensitivity of the Trading portfolio against interest rate fluctuations	0.24%	Below 2%	Below 2%
Operational Risk			
Operational Losses to Operating Expenses Ratio	0.04%	1%	<1%

(C) RISK GOVERNANCE

Clearly defined risk governance structures enable the segregation of duties and judicious empowerment of employees. The Board of Directors holds apex responsibility for the effective management of risk within the Bank including setting the risk appetite, formulating policies and reviewing risk- related management processes. The Board of Directors is assisted by several sub-committees and executive committees in the discharge of its duties related to risk management as illustrated below.



Board Integrated Risk Management Committee (BIRMC)

The BIRMC provides independent oversight of all risk related aspects within the Bank and Group including overseeing the formulation of risk management policies and supporting the Board of Directors in determining overall risk appetite. The composition, responsibilities of the BIRMC and its key areas of focus during the year is given in the Committee Report.

Board Audit Review Committee (BARC)

The BARC plays a key role in assessing the adequacy and effectiveness of the Group's internal controls on financial reporting, risk management measures and governance structures in place to mitigate current and emerging risks. For further details on the composition and activities of BARC, please refer the Committee Report.

Board Credit Committee (BCC)

The BCC assists the Board of Directors in formulating credit policies and procedures, provides direction on the Bank's lending exposures (including approving large loan exposures) and consistently monitors the quality of the Bank's credit portfolio. For further details on the composition and activities of BCC, please refer the Committee Report.

In addition to these Board Committees, the following Executive Committees are responsible for specific risk management aspects;

Executive Risk Management Committee (ERMC)

The Executive Risk Management Committee provides recommendations to the BIRMC on the Bank's overall risk management policies, risk appetite and risk management procedures. The Committee is also responsible for reviewing the Bank's risk grid and implementing specific actions to mitigate identified risks. This Committee is chaired by the Chief Risk Officer and represented by members of the Corporate Management team.

Asset and Liabilities Management Committee (ALCO)

Chaired by the CEO, all heads of business units and managers from the risk, management reporting and financial risk reporting divisions, the ALCO is entrusted with the responsibility of managing the Bank's balance sheet within the performance and risk parameters defined by the Board of Directors. The ALCO review and approve the Asset and Liability Management (ALM) and Liquidity Management Policy of the Bank, periodic review of the contingency funding plan and deposit pricing strategy to ensure sustainable funding for the balance sheet while ensuring correct pricing of the Bank's asset book to ensure that the target NIM is achieved.

IT Steering Committee (ITSC)

In addition to implementing the Bank's digital strategy, the Committee is responsible for ensuring that mechanisms are in place to effectively monitor and manage the Bank's IT projects, systems and information security. Committee membership is held by the CEO, CIO, and business line heads, COO, CFO and CRO among others.

Operational Risk Management Committee (ORMC)

The ORMC is the main interaction point between all operational functions of the Bank encompassing end-to-end process coverage. The Committee is chaired by the Bank's CRO and includes the COO, CIO, Senior VP Banking Operation, Chief Compliance Officer and several operational heads. The primary purpose of this committee is to critically assess operational processes and internal controls with a view of strengthening the Operational Risk Management Framework at a functional level. The committee will provide its recommendation to ERMC and subsequently to BIRMC if required.

Three lines of Defense Model

We adopt the globally accepted three lines of defence governance model which ensures transparency and accountability in risk management through clear segregation of duties as depicted below.

1

First line of defense

Functions that own and manage risk

The identification, management and reporting of risks at business unit level, ensuring that specific risks are managed at the source as effectively as possible

2

Second line of defense

Functions that oversee risk

Centralized oversight of the first line of defense by the risk management, compliance, finance and other support functions.

3

Third line of defense

Functions that provide independent assurance

Provides independent and objective assurance on the risk exposures, processes and practices in place. Comprises of Internal and External Audit Functions

The Integrated Risk Management Department (IRMD)

Led by the Bank's Chief Risk Officer, the IRMD independently assures that the Bank's risk parameters are maintained within the risk appetite approved by the Board of Directors. The IRMD is responsible for multiple aspects of the Bank's risk management framework as illustrated below;

Nurturing a Risk Awareness Culture	Risk Measurement	Risk Monitoring	Risk Management
Nurtures an organization wide risk awareness culture through development of a common risk language and Bank-wide risk training and support	Carry out impairment of loans and advances comprehensively ensuring adequate loan loss reserves	Monitor compliance with risk management policies and procedures	Development and review of risk management tools
Provides interpretation of risk-related regulations/leading practices and disseminates to business units	Carry out 'Loan Review Mechanism' and continuously improve and strengthen lending processes and practices	Monitor the Bank's overall risk profile, including risk aggregation, reporting, trends, and change in material risk positions	Devise and implement Credit Portfolio Management techniques and advice management/BIRMC as appropriate

(D) RISK CULTURE

The success of the risk management frameworks and practices implemented within the Bank are ultimately dependent on the values, attitudes and awareness of our employees. We persistently strive to nurture a culture of risk awareness through numerous engagement mechanisms, ongoing communication and risk-related training. Procedure manuals are in place for all critical operations, compelling employees to follow standard guidelines in day to day activities. Ongoing communication through news bulletins, collaboration tools and e-mails are aimed towards strengthening the risk dialogue within the organisation. Risk also forms a vital part of the Bank's training proposition, comprising several mandatory training modules for all employees. The Risk Reporting process which includes the Risk and Control Self-Assessment (RCSA) Process and Transaction In

RISK MANAGEMENT REVIEW

Difficulty (TID)/Operation Loss Events (OLE) reporting has helped to instill a culture of risk-awareness.

(E) RISK MEASUREMENT

The Bank adopts an array of tools and techniques to measure its key risk exposures as listed below;

Risk exposure	
Credit Risk	Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD), Trends and Sector Concentration, NPL Ratios, Early Warning Monitoring
Market Risk	Maturity/Interest Rate Risk Gap analysis, Interest Rate Risk Ratio, PVBP, VAR, Duration Analysis, Sensitivity Analysis, and Stress Testing on IRR in Trading/Banking Book (EAR and EVE).
Liquidity Risk	Maturity Mismatch, Concentration of Funding, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), Liquidity Early Warning Signals, Intraday liquidity Management, Contingency Funding Plan, Liquidity Transfer Pricing, Liquidity Simulations
Operational Risk	Transaction In Difficulty (TID), Risk Control Self-Assessment (RCSA)/Heat map/Scenario Analysis and Stress testing/Key Risk Indicators
Reputational Risk	Customer Feedback/Complaints, Positive/Negative Publicity through Qualitative Scorecard Approach
Strategic Risk	Bank's Financial Performance/Peer Performance and Strategic Initiatives through Qualitative Scorecard Approach
Technology Risk	Vulnerability Assessments, Security Reviews and Key Risk Indicators

(F) RISK REPORTING

Clearly defined risk reporting mechanisms ensure that key risk exposures are identified and escalated to the relevant personnel and ultimately the Board of Directors in a timely and relevant manner. Risk reporting encompasses all key risk exposures and is clearly communicated to all relevant employees across the organisation.

Risk Exposure	Reporting line	Risk Reporting	Content
Credit Risk	Board of Directors	Credit Risk Summary	Portfolio Health/ageing and Trend Analysis, Allowance for Impairment, Concentration Risk, Analysis, NPL Vintage Analysis
		Exposure vs Risk appetite	NPL ratio Net of IIS, Specific Provision Cover, Impairment Ratio, NPA Stress Test,
		Loan Review Mechanism (LRM) Reports	LRM Findings & Recommendations
	Management/ Management Sub Committees	Credit Risk Management Report	Top 20 Exposures, Portfolio Health/ageing and Trend Analysis, Analysis of Impairment Assessment.
		Early Warning Signals Summary	Analysis of Early Warnings/Exposures
		Watch Lists	Management Watch List Customer Updates

Risk Exposure	Reporting line	Risk Reporting	Content
Market Risk	Board of Directors	Exception Report	Breaches of FX Net Open Position Limits, Stop Loss Limits, Counterparty Limits and Other Market Risk limits
		FIS Performance	Fixed Income Government Security, Mark to Market Movement and Performance
		USD and Other Currency Investments Report	Performance on Investment in Foreign Currency Securities and Corporate Debt Securities
		Market Risk Dash-board	Interest Rate Risk Ratio, IRRBB, Liquidity Gap Reports, Liquidity Stress testing, Liquidity Coverage, Statutory Liquidity Ratio, Loans/Deposit Ratio (L/D), Average FX, NOP Sensitivity
		Quarterly Stress Testing	Stress Testing based on Historical Market Rate Movements , as well as Forward Views of Market Expectations
	Management/ Management Sub Committees	Treasury Profitability, Performance Report	Liquidity Reserve Ratio, M2M of FX and FIS Portfolios, Daily Treasury Profitability, Treasury Exceptions
		ALCO Report	Maturity Gap, Liquidity Reserve Ratio, Liquidity Coverage Ratio, Net Stable funding Ratio, Liquidity Stress Testing, Other Liquidity Stock Ratios, Monitoring of Contingency Funding plan, Interest Rate Risk Ratios, FX Risk and Sensitivity Analysis
		Management Report	Performance of Investments in Government Securities
Operational Risk	Board of Directors	Exposure vs Risk Appetite	Uninsured Operational Losses Vs Net Income, Total Operational Losses Vs Operating Expenses Summary of Operational Losses & Loss Events
		Quarterly Stress Testing	Scenarios based on historical events from internal and external loss data
	Management/ Management Sub Committees	Monthly Operational Risk Management Report	Operational Risk - Risk Appetite, Detailed Analysis of Operational Losses
Technology Risk	Board of Directors	Technology Risk Dashboard	Priority 1 and 2 Information Security Incidents, Critical System Downtimes, Information Security Vulnerability Remediation Progress, etc.

(G) STRESS TESTING

Stress testing is conducted on an ongoing basis to identify the potential impacts that fluctuations in market variables and other risk factors could have on the Bank's risk profile. Impacts are measured with reference to capital, earnings and liquidity positions. The findings of the Bank's stress testing activities are an input into several processes including capital computation under ICAAP, strategic planning and risk management among others. The BIRMC conducts regular reviews of the stress testing outcomes including the major assumptions that underpin them.

Credit Risk	Deterioration in asset quality increase in large NPLs shifts in NPL categories	Potential impact on, • Earnings • Capital adequacy • Funding capability/ liquidity
Interest Rate Risk	Movements in interest rate by +/- 100 bps and 200 bps	
Foreign Exchange Risk	Forex risk on net open position	
Liquidity Risk	Funding capability of a cash outflow in a liquidity stress scenario - up to 1 month	
Operational Risk	Scenarios based on historical events from internal and external loss data	

RISK MANAGEMENT REVIEW

(H) MITIGATING KEY RISK EXPOSURES

The Bank's key risk exposures during the year under review are illustrated below;

CREDIT RISK MANAGEMENT

The Board Credit Committee (BCC) functions as the steering committee holding overall responsibility for implementing the Bank's credit risk management framework. At an executive level, the responsibility of managing the Bank's credit risks have been delegated to the Head Office Credit Committee (HOCC). The HOCC is headed by the CEO and comprises of the Heads of business units with the CRO also contributing as an independent observer. The credit risk management framework is composed of the following;

- **Comprehensive Credit Policy Framework**

  This is formulated by the BCC on behalf of the Board of Directors. Key aspects of the Group's credit policies include directions on pre-credit sanctioning which includes well-defined credit criteria and prudential limits in line with the defined risk appetite, post-credit monitoring and delegated approval authority at multiple levels. The framework is reviewed and updated regularly based on evolving best practices as well as emerging risks and opportunities.

