Nations Trust Bank

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, 2023

Risk Management Review

Risk management is inherent in all transactions of a bank and critical to balance potential earnings with financial stability. This report seeks to provide an overview of the Bank's processes to identify, measure, monitor and manage risks, ensuring that we remain within the stated risk appetite approved by the Board.

RISK GOVERNANCE

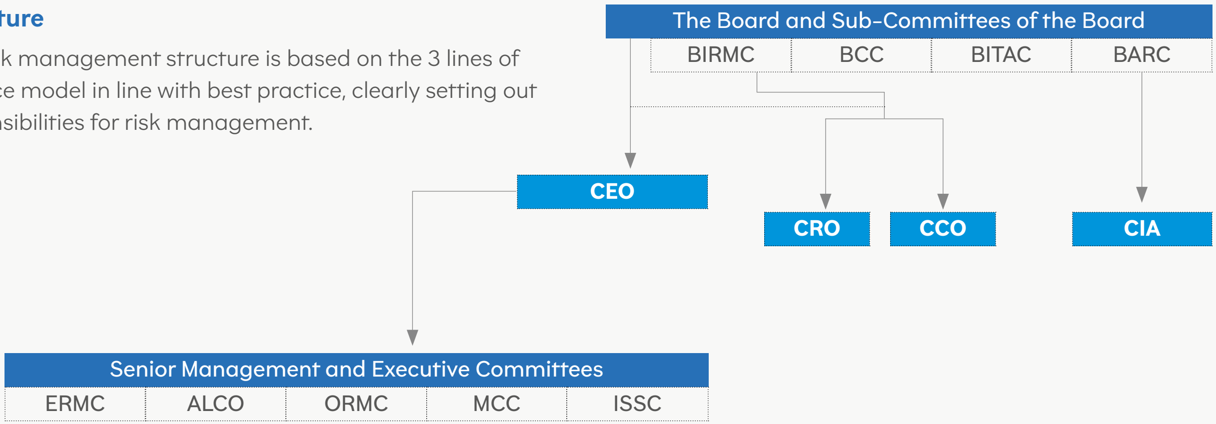
The Board is responsible for risk and capital management of the Bank and is assisted in this by the Board Integrated Risk Management Committee. Other Board committees also have oversight in managing specific areas of risk and contribute to overall risk management of the Bank.

The Board has set in place a comprehensive risk management framework supported by formal structures, a comprehensive policy framework, institutionalised processes and systems to ensure that risk is managed in line with the risk appetite defined by the Board. Risk management is a regular agenda item at the monthly Board meetings where they also receive reports from the Board Sub-Committees set out above in assessing the risk exposures, performance and financial stability of the Bank.

Key features of the Risk Management Framework are set out below:

Structure

The risk management structure is based on the 3 lines of defence model in line with best practice, clearly setting out responsibilities for risk management.



1st Line of Defence
BUSINESS LINES

Heads of business units, operations and corporate support are responsible for identifying, measuring, monitoring, managing and reporting risks relevant to their areas.

2nd Line of Defence
RISK MANAGEMENT & COMPLIANCE

The Risk Management Department is responsible for implementing policy, monitoring and reporting key risks while the Compliance Department monitors compliance with regulations. Both functions report directly to BIRMC.

3rd Line of Defence
INTERNAL AUDIT

Provides independent assurance of the adequacy and effectiveness of internal controls of the Bank including the overall risk exposures, reporting independently to BARC.

Compliance Department

Risk Management Department
- Credit Risk
- Market Risk
- Operational Risk
- Technology Risk
- Loan Review Mechanism
- Integrated Risk Management

Abbreviation

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

Risk Management Review

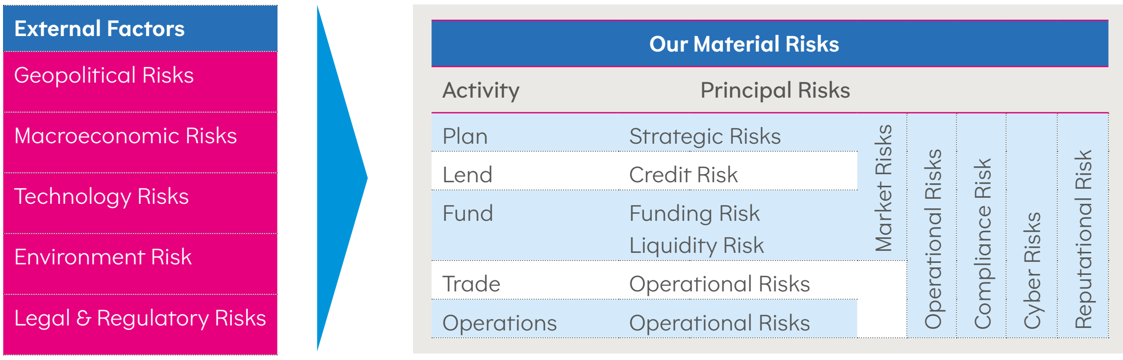
The roles and responsibilities with regard to risk management of these committees are set out below:

Board Committees	Role of Committee in Relation to Risk Management
Board Integrated Risk Management Committee (BIRMC)	Responsible for oversight of the Risk Management functions of the Bank, recommending policy including risk appetite and monitoring the material risks of the Bank.
Board Credit Committee (BCC)	Oversight responsibility for management of Credit Risk which is the largest exposure of the Bank and for recommending policy and monitoring credit risk.
Board Audit Review Committee (BARC)	Oversight responsibility for disclosures in financial statements and effective operation of internal controls. These play a key role in risk management and compliance.
Board IT Advisory Committee (BITAC)	Oversight responsibility for IT/cyber related risks, policy recommendations and monitoring threats.

Executive Committees	Role of Committee in Relation to Risk Management
Executive Risk Management Committee (ERMC)	ERMC supports the work of BIRMC and is responsible for effective implementation of the policy framework in monitoring and managing risk.
Asset and Liability Management Committee (ALCO)	ALCO manages liquidity risk and financial stability, ensuring it stays within the risk appetite set by the Board. It reviews liquidity forecasts to identify and manage gaps, assesses adequacy of funding plans and stress testing results, balancing liquidity and earnings.
Operational Risk Management Committee (ORMC)	Responsible for implementing the operational risk management policies of the Bank, identifying, measuring and monitoring operational risks and recommending revisions and new policies as deemed necessary.
Management Credit Committee (MCC)	Recommend policy guidelines, approve credit facilities and manage the health of the credit portfolio of the bank.
Information Security Steering Committee (ISSC)	Responsible for management of information and cyber security risk.

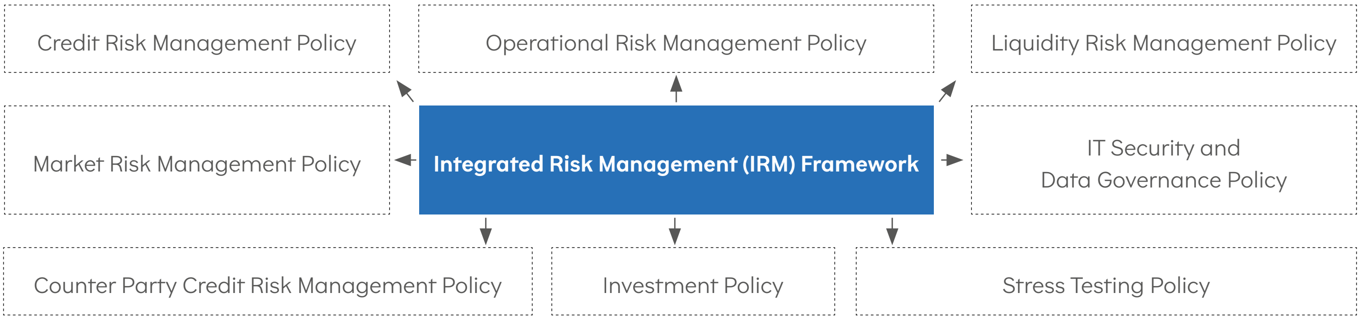
Link to Strategy and Operating Environment

Strategy and the operating environment are inextricably linked to risk management and our strategic planning and risk management processes reflect this as set out below.



Risk Management Policies

The Bank's risk management policy framework is based on the Basel III regulatory framework. Approved by the Board, the policies seek to establish a process to identify, measure, monitor and manage risks faced by the Bank within a defined Risk Appetite, supporting the strategic goals of the Bank.



