

UNLOCKING PROSPERITY

EMPOWERING A FUTURE OF SMART GROWTH





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UNLOCKING PROSPERITY

EMPOWERING A FUTURE OF SMART GROWTH

Here at NDB, we are nurturing the right conditions for growth. Since inception, we have been built on a culture of continuous improvement, and an unwavering focus on achieving excellence through every eventuality – principles which enable us to evolve with the times, even as we strive to elevate the stakeholder experience with every step we take.

As a Bank that seeks to deliver perfection in all we do, we also understand the importance of taking our own measure. That's why we continued to monitor and evaluate our performance during the year; thereby setting the stage to achieve optimised results and cultivate a landscape of progress that enriches both people and planet.

We're relying on a range of insight-driven strategies to achieve a future ready, resilient entity that supports life and abundance. Read on, to discover our rigorous approach towards empowering a future of smart growth.

NDB. We're unlocking prosperity.



The Japanese art of gardening and pruning plants requires skill, precision, a deep understanding of the principles of growth, and an unerring insight into one's surroundings. These wide-ranging techniques and practices have been fine-tuned over the course of centuries and are designed to optimise growth and achieve the trees' full potential. Together, they contribute towards shaping an impactful landscape of continuous and sustainable growth.

CULTIVATING A LANDSCAPE OF GROWTH AND PROGRESS

Here at NDB, we're creating an ecosystem wherein nature and humans can coexist in harmony. We're nurturing an environment that embodies balance, drives impactful growth, and grants serenity and peace of mind to those who enter within its area of influence.

Japanese gardens are built around principles of simplicity, structure, and balance. Over the years, this evolving art form has been perfected with the aim of optimising growth amid changing seasons, while prioritising the needs of both man and nature. This report pays tribute to the various strategies and features that support the creation of this unique landscape of prosperity.



Enabling Vitality

We're delivering uninterrupted streams of value, and positioned to nurture an environment of life, prosperity and growth.

Water is a central element in Japanese gardens. Waterfalls and streams are strategically placed to symbolise renewal and the continuous flow of life while ponds and water basins are used to represent tranquillity and peace.

Guiding Journeys

We're creating paths that facilitate progress and elevate the people's experience, while illuminating the journeys of countless individuals and communities within our sphere of influence.

The pathways within the garden are clearly defined and planned; offering a convenient and efficient means of experiencing the best of what the environment has to offer. The lanterns placed illuminate and guide the journeys of those who enter, and symbolise protection against adversity.



Empowering Possibilities

Our simplified solutions offer people the power to create their own story. We are placing before them a canvas of endless possibilities, as we cultivate a future of creativity, and empower lives with the freedom of expression.

The sand and gravel found within Japanese gardens denotes the power of simplicity and minimalism – with the blank canvas offering endless possibilities for reflection and self-expression. It inspires a spirit of mindfulness, tranquillity, and creativity within every individual.



Offering Diversity

Driven by our commitment to fostering an inclusive space in which all life can thrive, we've cultivated diverse solutions that cater to every need and season.

Each tree and shrub is planted with a purpose – ensuring that there is continuity and life throughout the diverging seasons and climates. Their incredible diversity guarantees that every life is able to benefit from the immense value they provide.



Supporting Stability

Despite the passage of time, we remain true to our core values. We're delivering upon the promise of strength, longevity, and lasting value for the foreseeable future.

The stones positioned within the gardens are symbolic of endurance and stability. They are often permanent fixtures within the garden, thereby representing a sense of permanence amid changing times.



Conquering Challenges

We're providing access to a whole new dimension of growth – enabling individuals to triumph over barriers that may impede their progress, and advance into a flourishing ecosystem of prosperity.

Gates and arched bridges symbolise the transition into a more positive state, with the latter also denoting the ability to overcome obstacles, and traverse over challenging conditions. Together, these embody the idea of personal transformation; representing the power we provide to bridge the gap, and reach a new environment of growth.

Navigating Uncertainty

We're providing our people with the confidence to advance in the face of uncertainty. We are delivering a platform upon which they can safeguard themselves against risks as they navigate the uneven journey of life.

Zig-zag bridges and stepping stones represent the means of purposefully moving through the uncertainty and unpredictability of life. They enable people to mitigate adversity and emerge unscathed from the challenges that may lie in their path.



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RISK MANAGEMENT & CORPORATE GOVERNANCE

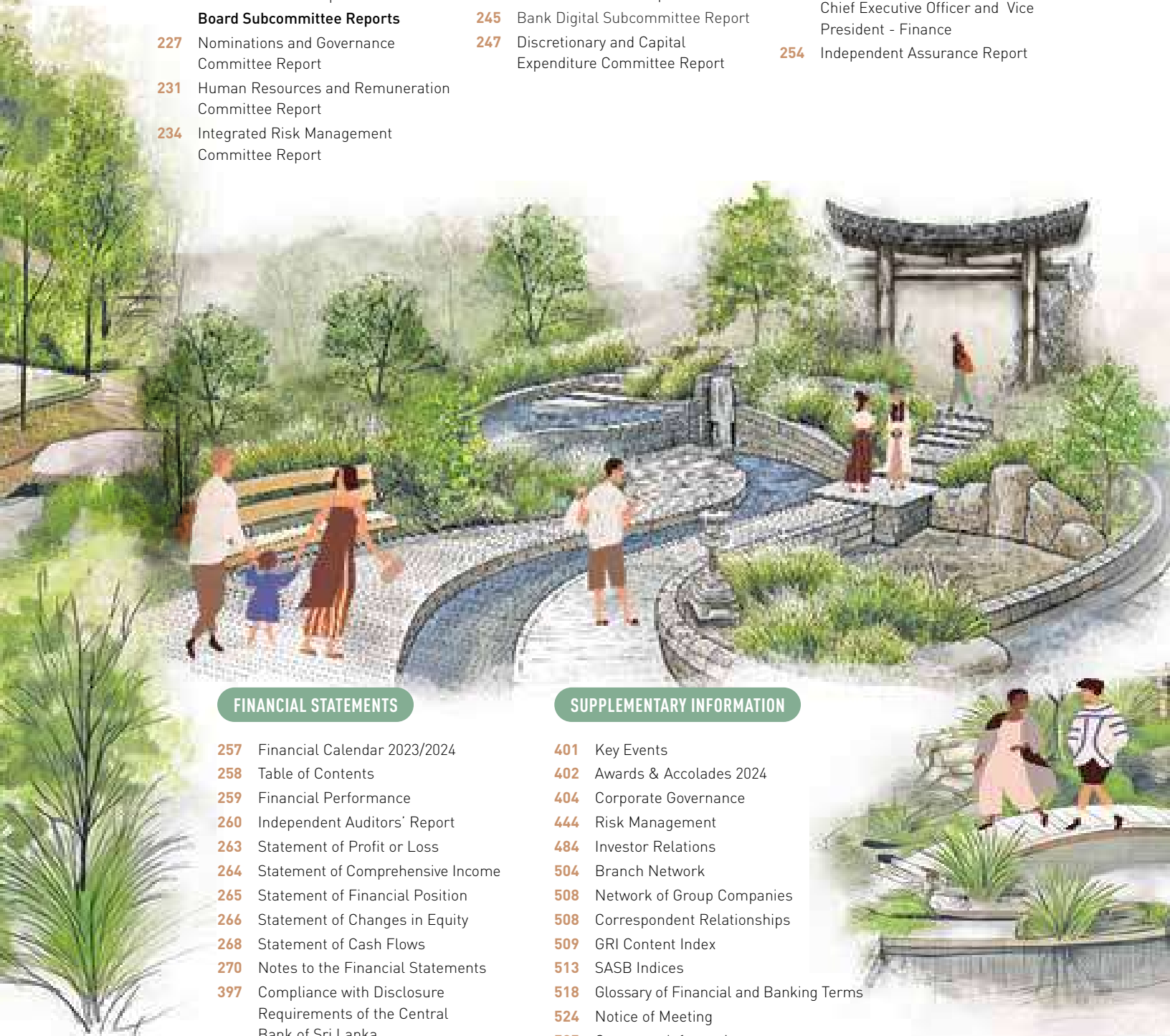
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OUR APPROACH TO REPORTING



UNLOCKING PROSPERITY EMPOWERING A FUTURE OF SMART GROWTH

For over four decades, NDB has been a driving force in Sri Lanka's evolving economy, fostering prosperity for the diverse stakeholders who are part of our journey. Staying true to our ethos as a balanced corporate entity, we continuously advance in all aspects of performance. Our reporting practices have similarly evolved, ensuring transparency, accountability, and a compelling narrative of how our foundation in uncompromised governance drives sustainable value creation for stakeholders.

A LEGACY OF EXCELLENCE

In 2013, we launched our first integrated annual report, becoming one of the pioneers in the Sri Lankan banking sector to embrace this transformative approach to reporting. Over the years, this flagship publication has kept pace with evolving reporting landscapes, stakeholder expectations, and the need for new insights and perspectives, while reflecting our own bold and compelling growth story.

Twelve years on, we are proud to present our integrated report and financial statements for the financial year ended 31 December 2024, continuing our legacy of excellence.

REPORTING BOUNDARIES

The Report covers the operations of National Development Bank PLC ("NDB" or "the Bank") and its group companies (collectively referred to as "the Group"). Both the financial and non-financial information in the Report present a consolidated view of the Group, unless otherwise stated. There were no significant changes to the structure, supply chain or material restatements of information nor changes to the reporting boundary during the year.

REPORTING PERIOD

The Report follows an annual reporting cycle for both its financial and sustainability reporting and covers the financial period from 1 January 2024 to 31 December 2024. It builds on our most recent report for the year ended 31 December 2023, for which comparatives are presented where applicable. Material events subsequent to the reporting period and up to the Board approval date of 20 February 2025 have also been included.

FEEDBACK

We continuously strive to improve the quality and readability of the Annual Report and value your comments and suggestions. Kindly direct your feedback to Vice President Company Secretary and/or Chief Manager Finance.



Please refer page 525.

Combined Assurance

The credibility and integrity of this report is ensured through a combined assurance model which includes assurance from our management, internal audit and external auditors. Messrs. Ernst & Young provided external assurance on our consolidated financial statements and provided a limited assurance on our Integrated Reporting practices, GRI Reporting and reporting based on SASB framework.

Reporting Frameworks

We have moved beyond regulatory compliance to incorporate international best practices into our reporting process. Our reporting process and disclosures are guided by the requirements of the Sri Lanka Financial Reporting Standards (SLFRS), Banking Act Direction No. 11 of 2007 as well as global standards such as the International Integrated Reporting Framework, the Global Reporting Initiative's reporting standards and Standards issued by the Sustainability Accounting Standards Board (SASB). With SLFRS Sustainability Standards SLFRS S1 General Requirements for Disclosures of Sustainability-related Financial Information and SLFRS S2 Climate-related Disclosures in effect, we have adopted the two standards on a voluntary and limited basis, as we gear up for full adoption of the two standards as they become mandatory for the financial year ending 31 December 2025.

A full list of frameworks and guidelines adopted in preparing this Report is given below.

Financial Statements and Disclosures

Regulatory Frameworks

- ⦿ Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka
- ⦿ Directions issued by the Central Bank of Sri Lanka on SLFRS 9
- ⦿ Relevant directions/circulars issued on reporting formats by the Central Bank of Sri Lanka
- ⦿ Companies Act No. 7 of 2007 (as amended)
- ⦿ Listing Rules of Colombo Stock Exchange

Internal Assurance

- ⦿ Internal Audit
- ⦿ Robust framework of internal controls
- ⦿ Reporting to the Board Audit Committee and Board of Directors

External Assurance

- ⦿ Independent Auditors' Report by Messrs. Ernst and Young

Integrated and Sustainability Reporting

Regulatory Frameworks

- ⦿ SLFRS S1 General Requirements for Disclosures of Sustainability-related Financial Information and SLFRS S2 Climate-related Disclosures – limited scope early adoption

Voluntary

- ⦿ Integrated Reporting Framework of the International Integrated Reporting Council
- ⦿ "Guidelines for Presentation of Annual Reports" issued by the Institute of Chartered Accountants of Sri Lanka
- ⦿ Non-Financial Reporting Guideline issued by the Institute of Chartered Accountants of Sri Lanka
- ⦿ Global Reporting Initiative (GRI) Standards (2023)
- ⦿ Sustainability Accounting Standards Board (SASB) Standards
- ⦿ Gender Parity Reporting Framework of the Institute of Chartered Accountants of Sri Lanka
- ⦿ Sustainable Development Goals (SDGs)
- ⦿ Guide on communicating sustainability issued by the Colombo Stock Exchange

Internal Assurance

- ⦿ Board Review
- ⦿ Assessment of non-financial information by the Corporate Sustainability function
- ⦿ Environmental and Social Management System (ESMS)

External Assurance

- ⦿ Independent Assurance on Integrated Reporting by Messrs. Ernst and Young
- ⦿ Independent Assurance on GRI Reporting by Messrs. Ernst and Young
- ⦿ Independent Assurance on SASB Reporting by Messrs. Ernst and Young

Corporate Governance

Regulatory Frameworks

- ⦿ Banking Act Direction No. 11 of 2007
- ⦿ Listing Requirements of the Colombo Stock Exchange

Voluntary Frameworks

- ⦿ Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (2023)

Internal Assurance

- ⦿ Robust governance frameworks

External Assurance

- ⦿ Factual Finding Report submitted by Messrs. Ernst and Young in relation to compliance with the Banking Act Direction No. 11 of 2007 on Corporate Governance (as amended)

OUR APPROACH TO REPORTING

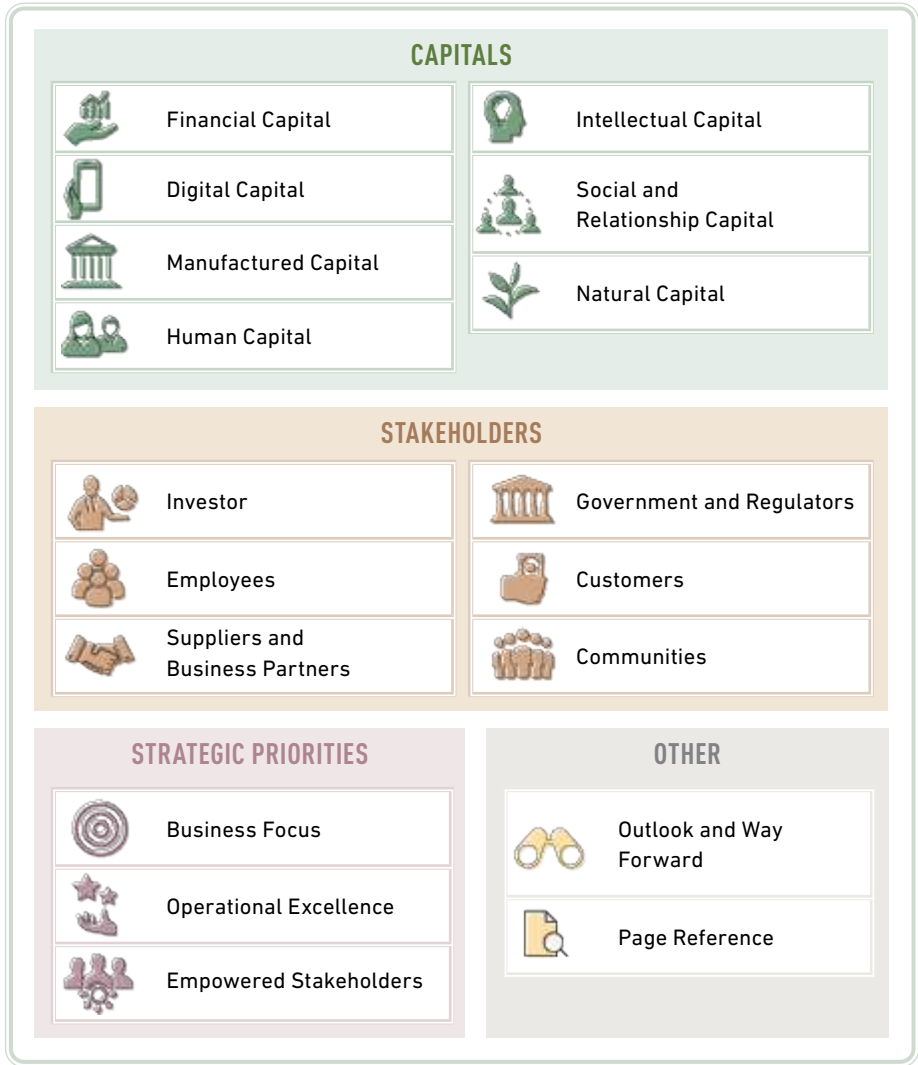
CONTINUED ENHANCEMENTS

This year's Annual Report features the following improvements, reflecting our dedication to improving how we relate our value creation story to all our stakeholders.

- Identification and reporting on key sustainability and climate related risks and opportunities, guided by the provisions laid out in SLFRS S1 and SLFRS S2
- Additional risks and opportunities identified within the capital reports, in precisely reflecting how our core capital inputs are affected in the macro value creation
- Comprehensive analysis of how the key sustainability and climate related risks and opportunities identified affect the Group's Business Model
- Enhanced depiction of the Business Model demonstrating net impact on capital, impact on Stakeholders and UN's Sustainability Development Goals, together with a value transformation score card
- Increased linkages to strategic priorities throughout the report

NAVIGATION ICONS

We have used the following navigation icons across the Report to showcase the connectivity of information.



FORWARD-LOOKING STATEMENTS

The Report includes forward-looking statements and forecasts pertaining to the Group's future performance and prospects. While these statements represent judgements and future expectations at the time of preparing this report, several emerging risks, uncertainties and other important factors beyond the Group's control could lead to actual results varying from the stated projections. These forward-looking statements have not been reviewed by the Group's auditor.

Forward-looking statements are referenced with the icon for ease of reference and presented in the 'Outlook' sections throughout the Report, particularly in the sections set out below:

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Capital Management Review	112
Way Forward	186

BOARD RESPONSIBILITY STATEMENT

The Board of National Development Bank PLC acknowledges its responsibility for ensuring the integrity of this Report. We hereby confirm that the 2024 Annual Report fairly represents the Group's integrated performance and addresses all relevant material matters. We also confirm that the Report has been prepared in accordance with the Integrated Reporting Framework of the Value Reporting Foundation.

The report was unanimously approved by the Board on 20 February 2025 and is signed on its behalf by


Ms. Shehani Ranasinghe
Company Secretary
20 February 2025

UNLOCKING PROSPERITY

EMPOWERING A FUTURE OF SMART GROWTH

National Development Bank PLC
Annual Report 2024



FORTIFYING INTEGRATED REPORTING

We have applied the seven Guiding Principles of the International <IR> Framework in preparing and presenting our Annual Report. Presented below is how we furthered our efforts in driving these principles in the 2024 Annual Report.



Conciseness

NDB has championed the concept of conciseness for many years, diligently balancing off same with adequate disclosures, enabling informed decisions by the users of our integrated annual reports.



Reliability and Completeness

The thorough and comprehensive material matters assessment has enabled the Bank to ensure this quality, wherein the NDB Annual Report includes all material matters, both positive and negative, in a balanced way and without material error.



Materiality

NDB's Report is dynamically structured and meticulously compiled in disclosing information about identified material matters that substantively affect the Group's ability to create value over time.



Connectivity of Information

We have deployed a number of icons, cross references and links throughout the report in demonstrating the interrelatedness of various factors that affect the Group's ability to create value over time. These efforts in turn have promoted conciseness of the Report.



Stakeholder Relationships

This year in particular, we have enhanced our presentation around Stakeholder Engagements wherein we have reflected how the Group understands and responds to the legitimate needs and interests of key stakeholders, we have identified following a structured process.



Consistency and Comparability

All of NDB's integrated annual reports have been presented on a basis that is consistent over time, which has enabled comparison with peer bank and non-bank corporate reports, as well as with NDB's own reports across the years, depicting its ability to create value over time.



Strategic Focus and Future Orientation

Staying true to the spirit of this reporting aspect, this year, we have structured our strategy presentation (Our Blueprint for Smart Growth) on a time-bound path. The detailed discussion depicts how the Group's strategy relates to its ability to create value in the short, medium, and long term. The Report is enriched with disclosures on the future orientation of the Group under each capital, business line and on an overall business sense, enabling the users of the annual report to gauge the future direction of the Group.

Our Blueprint for Smart Growth-
Strategy
Page 55

Stakeholder
Engagement
Page 62



Material
Matters
Page 72

Capital
Management Review
Page 112

OUR APPROACH TO REPORTING

GEARING UP FOR FULL COMPLIANCE ON SLFRS S1 AND SLFRS S2

In preparation for full adoption of SLFRS S1 and SLFRS S2, NDB has embarked on a journey to review and update its ESG agenda taking into consideration guidance provided in SLFRS S1 and SLFRS S2 and the Bank's own sustainability aspirations. This Board approved initiative aims to enhance ESG governance, integrate ESG considerations more deeply into strategy and refine the identification and management of ESG-related risks and opportunities within the Bank's overall risk framework. Additionally, it will establish measurable ESG-related KPIs to track progress effectively. As part of this broad-based initiative, the Bank will further strengthen stakeholder engagement mechanisms and revisit material matters as required to ensure alignment with evolving priorities, thereby embedding ESG principles across all facets of its operations and decision-making processes.

Reporting Improvements Introduced in this Report

-  Specific sustainability related risks and opportunities (SRROs) and climate related risks and opportunities (CRROs), their impact on business model, value chain, Bank's strategy and decision making process identified and reported in a qualitative manner
-  High level key risks pertaining to each Capital identified within the Capitals Management Review
-  Operational risks and opportunities are identified and discussed in detail with a dedicated section on Risk Management
-  Climate related risks and climate related opportunities identified in specific on the operations of the Bank, as reported under Natural Capital
-  Qualitative discussion on the Bank's strategic resilience in managing sustainability related aspects
-  Expansion of the reporting boundary on GHG emissions, wherein for the first time, the subsidiary companies of the Group are also included. Dis-aggregated information presented. GHG emissions reported for Scope 1, Scope 2 and limited categories of Scope 3

WAY FORWARD

Governance

- ⊙ Establishment of Board oversight on ESG related matters under a dedicated/ existing subcommittee with a clearly outlined Terms of Reference
- ⊙ Establishment of a cross-functional management team, to be led by the Chief Executive Officer in driving the ESG function

To be reflected in the Annual Report 2025

Strategy

- ⊙ The Bank's strategy formulation to embed considerations around sustainability and climate related risks and opportunities
- ⊙ Specific attention to be placed on opportunities around sustainable financing
- ⊙ Quantitative disclosures on the Bank's climate resilience via climate related scenario analysis

To be reflected in the Annual Report 2027

Risk Management

- ⊙ Establishment of a clear process in identifying, assessing, prioritising and monitoring SRROs and CRROs and integrating the same in to the entity's overall risk management process

To be reflected in the Annual Report 2025

Metrics and Targets

- ⊙ Setting up of sustainability and climate related metrics and targets

To be reflected in the Annual Report 2025

- ⊙ GHG emissions to be calculated as per the GHG protocol

To be reflected if the Annual Report 2026

- ⊙ Full compliance with climate resilience disclosure requirements, including Scope 3 emissions

To be reflected in the Annual Report 2027

INTEGRATING DIGITAL POSSIBILITIES TO OUR REPORT



Users of our annual report can refer the report via the following easy to access, digitally enabled modes.



Summarised version of the annual report



Micro-site hosting

Chatbot



PDF Downloads



Chart Generator

(Up to seven years historic data)



<https://www.ndbbank.com/investor-relations/reports>

OUR APPROACH TO REPORTING

INTEGRATING TRANSPARENCY, ACCOUNTABILITY, GOVERNANCE AND SUSTAINABILITY (TAGS)

We are strongly committed to embedding Transparency, Accountability, Governance and Sustainability into all aspects of the Bank's operations. An overview of how we integrate TAGS into our operation with references to further details provided in this report is set out below.

T ransparency

Stakeholder Engagement Practices

Our engagement strategies are designed to foster open dialogue, address key concerns and ensure that information is transparently communicated.

 Refer page 62 for more information.

Employee Engagement

A structured communication mechanism is in place to ensure employees are regularly updated on policies and developments impacting them.

 Refer page 144 for more information.

Customer Engagement

We maintain regular engagement with customers through multiple touch points to ensure product information is communicated clearly and customer concerns are addressed adequately.

 Refer page 159 for more information.

Reporting Principles and Frameworks

Our reporting processes and disclosures go well beyond regulatory requirements and are guided by globally accepted reporting frameworks such as GRI, SASB and <IR>. This ensures transparent, reliable and comparable information on our integrated performance. We have also made notable progress towards the full implementation of SLFRS S1 and SLFRS S2 with limited adoption in this Report.

 Refer page 7 for more information.

Investor Relations and Regulatory Reporting

We ensure that regulators and our investors are regularly updated on the Bank's performance, risks and opportunities through statutory disclosures.

 Refer page 484 for more information.

A ccountability

Board Accountability

A robust governance structure is in place to ensure Board accountability on all matters including sustainability.

 Refer page 213 for more information.

Risk Accountability

The three lines of defence model for risk management ensures risk accountability across the organisation.

 Refer page 190 for more information.

Employee Accountability

Robust policies, procedures and codes clearly articulate employee responsibilities and expected behaviour.

 Refer page 203 for more information.

G overnance

Corporate Governance

The Bank has in place a rigorous governance framework together with robust policies and procedures to ensure the highest governance levels. During the year we continued to improve our governance procedures as discussed in detail in the Corporate Governance Report.

 Refer page 203 for more information.

S ustainability

Integration of Sustainability into Bank's Overall Strategy

ESG priorities and sustainability concerns are incorporated into the Bank's overall strategy through the strategic pillars Business Focus, Operational Excellence and Empowered Stakeholders.

 Refer page 55 for more information.

Material Matters

We have clearly identified the material matters that have the greatest impact on our value creation process and stakeholders.

 Refer page 71 for more information.

Value Transformation Scorecard

The Statement of Capital position provides a summary of the value created during the year. Separate capital reports meanwhile provide detailed information on how we created sustainable value to our stakeholders during the year.

 Refer page 78 for more information.

ESG Score Card and Contribution to SDGs

We monitor and report on the progress of our sustainability goals in order to track our impact.

 Refer page 80 for more information.

Way Forward

This section discusses how we plan to generate sustainable value to our stakeholders by focusing on key emerging opportunities.

 Refer page 186 for more information.

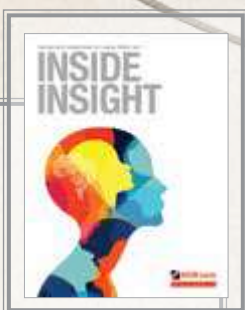
OUR WINS

The Group has produced some award winning reports over the past years. Presented below are our wins in the last three years.

2021

Report theme

**Inside
Insight**



Our wins

CA Sri Lanka - TAGS Awards 2022

- Gold award winner - Private Banks sector
- Silver Award winner - Corporate Governance Disclosure

Transparency in Corporate Reporting Assessment 2022 by Transparency International Sri Lanka

- Ranked Fifth

SAFA Best Presented Annual Report Awards, Integrated Reporting Awards & SAARC Anniversary Awards for Corporate Governance Disclosures Competition 2021

- Joint Bronze Winner - Private Sector Banks
- Certificate of Merit - Integrated Reporting

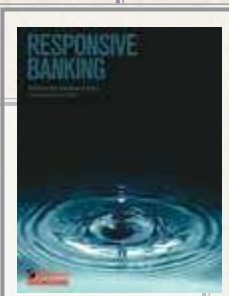
CMA Excellence in Integrated Reporting Awards 2022

- Winner - Ten Best Integrated Reports
- Best Integrated Report - Banking Sector
- Best Disclosure on Value Creation

2022

Report theme

**Responsive
Banking**



Our wins

CMA Excellence in Integrated Reporting Awards 2023

- 10 Best Integrated Reports
- Winner - Best Integrated Report Banking Sector

CA Sri Lanka - TAGS Awards 2023

- Silver Award winner - Private Banks sector
- Bronze Award winner - Corporate Governance Disclosure

ACCA Sri Lanka Sustainability Reporting Awards 2022

- Runner-up Banking Category

2023

Report theme

**The Power to
Simplify**



Our wins

CMA Excellence in Integrated Reporting Awards 2024

- Five Excellent Integrated Reports
- Best Integrated Report - Banking Sector - Joint Winner

Best Presented Annual Report Awards, Integrated Reporting Awards and SAARC Anniversary Awards for Corporate Governance 2023 by SAFA

- Merit Award for Private Sector Banks

CA Sri Lanka TAGS Awards 2024

- Private Banking Sector - Bronze Award
- Certificate of Recognition - Corporate Governance Disclosure - Financial Services
- Certificate of Recognition - Sustainability Reporting
- Certificate of Recognition - Integrated Reporting

ABOUT US

ABOUT NDB



The future is banking on us

Nurturing a thriving nation

Delivering sustained value

Building resilience in stakeholders

Since 1979, National Development Bank PLC (NDB) has been a cornerstone of Sri Lanka's evolving economy, steadfastly supporting the nation's growth for over four decades. Our journey began with a commitment to foster economic development, and today, we stand as a testament to that enduring promise. Throughout the years, NDB has played a pivotal role in empowering small and medium-sized enterprises (SMEs), recognising them as the backbone of our economy. By providing tailored financial solutions and advisory services, we have enabled countless entrepreneurs to realise their ambitions, thereby contributing significantly to national prosperity.

OUR VISION

The driving force for a financially empowered Sri Lanka.

OUR MISSION

To be the catalyst in the financial services industry by creating superior shareholder value and contributing to the national development through the empowerment of individuals with innovative financial solutions delivered by an inspired and dedicated team committed to excellence.

OUR VALUES

- Integrity
- Creativity
- Excellence
- Sincerity
- Accountability
- Dependability

THE STRENGTH OF THE NDB GROUP

The NDB Group stands as a unique financial services group of companies in Sri Lanka's financial landscape, offering a diverse range of expertise across universal banking, capital market services and property management. Through the Bank and its capital market subsidiaries, the Group provides an integrated suite of financial solutions, seamlessly combining the strengths of retail, corporate and SME banking, investment banking, wealth management, stockbroking and private equity management.

With a team comprising some of the most talented professionals in the industry, the NDB Group delivers impactful and innovative solutions that empower millions of Sri Lankans and corporates alike. From driving business growth and enabling financial inclusion to shaping sustainable development, the Group continues to be a trusted partner in Sri Lanka's journey toward economic prosperity.



STRATEGIC PRIORITIES



Business focus



Operational excellence



Empowered stakeholders

MARKET STRENGTHS

The Bank



Refer page 14.

Capital Market Subsidiaries

- ⊙ NDB Investment Bank Limited - Sri Lanka's Best Investment Bank as adjudged by Euromoney Awards for Excellence - 2024
- ⊙ NDB Wealth Management Limited - Sri Lanka's largest private wealth management fund

PRESENCE

113
Branches across

9
Provinces

22
Districts

74
ATMs

91
CRMs

Accessible globally
via the NEOS
digital platform



ABOUT US

STAKEHOLDER VALUE PROPOSITION

Investors

Consistent returns and stable growth

ROE (Group)

2024: 12.46%
2023: 8.11%
2022: 4.62%

Customers

Customer centric, innovative financial solutions

Gross Loans to customers

2024: LKR 510 Bn
2023: LKR 496 Bn
2022: LKR 580 Bn

Employees

A dynamic, inspiring and purposeful place to work

Total staff strength

2024: 2,920
2023: 2,756
2022: 2,929

Suppliers and Business Partners

Reliable partnerships that generate mutual value

Payments to suppliers

2024: LKR 6.6 Bn

Government and Regulators

Stability of the financial sector and support to national economic growth

Taxes paid

2024: LKR 9.9 Bn
2023: LKR 6.9 Bn
2022: LKR 9.3 Bn

Community

Community empowerment through investments

Investment in corporate sustainability initiatives

2024: LKR 6.3 Bn
2023: LKR 8.6 Bn
2022: LKR 8.0 Bn

LOOKING AHEAD

NDB is committed to driving innovation within the banking sector. We are embracing digital transformation to enhance customer experiences and operational efficiency. Our focus remains on sustainable practices, ensuring that our growth aligns with environmental stewardship and social responsibility. As we navigate the future, NDB will continue to be a catalyst for development, providing financial and advisory support that empowers individuals and businesses alike, thereby contributing to the nation's progress.



AWARDS AND ACCOLADES

At NDB, our commitment to excellence is embedded in every aspect of our operations, whether it's supporting our customers to unlock prosperity, creating a rewarding workplace for our employees, or advancing digital innovation to redefine convenience in banking. We continuously strive to achieve a balanced performance, ensuring that no facet of our purpose is overlooked.

This unwavering dedication has been recognised through over 30 prestigious awards won by the NDB Group in 2024. These accolades span key performance areas, including corporate banking, project financing, retail banking products and services, digital financial services and empowering the women's market segment. We were also honoured for our achievements in Islamic Banking, marketing and branding, best HR practices and excellence in annual report presentation. Our investment banking arm, NDB Investment Bank Limited also secured a number of wins affirming their stature as Sri Lanka's Best Investment Bank.

These endorsements underscore our role as a trusted partner in driving financial empowerment and sustainable growth, aligning with our theme for the year, Unlocking Prosperity.



Please refer page 402 for a full list of awards.

DRIVING SRI LANKA'S ECONOMIC REVIVAL

The Banking sector has an important role to play in building resilience and shaping the future trajectory of a country's economy. At NDB, we are cognisant of the socio-economic responsibility we hold and make a conscious effort to actively support Sri Lanka's economic growth by facilitating meaningful value for all stakeholders. A brief overview of our socio-economic impact is illustrated below:

Powering SMEs

SMEs are offered curated support including funding for growth and capacity building through workshops and knowledge sharing sessions. The segment is also empowered with digitised banking solutions specifically designed to meet the demanding needs of the segment.



Read more on page 92.

LKR 109 Bn

Lending to the
SME sector

UNLOCKING ECONOMIC PROSPERITY... THE VALUE CODE

Digital Drive

The Group's accelerated digital journey offers speed, convenience and security to individuals, SMEs and corporates through the NEOS Digital Banking Platform.



Read more on page 89 and 94.

93%

Growth in
transactions executed
via digital platforms

LKR 9.9 Bn

Government Tax
Contributions

Contributing to Government Tax Revenue

NDB Group supports fiscal policy and national development by paying taxes in compliance with relevant regulations.



Read more on page 118.

Financial Inclusion

We strive for financial inclusion by ensuring our presence in economically disadvantaged areas of the country, improving access to finance among underserved segments and promoting financial literacy for target groups across different levels of society.



Read more on page 137.

Dedicated proposition of Bank2U advancing financial inclusion

9%

Lending to the women's market segment within total loans

Empowering Women

NDB's Banking on Women initiative offers impactful support for women entrepreneurs to develop their skills and empower them through their business ventures. Sri Lanka Vanithabimana Awards to recognise high-performing women and NDB Araliya proposition are our most impactful efforts in this space.



Read more on page 164.

Creating a Green Economy

We have integrated sustainability into all aspects of our operations through a strong ESG policy and Environment and Social Management System. The Bank has also expanded its sustainable finance portfolio while exploring new products such as Green Bonds.



Read more on page 174.

22%

Increase in export financing to SMEs

Driving Exports

The Group drives the export sector of the country by harnessing close ties with international lending agencies for concessionary rated funds, collaborations with experts for knowledge and technical know-how sharing and facilitating market linkages for exporters. NDB Jayagamu Sri Lanka is our flagship initiative in this space.



Read more on page 92.

LKR 22.9 Bn

Lending to the renewable energy sector as at 31 December 2024

PERFORMANCE HIGHLIGHTS

For the year ended 31 December	BANK			GROUP		
	2024 LKR Mn	2023 LKR Mn	Change %	2024 LKR Mn	2023 LKR Mn	Change %
Results for the Year (LKR Mn)						
Gross income	99,383	132,326	(25)	102,204	134,473	(24)
Operating profit before tax on financial services	24,343	10,096	141	25,691	10,904	136
Taxation	15,313	4,725	224	15,799	5,046	213
Profit for the year	9,030	5,370	68	9,892	5,858	69
Profit attributable to equity holders of the parent	9,030	5,370	68	9,794	5,759	70
Gross dividends for the year*	-	1,997	-	-	1,997	-
Assets and Liabilities (LKR Mn)						
Deposits for customers	631,683	615,644	3	631,081	615,232	3
Gross loans and receivables	509,777	496,068	3	509,850	496,148	3
Total assets	795,686	779,899	2	803,780	786,959	2
Total equity (stated capital and reserves)	77,665	70,148	11	82,743	74,471	11
Profitability (%)						
Net interest margin	4.34	3.96	10	4.34	3.98	9
Return on assets (before taxes)	3.09	1.25	147	3.23	1.34	141
Return on equity	12.22	8.03	52	12.46	8.11	54
Cost to income ratio	36.91	30.41	21	38.04	32.01	19
Asset Quality (%)						
Impaired loans (stage 3) ratio	5.18	8.58	(40)	5.18	8.58	(40)
Impairment (stage 3) to stage 3 loans ratio	54.48	41.11	33	54.48	41.11	33
Total impairment allowance as a % of gross loans and advances	9.63	8.75	14	9.99	8.75	14
Investor Information (LKR)						
Net asset value per share	186.91	175.60	6	199.13	186.43	7
Market value per share - as at 31 December	113.25	64.90	74	N/A	N/A	
Earnings per share - basic	21.73	12.92	68	23.57	13.86	70
Earnings per share - diluted	21.66	12.92	68	23.50	13.86	70
Price earnings (times)	5.21	5.02	4	N/A	N/A	-
Dividend per share *	-	5.00	-	N/A	N/A	-
Dividend cover (times) *	-	2.58	-	N/A	N/A	-
Dividend yield (%) *	-	7.70	-	N/A	N/A	-
Market capitalisation (LKR Mn)	47,057	25,925	82	N/A	N/A	-
Total leverage (times)	10.25	11.12	(8)	9.55	10.37	(8)
Regulatory ratios (%)						
	2024	2023	Change in ppts**	2024	2023 LKR Mn	Change in ppts**
Statutory liquid Assets Ratio:						
Capital Adequacy Ratios (under Basel III Standards)						
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7%)	13.68	11.67	2.01	14.24	12.22	2.02
Tier 1 Capital Ratio (Minimum Requirement - 8.5%)	13.68	11.67	2.01	14.24	12.22	2.02
Total Capital Ratio (Minimum Requirement - 12.5%)	19.09	15.90	3.19	19.50	16.35	3.15
Leverage Ratio (Minimum requirement - 3%)	7.46	6.74	0.72	7.89	7.15	0.74
Liquidity Ratios (under Basel III Liquidity Standards):						
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement - 100%)	358.12	309.61	48.51	N/A	N/A	
Liquidity Coverage Ratio (%) - All Currency (Minimum Requirement - 100%)	308.26	228.58	79.68	N/A	N/A	
Net Stable Funding Ratio (%) (Minimum Requirement - 100%)	152.43	142.26	10.17	N/A	N/A	

* The Board of Directors will consider a declaration of dividends for the year 2024 in due course. Therefore, the Dividend Cover and Dividend Yield for the year 2024 are not disclosed.

** Percentage point

FINANCIAL GOALS AND ACHIEVEMENTS		GOALS	ACHIEVEMENTS				
			2024	2023	2022	2021	2020
Financial Indicators - Bank							
Return on assets (before taxes) (%)	Over 1.5%	3.09	1.25	0.26	1.55	1.59	
Return on equity (%)	Over 12%	12.22	8.03	4.75	12.27	13.13	
Growth in total operating income (%)	Over 20%	1.37	5.11	37.75	22.06	7.43	
Cost to income ratio	Below 40%	36.91	30.41	26.65	33.65	37.00	
Growth in profit after tax (%)	Over 20%	68.15	84.61	(54.28)	15.04	8.19	
Growth in total assets (%)	Over 15%	2.02	(6.35)	18.14	12.13	18.36	
Capital Adequacy Ratios - Bank							
Common Equity Tier 1 Capital Ratio - (Minimum requirement - 7.0% in 2024)	Over 9%	13.68	11.67	9.34	10.01	9.17	
Total Tier 1 Capital Ratio - (Minimum requirement - 8.5% in 2024)	Over 9%	13.68	11.67	9.34	10.01	9.17	
Total Capital Ratio - (Minimum requirement - 12.5% in 2024)	Over 13%	19.09	15.90	13.35	15.42	14.32	

OPERATIONAL HIGHLIGHTS - A PROGRESSING STRATEGY



Strategic Pillar: Business Focus

Strengthening business fundamentals through a targeted strategy that focuses on strengthening margins, driving transaction volumes and ensuring portfolio quality.

38 bps

Enhancement in Net Interest Margin (NIM) to 4.34%

18%

Total transaction growth

263 bps

Enhancement in Non-Performing Loan Ratio to 14.01%

340 bps

Enhancement in Impaired Loans (Stage 3) Ratio to 5.18%

Capitals impacted and value advanced



Financial capital > Value to Investors



Social and relationship capital > Value to customers

Strategic Pillar: Empowered Stakeholders



Empowering our customers, employees and broader community by providing the resources, and opportunities they need to reach their full potential.

4.5/5.0

Customer satisfaction score

LKR 9.1 Mn

Total payments to employees

66.3 Hours

Average training hours per employee

LKR 6.3 Mn

Total spend on environment and community empowerment initiatives

>1,000

Total staff volunteer hours for environment and community empowerment initiatives

Capitals impacted and value advanced



Human capital > Value to employees



Intellectual capital > More informed and agile employee knowledge



Social and relationship capital > Value to customers and communities



Natural capital > Direct impact in preserving the natural world around us

Strategic Pillar: Operational Excellence



Leveraging technology and re-aligning structures and processes to deliver greater customer centricity and efficiency, whilst achieving resource, cost and emissions efficiencies.

20%

Growth in digital transactions volume

24

Total RPAs in force

36.9%

Cost to income ratio

LKR 5.8 Bn

Value of computer equipment and software

69

Total workflow solutions in force

5,067 tCO₂e

Carbon footprint

Capitals Impacted and Value Advanced



Financial capital > Value to Investors



Digital capital > Value to customers and employees



Manufactured capital > Enhanced value in digital infrastructure



Intellectual capital > Stronger processes



Natural capital > Reduction in carbon footprint

LEADERSHIP

Leadership that Transforms



Inspiring Transformative Growth

We're built with a purpose; designed to transform and renew our surroundings with continuous evolution, and the promise of a vibrant future.

Japanese maples and other deciduous trees feature prominently in garden landscapes, symbolising the importance of change and renewal. In addition to the leaves undergoing seasonal transformation, the bark of Japanese maples also experience changes in colour and form in line with their age and the conditions in which they grow. The tree is often pruned by opening the canopy, which provides improved circulation. This also enables easy viewing of the tree's internal structure, allowing its living architecture to be appreciated across the seasons.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE NATIONAL DEVELOPMENT BANK PLC

TWELFTH INTEGRATED ANNUAL REPORT – UNLOCKING PROSPERITY, EMPOWERING A FUTURE OF SMART GROWTH

The Board of Directors of National Development Bank PLC (the Bank) is pleased to present to you, the Annual Report 2024 comprising the Audited Financial Statements and Integrated Report for the financial year ended 31 December 2024. The former conforms to the requirements of the Companies Act No. 07 of 2007 (as amended), Banking Act No. 30 of 1988 (as amended) and the Directions issued thereunder, the Listing Rules of the Colombo Stock Exchange (CSE) (as amended), Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka, other applicable laws and regulations and recommended good governance disclosures as ascertained by the Bank.

The same also discharges the obligation of the Board of Directors, as specified in the Companies Act regarding preparing the Financial Statements of the Group and the Bank, which reflect a true and fair view of the financial position and performance of the Group and the Bank. The 2024 Annual Report marks the twelfth year of continually enhancing our integrated reporting journey, our first Report having been launched in 2013.

The Bank has obtained a number of independent assurances on non-financial reporting and an Independent Auditor's Report on financial reporting from the Bank's auditors Messrs Ernst and Young. The full set of reporting frameworks adopted and assurances/ Auditor's Report obtained is listed on page 7. The Board of Directors' acknowledgement of its ultimate responsibility towards ensuring the integrity of the Integrated Report and its affirmation that the said Report is a fair presentation of the NDB Group's integrated performance is set out on page 8.

APPROVAL AND SUBMISSION OF THE REPORT TO RELEVANT STAKEHOLDERS

The Report was approved by the Board of Directors on 20 February 2025. The requisite number of copies of the Annual Report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the statutory deadlines, together with a soft copy uploaded to the Bank's corporate website <https://www.ndbbank.com> consequent to the release of same to the CSE. In complying with good governance practices, the Annual Report is released as soon as possible after the end

of the financial year and completion of the audit. In compliance with the CSE Listing Rules, the Annual Report will be distributed by way of a link shared with all shareholders and debenture holders – directing them to the soft copy of the Annual Report hosted on the aforementioned link, as well as in the form of a printed report as and when required.

EXTENT OF COMPLIANCE WITH APPLICABLE STATUTES AND GOOD GOVERNANCE DISCLOSURES

For a full account on the extent of compliance with the requirements of Section 168 of the Companies Act No. 07 of 2007 and amendments thereto, please refer pages 216 to 217. For a statement on the extent of compliance with other relevant laws, rules and regulations and good governance standards adopted by the Board, please refer the "Compliance Disclosures" section on pages 217 to 224, which shall be considered as part and parcel of this Annual Report. The said section also outlines the Bank's compliance with the specific disclosure requirements in Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks (as amended), Section 9 of the CSE Listing Rules and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka.

Noting that the Board of Directors carries out several of its duties and responsibilities through its Board Subcommittees please refer pages 227 to 248 for the activities carried out in 2024 inter alia to ensure compliance with applicable laws, rules and regulations. Please refer pages 192 to 248 for the full "Corporate Governance Report" of the Bank.

Directors being aware of the need to be updated and apprised of applicable laws, rules and regulations and changes taking place, have ensured that processes are in place to facilitate timely awareness and ensure compliance.

When applicable, the Directors have declared all material interests in contracts involving the Bank and have duly refrained from voting on such matters.

TWENTIETH (20TH) ANNUAL GENERAL MEETING

Accordingly the Twentieth (20th) Annual General Meeting of the Bank will be held at the DHPL Training Room, 3rd Floor, NDB – EDB Tower, No 42, Nawam Mawatha, Colombo 02 on a date and time to be decided by the Board of Directors and convened, which will be reflected in the Notice of Meeting sent to

the shareholders. The Notice of Meeting is reflected on page 524 in accordance with a resolution adopted by the Directors.

As required in terms of Section 168 (k) of the Companies Act No. 07 of 2007, the Board of Directors does hereby acknowledge the contents of the Annual Report.

Signed in accordance with a resolution adopted by the Directors.



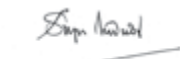
Mr. Sriyan Cooray
Chair, Board of Directors



Mr. Kelum Edirisinghe
Director/Chief Executive Officer



Mr. Bernard Sinniah
Director



Mr. Sujeewa Mudalige
Director



Mr. Kushan D'Alwis, PC
Director



Ms. (Fay) Piyachat Chetnakarnkul
Director



Ms. Kasturi Chellaraja
Director



Ms. Shweta Pandey
Director



Mr. Hasitha Premaratne
Director



Ms. Shehani Ranasinghe
Company Secretary

20 February 2025
Colombo

REFLECTIONS FROM THE CHAIR, BOARD OF DIRECTORS



We generated tangible value for our stakeholders during the year by continuing to drive sustainable growth, enhancing financial resilience, improving our customer and employee propositions and delivering on our ESG commitments.

Sriyan Cooray

Chair, Board of Directors

Dear Stakeholders,

The NDB Group delivered yet another year of significant stakeholder value growth by effectively navigating challenges and capitalising on emerging opportunities in a recovering economy. The Group demonstrated a strong financial performance during the year with an impressive Profit Before Tax of LKR 25.7 Bn, the highest the Group has ever recorded in its history. Meanwhile, the Bank's dedicated efforts to bolster key sectors such as SMEs and exports, and curated support extended to customers across a wide spectrum, contributed to the economy's progress towards sustainable growth.



MACRO-FINANCIAL DEVELOPMENTS IN 2024

The recovery momentum which commenced towards the latter part of 2023 continued in 2024 with Sri Lanka's economic reform agenda continuing to deliver tangible results during the year. Gross Domestic Production (GDP) recorded positive growth in the first three quarters of the year driven by a rebound in the industrial sector, as well as a strong performance in tourism-related service sectors. Headline inflation remained in the low single digits throughout 2024 which allowed for further easing of monetary policy and continued downward adjustments in market interest rates. The successful completion of the international sovereign bonds (ISB) restructuring process and a stronger external sector meanwhile positively impacted the country's external reserves contributing to a more stable Sri Lankan Rupee.

These developments positively impacted the banking sector, which witnessed a gradual resurgence in credit growth to the private sector, an improvement in the quality of the credit portfolio and a reduction in default probabilities. Banking sector capital levels also strengthened, particularly following the aforementioned ISB restructuring. This faster-than-expected recovery is a testament to the resilience of the sector and augurs well for the country's continued economic progress.

The year 2024 was also marked by notable regulatory and statutory developments in the banking sector. The Banking (Amendment) Act No. 24 of 2024 was enacted, introducing a range of directives for licensed banks on large exposures, corporate governance, liquidity ratios, related party transactions, and offshore banking business. Following the development of a Bank Recapitalisation Strategy, private banks were required to submit recapitalisation plans for the review of the Central Bank of Sri Lanka (CBSL). This initiative was aimed at addressing capital and forex shortfalls of nine of the largest banks in the country. Payment and settlements, financial literacy, financial consumer protection, financial inclusion,

resolution framework of financial institutions and corporate governance were areas on which the CBSL placed focus during the year. These initiatives have been instrumental in driving greater financial stability across the banking sector.

PAVING THE PATH FOR SUSTAINABLE GROWTH

As Sri Lanka's economy gradually moves beyond recovery into a phase of sustained stability and growth, NDB, as a key enabler of this national agenda, has refined its strategy to enhance financial resilience, support business expansion, and drive inclusive economic growth. Financial system stability is crucial as we move forward, and we continue to contribute to this by strengthening our own operations while actively supporting CBSL's efforts to create a stronger financial sector. Strategic action taken during the last few years to drive financial and operational excellence as well as ongoing efforts to strengthen our governance and risk management practices have enhanced our resilience to external shocks while strengthening our position within Sri Lanka's financial eco-system.

As part of our broader efforts to drive sustainable growth meanwhile, we ramped up our support to key sectors including SMEs and exports. Our support to the SME sector continues to go beyond offering financial support and we continue to leverage our capabilities, partnerships and wide reach to help SMEs move beyond survival towards sustainable growth and resilience. In line with this, we established partnerships with key stakeholders such as National Enterprise Development Authority (NEDA), Export Development Board (EDB), International Finance Corporation (IFC) and Asian Development Bank (ADB) during the year, aimed at enhancing the capacity and competitiveness of this vital sector.

Another key area of focus was driving Sri Lanka's Green Agenda. As of the end of the year, the Bank's cumulative lending to the renewable energy sector stood at LKR 22.9 Bn, enabling the addition of 347 MW to the country's renewable energy capacity over

the years. Marking a significant achievement in our Green Lending journey, NDB's Sustainable Bond Framework (SBF) was developed in partnership with the Global Green Growth Institute (GGGI) and received a "Good" rating from Sustainable Fitch in their Second Party Opinion (SPO) of our SBF, preparing us to issue sustainability bonds when conditions become conducive in 2025. This initiative highlights our unwavering commitment to sustainable finance and reinforces our role in advancing Sri Lanka's Green Agenda.

STRENGTHENING GOVERNANCE

Strong corporate governance is the foundation of a stable financial system, and we commend the CBSL for its decisive action in further strengthening the governance processes and practices within the banking sector through the issuance of the Banking Act Directions No. 05 of 2024 on Corporate Governance for Licensed Banks. As a champion of best practices in Corporate Governance, NDB proactively embraced the new requirements, ensuring adherence to key regulations well ahead of the stipulated deadlines. We have also updated our policies and procedures to align with the updated corporate governance requirements of the Colombo Stock Exchange (CSE), ensuring full compliance. Accordingly, mandatory policies as required by the CSE have been established and are available for perusal by shareholders. In this context, the Bank has reviewed and updated several policies and procedures relating to corporate governance to ensure full compliance with all regulatory changes. Developments to our Corporate Governance Framework, policies and procedures are discussed in detail in our Corporate Governance Report on page 192.

The complexity of the operating environment and evolving regulatory and economic landscape required greater involvement from the Board in guiding the strategy and priorities of the Bank. The Board continued to bring its valuable insights and expertise, effectively steering the Bank towards its next phase of growth. Key areas of focus for the Board and its subcommittees during

REFLECTIONS FROM THE CHAIR, BOARD OF DIRECTORS

the year included, the Bank's short to long term strategy and way forward, investments and developments in IT and related infrastructure, risk management, governance and regulatory compliance, credit quality, sustainability, stakeholder engagement and value creation.

RISK MANAGEMENT

During the year, we reviewed and strengthened our risk management practices by enhancing clarity around roles and responsibilities across the three lines of defense. This refinement allowed us to better define our risk appetite and drive greater accountability throughout the risk management process. We will continue to focus on strengthening our risk management practices in order to effectively navigate the complexities of the operating environment while capitalising on improving economic conditions in the country.

UNLOCKING PROSPERITY FOR OUR STAKEHOLDERS

We generated tangible value for our stakeholders during the year by continuing to drive sustainable growth, enhancing financial resilience, improving our customer and employee propositions and delivering on our ESG commitments. Shareholder returns improved during the year with Group Return on Average Shareholder Funds and Earnings Per Share (EPS) increasing to 12.46% and LKR 23.57 respectively as a result of the Group recording an impressive 70% YoY growth in profit attributable to shareholders. We also continued to enhance our customer value proposition by leveraging technology for operational and customer service excellence. Several new products were introduced to the market during the year including NDB PIXEL, a unique digital transaction account for teenagers and NDB WriztPay, the country's first wearable payment device. The launch of TradeLinc, our tailor-made digital value chain financing solution was also a key milestone in our digital offering to SME and corporate clients. We continued to invest in our employees, spending over LKR 64.0 Mn on training and development initiatives, 64% more than the spend in 2023. We introduced a new rewards strategy which enhances remuneration

and benefits to employees whilst creating a more empowering and enriching work environment. Meanwhile, over LKR 6.0 Mn was directed towards impactful sustainability project initiatives aimed at conserving the environment, promoting innovations and empowering communities. For a more detailed discussion of the value created during the year please refer the Chief Executive Officer's Review on page 27 of this Report.

SUSTAINABILITY INTEGRATION AND REPORTING

In response to regulatory requirements pertaining to sustainability integration and reporting, NDB is currently in the process of carrying out a thorough review of its ESG framework to ensure alignment with SLFRS S1 and SLFRS S2 and the Bank's long-term sustainability goals. Spearheaded by the Board, and conducted in professional consultation of an external expert, this initiative will strengthen governance around ESG aspects, sharpen strategic focus around sustainability related risks and opportunities, improve stakeholder engagement mechanisms and enhance ESG performance measurement by setting well-defined targets and KPIs, that ensure accountability across all levels of the organisation. We continued to achieve steady progress on these initiatives and are well on track for the full implementation of SLFRS S1 and SLFRS S2 in 2025 and beyond, as provisions of the two standards become mandatory in Sri Lanka.

WAY FORWARD

Commendable progress has been made in restoring macroeconomic stability after the unprecedented challenges of the past two years. Maintaining this stability and moving ahead towards a path of sustainable economic growth however, requires strong commitment by all stakeholders to continue with the economic reform programme. NDB is firmly committed to this reform agenda and will continue to drive its strategy to achieve these broad objectives.

Strong indications of increased credit demand, coupled with developments such as the finalisation of the domestic debt restructuring process and the recent upgrade of Sri Lanka's sovereign rating,

provide us with the confidence to pursue our growth objectives. We will therefore continue to hone our operations to be able to cater to the evolving financial needs of Sri Lanka's recovering economy. Strengthening our technological capabilities, creating a future-ready workforce and integrating sustainability more deeply into our operations will therefore be key priorities as we strive to create long term value for our stakeholders.

Whilst we remain optimistic about emerging opportunities, we recognise that as the credit cycle enters its expansionary phase, vulnerabilities may arise from increased pressures on credit quality and capital adequacy. Strong corporate governance and robust risk management mechanisms will be essential in safeguarding financial stability and ensuring sustainable growth. We will therefore continue to enhance these aspects in line with global best practices.

ACKNOWLEDGEMENTS

I wish to conclude by placing on record my deep appreciation to my colleagues on the Board who continue to guide and support the Bank, with their wisdom and strategic insights. Together with them, I thank Ms. Chandima Dilrukshi who resigned from the Board during the year for her invaluable contribution over the years. I also take this opportunity to extend my congratulations to the Leadership Team, led by the Chief Executive Officer Mr. Kelum Edirisinghe, for successfully steering the Bank through a transformative year. To the Governor and officials of the CBSL we recognise and appreciate the progressive action taken to strengthen Sri Lanka's financial system and look forward to closely working with CBSL to drive economic growth. Last but not least, to all our other stakeholders including shareholders, customers, employees and business partners, we value the confidence you have placed in us and remain committed to delivering on our promise of excellence.



Sriyan Cooray
Chair, Board of Directors

20 February 2025
Colombo

CHIEF EXECUTIVE OFFICER'S REVIEW



“

We are extremely pleased with the financial performance the NDB Group posted in 2024. The record-breaking profit reported for the year made a significant milestone in the Group's growth trajectory, with all key performance indicators (KPIs) and shareholder metrics showing substantial improvements. The results were driven by a focused strategy that improved operational efficiency and enhanced customer engagements.

Kelum Edirisinghe

Director/ Chief Executive Officer

Dear Stakeholders,

I am pleased to present to you a summary of the performance of your Bank for the year 2024. Throughout the year, our performance reflected the focus we placed, on long-term financial stability and sustainable value creation, contributing to a stronger and more resilient Sri Lanka.



CHIEF EXECUTIVE OFFICER'S REVIEW

TURNING THE CORNER - GRADUAL RESURGENCE OF THE BANKING SECTOR

The gradual stabilisation of macroeconomic conditions in the country positively impacted the banking sector, with key indicators such as credit quality, liquidity, and capital adequacy showing significant improvement in 2024. Private sector credit growth started to show a gradual resurgence amidst declining market interest rates and rising domestic demand. Similarly, Net Interest Margins (NIM) witnessed an upward momentum, driven by a notable decline in interest expenses. The decline in non-performing loans, as reflected by a decrease in Stage 3 loans, signalled improving credit quality and reduced default risk, a welcoming sign considering the continued shocks the sector weathered since 2019. Liquidity constraints of the previous year also started to ease off partly attributable to prudent foreign currency liquidity management by banks. Additionally, sector capital adequacy improved with the issuance of Tier-2 capital instruments and internal capital generation. These positive developments further reinforced resilience of the banking sector by enhancing profitability and strengthening capital buffers.

A ROBUST FINANCIAL PERFORMANCE DRIVEN BY FOCUS ON FUNDAMENTALS

We are extremely pleased with the financial performance the NDB Group posted in 2024. The record-breaking profit reported for the year made a significant milestone in the Group's growth trajectory, with all key performance indicators (KPIs) and shareholder metrics showing substantial improvements. The results were driven by a focused strategy that improved operational efficiency and enhanced customer engagements. During the year, we focused our efforts on three key performance areas, which were fundamental to our planned growth, viz. increasing net interest margins, driving transactions and enhancing portfolio quality. Our efforts came in to fruition with the Bank delivering healthy growth in the respective areas which translated to enhanced profitability.

For the period under review the Bank reported a pre-tax profit of LKR 24.3 Bn up 141% over 2023 (YoY) inclusive of the one-off gain of LKR 11.5 Bn stemming from the ISB restructure. Excluding this gain, our pre-tax profit from the underlying business grew 28% year-on-year, affirming the resilience of our business model. Bank level post-tax profit was LKR 9.0 Bn, a 68% increase over the prior year. Group profit attributable to shareholders was LKR 9.8 Bn, again an impressive growth of 70% YoY. This was the highest-ever profitability figures the Bank and the Group have posted in its 45 years plus history.

INCREASING NET INTEREST MARGINS

Driven by strong strategic focus, the Bank achieved an impressive NIM of 4.34% the highest ever in its recent history. This success was underpinned by targeted actions to optimise the cost of funds, enhance the quality of our asset book, and effectively reprice our deposit portfolio.

DRIVING TRANSACTIONS

Concerted efforts to increase fee-based income by driving transaction volumes particularly in trade related services contributed significantly to the growth in net operating income during the year. Ongoing enhancements to NEOS Corporate, our dedicated online banking platform for corporate customers along with the launch of TradeLinc, our tailor-made digital value chain financing solution, and the deployment of a dedicated team to address Business Banking trade and transaction needs, were key propellers of the growth in transactions during the year. The results were reflected in a net fee and commission income of LKR 7.8 Bn, which saw a 9% growth YoY.

ENHANCING PORTFOLIO QUALITY

Enhanced underwriting standards, greater focus on monitoring and more risk and capital efficient lending meanwhile enabled the Bank to maintain portfolio quality while actively pursuing growth opportunities. Efforts to strengthen our

monitoring capabilities and the increased use of data analytics also enabled the early identification of portfolio stresses, allowing for proactive remedial action. Resultantly, the impairment charge on the loan book in 2024 was down by LKR 2.7 Bn, translating to a 17% reduction compared to 2023. Impaired Loans (Stage 3) to Total Loans Ratio improved by 340 bps to 5.18% whilst Impairment (Stage 3) to Stage 3 loans ratio increased by 13.37 percentage points to 54.48% over the end 2023 position, continuing the progress maintained since 3Q 2023. Another noteworthy achievement was the 13% reduction in Stage 3 loans portfolio, gradually migrating our loan book to a healthy composition in staging.

In addition to the above, a strong cost discipline across the organisation enabled us to maintain our cost to income ratio at 36.91%. Enhanced profitability in turn led to enhanced value to our shareholders, as reflected in a Return on Equity of 12.22% (2023: 8.03%) and an Earnings per Share of LKR 21.73 (2023: LKR 12.92). Please refer the Financial Capital section on pages 114 to 122 for a more detailed review of our financial performance.

GEARING FOR GROWTH, POWERED BY DIGITISATION

As the Bank prepares for its next growth phase, our focus is rooted on enhancing customer centricity and operational efficiency through a robust digital strategy. This includes leveraging cost-effective technology, optimising infrastructure, and forming strategic partnerships. Recent upgrades to the Bank's core banking system and the integration of Robotic Process Automation and workflows in our processes have considerably improved decision-making, efficiency, and productivity across the Bank. Our organisational structure is aptly positioned to drive smart growth. The Transformation Unit drives smart process improvements, while a data-driven culture and enhanced analytics capabilities support better decision-making. The Product Lifecycle Management Unit integrates technology across the banking product lifecycle.

We also continue to make significant strides in our digital value proposition with future focused developments. A key development during the year was Sri Lanka's first wearable payment device, the NDB WriztPay band developed to cater to needs of our increasingly digitally savvy customer base. Ongoing enhancements to our digital platform NEOS and branch modernisation efforts are aimed at enhancing our customer experience to suit evolving requirements.

IT security remains a key priority and we continue to invest in enhancing our IT security infrastructure and capabilities. During the year, NDB obtained the latest ISO 27001:2022 for its Information Security Management System (ISMS) making it the first commercial bank in the country to achieve these three main globally recognised ISO certifications for IT operations and IT security (ISO 27001:2022, ISO 22301:2019 and ISO 20000: 2018).

EMPOWERING OUR CUSTOMERS

We play a critical role in driving the economy forward by empowering individuals and businesses to move beyond recovery to sustainable, accelerated growth. In further strengthening our support to the SME sector, we entered into strategic partnerships with key stakeholders as was elaborated in the Reflections from the Chair, Board of Directors on page 24. These strategic partnerships serve to build capacity and enhance the resilience and competitiveness of the SME sector in Sri Lanka. During the year we also launched the 'SME Re-Energizer' loan in collaboration with the Sri Lankan Government targeting export orientated, women-led SMEs in key sectors such as manufacturing, construction, tourism, apparel, agriculture, and agro-based industries.

Women's empowerment remains a key focus of the Bank, as we believe that fostering financial independence and creating opportunities for women to excel contribute to a more equitable and prosperous future for Sri Lanka. Through our signature 'Banking on Women' platform, NDB offers a comprehensive banking proposition for

women that includes targeted banking solutions, access to affordable financing, skills development opportunities, and advisory support to overcome barriers faced by women-owned businesses. NDB's flagship awards programme 'Sri Lanka Vanithabhimana' meanwhile continues to recognise high performing female entrepreneurs and support them through their growth journey.

During the year we launched an Internet Payment Gateway to facilitate cross-border transactions for Business Banking clients. We also introduced Host-to-Host connectivity enabling seamless integration between corporate customers' digital platforms and the Bank's systems. Connecting our digital platforms with the LankaPay Government Payment Platform, now allows our customers to swiftly process payments to Government institutions. We also continue to conduct awareness sessions for SMEs to support them through their digitalisation journey.

UNLEASHING EMPLOYEE POTENTIAL

As a player in the service industry, attracting, developing and retaining the best talent in the country is our main focus as we seek to continuously enhance our employee value proposition. This proposition focuses on creating a supportive and empowering work environment, which affords our team targeted training and development opportunities based on comprehensive competency and skills mapping, aligned with both employee career aspirations and organisational goals. During the year, our team was provided with training on behavioural, structural, and technical skills to drive strategic priorities and foster a culture of innovative thinking.

NDB's commitment to gender parity and female empowerment is highlighted by receiving Economic Dividends for Gender Equity (EDGE) certification for the third consecutive time in 2024. The Bank has implemented initiatives to ensure gender balance, equal pay, and career advancement for women, including leadership training,

flexible work arrangements, and health and well-being support. Additionally, the Bank's latest initiative, "Fearlessly Female," is specifically designed to provide support to NDB's emerging female talent within the Bank. NDB's dedication to diversity and gender equality earned us the Best Bank for Diversity and Inclusion award at the Euromoney Awards 2024.

In 2024, we also introduced a new rewards strategy, designed to better reflect current market conditions and bring greater alignment between individual performance and organisational goals. The remuneration strategy is complemented by NDB's employee wellness proposition, which seeks to provide our employees with a more holistic offering that includes financial, physical and mental wellbeing.

SUPPORTING THE TRANSITION TO A LOW-CARBON ECONOMY

Climate action is a key pillar of our sustainability agenda, and we continue to take meaningful action to minimise our own carbon footprint and facilitate the transition to a low-carbon economy. As part of the journey towards achieving carbon neutrality we engaged the Sri Lanka Climate Fund (SLCF) for the fifth consecutive year to undertake a comprehensive Greenhouse Gas (GHG) assessment verification for the year 2024. This exercise enables us to understand our impact whilst helping to continue to identify tangible ways to reduce our carbon footprint. Ongoing efforts such as branch solarisation, energy-efficient lighting, optimised air conditioning systems, and digital banking solutions continue to reduce the carbon footprint of our operation. More information on our sustainability journey is found in the Natural Capital section on page 180.

CHIEF EXECUTIVE OFFICER'S REVIEW

A STRONG INTUITION

As detailed in the Reflections from the Chair, Board of Directors, your Bank is founded on strong ethics and governance. This has enabled us to forge ahead even in the most tumultuous conditions with perseverance and resilience. We are also well capitalised through organic equity capital generation and timely infusion of debt capital. By the end of the year the Bank level regulatory capital adequacy ratios of Tier I and Total Capital enhanced to 13.68% and 19.09%, 518 bps and 659 bps above the minimum requirement respectively. Our strength is our firm conviction that we are poised to forge ahead and power our stakeholders in unlocking lasting prosperity.

WAY FORWARD

The Central Bank of Sri Lanka's (CBSL) prudent policies and reforms have corrected macro-financial imbalances, setting Sri Lanka's economy on a recovery path. The upgrade of the country's Long-Term Foreign-Currency Issuer Default Rating to CCC+ reflects this progress and boosts global investor confidence. Despite challenges in the banking sector, such as pressure on margins and high NPL ratios, the Bank remains committed to socio-economic progress through sustainable value creation.

Strategic actions that we have implemented over the years, such as building capital buffers, enhancing digital services, and fostering a future-ready workforce have positioned the Bank well for future opportunities. The Bank's upgraded national credit rating of A(lka) and numerous awards won further affirm our stature as we navigate the future. In 2025 we will continue to focus on our strategy revolving around Business Focus, Operational Excellence and Empowered Stakeholders. Simultaneously we will continue to embed sustainability more deeply into our core business by prioritising SME and women's empowerment, advancing financial inclusivity, and actively supporting

Sri Lanka's transition to a low-carbon economy, as we grow and empower our stakeholders to grow smart.

ACKNOWLEDGEMENTS

In conclusion, I would like to take this opportunity to extend my gratitude to the Chairman and Board of Directors for their unwavering support and guidance throughout the year. I also wish to place on record my sincere appreciation to Mr. Dimantha Seneviratne, who relinquished his duties as the Chief Executive Officer of the Bank on 31 January 2024. His vision and leadership have placed us in a stronger position, and we remain deeply grateful for his invaluable contribution. I extend my sincere gratitude to the Leadership Team and all our employees for their steadfast support, dedication, and exemplary commitment to the Bank's success. It is truly a privilege to lead such a dynamic, resilient, and passionate team. My thanks also go to the Governor and officials of the CBSL, as well as the Sri Lanka Banks' Association, for their continued collaboration and support. I also extend my deepest appreciation to our valued customers, shareholders, business partners, and other stakeholders for their enduring trust and loyalty.

As we look ahead, I am excited to continue this journey of growth and success together, in which we will enable our stakeholders in unlocking lasting prosperity and empower a future of smart growth.



Kelum Edirisinghe
Director/ Chief Executive Officer

20 February 2025
Colombo

LEADERSHIP TEAM

Strengthening our Journey



We're drawing on years of expertise and leadership in our field to drive impactful results; to reach new heights of excellence and guide our path to progress.

BOARD OF DIRECTORS



Mr. Sriyan Cooray
Chair, Board of Directors/
Non-Executive Independent Director

Date of appointment: **10 August 2018**

Date of Last Re-election/
Re-appointment as a Director:
28 March 2024

Length of Service as a Director:
6 years 4 months

Skills and experience

Mr. Sriyan Cooray was appointed as the Chair, Board of Directors of the Bank on 01 July 2022. An accomplished banker with 28 years of experience at HSBC, Mr. Cooray has served in a wide range of areas ranging from Finance, Operations, Compliance, Administration and Retail Banking at HSBC and retired from HSBC - Sri Lanka and Maldives as the Chief Operating Officer in May 2018. He also functioned in the position of Acting CEO over the last 10 years at HSBC. Prior to joining HSBC, Mr. Cooray was Financial Controller of Speville M & W Limited (1987 -1990) and prior to that engaged with KPMG Ford Rhodes Thornton & Company, Chartered Accountants.

Mr. Cooray is a fellow of the Chartered Institute of Management Accountants, UK.

Concurrent appointments

Mr. Cooray is a Non-Executive Independent Director at Orient Finance PLC which is listed on the Colombo Stock Exchange.

As at 31 December 2024 Mr. Cooray holds office as Director in a total number of 2 Companies (including the Bank).



Mr. Kelum Edirisinghe
Chief Executive Officer/
Executive Non-Independent Director

Date of appointment: **01 February 2024**

Date of Last Re-election/
Re-appointment as a Director: **N/A**

Length of Service as a Director:
10 months

Skills and experience

Mr. Kelum Edirisinghe is an experienced executive with a distinguished career spanning multiple senior leadership role across Commercial Banking, Branch Banking, Fund Services, Debt Restructuring and Enterprise-wide Risk Management. With a wealth of experience gained over the last 30 years, he has demonstrated a proven track record in driving organisational growth, enhancing operational efficiency and navigating through complex economic cycles.

Mr. Edirisinghe holds a B.Sc. from the University of Manchester in association with The Chartered Institute of Bankers and a Master of Business Administration from Edith Cowan University, Australia. He also holds a Diploma in Financial Management from the Association of Chartered Certified Accountants and a certification on Treasury and Foreign Exchange Operations from Central Bank of Sri Lanka. Mr. Edirisinghe is a member of the Faculty Advisory Committee of the Centre for Banking Studies of the Central Bank of Sri Lanka.

Concurrent appointments

Mr. Edirisinghe serves as a Director of the Sri Lanka Banks' Association (Guarantee) Limited, the Chairperson/ Director of Development Holdings (Pvt) Ltd and as a Director of several subsidiary companies.

As at 31 December 2024, Mr. Edirisinghe holds office as Director in a total number of 9 Companies (including the Bank and group companies).



Mr. Bernard Sinniah
Non-Executive Non-Independent Director

Date of appointment: **28 March 2019**

Date of Last Re-election/
Re-appointment as a Director:
30 March 2022

Length of Service as a Director:
5 years 9 months

Skills and experience

A veteran banker, Mr. Sinniah retired in 2018 as Managing Director of Citibank and Global Head of FX Corporate Sales and e-FX Solutions after 38 illustrious years of service, having started his career at Citibank Colombo, then moving to Citibank Australia, and ending his career based out of London.

Mr. Sinniah holds a Masters in Applied Finance (Macquarie University, Australia). He has also added to his proficiency, knowledge on Digital Transformation Strategies, conducted by the Judge Business School – University of Cambridge – UK and further on Digital Transformation, Strategies for Success, conducted by the MIT Sloan School of Management.

Concurrent appointments

Director Codevus (Pvt) Ltd, Knightsbridge eCommerce (Pvt) Ltd, SenzAgro (Pvt) Ltd, Arogya Life Systems Inc. (US), Mintpay (Pvt) Ltd and several subsidiaries of the Bank. He is also the Founder and Director of Flag Forum Guarantee Limited. Mr. Sinniah was appointed as the Chairperson of NDB Capital Holdings Limited w.e.f 1 January 2025.

As at 31 December 2024 Mr. Sinniah holds office as Director in a total number of 13 Companies (including the Bank and group companies).



Mr. Sujeewa Mudalige
Non-Executive Independent Director

Date of appointment: **06 January 2020**

Date of Last Re-election/
Re-appointment as a Director:
28 March 2024

Length of Service as a Director:
4 years 11 months

Skills and experience

Mr. Sujeewa Mudalige counts over 35 years of experience as a Chartered Accountant. His qualifications are FCA (ICA – SL), FCMA (CIMA – UK), FCCA (ACCA – UK) and FCPA (CPA – Australia).

Mr. Mudalige has vast experience as an Audit Committee Chair in both public and private sector organisations. He is a past President of ICASL and has been a member of the Council of ICASL and of the governing board of CIMA UK, Sri Lanka Division and held several such other positions locally and globally during the span of his career.

Mr. Mudalige was an Independent Non-Executive director of Hatton National Bank PLC (HNB) from 2012 to 2019 and was a Chair and member of several of its board subcommittees during his tenure with HNB. He was also the Deputy Chairman of the Financial System Stability Consultative Committee of the CBSL and a member of the Advisory Committee to advise the National Economic Council and the Advisory Committee for Revival of Failed Licensed Finance Companies. Mr. Mudalige was the Managing Partner of PwC, Sri Lanka and a director of its related companies up until 31 October 2023. He served as a Commissioner of the Securities and Exchange Commission of Sri Lanka until December 2024. He was the Chairman of the Committee appointed by the Government to advise the cabinet and a member of a Committee to streamline tax administration.



Mr. Mudalige was recently conferred with a honorary Doctorate in Business by University of Plymouth (UK) recognizing his outstanding contribution to Accounting and Finance.

Concurrent appointments

Mr. Mudalige is the Non-Executive Chairperson of Mercantile Services Provident Society (MSPS). He is also an Independent Non-Executive Director at CIC Holdings PLC, CIC Feeds group, NSBM Green University, Link Natural Products Limited, Sherwood Capital Limited, Mahindra Ideal Finance Limited, Maliban Biscuit Manufactories (Private) Limited and Cargo Boat Development PLC. Mr. Mudalige has also joined Galadari Hotels (Lanka) PLC as an Independent Non-Executive Director from 01 January 2025. He holds the positions of Chairperson and Director of Ambeon Holdings PLC, Ambeon Capital PLC and MillenniumIT ESP. Mr. Mudalige is also a Committee member of the Ceylon Chamber of Commerce and the National Medical Regulatory Authority (NMRA) and a Board member of the Board of Investment (BoI) of Sri Lanka.

As at 31 December 2024 Mr. Mudalige holds office as Director in a total number of 14 Companies (including the Bank).

BOARD OF DIRECTORS



Kushan D'Alwis, President's Counsel
Non-Executive Independent Director

Date of appointment: **06 July 2020**

Date of Last Re-election/
Re-appointment as a Director:
30 March 2023

Length of Service as a Director:
4 years 5 months

Skills and experience

Mr. Kushan D'Alwis took oaths as an Attorney-at-Law in the year 1985 and is in active practice for over a period of 39 years. He was conferred Silk and took oaths as President's Counsel in November 2012. The areas of specialization of Mr. D'Alwis are civil, corporate, commercial and administrative law in both the Original and Appellate Courts. Further, he has been actively involved in alternate dispute resolution mechanisms such as arbitrations, advising on corporate legal matters, regulatory frameworks, compliance requirements and legal due diligence.

Mr. D' Alwis was a Member of the Law Commission of Sri Lanka from 2011 to 2015. He was also a Member of the Panel of Legal Advisers to the Tax Appeals Commission. He has served as a Member of the Public Representations Committee on Constitutional Reform appointed by the Cabinet of Ministers. He has also served as the Vice Chairman of the Civil Aviation Authority of Sri Lanka. Mr D'Alwis served as the Chairman of the Office of the National Unity and Reconciliation (ONUR) of Sri Lanka and was also a Director of the Colombo Lotus Tower Management Company (Pvt) Ltd and a Member of the Financial System Stability Consultative Committee of the Central Bank of Sri Lanka. He also served as a Member of the Board of Investment of Sri Lanka. Mr. D' Alwis served as a Member of the Committee appointed by His Excellency the President to reformulate the guidelines with regard to the appointment of President's Counsel. He was

also a Member of the Committee appointed by the Ministry of Defense to review the Issuance of Frequency Permits for Television & Radio Broadcasting and related procedures. Mr. D'Alwis resigned from his position as Director of Lanka Hospitals Corporation PLC in December 2024.

Concurrent appointments

Mr. D' Alwis is a Non-Executive Independent Director at Ceylon Tobacco Company PLC which is listed on the Colombo Stock Exchange and also serves as a Director at Vurthiya Lanka (Pvt) Ltd .

As at 31 December 2024 Mr. D'Alwis holds office as Director in a total number of 3 Companies (including the Bank).



Ms. (Fay) Piyachatr Chetnakarnkul
Non-Executive Non-Independent Director

Date of appointment: **25 May 2021**

Date of Last Re-election/
Re-appointment as a Director:
30 March 2023

Length of Service as a Director:
3 years 7 months

Skills and experience

Ms. Chetnakarnkul carries with her knowledge and experience in Economics, Information Technology and Investments. She joined the Board in 2021 to represent the interests of The Norwegian Investment Fund for Developing Countries (NORFUND). Ms. Chetnakarnkul holds a Master's Degree in Arts – in Quantitative Methods and Economic Theory and Southeast Asia Studies, School of Advanced International Studies (SAIS), Johns Hopkins University (Washington D.C.) and a Bachelor's Degree in Economics (International Programme) from Thammasat University, Bangkok. She has also followed the Director Certification Programme (DCP 184, Board Training) of the Institute of Directors of Thailand (Bangkok) and a Fintech certification course at the Massachusetts Institute of Technology (MIT).

As the Investment Director, Head of Asia Region of NORFUND, Ms. Chetnakarnkul has been responsible for founding NORFUND's Asia office and for building, leading, and managing NORFUND's investments in Asia. Prior to joining NORFUND, she worked at the International Finance Corporation (IFC) / The World Bank Group.

Concurrent appointments

Ms. Chetnakarnkul is the Investment Director, Head of Asia Region (Bangkok, Thailand) of the Norwegian Investment Fund for Developing Countries ("NORFUND").

As at 31 December 2024 Ms. Chetnakarnkul holds office as Director in 1 Company (the Bank).



Ms. Kasturi Chellaraja
Non-Executive Independent Director

Date of appointment: **03 October 2022**

Date of Last Re-election/
Re-appointment as a Director:
30 March 2023

Length of Service as a Director:
2 Years 2 months

Skills and experience

Ms. Kasturi Chellaraja is the Chief Operating Officer (Head of APAC) of 5hour International Corporation and is a corporate leader with a rich and diverse career spanning over three decades. Prior to this she was the Group CEO of Hemas Holdings PLC from October 2020 to March 2024 driving growth during the toughest period of the history of Sri Lanka. Notably, she made history as the first female Group CEO of a listed conglomerate in Sri Lanka when she was appointed as Group CEO for Hemas Holdings PLC in 2020. She is an alumna of Harvard Business School and is a Fellow of Chartered Institute of Management Accountants (CIMA).

Beginning her professional journey 1988 as an Audit Trainee at Someswaran Jayawickrema and Co (now Deloitte), Ms. Chellaraja swiftly rose through the ranks to hold pivotal roles at Hemas Holdings PLC, which she joined in 2002. With her strategic acumen and operational expertise, she spearheaded key businesses within the organisation, including Hemas Pharmaceuticals, Surgicals, and Diagnostics and Hemas Mobility Sector. Beyond her corporate endeavors, Ms. Chellaraja is recognised for her contributions to various industry bodies and her commitment to societal impact. Serving as a Non-Executive Director and Board Member in organizations such as Capital Alliance Holdings Ltd and the Ceylon Chamber of Commerce, as well as a Committee Member in the Mercantile Services Provident Society, she continues to

shape business landscapes and champion ethical leadership. Ms. Chellaraja's accolades, including being named as one of the Top Women Change-Makers by Parliament of Sri Lanka, underscore her enduring influence and dedication to excellence. Additionally, she was appointed as the Regional Champion for the World Bank for South Asia and UNICEF Sri Lanka Business Council (Child Rights and Business Principles) in April 2022 and April 2023 respectively.

Ms. Chellaraja was recognised as one of the twelve Top Women Change-Makers in the country in 2019 by the Parliament of Sri Lanka and was also recognised as one of the ten 'Wise Women' impactful leaders of Sri Lanka by the Ministry of Skills and Vocational Education in 2022. She was named as the 'Business Leader of the Year' at the SAP Dare to Dream Awards in 2023. Ms. Chellaraja is also a dual sport national athlete, having represented Sri Lanka in both netball and basketball.

Concurrent appointments

Ms. Chellaraja is the Chief Operating Officer (Head of APAC) of 5 hour international Corporation. She is an active member of several industry associations and currently serves on the main committee and the Board of the Ceylon Chamber of Commerce and was recently appointed as a Council Member for the UNICEF Sri Lanka Business Council. She is also the Regional Champion for the World Bank for South Asia.

As at 31 December 2024 Ms. Chellaraja held office as Director in a total number of 2 Companies (including the Bank).



BOARD OF DIRECTORS



Mr. Hasitha Premaratne
Non-Executive Independent Director

Date of appointment: **15 June 2023**
Date of Last Re-election/
Re-appointment as a Director:
28 March 2024
Length of Service as a Director:
1 year 6 months

Skills and experience

Mr. Hasitha Premaratne is the Managing Director of the Brandix Group and drives the overall strategy and transformative journey of the company in Sri Lanka and overseas. Prior to taking up reigns as Managing Director, Mr. Premaratne served as Group Finance Director and Chief Strategy Officer of the Group, and sits as a Director on its subsidiaries and integrated ventures that include Teejay Lanka PLC.

Being an Independent Director at John Keells Hotels PLC, he serves as Chairperson of the Audit Committee. Mr. Premaratne was also a Director at Bank of Ceylon, Sri Lanka's largest state-owned bank, chairing the Board Risk and Nominations Committees. He also served on the Board of CIMA Sri Lanka, and the Sri Lanka Accounting and Auditing Standards Monitoring Board, and was a Committee Member at the Ceylon Chamber of Commerce, Sri Lanka's oldest and most august trade chamber.

Before joining Brandix, Mr. Premaratne was the Head of Research at HNB Stockbrokers (Private) Limited. He brings a wealth of experience including over a decade of service as a lecturer for CIMA (UK), where he won 'Tutor of the Year' at the CIMA Global Financial Management Awards in 2009. Mr. Premaratne was also engaged with the ACCA (UK) in Sri Lanka, India, Singapore and the Philippines. He holds a MBA in International Finance and a BSc in Computer Science. He is a Fellow Member of Chartered Institute of Management

Accountants (CIMA - UK), Association of Chartered Certified Accountants (ACCA-UK), and the Institute of Certified Management Accountants (CMA - SL). He is also a Chartered Global Management Accountant (CGMA).

Concurrent appointments

Mr. Premaratne serves as the Managing Director of Brandix Group. He is also a Non – Executive Independent Director at John Keells Hotels PLC and a Non – Executive Director at Teejay Lanka PLC, both of which are listed on the Colombo Stock Exchange. Additionally he holds Directorship in the following Companies namely: Best Pacific Textiles Lanka (Pvt) Ltd, InQube Global Pvt) Ltd, Ocean Lanka (Private) Limited, Inspired Fashion Inc, Inspired Solutions USA, Ocean Mauritius Limited, Quantum Apparel Cambodia Ltd, Quantum Clothing Group Limited (UK) and Teejay India Private Limited.

As at 31 December 2024 Mr. Premaratne holds office as Director in a total number of 20 Companies (including the Bank).





Ms. Shweta Pandey
Non-Executive Independent Director

Date of appointment: **28 April 2023**

Date of Last Re-election/
Re-appointment as a Director:
28 March 2024

Length of Service as a Director:
1 year 8 months

Skills and experience

Ms. Shweta Pandey is a corporate professional turned entrepreneur who believes in building ideas into businesses at scale that directly contributes to the growth of emerging sectors. Turning towards entrepreneurship post a successful career at NCR Corporation, UK in a global business role; Ms. Pandey had set up Fintech ventures for expanding & delivering access to responsible finance directly contributing to UN SDGs.

Ms. Pandey was one of the founding team members and COO & Senior Vice President of Airtel Payments Bank in India. She has also served as a Digital Finance Advisor to IFC/ World Bank Group clients in Sri Lanka & India on large scale digital transformation projects. She serves on the board of MAHA Agriculture Microfinance in Myanmar as IFC Nominee Director. Ms. Pandey is an advisor to early stage social impact ventures in India. Her digital transformation drive, grounded knowledge in economics and management and varied experience in the Digital Transformation and Financial Inclusion space contributes towards her excellence.

Ms. Pandey holds a MBA from MIT Sloan School of Management - USA, a MSc in Economic Management & Policy - UK and a BA (Economics) in India. She has received much praise for her work and has been honored and recognized in the BW 40 Under 40 "Elite club 2022" by Business World. She has been recognized by MIT Sloan School of Management

as the Principal Innovative Leader of the Future and awarded with the Influential Change Maker Award.

Concurrent appointments

Ms. Pandey serves as the Director/CEO of Arthimpact Digital Loans Private Limited and is the IFC Nominee Director at Maha Micro Finance. As of January 2024 Ms Pandey was appointed as a Director of Trikuta Hills Essentials (Private) Limited.

As at 31 December 2024 Ms. Pandey holds office as Director in a total number of 4 Companies (including the Bank).



Ms. Shehani Ranasinghe
Company Secretary

Skills and experience

Ms. Shehani Ranasinghe was appointed as the Company Secretary of the Bank in 2012. She was formerly attached to the Legal Department of the Bank where she gained experience in corporate banking and financial law, investment banking and legal advisory services during her career spanning over 31 years with the Bank. She has also functioned as the Company Secretary of several subsidiary companies of the Bank prior to her appointment as the Company Secretary of the Bank. She is an Attorney-at-Law (Hons) of the Supreme Court of Sri Lanka, a Notary Public, Commissioner for Oaths, Qualified Company Secretary and earned her Bachelor of Arts (Hons) degree from the University of Colombo.

Concurrent appointments

None.

THE LEADERSHIP TEAM

(As of 20 February 2025)



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- 01 **Mr. Kelum Edirisinghe**
Director/Chief Executive Officer
- 02 **Mr. K V Vinoj**
Deputy Chief Executive Officer
- 03 **Mr. Sanjaya Perera**
Senior Vice President -
Personal Banking and
Customer Experience

- 04 **Mr. Indika Ranaweera**
Vice President - SME, Middle
Market and Business Banking
- 05 **Ms. Ishani Palliyaguru**
Vice President - Wholesale Banking
- 06 **Mr. Zeyan Hameed**
Vice President - Retail Banking

- 07 **Ms. Ruwani De Silva**
Vice President - Internal Audit
- 08 **Ms. Shehani Ranasinghe**
Vice President - Company Secretary
- 09 **Mr. Lasantha Dasanayaka**
Vice President - Human Resources



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10 Mr. Indika Gunawardena
Vice President -
Information Technology/
Chief Information Officer

11 Mr. Alex Perera
Vice President -
Risk/Chief Risk Officer

12 Mr. Hasitha Athapattu
Vice President - Finance

13 Mr. Nilanga Gajaba
Vice President -
Recoveries and Remedial
Management

14 Mr. Damitha Samaranayake
Vice President - Treasury

15 Ms. Vidisha Jayawardena
Vice President - Compliance Officer

16 Ms. Dinali Dunuwille
Vice President - Legal

17 Mr. Damitha Silva
Assistant Vice President -
Product Lifecycle Management

18 Mr. Darshana Jayasinghe
Assistant Vice President -
Marketing

19 Ms. Sumudu Abeygunasekara
Assistant Vice President -
Project Finance

THE LEADERSHIP TEAM

(As of 20 February 2025)

- 01 Mr. Kelum Edirisinghe**
 Director/ Chief Executive Officer
 Please refer page 32 for the profile.
- 02 Mr. K V Vinoj**
 Deputy Chief Executive Officer
 ACSI (UK), MBA (University of Southern Queensland), MFE - Merit (University of Colombo), PG Dip. in Business and Finance (Cranfield University School of Management UK/ CA SL), NDHRM (IPM SL), CMA (Australia).
 32 years of experience, including 19 years with NDB.
- 03 Mr. Sanjaya Perera**
 Senior Vice President - Personal Banking and Customer Experience
 MBA (PIM - University of Sri Jayewardenepura), Fellow Member (IBSL), Passed Finalist (AAT - UK).
 34 years of experience, including 9 years with NDB.
- 04 Mr. Indika Ranaweera**
 Vice President - SME, Middle Market and Business Banking
 MBA - Merit (University of Colombo), MFE - Merit (University of Colombo), PG Dip. in Business Management (University of Colombo), B.Sc. Engineering (Hons) (University of Moratuwa).
 28 years of experience, including 26 years with NDB.
- 05 Ms. Ishani Palliyaguru**
 Vice President - Wholesale Banking
 FCMA (UK), CGMA, FCMA (SL), AIB (SL), MBA - Merit (PIM - University of Sri Jayewardenepura), B.Sc. (Bio Science) - First Class (University of Colombo).
 28 years of experience, including 25 years with NDB.
- 06 Mr. Zeyan Hameed**
 Vice President - Retail Banking
 ACMA (UK), CGMA, EMBA (PIM - University of Sri Jayewardenepura).
 32 years of banking experience, including 8 years with NDB.
- 07 Ms. Ruwani De Silva**
 Vice President - Internal Audit
 FCMA (UK), CGMA, FCA (SL).
 29 years of experience, including 23 years with NDB.
- 08 Ms. Shehani Ranasinghe**
 Vice President- Company Secretary
 Please refer page 37 for the profile.
- 09 Mr. Lasantha Dasanayaka**
 Vice President - Human Resources
 Fellow of the Chartered Professional Managers of Sri Lanka (FCPM), Fellow Member and Certified HR Manager (Cambridge Association of Managers - UK), Bachelor of Business Administration (UNEM), MCMI (UK).
 26 years of experience, including 5 years with NDB.
- 10 Mr. Indika Gunawardena**
 Vice President - Information Technology/Chief Information Officer
 FBCS (UK), CITP (UK), MCS (SL), FCPM(SL), ISO27001LA, CQI & IRCA certified ISO22301LA, ITIL, VCP, OCP, CC(ISC2), MBA (University of Gloucestershire-UK), MBA (University of Mahatma Gandhi), MSc InfoSec (Asia e University, Malaysia), COCC (UK), Executive Dip in Leadership (Northern Illinois University - USA), Dip. in Computer System Design (NIBM), MCSE, MCSA, MCTS, MCITP.
 25 years of experience, including 5 years with NDB.
- 11 Mr. Alex Perera**
 Vice President - Risk/ Chief Risk Officer
 CFA (USA) Charter Holder, M.Sc. Quantitative Finance and Financial Engineering (University of Manchester), B.Sc. (Hons) in Computer Science and Engineering (University of Moratuwa).
 20 years of experience, including over 1 year with NDB.
- 12 Mr. Hasitha Athapattu**
 Vice President - Finance
 CFA (USA) Charter Holder, FCA (SL), FCMA (SL), Masters in Economics (University of Colombo), Bachelor of Business Administration (Sp)(University of Colombo).
 26 years of experience, including 1 year with NDB.
- 13 Mr. Nilanga Gajaba**
 Vice President - Recoveries and Remedial Management
 MBA (Cardiff Metropolitan University - UK), PG Dip. (IBSL), CISI (UK) - Risk in Financial Services.
 32 years of experience, including 17 years with NDB.
- 14 Mr. Damitha Samaranayake**
 Vice President - Treasury
 Associate Member (IBSL), ACI Dealing Certificate - Paris.
 33 years of experience, including 27 years with NDB.
- 15 Ms. Vidisha Jayawardena**
 Vice President - Compliance Officer
 Attorney-at-Law (Hons) of the Supreme Court of Sri Lanka, Notary Public, Commissioner for Oaths, Qualified Company Secretary.
 32 years of experience with NDB.
- 16 Ms. Dinali Dunuwille**
 Vice President - Legal
 Attorney-at-Law (Hons) of the Supreme Court of Sri Lanka, Solicitor of England and Wales, Notary Public, Commissioner for Oaths and Qualified Company Secretary, Passed Finalist of the Chartered Institute of Management Accountants UK.
 26 years of experience.
- 17 Mr. Damitha Silva**
 Assistant Vice President - Product Lifecycle Management
 FCMA (UK), CGMA, Associate Member (IBSL), MBA - Merit (PIM - University of Sri Jayewardenepura).
 26 years of experience, including 8 years with NDB.
- 18 Mr. Darshana Jayasinghe**
 Assistant Vice President - Marketing
 Fellow Chartered Marketer (CIM - UK), MSLIM, MBS - Merit (University of Colombo), PG. Dip. in Marketing (CIM - UK), B.Sc. in Marketing Management (Sp.) - First Class (University of Sri Jayewardenepura).
 18 years of experience, including 2 years with NDB.
- 19 Ms. Sumudu Abeygunasekara**
 Assistant Vice President - Project Finance
 Master of Arts in Financial Economics (University of Colombo), Bachelor in Accounting & Finance (University of London).
 18 years of experience.