- **Risk Scoring**

  Tailor-made risk scorecards which adopt advanced statistical data analytics are utilised when underwriting consumer credit facilities and SME loans. These scorecards are based on creditworthiness of individual customers, disposable incomes and broader characteristics of the customer demographic group and provide an indication on the level of credit that can be granted based on the projected repayment capacity.

- **Risk Rating System**

  The Bank has implemented a sophisticated internal risk rating system to rate its obligors. The system incorporates five rating models which are able to effectively gauge the risk profile of the Bank's diverse client portfolios of large and mid-sized corporate, SMEs and retail/individual customers. The system provides an indicative probability of default for the borrower. The ratings thus derived are mapped into a Bank wide single point indicator rating scale.

- **Culture of responsible lending**

  The Bank has been successful in nurturing a culture of risk awareness and responsible lending through a high level of internal communications and comprehensive training programmes.

The Board defined credit appraisal and monitoring procedures include the following;

Pre-credit sanctioning

- Multiple levels of approval authority
- Sophisticated risk rating and scoring system
- Prudential limits for concentration risk
- Structured and comprehensive credit appraisal and defined credit criteria

Post-credit monitoring

- Portfolio evaluation with emphasis on early warning signals
- Robust credit review mechanism
- Stress testing and scenario analysis
- Review of selected exposures

Portfolio management

- Regular monitoring of concentration risk and other prudential limits
- Structured loan review mechanism
- Creation of loan loss reserves through Impairment assessment
- Periodic reporting to HOCC, BCC and BIRMC

Areas of focus in 2019

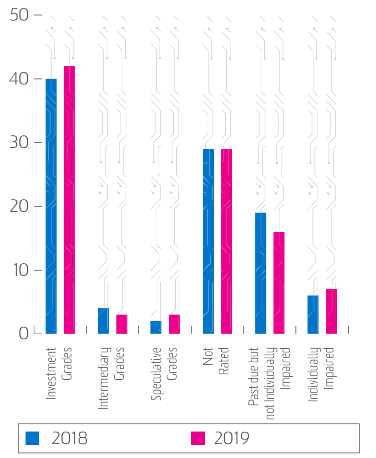
- **Strengthened pre-credit sanctioning and collections:** Proactively providing independent assessments for approvals while increasing vigilance on certain high risk sectors. Focused collection efforts and restructuring to revive stressed facilities.
- **Post-credit monitoring:** Strengthened the early warning signal system, enabling business units to foresee potential deteriorations in credit quality and be more proactive in collections and monitoring. Additional monitoring responsibilities have also been added to zonal teams with a view to improve credit quality.
- **Enhanced the continuous feedback loop:** Improved coordination and communication between the pre-credit sanctioning and post credit monitoring divisions.
- **SLFRS 9 improvements:** Introduced analytical and statistical mechanisms to strengthen the impairment assessment methodology in line with the requirements of SLFRS 9. In addition portfolios were further stratified into homogenous sub portfolios to better reflect risk profiles.
- **Training:** Employee training on credit appraisal, risk acceptance and overall awareness on credit risk. Focused knowledge sharing on how expected credit loss models should be aligned with credit value chain.

Credit Risk Performance in 2019

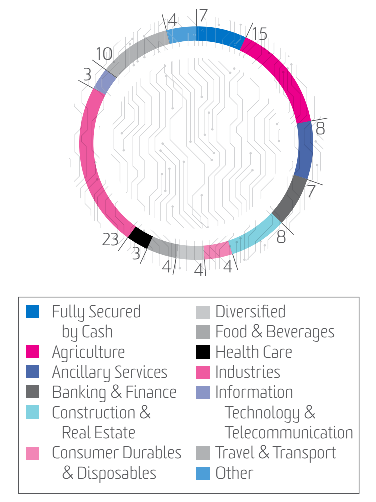
Operating Context: The Bank increased regional diversification through corporate offshore banking with new customers, giving rise to credit risk although this is balanced by the Bank's partnership with strong funding partners and counterparties.

Meanwhile, economic shocks due to Easter Sunday attacks,the weaker agriculture sector performance, sluggish economy and global developments affected the working capital and cash cycles of the trading, manufacturing and construction sectors leading to an increase in NPLs from the SME portfolio. Deterioration was evident in the consumer portfolios as well. The Bank continued to realign its loan portfolio towards segments with lower sensitivity to economic slowdown in order to better manage its credit risk.

Risk Rating Distribution



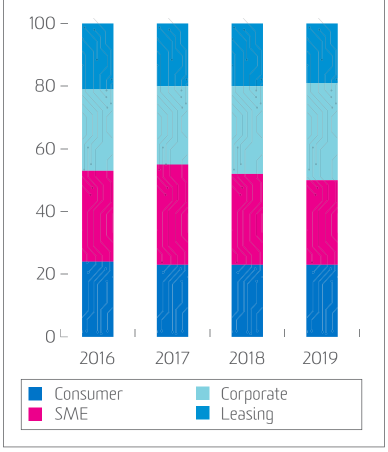
Sectoral Distribution of Loans 2019



CONCENTRATION RISK

Concentration risk is measured through the Normalised (Herfindahl-Hirschman Index HHI) and is computed as part of the Bank's ICAAP process in which concentration related to different industrial sectors of the economy, different customer segments, product types and maturity patterns are monitored. Moderate growth in the corporate and SME books during the year in line with the Bank's overall strategy, has enabled the Bank to reduce dependence on the consumer sector and achieve more balance in its portfolio.

Loan Book Composition

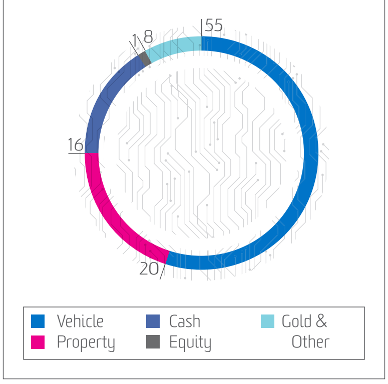


Further details on portfolio status and impairment reserves as at 31.12.2019 are available on page 16.

3-Large exposures

Large exposures	% of total portfolio (Cumulative)
Top 5	5.72%
Top 10	8.75%
Top 20	13.10%
Other	86.90%

Collateral Breakdown 2019



Further details of exposures subject to credit risk by major types, geographical areas, sectors and residual maturity are available in Notes, 13, 45 and 47 to financial statements of annual report 2019.

MARKET RISK MANAGEMENT

Market risk is the potential loss arising from changes in the fair value or future cash flows of financial instruments due to fluctuations in market variables, the correlations among them and their levels of volatility. The key market risks the Bank is exposed to are interest rate risk, foreign exchange risk and liquidity risk.

Market risk exposure originates mainly from:

Trading market risk: arises primarily through the market-making and trading activities in the various Government securities and derivative markets.

Non-trading market risk: arises from assets and liabilities that are typically on our books for a longer period of time (deposit taking and lending)

Please refer page 17 for Composition of trading and non trading book.

The Asset Liability Management Committee (ALCO) holds executive responsibility for overseeing the Bank's market risk exposures. On the other hand, the Investment Committee is responsible for overseeing investment and reinvestment of the Bank's funds and evaluating investment performance. The evaluation will take into account compliance with investment policies and guidelines and risk tolerance levels. In addition, the IRMD is responsible for the implementation and review of Market Risk Management Policies, tools and techniques. As Treasury operations can give rise to significant market risks, the Treasury Middle Office (which operates independently from the Treasury Department) monitors treasury related market risks limits relating to foreign exchange, interests rates and counterparties.

Foreign Exchange Risk

Foreign Exchange (FOREX) risk is the potential loss arising from fluctuations of value in a financial instrument due to changes in foreign exchange rates. The Bank is exposed to foreign exchange risk through its holding of assets denominated in foreign currency. Executive responsibility for managing the Bank's forex risks lie with the Treasury department with a clear segregation of duties between the front, middle and back offices to ensure the adequacy of internal controls. FOREX risk is managed

RISK MANAGEMENT REVIEW

through limits on exposure to currencies on an individual and aggregate basis, as well as dealer and counter-party limits, overnight and intra-day limits and stop loss limits. These limits are independently monitored on a daily basis by the Treasury Middle Office, ensuring market risk exposures are within the Board-approved limits. These transactions are also governed by the CBSL which has in place a stringent regulatory framework which includes an approval mechanism and exposure limits.

Refer Page 18 for Net Open Position of Foreign Currency Denominated Assets and Liabilities of Domestic Banking Units (in millions of respective currency).

Interest Rate Risk

Interest Rate Risk arises from the possibility that fluctuations in interest rates will affect the future cash flows or fair values of financial instruments. Exposure to interest rate risk arises from its lending, trading securities and deposit liabilities. Sub types of interest rate risks are,

- Repricing risk arises from the inherent mismatch between the Bank's assets and liabilities which results in repricing timing differences.
- Basis risk arises from the impact of relative changes in interest rates for financial instruments that have similar tenors but are priced using different interest rate indices.
- Yield curve risk arises from shifts in the yield curve that have a negative impact on the Bank's earnings/asset values.

The Bank manages its interest rate risk primarily through asset liability repricing gap analysis, which distributes interest rate sensitive assets, liabilities and off-balance sheet positions into several maturity buckets. Board defined limits are in place for interest rate gaps and positions are monitored at least on a monthly basis to ensure compliance to the prescribed limits. In addition to the asset liability maturity mismatches.

Refer page 20 for Interest Rate Sensetivity Gap Analysis (in millions of respective currency).

The ALCO regularly monitors trends in market interest rates, as well as results of interest rate stress testing analysis.

Interest Rate Risk in Banking Book: Interest Rate Risk in Banking Book (IRRBB) refers to 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.

When interest rates change, the present value and timing of future cash flows change. This, inturn changes the underlying value of a bank's assets, liabilities and off-balance sheet items and hence it's Economic Value (EVE). Changes in interest rates also affect a bank's earnings by altering interest rate-sensitive income and expenses, affecting its Net Interest Income (NII). Bank has a comprehensive risk management process in place that effectively identifies, measures, monitors and controls the IRRBB exposures, and that is subject to appropriate board and senior management oversight.

Refer Page 20 for Interest Rate Sensetivity gap analysis (in millions of respective currency.

Liquidity Risk

Liquidity risk is the risk arising from the Bank's potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs.

Oversight responsibility for managing the Bank's liquidity risks is with the ALCO, which ensures that a sufficient liquidity buffer is maintained to meet the Bank's financial obligations. The ALCO regularly reviews the Bank's cash flow projections, funding capabilities, pricing decisions and liquidity levels to ensure compliance to internal targets as well as regulatory liquidity requirements. The Committee also works closely with the Treasury Department in the implementation of ALCO decisions on a day to day basis.

Liquidity indicators were maintained comfortably within regulatory minimums and the limits defined by the Risk Appetite statement. Refer page 21.

