BASEL III - PILLAR III DISCLOSURES

30 SEPTEMBER 2019

Template 1
Key Regulatory Ratios - Capital and Liquidity

	BANK		GROUP	
	As at 30 September 2019	**As at 30 June 2019**	**As at 30 September 2019**	**As at 30 June 2019**
Regulatory Capital (LKR '000)				
Common Equity Tier 1	34,241,704	31,302,101	38,894,597	36,356,105
Tier 1 Capital	34,241,704	31,302,101	38,894,597	36,356,105
Total Capital	50,417,156	47,302,573	54,566,339	51,863,663
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio *(Minimum Requirement -7% (2018 - 6.375%))*	9.52%	9.02%	10.56%	10.21%
Tier 1 Capital Ratio *(Minimum Requirement - 8.5% (2018 - 7.875%))*	9.52%	9.02%	10.56%	10.21%
Total Capital Ratio *(Minimum Requirement - 12.5% (2018 - 11.875%))*	14.01%	13.64%	14.81%	14.56%
Leverage Ratio *(Minimum Requirement - 3%)*	6.30%	5.94%	7.06%	6.80%
Regulatory Liquidity				
Statutory Liquid Assets (LKR'000)	100,759,249	101,476,543	NA	NA
Statutory Liquid Assets Ratio *(Minimum Requirement -20%)*				
Domestic Banking Unit (%)	20.72%	21.17%	NA	NA
Off-Shore Banking Unit (%)	25.96%	24.82%	NA	NA
Total stock of high quality liquid assets (LKR ' 000) - All currency	70,322,653	66,721,048	NA	NA
Total stock of high quality liquid assets (LKR ' 000) - Rupee	62,952,580	60,614,001	NA	NA
Liquidity Coverage Ratio (%) – All Currency (*Minimum Requirement - 100% (2018 - 90%)*)	154.99%	156.40%	NA	NA
Liquidity Coverage Ratio (%) – Rupee *(Minimum Requirement -100% (2018 - 90%))*	207.65%	211.85%	NA	NA
Net Stable Funding Ratio (%) – (*Minimum Requirement - 90%)*	107.98%	106.89%	NA	NA

Template 2

Basel III Computation of Capital Ratios

	Amount (LKR '000)			
	BANK		GROUP	
	As at 30 September 2019	As at 30 June 2019	As at 30 September 2019	As at 30 June 2019
Common Equity Tier 1 (CET1) Capital after Adjustments	**34,241,704**	**31,302,101**	**38,894,597**	**36,356,105**
Common Equity Tier 1 (CET1) Capital	**37,362,786**	**34,086,818**	**40,769,805**	**37,819,290**
Equity Capital (Stated Capital)/Assigned Capital	7,685,334	7,685,334	7,685,334	7,685,334
Reserve Fund	1,636,479	1,636,479	1,636,479	1,636,479
Published Retained Earnings/(Accumulated Retained Losses)	20,267,871	20,270,377	23,996,228	23,998,735
Published Accumulated Other Comprehensive Income (OCI)	(1,383,314)	(1,311,080)	(1,291,232)	(1,306,964)
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Unpublished Current Year's Profit/Loss and Gains reflected in OCI	3,350,709	-	2,937,288	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
Total Adjustments to CET1 Capital	**3,121,082**	**2,784,717**	**1,875,207**	**1,463,186**
Goodwill (net)	-	-	-	-
Intangible Assets (net)	438,880	382,411	453,498	397,029
Deferred tax assets (net)	328,958	-	328,958	-
Defined benefit pension fund assets	291,507	291,507	291,507	291,507
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	496,799	512,869	801,245	774,650
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	1,564,939	1,597,930	-	-
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	**16,175,451**	**16,000,472**	**15,671,742**	**15,507,558**
Tier 2 Capital	**16,175,451**	**16,000,472**	**16,175,451**	**16,000,472**
Qualifying Tier 2 Capital Instruments	13,024,954	13,930,633	13,024,954	13,930,633
Revaluation Gains	542,092	542,092	542,092	542,092
Loan Loss Provisions	2,608,406	1,527,747	2,608,406	1,527,747
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
Total Adjustments to Tier 2	-	-	**503,710**	**492,914**
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	-	-	503,710	492,914
CET1 Capital	34,241,704	31,302,101	38,894,597	36,356,105
Total Tier 1 Capital	34,241,704	31,302,101	38,894,597	36,356,105
Total Capital	50,417,156	47,302,573	54,566,339	51,863,663
Total Risk Weighted Assets (RWA)	**359,801,508**	**346,847,058**	**368,357,252**	**356,090,811**
RWAs for Credit Risk	331,786,484	316,953,267	334,780,144	320,270,755
RWAs for Market Risk	5,024,377	7,981,265	9,778,361	12,974,904
RWAs for Operational Risk	22,990,647	21,912,526	23,798,747	22,845,152
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**9.52%**	**9.02%**	**10.56%**	**10.21%**
of which: Capital Conservation Buffer (%)	2.5%	2.5%	2.5%	2.5%
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-	-	-
Total Tier 1 Capital Ratio (%)	**9.52%**	**9.02%**	**10.56%**	**10.21%**
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**14.01%**	**13.64%**	**14.81%**	**14.56%**
of which: Capital Conservation Buffer (%)	2.5%	2.5%	2.5%	2.5%
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 September 2019	As at 30 June 2019	As at 30 September 2019	As at 30 June 2019
Tier 1 Capital	**34,241,704**	**31,302,101**	**38,894,597**	**36,356,105**
Total Exposures	**543,813,952**	**527,283,962**	**550,898,292**	**534,766,197**
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	499,990,800	488,662,997	506,804,042	495,580,039
Derivative Exposures	2,474,716	4,504,469	2,474,716	4,504,469
Securities Financing Transactions Exposures	4,467,200	2,017,178	4,467,200	2,017,178
Other Off-Balance Sheet Exposures	36,881,236	32,099,318	37,152,334	32,664,511
Basel III Leverage Ratio (%) (Tier 1/ Total Exposure)	**6.30%**	**5.94%**	**7.06%**	**6.80%**

