BASEL III - PILLAR III DISCLOSURES

31 DECEMBER 2020

Template 1
Key Regulatory Ratios - Capital and Liquidity

	BANK		GROUP	
	2020	**2019**	**2020**	**2019**
Regulatory Capital (LKR '000)				
Common Equity Tier 1 Capital	37,588,780	34,909,032	40,697,560	39,563,816
Tier 1 Capital	37,588,780	34,909,032	40,697,560	39,563,816
Total Capital	58,724,327	51,090,130	61,715,675	55,320,388
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement -6.5% (2019 - 7%))	9.17	9.18	9.73	10.15
Tier 1 Capital Ratio (Minimum Requirement - 8% (2019 - 8.5%))	9.17	9.18	9.73	10.15
Total Capital Ratio (Minimum Requirement - 12% (2019 - 12.5%))	14.32	13.43	14.75	14.20
Leverage Ratio (Minimum Requirement - 3%)	5.56	6.09	5.97	6.81
Regulatory Liquidity				
Statutory Liquid Assets (LKR'000)	163,230,459	106,381,911	NA	NA
Statutory Liquid Assets Ratio (Minimum Requirement -20%)				
Domestic Banking Unit (%)	28.84	20.93	NA	NA
Off-Shore Banking Unit (%)	26.88	24.78	NA	NA
Total stock of high quality liquid assets (LKR ' 000) - Rupee	112,786,200	66,143,681	NA	NA
Total stock of high quality liquid assets (LKR ' 000) - All currency	134,410,249	75,511,819	NA	NA
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement -90% (2019-100%))	161.97	162.42	NA	NA
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 90% (2019-100%))	157.12	153.26	NA	NA
Net Stable Funding Ratio (%) – (Minimum Requirement - 90% (2019-100%))	112.52	108.92	NA	NA

Template 2

Basel III Computation of Capital Ratios

	Amount (LKR '000)			
	BANK		GROUP	
	2020	2019	2020	2019
Common Equity Tier 1 (CET1) Capital after Adjustments	**37,588,780**	**34,909,032**	**40,697,560**	**39,563,816**
Common Equity Tier 1 (CET1) Capital	**43,392,681**	**38,727,757**	**46,228,477**	**42,279,017**
Equity Capital (Stated Capital)/Assigned Capital	8,794,333	7,685,334	8,794,333	7,685,334
Reserve Fund	2,196,479	1,896,479	2,196,479	1,896,479
Published Retained Earnings/(Accumulated Retained Losses)	27,105,623	24,055,022	30,078,719	27,431,283
Published Accumulated Other Comprehensive Income (OCI)	(509,461)	(714,785)	(646,761)	(539,786)
General and other Disclosed Reserves	5,805,707	5,805,707	5,805,707	5,805,707
Total Adjustments to CET1 Capital	**5,803,901**	**3,818,725**	**5,530,917**	**2,715,201**
Intangible Assets (net)	1,048,326	687,785	1,061,673	700,908
Deferred tax assets (net)	1,875,720	599,215	1,945,730	647,444
Defined benefit pension fund assets	143,131	184,841	143,131	184,841
Shortfall of the cumulative impairment to specific provisions	1,555,263	-	1,555,263	-
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	647,950	794,869	825,120	1,182,008
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	533,511	1,552,015	-	-
Additional Tier 1 (AT1) Capital after Adjustments	-	-	-	-
Additional Tier 1 (AT1) Capital	**-**	**-**	**-**	**-**
Qualifying Additional Tier 1 Capital Instruments	-	-	-	-
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
Total Adjustments to AT1 Capital	-	-	-	-
Tier 2 Capital after Adjustments	**21,135,547**	**16,181,098**	**21,018,115**	**15,756,572**
Tier 2 Capital	**21,135,547**	**16,181,098**	**21,135,547**	**16,181,098**
Qualifying Tier 2 Capital Instruments	**15,562,998**	**12,119,274**	**15,562,998**	**12,119,274**
Revaluation Gains	876,672	542,092	876,672	542,092
Loan Loss Provisions	4,695,877	3,519,732	4,695,877	3,519,732
Total Adjustments to Tier 2	-	**-**	117,432	424,526
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 issuing entity	-	-	117,432	424,526
CET1 Capital	37,588,780	34,909,032	40,697,560	39,563,816
Total Tier 1 Capital	37,588,780	34,909,032	40,697,560	39,563,816
Total Capital	58,724,327	51,090,130	61,715,675	55,320,388
Total Risk Weighted Assets (RWA)	410,060,835	380,442,870	418,346,325	389,660,172
RWAs for Credit Risk	**375,670,159**	**348,382,658**	**378,639,511**	**351,398,555**
RWAs for Market Risk	7,192,688	8,179,894	11,260,664	13,321,736
RWAs for Operational Risk	27,197,988	23,880,318	28,446,150	24,939,881
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	9.17	9.18	9.73	10.15
of which: Capital Conservation Buffer (%)	**2.00**	2.50	**2.00**	2.50
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-	-	-
Total Tier 1 Capital Ratio (%)	9.17	9.18	9.73	10.15
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**14.32**	13.43	**14.75**	14.20
of which: Capital Conservation Buffer (%)	**2.00**	2.50	**2.00**	2.50
of which: Countercyclical Buffer (%)		-		-
of which: Capital Surcharge on D-SIBs (%)	-	-	-	-

