NATIONS TRUST BANK PLC AND ITS SUBSIDIARIES

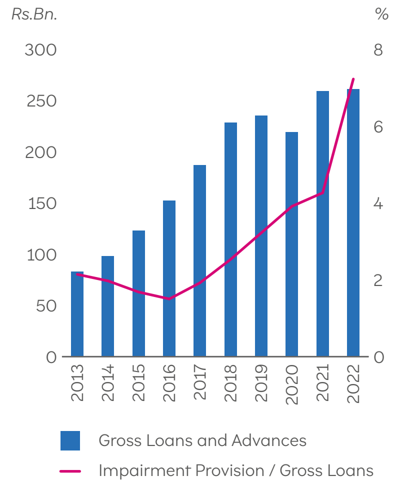
BASEL III Market Discipline – Minimum Disclosure Requirement Under Pillar 3 as per the Banking Act Direction No. 01 of 2016

December 31, 2022

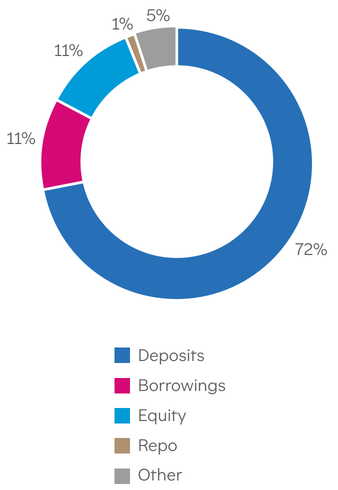
Risk Management Review

In the face of socioeconomic turmoil, the Bank continued it's focus on de-risking of portfolios enabling sustainable value creation while recording a robust performance during the year.

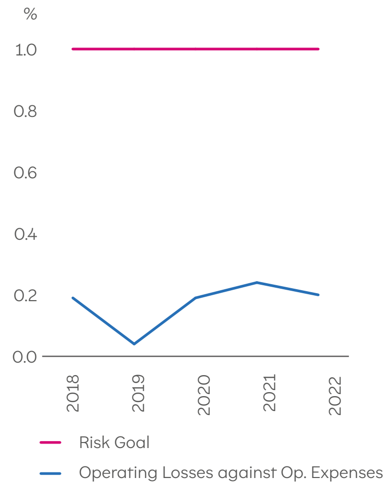
Loan Book and Impairment



Funding Composition



Operating Losses against Operational Expenses



(a) Linking Business Strategy to Risk Management

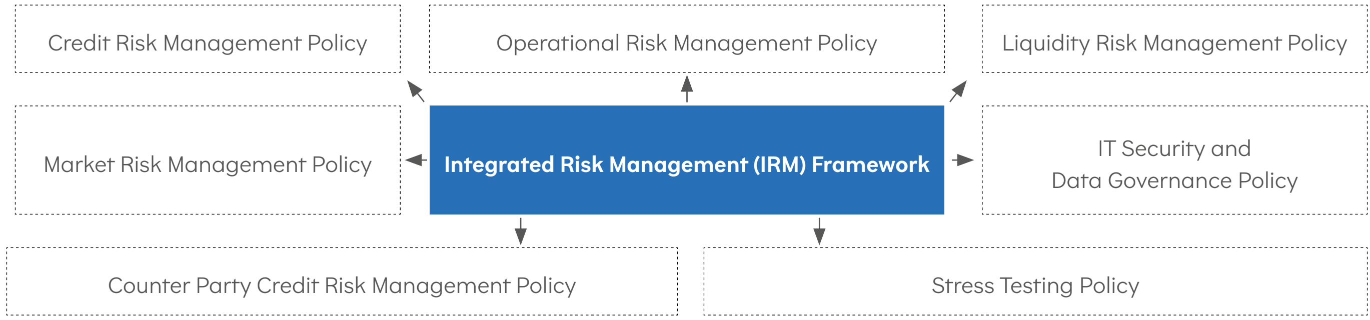
The link between risk management and business performance has grown stronger over the past few years. We have tightly integrated the risk management process effectively into management core business process to extend beyond value protection and compliance activities to support the business and take advantage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

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 characterised as the risk appetite.

	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	



(b) Approach to Risk Management

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

Integrated Risk Management Framework

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

The Bank's key risk management objectives are;

- Establish a framework that supports the business activities to 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 organisation and individual business units and the key assumptions underlying those strategies
- The significant risks and aggregate risk levels that the Bank is willing to accept in order to achieve its objectives
- The governance structures and risk management policies to oversee and control risks
- Assess and quantify the key risks so that the Bank can monitor 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 optimise 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.

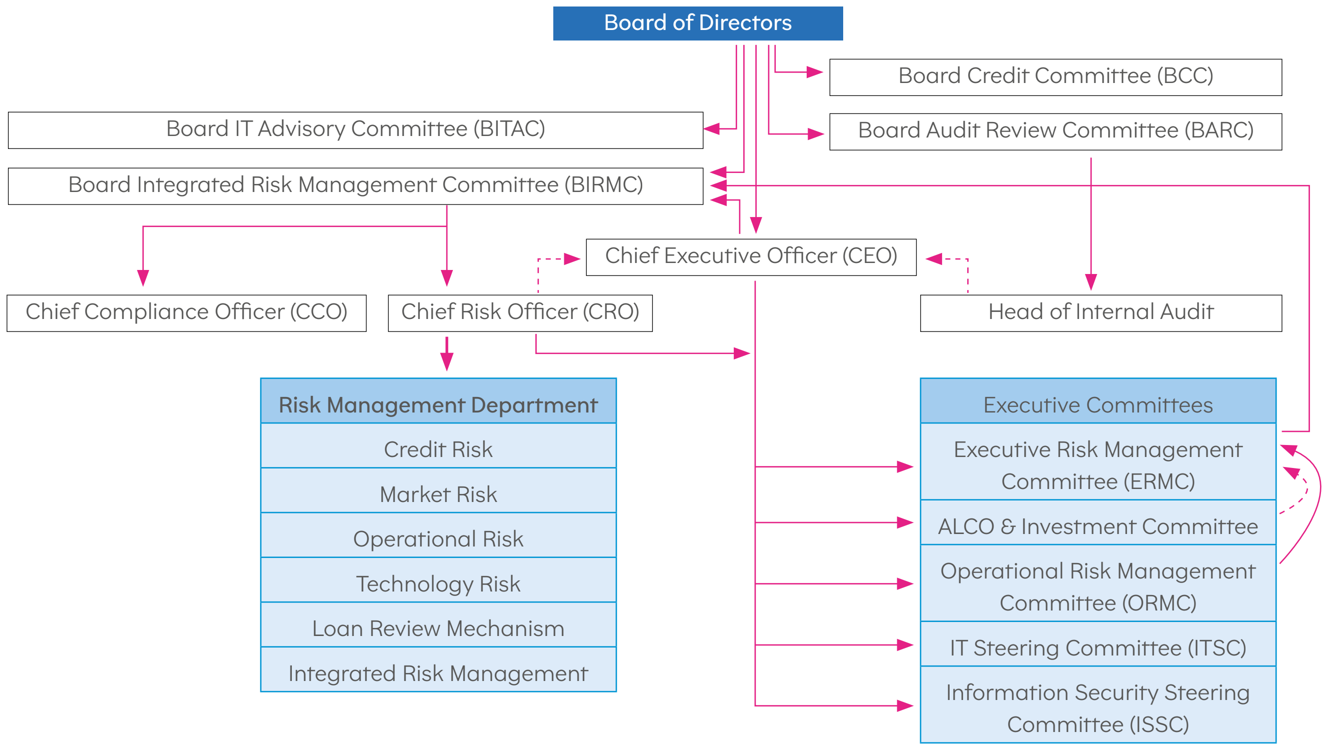
Risk Management Review

	Position as at End 2022	Limit/Range for 2022	Limit/Range for 2021
Credit Risk			
Impairment Ratio	7.22%	7.00% to 8.00%	3.50% to 4.50%
Stage 3 Ratio (Gross)	7.48%	Less than 9.00%	5.50%*
Total Impairment to Stage 3	96.49%	Above 65.00%	Above 45.00%*
Market Risk			
Sensitivity of the trading portfolio against interest rate fluctuations	0.05%	Below 2% of PBT	Below 2% of PBT
Operational Risk			
Operational Losses to Operating Expenses Ratio	0.20%	<1%	<1%

*Ratios based on previously applicable regulatory NPL classification.

