Nations Trust Bank PLC

Market Disclosures 31st December 2021

Risk Management Review

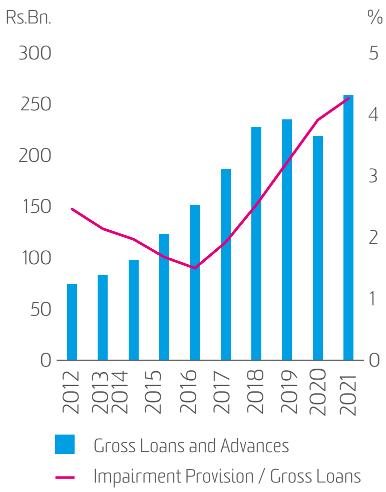
As the shift to a new normal took roots world over, despite macro challenges Nations Trust Bank continued in its quest towards sustainable value creation reinforced by a robust risk management framework during the year 2021.

The challenging economic environment resulting from the disruptions due to pandemic, rising inflation, pressure on the exchange rate and interest rates amidst foreign currency shortage are some of the key factors contributing to the uncertainty and volatility. Policy environment has continued to be volatile due to the necessity to balance priorities in an emerging economy.

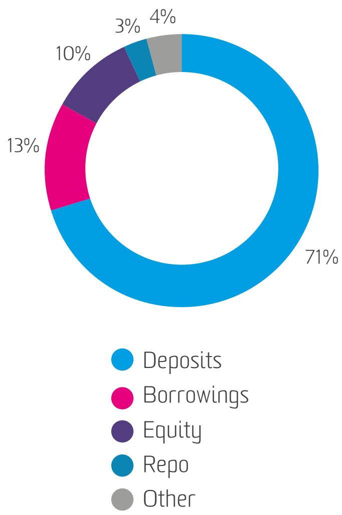
The macro trends exert pressure on credit quality while sovereign rating downgrades and decreased foreign inflows due to the pandemic has impacted on the bank's operations.

In response to change in complexity of risk, emergence of new risks and business environment dynamics, bank has heightened the oversight and strength of its Integrated Risk management framework, ensuring resilience in challenging business environment. 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.

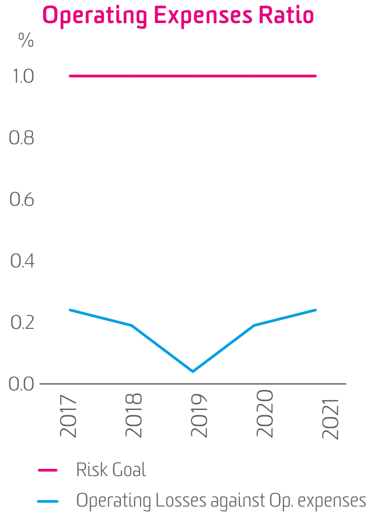
Loan Book and Impairment



Funding Composition



Operational Losses to Operating Expenses Ratio



(a) Linking Business Strategy to Risk Management

The link between risk management and business performance has grown stronger over the past few years. We have tightly integrated risk management process effectively into management core business process to extend beyond value protection and compliance activities to support the business and take advantage of opportunities for value creation. 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	

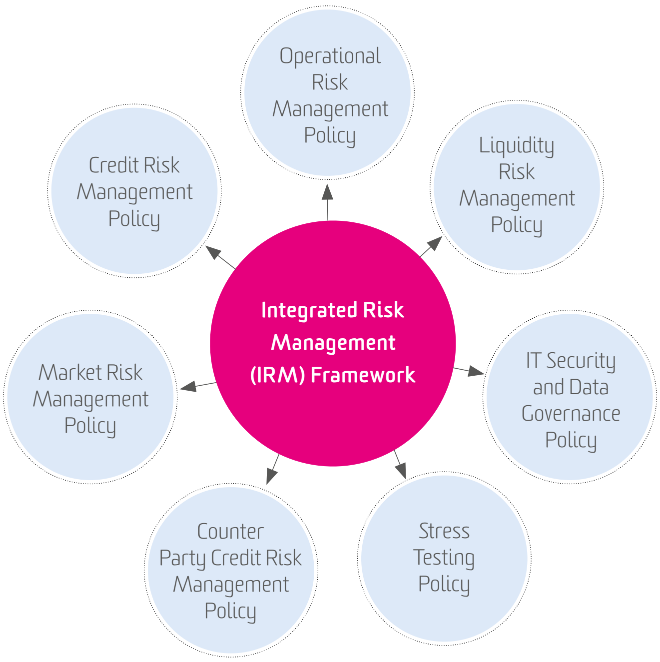
Risk Management Review

Assessing the components of the business model enables the Bank to evaluate the robustness of the existing business model and identifies 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 characterized 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 judgement 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 maximize 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 organization 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 our exposures and key trends over time

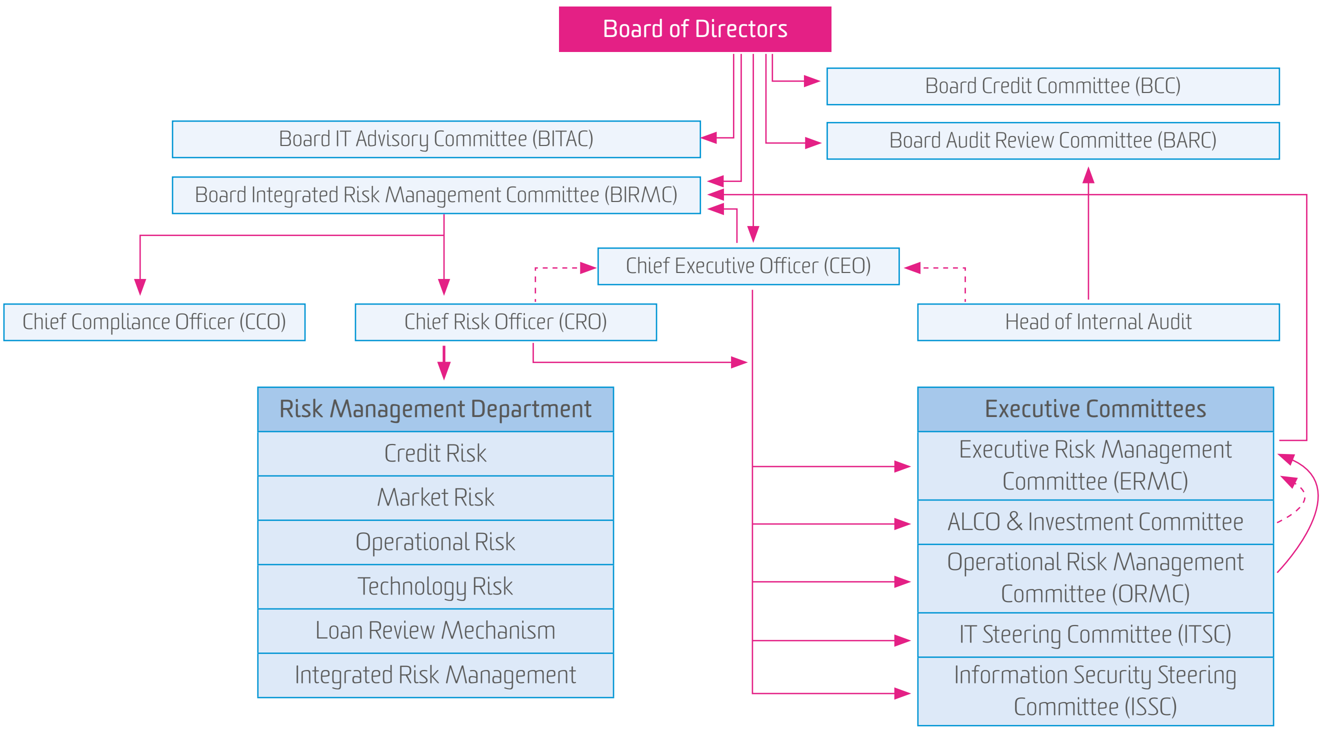
- Establish the appropriate risk tolerances given our business objectives, profit and growth opportunities, and regulatory requirements
- Integrate our risk appetite into strategic and tactical decision making in order to optimize our risk profile
- Establish an IRM feedback loop and provide effective reporting to the Board and senior management

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 2021	Limit/Range for 2021	Limit/Range for 2020
Credit Risk			
Impairment Ratio	4.26%	3.50% to 4.50%	2.50% to 3.50%
Impairment cover for NPL	83.00%	Above 45%	Above 45%
NPL Ratio net of IIS	4.95%	1H-Less than 6.50% 2H- Less than 5.50%	6.00%
Market Risk			
Sensitivity of the Trading portfolio against interest rate fluctuations	0.16%	Below 2% of PBT	Below 2% of PBT
Operational Risk			
Operational Losses to Operating Expenses Ratio	0.24%	<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 policy 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.



Risk Management Review

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 and responsibilities of the BIRMC and its key areas of focus during the year is given on 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.