Computation of Net Stable Funding Ratios (NSFR)

	Amount (LKR '000)	
	BANK	
	As at 30 September 2019	As at 30 June 2019
Total Available Stable Funding	330,379,165	315,545,916
Required Stable Funding - On Balance Sheet Assets	303,812,273	293,554,458
Required Stable Funding - Off Balance Sheet Items	2,154,012	1,652,494
Total Required Stable Funding	305,966,285	295,206,952
Net Stable Funding Ratio (%)	**107.98%**	**106.89%**

Template 4

Basel III Computation of Liquidity Coverage Ratio -All Currency

	BANK			
	Amount (LKR'000)			
	As at 30 September 2019		As at 30 June 2019	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	71,605,969	70,322,653	67,780,451	66,721,048
Total Adjusted Level 1A Assets	62,834,762	62,834,762	61,337,571	61,337,571
Level 1 Assets	63,050,526	63,050,526	60,717,766	60,717,766
Total Adjusted Level 2A Assets	8,555,444	7,272,127	7,062,685	6,003,282
Level 2A Assets	8,555,444	7,272,127	7,062,685	6,003,282
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	496,731,994	99,176,628	483,145,979	100,538,744
Deposits	217,342,175	15,967,467	210,112,589	15,466,929
Unsecured Wholesale Funding	165,746,474	80,170,439	159,991,391	80,732,946
Secured Funding Transactions	687,257	-	6,700,398	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	112,514,025	2,596,659	106,111,641	4,108,909
Additional Requirements	442,063	442,063	229,959	229,959
Total Cash Inflows	83,924,040	53,804,976	87,983,260	57,878,101
Maturing Secured Lending Transactions Backed by Collateral	37,881,568	27,652,588	43,067,550	31,354,136
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	43,418,006	25,710,325	42,688,676	26,294,006
Operational Deposits	2,182,404	-	1,997,075	-
Other Cash Inflows	442,063	442,063	229,959	229,959
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		154.99%		156.40%

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 30 September 2019)	7,685,334	6,682,713	1,337,161	5,005,080
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 30 September 2019					
	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	86,404,717	7,088,250	86,404,717	1,244,441	5,323,638	6.07%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	14,522,407	2,096,302	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	9,660,726	89,385,817	9,660,726	7,027,875	7,578,810	45.41%
Claims on Financial Institutions	41,641,061	27,709,857	40,573,064	642,176	21,542,183	52.27%
Claims on Corporates	173,660,733	201,517,100	151,766,725	28,757,544	176,434,703	97.73%
Retail Claims	121,822,650	26,661,658	110,038,763	4,369,379	87,305,146	76.31%
Claims Secured by Residential Property	16,505,060	969,657	16,505,060	272,279	9,224,324	54.98%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)[i]	14,550,171	-	14,550,171	-	16,851,189	115.81%
Higher-risk Categories	358,066	-	358,066	-	895,166	250.00%
Cash Items and Other Assets	10,746,877	-	10,746,877	-	6,631,325	61.70%
Total	**489,872,468**	**355,428,640**	**440,604,170**	**42,313,695**	**331,786,484**	

Asset Class	GROUP					
	Amount (LKR'000) as at 30 September 2019					
	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	86,404,717	7,088,250	86,404,717	1,244,441	5,323,638	6.07%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	14,522,407	2,096,302	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	9,855,864	89,385,817	9,855,864	7,027,875	7,651,729	45.32%
Claims on Financial Institutions	41,641,061	27,709,857	40,573,064	642,176	21,542,183	52.27%
Claims on Corporates	173,528,658	201,117,100	151,634,651	28,711,593	176,256,678	97.73%
Retail Claims	121,822,650	26,661,658	110,038,763	4,369,379	87,305,146	76.31%
Claims Secured by Residential Property	16,505,060	969,657	16,505,060	272,279	9,224,324	54.98%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)[i]	14,550,171	-	14,550,171	-	16,851,189	115.81%
Higher-risk Categories	-	634,098	-	317,049	475,573	150.00%
Cash Items and Other Assets	14,265,384	-	14,265,384	-	10,149,683	71.15%
Total	**493,095,972**	**355,662,738**	**443,827,673**	**42,584,793**	**334,780,144**	