(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.



The Board has established Board sub committees to assist it in discharging its oversight responsibilities on risk governance such as independent oversight of all risk related aspects within the Bank and group including overseeing the formulation of risk management policies, 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, consistently monitors the quality of the Bank's credit portfolio, reviews and appraise technology related recommendations to the Board of Directors.

Board sub committees are as follows:

1. Board Integrated Risk Management Committee (BIRMC)
2. Board Audit Review Committee (BARC)
3. Board Information Technology Advisory Committee (BITAC)

Details relating to composition, terms of reference, authority, activities undertaken during the year etc., of each of these Board sub committees are given in the respective committee reports.

The following management committees were established for the execution of strategies and plans in accordance with the mandate of the Board of Directors while maintaining the risk profile within the approved risk appetite.

Management committees are as follows:

1. Executive Risk Management Committee (ERMC)
2. Asset and Liability Management Committee (ALCO)
3. Investment Committee
4. IT Steering Committee (ITSC)
5. Information Security Steering Committee (ISSC)
6. Operational Risk Management Committee (ORMC)

Three Lines of Defense Model

We adopt the globally accepted Three Lines of Defense Model which ensures transparency and accountability in risk management through clear segregation of duties as depicted below.

First line of defense

Functions that own and manage risk

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

Second line of defense

Functions that oversee risk

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

Third line of defense

Functions that provide independent assurance

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

The Integrated Risk Management Department (IRMD)

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

Nurturing a Risk Culture	Risk Measurement	Risk Monitoring	Risk Management
Nurture an organisation 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
Provide interpretation of risk-related regulations/leading practices and disseminate 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 advise 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

Risk Management Review

(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 guidelines in day to day activities. Ongoing communication through news bulletins and collaboration tools are aimed towards strengthening the risk dialogue within the organisation. Risk also forms a vital part of the Bank's training proposition, comprising several mandatory training modules for all employees. These measures have helped to instill a culture of risk-awareness within the organisation.

(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 and 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 organisation.

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 , Net of IIS, 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
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	Performance on investment in foreign currency securities and corporate debt securities
		Investments Report	
		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, FIS performance
		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, M2M of FX and FIS portfolios, Daily Treasury Profitability, Treasury Exceptions
		ALCO Report	Maturity Gap, Liquidity Reserve ratio, Liquidity Coverage Ratio, Net Stable funding ratio, Liquidity Stress Testing, Other Liquidity Stock ratios, Monitoring of Contingency Funding plan, Interest rate risk ratios, FX Risk and Sensitivity Analysis
		Management Report	Performance of Investments in Government Securities
Operational Risk	Board of Directors	Exposure vs Risk Appetite	Uninsured Operational Losses Vs Net Income, Total Operational Losses Vs Operating Expenses Summary of Operational Losses & Loss Events
	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.

Risk Management Review

(g) Stress Testing

In addition to normal stress testing process, the 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.

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.

- Stress testing is an effective communication tool to senior management, risk owners and risk managers and regulators since it offers a broader view of all risks borne by the Bank in relation to its risk tolerance and strategy.
- The framework covers all the material risks such as credit risk, operational risk, liquidity risk, FX risk and IRRBB. The Bank reviews different degrees of stress levels as per the Stress Testing Policy which are broadly defined as Minor, Moderate and Severe scenarios.
- The Bank uses a range of stress testing techniques, including scenario analysis, sensitivity analysis and reverse stress testing to perform stress testing for different purposes.
- The outcomes of stress testing are reported to the respective management committees' for decision making and to BIRMC on a quarterly basis.

Credit Risk	Deterioration in asset quality Increase in Stage shifts and Scenario based simulation of Expected Credit Loss (ECL)
Interest Rate Risk	Parallel movement in Interest rates across portfolios
Foreign Exchange Risk	Exchange rate shocks of different magnitudes to Bank's Forex 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

Potential impact on,

- Earnings
- Capital Adequacy
- Funding Capability/ Liquidity

(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 Management Credit Committee (MCC). The MCC is headed by the CEO and comprises of the Heads of business units with the CRO also contributing as an independent observer. The credit risk management framework is composed of the following;

Comprehensive credit policy framework

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

Risk Scoring

Tailor-made risk scorecards which adopt advanced statistical data analytics are utilised when underwriting consumer credit facilities. 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 an 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

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 MCC, BCC and BIRMC

Areas of focus in 2022

- **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

Credit Risk Performance in 2022

Operating Context

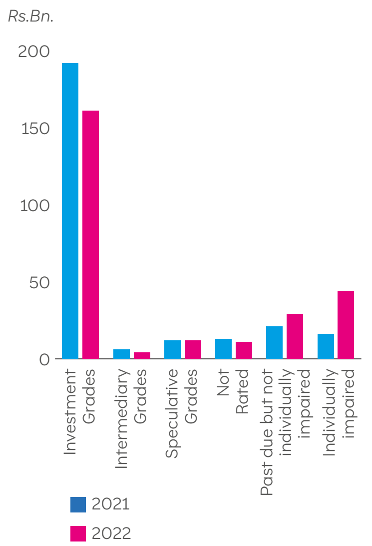
Sri Lanka went through an unprecedented sequence of social and economic events during 2022. The positive trend which was visible in tourism towards the end of 2021 was disrupted by the Russian invasion of Ukraine. The situation further deteriorated with power and fuel shortages experienced towards the second quarter which culminated in social unrest and destabilised the political leadership of the country. Sri Lankan government declared a sovereign default in the wake of severe shortage of foreign currency reserves in the country. Devaluation of the Sri Lankan Rupee triggered a series of events which exacerbated galloping inflation and a surge in domestic interest rates.

The externalities contributed towards deterioration in Credit quality in the Banking sector. The proactive portfolio repositioning ensured a certain level of resilience from the Bank towards the negativities. This is evident from the Bank's Stage 03 loan ratio. Nevertheless, the bank has allocated additional provision buffers to cushion the possible impacts of sluggish economic conditions and uncertainties. Proactive provisions resulted in a visible increase in impairment ratio and provision coverage amidst a relatively moderate increase in Stage 3.