RISK APPETITE

The Bank has a clearly defined risk appetite to guide the executive management in managing risk on a day to day basis. The Risk Appetite Statement is reviewed annually or more frequently if deemed necessary and recommended by BIRMC to the Board for deliberation and approval. Extracts from the current risk appetite of the Bank are given below, which are within the limits set:

Key Risk Indicator	Position as at 31.12.2023	Position as at 31.12.2022
Credit Risk		
Stage 3 Ratio (Gross)	7.39%	7.48%
Impairment (Stage 3) to Stage 3 Loans Ratio	55.30%	50.69%
Market Risk		
Sensitivity of trading portfolio to interest rate	1.58%	0.05%
Operational Risk		
Operational losses to operating expenses	0.10%	0.20%
Liquidity Risk		
Statutory Liquid Asset Ratio (SLAR)	45.03%	35.60%

Risk Management Review

Stress Testing

The Bank continuously conducts stress testing to communicate potential impacts of plausible scenarios and facilitate development of contingency plans in the event they materialise. A Stress Testing governance framework is in place to provide guidance in this regard, covering material risks such as credit risk, operational risk, liquidity risk, market 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. A range of stress testing techniques are used including sensitivity analysis, scenario analysis and reverse stress testing which serve different purposes and broaden our understanding of risk. Results of stress testing are reported quarterly to BIRMC for information together with recommendations. In turn, these committees provide management with guidance and additional resources as deemed necessary.

Risk	Stress Test	
Credit Risk	• Increase on portfolio along with deterioration in asset quality • Increase in Stage shifts • Increase on loss rates and Scenario based simulation of Expected Credit Loss (ECL)	Potential impact on: • Earnings • Capital Adequacy • Funding capability/ Liquidity
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	

RISK REPORTING AND MEASUREMENT

The Bank generates regular reports on key risks to support decision making and risk monitoring by key management personnel, executive committees, committees of the Board and the Board. This is vital to ensure the effective functioning of the 3 lines of defence. The reports seek to communicate risk in a structured, concise and comprehensive manner facilitating ready understanding of impacts by the recipients. Increasing use of visualisation techniques and tools are incorporated into risk reporting as technology advancements support evolution in risk reporting.

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

Risk exposure	Tools and techniques
Credit Risk	Probability of Default (PD), Loss Given Default (LGD), Exposure At Default (EAD). Risk Rating, Risk Scoring, Portfolio concentration management towards Economic sectors, Countries and Geographies. Stage 3 Ratio, Impairment coverage ratio, Early Warnings signal monitoring and Significant Increase in Credit Risk assessments, Stress Testing.
Market Risk	Maturity/Interest Rate Risk Gap analysis, Interest Rate Risk Ratio, PVBP, Duration Analysis, Sensitivity Analysis, and Stress Testing on IRR in Trading/Banking book (EAR and EVE).
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, Risk Control Self-Assessment, Risk Control Matrices, Scenario Analysis, Stress testing, Key Risk Indicators, Risk and Control reviews, Business Continuity and Recovery Plans, Disaster recovery sites, Insurance Covers
Information & Cyber Risk	Vulnerability Assessments, Security Reviews, Compliance Reviews, Security Incident and Event Management (SIEM) and Key Risk Indicators
Reputational Risk	Customer feedback/complaints, Positive/Negative publicity through qualitative scorecard approach
Strategic Risk	Risk Appetite for Sectors, Segments, Products, Macro, Industry and Competitor analysis, Strategic initiatives through Qualitative scorecard approach, Budgeting, Capital Plan

RISK CULTURE

The Board and Senior Management strive to create a culture of risk awareness in the Bank, empowering business line employees to grow their portfolios within a defined risk appetite. This is supported by a comprehensive delegation of authority that facilitates risk acceptance and management in pursuit of strategic goals. Training is key to enhancing risk awareness which is regularly reinforced by meetings at various levels. Case studies of key loss events also provide valuable opportunities for understanding risk.

Risk culture is also reinforced through Risk and Control Self Assessments by departmental heads which are reviewed by the Risk Management Department and challenged constructively to ensure alignment across all departments of the Bank and the Risk Management Framework.

Employee performance assessments include risk management criteria incentivising sound conduct, demonstration of corporate values and appropriate risk behaviours, further reinforcing the risk culture. Like risk management, nurturing a conducive risk culture is an on-going process with many qualitative elements which nevertheless plays a critical role in maintaining the financial stability of the Bank.

STRENGTHENING RISK MANAGEMENT

Our responses continue to evolve to ensure that our structures, policies and processes to manage emerging risks and that sufficient resources are allocated to manage them. The table below sets out the key improvements embarked on or delivered during the year.

	Project	Impact
Credit Risk	• Implementation of Expected Credit Loss solution	• Automation of impairment calculation and staging management process in line with regulatory standards
	• Automation and improvements on monitoring framework	• Improved efficiency and consistency along with resource optimisation
Market & Liquidity Risk	• Improve the governance framework for market and liquidity risk management	• Well articulated market and liquidity risk policies and procedures to support the Bank's strategy
	• Consolidation of all key risk parameters for Treasury/ALM	• Board approved risk tolerance framework for market and liquidity exposures
	• Process automation and pro-active risk monitoring	• Improved efficiency and consistency • Pro-active risk mitigation strategies
	• Resource optimisation	• Better risk controls and improved skills set • Uninterrupted service delivery
Operational Risk	• Improve monitoring framework	• Digital on-boarding • System TAL automations • Transactions In Difficulty dashboard/process improvements/Delegated Authority automation • Establish enterprise wide digital document repository • Establishing KRIs for low probability high severity scenarios
	• Enhance knowledge/skills set	• Providing training covering the key areas
	• Strengthening the user access management	• Create awareness on the system user access matrices • Developing matrices for all new systems • Reviewing critical systems
Information & Cyber Risk	• Improve governance framework	• Strengthened technology risk management framework • Independent gap analysis carried out on IT Project governance framework adopted for digital projects • Establish and develop go-live readiness checklists for digital projects
	• Strengthen monitoring framework	• IT Privilege Access and Activity Monitoring • Improve KRIs and monitoring function

Risk Management Review

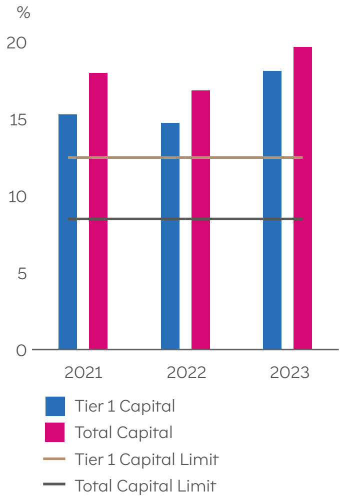
CAPITAL MANAGEMENT

The Bank manages it's capital to ensure availability of sufficient capital for it's regulatory requirements and business expansion needs taking into account it's risk environment and exposures. It is managed within the regulatory requirements of the Banking Act Direction No. 1 of 2016 Capital Requirements Under Basel III for Licensed Commercial Banks and Licensed Specialised Banks. This sets out the minimum capital ratios and buffers in respect of total risk weighted assets.

Sri Lanka completed the restructuring of it's domestic debt which involved the extending of maturities of domestic bonds and reducing interest rates which has reduced significant uncertainties which prevailed at the beginning of the year. The country has also reached a preliminary agreement with it's bilateral partners for a part of it's external debt although arrangements are yet to be completed. Our Bank exposures were well managed throughout this period of uncertainty as the Bank had taken prudent positions, carefully optimising liquidity with earnings.

The following initiatives were implemented to strengthen capital management during the year:

Capital Ratio



- Review of the medium-term Business Plan and Strategic Initiatives
- Preparation of Budgets and Forecast
- Review of Capital Plan and Capital allocation to Business Units
- Review of Risk Appetite and Risk Goals

The Bank's position as at the close of the year and the regulatory requirements are set out below reflecting prudent management of capital while optimising earnings.

Components of Capital	Regulatory Limit	2023	2022
Common Equity Tier 1 Capital	7.00%	18.14%	14.76%
Tier 1 Capital	8.50%	18.14%	14.76%
Total Capital	12.50%	19.68%	16.86%

Risk Weighted Assets

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

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

ICAAP Framework

The ICAAP forms part of the Basel III pillar II guidelines issued by the Basel Committee on Banking Supervision, main purpose of which is to identify additional risks which are material to a bank and establishing requirements to strengthen capital adequacy by estimating economic capital to account for unexpected losses. The risk profile assessment of the Bank includes the assessment of all material risks i.e. Credit Risk, Market Risk, Operational Risk, Credit Concentration Risk, Residual Credit Risk, Interest Rate Risk in the Banking Book (IRRBB), Liquidity Risk, Strategic Risk, Reputational Risk, Governance/ Compliance Risk, Technology including Cyber Security Risk.

The ICAAP helps the Bank to periodically evaluate the capital requirements for the next three years, develop capital augmentation plans based thereon and submit same for review by the CBSL.

