NDB bank

BASEL III - PILLAR III DISCLOSURES

30 JUNE 2019

Template 1

Key Regulatory Ratios - Capital and Liquidity

	BANK		GROUP	
	As at 30 June 2019	**As at 31 March 2019**	**As at 30 June 2019**	**As at 31 March 2019**
Regulatory Capital (LKR '000)				
Common Equity Tier 1	31,302,101	31,087,257	36,356,105	36,285,716
Tier 1 Capital	31,302,101	31,087,257	36,356,105	36,285,716
Total Capital	47,302,573	47,921,119	51,863,663	52,616,426
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio *(Minimum Requirement -7% (2018 - 6.375%))*	9.02%	9.34%	10.21%	10.61%
Tier 1 Capital Ratio *(Minimum Requirement - 8.5% (2018 - 7.875%))*	9.02%	9.34%	10.21%	10.61%
Total Capital Ratio *(Minimum Requirement - 12.5% (2018 - 11.875))*	13.64%	14.40%	14.56%	15.39%
Leverage Ratio *(Minimum Requirement - 3%)*	5.94%	5.88%	6.80%	6.80%
Regulatory Liquidity				
Statutory Liquid Assets (LKR'000)	101,476,543	105,109,928	NA	NA
Statutory Liquid Assets Ratio *(Minimum Requirement -20%)*				
Domestic Banking Unit (%)	21.17%	23.05%	NA	NA
Off-Shore Banking Unit (%)	24.82%	25.51%	NA	NA
Total stock of high quality liquid assets (LKR ' 000) - All currency	66,721,048	56,575,240	NA	NA
Total stock of high quality liquid assets (LKR ' 000) - Rupee	60,614,001	52,467,663	NA	NA
Liquidity Coverage Ratio (%) – All Currency (*Minimum Requirement - 100% (2018 - 90%)*)	156.40%	181.82%	NA	NA
Liquidity Coverage Ratio (%) – Rupee *(Minimum Requirement -100% (2018 - 90%))*	211.85%	167.85%	NA	NA
Net Stable Funding Ratio (%) – (*Minimum Requirement - 90%)*	106.89%	110.42%	NA	NA

Template 2

Basel III Computation of Capital Ratios

	Amount (LKR '000)			
	BANK		GROUP	
	As at 30 June 2019	As at 31 March 2019	As at 30 June 2019	As at 31 March 2019
Common Equity Tier 1 (CET1) Capital after Adjustments	**31,302,101**	**31,087,257**	**36,356,105**	**36,285,716**
Common Equity Tier 1 (CET1) Capital	**34,086,818**	**34,074,439**	**37,819,290**	**37,972,315**
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)	20,270,377	20,267,024	23,998,735	24,034,848
Published Accumulated Other Comprehensive Income (OCI)	(1,311,080)	(1,320,106)	(1,306,964)	(1,190,053)
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Unpublished Current Year's Profit/Loss and Gains reflected in OCI	-	-	-	-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	**2,784,717**	**2,987,183**	**1,463,186**	**1,686,599**
Goodwill (net)	-	-	-	-
Intangible Assets (net)	382,411	398,282	397,029	413,852
Deferred tax assets (net)	-	-	-	-
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	512,869	690,963	774,650	981,240
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	1,597,930	1,606,431	-	-
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	**16,000,472**	**16,833,862**	**15,507,558**	**16,330,710**
Tier 2 Capital	**16,000,472**	**16,833,862**	**16,000,472**	**16,833,862**
Qualifying Tier 2 Capital Instruments	13,930,633	14,836,313	13,930,633	14,836,313
Revaluation Gains	542,092	542,092	542,092	542,092
Loan Loss Provisions	1,527,747	1,455,458	1,527,747	1,455,458
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
Total Adjustments to Tier 2	-	-	**492,914**	**503,152**
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	-	-	492,914	503,152
CET1 Capital	31,302,101	31,087,257	36,356,105	36,285,716
Total Tier 1 Capital	31,302,101	31,087,257	36,356,105	36,285,716
Total Capital	47,302,573	47,921,119	51,863,663	52,616,426
Total Risk Weighted Assets (RWA)	**346,847,058**	**332,754,588**	**356,090,811**	**341,837,315**
RWAs for Credit Risk	316,953,267	307,487,722	320,270,755	310,330,681
RWAs for Market Risk	7,981,265	4,287,509	12,974,904	9,697,310
RWAs for Operational Risk	21,912,526	20,979,357	22,845,152	21,809,324
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**9.02%**	**9.34%**	**10.21%**	**10.61%**
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 (%)	**9.02%**	**9.34%**	**10.21%**	**10.61%**
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**13.64%**	**14.40%**	**14.56%**	**15.39%**
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 June 2019	As at 31 March 2019	As at 30 June 2019	As at 31 March 2019
Tier 1 Capital	**31,302,101**	**31,087,257**	**36,356,105**	**36,285,716**
Total Exposures	**527,283,962**	**528,982,012**	**534,766,197**	**533,624,357**
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	488,662,997	486,499,573	495,580,039	490,577,936
Derivative Exposures	4,504,469	5,433,140	4,504,469	5,433,140
Securities Financing Transactions Exposures	2,017,178	2,100,000	2,017,178	2,100,000
Other Off-Balance Sheet Exposures	32,099,318	34,949,299	32,664,511	35,513,280
Basel III Leverage Ratio (%) (Tier 1/ Total Exposure)	**5.94%**	**5.88%**	**6.80%**	**6.80%**