SENIOR MANAGEMENT



Mr. Amal Yapa
Assistant Vice President -
Wholesale Banking



Mr. Thilanke Weerasinghe
Assistant Vice President -
Transaction Banking and Trade
Operations



Ms. Darine Fernando
Assistant Vice President -
Wholesale Banking



Ms. Ganga Wanigaratne
Assistant Vice President -
Administration & Services,
Operations, Payments and Treasury
Operations



Mr. Romesh Tissera
Assistant Vice President -
Zonal Head - Business Banking



Mr. Indika Tennakoon
Assistant Vice President -
Retail Credit and Operations



Ms. Camy Somasunderam
Assistant Vice President -
Customer Experience and
Contact Centre



Mr. Gihan Punchihewa
Assistant Vice President -
Privilege Select Banking



Mr. Sameera Senerath
Assistant Vice President -
Sales



Mr. Vinjaya Jayasinghe
Assistant Vice President -
Branch Operations -
Branch Network Management



Mr. Sydney Downall
Assistant Vice President -
Colombo Region and Product
Development



Mr. Dilum Amarasinghe
Assistant Vice President -
Leasing



Mr. Ashan Wikramanayake
Assistant Vice President -
Card Centre



Mr. Surith Priyawansa
Assistant Vice President -
Treasury



Mr. Sanjeev Kulendran
Assistant Vice President -
Internal Audit



Mr. Ranisha Perera
Assistant Vice President -
Human Resources

SENIOR MANAGEMENT



Mr. Lasantha Mathupala
Assistant Vice President -
Information Technology



Mr. Amila Withanage
Assistant Vice President -
Information Technology



Mr. Renuke Perera
Assistant Vice President -
IT - Application Support and
Data Analytics



Ms. Shareen Jayasuriya
Assistant Vice President -
Credit



Ms. Anushi Vithanage
Assistant Vice President -
Legal



Ms. Surani Peiris
Chief Manager -
Financial Analysis



Mr. Indrajith Gamage
Chief Manager -
Wholesale Banking



Mr. Niroshan De Silva
Chief Manager -
Wholesale Banking



Mr. Rukmal Dharmadasa
Chief Manager -
Supply Chain Finance



Mr. Ramesh Perera
Chief Manager -
Transaction Banking



Mr. Manjula Gunawardana
Chief Manager -
Trade Finance



Mr. Indika Liyanage
Chief Manager -
Trade Finance



Mr. Gihantha De Silva
Chief Manager -
Transaction Banking



Ms. Ayomi Kaviratne
Chief Manager -
Wholesale Banking



Mr. Rohitha Wijesinghe
Chief Manager -
Central Operations, Payments and
Clearing



Mr. Malik Fernando
Chief Manager -
Transaction Monitoring Unit



Mr. Nilendra Ahangama
Chief Manager -
Zonal Head - Business Banking



Mr. Vinod Sivapragasam
Chief Manager -
Shared Services



Ms. Aloka Ekanayake
Chief Manager -
Transformation Unit



Ms. Manik Boteju
Chief Manager -
Project Finance



Ms. Mayanthi Kamburugamuwa
Chief Manager -
Project Finance



Mr. Indika Rajakaruna
Chief Manager -
Information Security



Mr. Prasanna M. Jayawardhana
Chief Manager -
Privilege and Privilege
Select Banking



Mr. Chandima Alwis
Chief Manager -
Greater Colombo Region



Mr. Nalin Abeyratne
Regional Head -
North Central Region



Mr. Thilina Hewage
Chief Manager -
Central Region



Mr. Sisira Herath
Chief Manager -
Southern Region



Mr. Chaminda Jayasinghearachchi
Regional Head -
North Western Region



Mr. Sanath Susantha
Chief Manager -
Leasing



Ms. Himali Nandika
Chief Manager -
Finance



Ms. Sudeepa Kumari
Chief Manager -
Finance



Ms. Rasika Dassanayake
Chief Manager -
Business Relationship and Portfolio
Management

SENIOR MANAGEMENT



Mr. Nishantha Amunugama
Chief Manager -
Centralised Recoveries



Mr. Ruchinda Kodagoda
Chief Manager -
Centralised Recoveries



Ms. Lourdetta Wijeyanathan
Chief Manager -
Business Relationship and
Portfolio Management



Ms. Nadie Samarasena
Chief Manager -
Product Lifecycle Management



Mr. Deepa Edirisooriya
Chief Manager -
Product Management and Innovation



Ms. Thitheeksha Wekunagoda
Chief Manager -
Internal Audit



Mr. Dilshan Lankathilaka
Chief Manager -
Human Resources



Ms. Dilhani Piyasena
Chief Manager -
Transformation and Programme
Management Support



Mr. Dharana Korale Arachchi
Chief Manager -
Marketing



Ms. Medhini Senathirajasegaram
Chief Manager -
Credit Risk Management



Mr. Rukshan Liyanage
Chief Manager -
Credit Review Division



Mr. Mohan Palihawadana
Chief Manager -
Credit Review Division



Mr. Mano Thalís
Chief Manager -
Compliance



Ms. Champa Wickramanayake
Chief Manager -
Legal



Mr. Gehan Heenkende
Chief Manager -
Business Intelligence

- 01 Mr. Amal Yapa**
Assistant Vice President - Wholesale Banking
BA (University of Houston - Texas)
31 years of experience in banking
- 02 Mr. Thilanke Weerasinghe**
Assistant Vice President - Transaction Banking and Trade Operations
CITF (London Institute of Banking & Finance), CSDG (London Institute of Banking & Finance), CSCF (London Institute of Banking & Finance), MBA (University of Colombo), PG Dip. (CIM - UK), BA (Hons) in Leadership and Management (Northumbria University - UK)
20 years of experience in banking
- 03 Ms. Darine Fernando**
Assistant Vice President - Wholesale Banking
MBA (Edith Cowen University - Australia), Dip. in Corporate Banking (IBSL).
34 years of experience in banking
- 04 Ms. Ganga Wanigaratne**
Assistant Vice President - Administration & Services, Operations, Payments and Treasury Operations
39 years of experience in banking
- 05 Mr. Romesh Tissera**
Assistant Vice President - Zonal Head - Business Banking
33 years of experience in banking
- 06 Mr. Indika Tennakoon**
Assistant Vice President - Retail Credit and Operations
MBA - Merit (University of Colombo), MFE - Merit (University of Colombo), B.Sc. Physical Science (University of Colombo)
32 years of experience in banking
- 07 Ms. Camy Somasunderam**
Assistant Vice President - Customer Experience and Contact Centre
MBA (University of Wales - UK), CIM Dip. (UK)
31 years of experience in banking
- 08 Mr. Gihan Punchihewa**
Assistant Vice President - Privilege Select Banking
ADBIM (NIBM), LLM (Master of Laws, Business with Finance, CMU - UK), MBA (Anglia Ruskin University - UK), LLB (Hons) (BNU - UK), BA (Hons) -First Class (UWIC - UK), PQHRM (CIPM), PG Dip in Business Strategy (ABP-UK)
19 years of experience in banking
- 09 Mr. Sameera Senerath**
Assistant Vice President - Sales
Associate Member (SLIM), EMBA - Merit (PIM - University of Sri Jayewardenepura), PG.Dip. in Marketing (CIM-UK), FIB (IBSL).
24 years of experience in banking
- 10 Mr. Vinjaya Jayasinghe**
Assistant Vice President - Branch Operations - Branch Network Management
Associate Member (IBSL), MBA (Cardiff Metropolitan University - UK), BMS Degree (The Open University of Sri Lanka), Dip. in Management (The Open University of Sri Lanka), Level 4 Certificate in Advanced Wealth Management (CISI - UK), Level 3 Certificate in Wealth and Investment Management (CISI - UK)
27 years of experience in banking
- 11 Mr. Sydney Downall**
Assistant Vice President - Colombo Region and Product Development
MBA (University of Southern Queensland), Dip. in Marketing (CIM - UK)
31 years of experience in banking
- 12 Mr. Dilum Amarasinghe**
Assistant Vice President - Leasing
MBA (Anglia Ruskin University - UK).
35 years of experience in finance leasing
- 13 Mr. Ashan Wikramanayake**
Assistant Vice President - Card Centre
Member (Association of Business Executives - UK), MBA (Cardiff Metropolitan University - UK), Adv. Dip. in Business Administration (ABE - UK)
18 years of experience in banking
- 14 Mr. Surith Priyawansa**
Assistant Vice President - Treasury
MBA (Cardiff Metropolitan University - UK), Dip in Treasury Investment and Risk Management (IBSL), Dip in Computer Software Application (British Academy of Higher Education (pvt)LTD, Certificate in Treasury and Forex Operations (Central Bank of Sri Lanka), Advance Certificate in Banking and Finance (IBSL), Thomson Reuter's Global Certification in 3000xtra (Thomson Reuter's Markets Academy - London), Certificate in Banking and Finance (IBSL).
14 years of experience in banking
- 15 Mr. Sanjeev Kulendran**
Assistant Vice President - Internal Audit
Associate Member (Financial Services Institute of Australasia), Associate Member (IBSL), B.Sc. (University of Madras)
32 years of experience in banking
- 16 Mr. Ranisha Perera**
Assistant Vice President - Human Resources
MBA in HRM (University of Bedfordshire), PG Dip. in Management (Cambridge Academy of Management), BBA (Business University of Costa Rica), Adv. Dip. in Teaching, Training and Assessing (City & Guilds), Adv. Dip. in HRM (EIPE), Applied Lean Six Sigma Practitioner (SSMI), Certified HR Business Partner (AON), Executive Certificate in HR Analytics (CIPM), Executive Certificate in Rewards Management (CIPM)
20 years of experience with 18 years in banking
- 17 Mr. Lasantha Mathupala**
Assistant Vice President - Information Technology
B.Sc. (Hons), PG Dip. in Computer Science (University of Sri Jayewardenepura), MBCS, PMI, ISACA, PCI Implemente
34 years of experience with 24 years in banking
- 18 Mr. Amila Withanage**
Assistant Vice President - Information Technology
MBA, M.Sc. - IT, B.Sc., PMP, ITIL-V4, OCP, VCP, CCNA, MCSA
22 years of experience with 7 years in banking
- 19 Mr. Renuke Perera**
Assistant Vice President - IT - Application Support and Data Analytics
MBCS (UK), MBA (Cardiff Metropolitan University - UK), B.Sc. in Computer Science (The Open University of Sri Lanka), Dip. In Management - (ICFAI University - India)
26 years of experience in banking
- 20 Ms. Shareen Jayasuriya**
Assistant Vice President - Credit
FCMA (UK), CGMA, ACSI, CIM Dip. (UK)
31 years of experience with 29 years in banking
- 21 Ms. Anushi Vithanage**
Assistant Vice President - Legal
Attorney-at-Law (Hons) of the Supreme Court of Sri Lanka, Notary Public, Commissioner for Oaths, Qualified Company Secretary, LL.M Master of Laws (with Company Law and Banking Law) (University of Colombo), Post Attorney Diploma in Banking Law and Insurance Law - Merit (Sri Lanka Law College)
30 years of experience in banking
- 22 Ms. Surani Peiris**
Chief Manager - Financial Analysis
B. Sc. in Physical Science (University of Colombo), ACMA (UK), CGMA, MBA (PIM - University of Sri Jayewardenepura).
23 years of experience with 18 years in banking

SENIOR MANAGEMENT

- 23 Mr. Indrajith Gamage**
Chief Manager - Wholesale Banking
ACMA (UK), CGMA, MFE - Master in Financial Economics (University of Colombo)
27 years of experience in banking
- 24 Mr. Niroshan De Silva**
Chief Manager - Wholesale Banking
AIB (Sri Lanka), MBA - University of Wales TSD, Dip. in Credit Management (IBSL)
32 years of experience in banking
- 25 Mr. Rukmal Dharmadasa**
Chief Manager - Supply Chain Finance
ACMA (UK), Certified Trade Finance Professional (CTFP) - ICC Academy, B.Sc. in Accountancy & Financial Management (University of Sri Jayewardenepura)
24 years of experience in banking
- 26 Mr. Ramesh Perera**
Chief Manager - Transaction Banking
ACMA (UK), CGMA
35 years of experience in banking
- 27 Mr. Manjula Gunawardana**
Chief Manager - Trade Finance
32 years of experience in banking.
- 28 Mr. Indika Liyanage**
Chief Manager - Trade Finance
MBA (UK), Postgraduate Executive Diploma in Banking and Finance (IBSL), Diploma in Bank Management (IBSL), Diploma in International Trade (IBSL), Diploma in Treasury, Investment and Risk Management (IBSL), Higher National Diploma in Information Technology (NCC UK)
26 years of experience in Banking
- 29 Mr. Gihantha De Silva**
Chief Manager - Transaction Banking
MBA in Finance (Cardiff Metropolitan University - UK), CMA (Aus), AIB (SL), Dip. in Trade Finance (IBSL)
16 years of experience in banking
- 30 Ms. Ayomi Kaviratne**
Chief Manager - Wholesale Banking
ACMA (UK), CGMA, B.Sc. Engineering (University of Moratuwa)
21 years of experience in banking
- 31 Mr. Rohitha Wijesinghe**
Chief Manager - Central Operations, Payments and Clearing
30 years of experience in banking
- 32 Mr. Malik Fernando**
Chief Manager - Transaction Monitoring Unit
MBA - Distinction (University of Suffolk - UK), Professional Diploma in International Business - SCQF Level 11 (Scottish Qualifications Authority)
32 years of experience with 26 years in banking
- 33 Mr. Nilendra Ahangama**
Chief Manager - Zonal Head - Business Banking
FCA (SL), ACMA (UK), CGMA, B.Sc. in Finance (Sp) (University of Sri Jayewardenepura), MFE (University of Colombo), Diploma in Treasury & Risk Management (IBSL)
14 years of experience in banking
- 34 Mr. Vinod Sivapragasam**
Chief Manager - Shared Services
MBA (Anglia Ruskin University - UK)
30 years of experience in banking
- 35 Ms. Aloka Ekanayake**
Chief Manager - Transformation Unit
ACMA (UK), CGMA, ACA (SL), MBA (University of Leicester)
31 years of experience with 28 years in banking
- 36 Ms. Manik Boteju**
Chief Manager - Project Finance
B.Sc. in Management (University of London)
23 years of experience in banking
- 37 Ms. Mayanthi Kamburugamuwa**
Chief Manager - Project Finance
CIMA Passed Finalist (Chartered Institute of Management Accountants), Master of Business Administration (Postgraduate Institute of Management), Bachelor of Laws (University of London), Special Advanced Certificate Course for Employees of NDB Bank on Branch Banking Operations (Institute of Bankers of Sri Lanka)
13 years of experience in banking
- 38 Mr. Indika Rajakaruna**
Chief Manager - Information Security
CISM & CISA (ISACA-USA), Accredited Trainer for CISA (APMG In'l - UK), Certified Professional Forensics Analyst (Network Intelligence - USA), Certified Trainer - City & Guilds (UK), PgD. Exe. Dip in Bank Mgt. (IBSL), AIB (IBSL), MBA - In'l Business (University of Northampton - UK), Executive MSc (Strategic Mktg - Asia e-University Malaysia),
29 years of experience in banking
- 39 Mr. Prasanna M. Jayawardhana**
Chief Manager - Privilege and Privilege Select Banking
MBA - Merit (University of Gloucestershire - UK), PQHRM (CIPM - SL), CMA (ANZ)
34 years of experience in banking
- 40 Mr. Chandima Alwis**
Chief Manager - Greater Colombo Region
FCA (SL)
33 years of experience with 27 years in banking
- 41 Mr. Nalin Abeyratne**
Regional Head - North Central Region
Bachelor of laws (LLB), Senior Associate Member (IBSL), MBA (University of Ruhuna), BBA (Sp.) (Hons) (University of Ruhuna)
26 years of experience with 23 years in banking
- 42 Mr. Thilina Hewage**
Chief Manager - Central Region
MBA (University of Wales - UK), Dip. in Human Resource and Organisational Behaviour (American College of Higher Education), Certificate in Inspiring and Motivating Individuals and Influencing People (University of Michigan - USA)
28 years of experience in banking
- 43 Mr. Sisira Herath**
Chief Manager - Southern Region
MBA - Merit (Cardiff Metropolitan University - UK), Diploma in Business Finance & Bank Management - IBSL, Micro MBA (Nth Degree Systems, Inc)
33 years of experience in banking
- 44 Mr. Chaminda Jayasinghearachchi**
Regional Head - North Western Region
AIB-SL Intermediate (Institute of Bankers of Sri Lanka), Diploma in Computer Studies (IDM Computer Studies (Pvt) Ltd), Advanced Certificate in Banking & Finance (Institute of Bankers of Sri Lanka), MBA - (Cardiff Metropolitan University - UK)
30 years of experience in banking
- 45 Mr. Sanath Susantha**
Chief Manager - Leasing
MBA (University of Ruhuna), B.Sc. in Physical Science (University of Colombo)
35 years of experience in banking
- 46 Ms. Himali Nandika**
Chief Manager - Finance
FCA (SL), B.Sc. in Accounting (Sp.) - Second Class (University of Sri Jayewardenepura)
24 years of experience with 18 years in Banking
- 47 Ms. Sudeepa Kumari**
Chief Manager - Finance
FCA (SL), MBA (University of Suffolk - UK), B.Sc. in Accounting (Sp.) - Second Class (University of Sri Jayewardenepura),
23 years of experience with 18 years in banking
- 48 Ms. Rasika Dassanayake**
Chief Manager - Business Relationship and Portfolio Management
ACA (SL), B.Sc. in Accounting (Sp.) - First Class (University of Sri Jayewardenepura)
24 years of experience in banking

- 49 Mr. Nishantha Amunugama**
Chief Manager -
Centralised Recoveries
MBA (University of Southern Queensland), PG
Dip. in Business (AUS - ICASL)
28 years of experience with 26 years in banking
- 50 Mr. Ruchinda Kodagoda**
Chief Manager -
Centralised Recoveries
MBA (Cardiff Metropolitan University),
Postgraduate Diploma (PDG) in Business
Administration London School of Commerce
21 years of experience in banking
- 51 Ms. Lourdetta Wijeyanathan**
Chief Manager - Business Relationship and
Portfolio Management
PG Dip. in Business Management (University
of Wales), Dip. in Corporate Banking (IBSL),
Intermediate Banking Diploma (IBSL)
29 years of experience in banking
- 52 Ms. Nadie Samarasena**
Chief Manager -
Product Lifecycle Management
ACMA (UK), CGMA, MBA (PIM - University of Sri
Jayewardenepura), B.Sc. - First Class (University
of Colombo)
26 years of experience in banking
- 53 Mr. Deepa Edirisooriya**
Chief Manager -
Product Management and Innovation
MBA (Cardiff Metropolitan University - UK),
B.Sc. (Hons) in Business Information Technology
- Second Class Upper (University of Greenwich
- UK)
18 years of experience in banking
- 54 Ms. Thitheeksha Wekunagoda**
Chief Manager - Internal Audit
FCA (SL), Diploma in Treasury & Risk
Management (IBSL), Diploma in Information
Systems Security Control & Audit (ICASL & ICAI),
Diploma in Bank Integrated Risk Mgmt. (IBSL),
Dip in Computer Science (IDM Computer Studies
(Pvt) Ltd)
24 years of experience with 18 years in banking
- 55 Mr. Dilshan Lankathilaka**
Chief Manager - Human Resources
MBA(UK), AIB (Sri Lanka), Certified Trainer IFC
(UK), Master Trainer (GAFM USA), Certified Talent
Professional(AoN), PPA Coach (Thomas UK)
Psychometric Interpreter, Job Fit Coach (Aus),
Certified Competency Mapper (TVRLS), Certified
Org Change Management Coach (IFC), International
Trainer, Talent Coach, Affiliate CIM, Adv.Dip in
Teaching Training & Assessing Learning(UK)
21 years of experience with 20 years in banking
- 56 Ms. Dilhani Piyasena**
Chief Manager -
Transformation and Programme
Management Support
MBA (PIM - University of Sri Jayewardenepura),
B.Sc. - First Class (Nagarjuna University - India)
31 years of experience in banking
- 57 Mr. Dharana Korale Arachchi**
Chief Manager - Marketing
Member (SLIM), MBM Marketing (University
of Kelaniya), B.BMgt. Marketing (Sp.) (Hons)
(University of Kelaniya)
13 years of experience with 6 years in banking
- 58 Ms. Medhini Senathirajasegaram**
Chief Manager - Credit Risk Management
ACMA (UK), CGMA, MBA (University of Colombo),
B.Sc. (Hons) in Computer Science (University of
Colombo)
22 years of experience with 21 years in banking
- 59 Mr. Rukshan Liyanage**
Chief Manager - Credit Review Division
MBA (Anglia Ruskin University - UK), PG
Certificate in Business Administration (University
of Leicester - UK), Professional Diploma in
International Business (London School of
Commerce - UK), Certificate Course in Credit
(IBSL)
29 years of banking experience
- 60 Mr. Mohan Palihawadana**
Chief Manager - Credit Review Division
AICM (SL), CISI (UK) - Risk in Financial Services,
PG Dip. in Business and Finance (ICASL)
32 years of experience in banking
- 61 Mr. Mano Thalís**
Chief Manager - Compliance
EMBA (PIM - University of Sri Jayewardenepura),
Dip. in Banking & Finance (IBSL) PG Dip. Business
Finance & Strategy (ICASL), CAMS (Association of
Certified Anti Money Laundering Specialists), Dip.
in Compliance (IBSL) Fintelekt Certified AML/CFT
Professional (FCAP), Certificate in Treasury and
Foreign Exchange Operations (CBS), Certificate in
Foreign Exchange (IBSL)
30 years of experience in banking
- 62 Ms. Champa Wickramanayake**
Chief Manager - Legal
Attorney at Law of the Supreme Court of Sri
Lanka, LL.B (Hons) (University of Colombo),
Post Attorney Diploma in Intellectual Property
Law (Institute of Higher Studies - Sri Lanka Law
College)
27 years of experience in banking
- 63 Mr. Gehan Heenkende**
Chief Manager -
Business Intelligence
MBCS CITP (BCS UK), MSc in Advanced
Information Systems (University of London).
34 years of experience with 3 years in banking

GROUP SUBSIDIARY LEADERSHIP TEAM



Mr. Senaka Kakiriwaragodage
Chief Executive Officer -
NDB Capital Holdings Limited

CFA, FCMA (UK), CGMA, MBA (University of Manchester - UK), B.Sc. in Computer Science and Engineering (University of Moratuwa).

22 years of experience, including 20 years with the NDB Group.



Mr. Ruwan Perera
Chief Executive Officer -
NDB Wealth Management Limited

ACMA (UK), CGMA, MAFE (University of Colombo), MBA in Finance (University Of Colombo), B.Sc. in Physical Science (University of Colombo), PG. Dip. in Business Administration and Management (University of Colombo), PG Dip. in Corporate and Strategic Finance (CA - SL), Executive Program (Harvard Business School - USA).

23 years of experience, including 15 years with the NDB Group.



Mr. Gihan R. Cooray
Chief Executive Officer -
NDB Securities (Pvt) Limited

MBA in Finance (Cardiff Metropolitan University - UK), Certificate in Capital Markets (SEC - SL), High Potentials Leadership Programme (Harvard Business School - USA)

23 years of experience, including 21 years with the NDB Group.



Mr. Harshana Jayaweera
Chief Executive Officer -
NDB Investment Bank Limited

FCMI (UK), MBA (University of Leicester - UK), Executive Management Program in International Management (Stanford Graduate School of Business-USA) and (National University of Singapore Business School - Singapore), FinTech Certification (Harvard Business School - USA), Certified in Marketing of Financial Services, Banking & Finance (Institute of Bankers - Sri Lanka and Chartered Institute of Bankers - UK)

25 years of experience in the industry.



Mr. Md Maroof ur Rahman Mazumder
Chief Executive Officer -
NDB Capital Limited (Bangladesh)

MBA in Finance (IBA, University of Dhaka), PG.Dip. in Computer Application Programs (Bangladesh Institute of Bank Management), B.Sc in Civil Engineering (Bangladesh University of Engineering and Technology)

Over 23 years of experience in the industry.



OPERATING LANDSCAPE & STRATEGY

Responding to A Changing Landscape



Enabling Dynamic Growth

We're relying on our inherent dynamism and energy to conquer strong headwinds, and remain agile and responsive in the face of changing conditions.

In Japanese gardens, trees such as the willow or cherry are trained or pruned to create a cascading, sweeping form that represents elegance and the beauty of movement. This 'weeping' form signifies the transience and impermanence of life – correlating to an environment that is constantly shifting and evolving. The trees' graceful movement embodies the nature of water, representing responsiveness and adaptability in the face of change.

OPERATING ENVIRONMENT

KEY DEVELOPMENTS IN THE OPERATING ENVIRONMENT DURING 2024

Rebound in global trade

Global trade witnessed a rebound in 2024, recovering from the sharp downturn in 2023. Growth however was driven mainly by developed countries with sectors such as apparel and ICT products showing strong performances during the year.

Stabilisation of the Sri Lankan economy

The recovery momentum which commenced towards the latter part of 2023 continued in 2024 with GDP estimated to have grown by 5.0% in 2024 compared to the 2.3% contraction in 2023. The growth was driven mainly by a rebound in the industrial sector, as well as a strong performance in tourism-related service sectors.

Declining inflationary pressures

Inflation declined steadily throughout 2024 with headline inflation reaching deflationary levels towards the end of the year. This was driven by the higher-than-predicted downward revisions to the energy prices, stronger currency as well as the decline in food prices.

Continuation of accommodative monetary policy

CBSL continued to ease monetary policy during the year reducing policy rates on three occasions during the year.

Improved foreign exchange earnings

The external sector continued its positive momentum in 2024 contributing to stronger Rupee during the year. Consequently, the Sri Lanka Rupee continued to appreciate during the year appreciating by 10.7% against the US dollar during the year.

Successful completion of debt restructuring process by GOSL

External Debt Restructuring (EDR) process was concluded in December 2024 with Sri Lanka, finalising agreements with its major official bilateral creditors, including China, through a Memorandum of Understanding (MoU) with the Official Creditor Committee (OCC)

Upgrading of Sovereign Rating

Following the finalisation of International Sovereign Bonds restructuring, Fitch upgraded Sri Lanka's long-term foreign-currency rating to 'CCC+' from 'RD' (Restricted Default), and local-currency IDR to 'CCC+' from 'CCC-'. This was followed by Moody's rating agency also upgrading Sri Lanka's credit rating on 23 December 2024 to Caa1 from Ca.

Enactment of the Banking (Amendment) Act No. 24 of 2024

The Banking (Amendment) Act No. 24 of 2024 was effected in July 2024 with a view to further strengthening the legal and regulatory framework applicable for licensed commercial banks and licensed specialised banks (licensed banks)

The Sri Lankan economy achieved significant strides in restoring macroeconomic stability in 2024. These positive developments, coupled with decisive regulatory and policy measures to strengthen the financial sector's regulatory framework, led to a more stable and resilient financial system. As a result, financial institutions benefited from a relatively more favourable operating environment during the year notwithstanding persisting challenges. The following section discusses key developments in the macro environment with its implications on the banking sector and NDB in particular.

Impact on Banking Sector

- ➔ The decline in inflationary pressures reduced pressure on household and corporate balance sheets, **softening credit risk** faced by financial institutions
- ➔ Reduction in market interest rates and resurgence in consumer confidence due to improving economic conditions in the country contributed to a **gradual increase in credit demand**, albeit significantly lower than pre-crisis levels.
- ➔ Market interest rates continued to adjust downward in response to a continuation of the accommodative monetary policy adopted by CBSL, **partially correcting imbalances in the interest rate structure** observed in the past.
- ➔ **The banking sector's exposure to the public sector showed signs of correction** as the Central Government absorbed certain credit facilities of a major State-Owned Enterprise as part of the SOE restructuring. However, overall sovereign exposure continued to rise, driven by increased bank investments in government securities, which offered higher yields compared to other market interest rates.

We continued to closely monitor developments in the market, proactively responding with strategic interventions to ensure resilience, and sustainable growth. Our strategic responses to industry dynamics and the resultant performance compared to industry performance is discussed below.

Industry Performance 2024	Bank's Response	Comparative Performance									
Credit Growth											
Credit growth of the Banking sector witnessed a gradual resurgence during the year supported by the continuation of an accommodative monetary policy and gradual uptick in economic activity. Further, credit demand to the private sector witnessed an increase while the dependence of State Owned Enterprises declined due to the Central Government absorbing certain credit facilities of a major State Owned Enterprise.	We continued to take a cautious approach to lending, selectively pursuing quality growth opportunities to support the national economy.	Growth in Gross Loans and Advances to Customers									
		<table><tr><th>%</th><th>2024</th><th>2023</th></tr><tr><td>Banking Sector</td><td>4.1</td><td>(2.6)</td></tr><tr><td>NDB</td><td>2.7</td><td>(14.4)</td></tr></table>	%	2024	2023	Banking Sector	4.1	(2.6)	NDB	2.7	(14.4)
	%	2024	2023								
	Banking Sector	4.1	(2.6)								
	NDB	2.7	(14.4)								
Strategic Action Taken in 2024											
⦿ Prioritisation of capital efficient lending across business segments ⦿ Leveraging existing relationships to drive quality credit growth ⦿ Focus on key sectors such as exports and renewable energy to drive targeted portfolio growth											
Link to Strategy											
	 Business Focus										
	 Empowered Stakeholders										

OPERATING ENVIRONMENT

Industry Performance 2024	Bank's Response	Comparative Performance									
Credit Quality											
Overall industry Non-Performing Loans (NPLs) decreased during the year, indicating a decline in the overall default risk of the Banking sector. Notwithstanding this improvement, the Non-Performing Loans (NPL) ratio remained elevated highlighting continued challenges in the market.	Preserving portfolio quality remained a key focus during the year and we continued to proactively identify portfolio stresses and support our customers through financial difficulties. Strategic Action Taken in 2024 - Proactive management of Stage 2 portfolio - Strengthening of risk management and monitoring mechanisms - Strengthening and up-skilling the Remedial Management (Business Revival) Unit to rehabilitate financially distressed borrowers Link to Strategy  Business Focus Operational Excellence	NPL Ratio <table><tr><th>%</th><th>2024</th><th>2023</th></tr><tr><td>NDB</td><td>5.2</td><td>8.6</td></tr></table>	%	2024	2023	NDB	5.2	8.6			
%	2024	2023									
NDB	5.2	8.6									
Net Interest Income											
Net Interest Margin (NIM) of the Banking sector increased in 2024 due to a notable decline in interest expenses as compared to interest income. This was mainly on account of the reduction in deposit rates outpacing that of lending rates.	NIM was a key strategic pillar of our midterm strategy and we continued to focus on optimising our cost of funds, enhancing the quality of our asset book, and effectively re-pricing our deposit portfolio. Strategic Action Taken in 2024 - Efficient assets and liability management, including timely re-pricing - CASA drive to increase low cost fund base Link to Strategy  Business Focus Operational Excellence	Net Interest Margins <table><tr><th>%</th><th>2024</th><th>2023</th></tr><tr><td>Banking Sector</td><td>4.3</td><td>3.6</td></tr><tr><td>NDB</td><td>4.3</td><td>4.0</td></tr></table>	%	2024	2023	Banking Sector	4.3	3.6	NDB	4.3	4.0
%	2024	2023									
Banking Sector	4.3	3.6									
NDB	4.3	4.0									

Industry Performance 2024	Bank's Response	Comparative Performance									
Liquidity											
Rupee liquidity condition of the Banking sector, significantly improved during the year mainly due to increased investments in Rupee denominated government securities by banks. In addition, a considerable amount of funds maintained by the sector with financial institutions abroad indicated prudent foreign currency liquidity management by banks.	We continued to maintain a diverse portfolio of borrowings in terms of currencies, maturities, instruments and investor types in order to avoid excessive reliance on individual markets and funding sources. Close monitoring of liquidity matrices meanwhile ensured that we maintained a strong liquidity position throughout the year.	All Currency Liquid Coverage Ratio <table><tr><th>%</th><th>2024</th><th>2023</th></tr><tr><td>Banking Sector</td><td>313.8</td><td>288.4</td></tr><tr><td>NDB</td><td>308.3</td><td>228.6</td></tr></table>	%	2024	2023	Banking Sector	313.8	288.4	NDB	308.3	228.6
	%		2024	2023							
	Banking Sector		313.8	288.4							
	NDB		308.3	228.6							
Strategic Action Taken in 2024											
- Optimised investments in government securities - Regular cash flow projections to manage liquidity - Enhanced engagement through ALCO to manage liquidity - Strengthened stress testing and reviewing related parameters and economic triggers											
Link to Strategy											
 Business Focus											
Capital Adequacy											
Banking sector capital adequacy improved during the year as a result of improved profitability across the sector and new issuance of Tier II debenture capital. In addition, the shift towards investments with risk free government securities also contributed to the improved capital adequacy of the banking sector.	We continued to maintain a diverse portfolio of borrowings in terms of currencies, maturities, instruments and investor types in order to avoid excessive reliance on individual markets and funding sources. Close monitoring of liquidity matrices meanwhile ensured that we maintained a strong liquidity position throughout the year.	Total Capital Ratio <table><tr><th>%</th><th>2024</th><th>2023</th></tr><tr><td>Banking Sector</td><td>18.3</td><td>16.9</td></tr><tr><td>NDB</td><td>19.1</td><td>15.9</td></tr></table>	%	2024	2023	Banking Sector	18.3	16.9	NDB	19.1	15.9
	%		2024	2023							
	Banking Sector		18.3	16.9							
	NDB		19.1	15.9							
Strategic Action Taken in 2024											
Issue of LKR 10.0 Bn Basel III compliant listed, rated, unsecured, subordinated, redeemable debentures via two tranches in September and December 2024, LKR 5.0 Bn per tranche											
Link to Strategy											
 Business Focus											
Sector Profitability											
Profitability of the Banking sector improved, significantly in 2024 supported by the increase in net interest income and reduction in impairments across the sector.	We continued to maintain a diverse portfolio of borrowings in terms of currencies, maturities, instruments and investor types in order to avoid excessive reliance on individual markets and funding sources. Close monitoring of liquidity matrices meanwhile ensured that we maintained a strong liquidity position throughout the year.	PAT Growth <table><tr><th>%</th><th>2024</th><th>2023</th></tr><tr><td>Banking Sector</td><td>60.8</td><td>22.9</td></tr><tr><td>NDB</td><td>68.2</td><td>84.6</td></tr></table>	%	2024	2023	Banking Sector	60.8	22.9	NDB	68.2	84.6
	%		2024	2023							
	Banking Sector		60.8	22.9							
	NDB		68.2	84.6							
Strategic Action Taken in 2024											
- Focused efforts to increase fee and commission income through transaction drive - Maintained a strong cost discipline across the organisation											
Link to Strategy											
 Business Focus  Operational Excellence											

OPERATING ENVIRONMENT

OUTLOOK



The financial sector is expected witness a rebound in credit demand, enhanced asset quality, and a continued buildup of capital buffers in 2025 as global and domestic macro-economic factors continue to improve. Notwithstanding this favourable outlook, deep-seated macrofinancial imbalances created by the unprecedented gravity of the economic and financial crisis of the last two years will continue to pose challenges unless prudently managed. A strong commitment to implement timely and well-sequenced policy measures and reforms by all stakeholders will therefore be of utmost importance to maintain the current growth momentum. Going forward NDB will remain focused on addressing potential challenges while strategically capitalising on emerging opportunities.

Opportunities

- + Whilst credit demand from household and institutional sectors recorded an expansion in 2024, the debt stock of both sectors remained below the levels observed during the first half of 2022, reflecting the potential for further expansion of credit in the short term.
- + The lifting of import restrictions, including restrictions on vehicle imports is likely to increase demand for import funding.
- + The successful completion of the EDR and the subsequent sovereign rating upgrade have restored investor confidence, creating opportunities to access external financial resources including concessionary funding lines.
- + Progressive action taken to enhance the national payment digital infrastructure such as developing the Government Digital Payment Platform (GDPP), as well as the Governments focus of digitisation of government services likely to enhance opportunities for digital financial services and products.
- + Increased focus on sustainable finance including Green Lending

Challenges

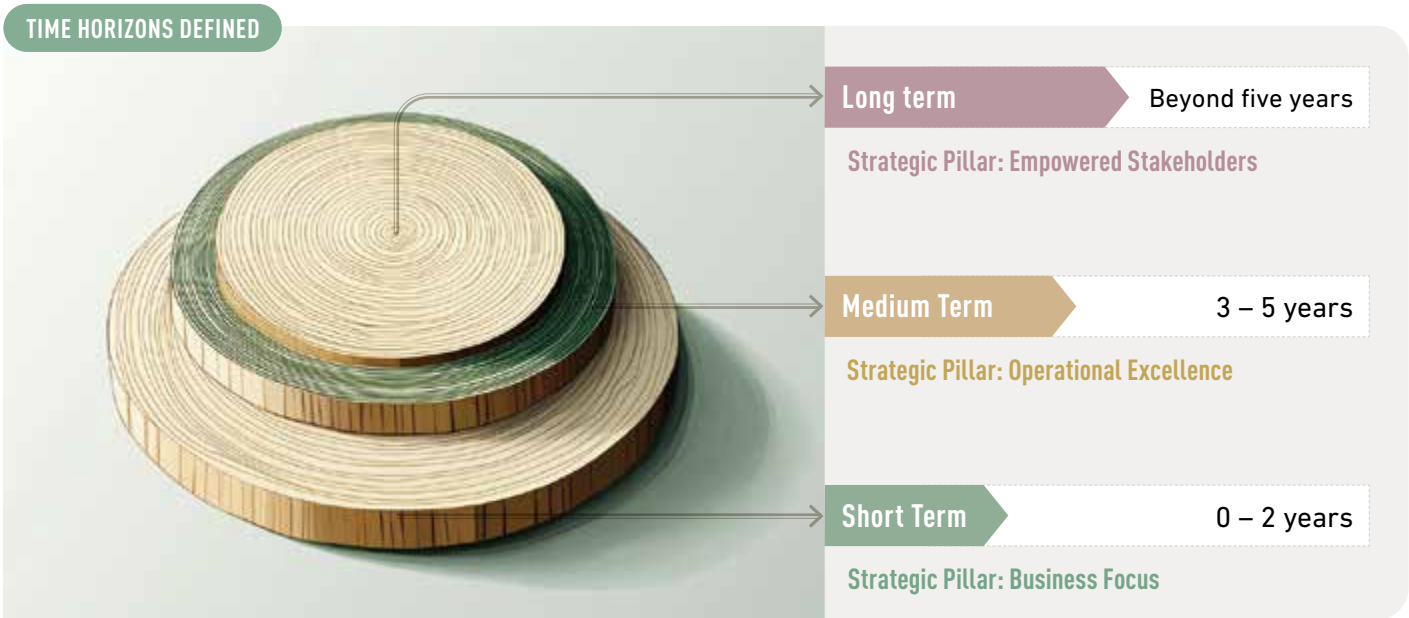
- ⊙ Delay in credit pick-up and negative impact on repayment capacities due to lingering impact of economic crisis on real income levels.
- ⊙ The higher propensity towards risk taking during an expansionary phase of a credit cycle could heighten the buildup of vulnerabilities such as excessive leverage, asset bubbles and deteriorating credit quality
- ⊙ Challenges in attracting low cost funds amidst low deposit rates
- ⊙ Continued downward pressure on lending rates could narrow the net interest income of financial institutions thereby affecting profitability.
- ⊙ Government securities, which led to significant returns to investing financial institutions in the recent past, may gradually subside
- ⊙ Adapting to new legislation affecting banking operations and compliance may pose challenges
- ⊙ Potential spillovers from a negative trade outlook driven by possible US policy shifts, including broader tariffs that could disrupt global value chains and reduce international trade volumes

OUR BLUEPRINT FOR SMART GROWTH - STRATEGY

As Sri Lanka gradually emerges from the economic crisis, NDB as a leading financial institution in the country, is determined to play a pivotal role in the country’s resurgence by providing customer focused banking solutions that empower individuals, businesses, consumers and broader communities. At the core of these efforts lies our carefully crafted time-bound strategy, aimed at fostering sustainable bottom-line growth while cultivating a more resilient and inclusive economic ecosystem in the long term.

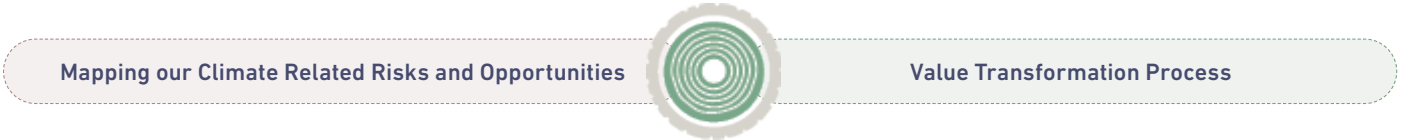
Strategy formulation entails a diligent process wherein amidst other multiple factors, material matters that affect the business, key risks and opportunities identified as critical in business performance, the Group’s sustainability agenda, commitment to United Nation’s Sustainability Development Goals and interests of our key stakeholder groups are embedded. This approach to strategy formulation, execution and monitoring and follow-ups ensures that the Group is constantly and consistently directed by a strong strategic agenda which propels our wider purpose of delivering sustainable impact and supporting our stakeholders in unlocking prosperity.

In presenting our Strategy in this Annual Report with greater clarity, relevance to key users of the Annual Report and enhanced readability, we have condensed our strategic focus on to a time-bound frame, across the three key strategic pillars of Business Focus, Operational Excellence and Empowered Stakeholders. Whilst each strategic pillar will have its own short to long term focus, the purpose of this depiction is to demonstrate how all of the Group’s efforts are ultimately directed towards empowering our valued stakeholders and supporting them in unlocking sustainable prosperity.



EMBEDDING SUSTAINABILITY IN OUR STRATEGY

For a comprehensive review of this presentation under Our Blueprint for Smart Growth, the following sections should be read in conjunction.



OUR BLUEPRINT FOR SMART GROWTH - STRATEGY



MEASURING OUR PROGRESS

The following section provides an overview of the progress achieved across each of our strategic pillars. While monitoring progress in each of these areas through specific KPIs that reflect the value generated to our stakeholders, we also identify risks and opportunities likely to impact each of our strategic priorities. By doing so, we are able to remain agile and responsive to evolving market dynamics, stakeholder needs, and emerging challenges, ensuring that our strategies remain effective and aligned with our long-term goals.

STRATEGIC PILLAR : BUSINESS FOCUS

Resource Allocation and Capital Trade Off	Key Actions in 2024	Output (KPIs)	Outcomes
- Enhancements to client transacting platforms, core banking system and other related systems to enable smoother and more transactions - Investments to improve data analytics capabilities - Additional resources allocated to monitor portfolio quality Capital Trade-offs  Financial Capital  Intellectual Capital	- Leveraging existing relationships to drive transaction volumes - Prioritisation of capital efficient lending across business segments - Focused efforts to drive cost and process efficiencies through RPAs - Strengthening of risk management and monitoring mechanisms. - Driving CASA growth in new customer segments	18% Total transaction growth 20% Digital transaction growth 20% Total transaction growth 340 bps Enhancement in impaired loans (Stage 3 to total loans ratio to 5.18%) 7% NII Growth 38 bps Improvement in NIM to 4.34%	Stakeholders Impacted  Investor  Customers  Employees SDG's Impacted  8 DECENT WORK AND ECONOMIC GROWTH  9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Risks and Opportunities Likely to Impact Strategic Pillar Risks - Macro-economic risk - Credit risk - Market risk - Climate risk  Refer page 180 for more information.		Opportunities - Products and services - Markets - Downstream (customer and market side)  Refer page 183 for more information.	

OUR BLUEPRINT FOR SMART GROWTH - STRATEGY



STRATEGIC PILLAR : OPERATIONAL EXCELLENCE

Resource Allocation and Capital Trade Off	Key Actions in 2024	Output (KPIs)	Outcomes
- Investment in digital infrastructure and technology upgrades - Training investment - Deployment of employees with stronger IT skills Capital Trade-offs Financial Capital Intellectual Capital Digital Capital	- Enhancements to digital value proposition including NEOS Digital Banking Platform - Driving process automation and business re-engineering initiatives to drive cost and resource efficiencies - Continued remote working models for employees - Introduction of Service Level Agreement (SLA) turnaround times for each business line in driving customer service excellence - Ongoing training to improve customer service levels - Structural re-alignment of key business verticals for better service delivery	4.5/5.0 Customer Satisfaction Rate 94% Increase in digitally active customer base 24 Total RPAs in operation 8.04% GHG emissions reduction	Stakeholders Impacted - Investor - Customers - Employees - Suppliers and Business Partners SDG's Impacted
Risks and Opportunities Likely to Impact Strategic Pillar Risks - Operational risk - IT and cyber security risk Refer page 180 for more information.		Opportunities - Resource efficiency - Energy source - Products and services - Resilience - Core business operations - Downstream (customer and market side) Refer page 183 for more information.	



STRATEGIC PILLAR : EMPOWERED STAKEHOLDERS

Resource Allocation and Capital Trade Off	Key Actions in 2024	Output (KPIs)	Outcomes
- Added support to the SMEs sector - Employee training and development investment - Investment in strategic Corporate Sustainability initiatives Capital Trade-offs  Social and Relationship Capital  Intellectual Capital	- Entered into strategic partnerships with key stakeholders such as National Enterprise Development Authority, Export Development Board, International Finance Corporation and Asian Development Bank to support SMEs and women entrepreneurs in the country - Continued to enhance Banking on Women proposition - Improvements to employee value proposition to empower employees - Corporate sustainability initiatives designed to address prevailing social and environmental issues and contribute to United Nation's Sustainability Development Goals	LKR 109 Bn SME Loan Portfolio 28% Female representation in senior management Wide range of beneficiaries of corporate sustainability initiatives carried out by the Bank	Stakeholders Impacted  Suppliers and Business Partners  Customers  Employees SDG's Impacted       
Risks and Opportunities Likely to Impact Strategic Pillar Risks - Macro-economic risk - Climate risk  Refer page 180 for more information.		Opportunities - Upstream (supply side) - Downstream (customer and market side)  Refer page 183 for more information.	

OUR BLUEPRINT FOR SMART GROWTH - STRATEGY

STRATEGIC RESILIENCE – CURRENT STATUS AND GEARING UP

At NDB we recognise the evolving landscape of sustainability-related risks and opportunities and are committed to ensuring the resilience of our strategy and business model in adapting to these uncertainties. Our approach to resilience is guided by a structured assessment of risks, allowing us to navigate potential financial, regulatory, and environmental shifts. The presentation below identified initiatives already underway and initiatives with potential to be implemented which enhance the Group's resilience.

1

Capacity to Adjust to Sustainability-Related Risks

The Group has developed a multi-faceted approach to assess and enhance its capacity to adapt to climate and sustainability risks, ensuring business continuity and long-term value creation.

- ⊙ **Governance and oversight:** The Group is making progress towards establishing sustainability related oversight under a Board subcommittee thereby further strengthen embedding sustainability-related risks in strategic decision-making. Exposure to environmental and social risks via lending is already addressed through a comprehensive Environment and Social Risk Management (ESRM) framework with dedicated oversight of the Board Integrated Risk Management Committee.
- ⊙ **Risk Identification and management:** The Group's Integrated Risk Management Framework incorporates conventional risks and evolving regulatory expectations. The framework will be further strengthened to include sustainability risks, including physical climate risks and transition risk.
- ⊙ **Sustainable finance strategy:** The Bank actively diversifies its portfolio to include funding to renewable energy sector, women's market segment, climate-smart agriculture, etc. ensuring resilience amid market shifts towards a low-carbon economy. The Bank's Sustainable Bond Framework obtained an independent assessment and "Good" rating from Sustainable Fitch based on internationally recognised principles and guidelines set by the International Capital Market Association (ICMA), aptly placing us to issue sustainable bonds.

2

Qualitative and Quantitative Assessment of Resilience

- ⊙ **Sectoral exposure and transition readiness:**
 - The Group is supporting sectors investing in sustainable energy, agriculture, and infrastructure. Additionally, in the medium to long run, the Bank will set targets to reduce exposure to high-carbon industries.
 - Our credit approval processes include a comprehensive Environmental and Social Due Diligence check-list.
- ⊙ **Operational and supply chain resilience:**
 - NDB is committed to operational sustainability, through energy efficiency, resource efficient processes supported by technology and paperless/ resource efficient banking via its digital platforms available for all business segments.

The Group will set following quantitative targets as a part of streamlining its ESG endeavours, in the medium to long term.

- ⊙ **Green finance growth:**
 - Over a set percentage of the Group's corporate lending portfolio to be allocated to sustainability-linked finance, targeting industries adopting low-carbon practices.
- ⊙ **Carbon footprint reduction:**
 - An annual carbon emissions reduction target is to be set, to be achieved through a combination of measures such as energy-efficient branches, renewable energy investments, deployment of digital and AI means in processes, etc.

3

Time Horizon for Resilience Planning

The Group plans to employ a time-based risk evaluation model to assess resilience:

- ⊙ **Short-term (1 - 2 years)** : Focus on regulatory compliance, ESG reporting enhancements, and risk integration into investment decisions.
- ⊙ **Medium-term (3 - 5 years)** : Expansion of sustainable finance products, integration of climate risk into capital allocation, and innovation in green technology financing.
- ⊙ **Long-term (>5 years)** : Deeper integration of ESG factors into financial models, and alignment with Sri Lanka's and global climate goals (Paris Agreement, SDGs).

4

Scenario Analysis and Strategic Adjustments

The Group will also embark on climate-related scenario analyses by 2027, and may cover;

- ⊙ A 2°C or lower warming scenario, assessing risks and opportunities in a low-carbon economy
- ⊙ A high-carbon transition risk scenario, evaluating financial impacts if carbon pricing and climate regulations increase
- ⊙ Extreme weather event simulations, examining the implications of floods, droughts, and hurricanes on credit risk and asset performance.

Insights from these analyses inform capital allocation, risk mitigation strategies, and product innovation, ensuring our resilience to sustainability-related risks.

NDB is committed to embedding resilience into its strategic decision-making, financial products, and risk management framework. By proactively integrating sustainability risk assessments, scenario analysis, and targeted resilience measures, we aim to ensure our long-term adaptability and continued competence in sustainable finance and related areas.

STAKEHOLDER ENGAGEMENT



Our ability to consistently deliver value lies in effectively managing stakeholder expectations and aligning our strategic priorities with evolving market conditions. Central to this is our stakeholder engagement framework, which fosters meaningful dialogue with stakeholders and enables us to remain attuned to their needs and aspirations.

At NDB, stakeholder engagement is an ongoing process conducted through a variety of tailored touchpoints designed to suit the unique needs of each stakeholder group. These interactions are supported by robust policies, procedures, and systems, enabling us to analyse feedback and gain valuable insights into stakeholder expectations and concerns.

OUR STAKEHOLDER UNIVERSE

The dynamic and diverse nature of NDB Group's operations means our stakeholder universe spans a broad spectrum of individuals and entities. This includes both local and international stakeholders, ranging from individual clients and corporate customers to regulators and investors, all with varying financial capacities, interests, and levels of influence. This diversity underscores the importance of maintaining proactive and inclusive engagement practices to create meaningful impact and shared prosperity.

We identify our stakeholders based on the extent to which stakeholders can impact our operations and the level of interest they maintain on us.

Interest aspect	Stakeholder groups (list not exhaustive)
Economic/ financial	Shareholders, debt providers, employees, suppliers, tax authorities
Environmental	Environment interest groups, certain segments of customers, employees, regulatory authorities
Societal	Customers, employees, communities, suppliers, NGOs, human rights groups
Governance	Shareholders, regulatory authorities, customers, employees

As evidenced, a single stakeholder group may hold interests spanning multiple aspects of the Group's operations and impacts. Over the past few years, drastic changes in the external environment both locally and globally have prompted a shift in conventional stakeholder concerns toward new and emerging priorities. The rapid adoption of social media and heightened visibility of global events have further amplified stakeholder influence, often triggering widespread scrutiny, advocacy, and protests.

NDB remains acutely aware of these interconnected and evolving interests, as well as the shifting dynamics of stakeholder influence. Accordingly, we are committed to fostering sustainable performance and cultivating curated, meaningful relationships that address these complexities while driving long-term value creation.



ENGAGING OUR STAKEHOLDERS

Engagement with our stakeholders can be condensed in to the following framework.

STEP 1

Identify Stakeholders

Objective:

Recognise and prioritise all relevant stakeholders.

Key Steps:

- ☉ List all internal and external stakeholder groups (e.g., employees, customers, investors, regulators, suppliers, communities).
- ☉ Segment stakeholders based on influence, interest, and impact on the Group's objectives.
- ☉ Use a Stakeholder Matrix to categorise them into high-priority and low-priority groups.

STEP 2

Understand Stakeholder Needs and Expectations

Objective:

Gain insights into stakeholders' concerns, interests, and expectations.

Key Steps:

- ☉ Conduct surveys, interviews, or focus group discussions to collect qualitative and quantitative data.
- ☉ Analyse stakeholder feedback to identify recurring themes and critical needs.
- ☉ Map stakeholder expectations to Group's goals to identify areas of alignment or conflict.

STEP 3

Develop Engagement Strategies

Objective:

Create tailored strategies for engaging with each stakeholder group.

Key Steps:

- ☉ Define clear engagement objectives for each group (e.g., inform, consult, collaborate, or empower).
- ☉ Choose appropriate communication channels and methods (e.g., email updates, town halls, webinars, social media).
- ☉ Incorporate inclusive practices to ensure all voices, including marginalised groups, are heard.

STEP 4

Plan and Execute Engagement Activities

Objective:

Implement planned activities to build relationships and address stakeholder concerns.

Key Steps:

- ☉ Develop an engagement plan with timelines, resources, and responsibilities.
- ☉ Execute activities such as stakeholder forums, workshops, or public consultations.
- ☉ Ensure communication is two-way to encourage stakeholder input and dialogue.

STEP 5

Monitor and Evaluate Engagement

Objective:

Assess the effectiveness of engagement activities and refine approaches as needed.

Key Steps:

- ☉ Use performance indicators to measure engagement outcomes (e.g., participation rates, satisfaction levels, changes in stakeholder sentiment).
- ☉ Gather feedback on engagement processes and identify areas for improvement.
- ☉ Regularly report on engagement outcomes to stakeholders, highlighting actions taken based on their input.

STEP 6

Curate Relationships

Objective:

Foster ongoing trust and collaboration with stakeholders.

Key Steps:

- ☉ Create mechanisms for continuous feedback, such as suggestion boxes, online platforms, or periodic surveys.
- ☉ Maintain consistent and transparent communication, even outside formal engagement activities.
- ☉ Recognise and address stakeholder contributions to build goodwill.

STEP 7

Integrate Stakeholder Feedback into Decision-Making

Objective:

Ensure stakeholder input informs the Group's strategies and operations.

Key Steps:

- ☉ Integrate stakeholder insights into strategic planning, risk management, and innovation processes.
- ☉ Analyse feedback to identify actionable insights and prioritise responses.
- ☉ Communicate back to stakeholders how their input influenced decisions to close the feedback loop.

STEP 8

Adapt and Innovate

Objective:

Stay responsive to changing stakeholder needs and evolving market conditions.

Key Steps:

- ☉ Regularly review and update the stakeholder engagement framework to reflect new challenges and opportunities.
- ☉ Leverage technology and digital platforms to enhance engagement reach and efficiency.
- ☉ Promote a culture of stakeholder-centric thinking within the Group.

STAKEHOLDER ENGAGEMENT

STAKEHOLDER MAPPING

The Group's primary stakeholder groups are identified as follows:



Investors



Customers



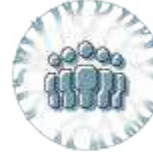
Employees



Suppliers and Business Partners



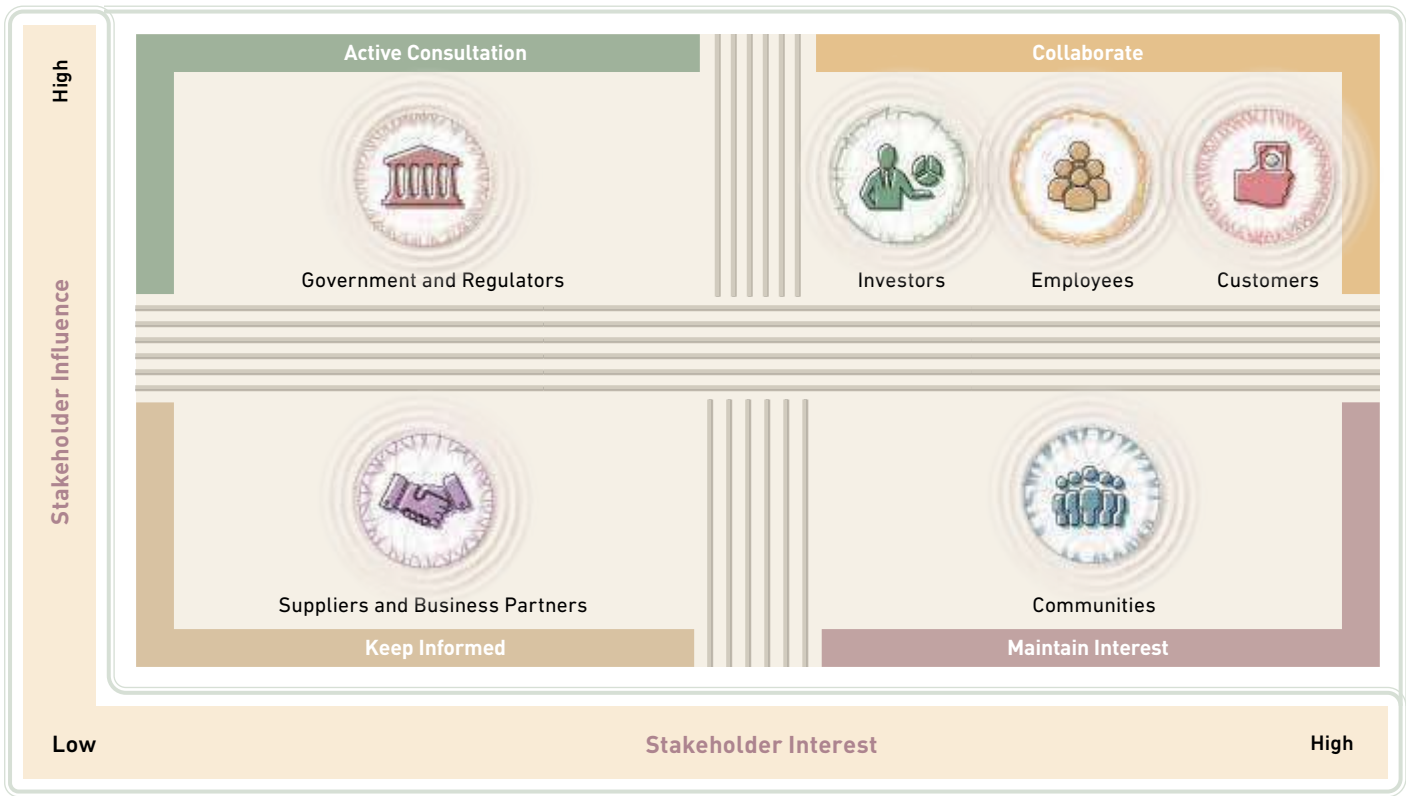
Government and Regulators



Communities

Using our stakeholder engagement framework, we identify and implement the most effective engagement mechanisms for maintaining strong relationships with each stakeholder group. These mechanisms are tailored to reflect the level of influence stakeholders can exert on the Group and their degree of interest in its operations and performance.

OUR STAKEHOLDER UNIVERSE





STAKEHOLDER ENGAGEMENT IN 2024

↑ Value Increased

INVESTORS

Investor Profile

11,518
Total
shareholders

99%
local
shareholders

1%
foreign
shareholders

One long-term
institutional
lender

**Government of
Sri Lanka
and related entities
as other
lenders**

Engagement Mechanism and Frequency

Online and In-person Engagements

- Annual General Meetings
- Extraordinary General Meetings as and when required
- Quarterly financial results publications
- Quarterly performance updates
- Quarterly investor webinars
- Year-round meetings with investment analysts, stock brokers, etc.
- Investor road-shows

Publications/ Information Sources

- Annual Reports
- Investor presentations and announcements to the Colombo Stock Exchange
- Dedicated investor relations page on our website www.ndbbank.com

Point of Contact

- Dedicated top management persons earmarked for investor relations support

Key Concerns Raised

- Financial performance and dividend policy
- Integrity and high standards of corporate conduct and governance
- Effectiveness of risk management practices
- Strength of the Leadership Team and succession planning
- Increased focus on ESG considerations
- Retention of skilled staff
- Bank's role in country's economic revival efforts

Corresponding Material Topics

- Profitable growth
- Strong corporate governance
- Talent attraction and retention
- Managing macro-economic headwinds
- Managing socio-political impacts
- Brand positioning

Response Action

- Implementation of focused strategy to address short to medium term challenges
- Continued focus on strong governance and risk management practices
- Development of a strong leadership pipeline

Value Delivered

↑ **LKR 9.9 Bn**
Group PAT

↑ **12.46%**
Group ROE

↑ **LKR 84.2 Bn**
Total Group Equity

Link to Strategy



Empowered Stakeholders



Operational Excellence

Read More



- Unlocking Prosperity: Our Strategic Roadmap to Growth - Page 55
- Financial Capital - Page 114
- Risk Management Overview and Corporate Governance - Page 190 onwards
- Investor Relations - Page 484

Contribution to SDGs



STAKEHOLDER ENGAGEMENT



Value Increased

EMPLOYEES

Employee Profile

2,920
Employees

22%
Employees with
over 10 years of Service

44%
Female representation

Engagement Mechanism and Frequency

On-going Initiatives

- Annual employee satisfaction surveys
- Human Capital Management System (HCM)
- Periodic Town Hall Meetings for all staff
- Frequent All Staff email notifications
- Frequently scheduled meetings with the Leadership Team, Regional Managers, Branch Managers and business review meetings induction programmes for all new recruits
- Work life balance initiatives conducted by the Staff Recreation Club and Toastmasters Club
- Annual Retail Banking Awards

Publications/ Information Sources

- Comprehensive Human Resources Policy
- Updates released to Human Capital Management System (HCM)

Point of Contact

- HR Business Partners per each Department
- NDBPAL connectivity platform for employee mental wellbeing

Key Concerns Raised

- Effective performance management and attractive remuneration
- Career advancement opportunities
- Training and development opportunities
- Diversity and inclusion
- Work life balance

Corresponding Material Topics

- Employee development
- Talent attraction and retention
- Operational efficiency
- Strong corporate governance
- Profitable growth
- Brand positioning

Response Action

- Introduction of a new rewards strategy with effect from 01 January 2024
- Continuation of employee engagement activities
- Strengthened HR governance
- Mapping of employee competencies and delivering targeted training
- Focus on employee mental wellbeing through NDBPAL

Value Delivered

LKR 9.1 Bn

Total payments to employees

Link to Strategy



Empowered Stakeholders



Operational Excellence

Read More



- Human Capital - Page 136
- Board Human Resources and Remunerations Committee Report - Page 231

Contribution to SDGs





↑ Value Increased

CUSTOMERS

Customer Profile

A wide spectrum of customers served, comprising individuals and businesses, with deep sub-segmentation to ensure precise financial solutions

6% increase in customer base

Engagement Mechanism and Frequency

On-going Initiatives

- QR table tops at branches to obtain feedback on customer satisfaction and follow-up actions towards negative feedback
- Dedicated team at the Contact Centre, functioning 24x7 all year round
- Ongoing customer interaction at branches and other business lines
- Customer visits
- Ongoing online and social media interactions
- Print and electronic media publications
- Online and mobile banking portals
- Dedicated email: contact@ndbbank.com
- OMNI channels
- Web-chat

Publications/ Information Sources

- Bank's corporate website – www.ndbbank.com
- Information shared on social, print and electronic media
- Customer Charter
- Rates and Tariffs
- Financial Consumer Protection Regulation (FCPR)

Point of Contact

- Dedicated team at the Contact Centre, functioning 24x7 all year round
- All branches across the network
- Financial Ombudsman
- Financial Consumer Relations Department of the Central Bank of Sri Lanka

Key Concerns Raised

- Competitive and transparent pricing
- Seamless access to digital platforms
- Availability of varied banking solutions
- Fast response times
- Responsible banking practices including commitment to sustainability
- Customer security and privacy



Corresponding Material Topics

- Customer wellbeing and prosperity
- Embracing and leveraging digital technology and data
- Regulatory developments
- Information security
- Operational efficiency
- Eco-system partnerships
- Brand positioning
- Responsible marketing

Response Action

- Clear communication of rates and pricing
- Continued focus on improving digital proposition
- Upgrading existing branch network through refurbishments and renovations
- Continued focus on improving service delivery and customer service
- Responsible and ethical banking practices at all times
- Closer engagement with customers to understand customer expectations
- Constant feedback sought from customers to gain customer satisfaction levels
- Upskilling staff members on exceptional customer service and solutions delivery

Value Delivered

↑ 4.5/5.0 Customer satisfaction score

Link to Strategy



Empowered Stakeholders



Operational Excellence

Read More



- Social and Relationship Capital - Page 155
- Strategic Performance Across Business Segments - Page 86
- Branch Network - Page 134

Contribution to SDGs



STAKEHOLDER ENGAGEMENT



↑ Value Increased

SUPPLIERS AND BUSINESS PARTNERS

Suppliers and Business Partner Profile

Over 300 registered suppliers and vendors

Correspondent relationships across 84 countries

Engagement Mechanism and Frequency

On-going Initiatives

- Supplier reviews and assessments
- One-on-one meetings
- Invitation for bids, tenders and information on the website

Publications/ Information Sources

- Supplier registration details, instructions and related forms available on the NDB corporate website

Point of Contact

- Dedicated communication channel through ndb.tenders@ndbbank.com
- The Bank's Procurement Team

Key Concerns Raised

Corresponding Material Topics

- Fair and transparent pricing
- Fair assessment of bids
- Ease of transacting
- For correspondent banks - secure and stable platform for transacting
- Continuity of business relationships

- Operational efficiency
- Eco-system partnerships
- Profitable growth
- Embracing and leveraging digital technology

Response Action

- Streamlined procurement process to bring about greater efficiencies
- Highly transparent bids assessment by independent procurement committee, with additional dedicated Special Technical Committees for high value bids
- Strengthened policy, governance and controls

Value Delivered

↑ LKR 6.6 Bn

Payments to suppliers

Link to Strategy

- Empowered Stakeholders
- Operational Excellence

Read More

- Social and Relationship Capital – Page 155
- Correspondent Relationships – Page 508

Contribution to SDGs

- 5 Gender Equality
- 8 Decent Work and Economic Growth
- 9 Industry, Innovation and Infrastructure



↑ Value Increased

REGULATORS

Regulator Profile

The Central Bank of Sri Lanka (CBSL), Colombo Stock Exchange (CSE), Securities and Exchange Commission of Sri Lanka (SEC) and other relevant state bodies.

Engagement Mechanism and Frequency

On-going Initiatives

- Statutory reporting
- Liaison with the regulatory bodies on matters concerning the sector
- Engagement through industry associations

Publications/ Information Sources

- Reports uploaded to websites of regulators such as the CSE and CBSL
- Reports uploaded to the Bank's corporate website www.ndbbank.com

Point of Contact

- Compliance Officer
- Company Secretary
- Finance Department including the Tax Management Unit

Key Concerns Raised

- Stability of the financial system
- Contribution towards stimulating economic activity
- Compliance with all relevant regulations, directions, and guidelines
- Direct and indirect impact on stakeholders, the society and the environment



Corresponding Material Topics

- Strong corporate governance
- Alignment to United Nations Sustainability Development Goals
- Managing macro-economic headwinds
- Managing socio-political impacts
- Regulatory developments
- Elevated importance of risk management
- Eco system partnerships
- Responsible marketing
- Responsible lending based on environmental and social considerations

Response Action

- Enhancements in corporate governance
- Active engagement with industry stakeholders
- Full compliance with regulations and congruence with roadmaps/directions
- Progress towards adoption of SLFRS S1 and SLFRS S2

Value Delivered

↑ LKR 9.9 Bn

Contribution to fiscal revenue via taxes paid

Link to Strategy



Business Focus



Operational Excellence

Read More



- Corporate Governance - Page 192

Contribution to SDGs



STAKEHOLDER ENGAGEMENT



↑ Value Increased

COMMUNITY

Community Profile

The communities we operate within, which span the entire island.

Engagement Mechanism and Frequency

On-going Initiatives

- Community capacity building programmes
- Interaction with community through Corporate Sustainability projects
- Engagement through social media

Publications/ Information Sources

- Bank's annual sustainability reporting and other press releases
- Information shared on social, print and electronic media

Point of Contact

- Head of Corporate Sustainability

Key Concerns Raised

- Environmental and social impact of lending practices
- Financial inclusion and literacy
- Accessibility to financial services
- Employment and economic development
- Support for sustainable practices
- Corporate sustainability initiatives
- Climate action and adaptation

Corresponding Material Topics

- Community engagement and empowerment
- Strong corporate governance
- Alignment to United Nations Sustainability Development Goals (UNSDGs)
- Eco system partnerships
- Responsible lending based on environmental and social considerations
- Environmental risk to mortgaged properties
- Emission reduction towards net zero

Response Action

- Continuation of targeted Corporate Sustainability initiatives addressing both social and environmental concerns
- Joined the UN Global Compact Network Sri Lanka, reaffirming our commitment to UNSDGs
- Banking on women initiatives targeting women's segment

Value Delivered

↑ LKR 6.3 Mn

Total spend on Corporate Sustainability initiatives

Link to Strategy

 Empowered Stakeholders

 Operational Excellence

Read More

- Social and Relationship Capital - Page 155
- Natural Capital - Page 180

Contribution to SDGs







70 | OPERATING LANDSCAPE & STRATEGY

MATERIAL MATTERS

Identifying our material matters, the issues that are likely to have the most impact on our stakeholders is a critical aspect of our value creation process as it enables us to focus on what is most important in our value creation process. The materiality topics thus identified drives our strategy, decision making, resource allocation and reporting processes.

PROCESS FOR DETERMINING MATERIAL MATTERS

Given the changes in the political, economic, social, technological, natural environmental, compliance and regulatory environment during the year, which had explicit and implicit impact on the performance of the Group, we revisited our material matters, as a part of an annual materiality assessment to ensure relevance of material topics. In 2024, we further improved the process, in line with our efforts to move towards adoption of SLFRS Sustainability Reporting Standards. Accordingly, additional material topics from relevant SASB – Commercial Banks sector standards were included into our pool of material topics. Stakeholder feedback remained an integral source of input in this improvement process. The three step process adopted to identify material matters is depicted below.

STEP 1

Material matters identification 
A pool of material issues is selected based on discussions with senior management. The selection is based on detailed discussion on group business model, strategic aspirations of the group, stakeholder feedback and emerging risks and opportunities.

STEP 2

Impact assessment 
Topics are ranked using a double materiality lens which considers both financial impacts to the organisation (Outside- in) and economic, social, and environmental impacts (Inside-out)

STEP 3

Topics prioritisation and mapping 
Topics are mapped based on overall ranking and thereafter prioritised for action.

REFINING OUR MATERIAL MATTERS

Total material matters identified subsequent to the process outlined above -

20

Material matters dispersion across lens classification	Number of material matters
Economic Lens	1
Environmental Lens	2
Social Lens	8
Governance and Risk Management Lens	6
Digitisation, IT and Processes Lens	2
Environmental and Social Lens	1

MATERIAL MATTERS

SUMMARY OF CHANGES TO MATERIAL MATTERS IN 2024

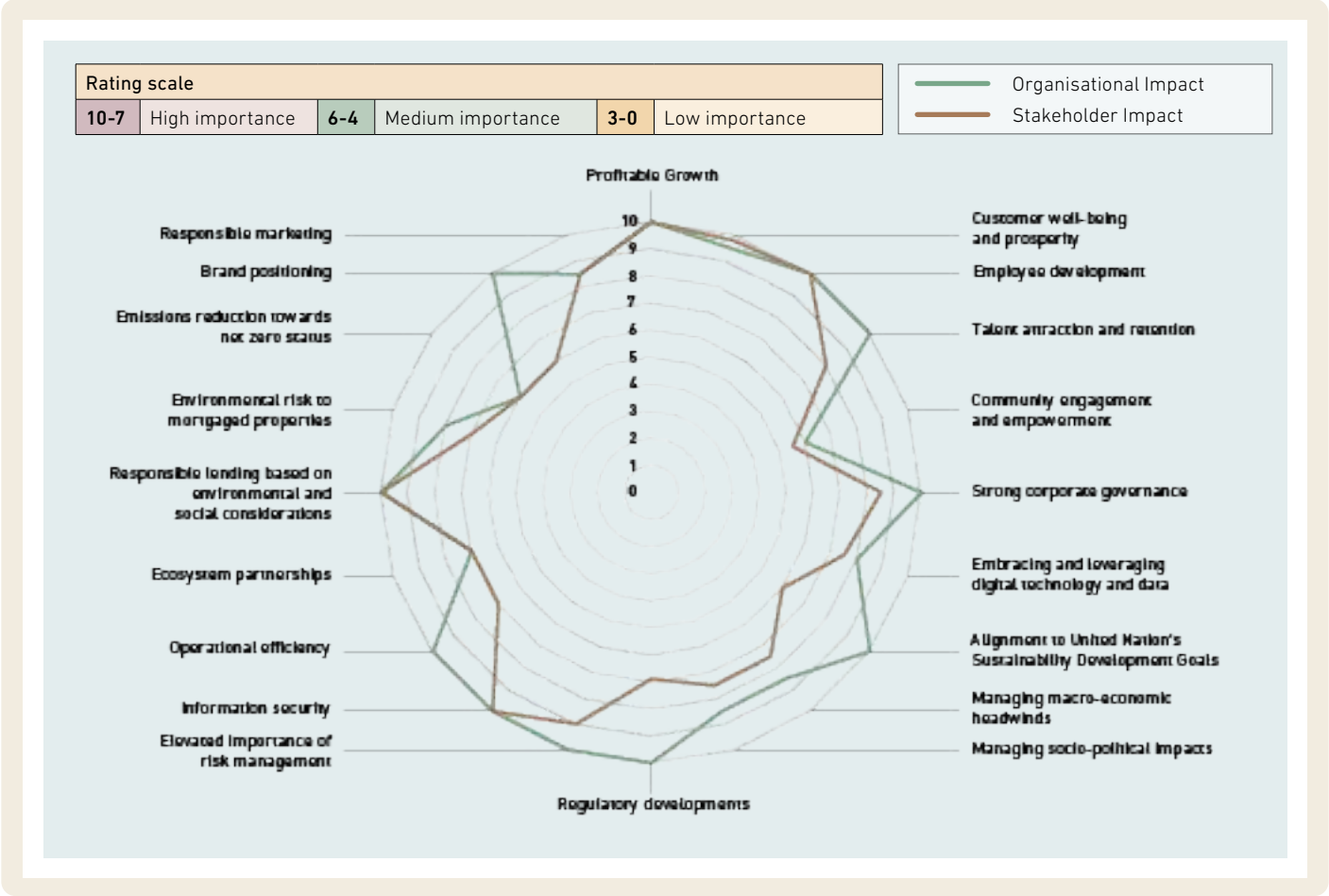
New Additions and Enhancements

Material matter	Level of change	Material matters classification	Boundary	Relevance to strategy
Customer well-being and prosperity including financial inclusion and capacity building	New topic addition	Social	Internal/ External	 Empowered Stakeholders
Employee development	New topic addition	Social	Internal	 Empowered Stakeholders
Emissions reduction towards net zero status	New topic addition	Environmental	Internal/ External	  Operational excellence Empowered stakeholders
Environmental risk to mortgaged Properties	New topic addition	Governance and risk management	Internal/ External	 Empowered stakeholders
Alignment to United Nation's Sustainability Development Goals	New topic addition	Social	Internal/ External	 Empowered stakeholders
Responsible lending based on environmental and social considerations	Increased impact/ scrutiny	Environmental and Social	Internal/ External	 Business Focus
Strong corporate governance	Increased impact/ scrutiny	Governance and risk management	Internal/ External	 Operational excellence
Embracing and leveraging digital technology and data	Increased impact/ scrutiny	Digitisation, IT and processes	Internal/ External	 Operational excellence
Community engagement and empowerment	Increased impact/ scrutiny	Social	Internal/ External	 Empowered stakeholders

Deletions

Material matter	Basis of deletion/ Inclusion in other relevant material matter/s
Adapting to post-pandemic realities	Reduced relevance
Ensuring safety of employees and customers (in relation to the COVID-19 pandemic)	Reduced relevance
Customer centricity	Encapsulated under Customer well-being and prosperity including financial inclusion and capacity building
Customer privacy	Encapsulated under Information security
Employee mental wellbeing	Encapsulated under Employee development
Brain drain due to migration	Moderate relevance with strengthened initiatives in place to efficiently manage possible risks stemming from this material matter
Facilitating financial inclusion and financial literacy	Encapsulated under Customer well-being and prosperity including financial inclusion and capacity building
Digital transformation	Encapsulated under Embracing and leveraging digital technology and data
Impacts of sovereign rating changes	Encapsulated under Managing macro-economic headwinds
Market and liquidity management	Encapsulated under Elevated importance of risk management

The Materiality Map Developed for 2024 Based on the Above Process



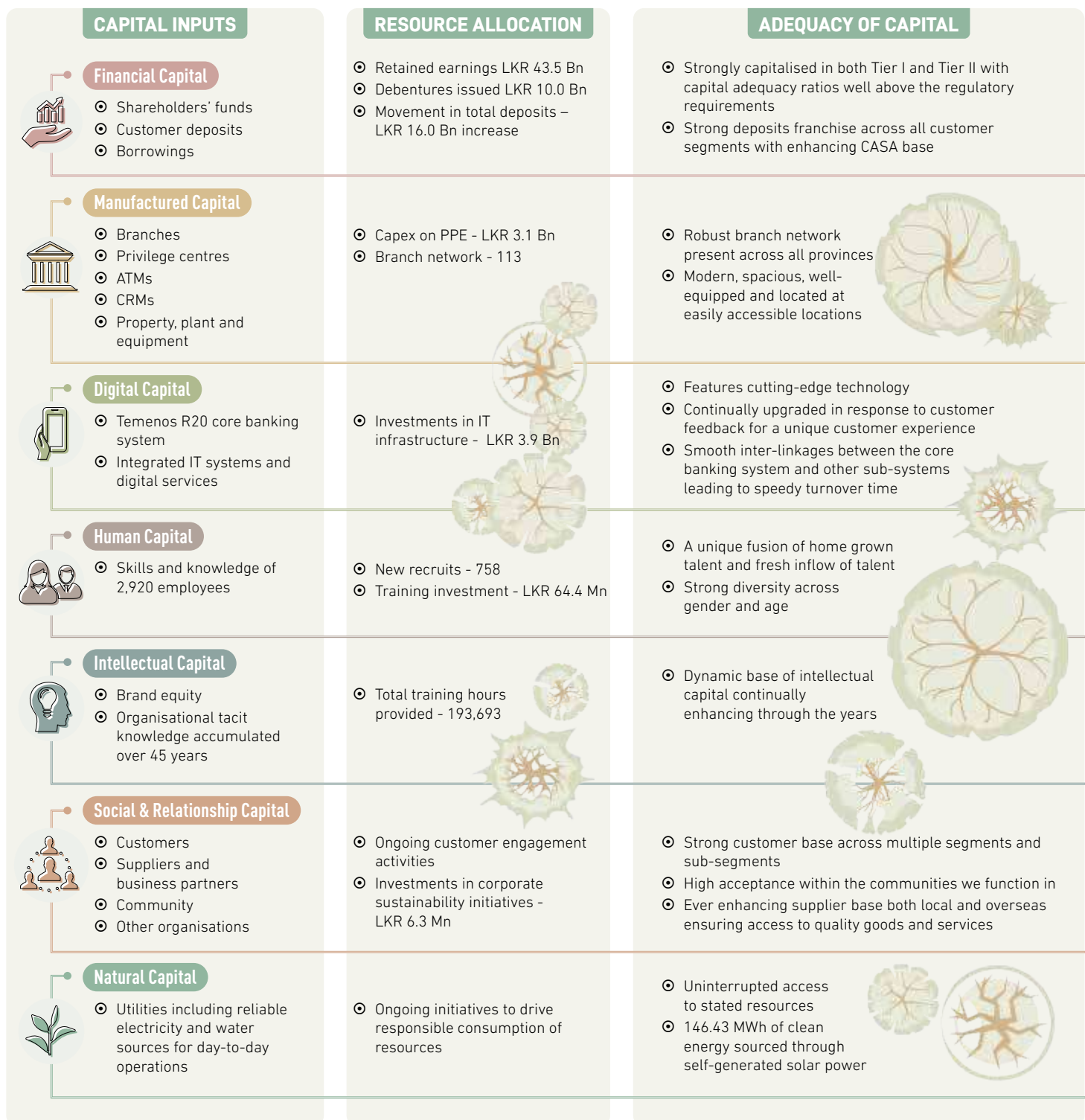
MATERIAL MATTERS

	Material topic	Organisational impact	Stakeholder impact	Material matters classification lens	Boundary
1	Profitable growth	High	High	Economic	Internal/External
2	Customer well-being and prosperity including financial inclusion and capacity building	High	High	Social	Internal/External
3	Employee development	High	High	Social	Internal
4	Talent attraction and retention	High	High	Social	Internal/External
5	Community engagement and empowerment	Medium	Medium	Social	Internal/External
6	Strong corporate governance	High	High	Governance and risk management	Internal
7	Embracing and leveraging digital technology and data	High	Medium	Digitisation, IT and processes	Internal
8	Alignment to United Nation's Sustainability Development Goals	High	Medium	Social	Internal/External
9	Managing macro-economic headwinds	High	Medium	Governance and risk management	Internal/External
10	Managing socio-political impacts	High	Medium	Governance and risk management	Internal/External
11	Regulatory developments	High	Medium	Governance and risk management	External
12	Elevated importance of risk management	High	High	Governance and risk management	Internal/External
13	Information security	High	High	Governance and risk management	Internal/External
14	Operational efficiency	High	Medium	Digitisation, IT and processes	Internal
15	Ecosystem partnerships	Medium	Medium	Social	Internal/External
16	Responsible lending based on environmental and social considerations	High	High	Environmental and Social	Internal/External
17	Environmental risk to mortgaged properties	High	Medium	Environmental	Internal/External
18	Emissions reduction towards net zero status	Medium	Medium	Environmental	Internal/External
19	Brand positioning	High	Medium	Social	Internal/External
20	Responsible marketing	High	High	Social	Internal/External

	Key stakeholders impacted	Change vs 2023	GRI /SASB Disclosure	Value delivered through	Management of material topic	Contribution to SDGs
	Shareholders, Employees, Customers	No change	GRI 201- Economic Performance GRI 207- Tax	Financial capital	Page 114	
	Customers	New	GRI 416- Customer Health and Safety, SASB FN-CB-240a.1, FN-CB-240a.4	Social and relationship capital	Page 155	    
	Employees	New	GRI 404- Training and Education	Human capital	Page 136	
	Employees	No change	GRI 401- Employment GRI 403 - Occupational Health and Safety GRI 405 - Diversity and Equal Opportunities, SASB FN-IB-330a.1	Human capital	Page 136	 
	Community	Increased impact/scrutiny	GRI 413- Local Communities GRI 203- Indirect Economic Impact	Social and relationship capital	Page 155	       
	Shareholders, Employees, Suppliers, Community	Increased impact/scrutiny	GRI 205- Anti Corruption GRI 206- Anti Competitive Behaviour	Intellectual capital	Page 149	 
	Customers, Employees	Increased impact/scrutiny		Digital capital	Page 123	
	Shareholders, Communities, Employees	New		All capitals	Page 112	All listed SDGs
	Shareholders, Employees	No change		Financial capital, Intellectual capital	Page 114, 149	-
	Shareholders, Employees	No change		Financial capital, Intellectual capital	Page 114, 149	-
	Shareholders	No change		Intellectual capital	Page 149	-
	Shareholders, Customers	No change		Intellectual capital	Page 149	-
	Shareholders, Customers, Employees, Suppliers and business partners, Government and regulators	No change	GRI 418 Customer Privacy, SASB FN-CB-230a.1, FN-CB-230a.2, FN-CB-550a.1	Digital capital, Intellectual capital	Page 123,149	-
	Customers, Employees, Suppliers and business partners	No change	GRI 204- Procurement Practices GRI 302- Energy GRI 303- Water and Effluents GRI 306- Waste	Digital capital, Intellectual capital, Social and relationship capital, Natural capital	Page 123, 149, 155, 180	  
	Suppliers and business partners, Community	No change	GRI 414- Supplier Social Assessment GRI 308 Supplier Environmental Assessment	Social and relationship capital	Page 155	
	Customers, Community	Increased impact/scrutiny	SASB FN-CB-410a.2, FN-IB-410a.3	Natural capital	Page 180	Majority of SDGs based on the beneficiary's business operations and impact
	Shareholders, Customers	New		Financial capital	Page 114	-
	Shareholders, Customers, Community	New	GRI 305- Emissions, SASB FN-CB-410b.1 to FN-CB-410b.4	Natural capital	Page 180	
	Shareholders, Employees	No change		Intellectual capital	Page 149	
	Customers	No change	GRI 417 Marketing and Labelling	Intellectual capital	Page 149	

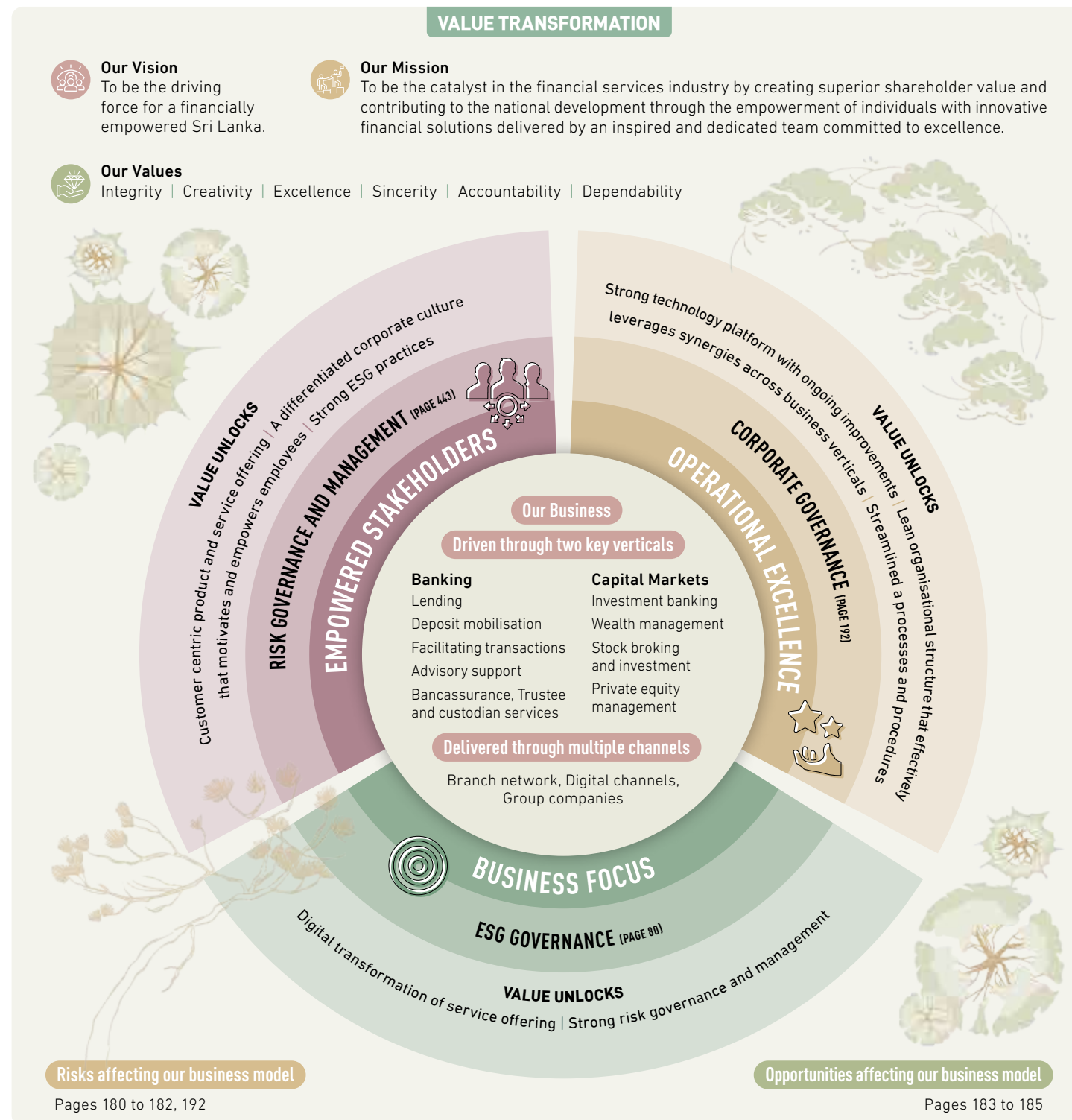
VALUE TRANSFORMATION PROCESS- OUR INTEGRATED BUSINESS MODEL

Our integrated business model illustrates how we allocate key resources to generate stakeholder value through various outputs and outcomes. Key resources utilised are classified according to the six capitals defined by the Integrated Reporting Framework, with the addition of a seventh capital, digital capital, which is essential for achieving long-term stakeholder value, particularly in the financial services sector. The value transformation process demonstrates how our vision of being 'the driving force for a financially empowered Sri Lanka' is carried out through our business verticals and driven by focusing on three key strategic value drivers, namely business focus, operational excellence and empowered stakeholders.



In line with the requirements of SLFRS S1 and SLFRS S2, we have made a comprehensive depiction of how the Bank's business model is affected by the identified sustainability and climate related risks and opportunities on page 180.

Additionally, in this year's Integrated Business Model, we have demonstrated concisely, how we have generated sustainable value per each capital type for a holistic depiction.



VALUE TRANSFORMATION SCORECARD

Indicator	Metric	Value as at 01 Jan 2024	Key value creation activities carried out during the year	Value as at 31 Dec 2024	Change in Value

Financial Capital

Total equity	LKR Bn	70	⊙ Roll out of targeted strategy aimed at driving transactions, strengthening margins and preserving portfolio quality	78	+8
Deposits	LKR Bn	616		632	+16
Borrowings	LKR Bn	77		68	-9
CASA	LKR Bn	137		157	+20
Market capitalisation	LKR Bn	21		38	+17
Total assets	LKR Bn	780		796	+16
Gross income	LKR Bn	132		99	-33
Net interest margin	%	3.96		4.34	+38bps*
Return on assets	%	0.67		1.15	+48bps
Return on shareholder funds	%	8.03		12.22	+419bps

Digital Capital

Investment in IT infrastructure	LKR Mn	5,464	⊙ Continued investments in technology upgrades	5,764	+300
Transactions routed via digital platforms	%	87		93	6ppts**

Manufactured Capital

Property, plant and equipment	LKR Mn	3,141	⊙ Branch network optimisation through 1 branch relocation and 1 branch renovation ⊙ Conducted a branch work study to benchmark operations to industry standards and identify gaps in service levels	3,147	+6
Branch network	No.	113		113	-

Human Capital

Total employees	No.	2,756	⊙ Strengthened HR governance framework, revision to Code of Conduct and Inter-department Rotation Policy	2,920	+164
New recruits during the year	No.	623		758	+135
Attrition ratio	%	21.9	⊙ Introduction of a new rewards strategy with effect from 01 January 2024	12.6	-9.3 ppts
Return to work after maternity leave	%	100		100	-
Total training hours	No.	152,299	⊙ Aligned individual career aspirations to organisational needs by mapping employee competencies and delivering targeted training ⊙ Offered targeted counselling services and emotional support through NDBPAL	193,693	41,394
Personnel expenses	LKR Bn	6.6		9.1	+2.5

* Basis points

** Percentage points



Indicator	Metric	Value as at 01 Jan 2024	Key value creation activities carried out during the year	Value as at 31 Dec 2024	Change in Value



Intellectual Capital

Credit rating (Fitch Ratings Lanka Limited)	-	A-(lka)	⊙ Ongoing brand building initiatives with an emphasis on increasing social media presence showcasing our digital capabilities and promoting NDB as a lifestyle driven bank	A(lka)	Up by one notch
Value of intangible assets	LKR Mn	1,883		1,767	-116
Investments in staff training and development	LKR Mn	39.3	⊙ Training and development opportunities to employees mapped to competencies requirements ⊙ Process automations and improvements	64.4	+25.1
Employees serving over 10 years	%	22		22	-



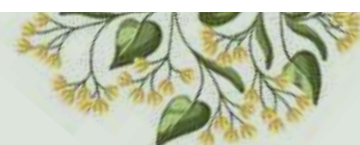
Social and Relationship Capital

Cumulative winners at the Sri Lanka Vanithabhimana grand finale	No.	69	⊙ Expansion of our product offering through new products and innovations across our business lines	92	+23
Corporate Sustainability investment	LKR Mn	8.6		6.3	-2.3
Taxes paid	LKR Bn	6.9	⊙ Service audits carried out to identify areas for improvement in customer service delivery ⊙ Continuation of NDB Jayagamu Sri Lanka and NDB's Banking on Women proposition to drive financial inclusion in underserved segments ⊙ Conclusion of the 4th consecutive edition of the Sri Lanka Vanithabhimana programme ⊙ Joined the UN Global Compact Network Sri Lanka, reaffirming our commitment to sustainable practices	9.9	+3
Supplier network	No.	Over 300		Over 300	-



Natural Capital

Energy consumption	MWh	5,879	⊙ Solar power generation at three key locations of the Bank	6,097	+218
Water consumption	m3	40,457		47,551	+7,094
Projects covered through ESM screening	%	100	⊙ Considerable reduction in paper usage, leading to reduction in volume of paper recycled ⊙ Dynamic renewable energy financing portfolio	100	-
Solar power generation	MWh	-		146.43	+146.43
Renewable energy financing	LKR Mn	22,862		22,862	-
Paper recycled	kg	31,903		26,298	-5,605



OUR PATH TO UNLOCKING SUSTAINABLE PROSPERITY – ESG PERFORMANCE

Environmental, Social, and Governance (ESG) considerations are deeply embedded in every aspect of our operation, through our strategy, systems, processes and corporate culture. We prioritise environmental sustainability, social responsibility and ethical governance in all our interactions and this is reflected in the holistic value we continue to create for our customers, employees, business partners and broader community.

In 2024, NDB joined the UN Global Compact Network Sri Lanka, reaffirming its commitment to upholding universal principles on human rights, labour, environment, and anti-corruption. This milestone further strengthens NDB's efforts to align its operations and strategies with the United Nations Sustainability Development Goals (UNSDGs).



Environmental Sustainability



Our Sustainability Endeavours - Advancing UN Sustainability Development Goals

Green Lending



NDB is a key lender to renewable energy sector and has pioneered renewable energy projects both in Sri Lanka and overseas.

Reducing Direct and Indirect Carbon Footprint



The Bank calculates its annual GHG emissions in accordance with the requirements provided in ISO 14064-1: 2018 – Specification and continues to invest in energy efficiency measures aimed at reducing its direct and indirect carbon footprint. Emission figures are verified by the Sri Lanka Climate Fund for the fourth consecutive year in 2024.

Climate Positive Projects



Impactful biodiversity conservation and environment preservation projects such as "Life to our Mangroves", and "Adopt a Beach" are carried out as part of our Corporate Sustainability (CS) initiatives.

Social Responsibility

Ethical Governance

Women Empowerment



NDB's Banking on Women proposition is aimed at empowering women through targeted financial and non-financial support. This includes the NDB Araliya banking proposition, support beyond banking which includes capacity building and advisory support and Sri Lanka Vanithabhimana, a recognition scheme for female entrepreneurs. Meanwhile as an EDGE certified organisation, NDB continues to promote gender diversity and women empowerment at all levels within the organisation.

Supporting SMEs



We continue to power the SME sector in the country by providing concessionary funding, technical assistance, and a range of tailored financial solutions. Through our dedicated support, we help SMEs enhance their operational efficiency, foster innovation, and drive sustainable economic growth, ensuring they remain a vital engine of the nation's economy.

Financial Inclusion



NDB drives financial inclusivity by enhancing access to financial services for underserved segments and promoting widespread financial literacy. Our digital banking platform, NDB NEOS, along with tailored financial literacy programmes designed for diverse groups across society, plays a pivotal role in driving this mission forward.

Community Upliftment



The Bank's numerous CS initiatives are aimed at empowering and uplifting communities with meaningful support.

Responsible Lending Practices



A comprehensive Environment and Social Risk Management Policy together with Environment and Social Management System (ESMS) ensures that all our lending practices are environmentally and socially responsible and compatible with the applicable regulatory, environmental and social standards, country regulations as well as globally accepted best practices and standards.

Robust ESG Governance and Policy Framework



NDB has in place a strong governance and policy framework which is based on applicable legal enactments, regulatory requirements as well as voluntary frameworks and standards.

Strategic Partnerships for Progress



Strong partnerships nurtured over the years, including long-standing partnerships with multilateral funding agencies enable NDB to have a greater reach and impact.