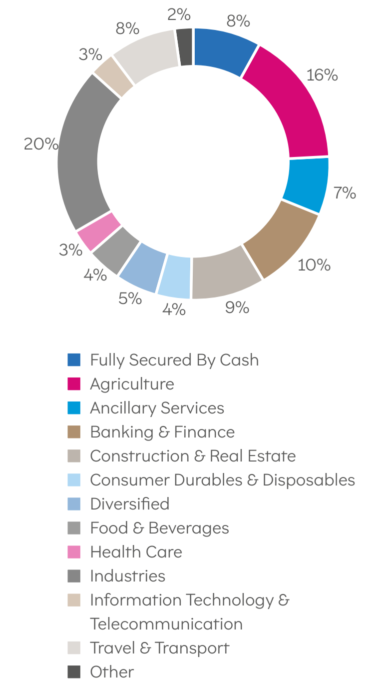
Sri Lankan government initiated discussions with International Monitory Fund (IMF) for financial assistance and obtained staff level agreement for a USD 2.9 Billion credit facility. All macroeconomic indicators reported a higher level of stability towards the last quarter of the year. The positive sentiment was supported by the favourable developments in Exports, tourism sector and remittances.

Risk Management Review

Risk Ratings Distribution



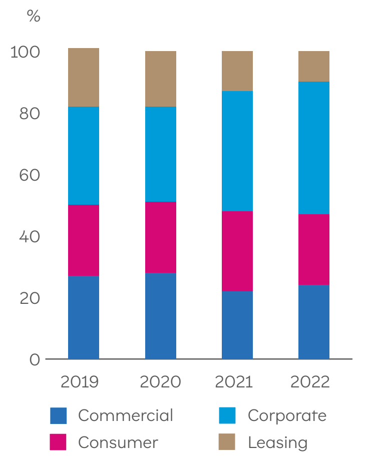
Sectoral Distribution of Loans 2022



Concentration risk

Concentration risk is measured through the Normalised (Herfindahl-Hirschman Index HHI) and is computed as part of the Bank's ICAAP process in which concentration related to different industrial sectors of the economy, different customer segments, product types and maturity patterns are monitored. Moderate growth in the corporate and 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 2022

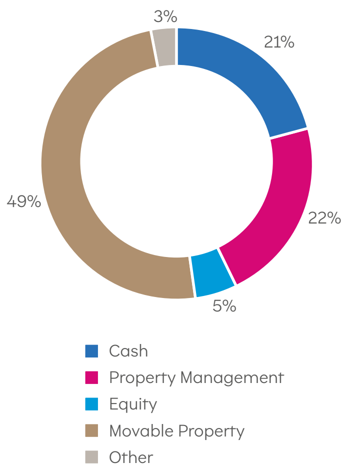


Further details on portfolio status and impairment reserves as at 31.12.2022 are available on page 17.

Large Exposures

Large exposures 31.12.2022	% of total portfolio (Cumulative)
Top 5	8.04%
Top 10	13.02%
Top 20	19.63%
Other	80.37%

Collateral Breakdown 2022



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 2022.

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 is managed through the market risk management framework approved by the Board, which comprises a robust risk governance structure and a comprehensive risk management processes which include policies, procedures, market risk limits, risk monitoring and risk assessment.

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 the Bank's investment activities and evaluating investment performance.

Market Risk is managed by the Treasury Division and exposures are monitored by the Treasury Middle Office, which operates independently from the Treasury Department.

Sound and Robust Market risk Policies

A comprehensive framework of policies is in place to govern all aspects of market risks. These include the Market risk management policy, Investment policy, Asset and liability management policy, Stress testing policy, which provide guidance on systems, procedures, tools and techniques for the identification, assessment, monitoring and reporting on all market related risks. The policies are reviewed and updated regularly in line with changing market dynamics.

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, stop loss limits, maximum exposure limits, counterparty limits and other market risk related limits. Actual performance against these limits are monitored by the Treasury Middle Office 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.

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 by the Treasury Middle Office, ensuring Market Risk exposures are within the Board approved limits.

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

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 its lending, trading securities and deposit liabilities.

Sub types of interest rate risks are;

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

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

Interest Rate Risk in Banking Book

Interest Rate Risk in Banking Book (IRRBB) refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates that affect the bank's banking book positions.

When interest rates change, the present value and timing of future cash flows change. This, in turn changes the underlying value of a bank's assets, liabilities and off-balance sheet items and hence it's Economic Value (EVE). Earnings 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 optimise the earnings based on the future interest rate forecasts.

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

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

Liquidity Risk

Liquidity risk is the risk arising from the Bank's potential inability to meet all payment obligations when they fall 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 compressive 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

Risk Management Review

Coverage Ratio (all currencies) was also maintained well above the regulatory requirement of 100%.

Maturity analysis of assets and liabilities also indicates a relatively healthy liquidity position and for Maturity Gaps in major currencies, please refer page 20.

Areas of focus in 2022

New Policies, Revision of Policies and procedures

- Market & Liquidity Risk Management Policies including Contingency Funding Plan have been reviewed in line with the CBSL Direction No. 07 of 2011-Integrated Risk management Framework and market best practices. No 06 of 2019 Market Conduct and practices for Treasury Operations of Licensed Banks in SL.
- Liquidity Stress testing parameters were reviewed and impact to the statutory liquid asset ratio was also included by analysing different scenarios.
- Counterparty limits were reviewed in accordance with the financial standing and potential revision of credit ratings. Market risk limits on treasury were formulated capturing the change in the risk landscape due to economic turbulence and the Bank's strategy. The Sensitivity of balance sheet, liquidity and the impact to the income statements were assessed considering a possible Domestic Debt Restructure (DDR).

Operational Risk Management

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

The operational risk management framework is underpinned by the following;

- Identification and assessment
  The Bank uses Risk and Control Self Assessments (RCSA) which are administered to all key business and operational units to evaluate the exposure to defined operational risk parameters.

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

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

- Risk reporting
  The Bank maintains a well-structured Operational Risk Loss Data Base which is aligned to the BASEL requirements. Streamlined processes are in place to capture all operational loss events including near misses, which are then categorised as specified in a BASEL document in order to use them for future modelling activities. The loss events are linked to the RCSA & KRI Program to ensure that repeat errors are minimized.

- Outsourced services
  The Bank has embedded well-structured mechanism for managing the outsourced and agent banking activities. Monitoring committee had been established to strengthen the governance and ensure the risk identification and mitigation. Outsourcing services units ensures the Business Continuity Plan rehearsals of service providers as well as carry out periodical visits along with the business unit members, Information Security and respective operational units. These activities provide an assurance on the ability of service provider to maintain required levels of service.

  All 3rd party activities have also been reviewed under the Bank recovery procedure in order to ensure high availability for all critical shared services.

- Challenges during fuel crisis
  Adoption of the work from home and strong BCP planning had been instrumental for the Bank to face the prolonged fuel crisis. With the learnings during the pandemic, the Bank has been able to continue all critical banking operations without any major disturbances. Risks identified from WFH had been managed with adequate measure and application of the correct IT infrastructure.

Operational Risk Performance in 2022

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 2022.