Computation of Net Stable Funding Ratios

	Amount (LKR '000)	
	BANK	
	As at 30 June 2019	As at 31 March 2019
Total Available Stable Funding	315,545,916	324,988,988
Required Stable Funding - On Balance Sheet Assets	293,554,458	292,204,549
Required Stable Funding - Off Balance Sheet Items	1,652,494	2,116,378
Total Required Stable Funding	295,206,952	294,320,927
Net Stable Funding Ratio (%)	**106.89%**	**110.42%**

Template 4

Basel III Computation of Liquidity Coverage Ratio -All Currency

	BANK			
	Amount (LKR'000)			
	As at 30 June 2019		As at 31 March 2019	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	67,780,451	66,721,048	57,277,494	56,575,240
Total Adjusted Level 1A Assets	61,337,571	61,337,571	52,414,758	52,414,758
Level 1 Assets	60,717,766	60,717,766	52,595,796	52,595,796
Total Adjusted Level 2A Assets	7,062,685	6,003,282	4,681,699	3,979,444
Level 2A Assets	7,062,685	6,003,282	4,681,699	3,979,444
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	483,145,979	100,538,744	474,447,322	96,032,483
Deposits	210,112,589	15,466,929	206,547,103	14,776,118
Unsecured Wholesale Funding	159,991,391	80,732,946	155,770,360	75,932,151
Secured Funding Transactions	6,700,398	-	2,144,262	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	106,111,641	4,108,909	109,119,275	4,457,892
Additional Requirements	229,959	229,959	866,322	866,322
Total Cash Inflows	87,983,260	57,878,101	93,999,833	64,917,231
Maturing Secured Lending Transactions Backed by Collateral	43,067,550	31,354,136	41,181,220	31,943,193
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	42,688,676	26,294,006	49,197,362	32,107,715
Operational Deposits	1,997,075	-	2,754,929	-
Other Cash Inflows	229,959	229,959	866,322	866,322
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		156.40%		181.82%

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 June 2019)	7,685,334	6,864,612	1,782,882	5,283,140
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 June 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	74,840,560	9,536,400	74,840,560	1,292,520	5,008,038	6.58%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	15,051,215	2,097,625	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	12,823,362	94,721,420	12,823,362	6,883,122	8,762,472	44.46%
Claims on Financial Institutions	40,119,534	26,741,604	39,377,065	778,618	21,096,520	52.54%
Claims on Corporates	175,016,098	110,436,615	153,334,308	22,496,192	171,724,517	97.66%
Retail Claims	106,309,196	23,732,213	94,914,989	3,946,284	77,220,005	78.11%
Claims Secured by Residential Property	15,471,972	623,539	15,471,972	167,875	8,547,044	54.65%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)(i)	12,222,867	-	12,222,867	-	16,913,744	138.38%
Higher-risk Categories	329,000	-	329,000	-	822,501	250.00%
Cash Items and Other Assets	10,291,669	-	10,291,669	-	6,858,426	66.64%
Total	**462,475,471**	**267,889,415**	**413,605,791**	**35,564,611**	**316,953,267**	

Asset Class	GROUP					
	Amount (LKR'000) as at 30 June 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	74,840,560	9,536,400	74,840,560	1,292,520	5,008,038	6.58%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	15,051,215	2,097,625	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	13,075,793	94,721,420	13,075,793	6,883,122	8,825,880	44.22%
Claims on Financial Institutions	40,119,534	26,741,604	39,377,065	778,618	21,096,520	52.54%
Claims on Corporates	174,859,822	109,991,098	153,178,032	22,450,241	171,522,291	97.66%
Retail Claims	106,309,196	23,732,213	94,914,989	3,946,284	77,220,005	78.11%
Claims Secured by Residential Property	15,471,972	623,539	15,471,972	167,875	8,547,044	54.65%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)(i)	12,222,867	-	12,222,867	-	16,913,744	138.38%
Higher-risk Categories	-	1,222,286	-	611,143	916,715	150.00%
Cash Items and Other Assets	13,653,914	-	13,653,914	-	10,220,518	74.85%
Total	**465,604,872**	**268,666,184**	**416,735,192**	**36,129,804**	**320,270,755**	