OUR PATH TO UNLOCKING SUSTAINABLE PROSPERITY – ESG PERFORMANCE

ESG SCORECARD – PROGRESS OVER THREE YEARS

		Unit	2024	2023	2022
Environmental Sustainability	Renewable energy				
	NDB is a lender to renewable energy (RE) projects in Sri Lanka				
	Disbursements for RE projects (to date including Equity Finance)	LKR Bn	22.9	22.9	24.3
	Capacity funded	MW	347	347	337
	GHG emissions and other harmful gases avoided	tCO2e	739,264	739,264	739,264
	Reducing carbon emissions				
	The Bank computed and verified its GHG emissions inventory in partnership with the Sri Lanka Climate Fund as a first step to formulating its action plan for achieving net zero				
	Carbon footprint	tCO2e	5,067	5,510	5,365
	Carbon intensity (Based on Gross Income)	tCO2e/LKR Mn	0.05	0.04	0.05
	Climate positive projects				
	Trees planted (Let's Grow reforestation project at Himbilyakada Matale). The planting of these trees were concluded in 2022 and were nurtured to maturity till 2024	No.	3,000	3,000	3,000
	Environmental literacy programmes				
	The Bank conducts awareness sessions to address contemporary environmental issues				
Sessions conducted (both physical and virtual)	No.	25	N/A	66	
Beneficiaries	No.	>4,360	N/A	>7,000	

		Unit	2024	2023	2022
Social Responsibility	Diversity and inclusivity				
	The Bank has obtained and continues to comply with the EDGE Certification for gender equality at the workplace				
	Female representation at senior management levels	%	28	24	31
	Women empowerment				
	Through the Banking on Women initiative and Sri Lanka Vanithabhimana initiative the Bank drives women's socio-economic empowerment				
	Participants from across the country	No.	~*	>2,700	>2,700
	Cumulative high performing females recognised at the grand finale	No.	92	69	45
	Financial inclusion				
	The Bank drives socio-economic empowerment through lending to unbanked/underprivileged sections				
	First time mortgage customers	No.	513	130	200
	Lending to first time mortgages	LKR Mn	3,493	977	2,018
	Lending to small-business owners	LKR Mn	2,044	2,095	3,654
	Community engagement				
Investment in Corporate sustainability initiatives	LKR Mn	6.3	8.6	8.0	

*In March 2024, the Grand Finale of the fourth edition of Sri Lanka Vanithabhimana (SLV) was held, the application numbers of which are captured under 2023 statistics, as the fourth edition was launched in 2023. The next launch of SLV will be in 2025.

	Unit	2024	2023	2022
Ethical Governance	Responsible lending practices			
	The Bank has implemented a comprehensive ESMS system to embed social and environmental consciousness to lending decisions.			
	No. of loans screened	%	100	100
	Employees trained on ESMS	No.	985	453
	Employee training hours	Hours	534.5	1,043
	Risk management			
	Instances of non-compliance	No.	None	None

ECONOMIC VALUE ADDITION AND DISTRIBUTION

	2024 LKR Mn	2023 LKR Mn
Values Added		
Income from banking services	99,238	132,205
Cost of services	(56,922)	(90,054)
Value added by banking services	42,317	42,151
Non banking income	146	121
Impairment for loans and receivables and other losses	(4,367)	(21,144)
Direct Economic Value Generated	38,096	21,129
Economic Value Distributed		
Employees wages and benefits	9,055	6,633
To providers of capital		
Dividend to shareholders	1,997	930
Interest to debenture holders	3,507	3,348
Payments to providers of capital	5,505	4,278
To Government		
Income tax	3,663	3,167
Tax on financial services	5,524	2,750
Corporate Insurance Levy	92	58
Payments to Government	9,280	5,975
To community investments		
Donations	6	9
Community investments	6	9
Economic value retained	14,250	4,234
Total Distributed	38,096	21,129

WAY FORWARD



As we continue to strengthen our commitment to sustainability, we are focused on enhancing our ESG initiatives and aligning them with global best practices. The following steps outline our way forward.

- ☉ We have embarked on a comprehensive revamp of our ESG function, supported by a professional external consultant. This strategic overhaul will result in a revised ESG policy, clearer roles and responsibilities, and well-defined targets under each pillar of Environment, Social and Governance
- ☉ As part of our ongoing commitment to sustainability, we have joined the United Nations Global Compact (UNGC) Network Sri Lanka, a move that will enable us to enhance the capacity of our staff through valuable knowledge-sharing and capacity-building opportunities which in turn will advance our contribution to UNSDGs
- ☉ We are an active member of the Sri Lanka Banks' Association's (SLBA) Sustainability Banking Initiative (SBI). As the initiative advances, we are prepared to contribute as a focal group member and empower our team with further sustainability-related insights and expertise
- ☉ The sustainability initiatives we have mentioned under pages 80 and 81 will move ahead with added vigour, with additional initiatives also embarked on by the Bank as we continue to advance and refine our impact

MANAGEMENT DISCUSSION & ANALYSIS

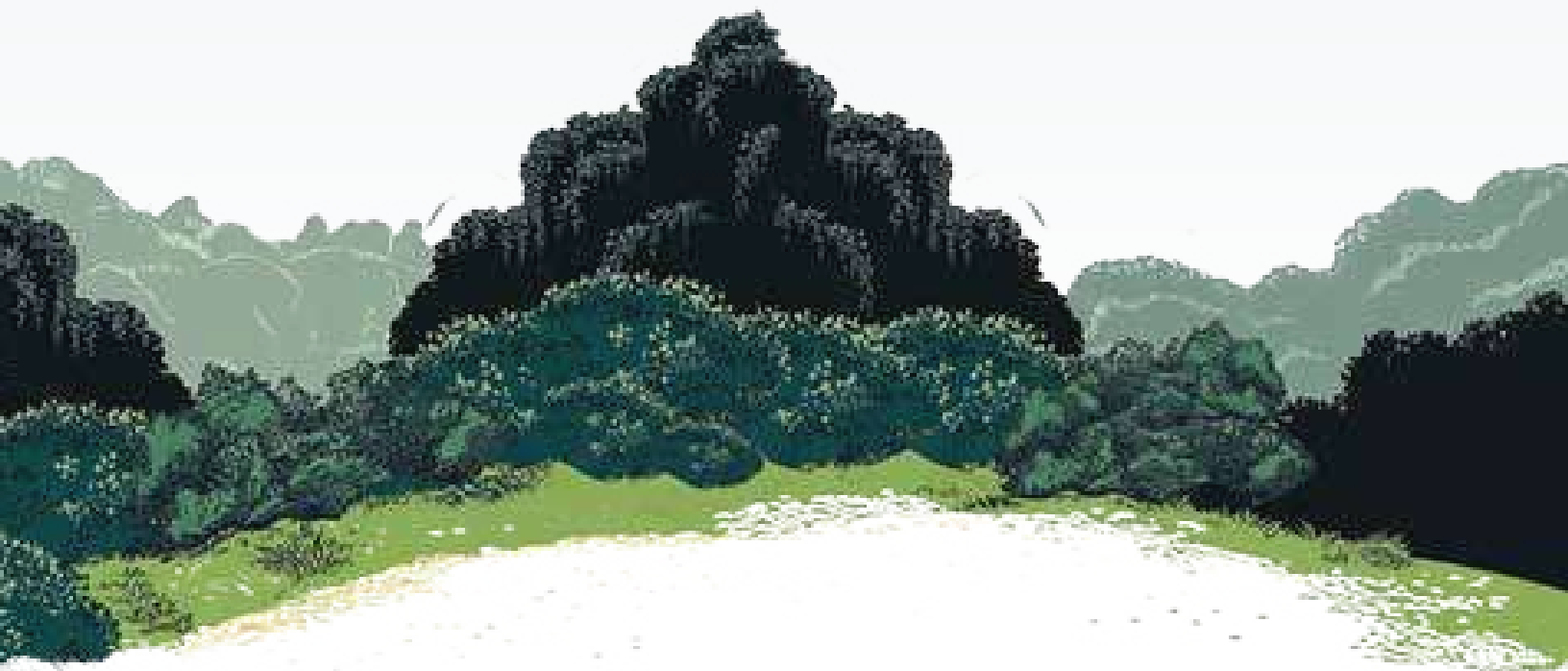
Nurturing Long-Term Value



Delivering Sustainable Growth

We're integrating efficiency and enhancing productivity across the board, while relying on principles of sustainability to guarantee long-term growth, improve performance, and achieve new standards of excellence.

Daisugi directly translates to mean 'platform cedar', and is an ancient pruning technique that originated over 600 years ago. By encouraging vertically growing shoots from the trunk, the original tree remains alive, and can be harvested from multiple times over the course of decades. The process also results in high quality wood that is more uniform, and straighter than that obtained from traditional trees. While initially developed in response to a shortage of seedlings, daisugi embodies a deep commitment towards sustainability and increased productivity, while ensuring vital resources are protected for the needs of the future.



BUSINESS LINES PERFORMANCE REVIEW

The Bank operates through five strategically structured business lines, catering to all our key customer segments. These business lines serve as the engine driving the Bank’s core business, delivering on our promise to unlock prosperity and drive smart growth of our valued customers. As Sri Lanka’s economy has evolved, so too have our business lines, continuously refining their offerings to ensure that every customer segment we serve benefits from the most effective financial solutions.

Our business lines are driven by teams of highly competent professionals who possess deep expertise in the products and propositions they offer. They are seamlessly supported by enabling functions, ensuring a smooth and efficient service experience for our customers. Each business line is also distinguished by its robust digital capabilities, enhancing both customer engagement and process efficiency.

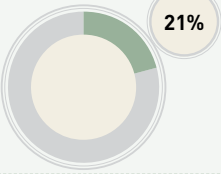
OUR BUSINESS LINES IN A SNAPSHOT

 Digital solutions	 Contribution to Group Total Operating Income*	 Staff strength

RETAIL BANKING



- NEOS Mobile Banking App
- Retail Online Banking

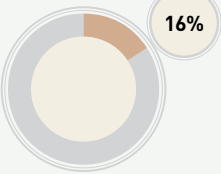


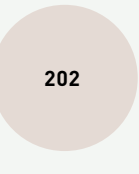


BUSINESS BANKING



- NEOS BIZ Mobile Banking App

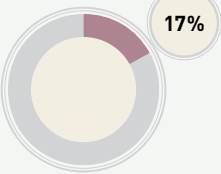


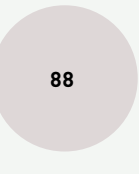


WHOLESALE BANKING



- NEOS Corporate Online Banking

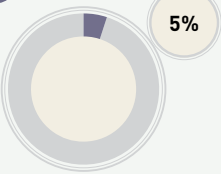




PROJECT & INFRASTRUCTURE FINANCING (PIF)

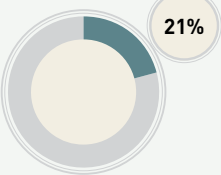


- NEOS Corporate Online Banking





TREASURY OPERATIONS





* Arrived at based on the Bank’s internal fund transfer pricing mechanism.

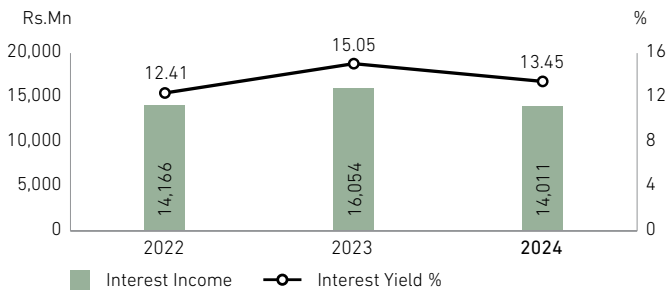
RETAIL BANKING

NDB's retail banking proposition stands out for its customer-centric solutions, cutting-edge digital offerings, and unwavering commitment to service excellence. Designed to cater to every stage of a customer's life journey, this proposition has demonstrated remarkable growth in brand equity, since its entry into the retail banking space.



Financial Performance Highlights

Retail Banking Interest Income and Interest Yield



Gross Loans

2024 - LKR 104,341 Mn 2023 - LKR 104,729 Mn

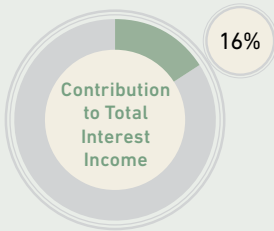
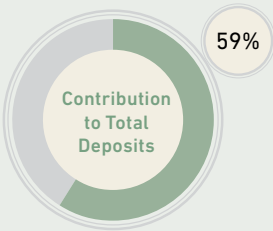
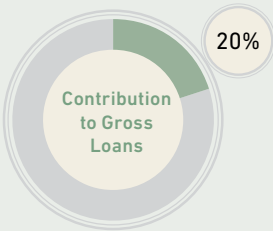
Total Deposits

2024 - LKR 371,715 Mn 2023 - LKR 368,985 Mn

Inter-Segment Financing

2024 - LKR 267,374 Mn 2023 - LKR 264,257 Mn

Retail Banking - Contribution to Group Performance



Excellence in Retail Banking

Domestic Retail Bank of the Year – Sri Lanka
Asian Banking and Finance Magazine (Singapore) Awards 2024



BUSINESS LINES PERFORMANCE REVIEW

RETAIL BANKING

UNLOCKING PROSPERITY

Delivering Banking Convenience

Aligned with the Bank’s vision of being the driving force for a financially empowered Sri Lanka, NDB Retail Banking has consistently evolved its offerings to meet the dynamic needs of current and future customers. We continue to embrace innovation to deliver cutting-edge financial and digital solutions that resonate with an increasingly tech-savvy customer base while fostering lasting relationships with the nation’s younger demographic, our future customers. Our commitment to empowering women meanwhile remains steadfast, with the NDB Araliya proposition providing exclusive, tailor-made products designed to meet their unique financial needs.

Strategy in Action



Business Focus - CASA drive

Focused efforts were directed towards Current And Savings Accounts (CASA) growth during the year. While actively promoting our existing savings products we introduced several innovative products specifically targeting younger demographics. Notable among these were NDB PIXEL (Saving Product for Teens) and Privilege Junior Savings, both designed as tech-enabled secured banking solutions. These initiatives expand CASA by engaging untapped customer segments and foster enduring relationships with our future customer base.



Business Focus - Capital efficient lending

Amid sustained pressure on Net Interest Margins (NIMs) driven by lower market interest rates, we strategically prioritised capital-efficient lending. This approach led to significant growth in key segments such as credit cards, pawning, housing loans, and leasing, reflecting our focus on optimising profitability while meeting diverse customer needs.



Operational Excellence - Focus on cost and process efficiencies

We continued to streamline operations during the year, focusing on internal process automation to achieve faster turnaround times, deliver superior customer service, and improve overall operational efficiency. Targeted training also was carried out to enhance service delivery levels. This included specific training for branch managers through the TITANNS 100 programme as well as tailor made training for other staff. During the year we also engaged an external party to work in collaboration with the internal Business Process Re-engineering (BPR) team to identify areas for improvement and automation.



Empowered Stakeholders

Our retail banking client base, which is the largest among all business segments, continued to enjoy convenience defining financing solutions through our digital solutions. The dynamic range of product portfolio offering solutions to individuals at any stage of life ensured financial prosperity and enabled sound financial planning. Our deep segmented solutions targeting mass to ultra-high net worth segments ensured that our solutions are curated, meaningful and impactful.

KEY INITIATIVES IN 2024

Introduction of NDB Pixel digital transaction account

We continued to enhance our youth proposition, introducing a unique digital transaction account NDB PIXEL. Designed specifically for teenagers aged 13 to 18, the product offers account holders a wide range of benefits including debit card facilities, access to NEOS mobile banking and exclusive promotional offers. The product is an example of our continued efforts to attract emerging generations with innovative, tech-enabled banking solutions.

**NDB-AIA Bancassurance Partnership Wins Prestigious International Award**

NDB achieved significant recognition in 2024 when the NDB-AIA Bancassurance partnership was awarded the prestigious title of Bank Partner of the Year at the Asia Trusted Life Agents & Advisors Awards 2024. This international honour, received for the first time in Sri Lanka reflects our commitment to providing retail customers with seamless solutions for their protection and financial planning needs.

Launch of NDB WriztPay

During the year the Retail Banking arm launched the country's first wearable payment solution, the NDB WriztPay band, in partnership with VISA Inc. Leveraging advanced Near Field Communication (NFC) technology, NDB WriztPay enables seamless communication with payment terminals, offering the same convenience as contactless card transactions. The launch of this ground-breaking solution is part of our ongoing efforts to seamlessly integrate into the lifestyles of our tech-savvy customers by providing innovative solutions for managing finances.

**Empowering Sri Lankan Women: Revitalising NDB Araliya and Celebrating Female Achievements**

We continued our strategic focus on empowering the retail women's market segment which comprise home makers, salaried women and women entrepreneurs. Our full-suite of NDB Araliya proposition augmented by both financial and non-financial support continued to extend support to the segment. NDB Araliya underwent a refresher during 2023 and was relaunched under the theme of "Giving you more than you want for yourself". Following this re-launch, the proposition continued with added vigour through 2024. We also continued the Sri Lanka Vanithabhimana, a nationwide women's recognition programme, for the fourth consecutive year to reward and empower

NDB's Game-Changing Digital Solutions

NDB's digital suite for retail customers features the NEOS Digital Banking Platform, a revolutionary omnichannel experience that seamlessly pairs online banking and mobile banking, and NEOS PAY – a QR payment solution enabling merchant payments, bill settlements, and a variety of other transactions. Customers also benefit from a nationwide network of ATMs and Cash Recycle Machines strategically located for convenience, along with AI-powered video KYC (vKYC) for hassle-free online account opening and fully integrated digital loan solutions. The latest addition NDB WriztPay, takes our digital proposition to new heights by redefining how Sri Lankans interact with their finances with cutting edge technology.

high-performing, high-potential women across various categories (see page 166 for more details). These two flagship initiatives have enabled us to make considerable contribution to a number of UN Sustainability Development Goals and heralding lasting positive impact on the lives of many.



BUSINESS LINES PERFORMANCE REVIEW

RETAIL BANKING

PRIVILEGE BANKING



Known for its personalised customer service and life-style and financial solutions, NDB Privilege Banking has maintained its position as the market leader in the Sri Lankan private banking domain by consistently delivering excellence to its discerning clientele.



NDB Privilege Offering

- ➔ Customised financial advisory services
- ➔ Curated lending solutions
- ➔ 24 hours access to banking services
- ➔ Dedicated relationship managers
- ➔ Fee-less electronic banking
- ➔ Exclusive Life and Health benefits
- ➔ Preferential tariffs for all banking products and services
- ➔ Curated quarterly newsletter
- ➔ A range of value added services including estate planning advisory, philanthropy services, family banking and digital services

PERFORMANCE

The Privilege Banking segment performed well during the year, further consolidating its market position in a challenging operating environment. Liabilities and assets grew year-on-year driven by notable deposit and CASA growth amidst declining interest rates. Focused efforts to drive transaction volumes helped to increase the overall revenue and fee income. Fee income from bancassurance also witnessed an increase due to the efforts of the Unit and the Unit contributed to the biggest percentage contribution for bancassurance for the Bank.

KEY INITIATIVES IN 2024

Launch of NDB Privilege Junior

Creating a Family Banking proposition is an integral part of our strategy to build brand loyalty and increase customer retention across generations. A key initiative during the year was the launch of NDB Privilege Junior Saving, an exclusive offering, tailored for children of high-net-worth individuals. Account holders enjoy a plethora of benefits including elevated interest rates, bonus interest for monthly deposit commitments, a dedicated debit card facility for teenagers (13 to 18 years) via the NEOS Pixel Digital Savings Account, and mobile banking facilities in addition to other benefits such as a special gift scheme, hospitalisation cover, and a range of unique tailor-made engagement activities to partake in.

Deeper Customer Engagement

Throughout the year, we fostered deeper connections with our customers through a series of engaging activities. In collaboration with VISA Inc, we hosted our clients at events such as the VISA Card Monthly Medal Golf Tournament, curated gourmet dinners, and other exclusive gatherings. We also carried out a special launch of NDB WriztPay to our high net worth customers. These initiatives helped reinforce our relationships with our valued clientele whilst enhancing their overall banking experience, augmenting their trust and loyalty.

EXPANDED VALUE ADDITIONS

We also strengthened our collaborations with key partners to enhance the suite of value-added services offered to our Privilege Banking clientele. This year, we entered into partnerships with Allianz Insurance and Senaratne Insurance brokers to offer Insurance products to widen the bancassurance options and global services available to our clients. Our ongoing partnership with VISA Inc also enables NDB's Privilege customers to avail privileges offered to VISA Infinite cardholders including the recently introduced VISA Concierge service. VISA Concierge is a 24/7 digital personal assistant and lifestyle guide, giving access to a variety of experiences through a curated range of services, amenities and exclusive privileges. We continue to leverage our strong Group Company network to offer our customers an unparalleled suite of savings and investment options.



WAY FORWARD- RETAIL BANKING



Opportunities

- + Prevailing low interest rates and gradually improving economic conditions likely to boost segments such as housing loans, credit cards and leasing
- + Gradual improvement in economic conditions likely to positively impact transaction volumes, CASA and deposit growth
- + Further reduction in NPLs and provisioning due to improvement in repayment capacities

Key Risks

- Margin pressure expected to continue amidst prevailing low interest regime and intensify competition among banks
- Lower disposable income levels due to higher income tax may result in some deposit attrition

Strategic Focus in 2025

With the economy showing steady signs of recovery, we are bullish about our prospects for 2025, and are well prepared to capitalise on these growth prospects. Our strategy will remain focused on increasing customer share of wallet by actively driving transaction volumes across segments. Meanwhile, we will continue to leverage advanced data analytic capabilities to deepen customer insights, strengthen our retail value proposition, and deliver a more customer-centric experience. In terms of products we will drive leasing, pawning, credit cards, NDB Achara, etc.. We will make foray into specifically identified untapped market segments. The diverse product range we have across all lifestyles will auger well in this regard.

BUSINESS LINES PERFORMANCE REVIEW

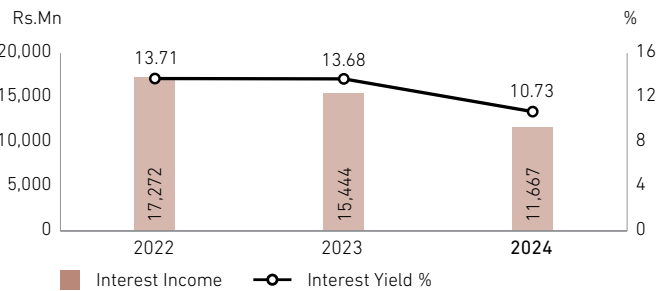
BUSINESS BANKING

NDB combines its extensive expertise in development banking and digital prowess to offer a unique value proposition to the SME sector. NDB empowers SMEs to optimise their operations, streamline transactions, and access financing solutions designed to meet their specific growth needs.



Financial Performance Highlights

Business Banking Interest Income and Interest Yield



Gross Loans

2024 - LKR 108,680 Mn 2023 - LKR 110,508 Mn

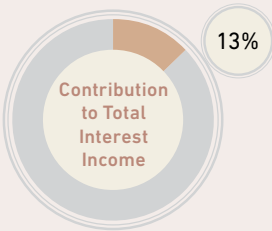
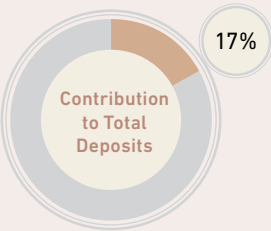
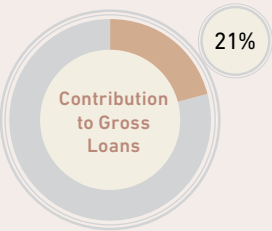
Total Deposits

2024 - LKR 107,687 Mn 2023 - LKR 101,851 Mn

Inter-Segment Financing

2024 - LKR (994) Mn 2023 - LKR (8,657) Mn

Business Banking - Contribution to Group Performance



UNLOCKING PROSPERITY

Strategic Support for SME Growth in Sri Lanka

While continuing to provide support for SMEs recovering from the chain of challenges which commenced since 2019, such as the Easter Sunday attacks, the COVID-19 pandemic and economic crisis, we shifted gears during the year to ramp up support to help SMEs move beyond survival towards sustainable growth and resilience amid evolving market conditions. To this end, several targeted initiatives were carried out to help SMEs build capacity, move towards greater digitisation and explore new growth opportunities. Special emphasis was placed on export orientated SMEs and female-led enterprises, providing them with targeted resources and support to enhance their competitiveness and expand their reach in international markets.

Strategy in Action



Business Focus - Focus on value-chain financing to drive growth

We expanded our SME customer base by leveraging existing client relationships, our broad network and deep industry expertise to offer tailor made financial solutions across the value chain.



Operational Excellence - Driving transaction volumes by promoting SME digitisation

We continued to strengthen our SME digital value proposition NEOSBIZ while actively driving digitisation of the SME sector through capacity building and awareness creation



Empowered Stakeholders- Strategic partnerships to drive SME development

Strategic partnerships with key stakeholders such as National Enterprise Development Authority (NEDA), Export Development Board (EDB), International Finance Corporation (IFC) and Asian Development Bank (ADB) have enabled us to have broader reach and a greater impact.

COLLABORATION WITH NATIONAL ENTERPRISE DEVELOPMENT AUTHORITY (NEDA) TO EMPOWER SMES

During the year NDB entered into an Memorandum of Understanding (MoU) with National Enterprise Development Authority (NEDA) to empower Micro, Small and Medium- sized enterprises across Sri Lanka. Several capacity building initiatives were rolled out as part of this MoU. As one of the initiatives carried out under this MoU, NDB partnered with NEDA to facilitate the "SME Connect" online platform among MSMEs. 'SME Connect' platform, developed by the Asian Development Bank, offers MSMEs digital access to training programmes, learning resources, mentoring, and networking opportunities, thereby directly contributing to their growth journey. NDB also conducted a series of capacity-building workshops as part of NEDA's 'B500 Project,' an innovative initiative focused on developing 500 Sri Lankan brands. To further support programme participants, NDB assigned dedicated advisors from the Business Banking Unit to provide personalised guidance and support throughout their business journey.



BUSINESS LINES PERFORMANCE REVIEW

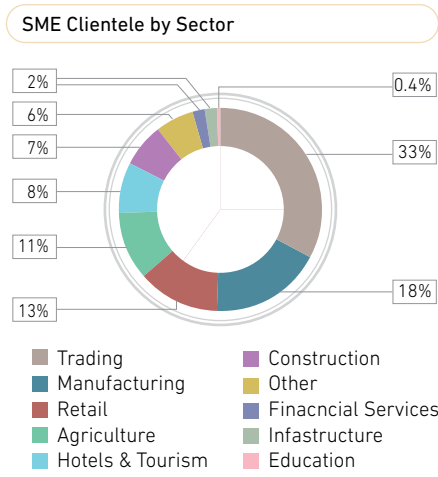
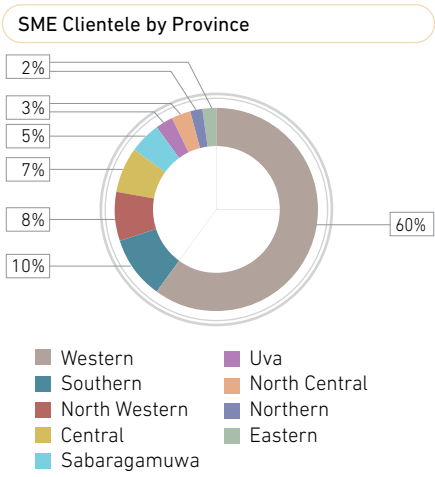
BUSINESS BANKING

NDB EXPORTERS' FORUMS TO DRIVE ECONOMIC RECOVERY AND GROWTH IN SRI LANKA

As part of our ongoing efforts to bolster the export sector in the country, NDB hosted two successful exporter forums in Colombo and Greater Colombo Regions during the year. The forums which brought together industry leaders, policymakers, and exporters to discuss strategies for boosting foreign exchange earnings and driving export growth in the aftermath of the economic crisis garnered widespread interest with over 200 participants in total.

CREATING DIGITAL AWARENESS AMONG SME CLIENTS

A series of digitalisation workshops were carried out during the year with the participation of over 350 SMEs from across the island. The workshops, served the dual purpose of enhancing the digital capabilities of SME entrepreneurs across Sri Lanka while providing awareness on NDB NEOSBIZ app, NDB's pioneering mobile banking application designed specifically for SMEs.



NEOS BIZ Performance

2,999

Active customers

412,740

Number of transactions

LKR 73.38 Bn

Value of transactions

REFINANCE OPERATIONS

As a leading Participating Financial Institution (PFI) for various credit lines provided by the Government of Sri Lanka and multilateral funding agencies, NDB plays a pivotal role in driving sustainable economic development in the country. By offering concessionary funding and technical assistance to priority sectors, NDB empowers SMEs, encourages broader economic participation and fosters resilience and sustainable growth in key sectors.

Credit Lines

- E-Friends re-finance loan scheme
- Small & Micro Industries Leader & Entrepreneur (SMILE III) re-finance loan scheme
- Re-energizer loan scheme
- Asian Development Bank - Small & Medium Enterprise Line of Credit (ADB SMELoC)
- Development Finance Corporation (DFC) funding

KEY INITIATIVES IN 2024

Concessionary Working Capital and Technical Assistance

We continued to support SMEs impacted by the economic crisis, channelling almost LKR 875.0 Mn in concessionary working capital funding through ADB SMELoC Emergency Response Scheme and the new ADB Working Capital loan. Over 98 projects in key sectors such as manufacturing, agriculture and tourism received concessionary funding through these credit lines. In addition to financial support we also worked closely with these businesses providing advisory and remedial services to ensure that these businesses move beyond survival to a sustainable growth trajectory.

Re-Energizer Loan Scheme

During the year we also launched the 'Re-Energizer' loan scheme in collaboration with the Sri Lankan Government. Targeting export orientated, women led SMEs in key sectors such as manufacturing, construction, tourism, apparel, agriculture and agro-based industries, the scheme provides tailor-made long-term financial solutions for business expansion, cost reduction, productivity improvement and climate financing initiatives. Almost LKR 646.0 Mn was disbursed through this scheme to over 50 SMEs.

In addition to the above, the Bank continued lending actively under ongoing schemes such as ADB SMELoC T6, ADB Revolving, DFC, SMILE III Revolving and E-Friends Revolving Fund. A total of LKR 958.0 Mn was granted through these schemes to over 73 projects across the country.

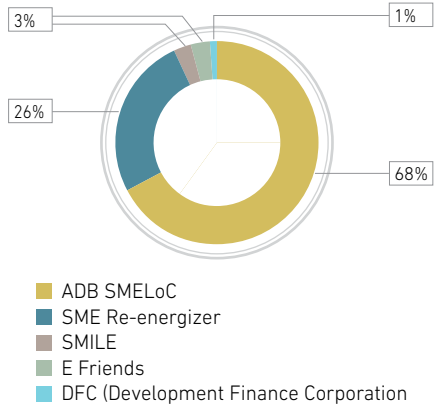
Industry Collaboration

We are actively involved in creating a more supportive environment for SMEs by addressing key challenges faced by the sector. As a shareholder of the National Credit Guarantee Institution (NCGI) - a Public-Private Partnership between the Government of Sri Lanka (GOSL) and 10 local commercial banks, we help SMEs and startups access loans from Participating Financial Institutions (PFIs) based on National Credit Guarantee Institution (NCGI) provided guarantees, eliminating the need for collateral. Additionally, we are participating in discussions and workshops to develop a refinance code that would enhance access to affordable financing for SMEs and other priority sectors.

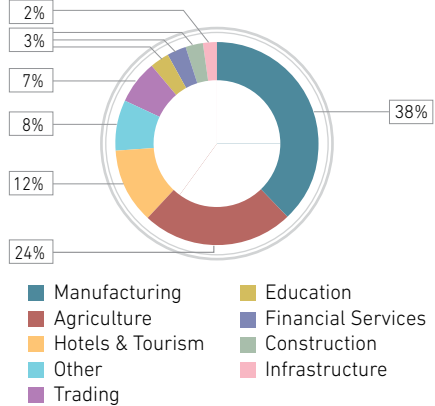
Streamlining our Operations

As part of the Bank's broader digitisation drive, the Refinance Unit has begun digitising and automating its internal processes to enhance efficiency. At the same time, we continued strengthening our internal capacity through ICT training programmes, conducted in partnership with USAID. During the year over 50 relationship managers and officers participated in these training programmes.

Loans Granted - by Credit Line



Loans Granted by Sector



BUSINESS LINES PERFORMANCE REVIEW

BUSINESS BANKING

ISLAMIC BANKING

Celebrating ten years of operations within the Islamic banking space, NDB’s Islamic banking proposition, “NDB Shareek,” continues to lead the way in delivering alternative Shariah-compliant financial solutions that cater to the evolving needs of its diverse clientele. Over the past decade, NDB Shareek has established a strong reputation with an ongoing focus on offering innovative products, revolving around customer centricity and easy accessibility via NDB branch network.

Excellence in Islamic Banking

Reflecting its unwavering commitment to delivering excellence, NDB Shareek received six awards at the recently concluded SLIBFI Awards 2024 (Sri Lankan Islamic Banking and Finance Industry Awards), reinforcing its position as a leader in the industry.

Refer page 403 for full list of awards won by the Islamic Banking Unit.

Our Product Proposition

Investment options

- Mudarabah Savings and Term Investments that offer competitive monthly and maturity profit payments
- Wakala Term Investments

Financing options

- Murabaha Financing for working capital
- Wakala Financing for investment management
- Diminishing Musharakah for Home Financing
- Ijarah Leasing for vehicles and machinery

These offerings are complemented by features such as e-statements, mobile and internet banking, debit cards, and doorstep banking for business customers. Each product is tailored to foster financial growth while adhering to Shariah guidelines, ensuring ethical and transparent banking for all

Performance

The Unit continued to perform well during the year with total deposit growing by 10% compared to 2023. Total assets also witnessed a growth of 22% as a result of targeted efforts to grow the Islamic banking portfolio.

KEY INITIATIVES IN 2024

Expanded Product Range

During the year, NDB Shareek expanded its offerings on both the deposit and asset sides. New savings products introduced during the year such as the Money Market Saver, Corporate Saver, NEOS Pixel, and Privilege Junior accounts were also launched through the Islamic Banking Unit with Shariah compliant terms. On the asset side NDB Shareek introduced Import Murabaha, a Shariah-compliant financing solution for businesses involved in import activities.

Enhanced Service Quality

As part of our ongoing efforts to provide a customised service offering, three dedicated managers were on-boarded to specifically address the requirements of Wholesale Banking, Mid-Corporate, and Middle Market clients. These managers serve as a central contact point to provide specialised support tailored to each segment’s unique needs. Branch Managers and officers across all our branches are provided extensive training in Islamic Banking principles and products, upskilling them to offer personalised service and expert guidance. During the year over 50 hours of training were delivered across 24 branches on our Islamic Banking proposition covering 200 staff across the branch network and support units in order to standardise the service delivery and enhance the knowledge of alternative Islamic banking concepts.

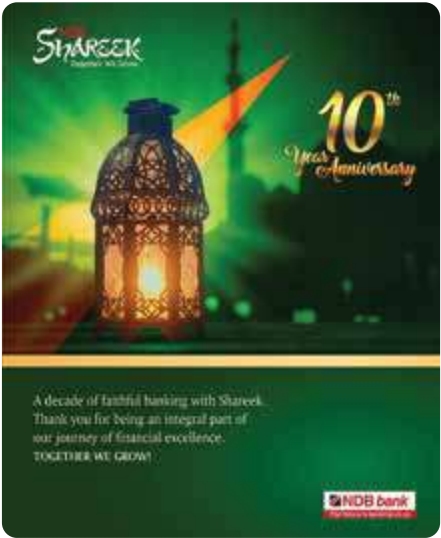
Ensuring Total Shariah Compliance

All NDB Shareek products, services and transactions are vetted and approved by an independent Shariah Supervisory Board (SSB) to ensure total Shariah compliance, which is headed by Ash Sheikh Shafique Ahmed Jakhura(Mufti) and closely supported by Ash- Sheikh Insaf Mashood.

A Decade of Excellence

NDB marked a monumental milestone as NDB Shareek, celebrated 10 years of providing Shariah-Compliant Banking and Financial solutions to Sri Lankans in 2024. This achievement is particularly significant, as NDB is among the few financial Institutions in Sri Lanka to reach this remarkable milestone in the Islamic Banking space.

NDB Shareek Islamic Banking has upheld its mission of offering an Alternative Banking method in line with the Central Bank of Sri Lanka regulations and Shariah principles. Supported by a comprehensive range of products and services, over the years, NDB Shareek has grown into a trusted partner for individuals and businesses.



WAY FORWARD - ISLAMIC BANKING

As NDB Shareek Islamic Banking looks ahead, the focus remains on empowering Sri Lankans through ethical financial practices. With its extensive branch network of 113 locations and a robust digital infrastructure, NDB Shareek is poised to drive financial inclusion and growth in Sri Lanka's Islamic banking sector for years to come, guided under the new theme "Together We Grow".



WAY FORWARD - BUSINESS BANKING

Opportunities

- + Notable revival in SME sector mainly due to the recovery of the tourism sector
- + Opportunities arising from the Bank's strong value chain financing proposition
- + The Government's focus on the export and ICT sectors as priority thrust industries
- + Significant growth potential for Islamic Banking proposition outside Western and Central Provinces

Key Risks

- Erratic weather patterns having adverse effects on SME operations and revenue
- Emerging stringent regulations in EU and other parts of the world affecting export businesses

Strategic Focus in 2025

With the SME sector showing promising signs of revival, we are confident that 2025 will bring significant opportunities for growth and innovation. We will therefore continue to pursue growth opportunities particularly through value-chain financing while maintaining a sharp focus on portfolio quality. We will continue to enhance our digital value proposition for SMEs, emphasising on our transaction banking offerings to maximise fee-based income. The Bank will also partner with a number of credit insurance agencies in sharing risk, which stems from increased lending to untapped and underserved SMEs. Additionally focus will be directed toward empowering the women's market segment and expanding our Islamic Banking footprint across the country as we see these segments as having significant growth potential.

BUSINESS LINES PERFORMANCE REVIEW

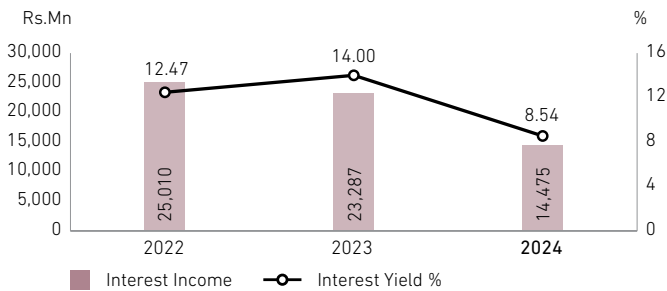
WHOLESALE BANKING

Our commercial banking proposition offers a comprehensive suite of services, including transactional banking, cash management, and supply chain financing. Coupled with our deep understanding of the complex financial needs of our clients, we are able to provide a holistic value proposition that delivers both financial and non-financial support to our corporate customers.



Financial Performance Highlights

Wholesale Banking Interest Income and Interest Yield



Gross Loans

2024 - LKR 180,562 Mn 2023 - LKR 164,650 Mn

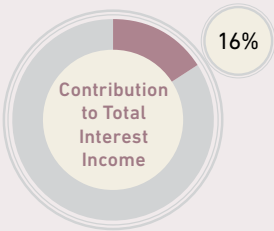
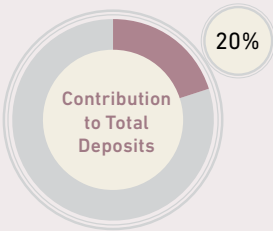
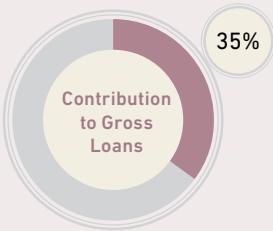
Total Deposits

2024 - LKR 124,741 Mn 2023 - LKR 113,616 Mn

Inter-Segment Financing

2024 - LKR (55,821) Mn 2023 - LKR (51,034) Mn

Wholesale Banking - Contribution to Group Performance



Excellence in Wholesale Banking



Sri Lanka's Best Bank for Corporates
Euromoney Awards 2024

National Best Quality Software Award
(NBQSA) 2024 for "Tradelinc" platform



UNLOCKING PROSPERITY

DRIVING SRI LANKA'S ECONOMIC REVIVAL - Strengthening Customer Resilience with Value Chain Financing

Providing our corporate customers tailor-made supply-chain solutions is part of our overall efforts to empower our customers to build resilient business models. Supply chain solutions such as our distributor financing scheme and NDB Supplier Early Payment Programme (N-SEPP) enable customers to reduce financial risks in their supply chain and improve liquidity of their channel partners. During the year we increased focus on this segment, closely working with our corporate customers to provide tailor-made supply-chain solutions while enhancing our value-chain financing proposition. The launch of "Tradelinc" a pioneering digital platform specifically tailored for local businesses was a key achievement during the year (refer more information below).

Strategy in Action



Business Focus - Driving trade financing

In order to improve client-centricity, Trade Operations Unit was also brought under the Transaction Banking Unit that falls under the Wholesale Banking arm. Trade operations were streamlined with extended cutoff times and faster turnaround times. Additionally, on Cash Management front, host to host (clients' ERP integration) development commenced to provide top corporates a sophisticated and more streamlined solution.



Operational Excellence - Digitising processes

Emphasis was placed on streamlining critical operations and strengthening control measures. Several processes in the trade department were also digitised to increase efficiency.



Empowered Stakeholders

With a bid to enhance customer experience and empower them with seamless and superior solutions, we introduced Service Level Agreement (SLA) turnaround times for each business line, setting clear expectations for clients. This was supported with ongoing training for client facing officers to ensure the highest levels of client service. This initiative ensured that our client facing officers are also equipped with the right knowledge on processes.

KEY INITIATIVES IN 2024

Launch of "Tradelinc" Platform

2024 witnessed the launch of "Tradelinc", our tailor-made digital solution for suppliers, distributors, and corporates to manage trade-related transactions. Designed and developed entirely in-house, the platform offers real-time funding, supply chain transparency, 24/7 access, and localised functionality, making it a cost-effective alternative to international platforms. As the first local bank to introduce a purpose-built platform designed specifically to suit Sri Lankan businesses, the launch of Tradelinc has significantly enhanced our supply-chain finance value proposition.



BUSINESS LINES PERFORMANCE REVIEW

WHOLESALE BANKING

Structural Re-alignment for Better Service Delivery

As part of our efforts to offer our customers a seamless, one-stop-shop service, transaction banking and trade operations were consolidated under the Wholesale Banking in 2024. This structural integration together with ongoing process improvements have significantly enhanced service efficiency and positioned the Unit to better support the diverse needs of corporate clients.

Ongoing Improvements to Digital Value Proposition

We continued to enhance our digital value proposition to our corporate customers. Improvements continued on NEOS Corporate, our dedicated digital banking platform for corporate customers, further enhancing usability and functionality. Additionally, we are collaborating closely with our IT department to develop a host-to-host system, which will enable seamless direct integration with our customers' ERP systems, streamlining interactions and further elevating the customer experience.

Customised Trade Solutions

We remained committed to supporting our customers navigate persisting challenges, in the aftermath of the economic crisis. To minimise the impact on our customers from restrictions imposed by correspondent banks following the 2022 credit downgrade, our Trade Department proactively negotiated special arrangements to maintain customer access to trade lines. Meanwhile, we closely engaged with customers, offering tailor-made solutions to support customers in need.

WAY FORWARD - WHOLESALE BANKING



Opportunities

- + Expected resumption of corporate trade activity in line with anticipated economic recovery
- + Growth opportunities for trade business particularly from regions
- + Opportunities arising from being a part of the banking ecosystem at the Colombo Port City
- + Upliftment of import restrictions on motor vehicles, increased risk appetite on these sectors

Key Risks

- Continued margin pressure resulting from low interest rate environment and increasing competition
- Impact of the Banking Act Direction on Large Exposures of Licensed Banks issued in March 2024 limiting borrowing capacity of local clients

Strategic Focus in 2025

We are optimistic of our prospects for 2025, particularly in the trade and transaction segments, due to gradually improving economic conditions in the country as well as due to our focused efforts during the last two years to strengthen our position in this space. Ongoing efforts to support customers recover from the economic crisis are also showing results and we are confident that we can leverage these stronger relationships to drive growth and volumes. While focusing on growth we will continue to strengthen our internal processes and monitoring mechanisms to drive greater efficiency and service quality, thereby striving to be a true partner in our customer value chain. We will also explore cross-border business opportunities, given our expertise and experience in this regard.

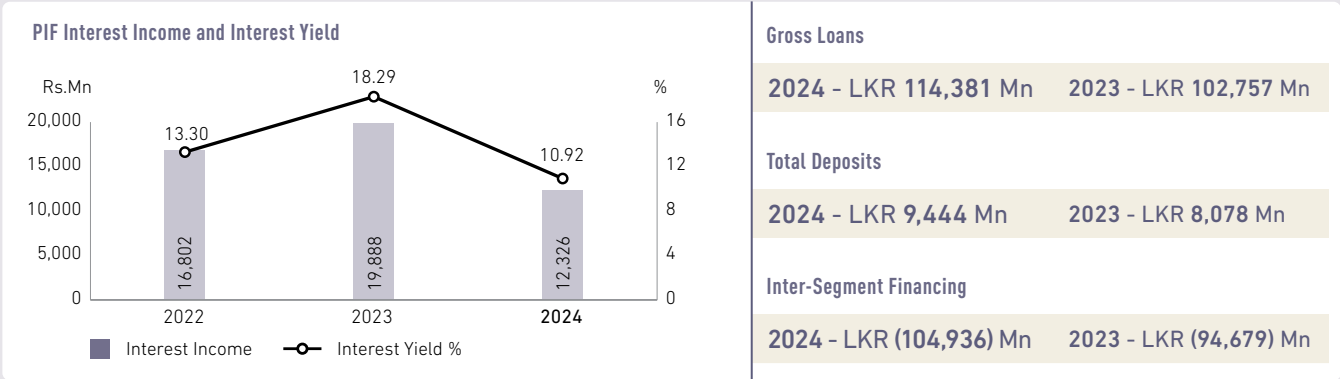
For the purpose of simplifying the credit approving process and document management system, we plan to move to an automated Loan Origination System (LOS). Further, to strengthening the control measures, impairment processes will also be carried out through an automated work flow system.

PROJECT & INFRASTRUCTURE FINANCING (PIF)

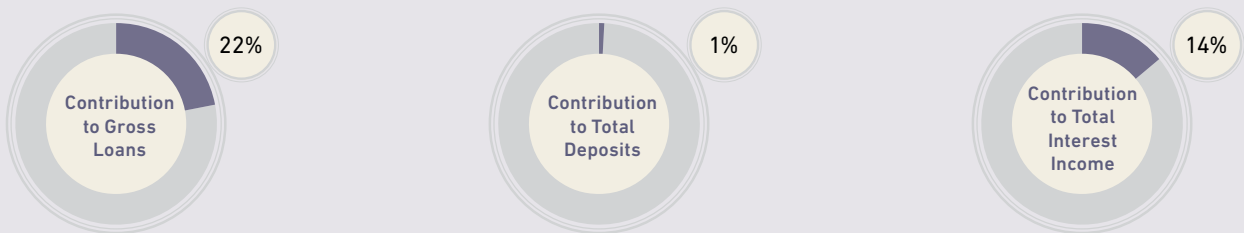
With unique insights and domain-specific knowledge honed over four decades, NDB has become an established leader in project financing within Sri Lanka. Our comprehensive expertise includes long-term lending solutions and advisory services, all tailored to support complex, large-scale projects. This deep-rooted experience enables us to deliver unmatched value and strategic guidance, empowering clients through every stage of their project development journey.



Financial Performance Highlights



PIF - Contribution to Group Performance



Excellence in Project Financing

Sri Lanka Domestic Project Finance Bank of the Year
Asian Banking and Finance Magazine (Singapore) Awards 2024



BUSINESS LINES PERFORMANCE REVIEW

PROJECT & INFRASTRUCTURE FINANCING (PIF)

UNLOCKING PROSPERITY

Expanding our Regional Footprint

Leveraging our well-established track record in structuring and financing large-scale projects both locally and internationally, NDB strategically focused on expanding its regional presence during the year. Accordingly, we strengthened our overseas presence, successfully pursuing offshore financing opportunities in India, Maldives and Indonesia. These project serve to strengthen our cross-border capabilities and serve as a stepping stone for further expansion in these regions.

Strategy in Action



Business Focus - Driving transactions volumes through cross-selling

We aggressively pursued cross-selling opportunities by bundling services like cash collections with our core lending products. This strategic bundling approach allowed us to drive transaction volumes, enhance service value, and capture a greater portion of client business, further reinforcing our position as their preferred financial partner.



Operational Excellence - Digitising operations for greater efficiencies

We actively promoted the NEOS Corporate platform to our clients as part of our overall digitisation efforts. By onboarding them onto our digital platforms, we enhanced client convenience and significantly streamlined our internal processes.



Empowered Stakeholders - Strengthening capabilities

We continue to upskill our PIF team providing ongoing training opportunities in emerging areas such as green investments, climate financing and green bonds among others.

Our customers received up to LKR 35.7 Bn as fresh disbursements during the year, enabling them to progress ahead.

KEY INITIATIVES IN 2024

Independent Rating for Sustainable Bond Framework

Achieving a key milestone in the Bank’s sustainable financing journey, NDB’s Sustainable Bond Framework obtained an independent assessment and “Good” rating from Sustainable Fitch based on internationally recognised principles and guidelines set by the International Capital Market Association (ICMA).The Sustainable Bond Framework enables NDB to finance or refinance projects under several green and social categories that support Sri Lanka’s national goals for environmental protection and social advancement. These include seven green Use of Proceeds (UoP) categories viz renewable energy, green buildings, clean transportation and climate change adaptation, as well as four social categories, including affordable infrastructure and employment generation.

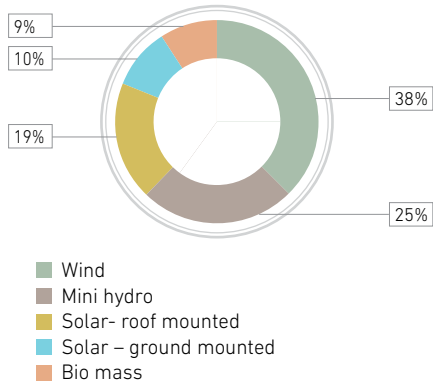
Powering the Energy Sector

Responding to the nation’s need to strengthen the energy sector, NDB was a part of a funding syndicate to finance a 350 MW liquid natural gas (LNG) based Combined Cycle Power Plant ‘Sobhadhanavi’. Once commissioned, the project will be the largest independent power producer (IPP) in the country and the first power plant to operate with LNG, paving the way for the country to transition to greener forms of power generation from conventional thermal power.

Our renewable energy generation financing portfolio is quite diverse with lending to wind, mini-hydro, solar and bio mass energy generation. Refer page 180 in Natural Capital for more details.



Composition of the renewable energy generation financing portfolio



LENDING TO FINANCIAL INSTITUTIONS

We provided funding to several large financial institutions during the year both at home and overseas. Lending to the domestic financial institutions added on to our efforts in strengthening the country’s financial services sector at a time the country’s economy was regaining from the setbacks of the financial crisis. We will continue to focus on this segment, actively pursuing local and offshore opportunities.

WAY FORWARD - PIF



Opportunities

- + Loan syndications in both domestic and regional markets
- + Enhanced financing opportunities in renewable energy, infrastructure development, etc., with resurgence in economic activity
- + Opportunities for infrastructure financing in the Colombo Port City

Key Risks

- Impact of the Banking Act Direction on Large Exposures of Licensed Banks issued in March 2024 limiting borrowing capacity of local clients

Strategic Focus in 2025

Expanding our regional footprint will remain a focus going into 2025 and we will continue to explore big ticket offshore lending opportunities through syndicate arrangements. We will also expand lending to financial institutions across both domestic and international markets while pursuing sell-down opportunities with overseas financial institutions to drive asset growth. In terms of our product offering we will continue to pursue cross sell opportunities by offering bundled financial services for large scale projects while continuing to drive greater digitisation of our services.

BUSINESS LINES PERFORMANCE REVIEW

TREASURY OPERATIONS

The Treasury continued to effectively manage the Bank’s market risks, including interest rate, exchange rate and liquidity risk, by proactively aligning the balance sheet with market conditions. This was achieved through active interest rate monitoring, strategic portfolio diversification, and an ongoing focus on efficient margin management.

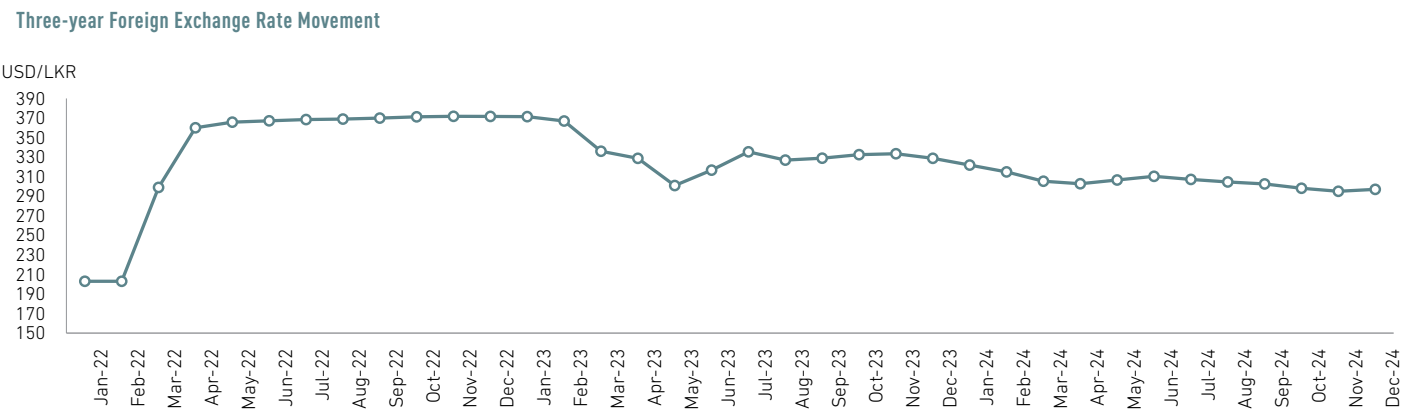


Performance in 2024

Interest Income 2024 - LKR 32,691 Mn 2023 - LKR 45,219 Mn	Investments 2024 - LKR 250,130 Mn 2023 - LKR 225,990 Mn	Borrowings 2024 - LKR 57,347 Mn 2023 - LKR 73,896 Mn

FOREIGN EXCHANGE (FX) DESK

Focused efforts to capture market opportunities in trade/ transaction related business enabled the Unit to generate a FX revenue of LKR 1.04 Bn during the year.



FIXED INCOME (FI) DESK

The FI desk performed well during the year with an interest income contribution of 37% during the year to the Bank’s overall interest income. The FI desk capitalised on declining interest rates, generating significant capital gains from fixed-income securities. Trading activity in government securities also increased during the year due to the relatively higher yields compared to other market interest rates. The Bank’s Balance Sheet mis-matches were also managed effectively to optimise Bank’s net interest margins.



WAY FORWARD- TREASURY OPERATIONS

Opportunities

+ Foreign Exchange

- ⊙ Scope to implement advanced hedging strategies (forwards, swaps derivatives)
- ⊙ Planned strengthening of FX forecasting models using advanced technology
- ⊙ Enhancements to proprietary trading to diversify FX revenues

+ Fixed Income

- ⊙ Exploration of structured money market products for higher returns while maintaining liquidity
- ⊙ Active participation in secondary market trading activities as a market maker

+ Debt Management

- ⊙ Exploration of sustainable financing such as green bonds and Sukuk (Shariah- compliant bonds)
- ⊙ Broadening of investor participation by targeting foreign institutional investors.

Key Risks

- Continued pressure on margins due to increased competition
- Interest rate volatility impacting cost of funds
- Management of funding mismatches of the balance sheet
- Talent retention and acquisition

Strategic Focus in 2025

Improving economic conditions in the country are expected to fuel higher credit demand in the short to medium term. To support this expected asset expansion, the Treasury will continue to optimise liquidity management, enhance funding strategies, and actively manage asset and liability management risk. Treasury will also continue to explore digitalisation of their operations to drive further efficiencies.

GROUP COMPANIES PERFORMANCE REVIEW

A stronger-than-expected economic recovery momentum, the successful completion of the External Debt Restructuring (EDR) process, and subsequent credit rating upgrades by global agencies such as Fitch Ratings and Moody's Investors Service collectively fostered a more optimistic economic outlook and heightened investor confidence. Sri Lanka's capital markets, mirrored this positive momentum, delivering a robust performance during the year. The benchmark All Share Price Index (ASPI) and the Standard & Poor's Sri Lanka 20 Index (S&P SL20) recorded impressive gains of 49.66% and 58.46%, respectively during the year. The ASPI surpassed the 15,500-point mark for the first time in history, reflecting heightened investor confidence and increased market activity. The low interest rate environment meanwhile stimulated significant activity in the fixed-income market. Foreign investors showed renewed interest, with inflows into LKR-denominated government securities. Corporate debt-raising activities also regained momentum, particularly in the latter half of the year, as the overall business climate improved. Against this dynamic and evolving economic backdrop, the performance of NDB's Group companies engaged in capital market services was as follows.

NDB Capital Holdings Limited

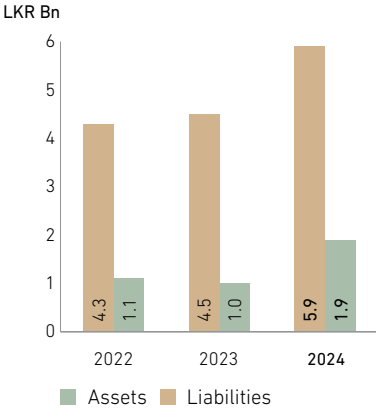


Profile

NDB Capital Holdings Limited (NCAP) is the fund-based investment banking arm of the NDB Group and the parent entity of the Investment Banking Cluster. NCAP directly engages in fund-based activities including strategic investments in listed equities, private equity, fixed income securities, government bonds, structured debt, acquisition funding, pre-IPO placements/ mezzanine financing, and other Balance Sheet related activities.

Assets and Liabilities

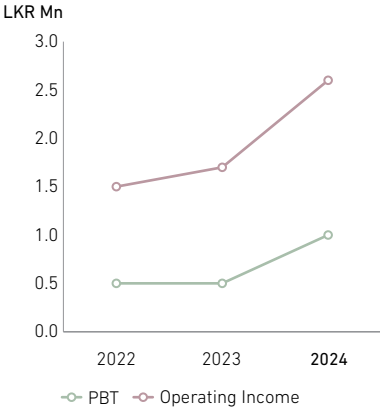
LKR Bn



Year	Assets (LKR Bn)	Liabilities (LKR Bn)
2022	1.1	4.3
2023	1.0	4.5
2024	1.9	5.9

Earnings

LKR Mn



Year	PBT (LKR Mn)	Operating Income (LKR Mn)
2022	0.5	1.5
2023	0.5	1.7
2024	1.0	2.6

Performance Highlights

- Operating income grew by 50% to LKR 528.2 Mn
- Pre-Tax profit increased 57% to LKR 342.1 Mn
- Net profit surged by 87% to LKR 249.5 Mn

Strategic Priorities

- Investment returns increased significantly compared to the previous year.
- NDBIB maintained its reputation and position in the market.
- NDBWM strengthened its market leadership reaching highest Assets Under Management in the industry with Total AUM of LKR 346.0 Bn
- NDBS has increased its market share compared to the previous year.
- Ongoing investment in NDB Capital Scholarship Trust which aids deserving undergraduates across disciplines.

Opportunities and Threats 2025

- Increased activity in equity markets due to continuation of low-interest-rate environment
- Increased participation in financial markets as a result of improved credit ratings and reduced risk profile
- More investment appetite due to economic resurgence

- Macro-economic uncertainty and volatility and its impact on equity markets
- Frequent changes in tax policy and increase in tax rates
- Economic and political instability

Way Forward

NCAP will continue to optimise investment portfolio returns while providing strategic support to subsidiaries across their respective business lines.

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NDB Investment Bank Limited



Profile

NDB Investment Bank Limited (NDBIB) is a Corporate Finance Advisor licensed by Securities and Exchange Commission of Sri Lanka, which provides services in the areas of debt and equity structuring and distribution, mergers and acquisitions, and corporate advisory services. NDBIB's competitive edge is underpinned by innovative and customised investment banking solutions, a highly skilled and diverse team, deep-rooted stakeholder relationships and collaborations built over the years.

Performance Highlights

- ⦿ NDBIB was crowned as 'Best Investment Bank in Sri Lanka' by the Euromoney Magazine for the thirteenth consecutive year in 2024
- ⦿ Facilitated raising over LKR 27 Bn worth of funds
- ⦿ Carried out six high profile transactions during the year



Strategic Priorities

2024 witnessed the gradual normalisation of economic conditions and the resolution of political uncertainty with the conclusion of the Presidential and Parliamentary elections in the Second Half of 2024. However, for the most part of the year, investor sentiment remained dampened as they were adopting a 'wait and see' approach in the lead up to the elections, making it a challenging year for capital markets.

NDBIB was able to complete several transactions and advisory assignments in 2024.

- ⦿ Financial Advisors to the Rights Issues of; (1) Citrus Leisure PLC (LKR 1.59 Bn), (2) Hikkaduwa Beach Resort PLC (LKR 902 Mn), (3) Waskaduwa Beach Resort PLC (LKR 678 Mn) and (4) UB Finance PLC (LKR 254 Mn).
- ⦿ Carried out valuations for multiple local and regional players operating in the fashion and clothing, tech, healthcare, NBF and power generation sectors, among other sectors.
- ⦿ Sell-side Advisors to; (1) Singapore Telecommunications Limited, NDB Capital Holdings Limited and Ceylon Guardian Investment Trust PLC for the divestiture of Lankacom Services (Private) Limited, (2) shareholders of a Private Hospital, and (3) Sri Lanka Telecom PLC for the divestiture of Talentfort (Private) Limited.
- ⦿ Managed the Debenture issue for Abans PLC (LKR 300 Mn).
- ⦿ Advisory assignments for a global Development Financial Institution on the Agri and Start-up sectors.
- ⦿ Managed Basel III Compliant - Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with non-viability conversion options for NDB Bank PLC (totalling LKR 10 Bn) and Hatton National Bank PLC (LKR 12 Bn).



Opportunities and Threats 2025

- + Uptick in demand for new listings and corporate debt instruments due to improved market sentiment
- + Increase in appetite in the M&A space
- + Opportunities for new capital market initiatives and novel capital market products (e.g. - Shariah-compliant Financial Instruments and Sustainable Bonds)
- + Opportunities for regional expansion due to NDBIB's experience in the South Asian, Southeast Asian and African markets and via strategic foreign collaborations.
- Dampening of investor interest due to tax increases
- Slowdown in recovery momentum due to non-achievement of macro targets
- External shocks from possible geo-political instability



Way Forward

Going forward, NDBIB will pay particular focus in sourcing and executing foreign transactions with higher fee potential and exposure, while capitalising on emerging local opportunities driven by the economy's gradual recovery.



GROUP COMPANIES PERFORMANCE REVIEW

NDB Wealth Management Limited



Profile

With over 30 years of industry experience, NDB Wealth Limited is one of the pioneering asset management companies in Sri Lanka. NDB Wealth continues to dominate the market as the largest private sector fund management company in Sri Lanka serving a diversified range of over 35,000 high-net worth, individuals and institutional clients.

Performance Highlights



- As of 31st December 2024, the company achieved total assets under management of LKR 346 Bn and total Unit Trust assets under management of LKR 217 Bn, the largest in the industry, with a market share of close to 40%
- The company's flagship unit trust, NDB Wealth Money Fund, retained its number one position as the largest Fund in the unit trust industry with over LKR 203 Bn assets under management as at year-end 2024
- The company achieved a record-high revenue of LKR 1.5 Bn, a 83% increase compared to 2023
- Return on Shareholders' Equity (ROE) exceeded 88%

Strategic Priorities



- Increase Assets Under Management (AUM) while prioritising client retention and delivering long-term value.
- Enhance customer experience through digitisation, convenient and sustainable service delivery.
- Broaden the range of investment opportunities available to investors to enable higher levels of diversification.
- Expand the investor inclusiveness of our wealth management product portfolio to retail masses.

- Improve regional presence to reach untapped segments locally and internationally.
- Promote better investment habits across a wide array of investors through innovative product propositions.
- To expand the product offering of the Unit Trust portfolio by introducing a range of new unit trust investment options to clients

Opportunities and Threats 2025



- Gradual reduction in risk premiums and increased attractiveness of asset classes such as equities and corporate debt investment opportunities in the backdrop of a recovering economy.
- The anticipated low-interest-rate environment is expected to create favourable conditions for the Unit Trust business
- Increased local and foreign investor confidence stemming from post-election political stability, consistent policy, and an improved sovereign credit rating

- Disruption or derailment to economic reform agenda

Way Forward



We will continue to diversify our offering through new products and diverse asset classes in order to reach a wider investor base.

NDB Securities (Pvt) Limited



Profile

NDB Securities (Pvt) Limited (NDBS) is a leading stockbroker with a strong retail and institutional client base. Its competitive edge is underpinned by superior customer proposition centering on strong relationship management, a state-of-the-art online trading facility, and market-leading research capabilities. The company continues to contribute towards enhancing the vibrancy of the stock market by introducing both foreign and local institutions and individuals to the Sri Lankan capital market.

Performance Highlights



- Amid a resurgent equity market, NDBS recorded a brokerage income of LKR 299 million, reflecting significant growth supported by improved market activity and investor confidence
- The company's market share increased to 4.89% in 2024, up from 3.81% in the previous year, reaffirming its competitive positioning.
- The company continued to leverage group synergies for incremental value creation

Strategic Priorities



- NDBS remained committed to expanding its client base through proactive engagement and targeted acquisition strategies.
- The firm further reinforced its risk management and compliance frameworks, enhancing operational resilience and ensuring long-term sustainability.
- Aligned with NDB's strategic emphasis on maximising group synergies, NDBS leverages intercompany collaborations to drive non-core revenue growth, reinforcing the strength and value of its affiliation with the Group.

Opportunities and Threats 2025



- A positive shift in investor confidence is expected as Sri Lanka finalises its external debt restructuring and secures the remaining IMF tranches, fostering stability and growth in capital markets
- The continued recovery of the tourism sector, with arrivals surpassing pre-pandemic levels, is anticipated to drive economic activity, increase disposable income directly and indirectly benefit capital markets.
- Inflation moderating at single-digit levels is likely to support lower interest rates, making equities more attractive compared to fixed-income instruments
- A resurgence in local economic recovery positively influencing equity market performance.
- Government-led fiscal consolidation efforts, including potential tax hikes and austerity measures, may weigh on corporate earnings and dampen consumer demand, impacting market sentiment.
- Despite macroeconomic improvements, foreign investors may remain risk-averse due to geopolitical uncertainties and global monetary policy trends, potentially limiting foreign inflows into the market.
- Any slowdown in key international markets could pose challenges to Sri Lanka's export sector, indirectly affecting equity valuations and investor confidence

Way Forward



We will focus on broadening its high-net-worth client portfolio by deepening engagement with the Bank's existing clientele and identifying new growth opportunities. Strengthening synergies within the NDB Group will remain a key priority, allowing NDBS to capitalise on its position as an integrated financial solutions provider. By leveraging the Group's collective expertise and expansive network, NDBS aims to enhance value creation, drive client-centric innovations, and strengthen its market position in 2025.

GROUP COMPANIES PERFORMANCE REVIEW

NDB Zephyr Partners Limited (Mauritius)



Profile

NDB Zephyr Partners Limited (Mauritius) (NDB Zephyr) is the Fund Manager of Emerald Sri Lanka Fund, a pioneering private equity fund dedicated to investing in small and mid-sized businesses seeking expansion capital in Sri Lanka. NDB Zephyr is jointly owned by NDB Capital Holdings Limited (NCAP) (60%) and Zephyr Management, LP (Zephyr) (40%), a New York-based global emerging markets investment firm.

Performance Highlights



- ⦿ NDB Zephyr continued to provide support to its three portfolio companies: Cleanline Linen Management (Pvt) Limited, Arimac Lanka (Pvt) Limited, and Idea Group Limited - facilitating expansion into global markets, driving strategic business diversification, enhancing access to working capital, and optimising cost structures
- ⦿ Revenue declined by 22% in USD terms, primarily due to fewer portfolio companies in the Fund following a successful exit last year, which led to a reduction in management fees

Strategic Priorities



- ⦿ Continued support provided to the remaining three portfolio companies

Opportunities and Threats 2025



- + Government thrust towards the SME, tourism, IT, export, and domestic manufacturing sectors
- + Exit opportunities, given positive market sentiments, driven by Sri Lanka's improved macroeconomic stability

- Potential LKR depreciation would reduce the USD returns to the Fund investors

Way Forward



The company will continue to focus on improving the performance and governance of portfolio companies. NDBZ aims to strengthen its portfolio companies in preparation for exits within the next 1-2 years and is also planning to establish the second fund as part of its investment strategy.

NDB Capital Limited (Bangladesh)



Profile

NDB Capital Limited (Bangladesh) offers a wide array of investment banking services in Bangladesh including M&A, corporate advisory, IPO, portfolio management, fund raising through corporate bond and preference shares, project financing and working capital arrangement, among others.

Performance Highlights



- ⊕ Actively pursued opportunities in Debt and Equity advisory and participated in initial public offerings (IPOs)
- ⊕ Facilitated debt and equity transactions with leading corporates reinforcing market leadership and strengthening reputation
- ⊕ Identified and advanced new opportunities across debt advisory, agency, and mergers and acquisitions (M&A)

Strategic Priorities



- ⊕ Debt and Equity advisory
- ⊕ Debt advisory, agency and mergers and acquisitions (M&A)

Opportunities and Threats 2025



- ⊕ Signs of economic recovery following political changes is expected to improve investor outlook and create opportunities for restructuring and project financing.
- ⊕ Foreign exchange reserves have stabilised owing to improved external factors such as higher inflow of remittances and exports.
- ⊕ Depreciation of the Taka has continued but outlook is positive due to recent trends in remittances.
- ⊖ A liquidity crunch, rising interest rates and issues in banking sector have hindered successful fundraising efforts. However, the central bank's decision to stop further rate hikes have given some optimism.

Way Forward



The company's core strategy will focus on capturing investment banking opportunities in the Bangladeshi market to further strengthen market position. Meanwhile, we will continue to explore non-traditional corporate advisory areas, such as mergers and acquisitions (M&As) and Transaction Advisory (TA) services, to diversify our business portfolio. Additionally, collaboration with other NDB Group subsidiaries will be fostered to facilitate cross-border equity and debt transactions, further expanding the Group's reach and capabilities.

CAPITAL MANAGEMENT REVIEW

As a financial institution, our ability to create sustainable value depends on how effectively we manage and enhance our capitals, that we identify as per the Integrated Reporting Framework of the Value Reporting Foundation, viz. Financial, Manufactured, Human, Intellectual, Social & Relationship, and Natural Capital. In precisely aligning this universal reporting framework to our operations, we have identified a seventh capital, namely, Digital Capital given the strategic significance of digital drive in our overall business model. These capitals form the foundation of our business model, enabling us to drive growth, resilience, and long-term stakeholder value. Through prudent management and strategic investments, we continuously strengthen our capitals to navigate challenges, seize opportunities, and contribute to economic and social development.

OUR SIX CAPITALS AND HOW WE DEPLOY THEM IN DRIVING SMART GROWTH AND PROSPERITY



FINANCIAL CAPITAL

We're continuously optimising our potential for growth, while streamlining our operations to support resource efficiency and drive a future of balanced, long-term stability and results.



The Japanese concept of pruning is founded on the idea of nurturing growth over time. It equates to building a structure of longstanding stability and resilience, while embodying principles of disciplined, careful management, a focus on efficient, focused growth and the art of long-term planning to achieve the best possible outcome.

Financial Capital Highlights

The Bank's strategy which focuses on further strengthening its business fundamentals, continued to deliver tangible results, improving financial performance, strengthening the Bank's financial position and enhancing investor confidence in the Bank. This section sets out how we enhanced our financial capital during the year through prudent financial management.

Financial Capital related Key Risks and Opportunities

Key Risks

- Intense competition in securing low cost deposits
- Any macro-economic shocks that may lead to interest rates fluctuations

Key Opportunities

- Strong signs of economic recovery and spillover effects on banking sector
- Overseas funding opportunities to be capitalised on, by leveraging experience in development banking and financing renewable energy sector

Key Components of Our Financial Capital

Total Equity → Customer Deposits → Borrowings

LKR 77.7 Bn **LKR 631.7 Bn** **LKR 68.4 Bn**

Healthy growth in core revenue streams including **7% growth in NII** and **9% growth in non-fund based income**

28% growth in profitability even excluding one-off gains from reversal of ISB provisioning

Value Delivered

NIM of 4.34% - the highest recorded

Record high Investor KPIs in including EPS of **LKR 21.73** and ROE **12.22%**

Contribution to SDG's

A strategic focus on portfolio quality management through rigorous monitoring of the loan portfolio

Efficient liquidity management through efficient treasury operations

Strong focus on managing NIMs through effective re-pricing of assets and liabilities and risk and capital efficient lending

Driving Strategy

How We Created Value in 2024

Capital augmentation through Tier 1 and Tier II capital enhancement

PERFORMANCE OF THE GROUP

The NDB Group, comprising National Development Bank PLC and its subsidiaries, achieved its highest-ever profitability in over 45 years, recording a Profit Before Tax of LKR 25.7 Bn - an impressive 136% growth compared to FY 2023. This was inclusive of a one-off gain of LKR 11.5 Bn stemming from the finalisation of the International Sovereign Bonds (ISB) restructuring. Excluding this gain, the Group's pre-tax profit from the underlying business grew 28% year-on-year, affirming the resilience of our business model.

The Group balance sheet also improved during the year with total group assets increasing by 2% to LKR 803.8 Bn as at 31 December 2024.

Group Performance Highlights

LKR Bn	2024	2023	%
Net operating income	44.0	26.0	↑ 70
Profit attributable to equity holders of the parent	9.8	5.8	↑ 70
Total assets	803.8	787.0	↑ 2
Total equity	84.2	75.9	↑ 11

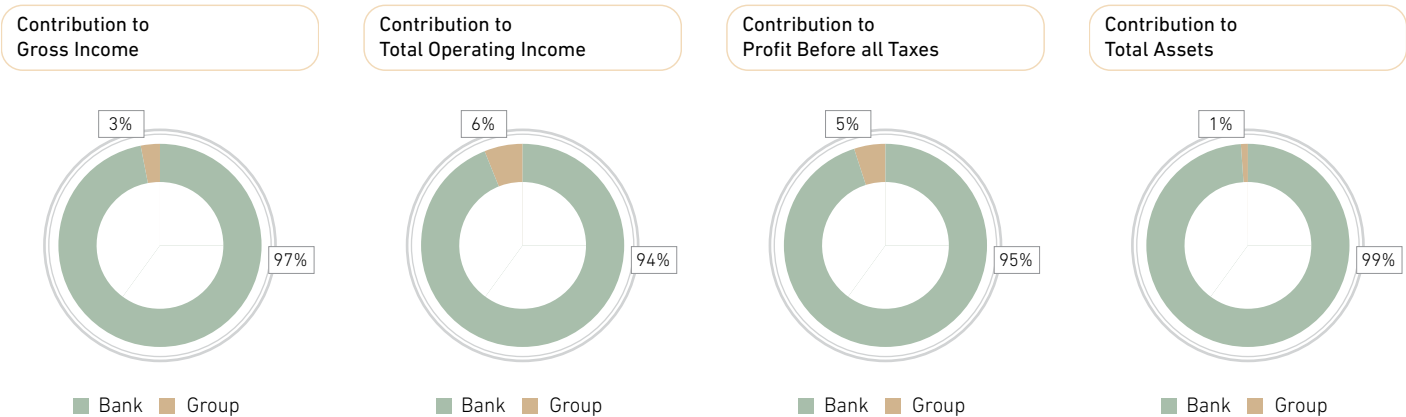
The strength of our financial capital lies in its resilience, quality, and the unwavering trust of our valued shareholders and deposit holders. Their contributions fortify our capital base, enabling us to maintain stability while pursuing sustainable growth. We remain steadfast in our commitment to preserving and generating sound returns from this financial capital, ensuring its prudent deployment to fund transformative growth opportunities that create long-term value for all stakeholders.



Hasitha Athapattu
Vice President
Finance

Segmental Performance

Commensurate to the asset base share, the majority of the revenue and profitability was generated by the Bank within the Group performance.



FINANCIAL CAPITAL

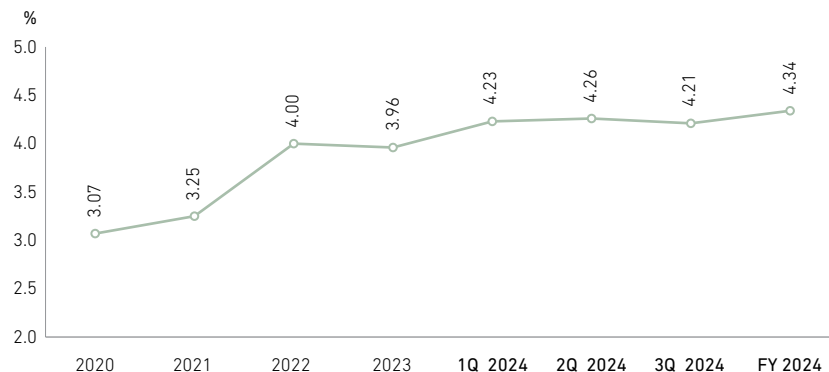
PERFORMANCE OF THE BANK

Income Statement

Fund Based Operations

Interest income which accounted for 89% of gross income posted a decline of 26% over 2023 (YoY) to LKR 88.1 Bn during the period amidst low market interest rates and modest loan book growth. Timely repricing of customer deposits meanwhile resulted in interest expenses declining by 38% to LKR 53.8 Bn and accounting for 61% of interest income in 2024 as compared to 73% in 2023. Consequently, Net Interest Income (NII) which accounted for 75% of the Bank's total operating income grew by 7% to LKR 34.2 Bn. The growth in NII driven by the Bank's prudent assets and liability management and timely pricing mechanisms ensured that the Bank's Net Interest Margin (NIM) continued on a growth trajectory, reaching 4.34% the highest-ever NIM achieved by NDB. Robust recoveries of non-performing loans also augured well in achieving a healthy NII. As explained through this Report, increasing NIMs was a key strategic focus area of the Bank through 2024.

NIM Performance

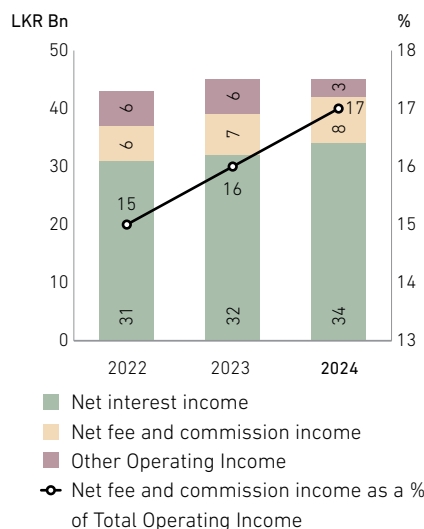


Refer Financial Statements Note No. 5 on page 277 for more details.

Fee Based Operations

Net Fee and commission income recorded a 9% growth to LKR 7.8 Bn during the period under review. Though marginal, the gradual increase in loan volumes, trade financing operations and digital banking transactions together with concerted transactions drive under the Bank's strategy supported the growth in fee and commission income. Reflecting its increasing contribution to the Bank's performance net fee and commission income as a percentage of total operating income increased from 16% in 2023 to 17% in 2024.

Operating Income



Bank's other operating income comprising net gains from trading, net losses from financial assets at fair value through profit or loss, net gains from derecognition of financial assets and other operating income amounted to LKR 3.5 Bn during the period compared to LKR 5.8 Bn in 2023, a 40% dip YoY.



Refer Financial Statements Note Nos. 6 to 10 from page 279 for more details.

Total Operating Income

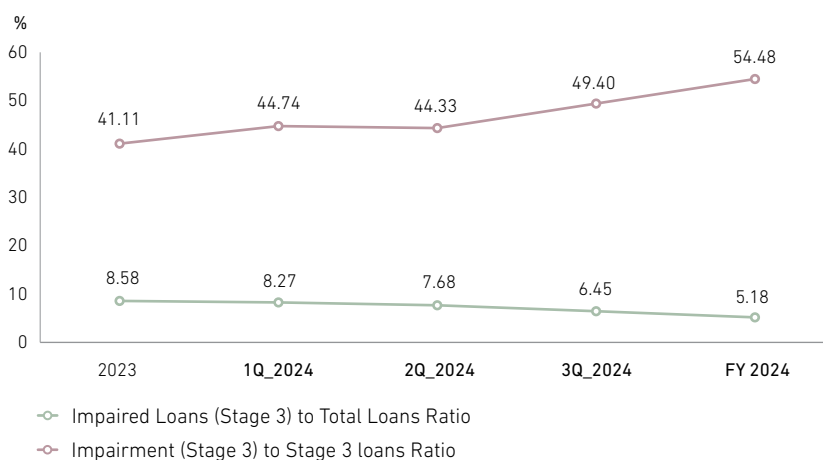
Supported by the increases in both NII and net fee and commission income, total operating income increased by 1% to LKR 45.5 Bn during the period with its contribution to Gross Income increasing from 34% in 2023 to 46% in 2024.

Impairment Charges and Reversals

The Bank posted a net impairment reversal of LKR 10.0 Bn comprising an impairment charge on the loan book of LKR 13.3 Bn and impairment reversal on the investment portfolio of LKR 23.7 Bn, on account of the finalisation of the ISB restructuring, the details of which are as follows;

LKR Mn	2024	2023
Charges/(reversals) to the Statement of Profit or Loss		
Loans and receivables to other customers		
- Impairment on individually significant loans	12,925	10,168
- Impairment on collective loan portfolio	156	5,500
Impairment on contingent liabilities and commitments	204	292
Total impairment charges for loans and receivables to other customers and contingent liabilities and commitments	13,285	15,959
Impairment charges/(reversals) on financial assets	(23,707)	5,178
Impairment charges on investments in subsidiaries	78	7
Other financial assets	367	-
Total	(9,977)	21,144

Improvement in Loan Portfolio Quality



Loan portfolio quality improvement, another element of the strategy made considerable advancements during the year. The impairment charge on the loan book in 2024 was down by LKR 2.7 Bn (17% YoY) compared to 2023. Resultantly, Impaired Loans (Stage 3) to Total Loans Ratio improved by 340 bps to 5.18% whilst Impairment (Stage 3) to Stage 3 loans Ratio increased by 13.37 percentage points to 54.48% over the end 2023 position, continuing the progress maintained since 3Q 2023.



Refer Financial Statements
Note No. 11 on page 282 for more details.

Net Operating Income

The aforementioned net positive impact of the impairment reversal led to a one-off gain in the profits, resulting in a net operating income increasing by 73% YoY to LKR 41.1 Bn.

Loss on Restructuring of Sri Lanka International Sovereign Bonds (SLISBs)

The Bank recognised a Day 1 loss on the newly issued bonds upon initial recognition, as they are recorded at fair value in accordance with SLFRS 9 –Financial Instruments. Additionally, the impact of the haircut was accounted for in line with SLFRS 9 requirements. Both these adjustments were charged to the Statement of Profit or Loss in 2024, and netted LKR 14.3 Bn.

LKR Mn	2024	2023
Day one loss on new instruments		
Financial assets measured at amortised cost	10,379	-
Financial assets Measured at fair value through other comprehensive income	369	-
Loss on haircut from previously held ISBs	3,595	-
Total	14,344	-



Please refer Financial Statement
Note No. 12 on page 288 for more
details.

FINANCIAL CAPITAL

PERFORMANCE OF THE BANK

Income Statement (Contd.)

Operating Expenses

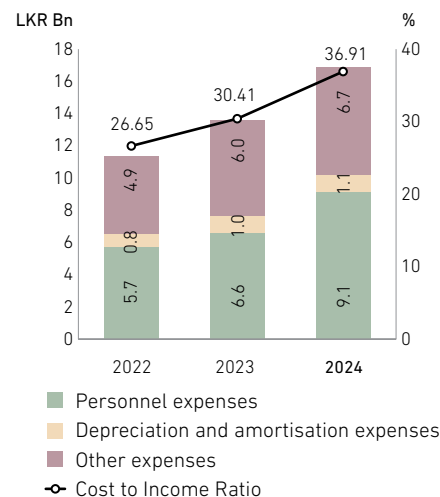
Total operating costs increased by 23% to LKR 16.8 Bn compared to LKR 13.7 Bn in 2023. The increase was mainly driven by an increase in personnel expenses which increased by 37% to LKR 9.1 Bn (54% of total operating costs). Other expenses which include expenses such as office administration and establishment expenses, deposit insurance expenses increased by 10% while depreciation and amortisation expenses increased by 11% due to additional investments in IT related equipment including computers. Despite continued inflationary pressure impacting operating costs, a concerted focus on cost management which included rationalisation of discretionary expenses and process automations and digitisation to drive greater cost efficiencies enabled the Bank to contain the increase in operational expenses at 23% and maintain a cost to income ratio of 36.9%.



Refer Financial Statements

Note No.s 13,14 and 15 in from page 291 onwards for more details.

Cost Management



Profitability

The one-off gain from the reversal of ISB provisions resulted in operating profit before tax on financial services recording an increase of 141% to LKR 24.3 Bn in 2024 as compared to LKR 10.1 Bn in 2023. Growth in Operating profit before tax on financial services excluding this one-off gain meanwhile was 28%, demonstrating the strength and resilience of our business model.

Taxation

Tax on financial services which comprised Value Added Tax (VAT) on Financial Services and Social Security Contribution Levy (SSCL) on Financial Services increased from LKR 2.7 Bn in 2023 to LKR 5.5 Bn in 2024 as a result of the increase in taxable income during the year.

Movement in Regulatory Tax Rates	2024	2023
FSVAT	18%	18%
Income tax	30%	30%
SSCL	2.5%	2.5%

LKR Mn	2024	2023
Taxes on Financial Services for Bank and Group		
Value Added Tax on financial services	4,851	2,415
Social Security Contribution Levy on financial services	674	335
Total	5,524	2,750

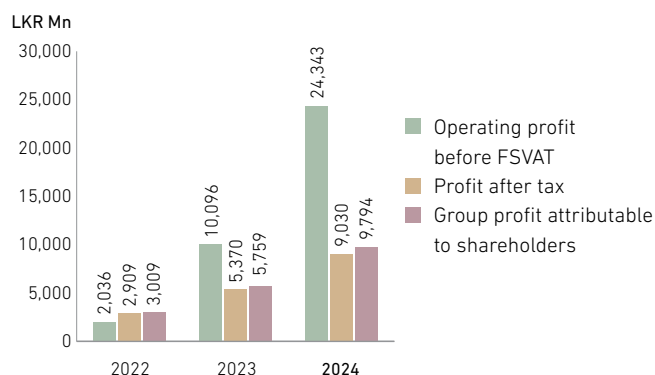
Income tax expense for the year increased to LKR 9.8 Bn compared to LKR 1.9 Bn in 2023. The increase was on account of a deferred tax charge of LKR 7.0 Bn which led to an effective tax rate (including deferred tax) of 52% compared to an effective tax rate (including deferred tax) of 27% in 2023.



Refer Financial Statements Note No.s 16 and 18 in page 294 for more details

The Bank recorded a post-tax profit of LKR 9.0 Bn for the financial year ended 31 December 2024, a 68% increase over the prior year. Group profit attributable to shareholders was LKR 9.8 Bn, and increase of 70% YoY.

Profitability



Tax Management:

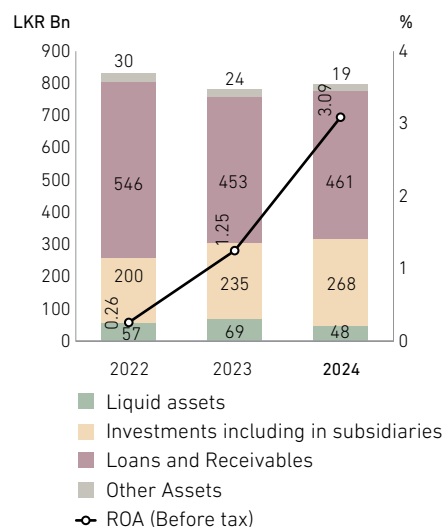
The Bank's tax strategy is formulated and implemented by a dedicated Tax Management Unit, driven by a team of highly skilled finance professionals. A tax consultant has been engaged to compute the income tax liability and handle the administrative functions relating to filing of income tax returns. Tax compliance is consistently monitored by Internal Audit, Compliance Unit, and the external auditors. The Chief Manager in charge of the Tax Management Unit liaises with the tax authorities on a regular basis, while engagement is also supported by the tax consultant. The Bank was fully compliant with all tax related regulations during the year.

Balance Sheet

Total Assets

Total assets growth was marginal at 2%, closing in at LKR 796 Bn and LKR 804 Bn at Bank and Group level respectively. The growth was supported by a moderate growth in gross loans and receivables which recorded a growth of 3% to LKR 510 Bn in the backdrop of gradually improving conditions for credit growth. The Bank also continued to increase investments in government securities to take advantage of the relatively higher yields offered on these securities. Accordingly, Financial assets at amortised cost which included investments in Sri Lanka treasury bonds increased 17% to LKR 177 Bn while financial assets measured at fair value through other comprehensive income increased by 13% to LKR 95 Bn.

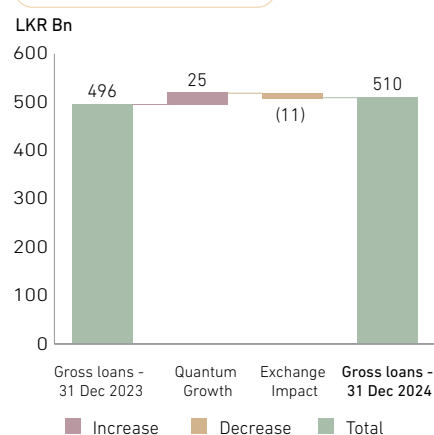
Total Assets Composition



Loans and Advances to Customers

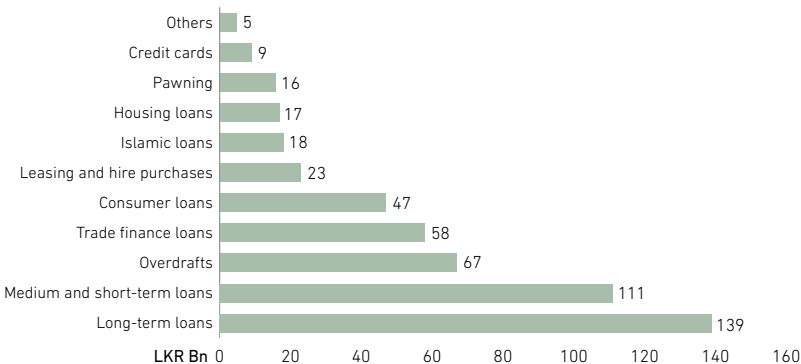
Gross loans to customers which accounted for 64% of total assets in 2024, recorded a growth of 3% to LKR 510 Bn compared to the 14% contraction witnessed in 2023. This was inclusive of a LKR 11 Bn negative impact stemming from exchange rates movement. While credit growth showed signs of a gradual resurgence towards the latter part of 2024, the Bank took a cautious approach, prioritising portfolio quality over quantity.

Movement in Gross Loans

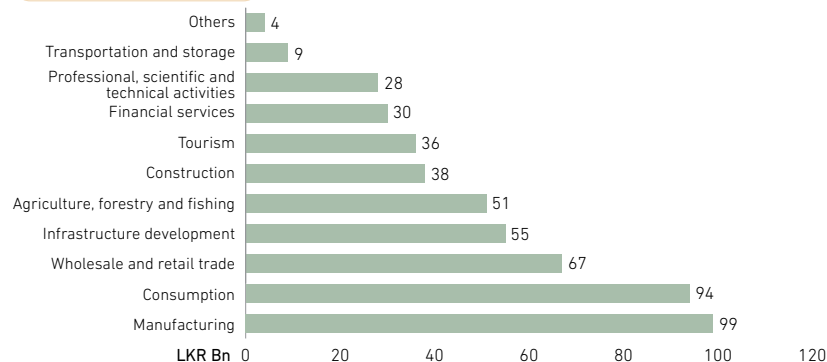


Portfolio Segmentation in 2024

Loan Portfolio by Product



Loan Portfolio by Industry



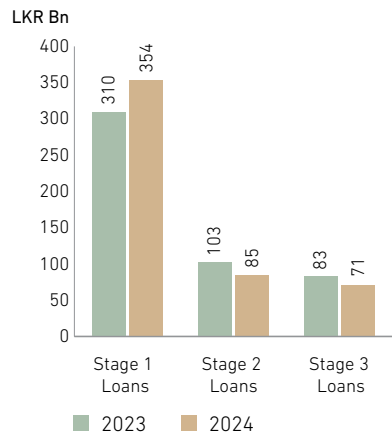
FINANCIAL CAPITAL

Balance Sheet Contd.

Portfolio Quality

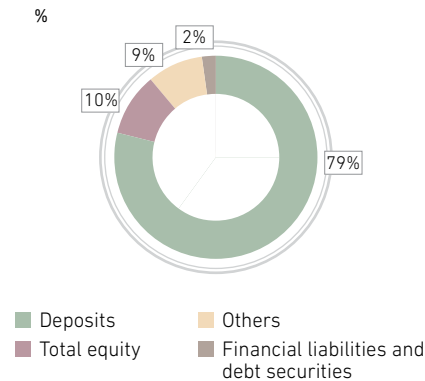
Portfolio quality continued to improve during the year reflecting lower default probabilities stemming from the improving economic conditions as well as our strategic focus on portfolio quality. Stage 2 loans decreased by 18% to LKR 84.5 Bn and accounted for 17% of gross loans as compared to 21% in 2023. Stage 3 loans decreased by 13% to LKR 71.4 Bn and accounted for 14% of gross loans in 2024 as compared to 17% in 2023. The Bank continued to focus its efforts on maintaining portfolio quality by engaging closely with financially distressed customers through business lines and the Bank’s Remedial Management Unit.

Movement in Loan Portfolio Staging



Balance Sheet Funding

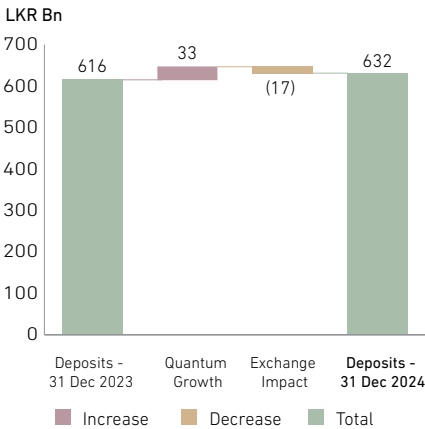
Balance Sheet Funding Composition



Deposits

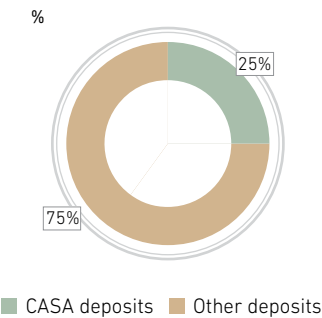
Deposits remain as the Bank’s primary source of funding, accounting for 79% of the Bank’s total assets in 2024. The deposit base increased by 3% in 2024, amounting to LKR 632 Bn as at the end of 2024. Targeted efforts to increase our deposit franchise enabled us to achieve this growth during the year. The deposits increase is net of a negative impact of LKR 17 Bn, stemming from exchange rates movement. 25% of deposits due to depositors in 2024 comprised of foreign currency deposits as compared to 29% in 2023. Within deposits, the low cost CASA base increased by 13% YoY, bringing the Bank’s CASA ratio closer towards industry average.

Movement in Deposits

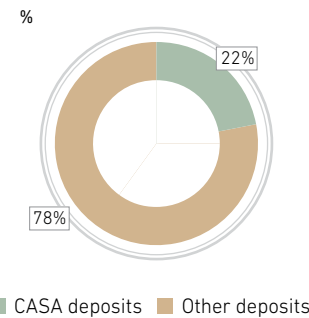


CASA Movement

CASA Base 2024



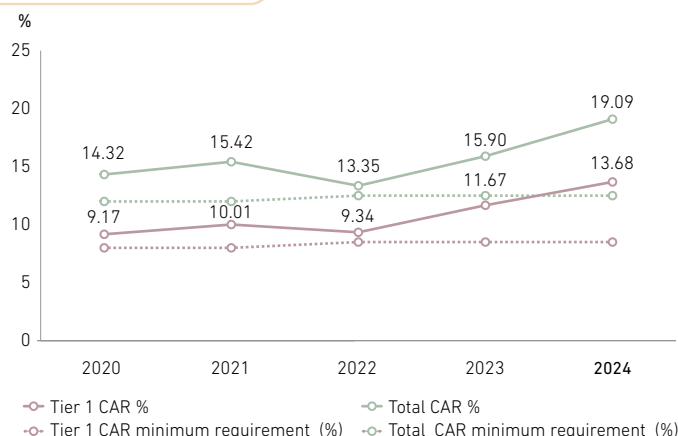
CASA Base 2023



Capital

Total equity enhanced by a healthy 11% through sound organic Tier I capital generation to LKR 77.7 Bn. Tier 1 capital increased to LKR 62.1 Bn as a result of the improved performance during the year and the increase in stated capital due to the 16 Mn ordinary voting shares being issued as scrip dividends in April 2024. Meanwhile Tier II capital increased to LKR 86.7 Bn as a result of NDB raising a total of LKR 10.0 Bn in Basel III compliant Tier II capital via two LKR 5.0 Bn tranches. Enhancements in capital was reflected in the regulatory capital ratios of Tier I and Total Capital Adequacy which stood at 13.68% and 19.09%, 518 bps and 659 bps above the minimum requirement respectively.