Listed below the tools for measuring and managing liquidity

I. Maturity Mismatch
II. Concentration of Funding
III. Liquidity Coverage Ratio (LCR)
IV. Net Stable Funding Ratio (NSFR)
V. Liquidity Early Warning Signals
VI. Intraday liquidity Management
VII. Contingency Funding Plan
VIII. Liquidity Transfer Pricing
IX. Liquidity Simulations: Stress Testing and Scenario Analysis
X. Other Liquidity Stock Ratios

Refer page 19 for Maturity Gaps in Major Currencies (in millions of respective currency)

Sound and Robust Market Risk Policies

A comprehensive framework of policies is in place to govern all aspects of market risk management. These include the Asset and Liability Management Policy, Liquidity Risk Management Policy, Market Risk Management Policy and policy on Stress Testing, which provide guidance on the systems, procedures, tools and techniques for the identification, assessment, mitigation, monitoring and reporting on all market related risks. As and when emerging risk are identified, policies are reviewed and updated accordingly.

Risk limits and trigger points

The Board of Directors have defined a range of limits for investment and Treasury-related activities including foreign currency net open position limits, PVBP limits counterparty limits, stop loss limits, minimum liquidity stock ratios and other market risk related limits. Actual performance against these limits are monitored by the Middle Office and the IRMD and brought to the attention of the ALCO and BIRMC on a regular basis. Meanwhile thresholds that trigger specific management action is specified to ensure proactive management of market risks.

Areas of focus in 2019

New Policies, Revision of Policies and procedures

A detailed policy on classification of Treasury Products based on SLFRS guidelines was formulated. The Bank's Investment Management Policy have been revised to facilitate the emerging requirement of the market activities.

The Stress Testing Policy has been revised in line with regulatory guidelines and global best practices with historical risk measurement tools (e.g VaR) and forward-looking measures (e.g expectations of market participants)

OPERATIONAL RISK MANAGEMENT

Oversight responsibility for operational risk management has been delegated to a dedicated Operational Risk Management Unit (ORMU). The Operational Risk Management Committee (ORMC) periodically met as the main interaction point between all operational functions of the Bank encompassing end to end process coverage. The Committee is accountable to Executive Risk Management Committee (ERMC) on matters related to operational risk management and to foster a culture within Nations Trust Bank that emphasises and demonstrates the benefits of a risk based approach to internal control and management of operational risks of the Bank. Meanwhile, the ORMU which functions within the purview of IRMD provides independent verification on the Bank's operational risk exposures.

The Operational Risk Management Framework is underpinned by the following;

- **Identification and assessment**

  The Bank uses Risk and Control Self Assessments (RCSA) which are administered to all key business and operational units to evaluate the exposure to defined operational risk parameters. It is a structured mechanism for a Business Line, Supporting Unit, Product Line or Process to identify and assess its own risks and introduce measures aimed at improving risk control. In addition, the ownership of key risks and measures introduced to mitigate unacceptable risk exposure is clearly defined. RCSA process ranks the risks based on its likelihood of occurrence and its impact/severity if that risk materialises. It also critically tests the current controls available to address such risks in terms of its control design and control performance of risks in designing/reviewing suitable action. Stemming from individual departmental risk grids, a Bank-wide risk grid is prepared highlighting key risks impacting the Bank. This overall the Bank risk grid is updated every other month and presented to the Board Integrated Risk Management Committee as a 'Risk Assessment Report' which details the prevailing or emerging risks and its management.

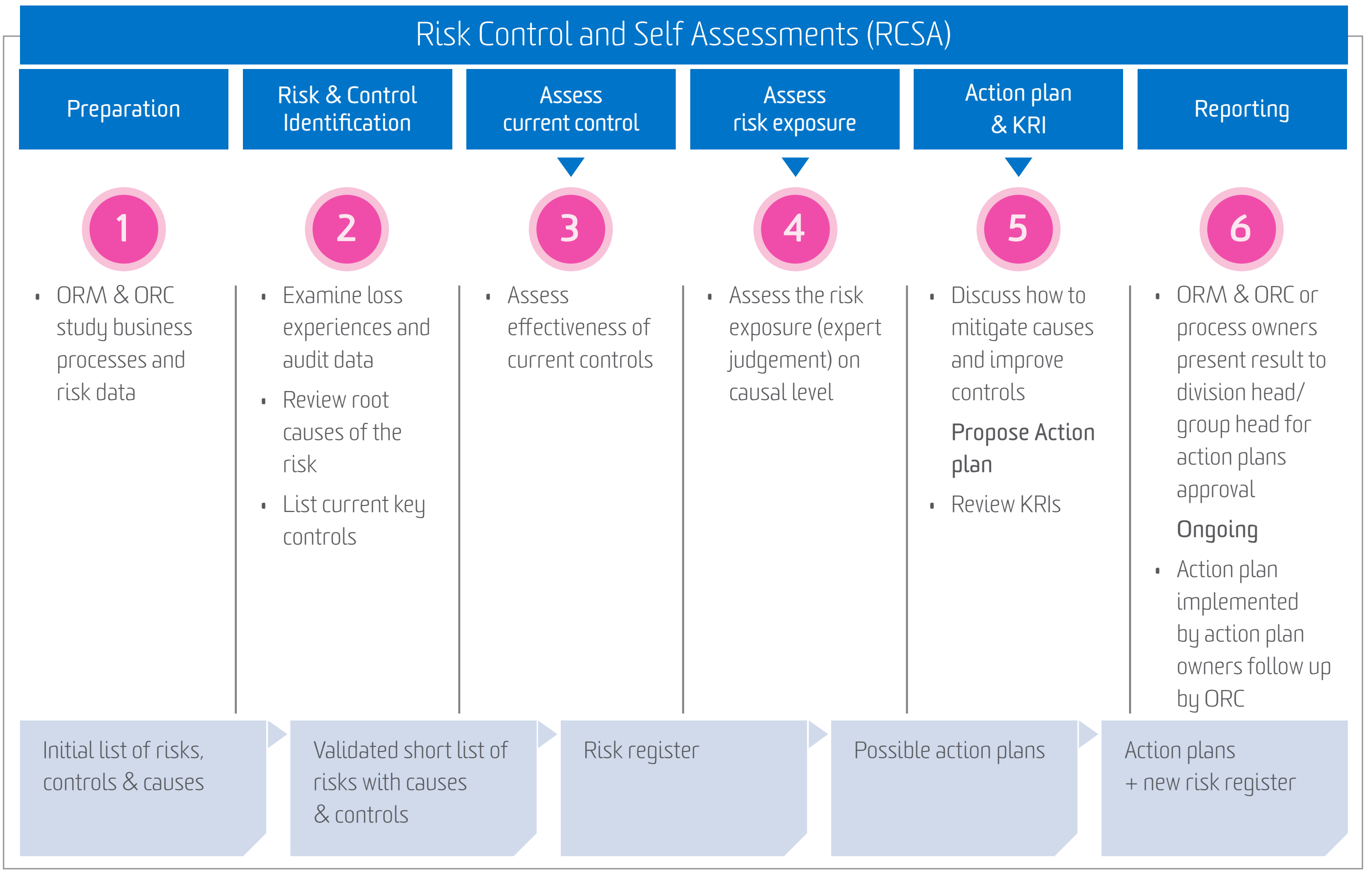
  The Key Risk Indicators (KRIs) being implemented will ensure that early indicators of risks are given due recognition and appropriate action is taken to reduce possible losses arising from such risks.

- **Limits and tolerance levels**

  The Board of Directors have defined specific limits and tolerance levels for operational risk indicators including the number of internal and external loss events and the total value of operational losses monitored. Regular reporting to the BIRMC and Board of Directors ensure that parameters are maintained within the defined limits and corrective action is initiated if required.

- **Risk reporting**

  The Bank maintains a well-structured Operational Risk Loss Data Base which is aligned to the BASEL requirements. Streamlined processes are in place to



RISK MANAGEMENT REVIEW

capture all operational loss events including near misses, which are then categorised as specified in a BASEL document in order to use them for future modelling activities. The loss events are linked to the RCSA & KRI Programme to ensure that repeat errors are minimised.

- **Outsourced services**

  The Bank outsources some of its non-critical activities including cash transportation, labour supply, embossing of cards, document management and archiving. To mitigate the operational risks, business units submit due diligence test grid along with the relevant documents to outsourcing services unit. Outsourcing services unit participates for the Business Continuity Plan rehearsals of service providers as well as carry out periodical visits along with the business unit, These activities provide an assurance on the ability of service provider to maintain required levels of service at all times.

Areas of focus in 2019

- **Strengthened the RCSA Mechanism & KRI:** Strengthened RCSA mechanism with the introduction of several new risk assessment grids for business and support units. Currently the Bank maintains 40 operational risk grids for several units, which is a qualitative analysis of the Operational Risk tools.

  KRI's were designed for several Business Units and has been rolled out with the assistance of the Risk Coordinators along with defined thresholds to monitor.

- **Maintained Performance Against Operational Risk Appetite:** Operational losses to operating expenses ratio at 0.04% in 2019

- **Increased Employee Engagement And Awareness on 'Operational Risk':** Information related to operational risk continued to be shared through operational risk updates for all employees. This has enabled the prompt sharing of knowledge, notifications of operational risk incidents and nurturing a risk culture across the Bank. Operational risk training programmes were conducted for all risk coordinators of the bank.

- **Increased Vibrancy and Proactiveness of ORMU:** During the year, the ORMU conducted regular meetings and identified risks were escalated to the relevant personnel for immediate action.

Operational Risk Performance in 2019

All operational risk indicators were maintained within the defined parameters while there were no material loss events during the year. The value of the total operational loss events remained well within risk appetite as at end of 2019.

		NTB 2019 Value in Million	%
BASEL II LOSS EVENT TYPE CATEGORY	Internal Fraud	-	-
	External Fraud	2.24	44%
	Employment Practices and Workplace Safety	0.04	1%
	Clients Products and Business Practices	1.30	25%
	Damage to Physical Assets	-	-
	Business Disruption and System Failure	0.24	5%
	Execution Delivery & Process Management	1.24	25%
	Total Operating Losses	5.06	100%

INFORMATION SECURITY (IS) AND GOVERNANCE FUNCTION

The information technology risk, including constantly shifting nature of cyber-risks has evolved with the Bank's digital journey where the bank continues to institutionalise capabilities to mitigate such threats while building resilience.

There are multiple initiatives underway to strengthen existing infrastructure on system capabilities, data management and internal controls led by the Bank's information security unit.

The technology risk management function established under CRO provides insights and feedbacks for cyber risk resilience and continuous improvement of information security over operations, changes in infrastructure and new projects while ensuring compliance for regulatory requirements across the bank.

Identification and Risk Assessments

Review the adequacy and effectiveness of the identification, analysis, management, monitoring and reporting of Information Technology risks, ensuring that management establishes, appraises and addresses the risks to the Bank, sufficiently and swiftly.

Independent assessment of existing programmes, procedures and controls in place to manage key risks.

Maintain oversight over technology risks on an ongoing basis through KRIs (Key Risk Indicators) and an independent risk register.

Areas of Focus in 2019

Independent risk assessments were specifically focused on cyber, network, infrastructure, projects and regulatory requirements during 2019.

Reporting

Monitor actual risk profiles, advising on appropriate actions and regular reporting to the Management and Board–Integrated Risk Management Committee of its activities, findings, decisions, deliberations and recommendations.

Provide insights and feedback for cyber risk resilience and continuous improvement of information security to the Information Security Committee (established during 2019) as the apex management level body of information security management.

STRATEGIC AND REPUTATIONAL RISK

Strategic risks are the potential losses arising from the possibility of the Bank's future business plans and strategies being inadequate. Strategic risks arise from external and/or internal factors and inability to respond to emerging risks and opportunities in the operating landscape.

