

BASEL III - PILLAR III DISCLOSURES

31 MARCH 2019

Template 1
Key Regulatory Ratios - Capital and Liquidity

Item	BANK		GROUP	
	As at 31 March 2019	As at 31 December 2018	As at 31 March 2019	As at 31 December 2018
Regulatory Capital (LKR '000)				
Common Equity Tier 1	31,087,257	31,564,510	36,285,716	36,604,271
Tier 1 Capital	31,087,257	31,564,510	36,285,716	36,604,271
Total Capital	47,921,119	43,458,448	52,616,426	47,992,241
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio <i>(Minimum Requirement - 7% (2018 - 6.375%))</i>	9.34%	9.17%	10.61%	10.39%
Tier 1 Capital Ratio <i>(Minimum Requirement - 8.5% (2018 - 7.875%))</i>	9.34%	9.17%	10.61%	10.39%
Total Capital Ratio <i>(Minimum Requirement - 12.5% (2018 - 11.875%))</i>	14.40%	12.63%	15.39%	13.62%
Regulatory Liquidity				
Statutory Liquid Assets (LKR'000)	105,109,928	93,997,616	NA	NA
Statutory Liquid Assets Ratio <i>(Minimum Requirement - 20%)</i>				
Domestic Banking Unit (%)	23.05%	20.87%	NA	NA
Off-Shore Banking Unit (%)	25.51%	24.48%	NA	NA
Total stock of high quality liquid assets (LKR ' 000) - Rupee	52,467,663	49,983,967	NA	NA
Total stock of high quality liquid assets (LKR ' 000) - All currency	56,575,240	54,060,818	NA	NA
Liquidity Coverage Ratio (%) – Rupee <i>(Minimum Requirement - 100% (2018 - 90%))</i>	167.85%	168.74%	NA	NA
Liquidity Coverage Ratio (%) – All Currency <i>(Minimum Requirement - 100% (2018 - 90%))</i>	181.82%	215.99%	NA	NA
Net Stable Funding Ratio (%) – <i>(Minimum Requirement - 90%)</i>	110.42%	-	NA	NA

Template 2
Basel III Computation of Capital Ratios

Item	Amount (LKR '000)			
	BANK		GROUP	
	As at 31 March 2019	As at 31 December 2018	As at 31 March 2019	As at 31 December 2018
Common Equity Tier 1 (CET1) Capital after Adjustments	31,087,257	31,564,510	36,285,716	36,604,271
Common Equity Tier 1 (CET1) Capital	34,074,439	35,142,259	37,972,315	38,930,716
Equity Capital (Stated Capital)/Assigned Capital	7,685,334	6,469,323	7,685,334	6,469,323
Reserve Fund	1,636,479	1,636,479	1,636,479	1,636,479
Published Retained Earnings/(Accumulated Retained Losses)	20,267,024	22,197,869	24,034,848	25,967,528
Published Accumulated Other Comprehensive Income (OCI)	(1,320,106)	(967,119)	(1,190,053)	(948,321)
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Unpublished Current Year's Profit/Loss and Gains reflected in OCI	-	-	-	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
Total Adjustments to CET1 Capital	2,987,183	3,577,749	1,686,599	2,326,445
Goodwill (net)	-	-	-	-
Intangible Assets (net)	398,282	379,896	413,852	396,742
Deferred tax assets (net)	-	371,521	-	370,822
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	690,963	927,975	981,240	1,267,374
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	1,606,431	1,606,850	-	-
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	16,833,862	11,893,938	16,330,710	11,387,970
Tier 2 Capital	16,833,862	11,893,938	16,833,862	11,893,938
Qualifying Tier 2 Capital Instruments	14,836,313	9,902,732	14,836,313	9,902,732
Revaluation Gains	542,092	542,092	542,092	542,092
Loan Loss Provisions	1,455,458	1,449,114	1,455,458	1,449,114
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
Total Adjustments to Tier 2	-	-	503,152	505,968
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	-	-	503,152	505,968
CET1 Capital	31,087,257	31,564,510	36,285,716	36,604,271
Total Tier 1 Capital	31,087,257	31,564,510	36,285,716	36,604,271
Total Capital	47,921,119	43,458,448	52,616,426	47,992,241
Total Risk Weighted Assets (RWA)	332,754,588	344,069,057	341,837,315	352,441,054
RWAs for Credit Risk	307,487,722	320,987,845	310,330,681	324,340,671
RWAs for Market Risk	4,287,509	2,104,174	9,697,310	6,274,298
RWAs for Operational Risk	20,979,357	20,977,038	21,809,324	21,826,085
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	9.34%	9.17%	10.61%	10.39%
of which: Capital Conservation Buffer (%)	2.5%	1.875%	2.5%	1.875%
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-	-	-
Total Tier 1 Capital Ratio (%)	9.34%	9.17%	10.61%	10.39%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	14.40%	12.63%	15.39%	13.62%
of which: Capital Conservation Buffer (%)	2.5%	1.875%	2.5%	1.875%
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-	-	-