BASEL II Loss Event Type	NTB 2021		NTB 2022	
	Value	%	Value	%
Internal Fraud	580	2%	-	-
External Fraud	672	2%	1,009	4%
Employment Practices and Workplace Safety	100	0%	-	-
Clients Products and Business Practices	4,119	15%	5,825	26%
Damage to Physical Assets	-123	0%	-	-
Business Disruption and System Failure	8,381	30%	4,005	18%
Execution Delivery & Process Management	13,970	51%	11,918	52%
Total Operating Losses	27,699	100%	22,757	100%

Areas of focus in 2022

- **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 an analysis of the Operational Risks of the units. KRIs 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 was at 0.09% in 2022
- **Increased employee engagement and awareness on "Operational Risks":** Operational risk cultures as further emphasised focusing on the "Risk & Compliance Coordinator (RCC)" development programs. Rolled out thematic awareness session among the RCC during the year to enhance their knowledge on the key policies and procedures governing the risk culture.
- **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. Risk reviews on business and operational changes were conducted to ensure the effectiveness of the key controls of the Bank and to provide better visibility of potential risk exposures.
- **Fraud Monitoring:** With rapid digitalisation and due to the continuous improvements in customer non-face to face transactions the bank revisits the adequacy of the fraud monitoring at frequent intervals and during all critical changes.
- **Business Continuity and Disaster centre operation:** The Bank has complied with the BCP/DR policy of the Bank and successfully completed the full-fledged annual BCP along with the DR for 7 days period ensuring all the mission critical operations are meeting with the defined RTOs.
- **Recovery planning:** In compliance with the CBSL Direction for establishing recovery procedure for License commercial banks, procedures to identify and ensure the resilience of critical shared services of the Bank were established.
- **User access management:** The Bank had further strengthened the user access management and review procedure scoping the 3rd party system user access as well.
- **Digitalisation:** Digitalisation being the forward strategy of the Bank, Operations risk reviews were carried out in order to ensure the control framework during new implementations.
- **Moving to The Standardised approach on capital calculation methods:** Parallel assessment of operational risk capital under The Standardised 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 certified with the international ISO 27001:2013 Information Security standard and further has a strategic focus on aligning its security processes and technology to Zero Trust architecture principles and international Cyber Security standards to strengthen its security posture.

Risk Management Review

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 carry out 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 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.

Reporting

Information Security Steering Committee (ISSC) as the apex management level body of information security management is kept updated of the current risk profile, risk appetite and risk mitigation plans for technology risk resilience within the Bank. 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.

Areas of focus in 2022

Security monitoring has been further enhanced by establishing a 24 x 7 Security Operations Centre (SOC) to detect, respond and contain security incidents in a timely manner. Further, the Bank is in the process of enhancing privilege access management and monitoring capabilities.

The Bank launched its Data security program with the implementation of a Data Governance Framework encompassing Data Classification and Data Leakage Prevention measures to protect against data breaches. The implementation of Data Leakage Prevention and Data Classification tools are in progress to enhance information protection capabilities of the Bank.

The Bank has further initiated the implementation of Payment Card - Industry Data Security Standard (PCI - DSS) to enhance security of payment account data and further strengthen its security posture.

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 organisational 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.

Outlook for 2023 and Beyond

Credit Risk

- Country's default status, prevailing uncertainty over possible Domestic Debt Restructure and time taken to finalise the IMF facility is likely to create stress in the market. Further disruptions may cloud the economic outlook for 2023.
- Strict control of government expenses and the impact of the revision in personal taxes are also expected to create pressure on the credit quality of the loan book.
- Lending will be focused on segments with higher resilience to the anticipated economic conditions and strategic segment/ portfolio shifts will be continued.
- Bank has taken measures to assess potential stresses seen on portfolio segments with elevated risks. Such segments are closely monitored and proactive remediation measures will be provided to customers on an ongoing basis. The Bank has taken additional Impairment charges for such elevated risk segments and periodic reassessments and stress testing will be performed to ensure adequacy.
- Strict Credit underwriting, adherence to the pre and post disbursement covenants, close monitoring and follow-up shall be the key focus for future in maintaining the asset quality within set appetite level.

Market Risk

- The global economy is projected to expand at a sluggish pace of around 1.6% in 2023 as financial conditions tighten
- Volatility in the Exchange and Interest rates are eminent with the economic turbulence experienced by many parts of the world
- The outcome of IMF negotiations with Sri Lanka would have an impact on the market sentiments
- The default status of the country and expectation of a possible announcement of Domestic Debt Restructure would create stresses on market and liquidity
- Effective portfolio & liquidity management with in-depth risk assessment stress testing and cashflow forecasting would enhance the preparedness and resilience to adverse shocks in the financial markets
- The Bank has been sufficiently liquid in both local & foreign currency and will remain liquid through structural balance sheet management

Operational Risk

- Improving the bank wide 4P (Policy, Procedure, Process, Product) document management
- Establishing governance framework for digital transformation
- Enhance the resilience of the BCP/DR capabilities in line to the ISO 22301
- Moving into Analytics-driven issue detection and real-time risk reporting instead of manual risk reporting
- Enhancing the ORMU engagements with Risk & Compliance Coordinators for continuous development of the operational risk culture across the bank

Technology Risk

- Continue control implementation in compliance to the Technology resilience act
- Compliance to Personal Data Protection Act
- Strengthen Privilege access management
- Establish Zero Trust Architecture
- Strengthen threat and vulnerability management processes
- Further improve detection capabilities

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

Pillar 2 risk exposures

Risks such as Residual credit risk, credit concentration risk, interest rate risk of the banking book and strategic risk are assessed based on the Internal Capital Adequacy Assessment Process (ICAAP).

This process also includes assessment of adequate capital buffers to ensure maintenance of minimum capital ratios as per regulations under unexpected, stressed economic conditions.

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 optimise risk adjusted returns. Excess capital in subsidiary companies is also re-allocated based on this model. Capital allocation drives down further to key products and customer portfolios depending on the availability of data and management objectives.

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

Risk Management Review

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:

Total Group capital adequacy ratio under Basel III Pillar I risks is 16.86% as at 31.12.2022 (18.01% 31.12.2021).

Recovery Plan

As sited in the Banking Act Direction number 09 of 2021 issued by the Central Bank of Sri Lanka (CBSL), NTB initiated to maintain a proactive Recovery Plan (RCP) during 2022.

Nations Trust Bank PLC recovery planning process is an ongoing activity. The process complements the Bank's risk governance functions and support its safe and sound operation. The process of developing and maintaining a recovery plan require the Bank's Management and Board of Directors to enhance their focus on risk governance with a view toward lessening the financial impact of future unforeseen events. The recovery plan covers both Bank and the Group of Nations Trust Bank.

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 - 25
	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 - 29
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 - 31
	9	Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights	Table - 8	32 - 33
	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 - 35
Risk Management	12	Bank Risk Management Approach	Risk Management review is outlined in Sections (a) to (h) in this Review	2 - 16
	13	Risk Management related to Key Risk Exposures		

Risk Management Annexures

Credit Risk

Table 1

Gross Loans & Advances - Individual Impairment

2022	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	43,653,891	-	8,488,838	37,254,004	236,178	24,641,309	12,000,992	7,011,590

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

Table 2

Gross Loans & Advances - Collective Impairment

2022	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	213,575,424	-	10,340,337	1,829,927	189,455,460	14,379,714	9,740,250

* Staff Loans exposures are not assessed for impairment.