Recovery Plan

Banking Act Direction number 09 of 2021 issued by the Central Bank of Sri Lanka requires all Banks to develop and maintain a Recovery Plan (RCP). The RCP identifies credible options to survive a range of severe but plausible stressed scenarios. It covers governance, escalation process, continuity of critical functions, identification of trigger points to activate recovery options and internal and external communications. It is aligned with it's overall risk management framework, liquidity contingency plans, capital plans and business continuity plans. The recovery plan was reviewed during the year and Board approval obtained.

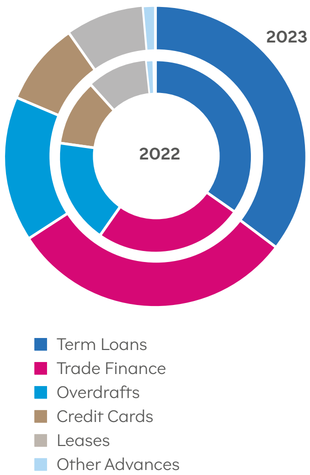
CREDIT RISK

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

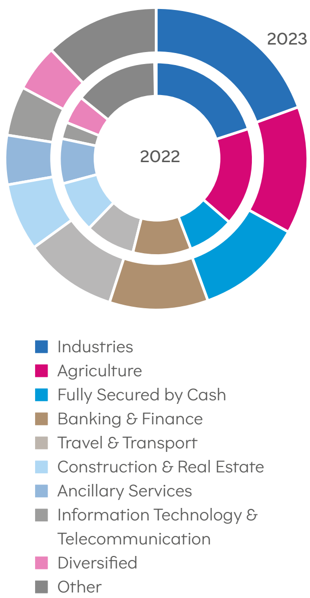
Credit Risk Components	Trending down Stage 3 ratio evidenced during the 2H
• Default Risk • Counterparty Risk • Concentration Risk	

Credit Risk Exposures	2023	2022	Change
	LKR. 000's	LKR. 000's	%
Loans and Advances	292,574,972	260,739,471	12.21
Gross Stage 03 Loans	21,606,986	19,514,481	10.72
Gross Stage 03 Loans %	7.39%	7.48%	(1.33)
Loan Impairment Charge	5,651,667	9,829,865	(42.51)
Loan Impairment Provision	20,819,532	18,829,175	10.57
Off-Balance Sheet Amount (After Credit Conversion Factor)	20,109,897	15,581,956	29.06
Off-Balance Sheet Impairment Charge	324,154	494,927	(34.50)
Off-Balance Sheet Impairment Provision	1,290,742	971,836	32.81

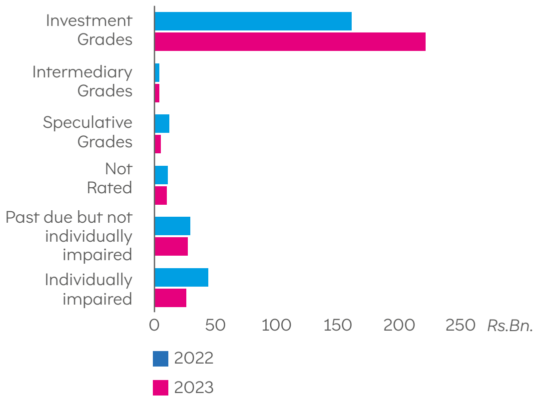
Product wise Distribution



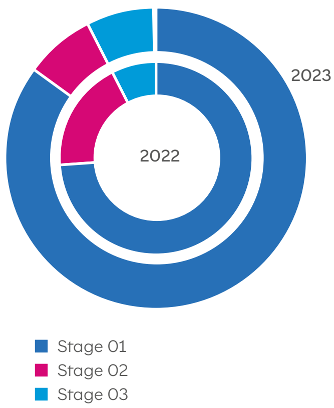
Sectoral Distribution of Loans



Credit Quality



Stage Breakdown



Credit Risk Review

The Bank maintained it's scrutiny over credit risk to identify early warning signs and initiate proactive measures to manage key exposures as the economic stresses continued to impact customers. Credit growth was managed carefully to optimise returns with quality lending. Consequently, loan book increased by 12% for the year under review. As part of the strategies deployed to mitigate credit risk a focused lending approach was institutionalised across all lending products. Stage 3 loan book amounted to 7.4% of total loan book. Impairment charges were LKR 5.98 Bn, a decline of 42% over the previous year which was impacted by the country's economic crisis. Provision cover over Stage 3 exposure was maintained at 55.3%.

Risk Management Review

Credit Risk Management Processes

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

Business Units

Credit Risk Management Function

Pre-credit sanctioning	Credit Documentation	Post Disbursement Monitoring	Portfolio Management
• Credit policy and procedures • Delegated authority limit hierarchy • Customer risk rating and credit scoring system • Prudential risk limits for concentration management • Credit structuring and credit covenants/ conditions	• Legal and Security Documentation • Collateral Valuations • Insurance and Inspections, Stock Statements • Regulatory and Environment and Social compliance certifications	• Portfolio review to identify early warning signs • Periodic facility reviews on selected exposures • Periodical Inspections, revaluations and insurance renewals • Monitoring covenants and condition adherence • Review portfolio concentrations	• Regular credit risk monitoring of portfolio • Stress testing and scenario analysis • Structured loan review mechanism • Assessing adequacy of impairment provisions and stage classifications • Periodic PD, LGD, EFA revision

Reporting and Monitoring by MCC, BCC and BIRMC

- **Oversight** – BIRMC is supported by a dedicated Board Credit Committee which has oversight responsibility for credit risk in addition to the review by BIRMC. The Management Credit Committee (MCC) is responsible for monitoring and management of credit risk which is chaired by the CEO and comprises heads of business units. CRO is invited to attend meetings of the MCC as an independent participant.
- **Comprehensive Credit Policy Framework** – The Bank has a comprehensive credit policy framework covering the entire credit risk management process including clearly defined segregation of duties, limits, delegation of authority, single borrower and group exposure limits, overall credit quality and other prudential indicators. The framework is reviewed and updated regularly and tightened or eased as deemed appropriate by the BCC and the Board.
- **Risk Scoring** – The Bank uses customised risk scorecards based on advanced statistical data analytics to assess risks when underwriting consumer credit facilities.
- **Risk Rating System** – Internal risk ratings are assigned to borrowers to facilitate assessment of the overall quality of the portfolio.
- **Culture of Responsible Lending** – Comprehensive training is provided to frontline employees to ensure that risk attitudes are aligned to the Bank's risk appetite and target risk profile. This is regularly reinforced through business review meetings, awareness programmes and post credit reviews etc.
- **Segregation of Duties and Delegated Authority** – Authority has been delegated to committees and individuals holding specified roles in the Bank for approval and other credit related activities. Clear outline of roles in the credit process serves as a check and balance in managing credit risk.

Concentration Risk

A diversified portfolio facilitates managing concentration risk. Additionally, credit concentration risk is quantified using HHI model to derive additional capital requirement under Pillar 2 during the Internal Capital Adequacy Assessment Process (ICAAP) computation.

Default Risk

Default risk has been a key concern during the year as the economy remained stressed during the first half of the year. While the third quarter recorded positive growth, the Bank maintained it's prudent stance, carefully selecting customer and industry segments for growth supported by it's strengthened recovery processes.

MARKET RISK

High levels of uncertainty in both the local and global economy have elevated threats relating to market risk in recent months. Key market risk indicators remained volatile during the year as the interest rates declined sharply in response to monetary policy. A balanced outlook, high levels of oversight and prudent policies were a key strength to navigating a year of volatility.

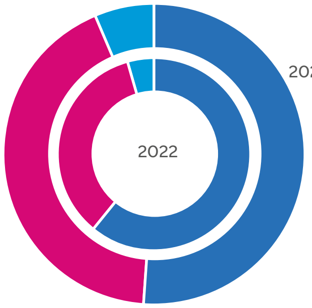
Market Risk Review

Most transactions involve at least one element of market risk while external factors can also impact the valuations of portfolios of assets and liabilities. The Bank manages it's exposures within the boundaries set out in the Risk Appetite Statement, optimising profitability while maintaining financial stability. NTB's market risk exposures arise mainly from the Bank's Non-Trading Portfolio (Banking Book). Interest Rate Risk (IRR) and Foreign Exchange (FX) Risk are the most significant components of market risk as the Bank has minimal exposure to commodity price risk and equity risk.

Foreign Exchange Risk (Forex)

Forex risk refers to the potential loss arising from fluctuations of value of assets and liabilities denominated in foreign currency due to changes in foreign exchange rates. Treasury Unit is responsible for managing the Bank's forex risk with clear segregation of duties between the front, middle and back office functions supporting effectiveness of a comprehensive framework of internal controls. Forex risks are managed through limits which includes exposures to currencies on an individual and aggregate basis, dealer and counterparty limits. The exposures are monitored by the TMO to manage within approved limits.