Capital Adequacy Ratios (CAR)



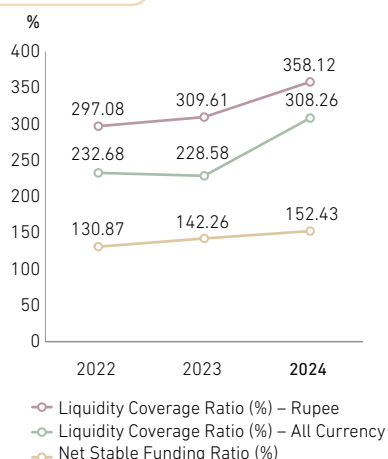
Liquidity

Sound liquidity management during the year resulted in a healthy liquidity position, with regulatory Liquidity Coverage Ratio (Rupee), Liquidity Coverage Ratio (All Currency) and Net Stable Funding Ratio stood well above the regulatory minimum requirement of 100% at 358.12%, 308.26% and 152.43% respectively.

Affirming the Bank's ability to meet its long term funding requirements, gross loans to deposit ratio during the year stood at 81% while the Net Stable Funding Ratio (NSFR) stood at 152.43% as at 31 December 2024 well above the regulatory minimum of 100%

The Bank's strong liquidity position allows it to effectively seize opportunities arising from the expected increase in credit demand in the near term while maintaining sufficient high-quality liquid assets to navigate potential short-term liquidity challenges.

Liquidity Ratios

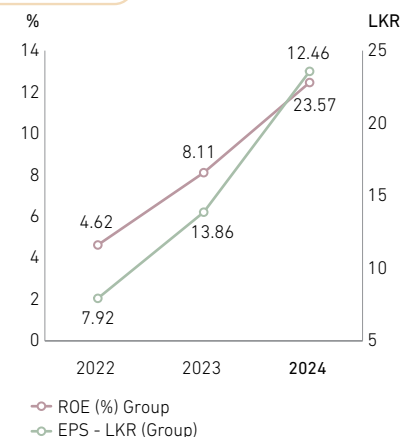


Investor KPIs

The strong financial performance during the year contributed to record high investor KPIs during the year.

Return on Average Equity was 12.22% up from 8.03% in 2023. Earnings per share reached LKR 21.73 from LKR 12.92 in 2023. Respective ratios at the Group level was 12.46% and LKR 23.57. Bank Pre-tax Return on Average Assets was 3.09% an, exceptional improvement from the 1.25% of the prior year. Net Asset Value per Share was LKR 186.91 and compared with a closing share price of LKR 113.25. The comparatives of these indicators in 2023 were LKR 175.60 and LKR 64.90 respectively. Group Net Asset Value per share was LKR 199.13 (2023: LKR 186.43).

ROE and EPS



Refer Investor Relation –

Key Shareholder Return Indicators on page 491 for more details.

FINANCIAL CAPITAL

FINANCIAL VALUE ADDED (EVA) - NORMALISED

For the year ended December 31	2024 LKR Mn	2023 LKR Mn
Invested Equity		
Total equity	77,665	70,147
Add : Allowance for impairment charges for loans and receivables and other losses	60,330	69,366
Total	137,994	139,513
Earnings		
Profit after tax and dividend on preference shares	9,030	5,370
Profit for the year excluding one off adjustment for debt restructuring	8,815	-
Add: Impairment for loans and receivables and other losses	13,285	21,144
Total	22,100	26,514
Cost of equity (Based on 12 months weighted average T-bill rate plus 2% for risk premium)	12.19%	20.80%
Cost of average equity	16,914	21,139
Economic Value Added	5,186	5,375

OUTLOOK



We are encouraged by strong signs of economic recovery and the expected spillover effects on the banking sector in terms of credit growth and lower default probabilities. We are however cognisant of persisting challenges in terms of continued pressure on margins and high NPL ratios. We will therefore continue to focus on our mid-term strategy of optimising cost of funds to drive NII, enhancing fee based income through transaction banking and enhancing portfolio quality. Meanwhile we will continue to strengthen our capital base whilst closely monitoring our liquidity levels to ensure a strong base for the expected growth prospects.

DIGITAL CAPITAL

Connected to a thriving, ever-evolving core of strength, we are continuing to expand our reach to build a robust, interconnected system that is responsive to surrounding needs and dynamics, while delivering high levels of efficiency and sustainable growth.



The intricate, complex branch systems of a tree are constantly growing – often adjusting their trajectories in order to optimise their growth and stability. The evolution of this far-reaching network enables new opportunities for growth, increases structural strength and stability and provides a vast framework that encompasses a wider audience.

Digital Capital Highlights

As an organisation that heavily leverages technology to drive its value creation process, NDB's digital capital plays a critical role in expanding the Bank's suite of products and services, connecting customers to enhanced experiences, streamlining internal processes and enhancing connectivity in this rapidly evolving environment.

IT related Key Risks and Opportunities

Key Risks

- Technological disruptions including system outages and software errors affecting services
- Continued and escalated investments required in staying up-to-date with evolving technologies
- Data security risks

Key Opportunities

- Use of data analytics to enhance the prediction and understanding of customer behaviours in developing curated products and customising service
- Improvements to customer experience through enhanced omni-channel support
- Use of Low-code/ No-code Development using AI assisted coding

Key Components of Our Digital Capital

Our Digital Platforms and Touchpoints

- NEOS Mobile App for Retail segment
- NEOS BIZ Mobile App for Business Banking segment
- NEOS Retail Online Banking
- NEOS Corporate Online Banking
- Bank's Website
- Social Media Platforms
- Automated Teller Machines (ATM) and Cash Recycle Machines (CRM) Network

Operating Systems and Software Applications that enable functionality

- Core Banking System
- Other Supporting Systems
- Licenses
- Enterprise Tools

Computer equipment and other related hardware → Data centres and hosting networks → ISO Certifications and security systems →

15%
Growth in digital users

20%
Increase in digital transactions volume

Value
Delivered

New features on the
NEOS app

Automation of repetitive tasks through 24
RPAs and 69 Workflow Solutions

Leveraging disruptive technologies such as AI, RPA solutions and workflows to enhance internal processes and streamline operations

Nurturing a data driven culture across the organisation by enhancing our data analytics capabilities

Continuous investment in digital infrastructure to strengthen our position as a digitally enabled bank and respond to evolving customer demands

Driving Strategy

How We
Created Value
in 2024

Enhancing information and cyber security through adherence to ISO certifications and robust security protocols

Contribution to SDG's



BUILDING OUR DIGITAL FUTURE

A robust IT governance framework and suite of IT policies and procedures govern the management of our Digital Capital. These policies and procedures clearly define our priorities, facilitate resource allocation and reinforce the overall internal control framework of the Bank.

The Bank is further guided by the global certifications, mentioned alongside which align with the recommendations of the Central Bank of Sri Lanka for licensed banks to enhance compliance and resilience.

Strong organisational alignment driving digitisation

At NDB, digital innovation is at the heart of our value proposition. Our dedicated Product Lifecycle Management (PLM) function actions this commitment by integrating digital focus into all of the Bank's products across every business segment. PLM takes ownership of product development within business lines, ensuring a holistic approach to digital transformation.

This strategy enables us to refine existing products, drive versatile new innovations with enhanced digital capabilities, and simplify banking experiences for all stakeholders. We believe that digitisation should be integral to a product's lifecycle - from design and implementation to operation and servicing. Therefore, PLM ensures that all products, services, and internal systems align with this vision, driving a culture of digital integration in everyday operations and transactions.



An Unprecedented Milestone

NDB is the only commercial bank in the country to achieve all three globally recognised ISO certifications, reflecting our commitment to ensure process standardisation and optimisation within the IT department.

ISO/IEC 27001: 2022 Information Security Standard

Became the first bank to upgrade to the 2022 version of the Standard

ISO 22301: 2019 Business Continuity Management Systems Standard

Having obtained the certification last year, a surveillance audit was carried out during the current year

Covers cyber-security as well

ISO 20000: 2018 IT Service Management Certificate

New certification obtained during the year for outstanding IT service management

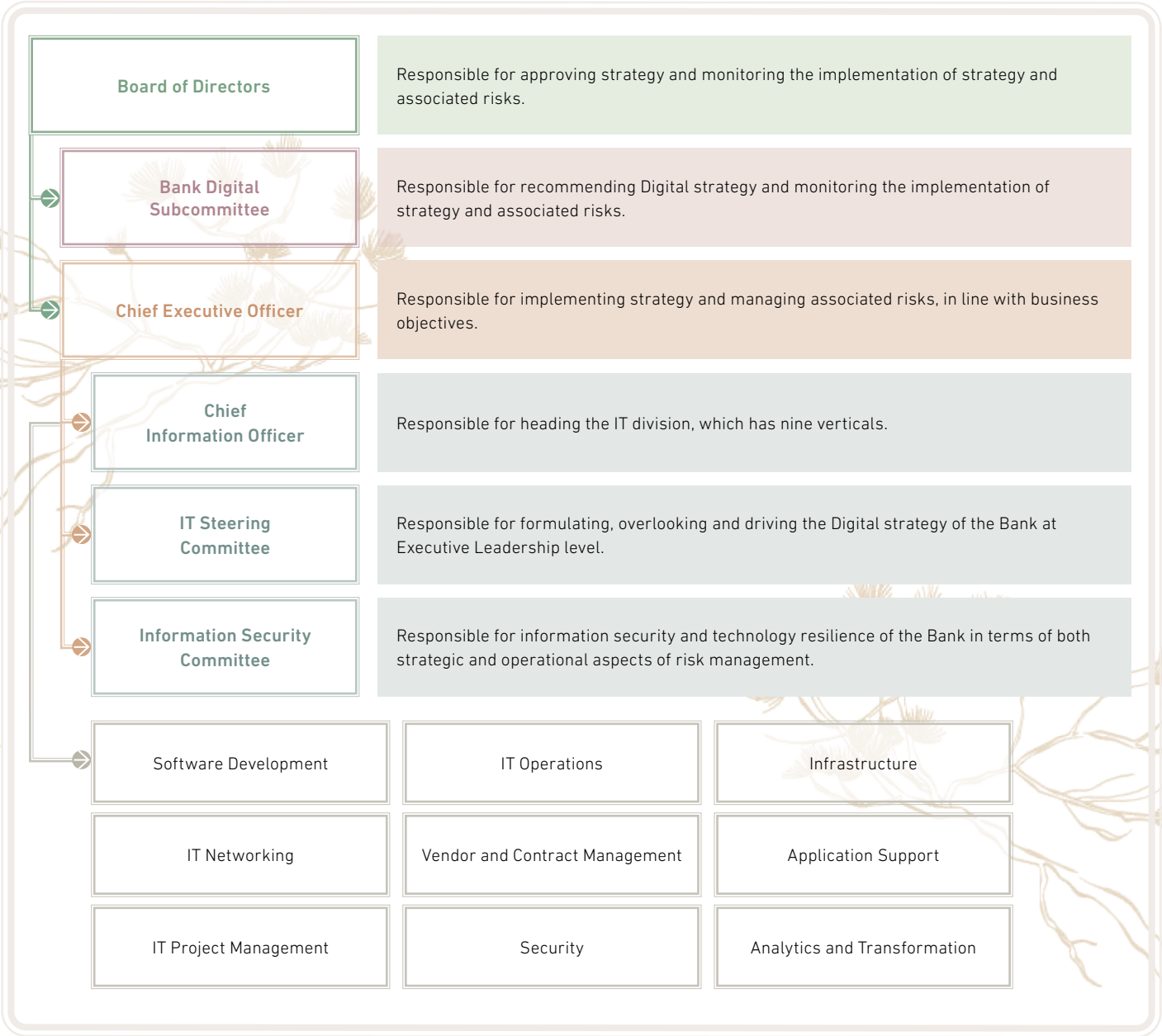


DIGITAL CAPITAL

IT GOVERNANCE STRUCTURE

Oversight into the implementation of the digital strategy of the Bank is provided by the Bank Digital Subcommittee, which collectively possesses the necessary skills and expertise to evaluate matters related to technology (please refer page 245 for Bank Digital Subcommittee Report and page 32 for Board Director profiles). The Committee is headed by a Board member and meets once in two months to discuss the digital strategy of the Bank. Additional meetings are conducted on a needs basis as and when necessary.

With digital transactions and investments increasing in both priority and value, the Bank continues to strengthen its governance structure and risk management practices. The IT Steering Committee established at executive level meets every two weeks to discuss critical IT related matters as well as the progress of IT-related projects. IT risks and vulnerabilities are also identified and managed in a systematic manner through the clear demarcation of responsibilities, using the three lines of defence governance model.



THE IT TEAM

Our team comprises about 80 skilled professionals, each experienced in their respective roles within the IT department. The team is well-equipped to support the Bank's operations across diverse areas including IT projects, software development, information security and data analytics among others. We emphasise on strengthening the capabilities of our team through continuous opportunities for learning and development, facilitated by the Learning and Development pillar of the HR Department.

IT advancement is at the heart of our strategic growth path as we strive to become a digitally savvy bank, unlocking smarter solutions for our customers. Guided by the Board's visionary direction, we continue to enhance our system capabilities and invest in the intellectual capital of our IT teams, ensuring cutting-edge innovation and seamless service delivery. While advancing our digital frontiers, we remain uncompromising in our commitment to data integrity and system security, safeguarding the trust of our stakeholders every step of the way.



Indika Gunawardena
Vice President
Information Technology/
Chief Information Officer

THE DIGITAL STRATEGY OF THE BANK

Our digital strategy is aligned to the Bank's overall vision of building a future-ready digitally enabled bank. The strategy focuses on future-proofing the digital eco-system of the Bank by deploying cost-efficient technology, optimising digital infrastructure and forging mutually beneficial partnerships that enable the Bank to tackle emerging challenges and sharpen its competitive edge.

The Core Banking System upgrade which took place in 2023 also played a pivotal role in driving the Bank's digital strategy by supporting day-to-day business operations, ensuring improved decision-making, delivering increased efficiencies and providing futuristic banking solutions which transformed the value proposition to stakeholders.

ELEVATING CUSTOMER EXPERIENCES

NDB's digital transactions accounted for nearly 93% of total transactions as the stability, reliability and security of our digital eco-system empowered the Bank to drive digital adoption among its existing customer base, while also attracting new customer segments.

Remaining committed to fostering a digital culture, the Bank aimed to strike a balance between conventional and digital channels through its suite of digital products, efficient systems and integrated technologies, thereby providing our customers with an elevated banking experience. Our digital touchpoints and platforms are designed in a way to enhance the user experience so that customers can effortlessly embrace digitalisation. Our staff are also continuously updated with the latest knowledge to address customer concerns and ensure the delivery of efficient service.

The following initiatives were carried out as part of the Bank's efforts to elevate its digital proposition and transform the customer experience:

Introduced a cheque deposit machine to automate the process thus reducing customer turnaround time and paper cost. First machine launched at NDB Havelock branch

Modified ATM client software to bring a better user experience with green PINs

Encouraged digital onboarding and connectivity by ensuring all electronic channels are easily accessible for the Bank's customers

Launched E commerce merchant acquiring business powered by VISA's CyberSource platform, enabling businesses to accept seamless and secure online payments through the NDB E Pay internet payment gateway

Revamped NEOS Corporate Solutions which is the Bank's platform for large corporates, driving greater user-friendliness

Continued adoption of "Digital Signature" reducing paper usage and expediting approval process

Conducted awareness sessions on NEOS BIZ which is the first app specifically designed for SMEs, which has resulted in increased onboardings and adoption

Connectivity of our key digital platforms with LankaPay Online Payment Platform (LPOPP) to allow our customers to seamlessly carry out payments to Government institutions

Continued focus on building in-house digitisation capabilities

DIGITAL CAPITAL

Launch of E-Commerce Merchant Acquiring Business

In line with its commitment to digital innovation, the Bank successfully launched its E-commerce merchant acquiring business, further expanding its payment ecosystem. This initiative is powered by VISA's CyberSource platform, enabling businesses to accept seamless and secure online payments through the NDB E Pay internet payment gateway.

The platform supports multiple payment methods, ensuring enhanced convenience for both merchants and customers. With advanced fraud protection and secure payment processing, businesses can confidently expand their digital presence. This launch marks a significant milestone in NDB's journey towards fostering a cashless economy, empowering merchants with cutting-edge payment solutions while strengthening the Bank's position in the digital payments landscape.

ACHIEVING OPERATIONAL EXCELLENCE

Internal Process Enhancements

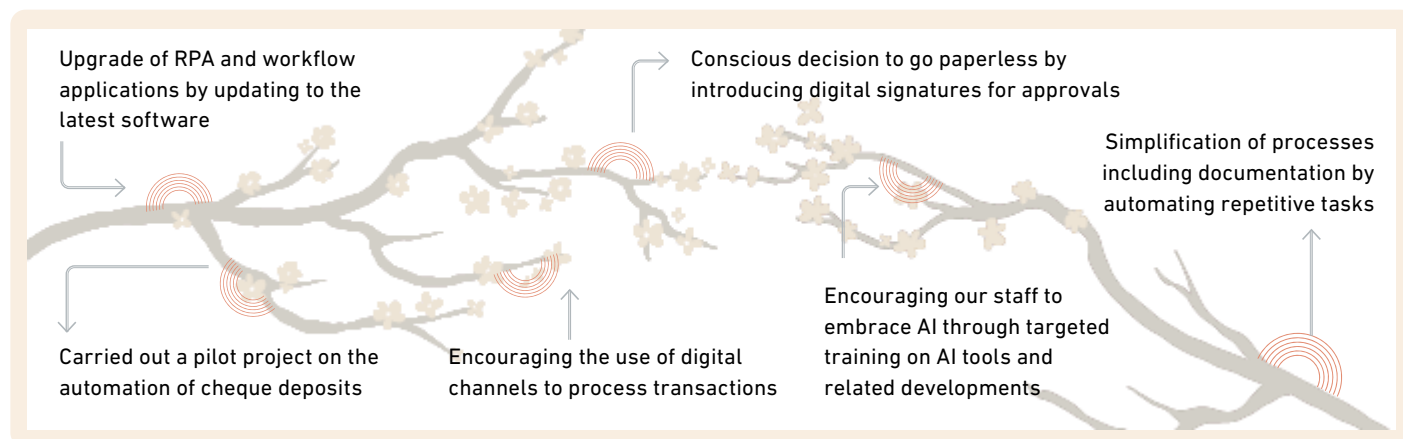
Our digital strategy aims to convert conventional banking practices into digital workflows by deploying disruptive technology such as RPA solutions. This has contributed to reducing the time taken to process transactions, thereby enhancing productivity, improving efficiency and ensuring ease of work for our employees as well as reduce costs. The Bank's Transformation Unit also conducts work studies on an ongoing basis to identify inefficiencies and provide solutions on how processes can be standardised and enhanced.

NDB's digital suite for internal customers (our staff members) was strengthened through the following:

At NDB, our digital drive, exemplified by industry-first innovations through the NEOS platform, strengthens our commitment to delivering seamless and hassle-free banking experiences for all customer segments - be it individuals, budding SMEs, or blue-chip corporates. Guided by our tagline, 'The Future is Banking on Us,' we continuously gather customer insights to refine our digitised offerings and ensure they meet evolving needs. Our processes and people are fully aligned to bring the best of digital innovation, empowering our customers to unlock prosperity with ease and efficiency.



Damitha Silva
Assistant Vice President
Product Lifecycle Management



Fine-tuning the Way We Work

The transformation in technology is revolutionising our work, adaptability and operational resilience. Our strategic foresight and willingness to break away from traditional approaches enabled the Bank to readily embrace the cultural shift to remote working at the peak of the COVID-19 pandemic. The Bank continues to explore other hybrid modes of working, ably supported by timely investments in IT infrastructure and ongoing focus on enhancing the IT capabilities of the Bank.

The Bank also utilises its investments in digital technology to ensure that operations are carried out seamlessly between the divisions. This has fostered synergies from within, which creates a sense of satisfaction among our employees and builds camaraderie between them.

The Bank has made significant investments in IT infrastructure. In alignment with this, the IT technical team has undertaken strategic initiatives to maximise resource utilisation by fine-tuning and re-engineering server components and support software. These optimisations have successfully reduced day-end and month-end processing times to a more efficient and manageable duration, achieving this improvement without the need for additional hardware upgrades catering to business volume growth.

We utilise low cost Cloud hosted test environments to reduce the carbon footprint. By leveraging latest technology versions within the cloud environment, our staff is exposed to latest trends and our applications become future ready where scalability and flexibility is ensured, have improved collaboration with cost efficiency.

HARNESSING THE POWER OF DATA

NDB has deployed advanced technologies to heighten its focus on big data, data analytics and predictive capabilities which has contributed towards nurturing a data driven culture and embedded data insights into the daily operations of the Bank. The implementation of a fully-fledged data warehouse in 2023 allowed the Bank to further harness the power of data analytics and improve decision-making, which resulted in enhanced customer experiences and improvements in operational efficiencies.

The Bank gathers insights generated through various analysis and frequently tracks performance using business intelligence reports and data visualisation tools including Power BI. Internal dashboards are developed by the analytics team and cover all areas of the organisation, supporting performance monitoring and providing visibility on day-to-day operations.

During the year, the Bank strengthened its analytics capabilities by expanding the Central Data Analytics team. The team carries out various analysis including product analysis, prescriptive analysis and predictive analysis, which supports the Bank in driving its strategy.

FORTIFYING OUR DEFENCES

Given our increased thrust towards digitalisation and the rapid expansion of our digital products and online services, safeguarding our investments in technology, ensuring the uninterrupted functioning of our systems and maintaining the confidentiality of customer information is a top priority for NDB.

With cyber risk emerging as a critical concern, the Bank continued to fortify its defences by strengthening its IT security infrastructure and protocols in place, which

includes a comprehensive set of security controls spanning physical to logical security layers. The Bank has established a 24*7 Security Operations Centre (SOC) which is equipped with an AI-powered Security Information and Event Management (SIEM) system which enables rapid anomaly detection, automated correlation of security events, and intelligent response mechanisms, ensuring that potential threats are mitigated before they can impact the Bank's operations.

During the year, the Bank was awarded as the Best Cyber Resilient Bank in Sri Lanka, which is a reflection of the strength of our security protocols.

The Bank educates employees on the importance of IT security through ongoing training, awareness programmes and mock simulations. Customers are also educated on identifying financial fraud and maintaining hygiene of their devices, highlighting our commitment to maintaining high standards of security and operational resilience.

INFORMATION SECURITY AND DATA PRIVACY

The Bank's Information Security Policy suite is aligned with the ISO/IEC 27001 Information Security Standard, ensuring confidentiality and integrity of data while the information security committee oversees security related matters. The data warehouse has an in-built security layer with customer sensitive information masked using secure channels and accessibility restricted to selected individuals.

There were zero incidents of security breaches or substantiated complaints regarding breaches of customer privacy and losses of customer during the year.

DIGITAL CAPITAL

KEY IT SECURITY PROTOCOLS

- ⦿ Biometric identification, One-time Passwords
- ⦿ Annual vulnerability assessment and penetration testing
- ⦿ Transaction monitoring systems
- ⦿ Dark web monitoring
- ⦿ Cyber threat intelligence and vulnerability management
- ⦿ Next generation core and perimeter firewalls
- ⦿ Anomaly based detection and response.
- ⦿ Identification of malicious Android Package Kits (APKs) on client devices
- ⦿ Proactive threat hunting

OUTLOOK



The Bank’s digital strategy will continue to focus on driving digital adoption among existing and new customers, while enhancing the digital solutions offered by the Bank in line with the evolving needs of the customers. A key focus area will be on enhancing the user’s experience by ensuring the efficient functioning of our systems as well as equipping staff with the right knowledge and skills.

We will also seek to utilise our in-house IT capabilities to improve internal processes and develop specialised systems by incorporating disruptive technologies including AI and machine learning.

With increased investments in digital infrastructure, maintaining security and privacy of information will also be a key focus area, and we will focus on nurturing a culture of awareness and responsibility from within.

Two specific projects to be launched in the first half of 2025, which will enhance our capabilities are as follows.

1. NEOS Mobile App – NEOS 2.0 will be built on the latest IT infrastructure, enhancing customer experience to a greater height
2. A new Loan Origination System (LOS) will be launched, automating the end-to-end loan origination and approval process within the Bank, eliminating paper work and physical movement of documentation for approvals thereby enhancing resource efficiency and process time

MANUFACTURED CAPITAL

We're wholly-focused on strengthening our tangible infrastructure and creating a far-reaching physical presence that connects individuals to a world of convenience, while enabling accessibility to the countless services we provide.



The benches and sheltered sitting areas such as viewing pavilions, arbors, gazebos and tea houses are iconic elements of Japanese gardens. These buildings and structures serve as a vital platform that improves visibility, enhances convenience and elevates the experience of surrounding communities. They position individuals to gaze upon an endless vista of possibilities and experience life to the fullest.

Manufactured Capital Highlights

Our Manufactured Capital plays an integral role in the value creation process by enhancing brand visibility, enabling customer reach and providing an effective platform to deliver the Bank's products and services augmented by financial advisory to our valued customers. Continuous investments in Manufactured Capital have enabled NDB to transform into a client-centric digitally enabled organisation, supporting our ability to deliver superior customer experiences.

Capital Specific Key Risks and Opportunities

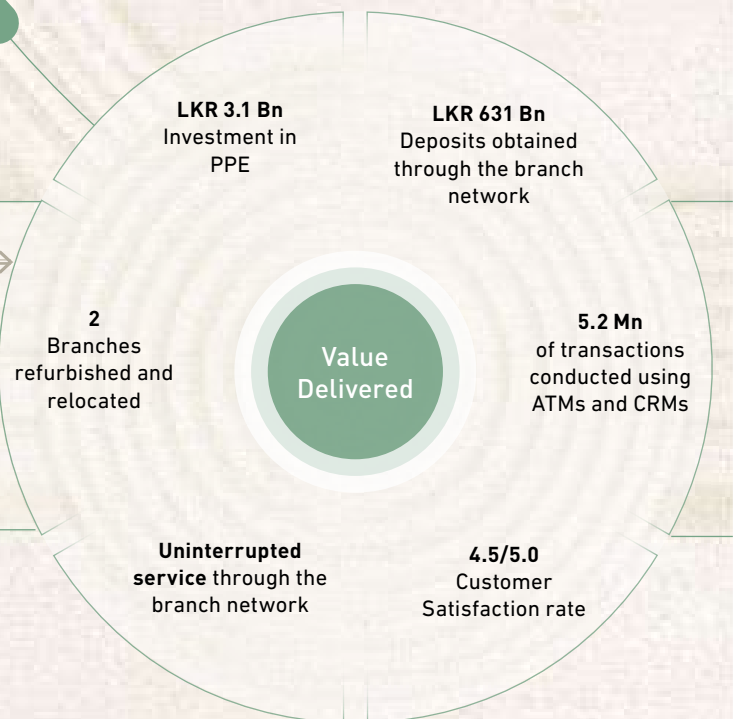
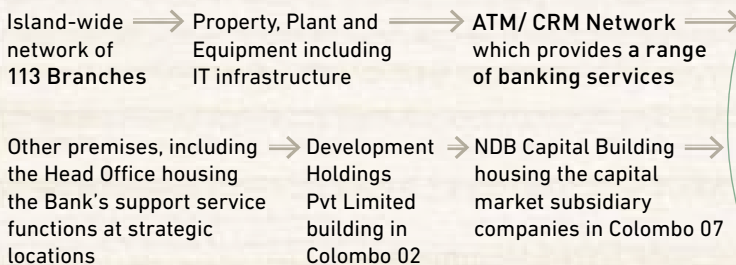
Key Risks

- Increasing overhead costs due to rising utility costs
- Higher maintenance cost of aging infrastructure
- Erratic weather patterns affecting accessibility to physical touch-points, causing property damage, service disruption and financial loss

Key Opportunities

- Expansion to rural or underserved regions enhancing brand presence and opening new revenue streams
- Branches' potential to complement digital banking by offering hybrid solutions

Key Components of Our Manufactured Capital



Organisation-wide operational efficiency improvements through automation and digitalisation of processes

Enhancing the customer experience while strengthening mechanisms to measure customer satisfaction at the branches

Contribution to SDG's

Facilitating business growth, agility and penetration of the Bank's products and services through face-to-face interactions

Driving Strategy

How We Created Value in 2024

Generation of employment opportunities through the island-wide branch network

OPTIMISING OUR PHYSICAL INFRASTRUCTURE

We manage our Manufactured Capital through continuous investments that support the Group’s business needs and growth aspirations. Over the years, our Manufactured Capital contributed significantly to transforming NDB into a customer-centric digital organisation by enabling accessibility and delivery of comprehensive banking solutions to our diverse clientele.

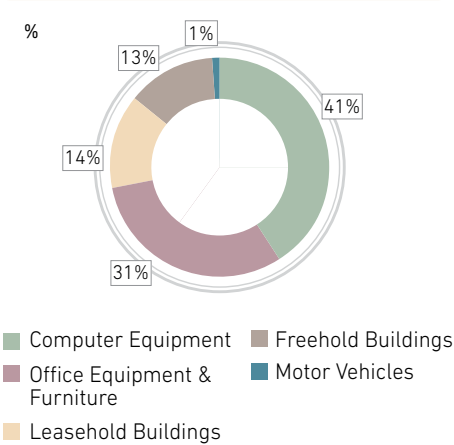
NDB’s Manufactured Capital comprises both physical and digital infrastructure which includes investment property, right-of-use assets and other property, plant and equipment. (Digital infrastructure is segregated as Digital Capital and set out on page 123, given its increasing importance in driving the Group’s strategy).

Property, Plant and Equipment amounted to LKR 3.15 Bn as at the end of the year, accounting for 0.40% of total assets of the Group.

New Additions to PPE



Composition of PPE



OUR NETWORK OF BRANCHES

NDB operates with a network of 113 branches strategically spread out across the island. The extensive branch network enhances brand visibility and drives customer relationships while providing an effective platform to deliver the Bank’s products and services. There is presence in economically disadvantaged areas as well, enabling the Bank to increase banking penetration to the most undeserved segment of society, thereby facilitating financial inclusion. For example we have one branch in Monaragala District and two branches in Batticaloa District.

Additional offerings such as Privilege Banking and Islamic Finance are made available to customers island-wide through the branches, thereby ensuring deeper penetration of these propositions.

The branch network also facilitates NDB’s Banking on Women initiative through dedicated resource personnel who are stationed at each branch to identify and address the concerns and needs of the female customers.

Selected branches are equipped with Financial Planning Executives, facilitating cross-selling of insurance products to our existing customers.

Branch Strategy

The Bank’s current branch network provides accessibility to customers who value an in-person banking experience while complementing the Bank’s digital drive. We

With a strategically positioned network of 113 branches across Sri Lanka, NDB remains committed to supporting economic activity across all customer segments. By seamlessly integrating our brick-and-mortar setup with a robust digital banking proposition, we optimise our reach to valued customers nationwide. Our focus on rapid adoption of digital banking well complements our physical network services, offering advisory support for complex transactions and delivering service excellence through our dedicated and knowledge NDB team.

Zeyan Hameed
Vice President
Retail Banking

have continuously enhanced the in-person banking experience at our branches through investments in advanced technology, refurbishments and renovations as well as fostering a customer-centric culture amongst our staff through training and development.

Although the footfall at branches gradually reduces as customers have moved to digital platforms for their transactions, the branch network remains pivotal to our success as it provides the human interaction that drives brand loyalty, customer engagement and mutual trust. Given the operating conditions that prevailed and the Bank’s physical network and digital strategies, the Bank did not seek to expand its geographical footprint during the year.

BRANCH NETWORK MIS

ATM

74

ATMs



113

Branches

CRM

91

CRMs

ATMs and CRMs Network



North Western Province	11	9	6
5 Kurunegala District	6	7	2
6 Puttalam District	5	2	4



Western Province	52	23	57
7 Colombo District	33	12	44
8 Gampaha District	14	10	10
9 Kalutara District	5	1	4



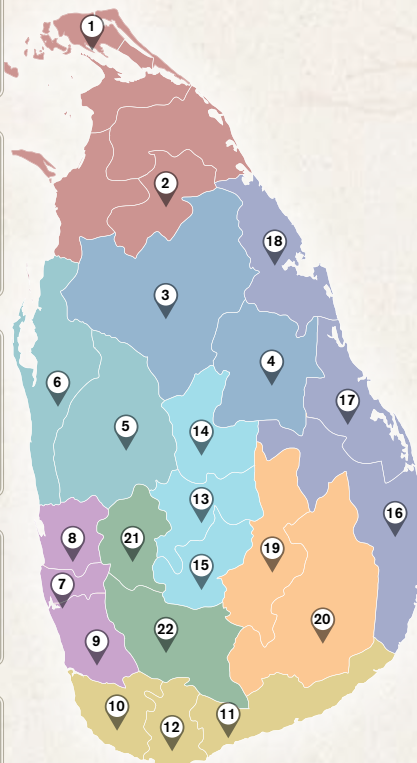
Southern Province	11	7	4
10 Galle District	5	4	2
11 Hambantota District	4	2	1
12 Matara District	2	1	1



Uva Province	4	5	0
19 Badulla District	3	4	0
20 Monaragala District	1	1	0



Sabaragamuwa Province	7	3	2
21 Kegalle District	2	2	1
22 Ratnapura District	5	1	1



Northern Province	7	3	4
1 Jaffna District	6	3	3
2 Vavuniya District	1	0	1



North Central Province	5	5	1
3 Anuradhapura District	3	3	1
4 Polonnaruwa District	2	2	0



Central Province	10	8	9
13 Kandy District	7	4	6
14 Matale District	2	3	1
15 Nuwara Eliya District	1	1	2



Eastern Province	6	5	2
16 Ampara District	3	2	1
17 Batticaloa District	2	2	1
18 Trincomalee District	1	1	0

Branches Offering 365 Days Banking

District	No. of branches	Branches
Colombo	3	Mount Lavinia, Havelock Town, Rajagiriya
Kandy	1	Kandy City Center
Total	4	

Privilege Banking Touch-points

- ☉ Privilege Centre - Dharmapala Mwt, Colombo 07
- ☉ Privilege Hubs **5**
 - ☉ Galle
 - ☉ Kandy City Center (KCC)
 - ☉ Pelawatte
 - ☉ Kurunegala
 - ☉ Kandana

Vintage

Vintage	No. of Branches
< 5 years	2
5 - 10 years	32
10 - 20 years	69
> 20 years	10
Total	113

ATMs and CRMs Network

Total onsite ATMs	47
Total offsite ATMs	27
Total onsite CRMs	66
Total offsite CRMs	25

Number of Branches Relocated During the Year

1

Number of Branches Refurbished During the Year

1

Key elements of our branch strategy for the year included:**Day-to-day Operations**

- ⦿ A branch work study was conducted together with an external consultant to improve branch operations and benchmark against industry best practices
- ⦿ Ongoing focus on driving process efficiencies and cost optimisation
- ⦿ Specialised training for branch managers in order to change their mindset and empower them in their roles

Customer Experience

- ⦿ Providing a consistent service across the entire branch network
- ⦿ Using digital platforms and screens including ATM/ CRMs to service customers
- ⦿ Promoting the Bank2U proposition which enables customers to avail banking services from their homes/ businesses

Brand Building

- ⦿ Upgrading branch layouts and ambience through refurbishments and renovations
- ⦿ Face-to-face interactions at branches to complement the digital drive of the Bank
- ⦿ Driving digital transactions by building awareness amongst the SME customers on the NEOS BIZ app

Reimagining our Spaces

The Bank continued to refurbish and upgrade the branch network in order to provide a superior experience to customers, while creating future-ready workspaces for our team.

We are committed to offering a modernised and ergonomically designed workplace to our staff as we strive to motivate and inspire them and ensure their well-being.

We are also embracing sustainable building practices such as natural lighting, open spaces, inverter technology and LED lighting in an effort to green our physical footprint

NDB's Havelock Town branch is being redesigned keeping the customer journey in mind. We have brought in a digital ambience to the new space, equipping the branch with minimal assets, digital screens and self-help kiosks powered with state-of-the-art technology, to enhance customer convenience, simplify processes and fulfill their needs.

**OUTLOOK**

We will continue to leverage our existing branch network to serve our customers as it complements the Bank's digital drive. Although we are not seeking intense geographical expansion, plans are underway to upgrade the existing branch network through refurbishments as we strive to create future-fit spaces. We will also look at branch optimisation through relocations to high footfall areas which will result in higher penetration of the Bank's products and services across all segments.



HUMAN CAPITAL

Our shared values and time-tested insights into our surroundings enable us to deliver excellence on all fronts. Strengthened by vast stores of knowledge, a dedication to collaboration, expert craftsmanship and a spirit of continuous improvement, we are armed with the recipe that will drive the achievement of our long-term vision in the years ahead.





As custodians of growth, Japanese gardeners are highly skilled individuals who have honed their knowledge over the years. Their expertise, teamwork and long-term commitment ensure they are perfectly positioned to adapt to challenges and strive to reach new heights of improvement year-on-year. Even as they focus on the details, each of their contributions accumulate to contribute towards the growth and advancement of a larger purpose.

Key Highlights of our Human Capital

Our employees play a pivotal role in driving business operations, facilitating superior customer experiences and ultimately ensuring the successful delivery of the NDB brand promise. As such, we remain steadfast in our commitment to supporting and nurturing them, through a holistic value proposition.

Employee related Key Risks and Opportunities

Key Risks

- Loss of experienced talent due to high levels of migration and greater labour mobility
- Difficulty in attracting high calibre talent due to limited availability of skilled professionals and gender stereotypes

Key Opportunities

- Upskilling and reskilling of employees allowing the Bank to create a digitally adept and future-ready workforce, aligned with the needs of modern banking.
- Redefining roles opening up pathways for employees to grow within the Bank while addressing evolving business needs

Key Components of Our Human Capital

Pool of 2,920 skilled employees operating at the head office and 113 branches island-wide

Years of industry knowledge and combined experience of our team

Female representation of 44%

LKR 64.42 Mn investment in Training and Development

Value Delivered

LKR 3.1 Mn
Value addition per Employee

LKR 9.1 Bn
as payments to Employees

EDGE certified for Workplace Gender Equity

193,693
hours of Training

87.44
Employee Retention rate

Ensuring a structured governance framework that embraces diversity and inclusion, while encouraging employee engagement

Ensuring physical and mental wellbeing of employees

Strengthening the employer brand and the Bank's appeal as an employer of choice through competitive benefits, career growth prospects and a strong culture

Driving Strategy

How We Created Value in 2024

Providing opportunities for learning and knowledge-sharing to enhance skills and competencies of our team and build an agile and future-ready workforce

Contribution to SDG's



MANAGING OUR HUMAN CAPITAL

A comprehensive suite of HR policies and procedures govern the Human Capital practices of NDB. These policies and procedures are compliant with the ISO 9001: 2015 standard and benchmarked against industry best practices, ensuring a relevant framework that promotes inclusive employment in an environment conducive to employee well-being.

All employees are required to adhere to the Bank’s Code of Conduct which sets out the professional and ethical conduct expected from our employees when engaging with internal and external stakeholders.

The suite of HR policies and procedures is further supported by the HR reporting and governance framework in place, which is structured as shown below:



At NDB, our human capital is the cornerstone of unlocking prosperity and driving smart growth. Empowered by innovation, collaboration, and continuous development, our people are the catalysts for building a sustainable future and delivering exceptional value to our stakeholders. They thrive in the Bank’s inclusive environment and are supported in the pursuit of their own growth and aspirations. Together, we are committed to transforming potential into progress, and prosperity.



Lasantha Dassanayaka
Vice President
Human Resources



HUMAN CAPITAL

TEAM NDB

Comprising over 2,900 employees Team NDB is an asset, driving our strategic goals and sustaining our competitive edge. As an equal opportunity employer, we do not discriminate against employees, thereby ensuring a level playing field for all. Our HR strategy seeks to nurture a skilled workforce that fosters productivity, while enabling them to build fulfilling careers with us, through opportunities for growth and progression. The profile of our team is presented below:

Employees by Gender and Region

	Female	Male	Grand Total
Western	1,040	1,205	2,245
Southern	53	73	126
North Western	50	91	141
Central	46	81	127
Sabaragamuwa	25	55	80
Northern	27	48	75
Eastern	19	39	58
North Central	12	30	42
Uva	9	17	26
Total	1,281	1,639	2,920

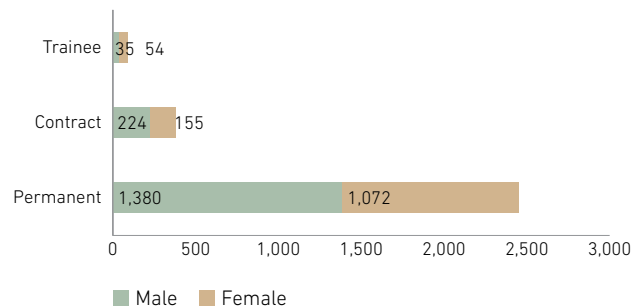
Employees by Contract and Region

	Permanent	Contract	Trainee	Total
Western	1,869	319	57	2,245
Southern	107	12	7	126
North western	122	17	2	141
Central	107	14	6	127
Sabaragamuwa	66	9	5	80
Northern	65	6	4	75
Eastern	55		3	58
North Central	36	2	4	42
Uva	25		1	26
Total	2,452	379	89	2,920

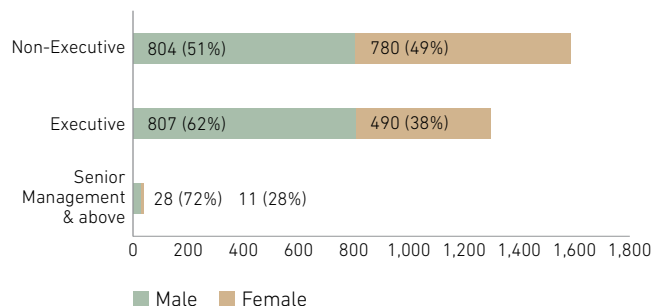
- All our employees are engaged on a full-time basis.
- 83.97% of our employees are engaged on a permanent basis while the remainder is engaged on a contract or trainee basis for sales and non-critical functions.
- We promote regional economic empowerment by making every effort to recruit employees from the communities surrounding the branches.
- No staff in the senior management category was recruited from outside the Western Province.



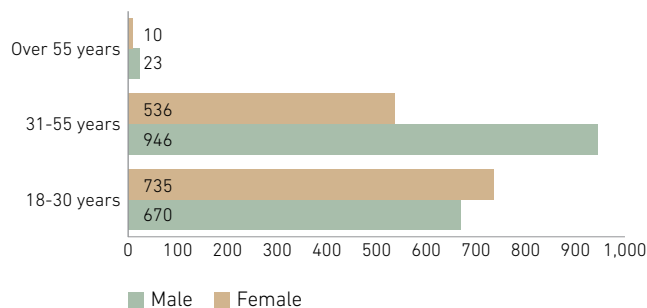
Employees by Contract and Gender



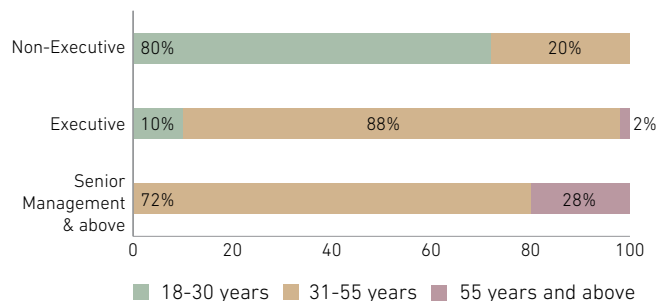
Employees by Staff Category and Gender



Employees by Age and Gender



Employees by Staff Category and Age



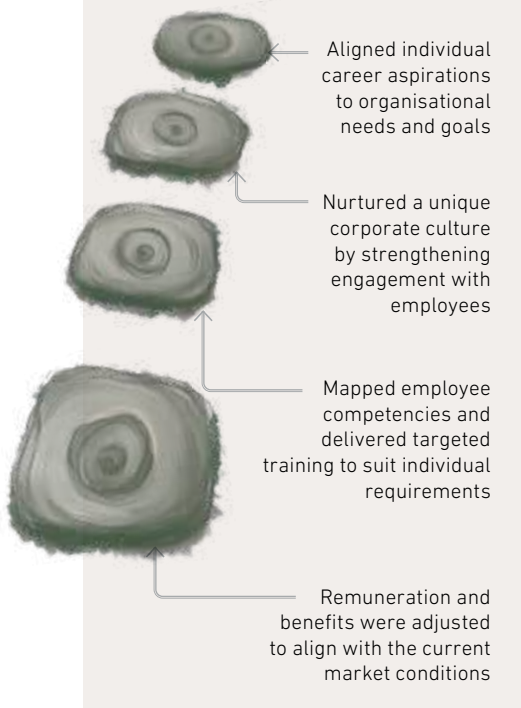
Workers who are not employees of the Bank comprise of those providing auxiliary services such as security and janitorial, engaged based on contracts. As these do not form core operations of the Bank, information pertaining to these indicators is not tracked.

TALENT ATTRACTION, RETENTION AND TURNOVER

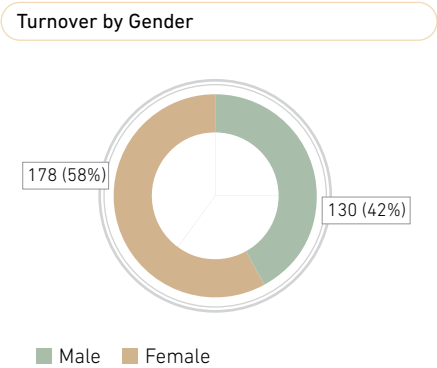
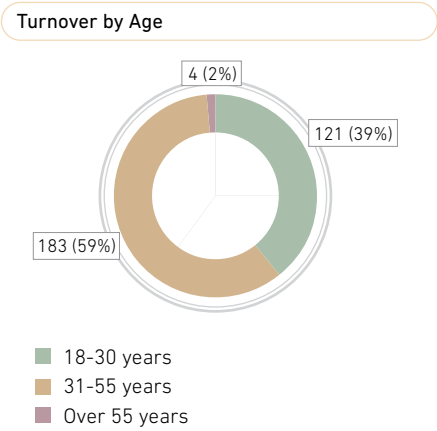
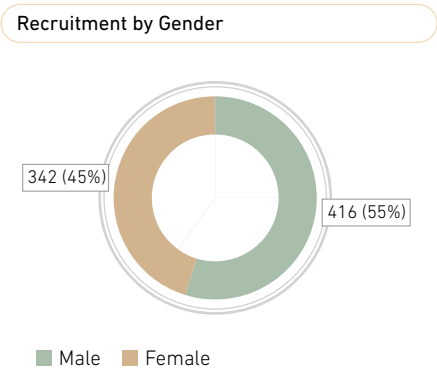
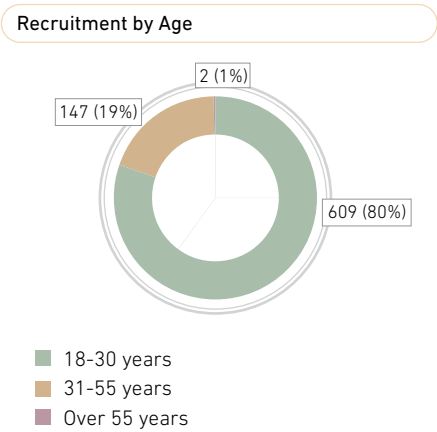
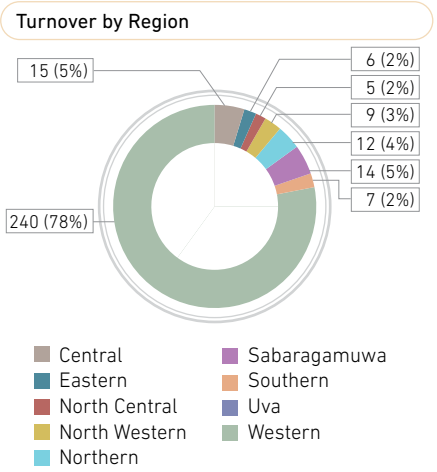
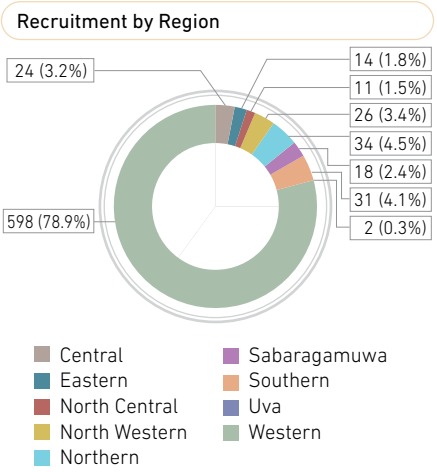
NDB's recruitment policy ensures that individuals with the right skills, knowledge and qualifications are identified and recruited through a comprehensive process that seeks to provide equal opportunities. While preference is given to internal employees as we continue to encourage career progression opportunities, new talent is also hired on a needs basis.

Retention of employees continued to be a key challenge during the year, reflecting trends in migration. We sought to address this challenge by strengthening our talent attraction and retention strategies. As a result, we were able to successfully meet our talent requirements, while offering employees fulfilling roles.

The talent pool was strengthened with 758 new recruits in 2024. 05 employees retired while a further 306 employees resigned during the year, resulting in an attrition rate of 12.56% during the year. (2023: 21.90%)



Movements in our team are graphically presented below:



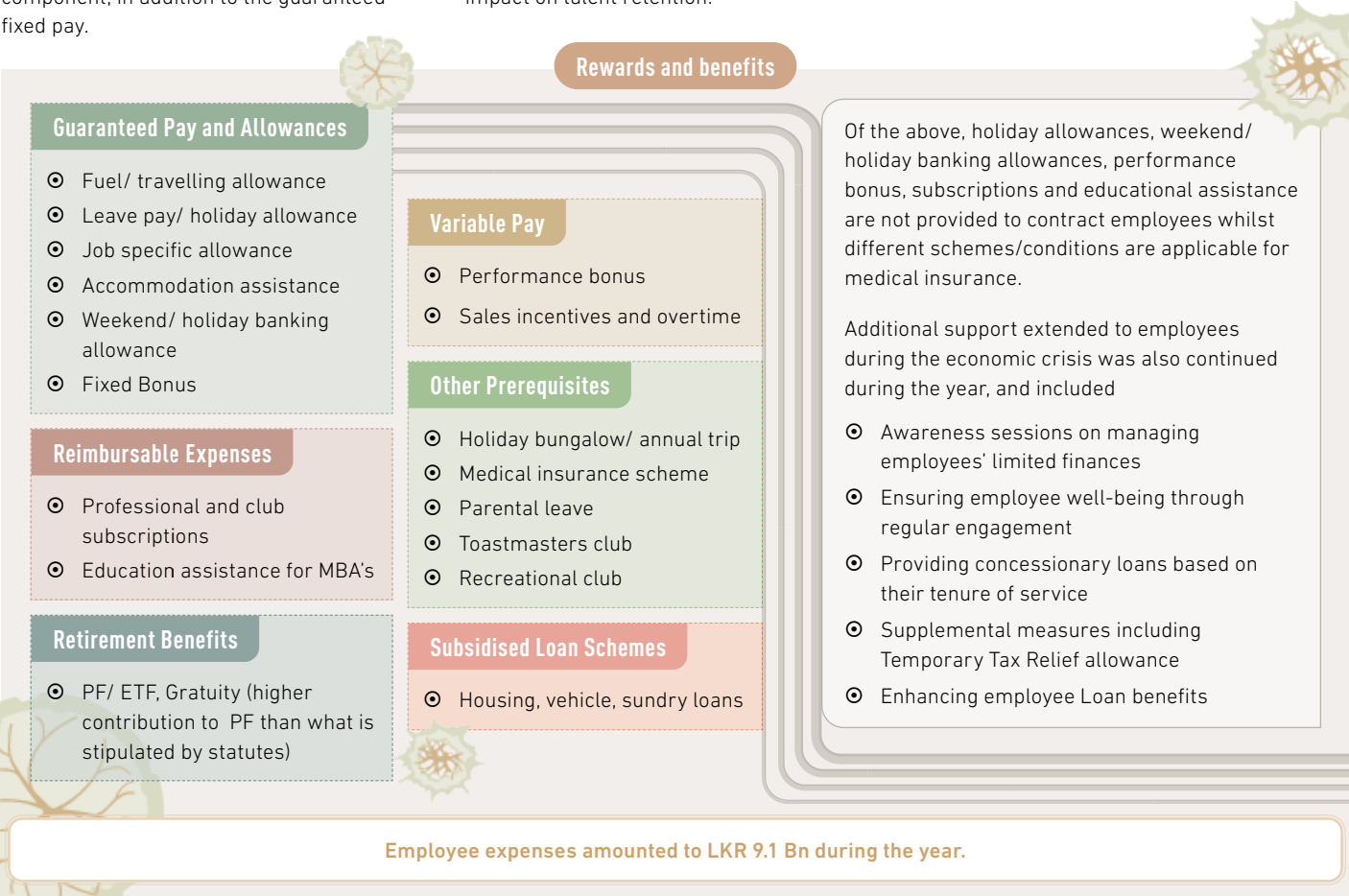
HUMAN CAPITAL

STRENGTHENING REMUNERATION AND REWARDS

We offer a transparent, unbiased and consistent remuneration package that is on par with the industry's best practices. All our permanent employees are entitled to a performance-based variable pay component, in addition to the guaranteed fixed pay.

Having carried out in-depth market research including a salary survey to understand the current industry landscape, a new rewards strategy was implemented with effect from 01 January 2024, which had a positive impact on talent retention.

Additionally, our employees are also offered a wide range of statutory and other benefits designed to retain and motivate them.

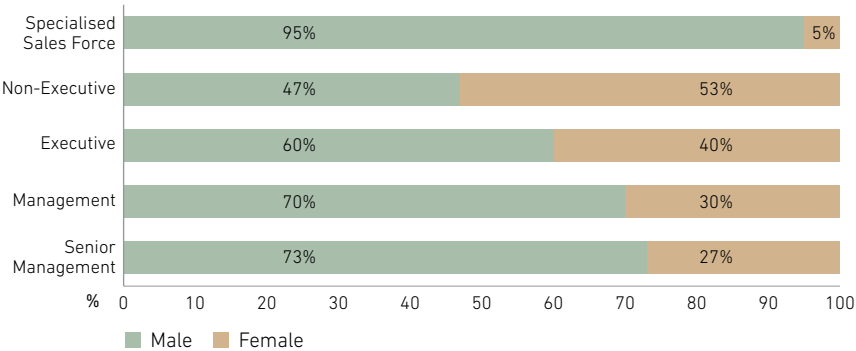


PERFORMANCE MANAGEMENT

All eligible employees are subject to a bi-annual performance appraisal based on pre-determined key performance indicators and rewarded through performance-based increments and bonuses. During the year, individual KPIs were revisited to ensure alignment with NDB's mid-term strategic priorities.

The appraisal contributes towards employee development by identifying training needs and facilitating discussions on career progression.

Percentage of Staff Receiving Regular Performance Appraisals



EMPLOYEE RECOGNITION

NDB's Annual Retail Banking Awards formally recognises employees for their hard work and dedication to the Bank. It has become the most sought-after event for employees of the Bank, boosting employee morale while aligning personal and organisational goals.

Rewards and benefits are thoughtfully designed to celebrate employee tenure, acknowledge outstanding performances and honour those consistently embodying corporate values while fostering a culture of appreciation and excellence.



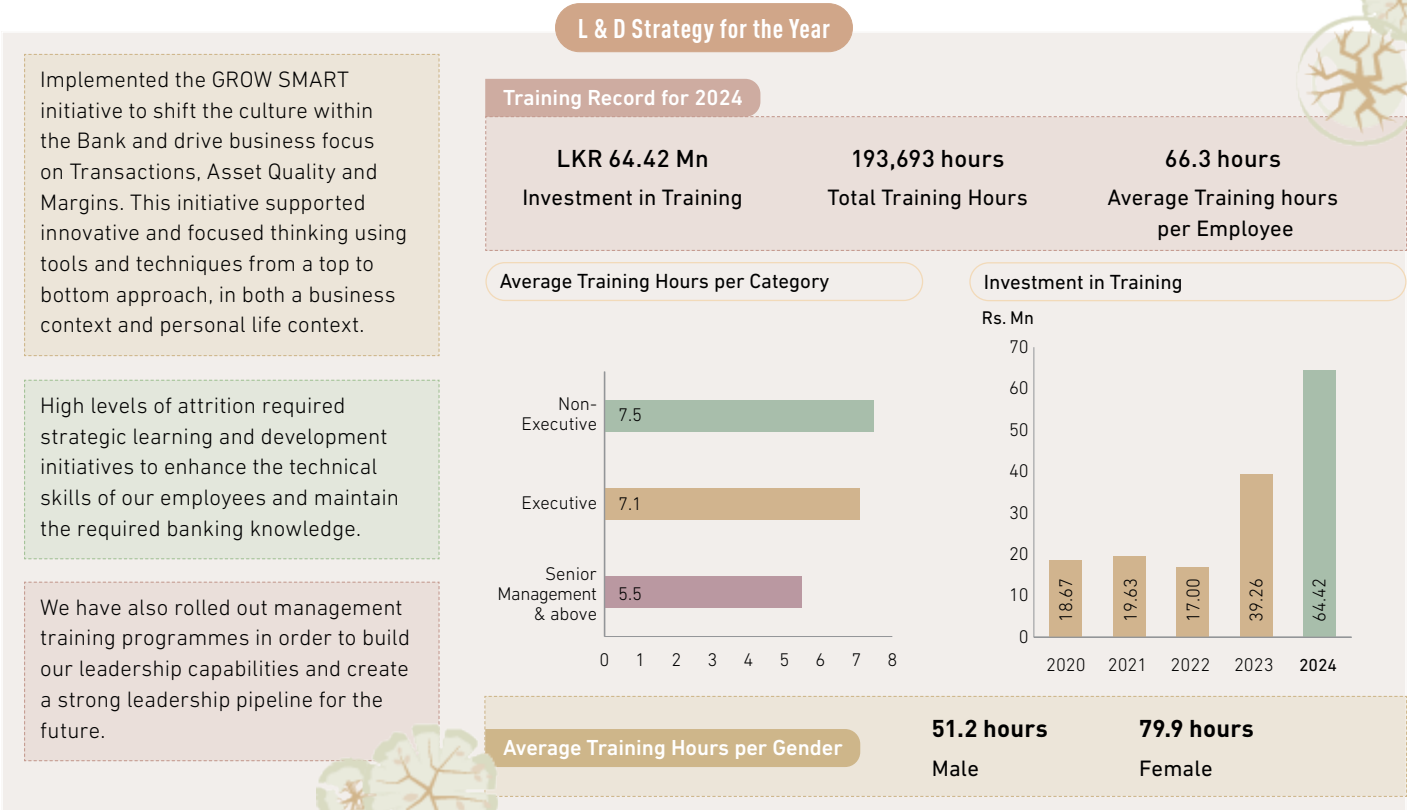
National Development Bank PLC (NDB) reaffirmed its commitment to excellence by being recognised as a "Company with Great Managers" at the Great Manager Awards 2023. Hosted by the Colombo Leadership Academy for Leadership Excellence, this recognition celebrates NDB's exceptional leadership and managerial talent.

NDB's stellar performance at the awards ceremony saw seven individuals from the Bank's management secure awards across various categories.

GROWING OUR EMPLOYEE CAPABILITIES

Providing opportunities for training and development is a key aspect of our HR strategy, as we continue to focus on growing our employees' capabilities in the highly competitive banking industry. Our training proposition addresses specific competency requirements of each individual through targeted training programmes.

Details of our training and development interventions for the year are given below:



HUMAN CAPITAL



Training Focus in 2024

General Health, Awareness and Other Programmes

70 programmes, 12,955 participants

Inductions & Orientations

41 programmes, 1,220 participants

Technical Training Programmes

68 programmes, 2,755 participants

Branch Operations and Customer Experience related Training

158 programmes, 5,118 participants

Leadership Training

58 programmes, 6,016 participants

Digital and Soft Skills Development

152 programmes, 1,914 participants

Training Delivery in 2024

Learning Platform Used	No. of Hours	No. of Staff	No. of Hours (%)	No. of Staff (%)
E-learning	48,243	13,905	13.9	46.4
Physical	296,266.5	15,788	85.6	52.7
Virtual	1,550.5	285	0.4	1.0

ACTIVE ENGAGEMENT

The Bank has a structured communication mechanism in place to ensure the seamless flow of information. Employee concerns are addressed through dedicated channels which ensure a confidential and impartial process for resolving issues.

Open Door Policy

Coffee with CEO sessions, quarterly All Staff Town-hall Meetings and HR Business Partner* discussions have fostered an open culture, encouraging employees to come forward with their concerns, grievances and suggestions.

*Each department of the Bank is assigned a dedicated HR Business Partner, who supports resolve any talent related issues, bridge competence gaps and enable progress of the respective teams.

Staff Meetings & "Fireside" Chats

Ensures effective communication and that employees at all levels feel heard, respected and valued.

Communication Mechanisms

Dedicated grievance handling, whistleblower and disciplinary process which encourages employees to report their concerns at any time.

"Reach HR"

This is a feature on the Bank's HCM system which facilitates real-time connectivity between employees and the HR team.

We also maintain active engagement with our employees through informal engagement events. These events contribute towards motivating our employees and strengthening morale while promoting work-life balance. Informal engagement activities carried out year-round include:

- ☉ NDB Avurudu Ulela
- ☉ Regional Sports Day
- ☉ Poson Bhakthi Geetha Competition
- ☉ Inter Department/Branch Bowling Tournament
- ☉ Inter Department Quiz Competition
- ☉ NDB Dinner Dance
- ☉ NDB Christmas Carols
- ☉ NDB Kids Party

Employee Surveys

Employee surveys provide valuable insight into employee work environments, engagement levels and work-life balance, while enabling us to assess employee satisfaction levels. Having participated in the Great Place To Work (GPTW) survey in 2022, the certification is purely on employee feedback and offers valuable insight into employee concerns and areas for improvement. Twenty areas were identified for enhancement and action plans to address these areas were formulated during the year, in collaboration with GPTW and the involvement of the senior management.

The ongoing International Finance Corporation (IFC) Respectful Workplace Survey is also expected to support the Bank's efforts in evaluating and enhancing workplace practices to meet competitive standards.

Trade Union Relationships

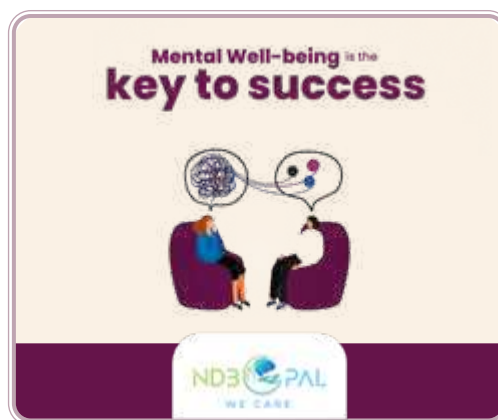
The Bank does not have any collective bargaining agreements in place. During the year under review, there were no material issues relating to employees and industrial relations which required disclosure. All employees are given adequate notice regarding any significant operational changes.

SAFEGUARDING EMPLOYEE WELLBEING

We have a Health and Safety Policy in place which ensures that the work environment is safe, secure and injury-free for all team members. Full-time employees are entitled to insurance and healthcare benefits including surgical and hospitalisation expenses among other benefits. Health and wellness programmes are also conducted on an ongoing basis in an effort to promote employee wellbeing,

Not only physical wellbeing but ensuring the mental well-being of our employees is a priority at NDB, particularly given the challenging operating environment and the broad-based impacts on the standards of living of the people in recent years. Emphasis was placed on ensuring mental well-being through NDB's employee wellness proposition NDBPAL, which is an element under the bigger umbrella of NDB Cares.

NDBPAL



NDBPAL offers counselling services targeted at ensuring emotional and financial well-being of our employees, as well as advisory on maintaining healthy relationships in their personal and work lives.

It is a holistic wellness proposition providing support to employees in partnership with professional service providers, while ensuring confidentiality. The proposition creates a safe space for employees to discuss issues they are currently facing, improve coping skills and develop effective solutions to address their problems.

HUMAN CAPITAL

DIVERSITY AND INCLUSION

At NDB, we are committed to cultivating a diverse, equitable and inclusive workplace which is free from any form of discrimination. This commitment is upheld by policies and procedures that ensure fair treatment for all.

GENDER PARITY AT NDB

Enablers

Our HR policy framework, practices and organisational culture drives gender parity across the organisation. The Bank ensures gender pay equity and consciously avoids gender bias throughout the lifecycle of an employee beginning from recruitment to retention, engagement, career progression and building their capabilities.

Conducive Policy Framework

Through its Anti-Harassment Policy, the Bank provides a clear framework for addressing employee complaints, while promoting a culture of respect and dignity. All employees are encouraged to actively report incidents of harassment and discrimination, reinforcing the Bank's dedication to maintaining a positive and supportive work environment. The Bank ensures confidentiality throughout the process, with investigations conducted either internally or by an appointed external party.

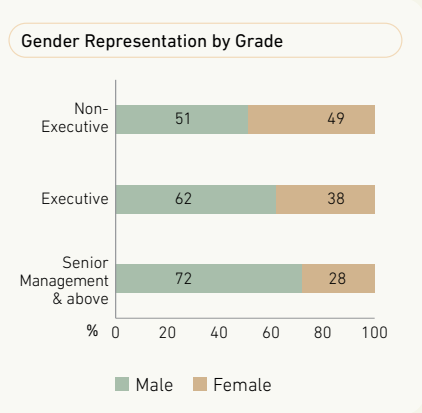
HR Practices

- Flexi-hours and Work from Home arrangements which has enhanced work-life balance for both male and female staff members. Employees are provided with the necessary infrastructure, technology and training for this.
- 'Dignity at Work' mailbox enables employees to raise concerns over behaviours that constitute discrimination, bullying, harassment and sexual harassment.
- Fearlessly Female Project empowers our female staff members in their roles.

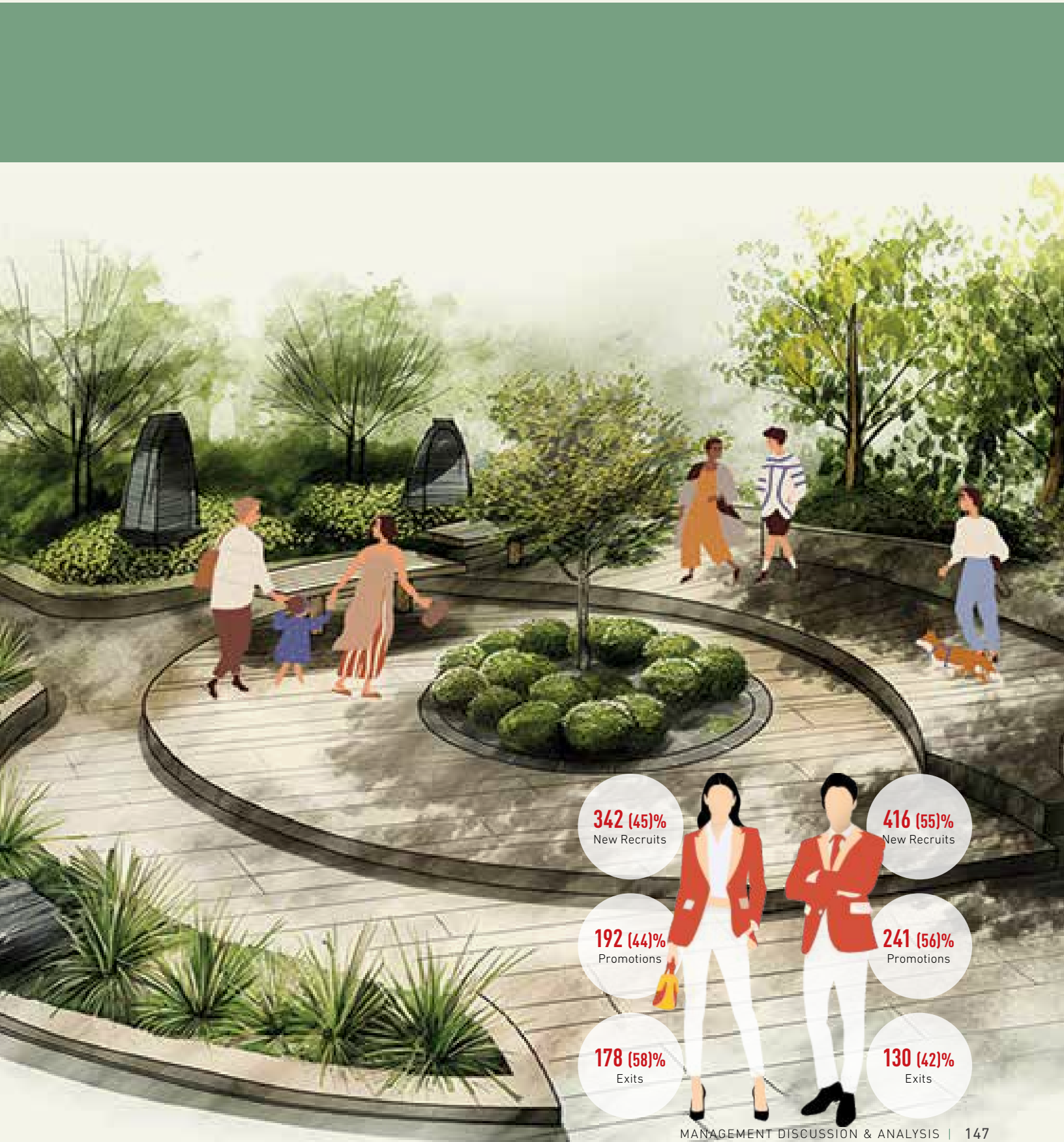
COMPOSITION

We are committed to promoting gender equality in the workplace by ensuring female representation at every level. The Bank has maintained an enabling work culture for women working within the organisation, exploring alternate working arrangements such as **flexi-hours and Work from Home arrangements**.

We also provide maternity leave of **up to 100 paid working days** and designated nursing intervals for mothers, providing women the flexibility to remain in the workforce even after childbirth.



Parental Leave	Male	Female
Employees entitled to parental leave	1,639	1,281
Employees that took parental leave	47	36
Number of employees that returned to work in the reporting period after parental leave ended	47	25
The total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	55	47



HUMAN CAPITAL

BREAKING BARRIERS, LEADING CHANGE

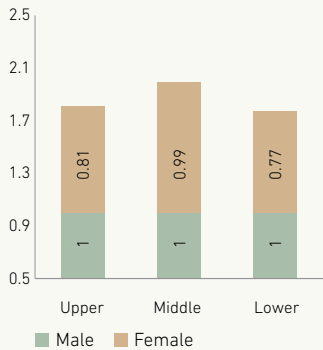
NDB has consistently maintained a high representation of females in its Board of Directors and the top management. As of this Report, three of our Board Directors and six members of our Leadership Team are females, making up 33% and 32% respectively. Notably, females lead several non-conventional functions at NDB. Some of these leaders are homegrown talent, while others are fresh talent brought in from outside, showcasing the equal opportunities available throughout the Bank.

Refer page 38 for full profiles.

Gender Gap Indicators

NDB actively drives change to close the gender gap by encouraging discussions on addressing unconscious gender bias and creating a work environment for women to thrive. We do not engage in any form of gender-based discrimination when determining reward structures or offering promotions. The ratio of basic salary between women and men was 1:1.

Proportion of Males & Females in each Pay Quartile



RESPONSIBLE BRAND

We communicate a positive gender narrative throughout the organisation and the wider community. Our efforts have led to us being recognised as an employer that empowers and safeguards its female employees.

NDB actively encourages female participation and was the first organisation in Sri Lanka to receive the **Economic Dividends for Gender Equity (EDGE)** certification for workplace gender equity.

Our partnership with **Women in Management** empowers female employees by connecting women and allowing them to uplift each other. The platform provides leadership and guidance to nurture their knowledge and achieve their goals.

The certificate is the only global certification standard available for gender equity at the workplace and assesses gender balance, policies & procedures and pay equity.

OUTLOOK



NDB's holistic employee value proposition plays a pivotal role in attracting, nurturing and retaining the right talent. We will continue to support our employees by strengthening this value proposition, particularly emphasising on increasing employee engagement, career progression opportunities and skills development.

INTELLECTUAL CAPITAL

We're strengthening and expanding our knowledge skills, and capabilities to respond to the needs of the present and the future.



The art of Japanese gardening and pruning is constantly evolving – enabling the creation of a unique and dynamic identity that serves the needs of the people. Over the years, these underlying techniques and processes have been passed down from generation to generation, signifying a deep-seated commitment to sharing tacit knowledge and skills for posterity, while ensuring a future of continuous progress.

Intellectual Capital Highlights

The Group's Intellectual Capital is a key driver of business growth, which has enabled us to remain agile and competitive in an evolving banking landscape. We continue to nurture our Intellectual Capital base in order to understand changing customer needs and respond through innovative products, refined solutions and unmatched experiences.

Capital Specific Key Risks and Opportunities

Key Risks

- ➔ Increasing competition for talent land related potential increase in attrition
- ➔ Potential obsolescence of IT systems due to rapid upgrades in technology

Key Opportunities

- ➔ Attraction and retention of diverse and top talent
- ➔ Expansion of product and service offerings in response to evolving demographics
- ➔ Building trust and loyalty amongst our customers through a strong brand and service

Key Components of Our Intellectual Capital

Strong and dynamic brand ➔ Organisational Culture and Tacit Knowledge of our Team ➔ Fine-tuned Systems, and Processes ➔ Dynamic Organisational Structure

First Bank in Sri Lanka to reach **100,000** subscribers on YouTube

24
Robotic Process Automation in Place

Value Delivered

Positioned **11** in LMD Readers Most Loved Brand: Service Brands

NDB WriztPay
New Product launched

Driving Strategy

Nurturing a culture of learning and knowledge-sharing through continuous investments in training propositions

How We Created Value in 2024

Empowering decision-makers by ensuring the availability of high-quality real-time data to enable data driven decision-making

Process improvements through the automation of manual processes and elimination of repetitive tasks

Investment in brand building initiatives in order to enhance brand equity and build trust and loyalty among our customers

Digitising the customer experience through investments in the latest technology

Contribution to SDG's



HARNESSING OUR INTELLECTUAL CAPITAL IN UNLOCKING PROSPERITY

NDB continued to nurture the Group's intellectual capital base by placing focus on the core elements that build up this capital pool, thereby strengthening the NDB brand, investing in systems and processes and promoting a culture of continuous learning and knowledge sharing.

BUILDING BRAND RESILIENCE

Having undergone significant transformation over the years, NDB is recognised as a reputed and trusted financial partner. The Bank's digital prowess, customer-centric approach and targeted corporate brand building initiatives have immensely contributed to reinforcing the brand as a futuristic brand.

We conducted a brand equity study during the year to understand customer perceptions and identify areas for improvement.

Nurturing our brand equity is a priority for us, and we placed strategic emphasis on further strengthening the NDB Brand through the following brand-building initiatives:

- ⦿ Positioning NDB as a future-ready bank through transformative initiatives that encompass digital capabilities and beyond, embracing adaptability and resilience to meet future challenges and opportunities.
- ⦿ Adopting a multi-pronged content strategy spanning social media, digital PR, videos, and other forms of digital content to strengthen our online presence and enhance customer engagement across diverse platforms.
- ⦿ Driving increased value to customers through a focused, customer-centric approach while empowering the corporates and SMEs through partnerships with external organisations.
- ⦿ Promoting NDB as a lifestyle driven bank by offering multiple products to cater to different segments of society and different stages in life.
- ⦿ NDB Pixel and Privilege Junior launched during the year, expanding our proposition to teens and minors respectively, thereby capturing customers from a very young age.
- ⦿ Increased brand association with the youth through continued strategic sponsorships.
- ⦿ Empowering women through targeted banking solutions which include financial and non-financial support. The Sri Lanka Vanithabhimana Awards programme which aims to recognise and reward women for their contribution to the economy was held for the fourth consecutive year (refer page 166 for Social and Relationship Capital).
- ⦿ Achieving recognition for digital marketing excellence at the SLIM DIGIS 2.4 Awards, where the Bank was awarded Silver for the Best Digital Marketing Campaign in Banking/Finance for the impactful NDB Leasing campaign, Bronze for the Best Use of Experiential Digital Marketing for the NDB Talking Calendar, and a Merit Award for the Best Use of Creator/Influencer/UGC Content for the Banking Buddies campaign.
- ⦿ Securing accolades at the 2024 Dragons of Sri Lanka Awards, NDB Bank's NDB Avurudu Island Campaign won the Silver Dragon in the Best Social Media/Word of Mouth Campaign category as well as the Black Dragon for the Best Small Budget Campaign.
- ⦿ Maintaining a ranking within top three in press and digital article coverage within the banking sector throughout the year, demonstrating the Bank's consistent media presence and influence.

Our intellectual capital, encompassing our brand strength, advanced IT systems, robust processes, and the deep expertise of our employees, is at the core of driving value for all our stakeholders. Through a strong learning culture and the dedication of our team, we continuously innovate and adapt, enabling progress and unlocking prosperity. These elements empower us to deliver exceptional outcomes, fostering growth and success across every segment we serve, thereby unlocking prosperity in the lives of many that we serve.



K V Vinoj
Deputy CEO



INTELLECTUAL CAPITAL

BRAND VISIBILITY

The NDB Brand is frequently featured by independent parties among the Most Valued Brands in the country.

Ranked at 11th position

LMD Readers Most Loved Brand: Service Brands

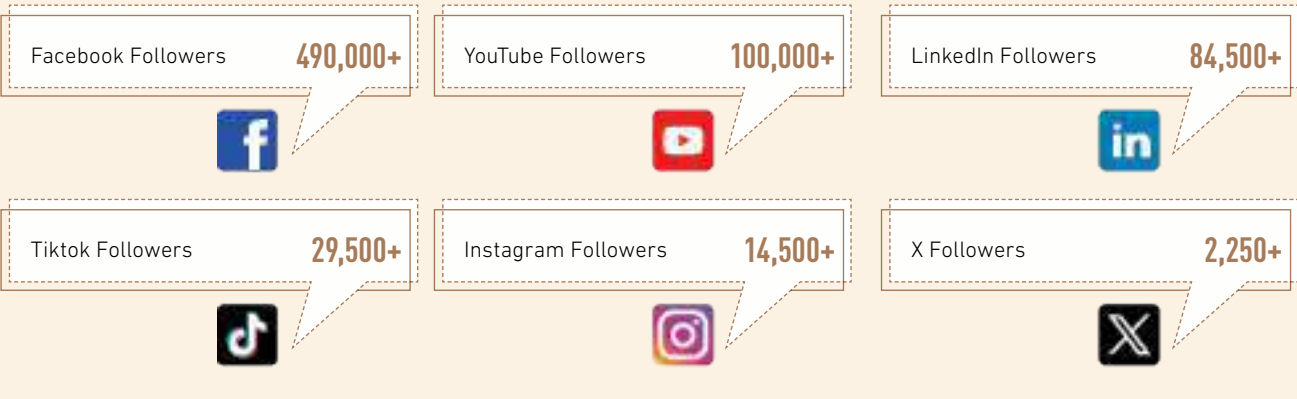
>30

Awards won by the Group

The awards and accolades we have received have enhanced brand visibility, bearing testimony to the level of dedication in maintaining high standards of excellence.

(Refer page 402 Awards and Accolades)

We continued to organically grow our social media footprint by leveraging multiple platforms, which has also enhanced brand visibility.



During the year, elevating its digital presence to new heights, NDB was recognised with the YouTube Silver Creator award. The achievement is notable, as the first Sri Lankan bank to reach this milestone, highlighting NDB's dedication to leveraging digital platforms to connect with its audience and also demonstrating the Bank's effort in fostering a digitally engaged community. This feat is a testament to a channel's ability to engage audiences, build communities, and provide high-quality content. NDB Bank's YouTube channel has quickly become a hub for financial education, offering practical advice on banking services, insightful updates on market trends, and the latest on NDB's digital solutions. Moreover, NDB's ability to maintain a high level of engagement across its digital content has set it apart as a leader in creating valuable online experiences for customers.



HARNESSING OUR TACIT KNOWLEDGE

The collective knowledge and expertise within our team is a key source of competitive edge, providing deep insights into customer and market dynamics, improving efficiencies and driving strategy. We continue to find ways to harness this invaluable resource through optimised operations, investments in training and development and a culture of knowledge-sharing and mentoring.

Tenure of Service

22% of our employees have completed more than 10 years of service, equipping us with industry insight and experience to carry out our day-to-day operations.

Industry Engagement

Collaborations with industry stakeholders help us to stay informed, influence decision-making and advocate for the interest of the banking sector.

Expertise of the Leadership Team

Expertise and foresight of our management team enable us to navigate dynamic market conditions, thereby supporting the Group's long-term strategy.

Strong Learning Culture

Our employees are encouraged to think out of the box through a culture of learning and knowledge sharing.

Emphasis on Skills Development

Enhancing the knowledge and skills of our people through continuous investments in learning propositions.

Cross-Functional Capabilities

Knowledge-sharing within the Group is further enhanced through cross-functional committees with oversight responsibility for specific functions.

Data-Driven Decision Making

The Bank's decision-making is influenced by data and insights obtained through interactive dashboards, real-time insights, predictive models and data visualisation tools provided by the dedicated Data Analytics Team.

INTELLECTUAL CAPITAL

ROBUST SYSTEMS AND PROCESSES

Our systems and processes have been fine-tuned over the years, in order to drive efficiency and productivity of our operations. We continue to transform how we do things; through process improvements and ongoing investments in AI, further strengthening our capabilities and sharpening our competitive advantage.

The Bank also conducts work studies in order to identify process improvements and automation opportunities. to provide solutions through Robotic Process Automations (RPA) and Workflow. These efforts have contributed to improving the quality of data and control and reduce costs while availing our staff with more time to focus on specialised tasks and engage better with customers.

Robotic Process Automation (RPA)

- Deploying RPAs to automate processes which were carried out manually
- There are 24 RPAs with 16 new RPAs introduced during the year

Business Process Re-engineering

- Embedding workflow solutions through Business Process Re-engineering
- There are 69 workflows in operation with 13 done during the year

Process Improvements

- Bringing in ease of work, through the simplification of documentation
- Paper usage reduction supported by digital signatures for approvals
- Streamlining the credit management process
- Automating loan processing through a loan origination system.

DRIVING INNOVATION

At NDB, innovation is an ongoing process which differentiates us from the competition. The Bank utilises data-driven insights to understand customer requirements and offer innovative new products and solutions that cater to their evolving needs. The key highlights for the year include:

Introduction of new products such as Privilege Junior, NDB Pixel, NDB WriztPay and Auto Cash.

Launching of an Internet Payment Gateway (IPG) to support our Business Banking customers.

Connecting NDB's key digital channels with the Lanka Pay Online Payment Platform (LPOPP)

Introducing Host-to-Host which links the Bank's systems to the systems of corporate clients.

Launching the TradeLinc platform, a system developed in-house for supply chain financing.

OUTLOOK

We will continue to strengthen our intellectual capital as it is key to driving value creation. Enhancing the NDB Brand through emphasis on customer centricity, integrated solutions and the digital journey will be a key focus area. We will also strive to provide a superior customer experience through continuous improvements in processes, nurturing a customer-centric mindset amongst our staff and building the capabilities of our team.

SOCIAL AND RELATIONSHIP CAPITAL

Built on the power of collaboration and connections, we're creating a shared space that uplifts the lives of those around us. We're nurturing an inclusive environment that enables us to foster longstanding relationships with diverse communities and support them on their onward journey towards fulfilment.



Japanese gardens provide a tranquil environment for individuals from all walks of life to share in a collective experience of life and abundance. The gardens often host community events such as tea ceremonies, cultural workshops or seasonal festivals, which offer a platform for engagement and participation and facilitates improved levels of insight into these diverse groups.

Social and Relationship Capital Highlights

Our Social and Relationship capital reflects the strong relationships we have nurtured with our customers, value chain partners and the community over the years. By continuing to nurture these relationships, we create mutual value, empowering our stakeholders while enhancing our operations and elevating our brand reputation.

Capital Specific Key Risks and Opportunities

Key Risks

- Migration of long-standing customers to other banks amidst an intensely competitive banking sector
- Potential unsubstantiated concerns circulated on social media which could lead to negative publicity

Key Opportunities

- Striking deeper relationships with customers, business partners and community by leveraging technology
- Forging stronger partnerships to drive positive change

Key Components of Our Social and Relationship Capital

Empowered Customers

Value Chain Partners

The Surrounding Community

- Over 300 registered suppliers
- Other business partners
- Industry stakeholders

6% increase in customer base

LKR 6.6 Bn as Payments to suppliers

LKR 6.3 Mn Spend on sustainability initiatives

Value Delivered

Uninterrupted service through the branch network

4.5/ 5.0 Overall average Customer Satisfaction Rating

Leveraging eco-system partnerships to drive greater synergies and find innovative solutions throughout the value chain

Collaborations with industry stakeholders to address challenges faced by the banking industry and create a conducive industry environment

Empowering customers by ensuring their needs are met through targeted banking solutions, meaningful engagement and increased digital enablement

Driving Strategy

How We Created Value in 2024

Building resilient communities through ongoing investments in corporate sustainability initiatives and playing a catalytic role in the economic revival of the country

Contribution to SDG's



BUILDING AND NURTURING OUR RELATIONSHIPS

We manage our Social and Relationship Capital in line with the Group's comprehensive set of policies, systems and processes. This ensures that transparent interactions are maintained with our stakeholders, fostering mutual value creation while leaving a meaningful impact within the communities we serve.

There were no reported incidents of corruption and/or fraud and no fines/penalties for non-compliance with laws and regulations pertaining to socio-economic compliance including customer health and safety, marketing/ product and service information and labelling and/ or marketing communications during the year. The Bank makes its communications on products, services and other announcements in all three languages (Sinhala, Tamil and English), where relevant.

We have a wide customer base ranging from individuals to large corporates and SMEs. Having identified the individual needs of these groups, our customer value proposition centres on delivering seamless banking solutions targeted at empowering each of these groups.



The unprecedented challenges stemming from the operating environment necessitated a strengthening of the value proposition through customised solutions and services. Our ability to be proactive allowed us to understand and effectively respond to the evolving needs of customers, who are at the heart of what we do.

Our customers are at the heart of everything we do at NDB. By combining cutting-edge technology with the dedication of our empathetic teams, we are committed to delivering exceptional service that meets and exceeds expectations. Together, we strive to unlock prosperity and drive smart growth for our customers.



Camy Somasunderam
Assistant Vice President
Customer Experience and
Contact Centre

Supporting Our Customers in Times of Uncertainty

Flexible Repayment Schemes and Concessions

Through our Remedial Management Unit, the Bank continued to offer flexible repayment schemes, interest concessions and reschedulements to customers facing financial difficulties.

Advisory and Support

The Bank maintained engagement by offering advisory services and customer support through regional educational programmes and forums on financial literacy.

Enhanced Accessibility

Customers were provided uninterrupted access to our services through the following:

- ⦿ Island-wide branch network
- ⦿ 24/7 Contact Centre
- ⦿ Enhanced omni-channel experience

Addressing Customer Concerns

Dedicated channels were available to escalate customer concerns and provide a speedy solution.

Specially Trained Staff

Staff at customer touchpoints were equipped with the right resources to handle customer inquiries and direct them to the correct channels for remedial action.



SOCIAL AND RELATIONSHIP CAPITAL

Our Diverse Product Map

We offer our customers a comprehensive product range across the different business lines, in order to serve them better. Our product proposition covers the complete range of investment, lending and transactional banking solutions as presented below:

	Retail	Wholesale	Business Banking	PIF
Investment Products	⦿ Savings accounts (women's, minor, youth) ⦿ Investment Planners ⦿ Current accounts ⦿ Fixed deposits ⦿ Foreign currency deposits	⦿ Current accounts ⦿ Foreign currency deposits ⦿ Fixed deposits ⦿ Savings and call deposits	⦿ Savings ⦿ Time deposits ⦿ Current accounts ⦿ Foreign currency deposits	⦿ Savings ⦿ Fixed deposits ⦿ Foreign currency deposits ⦿ REPO
Lending Products	⦿ Personal ⦿ Housing ⦿ Education ⦿ Leasing ⦿ NDB Good Life Credit Card ⦿ Salary advances ⦿ Solar ⦿ Pawning ⦿ Vismitha loans	⦿ Term loans ⦿ Working capital finance ⦿ Trade services ⦿ Leasing ⦿ Cash management ⦿ Trade card services ⦿ Distributor/Supplier ⦿ Financing ⦿ Receivable Financing	⦿ CAPEX funding ⦿ Leasing ⦿ Trade services including export and import financing solutions ⦿ Cash management evolving and structured working capital funding ⦿ Distributor/Supplier ⦿ Financing ⦿ Receivable Financing ⦿ Industry specific working capital solutions ⦿ Refinancing schemes	⦿ Term loans ⦿ Islamic Banking for long-term financing ⦿ Financing for leveraged buy outs ⦿ Securitisation ⦿ Investment in listed securities
Other	⦿ Digital financial solutions ⦿ NDB Debit cards ⦿ Privilege Banking ⦿ Safe deposit lockers ⦿ Remittances ⦿ Bancassurance ⦿ Custodian services	⦿ Digital financial solutions ⦿ Custodian services ⦿ Trustee services	⦿ Digital financial solutions ⦿ Credit cards ⦿ Debit cards ⦿ Bancassurance ⦿ Custodian services ⦿ Trustee services ⦿ Cheque warehousing facilities ⦿ Digital banking solutions such as NEOSBIZ ⦿ Business advisory	⦿ Services on debt syndications such as lead arranger function ⦿ Facility agent function and Escrow agent function ⦿ Custodian services ⦿ IPO underwriting services ⦿ Cash collection services ⦿ Trade services ⦿ Trustee services
Customer Value Propositions	⦿ NDB Araliya for the women's market segment ⦿ NDB Aachara for senior citizens ⦿ NDB ZEE for youth ⦿ NDB Pixel for teens			⦿ NDB Jayagamu Sri Lanka for exporters, innovators and SMEs ⦿ Islamic Banking solutions

Digital Banking Solutions



Lifestyle Products for Retail Clientele



Seamless Solutions for Corporates and SMEs



Enhancing the Customer Experience

We maintain proactive engagement with our customers through multiple touchpoints, a year-round calendar of marketing and promotional activities as well as a systematic process for handling grievances and complaints. Regular engagement has contributed to enhancing the overall customer experience and driving the Bank towards achieving our goal of becoming a “Service Differentiator” in the industry.

During the year, the steering committee, which includes representation from senior management was re-instated and service leaders were re-appointed for all 113 branches and all department in order to re-emphasise Standard Operating Procedures (SOP). Service audits were conducted at all branches as well as departments which helped us to identify and escalate staff issues, service level gaps and infrastructure-related issues to relevant personnel and provide a solution.

Although our main customer touchpoint is the island-wide branch network, in recent years there has been a noticeable shift in customer preference towards digital channels of engagement. Therefore, in addition to providing the required training on customer servicing and related aspects for frontline staff, we also focused on enhancing our digital channels during the year.

Presented alongside are the initiatives carried out during the year to strengthen the Bank’s customer service capabilities, which resulted in enhancing the customer experience.



Training on products and processes provided to the front-line staff through the Branch Network Management team to speed up the service standards

Carrying out Service Refresher training sessions for frontline staff, especially at the junior levels.

Enhanced the knowledge of staff across the Bank through new Electronic Delivery Mails (EDMs). These EDMs mainly addressed recurring issues and ways to overcome them.

Customer Service week was organised with greater innovation and engagement thereby celebrating togetherness in providing service to external as well as internal customers.

All staff members completed the new E-learning module created to refresh their knowledge on adhering to SOP guidelines.

Positive feedback from customers were featured in 139 “**We Go Beyond - Inspiring Service Stories**” shared with all NDB staff, in appreciation and recognition of individual staff members who demonstrated service excellence.

Shared cross functional feedback among staff every week to boost employee morale. This resulted in improved service to the customer as well.

Alignment with the Financial Consumer Protection Regulation through education on fair treatment of customers and handling customer inquiries, among others,

SOCIAL AND RELATIONSHIP CAPITAL

24/7 Contact Centre

The NDB Contact Centre employs 60 agents and is one of the direct touchpoints with the Bank’s customers, providing 24/7 customer support. Contact Centre agents are continuously nurtured through training and updated knowledge, in order to ensure the accuracy and consistency of their responses.

During the year, the Contact Centre was able to consistently achieve service levels, with an overall performance of over 90%, and an abandonment rate of less than 2%. This is a significant improvement from previous years and was made possible through targeted coaching sessions and guidance for staff members.

Powered by state-of-the-art technology the main objective of the Contact Centre is to increase contactability and offer seamless channels for customers to connect with the Bank. The Contact Centre contributes directly and indirectly towards revenue generation through telemarketing, credit reminders and proactive engagement to promote new products and services based on customer analytics.

During the year, the following technical advancements were implemented to improve service delivery.

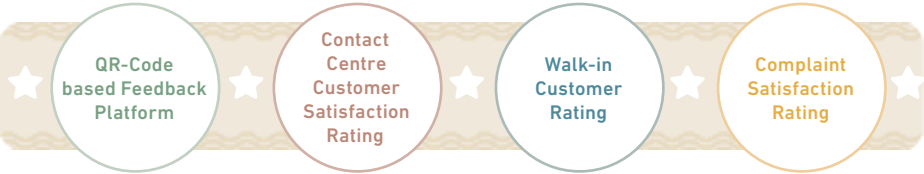
- Developed an AI chatbot which supports agents to handle customer inquiries related to product knowledge and other service-related aspects
- Introduced a 24/7 live web chat option for customers
- Introduced a separate hotline for high-net-worth clientele which routes the calls to dedicated staff members
- Proactively contacted customers who were locked out of their NEOS mobile app accounts in order to guide them to unlock their accounts and make effective use of the NEOS app



Answered **98%**
of the calls received

Overall customer satisfaction score of
4.5 out of 5

Monitoring Customer Satisfaction



We monitor customer satisfaction levels through structured feedback mechanisms that are in place. The Bank’s QR-code-based feedback platform runs across the entire branch network, seamlessly capturing insights and measuring satisfaction levels of walk-in customers. Meanwhile, customers who connect with the Contact Centre are sent an SMS in order to gather service insights from them. We initiate immediate callbacks to customers who report low ratings in order to address their grievances and rectify the issue.

Findings from these monitoring tools are tracked and shared proactively with employees through internal communications. These findings help us identify areas for improvement and ensure the delivery of high-quality service.



Assessing Service Delivery

	Service Indicator	Goals	Achievement
Contact Centre	Service levels of the incoming calls	To maintain 80% or more	90%
	Abandon rate	To maintain below 5%	2%
	Call quality effectiveness	To maintain at 80%	85%
	Customer Satisfaction Survey	To maintain above 4 out of 5	4.5

Customer Experience

	Service Indicator	Goals	Achievement
Internal Telephone Handling Standards	% of calls answered within 3 rings	80%	91%
Customer Feedback % QR and Account Opening Scanning	% Good and Very Good responses received	80%	Good + Very Good response % QR 99% Account opening 96% Walk-in 90%
		Total Received	Total Closed within SLA
			SLA as %
Customer Requests and Concerns Handling			
Requests turnaround time	80% to be resolved within 3 working days	192,355	162,249
Concern turnaround time	80% to be resolved within 5 working days	3,624	3,100
Online Channels			
NEOS (Mobile app)	80% or more to be responded within 3 working days	51,296	46,081
EMC (email channel)		27,468	24,035



The NDB Team is constantly reminded and refreshed on knowledge pertaining to creating an exceptional experience for our customers

Customer Privacy

We are committed to safeguarding confidential customer-related information and have invested significantly in IT infrastructure and process controls, to ensure customer privacy. The Bank has in place a Board approved policy on Data Protection covering both statutory and regulatory requirements on fair and ethical use of customer data. Further, Bank has published the Privacy Notice on the Bank's corporate website www.ndbbank.com covering statutory requirements and customer rights under the Personal Data Protection Act of 2022. During the year, there were no complaints concerning breaches of customer privacy and losses of customer data.

