BASEL III - PILLAR III DISCLOSURES

30 SEPTEMBER 2021

Template 1
Key Regulatory Ratios - Capital and Liquidity

	BANK		GROUP	
	As at 30 Sept 2021	**As at 30 June 2021**	**As at 30 Sept 2021**	**As at 30 June 2021**
Regulatory Capital (LKR '000)				
Common Equity Tier 1	45,868,472	47,970,480	48,630,250	50,742,778
Tier 1 Capital	45,868,472	47,970,480	48,630,250	50,742,778
Total Capital	64,896,274	67,757,036	67,549,709	70,424,628
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio *(Minimum Requirement -6.5%)*	9.63	10.43	10.03	10.83
Tier 1 Capital Ratio *(Minimum Requirement - 8%)*	9.63	10.43	10.03	10.83
Total Capital Ratio *(Minimum Requirement - 12%)*	13.63	14.73	13.93	15.03
Leverage Ratio *(Minimum Requirement - 3%)*	6.19	6.66	6.51	6.99
Regulatory Liquidity				
Statutory Liquid Assets (LKR'000)	151,144,648	169,589,127	NA	NA
Statutory Liquid Assets Ratio *(Minimum Requirement -20%)*				
Domestic Banking Unit (%)	23.05	27.42	NA	NA
Off-Shore Banking Unit (%)	22.33	25.82	NA	NA
Total stock of high quality liquid assets (LKR ' 000) - Rupee	90,008,550	103,708,036	NA	NA
Total stock of high quality liquid assets (LKR ' 000) - All currency	113,574,485	127,361,829	NA	NA
Liquidity Coverage Ratio (%) – Rupee *(Minimum Requirement -100%)*	140.16	204.01	NA	NA
Liquidity Coverage Ratio (%) – All Currency (*Minimum Requirement - 100%)*	135.93	184.31	NA	NA
Net Stable Funding Ratio (%) – (*Minimum Requirement - 100%)*	114.55	116.81	NA	NA

Template 2

Basel III Computation of Capital Ratios

	Amount (LKR '000)			
	BANK		GROUP	
	As at 30 Sept 2021	As at 30 June 2021	As at 30 Sept 2021	As at 30 June 2021
Common Equity Tier 1 (CET1) Capital after Adjustments	**45,868,472**	**47,970,480**	**48,630,250**	**50,742,778**
Common Equity Tier 1 (CET1) Capital	**53,587,509**	**54,616,157**	**56,198,288**	**57,255,172**
Equity Capital (Stated Capital)/Assigned Capital	18,263,609	18,263,609	18,263,609	18,263,609
Reserve Fund	2,196,479	2,196,479	2,196,479	2,196,479
Published Retained Earnings/(Accumulated Retained Losses)	32,565,452	32,565,449	35,538,549	35,538,549
Published Accumulated Other Comprehensive Income (OCI)	(1,773,330)	(744,679)	(1,925,741)	(868,857)
General and other Disclosed Reserves	-	-	-	-
Unpublished Current Year's Profit/Loss and Gains reflected in OCI	2,335,299	2,335,299	2,125,392	2,125,392
Total Adjustments to CET1 Capital	**7,719,037**	**6,645,677**	**7,568,038**	**6,512,394**
Goodwill (net)	-	-	-	-
Intangible Assets (net)	1,177,712	1,045,083	1,190,883	1,059,539
Deferred tax assets (net)	2,540,101	1,785,607	2,571,381	1,814,611
Defined benefit pension fund assets	143,131	143,131	143,131	143,131
Shortfall of the cumulative impairment to specific provisions	2,792,510	2,599,385	2,792,510	2,599,385
Investments in the capital of banking and financial institutions where the bank does not own more than 10 per cent of the issued ordinary share capital of the entity	621,089	648,217	870,133	895,728
Significant investments in the capital of financial institutions where the bank owns more than 10 per cent of the issued ordinary share capital of the entity	444,494	424,254	-	-
Additional Tier 1 (AT1) Capital after Adjustments	-	-	-	-
Additional Tier 1 (AT1) Capital	-	-	-	-
Total Adjustments to AT1 Capital	-	-	-	-
Tier 2 Capital after Adjustments	**19,027,803**	**19,786,556**	**18,919,460**	**19,681,850**
Tier 2 Capital	**19,027,803**	**19,786,556**	**19,027,803**	**19,786,556**
Qualifying Tier 2 Capital Instruments	12,669,556	13,634,037	12,669,556	13,634,037
Revaluation Gains	876,672	876,672	876,672	876,672
Loan Loss Provisions	5,481,575	5,275,847	5,481,575	5,275,847
Total Adjustments to Tier 2	-	-	**108,343**	**104,706**
Investments in the capital of financial institutions and where the bank does not own more than 10 per cent of the issued capital carrying voting rights of the	-	-	108,343	104,706
CET1 Capital	45,868,472	47,970,480	48,630,250	50,742,778
Total Tier 1 Capital	45,868,472	47,970,480	48,630,250	50,742,778
Total Capital	64,896,275	67,757,036	67,549,710	70,424,628
Total Risk Weighted Assets (RWA)	**476,131,212**	**460,127,803**	**484,811,724**	**468,531,557**
RWAs for Credit Risk	438,525,962	422,067,736	441,289,110	424,635,155
RWAs for Market Risk	7,276,657	8,699,804	11,587,736	13,027,781
RWAs for Operational Risk	30,328,593	29,360,263	31,934,878	30,868,621
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**9.63**	10.43	**10.03**	10.83
of which: Capital Conservation Buffer (%)	2.00	2.00	2.00	2.00
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-	-	-
Total Tier 1 Capital Ratio (%)	**9.63**	10.43	**10.03**	10.83
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**13.63**	14.73	**13.93**	15.03
of which: Capital Conservation Buffer (%)	2.00	2.00	2.00	2.00
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-	-	-