Template 3
Computation of Leverage Ratios

	Amount (LKR '000)			
	BANK		GROUP	
	2020	2019	2020	2019
Tier 1 Capital	**37,588,780**	**34,909,032**	**40,697,560**	**39,563,816**
Total Exposures	**675,776,637**	**573,400,212**	**681,568,051**	**580,723,128**
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	622,527,281	527,054,744	628,095,185	534,163,465
Derivative Exposures	4,233,553	2,127,366	4,233,553	2,127,366
Securities Financing Transactions Exposures	127,163	1,310,783	127,163	1,310,783
Other Off-Balance Sheet Exposures	48,888,640	42,907,320	49,112,150	43,121,514
Basel III Leverage Ratio (%) (Tier 1/ Total Exposure)	**5.56%**	**6.09%**	**5.97%**	**6.81%**

Computation of Net Stable Funding Ratios (NSFR)

	Amount (LKR '000)	
	BANK	
	2020	2019
Total Available Stable Funding	403,557,413	347,701,495
Required Stable Funding - On Balance Sheet Assets	355,554,768	316,484,930
Required Stable Funding - Off Balance Sheet Items	3,093,079	2,750,138
Total Required Stable Funding	358,647,847	319,235,068
Net Stable Funding Ratio (%)	**112.52%**	**108.92%**

Template 4

Basel III Computation of Liquidity Coverage Ratio -All Currency

	BANK			
	Amount (LKR'000)			
	2020		2019	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	138,207,486	134,410,249	77,144,017	75,511,819
Total Adjusted Level 1A Assets	112,938,052	112,938,052	66,158,083	66,158,083
Level 1 Assets	112,892,576	112,892,576	66,262,699	66,262,699
Total Adjusted Level 2A Assets	25,314,910	21,517,674	10,881,318	9,249,120
Level 2A Assets	25,314,910	21,517,674	10,881,318	9,249,120
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	630,094,322	136,185,613	527,469,261	106,364,173
Deposits	268,839,430	19,347,365	232,497,321	17,227,141
Unsecured Wholesale Funding	225,925,249	112,415,320	174,682,668	83,060,912
Secured Funding Transactions	1,157,153	-	603,232	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	134,172,490	4,422,928	119,686,040	6,076,120
Additional Requirements	-	-	-	-
Total Cash Inflows	84,801,867	50,638,475	89,486,893	57,092,784
Maturing Secured Lending Transactions Backed by Collateral	33,364,459	19,771,149	44,741,535	31,035,412
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	46,259,467	30,691,239	42,738,268	26,057,372
Operational Deposits	4,825,767	-	2,007,090	-
Other Cash Inflows	352,174	176,087	-	-
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		157.12%		153.26%