SOCIAL AND RELATIONSHIP CAPITAL

EMPOWERING BUSINESS PARTNERS

We work closely with an ecosystem of business partners, comprising over 300 suppliers and 84 correspondent banks. The relationships we have built with these partners unlock mutual value creation across the value chain by providing increased market access, creating market linkages, driving operational synergies, and ensuring continuity of operations.

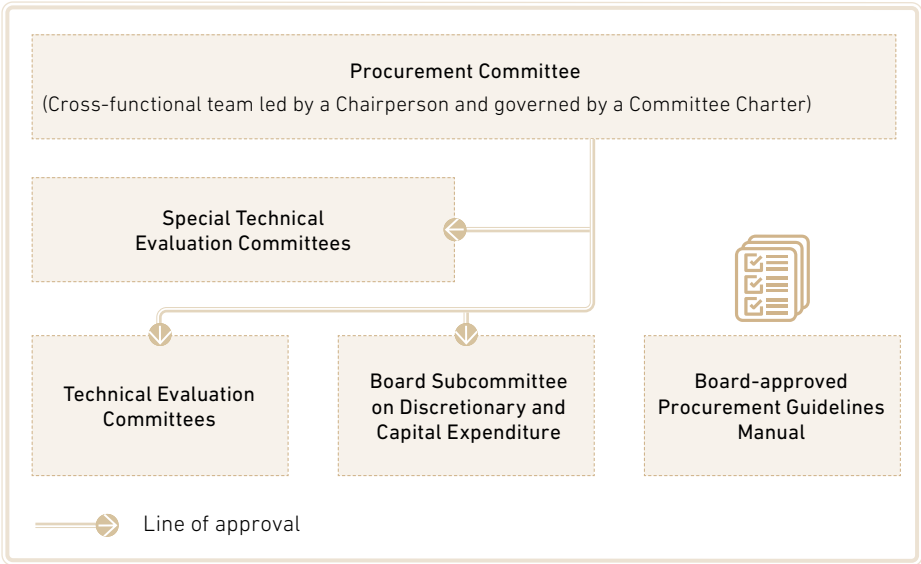
The Bank maintains a pool of registered suppliers, mainly local corporates and SMEs, through whom we procure a range of IT and office equipment, other consumables, and services such as marketing, engineering, and consultancy. Potential vendors are identified through a comprehensive supplier assessment that considers factors beyond cost, such as quality, reliability, and sustainability.

Procurement is governed by a comprehensive, Board-approved Procurement Guidelines Manual, which is periodically renewed to reflect changes in the operating context. The Board

has delegated approval authority of the procurement process to a Procurement Committee comprising senior members of the Bank representing multiple functions. When selecting suppliers, the Procurement Committee involves relevant departments and the technical committee to ensure transparency in the decision-making process.

Large-value procurements exceeding a set threshold are assessed by Special Technical Evaluation Committees (STECs) with cross-functional representation. A Procurement Committee member mandatorily serves as the Secretary to any STEC formed. The recommendations of the STEC are submitted to the Procurement Committee for final approval. For expenses beyond a certain threshold falling in to specified expenses categories, the approval of the Board Subcommittee on Discretionary and Capital Expenditure was required during the year, prior to proceeding to Procurement Committee approval, ensuring a robust framework for cost management.

Procurement Governance



Supplier Registration and Assessment

- Supplier registration is carried out once in two years following a call for suppliers through paper advertisements, the Bank's corporate website and social media based on 104 subcategories
- The supplier registration questionnaire covers environmental and social criteria thereby ensuring that selected vendors align with NDB's values, CSR principles and sustainability agenda

Code of Conduct for Suppliers

- The Supplier Code of Conduct covers the guiding principles related to labour practices and sustainable business operations that we expect our suppliers to comply with. This covers economic, social and environmental criteria and contributes towards increasing awareness and encouraging sustainable practices within the supply chain.

Supplier Engagement

- Carrying out comprehensive supply chain audits and utilising the findings for process enhancements.
- Exploring bulk purchasing
- Negotiating favourable terms and pricing
- Carrying out market surveys to identify favourable suppliers
- Dedicated channel for reporting supplier grievances via ndbtenders@ndbbank.com and a mechanism to resolve them

Collaborations with Industry Stakeholders

Members of our senior management actively participate in industry forums to share their expertise and knowledge with industry peers. The Bank also holds memberships in a wide number of industry associations and actively collaborates with stakeholders with the aim of contributing towards industry growth and development. A few examples include:

- ⦿ Sri Lanka Banks' Association (SLBA)
- ⦿ Institute of Bankers of Sri Lanka (IBSL)
- ⦿ The Association of Professional Bankers - Sri Lanka (APB)
- ⦿ Sri Lanka FOREX Association
- ⦿ Payment Cards Industry Association of Sri Lanka
- ⦿ Association of Banking Sector Risk Professionals
- ⦿ Biodiversity Sri Lanka (BSL)
- ⦿ United Nation's Global Compact Network Sri Lanka

EMPOWERING COMMUNITIES

We strive to build impactful relationships by providing inclusive financial services that empower our communities. The Bank's Sustainability initiatives also complement these efforts as they are designed to create sustainable shared value by delivering economic, environmental and social benefits to the wider community.

Driving Financial Inclusivity and Growth of SMEs

NDB drives financial inclusivity by extending the Bank's services to reach even the underserved segments of the market. The Bank utilises credit lines received through partnerships with International Finance Corporation (IFC), National Enterprise Development Authority (NEDA), Asian Development Bank (ADB), etc. as well as the Government of Sri Lanka to drive economic growth of rural and needy communities in the country.

The Bank fuels SME growth and champions exporters, entrepreneurs and innovators through its holistic value proposition, NDB Jayagamu Sri Lanka. Launched in 2020, the platform offers a one-stop solution that includes financial and non-financial support and has directly contributed towards the country's economic recovery, by aligning the Bank's growth strategies to areas of critical national interest. Over the five years NDB has reshaped and realigned support extended by NDB Jayagamu Sri Lanka in response to emerging challenges and evolving socio-economic conditions of the country.

Refer page 92 Business Banking for more information on support to the SME sector.

Multi-faceted support offered through NDB Jayagamu Sri Lanka is demonstrated below:

Financial Assistance

- ⦿ Dynamic loan schemes at concessionary rates with expedited approvals; working capital facilities, pre and post export finance, trade related facilities and capital expenditure facilities
- ⦿ Concessions on charges particularly on international trade

Eco-system Partnerships

- ⦿ Partnerships with Export Development Board, Ceylon Chamber of Commerce, Daraz, Maersk, CodeVus, ICTA, ThinkCube Solutions, Cord 360, etc. to provide access to markets, networking opportunities and a range of other services
- ⦿ Participating Financial Institution (PFI) of National Credit Guarantee Institution

Non-financial Assistance

- ⦿ Curated products to support the unique needs of SMEs
- ⦿ Trade desk to facilitate exporters
- ⦿ Access to foreign and local buyers through online platforms
- ⦿ Capacity building and support through seminars on business registration, networking and financial management
- ⦿ Advisory support

Technology and IT Support

- ⦿ Cash Management Solutions including gateway for payments and trade related transactions
- ⦿ Payroll management
- ⦿ ERP support
- ⦿ Access to dashboards and real-time status of information
- ⦿ Dedicated app, NEOS BIZ for SMEs



SOCIAL AND RELATIONSHIP CAPITAL

EMPOWERING WOMEN

NDB's Banking on Women (BoW) Platform, offers targeted banking solutions that are specifically designed to support women and encourage their financial independence. The platform caters not only to female entrepreneurs but also to those who are homemakers and salaried employees in the workforce.

In addition to offering a range of women specific products our proposition to women goes beyond banking to provide access to affordable finance, skills development programmes and identifying solutions to barriers which are often faced by women-owned businesses, thereby empowering women and ensuring continued commercial sustainability.

Through the power of partnerships NDB has enabled greater market access and networking opportunities for its female customers. These include:

- ⊙ NDB is currently working with IFC and other partners for capacity building and skills development.
- ⊙ Partnered with Satyn magazine to share knowledge on women centric topics of interest.
- ⊙ Partnered with the Asian Development Bank (ADB) via the Government of Sri Lanka to extend advisory services and training on women empowerment to small and medium sized entrepreneurs.

Banking on Women Proposition

- Financial Inclusivity
- Financial Advisory
- Education & Awareness
- Recognition



At NDB, we are proud to empower women through initiatives like NDB Araliya and Sri Lanka Vanithabhimana, strategically fostering long-term sustainable growth and meaningful impact. Women are pivotal to driving economic growth, especially in the post-crisis recovery journey of our country, bringing incremental value and heralding lasting positive change for countless families. By supporting women in unlocking their prosperity and driving smart growth, we remain committed to being a partner in their transformative journeys.



Sanjaya Perera
Senior Vice President
Personal Banking and
Customer Experience

Key highlights 2024

- ⊙ Commendable 53% growth in the Araliya deposits portfolio
- ⊙ Overall BoW proposition growth of 4% and 12% in assets and liabilities respectively
- ⊙ Revamping of the NDB Araliya Business Loan in Q4 - increased eligible loan amount from LKR 5.0 Mn to LKR 15.0 Mn
- ⊙ Special credit card offers linked to women-centric events round the year such as International Women's Day, Mother's Day and Breast Cancer Awareness week
- ⊙ 16 physical knowledge sharing forums conducted with a reach of over 600 females
- ⊙ Fourth edition of Sri Lanka Vanithabhimana award recognition programme successfully held



NDB Araliya

NDB අරලියා
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NDB Araliya is the Bank's bespoke initiative targeting women from all walks of life- from the grassroots to the more affluent segments of society, united by the goal of financial empowerment.

Bearing the slogan **"Giving you more than you want for yourself"**, NDB Araliya is specially designed to take care of women as they deserve all the care in the world.

Segments Served

➤ Salaried Women

➤ Homemakers / Housewives

➤ Entrepreneur / Women in Business

Financial Services

- ⦿ In addition to Savings and Current accounts, the Araliya product proposition offers distinct banking solutions including Araliya Business Loans, credit/ debit cards and working capital facilities which offer preferential interest rates and free life protection cover, free hospitalisation cover for the Account Holder and immediate family, free medical checkups periodically for the account holder, gifts on 21st birthday for the account holder and a free Children's Savings Account at child birth
- ⦿ The product also drives financial discipline and resilience in account-holders by providing bonus interest on continued monthly committed savings

The NDB Araliya Journey

- ⦿ **2017** Launch of NDB Araliya Savings product
- ⦿ **2019** Launch of fully-fledged NDB Araliya proposition
- ⦿ **2023** Relaunch of the proposition of added features under the theme "Giving you more than you want for yourself"

Non-financial Services

- ⦿ Includes access to Araliya knowledge sharing fora, mentoring and networking sessions and third party advisory service among others
- ⦿ Reach of over 1.5 Mn interactions via both in-person and virtual fora since 2020
- ⦿ Core areas of knowledge sharing
 - ⦿ Business planning and management
 - ⦿ Branding and Marketing
 - ⦿ Going digital and online marketing
 - ⦿ How to manage finances wisely
 - ⦿ How to become bankable & women entrepreneurship
- ⦿ Financial Management / Business re-structuring / Over trading / Business management
- ⦿ Business excellence through digitalization and export orientation
- ⦿ Benefits transacting through formal banking channels

SOCIAL AND RELATIONSHIP CAPITAL



Sri Lanka Vanithabhimana is NDB's flagship awards programme which was conceived as a means to boost entrepreneurship and encourage women to participate and contribute towards the economic growth of the country. Jointly organised by NDB and Sirasa News 1st, the programme adopts a structured approach to recognise high performing females across multiple economic and social landscapes.

Through this programme the Bank was able to unearth truly inspiring and talented individuals who have the capacity and potential to grow. Evolving beyond just an awards programme, Vanithabhimana aims to provide capacity building in terms of technical support in financial management, maintenance of accounts, legal advice, accessing new markets and linkages with e-commerce websites to reach a wider market.

The programme comprises multiple rounds of evaluation by an esteemed panel of judges recognising females across eight categories at both provincial and national levels, namely Sports, Entrepreneur (Micro Scale), Entrepreneur (Small Scale), Entrepreneur (Up Coming), Social Services, Arts and Literature, Education Services and Young Leader.

Additionally, the Corporate Sector competition is tailored for professionals in fields such as HR, Finance, Sales and Marketing, State Sector, Tourism, Art, Sports and Entrepreneurship. The awards also include five lifetime recognitions and one most popular category award.

In the future we are looking at revamping the programme to propel selected individuals to the next level by providing education on financial literacy and grooming and supporting them on their entrepreneurship journey.

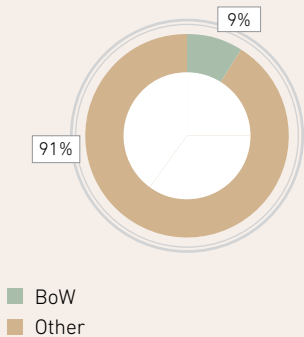
Impact of the Sri Lanka Vanithabhimana – Four consecutive seasons

- ➔ Total investment > LKR 160 Mn
- ➔ Total applications received > 10,000
- ➔ Total number of awards recipients at the Grand Finale 92

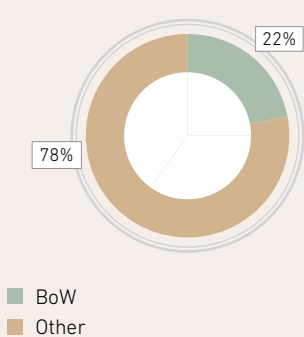
The **fourth consecutive edition** of the programme was concluded in **March 2024** culminating with a grand awards ceremony.

BoW contribution in the overall portfolios

Contribution to the Bank's Assets Portfolio



Contribution to the Bank's Liabilities Portfolio



OUTLOOK



The Bank's BoW proposition will forge ahead with added vigour in 2025. Clearly articulated growth targets in both assets and liabilities, supported by identified initiatives will be pursued. Preference will be given to women-led businesses when allocating funding received by the Bank from various credit lines. We will also re-visit the concept of having an advisory panel to uplift the current standards of the business, and thereby assist the for women-entrepreneurs to reach the next level.

The Sri Lanka Vanithabhimana programme is set to be remodeled with a long term sustainability focus, on empowering women by up skilling, providing financial assistance, introducing market places and developing them to become exporters as the end goal.

EMPOWERING OUR COMMUNITIES

NDB's Sustainability Agenda is strategically aligned to the United Nation's Sustainable Development Goals (UNSDGs) as well as its brand focus, which is to be a 'Futuristic Bank'. Guidance and oversight into Corporate Sustainability initiatives of the Bank is provided by NDB's Corporate Sustainability (CS) Committee. The Bank's CS agenda considers several factors including societal and environmental needs, impact, resource availability and access to relevant expertise when prioritising and selecting projects and engages in projects that meet the following conditions.



There were no significant negative impacts on local communities through our operations during the year. The key pillars of our CS agenda are as follows:



Education

Sahasak Nimayum - National Invention & Innovation Competition

Sahasak Nimayum is a platform for inventors to showcase and promote their inventions and innovations. The competition is carried out with the aim of enhancing the creativity of the nation and is open to both students and adults. Not just for the locals, the competition is open to international inventors as well, thereby providing exposure to local inventors on foreign trends and bridging the technological gap.

Promoting inventors will not only contribute towards the economic growth of the nation but will have ripple effects on other areas such as education, healthcare, arts and culture and agriculture among others. It will also create an entrepreneurial culture which is important for the nation.

This competition is not merely a recognition programmes, it also provides training and education through a number of workshops as well as expert advice. The winners are also assisted in securing patents and the goal is to link them with entrepreneurs who will support them to commercialise their inventions.



Project Partner:

Sri Lanka Inventors Commission, a statutory body operating under the purview of the Ministry of Science and Technology, is the forerunner in facilitating and promoting local innovation and creating an innovative culture among students.

LKR 1.0Mn
Investment

Over **1,800** inventions evaluated in all Provinces with over **590** inventions selected for the National Level

SOCIAL AND RELATIONSHIP CAPITAL

Education

Education for Conservation

Human-wildlife issues have increased rapidly in recent years and go beyond conflicts with elephants and leopards. Humans and animals are in conflict over land, water and resources, especially in the vicinity of National Parks in the country, where a lot of destruction takes place.

NDB partnered with the Wildlife and Nature Protection Society (WNPS) in 2018 to conduct the Education for Conservation project for school children. This project has been continued over the years and to date has succeeded in educating and empowering over 20,000 students by working with over 80 schools

across 15 districts, cultivating the ethos of sustainability and inspiring a new generation of environmentally conscious leadership among children across the country.

In 2024 the main focus was on educating the youth living in the vicinity of National Parks, increasing awareness and empowering them to devise solutions for the issues faced. So far, the project has covered the Polonnaruwa district which is a bio-diverse rich area encircled by National Parks and sanctuaries including Minneriya, Kaudulla, Somawathi and Wasgamuwa as well as the Ratnapura district which records the highest

endemicity of the island's flora and fauna. These programs addressed key environmental topics, including biodiversity, climate change, forest fragmentation, environmental pollution, and leopard conservation, fostering awareness and understanding among the participating students.

Sessions were conducted in Colombo schools as well to create awareness about Urban Fauna, where students were given opportunities to create their own initiatives within their school communities centered around Urban Fauna.



Over 3,300 students educated in 25 schools in 2024.

A special outreach session was conducted under the Education for Conservation project at the SDG Hub during the 59th Colombo Scout Camporee at Viharamahadevi Park, Colombo. The sessions featured lectures by prominent speakers: Prof. Deepthi Wickramasinghe (University of Colombo) on climate change, Mr. Thilina Kumarasiri (WNPS ANRM Project) on restoration efforts, and Ms. Narmadha Dangampola (President, BCSSL) on biodiversity and endemism. Participants also received training in field note-taking, enhancing their practical conservation skills. Special awards were given for species identification, fostering active engagement. Over 1,000 scouts from over 60 schools aged 10-18 participated, enriching their knowledge and connection to nature across the two-day event.

Project Partner:

Wildlife and Nature Protection Society (WNPS)

2024 Impact:

25 sessions conducted at schools educating **over 3,360 students,** teachers and principals

Scout camporee - **more than 1,000 scouts** from schools in Colombo and suburbs

Special Projects

Donation of School Shoes to Children -The Bank assisted children of disabled soldiers by donating school shoes.



Employee Volunteerism

The Bank encourages employees to volunteer their time and effort for the Bank's Sustainability initiatives as we believe in nurturing a community-conscious employee culture that extends beyond core business activities. It is a team effort where every employee is given an opportunity to give back to society.

The main objective of encouraging employee volunteerism is to educate and train employees on Social and Environmental responsibility, carrying out community projects and inculcating socially responsible behaviour.

This initiative succeeded in creating greater awareness amongst the employees about the challenges faced by communities, inculcated responsible behaviour, enhanced teamwork and motivated the employees to branch out on their own and carry out further projects.

During the year, employees have volunteered in the Mangrove Project and the Beach Clean-up. (Refer page 180 Natural Capital for more details)



LKR 0.3 Mn
Investment

Over 1,000 Hours
of Employee Volunteerism

Suppliers and Business Partners:

The Group will continue to update and enhance the Board-approved Procurement Guidelines Manual to reflect emerging trends and opportunities in the procurement space, thereby enhancing the productivity of the procurement process. Starting in 2025, the Group will also commence an annual supplier evaluation process to optimise relationships with vendors, fostering mutual prosperity.

SMEs and the women's market segment:

The Group will also continue to be a catalyst for growth for SMEs, entrepreneurs and the women's market segment by providing

targeted banking solutions that empower them. Sri Lanka Vanithabhimana will be launched with an enhanced long-term focus whereby we will deliver greater impact to identified export oriented female entrepreneurs through the programme.

Communities: The Group will continue its investments in community engagement and development initiatives in line with the overall corporate sustainability agenda and in close congruence with the UNSDGs.

OUTLOOK



Customer service: The Bank will continue to enhance customer relationships by increasing engagement, improving service levels and delivering customer-centric solutions. Emphasis will be placed on enhancing service delivery through focused training and coaching sessions and utilisation of CRM systems at the Contact Centre. We will also look at adopting process automations via NEOS and digital banking concepts including AI tools to become a service differentiator in the industry.

Key priorities for 2025 and beyond from a Customer Experience point of view are presented below.

Implementation of a Customer Relationship Management (CRM) system which will be beneficial for all stakeholders



Implementation of Advanced Interactive Voice Response (IVR) enabling automation of balance inquiries, deactivation of selected services and other self-servicing options for customers



Rebuilding customer confidence by bridging service level gaps



Mapping customer journeys to enhance their experiences



Conducting regular training sessions to improve knowledge, morale and service skills



NATURAL CAPITAL

Designed around a philosophy of stewardship and coexistence, we're meticulously preserving and safeguarding the resources that sustain us, while supporting a habitat of shared prosperity and productivity.



Japanese gardeners follow sustainable practices, aiming to preserve the local environment and ecosystem – built on a longstanding culture and tradition of humans serving as caretakers of the earth. Japanese gardens are therefore spaces in which sustainable resource management, biodiversity and ecosystem health are strongly maintained.

Natural Capital Highlights

As a financial institution, although the direct environmental impact from our operation is limited, we understand that there are significant environmental implications stemming from the value chain, extending from upstream activities to downstream impacts arising from our lending projects. Therefore, the Group actively advocates for sustainable environmental practices and environment positive decisions from within and outside the organisation.

Climate related Key Risks and Opportunities

Key Risks

- Extreme weather events and natural disasters directly or indirectly disrupting the Bank's operations and impacting stability
- Stringent laws and regulations aimed at reducing carbon footprint leading to increased credit risk from lending exposure to carbon-intensive industries
- Changes in market preference towards more sustainable products impacting demand for certain financial products
- Increased scrutiny of action taken by the Bank to address climate change

Key Opportunities

- + Enhanced reputation and access to global capital markets could attract environmentally conscious investors
 - + Lending opportunities for renewable energy projects as Sri Lanka transitions to a low carbon economy
 - + Demand for new financial products with the shift in market preference
- Enhanced competitive edge through improved resilience to business disruptions and staying ahead of regulatory requirements related to climate risk

Key Components of Our Natural Capital

Consumption of Material → Water Usage

Paper usage: 38,519 kg 47,550 M3

Energy Consumption

- ⊙ Electricity from the National Grid: **6,096 MWh**
- ⊙ Solar power generation: **146.43 MWh**
- ⊙ Usage of fuel: **95,810 L**

Reduction of Carbon Footprint by **8.04%**

LKR 6.3 Mn

investment in corporate sustainability initiatives which include biodiversity conservation projects

Value Delivered

26,298 kg paper recycled

Over 985

employees trained on ESG through capacity building programmes

Driving Strategy

How We Created Value in 2024

Propagating environmental sustainability across the value chain by incorporating ESG considerations into lending decisions and through capacity building of stakeholders

Supporting the transition to a low carbon economy through increased lending to renewable energy projects

Continuous measures to enhance energy efficiency and reduce energy usage from our operations

Reducing paper consumption through automation and digitisation of processes

Preserving eco-systems and contributing towards national goals of Climate Change adaptation by engaging in long-term biodiversity conservation projects.

Contribution to SDG's



OUR ENVIRONMENTAL AGENDA

Our approach to identifying, managing and measuring progress across environmental focus areas is clearly guided by the Group's ESG agenda and a comprehensive Environment and Social Management System. The Bank's ESG Team, Corporate Sustainability Committee and Environmental and Social Risk Management Integrated Committee are tasked with ensuring the implementation of the same.

Throughout the years, NDB has consistently worked on mitigating its negative environmental impact and has made considerable strides in its journey towards achieving carbon neutrality by gradually reducing the carbon footprint from its operations while also contributing to the preservation of eco-systems.

NDB's environmental agenda also focuses on promoting sustainable environmental practices outside the organisation and along the value chain by integrating principles of green financing into the Bank's lending strategy and supporting clients with climate risk adaptation, mitigation and the transition to lower carbon operations.

There were no incidents of non-compliance with environmental laws and regulations during the year.

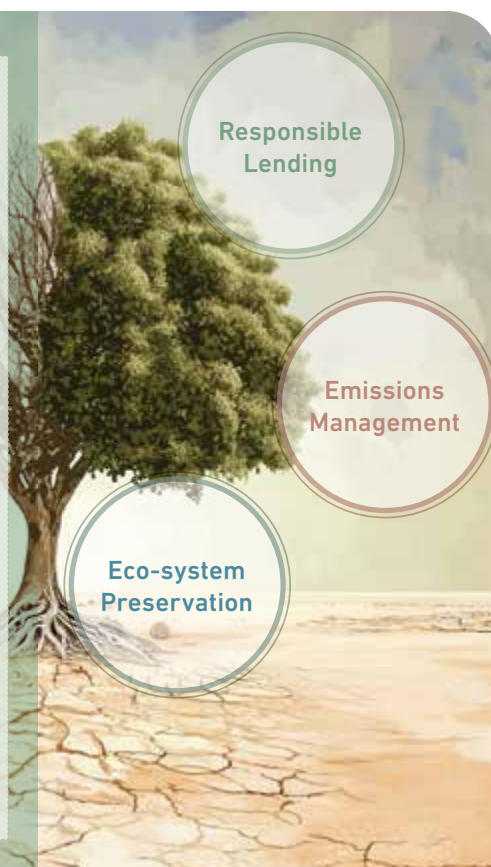
NDB is a founder signatory to Sri Lanka Banks' Association's 'Sustainable Banking Principles for Sri Lanka' which sets out guidelines on environment and social considerations in decision-making, developed in collaboration with leading European investors such as DEG, Proparco, FMO and OeEB.

COMBATING CLIMATE CHANGE

Climate change has wide ranging implications both locally and globally; from severe consequences of rising temperatures, natural disasters, food and water insecurity to economic disruption, underscoring the urgent need for bold and collective action.

At NDB, we continue to deepen our understanding of climate related risks and opportunities, defining how they impact our business and how our business contributes to adverse ecological effects and long-term climatic shifts.

Although the banking sector has a limited environmental footprint, we understand that combatting climate change requires a collective effort. Therefore, we actively advocate for environmentally conscious practices within our operations as well as across the entire value chain.



Climate risk is increasingly shaping the financial landscape, and at NDB, we recognise its profound impact on our operations and the communities we serve. We are proactively integrating climate-related risks and opportunities into our risk management framework, aligning with SLFRS S2 to ensure comprehensive disclosures. Our commitment extends beyond risk mitigation - through sustainable financing, including renewable energy lending, we enable businesses to transition towards a greener future. Additionally, our corporate sustainability initiatives drive national climate resilience, reinforcing our role as a responsible financial institution dedicated to long-term sustainability.



Alex Perera
Vice President
Risk/ Chief Risk Officer

NATURAL CAPITAL

RESPONSIBLE LENDING

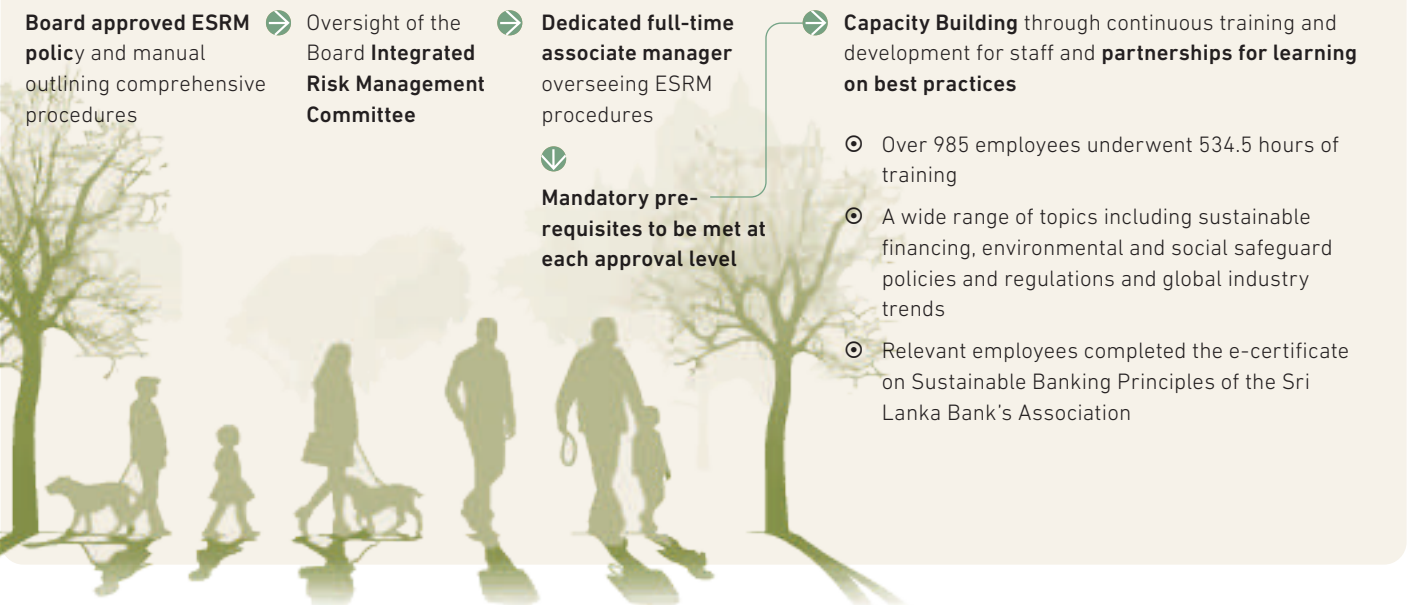
We are aware of our capacity to influence climate action through our lending activities and actively seek to promote projects and activities that contribute to a greener, more sustainable economy, The Bank supports the Government's efforts to transition to a lower carbon economy by integrating climate-related criteria into the credit appraisal process while also directing funds towards reduction of national reliance on fossil fuels, funding approximately 20% of the country's total installed capacity of private sector renewable energy since 2010.

	Investment by NDB (LKR Mn)	Capacity (MW)	GHG emissions and other harmful gases avoided (tCO2e)	739,264 tCO2e of GHG emissions and harmful gases such as Carbon Dioxide (CO2), Sulphur Dioxide (SO2) and Nitrogen Oxide (NOx) were avoided through Renewable Energy Projects.
Solar – ground mounted	2,313	41	34,793.00	
Solar- roof mounted	4,259	43	48,254.00	
Mini hydro	5,663	137	389,690.00	
Wind	8,635	115	266,527.00	
Biomass	1,992	10		
Total	22,862	347	739,264.00	Investments in solar, mini-hydro, wind, and biomass energy make up the Bank's renewable energy portfolio with a total capacity of 347 MW
				16.8 MW funded in cross-border renewable energy generation projects

MANAGING ENVIRONMENTAL AND SOCIAL RISKS

As environmental and social risks intensify, the Bank is cognisant of potential threats to its business model and performance stemming from climate change and social aspects of our borrowers. NDB demonstrates its commitment to responsible practices through a holistic approach to risk management. The Bank's comprehensive Environmental and Social Risk Management (ESRM) system identifies, assesses and manages risk exposure while strengthening organisational resilience.

Our Blueprint for Environment and Social Risk Management



During 2024, the Bank's ESRM function underwent a comprehensive audit evaluation, conducted by an independent foreign auditor with expertise in the subject matter. The audit was facilitated by the Bank's anchor investor Norfund, as a part of the Investor Action Plan agreed upon between the Bank and Norfund. The audit findings and recommendation entail an action plan spanning up to 12 months, which will further strengthen and enhance the Bank's ESRM function.

Emissions Management

National Development Bank PLC

Our emissions management strategy aims to proactively identify areas where energy usage could be reduced, while gradually transitioning to renewable sources of energy such as solar power.

Ongoing initiatives such as the use of natural ventilation, LED lighting and investments in energy efficient equipment have also contributed towards increased energy efficiency. The Bank hopes to replace ageing equipment with energy-efficient alternatives, which will further optimise energy usage within our operations.

Having identified employee commuting as a key contributor to the Bank’s carbon footprint extending from upstream activities, the Bank deployed staff buses which significantly reduced indirect emissions. We have also integrated sustainable practices into the corporate culture, encouraging employees to actively contribute towards reaching our goal of achieving carbon neutrality.

Existing measures to manage our carbon footprint resulted in an **8.04% reduction** in the Bank’s carbon footprint in 2024.

The Bank measures its carbon footprint through an independent third-party verification done by the Sri Lanka Climate Fund, which operates under the Ministry of Environment. They also carry out training and awareness for key internal stakeholders including the Bank’s leadership team.

		Unit	2024	2023
Purchased electricity		kWh	6,096,875	5,878,651
Fuel consumption (Owned vehicles and fuel paid by the Company)				
Petrol		L	55,145	62,794
Diesel		L	30,785	13,490
Diesel consumption in generators		L	9,880	20,456

tCO ₂ e	YoY Change %	2024	2023	2022
Direct GHG emissions - Scope 1	20.00	426.00	355.00	492.00
Indirect GHG emissions	(9.97)	4,641.00	5,155.00	4,873.00
Imported energy - Scope 2	(16.19)	2,608.25	3,112.16	2,742.59
Transportation - Scope 3	1.46	1,660.83	1,636.92	1,789.22
Products used - Scope 3	(1.06)	96.37	97.40	70.26
Other - Scope 3	(11.13)	274.56	307.80	270.63
Total (Direct & Indirect) emissions	(8.04)	5,067.00	5,510.00	5,365.00

Computation Method

The Bank calculates its annual GHG emissions in accordance with the requirements provided in ISO 14064-1: 2018 – Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals. The organisation boundary established for this reporting includes all Operationally Controlled Business Operations of the Bank (including the Head Office, office complex at Dharmapala Mawatha, 113 branches island wide and other operationally controlled properties). The methodologies and factors appropriate to computation of emissions are obtained from the IPCC Guideline - 2006, the latest Energy Balance Report published by the Sustainable Energy Authority of Sri Lanka and the Emission Factor Database published by the Department of Environment, Food and Rural Affairs. (DEFRA).

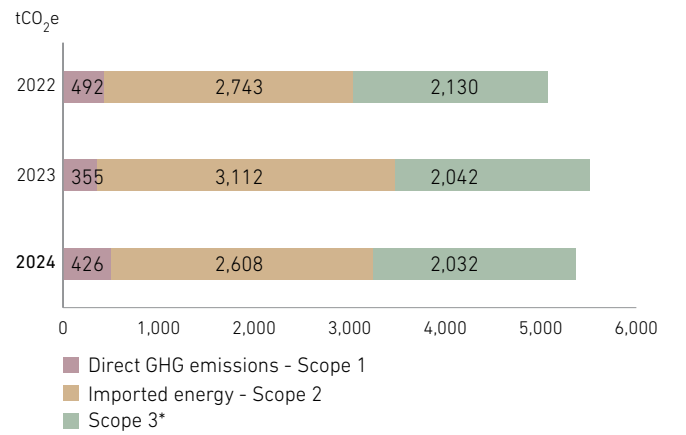
Although energy consumption has increased compared to 2023, energy-related emissions have significantly decreased this year. This reduction is primarily due to the gradual decline in the average grid emission factor published by the Sustainable Energy Authority of Sri Lanka.

The total energy consumption of the Bank during the reporting period is 25,255.89 gigajoules (GJ). The energy usage was calculated based on specific conversion factors applied to different energy sources. The following conversion factors were used in the calculation:

- 0.00360 GJ/kWh
- 0.03334 GJ/liter of petrol
- 0.03612 GJ/liter of diesel

The inventory accounts for emissions of four greenhouse gases: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), and hydrofluorocarbons (HFCs). Emissions from other gases are excluded from the inventory, as they do not result from the operation of facilities owned and operated by the Bank.

Direct and indirect emissions



NATURAL CAPITAL

NDB Capital Holdings Limited

NDB Capital Holdings Limited (the Company) has prepared its initial greenhouse gas (GHG) inventory for the year 2024 in accordance with the requirements of ISO 14064-1:2018 – Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals.

The organisational boundary for this inventory includes NDB Capital Holdings Limited, NDB Investment Bank Limited, NDB Securities (Private) Limited, NDB Wealth Management Limited, and NDB Zephyr Partners and NDB Zephyr Partners Lanka (Private) Limited.

The inventory has been developed based on primary data provided by the company's subsidiaries. The methodologies and emission factors used for calculations are derived from the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, the latest Energy Balance Report published by the Sri Lanka Sustainable Energy Authority, and the emission factor database published by the UK Department for Environment, Food & Rural Affairs (DEFRA).

The Company has obtained third-party verification for its GHG statement at a reasonable level of assurance from Sri Lanka Climate Fund (Pvt) Ltd, which is established and operated under the Ministry of Environment.

Activity Data	Unit	2024
Purchased electricity	kWh	195,591.00
Fuel consumption (Owned vehicles and fuel paid by the company)		
Petrol	L	48,532.00
Diesel	L	N/A
Diesel consumption in generators	L	N/A
Emission Source	YOY Change %	2024 (tCO ₂ e)
Direct GHG emissions - Scope 1	N/A	222.77
Indirect GHG emissions	N/A	241.75
Imported energy - Scope 2	N/A	83.69
Transportation - Scope 3	N/A	149.20
Products used - Scope 3	N/A	0.07
Other - Scope 3	N/A	8.79
Total (Direct & Indirect) emissions	N/A	465.52

The total energy consumption of the Company during the reporting period is 2,321.98 gigajoules (GJ). The energy usage was calculated based on specific conversion factors applied to different energy sources. The following conversion factors were used in the calculation:

- ⦿ 0.00360 GJ/kWh
- ⦿ 0.03334 GJ/liter of petrol
- ⦿ 0.03612 GJ/liter of diesel

The inventory accounts for emissions of four greenhouse gases: Carbon dioxide (CO₂), Methane (CH₄), Nitrous oxide (N₂O), and Hydrofluorocarbons (HFCs). Emissions from other gases are excluded from the inventory, as they do not result from the operation of facilities owned and operated by the Company.

Eco-system Preservation

The Bank is committed to environmental preservation efforts and is actively involved in crucial projects aimed at eco-system preservation and protection of biodiversity within the country. The ‘Life to Our Mangroves’ project which NDB is a part of, is such a project focusing on achieving nationally significant outcomes in the realm of mangrove and coastal ecosystem conservation. Progress made during the year under the Environment pillar of the Bank’s CS agenda is given below. These projects are also expected to contribute towards the national goals of biodiversity conservation and climate change adaptation.

Environment

Life to Our Mangroves

Initiated in 2022, this restoration project provides a Nature-based Solution that generates multiple environmental as well as socio-economic benefits. Restoration activities are conducted using scientific principles to enhance ecological functions, habitat quality and species diversity and capacity.

Three years of dedicated work including ongoing surveys and data collection on plant and animal interactions, establishments, and adaptations have enhanced the project’s success and development through scientific restoration methods resulting in substantial progress made along with important lessons learned. Community involvement has also been a key element in this journey with

community-based organisations being set up for maintaining nurseries and discussions held with villagers on assisting with the nursery preparation, maintaining, sowing, replanting, and gap-filling activities. NDB employees have also volunteered at this site several times, planting mangroves and conducting research activities.

The Anawilundawa Life to Our Mangroves Project stands out as one of the most successful mangrove restoration initiatives in Sri Lanka. Central to this success is the “Accelerated Natural Regeneration of Mangroves” (ANRM) approach, which emphasises minimal human intervention while significantly enhancing natural regeneration processes.

This innovative technique has garnered international recognition, with the United Nations Environmental Programme acknowledging it as one of the seven United Nations Recognised Flagship Mangrove Restoration Projects globally for the decade of mangrove restoration.



Project Partner:

This is a collaborative Public-Private-Community Partnership and Multi-Partner initiative guided by Biodiversity Sri Lanka and other strategic stakeholders including the Department of Wildlife Conservation (DWC) and Wayamba University (WUSL).

The total project covers the restoration of **10 hectares** of degraded mangrove forest patches in the Anawilundawa Wetland Sanctuary, **within a period of 5 years**.
NDB supports 1 hectare.

NATURAL CAPITAL

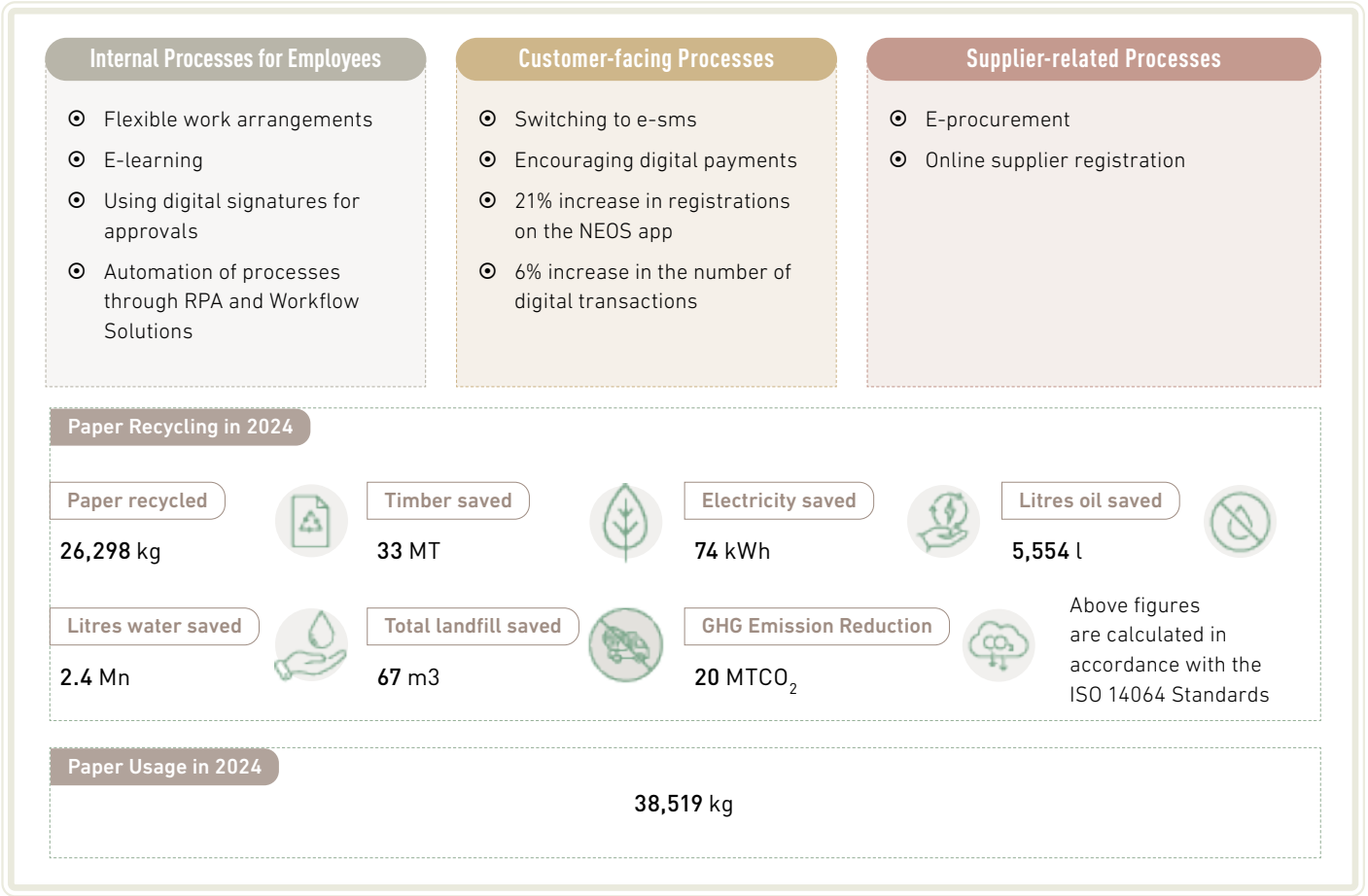
Adopt a Beach		
NDB joined hands with Clean Ocean Force (COF) to combat marine pollution where a 500-meter stretch of beach at Kapumgoda in Pamunugama is cleaned daily removing trash and preventing it from going back to the ocean and polluting the delicate marine ecosystem. In addition to contributing to environmental conservation, the project also contributes towards sustainable livelihood development where the marginalised in the community especially women, are engaged to do the daily cleaning.		
The trash is collected daily, sorted as per the waste management categories and weighed. All recyclable materials are handed over to recyclers and the women get an additional income from this. Clean Ocean Force works closely with the local authorities to maintain a sustainable operation.		
NDB's employees have also volunteered their time and effort for this project, having understood the need to protect the coastline and address the issue of marine pollution. Over 100 employees of the bank volunteered to clean this beach in 2024.		
		
Project Partner:		
Clean Ocean Force	To date over 7,000 kg of trash/debris including polythene, plastic, PET bottles, glass, rubber etc have been removed	NDB extended the project for another year to ensure sustainability
Underwater Dives		
The Bank also commenced a project to combat seabed pollution in areas where human activities have resulted in the accumulation of abandoned fishing gear and single-use plastics, harming marine life and disrupting fragile ecosystems, particularly coral reefs.		
This project aims to reduce seabed pollution and restore coral reefs whilst empowering youth and nurturing them to be professionals in marine conservation and carving career paths in the marine industry.		
Project Partner:		
Clean Ocean Force		
NDB signed the agreement with Clean Ocean Force in December 2024 and the project will be implemented in 2025.		
Adopt a Lagoon		
With the Negombo lagoon becoming a hotspot for pollution we have embarked on the 'Adopt a Lagoon' project which includes cleaning of the lagoon as well as the mangrove islands in the lagoon where waste is being dumped.		
The project mainly focuses on the upstream waste where the waste flows from inland areas to the ocean.		
Project Partner:		
Clean Ocean Force		
NDB signed the agreement with Clean Ocean Force in December 2024 and the project will be implemented in 2025.		

MATERIAL AND WASTE MANAGEMENT

Waste generated from our operations mainly consists of paper waste and electronic waste. Recycling is a key aspect of our waste management process, with paper waste being collected and sent to an approved third-party recycler for recycling. E-waste is also segregated and disposed of responsibly in accordance with local laws and regulations.

Paper Consumption

Meanwhile, the implementation of a digital workplace has resulted in the reduction of the quantum of paper, the Bank would otherwise use. Not only internal processes but through the automation and digitisation of customer-facing and supplier related processes as well, the Bank achieved paper savings compared to conventional processes, stemming from the entire value chain.



OUTLOOK



NDB will continue to focus on reducing its emission levels by enhancing energy efficiency and delivering on its targets towards attaining net zero. By further deepening our understanding of climate-related risks and opportunities the bank will be able to address upcoming challenges and support operational resilience. We will also focus on strengthening our sustainability strategy and data gathering processes and systems to drive the sustainability agenda forward.

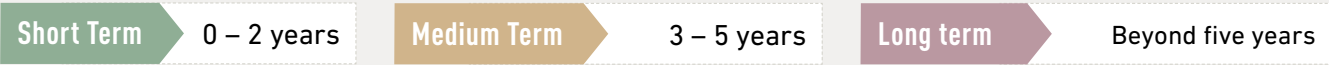
MAPPING OUR CLIMATE RELATED RISKS AND OPPORTUNITIES

As per the objective of SLFRS S2 Climate-related Disclosures to require an entity to disclose information about climate related risks and opportunities that is useful to primary users of general purpose financial reports, we report on the following that we have identified based on a thorough analysis of our business model.

QUALITATIVE DISCLOSURES ON CLIMATE RELATED RISKS

Defining Our Time Horizon

The time horizons based on which the Group classifies short, medium and long-term climate-related-risks and opportunities (CRRO) are as follows, and coincides with the time horizons we consider in strategy formulation.



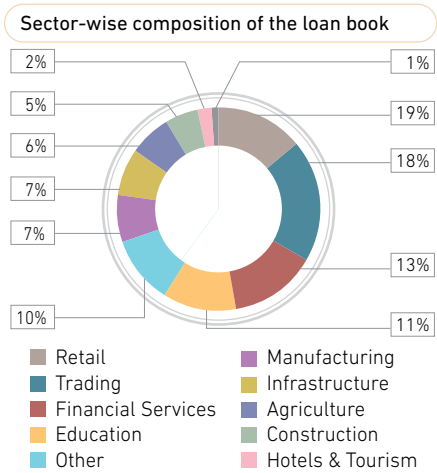
How We Arrived at Our CRROs

- Guidance from SLFRS S2
- SASB Standard on Commercial Banks
- Analysis of our loan portfolio and dispersion of the branch network

FACTORS TRIGGERING CLIMATE RISK

1. Exposure to Climate Vulnerable Sectors Through the Loan Book

As a banking institution we identify climate risk to stem from our loan book exposure to sectors which are vulnerable to climate risks. The Bank has exposures to sectors such as agriculture, tourism and manufacturing, as depicted in the graph below.



2. Climate Risks Affecting Our Physical Assets and Human Resources

Additionally, as a bank with operations spanned across 22 districts we face physical climate risk when conducting operations in several branches.

3. Regulatory Frameworks and Industry Best Practices on Sustainability

The banking and finance sector is also facing a number of regulations which affects its transition to a climate friendly set up. Listed below are some such regulations and best practices.

3.1 Regulatory Frameworks

- Sustainable Finance Roadmap: Launched by the Central Bank of Sri Lanka (CBSL) in April 2019
- Sri Lanka Green Finance Taxonomy: Launched by CBSL in May 2022
- Banking Act Direction No. 05 of 2022: Issued by the CBSL, this directive mandates licensed banks to integrate sustainable finance practices into their operations.

3.2 Industry Initiatives

- Sri Lanka Banks' Association Sustainable Banking Initiative (SLBA-SBI)
- Sustainable Banking Principles

3.3 International Alliances and Networks

- Sustainable Banking Network (SBN): Sri Lanka is a member of this global network facilitated by the International Finance Corporation (IFC).
- International Platform for Sustainable Finance (IPSF): In 2023, Sri Lanka joined the IPSF, a forum established by the European Union to promote sustainable finance and facilitate cooperation among international stakeholders.

QUALITATIVE DISCLOSURES ON CLIMATE RELATED RISKS

Risk Classification	Risk	Implications on the Bank	Expected time frame of impact
ACUTE PHYSICAL RISKS	Flooding and Landslides		
	Clients functioning in flood and landslide prone areas may face business operations disruptions and loss of income.	Credit risk	Short to long term
	Branches located in flood and landslide prone areas face immediate operational disruptions, potential property damage, and increased recovery costs.	Operational risk	Short to long term
	Cyclones and Storm Surges		
	Clients functioning in areas susceptible to such cyclones and storm surges may face business operations disruptions and loss of income.	Credit risk	Short to long term
	Branches located in flood and landslide prone areas face immediate operational disruptions, potential property damage such as damage roofs, signage, and electrical systems, leading to costly repairs. Staff mobility will also be affected.	Operational risk	Short to long term
	Extreme Heat Waves		
	Clients whose industries are susceptible to extreme heat waves may face various operational impacts. Examples are as follows; ☉ Agriculture (crop and lively stock) - Lower crop yields and livestock losses, extra costs to be incurred for increased irrigation to address reduced water availability, which may make agricultural operations unviable ☉ Industries - Reduced labour productivity, increased energy bills, potential heat induced infrastructure failures (e.g., power outages) causing delay in production and exports ☉ Tourism - Decline in tourist arrivals, increased energy bills and impact on outdoor excursions/ attractions ☉ Construction and real estate sector - Heat-related labour productivity losses, higher building maintenance costs, affecting demand for real estate loans, potential asset depreciation in extremely heat-prone areas impacting collateral for loans	Credit risk	Short to long term
CHRONIC PHYSICAL RISKS	Increased frequency of extreme heat conditions/ high temperatures can lead to increased usage of cooling systems, leading to higher energy costs, increase in Scope 1 and 2 emissions and reduced employee comfort and productivity.	Operational risk	Short to long term
	Sea-Level Rise and Coastal Erosion		
	Clients whose business operations are placed in close proximity to, or are linked to the coastal eco-system may face various operational impacts. Examples include are as follows; Declining property values: Coastal properties, including residential and commercial real estate, may lose value due to the risk of flooding, land loss, and infrastructure damage. This weakens loan collateral. Higher default risks: Borrowers with mortgages on properties in vulnerable coastal areas may struggle to repay loans if their properties are damaged or rendered uninhabitable. Industries impacted are as follows; ☉ Tourism and hospitality sector ☉ Fisheries and coastal businesses ☉ Project and infrastructure finance	Credit risk	Medium and long term
	Physical damage to coastal branches and ATM CRMs, potential rises in insurance and operational costs. (E.g. from NDB-Marine Drive (Colombo 6) and Hikkaduwa branches).	Operational risk	Medium and long term

MAPPING OUR CLIMATE RELATED RISKS AND OPPORTUNITIES

Risk Classification	Risk	Implications on the Bank	Expected time frame of impact
	Rising Temperatures		
	Similar to those discussed under the acute physical risk of extreme heat waves discussed above.	Credit and operational risk	Medium and long term
	Water Scarcity and Droughts		
	Clients whose business operations are dependent upon adequate irrigation and water supply may face various operational impacts. ⊙ Agriculture sector – Reduced crop yields, and instability of farmers' livelihoods ⊙ Hydropower – Droughts can affect the functionality of hydro-power plans	Credit risk The Bank's loan book exposure Agriculture and fishing sector - 10%, Hydropower – The Bank has a LKR 5.7 Bn exposure to mini-hydro projects	Medium and long term
TRANSITION RISKS	Evolving Policies and Regulations		
	There are a number of regulation affecting the banking and finance space and listed down in page 180.	Regulatory and Compliance risk	Short and medium term
	Shifting Investor, Customer and Other Stakeholder Preferences		
	Investors require alignment to sound ESG practices. The Bank's anchor investor Norfund and the Bank have agreed on a number of ESG related actions, which has helped advance the Bank's journey. There is a growing tendency among customers the world over in shifting to greener financial solutions and patronising banks with strong ESG practices. Banks funding high-carbon industries face the possibility of public and stakeholder backlash, which can affect brand value.	Reputational risk	Short and medium term

QUALITATIVE DISCLOSURES ON CLIMATE RELATED OPPORTUNITIES

Opportunities are identified in consideration of the provisions of SLFRS S1 and SLFRS S2 as well as the Group's value chain. Whilst the Group is already making considerable advancement on some of the opportunities identified, in certain opportunities the Group is at the initial stages. A number of opportunities also remain to be explored, and we are cognisant of the fact that opportunities are not static and will evolve, driven by a host of both internal and external factors.

Scope	Key opportunities	Response and advancing action in 2024	Time horizon for future course of action	Impact on strategy
Resource efficiency	Energy-efficient branches & offices: Retrofitting buildings with LED lighting, energy-efficient HVAC systems and motion-sensor lighting.	Continued replacement of lighting with energy efficient LED bulbs, energy efficient air-conditioning.	On-going	Operational excellence 
	Paperless banking: Expanding e-statements, digital onboarding and document management systems to minimise paper waste.	Expansions to the digital banking platform through NDB NEOS as reflected in 15% increase in digitally active customer base and 20% increase in digital transaction volume.		
	Cloud-based banking: Shifting data centres to energy-efficient cloud computing solutions with lower carbon footprints.	-	Medium term	
	Green procurement policies: Partnering with vendors who use sustainable materials for office supplies, IT infrastructure, and logistics.	-	Medium term	
Energy source	Solar-powered ATMs & branches: Investing in off-grid solar solutions for energy independence.	Solar power generation at three key locations of the Bank.	On-going	Operational excellence 
	Renewable energy project financing: Providing loans and investment products tailored for wind, solar, and hydro energy projects.	347 MW renewable energy generation capacity funded by the Group.	On-going	
	Green energy transition incentives: Offering preferential interest rates for businesses shifting to renewable energy.	-	Short term	
	Corporate PPAs (Power Purchase Agreements): Facilitating financing solutions for companies buying clean energy from independent power producers.	-	Medium term	

MAPPING OUR CLIMATE RELATED RISKS AND OPPORTUNITIES

Scope	Key opportunities	Response and advancing action in 2024	Time horizon for future course of action	Impact on strategy
Products and services	Green/ Blue/ Sustainability bonds and sustainability-linked loans: Issuing bonds tied to ESG performance and providing loans linked to sustainability KPIs.	Partnership with Global Green Growth Institute (GGGI), establishment of a comprehensive sustainability bond issuance framework and obtaining Second Party Opinion from Sustainable Fitch	On-going	Business focus, Operational excellence  
	EV and hybrid vehicle financing: Tailoring auto loan products with lower interest rates for electric and hybrid vehicles.	Lending to EV and hybrid vehicles, however at normal market rates	Short/ medium term	
	Sustainable home financing: Mortgages with preferential terms for eco-friendly buildings with related certifications.	-	Short/ medium term	
	Carbon credit financing: Creating funding solutions for businesses investing in carbon offset projects.	-	Medium/ long term	
	Finance for climate resilience: Supporting SMEs, farmers, etc. adopting climate-smart agricultural practices.	The Bank extended funding to SME customers that meet the criteria under Sri Lanka Green Finance Taxonomy	On-going	
Markets	Expanding ESG-based investment portfolios: Offering wealth management solutions that focus on climate-friendly and socially responsible funds.	-	Short/ medium term	Business focus 
	SME sustainability support: Providing advisory services for SMEs transitioning to sustainable operations.	Awareness and capacity building sessions conducted for SMEs included discussions on aspects related to environmental and socially responsible business practices	On-going	
	Green fintech innovation: Partnering with startups to create carbon tracking apps, ESG scoring tools, and green payment solutions.	-	Medium/ long term	
Resilience	Climate risk stress testing: Integrating climate-related financial risks into credit risk assessments.	-	Short term	Operational excellence 
	Diversifying investment portfolio: Reducing exposure to carbon-intensive industries and increasing low-carbon assets.	-	Medium/ long term	
	ESG-driven supply chain finance: Offering financing solutions to suppliers adopting sustainable practices.	-	Short term	
	Building climate literacy: Training employees and customers on climate risks, sustainability trends, and ESG integration.	Extensive training for related employees and customers on ESG and related topics	On-going	

Scope	Key opportunities	Response and advancing action in 2024	Time horizon for future course of action	Impact on strategy
Upstream (Supply side)	Sustainable vendor partnerships: Selecting suppliers with strong ESG policies for banking infrastructure, technology, and facilities.	-	Short/ medium term	Empowering stakeholders 
	Green IT infrastructure: Procuring energy-efficient servers, recycled materials for hardware and responsible e-waste disposal programmes.	Responsible e-waste is currently on-going	Medium term	
	Carbon-neutral procurement: Encouraging suppliers to offset emissions linked to their operations.		Medium/ long term	
Core business operations	Eco-friendly branch operations: Implementing waste management, rainwater harvesting, and rooftop solar panels.	Solar power generation at three key locations of the Bank	Short/ medium term	Operational excellence 
	Carbon accounting and disclosure: Tracking and reporting operational carbon emissions in line with global sustainability standards.	Current GHG emissions calculations are based on ISO 14067	On-going	
	AI-driven energy optimisation: Using AI and IoT to reduce energy consumption in offices and data centres.	-	Short/ medium term	
Downstream (Customer and market side)	ESG-based credit scoring: Incorporating sustainability criteria into credit assessments for corporate clients.	The Bank's loan appraisals mechanism involves a comprehensive Environmental and Social Risk Management (ESRM) assessment of corporate, SME and project financing client	On-going	Business focus, Empowering stakeholders  
	Carbon footprint banking app: Providing customers with real-time insights into their carbon footprint based on spending patterns.	-	Medium/ long term	
	Financial incentives for green behaviour: Offering cashback or reward points for sustainable purchases (e.g., public transport, eco-friendly products).	-	Medium/ long term	
	Sustainable trade finance: Providing preferential trade finance rates for businesses with strong ESG credentials.	-	Medium term	

WAY FORWARD

SEIZING OPPORTUNITIES TO DRIVE PROSPERITY

NDB's success is deeply interconnected with the prosperity of its stakeholders, including customers, employees, and the broader economy. As the Sri Lankan economy moves towards a path of recovery and growth, we see significant potential to deliver sustainable value to our stakeholders by staying committed to our strategy of smart growth. We are therefore firmly focused on seizing emerging opportunities that generate multi-stakeholder value which ultimately contribute to a stronger, more resilient Sri Lanka.

Increased Focus on Green and Sustainable Financing

Our Focus

We will continue to explore opportunities in the renewable energy sector while strengthening our ESMS to ensure environmental and social considerations are an integral aspect of credit evaluation.

Link To Bank Strategy



Empowered Stakeholders



Operational Excellence

Growing Economic Disparities

Our Focus

We will continue to expand access to financial services for underserved communities, with a particular focus on women entrepreneurs and small businesses.

Link To Bank Strategy



Empowered Stakeholders

Digital Transformation

Our Focus

Continued enhancements to our digital value proposition by investing in cost-effective, high impact technology upgrades.

Link To Bank Strategy



Empowered Stakeholders



Business Focus

Evolving Labour Market Dynamics

Our Focus

We will continue to foster a culture of continuous learning and mentoring, equipping employees with future-fit skills while strengthening our diversity agenda to expand our talent pool.

Link To Bank Strategy



Empowered Stakeholders



Operational Excellence

EMERGING OPPORTUNITIES

VALUE GENERATED TO STAKEHOLDERS

VALUE GENERATED TO STAKEHOLDERS

Enhanced value to communities through;	Enhanced value to employees through;	Enhanced value to economy through;	Enhanced value to customers through
- Improved financial access - Empowerment of women entrepreneurs - Growth opportunities for SMEs - Enhanced economic inclusion	- Enhanced career growth prospects - Future-ready skills - Stronger support system - Job security and resilience - Empowering work culture	- Lower national carbon footprint - Enhances climate resilience - Strengthening of Green finance eco system	Seamless, secure, and personalised customer experience.

INDEPENDENT ASSURANCE REPORT ON INTEGRATED REPORTING



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Independent practitioner's assurance report to the Board of Directors of National Development Bank PLC on the Integrated Annual Report 2024

Scope

We have been engaged by National Development Bank PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on National Development Bank PLC's Information on how it's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term (the "Subject Matter") contained in National Development Bank PLC's (the "Entity's") Integrated Annual Report for the year ended 31 December 2024 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by National Development Bank PLC

In preparing the Subject Matter, National Development Bank PLC applied the Integrated Reporting Framework (<IR> Framework) issued by the International Integrated Reporting Council (IIRC) ("Criteria"):

Such Criteria were specifically designed for the purpose of assisting in determining whether the capital management, stakeholder engagement, business model, strategy, organisational overview & external environment outlook presented in the Integrated Annual Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

National Development Bank PLC's responsibilities

National Development Bank PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the National Development Bank PLC on 17 February 2025. Those standards require that we plan and perform our engagement to express a conclusion on

whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- ⊙ Performed a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).

- ⊙ Checked whether the information contained in the Integrated Annual Report – Financial Capital element information has been properly derived from the audited financial statements.
- ⊙ Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.
- ⊙ Obtained an understanding of the relevant internal policies and procedures developed, including those relevant to determining what matters most to the stakeholders, how the organisation creates value, the external environment, strategy, approaches to putting members first, governance and reporting.
- ⊙ Obtained an understanding of the description of the organisation's strategy and how the organisation creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- ⊙ Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- ⊙ Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- ⊙ Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement.

We also performed such other procedures as we considered necessary in the circumstances.

Emphasis of matter

Economic, Environment, Social and Intellectual capital management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Annual Report.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information contained in the Integrated Annual Report of National Development Bank PLC for the year ended 31 December 2024, in order for it to be in accordance with the Criteria.

20 February 2025
Colombo

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INDEPENDENT ASSURANCE REPORT ON SUSTAINABILITY REPORTING



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Independent practitioner's assurance report to the Board of Directors of National Development Bank PLC on the Sustainability reporting criteria presented in the Integrated Annual Report FY 2024

Scope

We have been engaged by National Development Bank PLC to perform a 'limited assurance engagement', as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on National Development Bank PLC's Economic, Environment, Social and Governance (EESG) indicators (the "Subject Matter") contained in National Development Bank PLC's (the "Entity's") Integrated Annual Report for the year ended 31 December 2024 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by National Development Bank PLC

In preparing the Subject Matter, National Development Bank PLC applied the following criteria ("Criteria"):

- ⦿ The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at <https://www.globalreporting.org>
- ⦿ The Sustainability Accounting Standards Board (SASB) Standards, publicly available at SASB's website <https://www.sasb.org/> commercial banks and Investment Banking & Brokerage standards.

Such Criteria were specifically designed for the purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators contained in the Entity's Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

National Development Bank PLC's responsibilities

National Development Bank PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised)), and the terms of reference for this engagement as agreed with the National Development Bank PLC on 17 February 2025. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- ⦿ Validated the information presented and checked the calculations performed by the organisation through recalculation.
- ⦿ Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- ⦿ Conducted interviews with relevant organisation's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.
- ⦿ Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- ⦿ Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

Emphasis of matter

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Report.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of National Development Bank PLC for the year ended 31 December 2024, in order for it to be in accordance with the Criteria.

20 February 2025
Colombo

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, B Vasanthan ACA ACMA, W D P L Perera ACA

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RISK MANAGEMENT & CORPORATE GOVERNANCE

Responsible Stewardship



Securing Steadfast Growth

We're strengthened by a time-tested framework that is designed to protect us against the onslaught of external forces – ensuring we remain resilient and achieve lasting growth in the ages to come.

Yukizuri is an ancient technique of landscape gardening that originated in Japan's snowy regions. Translating to 'snow suspension', the art of yukizuri involves using ropes to attach tree branches to a supporting pole placed at the side of the trunk. The resulting conical structure prevents branches from bending or breaking during winter – ensuring that trees maintain their integrity and strength even against the impact of heavy snowfall.

RISK MANAGEMENT OVERVIEW

APPROACH TO RISK MANAGEMENT

The Bank adopts an enterprise-wide approach to risk management and has implemented an Integrated Risk Management Framework (IRMF), clearly setting out the governance structures, policies, processes, and procedures for managing risks in a manner that balances profitability and financial stability. This framework has continued to serve the Bank well amidst the unprecedented challenges of recent years, supporting strategic foresight and agility.

The Bank's Board of Directors holds apex responsibility for risk management and is supported by the Integrated Risk Management Committee (IRMC) and the Audit Committee (AC) in discharging of its risk-related duties. Risk management is underpinned by the Three Lines of Defence Governance model, which drives accountability and ownership while facilitating an appropriate level of independence and segregation of duties.

RISK LANDSCAPE IN 2024

Sri Lanka's banking sector navigated unprecedented challenges during the height of the economic crisis with resilience and demonstrated signs of recovery during the year amidst easing macroeconomic conditions. Banks made notable performance in terms of credit growth and liquidity positions and showed relatively improved capital levels as at end of 2024, particularly following the finalisation of international sovereign bonds restructuring efforts. Yet, it continues to face challenges such as elevated non-performing loans and low sovereign credit rating. Thus ongoing policy interventions and prudent risk management remain crucial to navigate this complex landscape.

Principles of our IRMF

Risk Appetite and Strategy

Formulated in line with the nature, type and level of risk the Board is willing to take in achieving its strategic aspirations

Capital Management

Driven by the Group's strategic agenda, regulatory requirements and stresses in the operating landscape

Governance and Oversight

Clear and effective governance structures promoting judicious empowerment

Risk Culture

Risk conscious culture that nurtures professional, responsible and ethical behaviour

Risk Policies and Processes

Effective, robust and stringent framework of policies

Infrastructure

Adequate resources and systems infrastructure

Key Developments in 2024

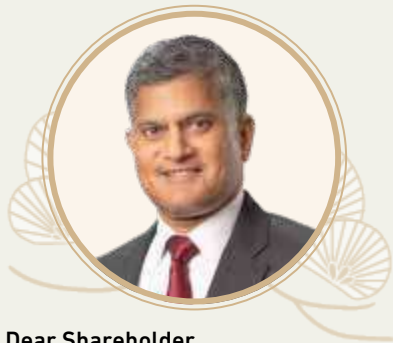
- ⦿ Strengthened the risk appetite framework aligning to recent market developments
- ⦿ Proactive management and optimisation of foreign currency liquidity
- ⦿ Enhanced stress testing to reflect economic developments
- ⦿ Organisation-wide focus on preserving credit quality through strengthening of delegated lending authorities and underwriting standards
- ⦿ Cashflow projections to mitigate liquidity risk

KEY RISKS IN 2024

Key risk category	Developments	Response and mitigating action in 2024
Macro-economic risk	○ Pace of economic recovery dependent on political will and commitment to implement much-needed reforms and progress in external debt restructuring programme ○ Elevated poverty levels projected to remain till 2026, despite signs of economic stabilisation ○ Election related uncertainties impacting the economic policies and investor confidence ○ Continued interest rate fluctuations posing challenges to manage asset liability profiles and maintain profitability ○ Potential implications on profitability stemming from impairment of investments in foreign-currency denominated Government securities	○ Proactive monitoring of emerging developments in the socio-economic and political landscape ○ Managing foreign currency liquidity to optimise the returns in foreign currency assets ○ Continued assessment of impacted portfolios and stress testing
Credit risk	○ Challenges due to elevated non-performing loans and sector specific risks, credit concentration risks, macro-economic volatilities and regulatory changes, operational challenges and balancing resource allocation between managing existing credit risk and pursuing new business opportunities etc.	○ Enhanced risk assessment framework through the implementation of advanced analytics, credit risk models and conducting of regular stress tests ○ Strengthened credit policies and under-writing standards to reflect changing market conditions and regulatory requirements ○ Strengthened and optimised the Credit Delegated Lending Authority ○ Proactive management of Stage 2 portfolio
Market risk	○ Uncertainties surrounding the sovereign's debt restructuring ○ Volatility in the exchange rate ○ Interest rate risk on the Balance Sheet due to the rate volatility	○ Building adequate provisions and reserves to minimise the impact on Balance Sheet ○ Prudent management of the net open position ○ Strengthened stress tests and scenario analysis ○ Timely re-pricing strategies and deposit campaigns
Liquidity risk	○ Maturity mismatches ○ Deposit concentrations ○ Decline in foreign currency liquid assets with the repayment of specific government foreign currency debts in LKR terms	○ Structural Balance Sheet management with close monitoring of maturity mismatches ○ Daily monitoring of exposure to market liquidity, deposit mix, portfolio of marketable securities and movements in loans and advances ○ Cash flow analysis to optimise foreign currency liquidity
Operational risk	○ Operational losses were within the Bank's risk appetite ○ Majority of losses during the year categorised as high frequency/ low impact events	○ Strengthening the Risk and Control Self-Assessment (RCSAs) ○ Staff awareness programmes to enhance risk management culture
IT and cyber security risk	○ Zero instances of significant data breaches and disruptions to the system	○ Stringent cyber-security measures to avoid cyber-attacks/ security threats ○ Continuous vulnerability assessments and penetration testing ○ Frequent awareness programmes on social engineering and other ongoing scams for customers and employees
Climate risk	○ Refer section Mapping our Climate-related Risks and Opportunities on page 180 for a detailed review.	

CORPORATE GOVERNANCE

MESSAGE OF THE CHAIR, BOARD OF DIRECTORS ON CORPORATE GOVERNANCE



Dear Shareholder,

The Board is conscious of the need to set the tone at the top and keeps pace with developments in corporate governance to ensure compliance with regulatory requirements and codes of best practice. The year under review witnessed changes to corporate governance structures and policies as the Bank complied with the changes to the Listing Rules of the Colombo Stock Exchange and continued to comply with the Direction on Corporate Governance for Licensed Commercial Banks issued in 2007 ("Corporate Governance Direction 2007") whilst proactively embracing the changes introduced by the new Direction No 05 of 2024 on Corporate Governance for Licensed Commercial Banks ("Corporate Governance Direction 2024") so as to ensure compliance from 2025 onwards. It was encouraging to note that many of the changes were refinements rather than sweeping changes reflecting the strength of the Bank's existing governance standards and its commitment to upholding sound principles of corporate governance.

Shared knowledge

A stable Board with diverse skills and experience was a key asset and a shared view of the need to stay updated on matters impacting the governance of the Bank led to a very active calendar for knowledge sharing. The Board was updated on a range of topics by internal and external resources with Directors clocking in over 13 hours of awareness and learning sessions during the year. The training elevated the Board conversations on these topics, making meetings more effective as there was a common understanding, enhancing deliberations on related topics.

Succession

The first quarter saw the smooth transition of the Chief Executive Officer ("CEO") as Mr. Kelum Edirisinghe took office in February 2024 which was key to continuity. Oversight of the process ensured a successful outcome reflecting careful planning of this critical passing of the baton.

Strategic Focus

In 2024, the Board prioritised strategic review and oversight to navigate the challenging market conditions. The implementation of the short term strategy, with a focus on increasing the Bank's interest margins, driving transactions and enhancing portfolio quality was a key step. This strategy aimed to enhance profitability and operational efficiency. Ensuring robust technological support for strategic goals, the Board supported investments in IT systems to directly support the pursuit of this strategy. The Board also commenced deliberation on an in-depth review of the medium to long-term strategy with external advisory support, to ensure the Bank's alignment with evolving market dynamics. Through regular meetings of the Board's committee focusing on Strategy, a robust and continuous review of the performance of each Business Line vis-à-vis the strategies took place.

Managing risks

Risk management was a key priority going into 2024 with high levels of political uncertainty and a relatively fragile economic recovery with two quarters of growth in the latter half of 2024. The Board worked closely with the Integrated Risk Management Committee ("IRMC") in strengthening risk management processes and reporting to broaden the scope and gain greater insights into existing and potential exposures. Significant progress was made in this regard during the year, enabling the Board to identify early warning signs and build resilience.

Credit is the largest exposure on the balance sheet and continues to be a focus area for the Board. Continued economic growth and a surge in tourist arrivals supported the revival of businesses, providing a much needed tailwind to the efforts put in place to improve asset quality. We continue to strengthen our processes in this regard in response to a build up of static in global macroeconomic conditions and their potential impacts on Sri Lanka's economic growth trajectory.

IT Governance continued to remain at the top of the agenda as both opportunities and threats continue to disrupt business models and operations. The Board continues to monitor developments in this dynamic field while also allocating resources to strengthen cybersecurity and enhance its IT infrastructure.

Institutionalising Sustainability

Sustainability Reporting is moving centre stage as it becomes mandatory in the year that has commenced. While noting that we are fortunate to have had a head start in sustainability reporting, there is more that needs to be done to institutionalise the rigorous analysis related to sustainability risks and opportunities. The Bank is committed to setting clear targets and performance indicators which are linked to such targets, to ensure that sustainability is well integrated into the Bank's normal business processes. With roots in development banking, many concepts are integrated into the business processes and a passion for sustainability is evident in our culture. Having delegated the oversight of this key area to IRMC at present, the Board is in the process of reviewing the structure and mechanism given the mandatory regulatory changes, including considering the formation of a separate Board Subcommittee.

Compliance

The subsequent discussion provides a high-level overview of how the Board created value to the Organisation during the year, including its key area of focus, operations and deliverables during the year. Detailed information regarding the Bank's compliance with Corporate Governance Direction 2007, Section 9 of the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka ("Code of Best Practices on Corporate Governance 2023") are available from pages 404 to 442 of this Report.

Further, as stipulated by the Code of Best Practices on Corporate Governance 2023, I affirm that I am not aware of any significant violations of any provisions of the internal Policy on Corporate Governance and the Corporate Governance Process Manual and the Bank's Code of Conduct for Employees. I also hereby confirm that the Bank's current state of affairs is not harmful to the business of the Bank in any form.

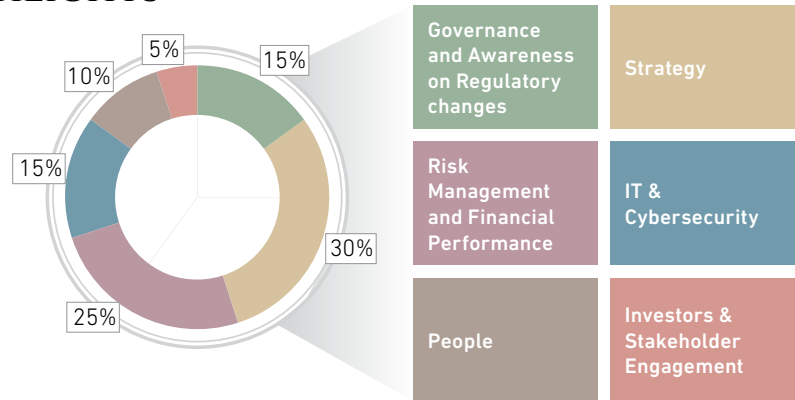
Mr. Sriyan Cooray

Chair, Board of Directors

20 February 2025
Colombo

CORPORATE GOVERNANCE HIGHLIGHTS

The corporate governance report has been structured to reflect the Board priorities in 2024. The chart provides an approximate reflection of time spent by the Board on the key topics with accompanying snapshots of the matters covered during the year. The Board's governance structures and procedures are set out thereafter, providing insights into the institutionalised framework for governance that is the bedrock on which the Bank functions.



Governance and Awareness on Regulatory Changes

- Ensuring the smooth transition of the CEOs
- Monitored developments in corporate governance focusing on those proposed or issued by Central Bank of Sri Lanka ("CBSL"), Colombo Stock Exchange ("CSE") and Institute of Chartered Accountants of Sri Lanka ("ICASL") and ensuring compliance with additional requirements
- Review and update of policy framework and making mandatory policies available for shareholder perusal
- Reconstitution of Board Subcommittees and revising Terms of Reference to conform with regulatory requirements
- Received regular and timely updates from Board Subcommittees on matters under their purview
- Board awareness and training conducted to ensure that knowledge of the Board is updated on relevant topics and regulatory changes
- Carrying out Board and Board Subcommittee evaluations and reviewing status of action plans related to 2023 evaluations
- Ensuring that its decisions are independent and objective, the Board diligently reviews disclosed and potential conflicts of interest and any factors that might affect Directors' independence, fitness and propriety
- Maintaining linkages for oversight purposes between the Board and the Boards of subsidiaries at chairperson, board and committee level

Assisted by the
Nominations & Governance Committee

Highlights

Appointment of a new Chief Executive Officer

Effective succession planning resulted in a smooth transition as Mr. Kelum Edirisinghe, a career banker, was inducted as the CEO on 01 February 2024 following the planned retirement of the former CEO. The Nominations and Governance Committee played a vital role in reviewing potential internal and external candidates to fill the role whilst being cognisant of the Succession Plan of the Bank and obtained the requisite approvals from the regulator, CBSL in a timely manner. The Board of Directors assisted by the Nominations and Governance Committee also ensured a smooth transition of responsibilities from the outgoing CEO to the new CEO.



Pages 27 to 30 and 192

Director Awareness

Considering the many regulatory changes which took place in 2024, several Board awareness and training sessions were conducted to ensure that knowledge of the Board is updated on relevant topics and regulatory changes. These awareness sessions directly contributed to certain noteworthy advancements in the Bank's governance practices.



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Sustainability Governance

The Bank is remodelling its sustainability framework to ensure that it meets the SLFRS S1 and S2 standards across governance, strategy, risk management and performance management. External consultants have been engaged to support our journey and we have also commenced computing the Bank's Scope 3 emissions as this is significant for the Banking industry. Having delegated the oversight of this key area to IRMC at present, the Board is in the process of reviewing the structure and mechanism given the mandatory regulatory changes, including considering the formation of a separate Board Subcommittee.



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CORPORATE GOVERNANCE



Strategy

- ⊙ Regular review of external factors to understand developing trends and potential impacts on economy, society, Group and Bank
- ⊙ Review and approval of the Bank's strategy for 2024 with senior management including deliberation of potential scenarios and results of stress tests to ensure alignment with the Bank's risk appetite
- ⊙ Regular review of the Bank's performance vis-à-vis agreed KPIs and progress of ongoing medium to long term projects that underpin delivery of strategy.
- ⊙ Regular review of business segment performance and strategies in place to cater to client segments, review of product portfolios, sector wise and regional reviews to assess opportunities and threats and align responses to a dynamic business landscape.
- ⊙ Reviewed the Bank's sustainability strategy and integration of key sustainability criteria into strategy development processes including sustainability target setting
- ⊙ Discussed and reviewed the Technology & Operations strategy

Assisted by the Strategic Issues Committee

Highlights

Implementing a strategy focusing on three key performance areas

The Bank implemented its strategy which focused on three key pillars: Increasing the Bank's interest margins, driving transactions and enhancing portfolio quality.

To ensure that this strategic focus is integrated into the Bank's operations, the Strategic Issues Committee engages with Business Lines quarterly to ensure alignment of performance with strategic objectives.

External consultants have been engaged for an in depth review of the Bank's medium to long term strategy.



Pages 242 to 243 and 55 to 61



Risk Management and Financial Performance

⊙ Regular review of financial performance, position and cashflows of the Bank and its subsidiaries ⊙ Review and approval of quarterly financial statements and market disclosures on risk prior to publishing the same on the Bank's website, major newspapers and sending them to the CSE ⊙ Receiving regular reports from the Audit Committee on effective functioning of internal controls through review of internal audit reports and in-camera meetings with the internal auditors	⊙ Review appointment of external auditors, their independence, scope of work, resources and remuneration. ⊙ Review of the Management Letter issued by external auditors and monitoring implementation of recommendations and holding an in-camera meeting with them. ⊙ Assessing the carrying value of the Group's assets and liabilities and assumptions underlying the valuations ⊙ Assessing the effectiveness of the Group's financial reporting systems to meet the financial reporting requirements of the future

Assisted by the Audit Committee

Highlights

Measures to improve credit quality

The Bank took steps to improve credit quality by increasing provisioning for Stage III loans.

The Bank also strengthened the Credit Policies, Delegated Lending Authority and Under Writing Standards to reflect changing market conditions and regulatory requirements.



Pages 52 and 190 to 191



Risk Management and Financial Performance (Contd..)

- ⦿ Reviewed and revised the Risk Management Framework and related policies to include new developments in regulatory requirements and business requirements
- ⦿ Approved the revised Risk Appetite for principal risks of the Bank
- ⦿ Reviewed the Internal Capital Adequacy Assessment Process to ensure that the Bank has sufficient capital
- ⦿ Reserves to cover various risk factors such as credit, market and operational risks
- ⦿ Reviewed key macroeconomic headwinds and tailwinds to understand related risks and opportunities and their impacts on the Bank and the Group
- ⦿ Regular review and discussion of risk reports from the Chief Risk Officer and Chair of IRMC

Assisted by the Integrated Risk Management Committee

Highlights

Internal Capital Adequacy Assessment Process

Reviewed the Internal Capital Adequacy Assessment Process to ensure that the Bank has sufficient capital reserves to cover various risk factors such as credit, market and operational risks. The Bank made two Basel III compliant debenture issuances during the year in September 2024 and November 2024 respectively, aiming at raising Five Billion Rupees through each issuance where both the issuances were oversubscribed.



Page 53



IT and Cyber Security

- ⦿ Assessment of IT infrastructure to ensure alignment with the Bank's business goals
- ⦿ Consolidation of systems performance post the core banking upgrade
- ⦿ Authorising capital expenditure and operational expenditure necessary to enhance IT infrastructure to meet the Bank's business needs, support regulatory reporting and to carry out the Bank's Strategy.
- ⦿ Revision and approval of IT Governance policies
- ⦿ Reviewing the report of an independent consultant on the effectiveness of the Bank's cybersecurity protocols in place
- ⦿ Monitoring cybersecurity developments and initiating programmes to enhance customer awareness
- ⦿ Monitoring progress on implementation of IT infrastructure

Assisted by the Bank Digital Subcommittee

Highlights

Review of IT infrastructure

The Board carried out a review of the existing IT structure, systems, infrastructure and provided valuable oversight towards making the IT structure and IT systems more relevant to the strategic objectives of the Bank.



Pages 123 to 130

CORPORATE GOVERNANCE



People

- ⊙ Review and approval of the Bank's employee remuneration schemes including performance incentives
- ⊙ Review of employee survey results and approval of action plans
- ⊙ Review and approval of the Bank's training schedule and budget
- ⊙ Review of the Bank Performance Management System and approval of rewards and recognition programmes

Assisted by the Human Resources and Remuneration Committee (HRRC)

Highlights

Rewards Strategy

The Board through the Human Resources and Remuneration Committee (HRRC) reviewed the Bank's rewards strategy in 2024 amid the challenging economic landscape and high attrition rates in 2023. A comprehensive salary and benefits survey was conducted to align compensation with market standards, analysing trends in rewards offered by comparable institutions. This data enabled informed decisions on revised benefits, salary increments, and performance-linked pay.

The HRRC also advised on talent identification, talent mapping, and leadership competency development plans covering all key roles at the Bank which resulted in updating and improving succession planning at the Bank and deliberated in detail on the identified talent pool, the details of the interventions etc.



Pages 231 to 233



Investors & Stakeholder Engagement

- ⊙ Participation at CBSL Directors Forum
- ⊙ Receiving feedback from the CEO about matters discussed at the CBSL Monthly CEO Forums
- ⊙ Reviewing and approving the Shareholder Relations and Stakeholder Engagement policies
- ⊙ Encouraging shareholder participation at Annual General Meeting (AGM) and engaging with them
- ⊙ Engaging with potential investors and market analysts through Investor Webinars
- ⊙ Reviewing reports on customer engagement and satisfaction/surveys
- ⊙ Approval of the Bank's CSR budgets to uplift communities in which we operate and rejuvenate the environment
- ⊙ Ensuring that price sensitive market disclosures are made promptly to the CSE
- ⊙ Ensuring that issues raised by shareholders are reviewed, addressed and responded to by the Company Secretary
- ⊙ AGMs and Extraordinary General Meetings (EGMs) to obtain shareholder views and necessary approvals for certain matters
- ⊙ Quarterly investor and analysts webinars to discuss financial performance and prospects

Highlights

Approach to Investor Relations

The Bank undertook a comprehensive review of its Investor Relations approach aimed to enhance the quality of interactions with investors, ensuring that communication is clear, timely, and informative. The Bank seeks to build stronger relationships with its stakeholders, reinforcing trust in its strategic direction.



Pages 62 to 70

BOARD OF DIRECTORS 2024

As the highest governance body, the Board provides leadership, strategic guidance and sets the tone at the top for the Bank and the Group. Their collective strength lies in the diversity of skills, experience, perspectives and objectivity enabling them to exercise their independent judgment on matters set before the Board as set out below.



Mr. Sriyan Cooray

Chair, Board of Directors -
Non-Executive Independent Director

Appointed in August 2018

Value added to Board:

Expertise in Banking, Finance,
Risk management and Management



Mr. Kelum Edirisinghe

CEO - Executive Non-Independent Director

Appointed in February 2024

Value added to Board:

Strategic Leadership in Banking, Finance and
Management, Risk Management, Wholesale
Credit, Credit & Recoveries, Commercial Banking
& Fund Management & Custodial Services



Mr. Bernard Sinniah

Non-Executive Non-Independent Director

Appointed in March 2019

Value added to Board:

Banking, Sales/Retail, Management, Treasury,
Payment systems, Fintech, Entrepreneurship
and IT



Mr. Sujeewa Mudalige

Non-Executive Independent Director

Appointed in January 2020

Value added to Board:

Accounting, Auditing, Financial Analysis
and Management



Mr. Kushan D'Alwis, PC

Non-Executive Independent Director

Appointed in July 2020

Value added to Board:

Law (Litigation/Banking, Corporate,
Commercial and Administrative Law)



Ms. (Fay) Piyachatr Chetnakarnkul

Non-Executive Non-Independent Director

Appointed in May 2021

Value added to Board:

Economics, IT and Business Investments



Ms. Kasturi Chellaraja

Non-Executive Independent Director

Appointed in October 2022

Value added to Board:

Retail / Consumer Sector Experience,
Accounting, Financial Analysis and Management



Ms. Shweta Pandey

Non-Executive Independent Director

Appointed in April 2023

Value added to Board:

Information Technology, Economics & Business
Administration, Entrepreneurship, Fintech,
Payment Systems



Mr. Hasitha Premaratne

Non-Executive Independent Director

Appointed in June 2023

Value added to Board:

Accounting, Finance, Management,
Textile/Apparel sector experience



Ms. Chandima Dilrukshi

Non-Executive Non-Independent Director

Appointed in June 2021 (Resigned in December 2024)

Value added to Board:

Accounting and Financial Management

Subcommittees of the Board



Nominations & Governance
Committee



Integrated Risk
Management Committee



Related Party Transactions
Review Committee



Credit
Committee



Human Resources and
Remuneration Committee



Audit
Committee



Strategic
Issues Committee



Bank Digital
Subcommittee

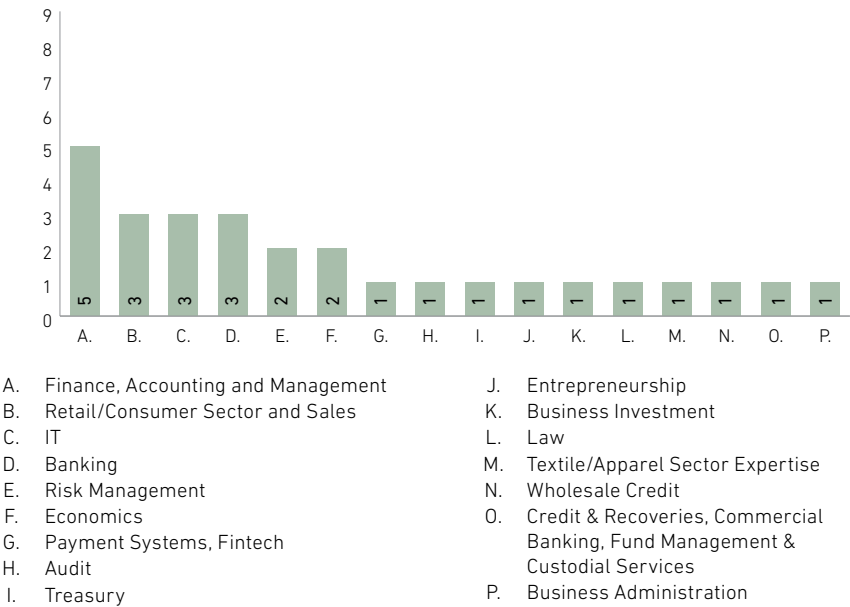


Discretionary and Capital
Expenditure Committee

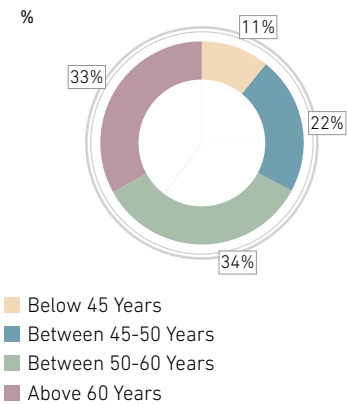
* Mr. Dimantha Seneviratne (former CEO, Executive, Non-Independent Director) resigned from the Board of Directors on 31 January 2024.

CORPORATE GOVERNANCE

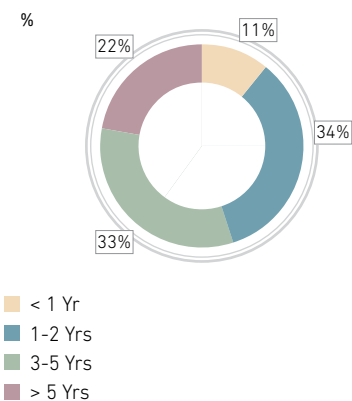
Board Skills & Experience



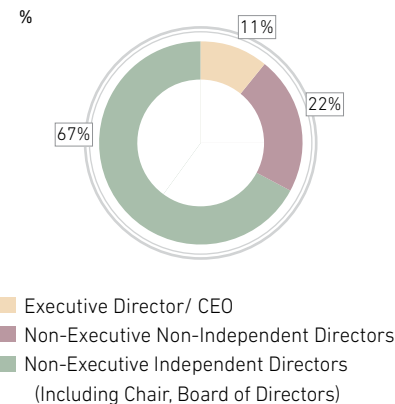
Age Diversity



Tenure on Board



Board Balance



Gender Analysis

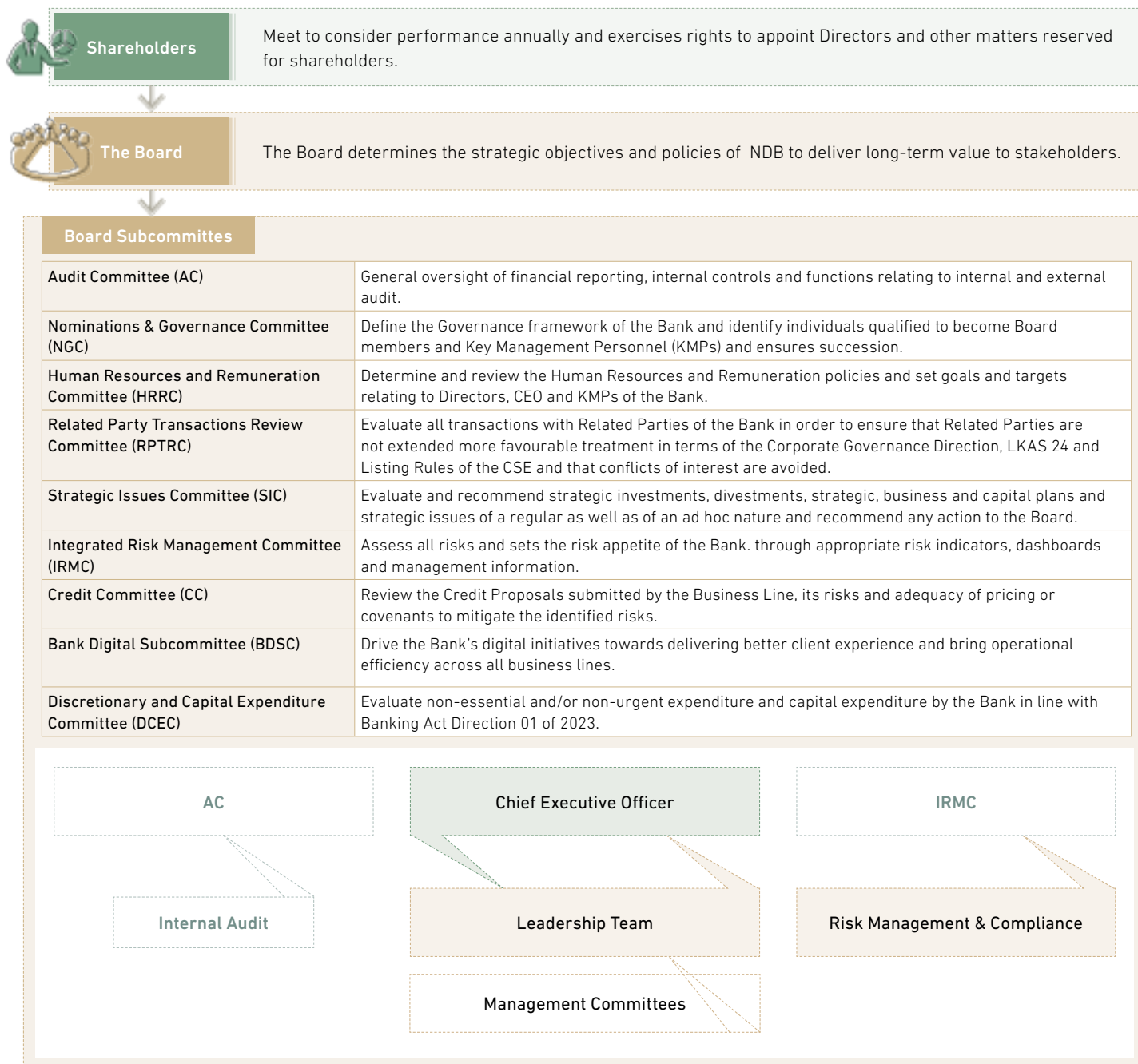


STRUCTURE OF THE REPORT



A FIT FOR PURPOSE STRUCTURE

The Board sets the Bank's purpose, values and strategy in accordance with the Articles of Association and the operating license. The Board is collectively responsible to shareholders for the governance, strategic direction and performance of the Bank and the delivery of sustainable value to its key stakeholders. In fulfilling its duties, the Board takes into account the views and interests of key stakeholders to build sustainable ecosystems that support growth, returns and stability of the Bank and the Group. Accordingly, the Board sets in place suitable structures for oversight and provides guidance through a comprehensive policy framework to facilitate day-to-day operations. These are supported by efficient processes and effective internal controls to facilitate effective oversight and stewardship.