Board Information Technology Advisory Committee (BITAC)

Board Information Technology Advisory Committee (BITAC) comprises three directors, including an independent director. BITAC reviews and appraise technology related recommendations to the Board of directors; including determining and agreeing on recommended funding priorities within the pre-approved budgets, technological feasibility, suitability, technology risk appetite and acceptance.

BITAC provides oversight on ITSC and ISSC reviews, decisions in relation to technology risk associated with strategic technology projects, Information Security risk assessments and risk mitigation plans.

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 all members of the Corporate Management team.

Asset and Liability 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 implements Board-approved ALM policies, regularly reviews the liquidity, pricing of assets and liability products, cash flow and asset liability maturity mismatches within the Bank.

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, CFO and CRO among others.

Information Security Steering Committee (ISSC)

The ISSC (Information Security Steering Committee), as the apex management level body of information security management provides strategic directions and is exclusively responsible for establishing and maintaining the Information Security Management System (ISMS) of the bank while adhering to CBSL Baseline Security Standards and Technology Resilience directions. The ISSC is chaired by Chief Executive Officer (CEO) and coordinated by VP – Information Security. Risk assessment outcomes, risk remediation plans and strategies are deliberated at ISSC.

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 Chief Transformation Officer (CTO), SVP Operations and Service Delivery, Chief Compliance officer (CCO) 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 defense governance model which ensures transparency and accountability in risk management through clear segregation of duties as depicted below.

First line of defense	Second line of defense	Third 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	**Functions that oversee risk** Centralized oversight of the first line of defense by the risk management, compliance, finance and other support functions.	**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

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 Culture	Risk Measurement	Risk Monitoring	Risk Management
Nurtures an organization wide risk culture through development of a common risk language and Bank-wide risk training and support	Review portfolio quality and 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
Safeguard against adverse movement of market factors arising out of price sensitivities of funding sources, investments, lending or trading portfolios	Carry out stress testing for Interest rate risk in Banking book & trading book, liquidity and Sensitivity analysis	Monitor the Bank's Market risk and liquidity risk profile, Monitor compliance with risk management policies and procedures	Implement Market Risk 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 standards and 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 Organization. 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 include the Risk and Control Self-Assessment (RCSA) Process and Transaction In Difficulty (TID) / Operation Loss Events (OLE) reporting have helped to instill a culture of risk-awareness.

Risk Management Review

(e) Risk Measurement

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

Risk exposure	Tools and techniques
Credit Risk	Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD). Trends and Sector Concentration, NPL Ratios, Stage 3 Ratio, Early Warnings 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, Liquidity Stress Testing Contingency Funding Plan, Liquidity Transfer Pricing, Liquidity Simulations
Operational Risk	Transaction In Difficulty (TID), Risk Control Self-Assessment (RCSA)/Risk control matrices (RCM)/Heat maps/Scenario Analysis/Stress testing/Key Risk Indicators/Risk & Control reviews
Reputational Risk	Customer feedback/complaints, Positive/Negative publicity through qualitative scorecard approach
Strategic Risk	Banks financial performance/Peer performance and strategic initiatives through Qualitative scorecard approach
Technology Risk	Vulnerability Assessments, Security Reviews, Compliance Reviews, Security Incident and Event Management (SIEM) 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 organization.

Risk Exposure	Reporting line	Risk Reporting	Content
Credit Risk	Board of Directors	Credit Risk Summary	Portfolio Health / aging & trend analysis, Allowance for Impairment, Concentration Risk Analysis, NPL vintage Analysis
		Exposure vs Risk appetite	NPL ratio /Stage 3 ratio, Specific Provision Cover, Impairment Ratio, stress testing
		Loan Review Mechanism (LRM) Reports	LRM findings & recommendations
	Management/ Management Sub committees	Credit Risk Management Report	Top 20 Exposures, Portfolio Health / aging & 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 measured through VaR , as well as forward views of market expectations
	Management/ Management Sub committees	Treasury Profitability, Performance Report	Liquidity Reserve ratio, M 2 M 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
	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, Security Incidents and Events Monitoring, ISMS Compliance Monitoring etc.

(g) Stress Testing

In addition to normal stress testing process, bank has developed additional severe stress testing scenarios to assess the soundness of risk profile of the bank and to evaluate the sensitivity of the current and forward risk profile relative to risk appetite and their impact on resilience of capital, funding, liquidity and earnings.

As it provides a broader view of all risks borne by the Bank in relation to its risk tolerance and strategy in a hypothetical stress situation, stress testing has become an effective communication tool to senior management, risk owners and risk managers as well as supervisors and regulators. The results of the stress testing are reported to the ALCO and BIRMC on a quarterly basis for appropriate, proactive decision making.

The bank's stress testing governance framework sets out risk appetite triggers and risk tolerance limits, mitigating risks through actions such as reviewing and changing limits, limiting or reducing exposures, facilitating the development of risk mitigation or contingency plans across a range of stressed conditions supporting communication with internal and external stakeholders.

Risk Management Review

The framework covers all the material risks such as credit risk, operational risk, liquidity risk, FX risk, IRRBB using EVE perspectives. The Bank reviews different degrees of stress levels which are defined as Minor, Moderate and Severe in the Stress Testing Policy. The resultant impact on the capital through these stress tests is carefully analyzed.

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 and 250 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 with linking to macro-economic variables	
Operational Risk	Scenarios based on historical events from internal and external loss data	

(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 has 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 utilized when underwriting consumer credit facilities. 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 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 and commercial 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 programs.

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

Post-credit monitoring

- 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 2021

- **Support Economic Recovery within risk appetite level**–Setting up optimum risk appetite levels and guiding the pre-disbursement and post-disbursement credit units to navigate through the waves of pandemic and support the recovery of overall economy.
- **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 mechanisms to strengthen the impairment assessment methodology in line with the requirements of SLFRS 9. Portfolios 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.
- **Industry Outlook:** Providing insights on the behavioural pattern and outlook for industry segments to better manage the credit risk
- **New Policies, Revision of Policies and procedures :** Central Bank of Sri Lanka issued two new directions (Direction No. 13 and Direction No. 14) in September with the view of further strengthening and harmonizing the regulatory framework on classification, recognition and measurement of credit facilities in licensed banks with the Sri Lanka Accounting Standard, 'SLFRS 9: Financial Instruments'. New directions required changes in overall credit assessment while prompting significant changes in post disbursement monitoring and Expected Credit Loss (ECL) assessment methodologies. The bank revised its Credit Risk Management policy together with ECL Assessment policy to meet the added requirements of the directions.

Credit Risk Performance in 2021

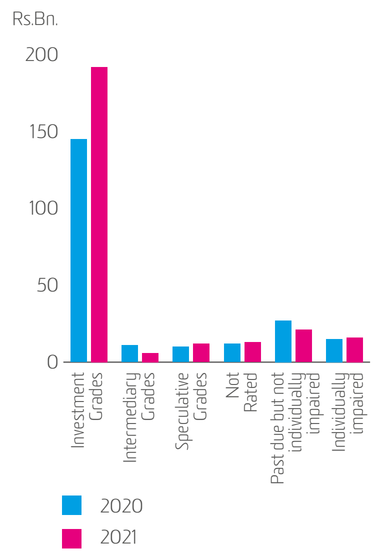
Operating Context:

Evolving nature of the COVID variants during 2021 continued to disrupt the economic value chain, causing CBSL to extend the debt moratoriums along with other relief measures.

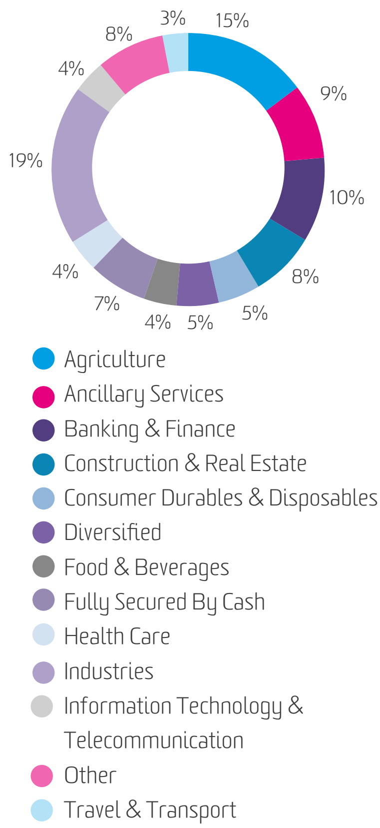
Successful vaccination program, with the administration of the Booster vaccines, supported economic revival from the depressed levels of 2020. Positive sentiments were observed in the travel and tourism sector, which saw a gradual increase in the tourist arrivals and a hike in local tourism during latter part of the year. Export sector has also rebounded well during 2021. However, supply disruption, foreign currency shortages, and inflationary pressure cloud the outlook on economic revival.

Credit underwriting, adherence to the post and pre disbursement covenants, close monitoring and follow up etc. played a major role in improving the asset quality in this volatile economic environment.