Risk Management Annexures

Market Risk

Table 1

Composition of Trading and Non-Trading Book

	2022		
	Trading book (LKR million)	Non-trading book (LKR million)	Total (LKR million)
Assets			
Cash and Cash Equivalents	-	58,748	58,748
Balances with Central Bank of Sri Lanka	-	6,074	6,074
Reverse Repurchase Agreements	-	1,502	1,502
Derivative Financial Instruments	103	-	103
Financial Assets	3,734	30,350	34,084
Other Financial Assets	-	-	-
Financial Assets at Amortised Cost - Debt Instruments	-	59,928	59,928
Financial Assets at Amortised Cost - Loans and Advances	-	241,241	241,241
Other Assets	-	3,376	3,376
Investments in Subsidiaries	-	679	679
Fixed Assets (PPE, ROU & Intangibles)	-	9,288	9,288
Total	3,837	411,186	415,023
Liabilities			
Due to Banks	-	3,989	3,989
Derivative Financial Instruments	39	-	39
Due to Depositers	-	298,910	298,910
Repurchase Agreements	-	4,000	4,000
Due to other Borrowers	-	33,741	33,741
Debt Securities Issued	-	12,355	12,355
Retirement benefit obligations	-	944	944
Tax Liabilities (Current &Deffered)	-	5,179	5,179
Other Liabilities	-	11,640	11,640
Equity & Other Reserves	-	44,226	44,226
Total	39	414,984	415,023
Contingent Liabilities & Commitments	44,630	181,623	226,253
Commitment & Guarantees	-	181,623	181,623
Forward on Government Securities	-	-	-
Derivative Assets- Held for Trading (Net)	44,630	-	44,630

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)	177.138	26.394	19.318	.947	18.875	1.272	(0.351)	
	Liabilities (On & Off Balance sheet)	61.710	36.258	19.592	32.061	23.842	6.246	59.964	3.920
	Periodic Gap	115.428	(9.864)	(0.274)	(31.114)	(4.967)	(4.974)	(60.315)	
GBP	Assets (On & Off Balance sheet)	6.743	0.003	0 .004	0 .012	0.011	-	0.024	
	Liabilities (On & Off Balance sheet)	0.396	0.505	0.444	1.207	0.415	0.158	3.704	(0.032)
	Periodic Gap	6.347	(0.502)	(0.440)	(1.195)	(0.404)	(0.158)	(3.680)	
EUR	Assets (On & Off Balance sheet)	6.557	3.003	0.003	0.053	0.006	-	0.144	
	Liabilities (On & Off Balance sheet)	0.805	1.669	0.522	1.087	1.550	0.583	3.553	(0.004)
	Periodic Gap	5.752	1.334	(0.519)	(1.034)	(1.544)	(0.583)	(3.409)	
AUD	Assets (On & Off Balance sheet)	14.391	0.001	(0.036)	0.001	0.001	-	-	
	Liabilities (On & Off Balance sheet)	1.405	0.566	1.357	2.278	0.798	0.298	7.717	(0.061)
	Periodic Gap	12.986	(0.565)	(1.393)	(2.277)	(0.797)	(0.298)	(7.717)	
JPY	Assets (On & Off Balance sheet)	9.349	-	(1.283)	5.701	-	-	17.265	
	Liabilities (On & Off Balance sheet)	30.509	0.352	0.167	0.192	1.555	0.598	2.207	(4.548)
	Periodic Gap	(21.160)	(0.352)	(1.450)	5.509	(1.555)	(0.598)	15.058	

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)	63,633	42,673	27,016	25,837	67,732	31,193	52,733
	Liabilities (On & Off Balance sheet)	62,982	35,493	27,183	23,632	17,843	22,882	143,073
	Periodic Gap	651	7,180	(167)	2,205	49,889	8,311	(90,340)
	Cumulative GAP	651	7,831	7,664	9,869	59,758	68,069	(22,271)
USD	Assets (On & Off Balance sheet)	174	37	26	5	55	8	(1)
	Liabilities (On & Off Balance sheet)	66	43	25	42	47	12	47
	Periodic Gap	108	(6)	1	(37)	8	(4)	(46)
	Cumulative GAP	108	102	103	66	74	70	24
GBP	Assets (On & Off Balance sheet)	7	-	-	-	-	-	-
	Liabilities (On & Off Balance sheet)	-	1	-	1	-	-	8
	Periodic Gap	7	(1)	-	(1)	-	-	(8)
	Cumulative GAP	7	6	6	5	5	5	(3)
EUR	Assets (On & Off Balance sheet)	7	3	-	-	-	-	-
	Liabilities (On & Off Balance sheet)	1	2	1	1	2	1	5
	Periodic Gap	6	1	(1)	(1)	(2)	(1)	(5)
	Cumulative GAP	6	7	6	5	3	2	(3)
AUD	Assets (On & Off Balance sheet)	14	-	-	-	-	-	-
	Liabilities (On & Off Balance sheet)	1	1	1	2	1	-	3
	Periodic Gap	13	(1)	(1)	(2)	(1)	-	(3)
	Cumulative GAP	13	12	11	9	8	8	5
JPY	Assets (On & Off Balance sheet)	12	-	(1)	6	-	-	17
	Liabilities (On & Off Balance sheet)	31	1	-	-	2	1	65
	Periodic Gap	(19)	(1)	(1)	6	(2)	(1)	(48)
	Cumulative GAP	(19)	(20)	(21)	(15)	(17)	(18)	(66)

Interest Rate Risk

Table 1

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

CCY		Up to One month	1 - 3 months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Over 5 Years	Total
LKR	Assets	111,459	49,818	17,700	19,076	38,926	15,391	24,809	277,179
	Liabilities	77,902	41,290	44,046	41,868	8,348	7,491	2,501	223,446
	Periodic Gap	33,557	8,528	(26,346)	(22,792)	30,578	7,900	22,308	53,733
USD	Assets	79	82	19	1	13	-	-	194
	Liabilities	102	51	74	43	-	-	-	270
	Periodic Gap	(23)	31	(55)	(42)	13	-	-	(76)
GBP	Assets	3	-	-	-	-	-	-	3
	Liabilities	2	1	1	3	-	-	-	7
	Periodic Gap	1	(1)	(1)	(3)	-	-	-	(4)
EUR	Assets	3	3	-	-	-	-	-	6
	Liabilities	5	2	1	2	-	-	-	10
	Periodic Gap	(2)	1	(1)	(2)	-	-	-	(4)
AUD	Assets	1	-	-	-	-	-	-	1
	Liabilities	5	1	3	5	-	-	-	14
	Periodic Gap	(4)	(1)	(3)	(5)	-	-	-	(13)
JPY	Assets	4	-	-	-	-	-	-	4
	Liabilities	35	1	-	-	-	-	-	36
	Periodic Gap	(31)	(1)	-	-	-	-	-	(32)

Table 2

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

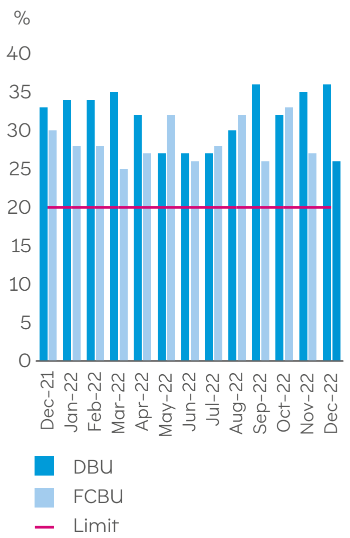
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Up by 200bp	(5)	(58)	274	452	(1,021)	(374)	(1,538)	(2,270)
Down by 200bp	5	58	(274)	(452)	1,021	374	1,538	2,270

Note : Interest sensitivity is on 200bps increase/decrease, excluding trading book