CORPORATE GOVERNANCE

Management Committees

Management Committees bring together cross departmental expertise and facilitates clear communication of policies, strategy and progress while reinforcing corporate values and shaping organisational culture. These Management Committees are critical to the delegation of authority by the Board and play a vital role in the governance structure of the Bank.

Management Committee	Areas of Responsibility
Asset and Liability Management Committee	Defining strategies for balance sheet planning in optimising risk-return dynamics
Human Resource Committee	Considers/reviews Human Resources (HR) strategies and policies and recommend solutions to improve effectiveness of the HR Policies and function at the Bank
Credit Committee	Corporate & Branch Credit Committees Review and approve facilities within delegated limits and monitor portfolios
Outsourcing Committee	Assess, approve, monitor and review all the outsourcing arrangements
Procurement Committee	Facilitate procurement of goods and services ensuring fairness, transparency and consistency when assessing suppliers
Operational Risk Management Committee	Assess effectiveness of operational risk policies and review the Bank's operational risk profile
IT Steering Committee	Provide guidance and direction on IT strategy to ensure business objectives are achieved
Credit & Market Risk Policy Committee	Regularly assess the Credit / Market / Liquidity risk policies of the Bank
Environment and Social Risk Management Integrated Committee (ESRM)	To implement environmental, social and governance risk aspects in relation to responsible lending as per the environmental and social risk management framework and the environmental and social management system.
Information Security Committee	The apex management level body responsible for information security and technology resilience of the Bank for both strategic and operational aspects of information security and technology risk management. Established in line with CBSL Banking Act Direction No. 16 of 2021 on Regulatory Framework on Technology Risk Management and Resilience for Licensed Banks.

Balance of Power

Composition of the Board and clear segregation of responsibilities facilitate an appropriate balance of power, which is essential for good performance and effective control. We have therefore established clear delineations between the role of Directors and the executive management.

Chairman (Non-Executive Independent Director)

Provides leadership to the Board and ensures its integrity and effective functioning with good corporate governance.

CEO (Executive Director)

Apex executive-in-charge of the day-to-day management of the Bank's operations and business. Ensures the Board receives timely, accurate and clear information on the Group's performance and position.

Independent Director

Provides independent judgement through objectively and constructively challenging the Board and management.

Company Secretary

The Bank has appointed the Company Secretary as prescribed by applicable laws and regulations and in accordance with the Bank's Article of Association. The Company Secretary ensures that proper Board procedures are followed in line with applicable laws, rules, and regulations. All Directors have access to the advice and services of the Company Secretary, and she assists the Chairman and CEO in setting the agenda for the Board meetings and is responsible for maintaining sufficiently detailed Board minutes in consultation with the Chairman. Board minutes are circulated to the Board well before the next monthly meeting providing adequate time for consideration.

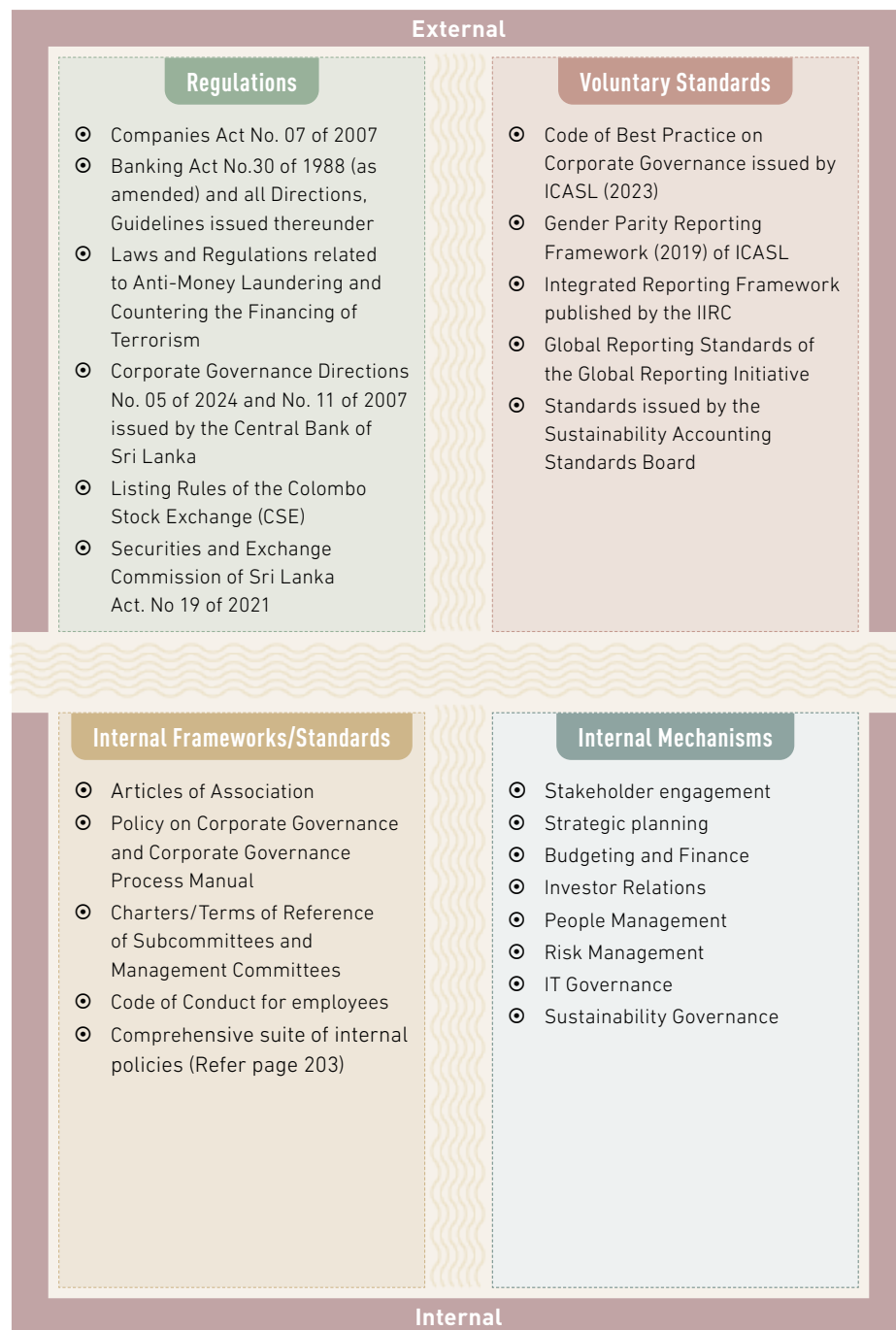
A FRAMEWORK FOR GOVERNANCE



Matters reserved for the Board

A sound policy framework

Governance of the Bank is founded on the following authoritative documents at present:



CORPORATE GOVERNANCE

The framework was updated in 2024 by the revision of internal documents in response to changes in external documents by regulators. Accordingly, the following changes were implemented to facilitate compliance with Section 9 of the Listing Rules of the CSE and in readiness for the Corporate Governance Direction 2024:

- ⦿ Subcommittee compositions and TORs were revised ahead of the specified timelines
- ⦿ Policies of the Bank were reviewed and revised and the 12 mandatory policies (as required by the CSE Listing Rules) are available on request to shareholders as set out on the Bank's website
- ⦿ A reporting mechanism was set up to allow the Board/NGC to monitor compliance with applicable Corporate Governance rules and related other laws

The Board also enacted the following changes to enhance the effectiveness of governance processes:

- ⦿ Organisational structure was reviewed and strengthened to meet the evolving business needs of the Bank
- ⦿ Review and implementation of mechanisms to facilitate frequent and timely disclosures by Directors
- ⦿ Considers/reviews and determine Human Resources strategies and policies and recommend solutions to improve effectiveness of the HR Policies and function at the Bank
- ⦿ Strengthening share trades monitoring in line with changes to industry rules and regulations

MATTERS RESERVED FOR THE BOARD

While the Board has delegated authority to facilitate efficient operations by empowering Board Committees, the CEO, KMPs and Management Committees, certain matters are reserved for the attention of the Board and require formal approval. These include:

- ⦿ Determining the strategic objectives and the short, medium and long term strategy of the Bank and Group
- ⦿ Approval of policies of NDB Bank
- ⦿ Annual review and approval of the Delegation of Authority
- ⦿ Review and approval of the Organisation structure and terms of reference of all Board Committees
- ⦿ Annual review and approval of the Bank's Risk Appetite statement
- ⦿ Approval of remuneration, reward and incentives schemes
- ⦿ Approval of the Bank's capital expenditure
- ⦿ Approval and publication of quarterly financial statements and annual report
- ⦿ Review of the Bank's exposures to key risks including strategic, financial, operational and sustainability risks
- ⦿ Making decisions on matters that have significant strategic, financial, or reputational implications to the NDB Group as a whole
- ⦿ Reviewing the effective operation of internal controls and obtaining assurances on the same
- ⦿ Engaging with and considering the opinions of shareholders and other stakeholders
- ⦿ Recommending nominees to be elected or re-elected as Directors
- ⦿ Approving the amount and nature of dividends to be paid to shareholders
- ⦿ Assessing the Board's effectiveness and the Board Chair's performance through a comprehensive self-assessment as detailed on page 205
- ⦿ Assessing the performance of the CEO at least annually

2024 Highlights

- ⦿ Approved a distribution to the shareholders by way of a final Dividend of LKR 5.00 per Share on the Ordinary Shares in issue of the Bank for the Financial Year ended 31 December 2023 to be paid in 2024, of which LKR 2.00 was in the form of cash dividend and the balance LKR 3.00 was in the form of scrip dividend
- ⦿ Recommended the re-election of 02 directors and the re-appointment of 02 directors at the 2024 AGM
- ⦿ Assessed effectiveness of the Board and Board Committees during the year and addressed areas for improvement and amended terms of reference (TORs) accordingly
- ⦿ Assessed the performance of the CEO
- ⦿ Commenced a review of the medium to long term strategy of the Bank with the assistance of an External Advisor

A SOUND POLICY FRAMEWORK

The Bank has put in place a sound policy framework to support the day-to-day operations of the Bank as set out below:

Human Resources

- ⊙ Diversity and Inclusion Policy
- ⊙ Harassment Policy and the Harassment Redressal Policy
- ⊙ Health and Safety Policy
- ⊙ Staff Account Operations and Monitoring Policy
- ⊙ Consequent Management
- ⊙ Framework and Risk Severity Matrix
- ⊙ Grievance Policy
- ⊙ Code of Conduct and Ethics for Employees

Technology & Digital

- ⊙ Information Security Policy
- ⊙ Information Security Compliance Policy
- ⊙ Data Classification Policy
- ⊙ Acceptable Usage Policy
- ⊙ Electronic Data Retention
- ⊙ Destruction Policy

Investments

- ⊙ Investment Policy
- ⊙ Bank's exposure to Stock Market Activities
- ⊙ Policy on Control and Management of Company Assets and Shareholder Investments

Ethics & Integrity

- ⊙ Code of Conduct and Ethics for Employees
- ⊙ Group Securities Trading Policy
- ⊙ Group Anti-bribery and Corruption policy
- ⊙ Whistleblowing Policy
- ⊙ Ombudsperson Policy
- ⊙ Disclosure Policy
- ⊙ HR Manual
- ⊙ Procurement Policy
- ⊙ Corporate Social Responsibility Policy
- ⊙ Related Party Transactions Policy
- ⊙ Codes of Ethics & Standard of Conduct for treasury Front office, Treasury Operations and Treasury Middle Office
- ⊙ Anti-Money laundering, suppression of Terrorism Financing and Sanctions policy and procedures
- ⊙ Policy on Corporate Governance and Corporate Governance Process Manual
- ⊙ Policy on Risk Management and Internal Controls
- ⊙ Policy on Environmental, Social and Governance Sustainability
- ⊙ Fraud Risk Management Policy

Communication

- ⊙ Communication Policy
- ⊙ Disclosure Policy
- ⊙ Complaints Handling Policy
- ⊙ Policy on Relations with Shareholders and Investors

The Bank has established the following Policies in line with Section 9 of the Listing Rules of the Colombo Stock Exchange. (Please refer <https://www.ndbbank.com/investor-relations/governance-and-shareholding-structure>)

1) Policy on matters relating to the Board of Directors	7) Policy on Internal Code of Business Conduct and Ethics for Employees	12) Policy on Control and Management of Company Assets and Shareholder Investments
2) Policy on Board Committees	8) Securities Trading Policy	13) Policy on Corporate Disclosures
3) Policy on Corporate Governance	9) Policy on Risk management and Internal controls	14) Policy on Whistle blowing
4) Policy on Nominations and Re-election	10) Policy on Relations with Shareholders and Investors	15) Policy on Anti-Bribery and Corruption
5) Policy on Remuneration	11) Policy on Environmental, Social and Governance Sustainability	
6) Policy on internal Code of Business Conduct and Ethics for Directors		

The above policies have been reviewed and revised to ensure that same are in line with applicable changes to laws and regulations.

In line with Section 9.5.2 of the Listing Rules the Bank confirms that it has ensured full compliance with the Policy on Matters relating to the Board of Directors.

CORPORATE GOVERNANCE

FACILITATING EFFECTIVE STEWARDSHIP

Successive Boards of the Bank have institutionalised Board processes and procedures that enable the Board to function effectively and efficiently in discharging its duties. Key processes and procedures in place that facilitate effective functioning of the Board are set out in this section of the report.



Director Induction
Shared Knowledge
Access to information
Appraisals
Managing conflicts
Independence & Objectivity
Board Meetings
Minutes
Appointments, Re-election & Retirements

DIRECTOR INDUCTION

An induction programme is in place for all new Directors upon joining the Board which is compiled by the Company Secretary as guided by the Board Chair. The agenda typically includes an overview given by the Board Chair, discussion with the CEO and an introduction to the Senior Leadership of the

Bank. All newly appointed Board members receive an induction pack comprising the Articles of Association, the most recent Annual Report and access to minutes of Board meetings and relevant Board Subcommittee meetings.

SHARED KNOWLEDGE

Directors receive opportunities for upgrading their professional skills throughout their tenure, assisting them to keep abreast of economic, regulatory and industry trends. These training sessions are typically facilitated by the Company Secretary, as advised by the NGC/ the Board with the cost borne by the Bank. Additionally, circulars, directions, and guidelines issued by the regulators are circulated to the Directors on a quarterly basis for their information. Management also make representations to the Board on relevant matters such as significant regulatory changes and significant changes to economic/market conditions etc in a timely manner. The CEO represents the Bank at the monthly CEO's meetings arranged by CBSL. Further, Board members take part in Director's forums arranged by the CBSL as and when necessary.

The CEO and KMPs of the Bank maintain continuous dialogue with the regulators as deemed necessary or prudent.

Board Awareness sessions conducted during the year are given below:

Subject	Number of Hours
Awareness on Banking Act amendment (at bill and Act stages) (internal)	2
AML and payment system related awareness session conducted by CBSL	2.5
Awareness session on the new Corporate Governance Direction (internal)	1
Seminar on Sri Lanka's macro-economic landscape by Economist Murtaza Jafferjee	2
Amendments to the Listing Rules – Corporate Governance Section (internal)	1
Amendments to the Listing Rules – Corporate Governance Section conducted by Mr. Renuka Wijewardana, Chief Regulatory Officer, Colombo Stock Exchange	1.5
Awareness on Anti-Corruption Act and implications (internal)	1
Awareness Session on Anti Bribery & Corruption conducted by Ms. Averil Ludowyke	1
Awareness on Digital Resilience /Data security (internal)	1
Total Hours on Director Awareness	13

Impact

These sessions helped improve director awareness and contributed to;

1. A comprehensive review and revision of certain key policies and procedures.
2. Proactive review and revision of Board subcommittee compositions
3. Commencing quarterly review of Director independence through the NGC resulting in compliance a quarter in advance.

The awareness session by Economist Murtaza Jafferjee particularly strengthened the Board level discourse on the bank's medium/long term strategy.

DIRECTORS' ACCESS TO INFORMATION

Directors also have unrestricted access to the management team, Group information as well as other resources required to effectively execute their responsibilities. Access to external professional advice is available to Directors at the Bank's expense which is facilitated by the Company Secretary.

MANAGING CONFLICTS OF INTEREST

The Policy on Corporate Governance and the Corporate Governance Process Manual, the Articles of Association and the Corporate Governance Direction 2024 requires each Director to determine and disclose whether he/ she has a potential or actual conflict of interest. The Bank has also established a Policy on Conflicts of Interest.

Multiple channels are in place to disclose potential conflicts of interest including during onboarding, quarterly director disclosures to the Company Secretary, during the quarterly update of the Bank's Related Parties and/or as and when such conflicts arise. In 2024, we automated our disclosure mechanisms to ensure quick and complete information sharing. This helped streamline the process of registering and tracking transactions with Related Parties so that potential conflicts of interest can be avoided. Any impairments to director independence to were reviewed and tracked through these enhanced disclosures.

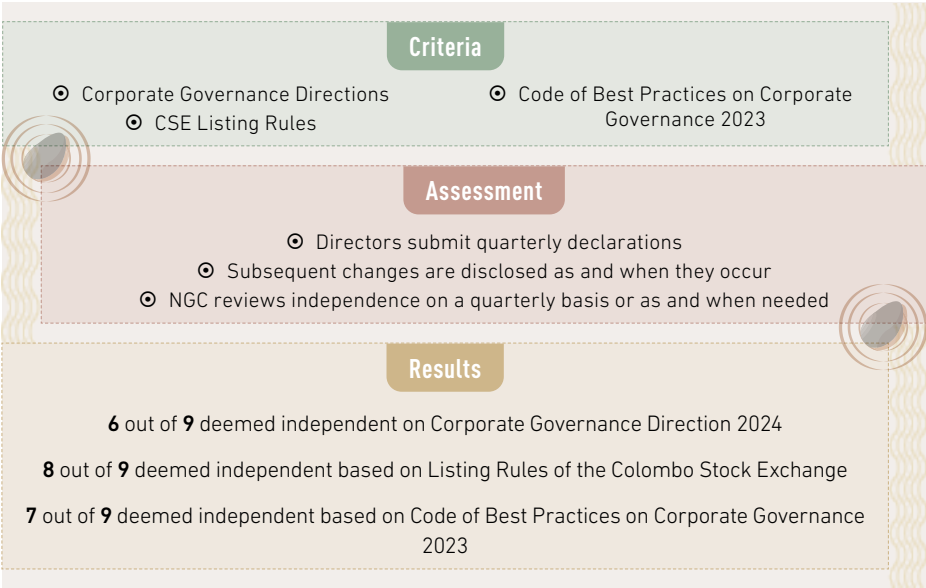
The Company Secretary maintains a record of director disclosures and when such matters are discussed at Board meetings, the relevant director refrains from participating in the discussion and abstains from voting. Interested directors also do not receive access to the information pertaining to an interested transaction, including accessing such information both physically and/or electronically.

INDEPENDENCE & OBJECTIVITY

All Directors are expected to exercise their independent professional judgement in matters set before the Board. Additionally, the presence of Independent Directors enhances objectivity of discussions as they bring an external perspective to bear on matters deliberated.

Through an enhanced process, now Directors are required to submit quarterly declarations of independence or non-independence in accordance with the stipulations of Corporate Governance Direction 2024, Section 9 of the Listing Rules of the CSE and the guidelines of the Code of Best Practice on Corporate Governance 2023.

Based on the disclosures made, none of the directors have immediate family and/or any other material business relationships with other directors of the Bank.



2024 Highlights

- Automated system support to alert front lines and to assist in identifying and monitoring related party transactions is being improved. This is further supported by quick links through which Directors can provide new information in respect of their connected parties.
- Share trades monitoring frequency was increased to daily monitoring, with a new system being developed to automate the monitoring/ flagging process

BOARD APPRAISALS

The Board and Subcommittees of the Board undertake an annual self-assessment to assess the effectiveness of these key governance bodies and identify potential areas of improvement. The Board Chair and Chairpersons of the Committees review the results and make action plans to address areas identified for improvement. Subcommittee Chairpersons report to the Board on the results of the review and planned actions.

2024 Highlights

- Director disclosures are obtained on a quarterly basis to track any impairment to independence/ fitness & propriety, and to avoid conflicts of interest.
- The quarterly Director Disclosures have been streamlined and simplified by the use of checklists and concise forms.
- New information disclosures have been automated to facilitate quick and complete disclosure and registration.

CORPORATE GOVERNANCE

APPOINTMENTS, RE-ELECTION & RETIREMENTS

Shareholders appoint the Directors at the AGM and any casual vacancies that may arise during the year are filled by the Board. All appointments are subject to approval of CBSL and the SEC (by virtue of the licences held by the Bank) who apply the fit and proper criteria. The Nominations and Governance Committee drives the process, vetting potential nominees, ensuring they meet the business needs of the Bank, the fit and proper criteria and where relevant, independence criteria. Nominees who meet these criteria are recommended to the Board who will review and recommend to shareholders or appoint if it is to fill a casual vacancy. An announcement is made to the CSE on receipt of approval together with the profile of the Director including whether the Director is executive or non-executive and independent or non-independent.

The Board focuses on balancing the need to maintain continuity and bringing in fresh perspectives through an enhanced succession framework. As per the Articles of Association, 1/3rd of the Directors (except the CEO, any Director appointed to fill a casual vacancy and the Nominee Director of the Ministry of Finance, if any) should retire at each AGM and be subject to re-election. All directors appointed to fill a casual vacancy retire at the next AGM and may offer themselves for re-election. Directors retire on reaching 70 years of age or 9 years of tenure on the Board in accordance with regulatory requirements of CBSL. Additionally, a Board member may not be nominated for re-election based on the performance of the Directors.

All Directors of the Bank satisfy the Fit and Proper assessment criteria stipulated in the Corporate Governance Directions issued by the Central Bank of Sri Lanka, the CSE Listing Rules, the Rules issued by the Securities and Exchange Commission and the Code of Best Practices on Corporate Governance 2023.

BOARD MEETINGS

The Board strengthened engagement given the rapidly changing operating landscape and potential stresses on the Bank's operations. The Board convened 14 times during the year, while 65 Subcommittee meetings were also held. Clearly defined guidelines and processes ensure the effectiveness of Board meetings.



Beginning of the year

Fix calendar and venues for Board & Committee Meetings.

Two weeks prior to Meeting

- Directors are entitled to include matters and proposals in the agenda for discussion
- Chairman draws up the agenda with the assistance of the Company Secretary

1 Week prior to Meeting

Notice of meeting, agenda and Board papers are circulated at least 7 days in advance of the Board meeting to facilitate preparation by Directors

During Board meeting

- The Chairman encourages and facilitates constructive dialogue during Board meetings
- Conflicts of interest, if any, are noted and the relevant Director is excused from the meeting during such discussions
- A special agenda item is reserved at monthly Board meetings for directors to discuss matters relating to the business and operations of the Bank.

After Board meeting

Board minutes are prepared by the Company Secretary and circulated among Directors well before the next monthly meeting.

AGENDA & MINUTES

The Company Secretary's role is critical in facilitating effective stewardship. The Company Secretary is responsible for agreeing the Agenda with the Chairpersons of the Board and its Subcommittees, compiling and circulating the relevant information packs, as well as maintaining minutes of Board and Subcommittee meetings. Board information packs are circulated 7 days prior to the relevant meeting enabling directors to prepare for the meetings so that discussions are focused. A special agenda item is reserved at monthly Board meetings for directors to discuss matters relating to the business and operations of the Bank. All Directors have the right to ensure that key statements are correctly reflected in the minutes to ensure that the minutes provide a formal and accurate record of matters discussed and decisions taken. This includes the right to record their dissent on decisions taken by the Board. Minutes of the previous meeting are reviewed, proposed and seconded to ensure that the Board members are in agreement that it represents a fair record and signed by the Board Chair to affirm the same. Matters arising from the minutes and action taken to address them are followed up to ensure that decisions taken are implemented as directed by the Board.

MEETINGS HELD

14

Main Board
Meetings

Number of Subcommittee Meetings Held

Number of Management Committee Meetings Held

06	Nominations and Governance Committee	Asset and Liability Management Committee	17
04	Human Resources and Remuneration Committee	Human Resources Committee	04
04	Related Party Transactions Review Committee	Credit committees (Both Corporate and Branch Credit)	95
03	Strategic Issues Committee	Outsourcing Committee	05
08	Audit Committee	Procurement Committee	204
06	Integrated Risk Management Committee	Operational Risk Management Committee	04
13	Credit Committee	IT Steering Committee	04
06	Bank Digital Subcommittee	Credit & Market Risk Policy Committee	06
15	Discretionary and Capital Expenditures Committee	Environmental & Social Risk Management Integrated Committee	03
		Information Security Committee	06

ATTENDANCE AT BOARD & BOARD SUBCOMMITTEE MEETINGS

THE STRUCTURE, COMPOSITION AND ATTENDANCE OF THE BOARD AS AT 31 DECEMBER 2024

Name of Director	Independent/ Non-Independent under CBSL Direction	Independent/ Non- Independent under ICASL	Independent/ Non-Independent under CSE Listing Rules	Date of Appointment	Number of Board Meetings Eligible to Attend	Number of Meetings Attended
Mr. Sriyan Cooray	Independent	Independent	Independent	10.08.2018	14	14
Mr. Kelum Edirisinghe (Appointed w.e.f. 01.02.2024)	Non-Independent	Non-Independent	Non-Independent	01.02.2024	12	12
Mr. Bernard Sinniah	Non-Independent	Independent	Independent	28.03.2019	14	13
Mr. Sujeewa Mudalige	Independent	Independent	Independent	06.01.2020	14	13
Mr. Kushan D'Alwis, PC	Independent	Independent	Independent	06.07.2020	14	14
Ms. (Fay) Piyachatr Chetnakarnkul	Non-Independent	Non-Independent	Independent	25. 05.2021	14	14
Ms. Kasturi Chellaraja	Independent	Independent	Independent	03.10.2022	14	12
Ms. Shweta Pandey	Independent	Independent	Independent	28.04.2023	14	14
Mr. Hasitha Premaratne	Independent	Independent	Independent	15.06.2023	14	14
Ms. Chandima Dilrukshi (Resigned w.e.f. 04.12.2024)	Non-Independent	Independent	Independent	21.06.2021	13	13

CORPORATE GOVERNANCE

DETAILS OF MEMBERS OF THE BOARD SUBCOMMITTEES AS AT 31 DECEMBER 2024

Name of Subcommittee	Nominations and Governance Committee		Human Resources and Remuneration Committee		Related Party Transactions Review Committee		Strategic Issues Committee		Audit Committee		Integrated Risk Management Committee		Bank Digital Subcommittee		Credit Committee		Discretionary and Capital Expenditure Committee	
Name of Director	Status	DOA	Status	DOA	Status	DOA	Status	DOA	Status	DOA	Status	DOA	Status	DOA	Status	DOA	Status	DOA
Mr. Sriyan Cooray	M	20.08.2021	M	20.08.2021	M	01.07.2022	C	01.05.2019	M	01.09.2018	M	01.09.2018						
Mr. Kelum Edirisinghe (Appointed w.e.f. 01.02.2024)							M	01.02.2024					M	22.02.2024	M	22.10.2024		
Mr. Bernard Sinniah	M	19.02.2020	M	19.02.2020			M	19.02.2020					M	30.04.2021	C	01.05.2019		
Mr. Sujeewa Mudalige	M	21.06.2022	M	22.03.2022			M	19.02.2020	C	18.02.2020	M	19.02.2020						
Mr. Kushan D'Alwis, PC	C	21.06.2022			C	22.07.2020			M	01.02.2024					M	22.07.2020		
Ms. (Fay) Piyachat Chetnakarnkul							M	22.06.2021			M	22.06.2021	M	29.10.2021				
Ms. Kasturi Chellaraja			C	20.06.2023							M	25.10.2022			M	20.06.2023		
Ms. Shweta Pandey													C	19.06.2023				
Mr. Hasitha Premaratne					M	20.06.2023					C	20.06.2023						
Ms. Chandima Dilrukshi (Resigned w.e.f. 04.12.2024)					M	20.08.2023			M	22.06.2021	M	22.06.2021			M	01.10.2022	M	27.03.2023

NUMBER OF MEETINGS HELD AND ATTENDANCE OF THE BOARD SUBCOMMITTEES AS AT 31 DECEMBER 2024

Name of Subcommittee	Nominations and Governance Committee		Human Resources and Remuneration Committee		Related Party Transactions Review Committee		Strategic Issues Committee		Audit Committee		Integrated Risk Management Committee		Bank Digital Subcommittee		Credit Committee		Discretionary and Capital Expenditure Committee	
Name of Director	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mr. Sriyan Cooray	6	6	4	4	4	4	3	3	8	8	6	6						
Mr. Kelum Edirisinghe (Appointed w.e.f. 01.02.2024)							3	3					5	5	12	12		
Mr. Bernard Sinniah	6	3	4	2			3	3					6	2	13	10		
Mr. Sujeewa Mudalige	6	6	4	4			3	3	8	7	6	5						
Mr. Kushan D'Alwis, PC	6	6			4	4			8	7								
Ms. (Fay) Piyachat Chetnakarnkul							3	3			6	3	6	2				
Ms. Kasturi Chellaraja			4	4							6	4			13	12	15	15
Ms. Shweta Pandey													6	6				
Mr. Hasitha Premaratne			4	4	4	2					6	5						
Ms. Chandima Dilrukshi (Resigned w.e.f. 04.12.2024)					4	3			7	5	6	4						

RISK MANAGEMENT, COMPLIANCE & INTERNAL CONTROL

Risk management, compliance and internal controls of the Bank form a powerful combination by which the Board guides, exercises oversight and monitors progress of the Bank. These three elements are key determinants of the profitability and financial stability of the Bank.



A Strong Defence

Oversight of Risk

Assurance

Escalating Key Concerns to Board

A STRONG DEFENCE

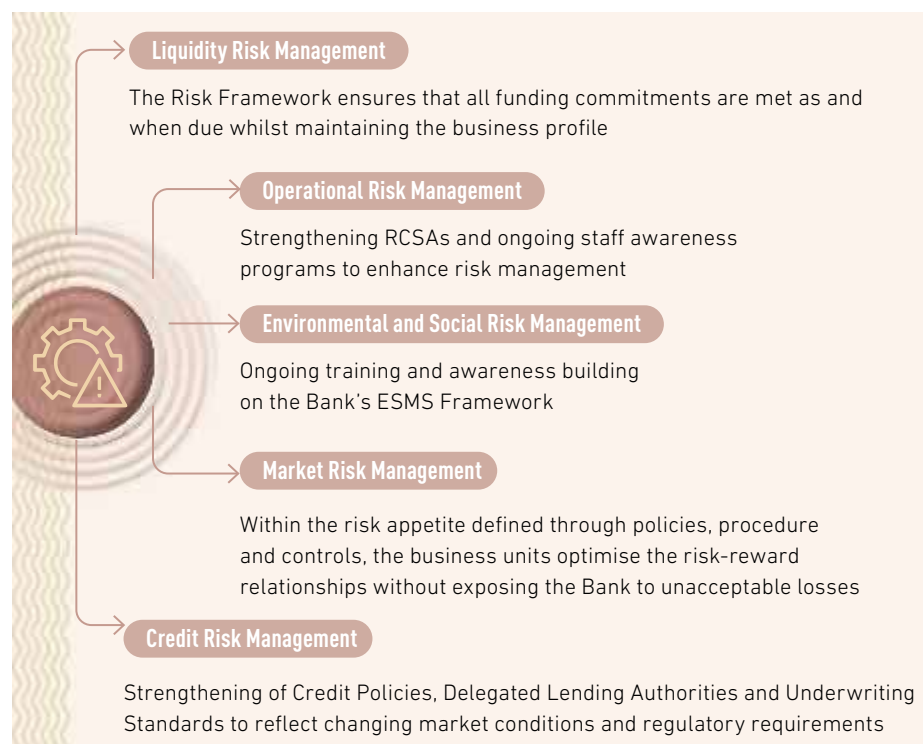
The Board is supported in managing these key aspects by the IRMC and the AC who carry out more detailed oversight of these crucial functions. IRMC is supported by a CRO and a Compliance Officer who report directly to the Committee while the AC is supported by the Vice President - Internal Audit who also reports independently to the Committee. While Risk and Compliance functions of the Bank form part of the second line of defence, Internal Audit forms the third line of defence, providing assurance on the effective operation of internal controls, including risk management frameworks. There are well defined organisational responsibilities for the Bank's three lines of defence.

OVERSIGHT OF RISK MANAGEMENT

The Policy Framework for Risk Management reflects the scope of the mandate and the guidance provided in management of the same. Managing emerging risks emerged as a key priority during the year, reflecting increasing complexities of external headwinds and escalating macro-economic stress. The AC and the IRMC played a vital role in monitoring changes to the Bank's risk landscape. Key areas of focus are summarised below while the policy framework is set out alongside.

Risk Management

- ⊙ Credit Risk Related Governance Policy
- ⊙ Impairment Policy
- ⊙ Market Risk Management Policy
- ⊙ Operational Risk Management Policy
- ⊙ Fraud Risk Management Policy
- ⊙ Foreign Exchange Risk Management Policy
- ⊙ Liquidity Risk Management Policy
- ⊙ Stress Testing Policy and Framework
- ⊙ Internal Capital Adequacy Assessment Process Document
- ⊙ Risk Model Validation Policy
- ⊙ Expenses Management Policy
- ⊙ MIS Policy



The following documents provide additional information in this regard:

⊙ Risk Management Report on pages 443-483	⊙ Directors' Statement on Internal Control over Financial Reporting on pages 251-252	⊙ Integrated Risk Management Committee Report on pages 234-236
⊙ Audit Committee Report on pages 237-239		

CORPORATE GOVERNANCE

ASSURANCE

The Board receives reasonable assurance on the effective operation of internal controls through the internal auditor and the external auditor. In-camera meetings are conducted by AC with the Internal Auditor and the External Auditor without the presence of any executives, providing a forum for these two key resources to highlight any matters of concern that need to be brought to the attention of the Board including limitations on scope, management cooperation etc. AC in turn communicates the results of the assurance processes to the Board.

The Bank adopts a combined assurance framework, integrating the assurance obtained from both internal mechanisms and external providers. This approach has enhanced the integrity of internal controls and information used for reporting to both internal and external stakeholders.

COMMUNICATION OF CRITICAL CONCERNS TO THE BOARD

The Board has set in place a number of mechanisms to facilitate communication of critical concerns to the Board as follows:

☉ Meetings of the Board and Subcommittees

These provide a regular platform for communicating critical concerns to the Board. In particular, independent lines of reporting established for the Chief Risk Officer to IRMC and the Vice President - Internal Audit to the Audit Committee strengthen this mechanism. Additionally, critical concerns may be circulated via a Board paper to the Board or Subcommittee if it is deemed sufficiently important and time sensitive by the Secretaries to the Subcommittees, the CEO or the Company Secretary.

☉ Whistleblower Policy

The Bank has in place a Board-approved Whistle Blowing Policy to facilitate members of staff to report irregularities in good faith, without having to fear that their actions may have adverse consequences on themselves. This Policy is reviewed and approved by the AC and the Board of Directors. Further strengthening the whistle blowing mechanism, the Bank introduced a feature of reporting through the staff intranet for added convenience and security.

A process has been established to track such whistle blowing and take necessary action. All whistleblowings received have been investigated as per the procedure laid down in the policy.

The Bank also has an established external informational mechanism, known as the “NDB Ombudsman”, to whom matters can be whistle blown confidentially.

☉ Company Secretary

Shareholders may contact the Company Secretary to bring critical concerns to the attention of the Board.

SUSTAINABILITY GOVERNANCE

The Board reviewed its sustainability governance processes and commenced the journey to adopt SLFRS S1 and SLFRS S2 to comply with the mandatory reporting requirement in 2025. External consultants have been engaged to support timely progress and ensure that Governance, Strategy, Risk Management and Metrics & Targets are aligned. Importantly, the Bank has commenced assessment of its Scope 3 Emissions of which the main component is Financed Emissions. The Bank will avail itself of the transitional provisions in SLFRS S2 to report on these and will use the time to institutionalise the processes to obtain the information required for the calculation. The Board's intention is to ensure that sustainability reporting information is subject to the same high standards of internal control as those in place over the financial reporting processes.

Solid foundations in sustainability reporting based on the GRI and SASB Standards gives us a head start in many ways. However, the increased focus on scenario analysis required by the two standards and the related complexity in constructing plausible scenarios needs keen oversight. The task of steering sustainability governance has been handed over to IRMC at present, and the Board is in the process of reviewing the structure and mechanism given the mandatory regulatory changes, including considering the formation of a separate Board subcommittee.

The Bank's strategic projects to uplift communities are also managed by this vertical. During the year, the Bank invested

LKR 6.3 Mn in 10 projects empowering and uplifting a diverse and wide range of beneficiaries including students, youth, women, the marginalised in communities, villagers, as well as our own employees. Focussing on the key pillars of Education, Environment, Employee Volunteerism and Special Projects, these projects contributed to environmental conservation, eco-system restoration, women empowerment, livelihood development, youth education, human development, creating a stronger entrepreneurial culture, empowering young inventors and instilling a sustainability mind-set in our own employees.

IT GOVERNANCE

The Bank is cognizant of its increased exposure to IT and cybersecurity risks stemming from the thrust toward digitalization. A framework of robust IT policies, clear demarcation of responsibilities through the three lines of defence governance model, and a highly skilled IT team ensure that IT risks and vulnerabilities are managed in a holistic and consistent manner.

During the year, the Bank achieved a significant milestone by successfully upgrading its ISO/IEC 27001 certification to the 2022 version, becoming the first Sri Lankan bank to do so. The Bank also holds active certifications for ISO 22301 (Business Continuity Management) and ISO 20000 (IT Service Management), demonstrating its unwavering commitment to upholding IT governance standards.

To further strengthen its IT risk framework, the Bank has made substantial investments in cybersecurity, including enhancements to data center infrastructure, access controls, data loss prevention measures, and next generation IPS/IDS & firewalls. Additionally, the Bank operates a state-of-the-art Security Operations Center (SOC) in partnership with a Managed Security Services Provider, leveraging the latest AI-enabled Security Information and Event Management (SIEM) capabilities to proactively monitor and address cyber threats.

CONDUCT, ETHICS AND CULTURE

While setting in place formal mechanisms to empower, guide and monitor the operations of the Bank, the Board seeks to reinforce these mechanisms by articulating standards of conduct that shape the organisational culture.



CONDUCT

The following standards of conduct have been approved by the Board and care is taken to ensure that the relevant parties are aware of the standards of conduct expected by them. These standards draw attention to legal and regulatory requirements while reinforcing corporate values.

Document	To Whom it is Applicable
Policy on Corporate Governance and Corporate Governance Process Manual	Directors and KMPs
Policy on internal Code of Business Conduct and Ethics for Directors	Directors
Policy on internal Code of Business Conduct and Ethics for Employees	All Employees
Code of Conduct and Ethics for Employees	All Employees
The Gifts and Entertainment Policy	All Employees
The Group Anti-bribery and Corruption policy	All Directors and Employees
Codes of Ethics & Standard of Conduct for Treasury Front Office, Treasury Operations and Treasury Middle Office	Treasury Staff - Treasury Front Office, Middle Office and Treasury Operations

CORPORATE GOVERNANCE

ANTI-BRIBERY AND CORRUPTION

Managing the risk of bribery and corruption is embedded into our compliance monitoring mechanisms. A suite of policies, tools and processes are in place to effectively govern related aspects including political contributions, donations, facilitation payments and solicitation among others. In line with regulatory requirements, the Bank has also rolled out an Anti-Money Laundering, Suppression of Terrorism Financing policy and process.

Anti-Bribery & Corruption

The Anti-Bribery and Corruption Policy ("ABC Policy") of the Bank, details the Bank's stance on anti-bribery and corruption and the minimum standards of behaviour expected from all Directors, Employees, and other stakeholders of the Bank. The ABC Policy of the Bank is based on various concepts in relation to ABC and the new Anti-Corruption Act No.9 of 2023 has also been taken into consideration during the latest review in 2024.

The policy forbids Directors, Employees, and third parties who operate on behalf of the Bank from making any form of facilitation payments and no political contributions may be given to political action committees, political parties, elected officials, or candidates for public office etc. The Bank's appetite towards Political Donations is zero. Bribery is defined as a criminal offence punishable with imprisonment and fines. Accordingly, NDB Bank has zero tolerance for bribery and corruption and is firmly committed to act with integrity, professionalism and fairness in all its business dealings and relationships.

The Bank's ABC Policy is reviewed every two years and the updated Board approved policy is hosted in the Bank's intranet for the consumption of all staff of the Bank.

Further, in order to improve awareness amongst staff members on ABC Policy and applicable industry practices, The Bank collaborated with Transparency International Sri Lanka [TISL] and conducted three training sessions to staff members during the months of October and November in 2023.

As an extension to the awareness sessions conducted during 2023, Bank conducted another awareness session in June 2024 targeting the Board of Directors and Senior Management of the Bank. This awareness session was conducted by an industry expert on the landscape of Anti-Bribery and Corruption sourced by the Bank externally.

SHAPING ORGANISATIONAL CULTURE

The Board seeks to set the right tone at the top aligned to NDB's corporate values facilitating management of impacts and safeguarding the reputation of the Bank whilst also creating a nurturing and mentoring culture where people work together as a team. This culture is carefully nurtured and shaped to ensure that the NDB team is fit for the workplace of the future and that talent is nurtured within the Bank to meet its future business needs.



Shaping our culture

Champion change

Enthusiastic agents of change as we move to realise the aspirations of Voyage 2025

Embrace Technology

A tech savvy workforce that will adapt new tools to enhance productivity

Risk Aware

A risk aware team that is able to identify risks, opportunities and evaluate options

Aware of Impacts

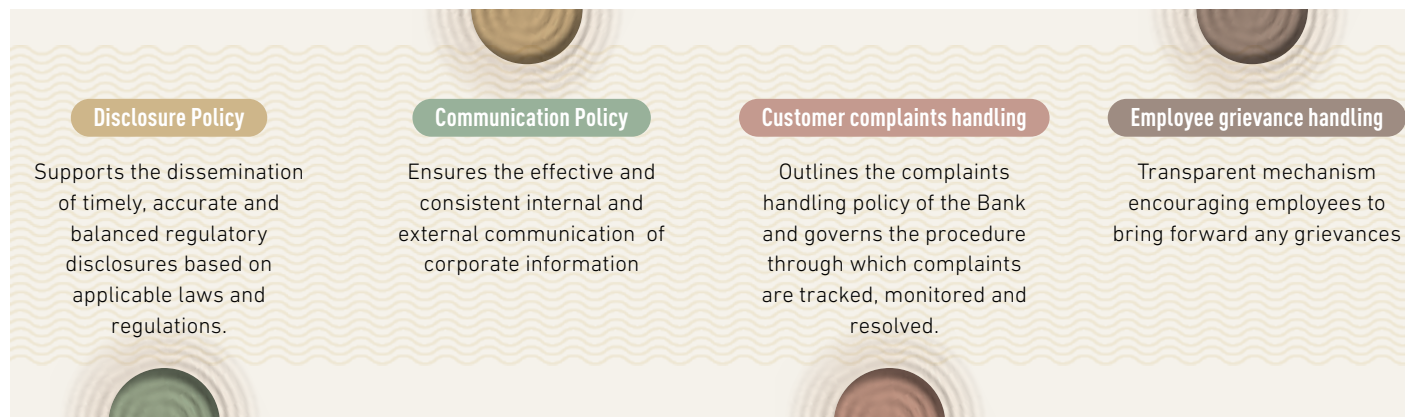
Conscious of environmental and social impacts

Nurturing & Mentoring

A work environment where employees are mentored and talent is nurtured

RESPONSIBLE AND ACCOUNTABLE

Our organisational culture emphasises the importance of driving excellence in relationships, both with our internal and external stakeholders. This is nurtured in the way we engage with, respond to and drive meaningful value creation to our stakeholders. As described on pages 62 to 70, the Bank maps its material stakeholders based on their level of influence, tailors the engagement strategy and delivers it through formal and informal platforms. The frameworks which govern the communication with stakeholders is set out alongside.



SHAREHOLDER ENGAGEMENT

The Board seeks to uphold the rights of our shareholders and ensure that all ordinary shareholders of the same class of shares issued by the Bank are treated equitably. The Bank applies the principle of one share, one vote and one dividend and currently there are no non-voting shares in issue.

The Bank has in place a comprehensive Policy on Relations with Shareholders and Investors which sets out the Bank's policy on communication with the shareholders and investors. In line with this policy, the Bank adopts an array of measures to ensure that shareholder views are heard and fully considered.

- ☉ **Shareholder Meetings:** The Board of Directors of the Bank use the AGMs and EGMs to communicate with shareholders. The AGM provides shareholders the opportunity to contribute their views and engage with the Board of Directors, including the Chairpersons of Subcommittees and members of senior management. The Bank's AGMs are generally well attended, and we encourage

shareholders to participate in fostering a constructive dialog. Resolutions requiring shareholder approval are tabled separately for adoption at the AGM. The Bank held its AGM physically on 28 March 2024 with nearly 55.53% of the shareholding represented.

- ☉ The Bank also held a virtual EGM on 9 August 2024 for the issuance of a maximum of 100,000,000 Basel III Compliant Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable, Debentures with a non-viability conversion option to ordinary shares with voting rights.
- ☉ **Dissemination of information:** The Bank's website (<https://www.ndbbank.com/>) is one of the primary communication and information-sharing channels with shareholders where there is a dedicated section for investor relations. The Bank provides shareholders with timely information on performance and any other material developments. Numerous platforms are in place to disseminate information

amongst shareholders and analysts; these include investor presentations, press releases, email notifications, online investor webinar and road shows. Shareholders also have a right to public information and other information specified in the Articles of Association of the Bank, the Listing Rules of the CSE and the Companies Act, No. 07 of 2007 (as amended).

- ☉ **Investor Relations:** A dedicated Investor Relations function ensures that shareholders are kept aware of emerging developments.
- ☉ **Communicating concerns:** Shareholders may contact the Company Secretary to bring critical concerns to the attention of the Board.

CORPORATE GOVERNANCE

UPHOLDING RIGHTS OF MINORITY SHAREHOLDERS

The rights of the Bank’s minority shareholders are preserved through the following mechanisms:

- ⦿ All shareholders have equal voting and transfer rights
- ⦿ Efficient voting mechanisms to protect minority shareholders
- ⦿ Process for engaging with minority shareholders- All shareholders have direct access to the Company Secretary
- ⦿ All avenues available to minority shareholders in line with the laws and regulations are facilitated

Disclosure and transparency

The Bank has embraced international best practices in both financial and non-financial reporting. Our key publication to stakeholders is the Bank’s Integrated Annual Report, which adheres to several voluntary reporting frameworks such as the Global Reporting Initiative and the SASB guidelines (refer to page 7 for full list). The financial and non-financial information included in the Report as well as the Integrated Reporting process, has been externally assured. The content included in the Annual Report is determined through a comprehensive materiality assessment and all relevant developments pertaining to these material topics are disclosed in a full and transparent manner.

REMUNERATION

The Bank’s Remuneration aims to attract, motivate, and retain high-calibre employees with the right mix of skills, experience, and knowledge to drive business performance. Our framework promotes ethical behaviour by linking rewards to value creation. The Bank’s compensation policy is based on job evaluation factors such as know-how, job complexity, communication, supervision, and risk impact. Key principles of the Remuneration Framework are,

- ⦿ Recognising sustainable financial performance and business results
- ⦿ As an equal opportunity employer, we do not discriminate between ethnicity, gender or other form of diversity when determining remuneration
- ⦿ Balance between fixed and variable components
- ⦿ Performance appraisals enable the identification of talent at all levels thereby resulting in fair remuneration

ROLE OF THE HRRC

The HRRC sets policies on salaries, allowances, and financial payments for Directors, the CEO, and KMPs. This committee consists solely of Non-Executive Directors, mostly independent, including the Chairperson with measures in place to prevent any Director from setting their own pay.

The Committee’s responsibilities include,

- ⦿ Determining the remuneration policy relating to the Directors, CEO and KMPs of the Bank
- ⦿ Evaluating the performance of the CEO and KMPs against the set goals and targets periodically and determining the basis for revising remuneration, benefits and other payments of performance-based incentives.
- ⦿ Discussing and assessing with the Management the overall remuneration expenditure on all staff and their distribution among different categories and obtaining information on the remuneration and benefits paid/given to consultants engaged by the Bank.

(Please refer to pages 231 to 233 for Report of the HRRC)



PROCESS TO DETERMINE COMPENSATION

The process to determine compensation of the Non-Executive Directors is given below:



The Executive Director is an ex officio Director on account of being the CEO of the Bank and as such is not paid any additional remuneration or benefits by virtue of him being an Executive Director.

SUMMARY OF COMPENSATION SCHEMES

Total employee remuneration includes salaries, bonuses, terminal benefits, share-based payments, and related expenses.

A summary of the Group's remuneration/personnel expenses during the year are given below;

	2024	
	Bank LKR' 000	Group LKR' 000
Director's emoluments	142,132	159,468
Personnel expenses		
Salary and bonus	7,104,214	7,810,324
Contribution to EPF	632,285	682,433
Contribution to ETF	128,233	140,306
Contribution to defined benefit plan		
Pension Fund (Note 42.2 (a))	(36,487)	(36,487)
Gratuity (Note 42.1 (a))	303,511	331,762
Share based payments	103,949	103,949
Others	819,752	877,188

- ⦿ Directors' emoluments consists of the salary/fees paid to both Executive and Non-Executive Directors of the Group.
- ⦿ The Bank has not made any non statutory special payments to directors/Chief Executive Officer and Key Management Personnel (KMPs) upon their termination of employment or at the retirement during the year 2024.

COMPLIANCE DISCLOSURES

Further to the Annual Report of Board of Directors presented on page 23, and as required by Section 168 of the Companies Act No. 7 of 2007, the following information is disclosed in this Annual Report prepared for the year ended 31 December 2024.

Information required to be mandatorily disclosed as per Section 168 of the Companies Act No. 07 of 2007		Reference to the Companies Act	Disclosure reference for compliance closure reference	Pages
1	The nature of the business of the Bank and the Group together with any change thereof during the accounting period.	Section 168 (1) (a)	Note 01 to the Financial Statements – Corporate Information.	270
			Nature of businesses of the Bank and its subsidiaries / the classes of business in which the Bank has an interest.	270
			Confirmation that the state of affairs of the Bank will not be harmful to the business of the Bank.	192
2	Signed Financial Statements of the Bank and the Group for the accounting period completed.	Section 168 (1) (b)	The Financial Statements of the Bank and the Group for the year ended 31 December 2024.	260 – 396
3	Auditor's Report on Financial Statements of the Bank and the Group.	Section 168 (1) (c)	Independent Auditor's Report.	260
4	Accounting Policies and any changes therein (Group also included).	Section 168 (1) (d)	Notes to the Financial Statements: Significant Accounting Policies adopted in the preparation of the Financial Statements of the Bank and the Group.	270 – 396
5	Particulars of the entries made in the Interest Registers of the Bank and its Subsidiaries during the accounting period.	Section 168 (1) (e)	All Directors have made declarations as required by Section 192 (1) and (2) of the Companies Act aforesaid and all related entries were made in the Interest Register during the year under review.	N/A
			Directors' Dealing in shares and Debentures.	488, 495
			The Interest Register is available for inspection by shareholders or their authorised representatives as required by Section 119 (1) (d) of the Companies Act No. 07 of 2007.	N/A
			Note 53 to the Financial Statements: Related Party Disclosures.	355
			Directors' Interests in contracts with the Bank	225-226, 418
6	Remuneration and other benefits paid to Directors of the Bank and its Subsidiaries during the accounting period.	Section 168 (1) (f)	Note 15 to the Financial Statements – Other Expenses.	293
			Corporate Governance report – Director's and Executive remuneration.	215
7	Total amount of donations made by the Bank and its Subsidiaries during the accounting period.	Section 168 (1) (g)	Note 15 to the Financial Statements –Other Expenses.	293
8	Names of persons holding office as directors as at the end of accounting period and names of persons who ceased to hold office.	Section 168 (1) (h)	List of Board of Directors of the Bank.	197
			New Appointments and Resignations.	197
			List of Directors of Subsidiaries of the Bank.	525
9	Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Bank and its Subsidiaries.	Section 168 (1) (i)	Note 15 to the Financial Statements – Other Expenses.	293
10	Auditor's relationship or any interest with the Bank and its Subsidiaries.	Section 168 (1) (j)	The Financial Statements of the Bank for the year ended 31 December 2024 have been audited by Messrs Ernst & Young, Chartered Accountants. They also function as the auditors of the Bank's subsidiary companies namely, NDB Capital Holdings Limited, NDB Wealth Management Limited, NDB Securities (Private) Limited, NDB Investment Bank Limited, Development Holdings (Private) Limited, and NDB Zephyr Partners Lanka (Private) Limited.	237 – 239

Information required to be mandatorily disclosed as per Section 168 of the Companies Act No. 07 of 2007	Reference to the Companies Act	Disclosure reference for compliance closure reference	Pages
10 Auditor's relationship or any interest with the Bank and its Subsidiaries. (Contd.)	Section 168 (1) (j)	Based on the declaration provided by Messrs Ernst & Young, Chartered Accountants, and as far as the Directors are aware, the Auditors do not have any relationship with or interest in the Bank that in our judgement may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka, applicable on the date of this report.	237 - 239
		The Auditors have indicated their willingness to offer themselves for reappointment. The Audit Committee and the Board of Directors have recommended the reappointment of the Auditors. A resolution appointing Messrs Ernst & Young as Auditors and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.	524
11 Acknowledgement of the Contents of this Report / Signatures on behalf of the Board.	Section 168 (1) (k)	The Board has acknowledged the contents of the Annual Report as disclosed.	23

The Banking Act Directions on Corporate Governance, No. 05 of 2024 issued by the Central Bank of Sri Lanka, repealed and replaced the Corporate Governance Direction No. 11 of 2007, with effect from 1 January 2025 (Subject to extended timelines). While the Bank has taken steps to ensure compliance with the Directions No. 05 of 2024, well ahead of the timelines stipulated therefore, the Bank will fulfil its disclosure requirements in the 2024 Annual Report under the Direction No. 11 of 2007.

Other Disclosures as required by the Central Bank of Sri Lanka Directions, Listing Rules of the Colombo Stock Exchange, Code of Best Practice on Corporate Governance 2023 (ICASL Code) issued by the Institute of Chartered Accountants of Sri Lanka, Other Laws and Regulations and Good Governance Disclosures as followed by the Bank.

Other Disclosures	Reference to the relevant statute/ rule	Page reference for compliance and other necessary disclosures	Pages
Central Bank of Sri Lanka Directions (CBSL Direction)			
12 Disclosures required to be made by the Board in terms of the Corporate Governance Direction	3 (2) (iii)	The classification of Directors as Executive, Non-Executive, Independent and Non-Independent and the composition of the Board as at 31 December 2024 is provided.	197
13 Annual Corporate Governance Report	3 (1) (xvi)	An annual Corporate Governance report setting out the compliance with Direction 3 of these Directions.	192-248
14 A statement to the effect that the Annual Audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures	3 (8) (ii) (a)	Compliance with applicable accounting standards and regulatory requirements have been reported under ⦿ the Statement of Directors' Responsibility for Financial Reporting ⦿ the Responsibility Statement of Chief Executive Officer and Vice President-Finance ⦿ Note 2.1 (Statement of Compliance) to the Financial Statements	249-250 251-253 271
15 Report by the Board on the Bank's internal control mechanism	3 (8) (ii) (b)	The Directors' Report on the effectiveness of the internal control system over Financial Reporting is given under the "Statement of Internal Control" This report confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	251-252
16 External Auditors Certification on the Effectiveness of the Internal Control Mechanism	3 (8) (ii) (c)	The Assurance Report issued by the External Auditor on the internal control over Financial Reporting based on the auditing framework issued by ICASL.	254

COMPLIANCE DISCLOSURES

Other Disclosures	Reference to the relevant statute/ rule	Page reference for compliance and other necessary disclosures	Pages												
17	Details of Directors, including names, fitness and propriety, transactions with the Bank and the total of fees/ remuneration paid by the Bank	3 (8) (ii) (d) Please refer page 206 for Statement on Fitness and Propriety, "Board Directors" on page 197, "Directors' Interest in Contracts with the Bank" on pages 225 to 226 and Note no 15 on page 293 for Directors' remuneration. The Executive Director is the CEO of the Bank and as such is not paid any additional remuneration or benefits by virtue of him being an Executive Director. Details of Directors' transactions with the Bank are given below: <table><tr><th>Transactions</th><th>Outstanding balance as at 31.12.2024 LKR'000</th></tr><tr><td>Accommodation</td><td>10,593</td></tr><tr><td>Deposits</td><td>113,743</td></tr><tr><td>Investments</td><td>-</td></tr></table>	Transactions	Outstanding balance as at 31.12.2024 LKR'000	Accommodation	10,593	Deposits	113,743	Investments	-	206, 293, 197, 225-226				
Transactions	Outstanding balance as at 31.12.2024 LKR'000														
Accommodation	10,593														
Deposits	113,743														
Investments	-														
18	Total accommodation granted to each category of related party and as a percentage of the Bank's regulatory capital	3 (8) (ii) (e) Total Net Accommodation granted to related parties as a percentage of the Bank's regulatory capital are given below: <table><tr><th>Category of Related Parties</th><th>Net Accommodation as at 31.12.2023 LKR'000</th><th>% of Regulatory Capital</th></tr><tr><td>Directors/Close Family Members/ Substantial Interest concerns</td><td>10,593</td><td>0.012%</td></tr><tr><td>Key Management Personnel/ Close Family members/ Substantial Interest concerns</td><td>125,320</td><td>0.145%</td></tr><tr><td>The Bank's subsidiaries and associate companies</td><td>655,000</td><td>0.756%</td></tr></table>	Category of Related Parties	Net Accommodation as at 31.12.2023 LKR'000	% of Regulatory Capital	Directors/Close Family Members/ Substantial Interest concerns	10,593	0.012%	Key Management Personnel/ Close Family members/ Substantial Interest concerns	125,320	0.145%	The Bank's subsidiaries and associate companies	655,000	0.756%	N/A
Category of Related Parties	Net Accommodation as at 31.12.2023 LKR'000	% of Regulatory Capital													
Directors/Close Family Members/ Substantial Interest concerns	10,593	0.012%													
Key Management Personnel/ Close Family members/ Substantial Interest concerns	125,320	0.145%													
The Bank's subsidiaries and associate companies	655,000	0.756%													
19	Aggregate values of remuneration to and transactions with KMPs	3 (8) (ii) (f) Aggregate values of remuneration paid by the Bank and transactions of the Bank with its KMPs <table><tr><th>Transaction type</th><th>Aggregate values/ Outstanding balances as at 31.12.2024 in LKR '000</th></tr><tr><td>Remuneration Paid</td><td>431,274</td></tr><tr><td>Accommodation</td><td>125,320</td></tr><tr><td>Deposits</td><td>629,150</td></tr><tr><td>Investments</td><td>15,000</td></tr></table>	Transaction type	Aggregate values/ Outstanding balances as at 31.12.2024 in LKR '000	Remuneration Paid	431,274	Accommodation	125,320	Deposits	629,150	Investments	15,000	N/A		
Transaction type	Aggregate values/ Outstanding balances as at 31.12.2024 in LKR '000														
Remuneration Paid	431,274														
Accommodation	125,320														
Deposits	629,150														
Investments	15,000														
20	External Auditors Certification of Compliance	3 (8) (ii) (g) The factual findings report has been issued by the External Auditors on the level of compliance with the requirements of these regulations. The Corporate Governance Report from page 192 onwards addresses any findings mentioned in this report.	N/A												
21	Report confirming compliance with prudential requirements, regulations, laws, and internal controls	3 (8) (ii) (h) There are no material non-compliance with prudential requirements regulations, laws and internal controls affecting the Bank.	249-250, 224												
22	Identity of Board Chair and CEO and relationship with Board members	3 (5) (iii) Identity of the Board Chair, CEO and the nature of any relationship, if any, between Board Chair and CEO and the relationships among Board members	205												

Other Disclosures	Reference to the relevant statute/ rule	Page reference for compliance and other necessary disclosures	Pages
23 Internal Control Mechanisms	3 (8) (ii) (b)	A report by the Board on the Bank's internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	251-252
24 Non-compliance report	3 (8) (ii) (i)	The Monetary Board of CBSL has not directed the Bank to make any disclosures under this item.	N/A
Listing Rules (LR) of the Colombo Stock Exchange			
25 Statement of Compliance	9.1	Bank has published a statement confirming the extent of compliance with the CSE Corporate Governance Rules, in the Annual Report of the Entity.	436-442
26 Waivers from compliance with the Internal Code of business conduct and ethics for Directors and Employees	9.2.2	No waivers granted in 2024.	N/A
27 List of Policies required by the Listing Rules and details	9.2.3	The Bank has disclosed the existence of the following policies, details of implementation, and details of changes made thereto, in this Report : ⦿ Policy on the matters relating to the Board of Directors ⦿ Policy on Board Committees ⦿ Policy on Corporate Governance, Nominations and Re-election ⦿ Policy on Remuneration ⦿ Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Bank's listed securities ⦿ Policy on Risk management and Internal controls ⦿ Policy on Relations with Shareholders and Investors ⦿ Policy on Environmental, Social and Governance Sustainability ⦿ Policy on Control and Management of Company Assets and Shareholder Investments ⦿ Policy on Corporate Disclosures ⦿ Policy on Whistle blowing ⦿ Policy on Anti-Bribery and Corruption The shareholders can peruse the above policies upon request. Details are available on the Bank's website https://www.ndbbank.com/investor-relations/governance-and-shareholding-structure	203
28 Shareholder communications and relations policy	9.4.2	The Board approved Policy on Relations with Shareholders and Investors is available for perusal upon request to shareholders. Details are available in the Annual Report and on the Bank's website https://www.ndbbank.com/investor-relations/governance-and-shareholding-structure	213
		The Annual report contains more information on the Bank's Shareholder Engagement.	213-214
		Details of the contact personnel are provided in the "Corporate Information" section of this Report. In addition, shareholders are encouraged to provide their feedback to the Board Chair and/or the Company Secretary. The Bank's website's Investor Relations page also carries contact details of the Company Secretary and a dedicated e-mail for investor relations is also provided.	525
29 Policy governing matters relating to the Board of Directors	9.5.2	The Bank has in place a Policy on matters relating to Board of Directors. A confirmation on compliance therewith is included in this Annual Report.	203

COMPLIANCE DISCLOSURES

Other Disclosures		Reference to the relevant statute/ rule	Page reference for compliance and other necessary disclosures	Pages
30	Director fitness and propriety	9.7.5	Following statements on director fitness and propriety have been included in the Annual Report.	206
			a) A statement that the Directors and CEO of the Listed Entity satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange	N/A
31	Number of independent directors	9.8.5	The Non-Executive Independent Directors are detailed in this report.	197
32	Director disclosures	9.10.4	Bank has made the requisite disclosures regarding Directors in the Annual Report	
			a) name, qualifications and brief profile;	32-37
			b) the nature of his/her expertise in relevant functional areas;	
			c) whether either the Director or Close Family Members has any material business relationships with other Directors of the Bank;	205
			d) whether Executive, Non-Executive and/or independent Director;	197
			e) the total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or Key Management Personnel;	32-37
			f) number of Board meetings of the Listed Entity attended during the year;	207
			g) names of Board Committees in which the Director serves as Chairperson or a member;	208
			h) Details of attendance of Committee Meetings of the Audit, Related Party Transactions Review, Nominations and Governance and Remuneration Committees. Such details shall include the number of meetings held and the number attended by each member.; and,	208
33	Nominations and Governance Committee report	9.11.6	The following disclosures have been made in the Nominations and Governance Committee report.	
			(a) the names of the Chairperson and members of the Committee and the nature of directorships held by such members)	
			(b) the date of appointment to the Committee;	
			(c) whether a documented policy and processes are in place when nominating Directors;	
			(d) whether all directors should be required to submit themselves for re-election at regular intervals and at least once in every three (3) years;	
			(e) a disclosure on Board diversity in the range of experience, skills, age, and gender as an essential factor for effective Board performance	
			(f) Details to demonstrate effective implementation of policies and processes relating to appointment and reappointment of Directors.	
			(g) The following information regarding directors who are re-elected or being proposed for re-election during the year:	
			⊙ Board Committees served on (as a member or Chairperson),	
			⊙ Date of first appointment and last re-appointment	
			⊙ Directorships and other principal commitments both present and over past 3 years in other Listed Entities; and,	
			⊙ Other relationships with directors material shareholders etc.	
			(h) Whether periodic evaluations have been conducted on the performance of the Board of Directors and the CEO of the Bank as specified in Rule 9.11.5	
			(i) Processes adopted by the Bank to inform the Independent Directors of major issues relating to the Bank;	
				227-230

Other Disclosures	Reference to the relevant statute/ rule	Page reference for compliance and other necessary disclosures	Pages
33 Nominations and Governance Committee report (Contd.)	9.11.6	(j) Induction programs/orientation programs conducted for newly appointed Directors on corporate governance, Listing Rules, securities market regulations and other applicable laws and regulations, or an appropriate negative statement; (k) Annual update given to existing Directors on Corporate Governance, Listing Rules, securities market regulation and other applicable laws and regulations, or an appropriate negative statement. (l) A statement that the Directors of the Bank meet the criteria for determining independence. (m) A statement that the Corporate Governance requirements stipulated under the Listing Rules of the CSE have been met and where the Bank's fail to comply with any provisions of such Rules, a statement explaining the reason for such noncompliance and the proposed remedial action taken for the rectification of such noncompliance.	227-230 (Contd.)
34 Remuneration Committee disclosures/ report	9.12.8	The following have been disclosed in this Annual Report, as required. (a) Names of the Chairperson and members of the Remuneration Committee and the nature of directorships held by such members (b) A statement regarding the remuneration policy (c) The aggregate remuneration of the Executive and Non-Executive Directors	231-233
35 Audit Committee Report	9.13.5	The following have been disclosed in this Annual Report, as required. (a) the names of the Chairperson and the members of the Audit Committee, and the nature of directorships held by such members (or persons in the parent company's committee in the case of a group company) (b) The status of risk management and internal control of the Bank and as a Group (where applicable) (c) A statement that it has received assurance from the CEO and the CFO of the Bank's operations and finances (d) An opinion on the compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements. (e) whether the Bank has a formal Audit Charter; (f) the manner in which internal audit assurance is achieved and a summary of the work of the internal audit function (g) Details demonstrating the effective discharge of its functions and duties for that financial year of the Bank (h) a statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming that they are and have been independent throughout the conduct of the audit engagement (i) a statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination and such other details specified in 9.13.5	237-239 See IRMC Report on pages 234-236 for item (b)
36 Related Party Transactions	9.14.8	Disclosures in the Annual Report on recurrent and non- recurrent related party transactions as stipulated in this section.	N/A
37 Related Party Transactions Committee Report	9.14.8	The Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following: 1. The names of the Directors comprising the Committee; 2. A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated its comments/observations to the Board of Directors. 3. The policies and procedures adopted by the Committee for reviewing the Related Party Transactions.	240-241
38 Affirmative Declaration on compliance with Related Party Transaction rules	9.14.8	Affirmative declaration by the Board of Directors on compliance with RPT Rules or negative statement to that effect.	241

COMPLIANCE DISCLOSURES

Other Disclosures		Reference to the relevant statute/ rule	Page reference for compliance and other necessary disclosures	Pages
39	Additional Disclosures	9.16	The Directors declare that-	N/A
			(i) they have declared all material interests in contracts involving in the Bank and whether they have refrained from voting on matters in which they were materially interested;	
			(ii) they have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith;	
			(iii) they made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;	
			(iv) in 2024 there were no material non-compliances with law or regulation or any fines, which are material, imposed by any government or regulatory authority.	
Code of Best Practice on Corporate Governance 2023 (the “Code”)				
40	Statement of Compliance with the Code of best Practice on Corporate Governance 2023	D.7.1	All required disclosures have been made below and status of compliance has been detailed.	420-435
41	Senior Independent Director/ Board Chair and CEO	A.2.1 and A.5.7	The Bank is not required to appoint a Senior Independent Director, hence this requirement is not applicable.	N/A
42	Board Balance	A.5.5	Non-Executive Independent directors are identified and disclosed.	197
			The Bank has not declared any Directors as “nevertheless independent”.	N/A
43	Appraisal of Board Performance	A.9.4	The Bank has disclosed how performance evaluations have been conducted.	205
44	Board related disclosures	A. 10.1	The Bank has disclosed the required Director details in this Annual Report.	See item 32
45	Disclosure of Remuneration	B.3 and B.3.1	A statement of remuneration policy;	232
			Details of remuneration of the board as a whole;	215
			Names of directors comprising the remuneration committee, scope and number of meetings held.	231-233
46	Major and Material Transactions	C.3, C.3.1 and C.3.3	Bank has no major transactions to disclose in 2024.	N/A
47	Code of Business Conduct and Ethics	D.6.1 and D.6.7	The Bank has disclosed the existence of this policy in the Annual Report.	203
48	Whistleblowing Policy	D.6.4	The Bank has implemented a comprehensive procedure to address concerns raised by the Whistleblower Policy. More details are disclosed in the Annual Report.	210
49	Communication with shareholders	C.2.2- C.2.7	The Bank has disclosed details of the Policy on Relations with Shareholders and Investors in this Annual Report.	213
			Contact person for shareholder communication.	525
			The process to make all directors aware of major issues and concerns of shareholders.	210
50	Cyber Security	G. 5	Process to identify and manage cyber security risks.	210-211
51	Sustainability: ESG Disclosures	H.5, H.5.2 H.5.3	Information on the Bank’s commitment to sustainability and integrating ESG consciousness.	80-83, 172-185, 210
52	Financial Statements	D. 1.5	Statement of responsibility by the Board of Directors for the preparation and presentation of financial statements.	253
			Auditor’s statement on reporting responsibility.	260-262
53	Risk Management and Internal Control	D.1.5 D.2.1.7	Statement on risk management and internal control.	251-252, 443-483
		D.2.2.1 D.4.5	Report of the Integrated Risk Management Committee.	234-236
54	Related Party Transactions	D.1.8	The Board has disclosed the related parties and related party transactions as specified by SEC/ Sri Lanka Accounting Standards/Sri Lanka Auditing Standards and similar regulations.	240-241, 355-359

Other Disclosures		Reference to the relevant statute/ rule	Page reference for compliance and other necessary disclosures	Pages
55	Management Report	D.1.6	Management Discussion and Analysis Report.	84-191
56	Related Party Transactions Review Committee Report	D.5.3	Report of the Related Party Transactions Review Committee.	240-241
57	Audit Committee Report	D.4.5	Report of the Audit Committee.	237-239
58	Remuneration Committee Report	B.3.1	Report of the Human Resources and Remuneration Committee.	231-233
59	Report of the Board of Directors	D.1.4	The Directors declare that- ⊙ The Bank has not engaged in any activity, which contravenes laws and regulations, ⊙ The directors have declared all material interests in contracts involving the Bank and refrained from voting on matters in which they were materially interested, ⊙ The Bank has made all endeavours to ensure the equitable treatment of shareholders, ⊙ The Directors have complied with best practices of corporate governance ⊙ Property, plant and equipment are reflected at fair value, where it is different from fair value, and adequate disclosures are made, ⊙ The business is a going concern, with supporting assumptions or qualifications as necessary.	N/A
Other Laws and Regulations				
60	Duty of the Board of Directors to prepare the Financial Statements of the Bank and the Group	S 150 - 153 of the Companies Act (CA) No. 7 of 2007	Board of Directors acknowledges its responsibility to prepare the Financial Statements of the Bank and the Group, which reflect a true and fair view of the financial position and performance of the Bank and the Group. In this regard, the Board of Directors wishes to confirm that the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and Significant Accounting Policies and Notes thereto have been prepared and presented in conformity with the requirements of the Sri Lanka Accounting Standards as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 07 of 2007 and amendments thereto.	249-250
61	Dividends on Ordinary Shares	S 56 of the CA No. 7 of 2007	Note 20 and 54 to the Financial Statements – Dividends and Events after the Reporting period.	359, 397
62	Appointment of Auditor, Auditor's fees, duty to avoid conflict of interest etc	S 154, 155, 162 & 163 of the CA No. 7 of 2007	The Bank's External Auditors, Messrs Ernst & Young, who were appointed in accordance with a resolution passed at the 16th Annual General Meeting held on 9th April 2021 have expressed their opinion in this Annual Report. The details on the remuneration of External Auditors have been disclosed in this Annual Report. As far as the Directors are aware, the Auditors do not have any other relationship with the Bank, or any of its subsidiaries and its associate. The External Auditors do not have any interest in contracts with the Bank, or any of its subsidiaries and its associates.	293, 237 - 239
63	Insurance and Indemnity	S 218 of the CA No. 7 of 2007	Pursuant to a decision of the Board, the Bank obtained an Insurance Policy to cover Directors' liability. The Bank has accordingly paid an insurance premium in respect of the said insurance policy for the benefit of the Bank and the Directors and certain employees of the Bank and related body corporates as defined in the insurance policy.	N/A
64	Own share purchases	CA s.64	The Bank has not purchased its own shares.	N/A
65	Taxation	Laws related to taxation	Note 16 and 18 to the Financial Statements.	293, 294
66	Statutory payments	Laws and regulations related to all statutory payments	The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to the Government of Sri Lanka and the employees have been made up to date.	253

COMPLIANCE DISCLOSURES

Other Disclosures	Reference to the relevant statute/ rule	Page reference for compliance and other necessary disclosures	Pages
Good Governance Disclosures as followed by the Bank (GGD)			
67 Vision, Mission and Corporate Conduct	GGD	The Bank and the Group practices high ethical standards in carrying out their business activities in line with the vision of the Bank. All employees of the Bank abide by the Bank's Code of Conduct and the Directors and the Key Management Personnel of the Bank additionally abide by the Policy on Corporate Governance and the Corporate Governance Process Manual of the Bank.	192, 211-212
68 Review on Operations of the Group and the Bank and future developments	GGD	A review of the operations of the Bank and the Group are discussed in the Message from the Board Chair, Chief Executive Officer's Review and the Management Discussion and Analysis. Note 52 to the Financial Statements: Segmental Analysis - Group	84-191, 24-26, 27-30 353
69 Changes to the Group structure	GGD	There were no changes to the group structure during the year.	N/A
70 Gross Income	GGD	Note 04 to the Financial Statements - Gross Income.	277
71 Performance of the Bank and the Group	GGD	Statement of Profit and Loss.	263
72 Reserves & appropriations	GGD	Statement of Changes in Equity. Note 45, 46 and 47 of the Financial Statements – Statutory Reserves, Retained Earnings and Other Reserves.	266 343, 344
73 Investment Property	GGD	Note 32 to the Financial Statements - Investment Property.	320
74 Capital commitments	GGD	Note 49.2 to the Financial Statements.	349
75 Issue of Shares and Debentures by the Subsidiaries and Associates during the year	GGD	Note 30 and 31 to the Financial Statements.	318 - 319
76 Disclosure of Director's Dealing in shares and Debentures	GGD	Section 6 and Section 14 of the Section on "Investor Relations".	488, 495
77 Environmental Protection	GGD	The Bank and the Group have not engaged in any activity that is detrimental to the environment, and have complied with the environmental laws and regulations at all times. Specific activities carried out during the year to protect the environment are detailed in the Management Discussion and Analysis.	177-179
78 Events Occurring after the Date of the Statement of Financial Position	GGD	There have been no events that require adjustment to the Financial Statements or disclosure in the Financial Statements that has occurred subsequent to the date of the Statement of the Financial Position of the Bank. Note 54 to the Financial Statements.	359
79 Human Resources	GGD	The Human Resources activities carried out during the year to focus on the strategic objectives are detailed in the Human Resources and Remuneration Committee report and Management Discussion and Analysis.	136-148
80 Operational Excellence	GGD	Operational Excellence is also a key Strategic Objective of the Bank and focusses on increasing efficiency and managing operational costs. The Bank has on going initiatives to drive policy and process standardisation and to optimise the use of existing technology platforms.	50-54
81 Outstanding Litigations	GGD	In the opinion of the Directors and the Bank's lawyers, pending litigations against the Bank disclosed in the Financial Statements will not have a material impact on the financial position of the Bank or its future operations. Note 49.3 to the Financial Statements.	349
82 Corporate Social Responsibility (CSR)	GGD	CSR Initiatives in 2024 are highlighted in the Annual Report.	177-179
83 Sustainability	GGD	All Business strategies are formulated considering the sustainability aspects of the Bank including Sustainability practices and reporting.	80-83
84 Technology	GGD	All processes of the Bank are improved focusing superior customer services through embedding state-of-the-art technology to all its processes and products.	159

DIRECTORS' INTERESTS IN CONTRACTS WITH THE NATIONAL DEVELOPMENT BANK PLC

Related party disclosures as per the Sri Lanka Accounting Standard – LKAS 24 on “Related Party Disclosures” is disclosed in Note 53 to the Financial Statements on pages 355 to 359 of this Annual Report. In addition, the Bank carries out banking transactions in the ordinary course of business on an arm's length basis with entities where the Chairman or any Director of the Bank maintain a relationship with such entities as listed below.

Relationship	Company	Accommodation Granted,Deposits & Investments	Balance Outstanding as at 31.12.2024 LKR '000	Balance Outstanding as at 31.12.2023 LKR '000
Mr. Sriyan Cooray				
Director	Orient Finance PLC	Deposits & Investments	116,354	208
		Loans & Receivables	598,087	325,383
Mr. Kelum Edirisinghe				
Chairman	Development Holdings (Pvt) Limited	Deposits & Investments	161,081	341,321
		Loans & Receivables	0	0
		Off -Balance Sheet Accommodations	-	702
Director	NDB Capital Holdings Limited	Deposits & Investments	21,648	35,137
		Off -Balance Sheet Accommodations	299,999	12,112
Director	NDB Wealth Management Limited	Deposits & Investments	9,074	8,382
Director	NDB Investment Bank Limited	Deposits & Investments	42,265	15,438
		Loans & Receivables	1	1
		Off -Balance Sheet Accommodations	4,787	-
Director	NDB Securities (Pvt) Limited	Deposits & Investments	322,833	4,144
		Loans & Receivables	15	6,438
		Off -Balance Sheet Accommodations	100,000	100,000
Director	NDB Zephyr Partners Limited, Mauritius	Deposits & Investments	1,858	2,043
Mr. Bernard Sinniah				
Director	Codevus (Pvt) Limited	Deposits & Investments	678	654
Chairman (w.e.f. 01 January 2025)/Director	NDB Capital Holdings Limited	Deposits & Investments	21,648	35,137
		Off -Balance Sheet Accommodations	299,999	12,112
Director	NDB Securities (Pvt) Limited	Deposits & Investments	322,833	4,144
		Loans & Receivables	15	6,438
		Off -Balance Sheet Accommodations	100,000	100,000
Director	NDB Wealth Management Limited	Deposits & Investments	9,074	8,382
Director	NDB Investment Bank Limited	Deposits & Investments	42,265	15,438
		Loans & Receivables	1	1
		Off -Balance Sheet Accommodations	4,787	-
Director	NDB Zephyr Partners Lanka (Pvt) Limited	Deposits & Investments	2,081	5,064

DIRECTORS' INTERESTS IN CONTRACTS WITH THE NATIONAL DEVELOPMENT BANK PLC

Relationship	Company	Accommodation Granted, Deposits & Investments	Balance Outstanding as at 31.12.2024 LKR '000	Balance Outstanding as at 31.12.2023 LKR '000
Mr. Sujeewa Mudalige				
Chairman	Millennium IT ESP	Deposits & Investments	565	636
		Off -Balance Sheet Accommodations	-	888,893
Chairman	Ambeon Capital PLC	Deposits & Investments	454	206
		Loans & Receivables	162,036	323,798
Chairman	Ambeon Holdings PLC	Deposits & Investments	181	182
Chairman	Sherwood Capital (Pvt) Limited	Deposits & Investments	31	24
Chairman of the Committee	Mercantile Services Provident Society (MSPS)	Deposits & Investments	2,690,304	1,090,304
Director	CIC Holdings PLC	Deposits & Investments	107,986	113,238
		Loans & Receivables	1,040,176	-
		Off -Balance Sheet Accommodations	1,122,934	-
Director	NSBM Green University	Deposits & Investments	100	-
Director	Mahindra Ideal Finance Limited	Deposits & Investments	194	586
		Loans & Receivables	-	-
Director	Link Natural Products (Pvt) Limited	Deposits & Investments	333	28
Director	Cargo Boat Development PLC	Deposits & Investments	2,962	123,026
Director	Maliban Biscuit Manufactories (Pvt) Limited	Deposits & Investments	525	525
Committee Member	The Ceylon Chamber of Commerce	Deposits & Investments	2,221,122	2,330,611
Ms. Kasturi Chellaraja				
Director	Capital Alliance Holdings Limited	Deposits & Investments	99	-
Trustee	Hemas Wellness Trust	Deposits & Investments	43,808	45,371
Board Member/ Committee Member	The Ceylon Chamber of Commerce	Deposits & Investments	2,221,122	2,330,611
Mr. Hasitha Premaratne				
Director	Ocean Lanka (Pvt) Limited	Deposits & Investments	3,071,731	4,665,528
		Off -Balance Sheet Accommodations	1,623,053	5,890,356
Director	Teejay Lanka PLC	Deposits & Investments	83,754	32,068

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

In its governance role, the Committee also proactively deliberated several new and revisions to existing laws and regulations on corporate governance with the management... with a view to ensuring the Bank's readiness to the wide changes being introduced and to ensure adherence to same.

Mr. Kushan D'Alwis, PC
Chairperson
Nominations and Governance Committee



COMPOSITION OF THE NOMINATIONS AND GOVERNANCE COMMITTEE

Mr. Kushan D'Alwis, PC was appointed as the Chairperson of the Committee with effect from 01 April 2024, in compliance with the composition requirements in Section 9.3.3 of the Listing Rules of the Colombo Stock Exchange.

Accordingly, the Board appointed Nominations and Governance Committee comprised four Non-Executive Directors including the Chairperson who is an Independent Director who is not the Chair, Board of Directors.

As at 31 December 2024 the Committee comprised the following:

Board Members	Date of Appointment to the Committee	Committee meetings - Attended/ Eligible to attend
Mr. Kushan D'Alwis, PC (Chairperson) Non-Executive Independent Director	21 June 2022	6/6
Mr. Sriyan Cooray Non-Executive Independent Director	20 August 2021	6/6
Mr. Sujeewa Mudalige Non-Executive Independent Director	21 June 2022	6/6
Mr. Bernard Sinniah Non-Executive Non-Independent Director	19 February 2020	3/6
Secretary to the Committee Ms. Shehani Ranasinghe - Vice President - Company Secretary		

CHARTER OF THE NOMINATIONS AND GOVERNANCE COMMITTEE

The Nominations and Governance Committee was initially formed in compliance with the Section 3 (6) of Direction No. 11 of 2007, "Corporate Governance for Licensed Commercial Banks in Sri Lanka", issued by the Monetary Board of the Central Bank of Sri Lanka under the powers vested in the Monetary Board, in terms of the Banking Act No 30 of 1988. In 2023, the scope of the Committee was revised and expanded to include oversight on governance to be in compliance with the new Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE), and the Committee was renamed from Nominations Committee to the Nominations and Governance Committee. The Committee's duties and functions were further expanded in 2024 considering the Corporate Governance Directions No. 05 of 2024 (the "Corporate Governance Direction"), well ahead of the stipulated timelines for compliance.

The composition and the scope of work of the Committee are in conformity with the provisions of the Corporate Governance Direction and the Listing Rules. The Charter of the Nominations and Governance Committee was approved by the Board of Directors and is reviewed annually. As part of the annual review process, the Committee reviewed the Charter in 2024.

The Committee carries out the following duties and responsibilities.

- Reviews the structure, size, qualifications and composition of the Board and Board Committees with regard to effective discharge of duties and responsibilities. The Committee shall ensure that the Board composition has a healthy mix of knowledge, qualifications, skills, experience in relevant disciplines, gender and have varied backgrounds to promote diversity of views commensurate with the size, scale, diversity and complexity of operations of the Bank.
- Considers and recommends the re-election of current Directors, taking into account the performance and contribution made by the Director/s concerned towards the overall discharge of the Board's responsibilities and strategic demands of the Bank, combined knowledge, experience, the number of directorships held by the Director in other listed and unlisted companies and other principal commitments
- Sets out and maintains the criteria such as academic and professional qualifications, skills, experience and key attributes required for eligibility to be considered for appointment as Director to a Bank or to the post of Chief Executive Officer (CEO) and Key Management Personnel (KMPs).

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

- Ensures that Directors, CEO and KMPs are fit and proper persons to hold office as specified in the criteria given in applicable laws. In selecting the Chief Risk Officer and the Compliance Officer the Committee shall obtain the views of the Integrated Risk Management Committee and in selecting the Internal Auditor of the Bank the Committee consults views of the Audit Committee.
- The Committee evaluates on a quarterly basis the status of independence of the independent non-executive directors in terms of the applicable laws and whether such directors have any conflicts of interest that may impede the ability to perform duties independently and notify the changes to the independent status (if any) to the Director of Bank Supervision or make the relevant market disclosures.
- The Committee ensures that directors are continuously updated on relevant laws, regulations, policies, and industry developments. Additionally, the Committee will identify directors' training needs and recommend regular training and professional development programs to the Board.
- Establishes, maintains and implements formal and transparent procedures to evaluate, select and appoint/re-appoint the CEO, KMPs and new Directors to the Board and the Board Subcommittees
- Consider and recommend from time to time the requirements of additional/new expertise to the Board and the succession arrangements for retiring directors.
- Sets the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment to select/appoint fit and proper persons as the Nominee Directors to the Boards of the Bank's group companies.
- The Committee ensures the Bank has a clear and effective succession plan for the CEO and KMPs, including identifying and grooming successors and reviewing the plan annually.
- Reviews and recommends the overall Corporate Governance Framework of the Bank taking into account the Listing Rules of the Colombo Stock Exchange, other applicable regulatory requirements and industry/ international best practices, as applicable

- Periodically reviews and updates the corporate governance policies/framework of the Bank in line with the regulatory legal developments relating to same and internal/industry best practices

COMMITTEE MEETINGS

The Committee held six (06) meetings during the year under review. The quorum for a meeting is half of its members.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

The Chief Executive Officer (CEO) and other Directors have been present at meetings only if invited by the Committee.

DISCLOSURES BY THE COMMITTEE IN TERMS OF THE LISTING RULES

A formal documented procedure is in place for the selection and appointment of directors to the Board, however no new directors were appointed during 2024 other than the appointment of the Chief Executive Officer who is an ex-officio Executive Director of the Bank, having being appointed to office in February 2024.

Directors are required to retire by rotation and submit themselves for re-election at regular intervals in accordance with the Articles of Association of the Bank and the Policy on Nominations and Re-Elections whereby (except for Directors appointed in terms of Articles 35 (ii), 37 and 44) , 1/3rd of the Directors for the time being, shall retire from office at each annual general meeting. As such, eligible Directors submit themselves for re-election at least once in every 3 years.

Directors to be re-elected or re-appointed at the annual general meeting to be held in 2024.

	Mr. Bernard Sinniah	Mr. Kushan D'Alwis, PC
Board Committees served on (member/chairperson)	- Credit Committee (Chairperson) - Strategic Issues Committee - Human Resources & Remuneration Committee - Nominations & Governance Committee - Bank Digital Subcommittee	- Nominations & Governance Committee (Chairperson) - Related Party Transactions Review Committee (Chairperson) - Credit Committee - Audit Committee
Date of first appointment	28 March 2019	06 July 2020
Date of last re-appointment	30 March 2022	30 March 2023
Directorships or Chairpersonships and other principal commitments both present and those held over the preceding three years in other Listed Entities	Please refer the Director's profile on page 33	Please refer the Director's profile on page 33
Any relationships including close family relationships between the candidate and the Directors, the Listed Entity or its shareholders holding more than ten per centum (10%) of the shares of the Listed Entity	None	None

Board diversity is an integral consideration to ensure Board performance is at the highest level. Please refer page 198 for information on the Directors range of experience, skills, age and gender.

Periodic evaluations have been conducted in 2024 on the performance of the Board of Directors and the Chief Executive Officer as agreed by the Board

In line with the process in place, the Chair, Board of Directors informs the Board and where necessary, the Independent Directors/ Non-Executive Directors as and when major issues arise.

A procedure is in place to induct and carry out orientation for newly appointed Directors primarily led by the Chair, Board of Directors in order to ensure a sound understanding of the corporate governance requirements, the applicable laws and regulations and such other matters deemed to be of importance at the point of on-boarding and as needed thereafter

Directors are updated on new laws and regulations and changes to existing laws and regulations including those relating to governance, in general every quarter and where such changes are deemed to be significant, directors are updated and deliberations take place as and when such changes occur.

The Committee quarterly assesses the independence of directors against the Corporate Governance Direction, the Code of Best Practices on Corporate Governance and the Listing Rules of the Colombo Stock Exchange and is satisfied that the Independent Directors of the Bank meet the applicable criteria and that there are no impairments to their independence.

KEY ACTIVITIES IN 2024

The Committee, being cognisant of its widening scope and duties in line with prevailing Rules and Regulations, took steps to ensure that the Committee is equipped with all necessary mechanisms and information to carry out effective oversight on the Bank's governance pillar.

During the year, the Committee carried out the following activities –

- ⦿ The Committee assessed the fitness and propriety of the continuing Directors of the Bank whilst being cognisant of the Corporate Governance Direction which stipulates particular disciplines in which experience is required and that Boards must have at least one female representative by 31 December, 2025, and that Boards with more than ten members must have at least two female representatives by 31 December 2026. In this context, we are pleased to note that our bank is well ahead of these requirements, with three female directors on our Board.
- ⦿ In this process, the Committee not only assessed the diversity in experiences, qualifications, competencies etc. and the contribution and commitment made towards the Bank vis a vis the economic landscape and backdrop in which the Bank functioned, but also whether conflicts of interest exists with the Bank.
- ⦿ It recommended to the Board the re-election of Directors retiring by rotation and offering themselves for re-election at the Annual General Meeting in line with the Articles of Association of the Bank and applicable regulations, having assessed the fitness and propriety of the Directors
- ⦿ Noting its enhanced oversight role on governance, the Committee prioritised raising awareness among Board members about the importance of avoiding conflicts of interest. Simultaneously, the Committee streamlined and strengthened internal mechanisms to collate and monitor Directors' information disclosures, further strengthening the timely disclosure requirement.
- ⦿ Facilitated by the mechanisms referred to above, the Committee also commenced quarterly assessment of director independence to ensure that there were no impairments to the independence
- ⦿ In its governance role, the Committee also proactively deliberated several new and revisions to existing laws and regulations on corporate governance with the management, such as the amendment to the Banking Act, the Anti-Corruption Act, the new Listing Rules on corporate Governance, Financial Consumer Protection Act, the several new directions, circulars, Determinations etc. issued under the Banking Act including Direction No 05 of 2024 on Corporate Governance for Licensed Banks with a view to ensuring the Bank's readiness to the wide changes being introduced and to ensure adherence to same.
- ⦿ The Committee proactively reviewed and recommended changes to the compositions of the subcommittees of the Bank in view of the composition requirements set out in the Listing Rules and the Corporate Governance Direction.
- ⦿ The Committee supported the increase of the frequency of monitoring NDB share trades, in the interest of ensuring compliance with banking sector laws and regulations.
- ⦿ It deliberated on the changes introduced by the Listing Rules pertaining to corporate governance, its impact to the Bank and reviewed and recommended the policies mandated for disclosure to shareholders under the Listing Rules.
- ⦿ Reviewed policies and procedures on selection and appointment of Directors and appointment process for the CEO and KMPs of the Bank in order to ensure that same is in line with revised applicable laws and regulations.
- ⦿ The Committee considered the fitness and recommended suitable candidates to hold existing KMPs positions when vacancies were created after a thorough evaluation of internal talent as well as external expertise and talent available in the market, considering the specific roles and expectations of the Bank and also noting its role to proactively ensure talent identification, retention and grooming for smooth succession that is a key focus area for the Bank.
- ⦿ The Committee further reviewed and recommended the appointment and continuation of Directors to the Boards of subsidiary companies of the Bank focusing on bringing in more independent discourse to the Board and subcommittees through the appointment of independent directors. In these processes, the Committee assessed the qualifications, experience, skills and competencies of the Directors vis à vis

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

the gaps and needs of the Boards in line with the current gaps, challenges faced and any applicable regulatory requirements. The Committee was conscious of the overall composition of the Boards and striking the ideal balance in terms of expertise, experience, age, gender etc. on the boards. The Committee further revisited the Code of conduct & Ethics recommended for the NDB group companies.

- ① The Committee has also regularly deliberated upon any regulatory/ supervisory concerns raised by its regulators pertaining to the areas of oversight and coming within the purview of the Committee, advising on and ensuring that the required corrective actions are taken well within the agreed timelines.
- ① Noting the value of continuous learning and awareness of the complexities and changes taking place in the macro environment in which the Bank navigates, several informative awareness sessions were held during 2024 giving the Board and management multiple opportunities to educate themselves, deliberate and challenge the macro level challenges vis a vis its impact to the Bank and steer and formulate short to long term business decisions and strategies to achieve its aspirations and meet stakeholder satisfaction (Please refer page 204 for further details on director training/ awareness).
- ① A self-assessment on the performance of the Committee was carried out and any weaknesses, improvements etc. identified by the members were deliberated in detail and required changes/corrections were implemented in 2024.

The Committee believes that it has met the corporate governance requirements stipulated in the Corporate Governance Direction and the Listing Rules of the Colombo Stock Exchange.

APPRECIATION

The Committee places on record its appreciation of its members for the contribution and commitment throughout 2024.



Mr. Kushan D'Alwis, PC

Chairperson

Nominations and Governance Committee

20 February 2025
Colombo

HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

The Committee reviewed the Bank's rewards strategy amid the challenging economic landscape and high attrition rates in 2024. A comprehensive salary and benefits survey was conducted to align compensation with market standards, analysing trends in rewards offered by comparable institutions. This data enabled informed decisions on revised benefits, salary increments, and performance linked pay.

Ms. Kasturi Chellaraja
Chairperson
Human Resources and Remuneration Committee



COMPOSITION OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

Ms. Kasturi Chellaraja was appointed as the Chairperson of the Committee with effect from 01 April 2024, in compliance with the composition requirements in Section 9.3.3 of the Listing Rules of the Colombo Stock Exchange.

Accordingly, the Board appointed Human Resources & Remuneration Committee comprised five Non-Executive Directors inclusive of the Chairperson who is an Independent Director and a majority of Independent Directors as set out below.

As at 31 December 2024 the Committee comprised the following:

Board Members	Date of Appointment to the Committee	Committee meetings - Attended/ Eligible to attend
Ms. Kasturi Chellaraja (Chairperson) Non-Executive Independent Director	20 June 2023	4/4
Mr. Sriyan Cooray Non-Executive Independent Director	20 August 2021	4/4
Mr. Sujeewa Mudalige Non-Executive Independent Director	22 March 2022	4/4
Mr. Bernard Sinniah Non-Executive Non-Independent Director	19 February 2020	2/4
Mr. Hasitha Premaratne Non-Executive Independent Director	18 July 2023	4/4
Secretary to the Committee Ms. Shehani Ranasinghe - Vice President - Company Secretary		

CHARTER OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Human Resources & Remuneration Committee was formed in compliance with Section 3 (6) of Direction No. 11 of 2007, on the subject "Corporate Governance for Licensed Commercial Banks in Sri Lanka", issued by the Monetary Board of the Central Bank of Sri Lanka under the powers vested in the Monetary Board, in terms of the Banking Act No. 30 of 1988.

The Charter of the Human Resources & Remuneration Committee was approved by the Board of Directors and is reviewed annually. The Committee revised its Charter in late 2024 to ensure proactive compliance in advance of the timelines set out in the Corporate Governance Directions No. 05 of 2024 (the "Corporate Governance Direction") issued by the Central Bank of Sri Lanka on 30 September 2024 which became effective from 01 January 2025.

