

x



z=2x

**Annual Report 2023**

**BETTER IS IN THE DETAILS**

**NATIONS TRUST BANK PLC**

# Contents

## OUR BUSINESS AND LEADERSHIP

Overview.....	3
Nations Trust at a Glance.....	4
Year in Review.....	5
Performance Highlights.....	6
Chairman's Message.....	8
Chief Executive Officer's Review.....	12
Board of Directors.....	14
Corporate Management.....	19
Vice Presidents.....	20

## OUR STRATEGY AND PERFORMANCE

Value Creation Model.....	21
Operating Landscape.....	22
Sustainability Integration.....	24
Listening to Our Stakeholders.....	28
Delivering Our Strategy.....	30

## BUSINESS REVIEW

Corporate Banking.....	32
Treasury.....	33
Commercial Banking.....	34
Consumer Banking.....	35

## CAPITAL MANAGEMENT

Financial Capital.....	36
Intellectual Capital.....	38
Digital Capital.....	40
Human Capital.....	44
Manufactured Capital.....	49
Social and Relationship Capital.....	50
Natural Capital.....	54
Independent Assurance Report.....	57

## CORPORATE GOVERNANCE & RISK MANAGEMENT

Corporate Governance.....	59
Annual Report of the Board of Directors on the Affairs of the Bank.....	64
Directors' Interest in Contracts with the Bank.....	68
Risk Management Review.....	70
Board Integrated Risk Management Committee Report.....	83
Board Credit Committee Report.....	84
Board Supervisory Committee Report.....	85
Board Nominations and Governance Committee Report.....	86
Human Resources and Remuneration Committee Report.....	88
Board Information Technology Advisory Committee Report.....	89
Related Party Transactions Review Committee Report.....	90
Directors' Statement on Internal Control Over Financial Reporting.....	91
Auditor's Statement on Internal Control Over Financial Reporting.....	93
Board Audit Review Committee Report.....	94

## FINANCIAL STATEMENTS

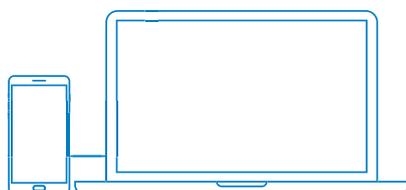
Directors' Responsibility for Financial Reporting.....	98
Independent Auditors' Report.....	99
Statement of Financial Position.....	103
Statement of Profit or Loss.....	104
Statement of Comprehensive Income.....	105
Statement of Changes in Equity.....	106
Statement of Cash Flows.....	107
Notes to the Financial Statements.....	108

## SUPPLEMENTARY INFORMATION

Risk Management Annexures.....	201
GRI Context Index.....	220
Investor Information.....	224
Corporate Governance Annexures.....	228
Decade at a Glance.....	252
Service Network.....	254
Glossary.....	257
Administrative Details.....	260
Notice of Meeting.....	261
Form of Proxy (Voting Shareholders).....	262
Form of Proxy (Non-Voting Shareholders).....	264
Registration Form.....	266
Corporate Information.....	IBC

### HOW TO READ THIS REPORT

As part of our commitment towards reducing our environmental impact, we will only be printing a limited number of copies of this Annual Report. The Report is available for perusal and download through digital mediums.



The PDF version of the Annual Report 2023 can be read at: <https://www.nationstrust.com/about-us/investor-relations/annual-reports>



## Better is in the details.

In an environment of constant change and challenges, Nations Trust Bank showed no intentions of lowering their own expectations. Building on the success of the previous financial year how was the Bank going to raise the bar and set the standard for performance and delivering excellence?

The answer was in the details.

An unwavering commitment to excellence, precision and continuous improvement allowed for a deeper more accurate strategy that once again delivered results.

The focus on the finer details have driven significant advancements in all aspects of operations allowing for a refined customer experience, deeper understanding of data and how to use it to elevate performance, to better fulfilling the needs of customers.

So, as we navigate an evolving business landscape, we remain dedicated to the belief that improvements lead to transformative outcomes. Join us through the intricacies, where we discover that in the details, we not only find success but redefine it.



**Nations  
TrustBank**





## Our commitment continues...



Driving persistent efforts to achieve a positive impact on our environment.



### Our Vision

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

### Our Mission

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

### Values

- Trust
- Agility
- Proactive
- Excellence
- Collaboration

# Overview

## About this Report

The 10th integrated annual report of Nation Trust Bank PLC (“Nations Trust” or “the Bank”) provides a concise and balanced assessment of how the Bank successfully directed its strategy in the face of unprecedented economic uncertainties to create value for its stakeholders.

## Reporting Entity

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

## Reporting Period

This report covers the period from 1st January 2023 to 31st December 2023. The Group adopts an annual reporting cycle, and this report published in February 2024, builds on the previous report for the financial year ending 31st December 2022.

## Standards and Principles

This report has been prepared in accordance with

- Companies Act No. 7 of 2007 and subsequent amendments
- Banking Act No. 30 of 1988 and directions of the Central Bank of Sri Lanka

## Board Responsibility Statement

All information contained in this report has been internally reviewed by the Board of Directors of NTB. NTB continues to adhere to its best practice of obtaining external assurance for its annual reports. In this regard, Messrs. Ernst & Young were engaged to provide independent assurance, and the assurance statement of the external party can be found on page 57.

All indicators, measuring methodologies, assumptions, and estimations used in preparing this report comply with GRI standards and the Integrated Reporting Framework. Any restatements to the numbers and statements presented, along with their underlying reasons, are clearly explained in the relevant sections of this report.

Signed on behalf of the Board,



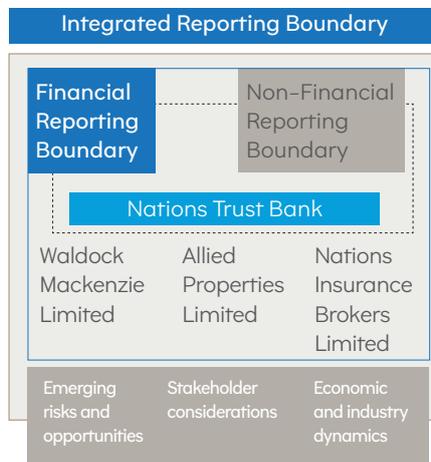
- Sri Lanka Financial Reporting Standards
- Listing Rules of the CSE and Subsequent Revisions to date
- Integrated Reporting Framework
- UN Sustainable Development Goals
- GRI Standards

## Assurance

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

## Scope and Boundary

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



## Changes to Reporting

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

## Forward-Looking Statements

This Report contains certain forward-looking statements regarding the Group’s performances, financial position, and operations. These statements involve risks and uncertainty as they relate to events that could occur in the future. These factors may cause actual results to differ from those expressed/implied by such forward-looking statements.

## Navigation Icons

### OUR CAPITALS



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

### OUR STAKEHOLDERS



- Customers
- Shareholders
- Employees
- Business Partners
- Government
- Community

### STRATEGIC FOCUS AREAS



- Business Focus
- Cost and Efficiency Management
- Customer Experience
- Automation and Digitisation

## Feedback

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

**Evan Ranasinghe,**  
Vice President,  
Management Reporting and Planning

E-mail  
evan.ranasinghe@nationstrust.com

# Nations Trust at a Glance

Nations Trust Bank PLC, a licensed commercial bank in Sri Lanka, derives its competitive edge by engaging state-of-the-art digital technology to deliver innovative customer-centric banking solutions to the commercial, corporate and consumer segments. Our lean and agile business model, digitally empowered talent and personalised approach to customer service have fortified our resilience in navigating unprecedented challenges and uncertainties, enabling consistent and sustainable value creation for stakeholders.

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

## Customer Value Proposition

NTB's customer value proposition centres on providing personalised banking solutions with a customer lifecycle approach and is underpinned by a comprehensive product portfolio, excellent customer service, omni-channel service delivery and best-in-class digital platforms.



## A Comprehensive Product Portfolio



### CORPORATE

- Working capital finance
- Supply chain financing
- Structured finance and syndications
- Trade financing
- Cash management
- Corporate cards



### CONSUMER

- Savings & Investment products
- Leasing
- Loans (Personal/Vehicle/Housing)
- Credit and Debit Cards
- Bancassurance



### COMMERCIAL

- Trade Financing
- Term Loans
- Leasing
- Business Banking
- Nations Business Investment Planner



Scan for more information about Bank's offerings

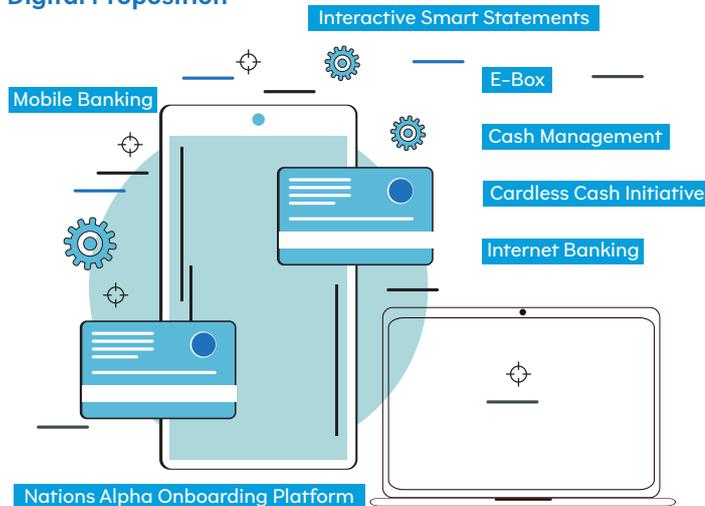
## Omni-Channel Service Delivery

96 Branches

81 ATM

87 CRM

## Digital Proposition



## Our People

A dynamic and talented workforce of

2,481 Employees

48.2% Female Representation

## Key Financial Highlights

LKR 11.47 Bn Profit After Tax

21.34% ROE

LKR 516.1 Bn Total Assets

19.68% Total Capital Ratio

Nations Direct

Nations Direct Enterprise



# Year in Review

## Operating Context

- Preserving the financial stability of the Bank by enhancing its liquidity position, implementing a selective lending strategy and maintaining portfolio quality
- Delivery of customer-centric solutions through a lifecycle proposition and relationship driven approach
- Digitalisation of internal and external processes to enhance the customer experience and increase operational efficiency
- Creating an inclusive, dynamic and rewarding work environment
- Integrating an ESG and Sustainability Management Framework and ESG Strategy within business operations

## Strategic Focus

- Capitalising on market opportunities through selective lending while ensuring a robust liquidity position
- Emphasis on profitability through the effective management of funding costs and asset quality
- Delivery of customer-centric solutions through a lifecycle proposition and relationship driven approach
- Leveraging technology to lead in innovation, strengthen our customer value proposition and enhance operational efficiencies
- Nurturing an agile, engaged and future-focused workforce
- Integrating environmental and social consciousness through the implementation of a formal ESG strategy

## Results

**12%**  
Loan Growth

**15.9%**  
Growth in Operating Income

**65%**  
Loans screened for social and environmental impacts

**17%**  
Deposit Growth

**18%**  
Growth in Digital Transactions

**3.88%**  
Return on Risk Weighted Assets

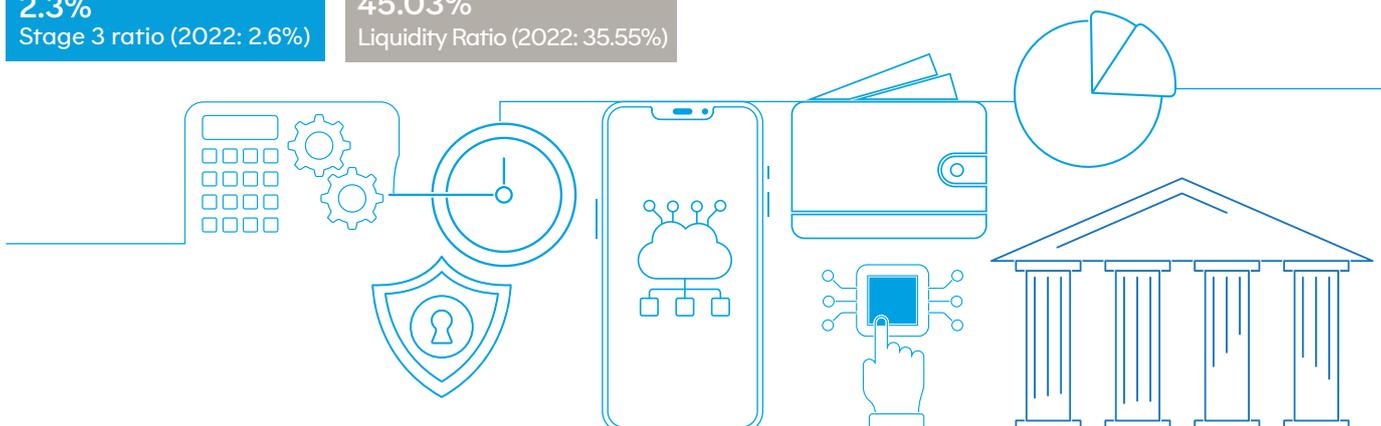
**55.3%**  
Stage 3 Provision Cover ratio (2022: 50.7%)

**2.3%**  
Stage 3 ratio (2022: 2.6%)

**45.03%**  
Liquidity Ratio (2022: 35.55%)

## Way Forward

- Capture emerging opportunities while effectively mitigating risks stemming from the operating environment
- Enhance the customer experience through the provision of customised banking solutions
- Harness best in class digital capabilities to transform the customer experience and streamline processes
- Nurture a diverse, motivated, and digitally enabled workforce



# Performance Highlights



Figures In LKR Million	2023	2022	Change
<b>Performance of the Year (Group)</b>			
Operating income	45,031	38,867	16%
Operating expense	14,078	11,558	22%
Profit after tax	11,470	7,228	59%
<b>Financial Position</b>			
Customer deposits	347,769	297,253	17%
Loans and receivables	270,945	241,241	12%
Total assets	516,134	414,944	24%
Total equity	61,126	46,041	33%
<b>Profitability</b>			
Net interest margin (Bank)	7.72%	6.98%	
Cost to income ratio	31%	30%	
Return on assets	2.56%	1.74%	
Return on equity	21.34%	17.10%	
Return on risk weighted assets	3.88%	2.69%	
<b>Investor Information</b>			
Market value per share - voting (LKR)	107.50	46.20	
Market value per share - non-voting (LKR)	99.80	57.40	
Net asset value per share (LKR)	191.25	152.72	
Earnings per share - basic (LKR)	35.17	22.61	
Dividend per share (LKR)	5.00	4.00	
Dividend yield (Voting)	4.65%	8.66%	
Market capitalisation (LKR million)	34,025	14,388	
<b>Capital Adequacy Ratio (Bank)</b>			
Tier 1	17.52%	14.21%	
Total capital	19.07%	16.31%	
Leverage ratio	9.72%	8.94%	
<b>Risk Management (Bank)</b>			
Stage III Loans/Gross Loans	2.34%	2.56%	
Stage III Impairment/Stage III Loans	55.30%	50.69%	
Statutory liquid assets ratio (DBU)	45.03%	35.55%	
Liquidity coverage ratio (All currency)	274.10%	222.88%	
Net stable funding ratio	158.59%	149.81%	

## Economic Value Creation

**LKR 12.40 Bn**  
Taxes to government

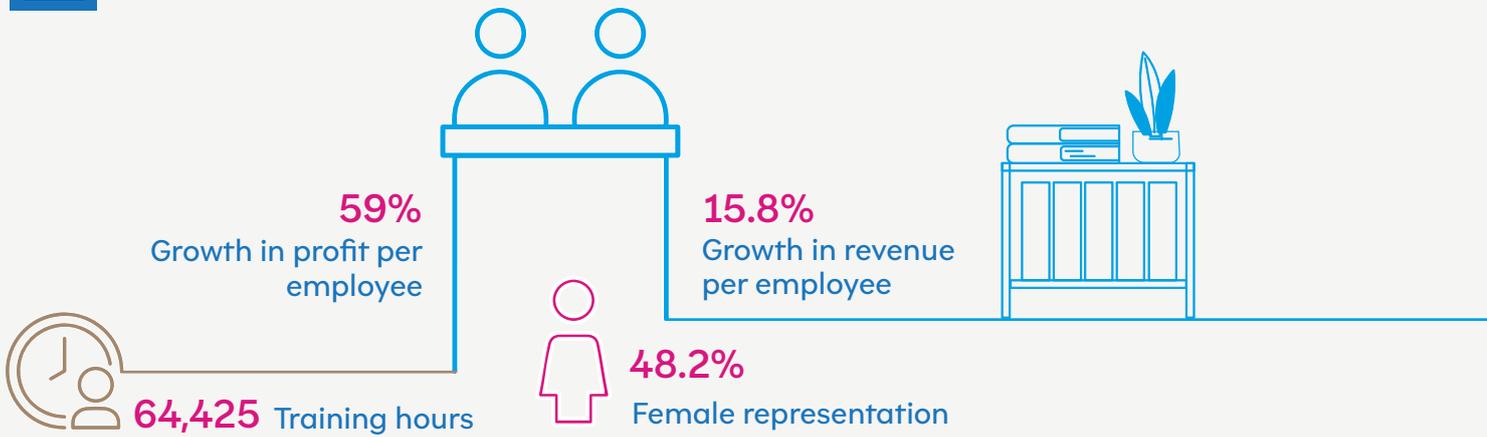
**LKR 7.44 Bn**  
Salaries and benefits to employees

**LKR 5.25 Bn**  
Payments to suppliers

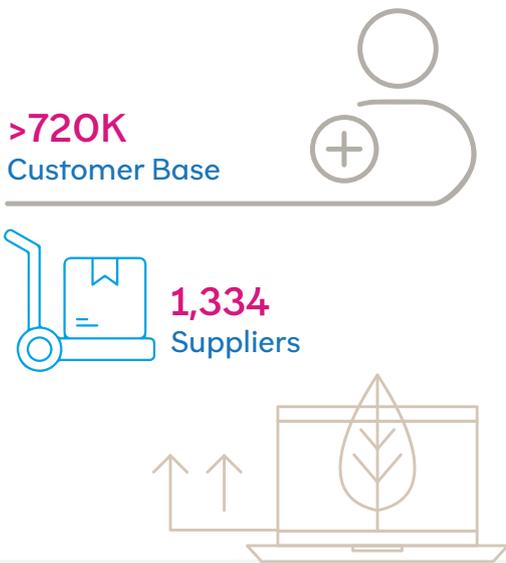
**LKR 1.60 Bn**  
Dividends to shareholders



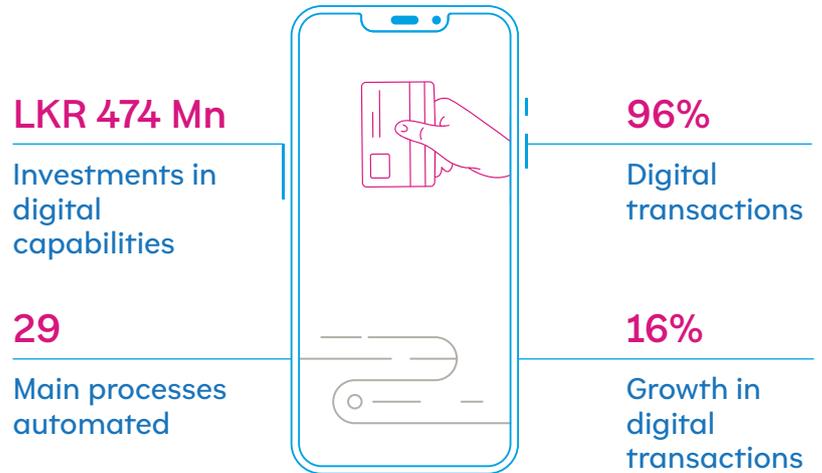
**A Strong Employee Value Proposition**



**Strengthening Relationships**



**Key Digital Highlights**



**Commitment to the Environment**



**2.40 MWh**  
Energy intensity per employee



**4,271 MTCO<sub>2</sub>e**  
Carbon Footprint



**65%**  
Loans and advances screened for social and environmental impacts



# Chairperson's Message



## Dear Stakeholder,

I'm pleased to present the Integrated Annual Report and the Financial Statements of Nations Trust Bank PLC (NTB) for the financial year ended 31st December 2023.

Amidst the volatility of an economy in recovery, the Bank maintained strong asset quality and liquidity, while delivering earnings growth during the year under review. An agile strategy, digitalisation, and continuous capacity building complimented by an ESG strategy to manage our sustainability impacts to deliver value to our stakeholders underpin the results set out in this report.

### Stabilising to drive growth

The operating environment continued to be challenging due to macroeconomic pressures stemming from the country's

external financing position. The Central Bank of Sri Lanka undertook significant policy measures to curtail inflation, manage interest rates and support the currency. Additionally, both direct and indirect tax rates were increased along with fuel pricing adjustments and electricity tariffs. The Sri Lankan Rupee appreciated against the USD during 2023 with the easing of pressure on foreign exchange liquidity. This was aided by inflows from the IMF Extended Fund Facility, Asian Development Bank, World Bank, and a notable pick up in Tourism and Remittances. The first phase of the Debt re-structuring process, the Domestic Debt Optimisation supported the upward revision of the sovereign credit rating and a decrease in domestic market rupee interest rates.

Given the numerous challenges the banking industry faced, it is noteworthy the manner in which the Bank was

able to navigate these to deliver strong earnings growth and build resilience in the process. I convey my appreciation to the Board, Management and the entire Team at the Bank for their support, commitment, and unwavering resolve.

As we move forward, challenges from the external environment continue to prevail. Building resilience and driving growth and sustainability for all our stakeholders will remain our priority.

### Performance Oversight

The focus on returns and stability continues to shape the Bank's strategy ensuring allocation of resources to well defined areas of growth. NTB delivered profit growth of 59% to record LKR 11.4 Bn in Profit after tax recording the highest profit to date. It is commendable that this was delivered while maintaining one of the lowest Net

Stage 3 Loans ratios in the industry. The performance during the year reflects agile management of Net Interest Margins, increasing adoption of digital banking products, careful management of asset quality and cost efficiency. It is the result of deep dives into specific areas to understand the drivers, related downside risks and opportunities that supported insightful management of critical variables.

The Bank increased the support provided to SME segments to uplift and build resilience in this vital sector of the economy. Initiatives implemented included capacity building and financial literacy coupled with facilitating access to finance in defined industry segments. Higher levels of engagement improved insights into this sector which presented an opportunity for the Bank to introduce digital banking solutions needed.

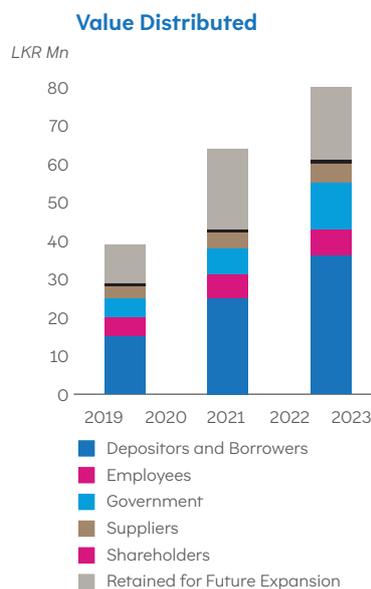
Continuous investments in digitalisation have been a differentiator for NTB, ensuring that we integrate our customers with the convenience and the opportunities offered through access to advanced technologies. The onboarding of customers and increased digital transaction volumes are extremely encouraging. NTB continues to invest in this evolving field, carefully selecting the right technologies and solutions that will ensure that we remain a future ready and innovative financial services provider.

The Bank was also able to grow its balance sheet during the year maintaining comfortable levels of liquidity. Growth of the loan book is satisfactory as the industry in general experienced a decline in the loan book.

The Group's Capital Adequacy Ratio stands at 19.68% at the close of the year, well above the regulatory requirement. Similarly, the Consolidated Statutory Liquid Assets Ratio was 45.03% affirming sound liquidity management.

### Value to stakeholders

Balancing value created and distributed is key to sustainable growth of any entity. NTB creates value for its customers through the provision of financial services. With the growth of the business the value distributed among other stakeholders has improved significantly over the past three years, as the Board prioritised the needs of stakeholders taking a short, medium and long-term view of the Bank and its prospects. The value distributed to the stakeholders is set out alongside to demonstrate the change over the past three years. The share distributed to government has grown during this period reflecting the increased taxation. Value distributed to employees increased in 2022 and 2023, in line with inflation and market-based adjustments.



NTB delivered profit growth of 59% to record LKR 11.4 Bn in Profit after tax recording the highest profit to date. It is commendable that this was delivered while maintaining one of the lowest Net Stage 3 Loans ratios in the industry. The performance during the year reflects agile management of Net Interest Margins, increasing adoption of digital banking products, careful management of asset quality and cost efficiency.

## Chairperson's Message

Sri Lanka is expected to continue the positive growth observed in Q3 to deliver a GDP growth of 3% in 2024. This is supported by improved dollar liquidity stemming from Tourism and Worker Remittances, and a recovery in exports. Conclusion of the foreign currency denominated debt restructuring will be a key priority for 2024 and we continue to monitor developments in this area.

NTB's Earnings Per share increased by 59% to LKR 35.17 and Net Assets per share increased by 25% to LKR 191.25. The strong performance and market factors supported an increase in NTB's market value by 136% to LKR 34.02 Bn by the close of the year as the share price increased from LKR 46.2 to LKR 107.5. The Board has declared a first and final dividend of LKR 5.00 per share in 2023 in the form of LKR 2.50 in cash and LKR 2.50 in scrip to be paid in March 2024.

### Governance Matters

The Board was assisted in maintaining high standards of governance by the Board Sub Committees as the landscape continued to evolve. The Listing Rule No. 9 on Corporate Governance issued by the Colombo Stock Exchange and changes to other voluntary codes have been duly adopted. The Bank is fully compliant with the rules as per Direction on Corporate Governance issued by the CBSL. The Bank also appointed a Senior Independent Director to strengthen the governance structure.

### Integrating ESG

The Bank continues to deepen the integration of ESG into the strategy, systems, and processes of the Bank. The strategy is being supported by a roadmap for implementation. We have also implemented an Environmental and Social Management System for all loans above LKR 50 Mn and continue to invest in renewable energy and agriculture, supporting the country's transition to a low carbon economy.

### Technology and People

We continue to be at the forefront of digital banking, supporting the country's digitalisation initiatives. The encouraging response from stakeholders and the increase in digital revenues affirms the Bank's continued investments in digitalisation. Similarly, the Bank's investments in people supports our growth as we recorded a significant improvement in the average training hours per employee, leveraging online platforms to encourage self-paced learning to enhance technical and domain knowledge. The Bank implemented its digital transformation with our people upskilling themselves and moving to more value adding roles to support the expansion of the business.

### Risk Management

Risk management has been key to maintaining our earnings and growth trajectories. The Board continues to remain vigilant despite the abatement of market and credit risk. We continue to invest in enhancing the tools and techniques and the capabilities to ensure that we remain ahead of the game.

### The way forward

The global economy is projected to grow at 3.1% maintaining the pace of growth observed in 2023. Growth in world trade is expected to pick up from the 0.4% in 2023 to 3.3% in 2024. Oil prices are expected to decrease albeit at a more gradual pace. Downside risks include commodity price hikes resulting from geopolitical shocks, supply disruptions and tax hikes which could prolong tight monetary conditions.

Sri Lanka is expected to continue the positive growth observed in Q3 to deliver a GDP growth of 3% in 2024. This is supported by improved dollar liquidity stemming from Tourism and Worker Remittances, and a recovery in exports. Conclusion of the foreign currency denominated debt restructuring will be a key priority for 2024 and we continue to monitor developments in this area. Credit risk is expected to abate as growth prospects improve spurred by lower interest rates. However, 2024 is an election year with associated uncertainties, the Board will continue to monitor developments in this space.

NTB will continue to optimise returns while maintaining stability and liquidity. The Bank is well positioned for growth in targeted areas aligned to the country's growth plans. We will maintain our stance on responsible lending and will increase the depth and breadth of our analytics. Governance will be a key pillar and deepening the integration of ESG is very much on the agenda for 2024. Seeking opportunities to leverage our commitment to ESG will be an area to explore as the country transitions to a low carbon economy.

### Appreciations

I take this opportunity to place on record the invaluable contribution made by Mr. Gihan Cooray who retired as Chairman after serving 9 years on the Board of the Bank in April 2023. On behalf of the

Board, I wish to welcome Mr. Charitha Subasinghe who was appointed to the Board as a Non-Executive Director on 19th June 2023, who brings in considerable knowledge and skills further strengthening the collective insights of the Board.

It is with pleasure that I congratulate the team at NTB led by Mr. Hemantha Gunetilleke for delivering a stellar performance in a year with significant uncertainty. I also take this opportunity to thank our investors, customers and business partners for their invaluable support, confidence, and trust as we look ahead to another successful year.

I convey my appreciation for the guidance provided by the officials of the Central Bank of Sri Lanka during the year. In conclusion, I wish to thank my fellow Board members for their invaluable contribution in guiding NTB along a consistent and stable growth trajectory.



Sherin Cader  
Chairperson

22nd February 2024  
Colombo

# Chief Executive Officer's Review



## Dear Stakeholder,

I am pleased to present the Integrated Annual Report and the Financial Statements of Nations Trust Bank PLC for the financial year ended 31st December 2023.

With continued focus on our long-term strategy and a steadfast commitment to the right way forward, we are pleased to report another successful year for the Bank. We are emerging as a strong and agile force in a banking industry that faced multiple systemic challenges from years of unprecedented socioeconomic pressure, unprecedented events and extreme market volatility and uncertainty.

Technological innovation in digital banking, customer centricity, teamwork, adherence to prudent banking practices and a strong people focus, enabled the Bank to record a ROE of 21.3%, once again, the highest in the country's banking sector. The Bank has confidently emerged from the economic turmoil and market volatility of the last 3 years, with a strong growth trajectory and is well poised to lead the industry across key growth, profitability and prudential indicators.

## A Strong Foundation

Deep, focused work undertaken during the pandemic years and during the financial crisis has been the catalyst that set the Bank on a path of strong growth. With the on-set of the pandemic in 2020, we focused on redefining our business models, de-risking selected asset classes and venturing into new areas of opportunity. We also repositioned our risk appetite across key products and market segments. These initiatives have ensured that our strong performance on profitability and return ratios are coupled with one of the lowest Stage 3 ratios in the industry, highlighting the quality of our asset portfolio and our risk-based approach to growth.

During the year, our deposit franchise strengthened ensuring that the Bank was highly liquid in terms of both LKR and Foreign Currency. We challenged our operating models, undertook several meaningful initiatives to drive cost efficiencies and redefined how we worked which proved to be extremely effective.

Several years of steady growth in profitability has resulted in a build-up of the Bank's capital reserves. Our Capital Adequacy Ratio of 19.68% remains

comfortably above the regulatory requirement. These capital reserves along with the continued support of our shareholders, continues to be a great strength as the Bank moves forward into its next phase of growth.

## Better is in the details

Despite the challenging macro economic environment around us, we remained focused on delivering an exceptional banking experience to our customers. Always positioned as a premium bank, we sought a deeper connection with our discerning customers to redefine banking in both the physical and digital space. Our customers played a key role in our digital transformation and their needs and aspirations have guided our digital journey. Today, we are well positioned to serve all customer segments through best in class digital banking platforms that handle over 96% of our customer transactions.

During the year under review, the Bank was successful in fulfilling the borrowing needs of a wide spectrum of customer segments. With economic activity gaining traction, we have been particularly successful in supporting the revival of our Business and Small and Medium Enterprise (SME) customers. The provision

of subsidised funding to these customers in partnership with multilateral agencies being noteworthy. We have been equally successful in supporting the revival of trade and foreign exchange transactions with our SME and corporate customers, thereby playing an active role in the revival of the national economy. During the year, we paid special attention to the needs of our borrowing customers who required ongoing assistance in the aftermath of the pandemic and the economic crisis in order to ensure the survival of viable enterprises.

We are thankful to our loyal customers who continue to place their trust in the Bank. In essence, by adopting prudent, customer centric banking practices, we were successful in crafting the right way forward, navigating the potential of risks of the external environment to ensure the Bank remained on a steady growth path.

### Another Stellar Year

The Bank recorded its highest Profit After Tax of LKR 11.47 Bn, an increase of 59% in a year that saw ongoing challenges to the banking industry. The timely repricing of assets and liabilities in a year marked with significant interest rate volatility, played a key part in the revenue growth of 16% to LKR 45.03 Bn.

Fee based income increased by 5% to LKR 7.1 Bn despite significantly reduced imports as healthy dollar liquidity enabled us to grow the banks export business.

Impairment decreased sharply by 46% to LKR 7.5 Bn, reflecting the improving macroeconomic conditions. The decrease compares favourably with that of the banking industry, evincing the successful de-risking of credit portfolios.

The extensive work undertaken on cost management is evidenced by the modest increase in expenses of 22% and a Cost to Income ratio of 31%, in a year where inflation decreased from 57% to 4% creating a highly unpredictable and volatile environment for efficient resource allocation.

Profit before tax increased by 74% to LKR 23.4 Bn reflecting the execution of a prudent strategy that delivered on the key performance indicators. Full year impact impending from the increase in income

tax rates from 24% to 30% resulted in the effective tax rate increasing from 46% to 51% in 2023.

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

### People and Culture

A key initiative and focus of the Bank has always been to attract and retain the right talent. This was even more imperative with the talent outflow the industry and country faced. I am pleased to say that the Bank has a team of 2,481 banking professionals, led by an outstanding senior leadership team, responsible for delivering our strategy. I am fortunate to have an energetic, ambitious and young team of professionals who are eager to reimagine and redefine banking for a new and emerging Sri Lanka. The Nations Spirit embodies Trust, Agility, Proactiveness, Excellence and Collaboration and this is reinforced throughout our interactions on a day-to-day basis. The Nations Spirit is the common thread that runs through our team of diverse people and together we are determined to deliver the Right Way Forward.

### Integrating ESG

In 2023, the Bank actively focused on integrating the management of sustainability impacts and Environmental, Social, and Governance (ESG) risks and opportunities. This integration stems from the adoption of a board approved ESG strategy, encompassing both the ESG Management Framework and ESMS Strategy. While the ESG Management Framework is now in place, ongoing efforts are dedicated to enhancing the existing ESMS strategy.

As the initial step in adopting the ESG Management Framework, the Bank conducted an internal perception study to assess its Material Topics, aligning with the GRI Universal Standards, COSO Risk Management, and AccountAbility AA1000 standards. Currently, the Bank employs a Sustainability dashboard to monitor its ESG performance. The Bank places a strong emphasis on Sustainable Finance,

considering it a priority and adhering to the directives of Banking Act No. 5 of 2022, the Sustainable Finance Roadmap, and the Green Finance Taxonomy in Sri Lanka.

The Bank remains steadfast in its commitment to prioritising the achievement of ESG objectives.

### Appreciations

As the Bank records another record year, I am deeply appreciative of all our customers who placed their trust in the Bank, our amazing team and the Bank's Chairperson and Board of Directors for their unstinting guidance and support during a challenging year. I also wish to place on record our deep appreciation for Mr. Gihan Cooray, who relinquished his duties as the Chairman of the Board on the completion of the regulated period of 9 years. I would like to warmly welcome once again Ms. Sherin Carder who assumed duties as the Chairperson of the Board during the year.

I also wish to acknowledge the guidance and support extended by our regulator, the Central Bank of Sri Lanka for safely steering the entire banking sector through a difficult period.

I thank our business partners and investors for their continued support and confidence placed in the Bank.

The year gone by has once again shown us that change is constant in our world. I am proud to say that our results have showcased our professionalism, customer centricity and the ability to operate successfully despite the volatility and uncertainty in the economy. We look forward to continuing this responsible growth, diving in to the details and delivering greater and better value to all our stakeholders in the coming year.



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

22nd February 2024  
Colombo

## Board of Directors



**Sherin Cader**

*Chairperson/Non-Executive Director*



**Hemantha D Gunetilleke**

*Chief Executive Officer/  
Executive Director*



**Conrad D'Souza**

*Senior Independent Director*



**Rachini Rajapaksa**

*Independent Non-Executive Director*



**Russell De Mel**

*Independent Non-Executive Director*



**Savanth Sebastian**

*Independent Non-Executive Director*



**Chanaka Wickramasuriya**

*Independent Non-Executive Director*



**Arjun Fernando**

*Non-Executive Director*



**Ramesh Shanmuganathan**

*Non-Executive Director*



**Chandika Hettiarachchi**

*Non-Executive Director*



**Sanjeev Jha**

*Non-Executive Director*



**Charitha Subasinghe**

*Non-Executive Director*



**Peshala Attygalle**

*General Counsel/Company Secretary*

**(MS) SHERIN CADER**

*Chairperson/Non-Executive Director*

**Date of appointment**

Appointed to the Board on 15th December 2018

(Appointed as the Chairperson on 1st May 2023)

**Board Sub-committees served**

Chairperson of the Board Human Resources and Remuneration Committee, Board Supervisory Committee and Board Credit Committee of the Bank and also serves as a member of the Board Nominations and Governance Committee of the Bank.

**Current appointments**

- Chief Financial Officer, Financial Services Industry Group of John Keells Holdings PLC, a listed company
- Serves on the Board of John Keells Stock Brokers (Pvt) Ltd, an unlisted company as an Executive Director

**Previous appointments**

- General Manager – Finance and Planning of Union Assurance PLC
- Financial Controller of John Keells Holdings PLC
- Before her being appointed as the Chairperson of the Bank, she served on the Boards of Waldock Mackenzie Limited and Allied Properties Limited with two subsidiaries of the Bank, and also as a member of the Board Audit Review Committee and Board Integrated Risk Management Committee of the Bank.

**Skills and experience**

Counts over 26 years of experience in both finance and operations. She has served in diverse roles for companies within the JKH group in the Financial Services Sector, IT Enabled-Services Sector and Center Functions.

She is a Fellow Member of both the Chartered Institute of Management Accountants, UK and the Association of Chartered Certified Accountants, UK. She is also a Chartered Global Management Accountant, UK and a Solution Consultant mySAP Financials – Managerial and Financial Accounting.

**HEMANTHA D GUNETILLEKE**

*Executive Director/Chief Executive Officer*

**Date of appointment**

Appointed as the Executive Director/Chief Executive Officer on 4th April 2022

**Board Sub Committees**

A member of Related Party Transactions Review Committee, Board Credit Committee, Board Integrated Risk Management Committee and Board Information Technology Advisory Committee of the Bank.

**Current appointments**

Serves on the Boards of three subsidiary companies (unlisted) of the Bank, namely Waldock Mackenzie Limited, Allied Properties Limited and Nations Insurance Brokers Limited.

**Previous appointments**

He has been an integral part of the Corporate Management Team of the Bank for the past eight years heading various functions and business units of the Bank including Consumer Banking and Commercial Banking. He also served as the Deputy Chief Executive Officer of the Bank for two years prior to him being appointed as the Executive Director/Chief Executive Officer in April, 2022.

**Skills and experience**

He is a carrier banker with extensive international banking experience and proven track record in Corporate Banking, Credit, Balance Sheet Management and International Trade Finance. He graduated from Warwick Business School, UK in 1996 with a BSC in Management Science and holds a BSC in Financial Services from the University of Manchester, UK. He is an Associate of Chartered Institute of Bankers (ACIB), UK.

**CONRAD D'SOUZA**

*Senior Independent Director*

**Date of appointment**

Appointed to the Board on 18th January 2016

**Board Sub-committees served**

Chairman of the Nominations and Governance Committee and Integrated Risk Management Committee. A member of Human Resources and Remuneration Committee and Board Audit Review Committee of the Bank.

**Current appointments**

- Advisor, Bandhan Bank Limited, India
- Serves on the Boards of Chalet Hotels Ltd., India, Camlin Fine Sciences Ltd., India, Asianet Satellite Communications Ltd., India and Juhu Beach Resorts Ltd., India.

**Previous Appointments**

- Served as a Member of the Executive Management and Chief Investor Relations Officer of Housing Development Finance Corporation Limited (HDFC), India.
- Served on the Boards of HDFC Sales Ltd., India, HDFC Investments Ltd., India, HDFC Education and Development Services Pvt. Ltd., India, HDFC Holdings Ltd., India, Association of Finance Professionals of India (AFPI), Housing Development Finance Corporation PLC, Maldives and First Housing Finance (Tanzania) Ltd.

**Skills and experience**

He was associated with HDFC for over 39 years and was responsible for investor relations, strategy, corporate planning and budgeting and corporate finance. He had held the position of Treasurer of HDFC for ten years and responsibilities included fund management, investments, resource mobilisation both domestic and international, asset liability management and investor relations. He was associated with HDFC's international funding from the multilateral agencies and in the international syndicate loan markets. He holds a Masters' Degree in Commerce, a Masters' Degree in Business Administration and is a Senior Executive Program (SEP) graduate of the London Business School.

**(MS) RACHINI RAJAPAKSA**

*Independent Non-Executive Director*

**Date of appointment**

Appointed to the Board on 29th April 2016

**Board Sub-committees served**

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

## Board of Directors

### Current appointments

Serves on the Boards of two unlisted companies, namely Asset Enterprises (Pvt) Ltd and Lanka Bond House Ltd as an Independent Non-Executive Director.

### Previous appointments

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

### Skills and experience

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

### RUSSELL DE MEL

*Independent Non-Executive Director*

### Date of appointment

Appointed to the Board on 6th June 2016

### Board Sub-committees served

Chairman of the Related Party Transactions Review Committee. A member of the Board Credit Committee and Human Resources and Remuneration Committee of the Bank.

### Current appointments

Serves on the Board of TAL Lanka Hotels PLC (Taj Hotels, Sri Lanka), a listed company, as an Independent Non-Executive Director.

### Previous appointments

- Served on the Boards of Singer Finance Lanka PLC and HDFC Maldives (nominee of IFC) and AIA Insurance PLC
- Served as Director/CEO and Group CEO at NDB Bank and Group
- Vice President of Group Risk Management and Corporate Banking at NDB

- Served on the Boards of over 25 listed and non-listed companies.

### Skills and experience

He is a professional accountant with over 20 years' experience in Development Banking including Project Financing, SME Financing and Merchant Banking and around 9 years of experience in Commercial and Investment Banking. He is a Fellow of the Chartered Institute of Management Accountants, Chartered Global Management Accountant and Fellow of the Certified Management Accountants of Sri Lanka.

### SAVANTH SEBASTIAN

*Independent Non-Executive Director*

### Date of appointment

Appointed to the Board on 23rd October 2018

### Board Sub-committees served

A member of the Board Audit Review Committee, Board Integrated Risk Management Committee and Board Supervisory Committee of the Bank

### Current appointments

Serves on the Boards of following unlisted companies;  
Voguetex Sri Lanka as an Executive Director, Arpico Ataraxia Asset Management and ACP Investments (Pvt) Ltd as a Non-Executive Director

### Previous appointments

- Director – Subway Development
- Equities Economist and Senior Economist at Commonwealth Bank, Australia
- Senior Manager at Commonwealth Securities, Australia – International Trading and Wealth Management

### Skills and experience

Mr. Savanth Sebastian brings with him twenty years of industry experience within the financial services sector. He carried out responsibilities for nine years as the Senior Economist within the research team at Commonwealth Bank in Australia Global Markets, advising Federal and State Governments, High

net worth customers, and internal stake holders including the Commonwealth Bank senior leadership team. He holds a Bachelor of Commerce in Actuarial Studies and Finance from the University of NSW and he is an Accredited Advisor (Level 1 and 2) of the Australian Stock Exchange.

### CHANAKA WICKRAMASURIYA

*Independent Non-Executive Director*

### Date of appointment

Appointed to the Board on 16th December 2018

### Board Sub-committees served

A member of the Nomination Committee, Board Credit Committee and Related Party Transactions Review Committee of the Bank.

### Current appointments

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

### Previous appointments

- Joint Managing Partner of Ironwood Capital Partners Private Equity Fund and Executive Director of Ironwood Investment Holding (Pvt) Ltd, Ironwood Services Holding (Pvt) Ltd, Ironwood Education (Pvt) Ltd, Ironwood Healthcare Holding (Pvt) Ltd
- Managing Partner of LR Global Lanka Private Equity Fund
- Partner – Global Portfolio Manager of the Global Private Equity Fund of Aureos Capital Limited
- Country Head Fitch Ratings Lanka Ltd
- Head of Private Equity – Lyner Partner (Pvt) Ltd

**Skills and experience**

He is a Chartered Financial Analyst of CFA institute, Charlottesville VA, USA and he holds Bachelors in Electrical Engineering from the State university of New Jersey.

**ARJUN FERNANDO**

*Non – Executive Director*

**Date of appointment:**

Appointed to the Board on 18th January 2019

**Board Sub-committees served**

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

**Current appointments**

- Serves on the Boards of Central Finance Company PLC, a Listed Company as a Non-Executive Director.
- Serves on the Boards of following unlisted companies as an Independent Non-Executive Director; NDB Capital Holdings Limited, NDB Securities (Pvt) Limited, NDB ZEPHYR Partners Limited, Durdans Medical and Surgical Hospitals (Pvt) Ltd, He also serves as a consultant of Certis Lanka Group

**Previous appointments**

- Served as Chief Executive Officer/(Ex-Officio) Director of DFCC Bank
- Served as Chairman/Director on the Boards of Directors of DFCC Bank's Subsidiaries, Joint Ventures and Associates
- Served as the DFCC Bank's Nominee Director on the Boards of Credit Information Bureau of Sri Lanka and the Sri Lanka Banks Association
- Served as Chairman of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) and the World Federation of Development Finance Institutions
- Served as an Independent Director on the Board of Home Finance Company in Fiji.
- Served in various executive capacities in HSBC Sri Lanka and HSBC Hong Kong

**Skills and experience**

Mr. Arjun Fernando is a professional banker with over 34 years of experience in banking, finance, and business administration. He is an Associate of the Chartered Institute of Bankers (U.K.). He holds a MSc in Management from Clemson University of South Carolina, USA and a BSc in Engineering from Southern Illinois University of Illinois, USA.

**(DR) RAMESH SHANMUGANATHAN**

*Non-Executive Director*

**Date of appointment**

Appointed to the Board 25th January 2021

**Board Sub Committee served**

Chairman of the Board Information Technology Advisory Committee of the Bank

**Current appointments**

- Executive Vice President/Group CIO of John Keells Holdings PLC
- Serves on the Boards of three unlisted companies, namely John Keells Information Technology (Pvt) Ltd, Informate (Pvt) Ltd and John Keells BPO Solutions Lanka (Pvt) Ltd as an Executive Director
- Serves on the Boards of Waldock Mackenzie Limited and Allied Properties Limited, two subsidiaries of the Bank as Non-Executive Director

**Previous appointments**

- Served as Director/Chief Executive Officer at Keells Business Systems Limited (KBSL), Sri Lanka
- Served as Director Strategy and New Business Initiatives at John Keells Computer Services (JKCS), Sri Lanka

**Skills and experience**

Dr. Ramesh Shanmuganathan is an Executive Vice President of the John Keells Group and provides stewardship for the Business led Digital/IT strategy and execution across the John Keells Group as the Group Chief Information Officer. He also provides leadership to John Keells IT and John Keells X as the Chief Executive.

Dr. Shanmuganathan has over 25 years of experience, with 20+ at the C-level. He is a Hayes-Fulbright Scholar and

holds to his credit a Doctor of Philosophy (Technology Management) from Keisei International University (Seoul, South Korea), Master of Science (Information Technology and Computer Science) with Phi Kappa Phi Honours from Rochester Institute of Technology (New York, USA), Master of Business Administration from Postgraduate Institute of Management, University of Sri Jayewardenepura, Bachelor of Science in Electronics and Telecommunications Engineering with First Class Honours from the University of Moratuwa. He has obtained Doctorate of Business Administration (DBA) from the International School of Management, Paris. He is a Chartered Engineer, Chartered IT Professional and a Fellow of the British Computer Society and Institute of Engineers, UK.

**CHANDIKA HETTIARACHCHI**

*Non-Executive Director*

**Date of appointment**

Appointed to the Board 05th January 2022

**Current appointments**

- Serves as the Chairman of two subsidiary companies of the Bank namely, Waldock Mackenzie Limited and Allied Properties Limited.
- Director – Marketing of Central Finance Company PLC, a listed Company.
- Serves on the Boards of the following unlisted companies as a non-executive Director; CF Insurance Brokers Limited, Central Transport and Travels Ltd, CF Growth Fund, Hettiarachchi Property Holdings (Pvt) Ltd, Willuwa Wilpattu (Pvt) Ltd, Urban Gardens (Pvt) Ltd

**Previous appointments**

The following positions were held at Central Finance Company PLC prior to being appointed as the Director/Marketing

- Senior Manager – Credit
- Assistant General Manager – Credit
- Senior Assistant General Manager – Credit/micro Leasing/Product development
- Deputy General Manager – Credit and Product Development

## Board of Directors

- General Manager –Marketing and Product Development
- Served on the Board of Leasing Association of Sri Lanka and council member of Sri Lanka Institute of Credit Management
- Carried out many assignments for International Development Agencies as a Consultant including International Finance Corporation (IFC).

### Skills and experience

An Associate member of the Chartered Institute of Management Accountants of UK (ACMA) and a Chartered Global Management Accountant (CGMA). Holds a Master of Business Administration Degree from the University of Wales, UK

### (DR) SANJEEV JHA

*Non-Executive Director*

### Date of appointment

Appointed to the Board 01st May 2022

### Current appointments

- Serves as the Chairman of Nations Insurance Brokers Limited, a subsidiary of the Bank.
- Serves as a Non-Executive Director on the Boards of Paramount Health Care Services and Insurance TPA, India, Maxop Engineering Company Pvt Ltd, India and Jaynix Engineering Pvt Ltd, India.
- A consultant to Fairfax Asia Limited which is a subsidiary of Fairfax Financial Holdings Limited, Canada.
- A member of the Academic Council for the management institute Birla Institute of Management Technology, India and is a Mentor with the FinTech Center of Entrepreneurship under the Ministry of Electronics and Information Technology, Government of India.
- Advisor to the Hirdaramani Group, Sri Lanka and to CamCom Technologies (Pvt) Ltd, India.

### Previous appointments

- Served as the CEO and Managing Director of Fairfirst Insurance Limited, Sri Lanka.
- He was on the advisory Board of Symbo Platform, India.

### Skills and experience

He is having near four decades of extensive experience in business leadership, strategy and business operations. A Fulbright Scholar in Leadership Management from Carnegie Mellon University, Tepper School of Business, USA, he holds a BA, Economics from St. Xavier's Collage, MA Economics from University of Mumbai and Ph.D, Economics, University of Mumbai.

### CHARITHA SUBASINGHE

*Non-Executive Director*

### Date of appointment

Appointed to the Board on 19th June 2023

### Board Sub-committees served

A member of Board Audit Review Committee, Board Integrated Risk Management Committee and Board Supervisory Committee of the Bank.

### Current appointments

- Serves on the Boards of 19 companies as follows;
  - Executive Director/CEO of Jaykay Marketing Services (Private) Limited and as an Executive Director of John Keells Office Automation (Private) Limited, both are unlisted companies.
- As a Director of Ceylon Cold Stores PLC, a listed company.
- As a Director of the following unlisted companies;
  - Logipark International (Private) Limited, Mortlake (Private) Limited, Cinnamon Hotel Management Limited,

J K Packaging (Private) Limited, John Keells Singapore (Pte) Limited, John Keells Warehousing (Private) Limited, John Keells Teas (Private) Limited, Whittall Boustead (Private) Limited, British Overseas (Private) Limited, JK Land (Private) Limited, Mack Air (Private) Limited, Mackinnons Travels (Private) Limited, Mack International Freight (Private) Limited, Mackinnon Mackenzie and Company (Shipping) Limited, Inchcape Mackinnon Mackenzie Shipping (Private) Limited, John Keells CG Auto (Private) Limited.

### Skills and experience

The President–Retail of the John Keells Group since 2018. The Retail sector of John Keells comprises of the Keells supermarket chain consisting of 132 outlets and John Keells Office Automation, the national distributor for Samsung phones, Asus laptops and Toshiba photocopiers. The Keells brand transformation took place under his leadership of him and it went on to become the strongest brand in the country for the year 2022, based on the Brand Finance rankings.

Counts over 25 years of experience in the fields of accounting, financial management and marketing, he holds a MBA from the University of Colombo, is an Associate Member of the Chartered Institute of Management Accountants (ACMA), UK and holds a Diploma from the Chartered Institute of Marketing, UK.

# Corporate Management



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



**Ramanika Unamboowe**  
Executive Vice President  
- Human Resources



**Ajith Akmeemana**  
Chief Financial Officer



**Senal Seneviratne**  
Executive Vice President  
- Corporate Banking



**Lasith Nanayakkara**  
Chief Transformation &  
Chief Information Security Officer



**Perry Savundranayagam**  
Executive Vice President  
- Treasury/Investment Banking



**Sheahan Daniel**  
Executive Vice President  
- Consumer Banking



**Arsha Liyanaarachchi**  
Executive Vice President  
- Commercial Banking



**Chamila Sumathiratne**  
Chief Credit Officer



**Niluka Gunatilaka**  
Senior Vice President  
- Cards and Consumer Assets



**Randil Boteju**  
Chief Digital Officer



**Sanjaya Senarath**  
Chief Marketing Officer



**Kushlani Allis**  
Chief Risk Officer



**Sampath Perera**  
Chief Data Officer



**Priyantha Samaradiwakara**  
Senior Vice President - Leasing



**Nisaja Aryasinghe**  
Senior Vice President  
- Internal Audit



**Harsha Perera**  
Senior Vice President  
- Operations Service Delivery



**Saaraa Warnakulasooriya**  
Chief Compliance Officer



**Menaka Wavita**  
Senior Vice President - Branches



**Jakque Diaz**  
Senior Vice President  
- Treasury Sales



**Peshala Attygalle**  
General Counsel/Company  
Secretary

## Vice Presidents



**Kalana Kumarasinghe**  
Deputy Chief Information Officer



**Renuka Senadheera**  
Vice President  
– Operations Strategy Execution



**Rasanja De Silva**  
Vice President – Branches



**Vidharshana Perera**  
Vice President  
– Collections & Recoveries



**Evan Ranasinghe**  
Vice President – Management  
Reporting & Planning



**Shiyamal De Silva**  
Vice President – Banking Operations



**Nishantha Pathirage**  
Vice President – Corporate Banking



**Shohan Alles**  
Vice President  
– Transaction Banking



**Asela Wijesinghe**  
Vice President  
– Treasury Trading



**Sampath Lokubarana**  
Vice President  
– Branch Operations & Compliance



**Chaminda Dheerasinghe**  
Vice President – Legal



**Athula Weerasinghe**  
Vice President  
– Digital Infrastructure & Operations



**Gayanath De Silva**  
Vice President  
– Corporate Credit Management



**Nalin Webster**  
Vice President  
– Cards Business Operations



**Janindu De Silva**  
Vice President  
– Information Security



**Naveendran Anthonypillai**  
Vice President  
– Commercial Banking



**Suresh Goonewardene**  
Vice President  
– Commercial Banking



**Subash Balendran**  
Vice President  
– Digital Products Delivery



**Lakshan Wanniarachchi**  
Vice President  
– Structured Finance &  
Institutional Banking



**Lasith Ranatunga**  
Vice President  
– Commercial Credit Management



**Dineth Nanayakkara**  
Vice President  
– Digital Business Development

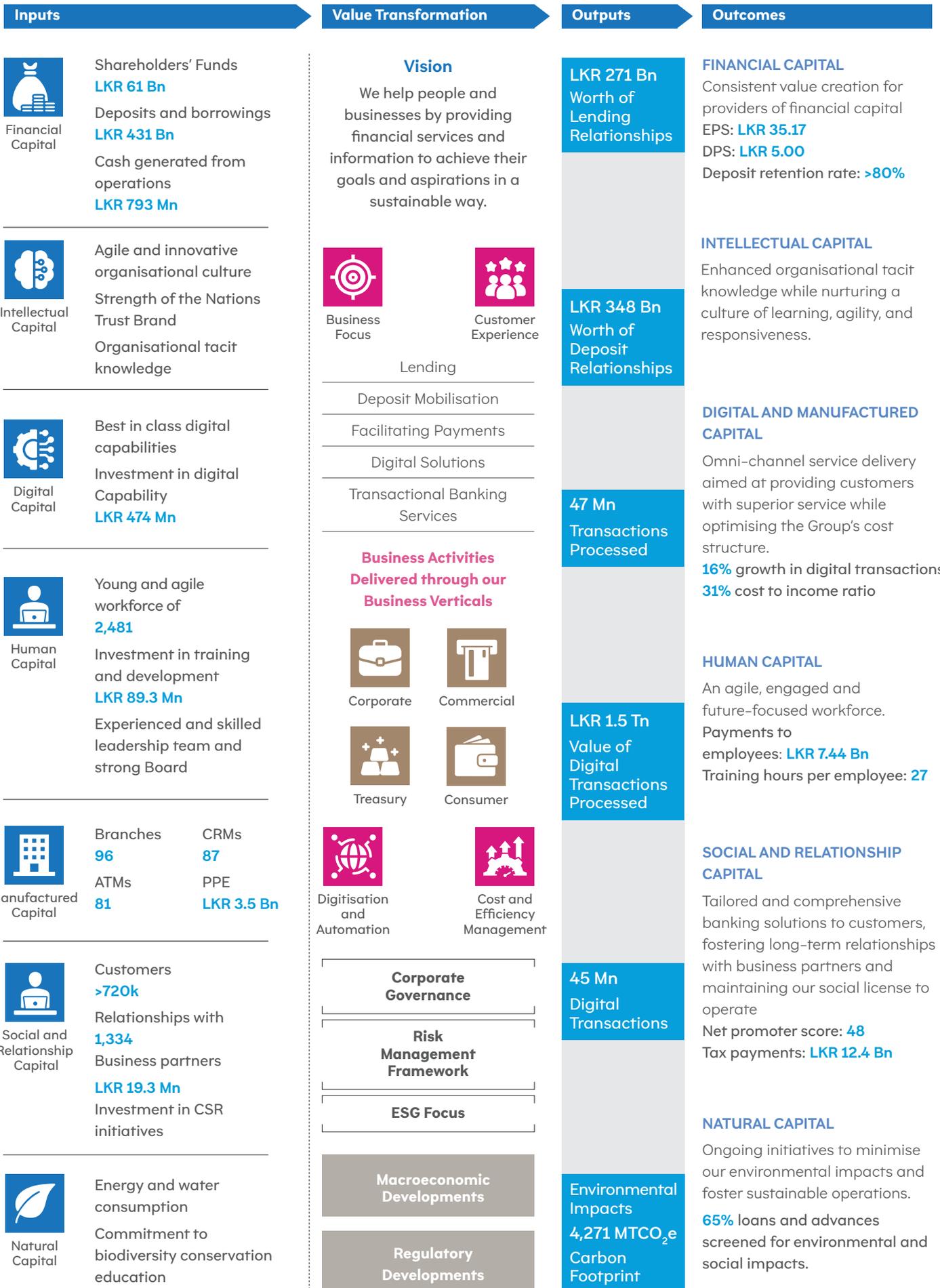


**Chamila Hewawasam**  
Vice President – IT Governance &  
Program Management



**Chandana Dodanwela**  
Vice President  
– Branches

# Value Creation Model



# Operating Landscape

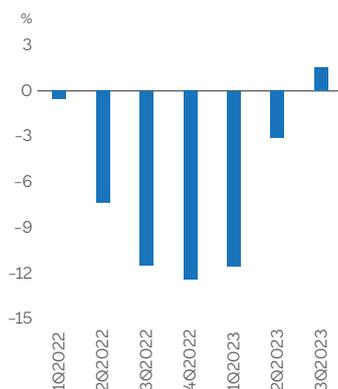
In 2023, the Sri Lankan economy demonstrated significant resilience, with implemented reforms proving effective in countering the more severe negative impacts of the economic turbulence prevailed in 2022. These measures resulted in the stabilisation of prices, the rebuilding of external reserves, ensuring the stability of the financial system while leading to an improvement in government revenue and a moderation of the budget deficit. While notable progress was made in restoring economic stability and positioning the country on a path of economic recovery in 2023, considerable uncertainties persist due to ongoing negotiations related to the restructure of external debt and the country's sovereign credit rating remaining at default. Therefore, while macro economic conditions are expected to continue to improve in the coming year, the medium to long term growth trajectory of the economy relies heavily on the commitment of policy makers to implement reforms that will pave the way for sustainable economic growth.

## Economic Environment

### GDP Performance

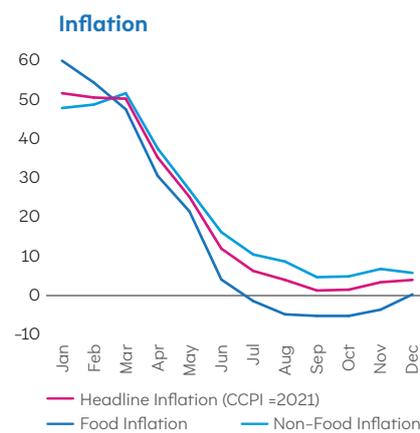
- The contraction in the Sri Lankan economy moderated to 4.9% in 9M 2023 compared with 6.3% in 9M 2022, showing gradual signs of recovery as growth reverted to an expansion in 3Q 2023 following consecutive contractions since first quarter 2022. Gradual economic recovery was underpinned by monetary policy easing implemented since mid-2023 and positive trends in macroeconomic indicators boosting domestic demand and economic activity.
- During 9M 2023, the agriculture sector expanded by 2.5%, supported by renewed investment. The Services sector continued to contract by 1.7% during the same period, although showing signs of recovery as it reverted to an expansion in the third quarter, driven by the recovery of the tourism sector. Despite a gradual decline in raw material prices and an uninterrupted energy supply, the Manufacturing sector continued to contract 12.6% in 9M 2023 albeit slower than the previous year.

### Quarterly GDP



### Inflation

- Inflation maintained a downward trajectory, with headline inflation and core inflation declining to 4% and 0.6% respectively in December 2023 (January 2022: 51.7% and 45.6% respectively) supported by monetary policy tightening measures implemented by the CBSL during the first half of the year.
- The CBSL expects inflation to stabilise at 5% over the medium term underpinned by appropriate policy measures although a temporary uptick is expected in the short term given the proposed increase in VAT and its spill over effects.



### Interest rates

- Given the decline in inflation and well-anchored inflation expectations, the CBSL sought to ease monetary conditions from mid-2023. Accordingly, the SDFR and SLFR were gradually reduced to 9% and 10% respectively by end-December 2023 from 14.50% and 15.50% respectively in January 2023.
- Clear instructions given to financial institutions to fully passthrough monetary policy measures quickly, resulted in a significant decline in market interest rates by the year end. The decline in deposit rates were swifter than lending rates given the somewhat rigid government securities yields
- The Bank rate also gradually eased over 2023, reducing to 14.50% by end-December 2023 from 30.63% on 1st January 2023.



## External position and exchange rate

- The country's external position stabilised during the year supported by improved foreign exchange inflows. Gross official reserves (GOR) improved to USD 4.4 billion as at end-2023 (end-2022: USD 1.9 billion) given the receipt of two tranches under the IMF-EFF arrangement, and financing support from the World Bank and ADB. Improvements in workers' remittances, the recovery of the tourism sector and compressed import activity also underscored the improvement in the country's external position.
- Sri Lanka's trade deficit narrowed 5.5% in 2023 supported by a contraction in imports and a slow recovery in export earnings towards the year end.
- Accordingly, the Sri Lankan rupee stabilised in 2023, appreciating 12% against the US dollar in 2023 following the large depreciation witnessed in 2022.

## Fiscal consolidation

- Efforts to rectify persistent fiscal imbalances led to revenue based fiscal consolidation and a reduction in government debt to sustainable levels.
- Revenue based fiscal consolidation involved the implementation of cost-reflective pricing mechanisms for fuel and electricity tariffs, personal income tax reforms and an increase in Value Added Tax.
- Meanwhile, the completion of the Domestic Debt Optimisation (DDO) programme led to a restructure of domestic government debt in an effort to reduce its debt burden to more sustainable levels. Notably, rupee denominated government securities held by the banking sector were excluded from the DDO perimeter to ensure financial stability.
- Exceptionally high yields reflective of the risk premium attributable to the uncertainty surrounding the terms and structure of the DDO dissipated following its announcement resulting in an immediate sharp decline of approximately 15% in the yields on government securities.

- The GoSL's efforts to restructure its foreign debt remains ongoing with an Agreement in Principle reached with the Official Creditors Committee and EXIM Bank of China while good faith negotiations are continuing with other creditors.

## Banking Industry

### Assets - 9M 2023

**+2.2%**  
Growth in total banking assets

**-4.8%**  
Growth in gross loans and advances

**+16.6%**  
Growth in investments

Stage 3 loans to total loans and advances

**13.4% in 3Q 2023**

10.8% in 3Q 2022

Stage 3 impairment coverage ratio

**46.9% in 3Q 2023**

43.6% in 3Q 2022

**11.2%**  
ROE

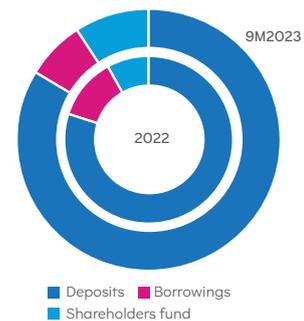
### Funding - 9M 2023

**+5.0%**  
Growth in Deposits

**+7.7%**  
Growth in Shareholders' funds

**-27.1%**  
Growth in Borrowings

### Funding Composition



### Performance - Y-o-Y

**-12.9%**  
Growth in Total Income

**-7.4%**  
Growth in net interest income

**-27%**  
Growth in Non-Interest Income

Net Interest Margin

**3.6% in 3Q 2023**

4.1% 3Q 2022

Cost to Income ratio

**40.4% in 3Q 2023**

29.5% in 3Q 2022

Driven by personnel and operating cost increases.

Impairment expenses

**-70.7% growth**

Operating expenses

**+19.1% growth**

Profit before corporate tax

**+74.2% growth in 3Q 2023**

Supported by lower impairment

### Capitalisation

	3Q2023	3Q2022
Tier 1 capital ratio	13.5%	12.4%
Capital adequacy ratio	16.4%	15.3%
Common equity Tier 1 ratio	13.2%	12.1%

# Sustainability Integration

The Bank’s sustainability strategy is designed with the purpose of supporting it’s business strategy, ensuring responsible economic contribution through financial inclusivity, environmental stewardship and social responsibility through it’s entire operations.

### Our Commitment to Sustainability

As defined by the Bruntland Commission, ‘Sustainable Development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.’

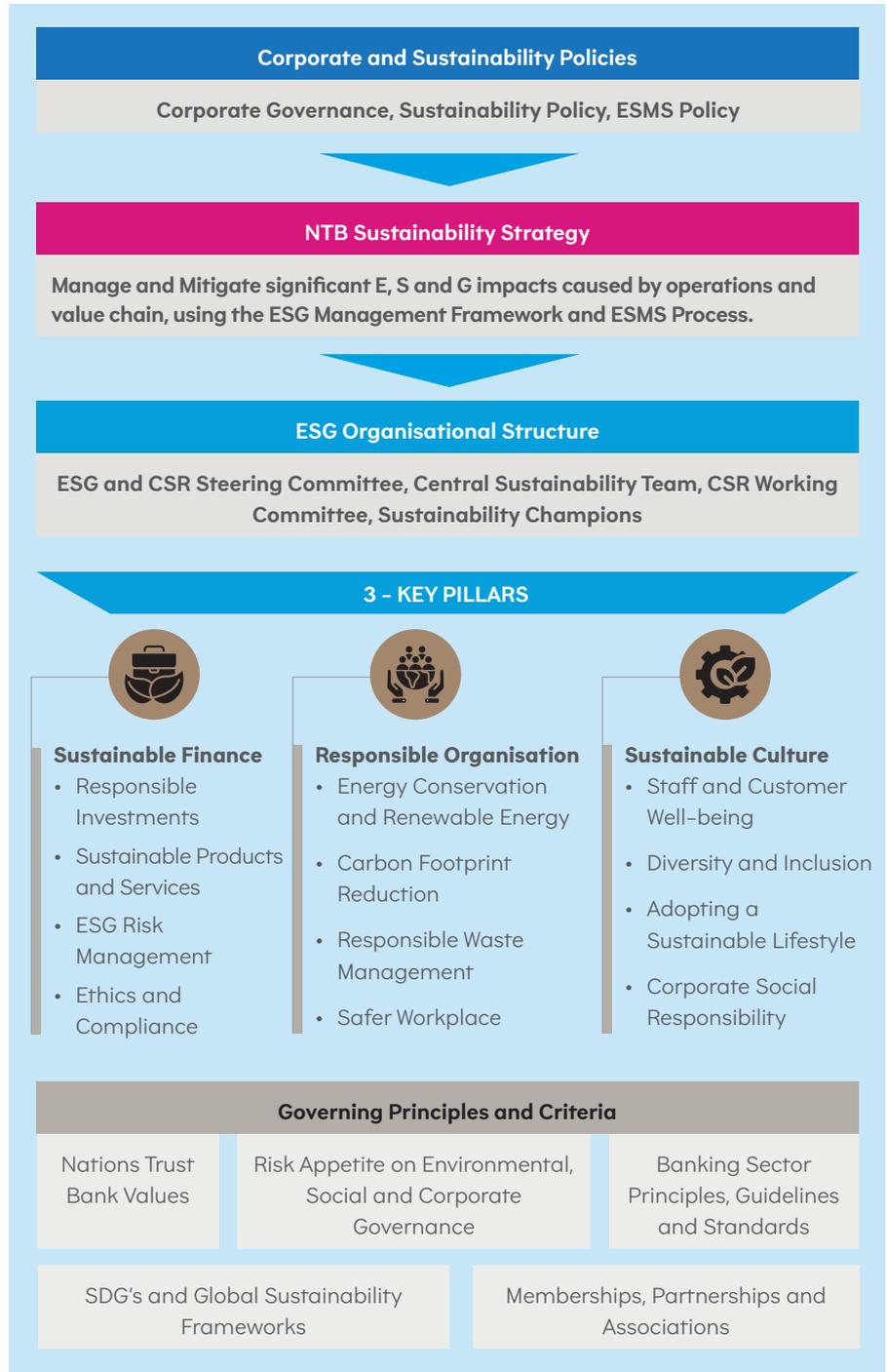
We at Nations Trust Bank PLC, with our broader vision of helping people and businesses, are committed to mitigating the Environmental, Social, and Governance impacts in our operations and value chain. Our goal is to create a sustainable future for all our stakeholders.

As a pioneer in the country’s banking sector, the Board of Directors and Management recognise the Bank’s position of responsibility as a financial institution, in influencing and shaping the economy’s transition to a more sustainable, green and inclusive one. Our commitment to taking a proactive and leading role remains unwavering. We aim to actively contribute to and facilitate sustainable growth across all facets of our business endeavours, including our operations, value chain and the markets we serve.

### Our Sustainability Purpose

Committed to responsible business practices, we aim to meet the financial goals of our shareholders and customers with high integrity. Going beyond regulations, we incorporate environmental and social responsibility in our operations and throughout the value chain.

### Sustainability Approach



Our Sustainability and ESG Approach will be guided by it’s corporate and sustainability policies, corporate governance, Sustainability and ESG Management, and it’s Environmental and Social Management System (ESMS). While the ESG Management Framework seeks to manage our Sustainability impacts and ESG risks and opportunities. Our ESMS is in the process of being geared towards managing the impacts of our lending portfolio.

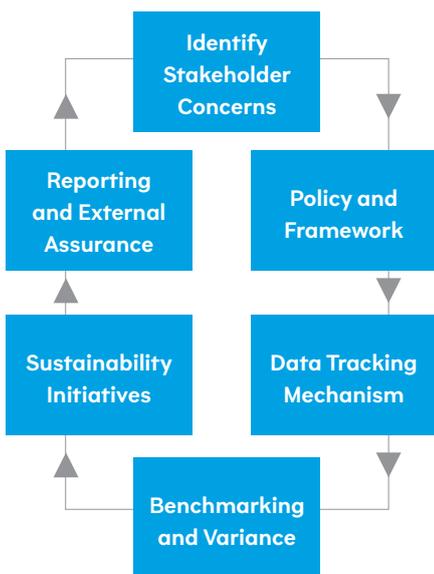
## OUR SUSTAINABILITY STRATEGY

Throughout the year, the Board endeavoured to integrate the management of sustainability impacts and Environmental, Social, and Governance (ESG) risks and opportunities. This integration was achieved through the implementation of a board approved ESG strategy, encompassing the ESG Management Framework and ESMS Strategy. The ESG Management Framework has been successfully implemented, while the Bank plans to strengthen its existing ESMS strategy.



### A ESG Management Framework for Operations

The Bank's ESG Management Framework is based on a management process that seeks to identify the most significant sustainability related topics impacted by the Bank's operations, whilst also identifying the risks and opportunities of the Bank as a result of both its impacts and dependencies. An internal perception study was conducted during this initial year to assess the Bank's material topics that arise from both its impacts, and risks and opportunities.



The identification of these material topics was undertaken by aligning the internal perception study with the GRI Universal Standards, the AccountAbility AA1000AS Standard and key principles of the COSO Risk Management Framework. The Board has delegated the management

of these material topics to the CEO who is assisted by the Sustainability Team which is headed by the Chief Marketing Officer (CMO). During the year, NTB further strengthened its Sustainability Team with the appointment of a dedicated officer to oversee the implementation of the ESG Strategy under the guidance of the CMO and the Board Supervisory Committee. NTB also appointed Unit representatives to liaise with the Sustainability Team on data collation, and implementation of the ESG Management Framework at a Divisional level.

Furthermore, ongoing efforts involve the review of the Bank's existing policies from a Sustainability and ESG perspective. The Bank also introduced a comprehensive spreadsheet tool - the Sustainability Performance Analyser (SPA) - which was implemented during the year. The SPA tracks the Key Sustainability Performance Indicators (KSPIs) of the Bank's material topics, and which are in turn aligned with the GRI Standards. These KSPIs are tracked on a quarterly basis and shared with the Board Supervisory Committee, and with the Board on a quarterly basis. NTB intends to broaden its KSPIs to further include the IFRS S1 and S2 Standards when such requirements are adopted within the regulatory framework of Sri Lanka in the near future.

It is the responsibility of the Sustainability Team of the Bank to collect the necessary data pertaining to the above mentioned KSPIs and present any critical concerns relating to any of these KSPIs to the relevant senior management teams. This information is utilised by the senior management team to identify areas for

improvement, identify ESG risks, allocate capital budgets and provide direction for the Bank's overall strategy. The Bank intends to establish ESG and Sustainability targets in the forthcoming years after monitoring its performance subsequent to the initial year.

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

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

With the identification of new material topics during the year through the ESG Management Framework mentioned above, NTB has also begun tracking and monitoring more ESG and Sustainability KSPIs in comparison to previous years. Any restatements or changes during the reporting period have been clearly mentioned in the relevant areas arising from the adoption of the new Materiality Assessment and new KSPIs.

## Sustainability Integration

### B ESMS Strategy for Portfolio

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

### Stakeholder Engagement

NTB defines its significant stakeholders as those who possess the ability to influence the operations of NTB. Stakeholder opinions, perspectives and

concerns are key considerations in NTB's assessment of its material topics and Strategy.