Risk ratings distribution



Sectoral distribution of loans 2021

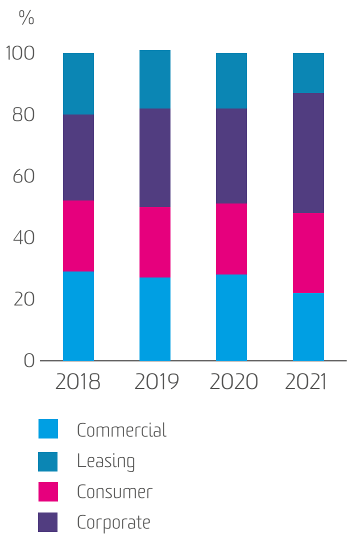


Risk Management Review

Concentration risk

Concentration risk is measured through the Normalized (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 commercial 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.

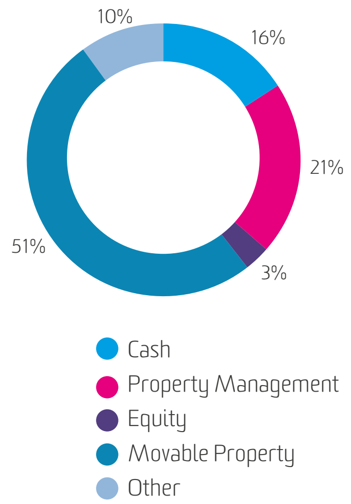
Loan Book Composition 2021



Further details on portfolio status and impairment reserves as at 31.12.2021 are available on Pg 17.

Large exposures 31.12.2021	% of total portfolio (Cumulative)
Top 5	7.15%
Top 10	10.95%
Top 20	16.76%
Other	83.24%

Collateral breakdown 31.12.2021



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 2021.

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, interest rate risk and foreign exchange risk are the key market risks for the Bank.

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 pg 18 for Composition of Trading and non trading books.

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.

Market Risk is managed by Treasury Division, within a robust market risk management framework, market risk limits and through diversification and hedging strategies.

Treasury Middle Office (which operates independently from the Treasury Department) monitors treasury related market risks such as FX/Fixed income security trading limits, Foreign Currency Net Open Position (NOP) limits and counterparty limits on a daily basis.

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, Policy on Recognition and Measurement of Treasury Financial Instruments, Repo and Reverse Repo 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. The policies are reviewed and updated regularly in view of emerging market risks.

Diverse Risk measurement Tools

Market risk is measured using Value at Risk (VaR), Present value basis point (PVBP), Modified duration, stress testing and sensitivity analysis on open positions, Earning at Risk (EAR), Economic value of Equity (EVE), Maturity gap analysis and Duration gap analysis etc.

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, counterparty limits, stop loss limits, maximum exposure limits, minimum liquid asset 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 & 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 2021

New Policies, Revision of Policies and procedures

Liquidity Risk Management Policy including Contingency Funding Plan and ALM Policy has been reviewed in line with CBSL Direction No. 07 of 2011–Integrated Risk management Framework and market best practices.

Liquidity Stress testing parameters were reviewed accommodating macro economic variables in to the analysis.

Counterparty limits were recalibrated to capture the Covid 19 impact and market risk limits on treasury activities were formulated capturing the change in the risk landscape due to outbreak of Covid 19.

Policy on Repurchase and Reverse Repurchase Transactions was reviewed to articulate the manner in which repurchase and reverse repurchase transactions in Scrip less Treasury Bonds and Scrip less Treasury Bills shall be carried out by the Bank and to comply with CBSL Direction No 1 of 2019.

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 risks are managed 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.

With significant challenges in sourcing dollar liquidity in the market, high levels of volatility were evident. The bank managed dollar liquidity in a satisfactory manner.

Please refer Pg 19 for Net Open Position of Foreign Currency denominated assets and liability of domestic banking unit.

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.

A comprehensive liquidity risk management framework is in place and the Board, BIRMC and ALCO regularly review the soundness of liquidity indicators to ensure they are managed within defined parameters.

Key liquidity ratios were strengthened during the year to cope up with the potential contingencies stemming from Covid 19 outbreak. Bank was able to maintain statutory liquid asset ratio of 34% on average throughout the year against the regulatory minimum requirement of 20%. Bank's Liquidity Coverage Ratio (all currencies) was also maintained well above the regulatory requirement of 100%.

Maturity analysis of assets and liability also indicates a relatively healthy liquidity position. Refer Page 162 of annual report 2021.

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

Please refer Pg 20 for Maturity Gaps in major currencies.

Market Risk Performance in 2021

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 risks arise from

Risk Management Review

its lending, trading securities and deposit liabilities. Sub types of interest rate risks are,

- Reprising risk arises from the inherent mismatch between the Bank's assets and liabilities which results in reprising 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 risks primarily through asset liability reprising gap analyses, 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, Please refer pg 21 for Interest Rate Sensitivity Gap analysis.

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

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, in turn changes the underlying value of a bank's assets, liabilities and off-balance sheet items and hence it's Economic Value (EVE). Earning at risk (EAR) measures impact of changes in interest rates on Net Interest Income (NII).

Interest rate risk is measured based on maturity gap analysis as well as duration gap analysis to determine the suitable strategies to optimize the earnings based on the future interest rate forecasts.

Please refer Pg 21 for Interest Rate Risk in Banking Book -Economic Value at risk.

Covid 19 Measures

- Review the adequacy of Market risk limits.
- Developed required stress testing scenarios and evaluation of bank's soundness under stressed market conditions.
- Understand the implications of the outbreak on the banking business and means to effectively manage the risks stemming from it in order to ensure resilience.

Due to high volatility observed in the market variables, we have carried out various scenario analyses on Bank's exposures to those market variables. On the other hand, we have studied the historical similar market events in different counties and discussed the lessons learned in order to develop contingency measures. Extra vigilance on market volatilities was maintained.

Operational Risk Management

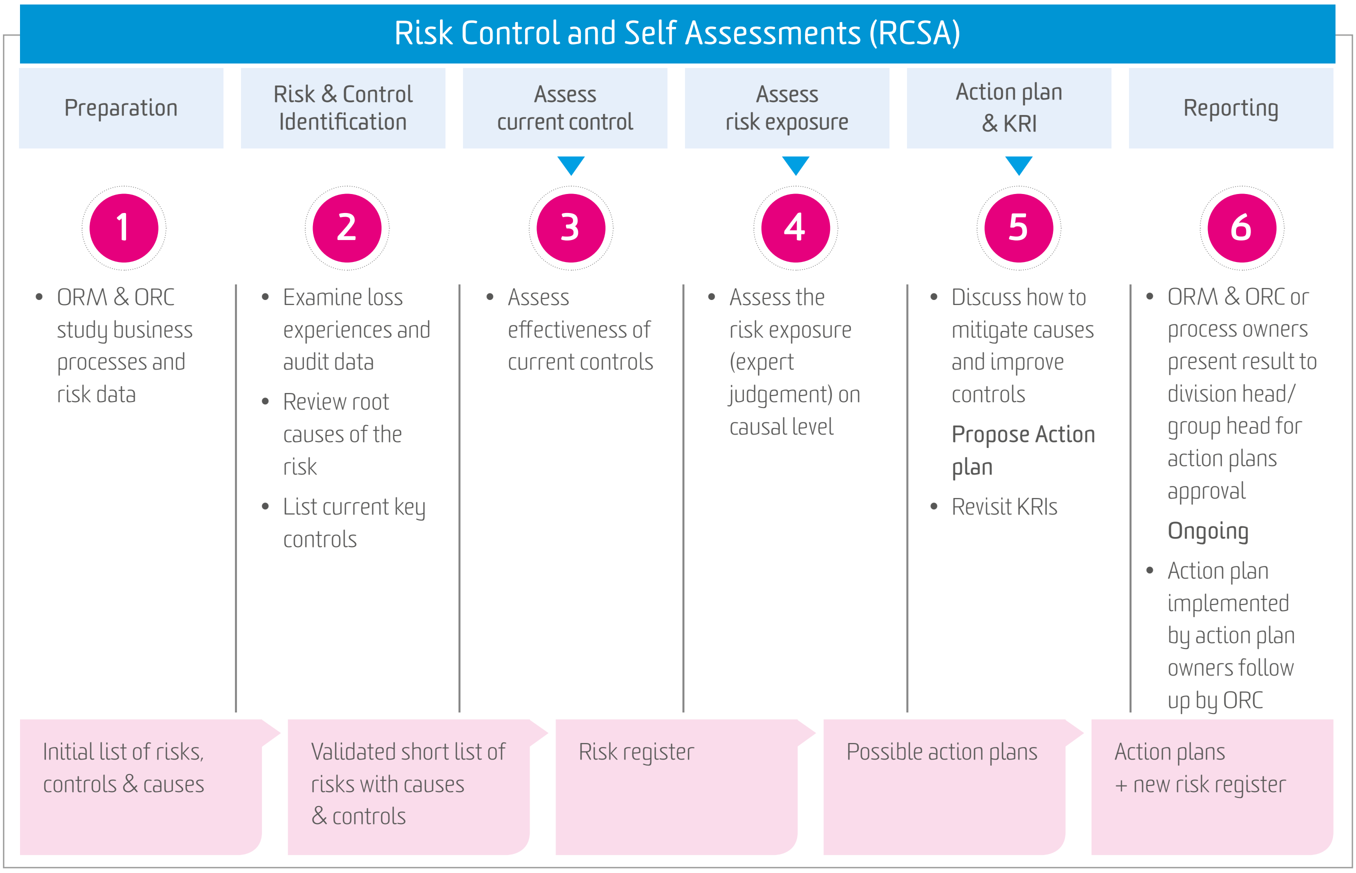
Oversight responsibility for operational risk management has been delegated to a dedicated Operational Risk Management Unit (ORMU). The Operational Risk Management Committee (ORMC) periodically met as the main interaction point between all operational functions of the bank encompassing end to end process 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 emphasizes 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 BIRMD 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 materializes. 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 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 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 capture all operational loss events including near misses, which are then categorized as specified in a BASEL document in order to use them for future modeling activities. The loss events are linked to the RCSA & KRI Program to ensure that repeat errors are minimized.