Template 3
Computation of Leverage Ratios

Item	Amount (LKR '000) As at 31.03.2019	
	BANK	GROUP
Tier 1 Capital	31,087,257	36,285,716
Total Exposures	528,982,012	533,624,357
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	486,499,573	490,577,936
Derivative Exposures	5,433,140	5,433,140
Securities Financing Transactions Exposures	2,100,000	2,100,000
Other Off-Balance Sheet Exposures	34,949,299	35,513,280
Basel III Leverage Ratio (%) (Tier 1/ Total Exposure)	5.88%	6.80%

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

Item	BANK			
	Amount (LKR'000)			
	As at 31 March 2019		As at 31 December 2018	
	Total	Total Weighted	Total	Total Weighted
	Un-weighted Value	Value	Un-weighted Value	Value
Total Stock of High-Quality Liquid Assets (HQLA)	57,277,494	56,575,240	54,754,891	54,060,818
Total Adjusted Level 1A Assets	52,414,758	52,414,758	50,377,379	50,377,379
Level 1 Assets	52,595,796	52,595,796	50,127,739	50,127,739
Total Adjusted Level 2A Assets	4,681,699	3,979,444	4,627,152	3,933,079
Level 2A Assets	4,681,699	3,979,444	4,627,152	3,933,079
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	474,447,322	96,032,483	470,958,765	95,944,626
Deposits	206,547,103	14,776,118	195,253,268	14,272,916
Unsecured Wholesale Funding	155,770,360	75,932,151	162,374,454	78,736,165
Secured Funding Transactions	2,144,262	-	2,864,610	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	109,119,275	4,457,892	110,410,380	2,879,492
Additional Requirements	866,322	866,322	56,053	56,053
Total Cash Inflows	93,999,833	64,917,231	99,331,503	70,914,740
Maturing Secured Lending Transactions Backed by Collateral	41,181,220	31,943,193	43,184,720	35,110,930
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	49,197,362	32,107,715	52,996,084	35,747,756
Operational Deposits	2,754,929	-	3,094,647	-
Other Cash Inflows	866,322	866,322	56,053	56,053
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		181.82%		215.99%

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 2019)	7,685,334	7,046,511	2,228,602	5,561,200
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.

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

Asset Class	BANK					
	Amount (LKR'000) as at 31 March 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	84,186,416	9,517,500	84,186,416	1,292,037	4,455,825	5.21%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	15,032,326	2,097,625	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	20,676,193	80,861,548	20,676,193	6,194,687	10,708,028	39.85%
Claims on Financial Institutions	41,112,053	21,060,475	40,527,214	844,339	21,291,113	51.46%
Claims on Corporates	168,243,384	127,078,266	144,831,013	25,620,393	165,381,443	97.03%
Retail Claims	106,332,296	22,367,336	95,353,331	3,809,665	77,244,912	77.90%
Claims Secured by Residential Property	15,289,948	613,106	15,289,948	154,654	8,412,007	54.47%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs) ⁽ⁱ⁾	8,315,433	-	8,315,433	-	11,387,425	136.94%
Higher-risk Categories	326,937	-	326,937	-	817,342	250.00%
Cash Items and Other Assets	11,287,471	-	11,287,471	-	7,789,627	69.01%
Total	470,802,458	263,595,855	420,793,957	37,915,774	307,487,722	

Asset Class	GROUP					
	Amount (LKR'000) as at 31 March 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	84,186,416	9,517,500	84,186,416	1,292,037	4,455,825	5.21%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	15,032,326	2,097,625	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	20,889,033	80,861,548	20,889,033	6,194,687	10,782,178	39.81%
Claims on Financial Institutions	41,112,053	21,060,475	40,527,214	844,339	21,291,113	51.46%
Claims on Corporates	168,087,531	126,685,641	144,675,160	25,574,442	165,179,639	97.02%
Retail Claims	106,332,296	22,367,336	95,353,331	3,809,665	77,244,912	77.90%
Claims Secured by Residential Property	15,289,948	613,106	15,289,948	154,654	8,412,007	54.47%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs) ⁽ⁱ⁾	8,315,433	-	8,315,433	-	11,387,425	136.94%
Higher-risk Categories	-	1,219,864	-	609,932	914,898	150.00%
Cash Items and Other Assets	14,160,658	-	14,160,658	-	10,662,685	75.30%
Total	473,405,695	264,423,094	423,397,194	38,479,756	310,330,681	