Reputational risks are those that impact the Bank's current or prospective earnings capacity and organizational value arising from the loss of confidence, breakdown in relationships and negative perceptions of transactional stakeholders.

Strategic and reputational risks are measured using a scorecard based approach which takes into consideration a range of factors including the Bank's size, complexity and sophistication of operations, trends in the operating landscape as well as customer profiling. Effective management of the Bank's strategic and reputational risks is periodically reviewed.

CAPITAL MANAGEMENT

The level of capital that the Bank is required to maintain is aligned to the Risk Appetite and risk profile to commensurate with the Bank's strategic plan. An overview of the capital planning and assessment process is explained below.

Establishment of risk exposures and capital requirement

The capital planning process is integrated with the strategic planning process where the Bank determines the risk appetite and the risk profile based on key customer segments, products it desire to serve and it's business model.

Credit risk, Market risk, Liquidity risk and Operational risk exposure limits are established which are primarily linked to the capital based on the risk appetite envisaged at this planning level.

The Bank calculates the risk exposures and risk weighted assets for capital adequacy purposes based on following Basel III guidelines issued by the Central Bank of Sri Lanka.

Pillar 1 risk exposures

- Credit risk - Standardised Approach
- Market risk - Standardised Approach
- Operational risk - Basic Indicator Approach

Pillar 2 risk exposures

Risks such as Residual credit risk, Credit Concentration risk, Interest Rate risk of the banking book and Strategic risk are assessed based on the Internal Capital Adequacy Assessment Process (ICAAP). This process also includes assessment of adequate capital buffers to ensure maintenance of minimum capital ratios as per regulations under unexpected, stressed economic conditions.

Component of Capital	01.01.2018	01.01.2019
Bank Assets Less than LKR 500 billion		
Common Equity Tier 1 including Capital Conservation Buffer	6.38%	7.00%
Total Tier 1 including Capital Conservation Buffer	7.88%	8.50%
Total Capital Ratio including Capital Conservation Buffer	11.88%	12.50%
Bank with Assets LKR 500 billion and above		
Common Equity Tier 1 including Capital Conservation Buffer and Capital Surcharge on Domestic Systemically Important Bank	7.37%	8.50%
Total Tier 1 including Capital Conservation Buffer and Capital Surcharge on Domestic Systemically Important Bank	8.88%	10.00%
Total Capital Ratio including Capital Conservation Buffer and Capital Surcharge on Domestic Systemically Important Bank	12.87%	14.00%

Appropriate capital buffers are also estimated to maintain the financial covenants set by the medium term funding agencies and to secure better entity credit rating.

The Bank also assesses the capital expenditure and investment requirement to support the growth and business strategy at strategic plan level and during annual budgeting cycle.

Sources of capital

The primary source of capital is through the internally generated capital. The business plans and financial plans are prepared ensuring adequate profit generation by setting appropriate targets for return on assets and capital.

The capital augmentation plan identifies the level of tier 1 and tier 2 capital requirement. In addition, liquidity risk is also considered during the planning stage through liquidity stock and cash flow approaches for the next three to four years. The amount of dividend distributions and mode of payment through cash and scrip dividend are decided based on this future capital requirements of the Bank.

Capital allocation: Capital is allocated to business lines based on Risk Adjusted Return on Capital (RAROC) targets in order to optimise risk adjusted returns. Excess capital in subsidiary companies is also re-allocated based on this model. Capital allocation drives down further to key products and customer portfolios depending on the availability of data and management objectives.

This process ensures the efficient allocation of capital in times of divergences and unexpected events when additional capital is required.

The CRO is entrusted with identifying and assessing the risk exposures of the bank while CFO ensures the development of the capital augmentation plan to maintain the appropriate level of capital for business growth and to meet minimum regulatory standards.

The capital augmentation plan constructed at the strategic planning cycle, generally covers a three to four-year period which is updated during the annual budgeting cycle and approved by the Board of Directors.

RISK MANAGEMENT REVIEW

Key highlights for the year:

1. Total Group capital ratio under Basel III Pillar I risks is 17.96% as at 31.12.2019 (15.59% 31.12.2018). The total capital ratio including Pillar II risks is currently being assessed.
2. The Bank raised LKR 4.5 billion Basel III complaint tier 2 capital in December 2019.

RISK REGULATION

BASEL III Framework

Following the introduction of BASEL III, banks are required to enhance their capital requirements with the objective of improving the quality, quantity, consistency and transparency of the capital base. Meanwhile the Liquidity Coverage Ratio (LCR) is one of the Basel Committee's key recommendations to strengthen global liquidity regulations to nurture a more resilient banking sector.

In light of changes that took place in global economic conditions and risk landscape, CBSL has shifted the risk management in the banking industry to the next level. BASEL III continued to follow a three-pillar approach with considerable changes in minimum capital and capital buffer requirements, further improvements in supervisory review process and additional disclosure requirements under market discipline.

Market Disclosures based on BASEL III is annexed below.

Area	No	Disclosure requirement		Page No
Regulatory requirements on capital and liquidity	1	Key Regulatory Ratios - Capital and Liquidity	Table 1	22
	2	Basel III Computation of Capital Ratios	Table 2	23
	3	Basel III Computation of Leverage Ratio	Table 3	24
	4	Basel III Computation of Liquidity Coverage Ratio (All currency)	Table 4	25
	5	Main Features of Regulatory Capital Instruments	Table 5	26
Risk Weighted Assets	6	Summary discussion on adequacy/meeting current and future capital requirements	Capital Management Section of this review	13-14
	7	Credit Risk under Standardised Approach: Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects	Table 6	28
	8	Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights	Table 7	30
	9	Market Risk under Standardised Measurement Method	Table 8	32
	10	Operational Risk under Basic Indicator Approach/The Standardised Approach/The Alternative Standardised Approach	Table 9	32
Linkages between Financial statements and regulatory exposures	11	Differences Between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories – Bank Only	Table 10	34
	12	Explanations of differences between accounting and regulatory exposure amounts	Table 10	34
Risk Management	13	Bank Risk Management Approach	Risk Management review is outlined in Sections (a) to (h) in this Review	2-14
	14	Risk Management related to key risk exposures		

Risk Management Annexure

RISK MANAGEMENT ANNEXURE

Credit Risk

Table 01

Gross Loans & Advances - Individual Impairment (as per financial reporting)

2019	Exposure		Impairment			Age Analysis		
	On Balance sheet	Off Balance Sheet	Impairment Provision	Net Present Value of Future Cash Flows*	Write Offs During the period	0 - 30 Days	31 -90 Days	Above 90 Days
Corporate Loans	6,156,869	-	597,966	5,670,032	-	3,757,236	1,302,513	1,097,120
Retail, SME & Consumer	9,562,229	-	2,118,602	8,494,968	-	4,396,776	861,480	4,303,973
Housing Loans	19,545	-	258	19,287	-	19,545	-	-
Leasing	632,186	-	171,191	467,659	-	367,653	45,608	218,925
	16,370,829	-	2,888,017	14,651,946	-	8,541,210	2,209,601	5,620,018

*Sum of net present value of cash flows expected through normal business activities and collateral liquidation.

Table 02

Gross Loans & Advances - Collective Impairment (as per financial reporting)

2019	Exposure		Impairment		Age Analysis		
	On Balance sheet	Off Balance Sheet	Impairment Provision	Write Offs During the period	0 - 30 Days	31 -90 Days	Above 90 Days
Corporate Loans	68,375,402	-	136,787	-	66,928,335	1,333,830	113,237
Retail, SME & Consumer	98,829,570	-	3,777,514	1,704,060	87,396,251	4,780,046	6,653,273
Housing Loans	4,412,150	-	159,505	-	3,967,242	111,973	332,935
Leasing	43,510,547	-	621,596	252,412	32,828,634	8,693,327	1,988,586
	215,127,669	-	4,695,402	1,956,472	191,120,462	14,919,176	9,088,031

*Staff loans are not assessed for impairment.

Table 03

Performing & Non Performing Loans(as per regulatory reporting)

2019	Performing Loans		Non Performing Loans								
	Exposure		Exposure		Provision			Age Analysis			
	On Balance sheet	Off Balance Sheet	On Balance sheet	Off Balance Sheet	Specific Provision	Collateral Information	Write Offs During the period	Special Mention	Substandard	Doubtful	Loss
Corporate Loans	73,158,714	-	1,373,557	-	774,821	-	-	646,999	97,297	103,246	526,015
Retail, SME & Consumer	97,306,910	-	11,084,889	-	5,682,472	3,650,988	1,704,060	2,206,154	2,811,597	2,727,674	3,339,464
Housing Loans	4,098,760	-	332,935	-	71,558	419,253	-	129,834	67,309	17,742	118,050
Leasing	41,632,807	-	2,509,926	-	774,409	-	252,412	1,368,150	644,972	379,280	117,524
	216,197,191	-	15,301,307	-	7,303,260	4,070,241	1,956,472	4,351,137	3,621,175	3,227,942	4,101,053

Note: Rs 7,584Mn worth of NPL contracts were not impaired individually as they were below individually significant threshold.

Market Risk

Table: 1

Composition of Trading and Non-Trading Book

Assets	2019 Trading book (LKR million)	2019 Non-trading book (LKR million)	2019 Total (LKR million)
Cash and Cash Equivalents	-	8,756	8,756
Balances with Central Bank of Sri Lanka	-	8,377	8,377
Reverse Repurchase Agreements	-	13,827	13,827
Derivative Financial Instruments	193	-	193
Financial Assets	634	38,315	38,949
Other Financial Assets	-	-	-
Financial Assets at Amortised Cost - Debt Instruments		19,063	19,063
Financial Assets at Amortised Cost – Loans and Advances	-	226,792	226,792
Other Assets	-	2,134	2,134
Investments in Subsidiaries	-	679	679
Fixed Assets (PPE, ROU & Intangibles)	-	6,270	6,270
Total	827	324,213	325,040
Liabilities			
Due to Banks	-	6,484	6,484
Derivative Financial Instruments	312	-	312
Due to Depositors		226,880	226,880
Repurchase Agreements	-	11,033	11,033
Due to other Borrowers		27,381	27,381
Debt Securities Issued	-	13,263	13,263
Retirement benefit obligations		652	652
Tax Liabilities (Current &Deffered)	-	2,334	2,334
Other Liabilities	-	6,358	6,358
Equity & Other Reserves	-	30,343	30,343
Total	312	324,728	325,040
Contingent Liabilities & Commitments	39,041	160,314	199,355
Commitment & Guarantees	-	160,314	160,314
Forward on Government Securities	309	-	309
Derivative Assets- Held for Trading (Net)	38,732	-	38,732