- **Outsourced services**

The Bank outsources some of its activities including cash management, labor supply, embossing of cards, document management and archiving, Collections & Recoveries, IT Services, POS activation and RMV registrations. 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 members, Information Security team members, and respective operational units. These activities provide an assurance on the ability of service provider to maintain required levels of service.

- **Challenges during Covid 19**

The outbreak of COVID-19 necessitated invoking of the business continuity plan (BCP) for all mission critical business and operational units. During the pandemic Working from Home was a strategy adopted by almost all the operational areas of the bank. The risks of new work arrangements were carefully reviewed and measures implemented to effectively manage such risks. Moving several

Risk Management Review

steps ahead, bank enable several digital engagements, process changes, new channels in order to facilitate customer needs while reducing the physical touch points during the lockdowns.

The bank continues to follow effective measures initiated during the early stages of the pandemic to ensure the health and safety of all the stakeholders including our staff, in compliance to the health and safety measures, guided by the health authorities.

Operational Risk Performance in 2021

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 2021.

BASEL II LOSS EVENT TYPE CATEGORY	Nations Trust 2021	
	Value in LKR '000	**%**
Internal Fraud	580	2%
External Fraud	672	2%
Employment Practices and Workplace Safety	100	0%
Clients Products and Business Practices	4,119	15%
Damage to Physical Assets	-123	0%
Business Disruption and System Failure	8,381	30%
Execution Delivery & Process Management	13,970	51%
Total Operating Losses	27,699	100%

Areas of focus in 2021

- Strengthened the RCSA mechanism & KRI: Strengthened RCSA mechanism with more frequent reviews on elevated risks. These reviews can be triggered by KRIs or based on the observations by the unit heads. Currently the Bank maintains 40 RCSA's, which carries a qualitative analysis of the Operational Risks of the units

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

- Maintained performance against operational risk appetite: Operational losses to operating expenses ratio at 0.12% in 2021

- Increased employee engagement and awareness on "Operational Risks": Operational risk culture as further emphasized focusing on the "Risk & Compliance coordinator" development programs. Further mandatory e learning program on Operational Risk were carried out to all staff through Nations Faculty as a continuous learning platform 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.

- Increased efficacy and proactiveness of ORMU: Continuous contribution via ORMC and also various regular engagements with business and operational units, to improve the risk culture across all business lines. Conducting risk review/s in business and operational changes to ensure the effectiveness of the key controls of the bank and give visibility on potential risk exposures.

- Fraud Monitoring: With rapid digitalization and due to the continuous improvements in customer non-face to face transactions, bank revisits the adequacy of the fraud monitoring at frequent intervals and during all critical changes of the bank.

- Moving to the Standardized approach on capital calculation methods: Parallel assessment of operational risk capital under the Standardized Approach (TSA).

Technology Risk Management

Information Security (IS) and Governance Function

The bank considers IT Risk including cyber risk as one of the most important risks to be managed. IT risk is posed by internal and external threat actors targeting the bank's technology infrastructure which can have an impact on Bank's ability to service its customers through technology disruptions, frauds and data leakages.

Identification and Risk Assessments

The Information Security unit operates in the first line and addresses the information security needs in a structured manner by assessing risks, planning, directing and coordinating information security initiatives to ensure that all information assets are secured and in compliance with technical regulatory requirements. The bank is in compliance with ISO 27001:2013 standard and looking forward to embed Zero Trust Architecture by leveraging other international security standards.

Due to the evolving nature of risk of cyber-attacks and information security incidents proportionate to the threat landscape and use of new technologies to carryout financial transactions, the information security team makes continuous efforts to strengthen security by implementing layered security controls, performing vulnerability assessments, penetration tests and third-party information security assessments, employee awareness and training programs and security incident management in coordination with IT infrastructure management teams. The role of Information Security team by establishing security standards when implementing Work From Home (WFH) infrastructure to cater to bank's business continuity during the COVID 19 pandemic lockdowns illustrates the responsiveness and agility of bank's information security program.

The bank has a dedicated IT Risk Management function which reports to the Chief Risk Officer. This unit carries out independent technology risk assessments covering all the aspects of technology infrastructure and operations along with related regulatory compliance reviews and overarching governance for compliance to the bank's risk management framework.

Internal audit department conducts information security audits as a part of their audit program to provide assurance over information security resilience.

Areas of Focus in 2021

By leveraging technology advancements, security monitoring has been enhanced. The Bank has initiated setting up 24 x 7 Security Operations Centre (SOC) to augment the Bank's Information Security monitoring capabilities. Further, the bank is in the process of enhancing privilege access management and monitoring capabilities as a part of the security program.

The Bank has launched its Data Governance program with the implementation of Data Governance Framework covering Data Classification and Data Leakage Prevention measures to protect against data breaches. The implementation of Data Leakage Prevention tool is in progress along with reassessment of existing data classifications.

The bank has initiated the implementation of PCI DSS for enhancing payment account data security as an integral part of its information security governance.

Reporting

Report actual risk profiles against the risk appetite and advises on action plans for technology risk resilience to the Information Security Steering Committee (ISSC) as the apex management level body of information security management. Further, the effectiveness of information security and technology risk management are regularly reported and reviewed by Board Information Technology Advisory Committee and Board Integrated Risk Management Committee.

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 desires 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 - Standardized Approach
- Market risk - Standardized 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.

Risk Management Review

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 3-4 years. The amount of dividend distributions and mode of payment through cash and scrip dividend are decided based on this future capital requirement of the bank.

Capital allocation

Capital is allocated to business lines based on Risk Adjusted Return on Capital (RAROC) targets in order to optimize 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 3-4 year period which is updated during the annual budgeting cycle and approved by the Board of Directors.

Key highlights for the year:

1. Total Group capital ratio under Basel III Pillar I risks is 18.01% as at 31.12.2021 (18.37% 31.12.2020).

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	23
	2	Basel III Computation of Capital Ratios	Table -2	24
	3	Basel III Computation of Leverage Ratio	Table -3	25
	4	Basel III Computation of Liquidity Coverage Ratio	Table -4	26
	5	Basel III Computation of Net Stable Funding ratio (NSFR)	Table -5	27
	6	Main Features of Regulatory Capital Instruments	Table -6	28
Risk Weighted Assets	7	Summary discussion on adequacy/meeting current and future capital requirements	Capital Management Section of this review	15 - 16
	8	Credit Risk under Standardised Approach: Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects	Table -7	30
	9	Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights	Table -8	32
	10	Market Risk under Standardised Measurement Method	Table -9	34
	11	Operational Risk under Basic Indicator Approach/The Standardised Approach/The Alternative Standardised Approach	Table -10	34
Linkages between Financial statements and regulatory exposures	12	Differences Between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories – Bank Only	Table -11	36
	13	Explanations of Differences Between Accounting and Regulatory Exposure Amounts		
Risk Management	14	Bank Risk Management Approach	Risk Mgt review is outlined in Sections (a) to (h) in this Review	1 - 16
	15	Risk Management related to Key Risk Exposures		

Risk Management Annexures

Credit Risk

Table 1

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

2021	Exposure		Impairment			Age Analysis		
	On Balance Sheet	Off Balance Sheet	Impairment Provision	Net Present Value of Future Cash Flows*	Write Offs During the Period	0 - 30 Days	31 -90 Days	Above 90 Days
Total loans & advances	15,554,114	-	4,002,338	11,655,658	60,318	10,670,732	152,857	4,730,524

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

Table 2

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

2021	Exposure		Impairment		Age Analysis		
	On Balance Sheet	Off Balance Sheet	Impairment Provision	Write Offs During the Period	0 - 30 Days	31 -90 Days	Above 90 Days
Total loans & advances	239,641,330	-	7,025,465	479,832	226,022,626	6,247,602	7,371,101

* Staff Loans exposures are not assessed for impairment.