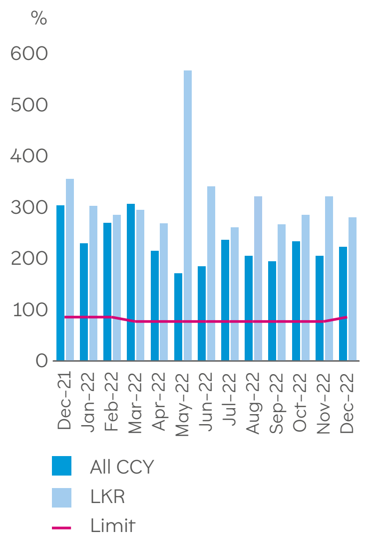
Risk Management Annexures

Liquidity Risk Trend Analysis

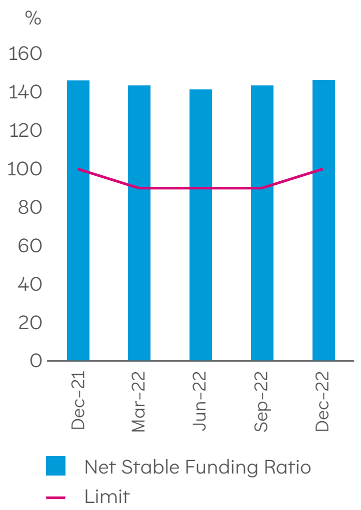
Statutory Liquidity Ratio



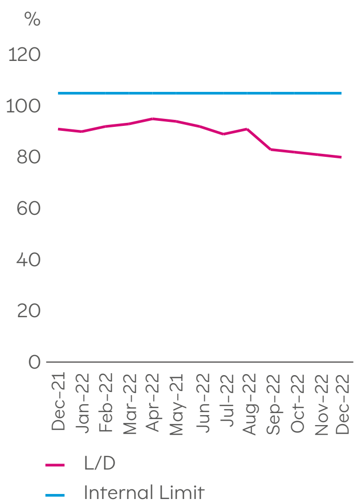
Liquidity Coverage Ratio



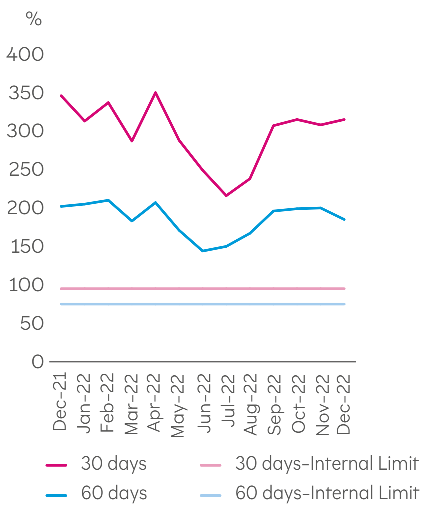
Net Stable Funding Ratio



Loan to Deposit Ratio



Liquid Assets to Short term Liabilities Ratio



Net loans to Total Assets Ratio

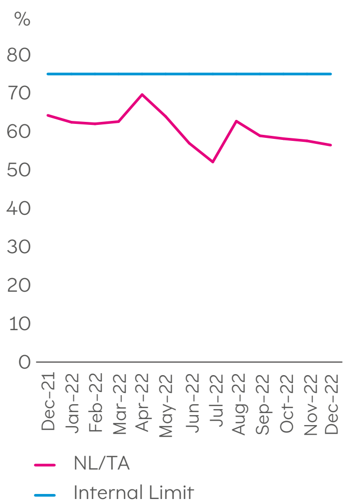


Table 1

Key Regulatory Ratios – Capital and Liquidity

Item	Bank		Group	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Regulatory Capital (LKR '000)				
Common Equity Tier 1	38,032,394	35,772,533	39,599,360	37,073,777
Tier 1 Capital	38,032,394	35,772,533	39,599,360	37,073,777
Total Capital	43,662,516	42,291,642	45,229,482	43,592,886
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement – 7.00%)	14.21%	14.77%	14.76%	15.31%
Tier 1 Capital Ratio (Minimum Requirement – 8.50%)	14.21%	14.77%	14.76%	15.31%
Total Capital Ratio (Minimum Requirement – 12.50%)	16.31%	17.46%	16.86%	18.01%
Leverage Ratio (Minimum Requirement -3%)	8.94%	9.03%	9.30%	9.36%
Regulatory Liquidity				
Statutory Liquid Assets				
Domestic Banking Unit (LKR'000)	123,358,706	104,283,917		
Off-Shore Banking Unit (LKR'000)	12,562,531	9,897,774		
Statutory Liquid Assets Ratio % (Minimum Requirement – 20%)				
Domestic Banking Unit (%)	35.87%	32.82%		
Off-Shore Banking Unit (%)	25.68%	29.67%		
Consolidated (%)	35.55%	31.48%		
Total Stock of High-Quality Liquid Assets (LKR'000)	80,523,205	84,587,028		
Liquidity Coverage Ratio (%)				
Rupee (Minimum Requirement – 90% – 31-Dec-2022) (Minimum Requirement – 100% – 31-Dec-2021)	279.63%	355.54%		
All Currency (Minimum Requirement – 90% – 31-Dec-2022) (Minimum Requirement – 100% – 31-Dec-2021)	222.88%	304.28%		
Net Stable Funding Ratio (Minimum Requirement – 90% – 31-Dec-2022) (Minimum Requirement – 100% – 31-Dec-2021)	146.23%	146.06%		

Risk Management Annexures

Table 2

Basel III Computation of Capital Ratios

Item	Bank		Group	
	LKR '000		LKR '000	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Common Equity Tier 1 (CET1) Capital after Adjustments	38,032,394	35,772,533	39,599,360	37,073,777
Common Equity Tier 1 (CET1) Capital	43,280,072	37,698,750	44,656,885	38,859,736
Equity Capital (Stated Capital)/Assigned Capital	10,401,432	9,408,135	10,401,432	9,408,135
Reserve Fund	2,228,472	1,882,111	2,228,472	1,882,111
Published Retained Earnings/(Accumulated Retained Losses)	30,650,134	26,911,908	32,026,947	28,072,895
Published Accumulated Other Comprehensive Income (OCI)	34	(503,404)	34	(503,404)
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	5,247,678	1,926,216	5,057,523	1,785,960
Goodwill (net)	-	-	-	-
Intangible Assets (net)	1,285,108	1,174,469	1,285,721	1,175,210
Deferred tax assets (net)	3,962,570	751,747	3,771,802	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	5,630,122	6,519,109	5,630,122	6,519,109
Tier 2 Capital	5,630,122	6,519,109	5,630,122	6,519,109
Qualifying Tier 2 Capital Instruments	2,341,905	3,839,048	2,341,905	3,839,048
Revaluation Gains	397,935	397,935	397,935	397,935
Loan Loss Provisions	2,890,282	2,282,127	2,890,282	2,282,127
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	38,032,394	35,772,533	39,599,360	37,073,777
Total Tier 1 Capital	38,032,394	35,772,533	39,599,360	37,073,777
Total Capital	43,662,516	42,291,642	45,229,482	43,592,886

Table 2 (Cond.)

Basel III Computation of Capital Ratios (Contd.)

Item	Bank		Group	
	LKR '000		LKR '000	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Total Risk Weighted Assets (RWA)	267,688,735	242,186,964	268,207,619	242,091,477
RWAs for Credit Risk	231,222,567	208,896,129	231,295,373	208,370,608
RWAs for Market Risk	3,337,695	5,532,774	3,337,695	5,532,774
RWAs for Operational Risk	33,128,473	27,758,061	33,574,551	28,188,094
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	14.21%	14.77%	14.76%	15.31%
of which: Capital Conservation Buffer (%)	2.500%	2.000%	2.500%	2.000%
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-	-	-
Total Tier 1 Capital Ratio (%)	14.21%	14.77%	14.76%	15.31%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	16.31%	17.46%	16.86%	18.01%
of which: Capital Conservation Buffer (%)	2.500%	2.000%	2.500%	2.000%
of which: Countercyclical Buffer (%)				
of which: Capital Surcharge on D-SIBs (%)				