Government Securities Portfolio Composition



KEY INITIATIVES IN 2023

- Review of Market Risk Management Governance framework
- Align the parameters to support the budgetary requirements and reflect the risk appetite of the Bank
- Use of adequate stress parameters and scenario analysis to evaluate portfolio exposures
- Use of Dashboards for management information

Market Risk Management

- **Oversight, Roles and Responsibilities** – The Asset and Liability Management Committee (ALCO) is responsible for managing market risk exposures and Liquidity. The Treasury Unit of the Bank manages Market risk with exposures monitored by the Treasury Middle Office (TMO) which operates independently from the Treasury Unit as part of the second line of defence. TMO independently measures, monitors and reports on market risk exposures using market risk dashboards and assists in review of the Bank's market risk related policies and exposure limits, supporting ALCO, ERMC, BIRMC and the Board with information required for decision making.
- **Comprehensive Policy Framework** – Market Risk Management Framework policy approved by the Board provides guidance for management of market risk. Other policies that impact management of market risk include Investment Policy, Asset and Liability Management Policy, and the Stress Testing Policy which provide guidance on systems, procedures, tools and techniques for identification of assessment, monitoring and reporting on all market related risks.
- **Risk Limits and Trigger Points** – Limits have been clearly specified for treasury and investment management activities including net open position limits, counterparty limits, etc. Treasury plays an important role in managing both banking/trading book and the asset and liability position of the Bank. TMO ensures that Treasury Front Office deals within the limits set out in the Bank's risk appetite and Treasury Back Office reconciles and escalates key issues promptly.
- **Stress Testing** – TMO carries out stress testing on interest rates and exchange rates using stressed scenarios to assess the resilience of the Bank's exposures to potential shocks and initiate necessary action.
- **Internal Model Approach** – The Bank uses the Standardised Measurement Method as required by CBSL Direction No.1 of 2016 in line with Basel III requirements for computing regulatory capital for market risk.

Risk Management Review

Interest Rate Risk (IRR)

IRR refers to the potential impact on future cashflows and fair values of financial instruments arising from movements in interest rates. Exposure to IRR stem from the Bank's lending, securities trading and deposits activities. The Bank manages interest rate risk primarily through repricing of interest rate sensitive assets and liabilities with reference to their maturity profiles with defined limits. ALCO is responsible for management of IRR and supported by the Treasury Unit.

Interest Rate Risk in Banking Book (IRRBB)

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. Movements in interest rates affect the present value and timing of future cashflows which in turn impacts the underlying value of the Bank's assets, liabilities and off-balance sheet items. The following indicators are used to measure IRRBB:

- Economic Value of Equity (EVE) – used to measure the impact of changes in interest rates on Capital
- Earnings at Risk (EAR) - used to measure impact of changes in interest rates on Net Interest Income.

Liquidity Risk

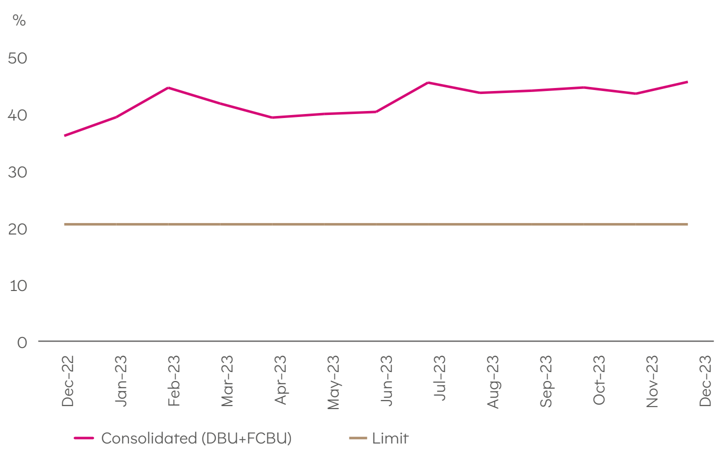
Liquidity risk refers to the Bank's potential inability to meet it's payment obligations as they fall due or that it can meet to do so only at an excessive cost. Liquidity risk management enables the Bank to maintain sufficient funds which are appropriately diversified in terms of tenor, quality and currency.

Liquidity Risk Management

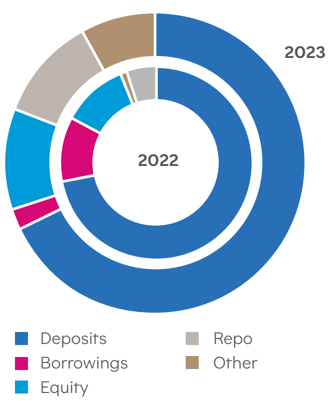
Governance and Oversight – BIRMC is tasked with oversight of liquidity risk management by the Board who have approved liquidity risk management framework. While Treasury Unit is responsible for the management of the liquidity on a day-to-day basis, ALCO is responsible for management of the liquidity risk taking into account the Bank's cashflow projections, funding capabilities, pricing decisions, liquidity levels contingency funding plans and regulatory and prudential concerns with the support from TMO and Finance. The Bank continues to maintain healthy levels of liquidity given the uncertainty in the operating environment.

Liquidity Ratios	2023	2022
Statutory Liquid Asset Ratio (SLAR)	45.03%	35.60%
Liquidity Coverage Ratio	274.10%	222.88%
Net Advances to Deposit Ratio	76.70%	79.60%
Net Loans to Total Assets	51.20%	56.50%
Purchased Funds to Total Assets	29.80%	17.60%
Commitments to Total Loans	10.82%	10.50%

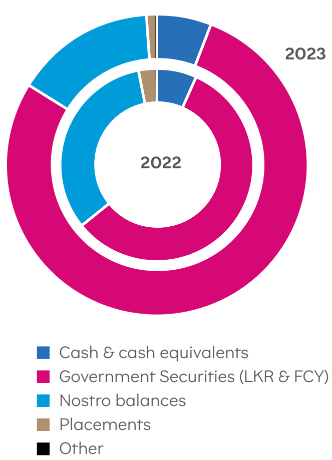
Statutory Liquidity Asset Ratio



Funding Composition



Liquid Asset Composition



OPERATIONAL RISK

Operational Risks remained elevated throughout the year due to socioeconomic stress driving levels of fraud risk higher. The Bank remained vigilant to minimise potential risks and losses stemming from operational risk. This risk, which is inherent in all transactions of the Bank, plays a key role in optimising economic capital allocation to support the business growth of the Bank. Information and

Operational Risk Components
- Compliance Risk
- Legal Risk
- Financial Crimes Risk
- Technology Risk

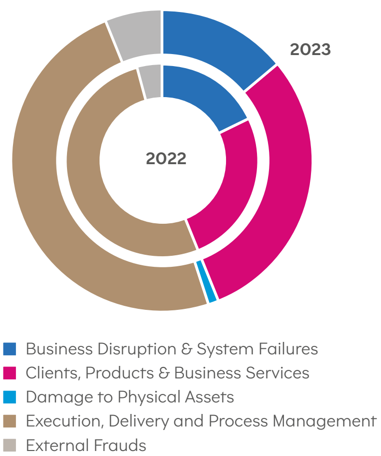
Cyber Security risk included in the Basel III definition of Operational risk is segregated as a separate pillar, reflecting resources allocated to manage the same due to it's growing importance.

KEY INITIATIVES IN 2023
- Ensuring Operational Governance on the Key projects of the Bank
- Improving the Operational risk management framework across the Bank
- Educating Risk and Compliance Coordinators
- Strengthening the user access management framework
- Improving Key Risk Indicators (KRIs) on low probability high severity scenarios

