

BASEL III - PILLAR III DISCLOSURES

30 JUNE 2020

Template 1
Key Regulatory Ratios - Capital and Liquidity

	BANK		GROUP	
	As at 30 June 2020	As at 31 March 2020	As at 30 June 2020	As at 31 March 2020
Regulatory Capital (LKR '000)				
Common Equity Tier 1	36,840,641	36,199,004	40,940,782	40,477,037
Tier 1 Capital	36,840,641	36,199,004	40,940,782	40,477,037
Total Capital	51,229,586	51,963,045	55,042,986	55,917,523
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio <i>(Minimum Requirement - 6.5%)</i>	9.30	9.03	10.09	9.88
Tier 1 Capital Ratio <i>(Minimum Requirement - 8%)</i>	9.30	9.03	10.09	9.88
Total Capital Ratio <i>(Minimum Requirement - 12%)</i>	12.94	12.96	13.57	13.65
Leverage Ratio <i>(Minimum Requirement - 3%)</i>	6.03	5.99	6.63	6.62
Regulatory Liquidity				
Statutory Liquid Assets (LKR'000)	126,896,630	113,353,332	NA	NA
Statutory Liquid Assets Ratio <i>(Minimum Requirement - 20%)</i>				
Domestic Banking Unit (%)	23.98	21.37	NA	NA
Off-Shore Banking Unit (%)	23.11	23.99	NA	NA
Total stock of high quality liquid assets (LKR ' 000) - Rupee	80,395,356	69,865,104	NA	NA
Total stock of high quality liquid assets (LKR ' 000) - All currency	93,335,815	82,465,671	NA	NA
Liquidity Coverage Ratio (%) – Rupee <i>(Minimum Requirement - 90% (31.03.2020 -100%))</i>	135.79	170.08	NA	NA
Liquidity Coverage Ratio (%) – All Currency <i>(Minimum Requirement - 90% (31.03.2020 -100%))</i>	121.45	161.08	NA	NA
Net Stable Funding Ratio (%) – <i>(Minimum Requirement - 90% (31.03.2020 -100%))</i>	107.16	105.28	NA	NA