Table 3

Performing & Non Performing Loans (as per Regulatory reporting)

2021	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
Total loans & advances	241,908,445	-	13,287,003	-	8,990,972	3,837,655	540,150	1,185,664	1,547,566	1,876,116	8,677,656

Note: Rs 7,914Mn worth of NPL contracts were not impaired individually as they were below individually significant threshold.

Risk Management Annexures

Market Risk

Table 1

Composition of Trading and Non-Trading Book

	2021 Trading book (LKR million)	2021 Non-trading book (LKR million)	2021 Total (LKR million)
Assets			
Cash and Cash Equivalents	-	13,427	13,427
Balances with Central Bank of Sri Lanka	-	6,915	6,915
Reverse Repurchase Agreements	-	3,001	3,001
Derivative Financial Instruments	473	-	473
Financial Assets	6,151	67,521	73,671
Other Financial Assets	-	-	-
Financial Assets at Amortised Cost - Debt Instruments	-	26,140	26,140
Financial Assets at Amortised Cost - Loans and Advances	-	247,441	247,441
Other Assets	-	2,014	2,014
Investments in Subsidiaries	-	679	679
Fixed Assets (PPE, ROU & Intangibles)	-	5,880	5,880
Total	6,624	373,018	379,642
Liabilities			
Due to Banks	-	2,016	2,016
Derivative Financial Instruments	166	-	166
Due to Depositers	-	267,992	267,992
Repurchase Agreements	-	10,900	10,900
Due to other Borrowers	-	35,601	35,601
Debt Securities Issued	-	12,353	12,353
Retirement benefit obligations	-	832	832
Tax Liabilities (Current & Deffered)	-	2,441	2,441
Other Liabilities	-	8,803	8,803
Equity & Other Reserves	-	38,539	38,539
Total	166	379,476	379,642
Contingent Liabilities & Commitments	31,402	185,955	217,357
Commitment & Guarantees	-	185,955	185,955
Forward on Government Securities	-	-	-
Derivative Assets - Held for Trading (Net)	31,402	-	31,402

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)	180.818	42.288	46.798	14.152	28.246	9.338	0 .947	
	Liabilities (On & Off Balance sheet)	57.704	79.203	33.013	34.617	40.567	8.652	66.356	2.474
	Periodic Gap	123.114	(36.915)	13.785	(20.465)	(12.321)	0.686	(65.409)	
GBP	Assets (On & Off Balance sheet)	3.313	5.157	0.014	0.029	0.017	0.004	0.026	
	Liabilities (On & Off Balance sheet)	1.092	0.616	0.560	1.313	0.495	0.187	4.391	(0.094)
	Periodic Gap	2.221	4.541	(0.546)	(1.284)	(0.479)	(0.183)	(4.366)	
EUR	Assets (On & Off Balance sheet)	2.041	0.705	5.308	0.033	0.019	-	0.061	
	Liabilities (On & Off Balance sheet)	2.003	0.643	0.498	0.934	0.851	0.330	2.958	(0.050)
	Periodic Gap	0.038	0.062	4.810	(0.901)	(0.832)	(0.330)	(2.897)	
AUD	Assets (On & Off Balance sheet)	6.195	12.451	0.020	0.002	0.006	-	(0.000)	
	Liabilities (On & Off Balance sheet)	4.087	1.215	1.726	2.166	0.573	0.219	8.727	(0.039)
	Periodic Gap	2.108	11.236	(1.706)	(2.164)	(0.567)	(0.219)	(8.727)	
JPY	Assets (On & Off Balance sheet)	23.445	0.120	-	5.755	-	-	17.265	
	Liabilities (On & Off Balance sheet)	26.916	1.609	1.147	0.736	6.075	2.308	8.409	(0.614)
	Periodic Gap	(3.471)	(1.489)	(1.147)	5.019	(6.075)	(2.308)	8.856	

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)	75,967	61,685	30,634	20,892	60,113	30,061	45,029
LKR	Liabilities (On & Off Balance sheet)	55,423	32,528	25,758	20,534	38,209	25,071	141,723
LKR	Periodic Gap	20,544	29,157	4,876	358	21,905	4,989	(96,693)
LKR	Cumulative GAP	20,544	49,701	54,577	54,935	76,840	81,829	(14,864)
USD	Assets (On & Off Balance sheet)	112	78	71	30	84	15	6
USD	Liabilities (On & Off Balance sheet)	67	89	39	44	71	24	55
USD	Periodic Gap	45	(11)	33	(14)	13	(9)	(49)
USD	Cumulative GAP	45	34	66	52	65	56	6
GBP	Assets (On & Off Balance sheet)	4	5	-	-	-	-	-
GBP	Liabilities (On & Off Balance sheet)	1	1	1	1	1	-	14
GBP	Periodic Gap	2	5	(1)	(1)	(1)	(0)	(14)
GBP	Cumulative GAP	2	7	6	5	5	4	(9)
EUR	Assets (On & Off Balance sheet)	2	1	-	1	3	1	-
EUR	Liabilities (On & Off Balance sheet)	3	1	-	1	1	-	5
EUR	Periodic Gap	(1)	(0)	(0)	(0)	2	1	(5)
EUR	Cumulative GAP	(1)	(1)	(1)	(1)	1	2	(3)
AUD	Assets (On & Off Balance sheet)	6	12	-	-	-	-	(0)
AUD	Liabilities (On & Off Balance sheet)	4	1	2	2	1	-	8
AUD	Periodic Gap	2	11	(2)	(2)	(1)	(0)	(8)
AUD	Cumulative GAP	2	13	12	9	9	9	1
JPY	Assets (On & Off Balance sheet)	24	-	-	6	-	-	17
JPY	Liabilities (On & Off Balance sheet)	35	10	1	1	6	2	33
JPY	Periodic Gap	(11)	(9)	(1)	5	(6)	(2)	(16)
JPY	Cumulative GAP	(11)	(21)	(22)	(17)	(23)	(25)	(41)

Interest Rate Risk

Table 1

Interest Rate Sensitivity 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	115,958	43,530	39,420	18,391	44,968	17,391	12,714	292,371
	Liabilities	94,125	38,819	39,362	34,499	24,254	6,816	2,666	240,542
	Periodic Gap	21,833	4,711	58	(16,108)	20,714	10,575	10,048	51,829
USD	Assets	107	146	60	14	21	4	-	352
	Liabilities	116	101	106	43	1	-	-	367
	Periodic Gap	(8)	45	(46)	(29)	20	4	-	(14)
GBP	Assets	3	5	-	-	-	-	-	8
	Liabilities	3	1	1	3	-	-	-	9
	Periodic Gap	-	4	(1)	(3)	-	-	-	(1)
EUR	Assets	7	1	-	-	-	-	-	8
	Liabilities	5	1	1	1	-	-	-	8
	Periodic Gap	2	(1)	(1)	(1)	-	-	-	(0)
AUD	Assets	6	12	-	-	-	-	-	19
	Liabilities	7	2	4	6	-	-	-	19
	Periodic Gap	(1)	10	(4)	(6)	-	-	-	-
JPY	Assets	-	-	-	-	-	-	-	-
	Liabilities	45	1	1	-	-	-	-	47
	Periodic Gap	(45)	(1)	(1)	-	-	-	-	(47)

Table 2

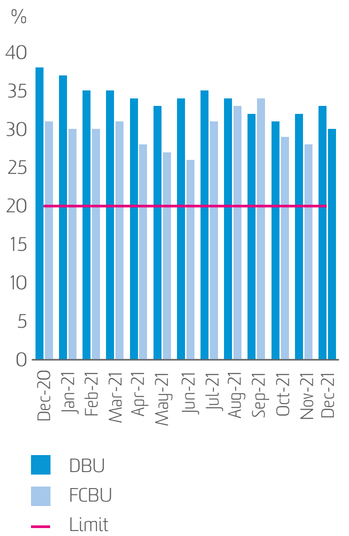
Interest Rate Risk in Banking Book- Economic Value of Equity (EVE) - in LKR Millions

	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 200bp	(14)	(40)	66	319	(735)	(602)	(1,006)	(2,011)
Down by 200bp	14	40	(66)	(319)	735	602	1,006	2,011