RISK MANAGEMENT ANNEXURE

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)	93.459	52.388	46.664	38.475	11.621	6.476	4.810	
	Liabilities (On & Off Balance sheet)	59.874	36.477	33.420	27.816	37.487	9.979	49.669	(0.829)
	Periodic Gap	33.585	15.911	13.244	10.659	(25.866)	(3.503)	(44.859)	
GBP	Assets (On & Off Balance sheet)	7.064	3.659	0.014	0.033	0.091	0.004	0.014	
	Liabilities (On & Off Balance sheet)	0.924	2.536	0.579	1.021	0.822	0.311	4.653	0.033
	Periodic Gap	6.140	1.123	(0.565)	(0.988)	(0.731)	(0.307)	(4.639)	
EUR	Assets (On & Off Balance sheet)	6.412	4.789	0.018	0.057	0.085	0.008	0.080	
	Liabilities (On & Off Balance sheet)	1.250	0.766	0.594	0.852	2.517	0.955	4.501	0.014
	Periodic Gap	5.162	4.023	(0.576)	(0.795)	(2.432)	(0.947)	(4.421)	
AUD	Assets (On & Off Balance sheet)	7.919	8.053	0.004	0.009	0.038	0.026	-	
	Liabilities (On & Off Balance sheet)	2.013	1.427	1.433	2.053	0.528	0.201	8.713	(0.319)
	Periodic Gap	5.906	6.626	(1.429)	(2.044)	(0.490)	(0.175)	(8.713)	
JPY	Assets (On & Off Balance sheet)	42.174	0.209	0.330	6.433	1.569	-	17.297	
	Liabilities (On & Off Balance sheet)	59.047	0.594	0.733	0.271	2.249	0.845	4.262	0.011
	Periodic Gap	(16.873)	(0.385)	(0.403)	6.162	(0.680)	(0.845)	13.035	

Liquidity Risk

Table: 3

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)	90,588	20,147	18,642	21,932	64,440	29,792	50,389
	Liabilities (On & Off Balance sheet)	52,693	31,775	27,076	26,556	19,446	20,262	263,106
	Periodic Gap	37,895	(11,628)	(8,434)	(4,624)	44,994	9,530	(212,717)
	Cumulative GAP	37,895	26,267	17,833	13,209	58,203	67,733	(144,984)
USD	Assets (On & Off Balance sheet)	54	61	61	47	60	32	12
	Liabilities (On & Off Balance sheet)	74	57	34	37	65	19	106
	Periodic Gap	(20)	4	27	10	(5)	13	(94)
	Cumulative GAP	(20)	(16)	11	21	16	29	(65)
GBP	Assets (On & Off Balance sheet)	7	4	-	-	-	-	-
	Liabilities (On & Off Balance sheet)	1	3	1	1	1	-	11
	Periodic Gap	6	1	(1)	(1)	(1)	-	(11)
	Cumulative GAP	6	7	6	5	4	4	(7)
EUR	Assets (On & Off Balance sheet)	6	5	-	-	-	-	-
	Liabilities (On & Off Balance sheet)	1	1	1	1	3	1	8
	Periodic Gap	5	4	(1)	(1)	(3)	(1)	(8)
	Cumulative GAP	5	9	8	7	4	3	(5)
AUD	Assets (On & Off Balance sheet)	8	8	-	-	-	-	-
	Liabilities (On & Off Balance sheet)	2	1	1	2	1	-	8
	Periodic Gap	6	7	(1)	(2)	(1)	-	(8)
	Cumulative GAP	6	13	12	10	9	9	1
JPY	Assets (On & Off Balance sheet)	42	-	-	6	2	-	17
	Liabilities (On & Off Balance sheet)	70	12	1	-	2	1	209
	Periodic Gap	(28)	(12)	(1)	6	-	(1)	(192)
	Cumulative GAP	(28)	(40)	(41)	(35)	(35)	(36)	(228)

RISK MANAGEMENT ANNEXURE

Table: 4

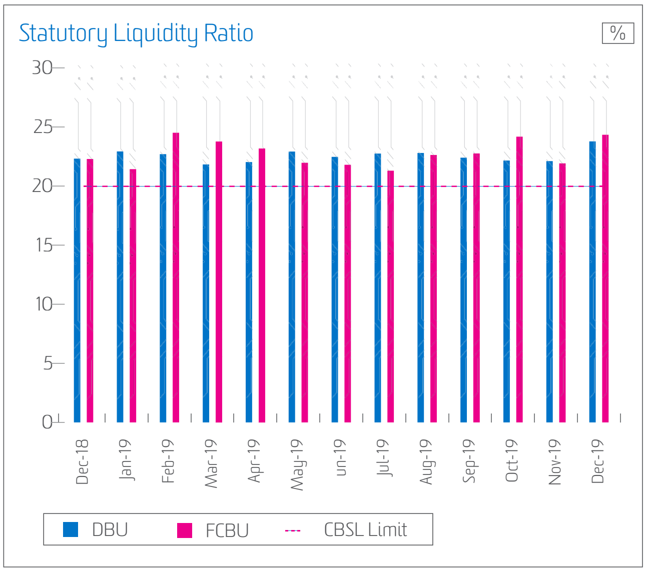
Interest Rate Sensitive gap Analysis (in millions of respective currency)

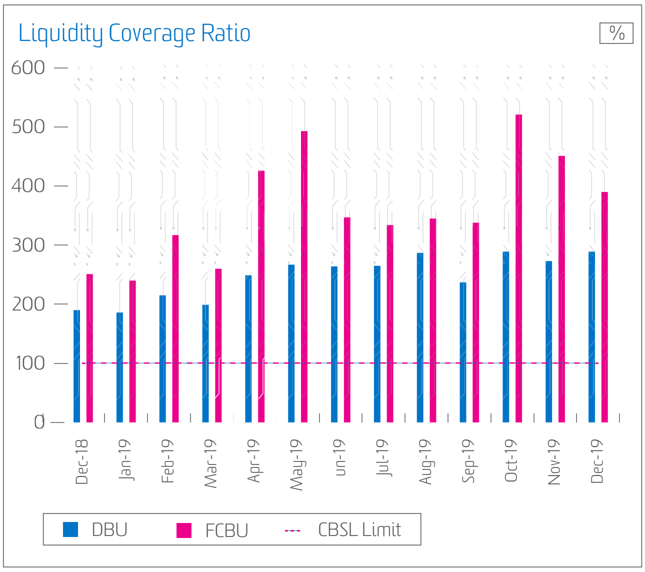
CCY		Up to One month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Over 5 Years	Total
LKR	Assets	113,288	22,158	19,852	26,108	45,456	26,294	9,937	263,093
	Liabilities	71,235	46,374	48,020	46,524	8,210	10,842	3,853	235,058
	Periodic Gap	42,053	(24,216)	(28,168)	(20,416)	37,246	15,452	6,084	28,035
USD	Assets	69	137	71	36	3	1	-	317
	Liabilities	96	104	78	30	-	-	-	308
	Periodic Gap	(27)	33	(7)	6	3	1	-	9
GBP	Assets	7	4	-	-	-	-	-	11
	Liabilities	4	4	1	2	-	-	-	11
	Periodic Gap	3	-	(1)	(2)	-	-	-	-
EUR	Assets	6	5	-	-	-	-	-	11
	Liabilities	9	1	1	1	-	-	-	12
	Periodic Gap	(3)	4	(1)	(1)	-	-	-	(1)
AUD	Assets	8	8	-	-	-	-	-	16
	Liabilities	4	3	4	5	-	-	-	16
	Periodic Gap	4	5	(4)	(5)	-	-	-	-
JPY	Assets	28	-	-	2	-	-	-	30
	Liabilities	66	1	1	-	-	-	-	68
	Periodic Gap	(38)	(1)	(1)	2	-	-	-	(38)

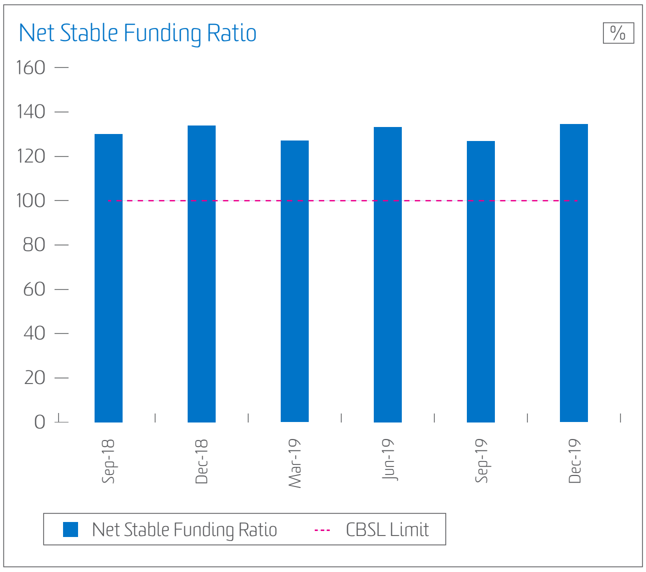
Table: 5

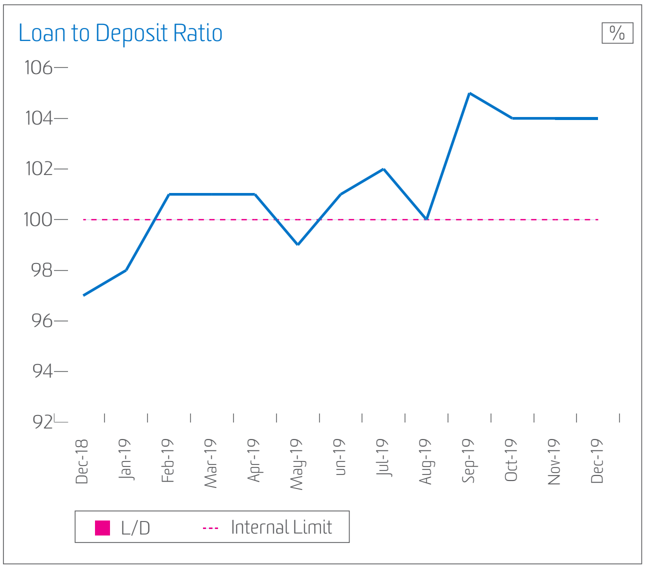
Interest Rate Risk in Banking Book- Economic Value at Risk- in Millions (LKR equivalent)

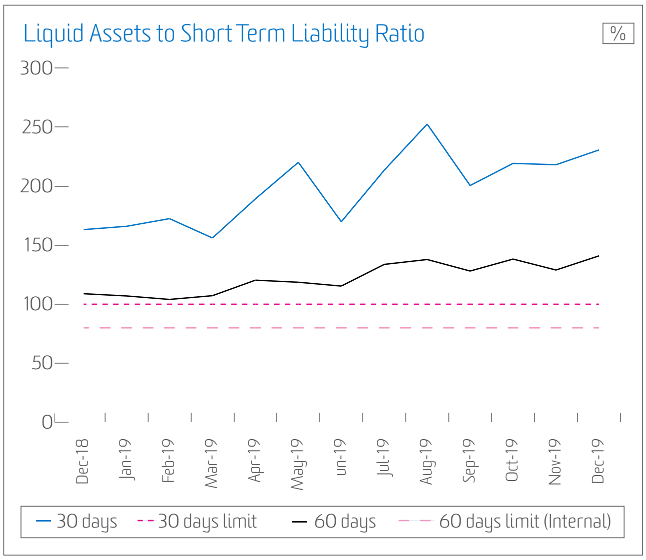
		Up to One month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Over 5 Years	Total
LKR	Up by 200bp	(6.80)	69.18	177.40	318.40	(963.83)	(229.59)	(288.94)	(924.18)
	Down by 200bp	6.93	(70.75)	(182.04)	(329.05)	1,027.36	251.46	350.40	1,054.32
USD	Up by 200bp	(1.23)	(17.51)	74.10	60.95	(9.94)	(7.36)	(1.54)	97.48
	Down by 200bp	1.25	17.98	(76.32)	(63.13)	10.64	8.16	1.79	(99.63)
GBP	Up by 200bp	0.19	1.80	2.36	8.50	(0.54)	(0.06)	-	12.25
	Down by 200bp	(0.2)	(1.84)	(2.43)	(8.81)	0.58	0.06	-	(12.63)
EUR	Up by 200bp	0.19	0.61	0.90	2.60	(0.30)	(0.06)	-	3.94
	Down by 200bp	(0.19)	(0.63)	(0.93)	(2.69)	(0.32)	(0.06)	-	(4.05)
AUD	Up by 200bp	0.20	1.40	3.62	9.46	(0.20)	(0.22)	-	14.25
	Down by 200bp	(0.21)	(1.43)	(3.72)	(9.79)	0.21	0.25	-	(14.69)

