NDB bank

BASEL III - PILLAR III DISCLOSURES

31 MARCH 2020

Template 1
Key Regulatory Ratios - Capital and Liquidity

	BANK		GROUP	
	As at 31 March 2020	**As at 31 December 2019**	**As at 31 March 2020**	**As at 31 December 2019**
Regulatory Capital (LKR ’000)				
Common Equity Tier 1	36,199,004	34,909,032	40,477,037	39,563,816
Tier 1 Capital	36,199,004	34,909,032	40,477,037	39,563,816
Total Capital	51,963,045	51,090,130	55,917,523	55,320,388
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio *(Minimum Requirement -6.5% (2019 - 7%))*	9.03	9.18	9.88	10.15
Tier 1 Capital Ratio *(Minimum Requirement - 8% (2019 - 8.5%))*	9.03	9.18	9.88	10.15
Total Capital Ratio *(Minimum Requirement - 12% (2019 - 12.5%))*	12.96	13.43	13.65	14.20
Leverage Ratio *(Minimum Requirement - 3%)*	5.99	6.09	6.62	6.81
Regulatory Liquidity				
Statutory Liquid Assets (LKR’000)	113,353,332	106,381,911	NA	NA
Statutory Liquid Assets Ratio *(Minimum Requirement -20%)*				
Domestic Banking Unit (%)	21.37	20.93	NA	NA
Off-Shore Banking Unit (%)	23.99	24.78	NA	NA
Total stock of high quality liquid assets (LKR ' 000) - Rupee	69,865,104	66,143,681	NA	NA
Total stock of high quality liquid assets (LKR ' 000) - All currency	82,465,671	75,511,819	NA	NA
Liquidity Coverage Ratio (%) – Rupee *(Minimum Requirement -100%)*	170.08	162.42	NA	NA
Liquidity Coverage Ratio (%) – All Currency (*Minimum Requirement - 100%)*	161.08	153.26	NA	NA
Net Stable Funding Ratio (%) – (*Minimum Requirement - 100%)*	105.28	108.92	NA	NA

Template 2

Basel III Computation of Capital Ratios

	Amount (LKR '000)			
	BANK		GROUP	
	As at 31 March 2020	As at 31 December 2019	As at 31 March 2020	As at 31 December 2019
Common Equity Tier 1 (CET1) Capital after Adjustments	**36,199,004**	**34,909,032**	**40,477,037**	**39,563,816**
Common Equity Tier 1 (CET1) Capital	**40,024,773**	**38,727,757**	**43,081,966**	**42,279,017**
Equity Capital (Stated Capital)/Assigned Capital	8,794,333	7,685,334	8,794,333	7,685,334
Reserve Fund	1,896,479	1,896,479	1,896,479	1,896,479
Published Retained Earnings/(Accumulated Retained Losses)	22,506,253	24,055,021	25,882,516	27,431,283
Published Accumulated Other Comprehensive Income (OCI)	(714,785)	(714,785)	(539,786)	(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Unpublished Current Year's Profit/Loss and Gains reflected in OCI	1,736,785	-	1,242,717	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
Total Adjustments to CET1 Capital	**3,825,768**	**3,818,725**	**2,604,929**	**2,715,202**
Goodwill (net)	-	-	-	-
Intangible Assets (net)	661,133	687,785	675,158	700,908
Deferred tax assets (net)	799,661	599,215	805,421	647,444
Defined benefit pension fund assets	184,841	184,841	184,841	184,841
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	640,891	794,869	939,509	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	1,539,243	1,552,015	-	-
Shortfall of capital in financial subsidiaries	-	-	-	-
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	-	-	-	-
Investment in Own Shares	-	-	-	-
Others	-	-	-	-
Tier 2 Capital after Adjustments	**15,764,041**	**16,181,098**	**15,440,485**	**15,756,572**
Tier 2 Capital	**15,764,041**	**16,181,098**	**15,764,041**	**16,181,098**
Qualifying Tier 2 Capital Instruments	11,213,595	12,119,274	11,213,595	12,119,274
Revaluation Gains	542,092	542,092	542,092	542,092
Loan Loss Provisions	4,008,354	3,519,732	4,008,354	3,519,732
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
Total Adjustments to Tier 2	-	-	**323,555**	**424,526**
Investment in Own Shares	-	-	-	-
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	-	-	323,555	424,526
CET1 Capital	36,199,004	34,909,032	40,477,037	39,563,816
Total Tier 1 Capital	36,199,004	34,909,032	40,477,037	39,563,816
Total Capital	51,963,045	51,090,130	55,917,523	55,320,388
Total Risk Weighted Assets (RWA)	**400,900,825**	**380,442,870**	**409,773,048**	**389,660,172**
RWAs for Credit Risk	368,661,503	348,382,658	371,186,385	351,398,555
RWAs for Market Risk	7,301,897	8,179,894	12,603,776	13,321,736
RWAs for Operational Risk	24,937,425	23,880,318	25,982,886	24,939,881
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**9.03**	9.18	**9.88**	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 (%)	**9.03**	9.18	**9.88**	10.15
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**12.96**	13.43	**13.65**	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	
	As at 31 March 2020	As at 31 December 2019	As at 31 March 2020	As at 31 December 2019
Tier 1 Capital	**36,199,004**	**34,909,032**	**40,477,037**	**39,563,816**
Total Exposures	**604,803,810**	**573,400,212**	**611,595,722**	**580,723,128**
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	551,195,977	527,054,744	557,761,512	**534,163,465**
Derivative Exposures	5,020,762	2,127,366	5,020,762	**2,127,366**
Securities Financing Transactions Exposures	1,520,571	1,310,783	1,520,571	**1,310,783**
Other Off-Balance Sheet Exposures	47,066,500	42,907,320	47,292,877	**43,121,514**
Basel III Leverage Ratio (%) (Tier 1/ Total Exposure)	**5.99%**	**6.09%**	**6.62%**	**6.81%**