NTB continuously engages with its customers through customer engagement surveys, relationship management and also engages with regulatory bodies such as the Central Bank of Sri Lanka, the Inland Revenue Department and other key regulatory bodies. While suppliers are engaged through the Bank's Procurement Division and the Administration and Facilities Division, NTB intends to further develop these engagements through further supplier engagements, supplier codes of conducts and supplier self-declaration questionnaires in the future. NTB has an open-door policy where employees are encouraged to voice their concerns

to their line managers or to the HR Division. NTB also has in place an Anti-Sexual Harassment Policy and any concerns can be raised without fear of reprisals. NTB also engages with various experts and regulatory bodies on its core banking operations as well as ESG Management and initiatives such as reforestation, thereby obtaining the views of experts in the relevant fields of ESG, Sustainability and core banking operations. Any grievances or negative impacts that are identified through the above engagements are communicated to the Board and Senior Management as relevant and necessary processes are implemented to remediate and avoid recurrence. Further details of our continuous stakeholder engagements can be found in the "Listening to our stakeholders" section of this report.

### Materiality Assessment

NTB revised its approach to assessing materiality this year obtaining expertise from an external consultant. The identification of these material topics was undertaken by aligning the internal perception study with the GRI Universal Standards, the AccountAbility AA1000AS Standards and key principles of COSO Risk Management Framework. NTB intends to validate the identified material topics through an external independent stakeholder engagement in the future.



**GRI Standards**  
Used to assess the universe of ESG topics.

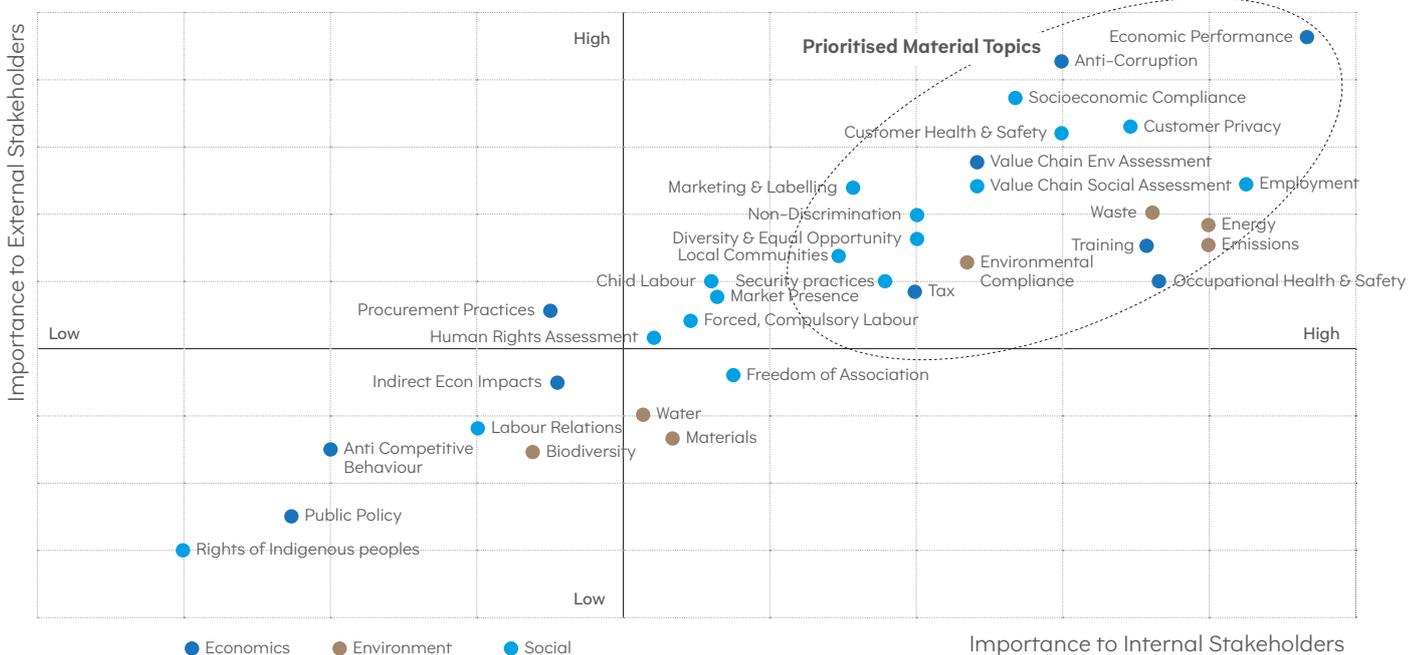


**AccountAbility AA1000AS Standards**  
Used to assess impact of risks and opportunities of each ESG topic using 6-part Materiality Test.



**COSO Risk Management Framework**  
Used to estimate the impact severity x likelihood of occurrence for each ESG topic.

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



Based on the above, the following 19 topics were identified as representing the organisation's most significant impacts on the Economy, Environment, and People for 2023.

Material Topic	Materiality compared to 2022
<b>Economic performance</b>	
Anti-corruption	New topic
Tax	New topic
Energy	
Emissions	
Waste	
Supplier assessment - environment	New topic
Employment	
Labour relations	New Topic
Occupational health and safety	
Training	
Diversity and equal opportunity	New topic
Non-discrimination	New topic
Security practices	New topic
Local communities	New topic
Supplier social assessment	New topic
Customer health and safety	New topic
Marketing and labelling	New topic
Customer privacy	

### Management Approach of Material Topics

NTB conducted a review of the existing policies and procedures governing the mentioned ESG and Sustainability Material Topics. An overview of the Management Approach for each material topic, including specific commitments, policies, grievance handling mechanisms, and the approach for managing impacts and mitigating risks for each material topic, is available in the QR code below.



Scan QR code for Disclosure of Management Approach

# Listening to Our Stakeholders

The Group recognises the importance of actively engaging key stakeholders whose interests are affected or potentially influenced by its activities. The ongoing uncertainties in the macro economic landscape throughout 2023 necessitated an intensified focus on meaningful stakeholder engagement. Proactive efforts were undertaken to identify stakeholder concerns through consistent and transparent dialogue and effectively address them through strategic interventions. The Group understands the significance of nurturing robust relationships with stakeholders to enable mutual value creation in the long term.

	 SHAREHOLDERS	 EMPLOYEES
<b>KEY STAKEHOLDERS</b>		
<b>KEY CONCERNS</b>	<ul style="list-style-type: none"> <li>• Implications of the uncertainties in the operating environment on financial strength and stability</li> <li>• Corporate governance and risk management practices</li> <li>• Transparent and timely communication</li> <li>• The Group’s social and environmental impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Attractive remuneration structures</li> <li>• Opportunities for career progression and skills development</li> <li>• Job security</li> <li>• Workplace health and safety practices</li> <li>• Work-life balance</li> <li>• Inclusive and equitable work environment</li> </ul>
<b>OUR RESPONSE</b>	Skillful execution of strategy amidst challenging operating conditions to consistently deliver long-term value to shareholders.	Created an enriching, challenging, safe and equitable work environment that provides employees with opportunities to enhance their skills and fulfill their career aspirations.
<b>VALUE CREATED</b>	<p><b>59% growth</b> in Earnings Per Share</p> <p><b>LKR 5.00</b> Dividends Per Share</p>	<p><b>LKR 7.44 Bn</b> Payments to Employees</p> <p><b>LKR 89.3 Mn</b> Investment in Training</p>
<b>ENGAGEMENT MECHANISM</b>	<ul style="list-style-type: none"> <li>• Annual General Meeting (Annual)</li> <li>• Analyst Forums (Quarterly)</li> <li>• Annual Report (Annual)</li> <li>• CSE Announcements (Ongoing)</li> <li>• Press releases (Ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>• Employee engagement surveys (Annual)</li> <li>• Staff meetings at multiple levels (Ongoing)</li> <li>• Performance appraisals (Semi-Annual)</li> <li>• Employee suggestion schemes (Ongoing)</li> <li>• Grievance reporting procedure (Ongoing)</li> <li>• Work-life balance events (Ongoing)</li> </ul>



## CUSTOMERS

- Financial strength and stability given the challenging operating environment
- Superior service quality and convenience
- Clear and accurate information on financial services provided
- Innovative product solutions
- Fast response times and fair pricing

Delivered customer-centric financial solutions that prioritise customisation and convenience to support customers through the challenging times.

**48**

Net promoter score

**>80%**

Deposit Retention Rate



## BUSINESS PARTNERS

- Opportunities for mutual value creation
- Timely payments
- Ease of doing business
- Efficient, fair and transparent procurement practices

Fostered long-term strategic partnerships and promoted mutual value creation through collaborative, fair and transparent business practices.

**LKR 5.25 Bn**

Payments to Business Partners

**367**

New Partnerships

- One-to-one engagement (Ongoing)
- Written communication (Ongoing)
- Relationship building initiatives (Ongoing)



## GOVERNMENT

- Compliance with all relevant regulations.
- Support the Government's efforts to drive the country's economic recovery
- Timely payment of taxes
- Job creation
- Financial inclusion

The Bank's dedicated compliance unit ensures ongoing adherence to all rules, regulations, and guidelines.

**LKR 12.4 Bn**

Tax Payments

**LKR 442 Mn**

Regulatory Payments

- Statutory reporting (Ongoing)
- Meetings and industry forums (Ongoing)



## COMMUNITY

- Employment generation
- The Bank's social and environmental impacts
- Positive community impacts
- Good business practices

Continued investments in impactful community and environmental initiatives.

**LKR 19.3 Mn**

Investment in CSR

- Local branch engagement (Ongoing)
- Social events and sponsorships (Ongoing)

- Online and local engagement by branch teams and relationship managers (Ongoing)
- Customer satisfaction surveys (Annual)
- Market research (Ongoing)
- Product promotion campaigns (Ongoing)

# Delivering Our Strategy

Nation Trust's strategic interventions and allocation of resources centres on four key strategic pillars identified as vital to achieving it's long-term aspiration of being a customer-centric, digitally enabled, future-fit bank.

## Our Strategic Pillars



### BUSINESS FOCUS

Clear focus on which business lines to grow, recalibrate, reposition or exit based on market opportunities, internal capabilities and long-term strategic aspirations.

#### Key Highlights in 2023

- Pursued opportunities in selected segments.
- Concerted efforts in managing banks cost of funds effectively
- Strong liquidity position to meet all obligations in a timely manner.
- Proactively focused on preserving portfolio quality.
- Leveraged cross-selling opportunities across business verticals.
- Astute management of the Treasury function to capture opportunities from market movements while managing risk.
- Increased emphasis on strengthening the Bank's ESG strategy.

#### Key Performance Indicators

- Growth in net operating income +50%
- Stage 3 ratio of 2.34% (2022: 2.56%)
- -46% in impairment charges
- +17% in the deposit base

#### Way Forward

- Capture emerging opportunities for growth while maintaining focus on selected segments
- Maintain a strong liquidity position to meet all obligations in a timely manner while achieving growth aspirations.
- Ongoing focus on maintaining portfolio quality.



### CUSTOMER EXPERIENCE

Transform the customer experience through digital delivery, increased convenience and personalised solutions.

#### Key Highlights in 2023

- Ongoing emphasis on building long-term relationships with customers through the provision of comprehensive and customised solutions.
- Proactive engagement with customers to support those facing increased repayment pressure and developed tailored repayment plans.
- Increased the provision of advisory services particularly to SME customers to aid their readiness for the market.
- Ongoing emphasis on facilitating customer convenience through the enhancement of it's digital platforms.
- Implemented Customer engagement initiatives to enhance customer experience.

#### Key Performance Indicators

- Net promoter score: 48 (2022: 30)

#### Way Forward

- Maintain emphasis on providing customer-centric financial solutions that are tailored to meet specific customer needs.
- Continued focus on providing superior service quality leveraging the Bank's digital strength.

The challenges stemming from the aftermath of the economic crisis underscored the need for selective growth, preservation of asset quality, effective management of cost of funds while maintaining a robust liquidity position. Meanwhile, ongoing investments to its digital proposition continued to position the Bank as a leader in technological capabilities within the industry.



## COST AND EFFICIENCY MANAGEMENT

Achieve sustained reductions in our cost through rationalising operational expenditure, driving process efficiencies and effectively managing credit-impairment costs.

### Key Highlights in 2023

- Optimised the physical network while promoting digital services delivery.
- Automated and streamlined processes to increase efficiency and productivity while rationalising costs.
- Prioritised technology related training of staff to harness benefits from the Bank's superior digital capabilities.
- Re-skilled and right-sized teams in line with the Bank's strategic objectives.

### Key Performance Indicators

- Cost to income ratio at 31% (2022: 30%)
- +22% in operating expenses
- 68 digital focused training programmes for staff
- 29 processes automated

### Way Forward

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



## DIGITISATION AND AUTOMATION

Leverage our best in class digital capabilities to drive innovation, efficiencies and enhance the overall customer experience.

### Key Highlights in 2023

- Enabled online onboarding of new customers for most financial services.
- Introduced chatbots to assist customers with credit and debit card queries.
- Launched digital customer feedback points at branches to obtain real-time customer responses on service quality.
- Ongoing investment in protecting the security and privacy of customer data.
- Ongoing emphasis on digitising internal processes
- Launched Digital Banking Ambassadors at branches to assist customers in adopting the Bank's digital platforms.

### Key Performance Indicators

- 96% of transactions completed across digital platforms (2022: 92%)
- 16% growth in digital transactions
- 96% digitally engaged customers
- Zero instances of breaches in customer data privacy and security

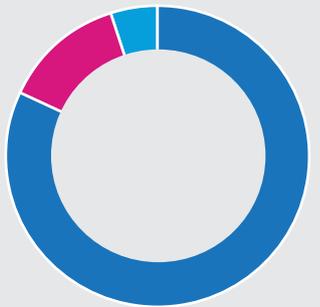
### Way Forward

- Ongoing focus on upgrading the Bank's digital capabilities to enhance service quality, operational efficiency and analytical capabilities.

# Business Line Reviews

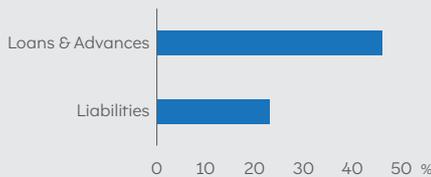
## CORPORATE BANKING

Composition of Revenue



■ Net Interest Income ■ Fee Income  
■ Other Income

Contribution to Group - Corporate



### Operating Environment

The considerable uncertainties that prevailed during the year resulted in a contraction in economic activity and the postponement of expansion plans by many corporates. However, the economy has demonstrated signs of slow recovery by end-2023 as the

- Exchange rate stabilised.
- Inflation moderated.
- Interest rates eased.
- Some import restrictions were lifted.

### Our Strategic Response

- Consolidated its position in selected sectors including exports and local manufacturing.
- Adopted proactive measures to preserve portfolio quality.
- Maintained customer-centricity by providing superior service quality, best-in-class digital capabilities and holistic banking solutions.

### Outlook

- Maintain strategic focus on selected sectors including the export and manufacturing sectors.
- Capitalise on new opportunities in the sustainable financing sphere.

### Performance in 2023

Corporate Banking Unit performance mirrored the challenging conditions in the operating environment. Strategic focus on consolidating its position in selected sectors resulted in a relatively stable loan portfolio as at the year end. Despite subdued economic activity and the significant decline in interest rates towards the year end, effective margin management and strategic emphasis on expanding fee based income enabled the Corporate Banking Unit to deliver strong performance during the year. The Unit's relentless focus on preserving portfolio quality and generating operating efficiencies also supported and upheld performance in 2023.

### Lending Strategy

- The Corporate Banking Unit consolidated its position in the export and manufacturing sectors, extending financing to facilitate business expansion.
- Growth was also realised in the agriculture sector, as volumes gradually improved spurred by renewed investment in the sector.
- In alignment with the Bank's ESG strategy, the Unit made significant progress in sustainable financing, with particular emphasis on the renewable energy sector and climate related financing.
- The competitive position in these sectors were underpinned by superior service quality, best in class digital capabilities and the delivery of holistic financial solutions leveraging synergies across all business verticals.

### Facilitating Business Recovery and Resilience

- The prevailing challenges in the operating landscape increased strain on customers' repayment capability necessitating proactive measures to preserve portfolio

quality while supporting business revival and recovery.

- Through robust monitoring and ongoing customer engagement, the Unit proactively identified industries and customers facing increased strain.
- This facilitated the delivery of customised support to valued customers, thereby fostering business revitalisation.
- The Unit's dedication to supporting customers during difficult periods with bespoke solutions was vital in preserving portfolio quality.

### Transactional Banking Services

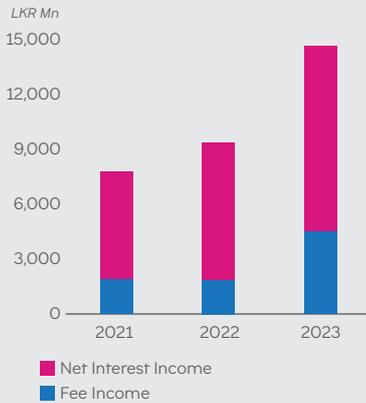
- Fee income from transactional banking services were negatively impacted given a decline in import and foreign currency trading volumes on the backdrop of import restrictions and subdued economic activity.
- In view of this, strategic focus was directed towards fulfilling the needs of importers involved in importing essential commodities and exporters procuring vital raw materials.

### Digital Experience

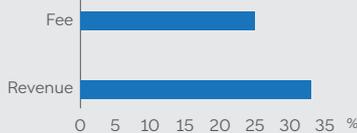
- The Unit continued to leverage the Bank's best in class digital capabilities to provide convenient and practical solutions to its customers.
- Ongoing efforts were made to enhance its corporate online platform, Nation's Direct Enterprise which provides a range of features, including government payment capabilities and enhanced trade financing features.
- The focus included digitising the entire transaction process for customers, with improvements that allowed all trade transactions to be conducted through the digital platform.

## TREASURY

### Divisional Performance - Treasury



### Contribution to Group - Treasury



### Operating Environment

Considerable uncertainty prevailed in the first half of the year as the repercussions of the economic fallout of 2022 extended into 2023. However, as the year drew to a close,

- The exchange rate stabilised.
- Inflation moderated.
- Policy rates eased.
- Some import restrictions were lifted.
- The DDO was announced with minimal impact on the banking sector.

However, the country's sovereign credit rating remained at SD (S&P) as the restructure of foreign debt was yet to be completed.

### Our Strategic Response

- A risk-based approach to capture opportunities that emerged from market movements while effectively managing risk.
- Proactive approach to managing potential downside risks stemming from the operating environment.
- Maintaining a strong liquidity position to ensure timely payment of all contractual obligations.

### Performance in 2023

The Treasury Unit delivered a robust performance during the year, recording revenue and profits growth of 57% and 136% respectively. Performance was underscored by management foresight in strategically positioning itself to capture opportunities that emerged from market movements while effectively mitigating risk. Strategic emphasis was also placed on maintaining a strong liquidity position to ensure all contractual obligations were met in a timely manner.

### Key Functions



Fixed Income



Foreign Exchange



Asset Liability Management

### Fixed Income

**Manages the Bank's investments and trading in fixed income securities.**

- Astute management of its fixed income portfolio enabled the Bank to capitalise on the opportunities that arose from the extraordinary movement in interest rates during the year.
- The Unit recorded capital gains on its fixed income portfolio following the sharp decline in interest rates towards the latter half of 2023.
- The considerable uncertainty related to the DDO and its potential impact on the banking sector necessitated the Unit to adopt a more proactive, agile and dynamic approach in formulating strategies to mitigate potential downside risks.
- NTB's exposure to sovereign debt continued to remain minimal.

### Outlook

- Anticipating a gradual economic recovery in 2024, the Unit will continue to proactively manage its operations to capture market opportunities while effectively managing risks.
- Ongoing emphasis on maintaining a strong liquidity position to meet its contractual obligations and lending objectives.
- Strategic focus on managing its cost of funding effectively.

### Foreign Exchange

**Manages foreign exchange risk and facilitates customer requirements.**

- The foreign exchange market experienced a revival in interbank activity during 2023 as liquidity conditions improved supported by improved inflows from worker remittances, tourism earnings and budgetary support obtained from the ADB and World Bank.
- Strong net open positions maintained by the Bank enabled it to capitalise on exchange rate movements. While overall customer demand remained relatively subdued throughout the year, NTB successfully capitalised on its varied customer base to diversify its risk and grow its overall foreign exchange offering.

### Asset Liability Management

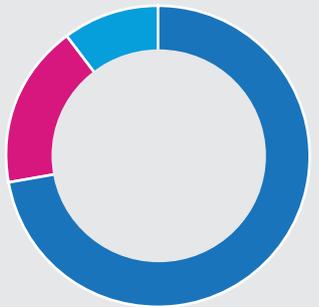
**Responsible for ensuring the Bank achieves the optimum funding mix, asset pricing and liquidity.**

- Anticipating a decline in interest rates, the Bank exercised caution in accepting high-cost, long term deposits despite the high interest environment that prevailed during the first half of the year.
- Limiting high-cost deposits to short tenures enabled swifter downward re-pricing of the fixed deposit base as interest rates declined towards the latter part of 2023.
- This enabled the effective management of the Bank's cost of funding, facilitating NII growth and the widening of the NIM.
- Emphasis was also placed on maintaining a strong liquidity position to meet its contractual obligations in a timely manner while supporting the lending activities of the commercial and corporate units. Deposits accounted for 80% of total funding as at the year end and recorded a growth of 17% during the year.

# Business Line Reviews

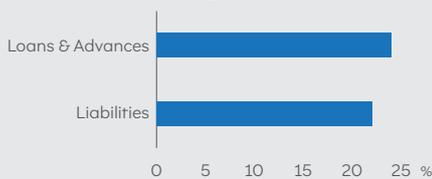
## COMMERCIAL BANKING

Composition of Revenue



■ Net Interest Income ■ Fee Income  
■ Other Income

Contribution to Group - Commercial



### Operating Environment

The prevailing conditions during the first half of the year, resulted in subdued demand for credit while significantly impacting borrowers' capacity to repay. However, economic conditions showed signs of recovery towards the latter half of the year as,

- Inflation moderated.
- Some import restrictions were lifted.
- The exchange rate stabilised.
- Policy rates eased.

### Our Strategic Response

- Building and maintaining long term relationships with customers and supporting them in navigating the challenges stemming from the operating environment.
- Ongoing emphasis on preserving portfolio quality while pursuing lending in selected segments.
- Supporting the digital empowerment of customers.

### Outlook for 2024

- The Unit is poised to capture emerging growth opportunities particularly in the industrial and manufacturing segments as economic conditions gradually ease.

### Performance in 2023

Strategic focus on building long-term relationships with customers and delivering customer-centric and relevant solutions enabled resilient performance by the Commercial Banking Unit in a challenging year resulting in a 45% increase in profitability.

### Expansion of advisory services

- Given the challenging operating environment and subdued demand for credit, the Unit focused on expanding its advisory services during the year, to support its customers in navigating the difficulties and building resilience.
- Advisory sessions were organised covering key geographies of the country and covered pertinent topics including managing risks stemming from interest rate movements, rising cost of utilities, increased taxation and inventory management.

### Lending strategy

- The Unit maintained its conservative lending approach, focusing on building long-term relationships with customers through the provision of customised solutions.
- Emphasis was placed on pursuing opportunities in growth sectors of the economy with focus on manufacturing sectors and supporting customers in entering and establishing a presence in global supply chains.
- The Unit also offered access to concessionary refinancing credit lines provided by the ADB, enabling customers to rebuild businesses with access to low-cost funding.
- Aligned with the Bank's recently established ESG strategy, financing extended to female entrepreneurs continued, supporting their livelihood through the provision of focused lending and advisory services.

### Fostering SME sector revival

- The SME sector of the country has been under considerable strain over the last few years given the dual impact of the COVID-19 pandemic and the ensuing economic crisis.
- Recognising this, the Unit dedicated efforts throughout the year to actively engage with SMEs, supporting their

business revival through offering of solutions specific to each business.

- Leveraging technology, the Unit identified industries and customers under heightened stress and took proactive measures to adjust repayments in line with revised cashflows.
- This was in alignment with the Unit's value proposition of fostering long term relationships with customers and offering support across the business cycle, as opposed to delivering a mere transactional service.
- Additionally, this proactive approach contributed to the preservation of the Unit's asset quality.

### Portfolio quality

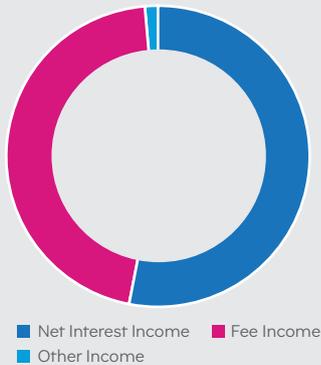
- The difficult economic conditions placed additional strain on customers' repayment capacity requiring the need for proactive action to preserve portfolio quality.
- The Unit leveraged technology to pinpoint industries and customers experiencing heightened stress and proactively engaged with them to adjust repayments in accordance with revised cashflows.
- This was in alignment with the Unit's value proposition of building long term relationships with customers and providing support across the business cycle, as opposed to delivering a mere transactional service.

### Digital Experience

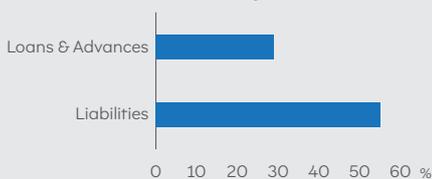
- The Unit maintained its commitment to promoting the use of its digital banking platforms among customers.
- The Nations Direct platform, an integrated cash management system offers an array of features which enhances customer convenience and efficiency while minimising costs.

## CONSUMER BANKING

Composition of Revenue



Contribution to Group – Consumer



### Operating Environment

Increased taxation, elevated inflation, and high interest rates led to subdued demand and strained consumers' repayment capacity during the initial half of the year. However, economic conditions have shown gradual improvement since then as

- Inflation moderated.
- Some import restrictions were lifted.
- The exchange rate stabilised.
- Policy rates eased.
- Resulting in a gradual uptick in demand for credit.

### Our Strategic Response

- Delivering a comprehensive value proposition tailored to meet the needs of customers.
- Pursued lending opportunities in selected segments while preserving portfolio quality.
- Effectively managing cost of funding and margins.
- Ongoing focus on the digital enablement of customers.

### Outlook

The Unit will cautiously seek opportunities for growth as consumer credit demand gradually rises alongside the ongoing improvement in economic conditions.

### Performance in 2023

The Consumer Banking Unit delivered commendable performance in 2023 despite challenging operating conditions. Strategic focus on a niche market segment that is less vulnerable to economic stress supported the profitability.

### Lending strategy

- The Unit retained its strategic focus on catering to resilient sectors of the economy with efforts directed towards enhancing market presence within the affluent and mass affluent segments.
- Emphasis was placed on offering customers a comprehensive value proposition specific to their needs by leveraging on cross-selling opportunities.
- Robust customer engagement was maintained to address concerns, discern customer needs and proactively extend support to those experiencing repayment pressures.
- **Credit cards** – the Unit reached a significant milestone in its partnership with American Express, celebrating 20 years serving as the issuer and sole acquirer for American Express credit cards in Sri Lanka. The credit card segment recorded strong performance during the year underpinned by improved credit card spending, effective management of impairment and operational cost rationalisation.
- **Leasing** – Performance of the leasing segment remained subdued given low demand for vehicle financing on the backdrop of persistent restrictions on new vehicle imports, elevated prices in the second-hand vehicle market and high interest rates particularly during the first half of the year. Efforts were channelled towards capitalising on cross selling opportunities and enhancing operational efficiency.

### Managing cost of funding

- Astute management of funding costs was a key strategic imperative, given the high interest rate environment that prevailed during the first half of the year.
- Accordingly, emphasis was placed on enhancing the customer value proposition through effective engagement and leveraging digital capabilities facilitating a healthy deposit rollover ratio of over 80% and a relatively stable deposit base.
- Moreover, onboarding of high interest bearing deposits was limited to shorter tenures enabling the swifter downward re-pricing of the deposit base as interest rates eased by the year end.
- These measures favourably impacted the Unit's cost of funding which in turn contributed to the widening of the Group's NIM.

### Digital Experience

- Aligned with the Bank's overarching digital strategy, the Consumer Banking Unit continued its strategic focus on enabling customers digitally during the year.
- The Unit relaunched the Mobile Banking App, enhancing its features, user experience and aesthetics while incorporating additional elements to attract the younger demographics.
- FriMi, the Bank's fully fledged digital banking experience maintained its market leadership position, through the delivery of innovative payment solutions and fostering deeper relationships across the value chain.



## Financial Capital

### The Group delivered exceptional performance with industry's highest Return on Equity amidst challenging macro economic conditions.

Results were driven by adept management of funding costs, good portfolio quality and a lean business model enabled by digitisation. With a robust liquidity position and strong capitalisation, the Group stands poised to seize emerging growth opportunities and achieve strategic objectives while contributing to the nation's journey towards economic recovery.

#### Value creation in 2023

- 21.3% Return on equity
- Cost to Income ratio of 31%

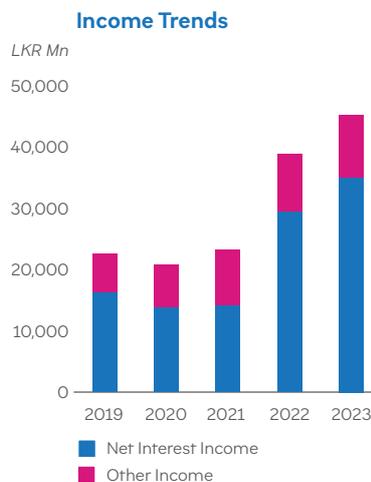
#### Net interest income

Consolidated interest income expanded 30% to LKR 70.55 billion in 2023, driven by commendable loan growth despite challenging macro economic conditions, and increased returns on its substantial investments in government securities, reflective of the elevated interest rates that prevailed during the first half of the year. Proactive measures to effectively manage funding costs by limiting exposure to high interest-bearing time deposits to short tenures facilitated the swifter downward re-pricing of its deposit base as interest rates declined toward the latter half of the year. Consequently, interest expenses increased at a moderate 42% which in turn resulted in a notable NII growth of 19% in a year of subdued economic activity supported by proactive and timely re-pricing of assets and liabilities.

#### Other income

Net fee and commission income increased by 5% during the year, reflective of increased credit card spend. Fees from trade finance and cash management related services remained relatively stable despite limited growth opportunities amidst subdued economic activity and import restrictions. Capitalising on the market rate movements, the Group booked a net trading gain of LKR 1.83 billion on Government Securities during the year. The Group also recorded a net loss of LKR 0.52 billion from Foreign Exchange trading, net of account revaluation gains under Other Operating income, given the appreciation of the SL rupee against

the US dollar. Meanwhile robust recovery efforts and emphasis on customising repayment plans led to a 69% increase in the recovery of loans written off. Overall, the Group's operating income increased by 16% to LKR 45.03 billion in 2023.



#### Impairment charges

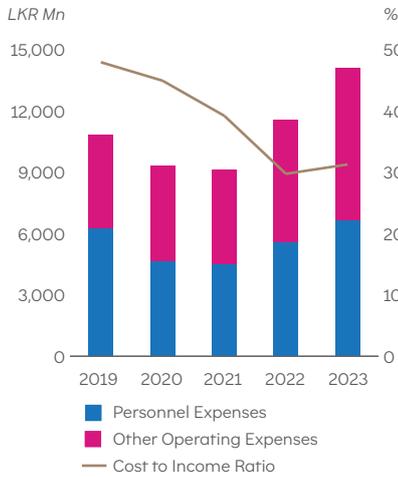
The Group's relentless focus on maintaining asset quality on the backdrop of challenging macro economic conditions and prudent approach to provisioning in the previous year, resulted in a notable 46% decline in impairment charges to LKR 7.49 billion in 2023. NTB's approach to preserving portfolio quality is multi-faceted and involves a selective and data-driven lending strategy, robust monitoring leveraging data analytics, one-to-one engagement with customers and the delivery of tailored repayment plans that meet the specific needs of its customers.

Consequently, the Group's stage 3 loan ratio stands well below the industry average although an inevitable uptick was noted to 2.3% as at end-2023 (2022: 2.6%). The Group's impairment (stage 3) to stage 3 loan ratio increased to 55.3% as at the year-end (2022: 50.69%) reflective of its prudent approach to provisioning.

#### Cost Management

The Group's strategic focus on leveraging digital channels to expand its reach alongside a relentless focus on driving cost efficiencies through lean management, digitisation and automation, has enabled the effective management of operational costs over the years. Consequently, despite significant inflationary pressures during the first half of the year, the Group's total operating expenses increased to a moderate 22% to LKR 14.07 billion in 2023 and was driven by increases in personnel and other operating expenses. Personnel expenses increased 24% during the year reflecting the Group's commitment to equitable compensation to employees for their value creation through competitive remuneration packages aligned with industry standards. Other operating expenses increased 25%, primarily driven by adjustments to electricity tariffs as the GoSL transitioned towards a cost-based pricing mechanism for utilities. Despite the increase in operating expenses the Group's cost to income ratio remained 31% (2022: 30%) underscoring the Group's lean business model and broader income base and was well below the industry average of 40.4% as at end-3Q 2023.

**Cost Management**



**Taxation**

Taxes and levies on financial services increased 70% given improved profitability. The increase in the tax rate from 27% to 30%, higher profits and a lower tax charge in 2022 given tax reversals pertaining to 2020, led to a 113% increase in the Group's income tax payment in 2023.

**Profitability**

Strategic focus on effectively managing funding costs, maintaining a lean business model and preserving asset quality resulted in a 75% surge in the Group's pre-tax profits to LKR 18.30 billion while profit after tax rose 59% to LKR 11.47 billion.

NTB continued to deliver on its shareholder commitments, delivering an improved ROE of 21.3% in 2023 (2022: 17.1%), which was the highest in the industry, for the second consecutive year. Meanwhile, Earnings per Share improved to LKR 35.17 from LKR 22.61 the previous year. The Group declared a dividend per share of LKR 5.00 for the financial year 2023.

**Approach to taxation**

The Group's tax strategy is implemented by a dedicated unit under the purview of the CFO. The unit is responsible for optimising the Group's tax strategy through proactive tax planning and ensures continued contribution to Government revenue while fulfilling shareholder needs. The Group maintained a cordial and transparent relationship with the tax authorities during the year and was fully compliant with all relevant tax regulations and guidelines. Tax compliance was monitored by the Board on a regular basis.

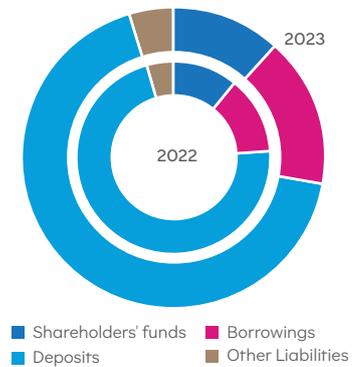
**Financial Position**

**Asset growth**

The Group's total assets expanded by 24% to LKR 516.13 billion as at end-2023 and reflected a careful balance of risk return trade-offs amidst a challenging macro economic landscape, subdued credit demand, the Group's cautious lending strategy and its strategic focus on maintaining a robust liquidity position to meet all obligations in a timely manner. On the backdrop of a 4.82% contraction in industry loans and advances, the Group's loan portfolio expanded a commendable 12%, while investments in financial assets comprising primarily of government securities rose 100% as at the year end. Loans and advances of the Commercial and Corporate portfolios expanded 10% and 22% respectively, as the Group actively sought to support the business recovery in the aftermath of the economic crisis while the Consumer portfolio remained stable. Maintaining a robust liquidity position remained a priority for the Group, with the Bank's consolidated liquid asset ratio strengthening further to 45.03% as at end-2023 (end-2022: 35.55%) which was well above the statutory minimum requirement. Meanwhile, the Group's asset composition continued to shift away from loans and advances, with its proportion declining to 52% of total assets as at the year-end, compared with 58% the previous year.

**Capital and funding**

**Funding Composition**



The Group's funding position strengthened during the year underpinned by strong profit generation and deposit growth. Stated Capital increased to LKR 11.42 billion (2022: LKR 10.40 billion) following the declaration of dividends for 2022 in the form of scrip dividend on the Ordinary Voting and Ordinary Non-Voting Convertible shares of the Bank. Healthy profit generation and gains from Treasury activities underpinned a 33% increase in Shareholders' funds with equity funding 12% of assets as at end-2023 (end-2022: 11%). Meanwhile, the Group's Tier 1 and Overall Capital Adequacy ratios improved to 18.14% and 19.68% respectively as at the year end, comfortably above the regulatory requirement.

Total liabilities rose 23% driven by robust deposits and borrowings growth. The Group's deposit base expanded by 17% with a notable 16% increase in its CASA base despite the prevalent high interest rates during the early part of the year, reflecting the Group's strategic efforts to optimise funding costs. Time deposits also expanded by 18% as at the year-end while the Group's deposit rollover ratio remained healthy, exceeding 80%. Meanwhile, NTB's borrowings increased by 54% as at end-2023 driven primarily by repo growth as it relied on the repo window to bridge short term funding requirements.

Overall, Nations Trust possesses a solid funding position to capitalise on selected growth opportunities, achieve strategic objectives, and maximise shareholder returns while contributing to the nation's economic recovery in the forthcoming year.

# Intellectual Capital

Our ability to deliver cutting-edge, inventive solutions is contingent upon our intellectual capital, which has been honed via a culture of knowledge exchange, and an unwavering drive for advancement.

**Value creation in 2023**  
 Enhancing brand value through innovative customer-centric approach  
 Elevated customer convenience through updated digital platforms  
 Utilise technology as a catalyst to drive internal efficiencies

Nations Trust Bank is anchored by the principle of simplicity, epitomised by our corporate logo, the 'simplicity mark.'

This ethos together with our corporate values and unique positioning caters to our target audience and has been instrumental in shaping the NTB brand identity. At Nations Trust Bank, we understand that delivering our brand values consistently across all touchpoints is essential to building trust, loyalty, and long-term relationships with our customers. Whether it's through digital channels or physical interactions, we are committed to upholding our brand promise and ensuring a seamless customer experience every step of the way.

**2%**  
 Increase in brand value compared to 2022

**Ranked 20th Brand Finance**  
 (Moved up three positions since the previous year)

Source: Brand Finance Report 2023

**82**  
 Process improvements reported bank-wide

**31%**  
 Cost to Income ratio

## Strategic Brand Executions

- During the year we employed a systematic approach to refresh the visual brand which had not been done for 15 years. This involved the crafting of branding elements that evoke tranquility and easy identification. Central to this strategy is the 'Blocks of Strength' (BOS) system, which provides a clear and flexible visual foundation for our brand representation. As a part of the brand refresh initiative, communication material, branch signage and indoor/outdoor visuals were upgraded across all touchpoints and brand assets.

**Inner Circle**

**Nations Trust Bank**

**We are right here, for you.**

As you reach towards greater heights on your journey towards success, we offer you exclusivity with a dependable, supportive and personalized banking experience.

**Member Privileges**

- A dedicated Relationship Ambassador to give you timely information to better plan and secure the financial future of you and your family.
- Enjoy preferential benefits across all services and the unique Bank of Your Own, step facility.
- An exclusive family health coverage and Salary Guard insurance cover.
- Convenience and complete control of your finances with our fully fledged digital banking services. Mobile App, Online Banking, Nations E-tax & FIM.

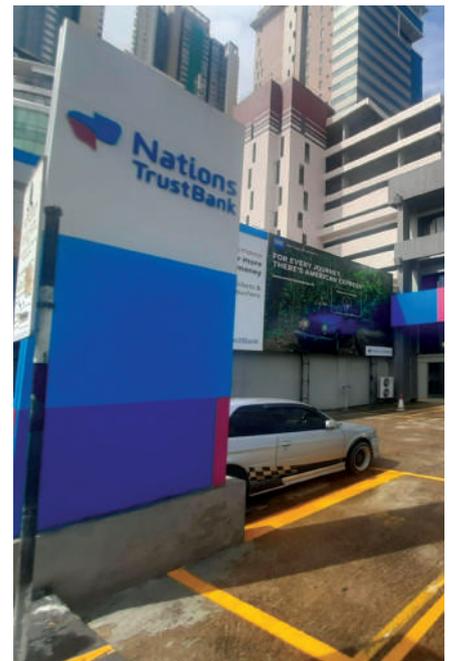
Contact us today to explore more about member benefits.

[Click here for more information](#)

\*Terms & Conditions Apply

[www.nationstrust.com](http://www.nationstrust.com)

011 462 6262



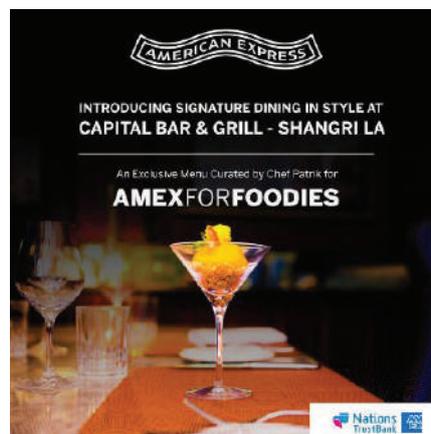
- Nations Trust Bank and American Express celebrated a two-decade long partnership and commitment in providing service excellence to valued Card members in 2023, with the 'Journeying Together' campaign. Rewards, recognition and appreciation programmes were conducted to Card members, merchant partners and staff members to mark this remarkable milestone.

Further, in line with the American Express Brand's premium travel and entertainment proposition, curated dining experiences were carried out within the #AMEXFORFOODIES platform and Card member events hosted via American Express Experiences.

- Nations Direct has garnered acclaim for its digital prowess and has introduced a range of pioneering digital initiatives. It remains a leader in digitally driven solutions that consistently enhance the customer experience, thereby bolstering its brand reputation and prominence, especially among a highly digital savvy customer base. FriMi from Nations Trust Bank introduced Sri Lanka's first digital banking experience and continues to grow as a sophisticated lifestyle platform with many benefits.
- The Bank clinched five awards for leadership in digital banking at the FITIS Digital Excellence Awards 2023. Nations Direct Mobile and Online Banking platform won a gold award in the Consumer Digital Engagement Category, received two silver awards for Omni Channel Experience and Innovative Digital Service, and another Silver award for FriMi, the digital wallet and lifestyle app. The Bank also secured the Bronze Award for Customer-centric Process Automation for its digital self-onboarding and DRP automation platform.
- FriMi was ranked amongst the top 03 Most Loved Fintech Brands by LMD Brand Finance for the 3rd consecutive year.



Key visual of Nations Trust Bank and American Express 20 year partnership celebration



AMEXFORFOODIES



FITIS Digital Excellence Award won by FriMi

### Pursuit of Innovation

- The Bank places significant value on cultivating internal talent by allocating resources toward fostering a diverse team that possesses forward-thinking capabilities, digital expertise, agility, and responsiveness. Our team is inspired and provided with the resources to pursue their technological inquisitiveness and professional curiosity in order to create an impact on significant transformations within the organisation.
- In recent years, distinguishing our service offering via transformative technology has remained a top priority. Through the provision of customer-centric solutions delivered via channels that are seamless and readily accessible, the Bank has carved out a niche in the industry by placing an emphasis on innovation and digitisation.

### Systems and Processes

- The extensive integration of digitisation throughout the organisation is a critical strategic imperative, and we remain steadfast in our determination to leverage technology as a catalyst to propel improvements in internal operations.
- With the aim of achieving internal process digitisation, our Lean team performed an extensive analysis of current internal and external bank processes. The team meticulously identified and eliminated non-value-adding organisational processes that consume time and effort, in order to improve overall efficiency of the Bank.
- The implementation of process automation and re-engineering of critical workflow systems has resulted in significant cost efficiencies, accelerated processes, and minimised rates of error.
- Refinements in front-end processes have heightened our competitive advantage by reimagining the customer experience through enhanced digital platforms.

# Digital Capital

Digital Capital serves as the linchpin in our organisational framework, exerting a significant influence on numerous critical components. It plays a pivotal role in nurturing Human Capital, empowering our workforce with the skills and knowledge required to navigate the evolving digital landscape. Additionally, Digital Capital contributes significantly to Intellectual Capital by shaping the innovative processes that underpin our operations, fostering a culture of continuous improvement and adaptability.

**Value creation in 2023**

- Shifting to a predominantly digital modes of transaction
- Personalised customer experience and tailored journey management
- Process efficiencies through digitisation

By harnessing cutting-edge technology, we not only provide solutions that exceed expectations but also reinforce the foundation of our customer value proposition. This transformative journey extends beyond enhancing customer interactions; it encompasses the strategic deployment of Digital Capital.

**96%**  
Total transactions conducted through digital platforms.

**29**  
Process automations

**31%**  
Cost to Income ratio

**99.98%**  
System uptime

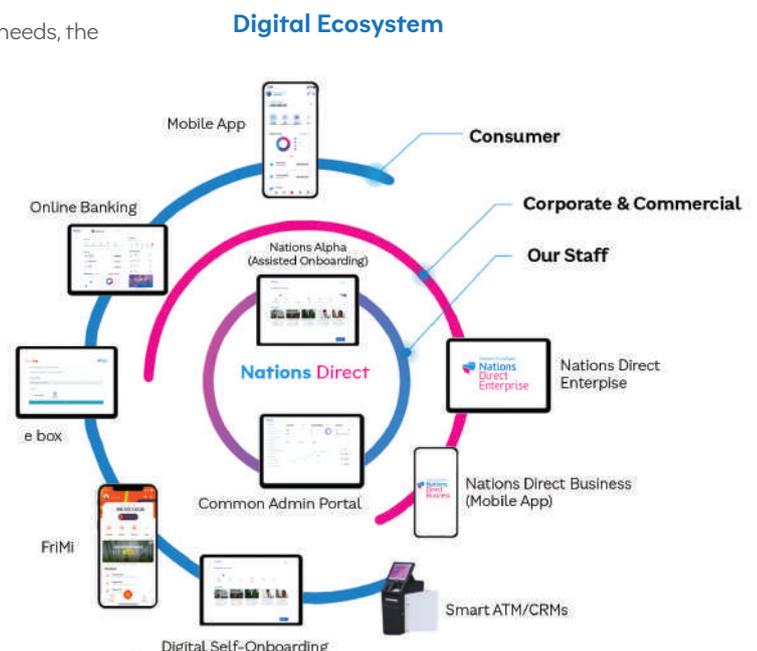
## Nations Direct Brand

Due to the growing demand for online business and customer needs, the expectation from the banking industry to enhance customer experiences through digital innovations has progressively increased.

To meet these expectations, Nations Trust Bank embarked on a digital-first approach by humanising the digital banking experience and creating a seamless interaction between the human and digital banking platforms under the 'Nations Direct' brand.

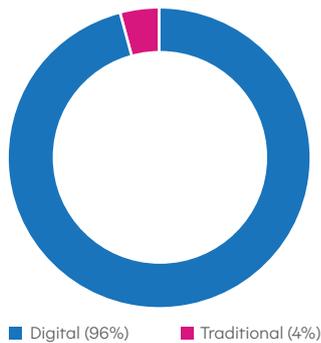
Nations Direct is a seamless, simple, swift and secure ecosystem that offers Corporate, Commercial and Consumer banking customers with easy access to banking transactions, information, and customer-centric product features while empowering our staff through digital applications which can provide customer resolutions faster.

Our robust digital feedback system and journey management tools tagged to all our Nations Direct solutions ensures meticulous evaluation of customer feedback and behaviour, empowering our customers to enhance productivity and thrive with our continuously improving solutions.



## Revitalising the Customer Experience

Digital Adaptation - Digital Vs Traditional Financial Transaction



### Digitised transactions

We have achieved beyond our targeted goal in the realm of digital banking by shifting more than 96% of all financial transactions to digital mode. We initially facilitated assisted onboarding, deploying agents to assist customers in person. However, we have successfully transitioned to a predominantly online onboarding model, eliminating the need for physical assistance. This transformative shift enables customers to complete the onboarding process from any location with internet access.

### Customer Journey Management

In our commitment to enhancing the customer experience, we have developed sophisticated methods to analyse customer transactions and behaviour. This enables us to tailor the customer's journey based on individual preferences. Customer feedback is meticulously examined, and behavioural changes are observed to better understand their needs. Leveraging these insights, we customise their digital journey, thereby allowing us to anticipate customer requirements, boost the overall customer satisfaction, and streamline the digital experience.

### Personalised service

The Bank's strategic approach to customer relationship management is encapsulated in the 'Customer 360' initiative, which provides a comprehensive view of each customer's interactions and preferences. This real-time, holistic perspective enables us to offer personalised services and recommendations. The customer communications framework has been facilitated with the integration of interactive smart statements and chatbots, among other innovative features. Additionally, we have introduced a real-time customer feedback mechanism for the branch network, enabling customers to provide feedback instantaneously, and in response allowing branch staff to actively respond to customer concerns.

### Digitally Enabled Workplace

In the pursuit of digital readiness, our commitment to building digitally proficient human capital across the organisation has remained steadfast. 99% of our consumer products being exclusively available in digital formats reflects on our strategic move to shift from physical options. This shift necessitates that the Bank staff remain well-prepared to cater to the evolving digital landscape, making digital literacy an integral part of their skill set.

- During the year we appointed digital ambassadors, individuals who champion digital initiatives at the branch level, ensuring our staff remains informed and engaged with the latest digital advancements.
- We continued learning sessions with 'Tech Tuesday', wherein each department delves into digital discussions.
- To facilitate learning, we organised numerous forums where industry experts and professionals engaged with our staff.

### Process Digitisation

To remain in line with our dedication to digital transformation, we have undertaken numerous internal digitalisation efforts. Among these, a significant initiative has been the overhaul of our internal approval/request processes. This initiative has created a comprehensive digital transformation, streamlining approvals and requests at all employee levels, including the board level, thus eliminating the reliance on physical paperwork. This shift has marked a significant change in how the Bank operates, enabling efficient tracking of the entire process, from initiation to completion. It allows for clear visibility into any pending stages in processes, fundamentally transforming our operational methods and enhancing efficiency across the board.

This revision emphasises the broad scope of our digitalisation efforts while highlighting the specific impact of improving the request generation and approval as a part of your wider digital transformation strategy.

- Team members across various departments have actively contributed ideas aimed at eliminating waste and reducing paper usage.
- LKR 34 million saving gained by curbing unnecessary costs associated with paper usage.
- 16% increase in revenue per employee through improved efficiencies.

### Stability and Security

Ensuring the strict security of our digital system network is vital for our organisation, and with the expertise of our dedicated technical teams, the Bank has invested significantly in both financial resources and know-how, to guarantee that we remain at the forefront of security standards in digital banking. Our commitment to being best in class in security and fraud management is reflected in substantial investments aimed at fortifying our security infrastructure.

## Digital Capital

- Proactively investing in new security frameworks, continuously updating and strengthening our defence mechanisms against evolving threats
- Conducting regular reviews of our security position
- Undergoing certifications from various reputable organisation, to ensure that our security protocols are ahead of industry standards
- Ensuring compliance with customer privacy acts, aligning our practices with the highest standards of data protection.

### AWARDS AND RECOGNITIONS DURING 2023

FriMi was ranked amongst the top 03 Most Loved Fintech Brands by LMD Brand Finance for the 3rd consecutive year

FriMi received notable recognition by securing a Silver Award in the highly competitive Digital Marketing Strategy Category at FITIS Digital Excellence Awards 2023.

### CUSTOMER DATA SECURITY AND PRIVACY

The Bank is certified in ISO/IEC 27001:2013 Information Security Management Systems (ISMS) best practices



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

**FriDOM TO LIVE MORE**

**GET ONBOARD NOW**

සිංහල | தமிழ் | English

NationsTrustBank

### Best Lifestyle & Payment Application with Fully Fledged Banking

**Portfolio in one place**  
Access all your account & card details, along with convenient options to request, activate, & deactivate your debit card, all from one place

**Customizable the widgets**  
Personalize your home screen with ease. Add, remove & rearrange widgets based on your preferences for a tailored & user-friendly home screen experience

**In-built PFM Module**  
Budgeting made effortless! FriMians can monitor spending habits from one view & set up transaction limits

**Switch to dark mode**  
Customize your money management experience. Dark mode enthusiasts can effortlessly switch to enjoy a sleek & personalized financial interface

Nations Direct



# Humanising

the digital banking experience



App



Desktop



Smart  
Statements



Smart  
ATMs



## Human Capital

The success of the Bank is propelled by a dynamic and diverse team of professionals who actively foster the Bank's growth through continuous development and collaboration

### Value creation in 2023

- Increased productivity and efficiency of our team through Lean practices
- Career opportunities through multi-skilling and competency-based development
- Creating a diverse and inclusive work environment

### Management Approach

Nations Trust Bank has positioned itself as an employer of choice in Sri Lanka on the strength of its brand recognition and the value propositions it provides to its employees. The Bank has formulated its human resource policy framework while adhering to pertinent labour laws, regulations and industry standards. The policies are reviewed by the Board-appointed Human Resources and Remuneration Committee (HRRC).

NTB ensures to provide fair and market-competitive remuneration that is driven purely on performance and potential of its employees. In adherence to local labour laws and regulations the Bank's compensation structure ensure compliance with statutory benefits such as Employee Provident Fund (EPF), Employee Trust Fund (ETF) and gratuity. Being an equal opportunity employer, we ensure an unbiased approach in selecting and remunerating employees, ensure that all are treated equally and that there is no discrimination on grounds of gender, race or any other factors.

**2,481**  
Total employees

**508**  
Manpower from outsourced service providers

**90.2%**  
Permanent employees

**79.2%**  
Retention rate

**LKR 89.3 Mn**  
Investment in Training

**393**  
Promotions during the year

**48.2%**  
Female representation

### Team Profile

Our vibrant and youthful team consists of 2,481 individuals who collectively possess a wide range of professional experience and areas of expertise. The Bank's futuristic and digital savvy approach is amply reinforced by the average age of the workforce which is 31 years of age, while 51.6% of the workforce is below 30 years. The team also benefits from the diverse skills representation of 50.1% employees who have completed over five years of service at the Bank. All employees are employed on a full-time basis, with 90.2% of the workforce belonging to the permanent cadre.

### Employees by Employment Contract and Region

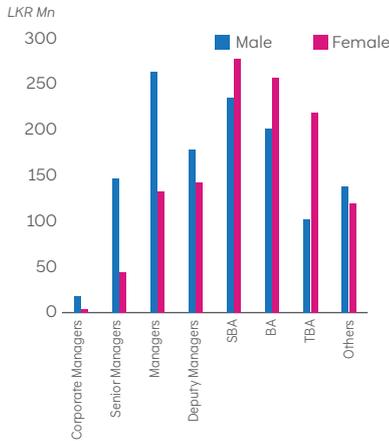
Workforce by Region and Contract	Permanent	Temporary	Total
Western Province	1,806	217	2,023
Southern Province	90	4	94
Central Province	19	3	22
North Western Province	32	1	33
Uva Province	115	3	118
Northern Province	72	6	78
Sabaragamuwa Province	32	1	33
Eastern Province	35	5	40
North Central Province	36	3	39
Overseas	1	-	1
<b>Total</b>	<b>2,238</b>	<b>243</b>	<b>2,481</b>

### Employees by Age and Category (%)

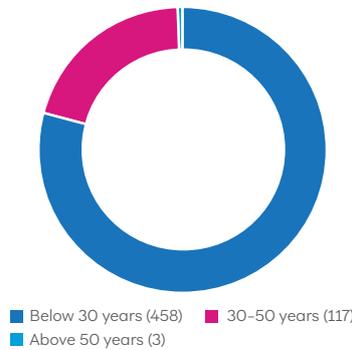
Employees by gender and category	Below 30		30 -50		50 Above	
	Male	Female	Male	Female	Male	Female
Corporate Managers	0 (0%)	0 (0%)	10 (0.4%)	3 (0.1%)	8 (0.3%)	1 (0%)
Senior Managers	0 (0%)	0 (0%)	129 (5.2%)	34 (1.4%)	18 (0.7%)	10 (0.4%)
Managers	6 (0.2%)	2 (0.1%)	254 (10.2%)	127 (5.1%)	4 (0.2%)	4 (0.2%)
Deputy Managers	46 (1.9%)	39 (1.6%)	129 (5.2%)	101 (4.1%)	4 (0.2%)	2 (0.1%)
Others	459 (18.5%)	727 (29.3%)	209 (8.4%)	145 (5.8%)	8 (0.3%)	2 (0.1%)
<b>Total</b>	<b>511 (20.6%)</b>	<b>768 (31%)</b>	<b>731 (29.5%)</b>	<b>410 (16.5%)</b>	<b>42 (1.7%)</b>	<b>19 (0.8%)</b>

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

**Employees by Gender and Category**



**Recruitment by Age**



- Collaborating with schools, universities, and professional bodies to identify and attract talent to build an entry level/ banking trainee pipeline for the future.
- Developing a framework for talent management and career progression to recognise and retain High and Critical Talent Pools.
- Implementation of a Leadership Development Programme that distinguishes high performers.

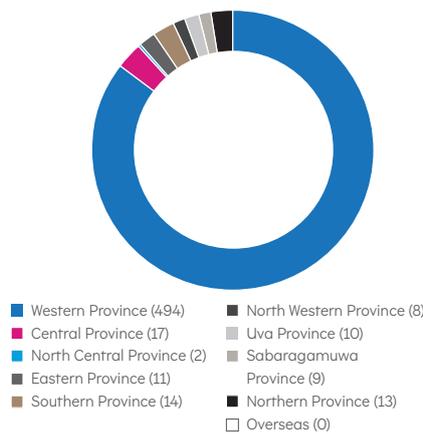
**Creating digital-savvy human capital**

The Bank has taken strategic measures to ensure that all its employees are adequately trained and capable of embracing the ongoing digitisation. Each branch was designated a Digital Champion, who completed comprehensive training and awareness exercises conducted by the Bank’s Digital Team. The Champion is responsible for communicating acquired knowledge throughout their respective teams regarding various operational aspects of the Bank. The Bank is committed to creating a digital ready workforce equipping them to effectively navigate the ongoing digitisation efforts for banking in a digital world.

**Talent movements during 2023**

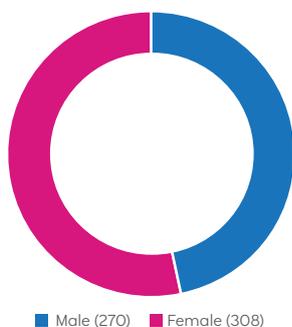
During the year there were no notable shifts in the employee cadre with recruitment efforts primarily focused on fulfilling vacancies on replacement basis. Leveraging digitisation initiatives, the Bank continued to optimise the cadre while right sizing the organisation. A disproportionate number of new hires were for the revenue generation frontline functions and to acquire digital and technology skills to support the Bank’s digital journey. The Bank has maintained a rate of retention of 79.2%, while natural attrition including migrations that impacted the country resulted in 20.8% employee turnover during the year.

**Recruitment by Region**



**Profile of new recruits**

**Recruitment by Gender**



**People strategy in 2023**

The people strategy for the year emphasised on strengthening the employer brand with a strong focus to attract and retain high performing and critical talent to meet the strategic objectives of the Bank.

**Talent acquisition and retention**

The country’s economic challenges that continued during the year had an impact on the banking industry with attrition due to migration being at an all-time high. However, the strength of the Bank’s employer brand and the financial stability gave the Bank an edge in attracting the required talent. The following employer branding initiatives were enabled to attract and build talent pools.

**Employee productivity**

In an effort to enhance efficiency and right size the organisation, all operational teams reviewed existing processes and procedures with the end goal of digitalising the same. The efficiency ratios below highlights the significant results of this effort.

- Improvement in revenue per employee by 16%
- Personnel cost per staff improvement 24%

# Human Capital

## Employee value creation in 2023

### Employee engagement and well-being

Numerous employee engagement activities were carried out during the year.

- Budgets were allocated for bank branches to conduct CSR activities among local communities.
- Budgets allocated for department-wise collaborations and team building activities.
- Special economic relief allowance provided to support financial stress during the economic crisis.
- Initiatives to manage stress such as counselling services on request and mid-week stress busters.
- Community building activities during the year included:
  - International Women's Day Celebration
  - International Men's Day Celebration
  - Nations Sports Day
  - Nations Kids Engagement Activity
  - Nations Christmas Carols
  - Nations Year-end Dance

### Rewards and Recognition

- The Bank is committed to fostering an environment where employee contributions are recognised and rewarded. The transparent nature of the reward systems ensures that employees are fully informed about the criteria and the processes involved, instilling a sense of fairness and trust within the organisation.
- During the year we participated in a market salary survey to understand market trends and benchmarks. Based on the insights from this survey, employee remuneration was adjusted significantly to ensure that the compensation packages remain competitive, and reflect the value that each employee offers to the organisation.



Nations Kids Funday



Nations Christmas Carols



CC Got Talent



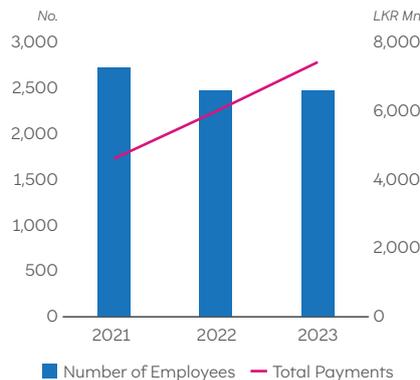
Townhall Meeting with Trade

- Job-specific certifications serve as pre-requisites for promotions, which encourage the development of employee competencies for career progression.
- All eligible staff members successfully completed their annual performance reviews, adhering to the bank's performance management process. This ensured that each employee had the opportunity to receive constructive feedback, fostering their professional development and growth.
- During the year, 252 vacancies were filled by internal talent within the Bank in accordance with the Bank's talent development initiatives and promotion policy.

### Competency and capability building

- During the year, an interactive learning management system, Nations Genius was rolled out emphasising the Bank's commitment to providing continuous micro learning through digital platforms.
- The training framework and methodology is based on three components, namely mandatory training, soft skills development, and functional training.
- Functional training for employees in branches is based on structured modular based certification which covers the latest industry knowledge, customer service, technical skills and personal grooming.
- As members of the service industry, employees across the Bank and external service providers that serve at customer touch points such as security officers, are expected to undergo customer service training.
- An average 27 hours of training per employee were conducted during the year with an investment of LKR 89.3 Mn.

### Remuneration Paid



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

Breakdown by gender and category	Male	Female	Total
Corporate Managers	8	15	9
Senior Managers	36	29	35
Managers	31	29	30
Assistant Managers	47	37	43
Senior Banking Assistants	21	19	20
Banking Assistants	17	15	16
Banking Trainees	29	34	33
Cluster Leaders	62	46	55
Fixed Term Contractees	22	16	19
Minor and Other Staff	7	9	8
<b>TOTAL</b>	<b>29</b>	<b>25</b>	<b>27</b>



Advanced Negotiation Skills for Corporate and Commercial Relationship Managers



Nations Digital Ambassador Program



Outbound Training for Branch Managers



Lean Boot Camp for Central



Training programmes during the year include:

- Leadership Development Program for high potential talent
- Manager Development Program for high potential talent
- SME Academy for Credit Staff
- Advanced Negotiation Skills for Corporate and Commercial Relationship Managers
- Branch Manager Certification
- Branch Operations Manager Certification
- SLIM Sales Certification Program
- Nations Digital Ambassador Program
- Strengthening Nations Export Drive with Export Development Board (EDB)
- Internal Service Partnership series for IT and Support Staff
- First Time Manager Program on Leading Teams
- Launching of Nations Genius for e-learning solutions
- ITIL (Information Technology Infrastructure Library) Certification for IT Staff
- Outbound Training for Branch Managers
- Speechcraft Programs for Branch Managers and Business Banking Staff
- NDE Training for Branch Staff
- Training sessions on Foreign Exchange regulations and Anti Money Laundering
- Sustainability Financing Requirements of CBSL
- Leasing Documentation for Branches
- Lean Yellow Belt Training Programs
- Lean Boot Camps
- Banking Trainee Development Program
- Career Development program for Collections and Recoveries contract staff

## Human Capital

### Occupational Health and Safety

The Bank's Occupational Health and Safety Management System is based on its Health, Safety and Environment (HSE) Procedure, and covers its employees, customers, visitors and vendors. The procedure encompasses the well-being of the said stakeholders, identification and mitigation of HSE risks and continuous awareness, training and call to action for all staff and other stakeholders.

In adherence to its HSE Procedure, NTB identifies and addresses risks that are specific to the banking industry. These risks include emergency situations such as robbery and theft, risks associated with falls, equipment malfunctioning, electrocution, ergonomic factors, lighting concerns, exposure to natural disasters and the personal safety of staff members.

The occupational health services employed by the Bank are currently geared towards protecting the staff and workers from risks arising from fire safety. The CRE and Administration Division, along with the HR Division acts as the custodians for the infrastructure, reporting and mitigating Occupational Health and Safety Risks, with all employees sharing final responsibility for ensuring a functional H&S system. Employees and staff are encouraged to log any suggestions, complaints and observations by raising a ticket online through the Facilities Management System available at the Facilities Management Help Desk.

The Administration Division conducts drills to ensure that all staff in major buildings are trained for evacuation during emergency situations. Furthermore, fire marshals have been assigned to each location. Regular training for fire marshals is conducted along with the line managers and

branch managers who are responsible for ensuring that employees directly reporting to them are well-versed in the HSE Procedure and mitigating HSE risks.

The Bank is committed to continuing its efforts to expanding its staff well-being initiatives by incorporating awareness campaigns, counselling, and programmes such as gym memberships and annual health check-ups. These measures aim to safeguard employees from non-communicable diseases such as hypertension, diabetes, stress, and cardiac-related ailments. Currently the Bank provides a medical insurance scheme to all its employees which covers personal accidents, OPD and hospitalisation.

The Bank manages its occupational health and safety incidents in a decentralised manner, with bank branches tracking incidents quarterly and reporting the data to the HR Division. This information is then forwarded to the Sustainability Division, where it is recorded using the Sustainability Performance Analyser (SPA) tool and presented to the management on a quarterly basis. During the year in review NTB had no recorded incidents of Occupational Health and Safety arising from either its employees or outsourced workers. The Bank intends to establish formal record-keeping logbooks at every branch and headquarters to ensure the maintenance of comprehensive records on the oversight of any future incidents.

NTB is in the process of implementing a Supplier Assessment Procedure to ensure that its supply chain partners engage in ethical business conduct. The Supplier Assessment Procedure encompasses environmental and social requirements in addition to the prevention and mitigation of occupational health and safety hazards.

### Nurturing a diverse and inclusive culture

- The Bank's HR policies reflect its dedication to promoting an inclusive work environment and providing equal opportunities for all employees.
- Nations Women Programme was initiated to identify and acknowledge talented women holding managerial positions. Its core aim is to foster confidence among these individuals, empowering them to pursue front-line roles within the organisation and to facilitate their career progression.
- The Bank facilitates 84 days of maternity leave and 5 days of paternity leave for employees who become parents. 100% of those who took maternity leave during 2023 returned back to work.
- We maintain a remuneration ratio of 1:1 between males and females at all levels ensuring gender equality.
- Employees are encouraged to report any incidents of discrimination, and there were no reported incidents of discrimination during the year.
- Policies such as the Whistleblowing, Anti-Bribery and Anti-Corruption, Sexual Harassment and Drug Free Workplace as well as a Professional Code of Conduct are available to safeguard employees.



## Manufactured Capital

The Group relies on its manufactured capital as an essential component of the value creation process, enabling it to consistently cultivate consumer and brand engagement.

### Value creation in 2023

- Deposit retention rate – >80%
- 17% Growth in deposit base
- Promoted stronger customer relationships

### Management Approach

A formal committee oversees the administration of the bank's manufactured capital, as well as the management of its physical infrastructure. The committee, which includes representatives from Marketing, Legal, Finance, the Corporate Infrastructure Team, and the Head of Branches, have scheduled meetings to assess the Bank's infrastructure requirements.

### Branch Operations

The Bank's holistic approach to service delivery encompasses an omni-channel strategy, which prominently features a physical network comprising 96 strategically positioned branches across the island. Throughout the fiscal year, Nations Trust leveraged its extensive branch network to fortify customer engagement initiatives.

Moreover, the physical branch network assumed a pivotal role in recognising growth sectors within the economy, thereby facilitating proactive asset growth strategies. By delivering tailored banking solutions and fostering deeper brand engagement through personalised interactions, the Bank effectively capitalised on emerging opportunities, thus positioning itself as a trusted financial partner committed to the long-term prosperity of its clientele and the broader economic landscape.

NTB remains steadfast in its commitment to ensuring the safety of the customers and third parties who visit the bank's branches, which is upheld by the Bank's comprehensive

Health, Safety, and Environment (HSE) Procedure. The CEO is ultimately responsible for the bank's health, safety, and environmental management. The day-to-day operationalisation of the policy falls under the purview of the CRE and Administration division, encompassing all locations, employees, outsourced personnel, and third parties associated with the bank, who are tasked with fulfilling their roles and responsibilities to uphold NTB as a safe and secure environment for its patrons and visitors.

Throughout the year, the CRE and Administration division evaluated all major branches to identify and mitigate potential risks. CCTV cameras are strategically placed across all NTB branches and locations to improve security, with monitoring conducted by outsourced security service providers. Security personnel stationed at branches ensure protection and extend courteous services such as greeting customers and managing parking facilities for customer vehicles.

Each branch is equipped with firefighting equipment including fire extinguishers, fire hydrant systems, smoke detectors, fire exits, and assembly points. Additionally, every branch appoints a Fire Marshal responsible for leading evacuation procedures and basic firefighting in emergency situations. Regular fire drills are conducted at larger branches to ensure preparedness in handling such scenarios. During the year under review there were no incidents of non-compliance concerning the health and safety impacts at any of the Bank's branches.

96  
Branches

87  
CRM

81  
ATM

LKR 266 Mn  
Investment in PPE

LKR 516 Bn  
Total Assets

### Driving Operational Efficiency

In accordance with our strategic focus on driving cost efficiencies, the Bank sought ways to rationalise and consolidate banking activities to guarantee optimal resource allocation. To create a leaner and more agile banking operation, the Group continued to re-evaluate and rethink its business processes. Key initiatives implemented were the following:

- The continuous automation of processes resulting in the optimisation of team structures to align with operational needs, heightened levels of productivity and precision, as well as the prudent rationalisation of costs.
- The Group's Lean Transformation Team, in collaboration with departmental personnel, undertook a comprehensive reassessment of prevailing operational processes. This strategic initiative aimed to identify areas ripe for improvement and to implement methodologies to create operational efficiency and superior customer experiences.



## Social and Relationship Capital

Cultivating and strengthening ties with our stakeholders in order to support the community in which we operate.

### CUSTOMERS



#### Value creation in 2023

Facilitating customer satisfaction via a unified omni-channel experience

Continued investments in strategic CSR activities

By utilising its digital platforms and branch network, the Bank serves over 720,000 individuals, SMEs, large scale customers and corporations.

The Bank strategically targets the mass affluent clientele and employs cross-selling and targeted marketing to promote expansion in this segment. To position NTB as the foremost customer-centric bank and increase the bar for value generation for stakeholders across all tiers, each product, service and activity has been designed with the customer in mind.

**>720K**  
Total Customers

**1,334**  
Suppliers

**48**  
Net Promoter Score

**LKR 19.3 Mn**  
Total Investment in ESG and CSR

#### Customer Experience

- Every business pillar strategically enhanced its service delivery to augment the customer experience and promote greater customer engagement.
- Customer experiences curated during the year included:
  - Selected members of the Private Banking proposition took part in an engaging art initiative titled 'Masterpieces' at the Nations Trust Bank Private Banking Centre. The event provided an opportunity for members to explore the works of art displayed by various young and upcoming local artists, in collaboration with George Keyt Foundation and the John Keells Foundation.
  - Mastercard provided an exclusive venue for Private Banking Members to attend the Webb Ellis Trophy Tour at the Private Banking Centre.
  - Private Banking Members were treated to a curated art tour in collaboration with the Museum of Modern and Contemporary Art Sri Lanka (MMCA) that featured the exhibition titled 'The Foreigners'.
  - In collaboration with the Royal Colombo Golf Club (RCGC), the Nations Trust Golf Championship was hosted for over 200 customers and business partners.
  - In a forum reserved exclusively for corporate customers, the 'Corporate Connect' Knowledge sharing session provided information and insights regarding the bank's progress in cash and trade digitisation.
  - Nations Trust Bank American Express partnered Colombo Fashion Week as the Official Fashion Card for the Luxury Resort Wear edition 2023. 400 of our customers accessed this 'invitee only' premium event to witness global and local designers showcase the best of the season across a 2-day event. This partnership supports the local fashion industry and creates new opportunities for Sri Lanka, as a progressive fashion destination.

#### Customer Engagement

- Our 24x7 Customer Contact Centre is a vital point of connectivity with customers and uses advanced data analytics to better serve customer needs
- By obtaining a comprehensive view of each customer's interactions and preferences through the "Customer 360" initiative, we can provide personalised services and recommendations. This ensures that every customer's experience is distinctively tailored to their specific requirements.
- The customer communications framework has been strengthened through the integration of chatbots and interactive smart statements, among other novel functionalities to create a more personalised service.

- Multiple communication channels are used to maintain an on-going dialogue with customers. Additionally, information on our products are readily available on our website, branches and the Customer Contact Centre.
- The IT Division oversees the implementation of rigorous IT protocols and data security measures, including firewalls and protection against malware, supported by clear roles and password hierarchies to safeguard customer privacy and data integrity. Additionally, the division ensures regular data backups and incorporates system redundancies to address emergency scenarios effectively.
- The Marketing Division is tasked with managing all corporate communications and marketing activities, including advertising NTB's various services and facilities. The division is responsible for verifying the accuracy of all communications and ensuring compliance with regulations set forth by the Central Bank of Sri Lanka (CBSL).
- There were no instances of non-compliance concerning product and service information, customer privacy and labelling or marketing communications during the year.

### Customer Solutions and Support

- Through strategic investments in cutting-edge technology and ongoing innovation, we have fortified our digital ecosystem to deliver seamless solutions and elevated support services.
- Nations Direct organised an experiential event to highlight the advanced functionalities of the digital banking suite. The occasion featured live demonstrations for consumers and insightful discussions with industry experts.
- Prioritising customer education on cyber security and digital safety, we emphasise proactive measures to keep clientele well-informed via our communication channels. We offer regular tips and advice to empower them in safeguarding against online threats, thereby creating a secure environment in the digital realm.
- With the deployment of the Customer Journey Management tool we are able to analyse customer transactions and behaviours, facilitating personalised support and services according to individual preferences and activities.



The awards ceremony of the Nations Trust Bank Golf Championship 2023



Private Banking lifestyle seminar featuring Dr. Paul Chiam, Singaporean Cardiologists from Mount Elizabeth Hospital



The prestigious Webb Ellis Cup arrived at the Private Banking Centre



Exclusively curated tour for Private Banking Members at the Museum of Modern and Contemporary Arts Sri Lanka



Nations Trust Bank Golf Championship 2023 held at Royal Colombo Golf Club



The first edition of the Corporate Connect was held at JAIC Hilton Colombo

## Social and Relationship Capital

### BUSINESS PARTNERS



Currently, NTB's supply chain includes 1,334 registered suppliers, ranging from equipment and maintenance service providers to manpower and waste disposal service providers, along with suppliers of fuel, stationery and other consumable items.

Currently, NTB's supply chain includes 1,334 registered suppliers, ranging from equipment and maintenance service providers to manpower and waste disposal service providers, along with suppliers of fuel, stationery, and other consumable items. The downstream value chain partners consist of corporate, SME, and retail customers, totaling over 497 accounts. NTB primarily sources its equipment, stationery, and office consumables from local suppliers or through local agents representing international brands, while its clientele mainly comprises organisation and individuals based in Sri Lanka.