Table 3

Basel III Computation of Leverage Ratio

Item	Bank		Group	
	LKR '000		LKR '000	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Tier 1 Capital	38,032,394	35,772,533	39,599,360	37,073,777
Total Exposures	425,622,313	395,980,939	425,733,851	396,030,297
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	408,172,184	374,406,347	408,283,722	374,455,706
Derivative Exposures	624,097	476,286	624,097	476,286
Securities Financing Transaction Exposures	1,500,000	3,000,000	1,500,000	3,000,000
Other Off-Balance Sheet Exposures	15,326,032	18,098,305	15,326,032	18,098,305
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	8.94%	9.03%	9.30%	9.36%

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-22		31-Dec-21	
Total Stock of High-Quality Liquid Assets (HQLA)	80,523,205	80,523,205	84,587,028	84,587,028
Total Adjusted Level 1A Assets	80,518,342	80,518,342	84,618,512	84,618,512
Level 1 Assets	80,523,205	80,523,205	84,587,028	84,587,028
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	485,249,411	71,710,175	463,654,421	55,410,732
Deposits	232,689,574	23,268,957	221,614,356	22,161,436
Unsecured Wholesale Funding	69,708,802	29,769,990	48,880,487	19,594,174
Secured Funding Transactions	34,997	-	613,381	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	176,604,770	12,459,960	189,931,908	11,040,833
Additional Requirements	6,211,268	6,211,268	2,614,289	2,614,289
Total Cash Inflows	115,985,432	35,582,181	59,402,130	27,611,639
Maturing Secured Lending Transactions Backed by Collateral	1,511,332	-	3,003,837	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	64,625,465	33,282,564	52,280,040	27,505,067
Operational Deposits	45,307,864	-	3,931,175	-
Other Cash Inflows	4,540,771	2,299,617	187,080	106,572
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/ Total Net Cash Outflows over the Next 30 Calendar Days) * 100		223%		304%

Table 5

Basel III Computation of Net Stable Funding Ratio

Item	Bank	
	Amount (LKR'000)	
	31-Dec-22	31-Dec-21
Total Available Stable Funding	300,703,131	285,905,828
Required Stable Funding – On Balance Sheet Assets	199,880,785	189,605,436
Required Stable Funding – Off Balance Sheet Items	5,761,837	6,138,738
Total Required Stable Funding	205,642,622	195,744,174
Net Stable Funding Ratio (Minimum Requirement - 90% - 31-Dec-2022) (Minimum Requirement - 100% - 31-Dec-2021)	146.23%	146.06%

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)	Subordinated Debt (Debentures)	Subordinated Debt (Debentures)	Subordinated Debt (Debentures)	Senior Debt (Debentures)	Senior Debt (Debentures)
Issuer	Nations Trust Bank PLC	Nations Trust Bank PLC	Nations Trust Bank PLC	Nations Trust Bank PLC	Nations Trust Bank PLC	Nations Trust Bank PLC	Nations Trust Bank PLC	Nations Trust Bank PLC
Unique Identifier (e.g., ISIN or Bloomberg Identifier for Private Placement)	LK0309N00001	LK0309N00001	NTB-BD 20/04/23-C2402-12.65	NTB-BD- 20/04/23-C2401-13	NTB-BD-23/12/24 - C2441 - 12.8	NTB-BD-23/12/26 - C2442 - 12.9	N/A	N/A
Governing Law(s) of the Instrument	Companies Act, No.7 of 2007	Companies Act, No.7 of 2007	Companies Act, No.7 of 2007 Monetary Law Act No. 58 of 1949	Companies Act, No.7 of 2007 Monetary Law Act No. 58 of 1949	Companies Act, No.7 of 2007 Monetary Law Act No. 58 of 1949	Companies Act, No.7 of 2007 Monetary Law Act No. 58 of 1949	Companies Act, No.7 of 2007 Monetary Law Act No. 58 of 1949	Companies Act, No.7 of 2007 Monetary Law Act No. 58 of 1949
Original Date of Issuance	3-May-99	20-Feb-18	20-Apr-18	20-Apr-18	23-Dec-19	23-Dec-19	9-Jul-21	9-Jul-21
Par Value of Instrument	22.12	80	100	100	100	100	100	100
Perpetual or Dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated
Original Maturity Date, if Applicable	N/A	N/A	20-Apr-23	20-Apr-23	23-Dec-24	23-Dec-26	9-Jul-26	9-Jul-26
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	7,167,864	3,233,568	147,533	85,800	1,080,000	1,028,571	N/A	N/A
Accounting Classification (Equity/Liability)	Equity	Equity	Liability	Liability	Liability	Liability	Liability	Liability
Issuer Call subject to Prior Supervisory Approval	-	-	-	-	-	-		
Optional Call Date, Contingent Call Dates and Redemption Amount (LKR '000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Subsequent Call Dates, if Applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Coupons/Dividends								
Fixed or Floating Dividend/Coupon	Discretionary dividend amount	Discretionary dividend amount	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon Rate and any Related Index	Distributable profit that has been declared as dividend	Distributable profit that has been declared as dividend	12.65%	13.00%	12.80%	12.90%	8.90%	9.15%
Non-Cumulative or Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative
Convertible or Non-Convertible	Non-Convertible	Convertible	Convertible	Convertible	Convertible	Convertible	Non-Convertible	Non-Convertible
If Convertible, Conversion Trigger (s)	Non-Convertible	Starting from last market date of quarter ending 30th June and forward	As per Banking Act Direction No. 1 of 2016	As per Banking Act Direction No. 1 of 2016	As per Banking Act Direction No. 1 of 2016	As per Banking Act Direction No. 1 of 2016	N/A	N/A
If Convertible, Fully or Partially	Non-Convertible	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	N/A	N/A
If Convertible, Mandatory or Optional	Non-Convertible	Optional	Mandatory	Mandatory	Mandatory	Mandatory	N/A	N/A
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.	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.	N/A	N/A

Risk Management Annexures

Table 7

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

Asset Class	Bank LKR'000 as at -31-Dec-2022						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 (%)		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)	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	65,232,924	11,078,300	65,232,924	221,566	1,251,558	2%	32,285,722	5,000,000	32,285,722	100,000	1,160,025	4%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	0%	-	-	-	-	-	0%
Claims on Public Sector Entities	2,739,330	-	2,739,330	-	547,866	20%	638,938	-	638,938	-	127,788	20%
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	0%	-	-	-	-	-	0%
Claims on Banks Exposures	48,861,064	1,759,829	48,861,064	76,276	19,580,140	40%	5,306,366	25,828,736	5,306,366	522,159	2,086,454	36%
Claims on Financial Institutions	5,677,580	17,584,743	5,677,580	214,389	3,885,050	66%	8,634,546	31,763,191	8,634,546	884,733	6,948,361	73%
Claims on Corporates	105,928,401	88,585,698	105,928,401	10,397,566	113,384,654	97%	90,733,881	75,857,866	90,733,881	13,994,432	101,750,979	97%
Retail Claims	86,089,527	74,922,660	86,089,527	3,765,607	67,407,367	75%	98,894,073	82,251,093	98,894,073	3,187,303	78,455,813	77%
Claims Secured by Residential Property	7,367,531	-	7,367,531	-	3,623,883	49%	7,653,249	-	7,653,249	-	5,343,156	70%
Claims Secured by Commercial Real Estate	367,122	-	367,122	-	367,122	100%	1,855,333	-	1,855,333	25,037	1,880,370	100%
Non-Performing Assets (NPAs)(i)	10,268,250	-	10,268,250	906,552	13,596,192	122%	5,318,106	-	5,318,106	-	6,021,822	113%
Higher-risk Categories	25,803	-	25,803	-	64,507	250%	25,803	-	25,803	-	64,507	250%
Cash Items and Other Assets	17,601,433	-	17,601,433	-	7,514,228	43%	15,624,055	-	15,624,055	-	4,929,067	32%
Total	350,158,965	193,931,230	350,158,965	15,581,956	231,222,567	63%	266,970,072	220,700,887	266,970,072	18,713,664	208,896,129	73%