Template 2
Basel III Computation of Capital Ratios

	Amount (LKR '000)			
	BANK		GROUP	
	As at 30 June 2020	As at 31 March 2020	As at 30 June 2020	As at 31 March 2020
Common Equity Tier 1 (CET1) Capital after Adjustments	36,840,641	36,199,004	40,940,782	40,477,037
Common Equity Tier 1 (CET1) Capital	41,162,734	40,024,773	44,108,290	43,081,966
Equity Capital (Stated Capital)/Assigned Capital	8,794,333	8,794,333	8,794,333	8,794,333
Reserve Fund	1,896,479	1,896,479	1,896,479	1,896,479
Published Retained Earnings/(Accumulated Retained Losses)	22,506,253	22,506,253	25,882,516	25,882,516
Published Accumulated Other Comprehensive Income (OCI)	(809,858)	(714,785)	(634,859)	(539,786)
General and other Disclosed Reserves	5,805,707	5,805,707	5,805,707	5,805,707
Unpublished Current Year's Profit/Loss and Gains reflected in OCI	2,969,819	1,736,785	2,364,115	1,242,717
Total Adjustments to CET1 Capital	4,322,093	3,825,768	3,167,509	2,604,929
Goodwill (net)	-	-	-	-
Intangible Assets (net)	720,938	661,133	723,095	675,158
Deferred tax assets (net)	719,795	799,661	725,555	805,421
Defined benefit pension fund assets	184,841	184,841	184,841	184,841
Shortfall of the cumulative impairment to specific provisions	485,659	-	485,659	-
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	688,848	640,891	1,048,359	939,509
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	1,522,012	1,539,243	-	-
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	14,388,946	15,764,041	14,102,204	15,440,485
Tier 2 Capital	14,388,946	15,764,041	14,388,946	15,764,041
Qualifying Tier 2 Capital Instruments	10,307,916	11,213,595	10,307,916	11,213,595
Revaluation Gains	542,092	542,092	542,092	542,092
Loan Loss Provisions	3,538,939	4,008,354	3,538,939	4,008,354
Total Adjustments to Tier 2	-	-	286,742	323,555
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	-	-	286,742	323,555
CET1 Capital	36,840,641	36,199,004	40,940,782	40,477,037
Total Tier 1 Capital	36,840,641	36,199,004	40,940,782	40,477,037
Total Capital	51,229,586	51,963,045	55,042,986	55,917,523
Total Risk Weighted Assets (RWA)	395,955,830	400,900,825	405,559,786	409,773,048
RWAs for Credit Risk	364,995,224	368,661,503	367,616,215	371,186,385
RWAs for Market Risk	5,405,234	7,301,897	10,440,948	12,603,776
RWAs for Operational Risk	25,555,372	24,937,425	27,502,623	25,982,886
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	9.30	9.03	10.09	9.88
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 (%)	9.30	9.03	10.09	9.88
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	12.94	12.96	13.57	13.65
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 June 2020	As at 31 March 2020	As at 30 June 2020	As at 31 March 2020
Tier 1 Capital	36,840,641	36,199,004	40,940,782	40,477,037
Total Exposures	611,309,856	604,803,810	617,912,586	611,595,722
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	561,964,859	551,195,977	568,219,750	557,761,512
Derivative Exposures	3,143,666	5,020,762	3,143,666	5,020,762
Securities Financing Transactions Exposures	906,250	1,520,571	906,250	1,520,571
Other Off-Balance Sheet Exposures	45,295,081	47,066,500	45,642,921	47,292,877
Basel III Leverage Ratio (%) (Tier 1/ Total Exposure)	6.03%	5.99%	6.63%	6.62%

Computation of Net Stable Funding Ratios (NSFR)

	Amount (LKR '000)	
	BANK	
	As at 30 June 2020	As at 31 March 2020
Total Available Stable Funding	363,796,537	355,698,555
Required Stable Funding - On Balance Sheet Assets	337,188,005	335,292,448
Required Stable Funding - Off Balance Sheet Items	2,293,470	2,560,830
Total Required Stable Funding	339,481,475	337,853,279
Net Stable Funding Ratio (%)	107.16%	105.28%

Template 4

Basel III Computation of Liquidity Coverage Ratio -All Currency

	BANK			
	Amount (LKR'000)			
	As at 30 June 2020		As at 31 March 2020	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	95,598,633	93,335,816	84,666,209	82,465,671
Total Adjusted Level 1A Assets	81,336,569	81,336,569	70,140,677	70,140,677
Level 1 Assets	80,513,183	80,513,183	69,995,957	69,995,957
Total Adjusted Level 2A Assets	15,085,450	12,822,632	14,670,252	12,469,715
Level 2A Assets	15,085,450	12,822,632	14,670,252	12,469,715
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	553,805,884	115,247,627	551,769,432	112,452,911
Deposits	247,240,221	18,120,186	240,240,128	17,643,672
Unsecured Wholesale Funding	184,883,708	94,179,528	181,976,026	92,421,665
Secured Funding Transactions	8,437,452	-	2,749,359	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	113,026,604	2,730,014	126,803,919	2,387,574
Additional Requirements	217,899	217,899	-	-
Total Cash Inflows	71,315,824	38,397,424	104,910,063	61,257,789
Maturing Secured Lending Transactions Backed by Collateral	29,354,147	16,900,472	52,978,971	37,226,209
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	38,248,854	21,279,054	43,690,161	24,031,581
Operational Deposits	3,494,924	-	8,240,931	-
Other Cash Inflows	217,899	217,899	-	-
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		121.45%		161.08%