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 June 2019	
	BANK	**GROUP**
(a) RWA for Interest Rate Risk	890,291	976,732
General Interest Rate Risk	890,291	911,393
(i) Net Long or Short Position	890,291	911,393
(ii) Horizontal Disallowance		
(iii) Vertical Disallowance		
(iv) Options		
Specific Interest Rate Risk	-	65,339
(b) RWA for Equity	-	537,763
(i) General Equity Risk	-	268,881
(ii) Specific Equity Risk	-	268,881
(c) RWA for Foreign Exchange & Gold	107,368	107,369
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	7,981,265	12,974,904

Template 10

Operational Risk under Basic Indicator Approach

As at 30 June 2019	**BANK**				
Business Lines	**Gross Income (LKR'000)**				
	Capital Charge Factor	**Fixed Factor**	**1st Year**	**2nd Year**	**3rd Year**
The Basic Indicator Approach	15%		14,499,063	17,681,716	22,600,537
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	2,739,066				
The Standardised Approach					
The Alternative Standardised Approach					
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach	21,912,526				
The Standardised Approach					
The Alternative Standardised Approach					

As at 30 June 2019	**GROUP**				
Business Lines	**Gross Income (LKR'000)**				
	Capital Charge Factor	**Fixed Factor**	**1st Year**	**2nd Year**	**3rd Year**
The Basic Indicator Approach	15%		14,718,319	18,680,884	23,713,677
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	2,855,644				
The Standardised Approach					
The Alternative Standardised Approach					
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach	22,845,152				
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 2019	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	**490,217,137**	**493,061,624**	**413,605,791**	**29,329,183**	**50,126,650**
Cash and cash equivalents	5,606,043	5,703,502	5,703,502	-	-
Balances with Central Banks of Sri Lanka	13,440,660	13,440,660	13,440,660	-	-
Placements with banks	5,920,176	5,916,100	5,916,100	-	-
Derivative financial instruments	2,252,628	-			
Financial assets recognized through profit or loss measured at fair value	675,619				
Financial assets - Held for trading	-	64,329,593	34,487,541	29,329,183	512,869
Financial assets at amortised cost -loans and receivables to other customers	361,362,794	365,001,677	317,659,743	-	47,341,933
Financial assets at amortised cost - debt and other instruments	27,725,909				
Financial investments - Held to maturity	-	27,446,911	27,446,911	-	-
Financial assets measured at fair value through other comprehensive income	64,394,238	-			
Investments in subsidiary companies	2,155,080	2,155,080	557,150	-	1,597,930
Intangible assets	382,411	382,411			382,411
Property, plant and equipment	2,611,116	2,611,116	2,611,116		
Right to Used Assets	841,415	-			
Other assets	2,849,048	6,074,576	5,783,069		291,507
Liabilities	**453,975,993**	**454,166,366**			
Due to banks	22,682,366	-			
Derivative financial instruments	1,461,075	-			
Financial liabilities at amortised cost -due to depositors	354,619,371	346,127,195			
Financial Liabilities at amortised cost - due to debt securities holders	8,324,692	8,288,463			
Financial Liabilities at amortised cost - due to other borrowers	32,493,780	54,767,223			
Debt securities issued	23,468,411	22,527,020			
Current tax liabilities	3,207,060	3,205,882			
Deferred tax liabilities	50,784	37,462			
Employee benefit obligations	424,491	-			
Other liabilities	7,243,962	19,213,121			
Off-Balance Sheet Liabilities	**275,656,703**	**220,514,405**	**267,366,474**		
Guarantees	26,222,316	26,222,316	24,547,879		333,883
Performance Bonds	13,385,564	13,385,564	13,284,366		101,198
Letters of Credit	8,317,753	8,317,753	8,229,893		87,860
Other Contingent Items	6,142,647	6,142,647	6,142,647		-
Undrawn Commitments	95,719,565	95,719,565	95,719,565		-
Other Commitments	125,868,858	70,726,559	119,442,123		-
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	21,259,120	22,969,127			
Accumulated Other comprehensive income	(145,497)	-			
Other reserves	7,442,186	8,240,798			
Total Shareholders' Equity	**36,241,143**	**38,895,258**			