At NTB, we are dedicated to ensuring sustainability across our entire value chain, encompassing both our supply chain partners and customers. During the past year, NTB initiated steps to identify key supply chain partners and is currently reviewing and updating its Environmental and Social Management System (ESMS) procedure and processes to assess significant customers and portfolios. We plan to utilise the ESMS and Supplier Assessment policies to transparently evaluate the environmental, social, and governance

(ESG) impacts of our suppliers and client projects funded through NTB. Aligning with global reporting requirements such as IFRS S2, NTB is committed to identifying the Scope 3 carbon footprint of its significant lending portfolio and supply chain emissions. Alongside tracking Scope 3 emissions, which will commence shortly.

NTB aims to introduce Supplier and Client ESG questionnaires containing ESG criteria to solicit objective data from supply chain partners and customers for comprehensive assessments. These assessments will enhance existing procurement and credit evaluation processes, influencing future sourcing and lending decisions of the bank.

Recognising the vulnerability inherent in the banking environment, we have taken proactive measures to ensure the preparedness of our outsourced security personnel through training initiatives to handle various customer interactions and potential situations that may arise.

Through a variety of memberships in key industry associations, we maintain close ties with industry stakeholders in order to advocate for banking sector best practices.

#### MEMBERSHIP OF ASSOCIATIONS

- Ceylon Chamber of Commerce
- Leasing Council of Bankers of Sri Lanka
- The Employers' Federation of Ceylon
- Payment Card Industry Association of Sri Lanka
- The Financial Ombudsman Sri Lanka (Guarantee) Limited
- Association of Compliance Officers of Banks
- International Chamber of Commerce Sri Lanka
- Sri Lanka Forex Association
- American Chamber of Commerce in Sri Lanka
- Sustainable Banking Initiative of the Sri Lanka Banks' Association

## COMMUNITIES



The Bank formed an executive level steering committee to overlook both CSR initiatives and sustainability efforts.

Furthermore, a distinct CSR working committee has been established to focus specifically on CSR endeavours.

Principal areas of CSR focus during the fiscal year include:

- The execution of a comprehensive sustainability strategy throughout the bank.
- The prioritisation of CSR initiatives across three primary pillars: Environment, Education, and Emergency Relief.
- The implementation of CSR activities conducted both at the branch level and through centralised initiatives.

### Environment

- Kanneliya Reforestation Project.
- Hiyare Animal Hospital.
- WNPS monthly lectures – long-term partnership.
- Membership for Biodiversity Sri Lanka.

### Education

- The Bank has actively advocated for the advancement of education, particularly in rural areas, by making significant contributions through various donations aimed at enhancing infrastructure and facilities for students.
- During the year 18 No. of schools were visited benefiting over 500 students through various donations.
- School supplies such as school bags, stationery and books were donated to schools in Akuressa, Karapitiya, Kegalle and Jaffna areas.

### Community Relief

During the year, a series of events were organised to uplift underprivileged communities and foster their overall betterment. Few notable events held during the year are summarised below:

- A school visit was organised to engage with children and their parents from "Ekamuthu Singithi Pola," along with a health camp
- A visit was made to an orphanage housing around 50 children who were diagnosed with mental health conditions. A donation was contributed during the visit to aid in the institution's care and support of these vulnerable individuals.
- A blood donation campaign was organised for the Maharagama Cancer Hospital, accompanied by the distribution of stationary packs to children.
- Donations of essential mother-care, baby-care, and food items were provided to mothers and infants at Vishaka Homes in Embilipitiya.
- A successful awareness session for pregnant mothers was conducted with the participation of 20 expectant mothers at the Divisional Secretariat office in Ambalantota.





## Natural Capital

The growing realisation of the imperative to responsibly manage our environmental footprint and transition towards a low carbon economy has emerged as a pivotal driver shaping our strategic agenda concerning natural capital management.

### Value creation in 2023

- Facilitating conscientious resource utilisation via automation and digitisation
- Increasing focus towards encouraging green financing decisions
- Continuing collaborations to preserve biodiversity

While promoting positive environmental change through our investment decisions and business practices, the Bank is dedicated to recognising and managing the effects of our operations.

**5,957.7 MWh**  
Electricity consumption

**2.40 MWh**  
Energy intensity per employee

### Management Approach

As a prominent organisation in the banking sector, the Board of Directors and Management of Nations Trust Bank are committed to accelerating the country's transition into a sustainable, green and inclusive economy. We are aware of the significant influence of financial institutions in shaping the trajectory of economic development, and are committed to leveraging our position to influence positive change.

During the year in concern the Bank reassessed its material topics through an internal management perception study aligned to the GRI Standards, the AccountAbility UK Standards and the COSO Framework. While the GRI Standards provides input with regard to the universe of potential sustainability topics and impacts, the Bank also utilised the risk management principles of the COSO framework to identify the risks and opportunities arising from such sustainability topics and impacts. The 6-part materiality assessment of the AA1000 Standard of AccountAbility was utilised to identify the significance of financial impact, regulatory requirements, science-based targets, peer norms, stakeholder expectations and societal expectations relating to sustainability and risks associated with such impacts.

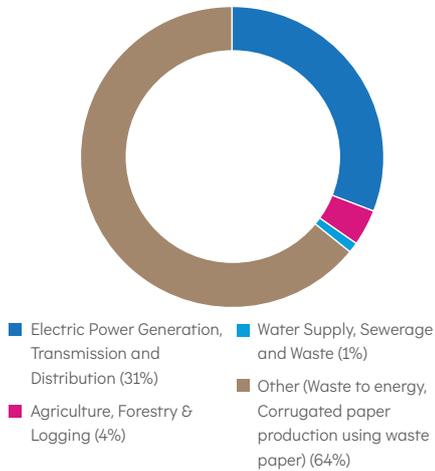
As part of this Materiality Assessment process, the Bank identified Energy, Emissions, Waste Management and Responsible Value Chains as material topics pertaining to the environmental aspects of the Bank's operations.

In light of the above material topics, the ESG (Environmental, Social and Governance) Strategy and an all-encompassing structure of policies, systems, and procedures were also reviewed and aligned to serve as the foundation for the Bank's environmental agenda in the forthcoming years. The effects stemming from our operational activities and value chain will be systematically monitored utilising the ESG Management Framework and the Environmental and Social Management Process. Within our strategic framework, we have delineated distinct focus areas encapsulated within three overarching pillars: Sustainable Finance, Responsible Organisation and Sustainable Culture. These pillars serve as guiding principles, directing our efforts towards fostering positive change and advancing our organisational objectives in alignment with sustainable development imperatives. During the year there have been no instances of environmental non-compliance.

### SUSTAINABLE FINANCE

- The Bank ensures that corporate and SME facilities exceeding LKR 50 million, as well as IFC-funded facilities, are subjected to thorough environmental and social risk assessments through its comprehensive ESMS Procedure and Exclusion List supported by the Credit Policy.
- By endorsing the Sustainable Banking Initiative of the Sri Lanka Banks' Association, the organisation advocates for the broader implementation of sustainable financial standards, thereby fostering sustainable economic growth.
- Guided by Sustainable Finance Roadmap, Green Finance Taxonomy and Banking Act No 5 of 2022 on Sustainable Finance.
- The Bank is reporting to CBSL on quarterly basis on Sustainable finance portfolio from 3Q 2022 onwards.

### Sustainable Finance Portfolio - 2023



### Responsible Organisation

The Bank maintains its commitment to efficient resource utilisation by implementing digital advancements and enhancing employee consciousness, in recognition of our duty to reduce adverse environmental effects.

### Energy and Emission Management

The Bank is dependent on multiple energy sources, including electricity from the National Grid of Sri Lanka and fossil fuels for backup power generation and transportation. The Bank is aware of its greenhouse gas (GHG) emissions and their implications for climate change, including both the physical and transitional risks involved. Measures such as digitisation strategies and comprehensive insurance coverage for property and equipment partially mitigate the physical risks associated with climate change. Despite the absence of a carbon pricing mechanism in Sri Lanka, the Bank is actively formulating a strategy to transition towards low-carbon operations and effectively manage the resultant transitional risks associated with climate change as part of this strategic approach.

During the year the Bank expanded its assessment of its Scope 1 and Scope 2 carbon footprint from the primary three locations in the preceding year to

encompass all facets of its operations, including its 96 branches. Consequently, the provided Carbon footprint represents a comprehensive evaluation of the Bank's overall activities, incorporating both Scope 1 and Scope 2 emissions. Presently, the Bank is reassessing its procedures to facilitate the disclosure of its Scope 3 carbon footprint concerning its supply chains, employee commute, business travel, and financed emissions in forthcoming years, aligning closely with the updated International Financial Reporting Standards (IFRS) and the Global Reporting Initiative (GRI) Standards pertaining to climate change.

### Paper Consumption

The Bank's digitisation strategy and paper recycling process, facilitated by a reputable third party, aim to mitigate one of its key environmental impacts: paper usage. Reduction in paper consumption and promotion of digital channels form integral parts of the Bank's overarching strategy to minimise the environmental footprint of its operations.

- Effectively migrated to a predominately online onboarding model, thereby eliminating the necessity for physical documentation.
- The transition of 100% of customers to digital statements due to the widespread adoption of e-statements has significantly contributed to the reduction of paper usage. Additionally, the printing of paper leaflets for promotional purposes has been discontinued.
- To promote the adoption of paperless platforms, such as Nations e-box, the Bank issues Eco-Champion E-certificates to customers to acknowledge their contribution to tree conservation.
- The implementation of digitised internal approval processes and back-end process digitisation has resulted in consistent reductions in paper usage.
- During the year, 17.4 MT of A4 papers were consumed.

### Waste Management

NTB generates both hazardous and non-hazardous waste in its operations, necessitating a conscientious approach to waste disposal to mitigate environmental and societal impacts. Non-hazardous waste include paper, cardboard, plastic, and food waste, while hazardous waste includes electronic waste, used oil, oil filters, and waste cotton from backup generators. Waste disposal primarily relies on municipal councils, which disposes waste through landfill methods. NTB is streamlining its waste management and segregation processes to minimise environmental impact by avoiding disposal of unsorted waste. The company aims to identify and facilitate waste disposal through approved contractors engaged in recycling and reuse.

The disposal of e-waste is governed by a board approval process for items such as computers and laptops and is also subject to the Bank's data security procedures. In the reporting period, the Bank generated 52 MT of non-hazardous waste, with 32.1 MT recycled or reused, and 19.9 MT sent to landfills through municipal waste disposal mechanisms. Additionally, 1.87 MT of hazardous waste were created and 1.82 MT were recycled through third party vendors.

## Natural Capital

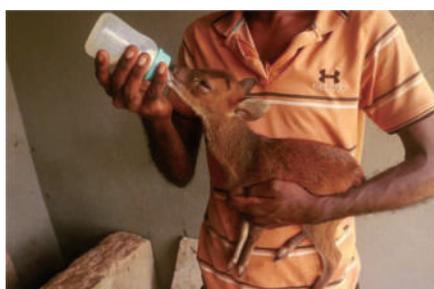
The carbon footprint of the Bank's main three buildings for the previous years is summarised below:

	2022	2021	2020	2019	2018
Scope 1 (MTCO <sub>2</sub> e)	235	131	227	129	183
Scope 2 (MTCO <sub>2</sub> e)	1,634	1,359	1,410	1,935	1,781
Scope 3 (MTCO <sub>2</sub> e)	873	876	899	940	1,127
<b>Total</b>	<b>2,742</b>	<b>2,366</b>	<b>2,536</b>	<b>3,005</b>	<b>3,091</b>
% change previous year	15.89%	-6.72%	-10.94%	-2.78%	-7.98%
% change base year	-26.24%	-36.36%	-28.01%	-19.16%	-16.85%
Number of NTB employees	1308	1,443	1,536	1,475	1,442
% change previous year	-9.36%	-6.05%	4.14%	2.29%	3.15%
% change base year	-3.18%	6.81%	13.69%	9.18%	6.74%
Tonnes of CO <sub>2</sub> e per employee	2.10	1.64	1.74	2.04	2.14
% change previous year	27.85%	-5.90%	-14.48%	-4.96%	-10.79%
% change base year	-23.82%	-40.41%	-36.68%	-25.96%	-22.10%

### Energy consumption in 2023

Diesel (l)	24,415
Petrol (l)	11,011
Electricity (kWh)	5,957,705
Diesel consumption in GJ	741
Petrol consumption in GJ	303
Electricity consumption in GJ	21,448
<b>Total energy consumption in GJ</b>	<b>22,492</b>

Throughout the year, NTB used 55 kgs of R22, 15 kg of R410, and 10 kg of R134A refrigerant gas for refilling during air conditioning maintenance, resulting in a carbon footprint of fugitive emissions totaling 138 MTCO<sub>2</sub>e from ozone-depleting sources.



### Estimated Carbon Footprint in CO<sub>2</sub>e in 2023

<b>Scope 1</b> 76 MT	<b>Scope 2</b> 4,195 MT
<b>Total Scope 1 and 2</b> 4,271 MT	
Scope 1 and 2 intensity 10.55 kgCO <sub>2</sub> e per square foot	
The carbon emissions breakdown is as follows:	
<b>98.2%</b> from electricity	<b>1.28%</b> from diesel
<b>0.49%</b> from petrol	

### BIODIVERSITY INITIATIVES

- Our long-term collaborations with environmental organisations, including the Wildlife Conservation Society of Galle, Wildlife and Nature Protection Society (WNPS), and Biodiversity Sri Lanka, enable us to support biodiversity.
- Hiyare's biodiversity conservation project includes an operating theatre and other facilities for treating ailing and injured wild animals in the Hiyare forest and surrounding regions. Nations Trust Bank provides funds to cover the costs of medicine, food, veterinary fees, and transportation for the animal hospital. The WCSG specialists rescued and treated 288 animals, including birds, mammals, and reptiles in Hiyare.
- Kanneliya Reforestation Project – Conservation of the degraded forest in collaboration with Biodiversity Sri Lanka, Forest Department and the International Union for Conservation of Nature (IUCN)
- The Bank's commitment to environmental education continued during the year through our sponsorships of the WNPS Loris, Warana and Varanam publications, the oldest wildlife magazine in Asia.

# Independent Assurance Report



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

Tel : +94 11 246 3500  
Fax : +94 11 768 7869  
Email: eyst@lk.ey.com  
ey.com

## INDEPENDENT PRACTITIONER'S ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF NATIONS TRUST BANK PLC ON THE SUSTAINABILITY REPORTING CRITERIA PRESENTED IN THE INTEGRATED ANNUAL REPORT FY 2023

### Scope

We have been engaged by Nations Trust Bank PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Nations Trust Bank PLC's Economic, Environment, Social and Governance (EESG) indicators (the "Subject Matter") contained in Nations Trust Bank PLC's (the "Entity's") Integrated Annual Report/Annual Report/ Sustainability Report for the year ended 31 December 2023 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

### Criteria applied by Nations Trust Bank PLC

In preparing the Subject Matter, Nations Trust Bank PLC applied the following criteria ("Criteria"):

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at <https://www.globalreporting.org>

Such Criteria were specifically designed for the purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance

(EESG) indicators contained in the Entity's Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

### Nations Trust Bank PLC's responsibilities

Nations Trust Bank PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

### Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised)), and the terms of reference for this engagement as agreed with the Nations Trust Bank PLC on 12th February 2024. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

### Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

## Independent Assurance Report

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Validated the information presented and checked the calculations performed by the organisation through recalculation.
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- Conducted interviews with relevant organisation's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

### Emphasis of matter

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Report.

### Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of Nations Trust Bank PLC for the year ended 31 December 2023, in order for it to be in accordance with the Criteria.

22nd February 2024  
Colombo

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

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

A member firm of Ernst & Young Global Limited

# Corporate Governance

Sound corporate governance is critical to navigate the opportunities and challenges that are faced by a bank. The Board continuously updates its structures, policies and practices to maintain high standards of corporate governance as the subject evolves through regulatory and voluntary standards and rules. This has been a key strength of the Bank, anchoring its performance and growth.

## Highlights

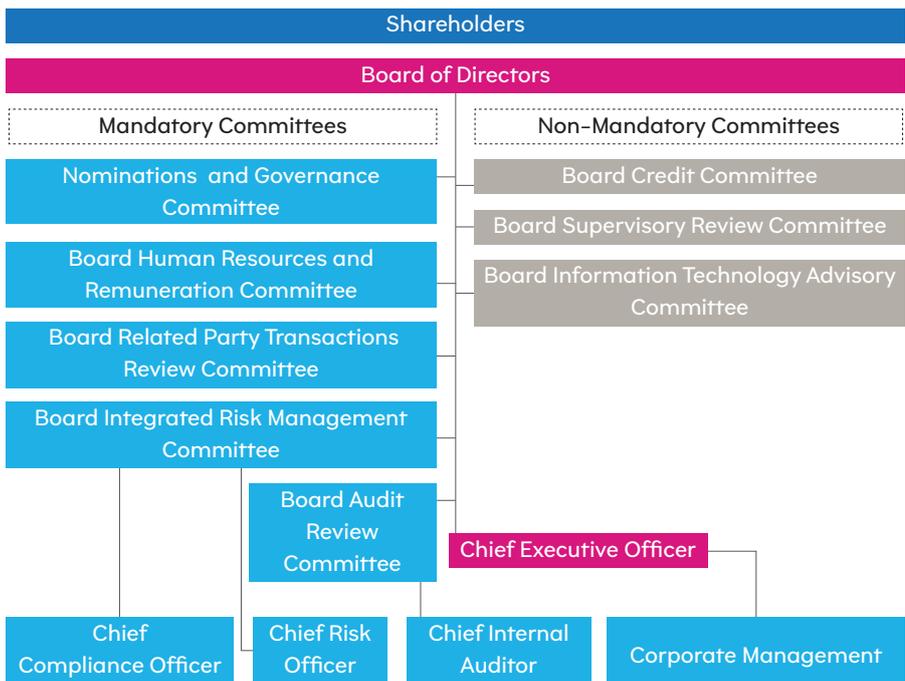
- Change of Chairman of the Board**  
Mr. Gihan Cooray retired as Chairman on 30th April 2023 in compliance with the 9 year limit on the tenure of a director. Ms. Sherin Cader was unanimously appointed as the Chairperson with effect from 1st May 2023
- Appointment of Company Secretary**  
Appointment of Ms. Peshala Attygalle as the Company Secretary of the Bank with effect from 2nd October 2023
- Appointment of a new director**  
Mr. Charitha Subasinghe was appointed as a Non-Executive Director with effect from 19th June 2023

## Board Priorities 2023

- Assessing impacts of macroeconomic developments on operations of the Bank
- Monitoring implementation of strategy
- Increased vigilance on risk management and capital maintenance
- Compliance with laws and regulations
- Succession planning
- Sustainability and Environmental, Social and Governance (ESG) integration within the Bank's operations.

## Governance Structure

The governance structure of the Bank complements the regulatory requirements, ensuring that the Board has effective oversight of critical aspects of the Bank's operations.



The roles and responsibilities of the Board and Sub-committees are clearly defined in the Terms of Reference (ToR). The Committee reports on pages 83 to 90 and 94 to 96 provide insights into their activities during the year. The CEO is supported by Executive Committees appointed for specific purposes, facilitating regular monitoring of strategy implementation, effective management of risk on a day-to-day basis while setting the tone for good governance.

- ### Executive Committee
- Assets & Liability Management Committee
  - Executive Risk Management Committee
  - Operations Risk Management Committee
  - IT Steering Committee
  - Information Security Steering Committee
  - Management Credit Committee

# Corporate Governance

## A Comprehensive Policy Framework

The Board has approved policies that collectively form a comprehensive policy framework to guide management in the day-to-day operations of the Bank in compliance with the framework for governance set out above. The relevant policies were reviewed during the year where a routine review was due or otherwise to comply with regulatory changes in the operating landscape and prudential concerns arising from the extraordinary macroeconomic developments that took place during the year.

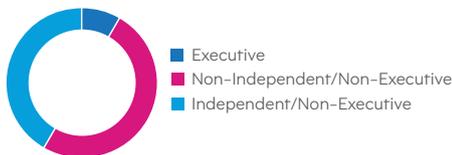
## An Effective Board

Effective functioning of the Board is governed by the Rules of Procedure for Board of Directors and the Board Charter which covers the composition, structure, conduct of meetings and other matters relating to the Board.

## Board Composition

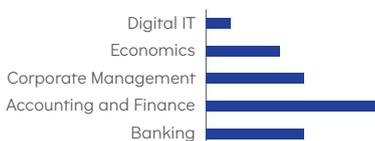
The Bank's Board is comprised of 12 Directors of whom 11 are non-executive directors who are leading professionals in their respective fields. Collectively they possess the skills, industry insights and experience needed to effectively fulfill the remit of the Board and support the growth and other aspirations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

### Board Composition



**42%**  
Independent Directors

### Composition of skills



## A Framework for Governance

The Bank's corporate governance framework is designed to safeguard stakeholder value, reinforce core principles of integrity, transparency and accountability and comply with regulatory requirements and voluntarily adopted governance frameworks. Accordingly, the Bank's policies, procedures and structures comply with the requirements of several voluntary standards on corporate governance and industry best practices as presented below:



## Skill Alignment to Strategic Focus Areas



## Gender Balance



## Tenure of Non-Executives



## Age Representation



**Retirement in 2023** - Mr. Gihan Cooray

**Appointment in 2023** - Mr. Charitha Subasinghe

## Appointment, Re-election and Retirement

Shareholders elect or re-elect directors at the Annual General Meeting and a separate resolution is prepared for each director nominated for election or re-election by the shareholders. The Nominations and Governance Committee review potential nominees for director vacancies considering their skills, experience and attributes and mapping these against the business needs of the Bank and the existing skill set of the Board. Due care is taken to ensure that potential nominees meet the fit and proper criteria set out by Central Bank of Sri Lanka (CBSL) and the Colombo Stock Exchange (CSE) prior to recommending nominees to the Board who will also deliberate the proposals prior to approval. Casual vacancies occurring during the year are filled by the Board as permitted by the Articles of Association subject to approval of CBSL. Shareholders are informed via the CSE on the date of appointment together with a brief profile of the director and any shareholding in the Bank. All directors appointed to fill casual vacancies retire and can be elected at the next Annual General Meeting.

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

### Director Induction and Training

Mr. Charitha Subasinghe whose profile is set out on page 18 was appointed during the year and will be offering himself for election at the Annual General Meeting. Mr. Subasinghe has undergone an induction programme including discussions with the CEO and Corporate Management to ensure that he is familiar with the operations of Bank, the relevant regulatory framework and the processes of the Board.

All directors attend the training sessions organised by the CBSL and undertake training in their personal capacities as well. Additionally, management provides updates on regulatory changes, the operating environment and industry best practice. External consultants, auditors and other experts also make presentations from time to time on

relevant matters, including sustainability and ESG ensuring that the Board is up to date on matters relevant to the Bank.

**Access to information:** Board papers are made available in advance of the meetings to enable directors to review matters to be discussed at the meeting and seek clarification if required. Directors also have access to relevant information and professional advice that is required to discharge their duties effectively.

**Director assessment:** The Board evaluates its performance on an annual basis, as is prescribed by the Code of Best Practice and in line with best practice in governance. The evaluation is carried out through a self-assessment survey which includes criteria on board effectiveness, efficiency and procedures followed. Each member of the Board carries out a self-assessment of his/her own effectiveness as an individual as well as the effectiveness of the Board as a team. The assessment expands to include Board Sub-Committees where all Sub-Committee members required to carry out a self-assessment on his/her role as a member of the Committee.

## Board meetings

The Board convened 13 times during the year. The Directors' attendance at Board meetings and Board Sub-Committee meetings is set out in the table below:

NO.	DIRECTOR	BOARD	BARC	BSC	HRRC	BCC	BIRMC	NGC	RPTRC	BITAC
1.	Mr. Gihan Cooray <sup>1</sup>	4/4			01/01	05/05		02/02		
2.	Ms. Sherin Cader <sup>2</sup>	13/13	03/03	13/13	04/04	09/09	02/02	03/03		
3.	Mr. Conrad D'Souza	13/13	11/11		05/05		08/08	05/05		
4.	Ms. Rachini Rajapaksa	13/13	11/11		05/05		08/08			13/13
5.	Mr. Russell de Mel	13/13			05/05	14/14			04/04	
6.	Mr. Savanth Sebastian <sup>3</sup>	12/13	11/11	12/13			06/06			
7.	Mr. Chanaka Wickramasuriya	13/13				13/14		05/05	04/04	
8.	Mr. Arjun Fernando	12/13		13/13		14/14		05/05		13/13
9.	Dr. Ramesh Shanmuganathan	10/13								13/13
10.	Mr. Chandika Hettiarachchi	13/13								
11.	Mr. Hemantha D Gunetilleke	12/13				13/14	07/08		04/04	13/13
12.	Dr. Sanjeev Jha	13/13								
13.	Mr. Charitha Subasinghe <sup>4</sup>	06/08	05/06	06/07			03/05			

<sup>1</sup> Retired from the Board of the Bank with effect from 30th April, 2023

<sup>2</sup> Appointed as the Chairperson of the Board with effect from 1st May, 2023. Appointed as the Chairperson of HRRC and as member of NGC and BCC with effect from 01st May, 2023

<sup>3</sup> Appointed as a member of the BIRMC with effect from 12th May 2023

<sup>4</sup> Appointed as a Director of the Bank with effect from 19th June, 2023 and as a member of BARC, BSC and BIRMC with effect from 29th June, 2023

## Corporate Governance

### Information

The Chairperson ensures that the Board has sufficient information on matters set before the Board and Board members have access to key management personnel to seek clarification required. The business units regularly make presentations to the Board on the interim progress and it's journey in line with the strategy and vision of the Bank. Board papers are circulated in advance of the Board meetings to ensure Board members have sufficient time to prepare.

Critical concerns are immediately flagged to the Board by the CEO in discussion with the Chairperson and with relevant Corporate Management members. There is a schedule of matters on which the CEO is required to inform the Board immediately. The risk appetite of the bank is approved by the BIRMC and the Board and the Chief Risk

Officer External is expected to notify Board Integrated Risk Management Committee of any breaches. Chief Internal Auditor and the Chief Compliance Officer are required to flag any gaps in internal control or regulatory compliance to their respective Board Sub-Committees.

### Managing conflicts of interest

Directors are required to declare existing and potential conflicts of interest annually and update them as and when they change. The Rules of Procedure for Board of Directors clearly states that directors must declare their interest on any matters that may be set before the Board and excuse themselves from discussions, deliberations and voting on such matters by informing the Board, the Chairperson or the Company Secretary. The Company Secretary maintains a register of Directors' Interests.

### Appraisal of the Board

The Board undertakes an annual self-assessment survey of the Board and it's sub-committees facilitated by the Company Secretary. The results of the survey is summarised by the Senior Independent Director and submitted to the Board for review and to identify areas for improvement and action.

### Director Remuneration

The Board is assisted in determining director remuneration by the Board Human Resource and Remuneration Committee. This Committee undertakes a review of the remuneration levels and makes recommendations to the Board in respect of the remuneration of executive directors and non-executive directors.

### Governance Outcomes in 2023



### Liquidity and Capital

Sovereign downgrading in 2020 and 2021 served as early warning signs for the Board resulting in increased vigilance and probity in this critical aspect of the Bank's operations. High levels of engagement with the key management personnel supported a sound understanding of issues and action was initiated to mitigate potential threats. Key measures implemented in this regard are as follows:

- Frequent assessment of the macroeconomic environment on business continuity, risk profile and overall financial performance

- Review of regulatory developments and implications on the Bank's performance and risk profile
- Extensive stress testing of key variables
- Guidance on managing short and long term priorities
- Managing for Returns

Focus on managing returns instead of growth supported more efficient resource allocation and deeper analysis into how things could be done differently. Clear identification of opportunities and articulation of risk appetites and limits served to guide the Bank through this

change of focus which has enabled the Bank to record a high ROE and profit growth vis à vis it's peers in a year of unprecedented turmoil.

### Sound Risk Management

The Board is ultimately responsible for effective management of risks and has set in place a strong risk governance structure, framework of policies and procedures and has allocated sufficient resources for managing the same. The Board Integrated Risk Management Committee assists the Board with oversight of this vital function while the Board Audit Review Committee has

oversight of the effective operation of internal controls. During the year under review,

- Foresight in risk management enabled the Bank to minimise its exposures to credit risk, both in its loans and advances portfolios and its investments in international GoSL foreign currency denominated securities.
- The Bank was well positioned at the point of announcement of the Domestic Debt Optimisation Program due to proactive and risk-based management of its domestic GoSL foreign and local currency denominated securities.
- Cyber security was a key area of concern for the Board and resources were allocated to reinforcing this area
- Strengthened rigour of risk monitoring due to volatility in markets
- Digital Dividends

Investments in digitalisation are relatively high and the Board continues to monitor returns on these investments through the Board Information Technology Advisory Committee to ensure that the objectives are met. Accordingly, the Board noted the positive ratings of the Bank's digital applications, increase in digital revenues, high levels of customer onboarding, and the movement of the cost income ratio which were all moving in a positive direction.

### People and Culture

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

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

- Codes of Professional Conduct
- Whistleblowing Policy
- Related Party Transactions Policy
- Employee Grievance Policy
- Anti-bribery and Anti- Corruption Procedure
- Drug free workplace Procedure
- Sexual Harassment Procedure
- Consequence Management Procedure

### Shareholder Communication

The Board has a policy on effective communication and relations with shareholders and investors.

### Compliance with Laws/Regulations on Corporate Governance

The Bank's level of compliance with the Banking Act Direction No.11 of 2007 and Section 9 of the Listing Rules of the Colombo Stock Exchange is disclosed in the reports published on pages 228 to 251 in this Annual Report.

# Annual Report of the Board of Directors on the Affairs of the Bank

The Directors of Nations Trust Bank PLC ('the Bank') have the pleasure in presenting their Report on the Affairs of the Bank together with the Audited Financial Statements for the year ended 31st December, 2023. The details set out herein provide pertinent information in accordance with statutory requirements, requirements of relevant regulatory authorities for listed companies in the financial services industry and best accounting practices.

## General

Nations Trust Bank PLC is a public limited liability company incorporated in Sri Lanka on 21st January 1999 under the Companies Act, No. 17 of 1982. The Bank was quoted in the Colombo Stock Exchange in May 1999 and is a licensed commercial bank under the Banking Act No. 30 of 1988. The Bank was re-registered on 14th February 2008 as required under the provisions of the Companies Act, No. 7 of 2007.

The Annual Report of the Board of Directors on the Affairs of the Bank and the Audited Financial Statements were approved by the Directors on 22nd February, 2024.

## Statement of Compliance on the Contents of the Annual Report

The Annual Report including the Audited Financial Statements have been prepared and presented with the disclosures in accordance with the Sri Lanka Accounting Standards and other applicable regulatory requirements.

## Principal Activities

Nations Trust Bank PLC is a Licensed Commercial Bank in Sri Lanka carrying on banking business. There are three fully owned subsidiaries of Nations Trust Bank PLC which, together, constitute the Group.

## Bank

The principal activities of the Bank are commercial, personal and private banking, trade services, leasing, treasury and capital market services and fee based activities.

## Subsidiaries

The principal activities of the Bank's subsidiaries are as follows;

Waldock Mackenzie Limited – Fund and fee based activities,

Allied Properties Limited – Property rental

Nations Insurance Brokers Limited – Insurance broking

There has been no material change to the activities of the Bank or any of the subsidiaries mentioned above during the period under review.

## Financial Statements

Financial Statements of the Bank and the Group are given on pages 103 to 199 of this Annual Report.

## Directors' Shareholding

Directors' shareholding as at 31st December, 2023 and 2022 are given below.

Name of the Director	No. of Shares	
	2023	2022
Mr. Gihan Cooray (Retired on 30th April, 2023)	N/A	9,353 (V)
	N/A	1,624(NV)
Ms. Sherin Cader – Chairperson	-	-
Mr. Conrad D'Souza – Senior Independent Director	-	-
Ms. Rachini Rajapaksa	-	-
Mr. Russell De Mel	-	-
Mr. Savanth Sebastian	-	-
Mr. Chanaka Wickramasuriya	-	-
Mr. Arjun Fernando	-	-
Dr. Ramesh Shanmuganathan	-	-
Mr. Chandika Hettiarachchi	-	-
Dr. Sanjeev Jha	-	-
Mr. Hemantha D Gunetilleke	-	-
Mr. Charitha Subasinghe	-	N/A

## Independent Auditors' Report

The Auditors of the Bank, Messrs Ernst & Young, Chartered Accountants have carried out the audit of the consolidated Financial Statements for the financial year ended 31st December 2023 and their Report on the Financial Statements is given on page 99 to 102 of this Annual Report.

## Significant Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 111 to 128.

## Interests Register

All Directors have made general declarations as provided for in Section 192 (2) of the Companies Act No. 7 of 2007. Arising from these, details of contracts in which they have an interest is given on pages 68 to 69 of this Report.

Entries were made in the Interest Register on payments approved by the Board to the Executive Director.

## Directors' Remuneration

Directors' fees and emoluments paid during the year are given in Note 44.

## Directorate

The names of the Directors of the Bank during the year under review and their attendance at Board meetings during the year are as follows:

Name and the designation	Eligibility	Present	Excused
<b>Non-Executive Directors</b>			
Mr. Gihan Cooray - <i>Former Chairman</i> (Retired on 30th April, 2023)	04	04	Nil
Ms. Sherin Cader - Chairperson	13	13	Nil
Mr. Arjun Fernando	13	12	01
Dr. Ramesh Shanmuganathan	13	10	03
Mr. Chandika Hettiarachchi	13	13	Nil
Dr. Sanjeev Jha	13	13	Nil
Mr. Charitha Subasinghe (Appointed w.e.f. 19th June 2023)	08	06	02
<b>Independent Non-Executive Directors</b>			
Mr. Conrad D'Souza - <i>Senior Independent Director</i>	13	13	Nil
Ms. Rachini Rajapaksa	13	13	Nil
Mr. Russell De Mel	13	13	Nil
Mr. Savanth Sebastian	13	12	01
Mr. Chanaka Wickramasuriya	13	13	Nil
<b>Executive Director</b>			
Mr. Hemantha D Gunetilleke	13	12	01

Mr. Gihan Cooray, Non-Executive Director/Chairman retired from the Board with effect from 30th April, 2023 upon completion of nine years' service on the Board, in compliance with the Section 3(2)(ii) of the Banking Act Direction, No.11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka.

Non-Executive Director Ms. Sherin Cader was appointed as the Chairperson with effect from 1st May 2023.

Mr. Charitha Subasinghe was appointed to the Board as a Non-Executive Director with effect from 19th June, 2023 and he is recommended for election by the shareholders pursuant to Article 25 of the Articles of Association of the Bank and in terms of the Direction No. 3 (2) (x) of the Banking Act Direction, No.11 of 2007 at the Annual General Meeting scheduled to be held on 28th March 2024.

Independent Non-Executive Directors, Mr Conrad D' Souza and Mr Russell De Mel and Non-Executive Director, Dr Ramesh Shanmuganathan retire by rotation and being eligible for re-election

## Corporate Donations

No donations were made by the Bank during the year.

## Auditors

The Bank's Auditors during the period under review were Messrs. Ernst & Young, Chartered Accountants. The following payments were made to them during the year as fees and reimbursable expenses.

	Bank (LKR '000)	Group (LKR '000)
Audit Fees	10,050	11,135
Fees for Other Services	3,856	3,856

Other services consisted of advisory and tax related work.

As far as the Directors are aware the Auditors do not have any relationship with or interest in the Bank or any of its subsidiaries other than those disclosed above.

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

## Financial Results and Dividend

Consolidated Income Statement along with the Bank's Income Statement for the year is given on page 104 The Statement of Financial Position of the Bank and the Group is given on page 103.

Having satisfied the solvency test requirements under the Companies Act No.7 of 2007, the Directors have declared a first and final dividend of LKR 5.00 per share to holders of both Ordinary-Voting shares and Ordinary Non-Voting Convertible shares for the year ended 31st December 2023. The said dividend of LKR 5.00 per share consists of LKR 2.50 per share in the form of cash dividend and LKR 2.50 per share in the form of scrip dividend. The scrip dividend is subject to the approval of the Colombo Stock Exchange. In terms of Articles of Association of the Bank, payment of dividend does not require approval of shareholders.

## Information on Shares and Debentures

Information relating to holding of shares is given in pages 224 to 227 and information relating to debentures is given on page 149 to 150 of this Annual Report.

are recommended by the Board for re-election as provided for in Article 27 of the Articles of Association of the Bank Mr. Conrad D' Souza and Mr. Russell De Mel were last re-elected and Dr. Ramesh Shanmuganathan was elected at the AGM held on 31st March 2021.

Having given due consideration to the criterion set out in the Banking Act No. 30 of 1988 and Banking Act Direction No. 11 of 2007 and Rule No. 9.7.3 of Listing Rules of CSE the Board is of the view that all Directors of the Bank including those who are recommended for election and are fit and proper persons to hold office as Directors of the Bank. Further, based on the Declarations submitted by the Independent Non-Executive Directors in terms of the criteria for independence specified in Rule No. 3(2)(iv) of the Banking Act Direction, No. 11 of 2007 and Rule No. 9.8.3 of the Listing Rules of the Colombo Stock Exchange, the Board has determined that the Independent Non-Executive Directors of the Bank continue to be considered as Independent Non-Executive Directors.

## Annual Report of the Board of Directors on the Affairs of the Bank

### Transactions with Related Parties

Bank is in compliance with the rules of the Colombo Stock Exchange and Directions Issued by CBSL on Related Party Transactions. Details of significant related party transactions are given in the table below;

Category of Related Party	Subsidiary Companies *		Directors of the Bank		Key Management Personnel (KMP) of the Bank		Close Relations of Directors and KMP		Shareholders owning a material interest in the Bank **		Concerns in which Directors, Close Relations of Directors or material shareholders have a substantial interest	
	LKR '000	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
<b>Items in the Statement of Financial Position</b>												
<b>Assets</b>												
<b>Accommodation</b>												
Loans and Advances	-	-	4,831	-	92,392	106,324	6,485	8,544	615,824	-	4,918,285	4,061,515
Credit Cards	-	-	3,601	1,383	19,404	16,465	2,459	2,038	-	-	11,728	6,190
Derivative Financial Assets	-	-	-	-	-	-	-	-	-	-	353	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	1,221
Letter of Credit/Guarantees	-	-	-	-	-	-	-	-	47,999	215,094	1,906,467	133,771
Undrawn Facilities	-	-	4,032	6,555	40,062	61,140	4,857	3,482	1,331,178	1,791,421	5,989,984	4,279,272
<b>Total Accommodation</b>	-	-	<b>12,464</b>	<b>7,938</b>	<b>151,858</b>	<b>183,930</b>	<b>13,801</b>	<b>14,065</b>	<b>1,995,000</b>	<b>2,006,515</b>	<b>12,826,818</b>	<b>8,481,970</b>
Less: Cash Collaterals against Total Accommodations	-	-	9,390	4,933	48,419	74,282	1,308	2,361	-	-	-	-
<b>Total Net Accommodation</b>	-	-	<b>3,073</b>	<b>3,005</b>	<b>103,439</b>	<b>109,648</b>	<b>12,494</b>	<b>11,705</b>	<b>1,995,000</b>	<b>2,006,515</b>	<b>12,826,818</b>	<b>8,481,970</b>
Total Net Accommodation % of Total Regulatory Capital	-	-	0.01%	0.01%	0.18%	0.25%	0.02%	0.03%	3.54%	4.60%	22.77%	19.43%
<b>Liabilities</b>												
Due to Customers	1,761,429	1,649,977	149,603	156,642	128,305	187,815	55,149	42,929	16,732,934	13,399,797	437,999	887,873
Repurchase and Other Borrowings	433,123	137,698	-	-	25,035	3,632	3,016	-	516,568	-	273,644	552,468
Debenture Issued	-	-	-	-	-	-	-	-	335,026	-	416,317	1,176,700
Other Liabilities	-	-	-	-	3,073	-	5,479	-	-	661	470,928	615,886
Derivative Financial Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
<b>Equity</b>												
Dividends (Net)	-	-	37	36	125	121	-	-	707,103	685,017	-	-
<b>Commitments:</b>												
Forward - Foreign Exchange Contracts	-	-	-	-	-	-	-	-	-	-	86,882	-
<b>Items in Statement of Profit or Loss</b>												
Interest Income Earned	-	-	1,077	70	1,305	12,261	1,306	1,078	27,190	23,612	1,005,750	976,665
Interest Expenses Paid	333,539	210,362	18,206	10,079	9,234	16,444	4,765	2,942	1,399,979	750,501	114,051	233,762
Fees and Other Income Earned	7,118	7,879	662	378	324	1,595	674	288	6,964	6,916	388,923	854,138
Expenses Paid	115,826	113,663	-	-	-	-	-	-	51,157	27,320	62,160	93,961
<b>Compensation paid:</b>												
Short Term Employee Benefits	-	-	114,632	91,412	632,341	386,969	-	-	-	-	-	-
Post Employment Benefits	-	-	7,559	151,646	70,781	38,536	-	-	-	-	-	-
<b>No. of Shares of the Bank acquired</b>												
Voting	-	-	-	549	2,115	2,046	-	-	10,158,456	9,819,723	-	-
Non Voting	-	-	-	92	95	95	-	-	2,303,826	2,308,609	-	-

\* Subsidiaries of the Group include Waldock Mackenzie Limited, Allied Properties Limited and Nations Insurance Brokers Limited.

\*\* Since John Keells Holdings PLC together with Mackinnon & Keells Financial Services Limited, HWIC Asia Fund and Central Finance Company PLC together with CF Growth Fund Limited and CF Insurance Brokers Limited hold material interest in the Bank, transactions with these entities have been disclosed.

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

As required by rule 9.3.2 (a) of the CSE listing rules, there are no non-recurrent related party transactions which exceeds the lower of 10% of the equity or 5% of the total assets.

As required by rule 9.3.2 (b) of the CSE listing rules, there are no recurrent related party transactions which exceeds 10% of the gross revenue/income.

### Post- Balance Sheet Events

No circumstances have arisen since the reporting date that would require adjustment or disclosure other than those disclosed in Note 50 to the Financial Statements contained in page 103 to 199 of this Annual Report.

### Capital Adequacy

The Group's capital adequacy ratios as at 31st December 2023 were 18.1% for Tier I and 19.7% for Tier I and II and are above the minimum requirements of the Central Bank of Sri Lanka.

### Transactions with Related Parties

The Bank is in compliance with the rules of the Colombo Stock Exchange and Directions Issued by the CBSL on Related Party Transactions.

The Directors wish to make the following declarations with regard to the transactions with related parties in terms of Rule 9.16 of the Listing Rules of the Colombo Stock Exchange;

- That the Directors have declared all material interests in contracts involving the Bank and that they have refrained from voting on matters in which they were materially interested;
- That the Directors have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith;
- That arrangements are in place to make the Directors aware of the applicable laws, rules and regulations and they are aware of changes to the regulatory framework, particularly to Listing Rules and applicable capital market provisions;
- The Directors undertake to disclose if there are any material non-compliance with law or regulation and any fines, which are material, imposed by the government or regulatory authority in any jurisdiction where the Bank has operations

### Report on Compliance with Prudential Requirements, Regulations, Laws and Internal Controls

The Bank has complied with all the regulatory and prudential requirements arising from the provisions in the statutes applicable to the Bank including the Banking Act No. 30 of 1988, directions and determinations issued by the Central Bank of Sri Lanka under the Banking Act, Central Bank of Sri Lanka Act No. 16 of 2023, Monetary Law Act No. 58 of 1949, Foreign Exchange Act No. 12 of 2017, Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995, Prevention of Money Laundering Act No. 5 of 2006, Financial Transactions Reporting Act No. 6 of 2006, Convention on the Suppression of Terrorist Financing Act No. 25 of 2005, Inland Revenue Act No. 10 of 2006, Value Added Tax Act No. 14 of 2002, Finance Act No. 5 of 2005, Economic Service Charge Act No. 13 of 2006, Listing Rules of the Colombo Stock Exchange, Securities and Exchange Commission Act 19 of 2021, Financial Leasing Act No. 56 of 2000, Payment of Gratuity Act No. 12 of 1983, Employees' Provident Fund Act No. 15 of 1958, Employees' Trust Fund Act No. 46 of 1980 Anti-Corruption Act No. 9 of 2023 etc. and amendments to such statutes.

The Bank has established and maintained an effective system of internal controls which is improved on a continuous basis based on the recommendations of Internal Audit Department and the observations of the Central Bank of Sri Lanka and the external auditors during their inspections and audits.

### Compliance with Transfer Pricing Regulations

All transactions entered into with associated persons during the period are on an arm's length basis and are comparable with transactions carried out with non-associated persons.

### Directors of Subsidiary Companies

Directorates of the Bank's subsidiary companies are as follows;

#### Waldock Mackenzie Limited

Mr. Chandika Hettiarachchi – *Chairman*  
Dr. Ramesh Shanmuganathan  
Mr. Hemantha D Gunetilleke

#### Nations Insurance Brokers Limited

Dr. Sanjeev Jha – *Chairman*  
Mr. Hemantha D Gunetilleke

#### Allied Properties Limited

Mr. Chandika Hettiarachchi – *Chairman*  
Dr. Ramesh Shanmuganathan  
Mr. Hemantha D Gunetilleke

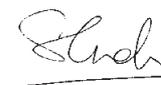
### Going Concern

The Directors, after making necessary inquiries, have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis has been adopted in the preparation of the Financial Statements.

### Annual General Meeting

Annual General Meeting of the Bank will be held on Thursday, 28th March 2024 at 10.00 a.m. by virtual means.

For and on behalf of the Board



Sherin Cader  
*Chairperson*



Hemantha D Gunetilleke  
Director/Chief Executive Officer



Peshala Attygalle  
General Counsel/Company Secretary

22nd February 2024

## Directors' Interest in Contracts with the Bank

Related party transactions as required by LKAS 24 "Related Party Disclosures", are detailed in Note 44 to the financial statements. In addition, the Bank carries out transactions in the ordinary course of its business at commercial rates with entities in which a Key Management Personnel (KMP) of the Bank is the Chairman or a Director of such entities, the details of which are given below.

### Details of the transactions carried out with Director related entities during the year 2023

Name of the related party	Name of Director	Relationship	Details
Allied Properties Limited	Mr. Hemantha D Gunetilleke	Director	A sum of LKR 168,666,578.00 was paid as Interest Expense
	Mr. Chandika Hettiarachchi	Director	A sum of LKR 112,930,092.00 was paid as Rent Expenses
	Dr. Ramesh Shanmuganathan	Director	
Central Finance Company PLC	Mr. Arjun Rishya Fernando	Director	A sum of LKR 27,173,895.00 was received as Interest Income
	Mr. Chandika Hettiarachchi	Director	A sum of LKR 6,547,337.00 was received as Other Income
			A sum of LKR 42,057,085.00 was paid as Other Expenses
			A sum of LKR 116,489,182.00 as Dividend
CF Insurance Brokers Limited	Mr. Chandika Hettiarachchi	Director	A sum of LKR 4,301.00 was received as Interest Income
			A sum of LKR 6,000.00 was received as Other Income
			A sum of LKR 51,560,496.00 as Dividend
CF Growth Fund	Mr. Chandika Hettiarachchi	Director	A sum of LKR 51,210,982.00 as Dividend
Ceylon Cold Stores PLC	Mr. Charitha Subasinghe	Director	A sum of LKR 12,384,853.00 was received as Interest Income
			A sum of LKR 3,266,718.00 was received as Other Income
			A sum of LKR 199,907.00 was paid as Interest Expense
Infomate (Private) Limited	Dr. Ramesh Shanmuganathan	Director	A sum of LKR 622,529.00 was paid as Interest Expense
			A sum of LKR 21,200.00 was received as Other Income
Jaykay Marketing Services (Private) Limited	Mr. Charitha Subasinghe	Director	A sum of LKR 89,135,336.00 was received as Interest Income
			A sum of LKR 955,720.00 was received as Other Income
			A sum of LKR 774,793.00 was paid as Interest Expense
			A sum of LKR 26,873,201.00 was paid as Other Expenses
John Keells Information Technologies (Private) Limited	Dr. Ramesh Shanmuganathan	Director	A sum of LKR 1,513,301.00 was received as Interest Income
	Mr. Charitha Subasinghe		A sum of LKR 631,547.00 was received as Other Income
			A sum of LKR 1,427,266.00 was paid as Interest Expense
John Keells Stock Brokers (Private) Limited	Ms. Sherin Cader	Director	A sum of LKR 1274.00 was received as Interest Income
			A sum of LKR 3,630.00 was received as Other Income
			A sum of LKR 1,258,146.00 was paid as Interest Expense
Nations Insurance Brokers Limited	Mr. Hemantha D Gunetilleke	Director	A sum of LKR 2,414.00 was received as Interest Income
	Dr. Sanjeev Jha	Director	A sum of LKR 126,510,909.00 was paid as Interest Expense
			A sum of LKR 6,985,236.00 was received as Other Income
Waldock Mackenzie Limited	Dr. Ramesh Shanmuganathan	Director	A sum of LKR 18,005,243.00 was paid as Interest Expense
	Mr. Hemantha D Gunetilleke	Director	A sum of LKR 132,492.00 was received as Other Income
	Mr. Chandika Hettiarachchi	Director	

Name of the related party	Name of Director	Relationship	Details
Cinnamon Hotel Management Limited	Mr. Charitha Subasinghe	Director	A sum of LKR 161,974.00 was received as Other Income
John Keells Office Automation (Private) Limited	Mr. Charitha Subasinghe	Director	A sum of LKR 77,015,399.00 was received as Interest Income A sum of LKR 19,157,467.00 was received as Other Income A sum of LKR 15,015,879.00 was paid as Other Expenses
John Keells Warehousing (Private) Limited	Mr. Charitha Subasinghe	Director	A sum of LKR 790,155.00 was paid as Interest Expense A sum of LKR 3,100.00 was received as Other Income
Mack Air (Private) Limited	Mr. Charitha Subasinghe	Director	A sum of LKR 2,200.00 was received as Other Income
Mackinnons Travels (Private) Limited	Mr. Charitha Subasinghe	Director	A sum of LKR 1,950.00 was received as Interest Income A sum of LKR 8,060.00 was received as Other Income A sum of LKR 540,565.00 was paid as Interest Expense A sum of LKR 101,539,638.00 as Dividend

#### Details of accommodation granted and balances outstanding as at 31 December 2023

Name of the related party	Name of Director	Relationship	Accommodation Granted	Limit LKR	Amount outstanding as at 31 December 2023
Central Finance Company PLC	Mr. Arjun Rishya Fernando	Director	Loans and advances		615,823,747
	Mr. Chandika Hettiarachchi	Director	Bank Guarantee -Off Balance Sheet	1,990,000,000	47,998,659
John Keells Office Automation (Private) Limited	Mr. Charitha Subasinghe	Director	Loans and advances		185,150,348
			Bank Guarantee -Off Balance Sheet	1,000,774,494	431,267,502
Cinnamon Hotel Management Limited	Mr. Charitha Subasinghe	Director	Loans and advances	1,000,000	220,876
Jaykay Marketing Services (Pvt) Ltd.	Mr. Charitha Subasinghe	Director	Loans and advances	2,500,000,000	107,956,800
John Keells Information Technology (Pvt) Ltd	Dr. Ramesh Shanmuganathan	Director	Loans and advances		66,319,269
	Mr. Charitha Subasinghe	Director		220,002,469	

# 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.

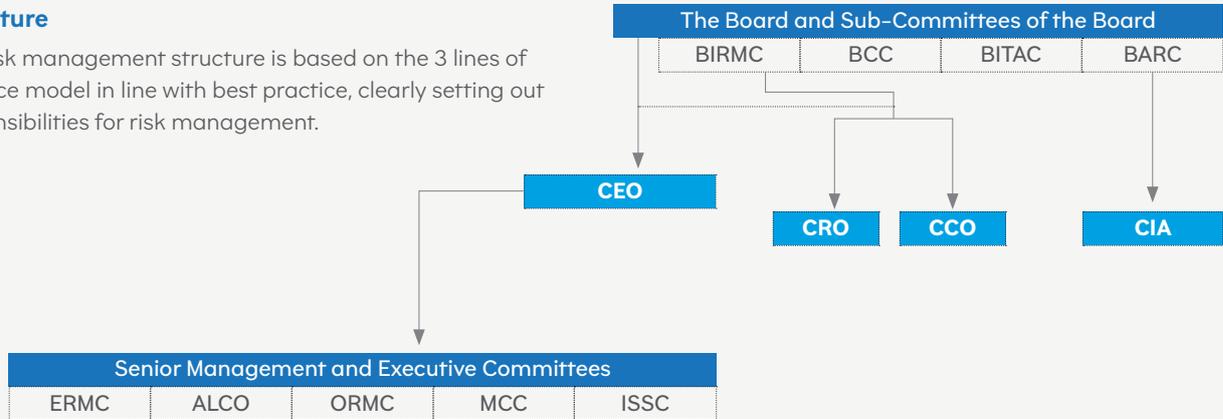
The Board has set in place a comprehensive risk management framework supported by formal structures, a comprehensive policy framework, institutionalised processes and systems to ensure that risk is managed in line with the risk appetite defined by the Board. Risk management is a regular agenda item at 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.



**Abbreviation**

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

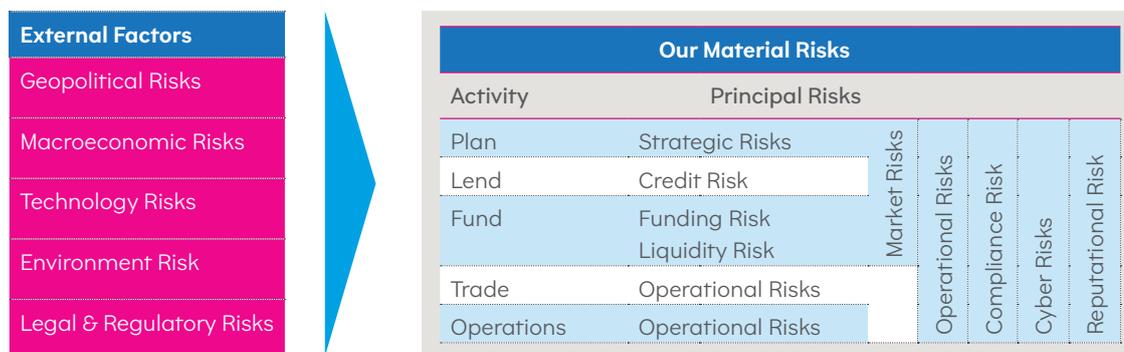
## Risk Management Review

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
<b>Credit Risk</b>		
Stage 3 Ratio (Gross)	7.39%	7.48%
Impairment (Stage 3) to Stage 3 Loans Ratio	55.30%	50.69%
<b>Market Risk</b>		
Sensitivity of trading portfolio to interest rate	1.58%	0.05%
<b>Operational Risk</b>		
Operational losses to operating expenses	0.10%	0.20%
<b>Liquidity Risk</b>		
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	Potential impact on:
Credit Risk	<ul style="list-style-type: none"> <li>• Increase on portfolio along with deterioration in asset quality</li> <li>• Increase in Stage shifts</li> <li>• Increase on loss rates and Scenario based simulation of Expected Credit Loss (ECL)</li> </ul>	<ul style="list-style-type: none"> <li>• Earnings</li> <li>• Capital Adequacy</li> <li>• Funding capability/ Liquidity</li> </ul>
Interest Rate Risk	<ul style="list-style-type: none"> <li>• Parallel movement in Interest rates across portfolios</li> </ul>	
Foreign Exchange Risk	<ul style="list-style-type: none"> <li>• Exchange rate shocks of different magnitudes to Bank's Forex Net Open Position</li> </ul>	
Liquidity Risk	<ul style="list-style-type: none"> <li>• Funding Capability of a cash outflow in a Liquidity stress scenario – up to 1 month with linking to macro economic variables</li> </ul>	
Operational Risk	<ul style="list-style-type: none"> <li>• Scenarios based on historical events from internal and external loss data</li> </ul>	

## 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

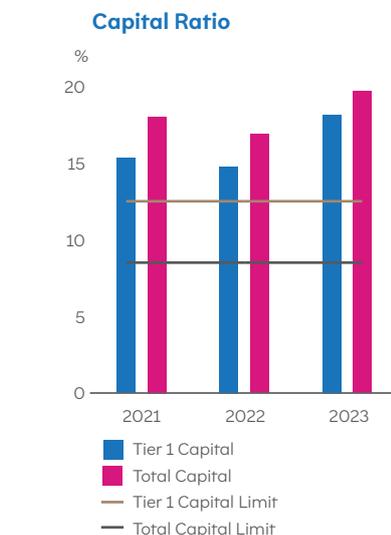
## Risk Management Review

### CAPITAL MANAGEMENT

The Bank manages its capital to ensure availability of sufficient capital for its regulatory requirements and business expansion needs taking into account its 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 its 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 its bilateral partners for a part of its 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:



- 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 its 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.

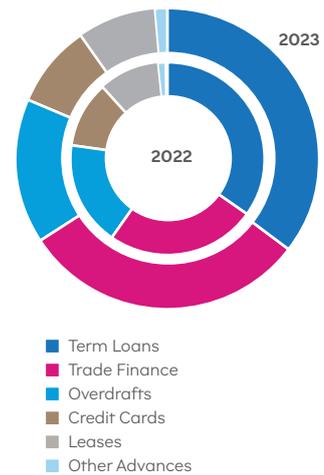
Credit Risk Exposures	2023	2022	Change
	LKR. 000's	LKR. 000's	%
Loans and Advances	292,574,972	260,739,471	12.21
Gross Stage 03 Loans	21,606,986	19,514,481	10.72
Gross Stage 03 Loans %	7.39%	7.48%	(1.33)
Loan Impairment Charge	5,651,667	9,829,865	(42.51)
Loan Impairment Provision	20,819,532	18,829,175	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

**Credit Risk Components**

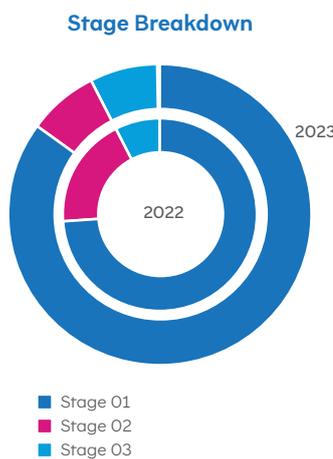
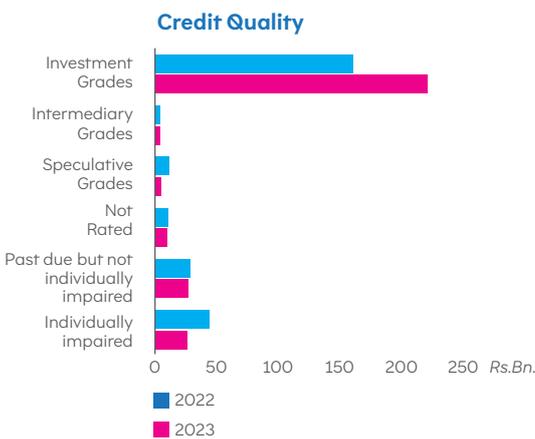
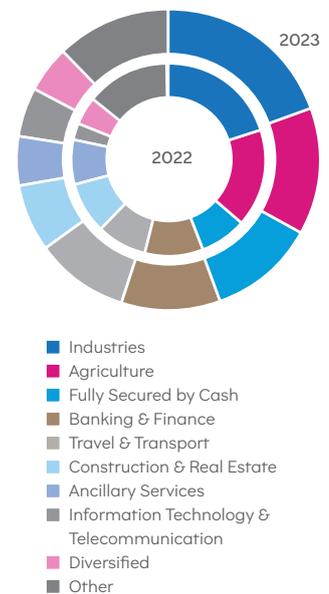
- Default Risk
- Counterparty Risk
- Concentration Risk

**Trending down**  
**Stage 3 ratio evidenced**  
**during the 2H**

Product wise Distribution



Sectoral Distribution of Loans



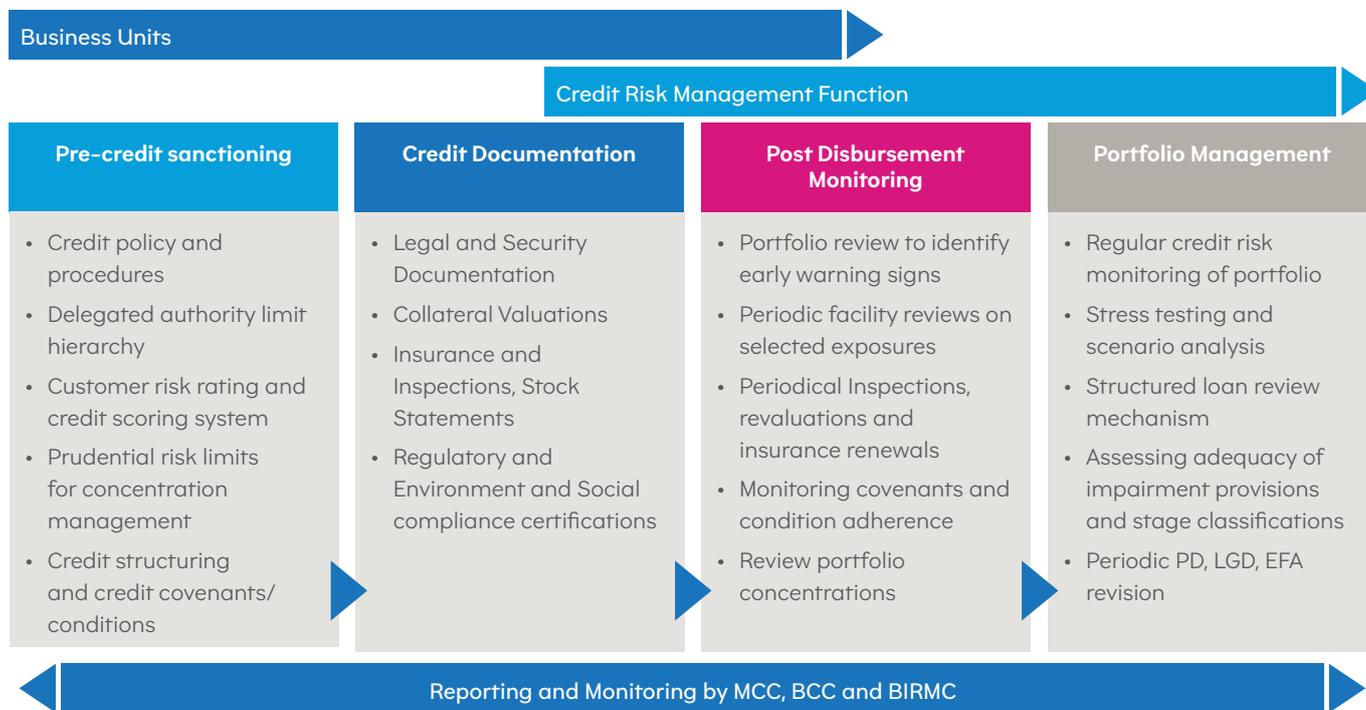
### Credit Risk Review

The Bank maintained its 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:



- **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 its prudent stance, carefully selecting customer and industry segments for growth supported by its 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.

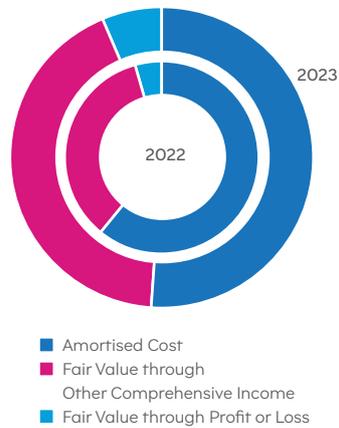
### Market Risk Review

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 its 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

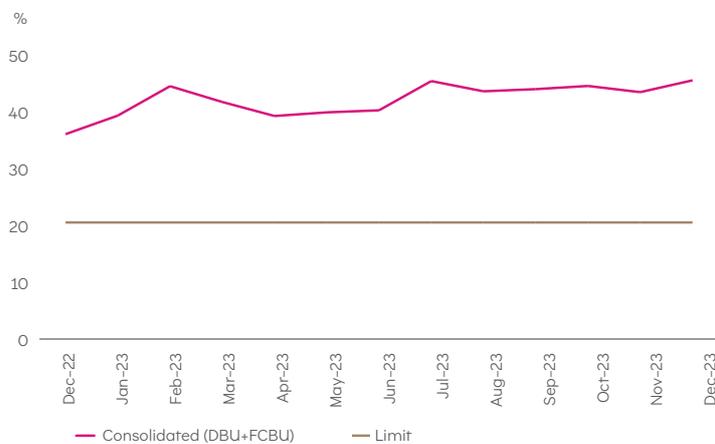
Liquidity risk refers to the Bank’s potential inability to meet its payment obligations as they fall due or that it can meet to do so only at an excessive cost. Liquidity risk management enables the Bank to maintain sufficient funds which are appropriately diversified in terms of tenor, quality and currency.

### Liquidity Risk Management

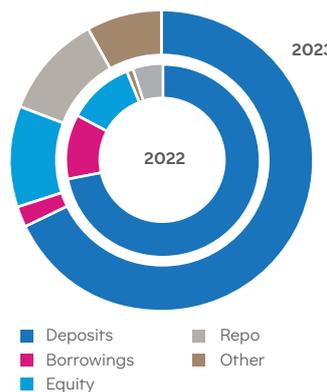
**Governance and Oversight** – BIRMC is tasked with oversight of liquidity risk management by the Board who have approved liquidity risk management framework. While Treasury Unit is responsible for the management of the liquidity on a day-to-day basis, ALCO is responsible for management of the liquidity 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%

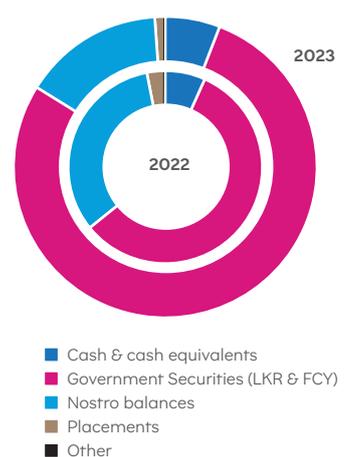
Statutory Liquidity Asset Ratio



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 its 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

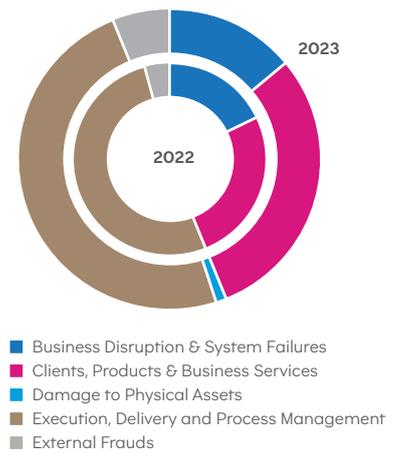
### Operational Risk Management

- **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. ERM 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

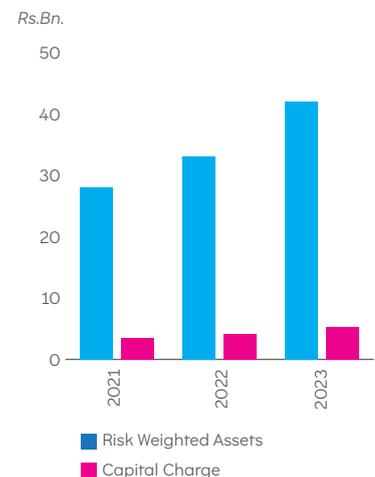
investigation and serve as an input to determining internal audit scope.

- **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, ERM, 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 its 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.

# Board Integrated Risk Management Committee Report

## Composition

The members of the Board Integrated Risk Management Committee (BIRMC) are appointed by the Board of Directors. The Committee's composition as at 31st December, 2023 was as follows;

**Mr. Conrad D' Souza**

*Chairman*

*(Senior Independent Director)<sup>1</sup>*

**Ms. Rachini Rajapaksa**

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

**Mr. Savanth Sebastian**

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

**Mr. Charitha Subasinghe**

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

1 Appointed as a member/Chairman on 1st November 2021

2 Appointed as a member on 1st April 2018

3 Appointed as a member on 11th May 2023

4 Appointed as a member on 29th June 2023

Ms Sherin cader who was a member resigned from the Committee on 30th April 2023

Chief Risk Officer serves as the Secretary to the Committee.

Director/CEO, Chief Risk Officer and Chief Compliance Officer are members of the Committee and attend regular meetings.

Other relevant Key Management Personnel of the Bank attend meetings by invitation. In addition, senior management of the Integrated Risk Management Department and other units attended meetings by invitation when required.

## Meetings

The BIRMC held eight (08) meetings during the year under review and the Directors' attendance at such meetings is given on page 61 of this Annual Report. Minutes of the meetings were forwarded to the Board. The BIRMC also approves a Risk Assessment Report which is submitted to the Board within a week of every meeting. The BIRMC reviewed risk policy frameworks, risk management strategies and key risk indicators at the meetings and was satisfied that the risk exposures of the Bank are being appropriately managed.

## Terms of Reference

Board Integrated Risk Management Committee's mandate includes the following:

- Ensure that the Bank has a comprehensive Enterprise Risk Management framework in place with respect to its operating model, activities and risk profile.
- Assess the key risk types and emerging risks and effectiveness of the risk management framework and policies.
- Ensure that the Board of Directors is kept updated of the Group's risk exposure in relation to the approved risk appetite.
- Ensure that a compliance function is in place to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies relating to all areas of Bank operations.

## Role and Responsibilities

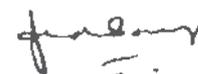
In order to ensure that timely risk mitigation measures are initiated based on the robust risk management structure in place, the BIRMC carried out the following responsibilities during the year:

- Exercise oversight on behalf of the Board of the key risks of the Group and made recommendations to the Board on the Risk Appetite Statement.
- Monitor the risk profile and adherence to the Board approved Risk Appetite Statement, Metrics and Limits.
- Review of risk reports, risk concentrations and remediation of breaches.
- Review the design and execution of stress testing framework and results.
- Review the Bank risk grid taking into consideration material changes in the Bank's risk profile or the external environment and providing necessary guidance and recommendations.
- Review risk management policies and Terms of Reference of management committees overseeing risk management functions.

- Monitor the effectiveness of Management committees overseeing risk management.
- Review and recommend to the Board the regulatory submission of the Group's internal capital adequacy assessment process (ICAAP) and Recovery Plan.
- Approve annual compliance programme and review periodic compliance reports including the Compliance Charter.
- Set objectives and carryout performance appraisal of Chief Risk Officer and Chief Compliance Officer.
- Review the bank's compliance risk and the effectiveness of its Compliance Programme, ensuring risk mitigation measures are taken to combat financial crime and comply with the applicable laws, rules and regulations.

The process through which the BIRMC discharges its responsibilities is further detailed in the Risk Management section of this annual report.

Throughout 2023, the Committee has been actively involved in addressing risks within a challenging operating environment. This environment has been characterised by volatility in interest rates, fluctuations in dollar and rupee liquidity levels, and the impacts resulting from the finalisation of Domestic Debt Optimisation and heightened regulatory directions. In response to the changing external landscape, the Committee has diligently monitored key macroeconomic factors, emerging risks, and evolving regulatory typologies. Credit, Cyber and Regulatory risks have consistently remained prominent topics on the agenda of the BIRMC throughout the year.



**Conrad D'Souza**

*Chairman*

Board Integrated Risk Management Committee

22nd February 2024

# Board Credit Committee Report

## Composition of the committee

The members of the Board Credit Committee are appointed by the Board of Directors. The Committee's composition as at 31st December 2023 was as follows;

**Ms. Sherin Cader**

*Chairperson*

*(Non-Executive Director)*<sup>1</sup>

**Mr. Arjun Fernando**

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

**Mr. Russell De Mel**

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

**Mr. Chanaka Wickramasuriya**

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

<sup>1</sup> Appointed as a member/chairperson on 1st May 2023

<sup>2</sup> Appointed as a member on 1st January 2021

<sup>3</sup> Appointed as a member on 27th June 2016

<sup>4</sup> Appointed as a member on 17th December 2018  
Mr. Gihan Cooray who was a member of the Committee retired from the Board of the Bank on 30th April 2023

The Chief Credit Officer functions as the Secretary to the Board Credit Committee. The Chief Executive Officer of the Bank attends all Board Credit Committee meetings and other members from the Senior Management of the Bank participates at the meetings by invitation.

## Terms of Reference

The Board Credit Committee is empowered to

1. Approve/Decline all credit facilities above the level of authority granted to the "Management Credit Committee" by the "Board Credit Committee" and will constitute the final credit approval authority of the bank, having been vested with the full powers to approve/decline credit by the Board of Directors.
2. Approve/Decline Interest waivers and principal write-offs in order to facilitate settlement of bad debts or to rehabilitate/restructure bad debts.
3. Review the quality of the credit portfolio of the Bank including Top 20 Exposures, vulnerable sectors, Watch-listed Customers, etc.
4. Review, provide input and make recommendations on credit origination, appraisal, approval and administration processes/procedures.
5. The Committee shall carry out annually, a self-evaluation of its performance taking into consideration the functions and responsibilities specified under this Terms of Reference and report conclusions and recommendations to the Board.
6. Any other matter referred to it by the Board of Directors.

The Board Credit Committee has provided special guidance on managing main credit portfolios and to inculcate healthy lending culture, under volatile market conditions in addition to the regular duties assigned. Salient points are appended hereunder;

1. Regular review of credit strategies pertaining to Corporate Banking, Off-Shore Lending, Structured Finance, Commercial Banking (Middle Market Enterprises and SMEs), Consumer Banking and Counterparty limits.
2. Providing strategic direction to Business Units on core focus industries under volatile market conditions with special focus on high-risk industries to maintain credit quality.
3. Guidance and monitoring of customer segments adversely

impacted under prevailing macro economic condition whilst directing the Bank for prudent management of credit growth.

4. Special emphasis on the offshore strategy of the Bank and Credit facilities to offshore customers.
5. Reviewing movement of lending rates and impact of margins during the year 2023 and projections for 2024.
6. Advise on improving business through supplier chain management, and refinance schemes.

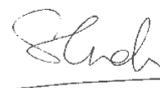
## Meetings

The Committee held fourteen meetings during the year under review and the Directors' attendance at such meetings is given on page 61 of this Annual Report.

The minutes of all meetings which included proceedings and decisions of the committee were submitted to the Board of Directors on a regular basis.

The Committee also approves credit proposals by circulation.

The Committee, which derives its scope and authority from the Board of Directors, was established to provide guidance to the Management to ensure a balance between risk and Bank's growth strategies.



**Sherin Cader**  
*Chairperson*  
Board Credit Committee

Colombo  
22nd February 2024

# Board Supervisory Committee Report

The members of the Board Supervisory Committee (BSC) are appointed by the Board of Directors and the Committee's composition as at 31st December, 2023 was as follows;

**Ms. Sherin Cader**

*Chairperson*

*(Non-Executive Director)<sup>1</sup>*

**Mr. Savanth Sebastian**

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

**Mr. Arjun Fernando**

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

**Mr. Charitha Subasinghe**

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

<sup>1</sup> Appointed as a member on 17th December 2018 and as the Chairperson on 1st November 2021

<sup>2</sup> Appointed as a member on 17th December 2018

<sup>3</sup> Appointed as a member on 1st August 2019

<sup>4</sup> Appointed as a member on 29th June 2023

The Company Secretary functions as the Secretary to the Committee.