Template 3

Computation of Leverage Ratios

	Amount (LKR '000)			
	BANK		GROUP	
	As at 30 Sept 2021	As at 30 June 2021	As at 30 Sept 2021	As at 30 June 2021
Tier 1 Capital	**45,868,472**	**47,970,480**	**48,630,250**	**50,742,778**
Total Exposures	**740,709,729**	**720,268,412**	**746,713,365**	**725,965,869**
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	674,017,427	657,432,097	679,909,280	662,890,615
Derivative Exposures	2,905,435	2,290,656	2,905,435	2,290,656
Securities Financing Transactions Exposures	532,788	2,072,000	532,788	2,072,000
Other Off-Balance Sheet Exposures	63,254,079	58,473,659	63,365,862	58,712,598
Basel III Leverage Ratio (%) (Tier 1/ Total Exposure)	**6.19%**	**6.66%**	**6.51%**	**6.99%**

Computation of Net Stable Funding Ratios (NSFR)

	Amount (LKR '000)	
	BANK	
	As at 30 Sept 2021	As at 30 June 2021
Total Available Stable Funding	459,937,410	451,577,506
Required Stable Funding - On Balance Sheet Assets	396,595,705	382,086,914
Required Stable Funding - Off Balance Sheet Items	4,936,759	4,518,928
Total Required Stable Funding	401,532,464	386,605,842
Net Stable Funding Ratio (%)	**114.55%**	**116.81%**

Template 4
Basel III Computation of Liquidity Coverage Ratio -All Currency

	BANK			
	Amount (LKR'000)			
	As at 30 Sept 2021		As at 30 June 2021	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	117,724,060	113,574,485	131,521,562	127,361,829
Total Adjusted Level 1A Assets	90,302,193	90,302,193	103,630,167	103,630,167
Level 1 Assets	90,060,227	90,060,227	103,790,012	103,790,012
Total Adjusted Level 2A Assets	27,663,833	23,514,258	27,731,549	23,571,817
Level 2A Assets	27,663,833	23,514,258	27,731,549	23,571,817
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	699,777,093	133,089,794	670,716,434	134,409,329
Deposits	324,116,180	22,834,272	306,290,581	22,294,779
Unsecured Wholesale Funding	210,523,233	106,023,480	215,983,199	106,600,168
Secured Funding Transactions	3,146,270	-	1,004,005	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	161,874,069	4,114,701	147,243,141	5,318,876
Additional Requirements	117,340	117,340	195,507	195,507
Total Cash Inflows	95,826,794	49,533,247	109,822,162	65,307,433
Maturing Secured Lending Transactions Backed by Collateral	48,286,867	26,671,514	50,619,847	30,056,153
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	41,993,819	22,744,393	55,904,289	35,055,773
Operational Deposits	5,428,767	-	3,102,519	-
Other Cash Inflows	117,340	117,340	195,507	195,507
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		135.93%		184.31%