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 31 December 2020)	**8,794,333**	**5,773,218**	**3,614,780**	**6,175,000**
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				
If Convertible, Conversion Trigger (s)	NA	Non-Convertible	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 31 Dec 2020					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density(ii)
Claims on Central Government and Central Bank of Sri Lanka	170,623,303	5,076,000	170,623,303	2,411,757	8,352,762	4.83%
Claims on Public Sector Entities	19,739,971	4,507,673	-	-	-	-
Claims on Banks Exposures	10,209,465	100,247,103	10,209,465	9,840,358	9,593,654	47.85%
Claims on Financial Institutions	41,538,987	16,194,739	41,243,040	393,027	23,970,771	57.57%
Claims on Corporates	170,483,372	185,988,754	142,641,293	29,451,819	169,741,352	98.63%
Retail Claims	162,045,892	22,271,414	152,304,026	9,399,586	125,720,783	77.75%
Claims Secured by Residential Property	18,891,679	1,165,195	18,891,679	550,453	10,658,640	54.82%
Non-Performing Assets (NPAs)(i)	16,972,685	-	16,972,685	-	20,003,045	117.85%
Higher-risk Categories	381,223	-	381,223	-	953,057	250.00%
Cash Items and Other Assets	12,435,913	-	12,435,913	-	6,676,095	53.68%
Total	**623,322,490**	**335,450,878**	**565,702,627**	**52,047,000**	**375,670,159**	

Asset Class	GROUP					
	Amount (LKR'000) as at 31 Dec 2020					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density(ii)
Claims on Central Government and Central Bank of Sri Lanka	170,623,303	5,076,000	170,623,303	2,411,757	8,352,762	4.83%
Claims on Public Sector Entities	19,739,971	4,507,673	-	-	-	-
Claims on Banks Exposures	10,433,377	100,247,103	10,433,377	9,840,358	9,631,076	47.51%
Claims on Financial Institutions	41,243,040	16,194,739	41,243,040	393,027	23,970,771	57.57%
Claims on Corporates	170,628,115	185,823,425	142,490,089	29,405,868	169,544,198	98.63%
Retail Claims	162,045,892	22,271,414	152,304,026	9,399,586	125,720,783	77.75%
Claims Secured by Residential Property	18,891,679	1,165,195	18,891,679	550,453	10,658,640	54.82%
Non-Performing Assets (NPAs)(i)	16,972,685	-	16,972,685	-	20,003,045	117.85%
Higher-risk Categories	-	269,462	-	269,462	404,192	150.00%
Cash Items and Other Assets	16,113,998	-	16,113,998	-	10,354,044	64.25%
Total	**626,692,060**	**335,555,011**	**569,072,197**	**52,270,511**	**378,639,511**	

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

	BANK		GROUP	
	Amount (LKR'000)		Amount (LKR'000)	
	2020	2019	2020	2019
(a) RWA for Interest Rate Risk	47,774	993,873	48,943	1,064,922
General Interest Rate Risk	47,774	993,873	48,181	994,183
(i) Net Long or Short Position	47,774	993,873	48,181	994,183
(ii) Horizontal Disallowance	-	-	-	-
(iii) Vertical Disallowance	-	-	-	-
(iv) Options	-	-	-	-
Specific Interest Rate Risk	-	-	762	70,739
(b) RWA for Equity	765,356.00	-	1,272,684	571,682
(i) General Equity Risk	382,678	-	636,342	286,666
(ii) Specific Equity Risk	382,678	-	636,342	285,016
(c) RWA for Foreign Exchange & Gold	85,956	28,614	85,956	28,614
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	7,192,688	8,179,894	11,260,664	13,321,736

Template 10
Operational Risk under Basic Indicator Approach

As at 31 December 2020	BANK				
Business Lines	Gross Income (LKR'000)				
	Capital Charge Factor	**Fixed Factor**	**1st Year**	**2nd Year**	**3rd Year**
The Basic Indicator Approach	15%		21,118,989	22,959,764	23,916,218
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	3,399,749				
The Standardised Approach					
The Alternative Standardised Approach					
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach	27,197,988				
The Standardised Approach					
The Alternative Standardised Approach					