The BSC meets in advance of the Board meeting and the minutes are submitted to the Board of Directors for information. The Corporate Management Team along with the Director/CEO attends all meetings by invitation. The BSC is not a mandated committee under the Corporate Governance Directions issued by the Central Bank of Sri Lanka or the Listing Rules of the Colombo Stock Exchange.

The BSC held thirteen meetings during the year under review and the Directors' attendance at such meetings is given on page 61 of this Annual Report.

## Terms of Reference

The mandate of the BSC includes the following;

1. Review the performance of the Bank and its business units to ensure that the Management and staff are focused towards achievement of plans and objectives set by the Board. The review also covers the support functions of the Bank and ensure that cost efficiencies and productivity is achieved across the Bank.
2. Approving expenditure within limits delegated by the Board of Directors.
3. Providing input and guidance to CEO and Corporate Management on key initiatives vis-a-vis products, distribution channels etc. prior to being presented to the Board of Directors for approval.
4. Review, provide input and guidance on policy, strategic plans, annual plans, business plans and other proposals impacting the operations of the Bank prior to such policies, plans and proposals being presented to the Board of Directors for approval.
5. Review the operational governance framework at the Bank to ensure that adequate policies, procedures and processes are in place to carry out the operations of the Bank and that these are reviewed periodically.

The Committee carried out a self-evaluation of its performance during the year and concluded that it has performed its duties and responsibilities satisfactorily in keeping with its terms of reference.



**Sherin Cader**

*Chairperson*

*Board Supervisory Committee*

22nd February 2024

# Board Nominations and Governance Committee Report

The 'Nomination Committee' was redesignated as 'Nominations and Governance Committee' to be in line with the Rule No. 9.11 of the Listing Rules of the Colombo Stock Exchange (CSE). The Terms of Reference of the Committee was reviewed to include the additional responsibilities of the Committees as specified under the Listing Rules of the CSE.

The members of the Nominations and Governance Committee are appointed by the Board of Directors. The Committee's composition as at 31st December 2023 was as follows;

**Mr. Conrad D'Souza**  
*Chairman*  
*(Senior Independent Director)*<sup>1</sup>

**Mr. Chanaka Wickramasuriya**  
*(Independent Non-Executive Director)*<sup>2</sup>

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

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

<sup>1</sup> Appointed as a member/chairman on 23rd December 2019

<sup>2</sup> Appointed as a member on 23rd December 2019

<sup>3</sup> Appointed as a member on 1st January 2021

<sup>4</sup> Appointed as a member on 1st May 2023

Mr. Gihan Cooray who was a member of the Committee retired from the Board of the Bank on 30th April 2023

The Company Secretary functions as the Secretary to the Committee.

The Committee held five meetings during the year under review and the Directors' attendance at such meetings are given on Page 61 of this Annual Report. The Committee also considered certain proposals via circulation.

The Committee works closely with the Board in evaluating and reviewing the skills required for the Bank and the Board. When recommending

the appointment of new Directors, the Committee considers for each appointment, the particular skills, knowledge and experience that would benefit the Board most significantly.

The Board approved policy documents namely, Board Composition and Succession Plan provides the procedure for appointment of Directors. During the year under review, the Committee considered the appointments of Mr. Charitha Subasinghe as a Director of the Bank and determined that he is a fit and proper person to hold such position. Mr. Charitha Subasinghe participated in an orientation programme which was conducted by the Bank on Corporate Governance and the functions and responsibilities of a Director of the Bank.

The Committee also works closely with the Board to ensure that the Key Management Personnel (KMP) comprised of persons of required skill and expertise and that their responsibilities and areas of authority are aligned with the Board approved strategy. The Committee also considers and determines whether the Directors and the KMP are fit and proper persons to hold their respective offices.

The Committee also considered the appointment of four KMP including the appointment of Ms. Peshala Attygalle as the Company Secretary with effect from 2nd October 2023. The Committee also considered the extension of contracts of two existing KMP. The Committee determined that such KMP are fit and proper persons to hold such offices. Further the Committee considered promotion of two KMP and rotation of three KMP in the Governance, Risk and Control Group. The Succession Plan for KMP and the Organisational Structure of the Bank were also reviewed and recommended by the Committee to the Board.

Affidavits submitted by the Directors continuing in office in terms of the Banking Act Direction No.8 of 2019 were considered by the Committee and such Directors were recommended as fit and proper persons to hold such office.

During the year under review, the Committee considered the declarations submitted by the Independent Non-Executive Directors and recommended that they satisfy the criteria for independence specified in Direction No. 3(2)(iv) of the Banking Act Direction No. 11 of 2007.

Re-election of the Directors is governed by the Articles of Association of the Bank. Accordingly, at every Annual General Meeting, one third (1/3) of the Directors or if their number is not three or a multiple of three, then the number nearest to but not exceeding one third, shall retire from office. However the Executive Director shall not, whilst holding office be subject to retirement by rotation or be taken into account in determining the rotation of retirement of Directors. The Committee considered and recommended re-election of two Independent Non-Executive Directors, Ms. Rachini Rajapaksa and Mr. Chanaka Wickramasuriya, and a Non-Executive Director, Mr. Arjun Fernando in terms of the provisions contained in the Articles and recommended for re-election at the AGM held in March 2023. Ms. Rachini Rajapaksa was last re-elected at the AGM held on 31st March 2020. Mr. Chanaka Wickramasuriya and Mr. Arjun Fernando were elected at the AGM held on 29th March 2019. Please refer the profiles of Directors given in pages 15 to 18 of this Annual Report for details on date of appointment of the Directors, Directorships and other positions held by the Directors.

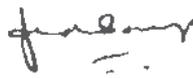
The proceedings of the meetings and recommendations made at the meetings and via circulation were reported to the Board.

The scope of responsibilities of the Committee are specified in the Rule No. 3(6)(iv) of the Banking Act Direction No.11 of 2007 on Corporate Governance and Section 9.11.5 of the Listing Rules of the CSE. The Committee's main responsibilities include the following:

- Selecting and appointing new Directors, considering and recommending from time to time the requirements of additional/new expertise on the Board and recommending after due consideration the re-election of current Directors.
- Implementing a procedure to select and appoint the Chief Executive Officer and KMP of the Bank and setting up criteria for their appointment or promotion.
- Ensuring that the Directors and the KMP are fit and proper persons to hold office as per the criteria prescribed by the Central Bank of Sri Lanka.
- Ensuring compliance with the provisions of the Articles of Association, written law, the Rules of the CSE and Directions of the Central Bank of Sri Lanka as may be applicable to the appointment of Directors, the Chief Executive Officer and KMP.
- Review and recommend the overall Corporate Governance framework of the Bank in terms of the applicable rules and regulations.

The Committee carried out a self-evaluation of its performance during the year and concluded that it has carried out its functions satisfactorily in keeping with its Terms of Reference.

The extent of Bank's compliance with the Rules of Corporate Governance in terms of Banking Act Direction 11 of 2007 and Section 9 of the Listing Rules of the CSE is given in the report published in page 247 to 251 of this Annual Report.



**Conrad D'Souza**  
*Chairman*  
Nominations and Governance  
Committee

22nd February 2024

# Human Resources and Remuneration Committee Report

The members of the Human Resources and Remuneration Committee (HRRC) are appointed by the Board of Directors and the Committee's composition as at 31st December 2023 was as follows;

**Ms. Sherin Cader**

Chairperson

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

**Mr. Conrad D'Souza**

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

**Ms. Rachini Rajapaksa**

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

**Mr. Russell De Mel**

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

<sup>1</sup> Appointed as the Chairperson on 1st May 2023

<sup>2</sup> Appointed as a member on 1st January 2021

<sup>3</sup> Appointed as a member on 1st February 2020

Mr. Gihan Cooray who was a member of the Committee retired from the Board of the Bank on 30th April 2023

During the year 2023 five HRRC meetings were held and the Directors' attendance at such meetings are given on page 61 of this Annual Report. The CEO was present at all meetings of the committee, except when matters relating to the CEO or matters in which the CEO has a direct or indirect interest were discussed.

The workings of the Committee are governed by the Board Human Resources and Remuneration Committee Charter, the objectives of which are:

1. To assist the Board of Directors in the establishment of remuneration policies and practices.
2. To review and recommend to the Board, the remuneration policy for the CEO and other Key Management Personnel of the Bank.
3. To set goals and targets for Non-Executive Directors
4. To set goals and targets for the CEO and other Key Management Personnel.

5. To evaluate the performance of the CEO and other Key Management Personnel against the set goals and targets.

In performing this role, the Committee ensures that:

1. Shareholder and employee interests are aligned.
2. The Bank is able to attract, motivate and retain employees, particularly at management level.
3. The integrity of the Bank's compensation and reward program is maintained.

In keeping with the objectives of the Board Human Resources and Remuneration Committee Charter, the Committee during 2023, placed emphasis in ensuring that the Compensation and Benefits policies of the Bank are appropriate in attracting and retaining the skills required as well as ensuring succession plans are in place for KMP roles in pursuing the short and long term strategic objectives of the Bank.

In March 2023, the increments proposed for 2023 and changes to Compensation and Benefits were reviewed. The management presented details of a salary survey, staff attritions in 2022 and plans for talent retention. The Bank wide distribution of performance appraisal ratings, performance based annual increments and the Variable and Treasury Bonus payments proposed by the management were reviewed and approved.

In creating a performance driven culture, the Bank administers a variable bonus scheme linked to the Bank's performance for the year vis à vis the annual budget and the performance of peer group of banks. Individuals are rewarded based on their individual performance and responsibility levels.

During 2023, the Committee also evaluated the 2022 performance of the CEO and other Key Management Personnel of the Bank against their pre-agreed objectives and targets.

The committee reviewed and recommended the Goals and Objectives of CEO and KMPs including Chief Risk Officer (CRO), Chief Compliance Officer (CCO) and Chief Internal Auditor (CIA) for 2023. The objectives of CRO, CCO and CIA were reviewed with the input of Chairpersons of BIRMC and BARC who the roles report to.

The Board Human Resources and Remuneration Committee Charter was reviewed and approved by the Board at the Board meeting held in November 2023.

Having considered the responsibilities of the Board given under Rules of Corporate Governance, the committee recommended the Goals and Targets for Non-Executive Directors to the Board of Directors in August 2023.

In December 2023, the Employee Share Appreciation Rights (ESAR) grant on account of Year 2022 was recommended to the Board of Directors.

The findings of an industry salary survey conducted by Ernst & Young was also reviewed for insights to be used when pay rewards for 2024 are determined.



**Sherin Cader**

Chairperson

Human Resources and Remuneration Committee

22nd February 2024

# Board Information Technology Advisory Committee Report

The members of the Board Information Technology Advisory Committee (BITAC) are appointed by the Board of Directors and the committee's composition as at 31st December 2023 was as follows;

**Dr. Ramesh Shanmuganathan**

*Chairman*

*(Non-Executive Director)<sup>1</sup>*

**Ms. Rachini Rajapaksa**

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

**Mr. Arjun Fernando**

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

**Mr. Hemantha D Gunetilleke**

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

<sup>1</sup> Appointed as a member on 20th April 2021

<sup>2</sup> Appointed as a member on 20th April 2021

<sup>3</sup> Appointed as a member on 29th June 2021

<sup>4</sup> Appointed as a member on 4th April 2022

The Chief Transformation Officer/Chief Information Security Officer functions as the Secretary to the Committee.

The committee meets monthly and minutes are submitted to the Board of Directors for review. Relevant Corporate Management members attend meetings by invitation.

The Committee held 13 meetings in total (including 02 special meetings) during the year under review and the Director's attendance at such meeting is given in page 61 of this annual Report.

The Committee's main responsibilities include the following.

1. Provide stewardship, guidance, and oversight to the board and management in ensuring alignment of overall Governance of Technology at the bank
2. Facilitate better integration between the board and management in driving Technology as a Strategic asset/investment for the Bank by providing oversight and guidance to the board and management

3. Exercise oversight and provide directions and guidance to the CEO and the executive management to maximise Value delivery from Technology strategies, initiatives, and investments for the bank
4. Exercise oversight and provide guidance and direction to the Management on Governance, Risk and Compliance of Technology of the bank
5. Ensure that the Technology Leadership and talent to deliver the bank's strategies are in place
6. Review of performance, monitoring of IT-enabled investment, projects, and service delivery
7. Progressive review of operational SLA between Business and IT
8. Progressive review of IT investments against planned value delivery/ recognition

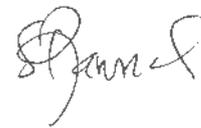
The Committee carried out duties and responsibilities as per the ToR including the following during the year 2023.

- Providing oversight and recommendations to technology investments in relation to the following key strategic objectives of the Bank
- Become the Best Digital Bank
- Stabilisation of Core Infrastructure and Systems
- Enhance Bank's Security Posture
- Achieve highest level of Process Efficiencies and Straight Through Processing (STP)
- Strengthening of the Risk and Regulatory Compliance Framework
- Providing guidance and oversee to the board/management in ensuring alignment of overall Governance of Technology at the Bank by reviewing ITSC ToR, ISMS Policy documents business continuity and disaster recovery policy/procedures.

- The committee oversight ITSC presentations and progress of strategic projects and 2024 - 2026 Technology Transformation Strategy and Roadmap.
- Further, the committee reviewed the ISSC meeting minutes/presentations to assess the effectiveness and progress of ongoing Cyber Security Control implementations and Risk mitigations.

The Committee will refer to the Board, the Board Audit Review Committee (BARC) or Board Integrated Risk Management Committee (BIRMC) any matters that have come to the attention of the BITAC that are relevant for noting or consideration, or which should be dealt with by, the Board, BARC or BIRMC.

The Committee carried out a self-evaluation of its performance during the year and concluded that it has carried out its functions satisfactorily in keeping with its Terms of Reference.



**Ramesh Shanmuganathan**

*Chairman*

Board Information Technology Advisory Committee

22nd February 2024

Colombo

# Related Party Transactions Review Committee Report

The members of the Related Party Transactions Review Committee are appointed by the Board of Directors and the Committee's composition as at 31st December 2023 was as follows;

**Mr. Russell De Mel**

*Chairman*

*(Independent Non-Executive Director)*<sup>1</sup>

**Mr. Chanaka Wickramasuriya**

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

**Mr. Hemantha D Gunetilleke**

*(Executive Director/CEO)*<sup>3</sup>

<sup>1</sup> Appointed as a member/chairman on 1st April 2018

<sup>2</sup> Appointed as a member on 23rd December 2019

<sup>3</sup> Appointed as a member on 4th April 2022

The Company Secretary functions as the Secretary to the Committee.

The Committee meets quarterly. The minutes of the Committee meetings are submitted to the Board of Directors for review. Relevant Corporate Management members attend meetings by invitation.

The Committee held four meetings during the year under review and the members' attendance at such meetings is given on Page 61 of this Annual Report. The Committee reviewed related party transactions during the year under review and communicated any comments/observations to the Board.

The Terms of Reference of the Committee sets out the scope of the Committee in accordance with the Direction No. 11 of 2007 of Central Bank of Sri Lanka and the Listing Rules of the Colombo Stock Exchange (CSE). The Committee's main responsibilities include the following:

1. Review of related party transactions either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the

transaction in accordance with the Listing Rules of the CSE and Rule No. 3 (7) of the CBSL Rules on Corporate Governance.

2. Ensuring that a robust framework exists for approving, managing and reporting related party transactions in accordance with applicable rules.
3. Establish guidelines for the senior management to follow in its ongoing dealings with related parties. Thereafter, the Committee, on an annual basis, reviews and assesses ongoing relationships with related parties to determine whether they are in compliance with the Committee's guidelines and that the related party transactions remain appropriate.

A Board approved Policy on Related Party Transactions is in place. Related Party Transactions Monitoring Procedure approved by the Committee sets out a comprehensive process for managing related party transactions. The Committee regularly reviewed the mechanism/process for recording, monitoring and reporting related party transactions and provided necessary guidance and advice to ensure the effectiveness of the process.

The Committee carried out a self-evaluation of its performance during the year and concluded that it has carried out its functions satisfactorily in keeping with its Terms of Reference of the Committee.



**Russell De Mel**

*Chairman*

Related Party Transactions Review  
Committee

Colombo

22nd February 2024

# Directors' Statement on Internal Control Over Financial Reporting

## Responsibility

In line with the Banking Act Direction No. 11 of 2007, section 3 (8) (ii) (b), the Board of Directors presents this report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control over financial reporting mechanism in place at Nations Trust Bank PLC, ("the Bank"). In considering such adequacy and effectiveness, the Board recognises that the business of banking requires reward to be balanced with risk on a managed basis and as such the internal control over financial reporting systems are primarily designed with a view to highlighting any deviations from the limits and indicators which comprise the risk appetite of the Bank. In this light, the system of internal controls over financial reporting can only provide reasonable, but not absolute assurance, against material misstatement of financial information and records or against financial losses or frauds.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Bank and this process includes enhancing the system of internal control over financial reporting as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the Guidance for Directors of Banks on the Directors' Statement on Internal Control over Financial Reporting issued by the CA Sri Lanka. The Board has assessed the internal control over financial reporting taking into account principles for the assessment of internal control over financial reporting system as given in that guidance.

The Board is of the view that the system of internal controls over financial reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation

of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements. The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls over financial reporting to mitigate and control these risks.

## Key Features of the Process Adopted in Applying and Reviewing the Design and Effectiveness of the Internal Control System over Financial Reporting

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Board and management sub committees are established by the Board to assist the Board in ensuring the effectiveness of Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- Policies/Charters are developed covering all functional areas of the Bank and these are approved by the Board or Board approved sub committees. Such policies and charters are reviewed and approved periodically.
- The Internal Audit Department of the Bank checks for compliance with policies and procedures and the effectiveness of internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by

the Board Audit Review Committee. Findings of the Internal Audit Department are submitted to the Board Audit Review Committee for review at their periodic meetings.

- The Board Audit Review Committee of the Bank reviews internal control over financial reporting issues identified by the Internal Audit Department, external audit, regulatory authorities and management, and evaluate the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Board Audit Review Committee meetings are forwarded to the Board of the Bank on a periodic basis. Further details of the activities undertaken by the Audit Review Committee of the Bank are set out in the Audit Review Committee Report on page 94.
- In assessing the internal control system over financial reporting, identified officers of the Bank collated all procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Bank. These in turn were observed and checked by the Internal Audit Department for suitability of design and operating effectiveness on an ongoing basis. In adopting Sri Lanka Accounting Standards comprising LKAS and SLFRS, progressive improvements on processes to comply with requirements of recognition, measurement, classification and disclosure were made whilst further strengthening of processes namely review of disclosures with regard to financial risk management, and management information are being done.
- The Bank adopted SLFRS 9 – Financial Instruments w.e.f 01 January 2018. SLFRS 9 poses a significant impact on impairment assessment as it necessitates the accounting for impairment of financial assets on the basis of expected credit loss

## Directors' Statement on Internal Control Over Financial Reporting

from an incurred credit loss model in previously adopted LKAS 39. The Bank is progressively improving the required policies, procedures, financial models and underlying data used in its impairment assessments and related calculations. During the year too, the Bank continued to refine the models used in the computations and the data extraction procedures pertaining to the calculations performed in respect of SLFRS 9. Further, automation of the Expected Credit Loss (ECL) assessment was completed during the year with parallel reporting in progress. This is expected to bring significant process efficiencies in the future. The Board will continuously take steps to strengthen the processes and controls around management information systems and reports required for validating and complying with SLFRS 9.

- The Bank revisited and reviewed its work arrangements and accordingly, some staff members have been able to work from home with secure access to operating systems. The Bank continued to encourage customers to use digital platforms to perform transactions as an alternative to visiting branches/ service points. The Board ensures that the alternative arrangements does not compromise the internal control procedures of the Bank and also ensures that the security of data due to these alternative arrangements such as working from home. Remote working arrangements were facilitated as per the Bank's IT security policies and additional controls/monitoring procedures were introduced as relevant.

### Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

### Review of the Statement by External Auditors

The external auditors have reviewed the above Directors' Statement on internal control over financial reporting included in the annual report of the Bank for the year ended 31st December 2023 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control over financial reporting of the Bank. External Auditors' report on statement of internal controls over financial reporting is given on page 93 to this Annual Report.

By order of the Board



**Sherin Cader**  
Chairperson



**Rachini Rajapaksa**  
Chairperson  
Board Audit Review Committee



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

22nd February 2024  
Colombo

# Auditor's Statement on Internal Control Over Financial Reporting



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

Tel : +94 11 246 3500  
Fax : +94 11 768 7869  
Email: eysl@lk.ey.com  
ey.com

## INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF NATIONS TRUST BANK PLC

### Report on the Directors' Statement on Internal Control

We were engaged by the Board of Directors of Nations Trust Bank PLC ("Bank") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("Statement") included in the annual report for the year ended 31 December 2023.

### Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with section 3(8) (ii)(b) of the Banking Act Direction No. 11 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

### Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding

compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Our responsibilities and compliance with SLSAE 3050 (Revised)

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Bank.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3050 (Revised), Assurance Report for Banks on Directors' Statement on Internal Control, issued by the institute of Chartered Accountants of Sri Lanka.

This Standard required that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control Over Financial Reporting.

For purpose of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

### Summary of work performed

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for directors; and appropriately reflected the process the directors have adopted in reviewing the system of internal control over financial reporting of the Bank.

The procedures performed were limited primarily to inquiries of bank personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3050 (Revised) does not require us to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 (Revised) also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Bank, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Bank.

22nd February 2024  
Colombo

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

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

A member firm of Ernst & Young Global Limited

# Board Audit Review Committee Report

## Composition of the BARC

The members of the Board Audit Review Committee (BARC) are appointed by the Board of Directors and the Committee's composition as at 31st December 2023 was as follows;

**Ms. Rachini Rajapaksa**

*Chairperson*

*(Independent Non-Executive Director)*<sup>1</sup>

**Mr. Savanth Sebastian**

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

**Mr. Conrad D'Souza**

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

**Mr. Charitha Subasinghe**

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

<sup>1</sup> Appointed as a member on 29th April 2016 and as the Chairperson on 17th December 2018

<sup>2</sup> Appointed as a member on 17th December 2018

<sup>3</sup> Appointed as a member on 1st October 2022

<sup>4</sup> Appointed as a member on 29th June 2023

Majority of the Members are Independent Directors

Ms. Sherin Cader who was a member of the committee resigned from the committee on 1st May 2023

Mr. Chandika Hettiarachchi - Ceased to be the alternate to Mr. Savanth Sebastian in his capacity as a member of the BARC with effect from 01st May, 2023.

Brief profiles of the BARC members are given on pages 15 to 18 of the Annual Report.

Head of Internal Audit/Chief

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

Chief Executive Officer and Corporate/Senior Management members including the Chief Financial Officer and External Auditors attended BARC meetings on invitation.

## Meetings

The BARC met on eleven occasions during the year under review and the Directors' attendance at such meetings are given on page 61 of this Annual Report

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

The minutes of BARC meetings are regularly tabled at Board meetings to enable all Board members to have access to meeting proceedings.

## Terms of Reference

The Charter of the BARC clearly defines the Terms of Reference of the committee. The biennial review of the BARC Charter was last approved on 31st August 2022 by the Board of Directors.

The roles and functions of the BARC are regulated by the Banking Act Direction No. 11 of 2007 on "Corporate Governance for Licensed Commercial Banks in Sri Lanka" and its subsequent amendments, "Rules on Corporate Governance under Listing Rules of the Colombo Stock Exchange" and "Code of Best Practice on Corporate Governance" issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. The BARC is responsible to the Board of Directors and reports on its activities regularly. The functions of the Audit Committee are geared to assist the Board of Directors in fulfilling its general oversight responsibilities on financial reporting process, internal controls and functions relating to internal and external audit.

## Roles and Responsibilities

The Committee is mainly responsible for;

- i. Reviewing financial information of the Bank in order to ensure the integrity of the Bank's financial statements prepared for disclosure and significant financial reporting judgements contained therein, prior to submission to the Board of Directors
- ii. Making recommendations on the appointment, resignation and dismissal of the External Auditors including review of the external audit function, its fees and effectiveness, monitoring of the External Auditor's independence, service period of the engagement/re-engagement of the audit partner and review of non-audit services provided by the external auditors
- iii. Discussing and agreeing with the external auditors the nature and scope of the audit including the preparation of financial statements in accordance with relevant accounting principles and their compliance with the applicable statutes, regulations and accounting standards
- iv. Reviewing the effectiveness of the Bank's system of internal controls
- v. Ensuring the independence of the Internal Audit function and that it is performed with impartiality, proficiency and due professional care
- vi. Reviewing internal audit and investigation reports and liaising with Corporate Management of the Bank in taking precautionary measures to minimise control weaknesses, procedure violations, frauds and errors
- vii. Ensuring that proper arrangements are in place for fair and independent investigation of matters raised through whistleblowing and for appropriate follow-up action

viii. Reviewing the Audit Completion Letter (External Audit Management Letter), and Central Bank of Sri Lanka (CBSL) on-site examination reports and follow-up on proper remedial action taken to address their findings and recommendations.

### Activities During the Year

Following are some of the activities performed by the BARC during 2023:

#### Financial Reporting

The BARC, as part of its responsibility to oversee the Bank's financial reporting process on behalf of the Board of Directors, reviewed and discussed with the management, the annual audited and quarterly non-audited financial statements prior to their release. In reviewing the bank's annual and quarterly financial statements, the BARC focused particularly on;

- a) the underlying assumptions for estimates and judgements
- b) any changes made in accounting policies and practices
- c) significant adjustments arising from the annual audit
- d) disclosures made under financial reporting
- e) compliance with Sri Lanka Accounting Standards (SLFRS/LKAS) and other regulatory provisions
- f) material variances in income and expenditure, assets and liabilities, between the current and previous financial periods in order to better understand the reasons for such variances, and their validity.

To facilitate the review and in making an overall assessment on the integrity of the financial reporting system, the BARC considered reports from Chief Financial Officer, Chief Risk Officer, Chief Compliance Officer, Chief Credit Officer, Internal Audit Department and feedback from the External Auditors.

The Committee continuously sought insights and visibility on the variables which impacts performance of portfolios, computations to obtain deeper understanding of indicators, trends attributable to portfolio quality and impairment provisions. The operating environment has increased the level of judgement that management has been required to exercise over the year on impairment provisions. The Committee was apprised frequently on the application of specific adjustments to impaired provisions including the provisioning for elevated risk industries, the Economic Factor Adjustment (EFA) to ensure the full potential impacts of credit stress has been provided for in the financial statements. Further, the Committee assessed the provisioning for ISBs (International Sovereign Bonds) to ensure adequacy.

As a part of an initiative to provide continuous support to audit committees providing insights and updates related to the financial services sector, to assist in making better and informed decisions, representatives of external auditors conducted a session on the appropriate topic of Domestic Debt Restructuring in July 2023.

#### Internal Audit

Annual coverage of the audit universe by the Internal Audit team is based on a risk-based assessment aligned to the Bank's strategic plan. To this end, the risk and significance-based audit plan covering all significant operational areas and mandatory regulatory audits including branches, departments, credit portfolios and special reviews for the year 2023 was approved at the beginning of the year by the BARC. The audit plan addressed the key aspects of the enterprise level risk themes for the year with a mix of core assurances, regulatory reviews, pre/post implementation reviews of selected IT systems, thematic reviews and advisory.

The audit plan focused on possible impact due to economic stress in the country and possible emergence of fraud risk. Proactive monitoring through exception reports ensured identification of early warning signals (EWS) for enhanced controls. Further, value chain-based audits established in the plan ensured end-to-end process reviews and assurances.

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

The BARC provides a forum for review of Internal Audit reports including the evaluation of the Bank's internal control systems, audit observations, recommendations and corrective actions required to mitigate recurrence of identified issues. The issues identified during the year were discussed and deliberated with the management with a broad view of managing significant business risks and strengthening the control gaps. The department/unit heads attended the meetings when their respective audit reports were discussed. A follow-up process is implemented by Internal Audit and monitored by the BARC periodically to ensure pending significant issues are rectified by the management.

The BARC reviewed the significant findings of internal investigations carried out during the year and ensured appropriate action were taken and mitigating controls were implemented.

## Board Audit Review Committee Report

During the year, assurance work over the impairment process by the Internal Audit team focused on CBSL Direction No. 13 of 2021 (Classification, Recognition and measurement of credit facilities in Licensed Banks) including loan origination, monitoring and recoveries. The ECL (Expected Credit Loss) governance framework was reviewed to ascertain the realignment of policy framework in light of the related regulatory directions and requirements of relevant accounting standards.

The BARC also reviewed the independence, objectivity and performance of the Internal Audit function and the adequacy of its resources. The performance of the Head of Internal Audit was reviewed by the BARC and the performance appraisals of the senior officers of the Internal Audit, reviewed by Head of Internal Audit was presented to the BARC for their concurrence.

### Risks and Internal Controls

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

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

### Regulatory Compliance

Regulatory risk continued to be a heightened area of focus with the dynamic changes in regulatory landscape. Given the frequent issuance of regulations and continuously expanding scope of regulatory compliance, verifications were performed to ensure compliance to applicable regulatory requirements during process audits to ensure systems and procedures are in place to enable adherence to such requirements.

### External Audit

The BARC assists the Board of Directors to implement a transparent process in;

- (1) engagement and determining the remuneration of the External Auditors for audit services with the approval of the shareholders
- (2) reviewing the non-audit services to ensure that provision of such services do not lead to impairment of the independence of the External Auditor
- (3) assisting the External Auditors to complete the audit programme within the agreed time frame in compliance with relevant guidelines issued by the CBSL, Securities and Exchange Commission of Sri Lanka and Colombo Stock Exchange

In order to discharge its responsibilities, the BARC invited External Auditors to all regular meetings and conducted two closed sessions without management. During the meetings with External Auditors, the BARC.

- (1) discussed their audit approach and procedures including matters relating to the scope of the audit and External Auditor's independence
- (2) reviewed the audited financial statements with the External Auditors who are responsible for expressing an opinion on its conformity with the Sri Lanka Accounting Standards

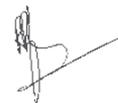
- (3) reviewed the Audit Completion Letter issued by the External Auditors together with management responses thereto
- (4) discussed further strengthening of internal controls where applicable and adequacy of impairment provisioning
- (5) discussed the Key Audit Matters to understand why such matters were considered by the External Auditors to be significant risk areas in the audit and how those matters were addressed during the audit
- (6) discussed new developments in regulatory environments and any changes in Accounting Standards relating to the banking industry.

### Reappointment of External Auditors

The BARC has recommended to the Board of Directors that Messrs Ernst & Young be reappointed as External Auditors of the Bank for the financial year ending 31st December 2024 subject to the approval of the shareholders at the next Annual General Meeting.

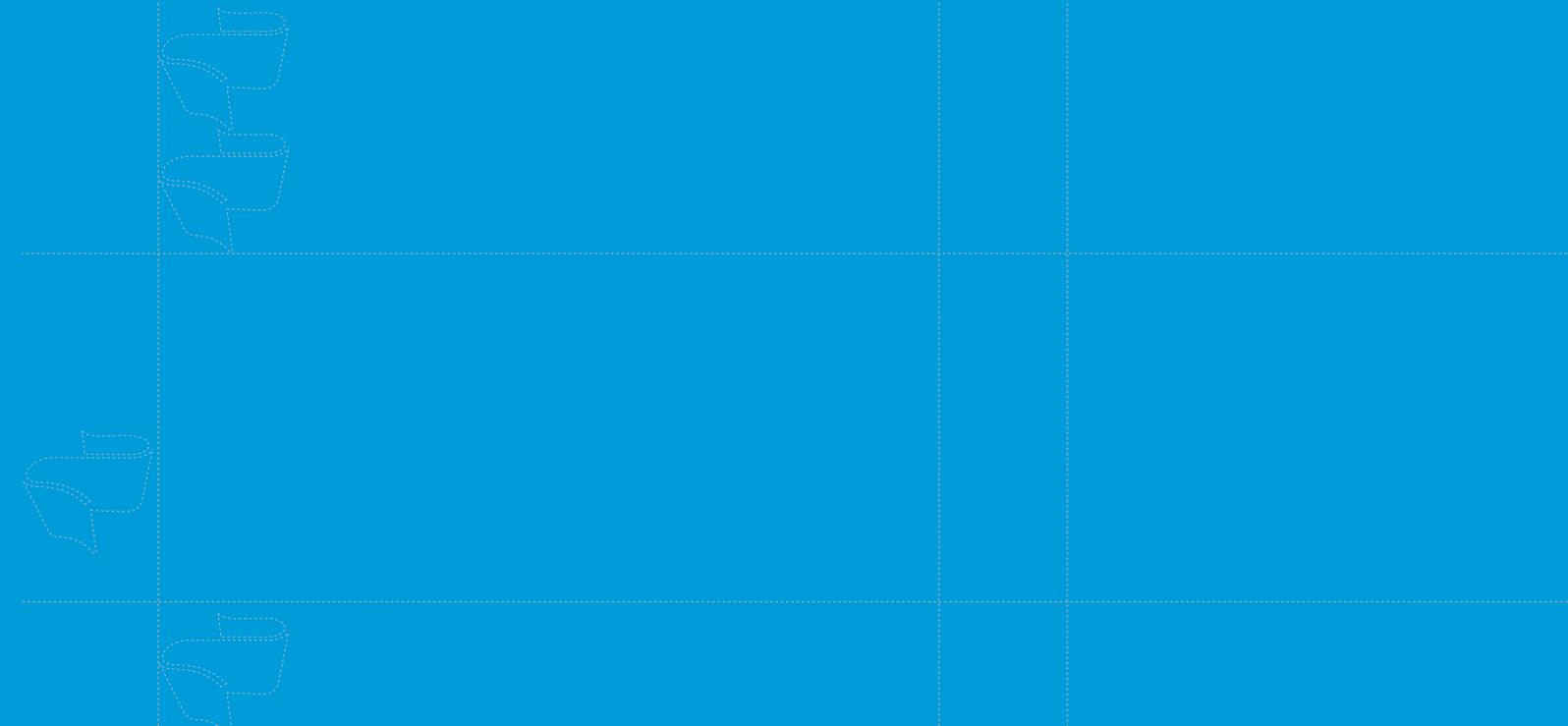
### Evaluation of the Board Audit Committee

The Committee carried out a self-evaluation of its performance during the year and concluded that it has performed its duties and responsibilities satisfactorily in keeping with its Terms of Reference



**Rachini Rajapaksa**  
Chairperson  
Board Audit Review Committee

22nd February 2024  
Colombo



# Financial Statements

Directors' Responsibility for Financial Reporting	98
Independent Auditors' Report	99
Statement of Financial Position	103
Statement of Profit or Loss	104
Statement of Comprehensive Income	105
Statement of Changes in Equity	106
Statement of Cash Flows	107
Notes to the Financial Statements	108

## Directors' Responsibility for Financial Reporting

The responsibility of the Directors, in relation to the Financial Statements, is set out in the following statement. The responsibility of the Auditors, in relation to the Financial Statements is set out in the Independent Auditors' Report on page 99 of this Annual Report.

The Companies Act No. 07 of 2007 (Companies Act.) requires that the Directors prepare Financial Statements for each financial year and place such statements before a General Meeting. Financial Statements comprise of the Statement of Financial Position as at 31st December 2023, the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes thereto.

The Board of Directors confirm that the financial statements give a true and fair view of the state of affairs of the Bank and the Group as at 31st December 2023 and the profit or loss of the Bank and the Group for the financial year then ended.

The Directors are of the view that, in preparing these Financial Statements:

- i. appropriate Accounting Policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
- ii. all applicable Accounting Standards have been followed (SLFRS/LKAS);
- iii. judgements and estimates have been made which are reasonable and prudent.

The Directors are also of the view that the Bank and its subsidiaries have adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements.

The Directors are responsible for ensuring that the Bank and its subsidiaries maintain sufficient accounting records to be able to disclose, with reasonable accuracy, that the financial position of the Bank and its subsidiaries meet the requirements of the Companies Act, the Banking Act No. 30 of 1988, the Listing Rules of the Colombo Stock Exchange and any other applicable laws and regulations in Sri Lanka.

Further, as required by Section 56(2) of the Companies Act the Directors have confirmed based on the information available, the Bank satisfies the solvency test as set out in Section 57 of the Companies Act immediately after the distribution of dividends and has obtained a certificate from its Auditors, prior to declaring a first and final dividend of LKR 5.00 per share, which consists of LKR 2.50 per share in the form of cash dividend and LKR 2.50 per share in the form of scrip dividend.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Bank and its subsidiaries and, in this regard, to give proper consideration to the establishment of appropriate internal control systems, with a view to preventing and for the detection of fraud and other irregularities.

The Directors are required to prepare Financial Statements and to provide the Auditors with every opportunity to take whatever steps and carry out whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board



**Peshala Attygalle**  
General Counsel/Company Secretary

22nd February, 2024

# Independent Auditors' Report



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

Tel : +94 11 246 3500  
Fax : +94 11 768 7869  
Email: eyst@lk.ey.com  
ey.com

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONS TRUST BANK PLC

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the financial statements of Nations Trust Bank PLC (the "Bank") and the consolidated financial statements of the Bank and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 December 2023, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Bank and the Group gives a true and fair view of the financial position of the Bank and the Group as at 31 December 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards ("SLAuSs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the

audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (including Sri Lanka Independence Standards) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### Key audit matter

##### Provision for credit impairment on financial assets carried at amortised cost and debt instruments carried at fair value through other comprehensive income.

Provision for credit impairment on financial assets carried at amortised cost and debt instruments carried at fair value through other comprehensive income as stated in Note 11,12 & 13 is determined by management based on the accounting policies described in Note 3.5.

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

In addressing the adequacy of the provision for credit impairment on financial assets carried at amortised cost and debt instruments carried at fair value through other comprehensive income, our audit procedures included the following key procedures:

- Assessed the alignment of the Bank's allowances for expected credit losses computations and underlying methodology including responses to current economic conditions with its accounting policies, based on the best available information up to the date of our report.
- Evaluated the design, implementation, and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and management.
- Checked the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records of the Bank.
- Evaluated the reasonableness of credit quality assessments and related stage classifications.

## Independent Auditors' Report

Key audit matter	How our audit addressed the key audit matter
<p>This was a key audit matter due to</p> <ul style="list-style-type: none"> <li>the involvement of significant management judgements, assumptions and level of estimation uncertainty associated in estimating management expectation of future cash flows to recover such financial assets; and</li> <li>the materiality of the reported amount of allowance of expected credit losses and use of complex calculations in its determination.</li> </ul> <p>Key areas of significant judgements, assumptions and estimates used by management in the assessment of the provision for credit impairment on financial assets carried at amortised cost and debt instruments carried at fair value through other comprehensive income included: assumed future occurrence of events and conditions relating to the ongoing foreign currency debt restructuring exercise, forward-looking macroeconomic scenarios and their associated weightages, which are subject to inherently heightened levels of estimation uncertainty.</p>	<ul style="list-style-type: none"> <li>In addition to the above, the following procedures were performed: <ul style="list-style-type: none"> <li>For loans and advances assessed on an individual basis for impairment: <ul style="list-style-type: none"> <li>Checked the arithmetical accuracy of the underlying individual impairment calculations.</li> <li>Evaluated the reasonableness of key inputs used in the allowances for expected credit losses made with particular focus on current economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery action of the collaterals</li> </ul> </li> <li>For financial assets assessed on a collective basis for impairment: <ul style="list-style-type: none"> <li>Tested the key inputs and the calculations used in the allowances for expected credit losses.</li> <li>Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios.</li> </ul> </li> </ul> </li> <li>Assessed the adequacy of the related financial statement disclosures set out in notes 2.9 (iii), 3.5,11,12,13,36 and 47.1 to 47.2.</li> </ul>
<p><b>Information Technology (IT) systems related internal controls over financial reporting.</b></p> <p>Bank's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets.</p> <p>Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.</p>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> <li>Obtained an understanding of the internal control environment of the processes and test checked relevant controls relating to financial reporting and related disclosures.</li> <li>Involved our internal specialized resources and; <ul style="list-style-type: none"> <li>Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management, and</li> <li>Obtained a high-level understanding of the cybersecurity risks affecting the bank and the actions taken to address these risks primarily through inquiry.</li> </ul> </li> <li>Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.</li> </ul>

### Other information included in the Group's 2023 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and Group's financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Bank and the Group.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## Independent Auditors' Report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and as far as appears from our examination, proper accounting records have been kept by the Bank.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2097.



22 February 2024  
Colombo

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

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

A member firm of Ernst & Young Global Limited

# Statement of Financial Position

As at 31 December	Notes	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
<b>Assets</b>					
Cash and Cash Equivalents	6	40,179,820	58,747,889	40,179,823	58,747,775
Balances with Central Bank of Sri Lanka	7	2,683,927	6,074,330	2,683,927	6,074,330
Reverse Repurchase Agreements	8.1	1,502,215	1,502,266	1,502,215	1,502,266
Derivative Financial Instruments	9.1	3,660	102,730	3,660	102,730
Financial Assets - Recognised through Profit or Loss	10	10,934,069	3,733,781	10,934,069	3,733,781
Financial Assets at Fair Value through Other Comprehensive Income	11	79,922,903	30,349,526	79,922,903	30,349,526
Financial Assets at Amortised Cost - Debt Instruments	12	97,357,849	59,928,294	97,357,849	59,928,294
Financial Assets at Amortised Cost - Loans and Advances	13	270,944,786	241,241,061	270,944,786	241,241,061
Other Assets	14	3,352,652	3,376,120	3,377,829	3,400,016
Investments in Subsidiaries	15	678,710	678,710	-	-
Property, Plant and Equipment	16	2,597,097	2,547,745	3,500,423	3,494,975
Right of Use (ROU) Assets	17	1,319,294	1,492,460	1,229,055	1,311,693
Intangible Assets	18	1,353,420	1,285,108	1,353,909	1,285,721
Deferred Tax Assets	25	3,334,268	3,962,570	3,143,936	3,771,802
<b>Total Assets</b>		<b>516,164,670</b>	<b>415,022,590</b>	<b>516,134,384</b>	<b>414,943,970</b>
<b>Liabilities</b>					
Due to Banks	19	49,681,663	3,989,152	49,681,663	3,989,152
Derivative Financial Instruments	9.2	658,707	39,481	658,707	39,481
Financial Liabilities at Amortised Cost					
Due to Depositors	20	349,533,404	298,909,543	347,768,600	297,253,112
Repurchase Agreements	20	7,064,447	3,999,649	6,631,325	3,861,951
Due to Other Borrowers	20	18,613,640	33,740,900	18,500,429	33,532,796
Debt Securities Issued	21	8,686,333	12,355,121	8,686,333	12,355,121
Retirement Benefit Obligations	22.2	1,242,223	942,933	1,250,916	953,715
Current Tax Liabilities	23	5,618,515	5,179,372	5,667,233	5,242,809
Other Liabilities	24	16,120,684	11,640,212	16,163,041	11,675,175
<b>Total Liabilities</b>		<b>457,219,616</b>	<b>370,796,363</b>	<b>455,008,247</b>	<b>368,903,312</b>
<b>Equity Attributable to Equity Holders of the Parent</b>					
Stated Capital	26	11,426,882	10,401,432	11,426,882	10,401,432
Statutory Reserve Fund	27	2,783,805	2,228,472	2,783,805	2,228,472
Retained Earnings	28	39,879,971	30,650,134	41,623,436	32,026,947
OCI Reserve	29.1	3,908,263	56	3,908,263	56
Revaluation Reserve	29.2	946,133	946,133	1,383,751	1,383,751
<b>Total Equity</b>		<b>58,945,054</b>	<b>44,226,227</b>	<b>61,126,137</b>	<b>46,040,658</b>
<b>Total Liabilities and Equity</b>		<b>516,164,670</b>	<b>415,022,590</b>	<b>516,134,384</b>	<b>414,943,970</b>
<b>Contingent Liabilities and Commitments</b>	47	<b>316,741,904</b>	<b>226,253,178</b>	<b>316,741,904</b>	<b>226,253,178</b>
<b>Net Assets Value per Ordinary Share (LKR)</b>	49.2	<b>184.42</b>	<b>146.70</b>	<b>191.25</b>	<b>152.72</b>
<b>Memorandum Information</b>					
Number of Employees		2,460	2,455	2,481	2,479
Number of Branches		96	96	96	96
Number of Offsite ATMs and CRMs		37	35	37	35

The Notes to the Financial Statements from pages 108 to 199 form an integral part of these Financial Statements.

## Certification

I certify that these Financial Statements comply with the requirements of the Companies Act No. 07 of 2007.



**Ajith Akmeemana**  
Chief Financial Officer

The Board of Directors is responsible for these Financial Statements.  
Approved and signed for and on behalf of the Board of Directors by;



**Sherin Cader**  
Chairperson

Colombo  
22nd February 2024



**Rachini Rajapaksa**  
Director



**Hemantha D Gunetilleke**  
Director/CEO

## Statement of Profit or Loss

For the Year Ended 31 December	Notes	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Gross Income		81,663,630	64,611,686	81,872,837	64,818,207
Interest Income	30	70,557,953	54,308,296	70,557,953	54,308,296
Interest Expense	31	(35,958,403)	(25,244,769)	(35,607,076)	(25,007,344)
<b>Net Interest Income</b>		<b>34,599,550</b>	<b>29,063,527</b>	<b>34,950,877</b>	<b>29,300,952</b>
Fee and Commission Income	32.1	8,125,393	7,531,495	8,334,600	7,738,016
Fee and Commission Expense	32.2	(1,234,146)	(943,548)	(1,234,149)	(943,548)
<b>Net Fee and Commission Income</b>		<b>6,891,247</b>	<b>6,587,947</b>	<b>7,100,451</b>	<b>6,794,468</b>
Net Gain/(Loss) from Trading	33	(1,267,093)	14,233,269	(1,267,093)	14,233,269
Net Fair Value Gains/(Losses) from Financial Instruments at Fair Value Through Profit or Loss	34	187,912	15,848	187,912	15,848
Net Gains/(Losses) on Derecognition of Financial Assets at Fair Value through Other Comprehensive Income		284,380	28,279	284,380	28,279
Other Operating Income/(Loss) - Net	35	3,775,085	(11,505,501)	3,775,085	(11,505,501)
<b>Total Operating Income</b>		<b>44,471,081</b>	<b>38,423,369</b>	<b>45,031,612</b>	<b>38,867,315</b>
Impairment Charges	36	(7,499,963)	(13,842,229)	(7,499,963)	(13,842,229)
<b>Net Operating Income</b>		<b>36,971,118</b>	<b>24,581,140</b>	<b>37,531,649</b>	<b>25,025,086</b>
Personnel Expenses	37	(7,405,900)	(5,956,837)	(7,441,295)	(5,999,378)
Depreciation of Property, Plant and Equipment	16	(203,519)	(303,640)	(247,549)	(345,810)
Depreciation of Right of Use (ROU) Assets	17	(488,053)	(477,936)	(397,526)	(387,410)
Amortisation of Intangible Assets	18	(329,319)	(278,696)	(329,443)	(278,820)
Other Operating Expenses	38	(5,633,242)	(4,521,091)	(5,663,147)	(4,547,387)
<b>Total Operating Expenses</b>		<b>(14,060,033)</b>	<b>(11,538,200)</b>	<b>(14,078,960)</b>	<b>(11,558,805)</b>
<b>Operating Profit before Taxes on Financial Services</b>		<b>22,911,085</b>	<b>13,042,940</b>	<b>23,452,689</b>	<b>13,466,281</b>
Taxes and Levies on Financial Services	39	(5,142,161)	(3,019,071)	(5,144,852)	(3,021,066)
<b>Profit before Income Tax</b>		<b>17,768,924</b>	<b>10,023,869</b>	<b>18,307,837</b>	<b>10,445,215</b>
Income Tax Expense	40	(6,662,271)	(3,096,646)	(6,836,956)	(3,217,170)
<b>Profit for the Year</b>		<b>11,106,653</b>	<b>6,927,223</b>	<b>11,470,881</b>	<b>7,228,045</b>
Attributable to:					
<b>Equity Holders of the Bank</b>		<b>11,106,653</b>	<b>6,927,223</b>	<b>11,470,881</b>	<b>7,228,045</b>
<b>Earnings Per Share</b>					
Basic / Diluted Earnings Per Share - LKR	41	34.05	21.24	35.17	22.16
Dividend Per Share - LKR	42	5.00	4.00	5.00	4.00

The Notes to the Financial Statements from pages 108 to 199 form an integral part of these Financial Statements.

# Statement of Comprehensive Income

For the Year Ended 31 December	Notes	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
<b>Profit for the Year</b>		<b>11,106,653</b>	<b>6,927,223</b>	<b>11,470,881</b>	<b>7,228,045</b>
<b>Other Comprehensive Income/(Expense)</b>					
<b>Items that will be reclassified to profit or loss in subsequent periods:</b>					
<b>Debt Instruments at Fair Value through Other Comprehensive Income</b>					
Net Change in Fair Value during the year	29.1	5,582,838	(3,550,913)	5,582,838	(3,550,913)
Transfer of fair value gains/(losses) o/a reclassification of debt instruments from fair value through other comprehensive income to amortised cost		-	3,669,876	-	3,669,876
Changes in Allowance for Expected Credit Losses	29.1	314	543,490	314	543,490
Deferred Tax related to the above	-	(1,674,945)	(198,736)	(1,674,945)	(198,736)
Deferred Tax Effect on Revision of Statutory Income Tax Rate	25	-	39,743	-	39,743
Net gains/(losses) on Financial Instruments at Fair Value through Other Comprehensive Income		<b>3,908,207</b>	<b>503,460</b>	<b>3,908,207</b>	<b>503,460</b>
<b>Items that will not be reclassified to profit or loss in subsequent periods:</b>					
Actuarial gain / (loss) on defined benefit plan	22.2	(165,123)	(72,620)	(161,660)	(71,475)
Deferred Tax related to the above	25	49,537	21,786	48,498	21,442
Deferred Tax Effect on Revision of Statutory Income Tax Rate	25	-	5,063	-	5,063
Net Gains / (Losses) on Actuarial Valuation of Defined Benefit Plan		<b>(115,586)</b>	<b>(45,771)</b>	<b>(113,162)</b>	<b>(44,970)</b>
Gain on Revaluation of Land and Buildings	29.2	-	246,244	-	267,238
Deferred Tax related to the above	29.2 & 25	-	(73,873)	-	(80,171)
Deferred Tax Effect on Revision of Statutory Income Tax Rate	25	-	(66,323)	-	(102,573)
Net Gain on Revaluation of Land and Buildings		-	106,048	-	84,494
Total items that will not be reclassified to the Statement of Profit or Loss		<b>(115,586)</b>	<b>60,277</b>	<b>(113,162)</b>	<b>39,524</b>
<b>Other Comprehensive Income for the Year, Net of Tax</b>		<b>3,792,621</b>	<b>563,737</b>	<b>3,795,045</b>	<b>542,984</b>
<b>Total Comprehensive Income for the Year, Net of Tax</b>		<b>14,899,274</b>	<b>7,490,960</b>	<b>15,265,926</b>	<b>7,771,029</b>
Attributable to:					
Equity Holders of the Bank		<b>14,899,274</b>	<b>7,490,960</b>	<b>15,265,926</b>	<b>7,771,029</b>

The Notes to the Financial Statements from pages 108 to 199 form an integral part of these Financial Statements.

## Statement of Changes in Equity

BANK	Notes	Stated Capital		Statutory Reserve Fund	Retained Earnings	OCI Reserve	Revaluation Reserve	Total
		Voting	Non-Voting					
		LKR '000	LKR '000					
<b>As at 01 January 2022</b>		6,309,792	3,098,343	1,882,111	26,911,909	(503,404)	840,085	38,538,836
Charge related to Surcharge Tax	28	-	-	-	(1,803,385)	-	-	(1,803,385)
<b>As at 01 January 2022 (Adjusted)</b>		6,309,792	3,098,343	1,882,111	25,108,524	(503,404)	840,085	36,735,451
Profit for the year		-	-	-	6,927,223	-	-	6,927,223
Other Comprehensive Income		-	-	-	(45,771)	503,460	106,048	563,737
Total Comprehensive Income		-	-	-	6,881,452	503,460	106,048	7,490,960
Scrip Dividends for 2021	26 & 28	857,796	135,501	-	(993,297)	-	-	-
Fractions of shares paid in cash for 2021		-	-	-	(184)	-	-	(184)
Conversion of Non Voting Shares to Voting Shares	26	284	(284)	-	-	-	-	-
Transfers to the Statutory Reserve Fund	27.2	-	-	346,361	(346,361)	-	-	-
<b>As at 31 December 2022</b>		7,167,872	3,233,560	2,228,472	30,650,134	56	946,133	44,226,227
<b>As at 01 January 2023</b>		7,167,872	3,233,560	2,228,472	30,650,134	56	946,133	44,226,227
Profit for the year		-	-	-	11,106,653	-	-	11,106,653
Other Comprehensive Income		-	-	-	(115,586)	3,908,207	-	3,792,621
Total Comprehensive Income		-	-	-	10,991,067	3,908,207	-	14,899,274
Scrip Dividends for 2022	26 & 28	885,820	139,630	-	(1,205,722)	-	-	(180,272)
Fractions of shares paid in cash for 2022		-	-	-	(175)	-	-	(175)
Conversion of Non Voting Shares to Voting Shares	26	76	(76)	-	-	-	-	-
Transfers to the Statutory Reserve Fund	27.2	-	-	555,333	(555,333)	-	-	-
<b>As at 31 December 2023</b>		8,053,768	3,373,114	2,783,805	39,879,971	3,908,263	946,133	58,945,054

GROUP	Notes	Stated Capital		Statutory Reserve Fund	Retained Earnings	OCI Reserve	Revaluation Reserve	Total
		Voting	Non-Voting					
		LKR '000	LKR '000					
<b>As at 01 January 2022</b>		6,309,792	3,098,343	1,882,111	28,072,893	(503,404)	1,299,257	40,158,992
Charge related to Surcharge Tax	28	-	-	-	(1,889,179)	-	-	(1,889,179)
<b>As at 01 January 2022 (Adjusted)</b>		6,309,792	3,098,343	1,882,111	26,183,714	(503,404)	1,299,257	38,269,813
Profit for the year		-	-	-	7,228,045	-	-	7,228,045
Other Comprehensive Income		-	-	-	(44,970)	503,460	84,494	542,984
Total Comprehensive Income		-	-	-	7,183,075	503,460	84,494	7,771,029
Scrip Dividends for 2021	26 & 28	857,796	135,501	-	(993,297)	-	-	-
Fractions of shares paid in cash for 2021		-	-	-	(184)	-	-	(184)
Conversion of Non Voting Shares to Voting Shares	26	284	(284)	-	-	-	-	-
Transfers to the Statutory Reserve Fund	27.2	-	-	346,361	(346,361)	-	-	-
<b>As at 31 December 2022</b>		7,167,872	3,233,560	2,228,472	32,026,947	56	1,383,751	46,040,658
<b>As at 01 January 2023</b>		7,167,872	3,233,560	2,228,472	32,026,947	56	1,383,751	46,040,658
Profit for the year		-	-	-	11,470,881	-	-	11,470,881
Other Comprehensive Income		-	-	-	(113,162)	3,908,207	-	3,795,045
Total Comprehensive Income		-	-	-	11,357,719	3,908,207	-	15,265,926
Scrip Dividends for 2022	26 & 28	885,820	139,630	-	(1,205,722)	-	-	(180,272)
Fractions of shares paid in cash for 2022		-	-	-	(175)	-	-	(175)
Conversion of Non Voting Shares to Voting Shares	26	76	(76)	-	-	-	-	-
Transfers to the Statutory Reserve Fund	27.2	-	-	555,333	(555,333)	-	-	-
<b>As at 31 December 2023</b>		8,053,768	3,373,114	2,783,805	41,623,436	3,908,263	1,383,751	61,126,137

The Notes to the Financial Statements from pages 108 to 199 form an integral part of these Financial Statements.

# Statement of Cash Flows

For the Year Ended 31 December	Notes	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
<b>Cash Flows from Operating Activities</b>					
Receipts of Interest Income		73,635,700	60,172,606	73,635,700	60,172,606
Payments of Interest Expense		(35,537,119)	(19,625,455)	(35,236,349)	(19,150,604)
Receipts of Fees and Commission Income		8,140,695	7,648,081	8,349,902	7,854,602
Payments of Fees and Commission Expense		(1,234,146)	(943,548)	(1,234,146)	(943,548)
Net Trading Income		(548,799)	14,477,185	(548,799)	14,477,185
Realised gain on sale of Financial Instruments		284,380	28,279	284,380	28,279
Receipts from Other Operating Income		(2,593,967)	2,137,250	(2,593,967)	2,137,250
Gratuity Payments Made		(181,503)	(143,956)	(182,996)	(143,956)
Payments for Operating Expenses	31	(11,672,404)	(9,128,936)	(11,810,992)	(9,197,776)
Payments for VAT on Financial Services		(5,369,194)	(2,860,494)	(5,371,877)	(2,862,489)
<b>Net Cash Flow from Operating Activities before Income Tax (A)</b>		<b>24,923,643</b>	<b>51,761,012</b>	<b>25,290,856</b>	<b>52,371,549</b>
Income Tax paid		(7,220,232)	(3,841,067)	(7,425,584)	(3,911,357)
Surcharge Tax paid		-	(1,803,385)	-	(1,889,179)
<b>Operating Profit before Changes in Operating Assets and Liabilities</b>		<b>17,703,411</b>	<b>46,116,560</b>	<b>17,865,272</b>	<b>46,571,013</b>
<b>(Increase)/Decrease in Operating Assets</b>	43.1	<b>(130,334,528)</b>	<b>36,153,694</b>	<b>(130,335,811)</b>	<b>35,706,192</b>
<b>Increase/(Decrease) in Operating Liabilities</b>	43.2	<b>113,632,601</b>	<b>(16,927,985)</b>	<b>113,264,523</b>	<b>(17,045,045)</b>
<b>Net Cash Flows from Operating Activities</b>		<b>1,001,485</b>	<b>65,342,268</b>	<b>793,984</b>	<b>65,232,161</b>
<b>Cash Flows from Investing Activities</b>					
Purchase of Property, Plant and Equipment	16	(256,970)	(278,518)	(257,095)	(278,933)
Proceeds from Sale of Property, Plant and Equipment and Intangible Assets		8,257	8	8,257	8
Purchase of Intangible Assets	18	(397,631)	(389,336)	(397,631)	(389,336)
		(646,344)	(667,846)	(646,469)	(668,261)
<b>Cash Flows from Financing Activities</b>					
Proceeds from Other Borrowed Funds		1,351,679	1,054,973	1,351,679	1,054,973
Repayment of Other Borrowed Funds		(13,166,618)	(21,705,194)	(13,166,618)	(21,705,194)
Repayment of Subordinated Debt		(3,500,000)	-	(3,500,000)	-
Operating Lease Rentals Paid		(665,641)	(623,182)	(457,900)	(512,850)
Interest Paid on Subordinated Debt	17.4	(1,251,683)	(1,397,705)	(1,251,683)	(1,397,705)
Dividends Paid		(180,448)	(184)	(180,448)	(184)
		(17,412,710)	(22,671,292)	(17,204,969)	(22,560,960)
			(22,671,292)		(22,560,960)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>(17,057,569)</b>	<b>42,844,000</b>	<b>(17,057,453)</b>	<b>42,843,805</b>
Cash and Cash Equivalents at the beginning of the period		56,603,147	13,759,147	56,603,034	13,759,229
Cash and Cash Equivalents at the end of the period		39,545,578	56,603,147	39,545,581	56,603,034
<b>Reconciliation of Cash and Cash Equivalents</b>					
Cash in Hand	6	12,497,649	10,087,206	12,497,652	10,087,229
Balances with Banks	6	27,687,557	45,307,864	27,687,557	45,307,728
Money at Call and Short Notice	6	-	3,374,121	-	3,374,121
Deposits from Other Banks	19	(639,628)	(2,166,044)	(639,628)	(2,166,044)
		39,545,578	56,603,147	39,545,581	56,603,034
<b>A. Reconciliation of Operating Profit</b>					
<b>Profit before Income Tax</b>		<b>17,768,924</b>	<b>10,023,869</b>	<b>18,307,837</b>	<b>10,445,215</b>
(Profit) / Loss on disposal of Property, Plant and Equipment and Intangible Assets		(4,159)	147	(4,159)	147
Impairment charge / (Reversal)	36	7,499,963	13,842,229	7,499,963	13,842,229
Provision for Gratuity	37	307,612	188,544	310,479	190,279
Other Non Cash Items*	43.3	(4,687,488)	14,509,589	(4,706,086)	14,461,357
Interest Paid on Subordinated Debt		1,251,683	1,397,705	1,251,683	1,397,705
Gratuity Payments Made		(181,503)	(143,956)	(182,996)	(143,956)
(Increase) / Decrease in Interest Receivable		3,117,230	5,908,427	3,117,230	5,908,427
Increase / (Decrease) in Interest Payable		(957,990)	4,642,964	(903,379)	4,642,964
Increase / (Decrease) in Financial Guarantee Liabilities and Deferred Income		15,302	116,586	15,302	116,586
Increase / (Decrease) in Fees and Commission and Operating Expenses Payable		794,068	1,274,908	584,981	1,510,596
		24,923,643	51,761,012	25,290,856	52,371,549

\*This mainly includes the net translation difference on the foreign currency assets and liabilities except the cash and cash equivalent.

The Notes to the Financial Statements from pages 108 to 199 form an integral part of these Financial Statements.

# Notes to the Financial Statements

## 1. Reporting Entity

### 1.1 Corporate information

Nations Trust Bank PLC (the 'Bank') is a licensed commercial bank established under the Banking Act No. 30 of 1988. It is a public limited liability company, incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Bank is located at No. 242, Union Place, Colombo 2.

### 1.2 Consolidated Financial Statements

The Consolidated Financial Statements of Nations Trust Bank PLC for the year ended 31 December 2023 comprises the Bank and its subsidiaries: Waldock Mackenzie Limited, Allied Properties Limited and Nations Insurance Brokers Limited (together referred to as the 'Group'). Nations Trust Bank PLC does not have an identifiable parent of its own.

### 1.3 Principal Activities and Nature of Operations

#### Bank

The Bank provides a comprehensive range of financial services encompassing accepting deposits, corporate and retail banking, private banking, project financing, trade finance, leasing, factoring, treasury, dealing in government securities and investment services, resident and non-resident foreign currency operations, money remittance facilities, travel related services, issuing/acquiring of credit cards and debit cards and electronic banking services such as telephone banking, internet banking, mobile banking etc.

#### Subsidiaries

The principal activities of the subsidiary companies are as follows;

Company	Principal activity
Waldock Mackenzie Limited	Investment Management
Allied Properties Limited	Renting out premises
Nations Insurance Brokers Limited	Insurance broking

## 2. Basis of Preparation

### 2.1 Statement of compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Bank, which comprise the Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been

prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka.

The preparation and presentation of these Consolidated Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007. The presentation of these Financial Statements is also in compliance with the requirements of the Banking Act No. 30 of 1988.

### 2.2 Directors' Responsibility Statement

The Board of Directors of the Bank is responsible for these Financial Statements of the Group and the Bank as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the "Statement of Directors' Responsibility" on page 98.

### 2.3 Approval of Financial Statements by Directors

The Consolidated Financial Statements of Nations Trust Bank PLC, for the year ended 31 December 2023 were authorised for issue in accordance with the resolution of the Board of Directors on 22nd February 2024.

### 2.4 Basis of measurement

The Financial Statements of the Bank and the Group have been prepared on a historical cost basis, except for the following material items in the Statement of Financial Position which have been measured at fair value:

- Financial assets at fair value through profit or loss
- Debt and equity instrument at fair value through other comprehensive income
- Derivative financial instruments
- Land and buildings are measured at cost at the time of acquisition and subsequently measured at fair value on the date of revaluation
- Liability for defined benefit obligations is recognised at the present value of defined benefit obligation

### 2.5 Functional and Presentation Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees (LKR), which is the currency of the primary economic environment in which the Group operates (Group's functional currency). Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand ('000) unless indicated otherwise.

There was no change in the Group's presentation and functional currency during the year under review.

## 2.6 Presentation of Financial Statements

The Bank/Group presents its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 45.

## 2.7 Materiality and aggregation

In compliance with Sri Lanka Accounting Standard LKAS 01 – Presentation of Financial Statements, each material class of similar items are presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately unless they are immaterial.

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of profit or loss unless required or permitted by an accounting standard or an interpretation, and as specifically disclosed in the accounting policies of the Group.

## 2.8 Changes in Accounting Policies

### 2.8.1 New and amended standards and interpretations

The Group has not early adopted any standards, interpretations or amendments that have been issued but not yet effective.

Certain prior year figures and phrases have been rearranged in order to compatible with the presentation requirements of the Central Bank of Sri Lanka.

The other accounting policies adopted by the Bank/Group are consistent with those of the previous financial year.

## 2.9 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Bank's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets, liabilities and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes

that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgment and/or estimates are collated below with respect to judgments/estimates involved.

### (i) Going Concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. In this assessment, the management has considered the potential impacts that the negative externalities prevailed during the year could bring to business operations of the Bank. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

### (ii) Fair Value of Financial Instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgments and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

## Notes to the Financial Statements

The valuation of financial instruments is described in more detail in Note 46.

### (iii) Impairment losses on financial assets

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Life Time Expected Credit Loss (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

### (iv) Fair Value of Land and Buildings

Freehold land and buildings of the Group are reflected at fair value at the date of revaluation less any accumulated depreciation and impairment losses.

The Group measures freehold land and buildings at fair value with changes in fair value being recognised in Other Comprehensive Income. The Group engages independent valuation specialists to determine fair value of freehold land and buildings in terms of Sri Lanka Accounting Standard SLFRS 13 – Fair Value Measurement.

Lands were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property, while buildings were valued based on depreciated replacement cost.

Fair value related disclosures for land and buildings measured at fair value are summarised in the Note 46 to the financial statements.

### (v) Useful Life-time of the Property, Plant and Equipment

The Group reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods hence they are subject to uncertainty. (Note 16).

### (vi) Employee Benefit Liability – Gratuity

The cost of the defined benefit plan – gratuity is determined using an actuarial valuation. Actuarial valuation involves making assumptions about inter-alia discount rates, future salary increases, remaining working life of employees and mortality rates. Due to the long term nature of these obligations, such estimates are subject to significant uncertainty. Description of employee benefits is given in Note 22.

### (vii) Share-Based Payments

The Group measures the cost of cash settled transactions with employees by reference to the fair value of the equity instruments on the date on which those are granted. Estimating fair value for share based payment transactions require determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share appreciation rights scheme, volatility and dividend yield and making assumptions about those. (Note 24.2).

### (viii) Taxation

The Group is subject to Income Taxes and other taxes including VAT and Social Security Levy (SSCL) on Financial Services. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these Financial Statements.

Uncertainties also exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long term nature and complexity

of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense amounts that were initially recorded, and deferred tax amounts in the period in which the determination is made. (Note 25 and 40).

#### **(ix) Deferred Tax Assets**

Deferred tax assets are recognised in respect of loan impairment allowances which will be recovered in the foreseeable future and tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies.

As at 31 December 2023 as disclosed in Note 25, the Bank has judgementally estimated a deferred tax asset of LKR 1,683.98 Mn on the impairment of SLISB Investments.

Details on deferred tax assets are disclosed in Note 25 to the financial statements.

#### **(x) Provisions for Liabilities and Contingencies**

The Group receives legal claims against it in the normal course of business. When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

#### **(xi) Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)**

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has several lease contracts that include extension and

termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

#### **(xii) Estimating the incremental borrowing rate**

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments.

### **3. Summary of Material Accounting Policy Information**

#### **3.1 Basis of consolidation**

The Consolidated Financial Statements comprise the Financial Statements of the Bank and its subsidiaries as at 31 December 2023 in terms of the Sri Lanka Accounting Standards, SLFRS 10 – Consolidated Financial Statements. The Bank's Financial Statements comprise the amalgamation of the Financial Statements of the Domestic Banking Unit and the Off-shore Banking Unit.

Bank consolidates a subsidiary when it controls it. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights results in control. However, in individual circumstances, the Bank may still exercise control with a less than 50% shareholding, or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Bank considers all relevant facts and circumstances, including:

## Notes to the Financial Statements

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Bank can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights
- Whether the Bank is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns

All intra- group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value, at the date of loss of control.

### 3.2 Foreign Currency Transactions and balances

Transactions in foreign currencies are initially recorded at the spot middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot middle rate of exchange at the reporting date. All foreign exchange differences arising on non-trading activities are taken to 'Other Operating Income/Expense' in the Profit or Loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

### 3.3 Financial Instruments

#### 3.3.1 Financial Instruments – Initial recognition

##### (i) Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the

market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

##### (ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 3.3.2. (i) (a) and 3.3.2. (i) (b). Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

##### (iii) Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

##### (iv) Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost, as explained in Note 3.3.2(i)
- Fair value through other comprehensive income (FVOCI), as explained in Notes 3.3.2 (iv) and 3.3.2 (v)
- Fair value through profit or loss (FVPL) as explained in Note 3.3.2 (vii)

The Bank classifies and measures its derivative and trading portfolio at FVPL as explained in Notes 3.3.2 (ii) and 3.3.2 (iii). The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 3.3.2 (vii).

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are derivative instruments or the fair value designation is applied, as explained in Note 3.3.2 (vii).

### 3.3.2 Financial assets and liabilities

#### (i) Due from banks, Loans and advances to customers, Financial investments at amortised cost

The Bank measures due from banks, loans and advances to customers and other financial investments at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

The details of these conditions are outlined below.

#### a. Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

#### b. Solely Payment of Principal and Interest (SPPI) test

As a second step of its classification process, the Bank assesses the contractual terms of financial instrument to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

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

#### (ii) Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying')
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors
- It is settled at a future date

The Bank enters into derivative transactions with various counterparties. These include cross-currency swaps and forward foreign exchange contracts. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The fair values of derivative financial instruments recorded as assets or liabilities, together with their notional (contract) amounts are disclosed separately in Note 9. Changes in the fair value of derivatives are included in net trading income.

## Notes to the Financial Statements

Settlement of these contracts against customer is on delivery against payment basis which eliminates credit risks. Settlements against the Bank is on a gross basis subject to approved credit limits.

The notional amounts that indicate the volume of transactions outstanding at the year-end are indicative of neither the market risk nor the credit risk. This transaction type is exposed to market risks due to fluctuation of market rates.

The Bank may take positions with the expectation of gaining from favourable movements in rates. Derivatives entered for risk management purposes that do not meet the hedge accounting criteria are also included under this classification.

### (iii) Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the Statement of Financial Position at fair value. Changes in fair value are recognised in 'Net Fair Value Gains/(Losses) from Financial Instruments at Fair Value Through Profit or Loss'.

Included in this classification are debt securities that have been acquired principally for the purpose of selling or repurchasing in the near term.

### (iv) Debt instruments at FVOCI

The Bank classifies debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income on debt instruments at FVOCI is recognised in Profit or Loss. The ECL calculation for debt instruments at FVOCI is explained in Note 3.5. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis.

On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to Profit or Loss.

### (v) Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to Profit or Loss. Dividends are recognised in Profit or Loss as 'other operating income' when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

### (vi) Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR.

### (vii) Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under SLFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis or;
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy or;
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by

the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in Profit and Loss. Interest earned or incurred is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate.

#### **(viii) Financial guarantees, letters of credit and undrawn loan commitments**

In the ordinary course of business, the Bank issues financial guarantees, consisting of letters of credit, guarantees, bonds and acceptances.

Financial guarantees are initially recognised in the financial statements (Within other liabilities) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each financial guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Profit or Loss, and an ECL provision as set out in Note 24.3.

The premium received is recognised in the Statement of Profit or Loss in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the Statement of Financial Position. The nominal values of these instruments are disclosed in Note 47.

### **3.3.3 Reclassification of financial assets and liabilities**

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

### **3.3.4 Modification of financial assets and liabilities**

#### **3.3.4.1 Modification of financial assets**

When the contractual cash flows of a financial asset are renegotiated or otherwise modified as a result of commercial restructuring activity rather than due to credit risk and impairment considerations, the Bank performs an assessment to determine whether the modifications result in the derecognition of that financial asset. For financial assets, this assessment is based on qualitative factors.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- Whether the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, then it does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

#### **3.3.4.2 Modification of financial liabilities**

When the modification of the terms of an existing financial liability is not judged to be substantial and, consequently, does not result in derecognition, the amortised cost of the financial liability is recalculated by computing the present value of estimated future contractual cash flows that are discounted at the financial liability's original EIR. Any resulting difference is recognised immediately in Profit or Loss.

For financial liabilities, the Bank considers a modification to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

### **3.3.5 Derecognition of financial assets and liabilities**

#### **3.3.5.1 Derecognition due to substantial modification of terms and conditions**

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an

## Notes to the Financial Statements

impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired (POCI).

### 3.3.5.2 Derecognition other than for substantial modification

#### a. Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset or;
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay

In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset or;
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

#### b. Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in Profit or Loss.

### 3.3.6 The effective interest rate method

Under SLFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial assets. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross-carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account transactions costs and

any discount or premium on acquisition of the financial asset or financial liability, as well as fees and costs that are an integral part of the EIR.

The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the statement of financial position with a corresponding increase or decrease in interest income/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

### 3.3.7 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when SLFRS netting criteria are met.

## 3.4 Repurchase and Repurchase Agreements

During its normal course of business, the Bank sells securities under agreements to repurchase (repos) and purchase securities under agreements to resell (reverse repos).

The accounting treatment of these transactions is explained below;

Securities sold under agreements to repurchase at a specified future date are not derecognised from the Statement of Financial Position as the Group retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the Statement of Financial Position as an asset with a corresponding obligation to return it, including accrued interest as a liability within 'Repurchase Agreements', reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase price is treated as interest expense and is accrued over the life of agreement using the EIR.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within 'Reverse Repurchase Agreements', reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale price is treated as interest income and is accrued over the life of the agreement using the EIR.

## 3.5 Impairment of Financial Assets

### (i) Overview of the Expected Credit Loss (ECL) principles

The Bank records an allowance for ECL for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'Financial Instruments'. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 3.5 (ii). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 47.

Furthermore, the procedure followed in the impairment calculations due to the negative externalities prevailed during the previous years and recovery phase observed in 2023 have been more fully described in Note 47 to the financial statements.

The 12mECL is the portion of LTECLs that represents the ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on

## Notes to the Financial Statements

the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in Note 47.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instruments' credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 47.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and Purchased or Originated Credit Impaired (POCI), as described below:

Stage 1:	When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3:	Loans considered credit-impaired (as outlined in Note 47). The bank records an allowance for the LTECL.
POCI	POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

### (ii) The calculation of ECL

The Bank calculates ECLs based on a three probability-weighted scenarios to measure the expected cash

shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- Probability of Default (PD): The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 47.
- Exposure at Default (EAD): The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 47.
- Loss Given Default (LGD): The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 47.

When estimating the ECLs, the Bank considers three scenarios (a base case, a best case, a worst case). When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out in Note 3.5 (v) below, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Provisions for ECL for undrawn loan commitments are assessed as set out in Note 24.3. The calculation of ECLs

(including the ECLs related to the undrawn element) of revolving facilities such as credit cards are explained in Note 3.5 (v).

The mechanics of the ECL method are summarised below:

Stage 1:	The 12mECL is calculated as the portion of LTECLs that represents the ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage 3:	For loans considered credit-impaired (as defined in Note 47) the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
POCI:	POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, discounted by the credit adjusted EIR.