Template 5

Main Features of Regulatory Capital Instruments

BANK AND GROUP	**CET 1 Capital**	**Tier 2 Instruments**		
Description of the Capital Instrument	**Ordinary Shares**	**Debenture Issue - December 2013**	**Debenture Issue - March 2019**	**Debenture Issue - September 2020**
Issuer	National Development Bank PLC	National Development Bank PLC	National Development Bank PLC	National Development Bank PLC
Unique Identifier (e.g., ISIN or Bloomberg Identifier for Private Placement)	NDB. N0000 ISIN -LK0207N00007	Type C - LK0207D21038 Type D - LK0207D21053	Type A - LK0207D24198 Type B - LK0207D24206	ISIN - LK0207D24529
Governing Law(s) of the Instrument	Companies Act No. 07 of 2007, Listing rules of the Colombo Stock Exchange , Securities and Exchange Commission of Sri Lanka Act	Companies Act No. 07 of 2007, Listing rules of the Colombo Stock Exchange , Securities and Exchange Commission of Sri Lanka Act	Companies Act No. 07 of 2007 , Listing rules of the Colombo Stock Exchange , Securities and Exchange Commission of Sri Lanka Act	Companies Act No. 07 of 2007 , Listing rules of the Colombo Stock Exchange , Securities and Exchange Commission of Sri Lanka Act
Original Date of Issuance	Date listed 26-Apr-1993	19-Dec-2013	31-Mar-2019	25-Sep-2020
Par Value of Instrument	NA	LKR 100/-	LKR 100/-	LKR 100/-
Perpetual or Dated	Perpetual	Dated	Dated	Dated
Original Maturity Date, if Applicable	NA	Type C - 19 Dec 2023 Type D - 19 Dec 2025	Type A - 30 Mar 2024 Type B - 30 Mar 2024	24-Sep-2025
Amount Recognised in Regulatory Capital (in LKR '000 as at 30 Sept 2021)	**18,263,609**	**4,688,957**	**2,780,600**	**5,200,000**
Accounting Classification (Equity/Liability)	Equity	Liability	Liability	Liability
Issuer Call subject to Prior Supervisory Approval				
Optional Call Date, Contingent Call Dates and Redemption Amount (LKR '000)	NA	NA	NA	NA
Subsequent Call Dates, if Applicable	NA	NA	NA	NA
Coupons/Dividends				
Fixed or Floating Dividend/Coupon	Dividend declared as decided by the Board	Fixed coupon	Fixed coupon	Fixed coupon
Coupon Rate and any Related Index	NA	Type C - 13.9% p.a Type D - 14.0% p.a	Type A - 13.50% p.a Type B - 13.95% p.a	9.5% p.a
Non-Cumulative or Cumulative	NA	Non-Cumulative	Non-Cumulative	Non-Cumulative
Convertible or Non-Convertible	NA	Non-Convertible	Convertible	Convertible
If Convertible, Conversion Trigger (s)	NA	NA	Determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka, and is defined in the Banking Act Direction No. 1 of 2016	Determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka, and is defined in the Banking Act Direction No. 1 of 2016
If Convertible, Fully or Partially	NA	NA	Fully	Fully
If Convertible, Mandatory or Optional	NA	NA	Mandatory	Mandatory
If Convertible, Conversion Rate	NA	NA	Based on the simple average of the daily Volume Weighted Average Price (VWAP) of an Ordinary Voting Share during the three months (03) period, immediately preceding the date of the Trigger Event.	Based on the simple average of the daily Volume Weighted Average Price (VWAP) of an Ordinary Voting Share during the three months (03) period, immediately preceding the date of the Trigger Event.