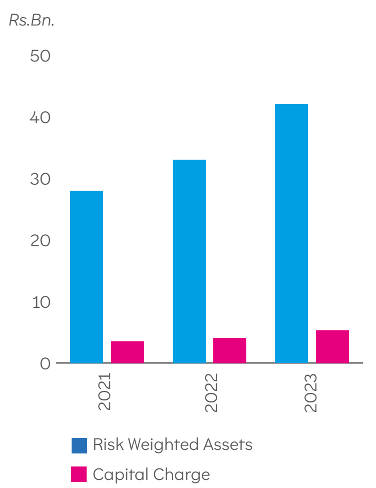
Operational Risk Management

- Governance and Oversight – The Board is assisted by BIRMC and the Board Audit Review Committee provides oversight of operational risk as it relies heavily on adequacy and effectiveness of internal controls. Risk Management Department which reports directly to BIRMC has a dedicated Operational Risk Management Unit to measure, monitor and manage operational risk. ERMC is supported by the ORMC who address concerns related to operational risk and the Bank's risk culture.
- Operational Risk Management Policy Framework – The Bank's risk management framework includes policies on Operational Risk Management which are revised periodically to ensure that they are fit for purpose in this rapidly evolving area of risk management.
- Limits and Tolerance Levels – The policy framework includes clear limits and tolerance levels for specific aspects of operational risk that serve to limit the exposure. Exceptions are reviewed and reported to the Executive Committees on the subject and to BIRMC with provision for escalating to Board depending on the potential severity and magnitude of impact of exception.
- Risk and Control Self Assessment (RCSA) These are carried out by all key business and operational units of the Bank to evaluate potential exposure to defined operational risk parameters. The Key Risk Indicators identified through this process are monitored to identify exceptions and anomalies for investigation and serve as an input to determining internal audit scope.
- Risk Reporting – The Bank maintains a well –structured operational risk loss database aligned to Basel requirements which also captures near misses, facilitating future modelling and other insights. Operational risk dashboards including loss events, losses, recoveries and other relevant information is provided to the ORMC, ERMC, BIRMC and the Board facilitating monitoring of operational risk. Loss events are linked to RCSA and Key Risk Indicators to minimise repeat errors.
- Outsourced Services – A Monitoring Committee has been established to strengthen governance, risk identification and management over outsourced activities. Periodical visits are carried out to verify the ability of the service provider to maintain agreed service levels and ensure that Business Continuity Plans are in place for the outsourced activities. Additionally, critical shared services have been reviewed under the Bank's recovery procedure.
- Insurance – This is a key mitigation tool and is used judiciously to manage insurable risks where feasible.
- Business Continuity Management (BCM) The Bank ensures the best practices in the BCM whilst improving the business resilience in all mission critical activities via conducting periodic BCP/DR. The IT Disaster Recovery Centres and the Primary data centers are also well governed and tested on it's capabilities to manage any unplanned interruptions.

Operational Losses by Type



Risk Weighted Assets & Capital Charge for Operational risk



Risk Management Review

INFORMATION AND CYBER RISK

Technology is pivotal to the operations of the Bank necessitating sharper focus on Information and Cyber Risk. Cyber crime continues to increase in sophistication and severity of threat making it the leading risk for many businesses. The Bank continues to invest in this vital area, segregating it as a separate pillar from operational risk due to the potential impact and elevated threat of this risk.

KEY INITIATIVES IN 2023

- Independent review of high risk escalated alerts.
- Reviewed and strengthened IT Risk Management Framework.
- Framework for IT privilege access and activity monitoring procedure.

Information Security Management

- Governance and Oversight – The Board is assisted in information technology governance of the Bank by the Board Information Technology Advisory Committee and BIRMC. The IT Division is tasked with ensuring that the systems run smoothly while safeguarding the information assets of the Bank. IT Governance and Information Security Units ensures compliance to the established governance framework.
- Internal Reviews – The IT Division assesses, monitors and manages IT related risks. A dedicated CISO reviews the risks as well.
- Dedicated IT Risk Management Pillar – IT Risk Management Pillar operates under the Chief Risk Officer (CRO) providing insights and feedback on technology risk resilience for continuous improvement of information security while ensuring compliance to regulatory requirements across the bank.
- Certification – The Bank has obtained ISO 27001:2013 certification and is aligned to International Cyber Security Standards supporting a structured and disciplined approach to management of this key risk.
- Third Party Vulnerability Assessments – The Bank has made arrangements to assess the vulnerabilities of the Bank quarterly.
- Monitoring Cyber Threats Intelligence – Reviews up to date information on current and emerging cyber threats with a view to initiating necessary action in a timely manner.
- IT Disaster Recovery Plan – This is tested regularly and amended as appropriate.
- Controls Against Cyber Threats – Continuously strengthen existing infrastructure security controls with up-to-date solutions.

REPUTATION RISK

The reputation of the Bank plays a key role in attracting and retaining customers who trust the Bank as a custodian of wealth which allows the Bank to on lend these monies as loans. Sound corporate governance, regulatory compliance, performance, innovation and customer service levels affect the reputation amongst other factors and every effort is made to guard it's reputation zealously.

Mitigation

The Leadership of the Bank set the tone at the top, fostering a culture of transparency, upholding values and accountability across the Bank. Other mechanisms in place include:

- A Code of Ethics issued to all employees ensures that corporate values and expectations of conduct are clearly communicated throughout the Bank.
- Customer engagement mechanisms enable understanding of stakeholder concerns and address them promptly.
- A comprehensive training and development plan supports compliance.

STRATEGIC RISK

The risk that the Bank's future business plans and strategies may result in financial loss or be inadequate to protect the Bank's competitive position and shareholder returns is strategic risk. It arises from the strategies not aligning with the operating environment or key events that take place.

Strategic Risk Management

- The Board is collectively responsible for providing strategic direction and undertake an evaluation of alternative strategies which are deliberated in depth to chart it's course.
- The Bank's strategic planning process tests key assumptions to identify potential areas of concern. A strong compliance function supports regulatory requirements and monitoring trends to identify potential areas of regulation, facilitating early understanding of related impacts and issues.
- Optimising risk and return with a thorough understanding of risks and opportunities is key to managing strategic risk.

Risk Management Annexures

Credit Risk

Table 1

Gross Loans & Advances – Individual Impairment

2023	Exposure		Impairment			Age Analysis		
	On Balance Sheet	Off Balance Sheet	Impairment Provision	Net Carrying Value	Write Offs During the period	0 - 30 Days	31 -90 Days	Above 90 Days
Total Loans & Advances	26,204,425	-	10,633,460	15,570,965	966,515	14,578,328	2,798,123	8,827,974

Table 2

Gross Loans & Advances – Collective Impairment

2023	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	262,893,442	-	10,186,072	2,630,135	246,534,374	7,510,473	8,848,595

* Staff Loans exposures are not assessed for impairment.

Risk Management Annexures

Market Risk

Table 1

Composition of Trading and Non-Trading Book

	2023		
	Trading book (LKR million)	Non-trading book (LKR million)	Total (LKR million)
Assets			
Cash and Cash Equivalents	-	40,180	40,180
Balances with Central Bank of Sri Lanka	-	2,684	2,684
Reverse Repurchase Agreements	-	1,502	1,502
Derivative Financial Instruments	4	-	4
Financial Assets	10,934	79,923	90,857
Financial Assets at Amortised Cost - Debt Instruments	-	97,358	97,358
Financial Assets at Amortised Cost - Loans and Advances	-	270,945	270,945
Other Assets	-	3,353	3,353
Investments in Subsidiaries	-	679	679
Fixed Assets (PPE,ROU&Intangibles)	-	5,269	5,269
Deferred Tax Assets	-	3,334	3,334
Total	10,938	505,227	516,165
Liabilities			
Due to Banks	-	49,682	49,682
Derivative Financial Instruments	659	-	659
Due to Depositers	-	349,533	349,533
Repurchase Agreements	-	7,064	7,064
Due to other Borrowers	-	18,614	18,614
Debt Securities Issued	-	8,686	8,686
Retirement benefit obligations	-	1,242	1,242
Current Tax Liabilities	-	5,619	5,619
Other Liabilities	-	16,121	16,121
Equity & Other Reserves	-	58,945	58,945
Total	659	515,506	516,165
Contingent Liabilities & Commitments	100,599	216,143	316,742
Commitment & Guarantees	-	216,143	216,143
Forward on Government Securities	11,952	-	11,952
Derivative Assets- Held for Trading (Net)	88,647	-	88,647

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)	173.167	100.404	10.037	3.306	23.741	1.862	2.055	(2.299)
	Liabilities (On & Off Balance sheet)	54.211	43.610	27.652	62.662	17.201	5.802	105.735	
	Periodic Gap	118.956	56.794	(17.615)	(59.356)	6.540	(3.940)	(103.680)	
GBP	Assets (On & Off Balance sheet)	6.761	0.001	0.002	0.007	0.004	-	0.010	(0.011)
	Liabilities (On & Off Balance sheet)	0.572	0.391	0.437	1.244	0.429	0.170	3.554	
	Periodic Gap	6.189	(0.390)	(0.435)	(1.237)	(0.425)	(0.170)	(3.544)	
EUR	Assets (On & Off Balance sheet)	9.269	0.025	0.002	0.017	-	-	0.044	(0.082)
	Liabilities (On & Off Balance sheet)	1.119	0.634	0.572	0.851	1.873	0.668	3.722	
	Periodic Gap	8.150	(0.609)	(0.570)	(0.834)	(1.873)	(0.668)	(3.678)	