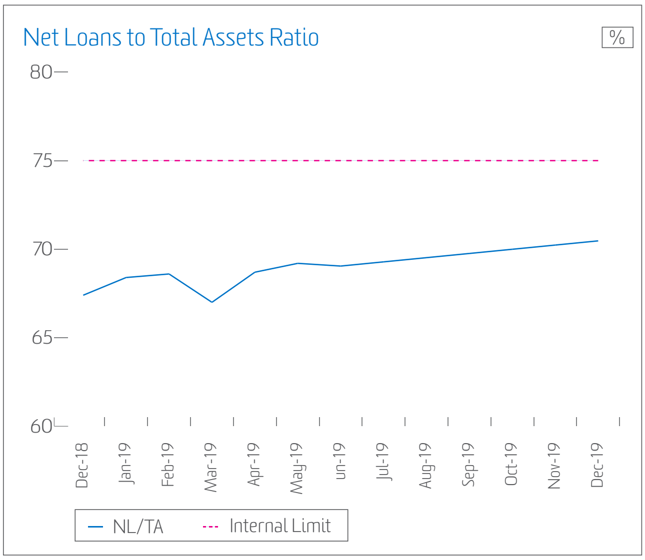

Statutory Liquidity Ratio
%
30
25
20
15
10
5
0
Dec-18
Jan-19
Feb-19
Mar-19
Apr-19
May-19
un-19
Jul-19
Aug-19
Sep-19
Oct-19
Nov-19
Dec-19
DBU
FCBU
CBSL Limit


Liquidity Coverage Ratio
%
600
500
400
300
200
100
0
Dec-18
Jan-19
Feb-19
Mar-19
Apr-19
May-19
un-19
Jul-19
Aug-19
Sep-19
Oct-19
Nov-19
Dec-19
DBU
FCBU
CBSL Limit


Net Stable Funding Ratio
%
160
140
120
100
80
60
40
20
0
Sep-18
Dec-18
Mar-19
Jun-19
Sep-19
Dec-19
Net Stable Funding Ratio
CBSL Limit


Loan to Deposit Ratio
%
106
104
102
100
98
96
94
92
Dec-18
Jan-19
Feb-19
Mar-19
Apr-19
May-19
un-19
Jul-19
Aug-19
Sep-19
Oct-19
Nov-19
Dec-19
L/D
Internal Limit


Liquid Assets to Short Term Liability Ratio
%
300
250
200
150
100
50
0
Dec-18
Jan-19
Feb-19
Mar-19
Apr-19
May-19
un-19
Jul-19
Aug-19
Sep-19
Oct-19
Nov-19
Dec-19
30 days
30 days limit
60 days
60 days limit (Internal)


Net Loans to Total Assets Ratio
%
80
75
70
65
60
Dec-18
Jan-19
Feb-19
Mar-19
Apr-19
May-19
un-19
Jul-19
Aug-19
Sep-19
Oct-19
Nov-19
Dec-19
NL/TA
Internal Limit

RISK MANAGEMENT ANNEXURE

BASEL III - Market Discipline - Minimum Disclosure Requirement Under Pillar 3 as per the Banking Act Direction No. 01 of 2016

Table 1

Key Regulatory Ratios - Capital and Liquidity

Item	Bank		Group	
	31-Dec-2019	31-Dec-2018	31-Dec-2019	31-Dec-2018
Regulatory Capital (LKR '000)				
Common Equity Tier 1	28,561,701	24,935,511	29,178,446	25,292,362
Tier 1 Capital	28,561,701	24,935,511	29,178,446	25,292,362
Total Capital	38,785,371	32,106,836	39,402,116	32,463,687
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7.00%)	12.99%	11.96%	13.30%	12.15%
Tier 1 Capital Ratio (Minimum Requirement - 8.50%)	12.99%	11.96%	13.30%	12.15%
Total Capital Ratio (Minimum Requirement - 12.50%)	17.64%	15.40%	17.96%	15.59%
Leverage Ratio (Minimum Requirement -3%)	8.47%	7.44%	8.64%	7.55%
Regulatory Liquidity				
Statutory Liquid Assets				
Domestic Banking Unit (LKR'000)	63,911,288	60,396,397		
Off-Shore Banking Unit (LKR'000)	5,666,387	4,568,492		
Statutory Liquid Assets Ratio % (Minimum Requirement - 20%)				
Domestic Banking Unit (%)	23.78%	22.32%		
Off-Shore Banking Unit (%)	24.34%	22.29%		
Total Stock of High-Quality Liquid Assets (LKR'000)	47,734,687	56,908,941		
Liquidity Coverage Ratio (%)				
Rupee (Minimum Requirement - 100%)	400.77%	250.57%		
All Currency (Minimum Requirement - 100%)	295.15%	189.66%		

Table 2

Basel III Computation of Capital Ratios

ITEM	Bank LKR '000		Group LKR '000	
	31-Dec-2019	31-Dec-2018	31-Dec-2019	31-Dec-2018
Common Equity Tier 1 (CET1) Capital after Adjustments	28,561,701	24,935,511	29,178,446	25,292,362
Common Equity Tier 1 (CET1) Capital	29,937,283	26,553,409	30,554,608	26,911,955
Equity Capital (Stated Capital)/Assigned Capital	9,408,135	8,865,523	9,408,135	8,865,523
Reserve Fund	1,371,853	1,199,130	1,371,854	1,199,130
Published Retained Earnings/(Accumulated Retained Losses)	18,976,109	16,586,839	19,593,434	16,945,384
Published Accumulated Other Comprehensive Income (OCI)	181,185	(98,083)	181,185	(98,083)
General and other Disclosed Reserves	-	-	-	-
Unpublished Current Year's Profit/Loss and Gains reflected in OCI	-	-	-	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
Total Adjustments to CET1 Capital	1,375,582	1,617,899	1,376,162	1,619,593
Goodwill (net)	-	-	-	-
Intangible Assets (net)	1,375,582	1,301,248	1,376,162	1,302,942
Shortfall of the Cumulative Impairment to Specific Provisions	-	316,650	-	316,650
Additional Tier 1 (AT1) Capital after Adjustments	-	-	-	-
Additional Tier 1 (AT1) Capital	-	-	-	-
Qualifying Additional Tier 1 Capital Instruments	-	-	-	-
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
Total Adjustments to AT1 Capital	-	-	-	-
Investment in Own Shares	-	-	-	-
Others (specify)	-	-	-	-
Tier 2 Capital after Adjustments	10,223,670	7,171,325	10,223,670	7,171,325
Tier 2 Capital	10,223,670	7,171,325	10,223,670	7,171,325
Qualifying Tier 2 Capital Instruments	8,666,667	5,866,667	8,666,667	5,866,667
Revaluation Gains	337,316	337,316	337,316	337,316
Loan Loss Provisions	1,219,688	967,343	1,219,688	967,343
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
Total Adjustments to Tier 2	-	-	-	-
Investment in Own Shares	-	-	-	-
Others (specify)	-	-	-	-
CET1 Capital	28,561,701	24,935,511	29,178,446	25,292,362
Total Tier 1 Capital	28,561,701	24,935,511	29,178,446	25,292,362
Total Capital	38,785,371	32,106,836	39,402,116	32,463,687

Note :

As per the Directive No. 4 of 2018 issued by Central Bank of Sri Lanka on "Adoption of Sri Lanka Accounting Standard - SLFRS 9: Financial Instruments", for the purpose of calculating Capital Adequacy Ratio, Banks shall stagger additional credit loss provision arising from SLFRS 9 at the transition date, 01 January 2018. The Bank has charged only 50% of the first day impact (Rs. 511 Mn) against the retained earnings of the Bank for the purpose of calculating Capital Adequacy Ratio as at 31 December 2019. If 100% of the first day impact is considered, the Bank total Tier 1 Capital ratio and Bank Total Capital ratio would be decreased by 0.23%.

RISK MANAGEMENT ANNEXURE

Table 2 (Contd.)

Basel III Computation of Capital Ratios

Item	Bank LKR '000 31-Dec-2019	Bank LKR '000 31-Dec-2018	Group LKR '000 31-Dec-2019	Group LKR '000 31-Dec-2018
Total Risk Weighted Assets (RWA)	219,814,897	208,535,184	219,397,465	208,201,892
RWAs for Credit Risk	188,095,481	180,709,189	187,795,048	180,523,460
RWAs for Market Risk	7,292,301	5,989,190	7,292,301	5,989,190
RWAs for Operational Risk	24,427,115	21,836,805	24,310,115	21,689,242
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	12.99%	11.96%	13.30%	12.15%
of which: Capital Conservation Buffer (%)	2.500%	1.875%	2.500%	1.875%
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-	-	-
Total Tier 1 Capital Ratio (%)	12.99%	11.96%	13.30%	12.15%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	17.64%	15.40%	17.96%	15.59%
of which: Capital Conservation Buffer (%)	2.500%	1.875%	2.500%	1.875%
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-	-	-

Table 3

Basel III Computation of Leverage Ratio

Item	Bank Amount (LKR '000)		Group Amount (LKR '000)	
	31-Dec-2019	31-Dec-18	31-Dec-2019	31-Dec-18
Tier 1 Capital	28,561,701	24,935,511	29,178,446	25,292,362
Total Exposures	337,243,362	335,320,528	337,572,151	335,173,551
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	309,651,464	323,076,300	309,977,763	322,924,418
Derivative Exposures	819,853	762,771	819,853	762,771
Securities Financing Transaction Exposures	13,820,317	180,500	13,822,806	185,405
Other Off-Balance Sheet Exposures	12,951,728	11,300,956	12,951,728	11,300,956
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	8.47%	7.44%	8.64%	7.55%

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 31-Dec-2019		LKR '000 31-Dec-2018	
Total Stock of High-Quality Liquid Assets (HQLA)	47,734,687	47,734,687	56,920,136	56,908,941
Total Adjusted Level 1A Assets	46,963,554	46,963,554	57,429,989	57,429,989
Level 1 Assets	47,734,687	47,734,687	56,897,746	56,897,746
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	22,390	11,195
Level 2B Assets	-	-	22,390	11,195
Total Cash Outflows	403,299,052	47,419,929	399,813,425	60,292,082
Deposits	210,838,658	21,083,866	194,296,248	19,429,625
Unsecured Wholesale Funding	23,495,793	10,918,949	46,734,129	22,429,177
Secured Funding Transactions	379,822	-	1,102,676	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	164,140,425	10,972,760	148,621,941	9,374,848
Additional Requirements	4,444,354	4,444,354	9,058,432	9,058,432
Total Cash Inflows	63,268,225	31,246,760	52,302,283	30,286,978
Maturing Secured Lending Transactions Backed by Collateral	13,832,999	-	172,043	-
Committed Facilities	-	-	1,000,000	-
Other Inflows by Counterparty which are Maturing within 30 Days	47,123,353	30,064,691	50,607,354	29,828,105
Operational Deposits	-	-	-	-
Other Cash Inflows	2,311,873	1,182,070	522,887	458,873
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/ Total Net Cash Outflows over the Next 30 Calendar Days) * 100		295%		190%