Template 7

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

Asset Class	BANK					
	Amount (LKR'000) as at 30 Sept 2021					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density(ii)
Claims on Central Government and Central Bank of Sri Lanka	150,924,670	-	150,924,670	1,623,133	4,528,962	2.97%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	0.00%
Claims on Public Sector Entities	21,942,722	3,246,265	1,564,553	-	312,911	20.00%
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	0.00%
Claims on Banks Exposures	15,977,888	52,041,008	15,977,888	7,801,001	10,939,753	46.01%
Claims on Financial Institutions	36,348,624	13,327,599	33,590,941	830,762	19,810,194	57.55%
Claims on Corporates	205,085,159	99,558,712	180,287,754	42,821,520	220,012,628	98.61%
Retail Claims	196,982,612	42,701,932	172,208,064	10,758,503	143,389,600	78.37%
Claims Secured by Residential Property	20,029,240	1,092,341	20,029,240	412,843	9,383,431	45.90%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)(i)	17,756,447	-	17,756,447	-	20,946,229	117.96%
Higher-risk Categories	463,130	-	463,130	-	1,157,824	250.00%
Cash Items and Other Assets	14,853,159	-	14,853,159	-	8,044,430	54.16%
Total	**680,363,651**	**211,967,857**	**607,655,846**	**64,247,762**	**438,525,962**	

Asset Class	GROUP					
	Amount (LKR'000) as at 30 Sept 2021					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density(ii)
Claims on Central Government and Central Bank of Sri Lanka	150,924,670	-	150,924,670	1,623,133	4,528,962	2.97%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	21,942,722	3,246,265	1,564,553	-	312,911	20.00%
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	16,497,864	52,041,008	16,497,864	7,801,001	11,101,597	45.69%
Claims on Financial Institutions	36,348,624	13,327,599	33,590,941	830,762	19,810,194	57.55%
Claims on Corporates	204,926,786	207,259,141	180,129,381	42,675,569	219,708,305	98.61%
Retail Claims	196,982,612	42,701,932	172,208,064	10,758,503	143,389,600	78.37%
Claims Secured by Residential Property	20,029,240	1,092,341	20,029,240	412,843	9,383,431	45.90%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)(i)	17,756,447	-	17,756,447	-	20,946,229	117.96%
Higher-risk Categories	-	515,468	-	257,734	386,601	150.00%
Cash Items and Other Assets	18,530,150	-	18,530,150	-	11,721,280	63.26%
Total	**683,939,115**	**320,183,754**	**611,231,310**	**64,359,545**	**441,289,110**	

Note:
(i) NPAs – As per Banking Act Directions on Classification of loans and advances, income recognition and provisioning.
(ii) RWA Density – Total RWA/Exposures post CCF and CRM.

Template 9

Market Risk under Standardised Measurement Method

	As at 30 Sept 2021	
	BANK	**GROUP**
(a) RWA for Interest Rate Risk	10,671	12,998
General Interest Rate Risk	10,671	12,121
(i) Net Long or Short Position	10,671	12,121
(ii) Horizontal Disallowance	-	-
(iii) Vertical Disallowance	-	-
(iv) Options	-	-
Specific Interest Rate Risk	-	877
(b) RWA for Equity	549,652	1,086,211
(i) General Equity Risk	274,826	543,980
(ii) Specific Equity Risk	274,826	542,231
(c) RWA for Foreign Exchange & Gold	349,258	349,258
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	7,276,657	11,587,736

Template 10

Operational Risk under Basic Indicator Approach

As at 30 Sept 2021	**BANK**				
Business Lines	**Gross Income (LKR'000)**				
	Capital Charge Factor	**Fixed Factor**	**1st Year**	**2nd Year**	**3rd Year**
The Basic Indicator Approach	15%		22,860,359	24,122,413	28,838,710
The Standardised Approach					
Corporate Finance	18%				
Trading and Sales	18%				
Payment and Settlement	18%				
Agency Services	15%				
Asset Management	12%				
Retail Brokerage	12%				
Retail Banking	12%				
Commercial Banking	15%				
The Alternative Standardised Approach					
Corporate Finance	18%				
Trading and Sales	18%				
Payment and Settlement	18%				
Agency Services	15%				
Asset Management	12%				
Retail Brokerage	12%				
Retail Banking	12%	0.035			
Commercial Banking	15%	0.035			
Capital Charges for Operational Risk (LKR'000)					
The Basic Indicator Approach	3,791,074				
The Standardised Approach					
The Alternative Standardised Approach					
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach	30,328,593				
The Standardised Approach					
The Alternative Standardised Approach					