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
Issuer	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
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
Original Date of Issuance	Date listed 26-Apr-1993	19-Dec-2013	31-Mar-2019
Par Value of Instrument	NA	LKR 100/-	LKR 100/-
Perpetual or Dated	Perpetual	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
Amount Recognised in Regulatory Capital (in LKR '000 as at 30 June 2020)	8,794,333	6,137,016	4,170,900
Accounting Classification (Equity/Liability)	Equity	Liability	Liability
Issuer Call subject to Prior Supervisory Approval			
Optional Call Date, Contingent Call Dates and Redemption Amount (LKR '000)	NA	NA	NA
Subsequent Call Dates, if Applicable	NA	NA	NA
Coupons/Dividends			
Fixed or Floating Dividend/Coupon	Dividend declared as decided by the Board	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
Non-Cumulative or Cumulative	NA	Non-Cumulative	Non-Cumulative
Convertible or Non-Convertible	NA	Non-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
If Convertible, Fully or Partially	NA	NA	Fully
If Convertible, Mandatory or Optional	NA	NA	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.

Credit Risk under Standardised Approach

Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

Asset Class	BANK					
	Amount (LKR'000) as at 30 June 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	114,130,526	5,028,750	114,130,526	3,620,784	6,756,616	5.74%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	0.00%
Claims on Public Sector Entities	17,961,553	6,928,669	-	-	-	0.00%
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	0.00%
Claims on Banks Exposures	9,436,733	81,749,925	9,436,733	10,116,220	10,271,006	52.53%
Claims on Financial Institutions	48,989,396	14,207,267	47,083,697	406,791	26,284,214	55.35%
Claims on Corporates	185,306,956	130,119,984	161,504,073	26,645,803	184,337,364	97.97%
Retail Claims	131,098,365	32,331,364	122,089,207	7,404,216	101,829,358	78.64%
Claims Secured by Residential Property	18,202,679	960,530	18,202,679	300,692	9,993,952	54.01%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs) ⁽ⁱ⁾	15,873,398	-	15,873,398	-	18,097,712	114.01%
Higher-risk Categories	383,627	-	383,627	-	959,066	250.00%
Cash Items and Other Assets	10,728,637	-	10,728,638	-	6,465,936	60.27%
Total	552,111,871	271,326,489	499,432,578	48,494,506	364,995,224	

Asset Class	GROUP					
	Amount (LKR'000) as at 30 June 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	114,130,526	5,028,750	114,130,526	3,620,784	6,756,616	5.74%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	17,961,553	6,928,669	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	9,753,168	81,749,925	9,753,168	10,116,220	10,350,225	52.09%
Claims on Financial Institutions	48,989,397	14,207,267	47,083,697	406,791	26,284,214	55.35%
Claims on Corporates	185,128,053	129,967,767	161,325,170	26,599,852	184,112,510	97.97%
Retail Claims	131,098,365	32,331,364	122,089,207	7,404,216	101,829,358	78.64%
Claims Secured by Residential Property	18,202,679	960,530	18,202,679	300,692	9,993,952	54.01%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs) ⁽ⁱ⁾	15,873,398	-	15,873,398	-	18,097,712	114.01%
Higher-risk Categories	-	393,790	-	393,790	590,685	150.00%
Cash Items and Other Assets	13,863,793	-	13,863,793	-	9,600,944	69.25%
Total	555,000,932	271,568,062	502,321,638	48,842,345	367,616,215	

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 June 2020	
	BANK	GROUP
(a) RWA for Interest Rate Risk	648,329	676,614
General Interest Rate Risk	648,329	645,714
(i) Net Long or Short Position	648,329	645,714
(ii) Horizontal Disallowance	-	-
(iii) Vertical Disallowance	-	-
(iv) Options	-	-
Specific Interest Rate Risk	-	30,900
(b) RWA for Equity	-	601,179
(i) General Equity Risk	-	301,229
(ii) Specific Equity Risk	-	299,950
(c) RWA for Foreign Exchange & Gold	27,325	27,325
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	5,405,234	10,440,948