Asset Class	Group LKR'000 as at -31-Dec-2022						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 (%)		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)	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	65,232,924	11,078,300	65,232,924	221,566	1,251,558	2%	32,285,722	5,000,000	32,285,722	100,000	1,160,025	4%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	0%	-	-	-	-	-	0%
Claims on Public Sector Entities	2,739,330	-	2,739,330	-	547,866	20%	638,938	-	638,938	-	127,788	20%
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	0%	-	-	-	-	-	0%
Claims on Banks Exposures	48,861,064	1,759,829	48,861,064	76,276	19,580,140	40%	5,306,423	25,828,736	5,306,423	522,159	2,086,466	36%
Claims on Financial Institutions	5,677,580	17,584,743	5,677,580	214,389	3,885,050	66%	8,634,546	31,763,191	8,634,546	884,733	6,948,361	73%
Claims on Corporates	105,928,401	88,585,698	105,928,401	10,397,566	113,384,654	97%	90,722,712	75,857,866	90,722,712	13,994,432	101,739,810	97%
Retail Claims	86,089,527	74,922,660	86,089,527	3,765,607	67,407,367	75%	98,894,073	82,251,093	98,894,073	3,187,303	78,583,600	77%
Claims Secured by Residential Property	7,367,531	-	7,367,531	-	3,623,883	49%	7,653,249	-	7,653,249	-	5,343,156	70%
Claims Secured by Commercial Real Estate	367,122	-	367,122	-	367,122	100%	1,855,333	-	1,855,333	25,037	1,880,370	100%
Non-Performing Assets (NPAs)(i)	10,268,250	-	10,268,250	906,552	13,596,192	122%	5,318,106	-	5,318,106	-	6,021,822	113%
Higher-risk Categories	-	-	-	-	-	0%	-	-	-	-	-	0%
Cash Items and Other Assets	18,241,906	-	18,241,906	-	8,154,678	45%	15,174,221	-	15,174,221	-	4,479,211	30%
Total	350,773,635	193,931,230	350,773,635	15,581,956	231,798,510	63%	266,483,325	220,700,887	266,483,325	18,713,664	208,370,608	73%

Note:

(i) RWA Density – Total RWA/Exposures post CCF and CRM.

Risk Management Annexures

Table 8

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

Description	Bank										
	LKR'000 as at 31-December-2022 (Post CCF & CRM)										
Risk Weight Asset Classes	0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka	59,196,698		6,257,792		-	-	-	-	-	-	65,454,490
Claims on Foreign Sovereigns and their Central Banks	-		-		-	-	-	-	-	-	-
Claims on Public Sector Entities	-		2,739,330		-	-	-	-	-	-	2,739,330
Claims on Official Entities and Multilateral Development Banks	-		-		-	-	-	-	-	-	-
Claims on Banks Exposures	-		16,864,385		31,731,382	-	-	341,572	-	-	48,937,340
Claims on Financial Institutions	-		40,120		3,949,645	-	-	1,902,204	-	-	5,891,969
Claims on Corporates	-		2,421,507		2,008,214	-	-	111,896,246	-	-	116,325,967
Retail Claims	24,519		-		-	7,081,990	78,361,810	4,386,816	-	-	89,855,135
Claims Secured by Residential Property	-		-	5,759,459	-	-	-	1,608,072	-	-	7,367,531
Claims Secured by Commercial Real Estate	-		-		-	-	-	367,122	-	-	367,122
Non-Performing Assets (NPAs)	-		-		279,972	-	-	5,772,080	5,122,751	-	11,174,803
Higher-risk Categories	-		-		-	-	-	-	-	25,803	25,803
Cash Items and Other Assets	10,087,206		-		-	-	-	7,514,228	-	-	17,601,433
Total	69,308,423	-	28,323,134	5,759,459	37,969,213	7,081,990	78,361,810	133,788,340	5,122,751	25,803	365,740,923

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 Exposures 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	-		638,938		-	-	-	-	-	-	638,938
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	-		2,999,774		1,155,030	-	-	100,573,509	-	-	104,728,313
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-December-2022 (Post CCF & CRM)										
Risk Weight Asset Classes	0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka	59,196,698		6,257,792		-	-	-	-	-	-	65,454,490
Claims on Foreign Sovereigns and their Central Banks	-		-		-	-	-	-	-	-	-
Claims on Public Sector Entities	-		2,739,330		-	-	-	-	-	-	2,739,330
Claims on Official Entities and Multilateral Development Banks	-		-		-	-	-	-	-	-	-
Claims on Banks Exposures	-		16,864,385		31,731,382	-	-	341,572	-	-	48,937,340
Claims on Financial Institutions	-		40,120		3,949,645	-	-	1,902,204	-	-	5,891,969
Claims on Corporates	-		2,421,507		2,008,214	-	-	111,896,246	-	-	116,325,967
Retail Claims	24,519		-		-	7,081,990	78,361,810	4,386,816	-	-	89,855,135
Claims Secured by Residential Property	-		-	5,759,459	-	-	-	1,608,072	-	-	7,367,531
Claims Secured by Commercial Real Estate	-		-		-	-	-	367,122	-	-	367,122
Non-Performing Assets (NPAs)	-		-		279,972	-	-	5,772,080	5,122,751	-	11,174,803
Higher-risk Categories	-		-		-	-	-	-	-	-	-
Cash Items and Other Assets	10,087,229		-		-	-	-	7,651,539	-	-	17,738,768
Total	69,308,446	-	28,323,134	5,759,459	37,969,213	7,081,990	78,361,810	133,925,651	5,122,751	-	365,852,455

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 Exposures 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	-		638,938		-	-	-	-	-	-	638,938
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	-		2,999,774		1,155,030	-	-	100,562,340	-	-	104,717,144
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

Risk Management Annexures

Table 9

Market Risk under Standardised Measurement Method

Item	Bank		Group	
	RWA (LKR'000)		RWA (LKR'000)	
	31-Dec-22	31-Dec-21	31-Dec-22	[redacted]
(a) RWA for Interest Rate Risk	236,994	602,420	236,994	602,420
General Interest Rate Risk	236,994	602,420	236,994	602,420
(i) Net Long or Short Position	236,994	602,420	236,994	602,420
(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	180,217	61,513	180,217	61,513
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	3,337,695	5,532,774	3,337,695	5,532,774

Table 10

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

Business Lines	Bank									
	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-Dec-2022			Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-Dec-2021		
			1st Year	2nd Year	3rd Year			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		21,094,930	23,333,112	38,393,141	15%		22,191,304	21,094,930	23,333,112
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	4,141,059					3,330,967				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				
Risk Weighted Amount for Operational Risk (LKR'000)										
The Basic Indicator Approach	33,128,473					27,758,061				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				

Table 10 (Contd.)

Operational Risk under Basic Indicator Approach/ The Standardised Approach/ The Alternative Standardise Approach (Contd.)

Business Lines	Group									
	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-Dec-2022			Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-Dec-2021		
			1st Year	2nd Year	3rd Year			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		21,430,771	23,668,521	38,837,086	15%		22,552,135	21,430,771	23,668,521
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	4,196,819					3,382,571				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				
Risk Weighted Amount for Operational Risk (LKR'000)										
The Basic Indicator Approach	33,574,551					28,188,094				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				