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

	RWA Amount (LKR '000) As at 30 September 2019	
	BANK	**GROUP**
(a) RWA for Interest Rate Risk	510,645	593,473
General Interest Rate Risk	510,645	521,960
(i) Net Long or Short Position	510,645	521,960
(ii) Horizontal Disallowance		
(iii) Vertical Disallowance		
(iv) Options		
Specific Interest Rate Risk	-	71,513
(b) RWA for Equity	-	511,420
(i) General Equity Risk	-	255,922
(ii) Specific Equity Risk	-	255,498
(c) RWA for Foreign Exchange & Gold	117,402	117,402
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	5,024,377	9,778,361

Template 10
Operational Risk under Basic Indicator Approach

As at 30 September 2019	BANK				
Business Lines	Gross Income (LKR'000)				
	Capital Charge Factor	Fixed Factor	1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		15,335,280	19,280,978	22,860,359
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	2,873,831				
The Standardised Approach					
The Alternative Standardised Approach					
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach	22,990,647				
The Standardised Approach					
The Alternative Standardised Approach					

As at 30 September 2019	GROUP				
Business Lines	Gross Income (LKR'000)				
	Capital Charge Factor	Fixed Factor	1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		15,199,460	20,241,881	24,055,527
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	2,974,843				
The Standardised Approach					
The Alternative Standardised Approach					
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach	23,798,747				
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 30 September 2019	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	**505,364,737**	**507,588,996**	**440,604,170**	**18,958,812**	**48,026,016**
Cash and cash equivalents	6,285,121	6,325,559	6,325,559	-	-
Balances with Central Banks of Sri Lanka	14,986,519	14,986,519	14,986,519	-	-
Placements with banks	3,624,835	3,622,625	3,622,625	-	-
Derivative financial instruments	2,203,272	-	-	-	-
Financial assets recognized through profit or loss measured at fair value	-	-	-	-	-
Financial assets - Held for trading	-	58,861,022	39,405,412	18,958,812	496,799
Financial assets at amortised cost -loans and receivables to other customers	377,934,146	381,021,906	336,116,972	-	44,904,934
Financial assets at amortised cost - debt and other instruments	31,631,740	-	-	-	-
Financial investments - Held to maturity	-	31,549,536	31,549,536	-	-
Financial assets measured at fair value through other comprehensive income	59,544,832	-	-	-	-
Investments in subsidiary companies	2,151,155	2,151,155	586,216	-	1,564,939
Intangible assets	438,880	438,880		-	438,880
Property, plant and equipment	2,625,886	2,625,886	2,625,886	-	-
Right to Used Assets	891,434	-	-	-	-
Deferred tax Assets	328,958	328,958	-	-	328,958
Other assets	2,717,960	5,676,952	5,385,445	-	291,507
Liabilities	**468,124,111**	**468,328,035**			
Due to banks	22,310,908	-			
Derivative financial instruments	933,409	-			
Financial liabilities at amortised cost -due to depositors	374,213,903	365,612,577			
Financial Liabilities at amortised cost - due to debt securities holders	1,856,937	1,815,852			
Financial Liabilities at amortised cost - due to other borrowers	32,469,058	53,913,217			
Debt securities issued	24,070,457	22,586,033			
Current tax liabilities	2,319,757	2,319,757			
Deferred tax liabilities	-	-			
Employee benefit obligations	437,992	-			
Other liabilities	9,511,689	22,080,599			
Off-Balance Sheet Liabilities	**283,072,345**	**231,015,820**	**354,944,796**		
Guarantees	32,746,521	32,746,521	29,114,176		219,452
Performance Bonds	14,334,549	14,334,549	14,245,205		89,344
Letters of Credit	10,452,934	10,452,934	10,277,887		175,048
Other Contingent Items	6,687,048	6,687,048	6,687,048		-
Undrawn Commitments	103,566,192	103,566,192	103,566,192		-
Other Commitments	115,285,102	63,228,577	191,054,290		-
Shareholders' Equity					
Equity capital (Stated capital)/Assigned capital	7,685,334	7,685,334			
of which Amount eligible for CET1	7,685,334	7,685,334			
of which Amount eligible for AT1	-	-			
Retained earnings	22,408,958	23,328,529			
Accumulated Other comprehensive income	(295,853)	-			
Other reserves	7,442,186	8,247,099			
Total Shareholders' Equity	**37,240,625**	**39,260,962**			