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

Item	RWA Amount (LKR '000) As at 31 March 2019	
	BANK	GROUP
(a) RWA for Interest Rate Risk	429,783	492,573
General Interest Rate Risk	429,783	441,615
(i) Net Long or Short Position	429,783	441,615
(ii) Horizontal Disallowance		
(iii) Vertical Disallowance		
(iv) Options		
Specific Interest Rate Risk	-	50,958
(b) RWA for Equity	-	613,435
(i) General Equity Risk	-	306,717
(ii) Specific Equity Risk	-	306,717
(c) RWA for Foreign Exchange & Gold	106,156	106,156
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	4,287,509	9,697,310

Template 10
Operational Risk under Basic Indicator Approach

Business Lines	BANK				
	Gross Income (LKR'000) As at 31 March 2019				
	Capital Charge Factor	Fixed Factor	1 st Year	2 nd Year	3 rd Year
The Basic Indicator Approach	15%		13,518,617	16,978,003	21,951,772
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	2,622,420				
The Standardised Approach					
The Alternative Standardised Approach					
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach	20,979,357				
The Standardised Approach					
The Alternative Standardised Approach					

Business Lines	GROUP				
	Gross Income (LKR'000) As at 31 March 2019				
	Capital Charge Factor	Fixed Factor	1 st Year	2 nd Year	3 rd Year
The Basic Indicator Approach	15%		13,883,689	17,546,201	23,093,422
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	2,726,166				
The Standardised Approach					
The Alternative Standardised Approach					
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach	21,809,324				
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

Item	Amount (LKR '000) As at 31 March 2019				
	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	482,603,798	485,631,727	420,793,957	13,297,544	51,540,225
Cash and cash equivalents	6,207,158	6,296,109	6,296,109	-	-
Balances with Central Banks of Sri Lanka	13,199,318	13,199,318	13,199,318	-	-
Placements with banks	13,694,180	13,652,188	13,652,188	-	-
Derivative financial instruments	2,933,656	-			
Financial assets recognized through profit or loss measured at fair value	924,148				
Financial assets - Held for trading	-	58,569,903	44,581,397	13,297,544	690,963
Financial assets at amortised cost -loans and receivables to other customers	350,905,687	354,765,528	306,212,485	-	48,553,043
Financial assets at amortised cost - debt and other instruments	27,322,152				
Financial investments - Loans and receivables	-				
Financial investments - Held to maturity	-	27,179,098	27,179,098	-	-
Financial assets measured at fair value through other comprehensive income	58,381,541	-			
Financial investments - Available-for-sale	-	-			
Investments -Held-for-sale	-	-			
Investments in subsidiary companies	2,161,518	2,161,518	555,087	-	1,606,431
Investments in associate companies	-	-			
Investment property	-	-			
Intangible assets	398,282	398,282			398,282
Property, plant and equipment	2,585,656	2,585,656	2,585,656		
Right to Used Assets	826,219	-			
Deferred tax assets	-	-	-		-
Other assets	3,064,283	6,824,127	6,532,620		291,507
Liabilities	447,300,761	447,515,806			
Due to banks	11,885,132	-			
Derivative financial instruments	1,758,742	-			
Financial liabilities at amortised cost -due to depositors	351,017,173	342,920,509			
Financial Liabilities at amortised cost - due to debt securities holders	12,592,816	12,543,882			
Financial Liabilities at amortised cost - due to other borrowers	34,895,043	46,076,775			
Debt securities issued	22,831,716	22,490,716			
Current tax liabilities	2,771,479	2,776,479			
Deferred tax liabilities	113,353	113,353			
Employee benefit obligations	427,919	-			
Other liabilities	9,007,388	20,594,092			
Off-Balance Sheet Liabilities	272,543,959	224,095,519	262,683,545		
Guarantees	26,613,928	26,613,928	24,991,743		473,307
Performance Bonds	13,380,213	13,380,213	13,276,625		103,588
Letters of Credit	9,985,263	9,985,263	9,649,848		335,415
Other Contingent Items	11,039,496	11,039,496	11,039,496		-
Undrawn Commitments	96,154,362	96,154,362	96,154,362		-
Other Commitments	115,370,697	66,922,257	107,571,471		-
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	20,408,160	22,037,965			
Accumulated Other comprehensive income	(232,644)	-			
Other reserves	7,442,186	8,392,622			
Total Shareholders' Equity	35,303,036	38,115,921			