As at 30 Sept 2021	**GROUP**				
Business Lines	**Gross Income (LKR'000)**				
	Capital Charge Factor	**Fixed Factor**	**1st Year**	**2nd Year**	**3rd Year**
The Basic Indicator Approach	15%		24,024,091	25,016,926	30,796,178
The Standardised Approach					
Corporate Finance	18%				
Trading and Sales	18%				
Payment and Settlement	18%				
Agency Services	15%				
Asset Management	12%				
Retail Brokerage	12%				
Retail Banking	12%				
Commercial Banking	15%				
The Alternative Standardised Approach					
Corporate Finance	18%				
Trading and Sales	18%				
Payment and Settlement	18%				
Agency Services	15%				
Asset Management	12%				
Retail Brokerage	12%				
Retail Banking	12%	0.035			
Commercial Banking	15%	0.035			
Capital Charges for Operational Risk (LKR'000)					
The Basic Indicator Approach	3,991,860				
The Standardised Approach					
The Alternative Standardised Approach					
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach	31,934,878				
The Standardised Approach					
The Alternative Standardised Approach					

Template 11

Differences between Accounting and Regulatory Scopes and

Mapping of Financial Statement Categories with Regulatory Risk Categories – Bank Only

As at 30 Sept 2021	Amount (LKR '000)				
	a	b	c	d	e
	Carrying Values as reported in Published Financial Statements	Carrying Values under Scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Not subject to Capital Requirements or Subject to Deduction from Capital
Assets	**679,125,201**	**685,723,278**	**607,655,847**	**5,015,249**	**73,052,182**
Cash and cash equivalents	12,170,473	12,268,660	12,268,660	-	-
Balances with Central Banks of Sri Lanka	15,254,727	15,254,727	15,254,727	-	-
Placements with banks	2,851,531	2,850,000	2,850,000	-	-
Derivative financial instruments	1,397,953	-	-	-	-
Financial assets recognized through profit or loss measured at fair value	2,198,609	-	-	-	-
Financial assets - Held for trading	-	92,725,935	87,089,597	5,015,249	621,089
Financial assets at amortised cost -loans and receivables to other customers	486,506,550	493,383,105	425,257,450	-	68,125,655
Financial assets at amortised cost - debt and other instruments	53,628,316	-	-	-	-
Financial investments - Held to maturity	-	53,901,339	53,901,339	-	-
Financial assets measured at fair value through other comprehensive income	91,529,607	-	-	-	-
Investments in subsidiary companies	1,135,773	1,135,773	691,279	-	444,494
Intangible assets	1,177,712	1,177,712	-	-	1,177,712
Property, plant and equipment	3,048,500	3,048,499	3,048,499	-	
Right to Use Assets	1,100,824	-	-	-	-
Deferred tax Assets	2,540,101	2,540,101	-	-	2,540,101
Other assets	4,584,525	7,437,427	7,294,296	-	143,131
Liabilities	**620,771,938**	**621,078,748**			
Due to banks	31,441,919	-	-	-	-
Derivative financial instruments	1,005,370	-	-	-	-
Financial liabilities at amortised cost -due to depositors	525,869,779	516,410,403	-	-	-
Financial Liabilities at amortised cost - due to debt securities holders	4,146,357	4,133,847	-	-	-
Financial Liabilities at amortised cost - due to other borrowers	27,772,898	58,399,524	-	-	-
Debt securities issued	20,284,689	19,247,972	-	-	-
Current tax liabilities	2,165,205	2,165,205	-	-	-
Employee benefit obligations	772,460	-	-	-	-
Other liabilities	7,213,957	20,622,493	-	-	-
Dividends payable	99,304	99,304			
Off-Balance Sheet Liabilities	**339,668,826**	**321,394,671**	**319,637,427**		
Guarantees	72,181,431	72,181,431	55,258,347	-	276,472
Performance Bonds	20,507,062	20,507,062	20,456,665	-	50,397
Letters of Credit	30,117,063	30,117,063	29,614,968	-	502,095
Other Contingent Items	24,778,641	24,778,641	24,778,641	-	-
Undrawn Commitments	138,361,373	138,361,373	138,361,373	-	-
Other Commitments	53,723,257	35,449,102	51,167,434	-	-
Shareholders' Equity					
Equity capital (Stated capital)/Assigned capital	18,263,609	18,263,609	-	-	-
of which Amount eligible for CET1	18,263,609	18,263,609	-	-	-
of which Amount eligible for AT1	-	-	-	-	-
Retained earnings	38,321,868	44,184,442	-	-	-
Accumulated Other comprehensive income	(428,692)	-	-	-	-
Other reserves	2,196,479	2,196,479	-	-	-
Total Shareholders' Equity	**58,353,264**	**64,644,530**			