Loan commitments and letters of credit:

When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, the portion of ECLs related to the drawn amount are calculated and presented together with the loan. For undrawn loan commitments and letters of credit, the ECL is recognised within Other Liabilities.

Financial guarantee contracts:

The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs by using Credit Conversion Factors (CCF) specified by the Central Bank of Sri Lanka for the purpose of calculating Capital Adequacy Ratio of the Bank. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECL related to financial guarantee contracts are recognised within Other Liabilities.

### (iii) Debt instruments measured at fair value through OCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

## Notes to the Financial Statements

### (iv) Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

### (v) Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit card facilities, in which the Bank has the right to cancel and/or reduce the facilities with a notice. Revolving facilities are subject to regular post disbursement reviews and every such facility goes through one or more formal reviews annually. Therefore, all revolving facilities are assessed for 12mECL.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is mainly based on shifts in the delinquency level of the customer with a consideration given to qualitative factors such as changes in usage also.

The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities.

The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made, as explained in Note 47, on an individual basis for corporate and on a collective basis for retail products.

The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

### (vi) Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Inflation
- Interest rates
- Exchange rates
- Unemployment rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 36.

### (vii) Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements.

Collateral is not recorded in the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed subsequently as and when required. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily. Details of the impact of the Bank's various credit enhancements are disclosed in Note 47.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers etc.

### (viii) Collateral repossessed

The Group's policy is to sell the repossessed assets at the earliest possible opportunity. Such collateral repossessed are held on a memorandum basis without derecognising the underlying receivable.

In its normal course of business, the Bank engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

### (ix) Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to 'other operating income' in the Profit or Loss.

### (x) Rescheduled Loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank classifies a loan as a "Rescheduled Loan" when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed

to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Management Department. A rescheduling of a loan may involve extending the payment arrangements and the agreement of new loan conditions. If modifications are substantial, the loan is derecognised. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor rescheduled loans to help ensure that future payments continue to be likely to occur. All rescheduled loans are classified as Stage 3 until the fulfillment of regulatory watch period or written off.

### 3.6 Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### 3.6.1 Group as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented in Note 17 and are subject to impairment in line with the Group's policy as described in Note 3.9 - Impairment of non-financial assets.

##### Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease

incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

#### 3.6.2 Bank as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on EIR over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

### 3.7 Property, Plant and Equipment

#### Cost Model

The Group applies cost model to property, plant and equipment except for freehold land and buildings and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following;

- the cost of materials and direct labour
- any other costs directly attributable to bringing the assets to a working condition for their intended use
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located.

#### Revaluation model

The Group applies the revaluation model to the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and buildings of the Group are revalued by independent professional valuers. Valuations are performed with sufficient frequency to ensure that the carrying amounts do not differ materially from the fair values as at the reporting date. The Group has revalued its freehold land and building during the year 2022 and details of the revaluation are given in Note 16.3.

## Notes to the Financial Statements

On revaluation of an asset, any increase in the carrying amount is recognised in 'Other comprehensive income' and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Profit or Loss. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Statement of Profit or Loss or debited to the other comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset.

The decrease recognised in other comprehensive income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

### Subsequent expenditure and replacement

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Lands are not depreciated.

The estimated useful lives are as follows:

Buildings	40 years
Motor Vehicles	04 years
Other Equipment	04 - 08 years
Computer Hardware	02 - 04 years
Furniture and Fittings	08 years
Leasehold Improvements	Over the lease period

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if requires. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### De-recognition

The carrying amount of an item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from de-recognition of an item of property, plant and equipment is included in the Statement of Profit or Loss when the item is derecognised.

### Capital work-in-progress

Capital work-in-progress is stated at cost. These are the expenses of a capital nature directly incurred in the construction of buildings, machinery and system development, awaiting capitalisation. Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost less any accumulated impairment losses.

## 3.8 Intangible Assets

The Group's intangible assets include the cost of computer software and licenses. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. Intangible assets acquired separately are measured on initial recognition at cost. Following the initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the Profit or Loss.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives of 5-10 years, for computer software and license fees.

### 3.9 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU's) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, and other available fair value indicators.

### 3.10 Retirement Benefit Obligations

#### (i) Defined Contribution Plans – Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund and Employees' Trust Fund contributions in line with respective statutes and regulations. The Bank and its subsidiaries except Nations Insurance Brokers Limited, contribute 12% of gross emoluments of employees to an approved private provident fund managed by Nations Trust Bank PLC and 3% gross emoluments of employees to the Employees' Trust Fund respectively. Nations Insurance Brokers Limited contributes 12% and 3% of gross emoluments of employees to the Employees' Provident Fund and the Employees' Trust Fund respectively.

#### (ii) Defined Benefit Plan – Gratuity

The Group measures the present value of the retirement benefits of gratuity which is a defined benefit plan using the projected unit credit method as recommended by LKAS 19 – Employee benefits and resulting actuarial gain/loss is recognised in full in the Other Comprehensive Income (OCI).

The actuarial valuation involves making assumptions about discount rate, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

The gratuity liability is not externally funded.

### 3.11 Share Based Payments Employee

Share Appreciation Rights (ESAR) Accounting Policy Employees (senior executives) of the Bank/Group receive benefit in the form of share – based payments, whereby employees rendered services are granted share appreciation rights which are settled in cash (Cash-settled transaction). A liability is recognised for the fair value of cash settled transactions. The fair value is measured initially and at each reporting date up to and including the exercise date or expiry date of ESAR, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined using a binomial model.

### 3.12 Taxes

#### (i) Current Tax

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Detailed disclosures are provided in Note 23, 25 and 40.

#### Nations Trust Bank PLC

Income tax on profit from the Domestic Banking Unit and on-shore operations of the Foreign Currency Banking Unit was calculated at the rate of 30% during the current year. In respect of the prior year, the Bank computed the income tax liability on profit from the Domestic Banking Unit and on-shore operations of the Foreign Currency Banking Unit, for the first six months of the year of assessment 2022/23 by applying the income tax rate of 24% whilst the revised income tax rate of 30% and other amendments in line with the Inland Revenue (Amendment) Act No. 45 of 2022 were considered to calculate the income tax liability for the second six months of the year of assessment 2022/23.

The deferred tax assets/liabilities of the Bank and the Group as at 31 December 2023 and 2022 were computed using the revised income tax rate of 30%.

## Notes to the Financial Statements

### Subsidiary – Waldock Mackenzie Limited and Nations Insurance Brokers Limited

Income tax on profit from operations was calculated at the rate of 30% during the current year. In respect of the prior year, the Company computed the income tax liability, for the first six months of the year of assessment 2022/23 by applying the income tax rate of 24% whilst the revised income tax rate of 30% and other amendments in line with the Inland Revenue (Amendment) Act No. 45 of 2022 were considered to calculate the income tax liability of the subsidiary for the second six months of the year of assessment 2022/23.

### Subsidiary – Allied Properties Limited

Income tax on profit from operations was calculated at the rate of 30% during the current year. In respect of the prior year, income tax was calculated at the rate of 24% following the expiry of tax concessionary period on 31 March 2022 whilst the revised income tax rate of 30% and other amendments in line with the Inland Revenue (Amendment) Act No. 45 of 2022 were considered to calculate the income tax liability of the subsidiary for the second six months of the year of assessment 2022/23.

### (ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liability is not recognised for;

- temporary differences on the initial recognition of goodwill, assets or liabilities in a transaction that is not a business combination, that affects neither accounting nor taxable profit or loss and at the time of the transaction, does not give rise to equal taxable temporary differences;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination,

at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and at the time of the transaction, does not give rise to equal deductible temporary differences;

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets (DTA) and liabilities (DTL) are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for the items that are charged or credited in the Other Comprehensive Income (OCI).

DTA and DTL are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### (iii) Bank Levies

The Bank recognises the liability arising from levies when it becomes legally enforceable (i.e., when the obligating event arises) which is on 31 December each year.

### (iv) Social Security Contribution Levy (SSCL)

As per the Social Security Contribution Levy (SSCL) Act No. 25 of 2022, effective from October 01, 2022, Bank is liable to pay SSCL on Financial Services at the rate of 2.5% on the value addition attributable to the supply of financial services which includes operating profit before taxes on financial services adjusted for emoluments of employees and economic depreciation.

**(v) VAT (Value added Tax) on Financial Services**

The base of the calculation of VAT (Value added Tax) on Financial Services is the value addition attributable to financial services which includes operating profit before taxes on financial services adjusted for emoluments of employees and economic depreciation.

VAT rate applied during 2023 and 2022 was 18%.

**(vi) WHT on dividends distributed by the Bank**

With the implementation of Inland Revenue (Amendment) Act No 45 of 2022, WHT on dividends has been introduced effective from January 01, 2023, on residents as well as non-residents at the rate of 15%. Dividend paid by the Bank will be exempt in the hands of shareholders to the extent that such dividend payment is attributable to, or derived from dividend received by the Bank subjected to WHT.

**(vii) Crop Insurance Levy (CIL)**

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from April 01, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

**3.13 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Bank determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the Profit or Loss net of any reimbursement.

**3.14 Fiduciary Assets**

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the Financial Statements, as they are not the assets of the Group.

**3.15 Equity reserves**

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

- the cumulative net change in the fair value of debt instruments classified at FVOCI, less the allowance for ECL

- the cumulative net change in fair value of equity instruments at FVOCI

**3.16 Dividends on ordinary shares**

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date. (Note 50).

Basic/diluted Earnings per Share is calculated by dividing the net profit for the year attributable to Ordinary Shareholders of the Bank by the weighted average number of Ordinary Shares in issue during the year.

**3.17 Statement of Cash Flows**

The Statement of Cash Flows has been prepared by using the 'Direct Method' in accordance with LKAS 7 on Statement of Cash Flows, whereby cash receipts and cash payments of operating activities, financing activities and investing activities have been recognised. Cash and cash equivalents as referred to in the statement of cash flows comprises of cash in hand, balances with the Central Bank of Sri Lanka, amounts due from banks on demand or with original maturity of three months or less net of amount due to banks.

**3.18 Fair Value of Assets and Liabilities****Determination of Fair Value**

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

**• Level 1 financial instruments**

Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date. The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the reporting date.

**• Level 2 financial instruments**

Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such

## Notes to the Financial Statements

as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.

### • Level 3 financial instruments

Those that include one or more unobservable input that is significant to the measurement as whole.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the Bank manages a group of financial assets and liabilities on the basis of its net market or credit risk exposure, the fair value of the group of financial instruments is measured on a net basis, however the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the SLFRS offsetting criteria.

The Bank periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Bank's financial instruments such as credit risk. Therefore, the Bank applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for those financial instruments.

The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary based on the facts at the end of the reporting period.

### 3.19 Recognition of Income and Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The specific recognition criteria must for recognition of income is explained below.

#### (i) Interest income

The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset. The Bank ceases the recognition of interest income on assets when it is probable that the economic

benefits associated will not continue to flow to the Bank. Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is also recognised using the contractual interest rate in interest income.

#### (ii) Net fee and commission income

##### Fee income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

As per SLFRS 15, the Bank adopts principles based five step model for revenue recognition. Accordingly, revenue is recognised only when all of the following criteria are met:

- The parties to the contract have approved the contract/s;
- The entity can identify each party's rights regarding the goods or services to be transferred;
- The entity can identify the payment terms for the goods or services to be transferred;
- The contract has the commercial substance;
- It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

#### a) Fee and commission income from services where performance obligations are satisfied over time

Performance obligations satisfied over time include asset management, custody and other management and advisory services, where the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

#### b) Fee and commission income from providing services where performance obligations are satisfied at a point in time

Services provided where the Group's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of lending transactions or other securities.

**c) Fee income forming an integral part of the corresponding financial instrument**

Fees that the Bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees. The recognition of these fees (together with any incremental costs) form an integral part of the corresponding financial instruments and are recognised as interest income through an adjustment to the EIR.

The applicability of SLFRS 15 to the Bank is limited for fee and commission income.

**Fee expense**

Fee expenses have been recognised in the Financial Statements as they are incurred in the period to which they relate.

**(iii) Net gain/ (loss) from trading**

Net gains/(losses) from trading includes all realised and unrealised foreign exchange transactions and unrealised fair value changes on fixed income securities.

**(iv) Net gain/(loss) on derecognition of financial assets measured at amortised cost or FVOCI**

Net gain/(loss) on derecognition of financial assets measured at amortised cost includes income or loss recognised on sale or derecognition of financial assets measured at amortised costs calculated as the difference between the book value (including impairment) and the proceeds received.

**(v) Net Fair Value Gains/ (Losses) from Financial Instruments at Fair Value Through Profit or Loss**

Includes the results arising from unrealised net gains/ losses due to change in fair value of financial instruments at fair value through profit or loss.

**(vi) Net Other Operating Income/(Loss)**

**a. Dividend Income**

Dividend income is recognised when the Group's right to receive the payment is established, which is generally when the shareholders approve the dividend.

**b. Rental Income**

Rental income is recognised on an accrual basis.

**c. Other Income**

Other income is recognised on an accrual basis.

**(vii) Expenses**

All expenditure incurred in the operation of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the Group's profit for the year.

Those expenses have been recognised in the Financial Statements as they are incurred in the period to which they relate.

### 3.20 Segment Information

The Group's segmental reporting is based on the following operating segments: Corporate Banking, Consumer and SME Banking, Leasing, Treasury functions, Investment Banking, Insurance Broking and Property Management.

For management purposes, the Group is organised into operating segments based on customer segments and products, as follows:

- **Corporate Banking:** Primary focus of business is providing loans and other credit facilities and mobilising deposit and current accounts from top to mid tier corporate and institutional customers.
- **Consumer and Commercial Banking:** Primary focus of business is deposit mobilisation from high networth, mass affluent customer segments and providing personal financing including personal, home loans, finance leases and credit card facilities and business financing for small and medium enterprises (SMEs) and mid-market enterprises (MMEs).
- **Treasury and Investment:** Primary focus of business operations includes foreign exchange trading, fixed income security trading, assets and liabilities management, margin trading, money market operations and fund and fee-based activities.

## Notes to the Financial Statements

- Insurance Broking: Primary focus on insurance broking.
- Property Management: Primary focus on renting out premises.

Management monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment.

Segment performance is evaluated based on operating profits or losses which are measured differently from operating profits or losses in the consolidated financial statements. A fund transfer pricing mechanism is adopted for sourcing and utilising of funds based on the Bank's internal pricing framework.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2023 or 2022.

Note 4 presents income and expenses and certain asset and liability information regarding the Group's operating segments.

### 3.21 Standards issued but not yet effective

The new and amended standards and interpretations that are issued up to the date of issuance of the Group / Bank's financial statements but are not effective for the current annual reporting period, are disclosed below.

- **SLFRS 17 – Insurance Contracts**

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026. The Bank/Group expects that the implementation of this standard may not have a material impact on the financial statements of the group.

## 4 Segment Information

### 4.1 Operating Segments

For the Year Ended 31 December 2023  
LKR'000

	Corporate Banking	Consumer and Commercial Banking	Treasury and Investments	Insurance Brokering	Property Management	Unallocated/ Eliminations	Total Group
<b>Operating Income</b>	9,187,812	22,612,002	12,738,134	284,793	353,295	(144,424)	45,031,612
Impairment Charges	(2,321,293)	(3,684,705)	(1,493,965)	-	-	-	(7,499,963)
<b>Net Operating Income</b>	6,866,518	18,927,297	11,244,169	284,793	353,295	(144,424)	37,531,649
<b>Extracts of Results</b>							
Interest Income	21,083,359	21,977,682	27,433,772	133,514	180,849	(251,223)	70,557,953
Inter-Segment	(8,850,023)	16,115,756	(7,265,733)	-	-	-	-
Interest Expense	(4,693,812)	(24,008,937)	(7,190,551)	(1,171)	(811)	288,206	(35,607,076)
<b>Net Interest Income</b>	7,539,525	14,084,501	12,977,487	132,342	180,038	36,984	34,950,877
<b>Net Fees and Commission Income</b>	1,195,784	5,744,678	51,253	152,451	173,257	(216,971)	7,100,451
Net Gain/(Loss) from Trading	452,503	968,148	(2,687,744)	-	-	-	(1,267,093)
Net Fair Value Gains/(Losses) from Financial Instruments at Fair Value Through Profit or Loss	-	-	187,912	-	-	-	187,912
Net Gains/(Losses) on Derecognition of Financial Assets at Fair Value through Other Comprehensive Income	-	-	284,380	-	-	-	284,380
Other Operating Income/(Loss) - Net	-	1,814,675	1,924,846	-	-	35,563	3,775,085
Depreciation of Property, Plant and Equipment	(21,162)	(174,632)	(6,387)	(433)	(19,068)	(25,866)	(247,549)
Depreciation of Right of Use (ROU) Assets	-	(488,053)	-	(5,634)	-	96,161	(397,526)
Amortisation of Intangible Assets	(69,161)	(208,622)	(50,305)	(124)	-	(1,231)	(329,443)
<b>Capital Expenditures</b>							
Property, Plant and Equipment	4,406	31,491	315	-	125	229,689	266,025
Intangible Assets	9,914	29,497	11,982	-	-	250,226	301,620
<b>Total Assets (as at)</b>	142,939,461	150,217,979	232,864,938	889,308	1,584,611	(12,361,914)	516,134,384
<b>Total Liabilities (as at)</b>	85,787,644	269,227,939	84,051,805	46,642	57,487	15,836,730	455,008,247

## Notes to the Financial Statements

#### 4 Segment Information (Contd.)

##### 4.2 Operating Segments

For the Year Ended 31 December 2022  
LKR'000

	Corporate Banking	Consumer and Commercial Banking	Treasury and Investments	Insurance Brokering	Property Management	Unallocated/ Eliminations	Total Group
<b>Operating Income</b>	9,960,853	20,162,493	8,303,031	234,948	281,495	(75,505)	38,867,315
Impairment Charges	(3,577,171)	(6,736,590)	(3,528,469)	-	-	-	(13,842,229)
<b>Net Operating Income</b>	6,383,682	13,425,903	4,774,562	234,948	281,495	(75,505)	25,025,086
<b>Extracts of Results</b>							
Interest Income	17746,969	20,653,849	15,741,577	84,293	112,758	(31,150)	54,308,296
Inter Segment	(6,622,965)	8,803,211	(2,180,246)	-	-	-	-
Interest Expense	(2,987,258)	(16,136,208)	(6,046,277)	(1,823)	(1,319)	165,541	(25,007,344)
<b>Net Interest Income</b>	8,136,746	13,320,852	7,515,054	82,470	111,439	134,390	29,300,952
Net Fees and Commission Income	1,350,067	5,261,789	90,298	152,478	170,055	(230,219)	6,794,468
Net Gain/(Loss) from Trading	474,040	562,169	13,197,060	-	-	-	14,233,269
Net Fair Value Gains/(Losses) from Financial Instruments at Fair Value Through Profit or Loss	-	-	15,848	-	-	-	15,848
Net Gains/(Losses) on Derecognition of Financial Assets at Fair Value through Other Comprehensive Income	-	-	28,279	-	-	-	28,279
Other Operating Income/(Loss) -Net	-	1,017,683	(12,543,507)	-	-	20,323	(11,505,501)
Depreciation of Property, Plant and Equipment	(24,124)	(267,148)	(9,995)	(551)	(19,359)	(24,633)	(345,810)
Depreciation of Right of Use (ROU) Assets	-	(477,936)	-	(5,717)	-	96,243	(387,410)
Amortisation of Intangible Assets	(66,303)	(190,087)	(21,340)	(124)	-	(966)	(278,820)
<b>Capital Expenditures</b>							
Property, Plant and Equipment	3,928	26,233	2,284	433	296	160,082	193,255
Intangible Assets	-	1,350	120,932	-	-	300,117	422,398
<b>Total Assets (as at)</b>	110,435,027	146,849,265	160,625,911	729,187	1,374,629	(5,070,049)	414,943,970
<b>Total Liabilities (as at)</b>	57,023,652	246,393,916	55,222,811	58,711	59,322	10,144,900	368,903,312

## 5 Analysis of Financial Instruments by Measurement Basis

### 5.1 Analysis of Financial Instruments by Measurement Basis – Bank

As at 31 December	2023				2022			
	AC	FVPL	FVOCI	Total	AC	FVPL	FVOCI	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Assets</b>								
Cash and Cash Equivalents	40,179,820	-	-	40,179,820	58,747,889	-	-	58,747,889
Balances with Central Bank of Sri Lanka	2,683,927	-	-	2,683,927	6,074,330	-	-	6,074,330
Reverse Repurchase Agreements	1,502,215	-	-	1,502,215	1,502,266	-	-	1,502,266
Derivative Financial Instruments	-	3,660	-	3,660	-	102,730	-	102,730
Financial Assets Recognised through Profit or Loss- Measured at Fair Value	-	10,934,069	-	10,934,069	-	3,733,781	-	3,733,781
Financial Assets at Fair Value through Other Comprehensive Income	-	-	79,922,903	79,922,903	-	-	30,349,526	30,349,526
Financial Assets at Amortised Cost- Debt Instruments	97,357,849	-	-	97,357,849	59,928,294	-	-	59,928,294
Financial Assets at Amortised Cost- Loans and Advances	270,944,786	-	-	270,944,786	241,241,061	-	-	241,241,061
<b>Total Financial Assets</b>	<b>412,668,597</b>	<b>10,937,729</b>	<b>79,922,903</b>	<b>503,529,229</b>	<b>367,493,840</b>	<b>3,836,511</b>	<b>30,349,526</b>	<b>401,679,877</b>
<b>Liabilities</b>								
Due to Banks	49,681,663	-	-	49,681,663	3,989,152	-	-	3,989,152
Derivative Financial Instruments	-	658,707	-	658,707	-	39,481	-	39,481
Financial Liabilities at Amortised Cost								
Due to Depositors	349,533,404	-	-	349,533,404	298,909,543	-	-	298,909,543
Repurchase Agreements	7,064,447	-	-	7,064,447	3,999,649	-	-	3,999,649
Due to Other Borrowers	18,613,640	-	-	18,613,640	33,740,900	-	-	33,740,900
Debt Securities Issued	8,686,333	-	-	8,686,333	12,355,121	-	-	12,355,121
<b>Total Financial Liabilities</b>	<b>433,579,487</b>	<b>658,707</b>	<b>-</b>	<b>434,238,194</b>	<b>352,994,365</b>	<b>39,481</b>	<b>-</b>	<b>353,033,846</b>

AC – Financial assets/liabilities measured at amortised cost

FVPL – Financial assets/liabilities measured at fair value through profit or loss

FVOCI – Financial assets measured at fair value through other comprehensive income

## Notes to the Financial Statements

### 5 Analysis of Financial Instruments by Measurement Basis (Contd.)

#### 5.2 Analysis of Financial Instruments by Measurement Basis - Group

As at 31 December	2023				2022			
	AC	FVPL	FVOCI	Total	AC	FVPL	FVOCI	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Assets</b>								
Cash and Cash Equivalents	40,179,823	-	-	40,179,823	58,747,775	-	-	58,747,775
Balances with Central Bank of Sri Lanka	2,683,927	-	-	2,683,927	6,074,330	-	-	6,074,330
Reverse Repurchase Agreements	1,502,215	-	-	1,502,215	1,502,266	-	-	1,502,266
Derivative Financial Instruments	-	3,660	-	3,660	-	102,730	-	102,730
Financial Assets Recognised through Profit or Loss- Measured at Fair Value	-	10,934,069	-	10,934,069	-	3,733,781	-	3,733,781
Financial Assets at Fair Value through Other Comprehensive Income	-	-	79,922,903	79,922,903	-	-	30,349,526	30,349,526
Financial Assets at Amortised Cost- Debt Instruments	97,357,849	-	-	97,357,849	59,928,294	-	-	59,928,294
Financial Assets at Amortised Cost- Loans and Advances	270,944,786	-	-	270,944,786	241,241,061	-	-	241,241,061
<b>Total Financial Assets</b>	<b>412,668,600</b>	<b>10,937,729</b>	<b>79,922,903</b>	<b>503,529,232</b>	<b>367,493,726</b>	<b>3,836,511</b>	<b>30,349,526</b>	<b>401,679,763</b>
<b>Liabilities</b>								
Due to Banks	49,681,663	-	-	49,681,663	3,989,152	-	-	3,989,152
Derivative Financial Instruments	-	658,707	-	658,707	-	39,481	-	39,481
Financial Liabilities at Amortised Cost								
Due to Depositors	347,768,600	-	-	347,768,600	297,253,112	-	-	297,253,112
Repurchase Agreements	6,631,325	-	-	6,631,325	3,861,951	-	-	3,861,951
Due to Other Borrowers	18,500,429	-	-	18,500,429	33,532,796	-	-	33,532,796
Debt Securities Issued	8,686,333	-	-	8,686,333	12,355,121	-	-	12,355,121
<b>Total Financial Liabilities</b>	<b>431,268,350</b>	<b>658,707</b>	<b>-</b>	<b>431,927,057</b>	<b>350,992,132</b>	<b>39,481</b>	<b>-</b>	<b>351,031,613</b>

AC - Financial assets/liabilities measured at amortised cost

FVPL - Financial assets/liabilities measured at fair value through profit or loss

FVOCI - Financial assets measured at fair value through other comprehensive income

### 6 Cash and Cash Equivalents

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Cash in Hand	12,497,649	10,087,206	12,497,652	10,087,228
Balances with Banks	27,687,557	45,307,864	27,687,557	45,307,728
Money at Call and Short Notice	-	3,374,121	-	3,374,121
	40,185,206	58,769,191	40,185,209	58,769,077
Less: Provision for Impairment for Balances with Banks (Note 6.1)	(5,386)	(21,302)	(5,386)	(21,302)
	40,179,820	58,747,889	40,179,823	58,747,775

#### 6.1 Movement in provisions for impairment during the year

	Bank/ Group	
	2023	2022
	LKR '000	LKR '000
<b>Stage 1</b>		
Balance as at 01 January	21,302	534
Charge / (Write back) to the Income Statement (Note 36)	(15,365)	20,768
Effect of change in foreign currency exchange rates	(551)	-
<b>Balance as at 31 December</b>	<b>5,386</b>	<b>21,302</b>

## 7 Balances with Central Bank of Sri Lanka

As at 31 December	Bank/ Group	
	2023 LKR '000	2022 LKR '000
Statutory Balance with Central Bank of Sri Lanka	1,703,200	6,074,330
Non Statutory Balance with Central Bank of Sri Lanka	980,727	-
	2,683,927	6,074,330

As required by the provisions of section 93 of the Monetary Law Act, a cash balance is required to be maintained with the Central Bank of Sri Lanka.

As at 31 December 2023, the minimum cash reserve requirement was 2.0% (2022 - 4.0%) of the rupee deposit liabilities of Domestic Banking Unit. There is no reserve requirement for foreign currency deposit liabilities in Domestic Banking Unit and the deposit liabilities in Foreign Currency Banking Unit.

## 8 Reverse Repurchase and Repurchase Arrangements

### 8.1 Reverse repurchase agreements

As at 31 December	Bank/ Group	
	2023 LKR '000	2022 LKR '000
<b>Due from;</b>		
- Banks	-	-
- Other Financial Institutions	1,502,215	1,502,266
- Other Counterparties	-	-
	1,502,215	1,502,266

### 8.2 Repurchase agreements

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
<b>On Securities of Government of Sri Lanka</b>				
<b>Due to;</b>				
- Banks (Note 19)	48,291,455	-	48,291,455	-
- Other Financial Institutions	516,568	253,215	516,568	253,215
- Other Counterparties	6,547,879	3,711,450	6,114,756	3,573,752
	55,355,902	3,964,665	54,922,779	3,826,967
<b>On Other Securities</b>				
<b>Due to;</b>				
- Other Counterparties	-	34,984	-	34,984
	-	34,984	-	34,984
<b>Total Repurchase Agreements</b>	<b>55,355,902</b>	<b>3,999,649</b>	<b>54,922,779</b>	<b>3,861,951</b>
<b>Repurchase Agreements other than with banks* (Note 20)</b>	<b>7,064,447</b>	<b>3,999,649</b>	<b>6,631,325</b>	<b>3,861,951</b>

\*Securities sold under repurchase (repo) agreements are shown on the face of the Statement of Financial Position except for the repos with banks.

## Notes to the Financial Statements

### 8 Reverse Repurchase and Repurchase Arrangements (Contd.)

**8.3** Disclosure as per Registered Stock and Securities Ordinance and Local Treasury Bills Ordinance Direction No 01 of 2019 on Repurchase and Reverse Repurchase transactions of Dealer Direct Participants in Scripless Treasury Bonds and Scripless Treasury Bills

**8.3.1** The fair value of collateral held under reverse repurchase agreements by the Bank/Group amounts to LKR 1,691.72 Mn (2022- LKR 1,691.26 Mn).

**8.3.2** The Bank has allocated government securities amounting to LKR 53,236.95 Mn (2022 - LKR 6,219.92 Mn) in respect of securities sold under repurchase agreements.

#### 8.3.3 Policy on Haircut for Repurchase and Reverse Repurchase Transactions

Board approved policy guideline outlines the allocation of securities and haircut rules for repurchase and reverse repurchase agreements and valuation process. The policy has been formulated in line with the Direction No. 01 of 2019 on Registered Stock and Securities Ordinance and Local Treasury Bills Ordinance issued by the Monetary Board of the Central Bank of Sri Lanka taking into consideration the market practices. Securities are allocated/obtained as per the set guidelines.

Remaining Tenor to Maturity	Repurchase	Reverse
	Transactions	Repurchase Transactions
Up to 1 Year	4%	10%
More than 1 year and up to 3 years	6%	10%
More than 3 years and up to 5 years	8%	12%
More than 5 years and up to 8 years	10%	15%
More than 8 years	12%	N/A

**8.3.4** No penalties were levied on the Bank during the year, for any non compliances with the said direction.

### 9 Derivative Financial Instruments

#### 9.1 Derivative Assets- Held for Trading

At a Gain Position

	Bank/Group		Bank/Group	
	Fair Value of Assets	Contract amount	Fair Value of Assets	Contract amount
	2023	2023	2022	2022
As at 31 December	LKR '000	LKR '000	LKR '000	LKR '000
Foreign Currency Derivatives				
- Currency Swaps	-	-	97,456	17,897,692
- Forward Foreign Exchange Contracts	3,024	251,270	-	-
- Spot Contracts	636	285,061	5,274	286,952
	3,660	536,331	102,730	18,184,644

## 9.2 Derivative Liabilities- Held for Trading

At a Loss Position

	Bank/Group		Bank/Group	
	Fair Value of Liabilities	Contract amount	Fair Value of Liabilities	Contract amount
	2023	2023	2022	2022
As at 31 December	LKR '000	LKR '000	LKR '000	LKR '000
Foreign Currency Derivatives				
- Currency Swaps	656,200	43,949,732	39,237	4,191,781
- Forward Foreign Exchange Contracts	1,992	221,154	-	-
- Spot Contracts	515	107,445	244	10,871
	658,707	44,278,331	39,481	4,202,652

## 10 Financial Assets - Recognised Through Profit or Loss

As at 31 December	Bank/ Group	
	2023	2022
	LKR '000	LKR '000
Measured at Fair Value		
Government of Sri Lanka Treasury Bills	1,914,029	3,515,739
Government of Sri Lanka Treasury Bonds	9,020,040	218,042
	10,934,069	3,733,781

### 10.1 Analysis

As at 31 December	Bank/ Group	
	2023	2022
	LKR '000	LKR '000
By collateralisation		
Pledged as collateral	-	-
Unencumbered	10,934,069	3,733,781
	10,934,069	3,733,781
By currency		
Sri Lankan Rupee	10,934,069	3,733,781
United States Dollar	-	-
	10,934,069	3,733,781

## Notes to the Financial Statements

### 11 Financial Assets at Fair Value Through Other Comprehensive Income

As at 31 December	Bank/ Group	
	2023 LKR '000	2022 LKR '000
Debt Instruments		
- Government of Sri Lanka Treasury Bills	32,913,216	24,819,094
- Government of Sri Lanka Treasury Bonds	46,288,133	5,025,334
- Sri Lanka International Sovereign Bonds	697,025	478,077
Equity Instruments (Note 11.1)	24,529	27,021
	79,922,903	30,349,526

#### 11.1 Equity Instruments at Fair Value through Other Comprehensive Income

As at 31 December	Bank/ Group	
	2023 LKR '000	2022 LKR '000
Lanka Clear (Private) Limited 150,000 Ordinary Shares of LKR 10/- each	1,500	1,500
Credit Information Bureau (CRIB) 9,000 Ordinary Shares of LKR 10/- each	90	90
Lanka Financial Services Bureau 300,000 Ordinary Shares of LKR 10/- each	3,000	3,000
National Credit Guarantee Institution Limited 101 Ordinary Shares of LKR 10/- each	1	-
Society of Worldwide Interbank Financial Telecommunication (SWIFT) 12 Ordinary Shares	19,938	22,431
	24,529	27,021

#### 11.2 Analysis

As at 31 December	Bank/ Group	
	2023 LKR '000	2022 LKR '000
By collateralisation		
Pledged as collateral	7,172,980	4,690,983
Unencumbered	72,749,923	25,658,543
	79,922,903	30,349,526
By currency		
Sri Lankan Rupee	79,205,939	29,849,018
United States Dollar	716,964	500,508
	79,922,903	30,349,526

## 12 Financial Assets at Amortised Cost - Debt Instruments

As at 31 December	Bank/ Group	
	2023 LKR '000	2022 LKR '000
Government of Sri Lanka Treasury Bonds (Note 12.4)	86,890,669	52,900,801
Government of Sri Lanka Treasury Bills	1,932,828	-
US Treasury Bills	4,849,318	-
Sri Lanka Development Bonds	-	1,881,807
Sri Lanka International Sovereign Bonds	8,709,309	8,927,364
Quoted Debentures (Note 12.1)	514,201	769,901
Less: Provision for Impairment (Note 12.3)	(5,538,476)	(4,551,579)
	<b>97,357,849</b>	<b>59,928,294</b>

### 12.1 Quoted Debentures

As at 31 December		No of Debentures		LKR '000	
Company	Type	2023	2022	2023	2022
Commercial Leasing and Finance PLC	Unsecured, Redeemable Debentures	500,000	500,000	514,201	514,240
LOLC Holdings PLC	Senior Listed, Redeemable Debentures	-	2,500,000	-	255,661
		<b>500,000</b>	<b>3,000,000</b>	<b>514,201</b>	<b>769,901</b>

### 12.2 Analysis

As at 31 December	Bank/ Group	
	2023 LKR '000	2022 LKR '000
By collateralisation		
Pledged as collateral	43,750,590	1,528,935
Unencumbered	53,607,259	58,399,359
	<b>97,357,849</b>	<b>59,928,294</b>
By currency		
Sri Lankan Rupee	89,337,556	53,670,502
United States Dollar	8,020,293	6,257,792
	<b>97,357,849</b>	<b>59,928,294</b>

## Notes to the Financial Statements

### 12 Financial Assets at Amortised Cost - Debt Instruments (Contd.)

#### 12.3 Movement in impairment during the year

	Bank / Group					
	2023			2022		
	Stage 01	Stage 02	Total	Stage 01	Stage 02	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 01 January	200	4,551,379	4,551,579	1,064,670	-	1,064,670
Transfer to Stage 01	-	-	-	-	-	-
Transfer to Stage 02	-	-	-	(1,064,542)	1,064,542	-
Net remeasurement of impairment	(58)	2,276,926	2,276,868	72	4,072,417	4,072,489
Effect of change in foreign currency exchange rates	-	(522,119)	(522,119)	-	-	-
Financial assets derecognised or repaid (excluding write off)	-	(767,853)	(767,853)	-	(585,580)	(585,580)
Write -off	-	-	-	-	-	-
New assets originated or purchased	-	-	-	-	-	-
<b>As at 31 December</b>	<b>142</b>	<b>5,538,334</b>	<b>5,538,476</b>	<b>200</b>	<b>4,551,379</b>	<b>4,551,579</b>

\* No impairment recognised under Stage 03 as at 31 December 2023 and 2022.

#### Staging and Allowances for ECL of SLISBs

Sri Lanka International Sovereign Bonds (SLISBs) are classified under stage 2 in line with Banking Act Direction No. 14 of 2021,- Classification, Recognition and Measurement of Financial Assets Other than Credit Facilities in Licensed Banks.

The Bank considered the latest available information including the indicative terms of the debt restructuring exercise currently being undertaken by the Government of Sri Lanka in estimating the impairment provision of SLISB's as at 31 December 2023.

- 12.4** Considering the unprecedented changes in the macro-economic conditions and resulted changes to the business model of managing the assets, the Bank re classified part of its investment in Treasury Bonds issued by the Government of Sri Lanka amounting to LKR 20,960 Mn from Fair Value Through Other Comprehensive Income (FVOCI) to Amortised Cost with effect from 1 April 2022, in accordance with the "Statement of Alternative Treatment (SoAT) on Re-classification of Debt Portfolio" issued by the Institute of Chartered Accountants of Sri Lanka. There was no change to the effective interest rate used and interest income recognised on account of reclassified treasury bond portfolio for the period under review. Had these investments continued to be carried at fair value through other comprehensive income, the fair value of the remaining portfolio as at 31 Dec 2023 would have amounted to LKR 7.523 Bn and would have resulted in a cumulative mark to market loss of LKR 367.185 Mn as at the reporting date.

## 13 Financial Assets at Amortised Cost – Loans and Advances

### 13.1 Credit Exposure Movement – ECL stage-wise

The following tables show reconciliations from the opening to closing balance of the gross carrying amounts and impairment of Loans and Advances.

Bank/Group	2023				2022			
	Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Gross Loans and Advances as at 01 January	192,202,392	48,353,363	19,514,481	260,070,236	218,435,488	25,030,658	15,003,086	258,469,232
Transfer to Stage 1	13,857,055	(13,252,262)	(604,793)	-	4,745,026	(4,279,478)	(465,548)	-
Transfer to Stage 2	(5,988,097)	6,170,147	(182,050)	-	(15,452,422)	15,751,222	(298,800)	-
Transfer to Stage 3	(1,766,018)	(7,917,959)	9,683,977	-	(3,196,702)	(1,682,438)	4,879,140	-
New assets originated or purchased	158,609,087	6,433,642	255,235	165,297,964	73,857,094	9,151,274	3,123,492	86,190,376
Net Movement in Allowance for day 1 difference of staff loans*	(141,419)	-	-	(141,419)	(124,291)	-	-	(124,291)
Financial assets derecognised or repaid (excluding write-offs)	(110,392,366)	(19,826,352)	(4,970,654)	(135,189,372)	(86,061,801)	(8,548,492)	(2,214,108)	(96,824,401)
Write-offs	-	-	(3,596,650)	(3,596,650)	-	-	(2,066,105)	(2,124,621)
Changes to contractual cash flows due to modifications not resulting in derecognition	1,727,941	2,088,178	1,507,440	5,323,559	-	12,930,617	1,553,324	14,483,941
Gross Loans and Advances as at 31 December	248,108,575	22,048,757	21,606,986	291,764,318	192,202,392	48,353,363	19,514,481	260,070,236
Less: Provision for impairment (ECL) (Note 13.5)	(2,648,978)	(6,028,490)	(12,142,064)	(20,819,532)	(1,683,496)	(6,836,523)	(10,309,156)	(18,829,175)
Net Loan and Advances	245,459,597	16,020,267	9,464,922	270,944,786	190,518,896	41,516,840	9,205,325	241,241,061

Gross loans included under stage 1 reflects the balance net of allowance for day 1 difference of staff loans of LKR 810.65 Mn (2022 – LKR 669.23 Mn) (Note 14) which add on to LKR 292,574.97 Mn (2022 – 260,039.47Mn).

Gross amount of loans and advances individually determined to be impaired, before deducting individually assessed impairment allowance amounts to LKR 26,204 Mn (2022 – LKR 43,654 Mn).

Impairment provision made in respect of commitment and contingent liabilities amounts to LKR 1,290.74 Mn (2022 – LKR 971.84 Mn) and reflected in Note 24.3.

The bank follows the directions issued by Central Bank of Sri Lanka in defining and Staging of restructured and rescheduled loans. Accordingly, the bank classifies loans restructured up to two times as Stage 2 and loans restructured for more than two times and rescheduled loans as Stage 3.

## Notes to the Financial Statements

### 13 Financial Assets at Amortised Cost – Loans and Advances (Contd.)

#### 13.1 Credit Exposure Movement – ECL stage-wise (Contd.)

As at 31 December	2023		2022	
	Rescheduled LKR '000	Restructured LKR '000	Rescheduled LKR '000	Restructured LKR '000
Restructured/Rescheduled Loans during the year	2,132,378	3,191,181	12,930,954	1,553,298
Restructured and Rescheduled loans upgraded and in Stage O1 at the Year end	1,527,706	2,578,035	1,357,254	1,010,032
Restructured and Rescheduled loans upgraded in previous years and reclassified to Stage O2 or O3 at the Year end	1,921,876	2,935,207	1,664,245	3,298,152

The bank continues with legal actions for written off contracts even though amount receivable is excluded from the loan book for accounting purposes.

#### 13.2 Gross Loans and Advances by Product

As at 31 December	Bank/Group	
	2023 LKR '000	2022 LKR '000
Bills of Exchange	3,469	50,289
Trade Finance	89,399,465	65,276,528
Overdrafts	45,576,535	45,534,151
Term Loans	103,763,249	90,900,204
Staff Loans	3,477,105	3,510,156
Leases (Note 13.6)	23,943,559	26,482,193
Credit Cards	26,146,932	28,686,834
Pawning	1,741	36,166
Other Advances	262,917	262,950
	292,574,972	260,739,471

#### 13.3 Gross Loans and Advances by Currency

As at 31 December	Bank/Group	
	2023 LKR '000	2022 LKR '000
Sri Lanka Rupee	243,975,576	213,568,436
United States Dollar	48,548,788	46,966,172
Great Britain Pound	14,168	30,093
Others	36,440	174,770
	292,574,972	260,739,471

### 13.4 Gross Loans and Advances by Industry

The industry wise exposure of gross Loans and advances are disclosed in Note 47.

### 13.5 Movement in impairment during the year

Bank/Group	2023				2022			
	Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
Provision for impairment (ECL)	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 1 <sup>st</sup> January	1,683,496	6,836,523	10,309,156	18,829,175	1,442,138	1,679,978	7,905,688	11,027,804
Transfer to Stage 1	876,303	(639,444)	(236,859)	-	264,770	(111,345)	(153,425)	-
Transfer to Stage 2	(98,347)	152,065	(53,718)	-	(150,268)	219,499	(69,231)	-
Transfer to Stage 3	(53,410)	(1,286,157)	1,339,567	-	(61,943)	(152,939)	214,882	-
Net remeasurement of impairment	(393,069)	1,982,950	4,731,794	6,321,675	(339,914)	4,157,161	3,695,771	7,513,018
Financial assets derecognised or repaid (excluding write-offs)	(398,758)	(1,829,638)	(1,277,804)	(3,506,200)	(178,328)	(295,770)	(213,304)	(687,402)
Write-offs	-	-	(3,596,650)	(3,596,650)	-	-	(2,066,105)	(2,066,105)
New assets originated or purchased including restructures and reschedulements	1,037,501	872,113	926,578	2,836,192	691,692	1,317,676	994,880	3,004,249
Effect of change in foreign currency exchange rates	(4,738)	(59,922)	-	(64,660)	15,349	22,263	-	37,612
As at 31 <sup>st</sup> December	2,648,978	6,028,490	12,142,064	20,819,532	1,683,496	6,836,523	10,309,156	18,829,175

In response to externalities prevailed during the year and the Bank's expectations of economic impacts of the same, key assumptions used in the Bank's calculation of ECL have been updated as required. As of the reporting date, the expected impacts have been captured via the modelled outcome as well as a separate management overlay reflecting the uncertainty remaining in the modelled outcome.

Staging of the facilities identified with an elevated risk was moved to a higher stage where necessary to capture the significant increase in credit risk. The bank evaluated the total loan book during the identification of risk elevated customers. A customer level assessment which is not limited to the customer's industry but certain other aspects like income level, remaining loan value, historical repayment trends, group support etc. was carried out. The additional ECL provisions as a management overlay are provided to absorb any potential economic shocks anticipated.

### 13.6 Rental Receivable on Leases

As at 31 December	2023				2022			
	Bank/Group				Bank/Group			
	Within 1 year	1 - 5 years	Over 5 years	Total	Within 1 year	1 - 5 years	Over 5 years	Total
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Gross Rentals Receivables	11,915,325	16,512,163	2,800,620	31,228,108	13,465,518	19,059,127	2,931,435	35,456,080
Less : Unearned Income	(3,333,126)	(3,948,077)	(3,346)	(7,284,549)	(3,954,282)	(5,018,660)	(945)	(8,973,886)
Net Rentals Receivables	8,582,199	12,564,086	2,797,274	23,943,559	9,511,236	14,040,467	2,930,490	26,482,193
Less : Allowance for Impairment Losses	-	-	-	(1,343,083)	-	-	-	(1,430,925)
Total Net Rentals Receivables	8,582,199	12,564,086	2,797,274	22,600,476	9,511,236	14,040,467	2,930,490	25,051,268

## Notes to the Financial Statements

## 14 Other Assets

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Deposits and Prepayments	1,296,562	646,408	1,305,117	654,975
Unamortised Staff Cost (Note 13)	810,653	669,233	810,653	669,233
Senior Citizen interest re-imburement	-	1,138,765	-	1,138,765
Other Receivables	1,261,218	941,039	1,285,688	964,217
Less: Impairment for Other Receivables (Note 14.1)	(15,781)	(19,325)	(23,629)	(27,174)
	3,352,652	3,376,120	3,377,829	3,400,016

## 14.1 Movement in Impairment during the year

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance as at 01 January	19,325	30,357	27,174	38,206
Charge / (write back) to income statement (Note 36)	5,852	(1,152)	5,852	(1,152)
Write -off during the Year	(9,396)	(9,880)	(9,396)	(9,880)
Balance as at 31 December	15,781	19,325	23,629	27,174

## 15 Investments in Subsidiaries

Unquoted		Bank			
As at 31 December	Country of Incorporation	2023	2022	2023	2022
		Holding	Holding	Cost	Cost
Name of Company		%	%	LKR '000	LKR '000
Waldock Mackenzie Limited	Sri Lanka	99.99	99.99	-	-
Allied Properties Limited	Sri Lanka	99.99	99.99	652,907	652,907
Nations Insurance Brokers Limited	Sri Lanka	99.99	99.99	25,803	25,803
Net Carrying Amount				678,710	678,710

## 16 Property, Plant and Equipment

### 16.1 Bank

Gross Carrying Amounts	Land - Freehold	Land - Leasehold	Buildings	Motor Vehicles	Office and Electrical Equipments	Computer hardware	Furniture, Fixtures and Fittings	Leasehold Improvements	Capital Work In Progress	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Cost</b>										
<b>As at 01 January 2022</b>	1,578,900	-	159,200	4,799	802,961	2,494,460	894,084	434,824	827	6,370,055
Additions	-	-	510	-	24,812	115,316	30,788	21,108	-	192,534
Disposals	-	-	-	-	(25,437)	(1,647)	(4,947)	-	-	(29,030)
Revaluation Surplus	170,100	-	76,145	-	-	-	-	-	-	246,245
Accumulated Depreciation Adjustment on Revaluation	-	-	(15,216)	-	-	-	-	-	-	(15,216)
Capital WIP - Additions during the year	-	-	-	-	-	-	-	-	86,811	86,811
Capital WIP - Capitalised during the year	-	-	-	-	-	-	-	-	(827)	(827)
<b>As at 31 December 2022</b>	1,749,000	-	220,639	4,799	802,336	2,608,129	922,925	455,932	86,811	6,850,571
Additions	-	-	-	-	44,769	171,933	26,381	22,817	-	265,900
Disposals	-	-	-	(740)	(20,928)	(27,956)	(22,544)	(46,686)	-	(118,851)
Reclassifications *	-	-	2,850	-	(2,850)	-	-	-	-	-
Capital WIP - Additions during the year	-	-	-	-	-	-	-	-	77,881	77,881
Capital WIP - Capitalised during the year	-	-	-	-	-	-	-	-	(86,811)	(86,811)
<b>As at 31 December 2023</b>	1,749,000	-	223,489	4,059	823,327	2,752,106	926,765	432,063	77,881	6,988,690
<b>Depreciation / Amortisation</b>										
<b>As at 01 January 2022</b>	-	-	10,188	4,500	681,970	2,200,125	747,557	395,036	-	4,039,376
Charge for the year	-	-	5,231	-	43,890	192,630	44,991	19,898	-	303,640
Disposals	-	-	-	-	(21,535)	(1,647)	(4,792)	-	-	(24,974)
Accumulated depreciation adjustment on revaluation	-	-	(15,216)	-	-	-	-	-	-	(15,216)
<b>As at 31 December 2022</b>	-	-	203	4,500	704,325	2,391,108	787,756	444,934	-	4,302,826
Charge for the year	-	-	8,212	-	29,546	111,401	35,615	18,745	-	203,519
Disposals	-	-	-	(740)	(20,426)	(27,956)	(19,554)	(46,076)	-	(114,752)
<b>As at 31 December 2023</b>	-	-	845	3,760	713,445	2,474,553	803,817	387,603	-	4,391,593
<b>At 01 January 2022</b>	1,578,900	-	149,012	299	120,991	294,335	146,527	397,88	827	2,330,679
<b>At 31 December 2022</b>	1,749,000	-	220,436	299	98,011	217,021	135,169	40,998	86,811	2,547,745
<b>At 31 December 2023</b>	1,749,000	-	215,074	299	109,882	277,553	122,948	44,460	77,882	2,597,097

During the financial year, the Bank acquired Property, Plant and Equipment to the aggregate value of LKR 265.9 Mn (2022 - LKR 192.5 Mn). Cash payments amounting to LKR 256.9 Mn (2022- LKR 278.5 Mn) were made during the year for purchase of property, plant and equipment. Property, plant and equipment includes fully depreciated assets having a gross carrying amount of LKR 3,914 Mn. (2022- LKR 3,685 Mn).

\* Reclassification represents transfers from electronic equipment to buildings.

**16.1.1** The carrying amount of Bank's freehold land and buildings, if they were carried at cost less accumulated depreciation would be as follows;

	2023		2022	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
<b>As at 31 December</b>	LKR '000	LKR '000	LKR '000	LKR '000
Freehold Land	559,440	-	559,440	-
Freehold Building	124,272	57,904	124,272	54,879
Total	683,712	57,904	683,712	54,879
				628,833
				559,440
				69,393
				628,833



## 16.3 Details of Land and Building Stated at Valuation

Valuer – Mr. P B Kalugalagedara, Chartered Valuation Surveyor

Location	Date of Valuation	Net Book Value Before Revaluation		Revaluation amount		Revaluation gain recognised in OCI		
		Land	Building	Land	Building	Land	Building	Total
		LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn
No.242, Union Place, Colombo 02	31 - 12 - 2022	1,377,000	125,591	1,530,000	178,488	153,000	52,897	205,897
No.76, York Street Fort, Colombo 01	31 - 12 - 2022	201,900	21,753	219,000	45,000	17,100	23,247	40,347
<b>Total - Bank</b>		<b>1,578,900</b>	<b>147,344</b>	<b>1,749,000</b>	<b>223,488</b>	<b>170,100</b>	<b>76,144</b>	<b>246,244</b>
No.46/58, Navam Mawatha, Colombo 02	31 - 12 - 2022	-	788,457	-	809,450	-	20,993	20,993
<b>Total - Group *</b>		<b>1,578,900</b>	<b>935,801</b>	<b>1,749,000</b>	<b>1,032,938</b>	<b>170,100</b>	<b>97,137</b>	<b>267,237</b>

\*Land and Buildings consist of properties of Nations Trust Bank PLC (The Bank) and Allied Properties Limited (Subsidiary). Method of Valuation is disclosed in Note 46.1.2

## 17 Right of use assets (ROU)

17.1 The key assumptions used for the computation of operating lease liabilities include the following:

The incremental borrowing rate used for the new agreements entered into during the year 2023 was at 20.65% (2022 - 20.44%) while the average rate used for other agreements was at 11%.

### 17.2

	Bank				Group			
	Land and Buildings	Computer related Equipment	Motor Vehicles	Total	Land and Buildings	Computer related Equipment	Motor Vehicles	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Gross Carrying Amount</b>								
As at 01 January 2022	2,412,716	212,169	48,966	2,673,851	2,050,610	212,169	48,966	2,311,745
Additions	392,143	-	2,872	395,015	392,143	-	2,872	395,015
Disposals / Derecognition	(180,988)	-	-	(180,988)	(180,988)	-	-	(180,988)
As at 31 December 2022	2,623,871	212,169	51,838	2,887,878	2,261,765	212,169	51,838	2,525,772
Other adjustments	404,703	-	78,075	482,778	404,703	-	78,075	482,778
Additions	233,602	-	-	233,602	233,602	-	-	233,602
Disposals / Derecognition	(438,151)	-	(40,655)	(478,806)	(438,151)	-	(40,655)	(478,806)
As at 31 December 2023	2,824,025	212,169	89,258	3,125,452	2,461,919	212,169	89,258	2,763,346
<b>Depreciation</b>								
As at 01 January 2022	930,047	93,272	27,710	1,051,029	839,519	93,272	27,710	960,501
Depreciation charge for the year	427,807	34,417	15,712	477,936	337,281	34,417	15,712	387,410
Disposals / Derecognition	(133,547)	-	-	(133,547)	(133,832)	-	-	(133,832)
As at 31 December 2022	1,224,307	127,689	43,422	1,395,418	1,042,968	127,689	43,422	1,214,079
Other adjustments	110,561	-	(4,961)	105,600	110,561	-	(4,961)	105,600
Depreciation charge for the year	427,034	34,417	26,602	488,053	336,507	34,417	26,602	397,526
Disposals / Derecognition	(182,913)	-	-	(182,913)	(182,914)	-	-	(182,914)
As at 31 December 2023	1,578,989	162,106	65,063	1,806,158	1,307,122	162,106	65,063	1,534,291
<b>Net Book Value</b>								
As at 01 January 2022	1,482,669	118,897	21,256	1,622,822	1,211,091	118,897	21,256	1,351,244
As at 31 December 2022	1,399,564	84,480	8,416	1,492,460	1,218,797	84,480	8,416	1,311,693
As at 31 December 2023	1,245,036	50,063	24,195	1,319,294	1,154,797	50,063	24,195	1,229,055

## Notes to the Financial Statements

### 17 Right of use assets (ROU) (Contd.)

**17.3** In order to illustrate the significance of the incremental borrowing rate assumed in this valuation, a sensitivity analysis for all right of use (ROU) assets is as follows.

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Change in incremental borrowing rate				
+1%	1,281,003	1,306,731	1,192,218	1,299,038
-1%	1,360,780	1,577,045	1,268,465	1,392,415

**17.4** Set out below are the carrying amounts of lease liabilities (included under due to other borrowers in Note 20.2) and the movement during the year;

	Bank LKR '000	Group LKR '000
As at 01 January 2022	1,698,010	1,402,003
Additions	395,015	395,015
Accretion of interest	204,959	176,577
Disposal	(40,003)	(34,050)
Payments	(623,182)	(512,850)
As at 31 December 2022	1,634,798	1,426,697
Adjustment to previous year opening balance	98,342	98,902
Additions	233,602	233,602
Accretion of interest	169,752	151,154
Disposal	(4,089)	(4,089)
Payments	(665,642)	(552,712)
As at 31 December 2023	1,466,763	1,353,552

The Bank and Group had total cash outflows for leases of LKR 665.6 Mn and LKR 552.7 Mn respectively (2022 – LKR 623.2 Mn and LKR 512.8 Mn).

## 18 Intangible Assets

	Bank	Group
Computer Software	LKR '000	LKR '000
<b>Cost</b>		
<b>As at 01 January 2022</b>	3,562,393	3,563,262
Additions	422,398	422,398
Capital WIP - Additions during the year	160,484	160,484
Capital WIP - Capitalised during the year	(193,546)	(193,546)
<b>As at 31 December 2022</b>	3,951,729	3,952,598
Additions	301,621	301,621
Capital WIP - Additions during the year	256,494	256,494
Capital WIP - Capitalised during the year	(160,484)	(160,484)
<b>As at 31 December 2023</b>	4,349,360	4,350,229
<b>Amortisation</b>		
<b>As at 01 January 2022</b>	2,387,925	2,388,057
Charge for the year	278,696	278,820
<b>As at 31 December 2022</b>	2,666,621	2,666,877
Charge for the year	329,319	329,443
<b>As at 31 December 2023</b>	2,995,940	2,996,320
<b>Net Book Value</b>		
<b>As at 01 January 2022</b>	1,174,468	1,175,204
<b>As at 31 December 2022</b>	1,285,108	1,285,721
<b>As at 31 December 2023</b>	1,353,420	1,353,909

During the financial year, the Bank/Group acquired Intangible Assets to the aggregate value of LKR 301.6 Mn. (2022- LKR 422Mn). Cash payments amounting to LKR 397.6 Mn (2022- LKR 389.3 Mn). were made during the year for purchase of Intangible Assets.

## Notes to the Financial Statements

### 19 Due to Banks

As at 31 December	Bank/ Group	
	2023	2022
	LKR '000	LKR '000
Money Market Borrowing	750,579	1,823,108
Securities Sold under Repurchase Agreements (Repo) (Note 8.2)	48,291,455	-
Deposits from Other Banks	639,629	2,166,044
	49,681,663	3,989,152

### 20 Financial Liabilities at Amortised Cost

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Due to Depositors (Note 20.1)	349,533,404	298,909,543	347,768,600	297,253,112
Securities sold under repurchase (repo) agreements (Note 8.2)	7,064,447	3,999,649	6,631,325	3,861,951
Due to Other Borrowers (Note 20.2)	18,613,640	33,740,900	18,500,429	33,532,796
	375,211,491	336,650,092	372,900,354	334,647,859

#### 20.1 Analysis of amount due to depositors

##### 20.1.1 By Product

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Demand Deposits	34,668,206	29,508,629	34,663,916	29,499,656
Saving Deposits	73,933,880	64,490,314	73,933,880	64,490,314
Time Deposits	240,931,318	204,910,600	239,170,804	203,263,142
	349,533,404	298,909,543	347,768,600	297,253,112

##### 20.1.2 By Currency

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Sri Lanka Rupee	232,019,089	205,667,571	230,254,285	204,011,140
United States Dollar	108,218,141	82,978,166	108,218,141	82,978,166
Sterling Pound	2,827,166	3,040,431	2,827,166	3,040,431
Others	6,469,008	7,223,375	6,469,008	7,223,375
	349,533,404	298,909,543	347,768,600	297,253,112

## 20.2 Due to Other Borrowers

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Development Finance Institutions (DFI) (Note 20.2.1)	9,674,873	20,994,013	9,674,873	20,994,013
Refinance Borrowings	5,339,344	5,423,779	5,339,344	5,423,779
Financial Institutions	2,132,659	5,688,310	2,132,659	5,688,310
Operating Lease Liability	1,466,764	1,634,798	1,353,553	1,426,694
	18,613,640	33,740,900	18,500,429	33,532,796

**20.2.1** These borrowings are from Foreign Development Finance Institutions with an original maturity of 5 years. Interest is payable on a variable base with a fixed spread.

## 21 Debt Securities Issued

As at 31 December	Bank/Group	
	2023 LKR '000	2022 LKR '000
<b>Subordinated Debt Securities Issued by the Bank</b>		
Rated, Unsecured, Redeemable Debentures (Note 21.1)	4,510,300	8,182,179
<b>Senior Debt Securities Issued by the Bank</b>		
Unlisted, Rated, Unsecured, Senior, Redeemable Debentures (Note 21.1)	4,176,033	4,172,942
	8,686,333	12,355,121

## Notes to the Financial Statements

## 21 Debt Securities Issued (Contd.)

### 21.1 Details of Debentures Issued by the Bank / Group

Debt Security Categories	CSE Listing	Interest Payable Frequency	Issued Date	Maturity Date	Face Value	Market Values 2023			Interest Rates 2023		Interest rate of Comparable Government Securities		Other Ratios as at date of Last Trade	
						2023	Highest	Lowest	Year End	Coupon Rate	Effective Annual Yield	2023	2022	Interest Yield
						LKR '000	LKR	LKR	LKR	(%)	(%)	%	%	%
<b>For the Year Ended 31 December</b>														
<b>Listed Debentures</b>														
Fixed Rate	NTB-BD-20/04/23-C2402-1265	Semi-Annually	20-Apr-18	20-Apr-23	-	2,213,000	Not traded during the current period	12.65	13.05	-	25.16	Not traded during the current period		
Fixed Rate	NTB-BD-20/04/23-C2401-13	Annually	20-Apr-18	20-Apr-23	-	1,287,000	Not traded during the current period	13.00	13.00	-	25.16	Not traded during the current period		
Fixed Rate	NTB-BD-23/12/24 - C2441-128	Annually	23-Dec-19	23-Dec-24	2,700,000	2,700,000	Not traded during the current period	12.80	12.80	13.56	27.38	Not traded during the current period		
Fixed Rate	NTB-BD-23/12/26 - C2442-129	Annually	23-Dec-19	23-Dec-26	1,800,000	1,800,000	Not traded during the current period	12.90	12.90	13.68	27.15	Not traded during the current period		
<b>Unlisted Debentures</b>														
Fixed Rate	N/A	Semi-Annually	09-Jul-21	09-Jul-26	449,760	449,760	N/A	8.90	9.10	13.64	28.2	N/A		
Fixed Rate	N/A	Annually	09-Jul-21	09-Jul-26	3,550,240	3,550,240	N/A	9.15	9.15	13.64	28.2	N/A		
<b>Total Debt Securities Issued</b>						<b>8,500,000</b>	<b>12,000,000</b>							
<b>Ratios of Debt</b>											<b>2023</b>	<b>2022</b>		
Debt* / Equity Ratio %											<b>41.54</b>	<b>83.35</b>		
Interest Cover (Times)											<b>7.38</b>	<b>4.21</b>		
Quick Asset Ratio %											<b>120</b>	<b>136</b>		

\*Borrowings of which original maturity with five years or more are considered for debt.

**21.2** All the securities were issued by Nations Trust Bank PLC. The Bank has not had any defaults of principal, interest or other breaches with regard to any liabilities as of 31 December 2023.

## 22 Retirement Benefit Obligations

The employee benefit liability is based on the actuarial valuation as of 31 December 2023, carried out by M/s Actuarial and Management Consultants (Private) Limited, a firm professional actuaries.

The key assumptions used by the actuary include the following:

	2023	2022
Rate of Discount	13.50%	19.00%
Rate of Salary Increase	12.00%	17.00%
Retirement Age	60 years	60 years

### 22.1 Net benefit expense categorised under personnel expenses:

For the year ended 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Interest Cost	176,799	93,409	178,790	94,537
Current Service Cost	130,813	95,135	131,689	95,742
	307,612	188,544	310,479	190,279

### 22.2 Changes in the present value of the Retirement Benefit Plan are as follows;

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
As at 01 January	942,933	831,793	953,715	841,985
Interest Cost (Note 22.1)	176,799	93,409	178,790	94,537
Current Service Cost (Note 22.1)	130,813	95,135	131,689	95,742
Benefits Paid	(163,927)	(131,905)	(165,421)	(131,905)
Gratuity Payable	(9,517)	(18,119)	(9,517)	(18,119)
Actuarial (Gain)/ Loss	165,123	72,620	161,660	71,475
As at 31 December	1,242,223	942,933	1,250,916	953,715

## Notes to the Financial Statements

### 22 Retirement Benefit Obligations (Contd.)

22.3 In order to illustrate the significance of the salary escalation rates and discount rates assumed in this valuation, a sensitivity analysis for all employees assuming the above is as follows;

Group					Group			
2023					2022			
Salary Escalation Rate	Discount Rate	PVDBO	Effect on Other Comprehensive Income	Salary Escalation Rate	Discount Rate	PVDBO	Effect on Other Comprehensive Income	
		LKR '000	LKR '000			LKR '000	LKR '000	
12.0%	14.50%	1,185,919	64,997	17.0%	20.00%	905,458	48,257	
12.0%	12.50%	1,275,624	(24,708)	17.0%	18.00%	979,551	(25,836)	
13.0%	13.50%	1,281,269	(30,352)	18.0%	19.00%	983,894	(30,179)	
11.0%	13.50%	1,179,910	71,006	16.0%	19.00%	900,859	52,855	

22.4 Average future working life time as per the assumptions made in year 2023 – 4.3 years (2022 – 6.17 years).

22.5 Maturity Profile of the Defined Benefit Obligation as at 31 December is as follows,

Future Working Life Time	Group	
	2023	2022
	LKR '000	LKR '000
Within the next 12 months	275,502	185,492
Between 1 – 2 years	368,157	261,055
Between 2 – 5 years	301,944	239,110
Between 5 – 10 years	232,584	187,787
Beyond 10 years	72,729	80,271
	1,250,916	953,715

Weighted Average duration of Defined Benefit Obligation is 4.1 years (2022 – 6.67 years)

### 23 Current Tax Liabilities

	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01 January	5,179,372	2,440,631	5,242,809	2,460,712
Payments made / Tax credits set off	(7,220,232)	(3,841,068)	(7,411,113)	(3,911,357)
Charge for the year (Note 40.1)	7,571,375	5,835,761	7,747,537	5,949,407
(Over)/Under Provisions for the Previous Year (Note 40.1)	88,000	744,048	88,000	744,048
Balance as at 31 December	5,618,515	5,179,372	5,667,233	5,242,809

The Bank computed the income tax liability for the year of assessment 2023/2024 at the rate of 30%.

## 24 Other Liabilities

As at 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Accounts Payable and Sundry Creditors	5,604,743	4,418,666	5,633,161	4,439,565
Obligations under Financial Guarantees (Note 24.1)	199,981	198,867	199,981	198,867
Margin Balances	713,687	891,870	713,687	891,870
Pay Orders	975,226	223,932	975,226	223,932
Share Based Payments (Note 24.2)	142,858	72,623	142,858	72,623
Impairment in respect of off-balance sheet credit exposure (Note 24.2)	1,290,742	971,836	1,290,742	971,836
Others	7,193,447	4,862,418	7,207,386	4,876,482
	<b>16,120,684</b>	<b>11,640,212</b>	<b>16,163,041</b>	<b>11,675,175</b>

**24.1** The movement in 'Obligations under Financial Guarantees' during the year is as follows;

	Bank/ Group	
	2023	2022
	LKR '000	LKR '000
As at 01 January	198,867	157,386
Income recognised during the year	(685,097)	(680,508)
Arising during the Year	686,211	721,989
As at 31 December	<b>199,981</b>	<b>198,867</b>

## Notes to the Financial Statements

## 24 Other Liabilities (Contd.)

### 24.2 Share Based Payments

#### Provision for Employee Share Appreciation Rights (ESAR)

	Bank/Group											
	Scheme 2 - 2018		Scheme 3 - 2019		Scheme 4 - 2020		Scheme 5 - 2021		Scheme 6 - 2022		Scheme 7 - 2023	
	Number of SARs	Value LKR '000										
<b>As at 01 January 2022</b>	881,781	3,833	968,542	3,791	1,174,043	24,005	1,332,724	40,994	-	-	-	-
Granted during the year	-	-	-	-	-	-	-	-	1,500,000	12,383	-	-
Exercised during the year	-	-	-	-	-	-	-	-	-	-	-	-
Cancelled during the year	(196,970)	(856)	(152,210)	(596)	(211,532)	(4,325)	(213,893)	(6,580)	-	-	-	-
Forfeited during the year	(6,061)	(26)	-	-	-	-	-	-	-	-	-	-
Increase in ESAR due to scrip issue	-	-	-	-	-	-	-	-	-	-	-	-
Movement of ESAR During the Period	-	-	-	-	-	-	-	-	-	-	-	-
<b>As at 31 December 2022</b>	678,750	2,951	816,333	3,195	962,511	19,680	1,118,831	34,414	1,500,000	12,383	-	-
<b>As at 01 January 2023</b>	678,750	2,951	816,333	3,195	962,511	19,680	1,188,758	34,414	1,500,000	12,383	-	-
Granted during the year	-	-	-	-	-	-	-	-	-	-	1,500,000	24,610
Exercised during the year	-	-	(686,093)	(27,484)	(962,233)	(52,499)	(262,663)	(5,637)	(157,036)	(1,666)	-	-
Cancelled during the year	(678,750)	(2,951)	(70,909)	(278)	(21,671)	(443)	(29,871)	(865)	(149,513)	(1,234)	-	-
Forfeited during the year	-	-	-	-	-	-	-	-	-	-	-	-
Increase in ESAR due to scrip issue	-	-	99,747	390	122,187	2,498	72,019	2,085	91,057	752	-	-
Movement of ESAR During the Period	-	-	-	32,532	-	38,268	-	27,411	-	34,747	-	-
<b>As at 31 December 2023</b>	-	-	159,078	8,356	100,793	7,504	968,243	57,408	1,284,509	44,980	1,500,000	24,610

The value of the ESAR liability as at 31 December for each scheme is given below.

Scheme	2023	2022
	LKR '000	LKR '000
Scheme 3	8,356	-
Scheme 4	7,504	6,743
Scheme 5	57,408	13,199
Scheme 6	44,980	9,152
Scheme 7	24,610	-
	<b>142,158</b>	<b>29,094</b>

The following table lists the input to the model used for valuation of the liability under SARs as at 31 December each year.

	2023							2022							
	Scheme 3	Scheme 4	Scheme 5	Scheme 6	Scheme 7	Scheme 2	Scheme 3	Scheme 4	Scheme 5	Scheme 6	Scheme 2	Scheme 3	Scheme 4	Scheme 5	Scheme 6
Dividend Yield	3.77%	3.77%	3.77%	3.77%	3.77%	7.39%	7.39%	7.39%	7.39%	7.39%	7.39%	7.39%	7.39%	7.39%	7.39%
Expected Volatility	38.00%	38.00%	38.00%	38.00%	38.00%	30.64%	30.64%	30.64%	30.64%	30.64%	30.64%	30.64%	30.64%	30.64%	30.64%
Risk Free Interest Rate	12.70%	12.70%	12.70%	12.70%	12.70%	28.39%	28.39%	28.39%	28.39%	28.39%	28.39%	28.39%	28.39%	28.39%	28.39%
Employee turnover	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
Expected Life of the Option	0.25 Years	1.25 Years	2.25 Years	3.25 Years	4.25 Years	0.25 Years	1.25 Years	2.25 Years	3.25 Years	4.25 Years	0.25 Years	1.25 Years	2.25 Years	3.25 Years	4.25 Years
Weighted Average Share Price on Grant Date	8961	72.26	54.98	48.75	62.00	78.47	89.61	72.26	54.98	48.75	76.80	89.61	72.26	54.98	48.75
Adjusted Share Price on Grant Date	79.52	64.12	48.79	45.96	62.00	76.80	89.61	72.26	54.98	48.75	76.80	89.61	72.26	54.98	48.75

## Notes to the Financial Statements

### 24 Other Liabilities (Contd.)

#### 24.3 Impairment in respect of off-balance sheet credit exposure

Provision for impairment (ECL)	Bank / Group							
	2023				2022			
	Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 01 January	756,651	146,636	68,549	971,836	430,982	42,256	1,572	474,810
Transfer to Stage 1	44,049	(35,295)	(8,754)	-	13,432	(13,276)	(157)	-
Transfer to Stage 2	(5,586)	5,838	(252)	-	(6,451)	6,451	-	-
Transfer to Stage 3	(2,433)	(2,702)	5,135	-	(2,385)	(3,627)	6,012	-
Net remeasurement of impairment	172,824	19,298	12,321	204,444	76,206	(43,918)	31,691	63,979
Net change in new exposures originated or purchased/exposures derecognised or repaid (excluding write-offs)	194,515	(35,022)	(39,782)	119,711	242,795	158,722	29,431	430,948
Effect of change in foreign currency exchange rates	(2,938)	(2,310)	-	(5,248)	2,071	28	-	2,099
As at 31 December	1,157,083	96,442	37,218	1,290,742	756,651	146,636	68,549	971,836

The following tables show reconciliations from the opening to closing balance of gross carrying values of Commitments and Contingencies relating to above impairment.

Gross Carrying amount	Bank / Group							
	2023				2022			
	Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 01 January	165,546,275	13,514,626	2,469,909	181,530,810	178,627,940	6,369,263	957,937	185,955,140
Transfer to Stage 1	1,558,387	(1,558,387)	-	-	1,839,134	(1,763,465)	(75,669)	-
Transfer to Stage 2	(535,578)	535,578	-	-	(7,339,840)	7,346,668	(6,828)	-
Transfer to Stage 3	(37,589)	(31,958)	69,547	-	(1,160,218)	(288,042)	1,448,260	-
Net change in new exposures originated or purchased/exposures derecognised or repaid (excluding write-offs)	42,791,439	(7,961,977)	(217,347)	34,612,115	(6,420,741)	1,850,203	146,209	(4,424,330)
As at 31 December	209,322,934	4,497,882	2,322,109	216,142,925	165,546,275	13,514,626	2,469,909	181,530,810



## Notes to the Financial Statements

### 26 Stated Capital

	Bank /Group		Bank /Group	
	2023		2022	
	Number	LKR '000	Number	LKR '000
<b>Ordinary Shares - Voting</b>				
<b>Issued and fully paid</b>				
As at 01 January	260,428,814	7,167,872	245,134,821	6,309,792
Scrip Dividend	15,818,221	885,820	15,290,484	857,796
Conversion of Non Voting Shares to Voting Shares	973	76	3,509	284
<b>As at 31 December</b>	<b>276,248,008</b>	<b>8,053,768</b>	<b>260,428,814</b>	<b>7,167,872</b>
<b>Ordinary Shares - Convertible Non Voting</b>				
<b>Issued and fully paid</b>				
As at 01 January	41,045,753	3,233,560	38,717,051	3,098,343
Scrip Dividend	2,327,172	139,630	2,332,211	135,501
Conversion of Non Voting Shares to Voting Shares	(973)	(76)	(3,509)	(284)
<b>As at 31 December</b>	<b>43,371,952</b>	<b>3,373,114</b>	<b>41,045,753</b>	<b>3,233,560</b>
<b>Total Ordinary Shares/Stated Capital as at 31 December</b>	<b>319,619,960</b>	<b>11,426,882</b>	<b>301,474,567</b>	<b>10,401,432</b>

### 27 Statutory Reserve Fund

**27.1** Statutory reserve fund is maintained as per the requirement in terms of Section 20 of the Banking Act No 30 of 1988. Accordingly, a sum equivalent to 5% of profit after tax is transferred to the reserve fund until reserve fund is equal to 50% of the Bank's Stated Capital. Thereafter a further 2% of profits will be transferred until the said reserve fund is equal to the Bank's stated Capital.

#### 27.2 Movement in Statutory Reserve Fund

	Bank/ Group	
	2023	2022
	LKR '000	LKR '000
As at 01 January	2,228,472	1,882,111
Transfers during the year (Note 28)	555,333	346,361
<b>As at 31 December</b>	<b>2,783,805</b>	<b>2,228,472</b>

## 28 Retained Earnings

	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
As at 01 January	30,650,134	26,911,909	32,026,947	28,072,893
Charge related to Surcharge Tax (Note 28.1)	-	(1,803,385)	-	(1,889,179)
As at 01 January (Adjusted)	30,650,134	25,108,524	32,026,947	26,183,714
Total Comprehensive Income	10,991,067	6,881,452	11,357,719	7,183,075
Scrip Dividends for 2022	(1,025,722)	(993,297)	(1,025,722)	(993,297)
Fractions of shares paid in cash for 2022	(175)	(184)	(175)	(184)
Transfers to Reserve Fund (Note 27.2)	(555,333)	(346,361)	(555,333)	(346,361)
<b>As at 31 December</b>	<b>39,879,971</b>	<b>30,650,134</b>	<b>41,623,436</b>	<b>32,026,947</b>

### 28.1 Surcharge Tax

As per the Surcharge Tax Act No. 14 of 2022 enacted on 8th April 2022, a total Surcharge Tax liability of LKR 1,803Mn and LKR 1,889Mn was paid by the Bank and the Group respectively during the year 2022 and the corresponding expenditure is accounted as an adjustment to the opening retained earnings on 1st January 2022 in the Statement of Changes in Equity as per the Statement of Alternative Treatment (SoAT) and the subsequent addendum issued by the Institute of Chartered Accountants of Sri Lanka.