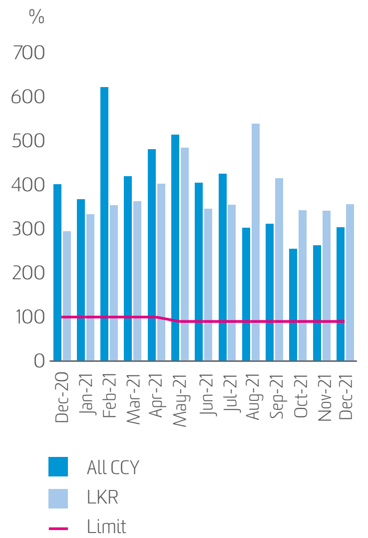
Risk Management Annexures

Liquidity Risk Trend Analysis

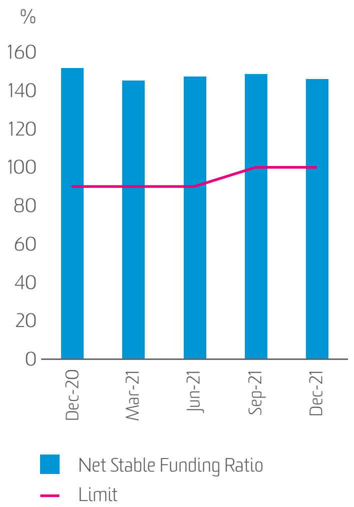
Statutory Liquidity Ratio



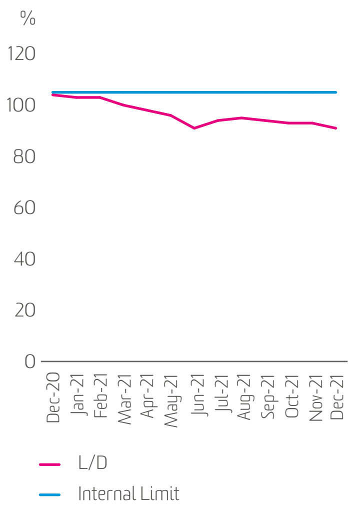
Liquidity Coverage Ratio



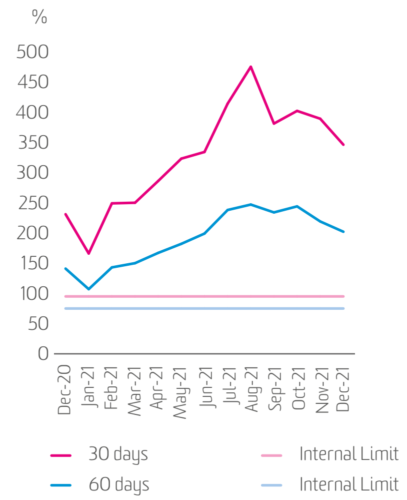
Net Stable Funding Ratio



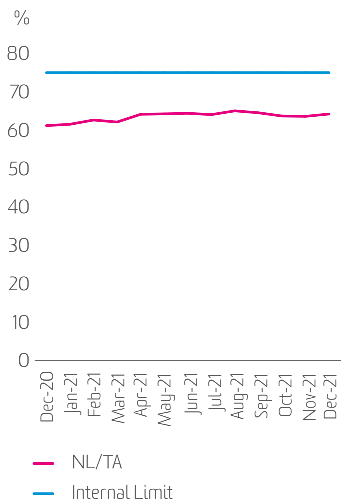
Loan to Deposit Ratio



Liquid Assets to Short term Liabilities Ratio



Net loans to Total Assets Ratio



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-2021	31-Dec-2020	31-Dec-2021	31-Dec-2020
Regulatory Capital (LKR '000)				
Common Equity Tier 1	35,772,533	31,792,734	37,073,777	32,663,601
Tier 1 Capital	35,772,533	31,792,734	37,073,777	32,663,601
Total Capital	42,291,642	39,694,167	43,592,886	40,565,034
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 6.50%)	14.77%	14.40%	15.31%	14.79%
Tier 1 Capital Ratio (Minimum Requirement - 8.00%)	14.77%	14.40%	15.31%	14.79%
Total Capital Ratio (Minimum Requirement - 12.00%)	17.46%	17.98%	18.01%	18.37%
Leverage Ratio (Minimum Requirement -3%)	9.03%	9.03%	9.36%	9.27%
Regulatory Liquidity				
Statutory Liquid Assets				
Domestic Banking Unit (LKR'000)	104,283,917	109,941,284		
Off-Shore Banking Unit (LKR'000)	9,897,774	6,174,415		
Statutory Liquid Assets Ratio % (Minimum Requirement - 20%)				
Domestic Banking Unit (%)	32.82%	38.79%		
Off-Shore Banking Unit (%)	29.67%	30.75%		
Total Stock of High-Quality Liquid Assets (LKR'000)	84,587,028	86,501,491		
Liquidity Coverage Ratio (%)				
Rupee (Minimum Requirement - 100% - 31-Dec-2021) (Minimum Requirement - 90% - 31-Dec-2020)	355.54%	455.66%		
All Currency (Minimum Requirement - 100% - 31-Dec-2021) (Minimum Requirement - 90% - 31-Dec-2020)	304.28%	341.63%		
Net Stable Funding Ratio \ (Minimum Requirement - 100% - 31-Dec-2021) (Minimum Requirement - 90% - 31-Dec-2020)	146.06%	151.62%		
Net Stable Funding Ratio (Minimum Requirement - 90% - 31-Dec-2020) (Minimum Requirement - 100% - 31-Dec-2019)	151.62%	136.08%		

Risk Management Annexures

Table 2

Basel III Computation of Capital Ratios

Item	Bank LKR '000		Group LKR '000	
	31-Dec-2021	31-Dec-2020	31-Dec-2021	31-Dec-2020
Common Equity Tier 1 (CET1) Capital after Adjustments	35,772,533	31,792,734	37,073,777	32,663,601
Common Equity Tier 1 (CET1) Capital	37,698,750	33,014,153	38,859,736	33,885,885
Equity Capital (Stated Capital)/Assigned Capital	9,408,134	9,408,134	9,408,134	9,408,134
Reserve Fund	1,882,111	1,371,854	1,882,111	1,561,788
Published Retained Earnings/(Accumulated Retained Losses)	26,911,908	21,838,944	28,072,895	22,520,742
Published Accumulated Other Comprehensive Income (OCI)	(503,404)	395,221	(503,404)	395,221
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	1,926,216	1,221,420	1,785,960	1,222,284
Goodwill (net)	-	-	-	-
Intangible Assets (net)	1,174,469	1,221,420	1,175,210	1,222,284
Deferred tax assets (net)	751,747	-	610,750	-
Shortfall of the Cumulative Impairment to Specific Provisions	-	-	-	-
Additional Tier 1 (AT1) Capital after Adjustments	-	-	-	-
Additional Tier 1 (AT1) Capital	-	-	-	-
Qualifying Additional Tier 1 Capital Instruments	-	-	-	-
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
Total Adjustments to AT1 Capital	-	-	-	-
Investment in Own Shares	-	-	-	-
Others (specify)	-	-	-	-
Tier 2 Capital after Adjustments	6,519,109	7,901,433	6,519,109	7,901,433
Tier 2 Capital	6,519,109	7,901,433	6,519,109	7,901,433
Qualifying Tier 2 Capital Instruments	3,839,048	6,169,524	3,839,048	6,169,524
Revaluation Gains	397,935	337,316	397,935	337,316
Loan Loss Provisions	2,282,127	1,394,594	2,282,127	1,394,594
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	35,772,533	31,792,734	37,073,777	32,663,601
Total Tier 1 Capital	35,772,533	31,792,734	37,073,777	32,663,601
Total Capital	42,291,642	39,694,167	43,592,886	40,565,034

Table 2 (Contd.)

Basel III Computation of Capital Ratios

Item	Bank LKR '000 31-Dec-2021	Bank LKR '000 31-Dec-2020	Group LKR '000 31-Dec-2021	Group LKR '000 31-Dec-2020
Total Risk Weighted Assets (RWA)	242,186,964	220,748,585	242,091,477	220,820,864
RWAs for Credit Risk	208,896,129	184,660,038	208,370,608	184,419,042
RWAs for Market Risk	5,532,774	9,196,617	5,532,774	9,196,617
RWAs for Operational Risk	27,758,061	26,891,930	28,188,094	27,205,205
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	14.77%	14.40%	15.31%	14.79%
of which: Capital Conservation Buffer (%)	2.000%	2.000%	2.000%	2.000%
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-	-	-
Total Tier 1 Capital Ratio (%)	14.77%	14.40%	15.31%	14.79%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	17.46%	17.98%	18.01%	18.37%
of which: Capital Conservation Buffer (%)	2.000%	2.000%	2.000%	2.000%
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-2021	31-Dec-2020	31-Dec-2021	31-Dec-2020
Tier 1 Capital	35,772,533	31,792,734	37,073,777	32,663,601
Total Exposures	395,980,939	352,007,308	396,030,297	352,363,453
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	374,406,347	331,086,749	374,455,706	331,442,581
Derivative Exposures	476,286	506,355	476,286	506,355
Securities Financing Transaction Exposures	3,000,000	5,086,600	3,000,000	5,086,912
Other Off-Balance Sheet Exposures	18,098,305	15,327,604	18,098,305	15,327,604
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	9.03%	9.03%	9.36%	9.27%