RISK MANAGEMENT ANNEXURE

Table 5

Main Features of Regulatory Capital Instruments

Description of the Capital Instrument	Ordinary Shares (Voting)	Ordinary Shares (Non Voting)	Subordinated Debt (Debentures)	Subordinated Debt (Debentures)
Issuer	Nations Trust Bank PLC	Nations Trust Bank PLC	Nations Trust Bank PLC	Nations Trust Bank PLC
Unique Identifier (e.g., ISIN or Bloomberg Identifier for Private Placement)	LK0309N00001	LK0309N00001	NTB-BD-08/11/21-C2365-12.65	NTB-BD-08/11/21-C2364-12.8
Governing Law(s) of the Instrument	Companies Act, No.7 of 2007	Companies Act, No.7 of 2007	Companies Act, No.7 of 2007 Monetary Law Act No. 58 of 1949	Companies Act, No.7 of 2007 Monetary Law Act No. 58 of 1949
Original Date of Issuance	3-May-99	20-Feb-18	8-Nov-16	8-Nov-16
Par Value of Instrument	22.12	80	100	100
Perpetual or Dated	Perpetual	Perpetual	Dated	Dated
Original Maturity Date, if Applicable	N/A	N/A	8-Nov-21	8-Nov-21
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	6,289,306	3,118,828	1,424,793	407,656
Accounting Classification (Equity/Liability)	Equity	Equity	Liability	Liability
Issuer Call subject to Prior Supervisory Approval				
Optional Call Date, Contingent Call Dates and Redemption Amount (LKR '000)	N/A	N/A	N/A	N/A
Subsequent Call Dates, if Applicable	N/A	N/A	N/A	N/A
Coupons/Dividends				
Fixed or Floating Dividend/Coupon	Discretionary dividend amount	Discretionary dividend amount	Fixed	Fixed
Coupon Rate and any Related Index	Distributable profit that has been declared as dividend	Distributable profit that has been declared as dividend	12.65%	12.80%
Non-Cumulative or Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative
Convertible or Non-Convertible	Non-Convertible	Convertible	Non-Convertible	Non-Convertible
If Convertible, Conversion Trigger (s)	Non-Convertible	Starting from last market date of quarter ending 30th June and forward	Non-Convertible	Non-Convertible
If Convertible, Fully or Partially	Non-Convertible	Fully or Partially	Non-Convertible	Non-Convertible
If Convertible, Mandatory or Optional	Non-Convertible	Optional	Non-Convertible	Non-Convertible
If Convertible, Conversion Rate	Non-Convertible	1:1	Non-Convertible	Non-Convertible

Subordinated Debt (Debentures)	Subordinated Debt (Debentures)	Subordinated Debt (Debentures)	Subordinated Debt (Debentures)	Subordinated Debt (Debentures)
Nations Trust Bank PLC	Nations Trust Bank PLC	Nations Trust Bank PLC	Nations Trust Bank PLC	Nations Trust Bank PLC
NTB-BD-08/11/21-C2363	NTB-BD-20/04/23-C2402-12.65	NTB-BD-20/04/23-C2401-13	NTB-BD-23/12/24 - C2441 - 12.8	NTB-BD-23/12/26 - C2442 - 12.9
Companies Act, No.7 of 2007 Monetary Law Act No. 58 of 1949	Companies Act, No.7 of 2007 Monetary Law Act No. 58 of 1949	Companies Act, No.7 of 2007 Monetary Law Act No. 58 of 1949	Companies Act, No.7 of 2007 Monetary Law Act No. 58 of 1949	Companies Act, No.7 of 2007 Monetary Law Act No. 58 of 1949
8-Nov-16	20-Apr-18	20-Apr-18	23-Dec-19	23-Dec-19
100	100	100	100	100
Dated	Dated	Dated	Dated	Dated
8-Nov-21	20-Apr-23	20-Apr-23	23-Dec-24	23-Dec-26
884	1,475,333	858,000	2,700,000	1,800,000
Liability	Liability	Liability	Liability	Liability
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
Floating	Fixed	Fixed	Fixed	Fixed
9.17%	12.65%	13.00%	12.80%	12.90%
Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative
Non-Convertible	Convertible	Convertible	Convertible	Convertible
Non-Convertible	As per Banking Act Direction No. 1 of 2016	As per Banking Act Direction No. 1 of 2016	As per Banking Act Direction No. 1 of 2016	As per Banking Act Direction No. 1 of 2016
Non-Convertible	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
Non-Convertible	Mandatory	Mandatory	Mandatory	Mandatory
Non-Convertible	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.	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.	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.	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.

RISK MANAGEMENT ANNEXURE

Table 6

Credit Risk under Standardised Approach – Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

Asset Class	Bank LKR'000 as at -31-Dec-2019					
	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	26,489,626	-	26,489,626	-	843,054	3%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	0%
Claims on Public Sector Entities	-	-	-	-	-	0%
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	0%
Claims on Banks Exposures	4,411,592	36,974,802	4,411,592	769,380	2,105,068	41%
Claims on Financial Institutions	9,236,145	3,270,978	9,236,145	1,213,161	6,576,362	63%
Claims on Corporates	65,293,748	88,212,393	65,293,748	9,038,623	72,107,571	97%
Retail Claims	106,088,045	74,730,209	106,088,045	2,703,118	82,898,691	76%
Claims Secured by Residential Property	8,580,908	-	8,580,908	-	6,247,199	73%
Claims Secured by Commercial Real Estate	668,810	40,359	668,810	17,500	686,310	100%
Non-Performing Assets (NPAs)(i)	8,684,090	-	8,684,090	-	10,645,923	123%
Higher-risk Categories	25,803	-	25,803	-	64,507	250%
Cash Items and Other Assets	13,252,470	-	13,252,470	-	5,920,797	45%
Total	242,731,236	203,228,741	242,731,236	13,741,782	188,095,481	73%

Asset Class	Group LKR'000 as at -31-Dec-2019					
	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	26,489,626	-	26,489,626	-	843,054	3%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	0%
Claims on Public Sector Entities	-	-	-	-	-	0%
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	0%
Claims on Banks Exposures	4,411,651	36,974,802	4,411,651	769,380	2,105,080	41%
Claims on Financial Institutions	9,236,145	3,270,978	9,236,145	1,213,161	6,576,362	63%
Claims on Corporates	65,296,237	88,216,518	65,296,237	9,038,623	72,110,061	97%
Retail Claims	106,088,045	74,730,209	106,088,045	2,703,118	82,898,691	76%
Claims Secured by Residential Property	8,580,908	-	8,580,908	-	6,247,199	73%
Claims Secured by Commercial Real Estate	668,810	40,359	668,810	17,500	686,310	100%
Non-Performing Assets (NPAs)(i)	8,684,090	-	8,684,090	-	10,645,923	123%
Higher-risk Categories	-	-	-	-	-	0%
Cash Items and Other Assets	13,014,065	-	13,014,065	-	5,682,368	44%
Total	242,469,577	203,232,866	242,469,577	13,741,782	187,795,048	73%

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-Dec-2018					
	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)
	25,296,968	-	25,296,968	-	782,888	3%
	-	-	-	-	-	0%
	-	-	-	-	-	0%
	-	-	-	-	-	0%
	1,928,632	37,790,696	1,928,632	776,434	1,003,952	37%
	13,229,173	3,845,670	13,229,173	1,172,885	7,529,533	52%
	56,394,370	77,969,149	56,394,370	7,516,188	61,178,409	96%
	111,221,643	70,572,055	111,221,643	2,635,431	87,169,949	77%
	8,793,378	-	8,793,378	-	6,279,153	71%
	894,721	56,198	894,721	25,898	920,619	100%
	5,640,268	-	5,640,268	-	7,526,209	133%
	25,803	-	25,803	-	64,507	250%
	15,807,771	-	15,807,771	-	8,253,970	52%
	239,232,727	190,233,768	239,232,727	12,126,835	180,709,189	72%

	Group					
	LKR'000 as at -31-Dec-2018					
	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)
	25,296,968	-	25,296,968	-	782,888	3%
	-	-	-	-	-	0%
	-	-	-	-	-	0%
	-	-	-	-	-	0%
	1,928,663	37,790,696	1,928,663	776,434	1,003,958	37%
	13,229,173	3,845,670	13,229,173	1,172,885	7,529,533	52%
	56,399,275	77,972,305	56,399,275	7,516,188	61,183,314	96%
	111,221,643	70,572,055	111,221,643	2,635,431	87,169,949	77%
	8,793,378	-	8,793,378	-	6,279,153	71%
	894,721	56,198	894,721	25,898	920,619	100%
	5,640,268	-	5,640,268	-	7,526,209	133%
	-	-	-	-	-	0%
	15,681,660	-	15,681,660	-	8,127,836	52%
	239,085,750	190,236,924	239,085,750	12,126,835	180,523,460	72%

RISK MANAGEMENT ANNEXURE

Table 7

Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights

Description	Bank								
	LKR'000 as at 31-Dec-2019 (Post CCF & CRM)								
Risk Weight Asset Classes	0%	20%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka	22,274,355	4,215,271	-	-	-	-	-	-	26,489,626
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-	-	-	-
Claims on Banks Exposures	-	3,399,791	712,144	-	-	1,069,038	-	-	5,180,972
Claims on Financial Institutions	-	306,764	7,255,065	-	-	2,887,476	-	-	10,449,305
Claims on Corporates	-	5,551	4,722,027	-	-	69,323,483	281,310	-	74,332,371
Retail Claims	339,334	68,819	-	2,642,807	97,763,842	7,976,362	-	-	108,791,163
Claims Secured by Residential Property	-	-	4,667,419	-	-	3,913,489	-	-	8,580,908
Claims Secured by Commercial Real Estate	-	-	-	-	-	686,310	-	-	686,310
Non-Performing Assets (NPAs)	-	-	240,849	-	-	4,278,725	4,164,516	-	8,684,090
Higher-risk Categories	-	-	-	-	-	-	-	25,803	25,803
Cash Items and Other Assets	5,865,018	1,833,320	-	-	-	5,554,133	-	-	13,252,470
Total	28,478,707	9,829,514	17,597,505	2,642,807	97,763,842	95,689,016	4,445,826	25,803	256,473,018

Description	Group								
	LKR'000 as at 31-Dec-2019 (Post CCF & CRM)								
Risk Weight Asset Classes	0%	20%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka	22,274,355	4,215,271	-	-	-	-	-	-	26,489,626
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-	-	-	-
Claims on Banks Exposures	-	3,399,849	712,144	-	-	1,069,038	-	-	5,181,031
Claims on Financial Institutions	-	306,764	7,255,065	-	-	2,887,476	-	-	10,449,305
Claims on Corporates	-	5,551	4,722,027	-	-	69,325,973	281,310	-	74,334,860
Retail Claims	339,334	68,819	-	2,642,807	97,763,842	7,976,362	-	-	108,791,163
Claims Secured by Residential Property	-	-	4,667,419	-	-	3,913,489	-	-	8,580,908
Claims Secured by Commercial Real Estate	-	-	-	-	-	686,310	-	-	686,310
Non-Performing Assets (NPAs)	-	-	240,849	-	-	4,278,725	4,164,516	-	8,684,090
Higher-risk Categories	-	-	-	-	-	-	-	-	-
Cash Items and Other Assets	5,865,041	1,833,320	-	-	-	5,315,705	-	-	13,014,065
Total	28,478,730	9,829,573	17,597,505	2,642,807	97,763,842	95,453,077	4,445,826	-	256,211,359