## 29 Other Reserves

### 29.1 Other Comprehensive Income (OCI) Reserve

	Bank/ Group	
	2023	2022
	LKR '000	LKR '000
As at 01 January	56	(503,404)
Net change in Fair value during the year	5,582,838	(3,550,913)
Transfer of fair value gains/(losses) o/a reclassification of debt instruments from fair value through other comprehensive income to amortised cost	-	3,669,876
Changes in Allowance for Expected Credit Losses	314	543,490
Income tax relating to the above	(1,674,945)	(198,736)
Deferred Tax Effect on Revision of Statutory Income Tax Rate	-	39,743
<b>As at 31 December</b>	<b>3,908,263</b>	<b>56</b>

## Notes to the Financial Statements

### 29 Other Reserves (Contd.)

#### 29.2 Revaluation Reserve

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
As at 01 January	946,133	840,085	1,383,751	1,299,257
Revaluation Surplus during the year	-	246,244	-	267,238
Deferred Tax charge / (reversal) relating to revaluation	-	(73,873)	-	(80,171)
Deferred Tax Effect due to Revision of Statutory Income Tax Rate	-	(66,323)	-	(102,573)
As at 31 December	946,133	946,133	1,383,751	1,383,751

### 30 Interest Income

For the Year Ended 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Cash and Cash Equivalents	1,228,206	426,200	1,228,206	426,200
Financial Assets Recognised through Profit or Loss				
- Measured at fair value	1,377,443	559,401	1,377,443	559,401
Financial Assets at Amortised Cost				
- Loans and Advances to Customers	43,118,804	39,133,963	43,118,804	39,133,963
- Reverse Repurchase Agreements	370,220	224,740	370,220	224,740
- Debt Instruments	11,006,709	7,202,516	11,006,709	7,202,516
Financial Assets Measured at Fair Value Through Other Comprehensive Income	13,267,671	6,820,334	13,267,671	6,820,334
Interest Income Accrued on Impaired Financial Assets	188,900	(58,858)	188,900	(58,858)
	70,557,953	54,308,296	70,557,953	54,308,296

#### a) Net interest income from Sri Lanka government securities

	Bank/ Group	
	2023 LKR '000	2022 LKR '000
Interest income	25,571,933	14,503,638
Less: Interest expenses	-	-
<b>Net interest income from Sri Lanka government securities</b>	<b>25,571,933</b>	<b>14,503,638</b>

## 31 Interest Expense

For the Year Ended 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Due to banks	203,164	518,776	203,164	518,776
Financial liabilities at amortised cost				
- Due to customers	28,704,916	19,030,255	28,409,842	18,859,610
- Repurchase agreements	3,449,899	1,497,743	3,411,434	1,458,026
- Due to Debt Security Holders	1,082,896	1,399,952	1,082,896	1,399,952
- Due to Other Borrowers	2,346,661	2,591,362	2,346,661	2,591,362
- Interest Expense on Lease Liabilities	169,752	204,959	151,154	176,577
- Others	1,115	1,722	1,925	3,041
	35,958,403	25,244,769	35,607,076	25,007,344

## 32 Net Fee and Commission Income

### 32.1 Fees and Commission Income

For the Year Ended 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Card Related Fee and Commission	4,300,880	3,864,051	4,300,880	3,864,051
Commission on Trade Finance Facilities and Remittances	1,921,368	1,845,488	1,921,368	1,845,488
Commission on Services-Loans	803,594	982,141	803,594	982,141
Commission on Services-Deposits	479,857	378,149	479,857	378,149
Other Fees	619,694	461,666	828,901	668,187
	8,125,393	7,531,495	8,334,600	7,738,016

### 32.2 Fees and Commission Expenses

For the Year Ended 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Brokerage Fees	(30,629)	(8,348)	(30,629)	(8,348)
Card Related Fees	(1,118,826)	(881,741)	(1,118,826)	(881,741)
Other	(84,691)	(53,459)	(84,694)	(53,459)
	(1,234,146)	(943,548)	(1,234,149)	(943,548)
<b>Net Fee and Commission Income</b>	<b>6,891,247</b>	<b>6,587,947</b>	<b>7,100,451</b>	<b>6,794,468</b>

## Notes to the Financial Statements

### 33 Net Gain/ (Loss) from Trading

For the Year Ended 31 December	Bank/ Group	
	2023	2022
	LKR '000	LKR '000
Foreign Exchange		
- From Banks	(4,454,486)	12,924,398
- From Other Customers	2,068,881	1,410,503
Realised Gains/(Losses) on Financial Investments at Fair Value through Profit or Loss	1,831,899	142,284
Derivative Financial Instruments	(713,387)	(243,916)
	(1,267,093)	14,233,269

### 34 Net Fair Value Gains/ (Losses) from Financial Instruments at Fair Value Through Profit or Loss

For the Year Ended 31 December	Bank/ Group	
	2023	2022
	LKR '000	LKR '000
Net Gains on financial assets at fair value through profit or loss	187,912	15,848
Net Losses on financial assets at fair value through profit or loss	-	-
	187,912	15,848

### 35 Other Operating Income/(Loss) - Net

For the Year Ended 31 December	Bank/Group	
	2023	2022
	LKR '000	LKR '000
Dividend Income	6,403	4,080
Gain/(Loss) on Sale of Property, Plant and Equipment	4,159	(147)
Gain/(Loss) on Revaluation of Foreign Exchange	2,045,377	(12,627,305)
Other Non-Trading Foreign Exchange	525,303	384,749
Recovery of Loans Written -Off	1,011,187	597,658
Others	182,656	135,464
	3,775,085	(11,505,501)

## 36 Impairment Charges

For the Year Ended 31 December	Note	Bank/Group	
		2023 LKR '000	2022 LKR '000
Financial Assets at Amortised Cost – Loans and Advances			
Stage 1	13.5	(970,220)	(226,009)
Stage 2	13.5	748,111	(5,134,283)
Stage 3	13.5	(5,429,558)	(4,469,573)
Financial Assets at Amortised Cost – Debt Instruments			
Stage 1	12.3	-	-
Stage 2	12.3	(1,509,074)	(2,964,251)
Stage 3	12.3	-	-
Financial Assets at Fair Value through Other Comprehensive Income – Debt Instruments			
Stage 1	29.1	-	-
Stage 2	29.1	(314)	(543,490)
Stage 3	29.1	-	-
Financial Assets at Amortised Cost– Others			
Stage 1	6.1	15,424	(20,728)
Stage 2		-	-
Stage 3	14.1	(30,178)	11,032
Contingent Liabilities and Commitments			
Stage 1	24.3	(403,370)	(323,598)
Stage 2	24.3	47,884	(104,352)
Stage 3	24.3	31,332	(66,977)
<b>Total Impairment Loss</b>		<b>(7,499,963)</b>	<b>(13,842,229)</b>

### 36.1 Sensitivity of Impairment Charges

#### Individual Impairment

If the Bank further extended the recovery cash flows by one year where the cash flow is forecasted based on collateral realisation, the cumulative impairment provision for individually significant impaired loans would have increased by LKR 292 Mn (2022: LKR 1,069 Mn).

#### Collective Impairment

- If 20% of loans and advances currently in stage 2 were moved to stage 1, the ECL provision of the Bank as of 31 December 2023 would have reduced by approximately 5.6% (2022 : 6.8%). The total loans and advances in stage 2 as of 31 December 2023 amount to LKR 22,049 Mn.
- If 5% of loans and advances currently in stage 1 were moved to stage 2, the ECL provision of the Bank as of 31 December 2023 would have further increased by approximately 15.7% (2022 – 6.8%). The total loans and advances in stage 1 as of 31 December 2023 amount to LKR 248,109 Mn.

Above upgrade and downgrade ratios were derived by stressing the stage shift ratios observed in recent years.

## Notes to the Financial Statements

### 36 Impairment Charges (Contd.)

#### 36.1 Sensitivity of Impairment Charges (Contd.)

Following is a sensitivity analysis of Economic Factors Adjustment used in the expected credit loss calculation.

Change in Economic Factor Adjustment (EFA)	Impact on Allowance for Credit Loss	
	2023 LKR '000	2022 LKR '000
1%	43,327	39,649
5%	216,637	198,247
10%	433,273	396,495

The bank used stressed macroeconomic indicators and management overlay when calculating forward looking Economic Factor Adjustment.

### 37 Personnel Expenses

For the Year Ended 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Salaries and Bonus	5,287,680	4,321,159	5,311,436	4,355,066
Employee Benefits - Defined Contribution Plan	576,227	429,790	579,786	433,085
Employee Benefits - Defined Benefit Plan (Note 22.1)	307,612	188,544	310,479	190,279
Share Based Payments (Note 24.2)	157,522	-	157,522	-
Amortisation of Staff Loan Day 1 Difference	39,484	44,117	39,484	44,117
Other Allowances	1,037,375	973,227	1,042,588	976,831
	7,405,900	5,956,837	7,441,295	5,999,378

### 38 Other Operating Expenses

For the Year Ended 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Operating Lease Expenses	154,936	116,642	154,936	116,642
Professional Fees	19,767	10,964	21,187	11,919
Auditors Fees and Expenses	10,050	9,559	11,135	10,585
Non Audit fees and Expenses to Auditors	3,856	4,584	3,856	4,584
Legal Fees	13,223	10,952	13,223	10,952
Transport	252,068	182,251	252,111	182,273
Office Administration and Establishment	5,179,342	4,186,139	5,206,699	4,210,432
	5,633,242	4,521,091	5,663,147	4,547,387

### 39 Taxes and Levies on Financial Services

For the Year Ended 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Value Added Tax (VAT)	4,507,065	2,871,223	4,509,756	2,873,218
Social Security Contribution Levy (SSCL)	635,096	147,848	635,096	147,848
	5,142,161	3,019,071	5,144,852	3,021,066

### 40 Income Tax Expense

#### 40.1 Amount Recognised in Profit or Loss

For the Year Ended 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
The component of income tax expense for years ended 31 December 2023 and 2022 are ;				
<b>Current Tax Expense</b>				
Current Income Tax on Profit for the Year	7,571,375	5,835,761	7,747,537	5,949,407
Under/(Over) Provision in respect of Prior Years	88,000	744,048	88,000	744,048
	7,659,375	6,579,809	7,835,537	6,693,455
<b>Deferred Tax Expense (Note 25)</b>				
Origination/ (reversal) of temporary differences during the year	(997,104)	(2,618,370)	(998,581)	(2,612,145)
Effect of changes in tax rates	-	(864,793)	-	(864,140)
	(997,104)	(3,483,163)	(998,581)	(3,476,285)
	6,662,271	3,096,646	6,836,956	3,217,170
Effective Income Tax Rate	37.49%	30.89%	37.34%	30.80%

#### 40.2 Reconciliation of Accounting Profit and Taxable Income

A reconciliation between the tax expense and the accounting profit multiplied by Government of Sri Lanka's tax rate for the years ended 31 December 2023 and 2022 is as follows;

For the Year Ended 31 December	Bank				Group			
	2023		2022		2023		2022	
	%	LKR '000						
Profit before Income Tax	-	17,768,924	-	10,023,869	-	18,307,837	-	10,445,215
Tax using the corporate tax rate	30.00	5,330,687	27.00	2,706,445	30.00	5,492,360	27.00	2,820,208
Add : Disallowable Expenses	15.32	2,721,928	41.48	4,157,444	14.95	2,738,284	39.82	4,159,642
Less: Allowable Expenses	(1.30)	(230,124)	(3.38)	(339,111)	(1.27)	(231,991)	(3.27)	(341,426)
Exempt Income	(1.41)	(251,116)	(6.87)	(689,017)	(1.37)	(251,116)	(6.60)	(689,017)
	42.61	7,571,375	58.22	5,835,760	42.31	7,747,537	56.96	5,949,407
Under/ (Over) Provision in respect prior years	0.50	88,000	7.42	744,048	0.48	88,000	7.12	744,048
Deferred Tax ( reversal)/expense (Note 25)								
Due to change in temporary differences	(5.61)	(997,104)	(26.12)	(2,618,370)	(5.45)	(998,581)	(25.01)	(2,612,145)
Due to rate deductions	-	-	(8.63)	(864,793)	-	-	(8.27)	(864,140)
<b>Income Tax expense [Note 40.1]</b>	<b>37.49</b>	<b>6,662,271</b>	<b>30.89</b>	<b>3,096,646</b>	<b>37.34</b>	<b>6,836,956</b>	<b>30.80</b>	<b>3,217,170</b>

The Group Tax expense is based on the taxable profit of each Company, since at present the tax laws do not provide for Group taxation.

## Notes to the Financial Statements

### 41 Basic / Diluted Earnings Per Share

#### 41.1 Earnings per Share – Basic / Diluted

For the Year Ended 31 December	Bank		Group	
	2023	2022	2023	2022
<b>Amount Used as the Numerator:</b>				
Net Profit Attributable to Ordinary Shareholders (LKR '000)	11,106,653	6,927,223	11,470,881	7,228,045
<b>No of Ordinary Shares Used as the Denominator:</b>				
Weighted Average Number of Ordinary Shares (Note 41.2)	326,202,995	326,202,995	326,202,995	326,202,995
<b>Basic / Diluted Earnings per Share (LKR)</b>	<b>34.05</b>	21.24	<b>35.17</b>	22.16

#### 41.2 Weighted Average Number of Ordinary Shares

Except for the scrip dividend declared for 2023 (Note 50 – Events after the reporting date), there have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements that require adjustment of the weighted average number of ordinary shares.

### 42 Dividends Paid and Declared

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date. (Note 50).

#### 42.1 Paid During the Year

For the Year Ended 31 December	2023 LKR '000	2022 LKR '000
<b>Dividends on Ordinary Voting Shares:</b>		
First and Final dividend for 2022: LKR 4.00 per share	1,041,715	-
First and Final dividend for 2021: LKR 3.50 per share	-	857,972
<b>Dividends on Ordinary Non-Voting Shares:</b>		
First and Final dividend for 2022: LKR 4.00 per share	164,183	-
First and Final dividend for 2021: LKR 3.50 per share	-	135,510
	<b>1,205,898</b>	<b>993,482</b>

\*Dividends for the years of 2022 and 2021 were paid in the form of Scrip.

## 42.2 Declared by the Board of Directors

(Not recognised as a Liability as at 31 December)

As at 31 December	Bank/Group	
	2023 LKR '000	2022 LKR '000
<b>Dividends on Ordinary Voting Shares:</b>		
First and Final dividend for 2023: LKR 5.00 per share	1,381,307	-
First and Final dividend for 2022: LKR 4.00 per share	-	1,041,715
<b>Dividends on Ordinary Non-Voting Shares:</b>		
First and Final dividend for 2023: LKR 5 per share	216,793	-
First and Final dividend for 2022: LKR 4.00 per share	-	164,183
<b>Total dividends declared</b>	<b>1,598,100</b>	<b>1,205,898</b>

The Board of Directors of the Bank has approved the payment of a first and final dividend of LKR 5.00 per share to be paid in the form of LKR 2.50 per share in cash and LKR 2.50 per share in scrip. Scrip Dividend conversion ratios are given in the note 42.3

## 42.3 Scrip Dividend Conversion Ratio

Scrip dividend is declared by the Board of Directors in the proportion of 01 share for every:

As at 31 December	Bank/Group	
	2023 LKR '000	2022 LKR '000
Ordinary Voting Shares (Number)	48.308808	16.46076
Convertible Non-Voting Shares (Number)	50.161475	17.63653

## 43 Cash Flow Information

### 43.1 (Increase)/Decrease in Operating Assets

For the Year Ended 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balances with Central Bank of Sri Lanka	3,391,130	(840,868)	3,391,130	(840,868)
Reverse Repurchase Agreements	-	1,500,000	-	1,500,000
Financial Assets at Fair Value through Profit or Loss	(7,600,866)	2,333,194	(7,600,866)	2,333,194
Financial Assets at Fair Value through Other Comprehensive Income	(45,619,571)	34,928,297	(45,619,571)	34,928,297
Financial Assets at Amortised Cost - Debt Instruments	(40,752,485)	(29,655,385)	(40,752,485)	(29,655,385)
Financial Assets at Amortised Cost - Loans and Advances	(39,879,877)	27,799,481	(39,879,877)	27,799,484
Other Assets	127,141	88,975	125,858	(358,528)
	<b>(130,334,528)</b>	<b>36,153,694</b>	<b>(130,335,811)</b>	<b>35,706,194</b>

## Notes to the Financial Statements

### 43 Cash Flow Information (Contd.)

#### 43.2 Increase/(Decrease) in Operating Liabilities

For the Year Ended 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Repurchase Agreements	51,195,778	(7,016,801)	50,918,905	(7,016,801)
Financial Liabilities at Amortised Cost - Due to Depositors	60,029,642	(10,883,592)	59,952,646	(10,883,592)
Money Market Borrowing	(1,071,921)	-	(1,071,921)	-
Other Liabilities	3,479,104	972,408	3,464,894	855,348
	<b>113,632,603</b>	<b>(16,927,985)</b>	<b>113,264,524</b>	<b>(17,045,045)</b>

#### 43.3 Other Non Cash Items included in Profit Before Tax

For the Year Ended 31 December	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Depreciation of Property, Plant and Equipment (Note 16)	203,519	303,640	247,549	345,810
Depreciation of ROU Assets (Note 17)	488,053	477,936	397,526	387,410
Amortisation of Intangible Assets (Note 18)	329,319	278,696	329,443	278,820
(Gain)/Loss on Fair Valuation of Financial Assets at Fair Value through Profit or Loss (Note 34)	(187,912)	(15,848)	(187,912)	(15,848)
Unrealised (Gain)/Loss on Derivative Financial Instruments	713,387	243,916	713,387	243,916
Interest Income/Expense on Loans and Deposits	127,590	(421,355)	155,364	(421,355)
Effect of foreign currency devaluation	(6,361,443)	13,642,604	(6,361,443)	13,642,604
	<b>(4,687,488)</b>	<b>14,509,589</b>	<b>(4,706,086)</b>	<b>14,461,357</b>

#### 43.4 Changes in Liabilities Arising from Financing Activities

For the Year Ended 31 December	Bank/Group			
	01 January	Cash Flows	Non - Cash Flows	31 December
	2023			2023
	LKR '000	LKR '000	LKR '000	LKR '000
Development Finance Institutions (DFI)	20,994,013	(10,951,876)	(367,264)	9,674,873
Refinance Borrowings	5,423,779	681,559	(765,994)	5,339,344
Financial Institutions	5,688,310	(2,800,000)	(755,651)	2,132,659
Rated, Unsecured, Redeemable Debentures	12,355,121	(3,500,000)	(168,788)	8,686,333
<b>Total Debt Issued and Other Borrowed Funds</b>	<b>44,461,223</b>	<b>(16,570,317)</b>	<b>(2,057,697)</b>	<b>25,833,209</b>
Money Market Borrowings	1,823,107	(1,072,527)	-	750,579
<b>Total</b>	<b>46,284,330</b>	<b>(17,642,845)</b>	<b>(2,057,697)</b>	<b>26,583,788</b>

For the Year Ended 31 December	Bank/Group			
	01 January	Cash Flows	Non - Cash Flows	31 December
	2022			2022
	LKR '000	LKR '000	LKR '000	LKR '000
Development Finance Institutions (DFI)	21,985,394	42,199	(1,033,580)	20,994,013
Refinance Borrowings	5,798,273	16,559	(391,053)	5,423,779
Financial Institutions	6,119,679	(1,075,000)	643,631	5,688,310
Rated, Unsecured, Redeemable Debentures	12,352,873	-	2,248	12,355,121
<b>Total Debt Issued and Other Borrowed Funds</b>	<b>46,256,219</b>	<b>(1,016,242)</b>	<b>(778,754)</b>	<b>44,461,223</b>
Money Market Borrowings	1,506,401	316,706	-	1,823,107
<b>Total</b>	<b>47,762,620</b>	<b>(699,536)</b>	<b>(778,754)</b>	<b>46,284,330</b>

#### 44 Related Party Disclosures

The Bank has carried out transactions with related parties as defined in LKAS 24 - Related Party Disclosures. The pricing applicable to such transactions were based on the assessment of risk and pricing model of the Bank and was comparable with what was applied to transactions between the Bank and non related parties.

##### 44.1 Transactions with Key Management Personnel

Key Management Personnel (KMP) include the Board of Directors of the Bank and Chief Executive Officer of the Bank.

###### (a) Compensation to Key Management Personnel

For the Year Ended 31 December	2023	2022
	LKR '000	LKR '000
Short Term Benefits	114,632	91,412
Post Employment Benefits	7,559	151,646
	<b>122,191</b>	<b>243,058</b>

In addition to the salaries, the Group also has arranged non cash benefits such as vehicle and insurance to Executive Director in line with approved benefits plan of the Group. Executive Director is also entitled to 234,363 (2022 - 311,319) share appreciation rights.

## Notes to the Financial Statements

### 44 Related Party Disclosures (Contd.)

#### 44.1 Transactions with Key Management Personnel (Contd.)

(b) Transactions, Arrangements and Agreements involving Key Management Personnel

	Key Management Personnel and their Close Family Members (CFM)			
			Maximum Balances	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Items in the Statement of Financial Position</b>				
<b>Assets</b>				
Loans and Advances	4,831	-	5,856	388
Credit Cards	3,601	1,384	4,225	2,880
<b>Liabilities</b>				
Due to Customers	149,845	160,097	160,313	339,678
Other Liabilities	-	1	-	-
<b>Equity</b>				
Dividends ( Net )	37	36	-	-
<b>Commitments</b>				
Undrawn Facilities	4,032	6,555	-	-
<b>Items in Statement of Profit or Loss</b>				
Interest Income Earned	1,077	73	-	-
Interest Expenses Paid	18,213	11,713	-	-
Other Income Earned	673	412	-	-

(c) Transactions, arrangements and agreements involving entities which are controlled, and/or jointly controlled by the KMP or their CFM

There were no transactions carried out by the Bank with the entities in which KMPs and CFMs have control or joint control for the year ended 31 December 2023 (2022 - nil).

#### 44.2 Post-Employment Benefits Plan

The Employees' Private Provident Fund of the Bank is managed by a Committee of Trustees appointed by the members.

The Bank has contributed a sum of LKR 579.79 Mn (2022 - LKR 429.79 Mn) to the Fund during the year.

As at 31 December 2023, the Fund has invested a sum of LKR 313 Mn (2022 - LKR 637 Mn) in Financial Instruments (Repurchase agreements and Debentures) of the Bank. Also as at 31 December 2023, the fund has maintained a sum of LKR 6,000/- (2022 - LKR 10,358/-) in current/savings accounts of the bank.

During the year, the Bank has incurred a sum of LKR 42 Mn (2022 - LKR 68 Mn) as interest expense to the Fund out of which a sum of LKR 0.7 Mn (2022 - LKR 12.35 Mn) is payable as of 31 December 2023.

## 4.4.3 Transactions with Related Entities

Year Ended 31 December	Subsidiaries*				Significant Investors**				Significant Investor Related Entities***				
	2023		2022		2023		2022		2023		2022		
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
<b>Items in the Statement of Financial Position</b>													
<b>Assets</b>													
Loans and Advances	-	-	615,824	-	-	31,691	1,446,350	4,918,285	4,061,515	3,539,050	4,219,973		
Corporate Credit Cards	-	-	-	-	-	-	-	11,728	6,190	12,106	6,190		
Derivative Financial Assets	-	-	-	-	-	-	-	353	-	353	-		
Other Assets	-	-	-	-	-	-	-	-	1,221	-	1,221		
<b>Liabilities</b>													
Due to Customers	1,761,429	1,649,977	1,775,078	1,802,013	16,732,934	13,399,797	20,338,623	13,298,675	437,999	887,873	591,537	2,028,814	
Repurchase and Other Borrowings	433,123	137,698	433,123	137,698	516,568	-	516,568	-	273,644	552,468	273,644	552,468	
Debtenture Issued	-	-	-	-	335,026	-	335,026	-	416,317	1,176,700	416,317	1,176,700	
Other Liabilities	-	-	-	-	-	661	-	661	470,928	615,886	470,928	615,886	
<b>Equity</b>													
Dividends (Net)	-	-	-	-	707,103	685,017	-	-	-	-	-	-	
<b>Commitments</b>													
Undrawn Facilities	-	-	-	-	1,331,178	1,791,421	-	-	5,989,984	4,279,272	-	-	
Letter of Credit / Guarantees	-	-	-	-	47,999	215,094	-	-	1,906,467	133,771	-	-	
Forward - Foreign Exchange Contracts	-	-	-	-	-	-	-	-	86,882	-	-	-	
<b>Items in Income statement</b>													
Interest Income Earned	-	-	27,190	-	23,612	-	-	-	1,005,750	976,665	-	-	
Interest Expenses Paid	333,539	210,362	1,399,979	750,501	6,916	-	-	-	114,051	233,762	-	-	
Other Income Earned	7,118	7,879	6,964	-	51,157	27,320	-	-	388,923	854,138	-	-	
Expenses Paid	115,826	113,663	-	-	-	-	-	-	62,160	93,961	-	-	

In addition to the above, the bank has carried out various promotional activities with related entities during the year.

Waldock Mackenzie Limited - Subsidiary manages portfolio of certain post-employment benefit plans of related party entities and earned a fee of LKR 6.57 Mn for the year ended 31 December 2023 (2022 - LKR 4.85 Mn). The maximum value of portfolio managed at any time during the year was LKR 2,324.8 Mn (2022 - LKR 2,001.3 Mn). There were no other transactions carried out by the subsidiaries of the Bank with related party entities other than with the Bank, for the year ended 31 December 2023 (2022 - Nil).

\* Subsidiaries of the Group includes Waldock Mackenzie Limited, Allied Properties Limited and Nations Insurance Brokers Limited.

\*\* Significant Investors include John Keells Holdings PLC, Mackinnon Keells Limited, HWIC Asia Fund, Central Finance Company PLC, CF Growth Fund Limited and CF Insurance Brokers (Pvt) Ltd.

\*\*\* Significant investor related entities include entities controlled and/or jointly controlled by the significant investors of the Bank and private provident funds of such significant investors.

## Notes to the Financial Statements

### 45 Maturity Analysis of Assets and Liabilities

As at 31 December 2023	Bank			Group		
	Within	After	Total	Within	After	Total
	12 months	12 months		12 months	12 months	
	LKR '000					
<b>Assets</b>						
Cash and Cash Equivalents	40,179,820	-	40,179,820	40,179,823	-	40,179,823
Balances with Central Bank of Sri Lanka	2,613,948	69,979	2,683,927	2,613,948	69,979	2,683,927
Reverse Repurchase Agreements	1,502,215	-	1,502,215	1,502,215	-	1,502,215
Derivative Financial Instruments	3,660	-	3,660	3,660	-	3,660
Financial Assets - Recognised through Profit or Loss	10,934,069	-	10,934,069	10,934,069	-	10,934,069
Financial Assets at Fair Value through Other Comprehensive Income	79,898,375	24,528	79,922,903	79,898,375	24,528	79,922,903
Financial Assets at Amortised Cost - Debt Instruments	12,762,487	84,595,362	97,357,849	12,762,487	84,595,362	97,357,849
Financial Assets at Amortised Cost - Loans and Advances	201,562,961	69,381,825	270,944,786	201,562,961	69,381,825	270,944,786
Other Assets	1,724,847	1,627,805	3,352,652	1,748,111	1,629,718	3,377,829
Investments in Subsidiaries	-	678,710	678,710	-	-	-
Property, Plant and Equipment	-	2,597,097	2,597,097	-	3,500,423	3,500,423
Right of Use (ROU) Asset	406,877	912,417	1,319,294	316,351	912,704	1,229,055
Intangible Assets	-	1,353,420	1,353,420	-	1,353,909	1,353,909
Deffered Tax Assets	-	3,334,268	3,334,268	-	3,143,936	3,143,936
<b>Total Assets</b>	<b>351,589,259</b>	<b>164,575,411</b>	<b>516,164,670</b>	<b>351,522,000</b>	<b>164,612,384</b>	<b>516,134,384</b>
<b>Liabilities</b>						
Due to Banks	49,681,663	-	49,681,663	49,681,663	-	49,681,663
Derivative Financial Instruments	658,707	-	658,707	658,707	-	658,707
Financial liabilities at Amortised Cost						
Due to Depositors	330,249,624	19,283,780	349,533,404	328,484,820	19,283,780	347,768,600
Repurchase Agreements	7,064,447	-	7,064,447	6,631,325	-	6,631,325
Due to Other Borrowers	8,180,348	10,433,292	18,613,640	8,063,220	10,437,209	18,500,429
Debt Securities Issued	2,889,026	5,797,307	8,686,333	2,889,026	5,797,307	8,686,333
Retirement Benefit Obligations	266,808	975,415	1,242,223	268,676	982,240	1,250,916
Current Tax Liabilities	5,618,515	-	5,618,515	5,667,233	-	5,667,233
Other Liabilities	13,929,713	2,190,971	16,120,684	13,972,051	2,190,990	16,163,041
<b>Total Liabilities</b>	<b>418,538,851</b>	<b>38,680,765</b>	<b>457,219,616</b>	<b>416,316,721</b>	<b>38,691,526</b>	<b>455,008,247</b>
Net	(66,949,592)	125,894,646	58,945,054	(64,794,721)	125,920,858	61,126,137

As at 31 December 2022	Bank			Group		
	Within	After	Total	Within	After	Total
	12 months	12 months		12 months	12 months	
	LKR '000					
<b>Assets</b>						
Cash and Cash Equivalents	58,747,889	-	58,747,889	58,747,775	-	58,747,775
Balances with Central Bank of Sri Lanka	5,964,610	109,720	6,074,330	5,964,610	109,720	6,074,330
Reverse Repurchase Agreements	1,502,266	-	1,502,266	1,502,266	-	1,502,266
Derivative Financial Instruments	102,730	-	102,730	102,730	-	102,730
Financial Assets - Recognised through Profit or Loss	3,733,781	-	3,733,781	3,733,781	-	3,733,781
Financial Assets at Fair Value through Other Comprehensive Income	29,844,428	505,098	30,349,526	29,844,428	505,098	30,349,526
Financial Assets at Amortised Cost - Debt Instruments	20,622,217	39,306,077	59,928,294	20,622,217	39,306,077	59,928,294
Financial Assets at Amortised Cost - Loans and Advances	164,524,105	76,716,956	241,241,061	164,524,105	76,716,956	241,241,061
Other Assets	1,143,384	2,232,736	3,376,120	1,159,366	2,240,650	3,400,016
Investments in Subsidiaries	-	678,710	678,710	-	-	-
Property, Plant and Equipment	-	2,547,745	2,547,745	-	3,494,975	3,494,975
Right of Use (ROU) Asset	486,724	1,005,736	1,492,460	396,483	915,210	1,311,693
Intangible Assets	-	1,285,108	1,285,108	-	1,285,721	1,285,721
Deffered Tax Assets	-	3,962,570	3,962,570	-	3,771,802	3,771,802
<b>Total Assets</b>	<b>286,672,134</b>	<b>128,350,456</b>	<b>415,022,590</b>	<b>286,597,761</b>	<b>128,346,209</b>	<b>414,943,970</b>
<b>Liabilities</b>						
Due to Banks	3,989,152	-	3,989,152	3,989,152	-	3,989,152
Derivative Financial Instruments	39,481	-	39,481	39,481	-	39,481
Financial liabilities at Amortised Cost						
Due to Depositors	295,042,421	3,867,122	298,909,543	293,385,990	3,867,122	297,253,112
Repurchase Agreements	3,999,649	-	3,999,649	3,861,951	-	3,861,951
Due to Other Borrowers	16,166,902	17,573,998	33,740,900	16,075,926	17,456,870	33,532,796
Debt Securities Issued	3,860,961	8,494,160	12,355,121	3,860,961	8,494,160	12,355,121
Retirement Benefit Obligations	183,395	759,538	942,933	185,489	768,227	953,715
Current Tax Liabilities	5,179,372	-	5,179,372	5,242,809	-	5,242,809
Other Liabilities	9,621,189	2,019,023	11,640,212	9,658,711	2,016,464	11,675,175
<b>Total Liabilities</b>	<b>338,082,522</b>	<b>32,713,841</b>	<b>370,796,363</b>	<b>336,300,469</b>	<b>32,602,843</b>	<b>368,903,312</b>
Net	(51,410,388)	95,636,615	44,226,227	(49,702,708)	95,743,366	46,040,658

## Notes to the Financial Statements

#### 46 Fair Value of Assets and Liabilities

##### 46.1. Assets and Liabilities Measured at Fair Value – Fair Value Hierarchy

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy in to which the fair value measurement is categorised. The amounts are based on the value recognised in the Statement of Financial Position in the Financial Statements.

#### Bank/Group

As at 31 December

	2023					2022				
	Fair Value Measurement Using					Fair Value Measurement Using				
	Date of Valuation	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Date of Valuation	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Financial Assets Measured at Fair Value</b>										
<b>Derivative Financial Instruments</b>										
Forward Foreign Exchange Contracts and Currency Swaps	31-Dec-23	-	3,660	-	3,660	31-Dec-22	-	102,730	-	102,730
<b>Financial Assets at Fair Value through Profit or Loss</b>										
Government Treasury Bills	31-Dec-23	1,914,029	-	-	1,914,029	31-Dec-22	3,515,739	-	-	3,515,739
Government Treasury Bonds	31-Dec-23	895,707	8,124,333	-	9,020,040	31-Dec-22	218,042	-	-	218,042
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>										
<b>Debt Instruments</b>										
Government Treasury Bills	31-Dec-23	32,913,216	-	-	32,913,216	31-Dec-22	24,819,094	-	-	24,819,094
Government Treasury Bonds	31-Dec-23	31,807,487	14,480,646	-	46,288,133	31-Dec-22	4,627,507	397,827	-	5,025,334
Sri Lanka Sovereign Bonds	31-Dec-23	-	697,025	-	697,025	31-Dec-22	-	478,077	-	478,077
<b>Equity Instruments</b>										
Unquoted Equity Shares	31-Dec-23	-	-	24,529	24,529	31-Dec-22	-	-	27,021	27,021
		67,530,439	23,305,664	24,529	90,860,632		33,180,382	978,634	27,021	34,186,037
<b>Financial Liabilities Measured at Fair Value</b>										
<b>Derivative Financial Instruments</b>										
Forward Foreign Exchange Contracts and Currency Swaps	31-Dec-23	-	658,707	-	658,707	31-Dec-22	-	39,481	-	39,481
		-	658,707	-	658,707		-	39,481	-	39,481

As at 31 December

	2023						2022					
	Fair Value Measurement Using			Fair Value Measurement Using			Fair Value Measurement Using			Fair Value Measurement Using		
	Date of Valuation	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Date of Valuation	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total		
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
<b>Bank</b>												
<b>Non Financial Assets Measured at Fair Value</b>												
Freehold Land	31-Dec-22	-	-	1,749,000	1,749,000	31-Dec-22	-	-	1,749,000	1,749,000		1,749,000
Freehold Buildings	31-Dec-22	-	-	223,488	223,488	31-Dec-22	-	-	223,488	223,488		223,488
<b>Total Non Financial Assets Measured at Fair Value</b>		-	-	1,972,488	1,972,488		-	-	1,972,488	1,972,488		1,972,488
<b>Group</b>												
<b>Non Financial Assets Measured at Fair Value</b>												
Freehold Land	31-Dec-22	-	-	1,749,000	1,749,000	31-Dec-22	-	-	1,749,000	1,749,000		1,749,000
Freehold Buildings	31-Dec-22	-	-	1,032,938	1,032,938	31-Dec-22	-	-	1,032,938	1,032,938		1,032,938
<b>Total Non Financial Assets Measured at Fair Value</b>		-	-	2,781,938	2,781,938		-	-	2,781,938	2,781,938		2,781,938

#### 46.1.1 Movements in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value.

	Unquoted Equity Shares	
	Bank / Group	2022
	2023	2022
	LKR '000	LKR '000
As at 01 January	27,021	16,898
Investments made during the year	1	-
Change in value due to exchange rate fluctuation	(2,493)	10,123
As at 31 December	24,529	27,021

Equity instruments at FVOCI classified as "Level 3" in the fair value hierarchy comprises of unquoted equity shares. Further details are given in Note 11.1.

## Notes to the Financial Statements

### 46 Fair Value of Assets and Liabilities (Contd.)

#### 46.1.2 Movements in Level 3 non-financial assets measured at fair value

##### Reconciliation of non – financial assets – Freehold Land and Buildings” classified as level 3 in the fair value hierarchy

Refer Note 16 for the reconciliation of the movement in freehold land and buildings.

##### Unobservable Inputs used in Measuring Fair Value of Land and Buildings

The table below sets out information about significant unobservable inputs used in measuring fair value of the assets categorised under Level 3 of the fair value hierarchy.

Location	Type of Asset	Extent	No. of Buildings	Bank		Group		Valuation Technique	Significant Unobservable Inputs	Weighted Average Range of estimates for unobservable inputs (Level 3)
				Fair Value as at 31.12.2023 LKR '000	Fair Value as at 31.12.2022 LKR '000	Fair Value as at 31.12.2023 LKR '000	Fair Value as at 31.12.2022 LKR '000			
No 76, York Street, FortColombo	Land	10.82 P	-	219,000	219,000	219,000	219,000	Direct Capital Comparison Method	Price per perch	LKR 22 Mn and LKR 12 Mn
	Building	8,660 (Sq.Ft.)	1	45,000	45,000	45,000	45,000	Direct Capital Comparison Method	Price per Sq.Ft	LKR 3,000 - LKR 7,500
No 242, Union Place, Colombo 2	Land	772 P	-	1,530,000	1,530,000	1,530,000	1,530,000	Direct Capital Comparison Method	Price per perch	LKR 20 Mn
	Building	33,650 (Sq.Ft.)	1	178,488	178,488	178,488	178,488	Direct Capital Comparison Method	Price per Sq.Ft	LKR 1,000 - LKR 6,500
46/58, Nawam Mawatha, Colombo 2	Building	61,300 (Sq.Ft.)	1	-	-	809,450	809,450	Investment method	Rent per Sq.Ft	LKR 200/- to LKR 350/-
<b>Total</b>				<b>1,972,488</b>	<b>1,972,488</b>	<b>2,781,938</b>	<b>2,781,938</b>			

Fair value measurement sensitivity to unobservable inputs: Significant increases/(decreases) in any of these inputs in isolation would result in a higher/(lower) fair value.

Fair value measurements positively correlate with the unobservable inputs.

## 46.2 Financial Assets and Liabilities not carried at Fair Value

Below are the methodologies and assumptions used to determine fair values for the financial instruments which are not recorded and measured at fair value in the Bank's financial statements. These fair values were calculated for disclosure purposes only.

### Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity (original maturities one year or less), it is assumed that the carrying amounts approximate their fair values.

The following is a list of financial instruments whose carrying amount is a reasonable approximation of fair value as they are short-term in nature and/or they are repriced to current market rates frequently;

#### Financial Assets

Cash and Cash Equivalents

Balances with Central Bank of Sri Lanka

Reverse Repurchase Agreements

Sri Lanka Development Bonds

#### Financial Liabilities

Due to banks

Repurchase agreements

This assumption is also applied to demand deposits, call deposits and savings deposits which does not have a specific maturity. It is also assumed that the amortised cost of floating rate financial instruments approximate the fair value as the amortised cost represents most recent fair value. Long term deposits accepted from customers for which periodical interest is paid and loans and advances granted to customers with variable rate are also considered to be carried at fair value in the books.

### Fixed Rate Financial Instruments

Carrying amounts are considered as fair values for short term credit facilities. There is a significant difference between carrying value and fair value of treasury bonds portfolio at amortised cost where the original tenure exceeds one year. In fair valuing such securities, rates published by the CBSL, U.S. Treasury for similar trading securities were used. Loans and advances with fixed interest rates were fair valued using average market rates at which fresh loans were granted during the fourth quarter of the reporting year. Conversely, fixed deposits with original tenure above one year and interest paid at maturity were discounted using current market rates offered to customers during the fourth quarter of the reporting year. Interest rates based on treasury bond rates with similar tenure with an adjustment for credit premium have been used to arrive at the fair value of debentures issued and invested.

For financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist and other relevant valuation models.

## Notes to the Financial Statements

#### 4.6 Fair Value of Assets and Liabilities (Contd.)

##### 4.6.2 Financial Assets and Liabilities not carried at Fair Value (Contd.)

Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's /Group's financial instruments that are not measured at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

Bank	2022										
	2023					2022					
	Carrying amount	Quoted Prices in Active Markets (Level 1)	Fair Value Measurement Using			Total	Carrying amount	Quoted Prices in Active Markets (Level 1)	Fair Value Measurement Using		
Significant Observable Inputs (Level 2)			Significant Unobservable Inputs (Level 3)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)						
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Financial Assets</b>											
Debt Instruments at Amortised Cost	97,357,849	39,459,011	67,973,263	-	107,432,274	59,928,294	24,882,157	26,181,346	-	51,063,504	
Loans and Advances to Customers - Gross	292,574,972	-	291,467,645	-	291,467,645	260,739,471	-	251,638,561	-	251,638,561	
<b>Total Financial Assets</b>	<b>389,932,821</b>	<b>39,459,011</b>	<b>359,440,908</b>	<b>-</b>	<b>398,899,919</b>	<b>320,667,765</b>	<b>24,882,157</b>	<b>277,819,907</b>	<b>-</b>	<b>302,702,065</b>	
<b>Financial Liabilities</b>											
Due to Customers	349,533,404	-	348,296,525	-	348,296,525	298,909,543	-	296,895,988	-	296,895,988	
Due to Other Borrowers	18,613,640	-	18,605,408	-	18,605,408	33,740,900	-	33,439,445	-	33,439,445	
Debt Securities Issued	8,686,333	-	8,155,431	-	8,155,431	12,355,121	-	9,619,305	-	9,619,305	
<b>Total Financial Liabilities</b>	<b>376,833,377</b>	<b>-</b>	<b>375,057,364</b>	<b>-</b>	<b>375,057,364</b>	<b>345,005,564</b>	<b>-</b>	<b>339,954,738</b>	<b>-</b>	<b>339,954,738</b>	

Group As at 31 December	2023						2022					
	Fair Value Measurement Using			Fair Value Measurement Using			Fair Value Measurement Using			Fair Value Measurement Using		
	Carrying amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Carrying amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total		
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
<b>Financial Assets</b>												
Debt Instruments at Amortised Cost	97,357,849	39,459,011	67,973,263	-	107,432,274	59,928,294	24,882,157	26,181,346	-	51,063,504		
Loans and Advances to Customers - Gross	292,574,972	-	291,467,645	-	291,467,645	260,739,471	-	251,638,561	-	251,638,561		
<b>Total Financial Assets</b>	<b>389,932,821</b>	<b>39,459,011</b>	<b>359,440,908</b>	<b>-</b>	<b>398,899,919</b>	<b>320,667,765</b>	<b>24,882,157</b>	<b>277,819,907</b>	<b>-</b>	<b>302,702,065</b>		
<b>Financial Liabilities</b>												
Due to Customers	34,768,600	-	34,653,172	-	34,653,172	29,725,312	-	29,523,557	-	29,523,557		
Due to Other Borrowers	18,500,429	-	18,489,124	-	18,489,124	33,532,796	-	33,231,341	-	33,231,341		
Debt Securities Issued	8,686,333	-	8,155,431	-	8,155,431	12,355,121	-	9,619,305	-	9,619,305		
<b>Total Financial Liabilities</b>	<b>374,955,362</b>	<b>-</b>	<b>373,176,277</b>	<b>-</b>	<b>373,176,277</b>	<b>343,141,029</b>	<b>-</b>	<b>338,090,203</b>	<b>-</b>	<b>338,090,203</b>		

## Notes to the Financial Statements

### 47 Financial Risk Management

#### 47.1 Introduction

Risks are inherent in the Bank's activities, but are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability. The Bank is primarily exposed to credit risk, liquidity risk, market risk, operational risk and technology risk.

The objective of the Risk Management Framework at the Bank is to establish a process to effectively identify, measure, manage, control and monitor risks faced by the Bank. The goal is to manage these risks while enhancing the risk-return profile of the Bank.

The Board of Directors is responsible for establishing the overall Risk Management Framework within the Bank. Risk Management Framework consists of approval of a risk governance structure and approval of detailed risk management policies and procedures with risk appetite and tolerance limits.

The Board delegates specific oversight of all risk management activities in the Bank to the Board Integrated Risk Management Committee (BIRMC). It reviews risk appetite, department risk grids and material risk issues highlighted by different executive risk committees. It also monitors compliance with Bank policies and regulations.

The Board has appointed the Executive Risk Management Committee (ERMC) which has the overall responsibility for overseeing the establishment and implementation of frameworks, policies and limits for various risk exposures. The ERMC is assisted by the Assets and Liability Management Committee (ALCO) which specifically focuses on market risk management and liquidity risk management whilst Management Credit Committee (MCC) focuses on the credit risk management.

The Integrated Risk Management Department (IRMD), headed by the Chief Risk Officer (CRO), is responsible for developing and implementing the Bank's Risk Management Framework. It acts as the second line of defense in managing risks.

Responsibilities of the IRMD include the following:

#### Monitor

- Formulation of Risk policies and procedures
- Compliance with Risk policies and procedures
- Bank's overall risk profile and changes in overall risk positions
- Risks across business units and escalate risk and control issues to management

#### Develop, Report and Review

- Risk management standards, measurement tools and models
- Aggregate risk profile of the Bank in relation to capital

#### Support

- Bank's risk culture through development of a common risk language and Bank-wide training
- Interpretation of risk related regulations / leading practices to business units

#### Risk Measurement and Reporting Systems

The Bank uses appropriate risk measurement techniques, models and industry best practices to evaluate its various risk exposures. Such risks identified are managed through establishment of limits. These limits reflect the business strategy and the Bank's stance in the market environment as well as the level of risk that the Bank is willing to accept.

The Bank also carries out a detail stress testing exercise, which is a key component of the Internal Capital Adequacy Assessment Process (ICAAP) as well as the Risk Management Framework. This exercise measures the extent of risks the Bank is exposed to when variables associated with its risks are simulated considering extreme yet plausible changes in the external/internal environment.

The risk so measured is presented to relevant board committees and senior management at regular intervals.

#### Risk Mitigation

As part of its overall risk management, the Bank uses derivatives to manage exposures resulting from changes in foreign currencies. The Bank also accepts various types of collateral as a credit risk mitigant whilst insurance is used to transfer operational risks.

#### Excessive Risk Concentration

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

### **Risk Management during the Recovery Phase of the Economy.**

During 2023, the country's economy was in a gradual recovery phase after going through an unprecedented sequence of social and economic events in 2022.

The bank continued with its business operations with adaptation of enhanced risk management practices developed with the lesson learnt during the 2019 – 2022 period. The provision buffers created during the pandemic and economic crisis period in addition to what is required as per historical loss ratios were continued to be maintained during the year as management overlay.

## **47.2 Credit Risk**

Credit risk is the risk that the Bank will incur a loss resulting from its customers or counterparties failing to or delaying meeting their contractual obligations. This arises from loans and receivables and investments in debt instruments forming direct funding exposures (on Balance Sheet exposure) or indirect liabilities such as Letters of Credit and Guarantees (off Balance Sheet exposure).

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations and by monitoring exposures in relation to such limits and by taking appropriate collateral.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. A scientifically developed internal risk rating mechanism has been implemented via a work-flow based software covering various types of customer segments of the Bank excluding consumer products. Such risk ratings are subject to regular revision. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action. A score card-based model is used to evaluate credit risk of consumer products as these are not evaluated through the established internal risk rating system.

### **Impairment Assessment**

The references below show where the Bank's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies.

### **Definition of Default and Cure**

The Bank considers a financial instrument as defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments or when classified as a Non-Performing Credit Facility (NPCF) as per directions issued by the Central Bank of Sri Lanka (CBSL). The Bank considers Treasury and interbank balances defaulted and take immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

Further in assessing whether a borrower is in default, the Bank reviews its individually significant loans and advances above a predefined threshold at each reporting date against a set of credit loss indicators which reflects Significant Increase in Credit Risk (SICR). Customers associated with mentioned indicators are then critically evaluated for recoverability. If there is a negative mismatch between the amount due and the expected cash flow, those customers are considered as either Stage 2 (Credit Risk is significantly Increased) or Stage 3 (Credit-impaired) customer based on the severity of indicators irrespective of the number of days past due.

### **Individually Assessed Allowances**

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis above a predetermined threshold limit. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected payout if bankruptcy happens, the availability of other financial support, the realizable value and timing of collateral and expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention. The Bank has currently set Individually Significant Threshold at Rupees Fifty Million and every customer having an aggregate exposure above such limit is individually assessed for Significant Increase in Credit Risk (SICR). The Bank applies a risk-based approach for its Corporate Banking and Mid-Market Enterprises portfolios. Corporate Banking exposures between Rupees Fifty Million to Rupees Hundred Million and Mid-Market Enterprise exposures between Rupees Fifty Million to Seventy-Five Million are assessed against a limited number of SICR indicators and exposures above the secondary thresholds are assessed against the complete list of SICR indicators.

### **Collectively Assessed Allowances**

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances that have been assessed individually and found to be not requiring an impairment provision at individual customer level.

## Notes to the Financial Statements

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether allowance should be made for Expected Credit Losses (ECL). The collective assessment takes account of data from the loan portfolios such as utilization of sanctioned limits, levels of arrears, historical losses on the portfolio and expected receipts and recoveries once defaulted. The Bank uses SLFRS 9 based ECL model to assess impairment as detailed in note 13.1.

### Probability of Default (PD) Estimation Process

The ECL model is based on historical delinquency levels and forward looking macro-economic factors to estimate PDs of its portfolios. These macro-economic factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, Inflation, movements in Gross Domestic Product (GDP), macro environment stability in financial industry, revisions in the Interest rates, changes in regulatory environment and other available consumer data. The Bank uses aforementioned factors as appropriate to adjust the impairment allowances.

The Probability of Default only during the next twelve months is estimated for a Stage 1 asset where credit risk has remained at the same level from origination to the reporting date. For Stage 2 assets where credit risk has significantly increased compared to the level which was at the origination, Probability of Default during remaining total lifetime is estimated. Stage 3 assets are where the default event has already occurred.

### Exposure at Default (EAD)

The Exposure at Default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

The Bank uses Credit Conversion Factors (CCF) which explains the historical utilization of defaulted facilities at the time of default to calculate EAD of revolving facilities in which customers have the ability to increase their exposure. For nonrevolving facilities, the already utilized amount plus any accrued interest over same is considered as the EAD.

In order to assess impairment provision at appropriate granular level, the Bank has stratified certain portfolios further reflecting grouping of similar risk customer profiles. Such stratification of the portfolios has helped the Bank to make a reasonable assessment of required impairment provisions as it focuses on avoiding generalization of possible potential loss indicative parameters.

### Loss Given Default (LGD)

In Loans and Receivable portfolios, the Bank assesses its LGDs using the historical default database. The Bank recovers the full amount or a portion of the defaulted amount using multiple options including legal means and realization of collateral. The total net cash flows from the date of default are discounted in order to assess the net loss incurred from the defaulted amount. The LGD of a certain portfolio represents the actual loss incurred from its defaulted exposures.

### Significant Increase in Credit Risk

The Bank continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or Life Time ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have significantly increased in credit risk when the subject borrower or exposure becomes 30 days past due on its contractual payments. When estimating ECL on a collective basis for a group of similar financial assets, the Bank applies the same principle of assessing whether there has been a significant increase in credit risk since the origination.

### Management of Elevated Credit Risk due to Negative Externalities

In 2023 also, the bank continued with its enhanced credit risk management processes to cover whether a Significant Increase in Credit Risk (SICR) has taken place for customers operating in industries affected by the negative externalities that took place during the year and previous years. The bank re-assessed the required additional provisions for customers who are still in stress or still in the process of recovery from the cash flow constraints caused by the negative externalities prevailed in previous years. The bank closely monitors those customers and Staging of those exposures were carried out on case-by-case basis as per both observed and expected developments.

Quality of Financial Assets are categorized into five categories as described below

Credit Quality Category	Definition	Description
High Grade	Very High Safety	The exposure to the Government, Banks and Reverse Repurchase transactions backed by Government Securities are identified as 'High Grade'. The external rating of the Banks has not been considered in this regard as these exposures are highly liquid and are of self-liquidating nature.
Investment Grade (A+ and B-)	High Safety	The ability to honour the terms of trade is high or fully secured by cash. The obligor/counterparty is likely to honour its commitments even under adverse business conditions. There would be an insignificant likelihood of default associated with adverse economic events of significant scale.
Intermediary Grade (C+ and C)	Moderate Safety	The ability to honour the terms of trade is strong, but not as strong as in Investment Grade. The obligor/counterparty may take longer than anticipated/planned to honour its commitments under adverse business conditions. There is a moderate likelihood of default.
Speculative Grade (C- and D)	Low Safety	The ability to honour the terms of trade is low. Any adverse changes in the business/economic conditions may impair the obligor's/counterparty's ability to honour its commitments.
Still under Evaluation	Safe	The ability to honour the terms of trade is assumed acceptable but yet to be confirmed by way of a finalized rating.

#### Credit Risk exposure for each internal credit risk rating

Bank's internal credit rating	Historical default rates	Amortized Cost	
	%	2023 LKR '000	2022 LKR '000
<b>Investment Grade</b>			
A	Less than 1%	91,417,192	65,948,032
B	Less than 1.5%	129,225,427	95,109,900
<b>Intermediary Grade</b>			
C + and C	Less than 2.5%	3,892,408	4,415,199
<b>Speculative Grade</b>			
C-	Less than 5.5%	3,927,998	9,454,746
D	Minimum of 13%	900,318	2,196,434
<b>Past Due - Rated Customers</b>			
	Less than 30 Days	9,824,144	10,264,056
	30 - 90 Days	6,478,673	7,673,183
	More than 90 Days	5,784,237	5,162,347
<b>Past Due - Fully Secured by Cash</b>		1,007,104	16,403
<b>Individually Impaired - Rated Customers</b>		25,892,878	43,591,785
<b>Sum of Amortized Cost of Rated Customers</b>		<b>278,350,379</b>	<b>243,832,085</b>

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of Obligor Risk. All internal risk ratings are tailored to measure specific default characteristics and risks inherent in various business segments. The attributable risk ratings are assessed and updated regularly.

The exposures of which credit quality is not yet aligned to a bank-wide single point indicator rating scale mainly consists of security backed lending. Housing Loans and cash secured lending are the significant security backed lending.

The total financial instruments of the Bank represent 99.9% of the Group. Hence details are given only for the Bank.

## Notes to the Financial Statements

### Credit Quality by class of Financial Assets

Bank - 31 December 2023	Neither past due nor individually impaired				Customers whose credit rating is not yet finalized	Past due but not individually impaired	Individually impaired	Total
	High Grade	Investment Grade	Intermediary Grade	Speculative Grade				
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and Cash Equivalents	40,179,820	-	-	-	-	-	-	40,179,820
Balances with Central Bank of Sri Lanka	2,683,927	-	-	-	-	-	-	2,683,927
Reverse Repurchase Agreements	-	1,502,215	-	-	-	-	-	1,502,215
<b>Derivative Financial Instruments</b>								
Forward Foreign Exchange Contracts and Currency Swaps	419	3,024	-	-	217	-	-	3,660
<b>Financial Assets - Recognised through Profit or Loss</b>								
Government Treasury Bills and Bonds	10,934,069	-	-	-	-	-	-	10,934,069
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>								
Government Treasury Bills and Bonds	79,201,349	-	-	-	-	-	-	79,201,349
Sri Lanka International Sovereign Bonds	-	-	697,025	-	-	-	-	697,025
Unquoted Equity Shares	-	-	-	-	24,529	-	-	24,529
<b>Financial Assets - Held to Maturity</b>								
Government Treasury Bills and Bonds	88,823,497	-	-	-	-	-	-	88,823,497
US Treasury Bills	4,849,318	-	-	-	-	-	-	4,849,318
Sri Lanka International Sovereign Bonds	-	-	8,709,309	-	-	-	-	8,709,309
Quoted Debentures	-	514,201	-	-	-	-	-	514,201
<b>Financial Assets at Amortised Cost - Loans and Advances (Gross)</b>								
	-	220,642,619	3,892,408	4,828,315	9,695,514	27,311,691	26,204,425	292,574,972
Commitment and Contingencies	100,082,107	140,102,386	3,435,246	61,724,478	7,343,966	4,053,721	-	316,741,904
<b>Total</b>	<b>326,754,505</b>	<b>362,764,444</b>	<b>16,733,989</b>	<b>66,552,793</b>	<b>17,064,227</b>	<b>31,365,412</b>	<b>26,204,425</b>	<b>847,439,795</b>

Note : All loans under "Neither past due nor individually impaired" are Stage 1 assets. Past Due loans include any loan that is in arrears for more than one day. Out of LKR. 27.3Bn categorized under " Past due but not individually impaired ", LKR. 11.2Bn (27%) is in Stage 1, LKR. 7.3Bn (33%) is in Stage 2 and LKR. 8.8Bn (32%) is in Stage 3.

## Credit Quality by class of Financial Assets

Bank - 31 December 2022	Neither past due nor individually impaired				Customers whose credit rating is not yet finalized	Past due but not Individually impaired	Individually impaired	Total
	High Grade	Investment Grade	Intermediary Grade	Speculative Grade				
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and Cash Equivalents	58,747,889	-	-	-	-	-	-	58,747,889
Balances with Central Bank of Sri Lanka	6,074,330	-	-	-	-	-	-	6,074,330
Reverse Repurchase Agreements	-	-	-	-	1,502,266	-	-	1,502,266
<b>Derivative Financial Instruments</b>								
Forward Foreign Exchange Contracts and Currency Swaps	59,950	-	-	-	42,780	-	-	102,730
<b>Financial Assets - Recognised through Profit or Loss</b>								
Government Treasury Bills and Bonds	3,733,781	-	-	-	-	-	-	3,733,781
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>								
Government Treasury Bills and Bonds	29,844,428	-	-	-	-	-	-	29,844,428
Sri Lanka International Sovereign Bonds	-	-	478,077	-	-	-	-	478,077
Unquoted Equity Shares	-	-	-	-	27,021	-	-	27,021
<b>Financial Assets - Held to Maturity</b>								
Government Treasury Bills and Bonds	52,900,801	-	-	-	-	-	-	52,900,801
Sri Lanka Development Bonds	-	-	1,881,807	-	-	-	-	1,881,807
Sri Lanka International Sovereign Bonds	-	-	8,927,364	-	-	-	-	8,927,364
Quoted Debentures	-	514,240	-	-	255,661	-	-	769,901
<b>Financial Assets at Amortised Cost - Loans and Advances (Gross)</b>								
	-	161,057,931	4,415,199	11,651,180	10,526,640	29,434,630	43,653,891	260,739,471
Commitment and Contingencies	40,969,780	129,939,529	2,677,094	28,752,662	13,416,488	10,404,868	-	226,160,421
<b>Total</b>	<b>192,330,959</b>	<b>291,511,700</b>	<b>18,379,542</b>	<b>40,403,842</b>	<b>25,770,857</b>	<b>39,839,498</b>	<b>43,653,891</b>	<b>651,890,287</b>

Note : All loans under "Neither past due nor individually impaired" are Stage 1 assets. Past Due loans include any loan that is in arrears for more than one day. Out of LKR 29.4Bn categorized under " Past due but not individually impaired ", LKR 10.3Bn (35%) is in Stage 1, LKR 9.6Bn (33%) is in Stage 2 and LKR 9.5Bn (32%) is in Stage 3.

## Notes to the Financial Statements

### Collateral and other credit enhancements

The amount and type of collateral required depends on the assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.

### Fair value of Collateral and Credit Enhancements Held

Bank - 31 December 2023	Maximum Exposure to Credit Risk	Cash	Government Securities	Bank Guarantees	Property Management	Equity	Movable Property	Gold	Other	Surplus Collateral	Net collateral	Net exposure
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Cash and Cash Equivalents	40,179,820	12,497,649	-	-	-	-	-	-	-	-	12,497,649	27,682,171
Balances with Central Bank of Sri Lanka	2,683,927	-	-	-	-	-	-	-	-	-	-	2,683,927
Reverse Repurchase Agreements	1,502,215	-	1,690,720	-	-	-	-	-	-	(188,505)	1,502,215	-
Derivative Financial Instruments	3,660	-	-	-	-	-	-	-	-	-	-	3,660
Financial Assets - Recognised through Profit or Loss	10,934,069	-	-	-	-	-	-	-	-	-	-	10,934,069
Financial Assets at Fair Value through Other Comprehensive Income	79,922,903	-	-	-	-	-	-	-	-	-	-	79,922,903
Financial Assets at Amortised Cost	97,357,849	-	-	-	-	-	-	-	-	-	-	97,357,849
Financial Assets at Amortised Cost - Loans and Advances (Gross)	292,574,972	46,350,361	2,482,811	-	35,050,192	5,745,131	56,088,148	4,550	5,299,607	(61,583,622)	89,437,178	203,137,794
Financial Guarantees	905,918	-	-	-	-	-	-	-	-	-	-	905,918
Letters of Credit	5,833,288	-	-	-	-	-	-	-	228,352	-	228,352	5,604,935
Other Commitments	310,002,698	-	-	-	-	-	-	-	-	-	17,216,061	292,786,637
	841,901,318	58,848,011	4,173,530	-	35,050,192	5,745,131	56,088,148	4,550	5,527,959	(61,772,127)	120,881,454	721,019,864

Expected Credit Loss provisions are not made for customers fully collateralised by cash and Government Securities denominated in Sri Lankan Rupees. The market values of collateralisation assets were not subject to any significant deterioration within the period which requires a special attention. During the normal course of business, operating within the general legal provisions available for a commercial bank, the bank acquires the possession of collateralised assets when the contractual payments are not honoured by the customer. The bank does not consider such repossessed assets as its own assets, as per policy those assets are publicly sold in a transparent manner to recover the maximum possible market value.

## Fair value of Collateral and Credit Enhancements Held

Bank - 31 December 2022	Maximum Exposure to Credit Risk	Cash	Government Securities	Bank Guarantees	Property Management	Equity	Movable Property	Gold	Other	Surplus Collateral	Net collateral	Net exposure
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Cash and Cash Equivalents	58,747,889	10,087,206	-	-	-	-	-	-	-	-	10,087,206	48,660,683
Balances with Central Bank of Sri Lanka	6,074,330	-	-	-	-	-	-	-	-	-	-	6,074,330
Reverse Repurchase Agreements	1,502,266	-	1,691,260	-	-	-	-	-	-	(188,994)	1,502,266	-
Derivative Financial Instruments	102,730	-	-	-	-	-	-	-	-	-	-	102,730
Financial Assets - Recognised through Profit or Loss	3,733,781	-	-	-	-	-	-	-	-	-	-	3,733,781
Financial Assets at Fair Value through Other Comprehensive Income	30,349,526	-	-	-	-	-	-	-	-	-	-	30,349,526
Financial Assets at Amortised Cost	59,928,294	-	-	-	-	-	-	-	-	-	-	59,928,294
Financial Assets at Amortised Cost - Loans and Advances (Gross)	260,739,471	33,620,608	-	-	34,675,612	7,161,129	78,436,211	83,232	4,611,267	(79,360,127)	79,227,931	181,511,540
Financial Guarantees	568,354	-	-	-	-	-	-	-	-	-	-	568,354
Letters of Credit	4,576,561	-	-	-	-	-	-	-	527,489	-	527,489	4,049,072
Other Commitments	221,108,263	-	-	362,978	-	-	-	-	-	-	17,579,039	203,529,224
	647,431,467	43,707,813	1,691,260	362,978	34,675,612	7,161,129	78,436,211	83,232	5,138,756	(79,549,121)	108,923,931	538,507,535

Given below is an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets

Type of Collateral or Credit Enhancement	2023		2022	
	Surplus Collateral	Net collateral	Surplus Collateral	Net collateral
	LKR '000	LKR '000	LKR '000	LKR '000
Stage 3 Loans and Advances	6,474,321	6,516,753	6,924,685	6,584,095
	15,090,231	15,090,231	12,930,386	12,930,386

## Notes to the Financial Statements

### Analysis of Risk Concentration

The Bank's concentrations of risk are managed by industry sector. The following table shows the risk concentration by the industry for the components of the Statement of Financial Position. Assets concentrated as "Other" include Consumer Loans secured by Residential Property, Credit Cards and Leases. A major portion of the Leases consist of Leases granted to individuals for the purpose of facilitating their small/micro level business activities which cannot be directly attributable to a single identified sector, hence classified under "Other".

During the early stages of the global pandemic the bank conducted an in-depth analysis on the probable industries which would get affected and the scale of impact it may have on the bank's lending portfolio. The negative externalities reported during 2019 to 2022 period stressed the importance of diversification of the Bank's loan book across wide range of industries which in turn would ensure the resilience of the Bank in an economic shock of this nature. The Bank is comfortable with the existing composition of its loan book and continuous monitoring activities are carried out to avoid accumulation of exposures to high-risk economic segments.

Bank - 31 December 2023	Agriculture	Ancillary Services	Banking and Finance	Construction and Real Estate	Consumer Durables and Disposables	Diversified	Food and Beverages	Health Care	Industries	Information Technology and Telecommunication	Other	Travel and Transport	Secured by Cash	Total
	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000
Cash and Cash Equivalents	-	-	40179,820	-	-	-	-	-	-	-	-	-	-	40,179,820
Balances with Central Bank of Sri Lanka	-	-	2,683,927	-	-	-	-	-	-	-	-	-	-	2,683,927
Reverse Repurchase Agreements	-	-	1,502,215	-	-	-	-	-	-	-	-	-	-	1,502,215
<b>Derivative Financial Instruments</b>														
Forward Foreign Exchange Contracts and Currency Swaps	-	-	419	-	2,137	-	-	-	534	353	217	-	-	3,660
<b>Financial Assets - Recognised through Profit or Loss</b>														
Government Treasury Bills and Bonds	-	-	10,934,069	-	-	-	-	-	-	-	-	-	-	10,934,069
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>														
Government Treasury Bills and Bonds	-	-	79,201,349	-	-	-	-	-	-	-	-	-	-	79,201,349
Sri Lanka International Sovereign Bonds	-	-	69,7025	-	-	-	-	-	-	-	-	-	-	697,025
Unquoted Equity Shares	-	-	-	-	-	-	-	-	-	-	24,529	-	-	24,529
<b>Financial Assets at Amortised Cost</b>														
Government Treasury Bills and Bonds	-	-	88,823,497	-	-	-	-	-	-	-	-	-	-	88,823,497
US Treasury Bills	-	-	4,849,318	-	-	-	-	-	-	-	-	-	-	4,849,318
Sri Lanka International Sovereign Bonds	-	-	8,709,309	-	-	-	-	-	-	-	-	-	-	8,709,309
Quoted Debentures	-	-	514,201	-	-	-	-	-	-	-	-	-	-	514,201
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,538,476)
<b>Financial Assets at Amortised Cost - Loans and Advances</b>	39,600,863	15,861,257	30,690,518	20,659,277	9,512,382	15,253,765	12,566,744	9,620,198	57,852,400	15,324,612	2,272,804	29,721,628	33,638,524	292,574,972
Impairment for Loans and Advances	-	-	-	-	-	-	-	-	-	-	-	-	-	(20,819,532)
	39,600,863	15,861,257	268,785,666	20,659,277	9,514,519	15,253,765	12,566,744	9,620,198	57,852,933	15,324,966	2,297,550	29,721,628	33,638,524	504,339,872

Bank - 31 December 2022	Agriculture	Ancillary Services	Banking and Finance	Construction and Real Estate	Consumer Durables and Disposables	Diversified	Food and Beverages	Health Care	Industries	Information Technology & Telecommunication	Other	Travel and Transport	Secured by Cash	Total
	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000	LKR000
Cash and Cash Equivalents	-	-	58,747,889	-	-	-	-	-	-	-	-	-	-	58,747,889
Balances with Central Bank of Sri Lanka	-	-	6,074,330	-	-	-	-	-	-	-	-	-	-	6,074,330
Reverse Repurchase Agreements	-	-	1,502,266	-	-	-	-	-	-	-	-	-	-	1,502,266
<b>Derivative Financial Instruments</b>														
Forward Foreign Exchange Contracts and Currency Swaps	-	-	102,730	-	-	-	-	-	-	-	-	-	-	102,730
<b>Financial Assets - Recognised through Profit or Loss</b>														
Government Treasury Bills and Bonds	-	-	3,733,781	-	-	-	-	-	-	-	-	-	-	3,733,781
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>														
Government Treasury Bills and Bonds	-	-	29,844,428	-	-	-	-	-	-	-	-	-	-	29,844,428
Sri Lanka International Sovereign Bonds	-	-	478,077	-	-	-	-	-	-	-	27,021	-	-	478,077
Unquoted Equity Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	27,021
<b>Financial Assets at Amortised Cost</b>														
Government Treasury Bills and Bonds	-	-	52,900,801	-	-	-	-	-	-	-	-	-	-	52,900,801
Sri Lanka Development Bonds	-	-	1,881,807	-	-	-	-	-	-	-	-	-	-	1,881,807
Sri Lanka International Sovereign Bonds	-	-	8,927,364	-	-	-	-	-	-	-	-	-	-	8,927,364
Quoted Debentures	-	-	769,901	-	-	-	-	-	-	-	-	-	-	769,901
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,551,579)
<b>Financial Assets at Amortised Cost - Loans and Advances</b>	42,647,373	19,278,184	25,680,792	22,482,081	11,109,592	12,665,679	11,541,566	7,521,435	52,703,279	7,000,495	6,038,680	22,123,033	19,947,282	260,739,471
Impairment for Loans and Advances	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,829,176)
	42,647,373	19,278,184	19,064,416	22,482,081	11,109,592	12,665,679	11,541,566	7,521,435	52,703,279	7,000,495	6,065,701	22,123,033	19,947,282	402,349,111

### Geographical Distribution of Loans and Advances

Western Province has recorded a higher percentage of lending based on geographical distribution of the Bank's lending portfolio. It accounts for 72% of total advances portfolio of the Bank as at December 31, 2023. Although, Western Province has the highest credit concentration, we believe that a sizable portion of these lending has been utilised to facilitate industries scattered around the country. For example, most of the large corporates which have their main offices in the Western Province are engaged in an island-wide operations and accommodated across branch network.

#### Bank - 31 December 2023

	In Sri Lanka						Outside Sri Lanka			Total	
	Central	Eastern	North Central	North Western	Northern	Southern	Sabaragamuwa	Uva	Western		
Total Gross Loans and Advances	8,212,906	2,550,459	4,100,623	17,397,229	3,421,352	13,085,206	3,925,010	2,729,954	210,392,080	26,760,153	292,574,972
<b>Bank - 31 December 2022</b>											
Total Gross Loans and Advances	8,008,555	2,649,233	4,653,718	15,587,110	3,560,774	13,744,368	4,380,145	2,732,693	183,305,554	22,117,321	260,739,471

## Notes to the Financial Statements

### Commitments and Guarantees

To meet the financial needs of customers, the Bank enters into various commitments and contingent liabilities. Even though these obligations may not be recognized on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Bank.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank would have to pay if the guarantee is called upon. Undrawn commitments mainly consist of unutilized credit card limits and facilities granted to corporate customers where the Bank reserves the right to unconditionally cancel or recall the facility at its discretion. (Refer to "Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities" under 47.3 Liquidity Risk and Funding Management).

### 47.3 Liquidity risk and funding management

Liquidity risk faced by the Bank falls into two major categories, namely funding liquidity risk and market liquidity risk.

The funding liquidity is the level of liquidity whereby the Bank is able to meet its current and future cash flows and collateral needs, both expected and unexpected, without materially affecting its daily operations or overall financial condition and the market liquidity is the ability to exchange financial assets in the market (interbank market) quickly without any material effect on prices/costs.

The Liquidity Risk of the bank is managed within a Board approved liquidity risk management policy and a limit framework. The two main approaches adopted are namely stock approach and flow approach.

Under the stock approach, the Bank uses certain financial ratios such as Net Loans to Total Assets, Loan to Deposits, Liquidity Coverage Ratio, Net Stable Funding Ratio, Statutory Liquid Assets Ratio (SLAR) etc. to measure the liquidity exposures and are monitored against the limit set by the Board.

The flow approach determines liquidity/net funding requirements of banks by analysing the Bank's current and future cash flows based on assumptions of the current and future behaviour of assets and liabilities that are classified into specified time buckets and then calculating the cumulative net flows over the time frame for liquidity assessment.

The Bank maintains a liquidity contingency plan that specifies an approach for analysing and responding to potential liquidity stress events. The plan outlines an appropriate governance structure for the management and monitoring of liquidity events, processes for effective internal and external communication and identifies potential counter measures to be considered at various stages of an event.

Further, the Bank actively manages the diversification of its deposit liabilities by source and type of deposit.

Amidst the country's volatile market conditions, the bank continued to maintain a stable liquidity profile in both local and foreign currency balance sheets. Pro -active stress tests are being carried out to assess market stresses and any potential Regulatory directions to ensure sufficient liquidity buffers are maintained.

For the year ended 31 December	2023	2022
Liquid Asset Ratio -Consolidated	45.03%	35.55%

Liquid assets mainly consist of cash, short-term bank deposits, standing deposit facilities and government securities. In addition, the Bank maintains a statutory deposit with the Central Bank of Sri Lanka equal to 2% (revised requirement from August 2023 from 4%) of Sri Lankan Rupee customer deposits.

### Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as at 31 December 2023 under the flow approach;

Bank - As at 31 December 2023	On demand (Less than 15 days)	16 days to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Financial Assets</b>						
Cash and Cash Equivalents	40,185,932	-	-	-	-	40,185,932
Balances with Central Bank of Sri Lanka	1,691,017	429,085	493,846	69,459	520	2,683,927
Reverse Repurchase Agreements	1,502,215	-	-	-	-	1,502,215
<b>Financial Assets - Recognised through Profit or Loss</b>						
Government Debt Securities - Treasury Bills and Bonds	287,086	356,537	2,409,663	11,551,356	2,094,945	16,699,586
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>						
Government Debt Securities - Treasury Bills and Bonds	2,674,217	8,007,566	34,351,341	51,208,121	6,791,753	103,032,998
Unquoted Equity Shares	-	-	-	-	24,529	24,529
<b>Financial Assets at Amortised Cost</b>						
Government Debt Securities - Treasury Bills and Bonds	4,019,843	8,308,922	9,618,792	100,780,636	27,249,028	149,977,221
Other Financial Assets	-	1,719,820	1,588,158	6,382,889	-	9,690,867
<b>Financial Assets at Amortised Cost - Loans and Advances</b>						
	113,267,184	67,360,363	52,408,511	83,608,535	12,624,359	329,268,951
<b>Total Undiscounted Financial Assets</b>	<b>163,627,494</b>	<b>86,182,291</b>	<b>100,870,312</b>	<b>253,600,996</b>	<b>48,785,133</b>	<b>653,066,228</b>
<b>Financial Liabilities</b>						
Due to Banks	25,636,163	25,231,587	-	-	-	50,867,750
<b>Financial liabilities at amortised cost</b>						
Due to Depositors	132,774,709	83,671,269	121,756,944	17,917,438	11,116,104	367,236,464
Repurchase Agreements	3,156,569	1,805,334	1,207,595	-	-	6,169,497
Due to Other Borrowers	48,823	2,214,866	7,032,649	8,193,225	4,536,817	22,026,380
Debt Securities Issued	20,179	-	3,622,552	6,994,151	-	10,636,883
<b>Total Undiscounted Financial Liabilities</b>	<b>161,636,444</b>	<b>112,923,054</b>	<b>133,619,741</b>	<b>33,104,815</b>	<b>15,652,921</b>	<b>456,936,975</b>
<b>Net Undiscounted Financial Assets/ (Liabilities)</b>	<b>1,991,049</b>	<b>(26,740,762)</b>	<b>(32,749,429)</b>	<b>220,496,182</b>	<b>33,132,212</b>	<b>196,129,254</b>
<b>Gross Settled Derivatives not Held for Trading</b>						
<b>Financial Assets</b>						
Contractual Amounts Receivable	5,606,831	38,152,667	78,565	-	-	43,838,063
Contractual Amounts Payable	(5,606,831)	(38,152,667)	(78,565)	-	-	(43,838,063)
	-	-	-	-	-	-
<b>Financial Liabilities</b>						
Contractual Amounts Receivable	5,717,690	39,013,086	78,551	-	-	44,809,327
Contractual Amounts Payable	(5,717,690)	(39,013,086)	(78,551)	-	-	(44,809,327)
	-	-	-	-	-	-
<b>Total Gross Settled Derivative Assets/(Liabilities) not Held for Trading</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Net Financial Assets/ (Liabilities)</b>	<b>1,991,049</b>	<b>(26,740,762)</b>	<b>(32,749,429)</b>	<b>220,496,182</b>	<b>33,132,212</b>	<b>196,129,254</b>

## Notes to the Financial Statements

Bank - As at 31 December 2022	On demand (Less than 15 days)	16 days to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Financial Assets</b>						
Cash and Cash Equivalents	55,401,653	3,390,013	-	-	-	58,791,666
Balances with Central Bank of Sri Lanka	2,241,600	1,349,269	2,373,742	109,622	97	6,074,330
Reverse Repurchase Agreements	1,511,332	-	-	-	-	1,511,332
<b>Financial Assets - Recognised through Profit or Loss</b>						
Government Debt Securities - Treasury Bills and Bonds	24,870	3,667,443	42,750	370,325	-	4,105,388
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>						
Government Debt Securities - Treasury Bills and Bonds	5,368,119	15,882,678	4,788,028	8,030,203	3,131,295	37,200,323
Unquoted Equity Shares	-	-	-	-	27,021	27,021
<b>Financial Assets at Amortised Cost</b>						
Government Debt Securities - Treasury Bills and Bonds	2,929,258	4,483,242	14,868,206	40,367,414	26,745,426	89,393,546
Other Financial Assets	204	2,002,532	4,880,289	6,097,399	-	12,980,424
<b>Financial Assets at Amortised Cost - Loans and Advances</b>						
	106,886,008	52,471,010	43,614,828	80,688,844	14,179,855	297,840,545
<b>Total Undiscounted Financial Assets</b>	<b>174,363,044</b>	<b>83,246,187</b>	<b>70,567,843</b>	<b>135,663,807</b>	<b>44,083,694</b>	<b>507,924,575</b>
<b>Financial Liabilities</b>						
Due to Banks	2,168,172	1,831,916	-	-	-	4,000,088
<b>Financial liabilities at amortised cost</b>						
Due to Depositors	109,734,238	75,901,006	120,474,046	4,832,243	3,200	310,944,733
Repurchase Agreements	2,129,354	664,639	1,316,860	-	-	4,110,853
Due to Other Borrowers	172,716	3,233,405	13,713,706	17,311,552	4,465,303	38,896,682
Debt Securities Issued	20,179	-	4,729,396	10,636,882	-	15,386,457
<b>Total Undiscounted Financial Liabilities</b>	<b>114,224,659</b>	<b>81,630,966</b>	<b>140,234,008</b>	<b>32,780,677</b>	<b>4,468,503</b>	<b>373,338,813</b>
<b>Net Undiscounted Financial Assets/ (Liabilities)</b>	<b>60,138,385</b>	<b>1,615,221</b>	<b>(69,666,165)</b>	<b>102,883,130</b>	<b>39,615,191</b>	<b>134,585,762</b>
<b>Gross Settled Derivatives not Held for Trading</b>						
<b>Financial Assets</b>						
Contractual Amounts Receivable	16,316,099	5,938,572	-	-	-	22,254,671
Contractual Amounts Payable	(16,316,099)	(5,938,572)	-	-	-	(22,254,671)
	-	-	-	-	-	-
<b>Financial Liabilities</b>						
Contractual Amounts Receivable	16,293,230	6,081,710	-	-	-	22,374,940
Contractual Amounts Payable	(16,293,230)	(6,081,710)	-	-	-	(22,374,940)
	-	-	-	-	-	-
<b>Total Gross Settled Derivative Assets/(Liabilities) not Held for Trading</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Net Financial Assets/ (Liabilities)</b>	<b>60,138,385</b>	<b>1,615,221</b>	<b>(69,666,165)</b>	<b>102,883,130</b>	<b>39,615,191</b>	<b>134,585,762</b>

### Contractual Maturity of Commitments and Guarantees

Whilst the management understands above contractual maturity gaps, more emphasis is given for the behavioural nature of these cash flows when managing the overall liquidity profile. Management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing asset growth with liquidity in mind whilst monitoring future cash flows and liquidity.

In accordance with the Bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

Bank	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>31 December 2023</b>						
Bonds	2,856,586	4,105,167	12,376,606	3,279,361	-	22,617,721
Acceptance	675,121	3,301,841	207,842	-	-	4,184,804
Guarantees	905,918	-	-	-	-	905,918
Letters of Credit	702,210	4,140,302	990,775	-	-	5,833,288
Foreign Exchange Contracts	11,324,520	77,165,754	157,116	-	-	88,647,390
Forward Contracts to Buy/Sell Government Securities	11,951,589					11,951,589
Undrawn Commitments						
Credit Cards	50,559,438	-	-	-	-	50,559,438
Other	132,041,756	-	-	-	-	132,041,756
<b>Total Commitments and Guarantees</b>	<b>211,017,139</b>	<b>88,713,063</b>	<b>13,732,341</b>	<b>3,279,361</b>	<b>-</b>	<b>316,741,904</b>

Note 1: Forward Exchange Contract amounts shown above are the total of gross purchase and sales contracts with the counter parties. However, the net exposure on these contracts are estimated at LKR 1,097Mn as at end of 2023 and LKR 487Mn as at end of 2022 based on a 2.5% price premium movement on 6 month forward exchange rate as at end of each year.

Bank	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>31 December 2022</b>						
Bonds	1,790,033	5,945,106	10,247,644	1,902,244	40	19,885,066
Acceptance	692,043	957,287	93,808	-	-	1,743,137
Guarantees	568,354	-	-	-	-	568,354
Letters of Credit	877,949	3,373,215	325,397	-	-	4,576,561
Foreign Exchange Contracts	32,609,329	12,020,283		-	-	44,629,612
Forward Contracts to Buy/Sell Govt. Securities	92,757					92,757
Undrawn Commitments						
Credit Cards	48,388,614	-	-	-	-	48,388,614
Other	106,369,077	-	-	-	-	106,369,077
<b>Total Commitments and Guarantees</b>	<b>191,388,156</b>	<b>22,295,891</b>	<b>10,666,849</b>	<b>1,902,244</b>	<b>40</b>	<b>226,253,178</b>

Note 1: Forward Exchange Contract amounts shown above are the total of gross purchase and sales contracts with the counter parties. However, the net exposure on these contracts are estimated at LKR 487Mn as at end of 2022 and LKR 543Mn as at end of 2021 based on a 2.5% price premium movement on 6 month forward exchange rate as at end of each year.

## Notes to the Financial Statements

### 47.4 Market Risk

Market Risk denotes the risk of losses in the banking book as a result of unfavourable movements in market variables such as interest rates, foreign exchange rates, credit spreads, equity prices and commodity prices.

The Bank manages the market risk on both trading and non-trading portfolios through a comprehensive market risk management framework. The objective of such framework is to reduce the exposure to the aforementioned unfavourable movements and mitigate the impact on the economic income and cash flows.

All market risk parameters carry the concurrence of the Board of Directors. These limits are reviewed periodically to factor the market dynamics and the Bank's business need and all revisions are subject to Board approval. The exposures are monitored against the limits set by the Board and a dashboard of the Bank's market risk exposures against approved limits is shared with the management on a daily basis.

While the general market risk is monitored according to the Board approved risk parameters on daily basis (some of the parameters are monitored online), the market risk management unit performs stress testing on the trading book periodically. Probable adverse macroeconomic scenarios are considered while designing the stress testing framework and the results of the stress testing are presented to Integrated Risk Management Committee of the Bank.

#### Types of Market Risk

Both trading and non-trading activities of the Bank are exposed to movements in the market indices which reflects in the profit and losses.

- Interest Rate Risk
- Currency Risk

#### Interest Rate Risk

Interest Rate Risk (IRR) arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Any mismatches in the cash flows (fixed rate assets or liabilities) or re-pricing dates (floating rate assets or liabilities) expose the Bank's Net Interest Income to variations. The Board has established limits on the balance sheet interest rate gaps. The Bank's policy is to monitor positions on a monthly basis and to ensure positions are maintained within the established limits.

IRR exposure is primarily managed with repricing gap analysis that distributes interest rate sensitive assets, liabilities and off-balance sheet positions at carrying amount into a number of pre-defined time-bands according to their residual term to maturity (fixed rate) or residual term for their next re-pricing (floating rate). The Classifications are based on the basis agreed at ALCO for monitoring of repricing gaps.

Bank - As at 31 December 2023	Total	On demand (Less than 15 days)	16 days to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Assets</b>							
Cash and balances with Central Bank of Sri Lanka	42,127,397	-	-	-	-	-	42,127,397
Loans and Advances	270,786,762	99,675,307	98,902,433	26,769,040	33,665,115	7,441,907	4,332,960
Investments	199,524,079	11,665,555	15,675,692	32,500,203	113,884,690	25,797,938	-
Other	46,608,715	6,586,833	38,152,667	78,565	-	-	1,790,650
<b>Total Assets</b>	<b>559,046,953</b>	<b>117,927,695</b>	<b>152,730,793</b>	<b>59,347,808</b>	<b>147,549,807</b>	<b>33,239,845</b>	<b>48,251,007</b>
<b>Liabilities</b>							
Deposits	343,049,970	97,059,271	79,642,784	112,020,669	15,736,100	3,309,249	35,281,898
Borrowings	81,293,856	27,927,061	28,707,421	14,145,385	7,391,727	3,122,262	-
Other	134,703,127	6,598,646	39,013,086	78,551	-	-	89,012,844
<b>Total Shareholder Funds and Liabilities</b>	<b>559,046,953</b>	<b>131,584,977</b>	<b>147,363,290</b>	<b>126,244,605</b>	<b>23,127,827</b>	<b>6,431,511</b>	<b>124,294,742</b>
<b>Total Interest Sensitivity Gap</b>	<b>-</b>	<b>(13,657,284)</b>	<b>5,367,503</b>	<b>(66,896,797)</b>	<b>124,421,979</b>	<b>26,808,334</b>	<b>(76,043,735)</b>
<b>Bank - As at 31 December 2022</b>							
	Total	On demand (Less than 15 days)	16 days to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Assets</b>							
Cash and balances with Central Bank of Sri Lanka	61,466,832	-	-	-	-	-	61,466,832
Loans and Advances	241,791,532	81,962,649	84,582,305	26,394,616	28,646,558	5,628,998	14,576,407
Investments	106,302,265	12,089,914	24,263,211	18,589,416	32,136,891	19,222,834	-
Other	23,817,826	14,090,218	9,693,664	-	-	-	33,943
<b>Total Assets</b>	<b>433,378,455</b>	<b>108,142,781</b>	<b>118,539,180</b>	<b>44,984,032</b>	<b>60,783,449</b>	<b>24,851,832</b>	<b>76,077,182</b>
<b>Liabilities</b>							
Deposits	292,397,881	79,522,955	71,593,789	107,387,351	3,626,059	3,200	30,264,527
Borrowings	50,534,114	3,313,908	6,825,998	25,663,438	12,233,090	2,497,680	-
Other	90,446,460	15,041,159	6,470,285	-	-	-	68,935,016
<b>Total Shareholder Funds and Liabilities</b>	<b>433,378,455</b>	<b>97,878,022</b>	<b>84,890,072</b>	<b>133,050,789</b>	<b>15,859,149</b>	<b>2,500,880</b>	<b>99,199,543</b>
<b>Total Interest Sensitivity Gap</b>	<b>-</b>	<b>10,264,759</b>	<b>33,649,108</b>	<b>(88,066,757)</b>	<b>44,924,300</b>	<b>22,350,952</b>	<b>(23,122,361)</b>

## Notes to the Financial Statements

The ALCO monitors the above gaps and the sensitivity on the Profit or Loss and equity for Sri Lankan Rupee and US Dollar denominated assets and liabilities on a Bank and Group basis against the set limits. The sensitivity of the Profit or Loss and equity is measured by calculating the change in the present value of above interest rate sensitive gaps, based on assumed changes in interest rates along the yield curve.

The following table demonstrates the sensitivity of the Bank's Profit or Loss to a reasonably possible parallel shift in the interest rate yield curve, with all other variables held constant.

Bank	Increase / (Decrease) in basis points	Sensitivity to Profit after Tax		Sensitivity to Equity after Tax	
		2023	2022	2023	2022
Asset/Liabilities	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
LKR	+100/-100	+132,279/-134,192	+116,082/-117,700	-2,018,301/+2,127,496	-388,753/+412,182
USD	+50/-50	+73,001/-73,657	+61,231/-61,718	-160,774/+164,081	-31,946/+31,973

Exposure to market risk in the trading book is separately monitored and measured by setting limits on products, maturity profile of the portfolio, cut-loss limits and by setting sub-limits within above interest rate sensitive gap analysis.

### Currency Risk

Currency risk is the potential risk of loss due to unfavourable movements in foreign exchange rates when the Bank has foreign currency denominated assets, liabilities or trading positions. Exposure to each currency is arrived at by calculating the Net Asset or Liability position including the spot and forward contracts of the relevant currency.

The Board has set following limits to mitigate against currency risk exposures;

- Exposure on currencies on individual and an aggregate basis
- Exposure for each currency by maturity for forward currency contracts
- Dealer and counter-party Limits
- Overnight and Intra-Day Limits
- Stop-loss limits

Treasury Middle Office (TMO) monitors the above positions on a daily basis to ensure positions are maintained within established limits. The table below indicates the currencies to which the Bank had material exposures at 31 December 2023. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Sri Lankan Rupee, with all other variables held constant, on the Profit or Loss. A negative amount in the table reflects a potential net reduction in Profit or Loss, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against the Sri Lankan Rupee would have resulted in an equivalent but opposite impact.

The sensitivity related to trading position in the Domestic Banking Unit is given below;

Currency	Change in	Change in	Effect on Profit	Effect on Profit
	Currency Rate in %	Currency Rate in %	after tax	after tax
	2023	2022	2023	2022
			LKR '000	LKR '000
USD	+5	+5	(26,071.2)	50,011.1
GBP	+5	+5	(176.4)	(518.0)
EUR	+5	+5	(80.7)	(49.6)
AUD	+5	+5	512.1	(510.5)
JPY	+5	+5	1,044.8	(436.0)
Other	+5	+5	5,042.2	337.5

In addition to the above trading exposures, the Bank carries a Positive US Dollar reserves accumulated in Foreign Currency Banking Unit books. The sensitivity to Profit or Loss from this exposure is as follows;

Currency	Change in	Change in	Effect on Profit	Effect on Profit
	Currency Rate in %	Currency Rate in %	after tax	after tax
	2023	2022	2023	2022
			LKR '000	LKR '000
USD	+5	+5	46,329.9	33,693.7

## 48 Contingent Liabilities, Capital Commitments and Leasing Arrangements

### 48.1 Legal claims and contingent liabilities

There have been no significant legal claims against the Bank / Group as at 31 December 2023 (2022 - Nil).

### 48.2 Capital Commitments

The commitment for acquisition of Property, Plant and Equipment and Intangible Assets incidental to the ordinary course of business as at 31 December are as follows;

As at 31 December	Group	
	2023	2022
	LKR '000	LKR '000
<b>Capital Commitments for Property, Plant and Equipment</b>		
Approved and Contracted for	25,231	50,373
Approved but not Contracted for	82,735	91,348
	107,966	141,721
<b>Capital Commitments for Intangible Assets</b>		
Approved and Contracted for	269,789	306,441
Approved but not Contracted for	764,127	361,374
	1,033,916	667,815
	1,141,882	809,536

## Notes to the Financial Statements

### 48. Contingent Liabilities, Capital Commitments and Leasing Arrangements (Contd.)

#### 48.3 Lease Arrangements

##### 48.3.1 Operating Lease Commitments – Group as Lessee

The Group has entered into commercial leases for premises and non bank motor vehicles for bank use. These leases have an average life of five to six years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Set out below are the undiscounted potential future rental payments as at 31 December.

As at 31 December	Group	
	2023 LKR '000	2022 LKR '000
Within one year	441,136	556,898
After one year but not more than five years	1,145,312	1,243,017
More than five years	167,531	370,716
	<b>1,753,979</b>	<b>2,170,631</b>

##### 48.3.2 Operating Lease Receivable – Group as Lessor

The table below provides an analysis of operating lease receivables for leases of certain properties in which the Group is the lessor.

As at 31 December	Group	
	2023 LKR '000	2022 LKR '000
Within one year	52,766	35,704
After one year but not more than five years	39,574	26,383
	<b>92,340</b>	<b>62,087</b>

## 49 Capital

The Bank maintains an actively managed capital base to cover risks inherent in the business and meet the capital adequacy requirements of the Central Bank of Sri Lanka. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS) and adopted by the Central Bank of Sri Lanka in supervising the Bank.

### 49.1 Capital Management

The primary objectives of the Bank's capital management policy are to ensure that the bank complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

Regulatory capital consists of Tier 1 Capital, which comprises share capital, share premium, retained earnings including current year profit. The other component of regulatory capital is Tier II Capital, which includes subordinated long term debt.

### 49.2 Net Assets Value per Ordinary Share

	Bank		Group	
	2023	2022	2023	2022
<b>Amount Used as the Numerator:</b>				
Net Assets Attributable to Equity Holders of the Parent (LKR'000)	58,945,054	44,226,227	61,126,137	46,040,658
<b>Number of Ordinary Shares Used as the Denominator:</b>				
Number of Ordinary Shares in Issue at the End of the Year (Note 26)	319,619,960	301,474,567	319,619,960	301,474,567
<b>Net Assets Value per Ordinary Share (LKR)</b>	<b>184.42</b>	<b>146.70</b>	<b>191.25</b>	<b>152.72</b>

## 50 Events After the Reporting Date

No material events have taken place since 31 December 2023 that require disclosure or/and adjustments in these financial statements, except for the following;

### a) Dividends Declared

The Board of Directors of the Bank has approved the payment of a first and final dividend of LKR 5.00 per share to be paid in the form of LKR 2.50 per share in cash and LKR 2.50 per share in scrip. Scrip issue will be made in the proportion of 01 voting share for every 48.308808 voting shares amounting to a total of 5,718,653 new voting shares and 01 convertible non-voting share for every 50.161475 convertible non-voting shares, amounting to a total of 864,382 new convertible non-voting shares. Fractions in shares will be paid in cash.



# Supplementary Statements

Risk Management Annexures	201
GRI Context Index	220
Investor Information	224
Corporate Governance Annexure	228
Decade at a Glance	252
Service Network with Location Addresses	254
Glossary	257
Administrative Details	260
Notice of Meeting	261
Form of Proxy (Voting Shareholders)	262
Form of Proxy (Non-Voting Shareholders)	264
Registration Form	266
Corporate Information	IBC

# 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)
<b>Assets</b>			
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
<b>Total</b>	<b>10,938</b>	<b>505,227</b>	<b>516,165</b>
<b>Liabilities</b>			
Due to Banks	-	49,682	49,682
Derivative Financial Instruments	659	-	659
Due to Depositors	-	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
<b>Total</b>	<b>659</b>	<b>515,506</b>	<b>516,165</b>
<b>Contingent Liabilities &amp; Commitments</b>			
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	
	Liabilities (On & Off Balance sheet)	54.211	43.610	27.652	62.662	17.201	5.802	105.735	(2.299)
	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	
	Liabilities (On & Off Balance sheet)	0.572	0.391	0.437	1.244	0.429	0.170	3.554	(0.011)
	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	
	Liabilities (On & Off Balance sheet)	1.119	0.634	0.572	0.851	1.873	0.668	3.722	(0.082)
	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

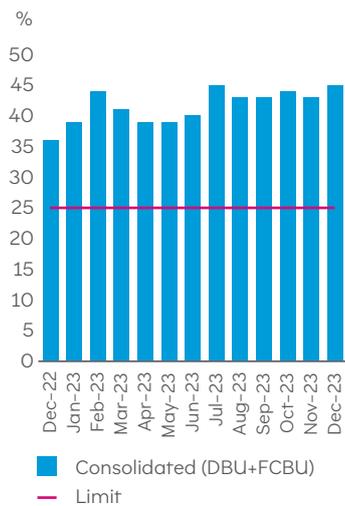
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Up by 100bp	1	14	24	234	(485)	(997)	(1,067)	(2,276)
Down by 100bp	(1)	(14)	(24)	(234)	485	997	1,067	2,276

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

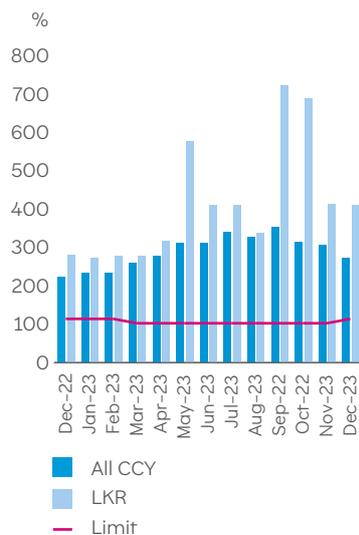
## Risk Management Annexures

### Liquidity Risk Trend Analysis

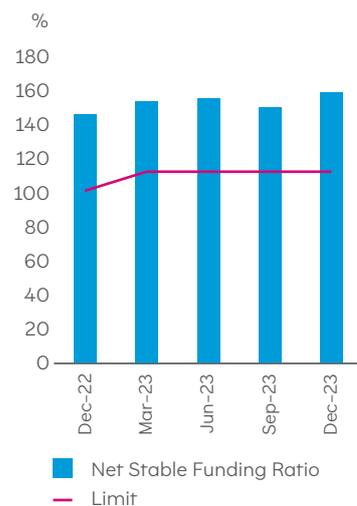
**Statutory Liquidity Ratio**



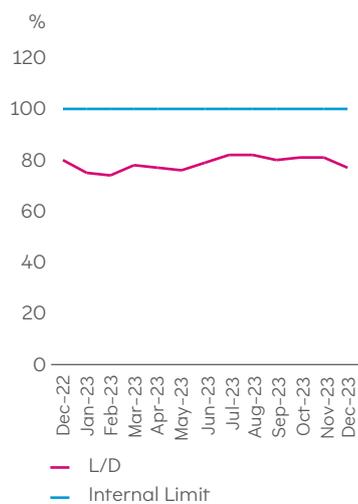
**Liquidity Coverage Ratio**



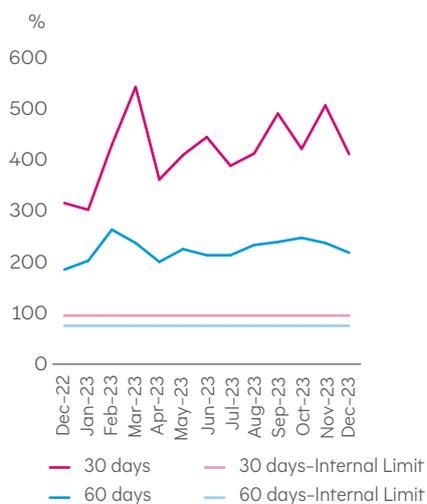
**Net Stable Funding Ratio**



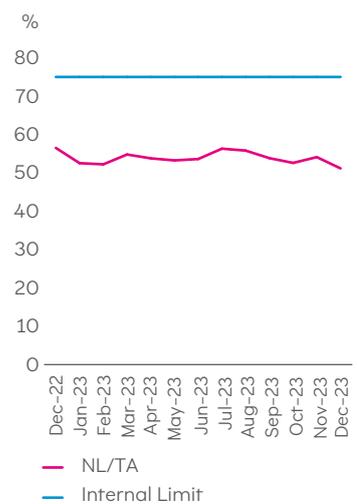
**Loan to Deposit Ratio**



**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
<b>Regulatory Capital (LKR '000)</b>				
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
<b>Regulatory Capital Ratios (%)</b>				
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%
<b>Regulatory Liquidity</b>				
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		
<b>Liquidity Coverage Ratio (%)</b>				
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

Table 2  
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
<b>Common Equity Tier 1 (CET1) Capital after Adjustments</b>	51,747,926	38,032,394	53,681,235	39,599,360
<b>Common Equity Tier 1 (CET1) Capital</b>	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	-	-	-	-
<b>Total Adjustments to CET1 Capital</b>	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	-	-	-	-
<b>Additional Tier 1 (AT1) Capital after Adjustments</b>	-	-	-	-
<b>Additional Tier 1 (AT1) Capital</b>	-	-	-	-
Qualifying Additional Tier 1 Capital Instruments	-	-	-	-
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
<b>Total Adjustments to AT1 Capital</b>	-	-	-	-
Investment in Own Shares	-	-	-	-
Others (specify)	-	-	-	-
<b>Tier 2 Capital after Adjustments</b>	4,582,297	5,630,122	4,582,297	5,630,122
<b>Tier 2 Capital</b>	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	-	-	-	-
<b>Total Adjustments to Tier 2</b>	-	-	-	-
Investment in Own Shares	-	-	-	-
Others (specify)	-	-	-	-
<b>CET1 Capital</b>	51,747,926	38,032,394	53,681,235	39,599,360
<b>Total Tier 1 Capital</b>	51,747,926	38,032,394	53,681,235	39,599,360
<b>Total Capital</b>	56,330,223	43,662,516	58,263,532	45,229,482

Table 2 (Contd.)

## 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
<b>Total Risk Weighted Assets (RWA)</b>	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
<b>CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer &amp; Surcharge on D-SIBs) (%)</b>	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%
<b>Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer &amp; Surcharge on D-SIBs) (%)</b>	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
<b>Tier 1 Capital</b>	51,747,926	38,032,394	53,681,235	39,599,360
<b>Total Exposures</b>	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
<b>Basel III Leverage Ratio (%) (Tier 1/Total Exposure)</b>	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	
<b>Total Stock of High-Quality Liquid Assets (HQLA)</b>	150,385,533	150,385,533	80,523,205	80,523,205
<b>Total Adjusted Level 1A Assets</b>	150,792,353	150,792,353	80,518,342	80,518,342
<b>Level 1 Assets</b>	150,385,533	150,385,533	80,523,205	80,523,205
<b>Total Adjusted Level 2A Assets</b>	-	-	-	-
<b>Level 2A Assets</b>	-	-	-	-
<b>Total Adjusted Level 2B Assets</b>	-	-	-	-
<b>Level 2B Assets</b>	-	-	-	-
<b>Total Cash Outflows</b>	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
<b>Total Cash Inflows</b>	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
<b>Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/ Total Net Cash Outflows over the Next 30 Calendar Days) * 100</b>		274%		223%

**Table 5**  
**Basel III Computation of Net Stable Funding Ratio**

Item	Bank	
	Amount (LKR'000)	
	31-December-23	31-December-22
<b>Total Available Stable Funding</b>	<b>370,510,951</b>	308,081,156
Required Stable Funding – On Balance Sheet Assets	<b>226,295,980</b>	199,880,785
Required Stable Funding – Off Balance Sheet Items	<b>7,326,529</b>	5,761,837
<b>Total Required Stable Funding</b>	<b>233,622,509</b>	205,642,622
<b>Net Stable Funding Ratio</b> (Minimum Requirement - 100% -31-December-2023)		
(Minimum Requirement - 90% - 31-Dec 2022)	<b>158.59%</b>	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
<b>Issuer Call subject to Prior Supervisory Approval</b>			
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
<b>Coupons/Dividends</b>			
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
<b>Convertible or Non-Convertible</b>	Non-Convertible	Convertible	Convertible
If Convertible, Conversion Trigger (s)	Non-Convertible	Starting from last market date of quarter ending 30th June and forward	As per Banking Act Direction No. 1 of 2016
If Convertible, Fully or Partially	Non-Convertible	Fully or Partially	Fully or Partially
If Convertible, Mandatory or Optional	Non-Convertible	Optional	Mandatory
If Convertible, Conversion Rate	Non-Convertible	1:1	Simple Average of Volume WA Price of ordinary voting shares published by the CSE, during the 3 months period, immediately preceding the date of the Trigger Event.

Subordinated Debt (Debentures)	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 <sup>ii</sup>	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%
<b>Total</b>	<b>430,132,669</b>	<b>293,391,310</b>	<b>379,450,171</b>	<b>20,109,897</b>	<b>229,834,668</b>	<b>58%</b>

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 <sup>ii</sup>	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%
<b>Total</b>	<b>430,292,215</b>	<b>293,391,310</b>	<b>379,609,717</b>	<b>20,109,897</b>	<b>229,955,508</b>	<b>58%</b>

**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 <sup>a</sup>	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 <sup>a</sup>	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)										
	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
<b>Total</b>	<b>109,642,221</b>	<b>-</b>	<b>38,789,387</b>	<b>5,139,579</b>	<b>15,956,521</b>	<b>6,074,749</b>	<b>65,111,576</b>	<b>156,947,416</b>	<b>1,872,816</b>	<b>25,803</b>	<b>399,560,068</b>

Description	Group										
	LKR'000 as at 31-December-23 (Post CCF & CRM)										
	0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka	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
<b>Total</b>	<b>109,642,224</b>	<b>-</b>	<b>38,789,387</b>	<b>5,139,579</b>	<b>15,956,521</b>	<b>6,074,749</b>	<b>65,111,576</b>	<b>157,132,762</b>	<b>1,872,816</b>	<b>-</b>	<b>399,719,614</b>

## Bank

LKR'000 as at 31-December-22 (Post CCF &amp; 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 &amp; 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
<b>(a) RWA for Interest Rate Risk</b>	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>(b) RWA for Equity</b>	-	-	-	-
(i) General Equity Risk	-	-	-	-
(ii) Specific Equity Risk	-	-	-	-
<b>(c) RWA for Foreign Exchange &amp; Gold</b>	40,177	180,217	40,177	180,217
<b>Capital Charge for Market Risk [(a) + (b) + (c)] * CAR</b>	<b>23,161,667</b>	<b>3,337,695</b>	<b>23,161,667</b>	<b>3,337,695</b>

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
<b>The Basic Indicator Approach</b>	15%		22,933,969	38,423,370	44,471,082	15%		21,094,930	23,333,112	38,393,141
<b>The Standardised Approach</b>			-	-	-			-	-	-
Corporate Finance	18%		-	-	-	18%		-	-	-
Trading and Sales	18%		-	-	-	18%		-	-	-
Payment and Settlement	18%		-	-	-	18%		-	-	-
Agency Services	15%		-	-	-	15%		-	-	-
Asset Management	12%		-	-	-	12%		-	-	-
Retail Brokerage	12%		-	-	-	12%		-	-	-
Retail Banking	12%		-	-	-	12%		-	-	-
Commercial Banking	15%		-	-	-	15%		-	-	-
<b>The Alternative Standardised Approach</b>			-	-	-			-	-	-
Corporate Finance	18%		-	-	-	18%		-	-	-
Trading and Sales	18%		-	-	-	18%		-	-	-
Payment and Settlement	18%		-	-	-	18%		-	-	-
Agency Services	15%		-	-	-	15%		-	-	-
Asset Management	12%		-	-	-	12%		-	-	-
Retail Brokerage	12%		-	-	-	12%		-	-	-
Retail Banking	12%	0.035	-	-	-	12%	0.035	-	-	-
Commercial Banking	15%	0.035	-	-	-	15%	0.035	-	-	-
<b>Capital Charges for Operational Risk (LKR'000)</b>										
The Basic Indicator Approach	5,291,421					4,141,059				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				
<b>Risk Weighted Amount for Operational Risk (LKR'000)</b>										
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.)

Business Lines	Group									
	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
<b>The Basic Indicator Approach</b>	15%		23,269,379	38,867,315	45,031,613	15%		21,430,771	23,668,521	38,837,086
<b>The Standardised Approach</b>			-	-	-			-	-	-
Corporate Finance	18%		-	-	-	18%		-	-	-
Trading and Sales	18%		-	-	-	18%		-	-	-
Payment and Settlement	18%		-	-	-	18%		-	-	-
Agency Services	15%		-	-	-	15%		-	-	-
Asset Management	12%		-	-	-	12%		-	-	-
Retail Brokerage	12%		-	-	-	12%		-	-	-
Retail Banking	12%		-	-	-	12%		-	-	-
Commercial Banking	15%		-	-	-	15%		-	-	-
<b>The Alternative Standardised Approach</b>			-	-	-			-	-	-
Corporate Finance	18%		-	-	-	18%		-	-	-
Trading and Sales	18%		-	-	-	18%		-	-	-
Payment and Settlement	18%		-	-	-	18%		-	-	-
Agency Services	15%		-	-	-	15%		-	-	-
Asset Management	12%		-	-	-	12%		-	-	-
Retail Brokerage	12%		-	-	-	12%		-	-	-
Retail Banking	12%	0.035	-	-	-	12%	0.035	-	-	-
Commercial Banking	15%	0.035	-	-	-	15%	0.035	-	-	-
<b>Capital Charges for Operational Risk (LKR'000)</b>										
The Basic Indicator Approach	5,358,415					4,196,819				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				
<b>Risk Weighted Amount for Operational Risk (LKR'000)</b>										
The Basic Indicator Approach	42,867,323					33,574,551				
The Standardised Approach	-					-				
The Alternative Standardised Approach	-					-				

## GRI Context Index

Statement of use	Nations Trust Bank PLC has reported in accordance with the GRI Standards for the period 1st January 2023 to 31st December 2023.
GRI 1 used	GRI 1: Foundation 2021

Gri Standard/ Other Source	Disclosure	Page No	UNSDG Alignment
<b>General disclosures</b>			
GRI 2: General Disclosures 2021	2-1 Organizational details	IBC	
	2-2 Entities included in the organization's sustainability reporting	3	
	2-3 Reporting period, frequency and contact point	3	
	2-4 Restatements of information	3	
	2-5 External assurance	3	
	2-6 Activities, value chain and other business relationships	52	Goal 5, Goal 8
	2-7 Employees	44	
	2-8 Workers who are not employees	44	
	2-9 Governance structure and composition	60	Goal 8
	2-10 Nomination and selection of the highest governance body	60,61	
	2-11 Chair of the highest governance body	61	
	2-12 Role of the highest governance body in overseeing the management of impacts	25	
	2-13 Delegation of responsibility for managing impacts	25	
	2-14 Role of the highest governance body in sustainability reporting	13	
	2-15 Conflicts of interest	62	
	2-16 Communication of critical concerns	62	
	2-17 Collective knowledge of the highest governance body	61	
	2-18 Evaluation of the performance of the highest governance body	61	
	2-19 Remuneration policies	62	
	2-20 Process to determine remuneration	62	
	2-21 Annual total compensation ratio	44	
	2-22 Statement on sustainable development strategy	10,13	
	2-23 Policy commitments	24	Goal 5, Goal 7, Goal 8, Goal 10, Goal 12, Goal 13, Goal 15, Goal 16, Goal 17
	2-24 Embedding policy commitments	24	
	2-25 Processes to remediate negative impacts	26	
	2-26 Mechanisms for seeking advice and raising concerns	26	
	2-27 Compliance with laws and regulations	54	
	2-28 Membership associations	52	Goal 17
	2-29 Approach to stakeholder engagement	26	

Gri Standard/ Other Source	Disclosure	Page No	UNSDG Alignment
<b>Material topics</b>			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	26	
	3-2 List of material topics	27	
<b>Economic performance</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	27	
	201-1 Direct economic value generated and distributed	6	
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	55	Goal 8
	201-3 Defined benefit plan obligations and other retirement plans	44	
	201-4 Financial assistance received from government	Nil	
<b>Anti-corruption</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	27	
	205-1 Operations assessed for risks related to corruption	48	
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	48	Goal 10, Goal 16
	205-3 Confirmed incidents of corruption and actions taken	48	
<b>Tax</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	27	
	207-1 Approach to tax	37	
GRI 207: Tax 2019	207-2 Tax governance, control, and risk management	165	Goal 10, Goal 16
	207-3 Stakeholder engagement and management of concerns related to tax	165	
	207-4 Country-by-country reporting	165	
<b>Energy</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	27	
	302-1 Energy consumption within the organization	56	Goal 7, Goal 13
GRI 302: Energy 2016	302-2 Energy consumption outside of the organization	56	
	302-3 Energy intensity	55	
<b>Emissions</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	27	
	305-1 Direct (Scope 1) GHG emissions	56	Goal 7, Goal 13
GRI 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	56	
	305-6 Emissions of ozone-depleting substances (ODS)	56	

## GRI Context Index

Gri Standard/ Other Source	Disclosure	Page No	UNSDG Alignment
<b>Waste</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	27	
	306-1 Waste generation and significant waste-related impacts	55	
	306-2 Management of significant waste-related impacts	55	
GRI 306: Waste 2020	306-3 Waste generated	55	Goal 15
	306-4 Waste diverted from disposal (Recycles, reused & Recovered)	55	
	306-5 Waste directed to disposal (Landfill, disposed)	55	
<b>Supplier environmental assessment</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	27	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	52	Goal 17
	308-2 Negative environmental impacts in the supply chain and actions taken	52	
<b>Employment</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	27	
	401-1 New employee hires and employee turnover	45	
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	46	Goal 8
	401-3 Parental leave	48	
<b>Occupational health and safety</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	27	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	48	
	403-2 Hazard identification, risk assessment, and incident investigation	48	
	403-3 Occupational health services	48	
	403-4 Worker participation, consultation, and communication on occupational health and safety	48	Goal 8, Goal 3
	403-5 Worker training on occupational health and safety	48	
	403-6 Promotion of worker health	48	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	48	
	403-9 Work-related injuries	48	
<b>Training and education</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	27	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	47	Goal 8
	404-3 Percentage of employees receiving regular performance and career development reviews	46	

Gri Standard/ Other Source	Disclosure	Page No	UNSDG Alignment
<b>Diversity and equal opportunity</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	27	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees 405-2 Ratio of basic salary and remuneration of women to men	44,45 48	Goal 8
<b>Non-discrimination</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	27	
GRI 406: Non- discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	48	Goal 8
<b>Security practices</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	27	
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	48	
<b>Local communities</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	27	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	53,56	Goal 11
<b>Supplier social assessment</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	27	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria 414-2 Negative social impacts in the supply chain and actions taken	52 52	Goal 17
<b>Customer health and safety</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	27	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	49	
<b>Marketing and labeling</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	27	
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling 417-2 Incidents of non-compliance concerning product and service information and labeling 417-3 Incidents of non-compliance concerning marketing communications	51 51 51	
<b>Customer privacy</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	27	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	51	

# Investor Information

## STOCK EXCHANGE LISTING

The ordinary shares of the bank are all listed on the Colombo Stock Exchange.

The audited Income Statement for the year ended 31 December 2023, and the Statement of Financial Position as at that date will be submitted to the Colombo Stock Exchange within two months of the reporting date.

## Distribution schedule of number of holders and percentage of holding in each class of equity securities

	As at 31 December 2023				As at 31 December 2022			
	No. of Shareholders	Percentage %	No. of Shares	Percentage %	No. of Shareholders	Percentage %	No. of Shareholders	Percentage %
<b>Ordinary Shares - Voting</b>								
1 - 1,000	3,658	58.71	1,064,105	0.39	3,786	58.51	1,094,408	0.42
1,001 - 10,000	1,952	31.33	5,818,875	2.11	2,176	33.63	6,106,144	2.34
10,001 - 100,000	501	8.04	13,962,526	5.05	437	6.75	11,262,618	4.32
100,001 - 1,000,000	102	1.64	26,399,133	9.56	54	0.83	14,260,243	5.48
Over 1,000,000	18	0.29	229,003,369	82.90	18	0.28	227,705,401	87.43
<b>Total</b>	<b>6,231</b>	<b>100.00</b>	<b>276,248,008</b>	<b>100.00</b>	<b>6,471</b>	<b>100.00</b>	<b>260,428,814</b>	<b>100.00</b>
<b>Ordinary Shares - Non Voting</b>								
1 - 1000	302	84.59	52,055	0.12	269	83.54	50,064	0.12
1001 - 10,000	41	11.49	101,747	0.24	39	12.11	96,535	0.24
10,001 - 100,000	7	1.96	125,873	0.29	7	2.17	119,122	0.29
100,001 - 1,000,000	1	0.28	156,911	0.36	1	0.31	148,492	0.36
Over 1,000,000	6	1.68	42,935,366	98.99	6	1.86	40,631,540	98.99
<b>Total</b>	<b>357</b>	<b>100.00</b>	<b>43,371,952</b>	<b>100.00</b>	<b>322</b>	<b>100.00</b>	<b>41,045,753</b>	<b>100.00</b>

## Composition of Shareholders based on Residency and Category

	As at 31 December 2023				As at 31 December 2022			
	No. of Shareholders	Percentage %	No. of Shares	Percentage %	No. of Shareholders	Percentage %	No. of Shareholders	Percentage %
<b>Ordinary Shares - Voting</b>								
Resident	6,153	98.75	229,796,954	83.19	6,394	98.81	217,008,875	83.33
Non-resident	78	1.25	46,451,054	16.81	77	1.19	43,419,939	16.67
<b>Total</b>	<b>6,231</b>	<b>100.00</b>	<b>276,248,008</b>	<b>100.00</b>	<b>6,471</b>	<b>100.00</b>	<b>260,428,814</b>	<b>100.00</b>
<b>Ordinary Shares - Non Voting</b>								
Individual	5,842	93.76	39,623,107	14.34	6,143	94.93	28,319,564	10.87
Institutional	389	6.24	236,624,901	85.66	328	5.07	232,109,250	89.13
<b>Total</b>	<b>6,231</b>	<b>100.00</b>	<b>276,248,008</b>	<b>100.00</b>	<b>6,471</b>	<b>100</b>	<b>260,428,814</b>	<b>100</b>
<b>Ordinary Shares - Non Voting</b>								
Resident	355	99.44	36,863,156	84.99	321	99.69	34,887,385	85.00
Non-resident	2	0.56	6,508,796	15.01	1	0.31	6,158,368	15.00
<b>Total</b>	<b>357</b>	<b>100.00</b>	<b>43,371,952</b>	<b>100.00</b>	<b>322</b>	<b>100.00</b>	<b>41,045,753</b>	<b>100.00</b>
<b>Ordinary Shares - Non Voting</b>								
Individual	323	90.48	355,257	0.82	290	90.06	345,972	0.84
Institutional	34	9.52	43,016,695	99.18	32	9.94	40,699,781	99.16
<b>Total</b>	<b>357</b>	<b>100.00</b>	<b>43,371,952</b>	<b>100.00</b>	<b>322</b>	<b>100</b>	<b>41,045,753</b>	<b>100</b>

## Public Shareholding and Float Adjusted Market Capitalisation

	31.12.2023		31.12.2022	
	Number	%	Number	%
Number of shareholders representing the public holding (Voting)	6,220	35.79	6,471	35.78
Number of shareholders representing the public holding (Non Voting)	349	1.00	17	1.00
Float Adjusted Market Capitalisation	LKR. 10.67 Bn		LKR. 4.33 Bn	
Compliant under	Option 1		Option 3	

## MARKET INFORMATION ON ORDINARY SHARES OF THE COMPANY

	Voting		Non-Voting	
	2023	2022	2023	2022
<b>Market value</b>				
Highest Value (LKR)	125.00	60.00	121.50	75.00
Lowest Value (LKR)	45.70	30.50	49.00	44.60
Value at end of year (LKR)	107.50	46.20	99.80	57.40
<b>Trading Statistics</b>				
No. of Transactions	18,532	5,466	852	222
No. of shares Traded (Mn)	87.27	6.57	0.05	0.02
Value of shares Traded (LKR Mn)	6,933.26	299.72	5.05	0.98
<b>Market Capitalisation</b>				
Market Capitalisation (LKR Mn)	29,696.66	12,031.81	4,328.52	2,356.03

## Investor Information

### TWENTY LARGEST VOTING SHAREHOLDERS AS AT 31 DECEMBER 2023

Name of the Shareholder	2023		2022	
	No. of Shares	%	No. of Shares	%
John Keells Holdings PLC	54,483,737	19.72	51,363,384	19.72
HWIC Asia Fund	41,437,500	15.00	39,064,322	15.00
Central Finance Company PLC A/C No 03	27,187,092	9.84	25,630,053	9.84
Mackinnons Keells Limited	26,969,447	9.76	25,424,873	9.76
Amaliya Private Limited	16,519,249	5.98	-	-
CF Insurance Brokers (Pvt) Ltd	13,694,732	4.96	12,910,418	4.96
CF Growth Fund Ltd A/C No.01	13,601,900	4.92	12,822,902	4.92
Thread Capital (Pvt) Ltd	10,286,887	3.72	-	-
Hatton National Bank PLC A/C No 1	4,375,023	1.58	4,124,460	1.58
J.B. Cocoshell (Pvt) Ltd	4,106,426	1.49	2,236,024	0.86
Mr. G.B.D. Tilakarathne	3,857,010	1.40	-	-
Mr. M.F. Hashim	2,901,121	1.05	2,734,971	1.05
Mr. W.G.D.C. Ranaweera	2,617,190	0.95	-	-
Mr. P. Brahmanage	1,685,203	0.61	2,285,271	0.88
Mr. N.R. Somaiya	1,560,061	0.56	1,470,715	0.56
Mr. Y.S.H.R.S. Silva	1,367,576	0.50	-	-
EMFI Capital Limited	1,262,323	0.46	-	-
Odyssey Capital Partners (Pvt) Ltd	1,090,892	0.39	-	-
Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	998,019	0.36	-	-
Peoples Leasing & Finance PLC/ MRS. M.E.Amarasinghe	961,592	0.35	-	-
	230,962,980	83.60	180,067,393	69.14
Other Shareholders	45,285,028	16.40	80,361,421	30.86
<b>Total</b>	<b>276,248,008</b>	<b>100.00</b>	<b>260,428,814</b>	<b>100.00</b>

\*Shareholding as at 31 December 2022 of the top twenty shareholders as at 31 December 2023.

The Director of Bank Supervision of the Central Bank of Sri Lanka (CBSL) has informed that in terms of a decision of the Monetary Board of the CBSL, John Keells Group and Central Finance Group were granted further time till 31 December 2021 to reduce their shareholding in the voting shares of the Bank to 20% and 15%, respectively. Further, John Keells Group was required to reduce its shareholding in the Bank to 15% on or before 31 December 2022. Restriction on voting rights at 10% each is applicable to John Keells Group and Central Finance Group until the shareholding is reduced to 15% each. As disclosed by the two companies in their market announcement on 31 December 2021, they have sought approval from CBSL to continue their shareholding.

**TWENTY LARGEST NON VOTING SHAREHOLDERS AS AT 31 DECEMBER 2023**

Name of the Shareholder	2023		2022	
	No. of Shares	%	No. of Shares	%
John Keells Holdings PLC	17,926,596	41.33	16,964,690	41.33
Central Finance Company PLC A/C No 03	9,099,276	20.98	8,611,027	20.98
HWIC Asia Fund	6,507,550	15.00	6,158,368	15.00
Mackinnons Keells Limited	4,672,630	10.77	4,421,906	10.77
CF Insurance Brokers (Pvt) Ltd	2,372,699	5.47	2,245,385	5.47
CF Growth Fund Ltd A/C No.01	2,356,615	5.43	2,230,164	5.43
Mr. M. G. H. I. Jafferjee	156,911	0.36	148,492	0.36
The Incorporated Trustees of the Church of Ceylon	28,140	0.06	26,631	0.06
Mr. K.N.J. Balendra	22,040	0.05	20,858	0.05
Mr. S. J . Hirdaramani	20,465	0.05	19,367	0.05
Mr. D. C . Fernando	17,412	0.04	16,478	0.04
Vinik (Pvt) Ltd	14,324	0.03	13,556	0.03
People's Leasing & Finance PLC/Mr. A.B.K. Weeraman	11,766	0.03	11,135	0.03
Mr. J. B . Hirdaramani	11,726	0.03	11,097	0.03
Mr. K.O.V.S.M.S.Wijesinghe	8,113	0.02	7,678	0.02
Seylan Bank PLC /Shermal Hemaka Jayasuriya	8,010	0.02	-	-
Miss. T.T. Weerasinghe	7,161	0.02	6,777	0.02
Mr. H.P. Savindu	5,623	0.01	5,322	0.01
Mr. K.S.N. Hirdaramani	4,688	0.01	4,437	0.01
Mr. A.K. Gunaratne	3,974	0.01	-	-
	43,255,719	99.72	40,923,368	99.70
Others	116,233	0.28	122,385	0.30
<b>Total</b>	<b>43,371,952</b>	<b>100.00</b>	<b>41,045,753</b>	<b>100.00</b>

\*Shareholding as at 31 December 2022 of the top twenty shareholders as at 31 December 2023.

**DEBENTURE INFORMATION**

The rated unsecured subordinated redeemable debentures 2019/24 and 2019/26 of the bank are listed in the Colombo Stock Exchange. Refer Note no 21.1 in Financial statements for the details of debentures.

## Corporate Governance Annexure

The Banking Act Direction No.11.of 2007 (as amended) on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank of Sri Lanka.

Directions of Corporate Governance Number	Remarks on Level of Compliance	Complied
<b>3(1)</b>	<b>Responsibilities of the Board</b>	
3(1)(i)	The Board has strengthened the safety and soundness of the Bank in the following manner	
3 (1) (i) (a)	<p><b>Setting strategic objectives and corporate values</b></p> <p>Bank's strategic objectives as defined in its vision and mission statements and corporate values are determined by the Board and are given on page 02 of this Annual Report. These are communicated to all levels of staff via intranet, regular trainings and strategy communication sessions. Strategic objectives and corporate values are also conveyed to new recruits as part of their induction programme.</p>	✓
3 (1) (i) (b)	<p><b>Overall business strategy including risk policy and risk management with measurable goals</b></p> <p>Strategic Plan for 2023-2025 was approved by the Board in December 2022. Financial goals are updated on a 3 year rolling basis based on economic and market conditions. Plan for 2024-2026 together with the budget 2024 was approved by the Board in December 2023.</p> <p>Board has approved the Risk Policy which includes the Risk management procedures and mechanisms with measurable goals. The Bank annually revises Risk Goals contained in the Risk Policy in order to dynamically manage risk appetite of the Bank.</p>	✓
3 (1) (i) (c)	<p><b>Risk Management</b></p> <p>The implementation of the Risk Policy is being monitored by the Board Integrated Risk Management Committee (BIRMC) and the Board through a well structured risk reporting mechanism. BIRMC minutes are submitted to the Board regularly as stipulated in the Terms of Reference of BIRMC.</p>	✓
3 (1) (i) (d)	<p><b>Communication with all stakeholders</b></p> <p>Board approved Communication Policy has been communicated to the staff via intranet of the Bank. The Communication Policy serves as the basis and sets guidelines for communicating with all stakeholders including depositors, creditors, share holders and borrowers.</p>	✓
3 (1) (i) (e)	<p><b>Internal control systems and management information systems.</b></p> <p>Such review is being carried out routinely by the Board. Risk control matrices are being looked at by individual departments at predetermined intervals. Implementation of internal controls is also looked into by the Internal Audit Department (IAD). The Board monitors these through the BIRMC and the Board Audit Review Committee (BARC). The Chair of the respective Board sub Committees update the Board on the proceedings of those committees at regular Board meetings.</p> <p>The Bank has a Risk and Control Matrix (RCM) which governs internal controls over Management Information and Financial reporting. The documented controls in RCM provides a reasonable assurance over control environment/system of the Bank including dissemination of management information to the Board. Financial Statement Close Process (FSCP) of the Bank specifies the linkages among different core systems, Management Information and financial reporting explaining the validation process. The information sources and the governance practices around these frameworks are reviewed and independently validated by the IAD during their planned audit programs.</p>	✓

Directions of Corporate Governance Number	Remarks on Level of Compliance	Complied
3 (1) (i) (f)	<p><b>Identification of Key Management Personnel (KMP)</b></p> <p>The Board has identified Key Management Personnel (KMP) as required by the Direction who are in a position to significantly influence policy, direct and control over business activities, operations and risk management. As required by the relevant CBSL Direction, the Board has identified the officers in the two layers immediately below the level of Director/CEO as officers performing executive functions/KMP. Accordingly, all Corporate Management members of the Bank have been designated as KMP of the Bank.</p>	✓
3 (1) (i) (g)	<p><b>Defining the areas of authority and key responsibilities for Directors and KMP</b></p> <p>Matters reserved for the Board are specifically identified and approved by the Board. Further, the Board Charter approved by the Board provides concise overview of the roles and responsibilities of the Board of Directors. Areas of authority and key responsibilities of the KMP are included in the respective job descriptions.</p>	✓
3 (1) (i) (h)	<p><b>Oversight of the affairs of the Bank by KMP</b></p> <p>Oversight of affairs of the Bank is carried out mainly through a Board sub Committee, namely Board Supervisory Committee (BSC), where all the KMP present their performance and make themselves available for any clarifications and explanations required by the BSC members. The Board monitors this through the minutes of the BSC. The Chairperson of the BSC also updates the Board on the proceedings of BSC at regular Board meetings.</p> <p>KMP also communicate to the Board via monthly management reports submitted to the Board of Directors. KMP make regular presentations to the Board on matters under their purview and are also called in by the Board to explain matters relating to their areas.</p> <p>KMP responsible for internal controls and compliance attend every BIRMC meeting. Board has delegated the function of overseeing IAD to BARC.</p> <p>Further, the Board exercise oversight of the affairs of the Bank by KMP through the minutes of the meetings of the BIRMC, BARC, Board Information Technology Advisory Committee (BITAC) and Assets and Liabilities Management Committee (ALCO) which are tabled at Board meetings.</p>	✓
3 (1) (i) (i)	<p><b>Assess the effectiveness of own governance practices, including selection, nomination and election of directors and key management personnel, management of conflicts of interests and determination of weaknesses and implementation of changes where necessary.</b></p> <p>The Board appraises its performance annually through the Board of Directors self assessment questionnaire. Every Director is required to complete the questionnaire which aims to obtain Directors' feedback on the Board's performance on many aspects. The questionnaire also requires the Directors to assess the performance and their contribution to the Board sub Committees they represent. The responses received from the Directors are reviewed by the Senior Director and discussed at the Board meeting. The summary of annual self evaluations submitted by individual Directors for 2022 was reviewed and discussed by the Board during 2023.</p>	✓

## Corporate Governance Annexure

Directions of Corporate Governance Number	Remarks on Level of Compliance	Complied
3 (1) (i) (i)	<p><b>Succession plan for KMP</b></p> <p>A comprehensive succession planning process is undertaken for KMP. The process involves identification of senior officers and grooming them to take over Corporate Management positions. Human Resources Department is vested with the responsibility of revising and keeping the succession planning process up to date.</p> <p>Succession Plan for KMP was last reviewed by Nominations and Governance Committee and approved by the Board in October 2023.</p>	✓
3 (1) (i) (k)	<p><b>Regular meetings with KMP</b></p> <p>KMP are requested to conduct presentations and/are invited to the Board meetings and sub Committee meetings as in needed. They are requested to carry out review of policies, review of progress towards corporate objectives and other matters under their purview. Please refer 3 (1) (i) (h) as well which includes statements relating to status of compliance with this Rule.</p>	✓
3 (1) (i) (l)	<p><b>Regulatory environment and maintaining an effective relationship with regulators.</b></p> <p>The Board is updated on the developments/changes in the regulatory environment by the relevant KMP at the Board meetings and relevant Board sub Committee meetings which discuss/endorse the steps taken to comply with changes as appropriate.</p> <p>Compliance with statutory regulations is monitored regularly by the Board. The Compliance Officer submits a monthly compliance report which covers all returns submitted to the regulators. A report is submitted to the IRMC by the Compliance Officer capturing interactions with the Regulators and the actions taken/to be taken on new regulations.</p> <p>The Bank maintains effective relationship with the regulators. Board members attend the Director forums arrange by the regulators as well.</p>	✓
3 (1) (i) (m)	<p><b>Hiring and oversight of external auditors.</b></p> <p>The Board has delegated the function of hiring and oversight of External Auditors to the BARC and Terms of References of the BARC contains necessary provisions to carry out same. Accordingly, the BARC carries out required due diligence in hiring of External Auditors and make recommendations to the Board. The appointment of the External Auditor is made at the Bank's Annual General Meeting.</p>	✓
3 (1) (ii)	<p><b>Appointment of Chairman and CEO and their functions and responsibilities</b></p> <p>Non Executive Director, Mr. Gihan Cooray who served as the Chairman of the Bank retired on 30th April, 2023. Non Executive Director, Ms. Sherin Cader was appointed as the Chairperson of the Bank with effect from 1st May 2023. Mr. Hemantha D Gunetilleke serves as the Director/ Chief Executive Officer of the Bank.</p> <p>Functions and the responsibilities of the Chairman and the CEO have been defined and approved by the Board. The Chairperson's functions and responsibilities are distinct from those of the CEO.</p>	✓

Directions of Corporate Governance Number	Remarks on Level of Compliance	Complied
	<b>Board procedure</b>	
3 (1)(iii)	<p><b>Frequency of Board Meetings and participation of Directors</b></p> <p>Regular Board meetings are held at monthly intervals and special Board meetings are scheduled if the need arises. The Directors actively participate and share their views and contribute to the Board Proceedings. Any concern or comment by such Directors requiring action is minuted. The Board met 13 times in the year 2023 on a monthly basis which includes two meetings held in the month of December.</p> <p>Approval of the Board by circular resolutions have been kept to a minimum and resorted to only where necessary.</p>	✓
3 (1) (iv)	<p><b>Arrangements for Directors to include proposals in the agenda</b></p> <p>Board approved Rules of Procedure for Board of Directors provide that all Directors are entitled to include matters and proposals including matters pertaining to promotion of business and management of risk of the Bank. Monthly meetings are scheduled and informed to the Board at the beginning of each year to facilitate this.</p>	✓
3(1) (v)	<p><b>Notice of meetings</b></p> <p>The Rules of Procedure for Board of Directors provide that the schedule of dates of meetings for the year is approved by the Board and such approved schedule is notified to every Director thereby giving more than 7 days' notice. Any change of the schedule shall be notified to the Directors at least 7 days' prior to the date of the meeting.</p> <p>Rules of Procedure for Board of Directors further provide that any meeting other than that contained in the Schedule shall be given 7 days' prior notice unless all the directors agree to meet at a shorter notice.</p>	✓
3 (1) (vi)	<p><b>Directors' attendance</b></p> <p>All directors have attended at least two-thirds of the total number of Board meetings. No director has been absent from three consecutive meetings during the year under review. Rules of Procedure for Board of Directors contains required provisions in respect of Board attendance as specified in this Rule. Details of the Directors attendance at Board meetings is set out on Page 65 of this Annual Report.</p>	✓
3(1)(vii)	<p><b>Appointment and setting responsibilities of the Company Secretary</b></p> <p>Ms. Peshala Attygalle who currently serves as the Company Secretary, is an Attorney-at-Law and satisfies the provisions contained in Section 43 of the Banking Act No.30 of 1988. Attorney-at-Law, Mr. Theja Silva served as the Company Secretary until 31st August 2023. Thereafter Attorney –at-Law, Ms. Chandramali Pragnaratne served as the Company Secretary for a month until Ms. Peshala Attygalle was appointed as the Company Secretary on 2nd October 2023. Each person satisfied the provisions contained in Section 43 of the Banking Act No.30 of 1988.</p> <p>The JD of the Company Secretary includes the responsibilities to handle the secretariat services to the Board and shareholder meetings and carry out other functions specified in the statutes and other regulations.</p>	✓
3(1) (viii)	<p><b>Directors' access to advise and services of the Company Secretary</b></p> <p>All Directors have access to obtain advice and services of the Company Secretary with regard to the compliance with relevant rules and regulations. Board approved Rules of Procedure for Board of Directors contains required provisions as specified in this Rule.</p>	✓

## Corporate Governance Annexure

Directions of Corporate Governance Number	Remarks on Level of Compliance	Complied
3 (1) (ix)	<p><b>Maintenance of Board minutes</b></p> <p>Board minutes are maintained by the Company Secretary. At All times the Directors have access to the Board minutes and papers submitted to the Board through a secure electronic link via iPads. Rules of Procedure for Board of Directors contains provisions to facilitate this requirement</p>	✓
3(1)(x)	<p><b>Maintaining minutes with sufficient details to serve as reference for regulatory and supervisory authorities</b></p> <p>Minutes of Board meetings are recorded in sufficient detail to enable a proper assessment to be made of the depth of deliberations at the meetings.</p> <p>The minutes of the meeting include;</p> <ul style="list-style-type: none"> <li>• A summary of data and information used by the Board in its deliberations</li> <li>• The matters considered by the Board</li> <li>• The fact finding discussions and the issues of contention or dissent</li> <li>• The testimonies and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations</li> <li>• Matters regarding the risks to which the Bank is exposed and an overview of the risk management measures adopted</li> <li>• The decisions and Board resolutions.</li> </ul> <p>Every paper submitted to the Board seeking approval of the Board contains recommendations from the management and also discloses a reasonable basis for making such recommendations.</p> <p>Minutes refer to the paper which contains the data and opinions relied on by the Board and also contain any other matter considered by the Board outside what is contained in the paper (if any). Minutes are to be read with the relevant board paper. Reference of the paper considered is included in the minute.</p> <p>Board procedure also provide for the requirement in relation to the contents of the Board minutes.</p>	✓
3 (1) (xi)	<p><b>Directors' ability to seek independent professional advise.</b></p> <p>Directors are able to seek independent professional advise at the expense of the Bank when deemed necessary. Board procedure includes a relevant provision for same</p>	✓
3(1)(xii)	<p><b>Dealing with conflicts of interest</b></p> <p>Board procedure specifically addresses avoidance of conflicts of interest. Further, the Board Charter provides references to the requirement of the rule. Accordingly, the Directors must avoid actual, potential or perceived conflicts of interests. Each Director must promptly notify the Company Secretary of the Bank of any interest that such Director or a close relation of such director has or may have in a transaction or a proposed transaction with the Bank. Where there is a conflict of interest, such matters have been dealt by the Board as required by the Rule and accordingly the particular directors abstain from participating in the discussions, voicing their opinion or approving the same. Board minutes provide evidence of compliance.</p>	✓
3(1)(xiii)	<p><b>Formal schedule of matters specifically reserved to it for Board's decision.</b></p> <p>There exists a Board approved schedule of matters reserved for Board for decision to ensure that the direction and control of the Bank is firmly under the authority and control of the Board.</p>	✓

Directions of Corporate Governance Number	Remarks on Level of Compliance	Complied
3 (1) (xiv)	<p><b>Inform Central Bank if there are solvency issues prior to taking any decision or action.</b></p> <p>No situation has arisen to challenge the Bank's solvency. In terms of the Board Procedure, the Board is responsible to forthwith inform the Director of Bank Supervision of the CBSL in the event if the Bank is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors.</p> <p>The Board is furnished with sufficient information on a regular basis to enable the Board to act in the required manner if such a situation arises. The Board has also approved and put in place a robust ALCO mechanism that would keep the liquidity position under control. IRMC discusses in detail, the Key Risk Goals at each IRMC meeting, and the minutes of the IRMC are submitted to the Board at regular intervals.</p>	✓
3 (1) (xv)	<p><b>Compliance with Capital Adequacy</b></p> <p>The Board and the IRMC monitors capital adequacy and other prudential measures vis-a-vis regulatory requirements on a quarterly basis, or as and when required. During the year under review, the Bank was in compliance with the minimum capital adequacy requirements.</p> <p>The Board has also reviewed the Internal Capital Adequacy Assessment Process (ICAAP) and Recovery Plans. In view of mitigating risks stemming from the macroeconomic challenges, the Bank has maintained an internal capital buffer on top of the minimum capital adequacy requirements.</p>	✓
3 (1) (xvi)	<p><b>Publish Corporate Governance Report in this Annual Report</b></p> <p>This Corporate Governance Report is given on pages 228 to 246 of this Annual Report set out the levels of compliance with these Directions.</p>	✓
3 (1) (xvii)	<p><b>Self-assessment of Directors</b></p> <p>The Board appraises its performance annually by using the Board evaluation form which is filled by each director in relation to business strategy and contributions of Board members based on their field of expertise. The responses are collated and reviewed by the Senior Director and discussed at a Board meeting. The records of these assessments are maintained by the Company Secretary.</p>	✓
<b>3 (2)</b>	<b>Board's composition</b>	
3(2)(i)	<p><b>Number of Directors</b></p> <p>During the year under review, the Bank's Board composition was in compliance with this requirement. The Board currently consists of 12 Directors. This requirement is also reflected in the Articles of Association of the Bank.</p>	✓
3(2)(ii)	<p><b>Period of service of a Director</b></p> <p>The period of service of a Director is limited to 9 years excluding the Executive Director. No Director of the Bank served for a period exceeding 9 years during the year.</p>	✓
3(2)(iii)	<p><b>Appointment of an employee as a Director</b></p> <p>The Board consisted of twelve directors with one Executive Director and eleven Non Executive Directors as at 31st December, 2023. Number of Executive Directors has not exceeded one-third of the number of directors (the specified number) at any time during the year.</p>	✓

## Corporate Governance Annexure

Directions of Corporate Governance Number	Remarks on Level of Compliance	Complied
3(2)(iv)	<p><b>Independent Non Executive Directors</b></p> <p>The Board comprised of five Independent Non Executive Directors throughout the year, thus complying with this rule i.e. having at least three independent non executive Directors or one third of the total number of Directors, whichever is higher.</p> <p>The Board determined the independent and non-independent status of Non Executive Directors based on the Declarations submitted by them in accordance with the criteria defined in this Direction.</p>	✓
3 (2) (v)	<p><b>Alternate Directors</b></p> <p>There were no alternate directors appointed during the year 2023.</p>	✓
3(2)(vi)	<p><b>Criteria for Non executive directors</b></p> <p>Each of the Directors possess qualifications and experience with credible track records and/ or have necessary skills and experience to bring an independent judgment to bear on issues of strategy, performance and resources. Brief profiles of the Directors are given on pages 15 to 18 of this Annual Report.</p> <p>The Directors nominate names of eminent professionals or academics from various disciplines to the Nominations and Governance Committee which peruse the profiles and recommends suitable candidates to the Board.</p>	✓
3(2)(vii)	<p><b>Quorum for the Board meetings- more than half the quorum to comprise non executive Directors</b></p> <p>All meetings of the Board held during the year have been attended by a majority of Non Executive Directors.</p>	✓
3 (2) (viii)	<p><b>Identification of status of directors in corporate communications and disclose categories of \ Directors</b></p> <p>The Independent non-executive directors are expressly identified as such in all corporate communications that disclose the names of Directors of the Bank. The composition of the Board, including the names of the Chairman, Executive Directors, Non Executive Directors and Independent Non- Executive directors are disclosed in page 14 to 18 of this Annual Report.</p>	✓
3 (2) (ix)	<p><b>Formal and transparent procedure for appointments to the Board.</b></p> <p>A Board composition and succession plan is in place. All appointments are considered and recommended by the Nominations and Governance Committee and approved by the Board. Thereafter the approval of the Central Bank of CBSL is obtained.</p>	✓
3 (2) (x)	<p><b>Election of Directors to fill a casual vacancy</b></p> <p>In accordance with the provisions of the Article of Association of the Bank and CBSL Directions, the Directors appointed to the Board after the last AGM stand for election by the shareholders at the subsequent AGM.</p> <p>Notice and Agenda for the AGM to be held in 2024 includes a proposal to seek shareholders' approval to elect Mr. Charitha Subasinghe, a Non Executive Director who was appointed to the Board after the AGM held in 2023.</p>	✓

Directions of Corporate Governance Number	Remarks on Level of Compliance	Complied
3(2)(xi)	<p><b>Communication of reason for removal or resignation of Director</b></p> <p>Resignations of Directors and the reasons were promptly informed to the regulatory authorities and shareholders together with a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.</p>	✓
3(2)(xii)	<p><b>Prohibition of Directors or employees of a bank becoming a Director of another Bank</b></p> <p>The Nominations and Governance Committee and the Board take into account this requirement when considering appointments to the Board. Based on the quarterly declarations submitted by individual directors in the year 2023, no Director is a director of another Bank. This requirement has also been stipulated in the Board Charter.</p> <p>Further, no employee of the Bank has been appointed, elected or nominated as a Director of another Bank. Letter of appointment of employees includes a clause which stipulates that an employee shall not have any dealing with any other financial institution</p>	✓
<b>3(3)</b>	<b>Criteria to assess the fitness and propriety of directors</b>	
3(3) (i)	<p><b>Age of directors should not exceed 70 years</b></p> <p>There are no Directors on the Board of the Bank who are over 70 years of age.</p>	✓
3(3)(ii)	<p><b>Directors should not hold directorships of more than 20 companies</b></p> <p>No Director of the Bank holds Directorships in more than 20 companies/entities/institutions inclusive of subsidiary companies of the Bank</p>	✓
3(3)(iii)	<p><b>Cooling –off period when appointing Directors of Chief Executive Officer</b></p> <p>The Bank ensures that a Director or the Chief Executive Officer of another licensed Bank operating in Sri Lanka is not appointed as a Director or the CEO of the Bank before the expiry of a period of 6 months from the date of cessation of his/her office at that licensed Bank.</p>	✓
<b>3 (4)</b>	<b>Management functions delegated by the Board</b>	
3 (4) (i) and 3 (4) (ii)	<p><b>All directors to study and understand the delegation arrangements. Extent of delegation should not hinder Board's ability to discharge its functions.</b></p> <p>The Board has delegated matters pertaining to the affairs of the Bank to the Board sub committees within the scope of the respective Board approved Terms of Reference. Also, Board has delegated the matters to KMPs who work within the Board approved delegated authority limits and the scope of their approved Job Descriptions.</p> <p>All delegations have been done by the Board after due consideration. Articles of Association and the Board Procedure stipulate provision for delegation of powers by the Board.</p>	✓
3 (4) (iii)	<p><b>Review the delegation process in place on a periodic basis to ensure that they remain relevant to the needs of the bank.</b></p> <p>As and when new requirements have arisen, the Board has reviewed and amended delegation arrangements based on the recommendations made by the management.</p>	✓
<b>3 (5)</b>	<b>The Chairman and the Chief Executive Officer</b>	
3 (5) (i)	<p><b>The roles of the chairman and the chief executive officer shall be separate</b></p> <p>Roles of the Chairman and the CEO are separated and held by two separate individuals. Chairman provides leadership to the Board while the CEO manages the day to day operations of the Bank giving effect to the strategies and policies approved by the Board.</p>	✓

## Corporate Governance Annexure

Directions of Corporate Governance Number	Remarks on Level of Compliance	Complied
3 (5) (ii)	<p><b>Non Executive Chairman and appointment of a Senior Director</b></p> <p>Ms. Gihan Cooray, a Non Executive Director functioned as the Chairman until 30th April 2023. Currently, Non Executive Director, Ms. Sherin Cader serves as the Chairperson. Mr. Conrad D'Souza, Independent Non Executive Director functions as the Senior Independent Director. Terms of Reference of the Senior Independent Director was approved by the Board.</p> <p>The designation of the Senior Independent Director has been disclosed in the Annual Report.</p>	✓
3 (5) (iii)	<p><b>Disclosure of identity of the Chairman and CEO and any relationship among the Board members.</b></p> <p>Ms. Sherin Carder Non Executive Director serves as the Chairperson with effect from 1st May 2023 upon retirement of Mr. Gihan Cooray, Non Executive Director on 30th April 2023. Mr. Hemantha D Gunetilleke serves as the Director/ Chief Executive Officer of the Bank.</p> <p>There are no financial, business or family relationships between the Board members other than the following;</p> <ul style="list-style-type: none"> <li>• Directors Mr. Gihan Cooray (Retired on 30th April 2023), Ms. Sherin Cader, Dr. Ramesh Shanmuganathan and Mr. Charitha Subasinghe were nominated to the Board by the Bank's material shareholder, John Keells Holdings PLC.</li> <li>• Directors Mr. Arjun Fernando and Mr. Chandika Hettiarachchi were nominated to the Board by the Bank's material shareholder, Central Finance Company PLC.</li> </ul>	✓
3 (5) (iv)	<p><b>The chairman to provide leadership to the Board, ensure that the Board works effectively and discharges its responsibilities and ensure that all key and appropriate issues are discussed by the board in a timely manner.</b></p> <p>The Chairperson has duly complied with these requirements. These are considered as the three key responsibilities of the Chairman and included in the paper on 'Functions of the Chairman and the CEO' approved by the Board.</p> <p>The requirement is further covered by the self evaluation process of the Board.</p>	✓
3 (5) (v)	<p><b>Responsibility for agenda lies with the Chairman but may be delegated to the Company Secretary.</b></p> <p>Drawing up of the agenda has been delegated to the Company Secretary with strict adherence to the guidelines given in the Rules of procedure for Board of Directors. Accordingly, the Company Secretary shall draw up the agenda for Board meetings in consultation with the Chairperson taking into account the matters proposed by the Directors for inclusion in the agenda.</p>	✓
3 (5) (vi)	<p><b>Chairman to ensure that all the directors are properly briefed and provided with adequate information in a timely manner.</b></p> <p>This has been identified as a responsibility of the Chairman, in the paper on 'Functions of the Chairman and the CEO' which was approved by the Board. Provisions contained in the Board Procedure further strengthens this requirement.</p>	✓