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-Dec-2021		31-Dec-2020	
"Total Stock of High-Quality Liquid Assets (HQLA)"	84,587,028	84,587,028	86,501,491	86,501,491
Total Adjusted Level 1A Assets	84,618,512	84,618,512	86,600,360	86,600,360
Level 1 Assets	84,587,028	84,587,028	86,501,491	86,501,491
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	463,654,421	55,410,732	411,641,306	45,616,812
Deposits	221,614,356	22,161,436	217,571,652	21,757,165
Unsecured Wholesale Funding	48,880,487	19,594,174	24,990,895	10,931,348
Secured Funding Transactions	613,381	-	419,355	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	189,931,908	11,040,833	165,806,560	10,075,454
Additional Requirements	2,614,289	2,614,289	2,852,845	2,852,845
Total Cash Inflows	59,402,130	27,611,639	44,722,393	20,296,842
Maturing Secured Lending Transactions Backed by Collateral	3,003,837	-	5,092,629	-
Committed Facilities	-	-	1,000,000	-
Other Inflows by Counterparty which are Maturing within 30 Days	52,280,040	27,505,067	37,777,272	20,166,695
Operational Deposits	3,931,175	-	722,345	-
Other Cash Inflows	187,080	187,080	130,147	130,147
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/ Total Net Cash Outflows over the Next 30 Calendar Days) * 100		304%		342%

Table 5

Net Stable Funding Ratio

Item	Bank Amount (LKR'000) 31-Dec-2021	31-Dec-2020
Total Available Stable Funding	285,905,828	264,280,333
Required Stable Funding – On Balance Sheet Assets	189,605,436	169,171,219
Required Stable Funding – Off Balance Sheet Items	6,138,738	5,128,616
Total Required Stable Funding	195,744,174	174,299,835
Net Stable Funding Ratio (Minimum Requirement - 100% - 31-Dec-2021) (Minimum Requirement - 90% - 31-Dec-2020)	146.06%	151.62%

Risk Management Annexures

Table 6

Main Features of Regulatory Capital Instruments

Description of the Capital Instrument	Ordinary Shares (Voting)	Ordinary Shares (Non Voting)	Subordinated Debt (Debentures)
Issuer	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-20/04/23-C2402-12.65
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
Original Date of Issuance	3-May-99	20-Feb-18	20-Apr-18
Par Value of Instrument	22.12	80	100
Perpetual or Dated	Perpetual	Perpetual	Dated
Original Maturity Date, if Applicable	N/A	N/A	20-Apr-23
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	6,309,791	3,098,343	700,783
Accounting Classification (Equity/Liability)	Equity	Equity	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
Subsequent Call Dates, if Applicable	N/A	N/A	N/A
Coupons/Dividends			
Fixed or Floating Dividend/Coupon	Discretionary dividend amount	Discretionary dividend amount	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%
Non-Cumulative or Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative
Convertible or Non-Convertible	Non-Convertible	Convertible	Convertible
If Convertible, Conversion Trigger (s)	Non-Convertible	Starting from last market date of quarter ending 30th June and forward	As per Banking Act Direction No. 1 of 2016
If Convertible, Fully or Partially	Non-Convertible	Fully or Partially	Fully or Partially
If Convertible, Mandatory or Optional	Non-Convertible	Optional	Mandatory
If Convertible, Conversion Rate	Non-Convertible	1:1	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.

Subordinated Debt (Debentures)	Subordinated Debt (Debentures)	Subordinated Debt (Debentures)
Nations Trust Bank PLC	Nations Trust Bank PLC	Nations Trust Bank PLC
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
20-Apr-18	23-Dec-19	23-Dec-19
100	100	100
Dated	Dated	Dated
20-Apr-23	23-Dec-24	23-Dec-26
407,550	1,755,000	1,350,000
Liability	Liability	Liability
N/A	N/A	N/A
N/A	N/A	N/A
Fixed	Fixed	Fixed
13.00%	12.80%	12.90%
Non-Cumulative	Non-Cumulative	Non-Cumulative
Convertible	Convertible	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
Fully or Partially	Fully or Partially	Fully or Partially
Mandatory	Mandatory	Mandatory
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 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-Dec-2021					
	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	32,285,722	-	32,285,722	100,000	1,160,025	4%
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	5,306,366	1,110,800	5,306,366	522,159	2,086,454	36%
Claims on Financial Institutions	8,634,546	30,713,191	8,634,546	884,733	6,948,361	73%
Claims on Corporates	91,372,819	75,857,866	91,372,819	13,994,432	101,878,767	97%
Retail Claims	98,894,073	75,241,645	98,894,073	3,187,303	78,583,600	77%
Claims Secured by Residential Property	7,653,249	-	7,653,249	-	5,343,156	70%
Claims Secured by Commercial Real Estate	1,855,333	-	1,855,333	25,037	1,880,370	100%
Non-Performing Assets (NPAs)(i)	5,318,106	-	5,318,106	-	6,021,822	113%
Higher-risk Categories	25,803	-	25,803	-	64,507	250%
Cash Items and Other Assets	15,624,055	-	15,624,055	-	4,929,067	32%
Total	266,970,072	182,923,503	266,970,072	18,713,664	208,896,129	73%

Asset Class	GROUP LKR'000 as at -31-Dec-2021					
	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	32,285,722	-	32,285,722	100,000	1,160,025	4%
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	5,306,423	1,110,800	5,306,423	522,159	2,086,466	36%
Claims on Financial Institutions	8,634,546	30,713,191	8,634,546	884,733	6,948,361	73%
Claims on Corporates	91,361,650	75,857,866	91,361,650	13,994,432	101,867,597	97%
Retail Claims	98,894,073	75,241,645	98,894,073	3,187,303	78,583,600	77%
Claims Secured by Residential Property	7,653,249	-	7,653,249	-	5,343,156	70%
Claims Secured by Commercial Real Estate	1,855,333	-	1,855,333	25,037	1,880,370	100%
Non-Performing Assets (NPAs)(i)	5,318,106	-	5,318,106	-	6,021,822	113%
Higher-risk Categories	-	-	-	-	-	0%
Cash Items and Other Assets	15,174,221	-	15,174,221	-	4,479,211	30%
Total	266,483,325	182,923,503	266,483,325	18,713,664	208,370,608	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-2020

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)
28,329,170	3,757,000	28,329,170	75,140	2,521,469	9%
-	-	-	-	-	0%
-	-	-	-	-	0%
-	-	-	-	-	0%
2,190,281	22,479,558	2,190,281	472,036	1,458,030	55%
6,490,381	1,835,395	6,490,381	1,263,810	5,671,122	73%
66,103,191	93,578,506	66,103,191	11,190,375	75,480,756	98%
96,752,526	75,771,072	96,752,526	2,867,449	76,418,142	77%
7,990,742	-	7,990,742	-	6,333,392	79%
543,634	73,046	543,634	24,177	567,812	100%
8,894,123	-	8,894,123	-	10,625,408	119%
25,803	-	25,803	-	64,507	250%
15,030,709	-	15,030,709	-	5,519,402	37%
232,350,560	197,494,577	232,350,560	15,892,988	184,660,038	74%

GROUP

LKR'000 as at -31-Dec-2020

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)
28,329,170	3,757,000	28,329,170	75,140	2,521,469	9%
-	-	-	-	-	0%
-	-	-	-	-	0%
-	-	-	-	-	0%
2,190,339	22,479,558	2,190,339	472,036	1,458,042	55%
6,490,381	1,835,395	6,490,381	1,263,810	5,671,122	73%
66,103,555	93,579,284	66,103,555	11,190,375	75,481,119	98%
96,752,526	75,771,072	96,752,526	2,867,449	76,418,142	77%
7,990,742	-	7,990,742	-	6,333,392	79%
543,634	73,046	543,634	24,177	567,812	100%
8,894,123	-	8,894,123	-	10,625,408	119%
-	-	-	-	-	0%
14,853,867	-	14,853,867	-	5,342,537	36%
232,148,337	197,495,355	232,148,337	15,892,988	184,419,042	74%

Risk Management Annexures

Table 8

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

Description	Bank										
	LKR'000 as at 31-Dec-2021 (Post CCF & CRM)										
Risk Weight Asset Classes	0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposuresâ Amount
Claims on Central Government and Central Bank of Sri Lanka	20,785,469	11,600,254	-	-	-	-	-	-	-	-	32,385,722
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	-		2,850,775	-	2,922,901	-	-	54,849	-	-	5,828,525
Claims on Financial Institutions	-	-	241,546	-	4,755,362	-	-	4,522,370	-	-	9,519,279
Claims on Corporates	-		3,638,712	-	1,155,030	-	-	100,573,509	-	-	105,367,251
Retail Claims	73,305	-	201,326	-	-	2,704,212	88,726,905	10,375,629	-	-	102,081,377
Claims Secured by Residential Property	-	-	-	3,553,990	-	-	-	4,099,259	-	-	7,653,249
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	1,880,370	-	-	1,880,370
Non-Performing Assets (NPAs)	-	-	-	-	166,993	-	-	3,576,688	1,574,426	-	5,318,106
Higher-risk Categories	-	-	-	-	-	-	-	-	-	25,803	25,803
Cash Items and Other Assets	9,343,191	-	1,689,745	-	-	-	-	4,591,118	-	-	15,624,055
Total	30,201,965	11,600,254	8,622,105	3,553,990	9,000,286	2,704,212	88,726,905	129,673,792	1,574,426	25,803	285,683,736