Bank								
LKR'000 as at 31-Dec-2018 (Post CCF & CRM)								
0%	20%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
21,382,529	3,914,439	-	-	-	-	-	-	25,296,968
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	1,276,193	1,360,318	-	-	68,554	-	-	2,705,065
-	3,697,242	7,829,462	-	-	2,875,354	-	-	14,402,059
-	-	5,464,297	-	-	58,446,261	-	-	63,910,558
98,384	228,591	-	2,789,194	101,160,762	9,580,143	-	-	113,857,074
-	-	5,028,450	-	-	3,764,928	-	-	8,793,378
-	-	-	-	-	920,619	-	-	920,619
-	-	49,507	-	-	1,769,373	3,821,388	-	5,640,268
-	-	-	-	-	-	-	25,803	25,803
5,419,519	2,667,853	-	-	-	7,720,400	-	-	15,807,771
26,900,432	11,784,318	19,732,035	2,789,194	101,160,762	85,145,632	3,821,388	25,803	251,359,562

Group								
LKR'000 as at 31-Dec-2018 (Post CCF & CRM)								
0%	20%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
21,382,529	3,914,439	-	-	-	-	-	-	25,296,968
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	1,276,224	1,360,318	-	-	68,554	-	-	2,705,097
-	3,697,242	7,829,462	-	-	2,875,354	-	-	14,402,059
-	-	5,464,297	-	-	58,451,166	-	-	63,915,463
98,384	228,591	-	2,789,194	101,160,762	9,580,143	-	-	113,857,074
-	-	5,028,450	-	-	3,764,928	-	-	8,793,378
-	-	-	-	-	920,619	-	-	920,619
-	-	49,507	-	-	1,769,373	3,821,388	-	5,640,268
-	-	-	-	-	-	-	-	-
5,419,542	2,667,853	-	-	-	7,594,266	-	-	15,681,660
26,900,455	11,784,350	19,732,035	2,789,194	101,160,762	85,024,403	3,821,388	-	251,212,585

RISK MANAGEMENT ANNEXURE

Table 8

Market Risk under Standardised Measurement Method

Item	Bank RWA (LKR'000)		Group RWA (LKR'000)	
	31-Dec-2019	31-Dec-2018	31-Dec-2019	31-Dec-2018
(a) RWA for Interest Rate Risk	887,576	703,460	887,576	703,460
General Interest Rate Risk	887,576	703,460	887,576	703,460
(i) Net Long or Short Position	887,576	703,460	887,576	703,460
(ii) Horizontal Disallowance	-	-	-	-
(iii) Vertical Disallowance	-	-	-	-
(iv) Options	-	-	-	-
Specific Interest Rate Risk	-	-	-	-
(b) RWA for Equity	-	-	-	-
(i) General Equity Risk	-	-	-	-
(ii) Specific Equity Risk	-	-	-	-
(c) RWA for Foreign Exchange & Gold	23,962	7,756	23,962	7,756
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	7,292,301	5,989,190	7,292,301	5,989,190

Table 9

Operational Risk under Basic Indicator Approach/ The Standardised Approach/ The Alternative Standardised Approach

Business Lines	Bank									
	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-Dec-2019			Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-Dec-2018		
			1st Year	2nd Year	3rd Year			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		17,622,084	21,254,398	22,191,304	15%		13,217,045	17,622,084	21,023,282
The Standardised Approach			-	-	-			-	-	-
Corporate Finance	18%		-	-	-	18%		-	-	-
Trading and Sales	18%		-	-	-	18%		-	-	-
Payment and Settlement	18%		-	-	-	18%		-	-	-
Agency Services	15%		-	-	-	15%		-	-	-
Asset Management	12%		-	-	-	12%		-	-	-
Retail Brokerage	12%		-	-	-	12%		-	-	-
Retail Banking	12%		-	-	-	12%		-	-	-
Commercial Banking	15%		-	-	-	15%		-	-	-
The Alternative Standardised Approach			-	-	-			-	-	-
Corporate Finance	18%		-	-	-	18%		-	-	-
Trading and Sales	18%		-	-	-	18%		-	-	-
Payment and Settlement	18%		-	-	-	18%		-	-	-
Agency Services	15%		-	-	-	15%		-	-	-
Asset Management	12%		-	-	-	12%		-	-	-
Retail Brokerage	12%		-	-	-	12%		-	-	-
Retail Banking	12%	0.035	-	-	-	12%	0.035	-	-	-
Commercial Banking	15%	0.035	-	-	-	15%	0.035	-	-	-
Capital Charges for Operational Risk (LKR'000)										
The Basic Indicator Approach	3,053,389					2,593,121				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				
Risk Weighted Amount for Operational Risk (LKR'000)										
The Basic Indicator Approach	24,427,115					21,836,805				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				

Table 9 (Contd.)

Operational Risk under Basic Indicator Approach/ The Standardised Approach/ The Alternative Standardised Approach

Business Lines	Group									
	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-Dec-2019			Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-Dec-2018		
			1st Year	2nd Year	3rd Year			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		16,913,568	21,309,585	22,552,135	15%		13,519,915	16,913,568	21,078,467
The Standardised Approach			-	-	-			-	-	-
Corporate Finance	18%		-	-	-	18%		-	-	-
Trading and Sales	18%		-	-	-	18%		-	-	-
Payment and Settlement	18%		-	-	-	18%		-	-	-
Agency Services	15%		-	-	-	15%		-	-	-
Asset Management	12%		-	-	-	12%		-	-	-
Retail Brokerage	12%		-	-	-	12%		-	-	-
Retail Banking	12%		-	-	-	12%		-	-	-
Commercial Banking	15%		-	-	-	15%		-	-	-
The Alternative Standardised Approach			-	-	-			-	-	-
Corporate Finance	18%		-	-	-	18%		-	-	-
Trading and Sales	18%		-	-	-	18%		-	-	-
Payment and Settlement	18%		-	-	-	18%		-	-	-
Agency Services	15%		-	-	-	15%		-	-	-
Asset Management	12%		-	-	-	12%		-	-	-
Retail Brokerage	12%		-	-	-	12%		-	-	-
Retail Banking	12%	0.035	-	-	-	12%	0.035	-	-	-
Commercial Banking	15%	0.035	-	-	-	15%	0.035	-	-	-
Capital Charges for Operational Risk (LKR'000)										
The Basic Indicator Approach	3,038,764					2,575,598				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				
Risk Weighted Amount for Operational Risk (LKR'000)										
The Basic Indicator Approach	24,310,115					21,689,242				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				

RISK MANAGEMENT ANNEXURE

Table 10

Differences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories

Bank	LKR '000 as at 31-Dec-2019				
	a	b	c	d	e
	Carrying Values as Reported in Published Financial Statements	Carrying Values under Scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Not subject to Capital Requirements or Subject to Deduction from Capital
Assets	325,040,079	324,150,411	241,457,723	38,469,075	45,171,643
Cash and Cash Equivalents	8,755,848	6,655,029	6,655,029	-	-
Balances with Central Banks	8,377,478	8,220,448	8,220,448	-	-
Placements with Banks	13,827,423	16,057,000	2,257,000	-	13,800,000
Derivative Financial Instruments	192,714	-	-	-	-
Financial Assets - Recognised through Profit or Loss	634,075	38,469,075	-	38,469,075	-
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	-
Loans and Receivables to Banks	-	-	-	-	-
Financial Assets at Amortised Cost – Loans and Advances	226,791,569	226,084,188	197,052,087	-	29,980,131
Financial Assets at Fair Value through Other Comprehensive Income	38,315,147	-	-	-	-
Financial Assets at Amortised Cost - Debt Instruments	19,062,606	18,621,840	18,621,840	-	-
Investments in Subsidiaries	678,710	678,710	678,710	-	-
Investments in Associates and Joint Ventures	-	-	-	-	-
Property, Plant and Equipment	4,894,505	3,069,684	3,069,684	-	-
Investment Properties	-	-	-	-	-
Goodwill and Intangible Assets	1,375,581	-	-	-	-
Other Assets	2,134,422	6,294,437	4,902,925	-	1,391,512
Liabilities	294,696,761	294,543,818	-	-	-
Due to Banks	6,484,157	12,873,100	-	-	-
Derivative Financial Instruments	311,971	-	-	-	-
Other Financial Liabilities Held-For- Trading	-	-	-	-	-
Financial Liabilities Designated at Fair Value Through Profit or Loss	-	-	-	-	-
Due to Depositors	226,880,034	221,709,349	-	-	-
Due to Other Borrowers	38,413,725	29,865,862	-	-	-
Debt Securities Issued	-	-	-	-	-
Current Tax Liabilities	1,337,499	-	-	-	-
Deferred Tax Liabilities	995,073	-	-	-	-
Other Provisions	-	-	-	-	-
Other Liabilities	7,010,868	17,095,508	-	-	-
Due to Subsidiaries	-	-	-	-	-
Subordinated Term Debts	13,263,434	13,000,000	-	-	-
Off-Balance Sheet Liabilities	199,355,131	212,042,142	208,032,991	-	4,009,151
Guarantees	624,094	624,094	624,094	-	-
Performance Bonds	17,405,062	17,405,062	15,336,411	-	2,068,651
Letters of Credit	7,758,860	7,758,860	6,976,027	-	782,833
Other Contingent Items	3,536,649	3,536,649	3,536,649	-	-
Undrawn Loan Commitments	130,989,966	132,053,172	132,053,172	-	-
Other Commitments	39,040,500	50,664,305	49,506,637	-	1,157,667
Shareholders' Equity					
Equity Capital (Stated Capital)/Assigned Capital	9,408,135	9,408,134	-	-	-
of which Amount Eligible for CET1	9,408,135	9,408,135	-	-	-
of which Amount Eligible for AT1	-	-	-	-	-
Retained Earnings	18,465,483	18,999,328	-	-	(510,627)
Accumulated Other Comprehensive Income	301,976	-	-	-	-
Other Reserves	2,167,723	1,199,130	-	-	458,555
Total Shareholders' Equity	30,343,317	29,606,593	-	-	(52,072)

Notes:

1) Differences in Cash and Cash Equivalents, Financial Assets - Recongnised through Profit or Loss, Financial Assets at Amortised Cost – Loans and Advances, Financial Assets at Amortised Cost - Debt Instruments, Property, Plant and Equipment, Other Assets, Due to Banks, Due to Depositors, Due to Other Borrowers, Subordinated Term Debts and Other Liabilities is due to Classification differences and adjustments to published financial statements subsequently.
2) Difference in Retained Earnings is due to profit difference in SLAS and SLFRS accounting standards and Revaluation Reserve classification differences.
3) Accumulated Other Comprehensive Income is not considered in (b) as it is based on SLAS accounting standards.
4) Differences in Other Commitments is due to Notional Value of Derivative contracts reported in Published Financial Statements (a) and Carrying Value reported in Regulatory Reporting (b).

Net Stable Funding Ratio (NSFR)

Item	Amount (LKR '000)	
	31-Dec-2019	31-Dec-18
Total Available Stable Funding	248,105,462	N/A
Required Stable Funding – On Balance Sheet	179,139,798	N/A
Required Stable Funding – Off Balance Sheet	5,349,917	N/A
Total Required Stable Funding	184,489,715	N/A
NSFR% (Minimum requirement 100%)	134.48	N/A

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