As at 31 December 2020	GROUP				
Business Lines	Gross Income (LKR'000)				
	Capital Charge Factor	**Fixed Factor**	**1st Year**	**2nd Year**	**3rd Year**
The Basic Indicator Approach	15%		22,084,355	24,115,098	24,915,922
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	3,555,769				
The Standardised Approach					
The Alternative Standardised Approach					
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach	28,446,150				
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

	Amount (LKR '000)				
	a	b	c	d	e
As at 31 December 2020	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	**626,836,698**	**631,679,008**	**565,702,627**	**6,042,730**	**59,933,651**
Cash and cash equivalents	10,487,608	10,636,340	10,636,340	-	-
Balances with Central Banks of Sri Lanka	6,812,099	6,812,099	6,812,099	-	-
Placements with banks	12,401,533	12,400,000	12,400,000	-	-
Derivative financial instruments	1,429,470	-	-	-	-
Financial assets recognized through profit or loss measured at fair value	5,574,175	-	-	-	-
Financial assets - Held for trading	-	113,255,208	106,564,528	6,042,730	647,950
Financial assets at amortised cost -loans and receivables to other customers	425,605,508	430,874,628	375,189,615	-	55,685,013
Financial assets at amortised cost - debt and other instruments	44,711,640	-	-	-	-
Financial investments - Loans and receivables	-	-	-	-	-
Financial investments - Held to maturity	-	44,327,715	44,327,715	-	-
Financial assets measured at fair value through other comprehensive income	108,593,183	-	-	-	-
Financial investments - Available-for-sale	-	-	-	-	-
Investments -Held-for-sale	-	-	-	-	-
Investments in subsidiary companies	1,142,884	1,142,884	609,373	-	533,511
Investments in associate companies	-	-	-	-	-
Investment property	-	-	-	-	-
Intangible assets	1,048,326	1,048,326	-	-	1,048,326
Property, plant and equipment	2,968,993	2,977,672	2,977,672	-	-
Right to Used Assets	1,060,843	-	-	-	-
Deferred tax Assets	1,875,720	1,875,720	-	-	1,875,720
Other assets	3,124,716	6,328,416	6,185,285	-	143,131
Liabilities	**582,055,675**	**582,335,654**			
Due to banks	24,173,318	-	-	-	-
Derivative financial instruments	1,016,787	-	-	-	-
Financial liabilities at amortised cost -due to depositors	490,278,126	480,271,129	-	-	-
Financial Liabilities at amortised cost - due to debt securities holders	1,500,007	1,483,458	-	-	-
Financial Liabilities at amortised cost - due to other borrowers	34,284,109	57,698,683	-	-	-
Debt securities issued	19,880,891	19,242,015	-	-	-
Current tax liabilities	2,297,296	2,297,296	-	-	-
Employee benefit obligations	709,294	-	-	-	-
Other liabilities	7,915,847	21,343,073	-	-	-
Off-Balance Sheet Liabilities	**343,949,526**	**279,655,400**	**335,228,853**	-	-
Guarantees	45,095,689	45,095,689	38,920,936	-	138,673
Performance Bonds	16,893,389	16,893,389	16,861,070	-	32,319
Letters of Credit	18,316,091	18,316,091	18,265,058	-	51,033
Other Contingent Items	14,770,945	14,770,945	14,770,945	-	-
Undrawn Commitments	121,792,487	121,792,487	121,792,487	-	-
Other Commitments	127,080,925	62,786,800	124,618,357	-	-
Shareholders' Equity					
Equity capital (Stated capital)/Assigned capital	8,794,333	8,794,333	-	-	-
of which Amount eligible for CET1	8,794,333	8,794,333	-	-	-
of which Amount eligible for AT1	-	-	-	-	-
Retained earnings	27,320,872	31,488,123	-	-	-
Accumulated Other comprehensive income	663,632	-	-	-	-
Other reserves	8,002,186	9,060,898	-	-	-
Total Shareholders' Equity	**44,781,023**	**49,343,354**			