Computation of Net Stable Funding Ratios (NSFR)

	Amount (LKR '000)	
	BANK	
	As at 31 March 2020	As at 31 December 2019
Total Available Stable Funding	355,698,555	347,701,495
Required Stable Funding - On Balance Sheet Assets	335,292,448	316,484,930
Required Stable Funding - Off Balance Sheet Items	2,560,830	2,750,138
Total Required Stable Funding	337,853,279	319,235,068
Net Stable Funding Ratio (%)	**105.28%**	**108.92%**

Template 4

Basel III Computation of Liquidity Coverage Ratio -All Currency

	BANK			
	Amount (LKR'000)			
	As at 31 March 2020		As at 31 December 2019	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	84,666,209	82,465,671	77,144,017	75,511,819
Total Adjusted Level 1A Assets	70,140,677	70,140,677	66,158,083	66,158,083
Level 1 Assets	69,995,957	69,995,957	66,262,699	66,262,699
Total Adjusted Level 2A Assets	14,670,252	12,469,715	10,881,318	9,249,120
Level 2A Assets	14,670,252	12,469,715	10,881,318	9,249,120
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	551,769,432	112,452,911	527,469,261	106,364,173
Deposits	240,240,128	17,643,672	232,497,321	17,227,141
Unsecured Wholesale Funding	181,976,026	92,421,665	174,682,668	83,060,912
Secured Funding Transactions	2,749,359	-	603,232	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	126,803,919	2,387,574	119,686,040	6,076,120
Additional Requirements	-	-	-	-
Total Cash Inflows	104,910,063	61,257,789	89,486,893	57,092,784
Maturing Secured Lending Transactions Backed by Collateral	52,978,971	37,226,209	44,741,535	31,035,412
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	43,690,161	24,031,581	42,738,268	26,057,372
Operational Deposits	8,240,931	-	2,007,090	-
Other Cash Inflows	-	-	-	-
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		161.08%		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 1 (2013)**	**Debenture Issue 2 (2015)**	**Debenture Issue 3 (2019)**
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 - LK0207D23091 Type B - LK0207D23083	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	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	24-Jun-2015	31-Mar-2019
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 - 24 Jun 2020 Type B - 24 Jun 2020	Type A - 30 Mar 2024 Type B - 30 Mar 2024
Amount Recognised in Regulatory Capital (in LKR '000 as at 31 March 2020)	**8,794,333**	**6,318,915**	**445,720**	**4,448,960**
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 - 9.4% p.a Type B - 9.4% annual compounding on the Issue Price of LKR 63.8136	Type A - 13.50% p.a Type B - 13.95% p.a
Non-Cumulative or Cumulative	NA	Non-Cumulative	Non-Cumulative	Non-Cumulative
Convertible or Non-Convertible	NA	Non-Convertible	Non-Convertible	Convertible
If Convertible, Conversion Trigger (s)	NA	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	NA	Fully
If Convertible, Mandatory or Optional	NA	NA	NA	Mandatory
If Convertible, Conversion Rate	NA	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.

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 March 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	95,349,852	5,130,000	95,349,852	3,294,690	6,521,360	6.61%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	0.00%
Claims on Public Sector Entities	17,124,451	6,270,181	-	-	-	0.00%
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	0.00%
Claims on Banks Exposures	13,694,331	89,684,865	13,694,331	9,845,475	11,652,931	49.50%
Claims on Financial Institutions	47,487,470	20,048,804	47,026,821	662,655	26,462,045	55.49%
Claims on Corporates	201,797,320	140,971,484	176,227,808	31,363,121	203,712,280	98.13%
Retail Claims	115,053,180	28,183,942	105,534,832	5,146,786	85,687,834	77.42%
Claims Secured by Residential Property	18,703,107	1,015,111	18,703,107	303,010	10,603,753	55.79%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)[(i)]	13,756,856	-	13,756,856	-	15,507,992	112.73%
Higher-risk Categories	377,382	-	377,382	-	943,456	250.00%
Cash Items and Other Assets	11,832,525	-	11,832,525	-	7,569,851	63.97%
Total	**535,176,473**	**291,304,387**	**482,503,514**	**50,615,738**	**368,661,503**	