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)	94,084	79,307	28,812	19,253	98,040	58,105	50,420
	Liabilities (On & Off Balance sheet)	127,033	65,514	20,701	23,461	23,314	23,300	165,491
	Periodic Gap	(32,949)	13,793	8,111	(4,208)	74,726	34,805	(115,071)
	Cumulative GAP	(32,949)	(19,156)	(11,045)	(15,253)	59,473	94,278	(20,793)
USD	Assets (On & Off Balance sheet)	192	109	1	23	41	16	(11)
	Liabilities (On & Off Balance sheet)	63	52	35	80	48	18	64
	Periodic Gap	129	57	(34)	(57)	(7)	(2)	(75)
	Cumulative GAP	129	186	152	95	88	86	11
GBP	Assets (On & Off Balance sheet)	7	-	-	-	-	-	-
	Liabilities (On & Off Balance sheet)	1	-	-	1	-	-	9
	Periodic Gap	6	-	-	(1)	-	-	(9)
	Cumulative GAP	6	6	6	5	5	5	(4)
EUR	Assets (On & Off Balance sheet)	10	-	-	-	-	-	-
	Liabilities (On & Off Balance sheet)	1	1	1	1	2	1	6
	Periodic Gap	9	(1)	(1)	(1)	(2)	(1)	(6)
	Cumulative GAP	9	8	7	6	4	3	(3)

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	131,870	42,151	38,112	17,415	70,088	76,153	33,240	409,029
	Liabilities	150,151	74,414	34,312	36,076	9,409	7,239	3,192	314,793
	Periodic Gap	(18,281)	(32,263)	3,800	(18,661)	60,679	68,914	30,048	94,236
USD	Assets	149	150	11	-	4	-	-	314
	Liabilities	97	55	65	94	10	10	10	341
	Periodic Gap	52	95	(54)	(94)	(6)	(10)	(10)	(27)
GBP	Assets	3	-	-	-	-	-	-	3
	Liabilities	2	1	1	3	-	-	-	7
	Periodic Gap	1	(1)	(1)	(3)	-	-	-	(4)
EUR	Assets	2	2	-	-	-	-	-	4
	Liabilities	5	1	1	2	-	-	-	9
	Periodic Gap	(3)	1	(1)	(2)	-	-	-	(5)

Table 2

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

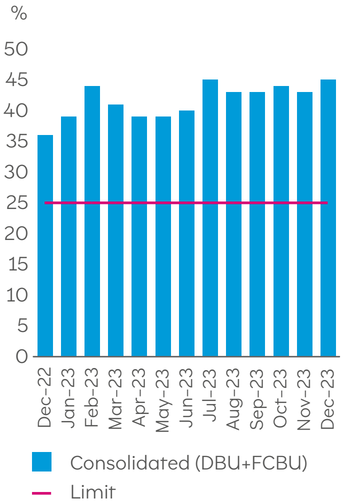
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Up by 100bp	1	14	24	234	(485)	(997)	(1,067)	(2,276)
Down by 100bp	(1)	(14)	(24)	(234)	485	997	1,067	2,276

Note : Interest senstivity is on 100bps increase/decrease, excluding trading book

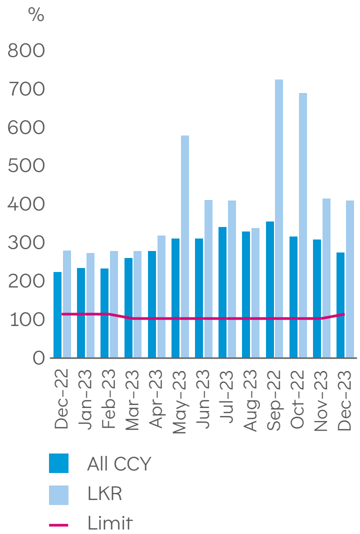
Risk Management Annexures

Liquidity Risk Trend Analysis

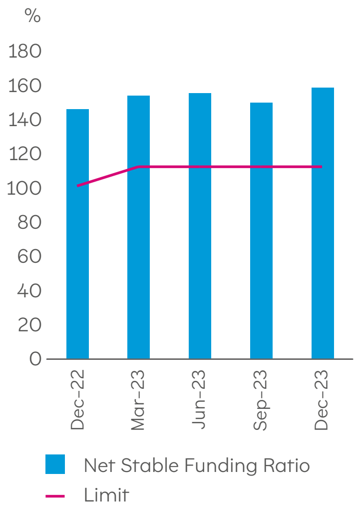
Statutory Liquidity Ratio



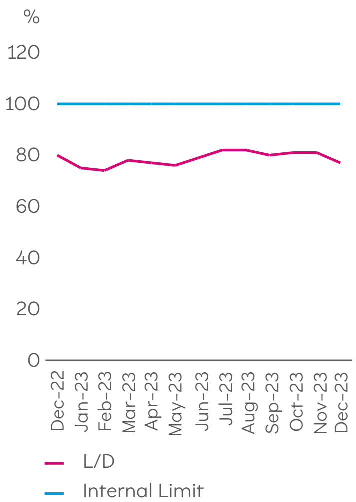
Liquidity Coverage Ratio



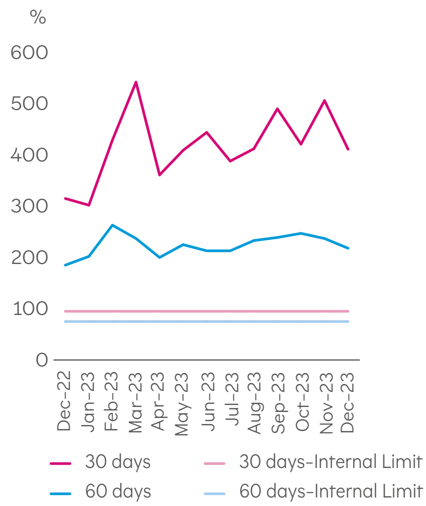
Net Stable Funding Ratio



Loan to Deposit Ratio



Liquid Assets to Short term Liabilities Ratio



Net loans to Total Assets Ratio

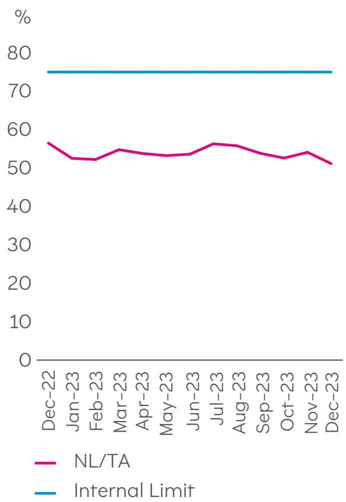


Table 1

Key Regulatory Ratios - Capital and Liquidity

Item	Bank		Group	
	31-December-23	31-December-22	31-December-23	31-December-22
Regulatory Capital (LKR '000)				
Common Equity Tier 1	51,747,926	38,032,394	53,681,235	39,599,360
Tier 1 Capital	51,747,926	38,032,394	53,681,235	39,599,360
Total Capital	56,330,223	43,662,516	58,263,532	45,229,482
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7.00%)	17.52%	14.21%	18.14%	14.76%
Tier 1 Capital Ratio(Minimum Requirement - 8.50%)	17.52%	14.21%	18.14%	14.76%
Total Capital Ratio(Minimum Requirement - 12.50%)	19.07%	16.31%	19.68%	16.86%
Leverage Ratio (Minimum Requirement -3%)	9.72%	8.94%	10.08%	9.30%
Regulatory Liquidity				
Statutory Liquid Assets (Rs. '000)	171,133,564	130,802,268		
Consolidated Statutory Liquid Assets Ratio (%)(Minimum Requirement - 20%)	45.03%	35.55%		
Total Stock of High-Quality Liquid Assets (LKR'000)	150,385,533	80,523,205		
Liquidity Coverage Ratio (%)				
Rupee (Minimum Requirement - 100% - 31-December-2023) (Minimum Requirement - 90% - 31-December-2022)	410.23%	279.63%		
All Currency (Minimum Requirement - 100% - 31-December-2023) (Minimum Requirement - 90% - 31-December-2022)	274.10%	222.88%		
Net Stable Funding Ratio (Minimum Requirement - 100% - 31-December-2023) (Minimum Requirement - 90% - 31-December-2022)	158.59%	146.23%		

Risk Management Annexures

Table2

Basel III Computation of Capital Ratios

Item	Bank		Group	
	LKR'000		LKR'000	
	31-December-23	31-December-22	31-December-23	31-December-22
Common Equity Tier 1 (CET1) Capital after Adjustments	51,747,926	38,032,394	53,681,235	39,599,360
Common Equity Tier 1(CET1) Capital	56,435,616	43,280,072	58,179,078	44,656,885
Equity Capital (Stated Capital)/Assigned Capital	11,426,882	10,401,432	11,426,882	10,401,432
Reserve Fund	2,783,805	2,228,472	2,783,805	2,228,472
Published Retained Earnings/(Accumulated Retained Losses)	39,879,971	30,650,134	41,623,434	32,026,947
Published Accumulated Other Comprehensive Income (OCI)	2,344,958	34	2,344,958	34
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	4,687,690	5,247,678	4,497,842	5,057,523
Goodwill (net)	-	-	-	-
Intangible Assets (net)	1,353,420	1,285,108	1,353,909	1,285,721
Deferred tax assets (net)	3,334,269	3,962,570	3,143,934	3,771,802
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 andFinancial 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	4,582,297	5,630,122	4,582,297	5,630,122
Tier 2 Capital	4,582,297	5,630,122	4,582,297	5,630,122
Qualifying Tier 2 Capital Instruments	1,311,429	2,341,905	1,311,429	2,341,905
Revaluation Gains	397,935	397,935	397,935	397,935
Loan Loss Provisions	2,872,933	2,890,282	2,872,933	2,890,282
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	51,747,926	38,032,394	53,681,235	39,599,360
Total Tier 1 Capital	51,747,926	38,032,394	53,681,235	39,599,360
Total Capital	56,330,223	43,662,516	58,263,532	45,229,482

Table 2 (Cond.)