The composition and the scope of work of the Committee are in conformity with the provisions of the said Direction and the Listing Rules. As per the Charter, the scope of work includes the following (noting the applicability of the revised scope from 01 January 2025);

- ⦿ Determining and periodically reviewing the Remuneration Policy (salaries, allowances, special payments/ benefits made at termination or retirement, and other financial and non- financial benefits) and recommend remuneration payable to Directors, the CEO and Key Management Personnel (KMPs) of the Bank in terms of the Remuneration Policy/ Bank's Articles etc. for the approval of the Board.
- ⦿ The Committee shall ensure that the Bank's approach to remuneration including monitoring and reviewing remuneration is in alignment with the Bank's risk culture and risk appetite.
- ⦿ Recommending to the Board the apportionment of the remuneration perquisites and benefits of the Non-Executive Directors including the Board Chair out of the total sum determined for the purpose by the shareholders in terms of the Bank's Articles
- ⦿ The Committee shall consider/ recommend to the Board any deviations to the Remuneration policies/special terms of employment as and when needed when the Nominations and Governance Committee, considers the fitness and propriety of persons to be appointed/ promoted as KMPs of the Bank.
- ⦿ The responsibility of setting goals and targets for Directors, CEO and KMPs.

HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

- ⦿ Evaluating the performance of the CEO and KMPs against the set goals and targets periodically and determining the basis for revising remuneration, benefits and other payments of performance based incentives
- ⦿ Discussing and analysing with the Management the overall remuneration expenditure on all staff and their distribution among different categories and obtaining information on the remuneration and benefits paid/given to consultants engaged by the Bank
- ⦿ Receiving information on the role and activities of the Human Resources Department and making recommendations for the strengthening of the role of the said department if necessary
- ⦿ Reviewing the recommendations made by the Senior Management on appropriate incentives/awards to achieve objectives such as rewarding performance and retaining KMPs, including the review/ recommendation of share option schemes for employees of the Bank
- ⦿ Reviewing and recommending to the Board any termination payments that are proposed to be paid to Directors, the CEO and/or KMPs in the event the same are deemed necessary and ensuring that such payments are in terms of the Remuneration Policy of the Bank and are approved in accordance with applicable statutes, rules and regulations
- ⦿ Reviewing and approving the scope and any changes proposed to the Terms of Reference of the Management Human Resources Committee as may be recommended by the Management from time to time
- ⦿ The Committee shall ensure that prior written approval from the shareholders is obtained for any special payments, financial and non-financial benefits to be made to the Directors, CEO, and KMPs upon termination of employment or retirement.
- ⦿ The Committee shall coordinate with the Integrated Risk Management Committee to ensure that the compensation made to Directors, CEO and KMPs is within the risk appetite limits of the Bank.

COMMITTEE MEETINGS

The Committee held four (04) meetings during the year under review. The attendance of committee members are stated above. The quorum for a meeting is half of its members.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

The CEO has been present at meetings subsequent to being invited by the Committee, other than in instances where matters relating to the CEO have been discussed.

STATEMENT REGARDING REMUNERATION STRATEGY/POLICY DISCLOSURES BY THE COMMITTEE

The Committee acknowledges rewards as one of the essential components in influencing employee behaviour, thus impacting business results. Therefore, the reward programmes are designed to attract, retain and to motivate employees to deliver results by linking performance to demonstrable performance based criteria. In this regard, the Committee evaluates the performance of the CEO and KMPs against the pre-agreed targets and goals that balance short and long term financial and strategic objectives of the Bank.

The Bank's variable (bonus) pay plan is determined according to the overall achievements of the Bank and pre-agreed individual targets, which are based on various performance parameters. The level of variable pay is set to ensure that individual rewards reflect the overall performance of the Bank, the particular business unit and individual performance. The Committee makes appropriate adjustments to the bonus pool in the event of over or under achievement against predetermined targets. In this regard and as and when needed, the Committee is aware that it can seek external independent professional advice on matters falling within its purview.

The Committee has as a practice ensured that the Bank organises and takes part in compensation surveys as and when required and at a minimum, every two to three years and has utilised such feedback to ascertain that compensation practices are benchmarked to the "best practices" and are relevant and current as far as possible.

The comprehensive Remuneration Policy in place sets the principles and a formal and transparent procedure to set and review remuneration which includes cash and non-cash benefits payable to Directors, the CEO and the KMPs of the Bank. The Policy ensures that remuneration is aligned with bank's risk culture and risk appetite. This policy also ensures that non-discriminatory pay practices are followed in setting remuneration payable to Non-Executive Directors to ensure that their independence is not impaired.

The Committee notes that the Bank has in place a Remuneration Policy as stated above and further that the aggregate remuneration of the Executive and Non-Executive Directors is stated in page 215 of this Report.

KEY ACTIVITIES IN 2024

- ⦿ The Committee reviewed the Bank's rewards strategy amid the challenging economic landscape and high attrition rates in 2024. A comprehensive salary and benefits survey was conducted to align compensation with market standards, analysing trends in rewards offered by comparable institutions. This data enabled informed decisions on revised benefits, salary increments, and performance-linked pay.
- ⦿ NDB Bank received the Gold Award at the Sri Lanka Institute of Training & Development (SLITAD) People Development Awards 2023/2024, highlighting its commitment to employee empowerment through innovative training. The bank was also recognised as the Best Bank for Diversity & Inclusion at the Euromoney Awards 2024, emphasizing its dedication to gender equity and inclusive policies, such as the Fearlessly Female program.
- ⦿ The Committee evaluated the performance of the CEO and KMPs of the Bank for the year 2024 against the set goals and targets, using the Balanced Scorecard methodology and recommended to the Board of Directors of the Bank, the increments, performance based bonuses and promotions for the staff members in general and individually, for the KMPs in 2024, in line with current strategy and direction of the Bank. The input and feedback of the Integrated Risk

Management Committee and the Board Audit committee/their Chairpersons have been obtained as applicable and relevant in evaluating the performance of KMPs reporting to such committees.

- ⦿ The Committee also reviewed Directors' fees paid to Non-Executive Directors in line with the Remuneration Policy of the Bank whilst being cognizant of market dynamics, the size, scale, profile of the Bank, market survey results and related regulations.
- ⦿ Staff benefits, grading and schemes were also reviewed during the year with a view of improving staff satisfaction in line with market standards with focus on the Bank's strategic journey and the impact of the prevailing environment, whilst ensuring compliance with applicable rules and regulations.
- ⦿ Changes to the organisational structure too was carried out during the year to ensure alignment and delivery of the Strategic Plan of the Bank in order to be better equipped to manage the local and global environment and challenges. The Committee also comprehensively reviewed and upgraded certain key management roles noting the enhanced scope and responsibilities of the roles and the Bank's focus areas and direction in 2024.
- ⦿ The Committee also advised, challenged and set goals and targets for the Directors, the CEO and KMPs for 2024 in line with the Business Plan and Budget set for 2024, the overall strategic vision and direction of the Bank in 2024.
- ⦿ The Committee also advised on talent identification, talent mapping, and leadership competency development plans covering all key roles at the Bank with a view to improving succession planning at the Bank and deliberated in detail on the identified Talent pool, the details of the interventions etc and has committed to regularly monitor the progress of this exercise.
- ⦿ The Remuneration Policy was revised during the year in line with applicable laws and regulations and to make same more relevant and practical to the Bank.

- ⦿ The Committee has also regularly deliberated upon any regulatory/ supervisory concerns raised by its regulators pertaining to the areas of oversight and coming within the purview of the Committee, advising on and ensuring that the required corrective actions are taken well within the agreed timelines.
- ⦿ A self-assessment on the performance of the Committee was carried out and any weaknesses, improvements etc. identified by the members were deliberated in detail and required changes/corrections were implemented in 2024.
- ⦿ The Committee also received information on the role and activities of the Human Resources Department and made recommendations to strengthen HR governance and management practices.

WAY FORWARD

The Committee will consistently improve its scope and purview in line with local and global trends in Human Resource Management whilst taking into consideration any changes to applicable rules and regulations.

APPRECIATION

The Committee places on record its appreciation to all its members for their contributions and commitment during 2024.



Ms. Kasturi Chellaraja

Chairperson

Human Resources and Remuneration Committee

20 February 2025
Colombo

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

In a year marked by a recovering economic landscape and socio-political developments in Sri Lanka, our proactive approach to risk management has empowered the Bank to stay resilient and responsive, ensuring stability and continued growth for our stakeholders.

Mr. Hasitha Premaratne
Chairperson
Integrated Risk Management Committee



COMPOSITION OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

The Board appointed Integrated Risk Management Committee (IRMC) comprised of six non-executive Directors of which three are independent Directors which includes the Chairman of the Committee.

As at 31st December 2024 the Committee comprised of the following;

Board Members	Date of Appointment to the Committee	Committee Meetings - Attended/ Eligible to Attend
Mr. Hasitha Premaratne - Chairperson Non-Executive Independent Director	20 June 2023	5/6
Mr. Sriyan Cooray Non-Executive Independent Director	01 September 2018	6/6
Mr. Sujeewa Mudalige Non-Executive Independent Director	19 February 2020	5/6
Ms. Chandima Dilrukshi Non-Executive Non-Independent Director (Resigned w.e.f. 4 December 2024)	22 June 2021	4/6
Ms. (Fay) Piyachatr Chetnakarnkul Non-Executive Non-Independent Director (Ceased to be a Director of IRMC w.e.f. 17 December 2024)	22 June 2021	3/6
Ms. Kasturi Chellaraja Non-Executive Independent Director	25 October 2022	4/6
Secretary to the Committee Mr. Alex Perera - Vice President - Risk Management/ Chief Risk Officer		

CHARTER OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

The Committee functions are structured and regulated in accordance with the guidelines issued in the revised Banking Act Direction No.05 of 2024 on "Corporate Governance for Licensed Commercial Banks in Sri Lanka", "Rules on Corporate Governance under Listing Rules of the Colombo Stock Exchange" and "Code of Best Practice on Corporate Governance" issued jointly by The Institute of Chartered Accountants of Sri Lanka (CASL) and the Securities and Exchange Commission of Sri Lanka (SEC). As part of the annual review process, the Charter of the

Integrated Risk Management Committee (IRMC) is reviewed annually and was last reviewed and approved by the Board of Directors in February 2024.

The IRMC assists the Board of Directors in fulfilling its responsibilities for overseeing the Bank's Risk Management framework and reviewing of major risk exposures and steps taken to monitor and control those exposures. As per the Charter, the scope of work includes; working closely with Key Management Personnel and making decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee, determining the adequacy and the effectiveness of the measures taken whilst ensuring that the actual overall risk profile of the Bank remains within the risk appetite or the desirable risk profile of the Bank, as defined by the Board. The Committee also reviews the adequacy and effectiveness of all management level committees such as Credit Committees, Credit and Market Risk Policy Committee, Operational Risk Management Committee and the Asset-Liability Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Board. All key risks such as Credit, Market & Liquidity, Operational, Technology & Information Security and Strategic etc. are assessed by IRMC regularly through the defined risk indicators. The risk profile of the Bank and Group is communicated to the Board of Directors through a risk assessment report within a week of each IRMC meeting seeking the Board's views, concurrence and/ or specific directions. The Committee takes prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels

decided by the Committee/ Board on the basis of the Bank's policies and regulatory and supervisory requirements.

COMMITTEE MEETINGS

The Committee held six meetings during the year under review of which four meetings were held to discuss the normal scope of work and two special IRMC meetings were held in January 2024 and May 2024, to review the Dealing room limits, Dealer limits, Asset & Liability Management Limits and to review the Internal Capital Adequacy Assessment Process (ICAAP) & Stress Testing Framework of the Bank respectively. Key members of the staff participated at the meetings as appropriate. The Self-Assessment of the IRMC for the year 2024 was carried out by its members and the final rating score was satisfactory.

The proceedings of the Committee meetings have been reported to the Board of Directors.

KEY ACTIVITIES IN 2024

In 2024, the banking sector in Sri Lanka faced a dynamic environment shaped by ongoing economic recovery efforts, foreign debt restructuring challenges, currency fluctuations and elevated inflationary pressures. Against this backdrop, the IRMC adopted a proactive approach to risk identification, measurement and mitigation to safeguard the bank's financial stability, stakeholder confidence and long-term sustainability.

The Committee has continued to enhance the risk governance framework, ensuring resilience against macroeconomic uncertainties, geopolitical shifts and evolving regulatory landscapes. The Committee's efforts focused on addressing key risk areas, including credit risk, market risk, operational risk and liquidity risk. In addition, the IRMC recognised the growing significance of non-traditional risks such as cybersecurity threats, environmental & social risks and the challenges posed by rapid digitalisation in banking. A particular emphasis was placed on managing non-performing loans (NPLs), ensuring adequate capital and liquidity buffers and strengthening risk governance frameworks to respond to emerging risks effectively.

The key areas of focus in this regard are detailed under each category below:



Integrated Risk Management

- ⦿ Annual Review of Internal Capital Adequacy Assessment Process (ICAAP) for 2024 together with the Stress Testing Policy & Framework were reviewed and approved taking into consideration of the impact on the operating environment of the Bank. The Risk Appetite framework and Risk Tolerance limits were reviewed and adjusted by the Committee considering the challenges in operating environment. The risk levels of each material risk of the Bank and the mitigants in place were critically reviewed as part of the ICAAP review
- ⦿ The Integrated Risk Management Framework was reviewed and approved
- ⦿ Bank's Recovery Plan (RCP) was reviewed and approved in line with the CBSL direction and the ICCAP document of the Bank
- ⦿ The Committee reviewed the Key Risk Indicators of the Bank and Group Companies on a monthly basis through the monthly KRI statements and quarterly Risk Assessment Reports



Credit Risk

- ⦿ Managing credit risk remained a cornerstone of the Bank's risk management framework in 2024, reflecting the continued challenges and opportunities presented by Sri Lanka's evolving economic landscape. In a year characterised by economic recovery efforts, currency fluctuations and global uncertainties, the Bank prioritised robust credit risk management practices to safeguard its financial stability while supporting its customers and the broader economy
- ⦿ The rising risks associated with non-performing loans demanded proactive measures to ensure the quality of the Bank's lending portfolio. A heightened focus was placed on monitoring loan performance, particularly in vulnerable sectors such as tourism, construction and SMEs, which faced lingering impacts from the pandemic and economic headwinds
- ⦿ A significant emphasis was placed on strengthening credit appraisal and underwriting standards. The Bank's Credit related policies and Operating Guidelines were reviewed taking into account of the prevailing market environment. The Bank's Delegated Lending Authority structure for credit related approvals was strengthened and optimised to facilitate a more efficient credit approval process

- ⦿ The portfolio quality of the Bank was periodically reviewed in order to assess the impact of the stresses on sectors, products and business segments consequent to the existing country situation and economic conditions
- ⦿ The findings/ observations from the Loan Review Mechanism unit were reviewed and emphasis was placed on the implementation of the learnings in order to ensure improvements to the underwriting standards and credit administration processes
- ⦿ The work carried out by the Credit Committees, Credit and Market Risk Policy Committee and the decisions taken by each committee were reviewed



Operational Risk, Technology Risk & Information Security

- ⦿ The Operational Risk Policy was reviewed and approved to commensurate with the scale and complexity of the Bank's operations
- ⦿ The Bank's Fraud Risk Management Policy was reviewed and approved by IRMC in order to strengthen the Fraud Risk Management approach
- ⦿ Business Line Mapping Policy was reviewed and approved to delineate the standard process of mapping the NDB Group current & future business products/ activities to the appropriate business line in accordance with the regulations
- ⦿ The Operational Risk reports were reviewed including but not limited to:
 - ⦿ Emerging Operational Risks and significant incidents and losses
 - ⦿ Significant Key Risk Indicator breaches related to Operational Risk Management
- ⦿ Reviewed the proceedings of the Operational Risk Management Committee (ORMC) including the decisions taken by the Committee
- ⦿ The BCP related Policy and Procedures were reviewed and approved and noted successful completion of 2 BCP tests for the Bank during 2024
- ⦿ Technology risk appetite document including clearly delineated and measurable technology risk indicators with risk tolerance levels were reviewed and approved by the Committee
- ⦿ Periodic updates on Technology Risk, Cyber Risk and IT Security risks were reviewed
- ⦿ IT Security Policy Revisions for 2024 were reviewed by the Committee

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

➔ Market and Liquidity Risk

- Bank reflected resilience to market & liquidity risk in 2024 as strong focus continued to safeguard the balance sheet on uncertainties of market & liquidity risk in order to optimise the profits in 2024
- Market & liquidity risks policies were reviewed with extra care and approved along with procedure guidelines, terms of references (TOR's), to ensure the same is designed to facilitate the identification and assessment of the above risks and adequacy of controls
- IRMC reviewed and approved the Treasury Risk limit framework & funding needs based on the Strategic Initiatives, Balance sheet structure and the risk profile of the Bank
- Reviewed the market & liquidity risk Impact on Domestic Debt Restructure & ISB Debt Restructuring on managing foreign currency liquidity position on International Sovereign Bond (ISB) portfolio of the Bank
- Evaluated the Investment decisions to manage Interest rate risk considering macro-economic developments in the market
- Reviewed the Bank's Liquidity contingency Funding Plan in line with the Bank's Recovery Plan building resilience over unexpected liquidity stresses
- Quarterly Stress Testing performed on market risk & liquidity risk parameters with a comprehensive assessment on gaps & capital impacts

➔ Compliance Risk

- The Committee ensured that the compliance framework, policies and processes are designed to identify, manage, monitor and report non-compliances and to minimise potential for breaches, fines or penalties and to ensure that appropriate remedial action is taken to address instances of non-compliance
- The Committee also assessed the implications of new regulations and ensured that emerging risks and regulatory requirements were adequately managed during these challenging times
- The Committee noted that all regulatory engagements were managed effectively meeting regulator's expectations
- The Bank's compliance with laws, regulations and regulatory obligations were assessed based on the Quarterly Compliance Report submitted

- All applicable Compliance related Policies and Frameworks were reviewed and approved which enabled the Bank to identify, prioritise and assign accountability for managing existing or potential compliance risks that could lead to fines, penalties or reputational damage
- A robust AML and KYC framework is essential for financial institutions to mitigate financial crime risks effectively. By implementing comprehensive policies, leveraging technology and fostering a culture of compliance committee ensures the broader effort of combating financial crime
- Committee has identified mandatory threshold reporting of transactions to the regulator is a key challenge. Therefore, committee has taken necessary action to integrate system solutions and resource support to comply with the reporting requirement
- The Annual Compliance Program carried out for the year was reviewed and approved. Periodic management information reports were submitted to the Board through the Committee informing the status of implementation related to Compliance program
- Perused findings of periodic independent verifications carried out through compliance audits as per the Risk based Compliance testing plan
- Committee also noted that adequate training programs were conducted on regulatory requirements and staff were well conversant with the regulations
- More concentration was given on the Related Party Transaction monitoring process

➔ Legal Affairs (Litigation)

- The Committee reviewed court cases filed against the Bank, cases filed by the Bank as well as other cases where the Bank has been made a party. Probable outcomes of such cases were also detailed. Updates on cases outsourced to external law firms were also discussed
- The Committee was apprised on the temporary suspension on Parate actions, deviations related to the Title Policy of the Bank, the latest laws relating to the various legal actions filed and the latest cases in the industry which may have an adverse impact on the Bank's recovery process

➔ Environment & Social Risk Management (ESRM)

- New processes around credit facilities appraisal and approval were introduced which further strengthened the scrutiny on environmental and social aspects linked to Bank's lending in a rapidly evolving ESG landscape
- The IRMC was updated on a quarterly basis on ESMS related matters
- The function continued to cover the operations of the Bank as well as the Group companies. Within the Bank, stakeholders were engaged based on the responsibilities stated in the ESRM Policy and Manual, which derives dynamic contribution towards ensuring the effectiveness of the E&S function
- NDB's Largest shareholder, Norfund, facilitated an audit on the ESMS function of the Bank. The recommendations are being implemented accordingly in order to strengthen the ESMS process

WAY FORWARD

- Strengthening the Banks' Loan Origination Process, Risk Rating Systems and adaptation of advanced data analytical technologies for Risk Management are priority for the Bank
- Align Banks' risk appetite and tolerance framework with the economic recovery in the country and the changes in the regulatory environment
- Strengthen best practices as per FX Global Code that sets global principles of good practice in the foreign exchange market that promote the integrity and effective functioning of the wholesale foreign exchange market

APPRECIATION

The Committee wishes to convey its gratitude to former Director Ms. Chandima Dilrukshi and former Member Ms. Fay Piyachat Chetnakarnkul for their valuable contribution to the Committee.



Mr. Hasitha Premaratne
Chairperson
Integrated Risk Management Committee

20 February 2025
Colombo

AUDIT COMMITTEE REPORT

The Audit Committee is committed in upholding the highest standards of Corporate Governance at all times, in order to safeguard the bank and all its stakeholders.

Mr. Sujeewa Mudalige
Chairperson
Audit Committee



COMPOSITION OF THE AUDIT COMMITTEE

The Board appointed Audit Committee comprised three Non-Executive Directors inclusive of the Chairman who is an Independent Director.

As at 31 December 2024 the Committee comprised the following;

Board Members	Date of Appointment to the Committee	Committee Meetings - Attended/ Eligible to Attend
Mr. Sujeewa Mudalige (Chairperson) Non-Executive Independent Director	18 February 2020	7/8
Mr. Sriyan Cooray Non-Executive Independent Director	01 September 2018	8/8
Mr. Kushan D'Alwis, PC Non-Executive Independent Director	01 February 2024	7/8
Secretary to the Committee Ms. Ruwani de Silva - Vice President - Internal Audit		

CHARTER OF THE AUDIT COMMITTEE

The Charter of the Committee approved by the Board, clearly defines the Terms of Reference of the Committee and is periodically reviewed and revised with the concurrence of the Board of Directors. This process ensures that new developments relating to the Committee's functions and concerns are adequately addressed. The Audit Committee Charter was last reviewed and approved in August 2024 by the Board of Directors.

Audit Committee assists the Board in the discharge of its responsibilities by exercising oversight over the Bank's financial reporting, internal controls, internal audit and external audit practices.

COMMITTEE MEETINGS

The Committee held eight (08) meetings during the year under review. The attendance of Committee Members at meetings is stated in the table above. The quorum for a meeting is three (03) members.

The proceedings of the Committee Meetings have been regularly reported to the Board of Directors.

Vice President Internal Audit, Chief Executive Officer (CEO) and Vice President - Finance attended all meetings on invitation. The Bank's External Auditors attended six meetings on invitation. The Committee also invited the Deputy Chief Executive Officer (DCEO) and members of the Senior Management of the Bank to participate in the meetings from time to time on a need basis.

METHODOLOGY USED BY THE COMMITTEE

The Committee functions are structured and regulated in accordance with the guidelines issued in the Banking Act Direction No.11 of 2007 on "Corporate Governance for Licensed Commercial Banks in Sri Lanka" and its subsequent amendments (hereinafter referred to as the Direction), "Rules on Corporate Governance under Listing Rules of the Colombo Stock Exchange" and "Code of Best Practice on Corporate Governance" issued jointly by The Institute of Chartered Accountants of Sri Lanka (CASL) and the Securities and Exchange Commission of Sri Lanka (SEC).

The Committee is empowered by the Board to:

- ⦿ Review the Interim Financial Statements and the Bank's Annual Financial Statements in order to monitor the integrity of such statements prepared for disclosure, prior to submission to the Board of Directors
- ⦿ Examine any matter relating to the financial and other connected affairs of the Bank

AUDIT COMMITTEE REPORT

- ⦿ Ensure that efficient and sound financial reporting systems are in place and are well managed in order to provide accurate, appropriate and timely information to the Board of Directors, Regulatory Authorities, the Management and Other Stakeholders
- ⦿ Ensure the Bank has adopted and adhere to policies which firmly commits the Bank to achieve the highest standards of good corporate governance practice
- ⦿ Review the quality and the appropriateness of Accounting Policies and their adherence to Statutory and Regulatory Compliance requirements and applicable Accounting Standards
- ⦿ Review the outcome of the Annual Risk Assessment Process and Internal Audit Plan assessing independence and performance of the Internal Audit function
- ⦿ Review internal audit reports and liaising with Management in taking precautionary measures to minimise control weaknesses, procedure violations, frauds and errors
- ⦿ Review External Audit Management Letter and Statutory inspection reports in relation to matters under Audit Committee purview and follow up on their findings and recommendations

KEY ACTIVITIES IN 2024

Reporting of Financial Position and Performance

The Committee assists the Board to discharge their responsibility in the preparation of Financial Statements that evidence a true and fair view on the financial position and performance in accordance with the Bank's accounting records and as per the stipulated requirements of the Sri Lanka Accounting Standards and other regulatory requirements. In fulfilling its oversight responsibilities, the Committee reviews;

- ⦿ The adequacy and effectiveness of the Internal Controls, Systems and Procedures over Financial Reporting.
- ⦿ The adequacy, effectiveness and progress of the Bank's GL reconciliations and action initiated by Management to resolve any issues through quarterly updates provided by the VP - Finance.

- ⦿ The effectiveness of the Financial Reporting Systems in place to ensure reliability of the information provided to the Stakeholders
- ⦿ The Bank's Financial Statements, Accounting Policies and practices and reasonableness of the underlying assumptions for estimates and judgments made in preparing the Financial Statements
- ⦿ The Bank's ability to continue as a going concern.
- ⦿ The Tax Assessments outstanding and action initiated for resolution through regular reports submitted by VP - Finance
- ⦿ The processes by which compliance with Sri Lanka Accounting Standards (SLFRS/ LKAS) and other regulatory provisions relating to financial reporting and disclosures are ensured
- ⦿ The Annual Report and Accounts, and the Interim Financial Statements prepared for publication together with the press releases prior to submission to the Board
- ⦿ The assurance statement received from the CEO and the VP-Finance that the financial records have been properly maintained and the financial statements give a true and fair view of the Entity's Operations and Finances in line with the requirement of listing rules

COMPLIANCE WITH THE REVISED SRI LANKA ACCOUNTING STANDARDS

During the year the Audit Committee placed additional focus on the assessment of adequacy of provision for Expected Credit Loss (ECL) recognised in the Financial Statements based on the internal models, management overlay computed based on stress testing, the exposures to risk elevated sectors, to strengthen the impairment provision process. Also the statistical model validation done by the external party was reviewed by the Committee along with the recommendations made and Management feedback.

Bank also implemented an automated solution in the workflow system commencing from Q3 2023 to evaluate objective evidences and compute impairment provision for individually significant loans to expedite the Financial Reporting Process.

MECHANISM OF INTERNAL CONTROLS

During the year, the Committee reviewed the effectiveness of the Bank's Internal Control System and the CEO's quarterly confirmation on the Internal Control Environment, derived through the Operational Risk process which supports strengthening the Second Line of Defence of the Bank. Additionally, the Committee assessed the effectiveness of the Bank's internal controls over financial reporting as of 31 December 2024, as required by the Banking Act Direction No.11 of 2007 (as amended), Corporate Governance for Licensed Commercial Banks in Sri Lanka, Subsection 3(8) (ii) (b), based on the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued by The Institute of Chartered Accountants of Sri Lanka. The result of the assessment is given on page 251 to 252, in the "Directors' Statement on Internal Control" in the Annual Report. The External Auditors have also issued an Assurance Report on the Directors' Statement on Internal Controls. The report is given on page 254 of the Annual Report.

The Committee also regularly reviews the Internal Control Procedures in place to ensure that necessary control and mitigating measures are available in respect of newly identified risks.

INTERNAL AUDIT FUNCTION

The Committee ensures that the Internal Audit Function is independent of the activities it audits and that the audits are performed with impartiality, proficiency and due professional care.

The Vice President Internal Audit reports directly to the Audit Committee.

The Bank has adopted a risk-based audit methodology and audit approach. The Audit universe consists of all auditable areas/ processes of the Banking Group, which are audited annually based on a risk based audit plan approved by the AC.

A risk grading matrix has been adopted for assessing and measuring the risks identified during audit assignments carried out by the Internal Audit department.

The Audit Committee reviewed the findings along with the Management action plans of the audits completed during the year including regulatory required audits and their evaluation of the Bank's Internal Control Systems. The Committee also reviewed the coverage including the action plans given to address the issues and the implementation status. The Committee similarly reviewed the "Post implementation review of the Core Banking system" conducted by an External Audit firm and the Management Action Plans provided therein.

Major findings of internal investigations with recommendations of the Management were discussed by the Committee in detail.

The Committee also met with the Vice President Internal Audit in the absence of the Management to ensure independence of the Internal Audits Operations.

The Audit Committee reviewed the independence, objectivity & performance of the Internal Audit function and the adequacy of its resources. The Audit Committee also evaluated the performance of Vice President Internal Audit and reviewed the performance of the senior staff members of the Internal Audit function.

AUDIT CHARTER AND AUDIT MANUAL

The Internal Audit function is governed by the Audit Charter which defines the mission, authority, responsibility, independence, reporting, commitment and access in order to assist Audit to discharge its function independently. The Audit Charter and the Audit Manual were revised and approved in May and December 2024 respectively, by the Board.

EXTERNAL AUDIT

The Audit Committee undertook the annual evaluation of the independence and objectivity of the External Auditor and the effectiveness of the audit process.

During the audit, the External Auditor presented to the Committee their audit approach and procedures, including matters relating to the scope of the audit. The Committee also reviewed the Auditor's declaration on independence.

The Committee reviewed the audited Financial Statements with the External Auditor responsible for expressing an opinion on its conformity with the Sri Lanka Accounting

Standards and discussed in detail the action taken by the Management with regard to the Key Audit Matters raised by the Auditors.

The Committee also reviewed the Management Letter issued by the External Auditor and the management responses thereto.

The Audit Committee met the External Auditors twice (2) during the year, without the presence of CEO and the Corporate Management, to ensure that the Auditors had the independence to discuss any concerns and express their opinions on any matter and also for the Committee to have the assurance that the Management provided all information and explanations requested by the Auditors.

The Committee also reviewed the audit fees payable to the external auditor relating to the statutory audit and other services.

The Audit Committee was of the view that the Non-Audit Services provided by the External Auditor were not within the category of services identified as prohibited under:

- ① The guidelines issued by the Central Bank of Sri Lanka for External Auditors, relating to their statutory duties in terms of Section 39 of Banking Act No.30 of 1988 and amendments thereto
- ② The guidelines for Listed Companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka

In carrying out the overseeing responsibilities, the Committee adopted the overview principles of the Basel Committee on Banking Supervision on External Audits of the Banks, issued in March 2014.

RE-APPOINTMENT OF EXTERNAL AUDITOR

The Audit Committee performed an evaluation of the External Auditor based on certain defined criteria and independent evaluation done by VP - Finance and recommended to the Board of Directors that Messrs. Ernst and Young, Chartered Accountants, to be re-appointed for the financial year ending 31 December 2025 subject to the approval of the shareholders at the next Annual General Meeting.

OVERSIGHT ON REGULATORY COMPLIANCE

The Internal Audit department performed verifications covering mandatory banking and other statutory requirements during their

process audits ensuring that systems and procedures are in place to ensure compliance with such requirements.

GOOD GOVERNANCE AND WHISTLE BLOWING

The Bank's Whistle Blowing Policy was reviewed and amended in December 2024 in order to further strengthen the policy and to be in line with the new Corporate Governance Direction 5 of 2024. The Policy is intended to serve as a channel of Corporate Fraud Risk Management. The policy will educate and encourage any team member who has a legitimate concern on an existing or potential "wrong doing", done by any person within the Bank, to come forward voluntarily, and bring such concern to the notice of an independent designated authority. All appropriate procedures were in place to conduct independent investigations into incidents reported through whistle blowing. The Whistle blowing Policy guarantees the maintenance of strict confidentiality of the identity of the whistle blowers.

The Bank also has an established external informational mechanism, known as the "NDB Ombudsman" further strengthening the whistle blowing mechanism where the Bank introduced a feature of reporting through the staff intranet for added convenience and security.

EVALUATION OF THE AUDIT COMMITTEE

The Audit Committee carried out a formal self-evaluation/appraisal on the effectiveness of the Committee for the year 2024 based on certain defined criteria. The Audit Committee Members concurred that the Committee had carried out its responsibilities in an effective and satisfactory manner.

APPRECIATION

As Ms. Chandima Dilrukshi stepped down from the Audit Committee with effect from 4 December 2024, the Committee extends their heartfelt gratitude for the dedicated service and invaluable contributions.



Mr. Sujeewa Mudalige
Chairperson
Audit Committee

20 February 2025
Colombo

RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

During the year the Committee reviewed transactions with various related parties to ensure that same is carried out on an 'arms-length' basis. This included in depth deliberations to ensure that where transactions with related parties were approved, same did not take place on more favourable terms.

Mr. Kushan D'Alwis, PC
Chairperson
Related Party Transaction Review Committee



COMPOSITION OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE

Mr. Kushan D'Alwis, PC was appointed as the Chairperson of the Committee with effect from 01 April 2024, in compliance with the composition requirements in Section 9.3.3 of the Listing Rules of the Colombo Stock Exchange.

Accordingly, the Board appointed Related Party Transaction Review Committee comprised three Non-Executive Independent Directors including the Chairperson who is not the Chair, Board of Directors. Ms. Chandima Dilrukshi was also a member of the Committee until her resignation from the Bank on 04 December 2024.

As at 31 December 2024 the Committee comprised the following:

Board Members	Date of Appointment to the Committee	Committee meetings - Attended/ Eligible to attend
Mr. Kushan D'Alwis, PC (Chairperson) Non-Executive Independent Director	22 July 2020	4/4
Mr. Sriyan Cooray Non-Executive Independent Director	01 July 2022	4/4
Mr. Hasitha Premaratne Non-Executive Independent Director	20 June 2023	2/4
Secretary to the Committee Ms. Shehani Ranasinghe - Vice President - Company Secretary		

CHARTER OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE

Demonstrating the Bank's commitment to good governance, the Board of Directors of the Bank constituted a Related Party Transactions Committee voluntarily in December 2014 further to the Rules pertaining to Related Party Transactions as set out in the Listing Rules of the CSE at that time, which required mandatory compliance from January 2016.

The Terms of Reference (TOR) of the Related Party Transactions Review Committee was approved by the Board of Directors and is reviewed annually. The Corporate Governance Directions No. 05 of 2024 (the "Corporate Governance Direction") issued by the Central Bank of Sri Lanka on 30 September 2024, introduced significant changes to the Committee's scope of review with effect from 01 January 2025. In light of these changes, the Committee proactively revised the Board approved TOR to adopt the higher scope of review to ensure full readiness by 01 January 2025. Hence, the composition and the scope of work of the Committee are in conformity with the said Direction and Section 9.14 of the Listing Rules.

The primary objective of the Committee is to review all transactions with related parties of the Bank in line with the Listing Rules and the Corporate Governance Direction, in order to ensure that more favourable treatment is not accorded to the related parties and that conflicts of interest are avoided. The Committee ensures that interests of shareholders as a whole are taken into account when entering into transactions with related parties and notes that the objective and the economic and commercial substance of such transactions should take precedence over the legal form and technicality.

The Committee carries out the duties and responsibilities as mandated in its TOR including the following:

- ⦿ Review in advance, evaluate and determine the advisability of any Related Party Transactions that require consideration by the Committee under the Corporate Governance Direction, the Listing Rules and the Related Party Policy of the Bank with a view to avoiding conflicts of interest;
- ⦿ Ensure that the Bank does not engage in Related Party Transactions in a manner that would grant Related Parties "more favourable treatment" than that accorded to other constituents of the bank carrying on the same business
- ⦿ With a view to avoiding conflicts of interest, review transactions with parties who, while are not strictly defined as related under applicable laws but may have significant influence or connections that could pose a conflict of interest
- ⦿ Establish and maintain a clear policy, procedure and process in place for the identification, clarification, review, monitoring and reporting the Related

Party Transactions on an end-to-end and on an ongoing basis across the Bank's operations.

- ⊙ Report quarterly to the Board, the details of related parties, related party transactions and economic consequences of the related party transactions
- ⊙ Ensure that no director shall participate in any discussion of a proposed Related Party Transaction in relation to the director or a connected party.
- ⊙ In the event a Related Party Transaction will be on-going, establish guidelines for the senior management to follow in its on-going dealings with the Related Party.
- ⊙ Review and assess on an annual basis, on-going relationships with Related Parties to determine whether they are in compliance with the Committee's guidelines and that Related Party Transaction/s remains appropriate.

COMMITTEE MEETINGS

The Committee held four (04) meetings during the year under review. The attendance of committee members at meetings is stated in the table above. The quorum for a meeting is at least half of the members.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors. The Board of Directors take due consideration of the comments/observations made by the Committee and the approvals granted by the Committee for Related Party Transactions.

The Chief Executive Officer has been present at meetings only if invited by the Committee.

KEY ACTIVITIES IN 2024

- ⊙ During the year the Committee reviewed transactions with various related parties to ensure that same is carried out on an 'arms-length' basis. This included in depth deliberations to ensure that where transactions with related parties were approved, same did not take place on more favourable terms.
- ⊙ Notably, in the 4th quarter of 2024 following the release of the Corporate Governance Direction, the Committee adopted a higher threshold of review by proactively considering transactions with entities who became related parties only from 01 January 2025 (being the effective date of the Corporate Governance Direction).
- ⊙ The Committee also reviewed one transaction with a party who, while not strictly defined as related under applicable laws may have significant

influence or connections that could pose a conflict of interest.

- ⊙ The Committee also advised against the continuation of certain arrangements with related parties (though not strictly 'transactions') in the interest of maintaining arm's length relationships with related parties of the Bank.
- ⊙ In the spirit of reviewing ongoing relationships with the related parties of the Bank, the Committee also re-evaluated the terms of the expert services provided by the Bank to the Group companies and made recommendations to the Board thereon.
- ⊙ Upon reviewing the findings of the gap analysis submitted by the Management, recommendations were made to improve/ strengthen processes at ground level/through automation etc. in the identification of related party transactions.
- ⊙ The Related Party Transaction Policy of the Bank is currently being reviewed and revised to ensure that same is aligned to the new Corporate Governance Direction, any other related laws and regulations noting the significantly wider scope. In this connection, internal circulars have been updated and the frequency of awareness sessions has been increased to educate and familiarise all staff on the need for adherence with the new regulations.
- ⊙ The Committee has also regularly deliberated upon any regulatory/ supervisory concerns raised by its regulators pertaining to the areas of oversight and coming within the purview of the Committee, advising on and ensuring that the required corrective actions are taken well within the agreed timelines.
- ⊙ A self-assessment on the performance of the Committee was carried out and any weaknesses, improvements etc. identified by the members were deliberated in detail and required changes/corrections were implemented in 2024.

DISCLOSURES IN LINE WITH THE LISTING RULES

The Committee has reviewed new and on-going Related Party Transactions of the Bank during the period of 01 January 2024 to 31 December 2024 and has thus complied with the rules pertaining to Related Party Transactions as set out in the Listing Rules of the CSE.

The Bank has not entered into any transactions as contemplated in Section 9.14.8 (1) & (2) of the Listing Rules of the CSE and accordingly there are no disclosures to be made in this regard in accordance with Section 9.14.8 of the Listing Rules of the CSE.

The Committee is guided by the Corporate Governance Direction and the Listing Rules of the CSE pertaining to Related Party Transactions and by/as reflected in the Terms of Reference of the Committee. It also takes into consideration the Board approved Related Party Transaction Policy when reviewing the transactions, the Related Party's relationship to the Bank and interest in the transaction, the material facts of the proposed transaction including the aggregate value of the same, the benefits to the Bank of the proposed transaction, the availability of other sources of comparable products or services and further carries out an assessment of whether the proposed Related Party Transaction is on terms generally available to an unaffiliated third party under the same or similar circumstances or to employees generally. In carrying out the duties of the Committee, the Committee avoids 'conflicts of interest' which may arise from any transaction of the Bank with any person, particularly with related parties and ensures arm's length dealings with related parties. The Committee also ensures that the Bank does not engage in transactions with related parties in a manner that would grant such parties 'more favourable treatment' than accorded to other Constituents of the Bank carrying on the same business and that the security requirements as stated in the relevant Banking Act Directions have been adhered to.

WAY FORWARD

The Committee continuously guides the Bank in setting up more robust mechanisms for monitoring and identifying Related Party Transactions and in fostering awareness among the business lines/staff of the Bank on the proper procedures to be followed with regard to Related Party Transactions.

APPRECIATION

The Committee places on record its appreciation to the outgoing committee member during 2024, Ms. Chandima Dilrukshi, for her contributions and further appreciates all its members for their contributions and commitment.



Mr. Kushan D'Alwis, PC
Chairperson

Related Party Transaction Review Committee

20 February 2025
Colombo

STRATEGIC ISSUES COMMITTEE REPORT

The Committee spent considerable time deliberating in depth on the Strategy/Business plans of identified business lines such as Retail Banking, Wholesale Banking, Business Banking and Project Finance (including Supply Chain Finance and Transaction Banking). The Committee noted and reviewed the aspirations of each business line for the upcoming year and provided oversight and guidance on the action plans presented. The Committee is set to review the progress made on these action plans on a quarterly basis.

Mr. Sriyan Cooray
Chairperson
Strategic Issues Committee



COMPOSITION OF THE STRATEGIC ISSUES COMMITTEE

The Board appointed Strategic Issues Committee comprised four Non-Executive Directors including the Chairperson who is an Independent Director, and the Chief Executive Officer.

As at 31 December 2024 the Committee comprised the following:

Board Members	Date of Appointment to the Committee	Committee meetings - Attended/ Eligible to attend
Mr. Sriyan Cooray (Chairperson) Non-Executive Independent Director	01 May 2019	3/3
Mr. Bernard Sinniah Non-Executive Non-Independent Director	19 February 2020	3/3
Mr. Kelum Edirisinghe Executive Non-Independent Director	01 February 2024	3/3
Mr. Sujeewa Mudalige Non-Executive Independent Director	19 February 2020	3/3
Ms. (Fay) Piyachatr Chetnakarnkul Non-Executive Non-Independent Director	22 June 2021	3/3
Secretary to the Committee Ms. Shehani Ranasinghe - Vice President - Company Secretary		

CHARTER OF THE STRATEGIC ISSUES COMMITTEE

With the formation of the Strategic Issues Committee as a Board subcommittee, its Charter has been approved by the Board and is reviewed annually.

Accordingly, the Committee reviewed the Charter in 2024.

The Committee carries out the following duties and responsibilities:

- Providing the strategic direction and strategic thinking of the Board to the Management in the development and implementation of the Bank's Strategic Plan
- Developing the Bank's strategy and its implementation together with the Management with measurable goals and Key Performance Indicators (KPI)
- Reviewing and assessing the formulation and implementation of strategic plans developed by the Management and approved by the Board

- Guiding and assisting the Management in implementing strategic decisions taken by the Board
- Making recommendations regarding strategic capital allocation and reviewing proposals for raising of funds as submitted by the Management and making recommendations/ suggestions in that respect to the Board
- Reviewing and evaluating strategic issues and plans of subsidiary companies of the NDB Group to ensure that the same are in line with the strategic initiatives and strategic direction of the Bank with a view to optimising the NDB Group's operational effectiveness
- Determine and oversee the Bank's strategic objectives and corporate values in terms of the Bank's long-term goals and ensure that these are properly communicated throughout the Bank
- Encourage the inclusion of appropriate environmental, social and governance considerations in the Bank's business strategies and ensure that policies are in place to assist businesses that are greener, climate-friendly and socially inclusive.

The Committee is responsible for determining the following decisions:

- Approving of all strategic investments and divestments and recommending the same to the Board (e.g. assess new business proposals including acquisitions/ joint ventures and make appropriate recommendations)
- Approving the periodical Strategic Plan (of at least 3 years) and recommending the same to the Board

- ⦿ Approving any significant amendments to the existing Strategic Plan and recommending the same to the Board
- ⦿ Reviewing and recommending the annual Business Plan/budget and capital structure of the Bank before onward submission to the Board for approval
- ⦿ Reviewing of NDB Bank's strategic investments including its investments in subsidiaries in relation to performance and returns on such investments, ideally on an annual basis with a view to recommending to the Board any necessary action related to such investments

COMMITTEE MEETINGS

The Committee held three (03) meetings during the year under review. The attendance of committee members at meetings is stated in this report. The quorum for a meeting is half of its members.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

Other Directors and Members of the Management Team attend meetings upon invitation by the Committee.

METHODOLOGY USED BY THE COMMITTEE

The Committee meets as and when necessary in order to, inter alia; deliberate in detail on matters of strategic importance to the Bank and the NDB Group so as to advise the Board in a timely manner. The Committee meets to examine and evaluate any strategic issues that may arise and further to evaluate any changes to strategic plans/ decisions already in place, as well as to conduct such other affairs which the Charter of the Committee mandates the Committee to carry out.

KEY ACTIVITIES IN 2024

- ⦿ Noting the need and importance of reviewing and revisiting the Bank's Strategic Plan and aspirations for the medium to long term period in the evolving backdrop of opportunities and challenges, the management directly engaged the Board in in-depth

deliberations and have commenced the review/advisory assignment with a 3rd party expert Advisor in 2024.

- ⦿ The Committee commenced the year with an in depth deliberation into the proposed Medium Term Growth Strategy of NDB Capital Holdings Group in the context of the opportunities available to the Group and the challenges posed by the market conditions. The Committee made recommendations thereon, which were cascaded to the respective Group companies for implementation.
- ⦿ The Committee spent considerable time deliberating in depth on the Strategy/ Business plans of identified business lines such as Retail Banking, Wholesale Banking, Business Banking and Project Finance (including Supply Chain Finance and Transaction Banking). The Committee noted and reviewed the aspirations of each business line for the upcoming year and provided oversight and guidance on the action plans presented. The Committee is set to review the progress made on these action plans on a quarterly basis.
- ⦿ The Committee emphasised to the Management on the importance of the correct tech infrastructure and tools to augment customer experience and to track the business lines' performance against the KPIs.
- ⦿ The Committee deliberated on the importance of the maximising the efficiency of support functions to boost revenue of the Bank.
- ⦿ The Budget for 2025 was presented to the Committee where an active deliberation took place prior to same being presented and approved by the Board. Business lines such as Retail Banking, Business Banking, Project Finance and Treasury presented their individual budgets which the Committee actively scrutinised.
- ⦿ The Committee has also regularly deliberated upon any regulatory/ supervisory concerns raised by its regulators pertaining to the areas of oversight and coming within the purview of the Committee, advising on and ensuring that the required corrective actions are taken well within the agreed timelines.

- ⦿ A self-assessment on the performance of the Committee was carried out and any weaknesses, improvements etc identified by the members were deliberated in detail and required changes/corrections were implemented in 2024.

WAY FORWARD

Noting the need to navigate through the volatile social, economic and political conditions locally and globally, the Committee will continue its focus on proactively engaging, challenging and advising the management on robust strategy review and recommendation to ensure the Bank's vision and aspirations are achieved.

APPRECIATION

The Committee places on record its appreciation of its members for the contribution and commitment throughout 2024.



Mr. Sriyan Cooray
Chairperson
Strategic Issues Committee

20 February 2025
Colombo

CREDIT COMMITTEE REPORT

The Committee diligently oversaw the Bank’s lending practices, ensuring their alignment with macro-economic realities and the Bank’s strategic goals and approved credit proposals above the predetermined limit, recommended credit proposals and other credit related reports intended for approval / perusal by the Board of Directors after careful scrutiny.

Mr. Bernard Sinniah
Chairperson
Credit Committee



COMPOSITION OF THE CREDIT COMMITTEE

The Board appointed Credit Committee comprised three Non- Executive Directors and the Chief Executive Officer (CEO).

As at 31 December 2024 the Committee comprised the following;

Board Members	Date of Appointment to the Committee	Committee Meetings - Attended/ Eligible to Attend
Mr. Bernard Sinniah (Chairperson) Non-Executive Non-Independent Director	01 May 2019	10 / 13
Mr. Kushan D’Alwis, PC Non-Executive Independent Director	22 July 2020	13 / 13
Ms. Kasturi Chellaraja Non-Executive Independent Director	20 June 2023	12 / 13
Mr. Kelum Edirisinghe Chief Executive Officer/ Non-Independent Director	01 February 2024	12 / 12
Secretary to the Committee Ms. Shareen Jayasuriya - Assistant Vice President - Credit		

CHARTER OF THE CREDIT COMMITTEE

The Charter of the Board Credit Committee (CC) is reviewed annually. The CC assists the Board in ensuring compliance with the Board approved Credit Policy which defines the credit culture of the Bank and fosters compliance with the relevant rules, directions and regulations issued by regulatory authorities. As such, the principal purpose of the Committee is to:

- Evaluate, assess and approve credit facilities which fall within the delegated authority level of the Committee as prescribed from the Board from time to time
- Review and recommend credit facilities which fall within the purview of the Board
- Review changes proposed by the Management from time to time to the Credit Policy and recommend to Integrated Risk Management Committee
- Approve all Counterparty bank limits falling within the policy guidelines approved by the Board of Directors
- Review and discuss significantly large lending exposures with increased vulnerabilities

ACTIVITIES IN 2024

The Committee held thirteen (13) meetings during the year under review. The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

The Committee diligently oversaw the Bank’s lending practices, ensuring their alignment with macro-economic realities and the Bank’s strategic goals and approved credit proposals above the predetermined limit, recommended credit proposals and other credit related reports intended for approval / perusal by the Board of Directors after careful scrutiny.

These tasks were carried out by the Committee in line with Bank’s lending policies, strategy and credit risk appetite to ensure that the lending portfolios were managed in line with the stipulated credit risk parameters set by the Board of Directors.

APPRECIATION

The Committee wishes to convey its gratitude to Ms. Chandima Dilrukshi for her valuable contribution to the Committee.

Mr. Bernard Sinniah
Chairperson
Credit Committee

20 February 2025
Colombo

BANK DIGITAL SUBCOMMITTEE REPORT

We at NDB Bank have embraced technology as a fundamental enabler to drive the next phase of growth.

Ms. Shweta Pandey
Chairperson
Bank Digital Subcommittee



COMPOSITION OF THE BANK DIGITAL SUBCOMMITTEE

The Board appointed Bank Digital Subcommittee (BDSC), formerly known as the Digital Transformation Committee (DTC), comprises of four Non-Executive Directors inclusive of the Chairperson who is a Non-Independent Director and the Chief Executive Officer (CEO).

As at 31 December 2024 the Committee comprised the following:

	Date of Appointment to the Committee	Committee Meetings - Attended/ Eligible to Attend
Board Members		
Ms. Shweta Pandey (Chairperson) Non-Executive Independent Director	19 June 2023	6/6
Mr. Bernard Sinniah Non-Executive Non-Independent Director	30 April 2021	2/6
Ms. (Fay) Piyachatr Chetnakarnkul Non-Executive Non-Independent Director	29 October 2021	2/6
Mr. Kelum Edirisinghe Chief Executive/ Officer Non-Independent Director	22 February 2024	5/5
Non-Board Members		
Deputy Chief Executive Officer (Mr. K. V. Vinoj)		6/6
Senior Vice President - Personal Banking and Customer Experience Mr. Sanjaya Perera		5/6
Vice President - Information Technology/ Chief Information Officer (Mr. Indika Gunawardena)		6/6
Assistant Vice President - Product Lifecycle Management (Mr. Damitha Silva)		6/6
Assistant Vice President - IT (Application Support and Data Analytics) (Mr. Renuke Perera)		3/3
Chief Manager - Product Lifecycle Management (Mr. Deepa Edirisooriya)		6/6
Chief Manager - Transformation and Programme Management Support (Ms. Dilhani Piyasena)		3/3
Secretary to the Committee		
Ms. Dulani Weerasinghe - Senior Deputy Manager - Product Lifecycle Management		

BANK DIGITAL SUBCOMMITTEE REPORT

CHARTER OF THE BANK DIGITAL SUBCOMMITTEE

As the world shifts from viewing banking as merely facilitated by technology to seeing banks as technology companies with banking licenses, we at NDB Bank have embraced technology as a fundamental enabler to drive the next phase of growth. The bank has been ahead of many first-of-its-kind product innovations to build a neo experience for its customers. In building its core digital capability using advanced technology and data, the bank aims to create a culture of prioritising use of technology for sale, service and support for customer banking needs.

The objective of the BDSC is to support the strategy, goals, program and long term initiatives of the Bank, ensuring its alignment to the Bank's overall business plan in driving customer centricity, enhancing the customer experience and generating operational efficiencies across business verticals.

The committee also aims to champion the promotion of FINTECH ideas and suggestions that may add value to the Bank, while keeping up to date with regulatory requirements and corporate governance as necessary:

The overall responsibility includes:

- ⦿ Overview of the planning and execution of the overall product, technology and data strategy, and its alignment with the bank's broader strategy, and of the major transformation programs
- ⦿ Review of significant investments and the adequacy of resources required to execute the strategy, including people, leadership and capability
- ⦿ Discuss on innovation initiatives, and associated opportunities
- ⦿ Discuss data strategy and framework for tools for analytics/dashboard driven culture across the bank
- ⦿ Monitoring of performance and progress against key strategic objectives

COMMITTEE MEETINGS

The Committee has a schedule to meet 6 times in a year. The quorum for a meeting is four (04) members of which two (02) shall be Non-Executive Directors.

The Subcommittee met six times during the year 2024. The attendance of committee members at meetings is stated in the table on page 245.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

Representatives of other business and operational lines were invited to the meetings on a needs basis.

KEY ACTIVITIES IN 2024

- ⦿ During the first three months of 2024, the Subcommittee focused on deployment, monitoring and stabilising of the new Core Banking System of the Bank and other core systems migrated in the year.
- ⦿ In May 2024, the Chairperson proposed formation of a new agile function across Tech, Data and Products to deliver the bank's requirements. The Chairperson also recommended building the core capability and talent acquisition to strengthen the teams.
- ⦿ The structure and flow for the Subcommittee was also enhanced to lay more focus on deliberating areas of developing product, tech, data and digitisation capabilities across all business verticals. The key emphasis during the year was planning, directing and tracking the execution of the overall product, technology and data strategy in alignment with the broader strategies of the Bank. The charter of the Subcommittee was revised during the year and the Subcommittee was renamed as the Bank Digital Subcommittee.
- ⦿ Investments required to bring about transformation across Retail Banking, Business Banking and Wholesale Banking were evaluated, along with resource requirements and internal capabilities.

- ⦿ Under the guidance of the Subcommittee, the Bank commenced several in-house solution developments, formulated a framework and tools for deeper analysis of data, and incorporated a near to real-time data tracking and dashboard driven culture.

WAY FORWARD

During 2025, the Subcommittee will focus on directing initiatives to capture customer sentiment and market analyses, while guiding the development of better customer servicing models and tracking returns on investments. Further the Subcommittee will continue to drive the Bank's key digitization and transformation initiatives, by recommendation, monitoring and oversight.



Ms. Shweta Pandey
Chairperson

Bank Digital Subcommittee

20 February 2025
Colombo

DISCRETIONARY AND CAPITAL EXPENDITURE COMMITTEE REPORT

The Committee will contribute to achieving the desired performance standards by inculcating a frame work for being accountable on achieving agreed deliverables.

Ms. Kasturi Chellaraja
Chairperson
Discretionary and Capital Expenditure Committee



COMPOSITION OF THE BANK DIGITAL SUBCOMMITTEE

The Board appointed Discretionary and Capital Expenditure Committee comprised of an Independent Director, Non - Independent Director and two members from the Senior Management of the Bank up to 4 December 2024

As at 31 December 2024 the Committee comprised the following:

Board Members	Date of Appointment to the Committee	Committee Meetings - Attended/ Eligible to Attend
Board Members		
Ms. Kasturi Chellaraja (Chairperson) Non-Executive Independent Director	27 March 2023	15/15
Ms. Chandima Dilrukshi* Non-Executive Non-Independent Director (Resigned w.e.f. 04.12.2024)	27 March 2023	13/13
Non-Board Members		
Deputy Chief Executive Officer (Mr. K V Vinoj)		14/14
Head of Compliance (Ms. Vidisha Jayawardena)		4/6
Secretary to the Committee		
Ms. Aloka Ekanayake - Chief Manager – Transformation Unit		

* Ms. Chandima Dilrukshi resigned from the Board of Directors on 04 December 2024

** Subsequent to the revisions made to subcommittee compositions on 17 December 2024, Ms. Kasturi Chellaraja functioned as the Chairperson and the sole member of the Committee during the period 17 to 31 December 2024 where no meetings were held.

CHARTER OF THE DISCRETIONARY AND CAPITAL EXPENDITURE COMMITTEE

The Discretionary and Capital Expenditure Committee was formed in March 2023 in compliance with Direction No. 1 of 2023 to all Licensed Banks issued by the Monetary Board of the Central Bank of Sri Lanka under the powers vested in the Monetary Board in terms of the Banking Act No. 30 of 1988 where it was mandatory to have this Committee for years 2023 and 2024.

The Chairperson and the members of the Committee were approved by the Board of Directors. As per the Charter the Committee carries out the following duties and responsibilities.

- ⦿ Evaluating and approving the discretionary expenses to be incurred by the Bank above a certain threshold.
- ⦿ Evaluating and approving discretionary capital expenditure to be incurred by the Bank above a certain threshold.

COMMITTEE MEETINGS

The Committee held 15 meetings during the year under review. The attendance of Committee members at meetings is stated in the table on this page. All key members of the staff participated at all meetings. The quorum for a meeting was 3 members of which at least one shall be a Director.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

DISCRETIONARY AND CAPITAL EXPENDITURE COMMITTEE REPORT

METHODOLOGY USED BY THE COMMITTEE

The Committee meets every fortnightly to evaluate and review the discretionary expenses and capital expenses which are of a discretionary nature, to be incurred by the Bank above a certain threshold and to strengthen the post monitoring process on the agreed deliverables with regard to all such approved expenses, in accordance of the Charter of the Committee.

The Committee considers the necessity, urgency and the relevance of the discretionary expenses and the capital expenditure projects as per the Charter and approve expenditure which are in line with the Bank's strategic objectives. In approving the mandated expenditure/investment, the Committee evaluates the strategic alignment, Return on Investment (ROI), and the impact to the Bank's business continuity. In the evaluation process the Committee reviews the outcomes and the key milestones committed by the management in justifying the ROI of projects. A review of such outcome/targets were also done by the Committee upon the completion of the discretionary expense projects.

KEY ACTIVITIES IN 2024

During the year, the Committee considered the necessity and urgency of several discretionary and capital expenditure projects and approved expenditure which fell in line with the Bank's strategic objectives. In the process, the Committee assessed the Return on Investment, Strategic fit, and the impact to the Bank's business continuity in the manner aforementioned as well as to conduct affairs which the Charter of the Committee mandates the Committee to carry out.

The Committee held 15 meetings to advice and approve several discretionary and capital expense projects. In the evaluation process the Committee considered the outcome/targets and the key milestones committed by the management in justifying the ROI of projects for the year. A review of the same were carried out by the Committee upon the completion of the approved discretionary expense projects and evaluated outcomes. Where progressive milestones were committed, the evaluation will be continued to ensure monitoring of outcomes. The

Committee also made recommendations to further negotiate and get the best possible deal wherever applicable and also gave suggestions to the management to strengthen the post monitoring process on the agreed deliverables thereby inculcating a frame work for being accountable on agreed deliverables.

EVALUATION OF THE DISCRETIONARY AND CAPITAL EXPENDITURE COMMITTEE

The Discretionary and Capital Expenditure Committee carried out a formal self-evaluation/appraisal on the effectiveness of the Committee for the year 2024 and reported the results of the same to the Board. The Board concurred that the Committee had carried out its responsibilities in an effective and satisfactory manner.

WAY FORWARD

Pursuant to a decision by the Board of Directors, the Committee will continue to add value by focusing on the strategic alignment, ROI and cost efficiencies with respect to all Discretionary Expenses and Discretionary Capital Expenditure beyond the year 2024 even after the mandatory requirement for such a Committee ceases to be in operation. The Committee will contribute to achieving the desired performance standards by inculcating a frame work for being accountable on achieving agreed deliverables. The Committee will carry out its mandate with a composition of 1 Board member and 2 Senior Management members from 2025 and a quorum of 1 Board member and 1 Senior Management member.

APPRECIATION

The Chairperson and the Committee wishes to convey its gratitude to former member Ms. Chandima Dilrukshi for her valuable contributions to the Committee.



Ms. Kasturi Chellaraja

Chairperson

Discretionary and Capital Expenditure Committee

20 February 2025
Colombo

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

This statement sets out the responsibility of the Directors in relation to the Financial Statements of National Development Bank PLC (the Bank) and the Consolidated Financial Statements of the Bank and its subsidiaries (the Group). The Directors are required by relevant statutory provisions to prepare and table at a General Meeting of the Bank, such Financial Statements as may be necessary, which give a true and fair view of the state of affairs of the Bank and the Group.

It is also the responsibility of the Directors to ensure that the Bank maintains proper accounting records and to take reasonable steps as far as practical to ensure the accuracy and reliability of accounting records and to prepare Financial Statements using appropriate Accounting Policies applied consistently and supported by reasonable and prudent judgment and estimates in compliance with the Sri Lanka Accounting Standards (SLFRS/ LKAS), the Banking Act No. 30 of 1988 (as amended), the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange. Changes in the Accounting Policies where applicable and the rationale for the changes have been disclosed in the 'Notes to the Financial Statements'.

Accordingly, the Directors confirm that the Financial Statements of the Bank and the Group give a true and fair view of:

- the financial position of the Bank and the Group as at the reporting date; and
- the financial performance of the Bank and the Group for the financial year ended on the reporting date.

The Financial Statements of the Bank and the Group have been certified by the Vice President - Finance of the Bank, the officer responsible for their preparation, as required by the Companies Act. In addition, the Financial Statements of the Bank and the Group have been signed by two Directors and the Company Secretary of the Bank on 20 February 2025 as required by the Companies Act and other regulatory requirements. The Directors are also responsible for ensuring that proper accounting records which correctly record and explain the Bank's transactions are maintained and that the Bank's financial position, with reasonable accuracy, at any point of time is determined by the Bank, enabling preparation of the

Financial Statements, in accordance with the Companies Act to facilitate proper audit of the Financial Statements.

The Financial Statements for the year 2024, prepared and presented in this Annual Report have been prepared in compliance with the requirements of the Sri Lanka Accounting Standards (SLFRS/LKAS), Companies Act No. 07 of 2007 (as amended), Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Banking Act No. 30 of 1988 and amendments thereto, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC) (2023). The Bank and Group has also complied with the Directions/ Guidelines issued by the Central Bank of Sri Lanka in the preparation of the Financial Statements including the Circular no 05 of 2024 effective from 31 December 2024 and the Direction No. 13 of 2021 and Direction No. 14 of 2021 on Classification, Recognition and Measurement of Credit Facilities and Financial Assets Other Than Credit Facilities which were effective from 01 January 2022.

The significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and External Auditors.

In addition, these Financial Statements comply with the prescribed formats issued by the Central Bank of Sri Lanka, Direction No. 02 of 2019 for publication of annual and quarterly Financial Statements and other disclosures by the licensed banks.

The Directors have been responsible for taking reasonable measures and care to safeguard the assets of the Bank and the Group and to prevent and detect frauds and other irregularities. The Directors have instituted an effective and comprehensive system of internal controls and an effective system of monitoring its effectiveness, internal audit being one of them.

The Directors' Statement on Internal Control over Financial Reporting is given on pages 251 and 252 of this Annual Report. The Board has been provided additional assurance on the reliability of the Financial Statements through

a process of independent and objective review performed by the Audit Committee. Please refer the Audit Committee Report on pages 237 to 239 of this Report.

Messrs Ernst & Young, Chartered Accountants, who were appointed in terms of the Companies Act No. 07 of 2007 and in accordance with a resolution passed at the last Annual General Meeting, have been made available with all records of the Bank including the Financial Statements by the Board of Directors and provided every opportunity to undertake the inspections they considered appropriate, all of which they have examined and have expressed their opinion which appears as reported by them on pages 260 to 262 of this Report.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report. The Directors confirm that in preparing the Financial Statements exhibited on pages 263 to 396 including, appropriate Accounting policies have been applied on a consistent basis, and where necessary changes to accounting policies have been made with adequate disclosures while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

The Board of Directors wishes to confirm that, as required by the Section 56 (2) of the Companies Act No. 07 of 2007 (as amended), they have authorised distribution of the dividends paid upon being satisfied that the Bank would satisfy the solvency test after such distributions are made in accordance with the Section 57 of the Companies Act No. 07 of 2007 and have obtained in respect of dividends paid, necessary certificates of solvency from the External Auditors.

The Board of Directors also wishes to confirm that, as required by Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every Shareholder and Debenture holder of the Bank, who have expressed desire to receive a printed copy or to other Shareholders and Debenture holders a soft copy each shared by way of a link containing the Annual Report within the stipulated period of time as required by the Rule No. 7.5 (a) and (b) of Continuing Listing

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

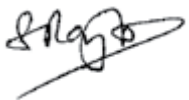
Requirements of the Listing Rules of the Colombo Stock Exchange. The Directors also wish to confirm that all Shareholders have been treated equitably in accordance with the original terms of issue.

Further, the Board of Directors wishes to confirm that the Bank has met all the requirements under the Section 07 on Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange and other regulations, laws and internal controls and there were no material non-compliances.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Bank and the Group, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Bank and the Group, and all other known statutory dues as were due and payable by the Bank and the Group as at the reporting date have been paid or, where relevant, provided for, except as specified in Note 49.3 to the Financial Statements on 'Litigation Against the Bank' on page 349. The Directors further confirm that after considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the 'Code on Corporate Governance' issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC), the Directors have a reasonable expectation that the Bank and the Group possess adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the going concern basis in preparing the Financial Statements. The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

By Order of the Board



Ms. Shehani Ranasinghe
Company Secretary

20 February 2025
Colombo

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

RESPONSIBILITY

In line with the Banking Act Direction No. 11 of 2007 (as amended), Section 3 (8) (ii) (b) the Board of Directors present this report on Internal Control over Financial Reporting.

The Board of Directors ('Board') is responsible for the adequacy and effectiveness of the internal control mechanism in place at National Development Bank PLC ('the Bank'). In considering such adequacy and effectiveness, the Board recognises that the business of banking requires reward to be balanced with risk on a managed basis and as such the internal control systems are primarily designed with a view to highlighting any deviations from the limits and indicators which comprise the risk appetite of the Bank. In this light, the system of internal controls can only provide reasonable, but not absolute assurance, against material misstatement of financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Bank and the Group and this process includes enhancing the system of internal controls over financial reporting as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board in line with the 'Guidance for Directors of Banks on the Directors' Statement on Internal Control' issued by the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control over financial reporting taking in to account principles for the assessment of the internal control system as given in that guidance.

The Board is of the view that the system of internal controls over financial reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

KEY FEATURES OF THE PROCESS ADOPTED IN APPLYING AND REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM OVER FINANCIAL REPORTING

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- ⦿ Various Committees are established by the Board including those mandatory committees as required by the Banking Act Direction No. 11 of 2007 and the Listing Rules of the Colombo Exchange to assist the Board in ensuring the effectiveness of the Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- ⦿ Policies/Procedures are developed covering all areas, which are approved by the relevant Board Subcommittees and the Board. These Policies/Procedures are reviewed periodically and the Compliance department follows up on the review of Policies to ensure that they are reviewed timely.
- ⦿ Internal Audit department checks compliance with policies and procedures and the effectiveness of internal control systems on an ongoing basis during their process audits. The Internal Audit department uses a top down risk based auditing approach enhancing the Risk Based Auditing Process. The entire audit universe is audited annually, at determined intensities based on the risk assessment covering the entire group. The Audit Committee reviews the findings of the internal audits completed and their evaluation of the Bank's internal control systems at their periodic meetings. The Committee also reviews updates on audit activities and the scope and adequacy of coverage of the approved audit plan and any improvements thereto, and has detailed discussions on any audits that are rated below Satisfactory, reviewing the action plans to address these areas and the implementation status. All audit reports are shared with the Operational Risk Management for their necessary actions and the regulatory issues are shared with the Compliance department.
- ⦿ The Committee also reviews the internal audit functions with particular emphasis on risk assessment, scope of audits and quality of internal audit. The minutes of the Audit Committee meetings are tabled at the meetings of the Board of Directors of the Bank on a periodic basis. Further details of the activities undertaken by the Audit Committee of the Bank are set out in the 'Audit Committee Report' on pages 237 to 239.
- ⦿ The Audit Committee of the Bank also reviews internal control issues identified by the External Auditor, regulatory authorities and the management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. Also on a quarterly basis the internal control confirmation is presented to the Committee by Vice President Group Risk Management.
- ⦿ In assessing the internal control system over financial reporting, identified officers of the Bank collate all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Bank. These in turn are observed and checked by the Internal Audit department for suitability of design and effectiveness on an ongoing basis. The comments/recommendations made by the External Auditors in connection with the internal control system over financial reporting during the year were taken into consideration to further strengthen the internal control system over the financial reporting process.
- ⦿ The Integrated Risk Management Committee (IRMC) is established to assist the Board to oversee the overall management of principal areas of risk of the Bank. The committee reviews the adequacy and effectiveness of all management level committees such as the Credit Committees, Credit and Market Risk Policy Committee etc. Further IRMC works closely with Key Management Personnel (as defined by the Management from time to time) and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

- ⦿ The Bank took necessary steps to further improve the models used for Impairment computations under the Sri Lanka Accounting Standard – SLFRS 9 on 'Financial Instruments' in consultation with the External Auditors. The required processes and controls have been designed to be in line with SLFRS - 9 and regulatory requirements. Also adequate training and awareness sessions have been conducted for all stakeholders. The Credit Review Department independently reviews the Individually Significant loan impairment process at each reporting date. The Internal Audit department conducts test on the processes as part of the audit plan and also reviews the Individual Impairment during the quarterly financial audits and relevant credit audits. The Board will continuously strengthen the processes and controls around management information systems and reports required for validation and compliance in line with SLFRS 9; and financial statement disclosures related to risk management.
- ⦿ The Bank engaged an external party to conduct validation on the statistical models used in impairment computation and findings and recommendations were discussed at the AC. The recommendations made were considered to further refine the models where necessary.
- ⦿ With the core banking system upgrade in 2023, the preliminary staging of the customers was automated based on certain criteria such as days past due count, restructure count, reschedule status, industry classification etc. Bank also implemented an automated solution in the workflow system commencing Q3 2023 to evaluate objective evidences and compute impairment provision for individually significant loans to expedite the financial reporting process. Also Bank uses reports generated through Power BI for impairment computation to minimise the manual intervention.
- ⦿ Feedback of internal and external auditors and regulatory auditors in connection with the internal control system in previous years were reviewed during the year and appropriate steps have been taken to implement those.

CONFIRMATION

The Board of Directors and the Management re-evaluated Financial and other operational risks and assessed the impact of any noted changes on internal controls.

Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors, Messrs.' Ernst & Young have reviewed the above Directors' Statement on internal control over financial reporting included in the Annual Report of the Bank for the year ended 31 December 2024 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control over financial reporting of the Bank.

Their independent assurance report on the Directors' Statement on Internal Control is given on the page 254 of this Annual Report.

By order of the Board,



Mr. Sriyan Cooray
Chair, Board of Directors



Mr. Sujeewa Mudalige
Chairperson, Audit Committee



Mr. Kelum Edirisinghe
Director/ Chief Executive Officer

20 February 2025
Colombo

RESPONSIBILITY STATEMENT OF THE CHIEF EXECUTIVE OFFICER AND VICE PRESIDENT - FINANCE

The Financial Statements of the National Development Bank PLC (the Bank) and the Consolidated Financial Statements of the Bank and its Group Companies (the Group) as at 31 December 2024 are prepared and presented in compliance with the following regulatory requirements:

- i. Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by The Institute of Chartered Accountants of Sri Lanka
- ii. Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- iii. Statements of Alternative Treatments (SoAT) on Accounting issued by The Institute of Chartered Accountants of SL
- iv. Companies Act No. 07 of 2007
- v. Banking Act No. 30 of 1988 and amendments thereto
- vi. Directions, circulars and guidelines issued to licensed commercial banks by the Central Bank of Sri Lanka (CBSL) including but not limited to Banking Act Direction No. 05 of 2024 issued by the Central Bank of Sri Lanka on corporate governance
- vii. Listing Rules of the Colombo Stock Exchange (as amended)
- viii. The Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka (2023)

These Financial Statements comply with the prescribed formats issued by the Central Bank of Sri Lanka, circular No 05 of 2024 on "Publication of Annual and quarterly Financial Statements and Other disclosures by Licensed Banks".

The Accounting Policies of the Bank and the Group are in compliance with Sri Lanka Accounting Standards (SLFRS/LKAS) issued by The Institute of Chartered Accountants of Sri Lanka. Further Bank complied with the Banking Act Direction No. 13 of 2021 for the Classification, Recognition and Measurement of Credit Facilities and Banking Act Direction No. 14 of 2021 for the Classification, Recognition and Measurement of Financial Assets Other Than Credit Facilities in Licensed. During the year, the Bank opted for the voluntary adoption of SLFRS S1 and SFLRS S2 Sustainability Disclosure Standards, in line with the transitional relief allowed for first-time adopters, by The Institute of Chartered Accountants of Sri Lanka.

Significant Accounting Policies and estimates that involve a high degree of judgment and complexity were discussed with the Audit Committee and the External Auditors. Comparative information has been reclassified wherever necessary to comply with the current year's presentation. All significant items have been disclosed and explained by way of Notes to the Financial Statements. We confirm to the best of our knowledge, that the Financial Statements presented herewith give a true and fair view of the financial position, Statement of Profit or Loss and the cash flows of the Bank and the Group for the year. We also believe that the Bank and the Group have adequate resources to continue its operations in the foreseeable future and accordingly adopt the going concern basis for the preparation of the Financial Statements.

The Board of Directors and the Management of the Bank and the Group accept responsibility for the integrity and the objectivity of the Financial Statements. The estimates and judgments relating to the Financial Statements were made on a reasonable and prudent basis; in order that the Financial Statements reflect a true and fair view; the form and the substance of transactions and that the state of affairs of the Bank and the Group is reasonably presented. To ensure this, the Bank and the Group have taken proper and sufficient care in implementing internal control systems, with the use of a comprehensive core banking system, for safeguarding assets and for preventing and detecting fraud as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. The Internal Auditor of the Bank and the Group has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Bank and the Group are consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal control and accounting.

The Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its Group Companies were audited by Messrs Ernst & Young, Chartered Accountants. The Report issued by them is available on page 260 of Annual Report. The audit and non-audit services provided by Messrs Ernst & Young are approved by the Audit Committee in line with the relevant audit policy, to ensure

that the provision of such services does not contravene with the guidelines issued by the Central Bank of Sri Lanka or impair Messrs Ernst & Young's independence. The Audit Committee reviews the adequacy and the effectiveness of the Internal Control Systems including the effectiveness of the internal controls over financial reporting to provide reasonable assurance that all transactions are accurately and completely recorded in the books of account and the processes by which compliance with Sri Lanka Accounting Standards (SLFRS/ LKAS) and other regulatory provisions relating to financial reporting and disclosures are ensured. The Audit Committee Report is available on pages 237 to 239. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

We confirm to the best of our knowledge that

- ☉ The Bank and the Group have complied with all applicable laws, rules, regulations and guidelines; there is no material non-compliance;
- ☉ There is no material litigation against the Bank and the Group other than those disclosed in Note 49.3 on page 349 of the Financial Statements section of Annual Report;
- ☉ All taxes, duties, levies and all statutory payments by the Bank and the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Bank and the Group as at the reporting date have been paid, or where relevant provided for.



Mr. Kelum Edirisinghe
Director/ Chief Executive Officer



Mr. Hasitha Athapattu
Vice President - Finance

20 February 2025
Colombo

INDEPENDENT ASSURANCE REPORT



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TO THE BOARD OF DIRECTORS OF NATIONAL DEVELOPMENT BANK PLC

Report on the Director's Statement on Internal Control

We were engaged by the Board of Directors of National Development Bank PLC ("Bank") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("Statement") included in the annual report for the year ended 31 December 2024.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with section 3(8)(ii)(b) of the Banking Act Direction No. 11 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities and compliance with SLSAE 3050 (Revised)

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Bank.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3050 (Revised), Assurance Report for Banks on Directors' Statement on Internal Control, issued by the institute of Chartered Accountants of Sri Lanka.

This Standard required that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purpose of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

Summary of work performed

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for directors; and appropriately reflected the process the directors have adopted in reviewing the system of internal control over financial reporting of the Bank.

The procedures performed were limited primarily to inquiries of bank personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3050 (Revised) does not require us to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 (Revised) also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Bank, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Bank.

20 February 2025
Colombo

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, B Vasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudan ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

FINANCIAL STATEMENTS

Rooted In Collective Strength



Facilitating Perpetual Growth

We are fostering an ecosystem where collective strength fuels enduring progress, ensuring stability and shared prosperity for years to come.

Group or grove planting is a practice that evokes a sense of harmony and unity, representing the bonds of community and the interconnectedness of life. Bamboo groves in particular are symbols of strength and resilience found in togetherness, owing to their inherent flexibility, and the ability to protect the environment in which they stand. They have long been considered as a safe shelter through times of turbulence, owing to robust root systems that provide enduring stability and strength through every condition.

FINANCIAL CALENDAR 2024/2025

Annual General Meetings	Date
20th Annual General Meeting	28 March 2025
19th Annual General Meeting	28 March 2024

Dividends	Amount – LKR	Date dividends announced	Date dividends paid/ to be paid
Dividends for 2023	2.00 (Cash)	15 March 2024	18 April 2024
	3.00 (Scrip)	15 March 2024	10 April 2024 (Uploaded to CDS) 15 April 2024 (Listed on CSE)

FINANCIAL STATEMENTS

Interim Financial Statements	Submission to CSE	Date published in newspapers		
		English	Sinhala	Tamil
Q4/ For the twelve months ended 31.12.2024	20 February 2025	19 March 2025	19 March 2025	19 March 2025
Q3/For the nine months ended 30.09.2024	13 November 2024	26 November 2024	29 November 2024	29 November 2024
Q2/ For the six months ended 30.06.2024	14 August 2024	26 August 2024	30 August 2024	30 August 2024
Q1/ For the three months ended 31.03.2024	14 May 2024	22 May 2024	29 May 2024	29 May 2024
Q4/ For the twelve months ended 31.12.2023	20 February 2024	15 March 2024	15 March 2024	15 March 2024

Annual Financial Statements	Dated released to CSE	Date published in newspapers		
		English	Sinhala	Tamil
Annual Financial Statements for 2024	05 March 2025	19 March 2025	19 March 2025	19 March 2025
Annual Financial Statements for 2023	04 March 2024	15 March 2024	15 March 2024	15 March 2024

Investor engagements on quarterly financial results	Online Webinar
Q4 2024	12 March 2025
Q3 2024	19 November 2024
Q2 2024	20 August 2024
Q1 2024	21 May 2024
Q4 2023	12 March 2024

PROPOSED FINANCIAL CALENDAR 2025 (TENTATIVE)

Interim Financial Statements

Interim financial statements will be released to the Colombo Stock Exchange (CSE) and published in newspapers in all three languages of Sinhala, Tamil and English within the regulator stipulated deadlines. Investor Webinars will be held per each quarter, within a maximum of five working days from releasing the financial statements to the CSE.

Annual Financial Statements

Annual financial statements for 2025 will be released to CSE in March 2026.

Annual General Meeting

21th Annual General Meeting will take place in March 2026.

As per Rule 7.4 of the Listing Rules of the Colombo Stock Exchange (CSE), quarterly Financial Statements (un-audited) for the first three quarters should be released to the CSE as soon as the said statements are approved by the Board of Directors and in any event not later than 45 days from the end of each quarter and in respect of the final quarter, within two months from the end of the final quarter. According to Rule 7.5 of the Listing Rules of the CSE, the audited Financial Statements should be published in accordance with the Sri Lanka Accounting Standards and audited in accordance with Sri Lanka Auditing Standards and shall comply with any other applicable regulatory requirements and the Annual Report should be sent to all Shareholders and Debt Securities Holders and given to the CSE within a period not exceeding five (05) months from the close of the financial year.

As per the Banking Act Direction No 05 of 2024 - Corporate Governance for Licensed Commercial Banks and CBSL Circular no 05 of 2024 - Publication of Annual and Quarterly Financial Statements and other Disclosures by Licensed Banks, the annual audited Financial Statements and quarterly Financial Statements should be prepared and published in accordance with the requirements of supervisory and regulatory authorities and applicable accounting standards and such statements must be published in the newspapers in an abridged form in Sinhala, Tamil and English.

All of the dates above are/ will be updated in the Events Calendar in the Events section of the Investor Relations page of the Bank's corporate web site on <https://www.ndbbank.com/investor-relations/events>.

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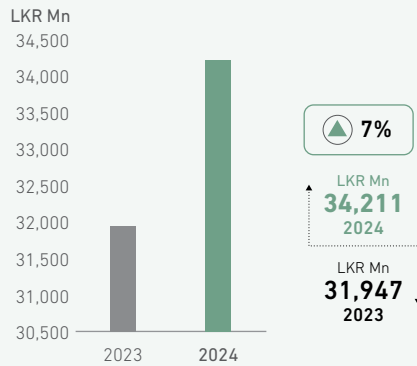
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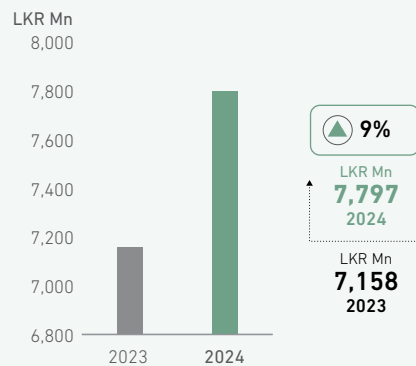
FINANCIAL PERFORMANCE

For the purpose of reporting financial performance, the Bank represents National Development Bank PLC, separate financial statements and the Group represents the Bank and the subsidiary companies.

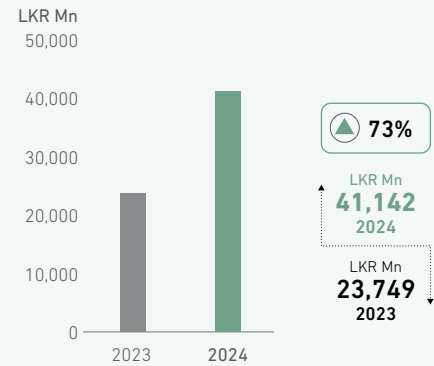
Net Interest Income



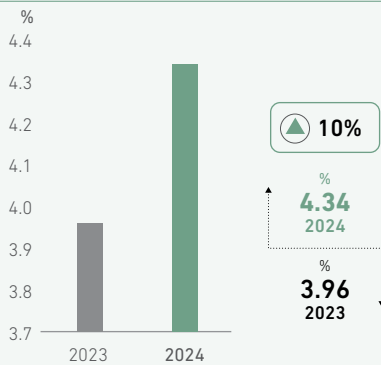
Net fee and Commission Income



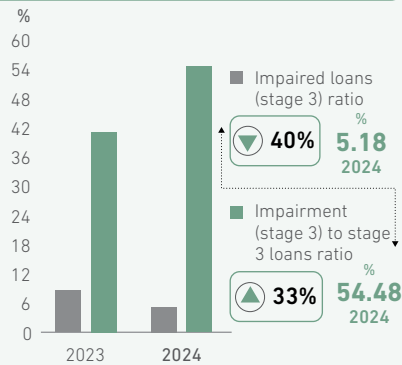
Net Operating Income



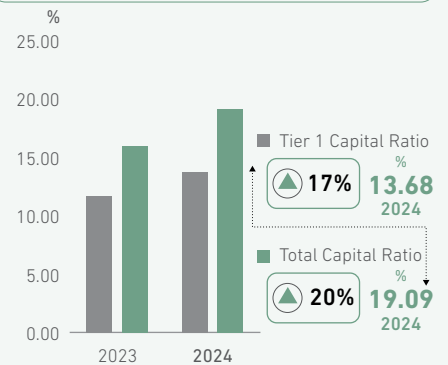
Net Interest Margins (NIM)



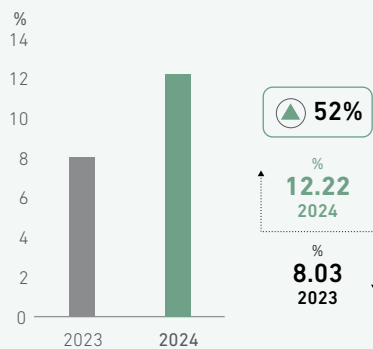
Asset Quality Ratios



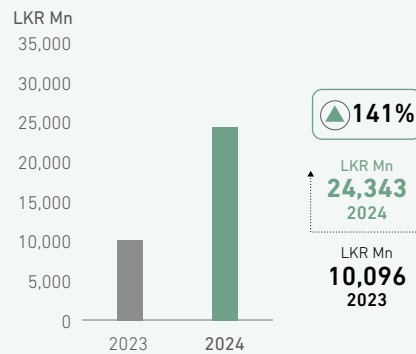
Capital Adequacy Ratios



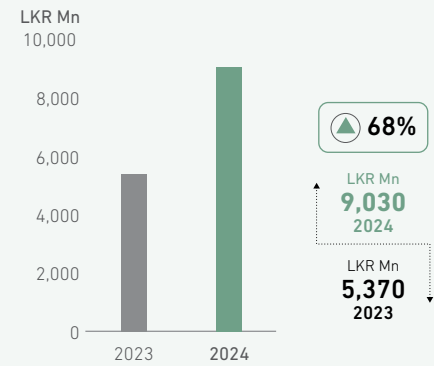
Return on equity (ROE)



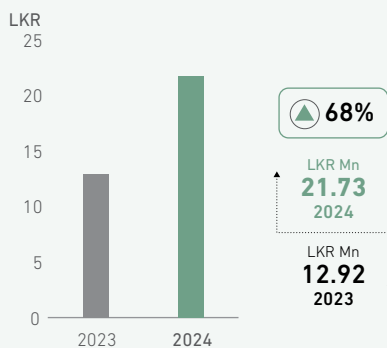
Operating Profit Before Tax on Financial Services



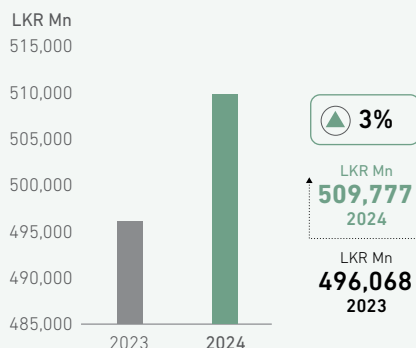
Profit for the Year



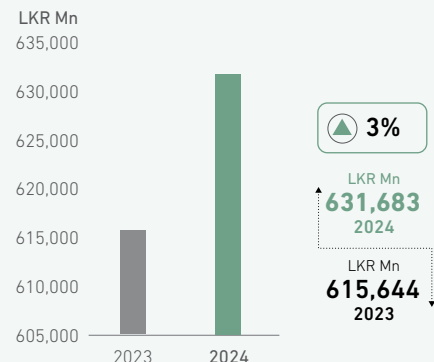
Earning Per Share



Loans and Receivables to other customers



Due to depositors



INDEPENDENT AUDITORS' REPORT



**Shape the future
with confidence**

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF NATIONAL DEVELOPMENT BANK PLC
Report on the audit of the financial statements

Opinion

We have audited the financial statements of National Development Bank PLC ("the Bank") and the consolidated financial statements of the Bank and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 December 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2024, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with

the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Expected Credit Losses of Loans and Advances measured at amortised cost Expected credit losses of loans and advances measured at amortised cost as disclosed in Notes 27.6, is determined by management based on the accounting policies described in Note 11 to the financial statements. This was a key audit matter due to - the involvement of significant management judgements, assumptions and level of uncertainty associated with estimating future cash flows to recover such loans and advances; and - the materiality of the reported amount of expected credit losses. Key areas of significant judgements, assumptions and estimates made by management in the assessment of expected credit losses for loans and advances include forward-looking macroeconomic scenarios, associated weightages and considerations that indicate significant increase in credit risk. These are subject to inherently heightened levels of estimation uncertainty. Information of such key estimates, assumptions and judgements are disclosed in Notes 11 and 57.3.	In addressing the adequacy of expected credit losses of loan and advances, our audit procedures included the following key procedures: - Assessed the Bank's expected credit loss computations with the underlying methodology including responses to economic conditions to its accounting policies, based on the best available information up to the date of our report. - Evaluated the design, implementation, and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review, and approval of expected credit losses, policies and procedures by the Board of Directors and management. - Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records of the Bank. - Evaluated the reasonableness of credit quality assessments and related stage classifications.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W H B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sathewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Ganage ACA ACMA, C A Yalagala ACA ACMA, B Vasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCA FCCA MSA (US, > SL), G B Goudan ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva BSc (Hons) - MSc Msc - IT, V Shaktivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

Key audit matter	How our audit addressed the key audit matter
	The following procedures were also performed: - For loans and advances assessed on an individual basis for impairment: - Tested the arithmetical accuracy of the underlying individual impairment calculations. - Evaluated the reasonableness of key inputs used in the expected credit losses made with economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery action of the collaterals. - For loans and advances assessed on a collective basis for impairment: - Tested the key inputs and the calculations used in the allowances for expected credit losses. - Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each scenario. Assessed the adequacy of the related financial statement disclosures set out in Notes 11, 27.6 and 57.3.
Accounting for the debt restructuring of Sri Lanka International Sovereign Bonds (SLISBs) Following the Government of Sri Lanka's conclusion of the restructure of its International Sovereign Bonds (SLISBs), as disclosed in Note 12, the Bank derecognised its SLISBs and recognised new bonds received as part of the exchange in accordance with its accounting policy disclosed in Note 12 to the financial statements. This was a key audit matter due to - Materiality of reported amounts which resulted in a reversal of an impairment of Rs. 23,863 Mn and recognition of losses resulting from the measurement of the new bonds amounting to Rs. 14,343 Mn and - the degree of management judgements, assumptions and estimation uncertainties associated with the fair value measurement, stage classification of the new bonds and related determination of its Expected Credit Loss. Key areas of significant judgements, assumptions and estimates made by management include discount rates used in the fair value measurement of the new bonds and judgements applied in the stage classification of the new bonds, as more fully disclosed in Note 12 to the financial statements.	Our audit procedures included the following key procedures: - Obtained an understanding of the Invitation memorandum issued by the Government of Sri Lanka, which details the options of the restructure. - Assessed the reasonability of the accounting treatment used by the Bank in accounting for the restructure of SLISBs to the guidance issued by CA Sri Lanka which included the following: -Significant assumptions, judgements and estimates made by management in the fair value measurement of the new bonds including discount rates and judgements associated with the stage classification and the related assessment of Expected Credit Loss. - Tested the mathematical accuracy of related calculations. Assessed the adequacy of the related disclosures set out in Notes 12 to the financial statements.
Information Technology (IT) systems related internal controls over financial reporting Bank's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets. Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.	Our audit procedures included the following key procedures: - Obtained an understanding of the internal control environment of the processes and tested relevant key controls relating to financial reporting and related disclosures. - Involved our internal specialized resources and; - Identified, evaluated, and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management, and - Obtained a high-level understanding of the cybersecurity risks affecting the bank and the actions taken to address these risks primarily through inquiry. - Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

Other Information included in the 2024 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ① Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ② Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- ③ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ④ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ⑤ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ⑥ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

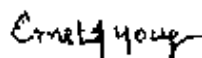
Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007 and section 39 of the Banking Act No 30 of 1988 (amended by Banking Act No. 24 of 2024)

We have obtained all the information and explanations that were required for the audit. As far as appears from our examination, in our opinion, proper accounting records have been kept by the Bank.

In our opinion the disclosures made in accompanying financial statements are in accordance with the requirements of Circular No. 05 of 2024 issued by Central Bank of Sri Lanka.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4839.