Directions of Corporate Governance Number	Remarks on Level of Compliance	Complied
3 (5) (vii) And 3 (5) (viii)	<p><b>Chairman to encourage active participation by all Directors and lead acting in the interests of the Bank and also encourage participation of non executive directors and relationship between non executive and executive directors</b></p> <p>There is active participation by all Directors at the Board meetings as well as at Board subcommittee meetings as evidenced in the minutes.</p> <p>The Board appraises its performance by using the Board evaluation form which is filled by each Director in relation to business strategy and contributions of Board members based on their field of expertise.</p>	✓
3 (5) (ix)	<p><b>Chairman to refrain from direct supervision of KMP and executive duties</b></p> <p>The Chairperson is a Non Executive Director and does not engage in day to day supervision of management or other executive duties.</p>	✓
3 (5) (x)	<p><b>Chairman to ensure that the steps are taken for effective communication with shareholders</b></p> <p>This has been identified as a responsibility of the Chairman, in the Board approved paper on 'Functions of the Chairman and the CEO'.</p> <p>A Communications policy has also been approved by the Board, which includes provisions for communication with shareholders.</p>	✓
3 (5) (xi)	<p><b>CEO functions as the apex executive-in-charge of the day-to-day management of the bank's operations and business.</b></p> <p>The Board approved paper on 'Functions of the Chairman and CEO' encompasses the requirement of the rule.</p>	✓
<b>3 (6)</b>	<b>Board appointed committees</b>	
3 (6) (i)	<p><b>Establishing Board sub committees, their functions and reporting</b></p> <p>The Bank has established all four Board sub committees as required by the Rule namely Audit Review Committee, Human Resources and Remuneration Committee, Nominations and Governance Committee and Integrated Risk Management Committee.</p> <p>All minutes of the Board sub committees are submitted to the Board and constitute a regular agenda item. All Board sub committees have formally appointed secretaries. The respective reports are contained in this Annual Report.</p>	✓
<b>3 (6) (ii)</b>	<b>Audit committee</b>	
3 (6) (ii) (a)	<p><b>The Chairman to be an independent non-executive director with qualifications and experience in accountancy and /or audit.</b></p> <p>The Board has appointed Ms. Rachini Rajapaksa, Independent Non-Executive Director as the Chairperson of the BARC with effect from 17th December 2018.</p> <p>She is a Chartered Financial Analyst of the CFA Institute, Charlottesville, Virginia, USA and she is a Fellow Member of the Chartered Institute of Management Accountants of UK. She possesses relevant skills and experience required for this position.</p>	✓

## Corporate Governance Annexure

Directions of Corporate Governance Number	Remarks on Level of Compliance	Complied
3 (6) (ii) (b)	<p><b>Committee to comprise solely of non-executive directors</b></p> <p>During the year under review, BARC comprised of Non Executive Directors and currently comprises of three Independent Non Executive Directors and one Non Executive Non Independent Director.</p>	✓
3 (6) (ii) (c)	<p><b>Functions of the Board Audit Committee</b></p> <p>In line with the Terms of Reference, BARC has reviewed and/or made relevant recommendations to the Board on the following;</p> <ul style="list-style-type: none"> <li>• The reappointment of M/s Ernst &amp; Young, Chartered Accountants as the Bank's External Auditors for audit services for the financial year 2023</li> <li>• Implementation of CBSL guidelines issued to the auditors by the Central Bank of Sri Lanka from time to time.</li> <li>• Application of relevant accounting standards.</li> <li>• BARC ensures that the service period of the engagement of the Audit Partner shall not exceed five years and that the Audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term and also no resignation or dismissal of the auditor has taken place during the year 2023.</li> </ul> <p>The incumbent Audit partner was engaged for the audit of the Bank from the financial year ended 2022. The incumbent Audit Partner was not engaged in the Bank's audit prior to the said engagement.</p> <p>The BARC, having discussed and being satisfied with the audit fee proposal of the external auditor recommended the same to the Board and the Board approval has been obtained.</p>	✓
3 (6) (ii) (d)	<p><b>Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and best practices.</b></p> <p>In line with the Terms of Reference, the BARC obtains representations from the External Auditor on their independence and reviews and monitors the independence, objectivity and effectiveness of their audit and ensures that the audit is carried out in accordance with the regulatory standards and best practices.</p>	✓
3 (6) (ii) (e)	<p><b>Provision of non audit services by the External Auditors</b></p> <p>The Bank has implemented a Board approved policy on "Engagement of the External Auditor to provide Non Audit Services" and that covers all aspects stated in the Direction and due consideration of the BARC is given to the aspects mentioned in the rule when assessing the external auditor's independence or objectivity in relation to the provision of non-audit services.</p> <p>The BARC monitored the payments made to the auditor during the year for non audit services to ensure compliance with the Direction.</p>	✓

Directions of Corporate Governance Number	Remarks on Level of Compliance	Complied
3 (6) (ii) (f)	<p><b>Determines scope of audit with the external auditors</b></p> <p>The BARC Terms of Reference requires the BARC to discuss and finalize with the External Auditor the nature and scope of the audit including the matters specified in the Direction. In order to comply, the External Auditor make a presentation at the BARC meeting detailing the proposed audit plan and scope. The Committee discussed and finalized the audit plan and scope with the External Auditor. The signed letter of Engagement contains the agreed nature and scope of the audit to be performed in accordance with Sri Lanka Auditing Standards.</p> <p>The External Auditor's Annual Audit Plan for the year 2023 was presented to the BARC.</p> <p>During the tenure of the audit, regular status updates were obtained and discussed at the BARC meetings.</p> <p>As all audits within the group are carried out by the same External Auditor, there was no requirement to discuss arrangements for coordinating activities with other auditors.</p>	✓
3 (6) (ii) (g)	<p><b>Review the financial information of the bank</b></p> <p>During the year 2023 the BARC reviewed the Bank's financial information and reports that were submitted by the Chief Financial Officer in order to monitor the integrity of the financial reports prepared for disclosure. When reviewing the financial reports, the BARC reviews the significant financial reporting judgments, changes in accounting policies and practices, significant adjustments to the annual financial statements, if any, arising from the audit, going concern assumption, compliance with relevant accounting standards and other legal requirements.</p>	✓
3 (6) (ii) (h)	<p><b>Discussions with External Auditor without the presence of Key Management Personnel</b></p> <p>The BARC met the External Auditors without the presence of the management of the Bank on two occasions in the year 2023 and discussed important issues arising from the interim and final audits.</p>	✓
3 (6) (ii) (i)	<p><b>Review of the external auditor's management letter and the management's response</b></p> <p>The BARC reviewed the External Auditor's Management Letter in respect of the audit conducted for the financial year ended 31st December 2022 and the management's response thereto. The BARC has also issued appropriate recommendations and guidance where necessary to ensure that the matters identified were resolved satisfactorily.</p>	✓

## Corporate Governance Annexure

Directions of Corporate Governance Number	Remarks on Level of Compliance	Complied
3 (6) (ii) (j)	<p><b>Review of Internal Audit Function</b></p> <p>The BARC carried out the following with regard to the Internal Audit function during the year under review:</p> <p>(i) Reviewed the adequacy of the internal audit function and ensured that it conforms with the Internal Audit Charter. The annual audit plan of Internal Audit Department as well as the staff requirements were reviewed/ discussed at the time of approving the Audit Plan.</p> <p>(ii) The Audit plan for the year was approved by the BARC and the progress was reviewed on a regular basis. BARC also reviewed the internal audit reports and considered the findings, recommendations and corrective action.</p> <p>(iii) The performance appraisal of the Chief Internal Auditor was carried out by the Chairperson of the BARC in consultation with the other members of the BARC. Performance appraisals of senior staff were reviewed by the Chief Internal Auditor and presented and noted by BARC.</p> <p>(iv) Chief Internal Auditor of the Bank was changed during the year as part of the role rotation within the governance, risk and control group of the Bank and on recommendation of BARC. All senior appointments to the audit team were recommended by the BARC.</p> <p>(v) A process is in place to ensure that resignations of senior staff members of the internal audit department including Head- IA are advised to the Chairman BARC at periodic BARC meetings.</p> <p>(vi) As stipulated in the Terms of Reference of BARC, the BARC ensures that the internal audits are performed impartially, proficiently and with due professional care. The internal audit staff directly reports to Chief Internal Auditor who in turn directly reports to BARC.</p>	√
3 (6) (ii) (k)	<p><b>Findings of Internal Investigations</b></p> <p>The BARC reviewed findings of investigations including major findings together with status updates on ongoing investigations and the relevant issues were discussed in detail with suitable action points agreed upon.</p> <p>The BARC also ensures the recommendations arising from such investigations are implemented.</p>	√
3 (6) (ii) (l)	<p><b>Attendees at Board Audit Committee meetings</b></p> <p>Chief Financial Officer, Chief Internal Auditor and representative of External Auditors normally attend regular BARC meetings. The CEO and other corporate heads attend BARC meetings upon invitation by the BARC.</p> <p>During the period under review, the BARC met with the External Auditor on 10 occasions including two sessions without the presence of the management.</p>	√

Directions of Corporate Governance Number	Remarks on Level of Compliance	Complied
3 (6) (ii) (m)	<p><b>Authority to Investigate</b></p> <p>The BARC has;</p> <ul style="list-style-type: none"> <li>• explicit authority to investigate into any matter within its terms of reference</li> <li>• the resources which it needs to do so</li> <li>• full access to information</li> <li>• authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary</li> </ul> <p>Terms of Reference of the BARC defines the authority and responsibilities of BARC in compliance with the said direction.</p>	✓
3 (6) (ii) (n)	<p><b>Regular meetings</b></p> <p>The Committee met 11 times during the year 2023 with due notice. Adequate notices of issues to be discussed are made available to all members of BARC. The conclusions in discharging the duties and responsibilities are recorded in the BARC minutes.</p>	✓
3 (6) (ii) (o)	<p><b>Disclosures in Annual Report</b></p> <p>The Report of BARC given on page 94 to 96 of this Annual Report 2023 includes the following;</p> <ul style="list-style-type: none"> <li>(i) details of the activities of the audit committee</li> <li>(ii) the number of audit committee meetings held in the year</li> <li>(iii) details of attendance of each individual director at such meetings</li> </ul>	✓
3 (6) (ii) (p)	<p><b>Maintain minutes of meetings</b></p> <p>Minutes of proceedings of BARC meetings are recorded in sufficient detail and maintained by Chief Internal Auditor who functions as the Secretary to the BARC. Where any gaps are identified, the matters discussed are subsequently ratified at the BARC meetings.</p>	✓
3 (6) (ii) (q)	<p><b>Whistle Blowing Policy and relationship with external auditor</b></p> <p>The Bank has in place a Whistle Blowing Policy approved by the Board, where a whistle blower may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters.</p> <p>The BARC reviews issues relating to violation of internal controls, if any, and the arrangements by which the staff of the Bank may in confidence raise concerns about possible improprieties. The Committee also ensured that the procedures for the independent investigations of such matters are appropriate and are in place.</p> <p>The Whistle Blowing Policy provides for the confidentiality of potential whistle blowers. The BARC is the key representative body for overseeing the Bank's relations with the External Auditor and meets the Auditor on a regular basis to discharge this function.</p>	✓

## Corporate Governance Annexure

Directions of Corporate Governance Number	Remarks on Level of Compliance	Complied
<b>3 (6) (iii)</b>	<b>Human Resources and Remuneration Committee (HRRC)</b>	
3 (6) (iii) (a)	<p><b>Determining the remuneration of directors, CEO and Key Management Personnel</b></p> <p>A Board approved consolidated Human Resources Policy is in place. In terms of the Terms of Reference of HRRC, determining remuneration of the Board and Bank's Personnel is a key responsibility of HRRC. Based on the recommendation of the HRRC, the Directors collectively decide the remuneration and benefits for the Director /CEO and the remuneration of Non Executive Directors. No Director or Key Management Personnel is involved in deciding his or her remuneration. HRRC also seeks independent advise /salary survey results to determine revisions and compensation packages when deemed necessary to discharge responsibilities.</p> <p>During the year 2023, increments, bonus scheme and compensation &amp; benefits structure were reviewed by HRRC and recommended to the Board for approval.</p>	✓
3 (6) (iii)(b)	<p><b>Goals and targets for the directors, CEO and key management personnel.</b></p> <p>Goals and targets for the Directors recommended by the HRRC were approved by the Board.</p> <p>Goals and targets are set by the Committee for the CEO which gets cascaded as goals for the Key Management Personnel through a Balanced Scorecard process. The objectives and KPIs for the year 2023 of the Director/CEO and KMPs of the Bank recommended by the HRRC were approved and submitted to the Board.</p>	✓
3 (6) (iii) (c)	<p><b>Evaluation of the performance of the CEO and key management personnel</b></p> <p>The HRRC evaluated the performance of Director/CEO and Key Management Personnel against the approved KPIs for the year ended 2022 and determined the basis for revision of remuneration, benefits and other payments of performance-based incentives.</p> <p>Performance evaluations of the Director/CEO and KMP for the year ended December 2023 will be conducted by HRRC during the year 2024.</p>	✓
3 (6) (iii) (d)	<p><b>CEO's presence at HRRC meetings</b></p> <p>The CEO attends all HRRC meetings except when matters relating to the CEO or matters in which the CEO has a direct or indirect interest are discussed. TOR of HRRC includes provisions for same.</p>	✓
<b>3 (6) (iv)</b>	<b>Nominations and Governance Committee</b>	
3 (6) (iv) (a)	<p><b>Implement a procedure to select/appoint new directors, CEO and key management personnel</b></p> <p>Board approved TOR of the Nominations and Governance Committee provide for this. The Committee has also adopted a process to select/recruit Chief Executive Officer and Key Management Personnel.</p> <p>A Board approved policy named "Board Composition and Succession Plan" is also in place.</p>	✓
3 (6) (iv) (b)	<p><b>Recommend (or not recommend) the re-election of current directors, taking into account the performance and contribution made by the director concerned towards the overall discharge of the board's responsibilities.</b></p> <p>The Committee has considered and recommended re-election of Directors in compliance with the Direction.</p>	✓

Directions of Corporate Governance Number	Remarks on Level of Compliance	Complied
3 (6) (iv) (c)	<p><b>Eligibility criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO and the key management positions.</b></p> <p>Eligibility criteria has been set and included in the JDs of KMP approved by the Nominations and Governance Committee</p>	✓
3 (6) (iv) (d)	<p><b>Fit and proper criteria for directors, CEO and key management personnel</b></p> <p>Affidavits of the Directors including the Affidavit of the Director/CEO were submitted to the Committee during 2023 for the Committee to determine the fitness and propriety of the Directors. Having considered the Affidavits the Committee determined that the Directors are fit and proper persons to hold their respective office. CBSL confirmation was also received on the fit and proper status of Directors. Further, the Committee also carried out annual assessment of fitness and propriety of KMPs and determined that they meet the fit and proper criteria for KMPs.</p>	✓
3 (6) (iv) (e)	<p><b>Consider and recommend from time to time, the requirements of additional/ new expertise and the succession arrangements for retiring directors and key management personnel.</b></p> <p>The Committee has met the criteria set out in the Rule. The Board approved policy 'Board Composition and Succession Plan for the Directors is in place. Also, a Board approved Succession Plan for KMP is in place in compliance with the requirements herein.</p>	✓
3 (6) (iv) (f)	<p><b>Committee Chairman and other members</b></p> <p>The Committee consists of four Directors which includes two Independent Non Executive Directors and two Non Executive Directors. Senior Independent Director, Mr. Conrad D' Souza serves as the Chairman of the Committee. CEO was invited to attend when his presence was deemed required by the Committee.</p>	✓
<b>3 (6) (v)</b>	<b>Board Integrated Risk Management Committee (BIRMC)</b>	
3 (6) (v) (a)	<p><b>Composition of BIRMC</b></p> <p>During the year the BIRMC comprised of at least three Non-Executive Directors, Director/CEO and the Chief Risk Officer. Other KMP in charge of compliance and control functions attend BIRMC meetings regularly by invitation. The BIRMC currently comprise of three Independent Non Executive Directors and one Non Executive Director.</p>	✓
3 (6) (v) (b)	<p><b>Risk assessment of the Bank, subsidiary companies and associate companies</b></p> <p>Risk indicators are monitored by BIRMC monthly through the Key Risk Goals paper. Key risks involved in the subsidiary companies are included in the Risk grids of the department overseeing such subsidiary and presented assessed and discussed at BIRMC meetings. Each business/support unit of the Bank and subsidiary companies have separate risk grids populated using Risk and Control Self Assessment methodology covering all material risks.</p>	✓
3 (6) (v) (c)	<p><b>Review the adequacy and effectiveness of all management level committees</b></p> <p>The BIRMC reviews the adequacy and effectiveness of all management level committees that has a relevance to risk. Minutes of Management level committees, namely Investment Committee, ALCO, Executive Risk Management Committee, Operational Risk Management Committee, Information Security Steering Committee, Management Credit Committee are submitted to the Committee to review the adequacy and effectiveness of same. However in view of the role played by the Board Credit Committee, minutes of the management level credit committee have not been submitted to BIRMC</p>	✓

## Corporate Governance Annexure

Directions of Corporate Governance Number	Remarks on Level of Compliance	Complied
3 (6) (v) (d)	<p><b>Corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels</b></p> <p>Risks are monitored through monthly submission of Key Risk Goals report and quarterly stress tests. Further, the Bank's risk grids are submitted to live BIRMC meetings where corrective action has been taken as reflected in the minutes.</p>	✓
3 (6) (v) (e)	<p><b>Frequency of Meetings</b></p> <p>The BIRMC has regular meetings in compliance with its Terms of Reference and this Direction. Additional meetings are held when required. The agenda covers matters pertaining to all aspects of risk management including updated business continuity plans. BIRMC has held 8 meetings during the year under review.</p>	✓
3 (6) (v) (f)	<p><b>Officers responsible for failure to identify specific risks or implement corrective actions</b></p> <p>Currently BIRMC monitors risk management through the departmental risk grids and various risk reports. In the event action is required against an officer found to have failed in identifying specific risks and take prompt corrective actions as recommended by the committee, action will be taken against him/her in terms of the Bank's established Human Resources policy.</p> <p>The Committee is authorized to direct the CEO to take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the Committee. This is provided for in the Terms of Reference of BIRMC</p>	✓
3 (6) (v) (g)	<p><b>Risk assessment report to the Board</b></p> <p>A report has been submitted to the Board after each BIRMC meeting as required by the Direction. In addition, minutes of all BIRMC meetings have been submitted to the Board.</p>	✓
3 (6) (v) (h)	<p><b>Compliance function</b></p> <p>The Chief Compliance officer submits a report to the Committee at every meeting. The Bank has established a separate Compliance Division to assess the Bank's compliance. The Chief Compliance Officer carries out the compliance function and report to the committee periodically on Bank's compliance with laws, regulations and approved policies on all areas of business operations.</p>	✓
<b>3 (7)</b>	<b>Related Party Transactions</b>	
3 (7) (i)	<p><b>Categories of Related Parties and avoidance of conflict of interest</b></p> <p>The Board procedure contains provisions on avoiding conflicts of interests. The Bank's credit policy contains provisions for ensuring compliance with this Direction. Necessary steps have been taken by the Board to avoid any conflicts of interests that may arise, when transacting with related parties as defined in the Direction.</p> <p>The Board has also approved a framework for managing Related Party Transactions and monitors its implementation through Related Party Transactions Review Committee (RPTRC).</p>	✓

Directions of Corporate Governance Number	Remarks on Level of Compliance	Complied
3 (7) (ii)	<p><b>Types of transactions with related parties covered by this Direction;</b></p> <p>(a) The grant of any type of accommodation, as defined in the Monetary Board's Directions on maximum amount of accommodation</p> <p>(b) The creation of any liabilities of the bank in the form of deposits, borrowings and investments</p> <p>(c) The provision of any services of a financial or non financial nature provided to the bank or received from the bank</p> <p>(d) The creation or maintenance of reporting lines and information flows between the bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.</p>	✓
	The Board approved related party policy contains provisions in line with this Direction.	
3 (7) (iii)	<p><b>Ensure that the Bank does not engage transactions with related parties that would grant such parties more favourable treatment</b></p> <p>Refer comment in 3 (7) (i) above.</p> <p>Board approved Related Party Transactions Policy contains provisions to ensure compliance with this Direction.</p> <p>RPTRC ensures that a robust framework exists for approving, managing and reporting related party transactions in accordance with these Directions and the Listing Rules on Corporate Governance issued by the CSE. This committee met 4 times during the year 2023.</p>	✓
3(7)(iv)	<p><b>Granting accommodation to a director of close relation of a Director</b></p> <p>All accommodations to Directors and/or their close relatives have been granted with the approval of the Board. The Board ensured that such accommodation was secured by security determined by the Monetary Board.</p>	✓
3(7) (v)	<p><b>Accommodation granted to persons or concerns of persons or close relations of persons who subsequently are appointed as Directors of the Bank</b></p> <p>Mr. Charitha Subasinghe was appointed as a Non Executive Director of the Bank with effect from 19th June 2023. The facilities granted to him by the Bank prior to his appointment as a Director of the Bank will be secured appropriately within a year from the date the appointment as required by the rule</p>	✓
3(7)(vi)	<p><b>Accommodation to employees or their close relations</b></p> <p>No accommodation has been granted and a more favourable treatment relating to the waiver of fees and/or commissions other than as provided for in this Direction has not been given to employees on their close relations or any concern in which the employee or close relation has a substantial interest.</p> <p>The Board approved Related Party Transactions policy contains provisions to ensure compliance.</p>	✓
3(7)(vii)	<p><b>Prior approval of Monetary Board for remittance of accommodation</b></p> <p>There was no requirement to comply with this Direction based on the comments made under Rule Numbers 3(7)(v) and 3(7)(vi) above.</p>	✓

## Corporate Governance Annexure

Directions of Corporate Governance Number	Remarks on Level of Compliance	Complied
<b>3(8)</b>	<b>Disclosures</b>	
3(8) (i)	<b>Publish Annual Report and quarterly financial statements</b> Annual Report and quarterly financial statements were published as required by the Direction.	✓
<b>3 (8) (ii)</b>	<b>Disclosures in the Annual Report</b>	
3 (8) (ii) (a)	A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures is Included in the Report on Director's Responsibility for Financial Reporting given in page 98 of this Annual Report 2023.	✓
3 (8) (ii) (b)	<b>A report by the Board on the Bank's internal control mechanism</b> This is included in page 91 and 92 of this Annual Report 2023.	✓
3 (8) (ii) (c)	<b>External Auditor's certification on the effectiveness of the internal control mechanism</b> The Bank has obtained an Assurance Report by its External Auditors under "Sri Lanka Standard on Assurance Engagements (SLSAE) 3050 –Assurance Reports for Banks on Directors' Statements on Internal Control" . Please refer page 57 and 58 of this Annual Report 2023.	✓
3 (8) (ii) (d)	<b>Details of Directors, including names, fitness and propriety, transactions with the Bank the total of fees/remuneration paid by the Bank</b> This is included in pages 64 to 67 of this Annual Report 2023.	✓
3 (8) (ii) (e)	<b>Total net accommodation as defined in 3(7)(iii) granted to each category of related parties.</b> This is disclosed under the Report of Board of Directors on the Affairs of the Bank included in pages 64 and 67 of this Annual Report 2023.	✓
3 (8) (ii) (f)	<b>The aggregate values of remuneration paid by the Bank to its key management personnel and the aggregate values of the transactions of the Bank with its key management personnel</b> This is included in pages 169 and 66 of this Annual Report 2023.	✓
3 (8) (ii) (g)	<b>The External Auditor's certification of the compliance with Corporate Governance Directions of CBSL in the Annual Corporate Governance.</b> All findings of the 'Factual Findings Reports" of the external auditors issued under "Sri Lanka Related Services Practice Statement 4750" have been incorporated in this report.	✓
3 (8) (ii) (h)	<b>A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliances</b> Directors' Report on the Affairs of the Bank, Statement of Director's Responsibility for Financial Reporting, Directors' Statement on Internal Controls provide the extent of Bank's compliance in this regard.	✓
3 (8) (ii) (i)	<b>A statement of the regulatory and supervisory concerns on lapses in the Bank's risk management, or non compliance with these Directions that have been pointed out by the Director of Bank Supervision, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the Bank to address such concerns.</b> There were no supervisory concerns on lapses in the Bank's risk management or non-compliance with the said Directions that were pointed out by the Director Bank Supervision of the CBSL, which was directed by the Monetary Board to be disclosed to the Public.	✓

### Section 9 of the Listing Rules of Colombo Stock Exchange on Corporate Governance

Listing Rules on Corporate Governance	Remarks on level of Compliance with Reference to CBSL Corporate Governance Annexure
9.1.3	<p><b>Publish a statement confirming the extent of compliance with the Corporate Governance Rules set out in the Section 9 of the Listing Rules.</b></p> <p>This Report serves to meet this requirement.</p>
9.2	<p><b>Policies –Establish, maintain and disclose on the Bank’s website</b></p> <p>Following policies and procedures are currently in force at the Bank;</p> <ul style="list-style-type: none"> <li>• Rules and procedure for Board of Directors</li> <li>• Matters specifically reserved for Board of Directors</li> <li>• Goals and Targets for Non Executive Directors</li> <li>• Terms of Reference for Senior Independent Director</li> <li>• Procedure for Selection and Appointment of Directors</li> <li>• Board Charter – contains provisions with regard to the Board’s policy on Board Sub Committees, Corporate Governance and appointment, fitness and propriety, election and re-election of Directors.</li> <li>• Comprehensive HR Policy includes the Policy on Remuneration and Policy on Internal Code of Business Conduct.</li> <li>• Policy governing dealings in Bank’s Securities by connected persons.</li> <li>• Policy on Risk Management and Internal Controls (Ref. Direction No. 3(1)(i)(b) of the Directions on Corporate Governance issued by CBSL)</li> <li>• Communication Policy. This includes the provisions with regard to the Corporate Disclosures (Ref. Direction No. 3(1)(i)(d) of the Directions on Corporate Governance issued by CBSL)</li> <li>• ESG Strategy</li> <li>• Investment Policy, ALCO Policy, Credit policies, Fixed Asset Policy, Procurement Policy, Expected Credit Loss (ECL) policy etc. contain provisions regarding control and management of assets and investments.</li> <li>• Whistle Blowing Policy</li> <li>• Approved procedure for Anti-Bribery and Corruption</li> </ul> <p>There are no waivers from compliance with the Internal Code of Business Conduct and Ethics or exemptions granted by the Bank to be disclosed in the Annual Report.</p> <p>The Bank endeavors to improve and align its policies with Rule 9.2.1 and disclose the existence of the such policies together with details of implementation of same on the Bank’s official website, on or before 1st October 2024, as is required under Rule 9.2.1.</p>

## Corporate Governance Annexure

Listing Rules on Corporate Governance	Remarks on level of Compliance with Reference to CBSL Corporate Governance Annexure
9.3	<p><b>Board Committees</b></p> <p>The following Board Sub Committees referred to in the Rule are constituted and maintained and are functioning effectively;</p> <p>Nominations and Governance Committee</p> <p>Human Resources and Remuneration Committee</p> <p>Board Audit Review Committee</p> <p>Related Party Transactions Review Committee</p> <p>The respective requirements for responsibilities and disclosures in respect of the above Sub Committees as set out in the Rules have been complied with. Further, requirements under the Rules for composition have been complied with by the Nominations and Governance Committee, Board Audit Review Committee and Related Party Transactions Review Committee. At present, the Chairperson of the Board currently serves as the Chairperson of the Human Resources and Remuneration Committee and compliance with Rule 9.3.3 will be ensured on or before the prescribed deadline of 1st October 2024.</p>
9.4	<p><b>Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders</b></p>
9.4.1	<p><b>Records of General Meetings</b></p> <p>The Bank maintains records of all resolutions and all other information specified in the Rule that are considered at General Meetings of its shareholders.</p>
9.4.2	<p><b>Communication and relations with shareholders and investors</b></p> <p>The Communication Policy of the Bank provides for maintaining an effective communication and relations with shareholders and investors. The Company Secretary and the Investor Relations Officer liaise with shareholders and investors, respectively. Their contact details are disclosed in the Corporate Information Report given at inner back cover of this Annual Report.</p> <p>As per the current process in effect, all issues or concerns of shareholders/investors which warrants the attention of Directors are brought to the attention of the Board by the Director/CEO or the Company Secretary. The Policy and processes will be further improved in line with the requirements of the Rule.</p> <p>The shareholder meetings conducted by the Bank through virtual and hybrid means were in compliance with the Guidelines issued by the CSE and published on the CSE website.</p>
9.5	<p><b>Policy on matters relating to the Board of Directors</b></p> <p>As stated under Rule 9.2 above, the Bank has several policies governing matters relating to the Board of Directors and the provisions referred in (a), (c) to (j) of this Rule are incorporated in such policies.</p> <p>The Bank has not combined the role of the Chairperson and CEO as contemplated in 9.5.1 (b) of this Rule.</p>
9.6	<p><b>Chairperson and CEO</b></p>
9.6.1	<p>The current Chairperson of the Bank is a Non-Executive Director. (Ref. Direction No. 3(5)(i) of the Directions on Corporate Governance issued by CBSL)</p>

Listing Rules on Corporate Governance	Remarks on level of Compliance with Reference to CBSL Corporate Governance Annexure
9.6.3	<p><b>The Requirement for a Senior Independent Director (SID)</b></p> <p>The Bank has appointed an Independent Director as the SID effective from 16th December 2019 (Ref. Direction 3(5)(ii) of the Directions on Corporate Governance issued by CBSL) . The requirement for a SID is not triggered under this Rule.</p> <p>A meeting of the Independent Directors was held during the year chaired by the SID. A meeting of the Non Executive Directors was also held during the year without the presence of the Chairperson. The SID chaired this meeting.</p> <p>A declaration by the SID demonstrating the effectiveness of the duties of the SID is included in page 251 of this Annual Report.</p>
9.7	<p><b>Fitness of Directors and CEOs</b></p> <p>All Directors of the Bank were appointed by the Board based on recommendations of the Nominations and Governance Committee on the fitness and propriety of each of the Directors in terms of the directions issued under the Banking Act No. 30 of 1988.</p> <p>All Directors have submitted declarations in terms of the Fit and Proper Assessment Criteria set out in Rule No.9.7.3 confirming that each of them have continuously satisfied such criteria during the year under review and as at the date of the respective declaration.</p> <p>The relevant disclosures referred to in Rule 9.7.5 have been included in the Directors' Report on the Affairs of the Bank published at page 64 to 67 of this Annual Report.</p>
9.8	<p><b>Board Composition</b></p> <p>At present, the Board consists of 12 Directors which includes 5 Independent Directors. (Ref. Direction No.3(2)(i) of the Directions on Corporate Governance issued by CBSL)</p> <p>Each Independent Director has submitted Declarations in terms of the criteria set out in the Rule No.9.8.3 confirming that each Director satisfies the criteria for independence set out therein and a determination to this effect has been made and is disclosed in the Directors' Report on the Affairs of the Bank published on page 64 to 67 page of this Annual Report.</p>
9.9	<p><b>Alternate Directors</b></p> <p>No Alternate Directors were appointed during the year under review. The Bank will ensure to comply with the requirements set out in Rule 9.9 in the event of any appointment of an Alternate Director in future.</p> <p>At present, the Articles of Association of the Bank do not contain provisions contained in this rule with regard to the appointment of Alternate Directors. The Bank is currently in the process of reviewing the Articles of Association and will ensure to include the provisions set out in Rule 9.9.</p>

## Corporate Governance Annexure

Listing Rules on Corporate Governance	Remarks on level of Compliance with Reference to CBSL Corporate Governance Annexure
9.10	<p><b>Disclosures relating to Directors</b></p> <p>In terms of the CBSL Directions on Corporate Governance the Maximum number of Directorships that a Director can hold is 20. This has been incorporated in the Board Charter. (Ref. Direction No. 3(3)(ii) of the Directions on Corporate Governance of CBSL)</p> <p>The Bank ensures to comply with the Rules set out herein in relation to the appointment of Directors and change of composition of Board Sub Committees.</p> <p>The Bank has made relevant disclosures with regard to the Directors of this Annual Report as required by this Rule.</p> <p>The Disclosures as required under Rule 9.10.4 (a), (b), (d), (e), (g) are included in Profiles of Directors given on page 15 to 18 of this Annual Report.</p> <p>The Disclosure as required under Rule 9.10.4 (c) is included in Page 236 of this Annual Report.</p> <p>Other than the disclosures made under Direction No.3(5)(iii) of the Directions on Corporate Governance issued by CBSL, the directors or their close family members do not have any material business relationship with other directors.</p> <p>The Disclosures as required under Rule 9.10.4 (f) and (h) are included in Page 61 of this Annual Report.</p> <p>9.10.(i)- The Terms of Reference of the SID includes the powers vested in terms of these Rules. Ref. SID certification in terms of 9.6.3(e) of these Rules given on page 251 of this Annual Report.</p>
9.11	<p><b>Nominations and Governance Committee</b></p> <p>The Bank had constituted the Nomination Committee as required in terms of Direction No.3(6)(iv) of the Directions on Corporate Governance issued by CBSL. The Terms of Reference of the Nomination Committee was reviewed by incorporating the requirements under Rule No.9.11 of the CSE Rules and the Committee was re designated as 'Nominations and Governance Committee'.</p> <p>The composition of the Nominations and Governance Committee is in compliance with Rule 9.11.4.</p> <p>Ref. Direction No. 3(6)(iv) of the Directions on Corporate Governance issued by CBSL and the Nominations and Governance Committee Report published on page 86 of this Annual Report.</p>
9.12	<p><b>Remuneration Committee</b></p> <p>Human Resources and Remuneration Committee was constituted as required in terms of Direction No.3(6)(iii) of the Directions on Corporate Governance issued by CBSL.</p> <p>At present, the Chairperson of the Board who is not an independent director currently serves as the Chairperson of the Human Resources and Remuneration Committee and compliance with Rule 9.12.6(3) of the Rules will be ensured on or before the prescribed deadline of 1st October 2024.</p> <p>Ref. Direction No.3(6)(iii) of the CBSL Corporate Governance Annexure and the Human Resources and Remuneration Committee Report published on page 88 of this Annual Report.</p>

Listing Rules on Corporate Governance	Remarks on level of Compliance with Reference to CBSL Corporate Governance Annexure
9.13	<p><b>Audit Committee</b></p> <p>As required by the CBSL Directions on Corporate Governance, the Bank has constituted separate Committees to perform audit and risk functions. Accordingly, the Board Audit Review Committee performs the audit functions of the Bank and Board Integrated Risk Management Committee performs the risk functions of the Bank.</p> <p>The respective composition of the Board Audit Review Committee and Board Integrated Risk Management Committee is in compliance with Rule 9.13.3.</p> <p>Ref. Direction No.3(6)(ii) of the CBSL Corporate Governance Annexure and Board Audit Review Committee Report published in page 94 and 96 of this Annual Report.</p> <p>Ref. Direction No. 3(6)(v) of the CBSL Corporate Governance Annexure and Board Integrated Risk Management Committee Report published in page 83 of this Annual Report.</p>
9.14	<p><b>Related Party Transactions Review Committee</b></p> <p>Related Party Transactions Review Committee as required in terms of these Rules was constituted by the Bank to oversee matters relating to related party transactions under Direction 3(7) of the CBSL Directions on Corporate Governance. Accordingly, the Bank is in compliance with Rule 9.14 .</p> <p>The composition of the Related Party Transactions Review Committee is in compliance with Rule 9.14.2.</p> <p>Ref. Rule No. 3(7) of CBSL Corporate Governance Annexure and Related Party Transactions Review Committee Report published on page 90 of this Annual Report.</p> <p>The additional Disclosures required by Rule No. 9.16 have been made by the Directors in the Directors' Report on the Affairs of the Bank given on page 64 to 67 of this Annual Report.</p>

### Certification by the Senior Independent Director in terms of the Rule No. 9.6.3 (e) of the Listing Rules of the Colombo Stock Exchange.

Terms of Reference (TOR) of the Senior Independent Director (SID) approved by the Board is in place. The TOR covers the duties and responsibilities enumerated under the Banking Act Direction No. 11 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The responsibilities of the SID include inter alia summoning and chairing meetings of Independent Directors and of Non-Executive Directors, making a full and active contribution to the discussions at Board meetings and to encourage the independence in expressing views and opinions based on relevant criteria, especially including risk aspects to ensure that the decisions taken will be in the best interest of the Bank, assist in the annual review of Board effectiveness and lead governance issues.

I certify that I have effectively carried out the duties and responsibilities of the Senior Director as set out in the TOR during the year under review.



**Conrad D' Souza**

Senior Independent Director

22nd February 2024

## Decade at a Glance

Year Ended December 31st	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>LKR Mn (Group)</b>										
<b>OPERATING RESULTS</b>										
Gross Income	20,854	20,279	25,547	35,333	43,461	46,314	40,666	38,378	64,818	81,873
Net Interest Income	8,940	9,105	9,786	11,909	15,164	16,134	13,672	14,078	29,301	34,951
Net Fees & Other Income	3,177	3,414	3,925	5,005	6,146	6,418	7,026	9,192	9,566	10,081
Total Operating Income	12,117	12,519	13,711	16,914	21,310	22,552	20,698	23,269	38,867	45,032
Operating Expenses	(6,363)	(6,862)	(7,620)	(8,773)	(10,310)	(10,808)	(9,296)	(9,122)	(11,559)	(14,079)
Impairment	(1,182)	(985)	(690)	(1,089)	(3,274)	(3,301)	(3,847)	(3,742)	(13,842)	(7,500)
Profit Before Taxation	4,571	4,672	5,400	7,052	7,726	8,444	7,555	10,405	13,466	23,453
Taxation & Levies	(2,035)	(2,058)	(2,531)	(3,680)	(4,024)	(4,730)	(3,500)	(3,712)	(6,238)	(11,982)
<b>Profit After Taxation</b>	<b>2,537</b>	<b>2,614</b>	<b>2,869</b>	<b>3,371</b>	<b>3,702</b>	<b>3,714</b>	<b>4,055</b>	<b>6,694</b>	<b>7,228</b>	<b>11,471</b>
Other Comprehensive Income (OCI)	104	(32)	(236)	1,262	(288)	664	327	(1,092)	543	3,795
<b>Total Comprehensive Income</b>	<b>2,641</b>	<b>2,582</b>	<b>2,633</b>	<b>4,634</b>	<b>3,414</b>	<b>4,378</b>	<b>4,382</b>	<b>5,602</b>	<b>7,771</b>	<b>15,266</b>
<b>As at December 31st</b>										
<b>ASSETS</b>										
Cash & Short-Term Funds	6,900	6,392	4,188	6,850	6,438	8,756	9,145	13,428	58,748	40,180
Statutory Deposits with Central Bank	3,992	5,284	8,512	11,213	12,762	8,377	2,195	6,915	6,074	2,684
Government Treasury Bills & Bonds	40,696	31,623	36,738	49,335	74,254	71,839	107,414	102,813	95,514	189,717
Investment Securities	3,949	7,065	6,926	7,028	-	-	-	-	-	-
<b>Loans &amp; Advances</b>	<b>98,347</b>	<b>121,143</b>	<b>149,818</b>	<b>186,746</b>	<b>221,506</b>	<b>226,794</b>	<b>210,186</b>	<b>247,441</b>	<b>241,241</b>	<b>270,945</b>
Other Assets	1,419	1,386	1,814	1,941	5,085	4,154	4,147	4,481	8,586	7,754
Property Plant & Equipment	2,194	2,143	1,996	3,364	3,669	4,073	3,682	3,298	3,495	3,500
Intangible Assets	1,283	1,224	1,189	1,154	1,303	1,376	1,222	1,175	1,286	1,354
<b>Total Assets</b>	<b>158,781</b>	<b>176,262</b>	<b>211,180</b>	<b>267,629</b>	<b>325,016</b>	<b>325,369</b>	<b>337,991</b>	<b>379,552</b>	<b>414,944</b>	<b>516,134</b>
<b>LIABILITIES</b>										
<b>Deposits</b>	<b>111,010</b>	<b>129,158</b>	<b>151,502</b>	<b>194,269</b>	<b>231,463</b>	<b>226,872</b>	<b>240,574</b>	<b>267,988</b>	<b>297,253</b>	<b>347,769</b>
Due to Banks	2,923	2,276	11,851	12,315	18,475	6,484	4,942	2,016	3,989	49,682
Deferred Tax Liabilities	413	733	969	1,828	1,050	1,160	1,028	-	-	-
Borrowings	25,402	23,433	23,536	30,573	36,676	50,735	47,695	57,087	49,750	33,818
Other Liabilities	5,138	5,491	6,001	7,175	10,294	8,723	8,628	12,301	17,911	23,740
<b>Total Liabilities</b>	<b>144,887</b>	<b>161,090</b>	<b>193,859</b>	<b>246,159</b>	<b>297,957</b>	<b>293,974</b>	<b>302,866</b>	<b>339,393</b>	<b>368,903</b>	<b>455,008</b>
<b>SHAREHOLDERS' FUNDS</b>										
Share Capital/Stated Capital	5,101	5,101	5,101	5,101	8,866	9,408	9,408	9,408	10,401	11,427
Reserve Fund	538	661	796	1,011	1,199	1,372	1,562	1,882	2,228	2,784
Reserves	8,255	9,409	11,423	15,358	16,994	20,616	24,155	28,869	33,411	46,915
<b>Total Shareholders' Funds</b>	<b>13,895</b>	<b>15,171</b>	<b>17,321</b>	<b>21,470</b>	<b>27,059</b>	<b>31,396</b>	<b>35,125</b>	<b>40,159</b>	<b>46,041</b>	<b>61,126</b>
<b>Total Liabilities &amp; Shareholders' Funds</b>	<b>158,781</b>	<b>176,262</b>	<b>211,180</b>	<b>267,629</b>	<b>325,016</b>	<b>325,369</b>	<b>337,991</b>	<b>379,552</b>	<b>414,944</b>	<b>516,134</b>
Commitments & Contingencies	98,799	96,792	123,585	171,587	190,602	199,359	197,231	217,357	226,253	316,742

Year Ended December 31st	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>RATIOS (GROUP)</b>										
Operating Income Growth (%)	22.3	3.3	9.5	23.4	26.0	5.8	(8.2)	12.4	67.0	15.9
Cost/Income Ratio (%)	52.5	54.8	55.6	51.9	48.4	47.9	44.9	39.2	29.7	31.3
Return On Average Assets (%)	1.7	1.6	1.5	1.4	1.2	1.1	1.2	1.8	1.7	2.6
Total Assets to Equity (Times)	11.4	11.6	12.2	12.5	12.0	10.4	9.6	9.5	9.0	8.4
Tier 1 Capital Adequacy Ratio (%)	14.2	13.2	11.4	10.8	12.2	13.3	14.8	15.3	14.8	18.1
Total Capital Adequacy Ratio (%)	18.3	15.5	15.8	13.9	15.6	18.0	18.4	18.0	16.9	19.7
Return on Average Equity (%)	19.8	17.7	17.7	17.8	14.5	12.8	12.1	17.9	17.1	21.3
<b>SHAREHOLDER INFORMATION (GROUP)</b>										
Market Value per Share (LKR)-Voting	97.0	86.3	80.9	78.0	89.2	80.0	60.0	55.0	46.2	107.5
Market Value per Share (LKR)-Non Voting					82.1	80.0	75.0	65.1	57.4	99.8
Net Asset Value per Share (LKR)	60.3	65.8	75.1	93.1	97.4	110.6	123.7	141.5	152.7	191.2
Earnings Per Share (LKR)	8.9	9.1	10.0	11.8	11.3	11.4	12.4	20.5	22.2	35.2
Price Earning Ratio (Times) - Voting	10.9	9.4	8.1	6.6	7.9	7.0	4.8	2.7	2.1	3.1
Earnings Yield (%) - Voting	9.1	10.6	12.4	15.1	12.7	14.2	20.7	37.3	48.0	32.7
Cash Dividend Per Share (LKR)	2.1	2.1	2.1	-	-	2.3	2.0	-	-	2.5
Scrip Dividend Per Share (LKR)	-	-	-	2.1	2.1	-	-	3.5	4.0	2.5
Dividend Payout Ratio (%)	23.7	23.0	20.9	17.8	18.5	20.2	16.1	17.1	18.1	14.2
% of 20 Largest Shareholders-Voting	82	86	88	89	90	90	87	88	88	84
% of 20 Largest Shareholders-Non Voting					100	100	100	100	100	100
<b>OTHER INFORMATION (Group)</b>										
Number of Employees	2,562	2,695	2,770	2,943	3,128	3,151	2,832	2,677	2,479	2,481
Number of Branches	89	92	93	93	94	96	96	96	96	96
No of ATMs	124	131	136	136	172	176	173	163	168	168

## Service Network with Location Addresses

No	Branch	Address
1	Akkaraipattu	No 210, Main Street, Akkaraipattu.
2	Akuressa	No 73, Matara Road, Akuressa.
3	Aluthgama	No 411, Galle Road, Aluthgama.
4	Ambalangoda	No 20, 5th Cross Street, Ambalangoda.
5	Ambalantota	No 61, Main Street, Ambalantota.
6	Anuradhapura	No 249A, Maithripala Senanayake Mawatha, Anuradhapura.
7	Avissawella	No 107, Rathnapura Road, Avissawella.
8	Badulla	No 10, Bank Road, Badulla.
9	Balangoda	No 86/A, Bans Ratwatte Mawatha, Balangoda.
10	Bandaragama	No 14, Panadura Road, Bandaragama.
11	Bandarawela	No 326, Badulla Road, Bandarawela.
12	Battaramulla	No 103 A, Pannipitiya Road, Battaramulla.
13	Batticaloa	No 29, Bar Road, Batticaloa.
14	Boralesgamuwa	No 36, Lake Road, Boralesgamuwa.
15	Borella	No 67, D S Senanayake Mawatha, Borella, Colombo 8.
16	Chilaw	No 43, Kurunegala Road, Chilaw.
17	Cinnamon Gardens	No 4A, Independence Avenue, Colombo 07.
18	City Office	No 76, York Street, Colombo 01.
19	Crescat	B 14, Basement, Crescat Boulevard, Galle Road, Colombo 03.
20	Dambulla	No 700, Anuradhapura Road, Dambulla.
21	Dehiwala	No 163, Galle Road, Dehiwala.
22	Deniyaya	Janahitha Building, Pallegama Road, Deniyaya.
23	Digana	No 964/6, Nilagama, Digana, Rajawella.
24	Elpitiya	No 42, Ambalangoda Road, Elpitiya.
25	Embilipitiya	No 70, New Town Road, Embilipitiya.
26	Galle	No 144, Matara Road, Pettigalawatta, Galle.
27	Gampaha	No 112, Baudhaoka Mawatha, Gampaha.
28	Gampola	No 13, Nawalapitiya Road, Gampola.
29	Giriulla	No 145/A, Kurunegala Road, Giriulla.
30	Gothatuwa	No 35, New Town Gothatuwa, IDH.
31	Hambantota	No 39, Main Road, Hambantota.
32	Havelock Town	No 100, Havelock Road, Colombo 05.
33	Hikkaduwa	No 08, Galle Road, Hikkaduwa.
34	Homagama	No 113/A, High Level Road, Homagama.
35	Horana	No 87, Sri Somananda Mawatha, Horana
36	Ja Ela	No 176, Colombo Road, Ja Ela.
37	Jaffna	No 35, Stanley Road, Jaffna.
38	Jawatte	No 139, Jawatte Road, Colombo 05.
39	Kadawatha	No 144/1A, Sumito Building, Kandy Road, Kadawatha.
40	Kaduruwela	No 292, Sawmill Junction, Kaduruwela.
41	Kaduwela	No 510, Colombo Road, Kaduwela.
42	Kalmunai	No 174, Batticaloa Road, Kalmunai.
43	Kalutara	No 340, Main Street, Kalutara South.
44	Kandy	No 147, Kotugodella Street, Kandy.
45	Kandy City Centre	Kandy City Center, L1-17, Level 1, No 5, Kandy City Centre, Dalada Veediya, Kandy.
46	Karapitiya	No 241, Hirimbura Road, Karapitiya.
47	Katugastota	No 146, Kurunegala Road, Katugastota.
48	Kegalle	No 179, Walawwa watta, Kegalle.

No	Branch	Address
49	Kiribathgoda	No 69, Makola Road, Kiribathgoda.
50	Kohuwala	No 135A, Dutugemunu Street, Kohuwala.
51	Kollupitiya	Lee Hedges Tower, No349, Galle Road, Colombo 03.
52	Kotahena	No 258, George R De Silva Mawaha, Colombo 13.
53	Kottawa	No 269/1, Mahalwarawa Junction, Kottawa.
54	Kuliyapitiya	No 72A, Hettipola Road, Kuliyapitiya.
55	Kurunegala	No 37, Puttalam Road, Kurunegala.
56	Mahabage	No 590, Negombo Road, Mahabage.
57	Maharagama	No 129, High Level Road, Maharagama.
58	Malabe	No 410/4, Athurugiriya Road, Malabe.
59	Matale	No 237/241, Main Street, Matale.
60	Matara	No 56, Esplanade Road, Matara.
61	Matugama	No 123/1, Agalawatta Road, Matugama.
62	Mawathagama	No 56, Kurunegala Road, Mawathagama.
63	Minuwangoda	No 59, Negombo Road, Minuwangoda.
64	Monaragala	No 190, Wellawaya Road, Monaragala.
65	Moratuwa	No 89, New Galle Road, Moratuwa.
66	Mount Lavinia	No 269, Galle Road, Mount Lavinia.
67	Nawala	No 267/A, Nawala Road, Nawala.
68	Nawam Mawatha	Millennium House, No 46/58, Nawam Mawatha, Colombo 02.
69	Negombo	No 72/A, Old Chilaw Road, Negombo.
70	Nelliady	No 171/1, Jaffna - Point Pedro Road, Nelliady.
71	Nittambuwa	No 39, Kandy Road, Nittambuwa.
72	Nugegoda	No 128, High Level Road, Nugegoda.
73	Nuwara Eliya	No 2, Windsor hotel building, New Kandy road, Nuwara Eliya.
74	Old Moor Street	No 360, Old Moor Street, Colombo 12.
75	Panadura	No 229, Galle Road, Panadura.
76	Peradeniya	No 903/18, Royal Mall Complex, William Gopallawa Mawatha, Kandy.
77	Pettah Bankshall Street	No 54A, Bankshall Street, Colombo 11.
78	Pettah Main Street	No 244, Main Street, Pettah. Colombo 11.
79	Pilimathalawa	No 234, Colombo Road, Pilimathalawa.
80	Piliyandala	No 30, Moratuwa Road, Piliyandala.
81	Private Banking Centre	No 53, Horton Place, Colombo 07.
82	Rajagiriya	No 196, Sri Jayawardenapura mawatha, Welikada, Rajagiriya.
83	Ratnapura	No 189, Main Street, Ratnapura.
84	Sri Sangharaja Mawatha.	No 545 A, Sri Sangaraja Mawatha Colombo 10.
85	Tangalle	No 110, Thissa Road, Tangalle.
86	Thalawatugoda	No 245/2, Pannipitiya Road, Thalawathugoda.
87	Tissamaharama	No 43/2, Kachcheriyagama, Hambanthota Road, Tissamaharama.
88	Trincomalee	No 96, Main Street, Trincomalee.
89	Union Place	No 242, Union Place, Colombo 02.
90	Vavuniya	No 45A, 02nd Cross Street, Vavuniya.
91	Wariyapola	No 84, Puttalam Road, Wariyapola.
92	Wattala	No 492, Negombo Road, Wattala.
93	Weligama	No 354/29, Samaraweera Place, Sirimavo Bandaranayake Mawatha, Weligama.
94	Wellawatta	No 595, Galle Road, Wellawatte.
95	Wennappuwa	No 289, Chilaw Road, Wennappuwa.
96	World Trade Center	World Trade Centre, Unit L03/ EB 01/ Level 3, East Tower, Colombo 01.

## Service Network with Location Addresses

No	ATM Location	Address
1	Arpico Hyde Park	Arpico Super Centre, No.69, Hyde Park Corner, Colombo 02.
2	Arpico Nawinna	Arpico Super Centre, No.310, High Level Road, Navinna, Maharagama.
3	Asiri General	No 181, Kirula Road, Narahenpita.
4	Borella	Keells Super- Borella, No 85, Dr N.M. Perera Mawatha, Colombo 08.
5	Cinnamon Lakeside	No 115, Sir Chitthampalam A Gardiner Mawatha, Colombo 02.
6	Digana	MAS Factory, BOI, Pallekelle.
7	Hive	No 256, Sri Ramanathan Mawatha, Kotahena, Colombo 15.
8	MSC Lanka	No 123, Bauddhaloka Mawatha, Colombo 04.
9	Kadana	Arpico Daily, No 88, Negombo road, Kandana.
10	Kaduruwala	Texwin Clothing (PVT) LTD, BOP 398, Abayapura, Pulasthigama, Kaduruwela.
11	Kalubowila	No 53, Hospital Road, Kalubowila, Dehiwala.
12	Kottawa	Keells super, No 119, Horana Road, Kottawa.
13	Processing Center	No. 256, Sri Ramanathan Mawatha, Kotahena, Colombo 15.
14	Kurunegala	Arpico Super Center, No 275, Colombo Road, Kurunegala.
15	Leesons Ragama	Leesons Hospital, No 32, Thewatta Road, Ragama.
16	Matara	Arpico Super Centre, No A2, Matara Road, Matara.
17	Negombo	Keells Super Negombo, No 41, Archbishop Nicholas Marcus Fernando Mawatha, Negombo.
18	Panadura	Arpico super center, No 542, Galle road, Panadura.
19	Peradeniya	Royal Mall Shopping Complex, No 903/18, William Gopallawa Mawatha, Kandy.
20	Rajagiriya	Keells Super Rajagiriya, No 475, Sri Jayewardenepura Road, Rajagiriya.

No	CRM Location	Address
1	Akuregoda	Keells - No 244, Pothuarawa Road, Akuregoda.
2	Ampara	No 22, Liyanwala building, Ampara.
3	ANC	No 308, 310 R. A. De Mel Mawatha, Colombo.
4	Bellanthota (Attiditya)	Keells - No 208, Attidiya Road, Bellanthota.
5	CINEC	CINEC Maritime Campus, Millennium Drive, IT Park, Malabe.
6	Cinnamon Life	No 00200, Glennie Street, Colombo 02.
7	Hokandra	Keells - No 188, Hokandara Road, Thalawathugoda.
8	Kohuwala	Keells - No 71 Sunethradevi Road, Nugegoda.
9	Makumbura	Makumbura Multimodal Centre (MMC) - Kottawa, 168, Avissawella Road, Pannipitiya.
10	Mawaramandiya	Keells - No 475 B262, Udupila Road, Mawaramandiya.
11	Miriswatte	Keells - No 39, Gampaha Road, Miriswattha.
12	Pittakotte (Bedegana)	Keells - No 216A Pitakotte - Thalawathugoda Rd, Sri Jayewardenepura Kotte.
13	Sinharamulla -Kelaniya	Keells - No 356, Biyagama Road, Gonawela, Kelaniya.
14	SLIC - Vauxhall	Rakshana Mandiraya, No.21, Vauxhall Street, Colombo 02.
15	SLIIT	SLIIT, New Kandy Road, Malabe.
16	Thalawathugoda -Kalalgoda	Keells - No 158 Pannipitiya Road, Thalawathugoda.
17	Wattala	Keells Super-Wattala, No 385, Negombo Road, Wattala.

# Glossary

## A

### Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

### Accrual Basis

Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalents.

### Actuarial Gain/Loss

Gain or loss arising from the difference between estimates and actual experience in an entity's pension plan.

## B

### Basel III

The Basel Committee on Banking Supervision (BCBS) issued the Basel III rules text, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity.

### Basis Point (Bp)

One hundredth of a percentage point (0.01 per cent); 100 basis points is 1 percentage point. Used in quoting movements in interest rates or yields on securities.

## C

### CAGR

Compounded annual growth rate. The rate at which it would have grown if it grew at an even rate compounded annually.

### Capital Adequacy Ratio

The relationship between capital and risk weighted assets as defined in the framework developed by the Bank for International Settlements and as modified by the Central Bank of Sri Lanka to suit local requirements.

### Cost to Income Ratio

Operating expenses (excluding provision for bad and doubtful debts) expressed as a percentage of net Income.

## Credit Rating

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

## Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the loans and advances to customers and other banks and investment in debt/ equity securities.

## Credit Risk Mitigation

A technique to reduce the credit risk associated with an exposure by application of credit risk mitigates such as collateral, guarantee and credit protection.

## Currency Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

## D

### Delinquency

A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as 'Arrears'.

### Dividend Cover

Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by the current year's distributable profits.

### Dividend Yield

Dividend earned per share as a percentage of its market value.

## E

### Earnings Per Ordinary Share (EPS)

The profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

### Effective income tax rate

Provision for taxation divided by the profit before taxation.

### Exposure

A claim, contingent claim or position which carries a risk of financial loss.

### Expected Credit Losses ('ECL')

The weighted average, with respect to the risk of default occurring, of the difference between all contractual cash flows that are due in accordance with the contract and all the cash flows that are expected to be received, discounted at the original effective interest rate.

### Exposure at Default ('EAD')

ECL approach is the loan loss impairment method under SLFRS 9 on "Financial Instruments". ECLs are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). ECL measurements are unbiased and are determined by evaluating a range of possible outcomes.

## F

### Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains the ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

### Financial Asset

Is any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

## Glossary

### Financial Guarantee Contract

Is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

### Financial Instrument

Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial Liability

Is a contractual obligation to deliver cash or another financial asset to another entity.

### Forward Exchange Contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

## G

### Going Concern

The Financial Statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially or the scale of its operations.

### Global Reporting Initiative (GRI)

The GRI is an international independent standards organisation that helps businesses, governments, and other organisations understand and communicate their impacts on issues such as climate change, human rights, and corruption. GRI promotes sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

## Group

A parent and all its subsidiaries.

### Guarantees

Three party agreement involving a promise by one party (the guarantor) to fulfill the obligations of a person owning a debt if that person fails to perform.

## H

### High Quality Liquid Assets (HQLA)

Assets that are unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible. These include, for example, cash and claims on Central Governments and Central Banks.

## I

### Impaired Loans

Loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

### Interest Margin

Net interest income expressed as a percentage of interest earning assets.

### Interest Rate Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

### Interest Cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

### Interest Spread

This represents the difference between the average interest rate earned and the average interest rate paid on funds.

### Internal Capital Adequacy Assessment Process

The Group's own assessment of the levels of capital that it needs to hold through an examination of its risk profile from regulatory and economic capital viewpoints.

## L

### Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, bills of exchange, treasury bills.

### Liquid Assets Ratio

Assets that are held in cash or in a form that can be converted to cash readily (as prescribed by the Central Bank of Sri Lanka) divided by the total liabilities including contingent liabilities.

### Liquidity Coverage Ratio ('LCR')

The ratio of the stock of high quality liquid assets to expected net cash outflows over the following 30 days. High quality liquid assets should be unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible.

### Loans To Deposits Ratio

Total loans and advances expressed as a percentage of the total deposit portfolio.

### Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities

### Loan-To-Value Ratio (LTV)

The LTV ratio is a mathematical expression which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

## M

### Market Capitalisation

Number of ordinary shares in issue multiplied by the market value of a share as at the year-end.

## Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

## MARKET RISK

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

## N

### Net Assets Value Per Ordinary Share

Shareholders' funds excluding Preference Shares divided by the number of ordinary shares in issue.

### Net Interest Income (NII)

Difference between what banks earn on assets such as loans and securities and what it pays on liabilities such as deposits, refinance funds and inter-bank borrowings.

### Net Interest Margins (NIM)

Net Interest Income expressed as a percentage of average Total Assets.

### Net Stable Funding Ratio (NSFR)

Measures the amount of longer term, stable sources of funding employed by a Bank relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.

## O

### Operational Risk

Operational risk refers to the losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

## P

### Past Due

A financial asset is past due when a counterparty has failed to make a payment when contractually due

### Price Earnings Ratio (P/E RATIO)

Market price of a share divided by the earnings per share.

### Price to Book Value

Market price of a share divided by the net assets value of a share.

### Provision Cover

Total provisions for loan losses expressed as a percentage of net non-performing loans and advances before discounting for provisions on non-performing loans and advances.

## R

### Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

### Return on Assets

Profit after tax divided by average assets.

### Return On Equity

Profit after Tax divided by the average shareholders' funds.

### Risk Appetite

The aggregate level and types of risk a firm is willing to assume within its risk capacity to achieve its strategic objectives and business plan.

### Risk Weighted Assets

On Balance Sheet assets and the credit equivalent of off Balance Sheet assets multiplied by the relevant risk weighting factors.

## S

### Segmental Analysis

Analysis of financial information by segments of an enterprise specifically, the different industries and the different geographical areas in which it operates.

### Swaps (Currency)

The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement. Alternatively a simultaneous spot sale and forward purchase of a currency.

## T

### Tier I Capital

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

### Tier II Capital

Supplementary capital representing revaluation reserves, general provisions and other capital instruments which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debt.

### Total Capital

Capital base is summation of the core capital (Tier I) and the supplementary capital (Tier II).

## V

### Value at Risk ('VaR')

A measure of the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence.

## Y

### Yield to Maturity (YTM)

Discount rate at which the present value of future payments would equal the security's current price.

## Twenty Fifth Annual General Meeting of Nations Trust Bank PLC

# Administrative Details

In terms of the guidelines issued by the Colombo Stock Exchange on holding virtual shareholder meetings and relevant statutory provisions, the Twenty Fifth (25th ) Annual General Meeting (AGM) of Nations Trust Bank PLC ('the Bank') will be held by virtual means on Thursday, 28th March, 2024 at 10.00 a.m.

The details regarding the participation and the procedure to be adopted during the Annual General Meeting (AGM) is set out below ;

### 1. Date, Time, Place and Conduct of AGM

- (a) AGM by virtual means will be held on Thursday, 28th March, 2024 at 10.00 a.m.
- (b) Board members and other key officials who are essential for the administration of the formalities and conduct of the AGM will be physically present in the Board Room of the Bank
- (c) Shareholders will only be able to participate in the AGM by virtual means via the designated online platform.

### 2. Confirmation of participation, pre registration and voting

- (a) Shareholders of the Bank who wish to participate at the virtual AGM are required to pre- register. In order to pre- register, the Registration Form given in the page 266 in this Annual Report should be duly completed and forwarded to the Bank together with a copy of the National Identity Card (NIC) or passport of the shareholder/proxy holder to the mail address: [Company.Secretary@nationstrust.com](mailto:Company.Secretary@nationstrust.com) or Fax to No. +94 112307854 or post to the address given in the Registration Form to be received by the Bank not less than 48 hours prior to the time scheduled for the AGM.
- (b) Shareholders are entitled to appoint a proxy holder to participate at the virtual AGM on his/her behalf. Completed proxy form should be forwarded to the e mail address: [Company.Secretary@nationstrust.com](mailto:Company.Secretary@nationstrust.com) or Fax to No. +94 112 307 854 or post to the address given in the Registration Form to be received by the Bank not less than 48 hours prior to the time scheduled for the AGM.
- (c) The Bank will forward to the shareholders who register for the AGM, the AGM meeting log-in information via e mail, in advance of the AGM. Meeting log-in information is authorized only for the use by the respective shareholders/proxy holders.
- (d) The Bank encourages shareholders to submit duly completed proxy forms appointing one of the Directors of the Bank to represent them at the AGM by completing the Form of Proxy accordingly in order that each such shareholder may be identified and recorded as if such shareholder was present at the meeting.

(e) Shareholders with voting rights could vote their preference on the agenda items and relevant procedures will be explained at the meeting.

### 3. Shareholders' Queries

- (a) If the shareholders wish to raise any queries/questions during the AGM, they are advised to forward same to the e mail: [Company.Secretary@nationstrust.com](mailto:Company.Secretary@nationstrust.com) or by post to the registered address of the Bank at No. 242, Union Place, Colombo 02 at least 7 days prior to the meeting, so that the Company Secretary will be able to compile queries and forward same for the attention of the Board of Directors to be discussed at the AGM.
- (b) The Shareholders who are unable to participate in the virtual AGM may send their questions on the matters listed in the Notice of Meeting to the e mail: [Company.Secretary@nationstrust.com](mailto:Company.Secretary@nationstrust.com) or via Fax No:+94 112 307 854 or by post to the address; Company Secretary, Nations Trust Bank PLC, No. 242, Union Place, Colombo 02. The responses from the Board of Directors and the Management to the questions will be forwarded to the shareholders by the Bank.

4. This Notice together with Registration Form, Notice of Meeting and Proxy Forms will also be published on the Bank's website ([www.nationstrust.com](http://www.nationstrust.com)) and on the website of the CSE ([www.cse.lk](http://www.cse.lk)).

5. The Date fixed for the AGM to be held on 28th March 2024 will not be affected due to any unforeseen event (eg. a public holiday is declared, curfew is imposed) since arrangements will be in place to proceed via the online platform.

By order of the Board



**Peshala Attygalle**

General Counsel/ Company Secretary

22nd February 2024

## Notice of Meeting

Notice is hereby given that the Twenty Fifth Annual General Meeting (AGM) of Nations Trust Bank PLC ('the Bank') will be held by virtual means on Thursday 28th March, 2024 at 10.00 a.m. centered at the Board Room of the Bank at No. 242, Union Place, Colombo 02, Sri Lanka.

The business to be brought before the meeting will be:

1. To read the notice convening the Meeting.
2. To receive and consider the Annual Report of the Board of Directors and the Statement of Accounts for the period ended 31st December, 2023 with the Report of the Auditors thereon.
3. To re-elect Mr. Conrad D' Souza who retires by rotation at the Annual General Meeting, as a Director pursuant to Article 27 of the Articles of Association of the Bank.
4. To re-elect Mr. Russell De Mel who retires by rotation at the Annual General Meeting, as a Director pursuant to Article 27 of the Articles of Association of the Bank.
5. To re-elect Dr. Ramesh Shanmuganathan who retires by rotation at the Annual General Meeting, as a Director pursuant to Article 27 of the Articles of Association of the Bank.
6. To elect Mr. Charitha Subasinghe who was appointed to the Board after the last Annual General meeting, as a Director in terms of Article 25 of the Articles of Association of the Bank.
7. To reappoint Auditors and to authorise the Directors to determine their remuneration.
8. To authorise the Directors to determine and make donations.
9. To consider any other business of which due notice has been given.

### Notes:

- i. A member unable to attend is entitled to appoint a proxy to attend and vote in his/her behalf.
- ii. A proxy need not be a shareholder of the Bank.
- iii. A proxy need not be a shareholder of the Company.
- iii. A member wishing to vote by proxy at the meeting may use the Proxy Form enclosed.
- iv. To be valid, the completed Proxy Form must be lodged at the Registered Office of the Bank not less than 48 hours before the AGM.

By Order of the Board



**Peshala Attygalle**

General Counsel/Company Secretary

22nd February 2024

# Form of Proxy (Voting Shareholders)

I/We.....of .....

..... being a Shareholder/  
 Shareholders of Nations Trust Bank PLC, hereby appoint .....

of.....

..... or failing him/her

- Ms. Sherin Cader or failing her
- Mr. Conrad D'Souza or failing him
- Ms. Rachini Rajapaksa or failing her
- Mr. Russell De Mel or failing him
- Mr. Savanth Sebastian or failing him
- Mr. Chanaka Wickramasuriya or failing him
- Mr. Arjun Fernando or failing him
- Dr. Ramesh Shanmuganathan or failing him
- Mr. Chandika Hettiarachchi or failing him
- Dr. Sanjeev Jha or failing him
- Mr. Charitha Subasinghe or failing him
- Mr. Hemantha D Gunetilleke

as my/our Proxy to represent me/us and to vote for me/us on my/our behalf at the Twenty Fifth Annual General Meeting of the Bank to be held by virtual means on Thursday, 28th March, 2024 at 10.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

The Proxy may vote as he/she thinks fit on any other resolution brought before the meeting and may also speak on my/our behalf at the meeting.

In witness I/we placed my/our hand/s hereto on this ..... (....) day of March, 2024.

.....  
 Signature/s

Please indicate with a ( ✓ ) in the space below how you wish your votes to be cast:

	For	Against
1. To receive and consider the Annual Report of the Board of Directors and the Statement of Accounts for the period ended 31st December 2023 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. Conrad D' Souza who retires by rotation at the Annual General Meeting, as a Director pursuant to Article 27 of the Articles of Association of the Bank	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. Russell De Mel who retires by rotation at the Annual General Meeting, as a Director pursuant to Article 27 of the Articles of Association of the Bank.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Dr. Ramesh Shanmuganathan who retires by rotation at the Annual General Meeting as a Director pursuant to Article 27 of the Articles of Association of the Bank	<input type="checkbox"/>	<input type="checkbox"/>
5. To elect Mr. Charitha Subasinghe who was appointed to the Board after the last Annual General meeting, as a Director in terms of Article 25 of the Articles of Association of the Bank.	<input type="checkbox"/>	<input type="checkbox"/>
6. To reappoint Auditors and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise the Directors to determine and make donations.	<input type="checkbox"/>	<input type="checkbox"/>

### Instructions for Completion

1. Please perfect the Form of Proxy by filling in legibly your full name and address, by signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be forwarded to the e mail address: [Company.Secretary@nationstrust.com](mailto:Company.Secretary@nationstrust.com) or Fax to No. +94 112 307 854 or post to the address given in the Registration Form to be received by the Bank not less than 48 hours prior to the time scheduled for the AGM.
3. If the Form of Proxy is signed by an Attorney, the Power of Attorney should accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the Bank.
4. If the appointer is a Company or Corporation, this Form must be executed under the Common Seal or the hand of a duly Authorised Officer.
5. If this Form is returned without any indication as to how the person appointed as Proxy shall vote, the Proxy shall exercise his/her discretion as to how he/she votes, or whether he/she abstains from voting.

Please fill in the following details:

NIC No.:	
Share Folio No.	
Name:	
Address:	
Jointly with:	

# Form of Proxy (Non-Voting Shareholders)

I/We.....of .....

..... being a Shareholder/  
 Shareholders of Nations Trust Bank PLC, hereby appoint .....

of.....

..... or failing him/her

failing him/her

- Ms. Sherin Cader or failing her
- Mr. Conrad D’Souza or failing him
- Ms. Rachini Rajapaksa or failing her
- Mr. Russell De Mel or failing him
- Mr. Savanth Sebastian or failing him
- Mr. Chanaka Wickramasuriya or failing him
- Mr. Arjun Fernando or failing him
- Dr. Ramesh Shanmuganathan or failing him
- Mr. Chandika Hettiarachchi or failing him
- Dr. Sanjeev Jha or failing him
- Mr. Charitha Subasinghe or failing him
- Mr. Hemantha D Gunetilleke

as my/our Proxy to represent me/us at the Twenty Fifth Annual General Meeting of the Bank to be held by virtual means on Thursday 28th March, 2024 at 10.00 a.m. and at any adjournment thereof.

In witness whereof I/we have placed my/our hand/s hereto on this ..... (.....) day of March, 2024.

.....

Signature/s

### Instructions for Completion

1. Please perfect the Form of Proxy by filling in legibly your full name and address, by signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be forwarded to the e mail address: [Company.Secretary@nationstrust.com](mailto:Company.Secretary@nationstrust.com) or Fax to No. +94 112307854 or post to the address given in the Registration Form to be received by the Bank not less than 48 hours prior to the time scheduled for the AGM.
3. If the Form of Proxy is signed by an Attorney, the Power of Attorney should accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the Bank.
4. If the appointer is a Company or Corporation, this Form must be executed under the Common Seal or the hand of a duly Authorised Officer.

Please fill in the following details:

NIC No.:	
Share Folio No.	
Name:	
Address:	
Jointly with:	

# Registration Form

## NATIONS TRUST BANK PLC TWENTY Fifth ANNUAL GENERAL MEETING - 28th MARCH 2024

To: The Company Secretary  
Nations Trust Bank PLC  
No. 242, Union Place,  
Colombo 02

Full Name of the Shareholder (In the event of joint shareholders, please mention the name of primary holder)	
Address of the Shareholder	
Shareholder's NIC No./Passport No./ Company Registration Number	
Telephone Number	Mobile  Land Line
E-mail Address (to which the on-line meeting link should be forwarded by the Bank)	
<b>IF A PROXY IS APPOINTED</b>	
Full Name of the proxy holder	
Proxy holder's NIC No./Passport No.	
Telephone Number	Mobile  Land Line
E-mail Address (to which the on-line meeting link should be forwarded by the Bank)	

.....  
Shareholder's signature

Date: .....

#### Notes:

- In the case of a Company/Corporation, this form should be attested in the manner prescribed by its Articles of Association
- If this form is signed by an Attorney for an on behalf of a shareholder, notorially certified copy of the duly registered Power of Attorney which is registered in the Books of the Bank should be attached.

# Corporate Information

## REGISTERED NAME

Nations Trust Bank PLC

## LEGAL FORM

A Public Limited Liability Company incorporated in Sri Lanka under the Companies Act No.17 of 1982 and re-registered under the Companies Act No.07 of 2007. A Licensed Commercial Bank established under the Banking Act No. 30 of 1988.

## COMPANY REGISTRATION NUMBER

PQ 118

## DATE OF INCORPORATION

21st January 1999

## COMPANY SECRETARY

Ms. Peshala Attygalle

Telephone : +94 77 3090734

E-mail :  
peshala.attygalle@nationstrust.com

## REGISTERED OFFICE

No. 242, Union Place, Colombo 2.

Telephone : +94 11 4313131

Facsimile : +94 11 2307854

E-mail :  
ntbinvestorrelations@nationstrust.com

Web page : www.nationstrust.com

SWIFT : NTBCLKLX

## AUDITORS

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

## CREDIT RATING

A- (Ika) from Fitch Ratings Lanka Ltd.

## INVESTOR RELATIONS OFFICER

Mr. Reshan Wediwardana  
*Assistant Vice President - Research,  
Investor Relations & Strategy  
Implementation*  
Telephone : +94 76 824 4885  
E-mail :  
reshan.wediwardana@nationstrust.com

## DIRECTORS

Ms. Sherin Cader – *Chairperson*  
Mr. Conrad D'Souza – *Senior Director*  
Ms. Rachini Rajapaksa  
Mr. Russell De Mel  
Mr. Savanth Sebastian  
Mr. Chanaka Wickramasuriya  
Mr. Arjun Fernando  
Dr. Ramesh Shanmuganathan  
Mr. Chandika Hettiarachchi  
Dr. Sanjeev Jha  
Mr. Charitha Subasinghe  
Mr. Hemantha D Gunetilleke  
– *Director/CEO*

## BOARD SUPERVISORY COMMITTEE

Ms. Sherin Cader – *Chairperson*  
Mr. Savanth Sebastian  
Mr. Arjun Fernando  
Mr. Charitha Subasinghe

## BOARD AUDIT REVIEW COMMITTEE

Ms. Rachini Rajapaksa – *Chairperson*  
Mr. Conrad D' Souza  
Mr. Savanth Sebastian  
Mr. Charitha Subasinghe

## HUMAN RESOURCES AND REMUNERATION COMMITTEE

Ms. Sherin Cader – *Chairperson*  
Mr. Conrad D'Souza  
Ms. Rachini Rajapaksa  
Mr. Russell De Mel

## NOMINATIONS AND GOVERNANCE COMMITTEE

Mr. Conrad D'Souza – *Chairman*  
Ms. Sherin Cader  
Mr. Chanaka Wickramasuriya  
Mr. Arjun Fernando

## CREDIT COMMITTEE

Ms. Sherin Cader – *Chairperson*  
Mr. Russell De Mel  
Mr. Chanaka Wickramasuriya  
Mr. Arjun Fernando

## INTEGRATED RISK MANAGEMENT COMMITTEE

Mr. Conrad D'Souza – *Chairman*  
Ms. Rachini Rajapaksha  
Mr. Savanth Sebastian  
Mr. Charitha Subasinghe

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Mr. Russell De Mel – *Chairman*  
Mr. Chanaka Wickramasuriya  
Mr. Hemantha D Gunetilleke

## BOARD INFORMATION TECHNOLOGY ADVISORY COMMITTEE

Dr. Ramesh Shanmuganathan  
– *Chairman*  
Ms. Rachini Rajapaksa  
Mr. Arjun Fernando  
Mr. Hemantha D Gunetilleke

Designed & produced by

**emagewise**