Basel III Computation of Capital Ratios (Contd.)

Item	Bank		Group	
	LKR '000		LKR '000	
	31-December-23	31-December-22	31-December-23	31-December-22
Total Risk Weighted Assets (RWA)	295,327,703	267,688,735	295,984,497	268,207,619
RWAs for Credit Risk	229,834,668	231,222,567	229,955,508	231,295,373
RWAs for Market Risk	23,161,667	3,337,695	23,161,667	3,337,695
RWAs for Operational Risk	42,331,368	33,128,473	42,867,323	33,574,551
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	17.52%	14.21%	18.14%	14.76%
of which: Capital Conservation Buffer(%)	2.500%	2.500%	2.500%	2.500%
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-	-	-
Total Tier 1 Capital Ratio (%)	17.52%	14.21%	18.14%	14.76%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	19.07%	16.31%	19.68%	16.86%
of which: Capital Conservation Buffer(%)	2.500%	2.500%	2.500%	2.500%
of which: Countercyclical Buffer (%)				
of which: Capital Surcharge on D-SIBs (%)				

Table 3

Basel III Computation of Leverage Ratio

Item	Bank		Group	
	(LKR '000)		(LKR '000)	
	31-December-23	31-December-22	31-December-23	31-December-22
Tier 1 Capital	51,747,926	38,032,394	53,681,235	39,599,360
Total Exposures	532,168,660	425,622,313	532,328,218	425,733,851
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	509,944,875	408,172,184	510,104,432	408,283,722
Derivative Exposures	2,158,130	624,097	2,158,130	624,097
Securities Financing Transaction Exposures	1,502,215	1,500,000	1,502,215	1,500,000
Other Off-Balance Sheet Exposures	18,563,440	15,326,032	18,563,440	15,326,032
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	9.72%	8.94%	10.08%	9.30%

Risk Management Annexures

Table 4

Basel III Computation of Liquidity Coverage Ratio (All Currency)

Item	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
	LKR '000		LKR '000	
	31-December-23		31-December-22	
Total Stock of High-Quality Liquid Assets (HQLA)	150,385,533	150,385,533	80,523,205	80,523,205
Total Adjusted Level 1A Assets	150,792,353	150,792,353	80,518,342	80,518,342
Level 1 Assets	150,385,533	150,385,533	80,523,205	80,523,205
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	575,928,016	97,755,977	485,249,411	71,710,175
Deposits	249,565,293	24,956,529	232,689,574	23,268,957
Unsecured Wholesale Funding	103,762,600	54,844,535	69,708,802	29,769,990
Secured Funding Transactions	-	-	34,997	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	219,707,737	15,062,527	176,604,770	12,459,960
Additional Requirements	2,892,386	2,892,386	6,211,268	6,211,268
Total Cash Inflows	111,412,306	42,890,605	115,985,432	35,582,181
Maturing Secured Lending Transactions Backed by Collateral	1,502,215	-	1,511,332	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	81,238,992	42,397,427	64,625,465	33,282,564
Operational Deposits	27,687,557	-	45,307,864	-
Other Cash Inflows	983,542	493,178	4,540,771	2,299,617
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/ Total Net Cash Outflows over the Next 30 Calendar Days) * 100		274%		223%

Table 5

Basel III Computation of Net Stable Funding Ratio

Item	Bank	
	Amount (LKR'000)	
	31-December-23	31-December-22
Total Available Stable Funding	370,510,951	308,081,156
Required Stable Funding – On Balance Sheet Assets	226,295,980	199,880,785
Required Stable Funding – Off Balance Sheet Items	7,326,529	5,761,837
Total Required Stable Funding	233,622,509	205,642,622
Net Stable Funding Ratio (Minimum Requirement - 100% -31-December-2023) (Minimum Requirement - 90% - 31-Dec 2022)	158.59%	149.81%

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-23/12/24 - C2441 - 12.8
Governing Law(s) of the Instrument	Companies Act, No.7 of 2007	Companies Act, No.7 of 2007	Companies Act, No.7 of 2007 Monetary Law Act No. 58 of 1949
Original Date of Issuance	3-May-99	20-Feb-18	23-Dec-19
Par Value of Instrument	22.12	80	100
Perpetual or Dated	Perpetual	Perpetual	Dated
Original Maturity Date, if Applicable	N/A	N/A	23-Dec-24
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	8,053,692	3,373,190	675,000
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	12.80%
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 Juneand 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)	Senior Debt (Debentures)	Senior Debt (Debentures)
Nations Trust Bank PLC	Nations Trust Bank PLC	Nations Trust Bank PLC
NTB-BD-23/12/26 - C2442 - 12.9	N/A	N/A
Companies Act, No.7 of 2007 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
23-Dec-19	9-Jul-21	9-Jul-21
100	100	100
Dated	Dated	Dated
23-Dec-26	9-Jul-26	9-Jul-26
835,714	N/A	N/A
Liability	Liability	Liability
N/A	N/A	N/A
N/A	N/A	N/A
Fixed	Fixed	Fixed
12.90%	8.90%	9.15%
Non-Cumulative	Non-Cumulative	Non-Cumulative
Convertible	Non-Convertible	Non-Convertible
As per Banking Act Direction No. 1 of 2016	N/A	N/A
Fully or Partially	N/A	N/A
Mandatory	N/A	N/A
Simple Average of Volume WA Price of ordinary voting shares published by the CSE, during the 3 months period, immediately preceding the date of the Trigger Event.	N/A	N/A

Risk Management Annexures

Table 7

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

Asset Class	Bank					
	LKR'000 as at -31-December-23					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On-Balance Sheet Amount"	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density(ii)
Claims on Central Government and CBSL	94,678,257	39,391,500	94,678,257	787,830	634,167	1%
Claims on Foreign Sovereigns and their Central Banks	4,849,318	-	4,849,318	-	-	0%
Claims on Public Sector Entities	5,807,726	-	5,807,726	-	5,305,233	91%
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	0%
Claims on Banks Exposures	29,201,123	39,017,994	27,698,908	749,886	5,779,765	20%
Claims on Financial Institutions	21,152,491	23,454,194	10,042,957	1,526,506	7,374,440	64%
Claims on Corporates	139,872,128	113,264,851	127,600,265	13,261,737	131,870,367	94%
Retail Claims	97,204,771	78,262,770	71,637,176	3,646,819	56,576,201	75%
Claims Secured by Residential Property	6,339,488	-	6,339,488	-	2,998,761	47%
Claims Secured by Commercial Real Estate	315,257	-	315,257	-	315,257	100%
Non-Performing Assets (NPAs)(i)	10,263,039	-	10,031,748	137,119	10,990,352	108%
Higher-risk Categories	25,803	-	25,803	-	64,507	250%
Cash Items and Other Assets	20,423,269	-	20,423,269	-	7,925,620	39%
Total	430,132,669	293,391,310	379,450,171	20,109,897	229,834,668	58%

Asset Class	Group					
	LKR'000 as at -31-December-23					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On-Balance Sheet Amount"	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density(ii)
Claims on Central Government and CBSL	94,678,257	39,391,500	94,678,257	787,830	634,167	1%
Claims on Foreign Sovereigns and their Central Banks	4,849,318	-	4,849,318	-	-	0%
Claims on Public Sector Entities	5,807,726	-	5,807,726	-	5,305,233	91%
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	0%
Claims on Banks Exposures	27,698,908	39,017,994	27,698,908	749,886	5,779,765	20%
Claims on Financial Institutions	22,654,706	23,454,194	10,042,957	1,526,506	7,374,440	64%
Claims on Corporates	139,872,128	113,264,851	127,600,265	13,261,737	131,870,367	94%
Retail Claims	97,204,771	78,262,770	71,637,176	3,646,819	56,576,201	75%
Claims Secured by Residential Property	6,339,488	-	6,339,488	-	2,998,761	47%
Claims Secured by Commercial Real Estate	315,257	-	315,257	-	315,257	100%
Non-Performing Assets (NPAs)(i)	10,263,039	-	10,031,748	137,119	10,990,352	108%
Higher-risk Categories	-	-	-	-	-	0%
Cash Items and Other Assets	20,608,617	-	20,608,617	-	8,110,966	39%
Total	430,292,215	293,391,310	379,609,717	20,109,897	229,955,508	58%