Description	Group										
	LKR'000 as at 31-Dec-2021 (Post CCF & CRM)										
Risk Weight Asset Classes	0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposuresâ Amount
Claims on Central Government and Central Bank of Sri Lanka	20,785,469	11,600,254	-	-	-	-	-	-	-	-	32,385,722
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	-	-	2,850,833	-	2,922,901	-	-	54,849	-	-	5,828,582
Claims on Financial Institutions	-	-	241,546	-	4,755,362	-	-	4,522,370	-	-	9,519,279
Claims on Corporates	-	-	3,638,712	-	1,155,030	-	-	100,562,340	-	-	105,356,082
Retail Claims	73,305	-	201,326	-	-	2,704,212	88,726,905	10,375,629	-	-	102,081,377
Claims Secured by Residential Property	-	-	-	3,553,990	-	-	-	4,099,259	-	-	7,653,249
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	1,880,370	-	-	1,880,370
Non-Performing Assets (NPAs)	-	-	-	-	166,993	-	-	3,576,688	1,574,426	-	5,318,106
Higher-risk Categories	-	-	-	-	-	-	-	-	-	-	-
Cash Items and Other Assets	9,343,214	-	1,689,745	-	-	-	-	4,141,262	-	-	15,174,221
Total	30,201,988	11,600,254	8,622,162	3,553,990	9,000,286	2,704,212	88,726,905	129,212,767	1,574,426	-	285,196,988

Bank

LKR'000 as at 31-Dec-2020 (Post CCF & CRM)

0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
15,796,965	-	12,607,345	-	-	-	-	-	-	-	28,404,310
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	871,429	-	1,014,287	-	-	776,600	-	-	2,662,317
-	-	-	-	4,166,138	-	-	3,588,053	-	-	7,754,191
-	-	976,798	-	2,085,997	-	-	74,207,520	23,252	-	77,293,566
257,760	-	393	-	-	1,791,246	88,909,045	8,661,532	-	-	99,619,976
-	-	-	-	3,314,700	-	-	4,676,042	-	-	7,990,742
-	-	-	-	-	-	-	567,812	-	-	567,812
-	-	-	-	270,685	-	-	4,890,184	3,733,254	-	8,894,123
-	-	-	-	-	-	-	-	-	25,803	25,803
8,420,270	-	1,363,797	-	-	-	-	5,246,643	-	-	15,030,709
24,474,994	-	15,819,761	-	10,851,808	1,791,246	88,909,045	102,614,385	3,756,506	25,803	248,243,548

Group

LKR'000 as at 31-Dec-2020 (Post CCF & CRM)

0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
15,796,965	-	12,607,345	-	-	-	-	-	-	-	28,404,310
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	871,487	-	1,014,287	-	-	776,600	-	-	2,662,375
-	-	-	-	4,166,138	-	-	3,588,053	-	-	7,754,191
-	-	976,798	-	2,085,997	-	-	74,207,883	23,252	-	77,293,930
257,760	-	393	-	-	1,791,246	88,909,045	8,661,532	-	-	99,619,976
-	-	-	-	3,314,700	-	-	4,676,042	-	-	7,990,742
-	-	-	-	-	-	-	567,812	-	-	567,812
-	-	-	-	270,685	-	-	4,890,184	3,733,254	-	8,894,123
-	-	-	-	-	-	-	-	-	-	-
8,420,293	-	1,363,797	-	-	-	-	5,069,778	-	-	14,853,867
24,475,017	-	15,819,820	-	10,851,808	1,791,246	88,909,045	102,437,884	3,756,506	-	248,041,325

Risk Management Annexures

Table 9

Market Risk under Standardised Measurement Method

Item	Bank LKR '000 31-Dec-2021	Bank LKR '000 31-Dec-2020	Group LKR '000 31-Dec-2021	Group LKR '000 31-Dec-2020
(a) RWA for Interest Rate Risk	602,420	1,065,625	602,420	1,065,625
General Interest Rate Risk	602,420	1,065,625	602,420	1,065,625
(i) Net Long or Short Position	602,420	1,065,625	602,420	1,065,625
(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	61,513	37,969	61,513	37,969
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	5,532,774	9,196,617	5,532,774	9,196,617

Table 10

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

	Bank									
Business Lines	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-Dec-2021			Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-Dec-2020		
			1st Year	2nd Year	3rd Year			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		22,191,304	21,094,930	23,333,112	15%		21,254,398	22,191,304	21,094,930
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	3,330,967					3,227,032				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				
Risk Weighted Amount for Operational Risk (LKR'000)										
The Basic Indicator Approach	27,758,061					26,891,930				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				

Table 10 (Contd.)

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

	Group									
Business Lines	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-Dec-2021			Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-Dec-2020		
			1st Year	2nd Year	3rd Year			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		22,552,135	21,430,771	23,668,521	15%		21,309,585	22,552,135	21,430,771
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	3,382,571					3,264,625				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				
Risk Weighted Amount for Operational Risk (LKR'000)										
The Basic Indicator Approach	28,188,094					27,205,205				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				

Risk Management Annexures

Table 11

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

Bank	LKR '000 as at 31-Dec-2021				
	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	379,641,867	379,208,586	265,896,067	72,969,011	40,343,508
Cash and Cash Equivalents	13,427,451	13,427,986	13,427,986	-	-
Balances with Central Banks	6,915,197	6,813,183	6,813,183	-	-
Placements with Banks	3,001,370	3,102,000	102,000	-	3,000,000
Derivative Financial Instruments	472,864	-	-	-	-
Financial Assets - Recognised through Profit or Loss	6,150,508	72,969,011	-	72,969,011	-
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	-
Loans and Receivables to Banks	-	-	-	-	-
Financial Assets at Amortised Cost – Loans and Advances	247,441,428	247,880,943	211,713,275	-	36,167,668
Financial Assets at Fair Value through Other Comprehensive Income	67,520,760	-	-	-	-
Financial Assets at Amortised Cost - Debt Instruments	26,140,298	25,415,616	25,415,616	-	-
Investments in Subsidiaries	678,710	678,710	678,710	-	-
Investments in Associates and Joint Ventures	-	-	-	-	-
Property, Plant and Equipment	3,953,503	2,318,974	2,318,974	-	-
Investment Properties	-	-	-	-	-
Goodwill and Intangible Assets	1,174,468	-	-	-	-
Other Assets	2,765,309	6,602,163	5,426,324	-	1,175,839
Liabilities	341,103,031	340,479,597	-	-	-
Due to Banks	2,016,105	6,984,704	-	-	-
Derivative Financial Instruments	165,699	-	-	-	-
Other Financial Liabilities Held-For- Trading	-	-	-	-	-
Financial Liabilities Designated at Fair Value Through Profit or Loss	-	-	-	-	-
Due to Depositors	267,991,907	266,234,717	-	-	-
Due to Other Borrowers	46,501,121	38,710,024	-	-	-
Debt Securities Issued	-	-	-	-	-
Current Tax Liabilities	2,440,631	-	-	-	-
Deferred Tax Liabilities	-	-	-	-	-
Other Provisions	-	-	-	-	-
Other Liabilities	9,634,693	16,550,152	-	-	-
Due to Subsidiaries	-	-	-	-	-
Subordinated Term Debts	12,352,873	12,000,000	-	-	-
Off-Balance Sheet Liabilities	217,357,294	228,666,461	227,884,596	-	-
Guarantees	2,762,783	2,762,783	2,762,783	-	-
Performance Bonds	19,438,230	19,438,230	19,158,095	-	-
Letters of Credit	15,208,196	15,208,196	15,188,834	-	-
Other Contingent Items	13,234,852	13,234,852	13,234,852	-	-
Undrawn Loan Commitments	135,311,079	135,311,079	135,311,079	-	-
Other Commitments	31,402,154	42,711,322	42,228,954	-	-
Shareholders' Equity					
Equity Capital (Stated Capital)/Assigned Capital	9,408,134	9,408,134	-	-	-
of which Amount Eligible for CET1	9,408,134	9,408,134	-	-	-
of which Amount Eligible for AT1	-	-	-	-	-
Retained Earnings	26,911,909	27,759,066	-	-	-
"Accumulated Other Comprehensive Income"	(503,404)	-	-	-	-
Other Reserves	2,722,196	1,561,788	-	-	442,150
Total Shareholders' Equity	38,538,836	38,728,988	-	-	442,150

Notes:

1) Differences in Cash and Cash Equivalents, Financial Assets - Recognised 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).

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