Asset Class	GROUP					
	Amount (LKR'000) as at 31 March 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	95,349,852	5,130,000	95,349,852	3,294,690	6,521,360	6.61%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	17,124,451	6,270,181	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	13,924,291	89,684,865	13,924,291	9,845,475	11,736,185	49.37%
Claims on Financial Institutions	47,487,470	20,048,804	47,026,821	776,675	26,462,045	55.36%
Claims on Corporates	201,684,489	140,424,936	176,114,977	31,203,151	203,553,498	98.18%
Retail Claims	115,053,180	28,183,942	105,534,832	5,146,786	85,687,834	77.42%
Claims Secured by Residential Property	18,703,107	1,015,111	18,703,107	303,010	10,603,753	55.79%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)[(i)]	13,756,856	-	13,756,856	-	15,507,992	112.73%
Higher-risk Categories	-	544,656	-	272,328	408,492	150.00%
Cash Items and Other Assets	14,967,994	-	14,967,994	-	10,705,225	71.52%
Total	**538,051,690**	**291,302,495**	**485,378,731**	**50,842,116**	**371,186,385**	

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 31 March 2020	
	BANK	**GROUP**
(a) RWA for Interest Rate Risk	824,433	895,224
General Interest Rate Risk	824,433	825,849
(i) Net Long or Short Position	824,433	825,849
(ii) Horizontal Disallowance		
(iii) Vertical Disallowance		
(iv) Options		
Specific Interest Rate Risk	-	69,375
(b) RWA for Equity	-	591,944
(i) General Equity Risk	-	296,260
(ii) Specific Equity Risk	-	295,684
(c) RWA for Foreign Exchange & Gold	88,304	88,304
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	7,301,897	12,603,776

Template 10

Operational Risk under Basic Indicator Approach

As at 31 March 2020	BANK				
Business Lines	Gross Income (LKR'000)				
	Capital Charge Factor	**Fixed Factor**	**1st Year**	**2nd Year**	**3rd Year**
The Basic Indicator Approach	15%		16,978,002	21,935,700	23,429,862
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	3,117,178				
The Standardised Approach					
The Alternative Standardised Approach					
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach	24,937,425				
The Standardised Approach					
The Alternative Standardised Approach					

As at 31 March 2020	GROUP				
Business Lines	Gross Income (LKR'000)				
	Capital Charge Factor	**Fixed Factor**	**1st Year**	**2nd Year**	**3rd Year**
The Basic Indicator Approach	15%		17,577,596	23,063,175	24,316,445
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	3,247,861				
The Standardised Approach					
The Alternative Standardised Approach					
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach	25,982,886				
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 31 March 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	**553,334,937**	**556,542,686**	**482,503,513**	**19,452,311**	**54,586,862**
Cash and cash equivalents	12,488,949	12,539,809	12,539,809	-	-
Balances with Central Banks of Sri Lanka	11,238,609	11,238,609	11,238,609	-	-
Placements with banks	286,463	285,000	285,000	-	-
Derivative financial instruments	2,239,272	-			
Financial assets recognized through profit or loss measured at fair value	261,529	-			
Financial assets - Held for trading	-	71,985,258	51,892,055	19,452,311	640,891
Financial assets at amortised cost -loans and receivables to other customers	410,899,921	414,865,961	364,104,867	-	50,761,094
Financial assets at amortised cost - debt and other instruments	33,165,938	-			
Financial investments - Held to maturity	-	33,246,621	33,246,621	-	-
Financial assets measured at fair value through other comprehensive income	72,031,779	-			
Investments in subsidiary companies	2,144,774	2,144,774	605,532	-	1,539,243
Intangible assets	661,133	661,133			661,133
Property, plant and equipment	2,954,088	2,954,088	2,954,088		
Right to Used Assets	899,538	-			
Deferred tax Assets	799,661	799,661	-		799,661
Other assets	3,263,283	5,821,774	5,636,933		184,841
Liabilities	**512,274,937**	**512,489,955**			
Due to banks	31,241,196	-			
Derivative financial instruments	1,355,576	-			
Financial liabilities at amortised cost -due to depositors	414,146,321	404,331,101			
Financial Liabilities at amortised cost - due to debt securities holders	3,439,705	3,412,699			
Financial Liabilities at amortised cost - due to other borrowers	29,296,212	59,544,341			
Debt securities issued	23,086,591	22,704,437			
Current tax liabilities	2,149,191	2,149,191			
Employee benefit obligations	600,752	-			
Other liabilities	6,959,393	20,348,187			
Off-Balance Sheet Liabilities	**295,925,389**	**248,773,849**	**290,857,891**		
Guarantees	36,697,651	36,697,651	34,198,277.06		282,540
Performance Bonds	16,373,918	16,373,918	16,317,924.12		55,994
Letters of Credit	8,291,683	8,291,683	8,183,722.76		107,961
Other Contingent Items	9,003,599	9,003,599	9,003,599		-
Undrawn Commitments	116,131,960	116,131,960	116,131,960		-
Other Commitments	109,426,578	62,275,038	107,022,409		-
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	23,896,381	26,137,733			
Accumulated Other comprehensive income	667,100	-			
Other reserves	7,702,186	9,120,666			
Total Shareholders' Equity	**41,060,000**	**44,052,732**			