Note:

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

Bank

	LKR'000 as at -31-December-22					
	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)
	65,232,924	11,078,300	65,232,924	221,566	1,251,558	2%
	-	-	-	-	-	0%
	2,739,330	-	2,739,330	-	547,866	20%
	-	-	-	-	-	0%
	50,363,330	1,759,829	48,861,064	76,276	19,580,140	40%
	5,689,950	17,584,743	5,677,580	214,389	3,885,050	66%
	115,130,497	88,585,698	105,928,401	10,397,566	113,384,654	97%
	110,242,637	74,922,660	86,089,527	3,765,607	67,407,367	75%
	7,367,531	-	7,367,531	-	3,623,883	49%
	367,122	-	367,122	-	367,122	100%
	10,450,165	-	10,268,250	906,552	13,596,192	122%
	25,803	-	25,803	-	64,507	250%
	17,601,433	-	17,601,433	-	7,514,228	43%
	385,210,721	193,931,230	350,158,965	15,581,956	231,222,567	63%

Group

	LKR'000 as at -31-December-22					
	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)
	65,232,924	11,078,300	65,232,924	221,566	1,251,558	2%
	-	-	-	-	-	0%
	2,739,330	-	2,739,330	-	547,866	20%
	-	-	-	-	-	0%
	48,861,064	1,759,829	48,861,064	76,276	19,580,140	40%
	7,192,216	17,584,743	5,677,580	214,389	3,885,050	66%
	115,130,497	88,585,698	105,928,401	10,397,566	113,384,654	97%
	110,242,637	74,922,660	86,089,527	3,765,607	67,407,367	75%
	7,367,531	-	7,367,531	-	3,623,883	49%
	367,122	-	367,122	-	367,122	100%
	10,450,165	-	10,268,250	906,552	13,596,192	122%
	-	-	-	-	-	0%
	17,738,768	-	18,241,906	-	8,154,678	45%
	385,322,253	193,931,230	350,773,635	15,581,956	231,798,511	63%

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-23 (Post CCF & CRM)										
Risk Weight Asset Classes	0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka	92,295,254		3,170,833		-	-	-	-	-	-	95,466,087
Claims on Foreign Sovereigns and their Central Banks	4,849,318		-		-	-	-	-	-	-	4,849,318
Claims on Public Sector Entities	-		-		1,004,986	-	-	4,802,740	-	-	5,807,726
Claims on Official Entities and Multilateral Development Banks	-		-		-	-	-	-	-	-	-
Claims on Banks Exposures	-		28,270,784		120,175	-	-	42,462	15,372	-	28,448,794
Claims on Financial Institutions	-		-		8,390,047	-	-	3,179,416	-	-	11,569,463
Claims on Corporates	-		7,347,770		6,226,838	-	-	127,287,395	-	-	140,862,002
Retail Claims	-		-		-	6,074,749	65,111,576	4,097,670	-	-	75,283,995
Claims Secured by Residential Property	-		-	5,139,579	-	-	-	1,199,909	-	-	6,339,488
Claims Secured by Commercial Real Estate	-		-		-	-	-	315,257	-	-	315,257
Non-Performing Assets (NPAs)	-		-		214,475	-	-	8,096,948	1,857,444	-	10,168,867
Higher-risk Categories	-		-		-	-	-	-	-	25,803	25,803
Cash Items and Other Assets	12,497,649		-		-	-	-	7,925,620	-	-	20,423,269
Total	109,642,221	-	38,789,387	5,139,579	15,956,521	6,074,749	65,111,576	156,947,416	1,872,816	25,803	399,560,068

Description	Group										
	LKR'000 as at 31-December-23 (Post CCF & CRM)										
Risk Weight Asset Classes	0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka	92,295,254		3,170,833		-	-	-	-	-	-	95,466,087
Claims on Foreign Sovereigns and their Central Banks	4,849,318		-		-	-	-	-	-	-	4,849,318
Claims on Public Sector Entities	-		-		1,004,986	-	-	4,802,740	-	-	5,807,726
Claims on Official Entities and Multilateral Development Banks	-		-		-	-	-	-	-	-	-
Claims on Banks Exposures	-		28,270,784		120,175	-	-	42,462	15,372	-	28,448,794
Claims on Financial Institutions	-		-		8,390,047	-	-	3,179,416	-	-	11,569,463
Claims on Corporates	-		7,347,770		6,226,838	-	-	127,287,395	-	-	140,862,002
Retail Claims	-		-		-	6,074,749	65,111,576	4,097,670	-	-	75,283,995
Claims Secured by Residential Property	-		-	5,139,579	-	-	-	1,199,909	-	-	6,339,488
Claims Secured by Commercial Real Estate	-		-		-	-	-	315,257	-	-	315,257
Non-Performing Assets (NPAs)	-		-		214,475	-	-	8,096,948	1,857,444	-	10,168,867
Higher-risk Categories	-		-		-	-	-	-	-	-	-
Cash Items and Other Assets	12,497,652		-		-	-	-	8,110,966	-	-	20,608,617
Total	109,642,224	-	38,789,387	5,139,579	15,956,521	6,074,749	65,111,576	157,132,762	1,872,816	-	399,719,614

Bank

LKR'000 as at 31-December-22 (Post CCF & CRM)

0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
59,196,698		6,257,792		-	-	-	-	-	-	65,454,490
-		-		-	-	-	-	-	-	-
-		2,739,330		-	-	-	-	-	-	2,739,330
-		-		-	-	-	-	-	-	-
-		16,864,385		31,731,382	-	-	341,572	-	-	48,937,340
-		40,120		3,949,645	-	-	1,902,204	-	-	5,891,969
-		2,421,507		2,008,214	-	-	111,896,246	-	-	116,325,967
24,519		-		-	7,081,990	78,361,810	4,386,816	-	-	89,855,135
-		-	5,759,459	-	-	-	1,608,072	-	-	7,367,531
-		-		-	-	-	367,122	-	-	367,122
-		-		279,972	-	-	5,772,080	5,122,751	-	11,174,803
-		-		-	-	-	-	-	25,803	25,803
10,087,206		-		-	-	-	7,514,228	-	-	17,601,433
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

Group

LKR'000 as at 31-December-22 (Post CCF & CRM)

0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
59,196,698		6,257,792		-	-	-	-	-	-	65,454,490
-		-		-	-	-	-	-	-	-
-		2,739,330		-	-	-	-	-	-	2,739,330
-		-		-	-	-	-	-	-	-
-		16,864,385		31,731,382	-	-	341,572	-	-	48,937,340
-		40,120		3,949,645	-	-	1,902,204	-	-	5,891,969
-		2,421,507		2,008,214	-	-	111,896,246	-	-	116,325,967
24,519		-		-	7,081,990	78,361,810	4,386,816	-	-	89,855,135
-		-	5,759,459	-	-	-	1,608,072	-	-	7,367,531
-		-		-	-	-	367,122	-	-	367,122
-		-		279,972	-	-	5,772,080	5,122,751	-	11,174,803
-		-		-	-	-	-	-	-	-
10,087,229		-		-	-	-	7,651,539	-	-	17,738,768
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

Risk Management Annexures

Table 9

Market Risk under Standardised Measurement Method

Item	Bank		Group	
	RWA (LKR'000)		RWA (LKR'000)	
	31-December-23	31-December-22	31-December-23	31-December-22
(a) RWA for Interest Rate Risk	2,855,031	236,994	2,855,031	236,994
General Interest Rate Risk	2,855,031	236,994	2,855,031	236,994
(i) Net Long or Short Position	2,855,031	236,994	2,855,031	236,994
(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	40,177	180,217	40,177	180,217
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	23,161,667	3,337,695	23,161,667	3,337,695

Table 10

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

Business Lines	Bank									
	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-December-23			Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-December-22		
			1st Year	2nd Year	3rd Year			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		22,933,969	38,423,370	44,471,082	15%		21,094,930	23,333,112	38,393,141
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	5,291,421					4,141,059				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				
Risk Weighted Amount for Operational Risk (LKR'000)										
The Basic Indicator Approach	42,331,368					33,128,473				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				

Table 10 (Contd.)

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

	Group									
Business Lines	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-December-23			Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31-December-22		
			1st Year	2nd Year	3rd Year			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		23,269,379	38,867,315	45,031,613	15%		21,430,771	23,668,521	38,837,086
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	5,358,415					4,196,819				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				
Risk Weighted Amount for Operational Risk (LKR'000)										
The Basic Indicator Approach	42,867,323					33,574,551				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				