Template 10
Operational Risk under Basic Indicator Approach

As at 30 June 2020	BANK				
Business Lines	Gross Income (LKR'000)				
	Capital Charge Factor	Fixed Factor	1 st Year	2 nd Year	3 rd Year
The Basic Indicator Approach	15%		17,681,716	22,600,536	23,606,178
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	3,194,421				
The Standardised Approach					
The Alternative Standardised Approach					
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach	25,555,372				
The Standardised Approach					
The Alternative Standardised Approach					

As at 30 June 2020	GROUP				
Business Lines	Gross Income (LKR'000)				
	Capital Charge Factor	Fixed Factor	1 st Year	2 nd Year	3 rd Year
The Basic Indicator Approach	15%		18,680,904	23,713,657	26,361,996
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	3,437,828				
The Standardised Approach					
The Alternative Standardised Approach					
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach	27,502,623				
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 June 2020	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	562,060,082	565,801,293	499,432,578	11,903,785	54,464,930
Cash and cash equivalents	7,715,333	7,797,275	7,797,275	-	-
Balances with Central Banks of Sri Lanka	6,297,742	6,297,742	6,297,742	-	-
Placements with banks	1,862,507	1,862,500	1,862,500	-	-
Derivative financial instruments	790,371	-			
Financial assets recognized through profit or loss measured at fair value	261,256				
Financial assets - Held for trading	-	91,025,923	78,433,290	11,903,785	688,848
Financial assets at amortised cost -loans and receivables to other customers	413,209,608	417,647,994	367,019,499	-	50,628,495
Financial assets at amortised cost - debt and other instruments	29,348,761				
Financial investments - Loans and receivables	-				
Financial investments - Held to maturity	-	29,222,663	29,222,663	-	-
Financial assets measured at fair value through other comprehensive income	91,481,087	-			
Financial investments - Available-for-sale	-	-			
Investments -Held-for-sale	-	-			
Investments in subsidiary companies	2,133,789	2,133,789	611,777	-	1,522,012
Investments in associate companies	-	-			
Investment property	-	-			
Intangible assets	720,938	720,938			720,938
Property, plant and equipment	2,947,739	2,947,739	2,947,739		
Right to Used Assets	839,563	-			
Deferred tax Assets	719,795	719,795	-		719,795
Other assets	3,731,593	5,424,935	5,240,094		184,841
Liabilities	519,196,359	519,445,309			
Due to banks	32,904,833	-			
Derivative financial instruments	798,584	-			
Financial liabilities at amortised cost -due to depositors	427,566,431	418,491,515			
Financial Liabilities at amortised cost - due to debt securities holders	8,821,051	8,783,668			
Financial Liabilities at amortised cost - due to other borrowers	25,992,219	58,155,331			
Debt securities issued	13,420,749	12,761,358			
Current tax liabilities	1,805,580	1,805,580			
Right of used assets	-	-			
Deferred tax liabilities	-	-			
Employee benefit obligations	600,752	-			
Other liabilities	7,286,161	19,447,857			
Off-Balance Sheet Liabilities	278,202,913	231,524,652	270,935,168		
Guarantees	38,465,271	38,465,271	35,192,446.28		255,100
Performance Bonds	17,710,393	17,710,393	17,631,980.66		78,413
Letters of Credit	8,618,765	8,618,765	8,560,955.68		57,809
Other Contingent Items	5,342,062	5,342,062	5,342,061.89		-
Undrawn Commitments	104,712,814	104,712,814	104,712,814		-
Other Commitments	103,353,608	56,675,347	99,494,909		-
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	25,134,070	28,607,679			
Accumulated Other comprehensive income	1,233,134	-			
Other reserves	7,702,186	8,953,972			
Total Shareholders' Equity	42,863,723	46,355,984			