20 February 2025

Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December	Note	Page No.	BANK			GROUP		
			2024 LKR '000	2023 LKR '000	%	2024 LKR '000	2023 LKR '000	%
Gross income	4	277	99,383,382	132,326,003	(25)	102,203,733	134,472,594	(24)
Interest income	5.1	277	88,059,931	119,372,564	(26)	88,282,978	119,722,233	(26)
Less: Interest expenses	5.2	278	53,848,864	87,425,434	(38)	53,789,233	87,341,751	(38)
Net interest income	5	278	34,211,067	31,947,130	7	34,493,745	32,380,482	7
Fee and commission income	6.1	280	7,823,528	7,164,891	9	9,843,646	8,566,191	15
Less: Fee and commission expenses	6.2	280	26,210	7,084	270	26,210	7,084	270
Net fee and commission income	6	279	7,797,318	7,157,807	9	9,817,436	8,559,107	15
Net gains/(losses) from trading	7	280	1,041,326	2,905,753	(64)	1,041,326	2,905,753	(64)
Net gains/(losses) from financial assets at fair value through profit or loss	8	280	(141,276)	182,279	(178)	135,793	383,583	(65)
Net gains/(losses) from derecognition of financial assets	9	281	3,932,067	5,621,051	(30)	4,046,590	5,672,035	(29)
Other operating income	10	281	(1,332,194)	(2,920,535)	54	(1,146,600)	(2,777,201)	59
Total operating income			45,508,308	44,893,485	1	48,388,290	47,123,759	3
Less: Impairment charges/(reversals)	11	282	(9,976,865)	21,144,038	(147)	(10,054,600)	21,137,016	(148)
Less: Loss on restructuring of Sri Lanka International Sovereign bonds (SLISBs)	12	286	14,343,580	-	100	14,343,580	-	100
Net operating income			41,141,593	23,749,447	73	44,099,310	25,986,743	70
Less: Operating expenses								
Personnel expenses	13	291	9,055,457	6,633,355	37	9,909,475	7,379,192	34
Depreciation and amortisation expenses	14	292	1,090,584	984,510	11	1,167,989	1,054,459	11
Other expenses	15	293	6,652,561	6,035,825	10	7,330,417	6,649,013	10
Total operating expenses			16,798,602	13,653,690	23	18,407,881	15,082,664	22
Operating profit before tax on financial services			24,342,991	10,095,757	141	25,691,429	10,904,079	136
Less: Tax on financial services	16	293	5,524,202	2,749,840	101	5,524,202	2,749,840	101
Operating profit after tax on financial services			18,818,789	7,345,917	156	20,167,227	8,154,239	147
Share of associate companies' profits/(losses)	17	293	-	-	-	-	-	-
Profit before taxation			18,818,789	7,345,917	156	20,167,227	8,154,239	147
Less: Income tax expenses	18	294	9,788,568	1,975,590	395	10,274,892	2,296,029	348
Profit for the year			9,030,221	5,370,327	68	9,892,335	5,858,210	69
Profit attributable to equity holders of the parent			9,030,221	5,370,327	68	9,794,161	5,759,436	70
Non-controlling interests			-	-	-	98,174	98,774	(1)
Profit for the year			9,030,221	5,370,327	68	9,892,335	5,858,210	69
Basic Earnings per share (LKR)	19	296	21.73	12.92	68	23.57	13.86	70
Diluted Earnings per share (LKR)	19	296	21.66	12.92	68	23.50	13.86	70
Dividend per share (LKR)	20	297	-	5.00				

The Notes to the Financial Statements disclosed on pages 270 to 396 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	Page No.	BANK			GROUP		
			2024 LKR '000	2023 LKR '000	%	2024 LKR '000	2023 LKR '000	%
Profit for the year			9,030,221	5,370,327	68	9,892,335	5,858,210	69
Other comprehensive income								
Items that will be reclassified to the Statement of Profit or Loss								
Exchange differences on translation of foreign operations			-	-	-	(45,860)	(67,465)	32
Gains/(losses) on investments in debt instruments - fair value through other comprehensive income								
Net change in fair value during the year	47.2	345	(1,382,089)	5,259,686	(126)	(1,379,562)	5,268,192	(126)
Deferred tax effect on gains/ (losses) in above financial instruments			414,627	(1,577,905)	126	412,463	(1,577,918)	126
Net gains/(losses) on investments			(967,462)	3,681,781	(126)	(967,099)	3,690,274	(126)
Gains/(losses) on cash flow hedge reserve			(776,202)	(3,191,786)	76	(776,202)	(3,191,786)	76
Deferred tax effect on gains/ (losses) of cash flow hedge reserve			232,861	957,535	(76)	232,861	957,535	(76)
Net gains/(losses) on cash flow hedge reserve	25.1(b)	316	(543,341)	(2,234,251)	76	(543,341)	(2,234,251)	76
Net other comprehensive income/(expense) that will be reclassified to the Statement of Profit or Loss (a)			(1,510,803)	1,447,530	(204)	(1,556,300)	1,388,558	(212)
Items that will not be reclassified to the Statement of Profit or Loss								
Net gains/(losses) on investments in equity instruments - fair value through other comprehensive income	29.2	317	905,099	315,123	187	905,099	315,123	187
Revaluation of freehold land and buildings	47.1	345	51,735	50,483	2	96,364	92,531	4
Deferred tax effect on revaluation gains/(losses)			(15,520)	(15,145)	(2)	(28,909)	(27,760)	(4)
Net gains/(losses) on revaluation of freehold land and buildings			36,215	35,338	2	67,455	64,771	4
Actuarial gains/(losses) on defined benefit plans	42.2 (g)	341	(89,354)	(581,395)	85	(99,177)	(605,550)	84
Deferred tax effect on actuarial gains/(losses)			3,091	87,606	(96)	6,037	94,853	(94)
Net actuarial gains/(losses) on defined benefit plans			(86,263)	(493,789)	83	(93,140)	(510,697)	82
Net other comprehensive income/(expense) that will not be reclassified to the Statement of Profit or Loss (b)			855,051	(143,328)	697	879,414	(130,803)	772
Total other comprehensive income/(expense) for the year, net of taxes (a+b)			(655,752)	1,304,202	(150)	(676,886)	1,257,755	(154)
Total comprehensive income for the year			8,374,469	6,674,529	25	9,215,449	7,115,965	30
Attributable to:								
Equity holders of the parent			8,374,469	6,674,529	25	9,128,833	7,029,011	30
Non-controlling interests			-	-	-	86,616	86,954	(0)
Total comprehensive income for the year			8,374,469	6,674,529	25	9,215,449	7,115,965	30

The Notes to the Financial Statements disclosed on pages 270 to 396 form an integral part of these Financial Statements

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Page No.	BANK			GROUP		
			2024 LKR '000	2023 LKR '000	%	2024 LKR '000	2023 LKR '000	%
Assets								
Cash and cash equivalents	22	300	18,037,627	28,100,515	(36)	18,682,376	28,580,676	(35)
Balances with the Central Bank of Sri Lanka	23	301	8,053,358	7,040,421	14	8,053,358	7,040,421	14
Placements with banks	24	301	22,098,832	33,743,602	(35)	22,098,832	33,743,602	(35)
Derivative financial instruments	25	302	1,146,236	3,083,815	(63)	1,146,236	3,083,815	(63)
Financial assets recognised through profit or loss - measured at fair value	26	304	6,776,131	24,021,340	(72)	9,905,171	26,040,046	(62)
Financial assets at amortised cost - loans and receivables to other customers	27	305	460,707,258	452,660,461	2	460,780,610	452,739,928	2
Financial assets at amortised cost - debt and other instruments	28	311	166,190,761	125,672,370	32	166,355,792	125,672,370	32
Financial assets measured at fair value through other comprehensive income	29	315	94,245,415	83,805,398	12	94,659,106	84,645,423	12
Investments in subsidiary companies	30	318	1,031,037	1,108,772	(7)	-	-	-
Investments in associate companies	31	319	-	-	-	-	-	-
Investment property	32	320	-	-	-	3,107,671	3,112,440	-
Property, plant & equipment	33	321	3,147,459	3,141,117	-	4,070,740	3,817,097	7
Right of use assets	34	325	1,260,740	1,145,601	10	1,337,042	1,260,055	6
Intangible assets	35	327	1,766,615	1,883,447	(6)	1,814,985	1,898,270	(4)
Current tax receivables	40	334	-	-	-	33,727	43,102	(22)
Deferred tax assets	41	334	4,158,040	9,648,118	(57)	4,216,721	9,717,805	(57)
Other assets	36	328	7,066,842	4,844,183	46	7,517,853	5,563,827	35
Total assets			795,686,351	779,899,160	2	803,780,220	786,958,877	2
Liabilities								
Due to banks	37	329	4,841,342	7,679,195	(37)	4,841,342	7,679,195	(37)
Derivative financial instruments	25	302	344,586	93,361	269	344,586	93,361	269
Financial liabilities at amortised cost								
Due to depositors	38.1	330	631,682,926	615,643,999	3	631,081,461	615,232,470	3
Due to debt securities holders	38.2	331	8,002,850	15,632,569	(49)	8,002,850	15,632,569	(49)
Due to other borrowers	38.3	332	22,023,798	24,636,539	(11)	22,023,798	24,636,539	(11)
Debt securities issued	39	332	33,564,708	29,388,875	14	33,564,708	29,388,875	14
Current tax liabilities	40	334	5,204,643	7,265,070	(28)	5,473,755	7,430,773	(26)
Deferred tax liabilities	41	334	-	-	-	976,244	921,189	6
Retirement benefit obligations	42	336	1,413,872	1,299,909	9	1,556,937	1,439,374	8
Other liabilities	43	341	10,942,871	8,111,766	35	11,712,316	8,608,209	36
Total liabilities			718,021,596	709,751,283	1	719,577,997	711,062,554	1
Equity								
Stated capital	44	343	21,756,865	20,738,231	5	21,756,865	20,738,231	5
Statutory reserve fund	45	343	3,521,479	3,046,479	16	3,521,479	3,046,479	16
Retained earnings	46	344	43,501,855	41,027,500	6	48,276,283	45,079,167	7
Other reserves	47	344	8,884,556	5,335,667	67	9,188,008	5,607,516	64
Total equity to equity holders of the Bank			77,664,755	70,147,877	11	82,742,635	74,471,393	11
Non-controlling interests	48	347	-	-	-	1,459,588	1,424,930	2
Total equity			77,664,755	70,147,877	11	84,202,223	75,896,323	11
Total liabilities and equity			795,686,351	779,899,160	2	803,780,220	786,958,877	2
Contingent liabilities and commitments	49	347	288,292,666	277,965,419	4	288,367,118	278,127,046	4
Net asset value per share (LKR)	50	349	186.91	175.60	6	199.13	186.43	7

The Notes to the Financial Statements disclosed on pages 270 to 396 form an integral part of these Financial Statements.

We certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007.



Mr. Hasitha Athapattu
Vice President - Finance

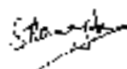
The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Approved and signed for and on behalf of the Board.



Mr. Sriyan Cooray
Director/Chairman



Mr. Kelum Edirisinghe
Director/Chief Executive Officer



Mrs. Shehani Ranasinghe
Company Secretary

20 February 2025
Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December	Note	BANK								Total
		Stated Capital	Statutory Reserve Fund	Share Based Payment Reserve	Fair Value through Other Comprehensive Income Reserve	Revaluation Reserve	Cash Flow Hedge Reserve	Special reserve on SLISBs - Step-up bonds	Retained Earnings	
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01 January 2023		19,870,665	2,746,479	44,479	(1,042,735)	1,466,265	3,069,667	-	37,381,043	63,535,863
Total comprehensive income for the year										
Profit for the year		-	-	-	-	-	-	-	5,370,327	5,370,327
Other comprehensive income before tax		-	-	-	5,574,809	50,483	(3,191,786)	-	(581,395)	1,852,111
Tax on other comprehensive income		-	-	-	(1,577,905)	(15,145)	957,535	-	87,606	(547,909)
Total comprehensive income for the year		-	-	-	3,996,904	35,338	(2,234,251)	-	4,876,538	6,674,529
Transactions with equity holders, recognised directly in equity										
Transfer to the statutory reserve fund	45	-	300,000	-	-	-	-	-	(300,000)	-
Final dividend for 2022: Scrip	20	867,566	-	-	-	-	-	-	(950,237)	(82,671)
Reversal of dividends paid in prior years		-	-	-	-	-	-	-	20,156	20,156
Balance as at 31 December 2023		20,738,231	3,046,479	44,479	2,954,169	1,501,603	835,416	-	41,027,500	70,147,877
Balance as at 01 January 2024		20,738,231	3,046,479	44,479	2,954,169	1,501,603	835,416	-	41,027,500	70,147,877
Total comprehensive income for the year										
Profit for the year		-	-	-	-	-	-	-	9,030,221	9,030,221
Other comprehensive income before tax		-	-	-	(476,990)	51,735	(776,202)	-	(89,354)	(1,290,811)
Tax on other comprehensive income		-	-	-	414,627	(15,520)	232,861	-	3,091	635,059
Total comprehensive income for the year		-	-	-	(62,363)	36,215	(543,341)	-	8,943,958	8,374,469
Transactions with equity holders, recognised directly in equity										
Transfer to the statutory reserve fund	45	-	475,000	-	-	-	-	-	(475,000)	-
Transfer to the special reserve on SLISBs - Step-up bonds	47.5	-	-	-	-	-	-	4,014,429	(4,014,429)	-
Adjustment to share based payment reserves		-	-	103,949	-	-	-	-	-	103,949
Final dividend for 2023: Cash	20	-	-	-	-	-	-	-	(798,929)	(798,929)
Final dividend for 2023: Scrip	20	1,018,634	-	-	-	-	-	-	(1,198,393)	(179,759)
Reversal of dividends paid in prior years		-	-	-	-	-	-	-	17,148	17,148
Balance as at 31 December 2024		21,756,865	3,521,479	148,428	2,891,806	1,537,818	292,075	4,014,429	43,501,855	77,664,755

For the year ended 31 December		GROUP											
		Notes	Stated Capital LKR '000	Statutory Reserve Fund LKR '000	Share Based Payment Reserve LKR '000	Fair Value through Other Comprehensive Income Reserve LKR '000	Revaluation Reserve LKR '000	Cash Flow Hedge Reserve LKR '000	Special reserve on SLUSBs - Step-up bonds LKR '000	Retained Earnings LKR '000	Total LKR '000	Non - Controlling Interests LKR '000	Total Equity LKR '000
Balance as at 01 January 2023			19,870,665	2,746,479	44,479	(1,025,487)	1,682,940	3,069,667	-	41,116,154	67,504,897	1,391,259	68,896,156
Total comprehensive income for the year													
Profit for the year			-	-	-	-	-	-	-	5,759,436	5,759,436	98,774	5,858,210
Other comprehensive income before tax			-	-	-	5,583,315	92,531	(3,191,786)	-	(661,195)	1,822,865	(11,820)	1,811,045
Tax on other comprehensive income			-	-	-	(1,577,918)	(27,760)	957,535	-	94,853	(553,290)	-	(553,290)
Total comprehensive income for the year			-	-	-	4,005,397	64,771	(2,234,251)	-	5,193,094	7,029,011	86,954	7,115,965
Transactions with equity holders, recognised directly in equity													
Transfer to the statutory reserve fund		45	-	300,000	-	-	-	-	-	(300,000)	-	-	-
Dividend attributable to non controlling interests													
Final dividend for 2022: Scrip		20	867,566	-	-	-	-	-	-	(950,237)	(82,671)	-	(82,671)
Reversal of dividends paid in prior years			-	-	-	-	-	-	-	20,156	20,156	-	20,156
Balance as at 31 December 2023			20,738,231	3,046,479	44,479	2,979,910	1,747,711	835,416	-	45,079,167	74,471,393	1,424,930	75,896,323
Balance as at 01 January 2024			20,738,231	3,046,479	44,479	2,979,910	1,747,711	835,416	-	45,079,167	74,471,393	1,424,930	75,896,323
Total comprehensive income for the year													
Profit for the year			-	-	-	-	-	-	-	9,794,161	9,794,161	98,174	9,892,335
Other comprehensive income before tax			-	-	-	(474,463)	96,364	(776,202)	-	(133,479)	(1,287,780)	(11,558)	(1,299,338)
Tax on other comprehensive income			-	-	-	412,463	(28,909)	232,861	-	6,037	622,452	-	622,452
Total comprehensive income for the year			-	-	-	(62,000)	67,455	(543,341)	-	9,666,719	9,128,833	86,616	9,215,449
Transactions with equity holders, recognised directly in equity													
Transfer to the statutory reserve fund		45	-	475,000	-	-	-	-	-	(475,000)	-	-	-
Transfer to the special reserve on SLUSBs - Step-up bonds		47.5	-	-	-	-	-	-	4,014,429	(4,014,429)	-	-	-
Adjustment to share based payment reserves			-	-	103,949	-	-	-	-	-	103,949	-	103,949
Dividend attributable to non controlling interests													
Final dividend for 2023: Cash		20	-	-	-	-	-	-	-	(798,929)	(798,929)	-	(798,929)
Final dividend for 2023: Scrip		20	1,018,634	-	-	-	-	-	-	(1,198,393)	(179,759)	-	(179,759)
Reversal of dividends paid in prior years			-	-	-	-	-	-	-	17,148	17,148	-	17,148
Balance as at 31 December 2024			21,756,865	3,521,479	148,428	2,917,910	1,815,166	292,075	4,014,429	48,276,283	82,742,635	1,459,588	84,202,223

STATEMENT OF CASH FLOWS

ACCOUNTING POLICY

The Statement of Cash Flows has been prepared by using 'The Direct Method' in accordance with Sri Lanka accounting standard LKAS 7 on "Statement of Cash Flows", whereby gross cash receipts and gross cash payments of operating, investing and financing activities have been recognised. For the purpose of the preparation of the Statement of Cash Flows, cash and cash equivalents include cash in hand, balances with banks and placements with banks, as presented in the Statement of Financial Position.

For the year ended 31 December	Note	Page No.	BANK		GROUP	
			2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Cash flows from operating activities						
Interest received			96,983,587	115,721,380	97,137,933	116,098,876
Fee and commission income received			7,964,434	6,724,305	10,012,372	8,097,965
Dividend income received			143,837	77,194	128,718	15,402
Other operating income received			(604,395)	296,105	(520,369)	457,150
Interest paid			(60,371,140)	(88,033,051)	(60,311,509)	(88,031,617)
Personnel costs paid			(8,788,433)	(6,530,159)	(9,475,958)	(7,272,194)
Other expenses paid			(7,209,128)	(7,082,535)	(7,959,426)	(7,551,205)
Operating profit before changes in operating assets and liabilities (a)			28,118,762	21,173,239	29,011,761	21,814,377
Increase/decrease in operating assets						
Deposits held for regulatory or monetary control purposes			(1,012,937)	11,147,126	(1,012,937)	11,147,126
Financial assets at amortised cost - loans and receivables to other customers			(30,404,437)	77,234,867	(30,404,437)	77,234,867
Net (increase)/decrease in operating assets			(1,268,359)	4,984,338	(1,525,279)	5,063,435
Increase/decrease in operating liabilities						
Financial liabilities at amortised cost - due to depositors			22,321,501	(57,694,801)	22,131,565	(57,505,645)
Financial liabilities at amortised cost - due to debt securities holders	38.2	331	(7,629,719)	15,502,028	(7,629,719)	15,502,028
Financial liabilities at amortised cost - due to banks/other borrowers			(1,966,494)	(15,280,423)	(1,966,494)	(15,280,423)
Repayment of principal portion of lease liabilities	43.1.2	342	(536,025)	(435,836)	(611,629)	(511,440)
Net increase/(decrease) in other liabilities			1,261,377	115,767	1,971,578	(2,593)
Net cash (outflow)/inflow from operating activities before taxation			8,883,669	56,746,305	9,964,409	57,461,732
Tax on financial services paid			(3,323,057)	(2,689,010)	(3,323,057)	(2,689,010)
Income taxes paid	40.2	334	(5,723,858)	(2,372,153)	(6,043,944)	(2,674,348)
Net cash (used in)/from operating activities			(163,246)	51,685,142	597,408	52,098,374
Cash flows from investing activities						
Net changes in financial investments			(21,178,447)	(24,482,448)	(21,632,024)	(25,191,301)
Purchase of intangible assets			(132,480)	(1,925,214)	(172,283)	(1,933,715)
Purchase of property, plant and equipment			(431,408)	(357,644)	(482,147)	(398,262)
Proceeds from disposal of property, plant and equipment			4,146	5,069	4,157	5,109
Net cash from/(used in) investing activities			(21,738,189)	(26,760,237)	(22,282,297)	(27,518,169)
Cash flows from financing activities						
Repayment of debts securities issued	39	332	(5,561,200)	(3,637,980)	(5,561,200)	(3,637,980)
Proceeds from debt securities issued	39	332	10,000,000	5,000,000	10,000,000	5,000,000
Interest paid on debt securities issued			(3,507,364)	(3,348,150)	(3,507,364)	(3,348,150)
Dividends paid to non-controlling interests			-	-	(51,958)	(53,283)
Dividends paid to shareholders of the Bank			(697,327)	-	(697,327)	-
Net cash from/(used in) financing activities			234,109	(1,986,130)	182,151	(2,039,413)

For the year ended 31 December	Note	Page No.	BANK		GROUP	
			2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Net (decrease)/increase in cash and cash equivalents			(21,667,326)	22,938,775	(21,502,738)	22,540,792
Cash and cash equivalents at the beginning of the year			61,844,117	38,958,510	62,324,278	39,836,654
Cash and cash equivalents at the end of the year			40,176,791	61,897,285	40,821,540	62,377,446
Reconciliation of cash and cash equivalents						
Cash and cash equivalents	22	300	18,040,969	28,104,415	18,685,718	28,584,576
Placements with banks	24	301	22,135,822	33,792,870	22,135,822	33,792,870
Cash and cash equivalents at the end of the year (Gross)			40,176,791	61,897,285	40,821,540	62,377,446
Less : Impairment allowance			40,332	53,168	40,332	53,168
Cash and cash equivalents at the end of the year (Net)			40,136,459	61,844,117	40,781,208	62,324,278

(a) Reconciliation of Operating Profit before Changes in Operating Assets and Liabilities

For the year ended 31 December	Note	Page No.	BANK		GROUP	
			2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Operating profit before tax on financial services			24,342,991	10,095,757	25,691,429	10,904,079
Gains on disposal of property, plant & equipment	10	281	(2,827)	(3,489)	(2,827)	(5,712)
Accruals for interest/other income			8,956,661	(3,651,184)	9,026,743	(3,654,744)
Accruals for interest expenses			(6,522,277)	(607,617)	(6,522,277)	(607,617)
Accruals for general expenses			(356,751)	(849,732)	(583,128)	(610,077)
Unrealised revaluation gains/(losses) from investments			(3,790,791)	(5,803,330)	(4,268,055)	(6,055,618)
Contribution made to the pension fund	13	291	(36,487)	(93,782)	(36,487)	(93,782)
Depreciation of property, plant & equipment	14	292	401,609	393,336	434,136	420,837
Amortisation of intangible assets	14	292	313,001	271,056	319,728	275,353
Depreciation of Right of use assets	14	292	375,974	320,118	414,125	358,269
Impairment charges for financial assets and investments in subsidiaries	11	282	(9,976,865)	21,144,038	(10,054,600)	21,137,016
Loss on restructuring of Sri Lanka International Sovereign bonds (SLISBs)	12	288	14,343,580	-	14,343,580	-
Scrip dividend received from investments			(33,005)	(41,932)	(40,129)	(42,075)
Share based expenses	13	291	103,949	-	103,949	-
Fair value adjustments on investment property			-	-	185,574	(211,552)
Operating profit before changes in operating assets and liabilities			28,118,762	21,173,239	29,011,761	21,814,377

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting Entity

The National Development Bank of Sri Lanka was incorporated under the National Development Bank of Sri Lanka Act No. 2 of 1979. In 2005, pursuant to the provisions of the National Development Bank of Sri Lanka (consequential provisions) Act No.1 of 2005, a company by the name of 'National Development Bank Limited' was incorporated for the purposes of taking over the business of National Development Bank of Sri Lanka. Accordingly, on 15 June 2005, the National Development Bank Limited was incorporated and with effect from that date, the National Development Bank of Sri Lanka Act No. 2 of 1979 was repealed except for certain provisions contained therein.

In terms of the new Companies Act No. 7 of 2007, the name of the Bank was changed as 'National Development Bank PLC' ('The Bank'). The Bank was re-registered in terms of the new Companies Act, on 04 July 2007 and was assigned with PQ 27 as the new Registration Number. The shares and the rated unsecured subordinated redeemable debentures issued by the Bank are listed on the Colombo Stock Exchange. The Registered Office of the Bank and its principle place of business are situated at No.40, Nawam Mawatha, Colombo 02.

Number of branches and the staff strength of the Bank was as follows:

As at December 31	2024	2023
Number of branches	113	113
Number of Staff	2920	2756

1.2 Principle Activities of the Bank and the Group

The principal activities of the Bank and its Group companies are summarised below:

National Development Bank PLC								
PARENT COMPANY								
40, Nawam Mawatha, Colombo 02, Sri Lanka								
Retail banking, small and medium enterprise (SME) banking, corporate banking, project and infrastructure financing, trade finance, investment banking, leasing, housing finance, credit cards, cash management, correspondent banking, remittance services, margin trading, pawning, treasury, underwriting, custodian, investment services and bancassurance.								
SUBSIDIARIES								
ENTITY	Local Subsidiaries						Foreign Subsidiaries	
								
HOLDING %	99.9%	99.9%	99.9%	99.9%	58.6%	60%	60%	84.2%
	NDB Capital Holdings Limited	NDB Investment Bank Limited	NDB Wealth Management Limited	NDB Securities (Pvt) Limited	Development Holdings (Pvt) Limited	NDB Zephyr Partners Lanka (Pvt) Limited (Fully owned subsidiary of NDB Zephyr Partners Limited)	NDB Zephyr Partners Limited	NDB Capital Limited Direct 41.8% and Indirect 42.4% via NDB Investment Bank
	Direct Holding	Indirect Holding	Indirect Holding	Indirect Holding	Direct Holding	Indirect Holding	Indirect Holding	Direct/ Indirect Holding
PRINCIPAL ACTIVITY	Full service investment banking	Full service investment banking	Wealth management	Investment advisory and securities	Property management	Management of private equity funds	Management of private equity funds	Investment banking
PRINCIPAL PLACE OF BUSINESS	Level 1,135, Bauddhaloka Mawatha, Colombo 04	Level 1,135, Bauddhaloka Mawatha, Colombo 04	Level G, 135, Bauddhaloka Mawatha, Colombo 04	Level 2, 135, Bauddhaloka Mawatha, Colombo 04	42, NDB EDB Tower (2nd Floor), Nawam Mawatha, Colombo 02	Level 1,135, Bauddhaloka Mawatha, Colombo 04	IFS Court, Bank Street, Twenty-Eight Cybercity, Ebene 72201, Republic of Mauritius	Bilquis Tower (5th Floor), Plot 6, Gulshan 2, Dhaka 1212, Bangladesh
COUNTRY OF INCORPORATION	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Mauritius	Bangladesh
The Bank also holds 50% shareholding in Ayojana Fund (Pvt) Limited (an Investment in Associate) which is under liquidation.								

1.3 Consolidated Financial Statements

The Consolidated Financial Statements for the year ended 31 December 2024 comprise of the Bank (parent company) and the subsidiaries and associate companies, together referred as the Group.

The Bank is the ultimate parent of the NDB Group and the Financial Statements of all companies in the group have a common financial year which ends in 31 December.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Bank as at 31 December 2024 comprises of -

- The Statement of Profit or Loss and Statement of Comprehensive Income providing information on the performance for the year under review (Refer pages 263 and 264).
- Statement of Financial Position providing the information on the financial position of the Bank and the Group as at the year end (Refer page 265).
- Statement of Changes in Equity providing the movement in the shareholders' funds during the year under review for the Bank and the Group (Refer pages 266 and 267).
- Statement of Cash Flow providing the information to the users, on the ability of the Bank and the Group to generate cash and cash equivalents and the needs for entities to utilise those cash flows (Refer pages 268 and 269);
- Notes to the Financial Statements, which comprise of the Accounting Policies and other explanatory notes and information (Refer pages 270 to 396).

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Bank, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 7 of 2007 and the Banking Act No. 30 of 1988 and the Banking Act (amendment) No. 24 of 2024. These Financial Statements also provide appropriate disclosures as required by the listing rules of the Colombo Stock Exchange. The Group has also complied with directions/guidelines issued by the Central Bank of Sri Lanka including the Direction No 13 of 2021 and the Direction No. 14 of 2021 which were effective from 1 January 2022. Further, the preparation and presentation of Financial Statements and the disclosures made therein also comply with the CBSL Circular No. 05 of 2024 on "Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks" where ever applicable. The Bank also publishes annual and quarterly financial information and other disclosures in the Press and on the Website in compliance with the basis of the aforementioned Circular.

These Financial Statements, except for information on cash flows, have been prepared following the accrual basis of accounting. The Group did not adopt any inappropriate accounting treatment, which are not in compliance with the requirements of the SLFRSs and LKASs and regulations governing the preparation and presentation of the Financial Statements.

2.2 Functional and Presentation Currency

The Financial Statements of the Bank and the Group are presented in Sri Lanka Rupees (LKR) which is the currency of the primary economic environment in which the Bank and the Group operates. Financial information presented in Sri Lanka Rupees (LKR) has been rounded to the nearest thousand unless indicated otherwise.

2.3 Responsibility for the Financial Statements

The Board of Directors is responsible for these Financial Statements of the Group, in compliance with the Sri Lanka Accounting Standards (SLFRS and LKAS) and provisions of the Companies Act No. 7 of 2007 and listing rules of the Colombo Stock Exchange and CBSL Circular No 05 of 2024 on "Publication of annual and quarterly financial statements and other disclosures by licensed banks." The Board of Directors acknowledge their responsibility as set out in the 'Annual Report of the Board of Directors' on the affairs of the Bank, 'Statement of Directors Responsibilities on Financial Reporting' and the certification given on the 'Statement of Financial Position' on pages 23, 249 and 253 respectively.

2.4 Approval of the Financial Statements by Directors

The Financial Statements of the Bank and the Group for the year ended 31 December 2024 (including the comparative figures) have been approved and authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 20 February 2025.

2.5 Basis of Measurement

The Financial Statements of the Group have been prepared on a historical cost basis, except for the following material items in the Statement of Financial Position:

Item	Basis of Measurement	Note	Pages
Derivative financial instruments	Fair value	25	302
Financial assets recognised through profit or loss - measured at fair value	Fair value	26	304
Financial assets measured at fair value through other comprehensive income	Fair value	29	315
Investment property	Fair value	32	320
Freehold land and buildings	Measured at cost at the time of acquisition and subsequently measured at revalued amounts, which represented the fair value at the date of revaluation.	33	321
Retirement benefit obligations	Recognised at the present value of the defined benefit obligations less the fair value of the assets of the plan.	42	336
Employee Share Option Scheme	Fair value	47.3	345

2.6 Presentation of Financial Statements

The Group presents its Statement of Financial Position broadly in order of liquidity. An analysis regarding the recoveries and settlements within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 51 to the Financial Statements.

2.6.1 Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees thousand, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 1 on "Presentation of Financial Statements".

2.6.2 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if, and only if, there is an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when it is permitted under SLFRSs, or for gains and losses arising from a group or similar transactions such as in the Group's trading activity.

2.7 Materiality and Aggregation

In compliance with Sri Lanka Accounting Standards - LKAS 01 on 'Presentation of Financial Statements', each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately, unless they are immaterial.

2.8 Comparative Information

The comparative information is reclassified wherever necessary to conform to the current year's presentation and the details of which are given in Note 55 to the Financial Statements.

2.9 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Bank and its subsidiaries for the year ended 31 December 2024. The Financial Statements of the Bank's subsidiaries are prepared for the same reporting year as the Bank, using consistent Accounting Policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full in preparing the Consolidated Financial Statements.

Subsidiaries are fully-consolidated from the date on which, control is transferred to the Bank. Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank.

Non-controlling interests are presented separately in the Consolidated Statement of Profit or Loss and within equity in the Consolidated Statement of Financial Position, but separate from the Parent shareholders' equity.

2.1 Foreign Currency Translation

(a) All foreign currency transactions are translated into the functional currency, which is Sri Lankan Rupees (LKR), using the exchange rates prevailing at the dates, the transactions were affected. Monetary assets and liabilities denominated in foreign currencies are retranslated at the middle exchange rate of the functional currency ruling, at the date of the Statement of Financial Position. The resulting gains and losses are accounted for in the Statement of Profit or Loss.

(b) Accordingly, transactions of the Foreign Currency Banking Unit have been recorded in accordance with Note (a) above. Net gains and losses are dealt within the Statement of Profit or Loss.

(c) Non-monetary assets and liabilities that are measured on a historical cost basis in foreign currency are translated using the exchange rates prevailing at that date. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(d) Forward exchange contracts are valued at the forward market rates prevailing at the date of the Statement of Financial Position. Profits or losses on such transactions are dealt within the Statement of Profit or Loss.

(e) As at the reporting date, the assets and liabilities of overseas subsidiaries/associates are translated into the Bank's presentation currency at the rate of exchange ruling at the date of the Statement of Financial Position and its profits and losses are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity.

(f) On disposal of a foreign subsidiary/associate, the deferred cumulative amount recognised in equity relating to that particular foreign subsidiary/associate is recognised in the Statement of Profit or Loss in 'other operating expenses' or 'other operating income', respectively.

2.11 Significant Accounting Judgments, Estimates and Assumptions

In the process of applying the accounting policies of the Group, the Management is required to make judgments, which may have significant effects on the amounts recognised in the Financial Statements. Further, the Management is also required to consider key assumptions concerning the future and other key sources of estimation of uncertainty at the date of the Statement of the Financial Position that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

The key significant accounting judgments, estimates and assumptions for each type of assets, liabilities, income and expenses along with the respective carrying amounts of such items are presented along with the notes to the Financial Statements.

The following table includes the items that involve significant accounting judgements, estimates and assumptions in the preparations of the Financial Statements of the Group.

Notes to the Financial Statements	Note	Pages
Impairment charges	11	282
Income tax expense	18	294
Derivative financial instruments	25	302
Financial assets recognised through profit or loss - measured at fair value	26	304
Financial assets at amortised cost - debt and other instruments	28	311
Financial assets measured at fair value through other comprehensive income	29	315
Investment property	32	320
Property, plant & equipment	33	321
Right of use assets	34	325
Intangible assets	35	327
Retirement benefit obligations	42.1	337
Pension fund	42.2	338
Share based payment reserve	47.3	345
Fair value of financial instruments and non financial instruments	56	360

2.11.1 Going Concern-basis of accounting

The Board of Directors of the Bank and its group companies have made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the ability of the Group to continue as a going concern.

Therefore, the Financial Statements of the Group continue to be prepared on a going concern basis.

3 ACCOUNTING POLICIES

The Group has consistently applied the accounting policies for all periods presented in the financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

Apart from the general accounting policies set out below, the specific accounting policies pertaining to each item in the financial statements have been presented within the respective notes to the Financial Statements. These material accounting policy information have been applied consistently to all periods presented within the respective notes to the Financial Statements of the Group. The accounting policies have been consistently applied by the Group entities where applicable and deviations if any have been disclosed accordingly.

Accounting policy	Note	Pages
Material accounting policy information		
Financial instruments	3.1	274
Material accounting policy information - Recognition of income and expenses		
Gross income	4	277
Net interest income	5	277
Net fee and commission income	6	279
Net gains/(losses) from trading	7	280
Net gains/(losses) from financial assets at fair value through profit or loss	8	280
Net gains/(losses) from derecognition of financial assets	9	281
Other operating income	10	281
Impairment charges	11	282
Loss on restructuring of Sri Lanka International Sovereign bonds (SLISBs)	12	288
Personnel expenses	13	291
Depreciation and amortisation expenses	14	292
Other expenses	15	293
Tax on financial services	16	293
Income tax expenses	18	294
Material accounting policy information - Recognition of assets and liabilities		
Basic/Diluted EPS	19	296
Dividend Per Share	20	297
Cash and cash equivalents	22	300
Placements with banks	24	301
Derivative financial instruments	25	302
Financial assets recognised through profit or loss - measured at fair value	26	304
Financial assets at amortised cost - loans and receivables to other customers	27	305
Financial assets at amortised cost - debt and other instruments	28	311
Financial assets measured at fair value through other comprehensive income	29	315
Investments in subsidiary companies	30	318
Investments in associate companies	31	319
Investment property	32	320
Property, plant & equipment	33	321
Right of use assets	34	325
Intangible assets	35	327
Current tax (receivables)/liabilities	40	334
Deferred tax (assets)/liabilities	41	334
Other assets	36	328
Due to banks	37	329
Financial liabilities at amortised cost - Due to depositors	38.1	330
Financial liabilities at amortised cost - Due to debt securities holders	38.2	331
Financial liabilities at amortised cost - Due to other borrowers	38.3	332
Debt securities issued	39	332
Retirement benefit obligations	42	336

3.1 Financial Instruments - SLFRS 9

The Group applies the requirements under SLFRS 9 - Financial Instruments in classifying, measuring, re-classifying and de-recognition of financial instruments.

3.1.1 Date of recognition

Financial assets and financial liabilities, with the exception of loans and receivables to other customers and balances due to depositors, are initially recognised on the trade date.

The trade date means the date that the Bank becomes a party to the contractual provisions of the instruments. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and receivables to other customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to depositors when funds are transferred to the Bank.

3.1.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 3.1.4.(a) and (b). Financial instruments are initially measured at their fair value (as defined in Note 56), except in the case of financial assets and financial liabilities recorded at Fair Value through Profit or Loss, transaction costs are added to, or subtracted from, this amount. Trade receivables of subsidiaries are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below in Note 3.1.3.

3.1.3 Day one profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in the Statement of Profit or Loss over the tenor of the financial instrument using Effective Interest Rate method. In cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in the Statement of Profit or Loss when the inputs become observable, or when the instrument is derecognised.

3.1.4 Classification and subsequent measurement of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measures at either:

- ⊙ Fair Value through profit or loss (FVPL) as explained in Note 26.
- ⊙ Amortised cost, as explained in Note 3.1.4.1. and in Note 27.
- ⊙ Fair Value through Other Comprehensive Income (FVOCI), as explained in Note 29.

The Bank measures its derivative portfolio at FVPL as explained in Note 25.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and financial liabilities designated upon initial recognition as at FVPL.

The subsequent measurement of financial assets/liabilities depends on their classification.

3.1.4 (a) Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

- ⊙ How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- ⊙ The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- ⊙ How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- ⊙ The expected frequency, value and timing of sales are also important aspects of the assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

If cash flows after initial recognition are realised in a way that is different from the original expectations, the Group does not change the classification of the remaining

financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3.1.4 (b) Assessment of whether contractual cash flows are Solely Payments of Principle and Interests (SPPI test)

As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

An entity has a business model to hold the financial asset to collect the contractual cash flows. The characteristics of the contractual cash flows are that of solely payments of the principal amount and interest (referred to as "SPPI").

For the purpose of this assessment, principle is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period of which the interest rate is set.

3.1.4.1 Measurement of financial assets at amortised cost

Cash and cash equivalents, balances with the Central Bank of Sri Lanka, placements with banks, loans and receivables to other customers, financial assets at amortised cost - debts and other instruments are measured at amortised cost by the Group.

The Group only measures financial assets at amortised cost if both of the following conditions are met and is not designated as at FVPL:

- ⊙ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- ⊙ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely based on SPPI.

3.1.5 Reclassification of financial assets and liabilities

As per SLFRS 9, financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

3.1.6 Derecognition of financial assets and financial liabilities other than for substantial modification**3.1.6 (a) Financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired.

3.1.6 (b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

3.1.7 Government securities denominated in local currency – Treasury bills and bonds

Treasury bills and bonds denominated in local currency, issued by the Government of Sri Lanka, are classified under Stage 1 in line with Banking Act Direction No. 14 of 2021 – Classification, Recognition and Measurement of Financial Assets Other than Credit Facilities in Licensed Banks.

3.2 Borrowing Costs

As per the Sri Lanka Accounting Standard -LKAS 23 on "Borrowing Costs", the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur.

3.3 Taxation**3.3.1 Current tax and deferred tax**

Details of "Income tax expense" and "Deferred tax assets and liabilities" are given in Note 18.

3.3.2 Tax on financial services

Details of "Value Added Tax (VAT) on financial services" and "Social Security Contribution Levy (SSCL) on financial services" are given in Note 16.

3.3.3 Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 01 April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

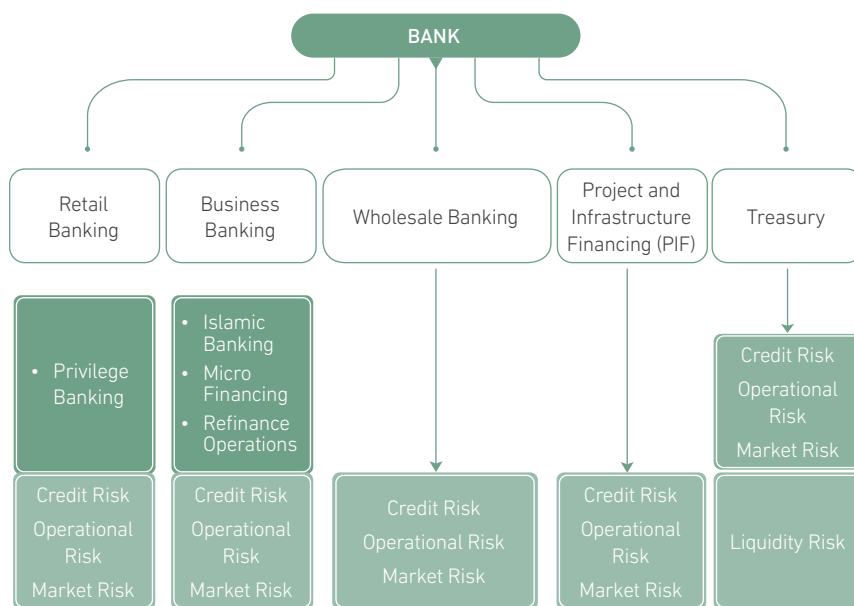
3.3.4 Withholding Tax (WHT) on dividends

As per the Inland Revenue (Amendment) Act No. 45 of 2022, dividends are subject to WHT effective from 01 January 2023. Accordingly, dividend income is liable to WHT at the rate of 15% which is considered as a final tax for the Group.

3.4 Bank's Risk Management Framework

The Board of Directors of the Bank has the overall responsibility for the establishment and oversight of the Bank's Risk Management Framework. The Risk Management Policy of the Bank translates overall risk appetite on business activities in a holistic approach to provide the guidance required for convergence of strategic and risk perspectives of the Bank. The Board Integrated Risk Management Committee (IRMC) meets quarterly to review and assess the Bank's overall risks and to focus on policy recommendations and strategies in an integrated manner and the Board of Directors are duly updated of its activities.

A detailed disclosure on how the risk management is carried out within the Bank's Risk Management Framework with due consideration given to Credit risk, Market risk and Liquidity risk and Operational Risk are given in the Notes to the Financial Statements Section on "Risk Management disclosures" on pages 372 to 396



3.5 Changes in Accounting Policies

New and Amended Standards and Interpretations

The new and amended standards and interpretations that are issued up to the date of issuance of the Group's financial statements but are not effective for the current annual reporting period, are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

SLFRS 17 - Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2025. The Bank/Group expects that the implementation of this standard may not have a material impact on the financial statements of the group.

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- ④ A specific adaptation for contracts with direct participation features (the variable fee approach)
- ④ A simplified approach (the premium allocation approach) mainly for short- duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

As of 31 December 2024, the Group does not have any material impact from the SLFRS 17 - Insurance Contracts.

Lack of exchangeability – Amendments to LKAS 21

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

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The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

4 GROSS INCOME

ACCOUNTING POLICY

The Gross Income represents the Interest Income and the Non-Interest Income earned by the Group during the year.

Gross Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The specific recognition criteria, for each type of Gross Income are given under the respective notes.

For the year ended 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Interest income	5.1	88,059,931	119,372,564	88,282,978	119,722,233
Fee and commission income	6.1	7,823,528	7,164,891	9,843,646	8,566,191
Net gains/(losses) from trading	7	1,041,326	2,905,753	1,041,326	2,905,753
Net gains/(losses) from financial assets at fair value through profit or loss	8	(141,276)	182,279	135,793	383,583
Net gains/(losses) from derecognition of financial assets	9	3,932,067	5,621,051	4,046,590	5,672,035
Other operating income	10	(1,332,194)	(2,920,535)	(1,146,600)	(2,777,201)
Total		99,383,382	132,326,003	102,203,733	134,472,594

5. NET INTEREST INCOME

ACCOUNTING POLICY

Recognition of Interest Income and Interest Expenses

The Group uses the Effective Interest Rate (EIR) method for recognising the interest income and interest expenses of Financial Assets and Financial Liabilities that are measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income under SLFRS 9- Financial Instruments. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or the financial liability.

The carrying amount of financial assets or financial liabilities is adjusted if the Group revises their estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR. The EIR (and therefore, the amortised cost) is calculated by taking into account any discount or premium on an acquisition, fees and costs that are an integral part of the EIR. The change in the carrying amount is recorded as 'interest income' for financial assets and 'Interest expenses' for financial liabilities.

Group ceases the recognition of interest income on assets which are impaired (over 90 days past due) when it is probable that the economic benefits associated will not continue to flow to the Bank.

5.1 Interest Income

	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Placements with banks	3,354,561	2,851,076	3,407,218	2,898,626
Financial assets recognised through profit or loss measured at fair value	1,973,199	5,027,171	1,973,199	5,027,171
Financial assets measured at fair value through other comprehensive income	10,742,906	16,389,156	10,847,213	16,584,965
Financial assets at amortised cost - loans and receivables to other customers	50,483,263	72,019,997	50,495,872	72,031,029
Interest income on impaired loans and receivables to other customers	1,817,214	1,250,873	1,817,214	1,250,873
Financial assets at amortised cost - debt and other instruments	19,345,134	21,537,882	19,352,601	21,537,882
Other interest income	343,654	296,409	389,661	391,687
Total interest income (a)	88,059,931	119,372,564	88,282,978	119,722,233

5.2 Interest Expenses

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Due to banks	2,708,426	3,860,848	2,708,426	3,860,848
Financial liabilities at amortised cost				
Due to depositors	45,698,947	77,298,817	45,639,316	77,215,134
Due to debt securities holders	751,577	1,231,932	751,577	1,231,932
Due to other borrowers	1,417,017	1,642,788	1,417,017	1,642,788
Debt securities issued	3,272,897	3,391,049	3,272,897	3,391,049
Total interest expenses (b)	53,848,864	87,425,434	53,789,233	87,341,751
Net interest income (a)-(b)	34,211,067	31,947,130	34,493,745	32,380,482

5.3 Net Interest Income from Sri Lanka Government Securities

Interest income and interest expenses on Government Securities have been extracted from interest income and interest expenses given in Notes 5.1 and 5.2 respectively and disclosed separately, as required by the Guidelines issued by the Central Bank of Sri Lanka.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Interest income				
Financial assets recognised through profit or loss measured at fair value	1,973,199	5,027,171	1,973,199	5,027,171
Financial assets measured at fair value through other comprehensive income	10,742,906	16,389,156	10,823,487	16,565,542
Financial assets measured at amortised cost - debt and other instruments	18,665,281	20,521,024	18,672,748	20,521,024
	31,381,386	41,937,351	31,469,434	42,113,737
Less : Interest expenses				
Financial liabilities at amortised cost - Due to debt securities holders	751,577	1,231,932	751,577	1,231,932
Net interest income from Sri Lanka Government Securities	30,629,809	40,705,419	30,717,857	40,881,805

6. NET FEE AND COMMISSION INCOME

ACCOUNTING POLICY

Income from Fee-based Activities

Fee and Commission Income

The Group recognises the fee and commission earned from depositors and the loans and receivables to other customers as per the requirements of SLFRS 9 - Financial Instruments and all other fee and commission income are recognised based on the SLFRS 15 - Revenue from contracts with customers.

The fee and commission income are recognised by the Group within the scope of SLFRS 15 (Revenue from contracts with customers) only when all of the following criteria are met:

- (i) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) obligations; and are committed to perform their respective obligations;
- (ii) The entity can identify each party's rights regarding the services to be transferred;
- (iii) The entity can identify the payment terms for the services to be transferred;
- (iv) The contract has commercial substance (ie the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- (v) It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession

Fees and commission income that are integral to the EIR of a financial asset are capitalised and included in the measurement of the EIR and recognised in the Statement of Profit or Loss over the expected life of the instrument. Other fees and commission income on account servicing, investment management, underwriting, advisory work, loan syndication and all other fees and commissions earned during the normal course of the business of the Group are recognised as the related services are performed and are recorded on accrual basis. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period. Other fees and commission income on account servicing, investment management, underwriting, advisory work, loan syndication and all other fees and commissions earned during the normal course of the business of the Group are recognised as the related services are performed and are recorded on accrual basis. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period

Income from Financial Guarantees

The Bank issues financial guarantees, consisting of letters of credit, guarantees and acceptances, in the normal course of its business activities. Financial guarantees are initially recognised in the Statement of Financial Position as a contingent liability at the guarantee value. The premium received is recognised in the Statement of Profit or Loss on a straight-line basis over the life time of the guarantee and the balance amount to be amortised to the Statement of Profit or Loss after the reporting date, is recognised in the Statement of Financial Position, as Other Liabilities.

Rental Income

The Group recognises the rental income arising from operating leases including the investment property on an accrual basis by equalising the rental income over the tenure of the rent agreement in line with the requirement of SLFRS 16-Leases.

Fee and Commission Expenses

Fee and commission expenses mainly relates to transactions of loans and receivables to other customers and service fees, which are paid when the services are received. Fee and commission expenses are recognised on an accrual basis.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Fee and commission income (Note 6.1)	7,823,528	7,164,891	9,843,646	8,566,191
Less: Fee and commission expenses (Note 6.2)	26,210	7,084	26,210	7,084
Net Fee and commission income	7,797,318	7,157,807	9,817,436	8,559,107

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
6.1 Fee and Commission Income on				
Cards	2,091,815	1,928,905	2,091,815	1,928,905
Due to depositors	469,100	422,159	469,100	422,159
Guarantees	650,037	745,043	650,037	745,043
Loans and receivables to other customers	1,149,017	647,225	1,149,017	647,225
Remittances	905,092	1,232,093	905,092	1,232,093
Trade finance	1,270,240	1,688,617	1,270,240	1,688,617
Other financial services	1,130,186	354,247	1,183,252	427,425
Bancassurance	155,941	144,663	155,941	144,663
Investment banking and wealth management	-	-	1,591,409	994,530
Brokerage	-	-	229,706	153,625
Rental income	2,100	1,939	148,037	181,906
Total (a)	7,823,528	7,164,891	9,843,646	8,566,191

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
6.2 Fee and Commission Expenses on				
Loans and receivables to other customers	5,222	4,159	5,222	4,159
Other financial services	20,988	2,925	20,988	2,925
Total (b)	26,210	7,084	26,210	7,084
Net Fee and commission income (a)-(b)	7,797,318	7,157,807	9,817,436	8,559,107

7. NET GAINS/(LOSSES) FROM TRADING

ACCOUNTING POLICY

Net gains/(losses) from trading includes the unrealised gains/(losses) derived from revaluation of the foreign exchange contracts and other derivative financial instruments. All derivative financial instruments are fair valued at each reporting date as per the SLFRS 09 - Financial Instruments.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Income from foreign exchange contracts				
With banks	435,709	1,924,931	435,709	1,924,931
With other customers	605,617	980,822	605,617	980,822
Total	1,041,326	2,905,753	1,041,326	2,905,753

8. NET GAINS/(LOSSES) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

ACCOUNTING POLICY

Net gains/ (losses) from financial assets at fair value through Profit or Loss comprises all unrealised fair value changes, related capital gains and losses derived from the financial assets classified as financial assets recognised through profit or loss measured at fair value.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Financial assets recognised through profit or loss measured at fair value				
Unrealised revaluation gains/(losses);				
Investment in unit trusts	-	-	57,125	140,495
Sri Lanka Government Securities - treasury bills/bonds	(141,276)	182,279	(141,276)	182,279
Equity securities	-	-	219,944	60,809
Total	(141,276)	182,279	135,793	383,583

9. NET GAINS/(LOSSES) FROM DERECOGNITION OF FINANCIAL ASSETS

ACCOUNTING POLICY

All realised gains and losses from derecognition of financial assets classified as financial assets measured at fair value through other comprehensive income and financial assets measured at Fair Value through profit or loss are given below.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Financial assets - Measured at Fair Value through Other Comprehensive Income				
Sri Lanka Government Securities - treasury bills/bonds	3,050,319	4,057,348	3,068,427	4,108,332
Financial assets - Measured at Fair Value through profit or loss				
Investment in unit trusts	-	-	80,180	-
Equity securities	-	-	16,235	-
Sri Lanka Government Securities - treasury bills/bonds	881,748	1,563,703	881,748	1,563,703
Total	3,932,067	5,621,051	4,046,590	5,672,035

10. OTHER OPERATING INCOME

ACCOUNTING POLICY

Other operating income includes capital gains/(losses), dividend income, foreign exchange gains, disposal gains/(losses) from property, plant & equipment and gains/(losses) from investment properties.

Dividend Income

Dividend income from group investments in subsidiary companies and associate companies and other investments in quoted and non quoted shares are recognised when the Group's right to receive the payment is established.

Foreign Exchange Gains

The change in exchange rate differences arising from the valuation of the retained profits held in foreign currency is included under 'foreign exchange gains'

Gains/(Losses) on disposal of Property, Plant & Equipment

Gains/(losses) on disposal of property, plant & equipment represent the difference between the sales proceeds and the net book value of property, plant & equipment that are disposed during the year.

Gains/(Losses) on Investment Properties

Gains/(losses) from investment properties arise from the changes in the fair values of investment properties and are included in the Statement of Profit or Loss, in the year in which they arise. The valuation methodology and the basis of valuation adopted by the Group is explained in detail in Note 32 on page 320.

Initial recognition of fair value on LKR bonds replaced for Sri Lanka Development Bonds

As part of Domestic Debt Optimisation (DDO) programme implemented by the Government of Sri Lanka during the year 2023, the Bank's SLDBs were converted to LKR treasury Bonds. In accordance with the recognition requirements under SLFRS 9 -Financial Instruments, the newly issued LKR bonds replaced with Sri Lanka Development bonds were recorded at fair value upon initial recognition. As a result, a Day one loss was recognised in Statement of Profit or Loss. This loss was estimated based on a comparable instrument at the initial recognition date. Further, the amortisation of the Day one loss was commenced from year 2024 onwards. Additionally, the Group reviewed the change in the fair value of the LKR Bonds and recognised a gain under Other Income in the Statement of Profit or Loss during the year.

10. OTHER OPERATING INCOME (CONTD.)

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Dividend income from securities				
- Quoted investments	55,922	41,932	77,953	52,302
- Non-quoted investments	39,433	28,712	50,908	28,712
Dividend income from group investments - Non-quoted investments	48,482	48,482	-	-
Foreign exchange gains/(losses)	(1,643,148)	(2,606,158)	(1,650,257)	(2,632,844)
Gains/(loss) on disposal of property, plant & equipment	2,827	3,489	2,827	5,712
Gains/(loss) on investment properties (Note 32)	-	-	185,574	211,552
Gains/(loss) on change in fair value of LKR bonds replaced for Sri Lanka Development Bonds	140,787	(450,000)	140,787	(450,000)
Others	23,503	13,008	45,608	7,365
Total	(1,332,194)	(2,920,535)	(1,146,600)	(2,777,201)

11. IMPAIRMENT CHARGES/(REVERSALS)**ACCOUNTING POLICY**

The Group recognises the impairment (Expected Credit Loss) on financial instruments assessed as per SLFRS 9 - Financial Instruments. Further, the Group also recognises an impairment loss when the carrying amount of a non-financial asset exceeds the estimated recoverable amount from that asset.

Overview of the Expected Credit Loss (ECL)

The Group records the allowance for expected credit loss for all loans and receivables and other financial assets not held at Fair Value through Profit or Loss (FVPL), together with loan commitments, financial guarantee contracts and letters of credit which are referred to as 'financial instruments'. Equity instruments are not subject to impairment under SLFRS 9.

The Expected Credit Loss (ECL) allowance is based on the credit losses expected to arise over the life of the asset [The Life Time Expected Credit Loss (LTECL)], when there is a significant increase in credit risk since origination. In all other instances ECL is based on the 12 months ECL (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 57.3.3.5.

The 12 months ECL is the portion of life time ECLs that represents the ECLs that result from default events on a financial instruments that are possible within the 12 months after the reporting date.

Both Life time ECLs and 12 months ECLs are calculated either on an individual basis or a collective basis, based on a predetermined threshold of customer exposures. If a particular loan is credit impaired under individual impairment the amount of loss is measured as the difference between the

carrying amount of the asset and the present value of estimated future cash flows. If the individually assessed asset is determined that it is not credit impaired under individual impairment, such financial assets are then collectively assessed for any impairment along with other portfolios having similar risk characteristics under collective impairment. The Group's policy for grouping financial assets measured on a collective basis is explained in Note 57.3.3.6.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 57.3.3.7.

As per SLFRS 9, the Group adopts a three stage model for impairment based on changes in credit quality since initial recognition.

STAGE 1

A financial asset that is not originally credit impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of LTECL that result from default events possible within the next 12 months (12mECL). Stage 1 also include financial assets of which the credit risk has improved and hence reclassified from stage 2 and stage 3.

STAGE 2

Financial asset is moved to Stage 2 if a significant increase in credit risk (SICR) since origination is identified and the Group records an allowance for LTECL. Stage 2 also includes financial assets of which credit risk has improved and hence reclassified from stage 3.

STAGE 3

If a financial asset is credit impaired (as outlined in Note 57.3.3), it is moved to Stage 3 and the Group recognises an allowance for LTECL, with probability of default at 100%.

The calculation of Expected Credit Loss (ECL)

The Group calculates ECLs under the three staging approach to measure the expected cash shortfalls, discounted at an approximation to the Effective Interest Rate (EIR). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made on an individual basis or on a collective basis as per the Group's impairment policy. The collective assessments are made separately for portfolio of facilities with similar credit risk characteristics.

The mechanics of the ECL calculations are outlined below and the key elements, Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) under collective impairment assessment are as follows:

PD

The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. Days passed due (DPD) is the primary factor in establishing the term structure of PD for exposures. DPD is measured by counting the number of days since the payment due date. The concept of PDs is further explained in Note 57.3.3.2.

LGD

The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. They are calculated on a discounted cashflow basis using EIR as the discounting factor. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 57.3.3.4.

EAD

The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest whether scheduled by contract or otherwise, expected drawdowns on committed facilities. To calculate EAD for a stage 1 loan, the Group assesses the possible default events within 12 months. For all other loans, the EAD is considered for default events over the life time of the financial instruments. The EAD is further explained in Note 57.3.3.3.

The above parameters are generally derived from internally developed statistical models and historical data and then adjusted to reflect forward looking information.

When estimating the ECLs, the Group considers three scenarios (a base case, best case and worst case) of Economic Factor Adjustment (EFA). When relevant, the assessment of multiple scenarios are also incorporated to assess how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out below under "Credit cards and other revolving facilities", the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

Provisions for ECLs for undrawn loan commitments are assessed as set out below under "Loan commitments and letters of credit". The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities such as credit cards is explained below under "Credit cards and other revolving facilities".

Forward looking information

The Group incorporates forward looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. When estimating the ECLs, the Group considers three economic scenarios (base case, best case and worst case). Quantitative economic factors are based on economic data and forecasts published by CBSL and other reliable sources.

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- ⊙ Quantitative factors - GDP growth, Unemployment rate, Rate of Inflation, Interest rate and Exchange rate
- ⊙ Qualitative factors - Government policies, average loan to value ratio and management outlook on delinquencies etc.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements.

Detailed information about these inputs and sensitivity analysis are provided in Note 57.3.3.14

Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities within a short period of time. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Bank's expectations, the period over which the Bank calculates ECLs for these products, is one year.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's number of days past due, as explained in Note 57.3.3.5, but greater emphasis is also given to qualitative factors.

The interest rate used to discount the ECLs for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation

takes into account that many facilities are repaid in full each month and are consequently charged no interest.

Loan commitments and letters of credit:

When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR of the loan. For loan commitments and letters of credit, the ECL is recognised within other liabilities.

Financial guarantee contracts

The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Statement of Profit or Loss and the ECL allowance. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holders for a credit loss that it incurs. The shortfalls are discounted by the risk adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within other liabilities.

Impairment of Debt Instruments

The Group calculates the impairment on debt instruments at amortised cost and debt instruments at FVOCI. Thus the Group considers PDs based on the rating scales of external rating agencies as at the reporting date.

LGD for debt instruments are based on the guideline issued by the Central Bank of Sri Lanka and most recent information precedent of Sri Lanka's sovereign bond restructuring. Further, the Group applied the Economic Factor Adjustment based on the macro economic factor model. Exposure of Default (EAD) of a debt instrument is its gross carrying amount.

Recognition of impairment on Financial Assets measured at Fair Value through Other Comprehensive Income (FVOCI)

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to the Statement of Profit or Loss. The accumulated loss recognised in OCI is recycled to the Statement of Profit or Loss upon derecognition of the assets.

11. IMPAIRMENT CHARGES/(REVERSALS) (CONTD.)

ACCOUNTING POLICY

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credits enhancements such as netting agreements etc.

However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at inception and re-assessed on a regular basis. Details of the impact of the Bank's various credit enhancements are disclosed in Note 57.3.3.11.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuation specialists.

Collateral repossessed

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auctions, to settle outstanding debt.

Assets under legal repossession process are not recorded on the Statement of Financial Position.

Such collaterals repossessed are held on a memorandum basis without derecognising the underline receivable.

Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the impairment allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the Statement of Profit or Loss.

Forborne and modified loans (restructured/ rescheduled loans)

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne

when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

All rescheduled loans are classified as stage 3 unless upgraded due to satisfactory performing period as specified in the Direction No. 13 of 2021 on "Classification, Recognition and Measurement of Credit Facilities in Licensed Banks" issued by the Central Bank of Sri Lanka. Further loans which have been restructured are classified as stage 2 or 3 based on the number of times restructured unless upgraded due to satisfactory performing period as specified in the said Direction.

Significant Accounting Judgements, Estimates and Assumptions on Impairment Allowance on financial assets

The measurement of impairment allowance under SLFRS 9 across all categories of financial assets requires judgement in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of impairment allowances. Accounting judgements, estimates and assumptions are reviewed regularly and revisions to the same are recognised prospectively.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include;

- ⦿ The Group's criteria for assessing if there has been a significant increase in credit risk and hence allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.

- ⦿ The segmentation of financial assets when their ECL is assessed on a collective basis.
- ⦿ Development of ECL models, including the various formulas and the choice of inputs.
- ⦿ Determination of associations between macroeconomic scenarios and economic inputs such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.
- ⦿ Selection of forward-looking macroeconomic scenarios and their probability weightings to derive the economic inputs into the ECL models.

A sensitivity analysis of impairment allowance to feasible changes in various factors used has been disclosed in note 57.3.3.14

Management overlays on impairment allowances

The Group considered the following management overlays to the model in computing expected credit loss provisions at the end of the period to mitigate any unforeseen increased credit risk in addition to the expected credit loss resulted from the modelled computation.

- ⦿ Staging of the facilities included in the identified risk elevated industries were moved to a higher stage where necessary to capture the significant increase in credit risk.
- ⦿ An overlay has been recorded for loan facilities in stage 3 based on their days past due where necessary.
- ⦿ Higher weightage for worst case scenario under the economic assumptions applied in respect of forward - looking information has been considered.

Impairment charge on Other Financial Assets

The impairment charge on Other Financial Assets included the impairment allowance made for the additional interest receivable for Special Deposit Accounts (SDA) and Incentive scheme on Inward worker remittances due from the General Treasury of Central Bank on prudential basis in line with the instructions issued by the Central Bank of Sri Lanka.

For the year ended 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Charges/(reversals) to the Statement of Profit or Loss;					
Loans and receivables to other customers					
- Impairment on individually significant loans	11.1	12,925,303	10,167,636	12,925,303	10,167,636
- Impairment on collective loan portfolio	11.1	156,328	5,500,035	156,328	5,500,035
Impairment on contingent liabilities and commitments	11.1	203,593	291,802	203,593	291,802
Total impairment charges for loans and receivables to other customers and contingent liabilities and commitments		13,285,224	15,959,473	13,285,224	15,959,473
Impairment charges/(reversals) on financial assets	11.1	(23,707,196)	5,177,543	(23,707,196)	5,177,543
Impairment charges on investments in subsidiaries	11.1	77,735	7,022	-	-
Other financial asset	11.1	367,372		367,372	
Total		(9,976,865)	21,144,038	(10,054,600)	21,137,016

11.1 Analysis of impairment charges- Stage wise impairment

A further analysis of the Impairment charges on financial instruments for the year are given below.

Current year 2024	BANK				GROUP			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Impairment on loans and receivables								
Financial assets at amortised cost								
- loans and receivables to other customers	1,007,087	(806,217)	12,880,761	13,081,631	1,007,087	(806,217)	12,880,761	13,081,631
Individual impairment [Note 27.6 (a)]	-	17,160	12,908,143	12,925,303	-	17,160	12,908,143	12,925,303
Collective impairment [Note 27.6 (a)]	1,007,087	(823,377)	(27,382)	156,328	1,007,087	(823,377)	(27,382)	156,328
Contingent liabilities and commitments [Note 49.1 (b)]	337,315	(107,034)	(26,688)	203,593	337,315	(107,034)	(26,688)	203,593
Total impairment charges/(reversals) on loans and receivables to other customers and contingent liabilities and commitments	1,344,402	(913,251)	12,854,073	13,285,224	1,344,402	(913,251)	12,854,073	13,285,224
Impairment on financial assets								
Cash and cash equivalents (Note 22.1)	(558)	-	-	(558)	(558)	-	-	(558)
Placements with banks (Note 24.1)	(12,278)	-	-	(12,278)	(12,278)	-	-	(12,278)
Financial assets at amortised cost - debt and other instruments [Note 28.1 (d)]	6,290	(23,863,418)	-	(23,857,128)	6,290	(23,863,418)	-	(23,857,128)
Financial assets measured at fair value through other comprehensive income [Note 29.1 (c)]	-	162,768	-	162,768	-	162,768	-	162,768
Total impairment charges/(reversals) on financial assets	(6,546)	(23,700,650)	-	(23,707,196)	(6,546)	(23,700,650)	-	(23,707,196)
Impairment charges on investments in subsidiaries (Note 30.1)	-	77,735	-	77,735	-	-	-	-
Other financial asset (Note 36.3)	-	367,372	-	367,372	-	367,372	-	367,372
Total impairment charges/(reversals)	1,337,856	(24,168,794)	12,854,073	(9,976,865)	1,337,856	(24,246,529)	12,854,073	(10,054,600)

11.1 Analysis of impairment charges- Stage wise impairment (Contd.)

Previous year 2023	BANK				GROUP			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Impairment on loans and receivables								
Financial assets at amortised cost								
- loans and receivables to other customers	(340,178)	721,519	15,286,330	15,667,671	(340,178)	721,519	15,286,330	15,667,671
Individual impairment [Note 27.6 (a)]	-	561,863	9,605,773	10,167,636	-	561,863	9,605,773	10,167,636
Collective impairment [Note 27.6 (a)]	(340,178)	159,656	5,680,557	5,500,035	(340,178)	159,656	5,680,557	5,500,035
Contingent liabilities and commitments [Note 49.1 (b)]	278,635	44,253	(31,086)	291,802	278,635	44,253	(31,086)	291,802
Total impairment charges/(reversals) on loans and receivables to other customers and contingent liabilities and commitments	(61,543)	765,772	15,255,244	15,959,473	(61,543)	765,772	15,255,244	15,959,473
Impairment on financial assets								
Cash and cash equivalents (Note 22.1)	(4,079)	-	-	(4,079)	(4,079)	-	-	(4,079)
Placements with banks (Note 24.1)	49,030	-	-	49,030	49,030	-	-	49,030
Financial assets at amortised cost - debt and other instruments [Note 28.1 (d)]	279	5,132,313	-	5,132,592	279	5,132,313	-	5,132,592
Total impairment charges/(reversals) on financial assets	45,230	5,132,313	-	5,177,543	45,230	5,132,313	-	5,177,543
Impairment charges on investments in subsidiaries (Note 30.1)	7,022	-	-	7,022	-	-	-	-
Total impairment charges/(reversals)	(9,291)	5,898,085	15,255,244	21,144,038	(16,313)	5,898,085	15,255,244	21,137,016

12 LOSS ON RESTRUCTURING OF SRI LANKA INTERNATIONAL SOVEREIGN BONDS (SLISBs)

ACCOUNTING POLICY

The Group recognises a Day one loss on the new instruments upon initial recognition, as they are recorded at fair value in accordance with the requirements of SLFRS 9 - Financial Instruments, including the recording of the loss on haircut from previously held ISBs. Both these adjustments have been charged to the Statement of Profit or Loss in the period of recognition. Further, Bank follows the requirements of SLFRS 9 for the provisioning for ECLs of new instruments as described in Note 11.

For the year ended 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Day one loss on new instruments				
Financial assets measured at amortised cost	10,379,127	-	10,379,127	-
Financial assets Measured at fair value through other comprehensive income	369,482	-	369,482	-
Loss on haircut from previously held ISBs	3,594,971	-	3,594,971	-
Total	14,343,580	-	14,343,580	-

Restructuring of Sri Lanka International Sovereign bonds (SLISBs)

Sri Lanka faced an unprecedented economic crisis in 2022, marked by a severe balance of payments issue, dwindling foreign reserves, and an inability to service its external debt. This led to the country's first-ever sovereign default in April 2022, as it suspended payments on approximately USD12.55 billion in outstanding International Sovereign Bonds (ISBs). The Government subsequently engaged in a comprehensive debt restructuring programme to restore debt sustainability and regain access to international capital markets. Sri Lanka finalized its International Sovereign Bond (ISB) restructuring in December 2024, addressing USD12.55 billion in debt to restore economic stability and meet IMF bailout conditions.

Key Aspects of the Deal:

- Bond Exchange Offer: Investors swapped previously held ISBs for new ones with adjusted terms.
- Foreign Bondholders: Took a 28% haircut but could recover some losses if Sri Lanka's economy improved.
- Domestic Banks: Exchanged 70% of ISBs for dollar bonds (10% haircut), with 30% in rupee bonds.
- Past Due Interest: Converted into bonds with an 11% haircut.
- Governance-Linked Bonds (GLBs): Lower interest rates if Sri Lanka meets IMF governance targets.
- Macro-Linked Bonds: Debt repayments adjust based on economic performance.

This innovative restructuring stabilised the economy, restored creditor confidence, and set a precedent for flexible sovereign debt solutions.

Impact of the debt restructuring programme

The breakdown of the new instruments received in settlement of SLISBs held as at the date of restructuring is as follows:

ISB before Exchange	Settlement Date	Currency	Previously held ISBs	Bond Exchanged	Currency	New Instruments
Capital + Past Due Interest	20-Dec-24	USD	162.69 Mn	Rupee denominated Treasury Bonds	LKR	12.61 Bn*
				USD denominated Step-Up Bonds	USD	91.22 Mn
					USD	18.99 Mn

*USD equivalent of Rupee denominated Treasury Bonds is USD 43.44 Mn

Initial recognition of new Instrument on settlement dates of exchange programmes

The new bonds issued under the exchange programmes were recognised as new financial assets and initially measured at fair value. The fair value of the new bonds was estimated using discounted cash flow techniques, applying rates from the yield curve that was constructed from market information and data available at the date of measurement to discount the expected cash flows from the new bonds as outlined in the exchange memorandum.

The data considered in the construction of the yield curve includes US comparable tenure risk free bond, current and historical ISB traded prices, Sri Lanka Country Risk Premium, Liquidity risk Premium and other risk premium.

De recognition of the previously held ISBs and Reversal of Impairment allowance

The previously held ISBs were fully removed from the Statement of Financial Position along with the associated impairment and have recognised the newly exchanged bonds at their fair value. Before the exchange, the Bank had recognized impairment allowance amounting to LKR 25.2 Bn on the previously held ISBs up to December 2023 due to sovereign default risk. With the successful conclusion of the debt restructuring in December 2024, the Bank reversed the full impairment allowance recognized in respect of the previously held ISBs because the Bank no longer needs to hold provision against them.

Under SLFRS 9, a financial asset must be derecognised when:

- The contractual rights to cash flows from the asset expire, or
- The asset is exchanged for a substantially different instrument.

Since the previously held ISBs have been exchanged for new instruments with different terms (maturity extension, lower coupon rates, and partial principal reduction), they are considered substantially different under SLFRS 9. Therefore, the previously held ISBs are fully derecognised from the bank's books.

Recognition of New Instruments at Fair Value

Since the previously held ISBs were exchanged for new instruments, the bank recognised the new instruments at their fair value at the date of exchange, as required by SLFRS 9. Fair value is determined using discounted cash flow (DCF) models incorporating new coupon rates, maturity and risk.

The following table shows the weighted-average yield-to-maturity applied in discounting the cashflows of the new bonds issued under the exchange programmes, the fair value on initial recognition, classification at the initial recognition.

12 LOSS ON RESTRUCTURING OF SRI LANKA INTERNATIONAL SOVEREIGN BONDS (SLISBs) (CONTD.)

Subsequent measurement

Bond Type	US/SL Government Similar Maturity Bond Yield	Sri Lanka Country Risk Premium*	Credit De-Risk Premium*	Yield-to-maturity (Discount Rate)	Currency	Fair Value at initial recognition (Mn)	Stage Classification	Categorisation
Rupee denominated Treasury Bonds	-	-	-	9%	LKR	12,610.89	Stage 2	AMC
USD denominated Step-Up Bonds	4.50%	5.50%	2.00%	8%	USD	56.28	Stage 2	AMC
USD denominated PDI Bonds	4.50%	5.50%	-	10%	USD	15.86	Stage 2	FVOCI

*CA Sri Lanka guide line "Accounting Treatment for International Sovereign Bonds in line with SLFRS 9 Financial Instruments"

Stage classification of the new instruments

The Step up bonds and Rupee-denominated Treasury Bonds has been classified under Financial Assets at Amortised cost and the PDI Bond has been classified under Financial Assets at Fair value through Other Comprehensive Income. As of 31st December 2024, the Bank has continued to recognise the new USD/Rupee denominated bonds under Stage 2. Although the Bank recognised an impairment allowance of Rs 162 Mn on the PDI Bond, no impairment allowance has been recognised on the Step-Up Bond since the government has the option of settling the Step-Up Bond in LKR, if it is unable to settle the bonds in USD. Furthermore, no impairment allowance were recognised on Rupee denominated bonds. Both USD and LKR bonds have been classified under Level 2 of the fair value hierarchy.

Sensitivity analysis of day one loss and ECL of new instruments

The Day one loss on new Instruments and ECL on the eligible bonds is sensitive to judgments and assumptions made regarding the choice of yield to-maturity rate applied in discounting the cash flows of the new instruments to be issued under the exchange Programme. Management performs a sensitivity analysis on the fair value recognised on these assets. Accordingly, the sensitivity of the derecognition loss to a 1% change in the discount rate is set out below.

Bond Type	Increase/Decrease in discount rate (+/-)	Sensitivity effect on the Profit or Loss Increase/ (Decrease) for the year LKR'Mn
USD denominated Step-Up Bonds	1%	(1,257.08)
USD denominated Step-Up Bonds	(1%)	1,379.00
USD denominated PDI Bonds	1%	(84.87)
USD denominated PDI Bonds	(1%)	87.15

The initial Day one loss on new Instruments will be gradually reversed over the bonds lifetime using the effective interest rate (EIR)

ECL considerations

Lifetime ECLs are incorporated into the discounting factor. The Expected Credit Loss (ECL) component has been separated from the day-one loss calculation. ECL has been specifically assessed for the PDI bond, as it is payable in USD and carries credit risk exposure that necessitates provisioning.

However, the setup bond includes a feature that allows for LKR convertibility in the event of default. This characteristic mitigates the credit risk typically associated with foreign currency obligations, thereby eliminating the need for ECL recognition.

Furthermore, LKR-denominated government bonds do not require ECL provisioning. This exemption is based on the assumption that these bonds are backed by the sovereign entity, reducing the likelihood of credit losses that would necessitate ECL recognition.

The Expected Credit Loss (ECL) component has been determined based on a Probability of Default (PD) and a Loss Given Default (LGD). The PD assumption is in line with the default probability typically associated with CCC+ rated sovereign issuers, reflecting heightened credit risk. Meanwhile, the LGD is derived from the most recent precedent of Sri Lanka's sovereign bond restructuring, providing a relevant benchmark for potential recovery rates. These assumptions ensure that the ECL estimation reflects both the prevailing sovereign risk profile and empirical restructuring outcomes.

The significant terms attached to the instruments are as given below.

Bond Category	Amortisation Terms		Currency	Value Mn	Coupon Rate	Coupon Payable Frequency	Special Features
	Date	%					
USD Step-up Bonds	15 June 2029	8.00	USD	7.30	1% - 3.5% per annum	Semi-Annually	Alternative Currency Event - LKR settlement option in the event of a default.
	15 June 2030	8.00	USD	7.30			
	15 June 2031	8.00	USD	7.30			
	15 June 2032	8.00	USD	7.30			
	15 June 2033	12.00	USD	10.95			
	15 June 2034	12.00	USD	10.95			
	15 June 2035	12.00	USD	10.95			
	15 June 2036	12.00	USD	10.95			
	15 June 2037	8.00	USD	10.95			
	15 June 2038	8.00	USD	7.30			
USD PDI Bonds	15 October 2024	7.00	USD	1.33	4% per annum	Semi-Annually	-
	15 April 2025	20.00	USD	3.80			
	15 April 2026	20.00	USD	3.80			
	15 April 2027	20.00	USD	3.80			
	15 April 2028	33.00	USD	6.27			
Bond Category	Maturity Terms		Currency	Value Mn	Coupon Rate	Coupon Payable Frequency	Special Features
	Date	%					
Local LKR Bonds	15 March 2036	12.50	LKR	1,576.38	Standing Lending Facility Rate (SLFR) + 0.5% per annum	Semi-Annually	SLFR means, the 6-month historical average of the SLFR as published by the CBSL, as calculated on the date which is 30 days before the relevant interest payment date.
	15 September 2037	12.50	LKR	1,576.38			
	15 September 2038	12.50	LKR	1,576.38			
	15 September 2039	12.50	LKR	1,576.38			
	15 September 2040	12.50	LKR	1,576.38			
	15 September 2041	12.50	LKR	1,576.38			
	15 September 2042	12.50	LKR	1,576.38			
	15 September 2043	12.50	LKR	1,576.38			

Reconciliation of impairment loss allowance

Restructuring date	Previously held ISBs (Gross)	New Instruments after restructuring (Gross)	Loss on haircut from previously held ISBs (a)	PDI Bonds received as additional Interest	Value after haircut	Fair Value	Day one loss on new instruments charged to Statement of Profit or Loss (b)	Loss on restructuring of SLISBs charged to Statement of Profit or Loss (a+b)	ECL (c.) (Note 11.1)	Reversal of impairment on previously held ISBs (d) (Note 11.1)	Total impairment charges/ (reversals) on financial assets (c+d) (Note 11.1)
	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn
Rupee denominated Treasury Bonds		12,611	-	-	12,611	12,611	-	-	-	-	-
USD denominated Step-Up Bonds	48,320	30,104	3,010	-	27,094	16,715	10,379	13,389	-	(23,863)	(23,701)
USD denominated PDI Bonds		5,314	585	911	5,640	4,710	369	954	163		
Total	48,320	48,029	3,595	911	45,345	34,036	10,748	14,343	163	(23,863)	(23,701)

Year end date

	Previously held ISBs (Gross)	New Instruments after restructuring (Gross)	Loss on haircut from previously held ISBs (a)	PDI Bonds received as additional Interest	Value after haircut (Note 28 and 29)	Fair Value	Day one loss on new instruments charged to Statement of Profit or Loss (b)	Loss on restructuring of SLISBs charged to Statement of Profit or Loss (a+b)	ECL (c.) (Note 11.1)	Reversal of impairment on previously held ISBs (d) (Note 11.1)	Total impairment charges/ (reversals) on financial assets (c+d) (Note 11.1)
	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn	LKR' Mn
Rupee denominated Treasury Bonds		-	-	-	12,950	12,949	-	-	-	-	-
USD denominated Step-Up Bonds	-	-	3,010	-	26,763	16,515	10,379	13,389	-	(23,863)	(23,701)
USD denominated PDI Bonds		-	585	911	5,223	4,857	369	954	163		
Total	-	-	3,595	911	44,936	34,321	10,748	14,343	163	(23,863)	(23,701)

Note

Year-end balances included the accrued interest and the impact of the change in exchange rate during the period from the date of recognition of new instruments to year end 31 December 2024.

13 PERSONNEL EXPENSES

ACCOUNTING POLICY

Personnel expenses include salaries and bonus, terminal benefit charges, share-based payments and other related expenses. The provisions for bonus is recognised when it is probable that an outflow of resources, embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Defined Contribution Plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods, as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions, in accordance with the respective statutes and regulations. The Bank contributes 15% and 3% of gross salaries of employees to the Bank's Employees' Provident Fund and the Employees' Trust Fund respectively. Group companies contribute 12% and 3% of gross salaries of employees to the Employees' Provident Fund of Central Bank of Sri Lanka and Employees' Trust Fund respectively.

The above expenses are identified as contributions to 'Defined Contribution Plans' as defined in the Sri Lanka Accounting Standard - LKAS 19

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, the pension fund and staff gratuity were considered as defined benefit plans as per Sri Lanka Accounting Standard - LKAS 19, Employee Benefits. The contributions to the defined benefit plans are recognised in the Statement of Profit or Loss, based on an actuarial valuation carried out for the gratuity liability and the pension fund of the Group in accordance with LKAS 19

The basis of measurement, assumptions used in actuarial valuations are given in detail in Note 42 to these Financial Statements.

Share Based Expense

The Group has granted an Employee Share Option Scheme (ESOS) for the approved management staff, and the details of which are given in Note 47.3. The group applies the requirements of the Sri Lanka Accounting Standard SLFRS 2 on Share Based payments in accounting for ESOS.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Salary and bonus	7,104,214	5,219,419	7,810,324	5,823,543
Contribution to Employees' Provident Fund	632,285	487,878	682,433	532,368
Contribution to Employees' Trust Fund	128,233	97,576	140,306	108,282
Contribution to defined benefit plan				
- Pension Fund [Note 42.2 (a)]	(36,487)	(93,782)	(36,487)	(93,782)
- Gratuity [Note 42.1 (a)]	303,511	258,344	331,762	283,632
Share based expenses [Note 47.3]	103,949	-	103,949	-
Others	819,752	663,920	877,188	725,149
Total	9,055,457	6,633,355	9,909,475	7,379,192

The Bank has not made any non statutory special payments to directors/Chief Executive Officer and Key Management Personnel (KMPs) upon their termination of employment or at the retirement during the year 2024.

14 DEPRECIATION AND AMORTISATION EXPENSES

ACCOUNTING POLICY

Useful Life Time of Property, Plant & Equipment and Depreciation

Depreciation is calculated on a straight-line basis over the useful life of the assets, commencing from the date when the assets are available for use, since this method closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets. No depreciation is charged in the month of disposal of the asset and the Group does not charge depreciation on freehold land. The depreciation rates are determined separately for each significant part of the assets.

The Group reviews the residual values, useful lives and methods of depreciation of property, plant & equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

The estimated useful lives of the assets for the year ended 31 December 2024 and 2023, are as follows.

	Period (Years)	% per Annum
Freehold buildings	50	2.00
Leasehold buildings	5	20.00
Motor vehicles	4	25.00
Office equipment and furniture	5	20.00
Computer equipment - ATMs	8	12.50
Computer equipment - Servers	6	16.67
Computer equipment - iPads	4	25.00
Computer equipment - Others	5	20.00
Mobile Phones	3	33.33
Sundry fittings - Solar Power*	10	10.00
Sundry fittings	4	25.00

* With effect from 01 May 2024, Solar Power was introduced & segregated according to their useful life based on technical assessment & above rates are compatible with the rates used by the group companies.

Amortisation of Intangible Assets

Intangible assets are amortised using the straight-line method to write down the cost over its estimated useful economic lives and the useful life for the years ended 31 December 2024 and 2023 are given as follows:

Class of Assets	Period (Years)	% per Annum
Computer software - Application software	6	16.67
Computer software - Data Base Software	8	12.50
Computer software - Operating System software	8	12.50
Computer software - Utility Software	6	16.67
Computer software - Core Banking	10	10.00
Computer software - Others	5-10	20.00-10.00

Above rates are compatible with the rates used by the group companies.

Depreciation of Right of Use Assets

Depreciation is calculated using the straight-line method over the tenor of the lease agreements and it is recognised in the Statement of Profit or Loss. An analysis of depreciation and amortisation expenses are given below.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Own assets				
Depreciation of property, plant & equipment (Note 33.1 & 33.4)	401,609	393,336	434,136	420,837
Amortisation of intangible assets (Note 35.1)	313,001	271,056	319,728	275,353
Assets under operating leases				
Depreciation of right of use assets (Note 34)	375,974	320,118	414,125	358,269
Total	1,090,584	984,510	1,167,989	1,054,459

15 OTHER EXPENSES**ACCOUNTING POLICY**

Other expenses include operating expenses of the Group which are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income and are recognised on an accrual basis.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Directors' emoluments	128,684	94,509	146,020	106,904
Auditors' remuneration				
Audit fees and expenses	15,552	14,006	20,525	18,456
Audit related fees and expenses	5,987	9,692	5,987	9,692
Non-audit fees and expenses	10,979	4,206	11,834	4,475
Professional and legal expenses	73,865	30,693	171,044	75,684
Donations	6,346	8,550	10,846	14,102
Office administration and establishment expenses	3,374,124	2,862,367	3,620,256	3,157,389
Deposit insurance expenses	599,618	755,337	599,618	755,337
Others	2,437,406	2,256,465	2,744,287	2,506,974
Total	6,652,561	6,035,825	7,330,417	6,649,013

Directors' emoluments consists of the salary/fees paid to both Executive and Non-Executive Directors of the Group.

16 TAX ON FINANCIAL SERVICES**ACCOUNTING POLICY**

Tax on Financial Services includes Value Added Tax and Social Security Contribution Levy on financial services.

Value Added Tax (VAT) on Financial Services

Value Added Tax (VAT) on financial services is calculated in accordance with Value Added Tax Act, No. 14 of 2002 and subsequent amendments thereto. The base for the computation of Value Added Tax on financial services is the accounting profit before income tax and emoluments payable to employees, which is adjusted for the depreciation of property, plant & equipment computed at the prescribed rates. The emoluments payable include aggregate of both benefits in money and benefits not in money payable to the employees and any contribution or provision in relating to terminal benefits. The regulatory tax rate applicable for the current year was 18%. (2023 - 18%).

Social Security Contribution Levy (SSCL) on Financial Services

SSCL on financial services is calculated in accordance with Social Security Contribution Levy Act, No. 25 of 2022 and subsequent amendments thereto. The base applicable for Value Added Tax on financial services as explain above is applied for the computation of the SSCL on financial services and the regulatory tax rate applicable for the current year was 2.5% (2023-2.5%).

	BANK & GROUP	
	2024 LKR '000	2023 LKR '000
Value Added Tax on financial services	4,850,519	2,414,923
Social Security Contribution Levy on financial services	673,683	334,917
Total	5,524,202	2,749,840

17 SHARE OF ASSOCIATE COMPANIES' PROFITS/(LOSSES)

The Group's share of profits/(losses) of an investment in an associate company which is recognised as per the equity method, is shown on the face of the Statement of Profit or Loss outside operating profits. The Bank has not recognised profits/(losses) from its associate company, Ayojana Fund (Pvt) Limited, as the company is under liquidation. Please refer Note 31 to these Financial Statements.

18 INCOME TAX EXPENSES

ACCOUNTING POLICY

As per Sri Lanka Accounting Standard - LKAS 12, Income Taxes, income tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognised in the Statement of Profit or Loss, except to the extent it relates to items recognised directly in equity or other comprehensive income in which case it is recognised in equity or in other comprehensive income.

Current tax

Current tax consists of the expected tax payable to or receivable from the taxation authorities for the year and any adjustment to the tax payable or receivable in respect of previous years. The tax rates and tax laws used to compute the charge are those that are enacted or substantively enacted on the reporting date. Current tax also includes any tax arising from dividends. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017 and amendments there to, at the rates specified in Note 18.2 of these Financial Statements.

Provision for taxation of the foreign subsidiaries is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the relevant statutes in those countries, using the tax rates enacted or substantively enacted as at the reporting date.

Deferred Tax

Deferred tax is recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- ⊙ Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- ⊙ In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilised except:

- ⊙ Where the deferred tax asset relating to the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- ⊙ In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intentions to settle on a net basis and it is allowed under the tax laws of the relevant jurisdiction. Details of deferred tax liabilities/(assets) are given in Note 41 to the Financial Statements.

IFRIC Interpretation 23 "Uncertainty over Income Tax Treatment"

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12, Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest

and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- ⊙ Whether an entity considers uncertain tax treatments separately
- ⊙ The assumptions an entity makes about the examination of tax treatments by taxation authorities
- ⊙ How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- ⊙ How an entity considers changes in facts and circumstances

The Group applies IFRIC Interpretation 23, "Uncertainty Over Income Tax Treatment" in determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over the income tax treatment. The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group applies significant judgment in identifying uncertainties over income tax treatments. It assessed whether the Interpretation had an impact on its consolidated Financial Statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. Accordingly the Group has already estimated and recorded the probable effect of uncertainty over income tax treatment in its consolidated Financial Statements.

Significant Accounting Estimates & Assumptions

The amount of current tax receivable or payable is the best estimate of the tax amount expected to be received or paid that reflects uncertainty related to income taxes, if any.

Management periodically evaluates the positions taken in the tax returns, with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The component of the income tax expenses for the year ended 31 December 2024 and 2023 are given below.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Current tax expense				
Taxation based on the profit for the year	4,302,960	4,080,574	4,633,549	4,337,945
Under/(over) provision in respect of previous years	(639,529)	(913,704)	(537,248)	(867,626)
Total current tax expense	3,663,431	3,166,870	4,096,301	3,470,319
Deferred tax expense				
Deferred tax charge/ (reversal) (Note 41.2)	6,125,137	(1,191,280)	6,178,591	(1,174,290)
Total income tax charged/(reversal) to the Statement of Profit or Loss (Note 18.1)	9,788,568	1,975,590	10,274,892	2,296,029
Effective tax rate (including deferred tax) (%)	52	27	51	28
Effective tax rate (excluding deferred tax) (%)	19	43	20	43

18.1 Reconciliation of the accounting profit to income tax expenses

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Profit before taxation	18,818,789	7,345,917	20,167,227	8,154,239
Income tax expenses for the year (accounting profit @ applicable tax rate)	5,645,637	2,203,775	6,115,096	2,546,830
Tax effect on				
Disallowable expenses	5,864,263	1,363,123	5,903,557	1,389,760
Tax deductible expenses	(848)	(3,364)	(25,233)	(43,142)
Exempt income	(1,080,955)	(674,240)	(1,181,250)	(714,668)
Tax losses	-	-	(30)	(15,125)
Total income tax for the year	10,428,097	2,889,294	10,812,140	3,163,655
Under/(over) provision in respect of previous years	(639,529)	(913,704)	(537,248)	(867,626)
Total income tax charged/(reversal) to the Statement of Profit or Loss	9,788,568	1,975,590	10,274,892	2,296,029

18.2 Applicable Income Tax Rates

The applicable income tax rates of the Bank and the subsidiary companies for the years 2024 and 2023 are as follows:

	2024 %	2023 %
National Development Bank PLC	30	30
NDB Capital Holdings Limited	30	30
Development Holdings (Pvt) Limited	30	30
NDB Investment Bank Limited	30	30
NDB Securities (Pvt) Limited	30	30
NDB Wealth Management Limited	30	30
NDB Zephyr Partners Lanka (Pvt) Limited	Exempt	Exempt
NDB Zephyr Partners Limited (Mauritius)*	15	15
NDB Capital Limited (Bangladesh)	37.5	37.5

*The Company is however, entitled to a tax credit equivalent to the higher of actual foreign tax suffered or 80% of the Mauritius tax chargeable on its foreign source income.

18.3 The Deferred Tax (Credit)/Charge in the Statement of Profit or Loss Comprise the Following:

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
(Reversal)/origination of deferred tax liabilities	(51,479)	(98,991)	(14,607)	(55,682)
Reversal/ (origination) of deferred tax assets	6,176,616	(1,092,289)	6,193,198	(1,118,608)
Deferred tax (credit)/charge to the Statement of Profit or Loss (Note 41.2)	6,125,137	(1,191,280)	6,178,591	(1,174,290)

The deferred tax assets/liabilities of the Group as at 31 December 2024 and 2023 were computed using the income tax rate of 30%.

The Bank had made impairment allowance against SLISBs amounting to LKR 25.2 Bn as at 31 December 2023 (Note 12). Accordingly a deferred tax asset of LKR 7Bn had been recognised against the said impairment allowance. With the conclusion of the SLISBs restructuring in December 2024, the said impairment allowance previously recognized were reversed to the Statement of Profit or Loss and the deferred tax asset which have been recognized against such impairment allowance was also reversed to the Statement of Profit or Loss.

Excluding the impact of this deferred tax asset reversal, the Bank's income tax expense for normal business activities amounts to LKR 2.8 Bn.

19 BASIC/DILUTED EARNINGS PER SHARE**ACCOUNTING POLICY**

The Group presents basic and diluted Earning Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit attributable to the ordinary equity shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

Diluted EPS is determined by dividing the profit or loss attributable to the Group's ordinary shareholders by the weighted average number of ordinary shares outstanding, adjusted for the potential dilution from all outstanding share options granted to employees under the Employee Share Option Scheme (ESOS).

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Earnings per Share: Basic				
Amount used as the numerator				
Profit attributable to equity holders of the parent (LKR '000)	9,030,221	5,370,327	9,794,161	5,759,436
Amount used as the denominator				
Weighted average number of ordinary shares [Note 19.1]	415,513,426	415,513,426	415,513,426	415,513,426
Basic earnings per share (LKR)	21.73	12.92	23.57	13.86
Earnings per Share: Diluted				
Weighted average number of ordinary shares as at the date of the Statement of Financial Position for basic EPS calculation	415,513,426	415,513,426	415,513,426	415,513,426
Effect of outstanding share option schemes	1,310,636	-	1,310,636	-
Number of ordinary shares including share options	416,824,062	415,513,426	416,824,062	415,513,426
Weighted average number of ordinary shares as at the date of the Statement of Financial Position for diluted EPS calculation	416,824,062	415,513,426	416,824,062	415,513,426
Diluted Earnings per Share (LKR)	21.66	12.92	23.50	13.86

19.1 Weighted Average Number of Ordinary Shares for Basic EPS

	BANK & GROUP	
	2024	2023
Number of shares held as at 01 January as per stated capital	399,464,362	380,094,722
Add: Number of shares issued due to final scrip dividend for the year 2022	-	19,369,640
Add: Number of shares issued due to final scrip dividend for the year 2023	16,049,064	16,049,064
Weighted average number of shares held as at 31 December used as the denominator for EPS	415,513,426	415,513,426

20 DIVIDEND PER SHARE

ACCOUNTING POLICY

Interim and final dividends are recognised and accrued when the dividends are recommended and declared by the Board of Directors in accordance with the Companies Act No. 7 of 2007.

The Board of Directors will consider a declaration of dividends for the year 2024 in due course. The Bank paid a total dividend of LKR 5.00 per share comprising of a cash dividend of LKR 2.00 per share and a scrip dividend of LKR 3.00 per share for the year 2023.

	BANK & GROUP	
	2024 LKR	2023 LKR
Final dividend per share - Cash	-	2.00
Final dividend per share - Scrip	-	3.00
Total dividend per share	-	5.00

Dividend Paid during the Year

	BANK & GROUP			
	Dividend per Share LKR	2024 LKR '000	Dividend per Share LKR	2023 LKR '000
Final scrip dividend declared and paid for the prior year	3.00	1,198,393	2.50	950,237
Final cash dividend declared and paid for the prior year	2.00	798,929	-	-
Gross dividends declared and paid during the year with respect of prior year	5.00	1,997,322	2.50	950,237
Reversal of dividends paid in prior years		(17,148)		(20,156)
Dividends to equity holders		1,980,174		930,081

21 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

ACCOUNTING POLICY

Financial instrument in the statement of financial position are measured on an ongoing basis either at fair value or at amortised cost. The accounting policies describe how each category of finance instrument is measured and how income and expenses, including fair value and losses are recognised. The following table analyse the carrying amount of the financial instruments by category as defined in Sri Lanka accounting standard SLFRS 9 - 'Financial instrument' under heading of the statement of financial position:

As at 31 December 2024		BANK			
		Fair value through profit or loss LKR '000	Amortised cost LKR '000	Fair value through other comprehensive income LKR '000	Total LKR '000
	Note				
Assets					
Cash and cash equivalents	22	-	18,037,627	-	18,037,627
Balances with the Central Bank of Sri Lanka	23	-	8,053,358	-	8,053,358
Placements with banks	24	-	22,098,832	-	22,098,832
Derivative financial instruments	25	1,146,236	-	-	1,146,236
Financial assets recognised through profit or loss - measured at fair value	26	6,776,131	-	-	6,776,131
Financial assets at amortised cost - loans and receivables to other customers	27	-	460,707,258	-	460,707,258
Financial assets at amortised cost - debt and other instruments	28	-	166,190,761	-	166,190,761
Financial assets measured at fair value through other comprehensive income	29	-	-	94,245,415	94,245,415
Other financial assets	36	-	1,046,533	-	1,046,533
Total financial assets		7,922,367	676,134,369	94,245,415	778,302,151

21 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD.)

As at 31 December 2024

	Note	BANK		
		Fair value through profit or loss LKR '000	Amortised cost LKR '000	Total LKR '000
Liabilities				
Due to banks	37	-	4,841,342	4,841,342
Derivative financial instruments	25	344,586	-	344,586
Financial liabilities at amortised cost - due to depositors	38.1	-	631,682,926	631,682,926
Financial liabilities at amortised cost - due to debt securities holders	38.2	-	8,002,850	8,002,850
Financial liabilities amortised cost - due to other borrowers	38.3	-	22,023,798	22,023,798
Debt securities issued	39	-	33,564,708	33,564,708
Other financial liabilities	43.1	-	2,467,697	2,467,697
Total financial liabilities		344,586	702,583,321	702,927,907

As at 31 December 2024

	Note	GROUP			
		Fair value through profit or loss LKR '000	Amortised cost LKR '000	Fair value through other comprehensive income LKR '000	Total LKR '000
Assets					
Cash and cash equivalents	22	-	18,682,376	-	18,682,376
Balances with the Central Bank of Sri Lanka	23	-	8,053,358	-	8,053,358
Placements with banks	24	-	22,098,832	-	22,098,832
Derivative financial instruments	25	1,146,236	-	-	1,146,236
Financial assets recognised through profit or loss - measured at fair value	26	9,905,171	-	-	9,905,171
Financial assets at amortised cost - loans and receivables to other customers	27	-	460,780,610	-	460,780,610
Financial assets at amortised cost - debt and other instruments	28	-	166,355,792	-	166,355,792
Financial assets measured at fair value through other comprehensive income	29	-	-	94,659,106	94,659,106
Other financial assets	36	-	1,321,169	-	1,321,169
Total financial assets		11,051,407	677,292,137	94,659,106	783,002,650

As at 31 December 2024

	Note	GROUP		
		Fair value through profit or loss LKR '000	Amortised cost LKR '000	Total LKR '000
Liabilities				
Due to banks	37	-	4,841,342	4,841,342
Derivative financial instruments	25	344,586	-	344,586
Financial liabilities at amortised cost - due to depositors	38.1	-	631,081,461	631,081,461
Financial liabilities at amortised cost - due to debt securities holders	38.2	-	8,002,850	8,002,850
Financial liabilities amortised cost - due to other borrowers	38.3	-	22,023,798	22,023,798
Debt securities issued	39	-	33,564,708	33,564,708
Other financial liabilities	43.1	-	2,905,144	2,905,144
Total financial liabilities		344,586	702,419,303	702,763,889

As at 31 December 2023		BANK			
		Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total
		LKR '000	LKR '000	LKR '000	LKR '000
	Note				
Assets					
Cash and cash equivalents	22	-	28,100,515	-	28,100,515
Balances with the Central Bank of Sri Lanka	23	-	7,040,421	-	7,040,421
Placements with banks	24	-	33,743,602	-	33,743,602
Derivative financial instruments	25	3,083,815	-	-	3,083,815
Financial assets recognised through profit or loss - measured at fair value	26	24,021,340	-	-	24,021,340
Financial assets at amortised cost - loans and receivables to other customers	27	-	452,660,461	-	452,660,461
Financial assets at amortised cost - debt and other instruments	28	-	125,672,370	-	125,672,370
Financial assets measured at fair value through other comprehensive income	29	-	-	83,805,398	83,805,398
Other financial assets	36	-	1,427,296	-	1,427,296
Total financial assets		27,105,155	648,644,665	83,805,398	759,555,218

As at 31 December 2023		BANK		
		Fair value through profit or loss	Amortised cost	Total
		LKR '000	LKR '000	LKR '000
	Note			
Liabilities				
Due to banks	37	-	7,679,195	7,679,195
Derivative financial instruments	25	93,361	-	93,361
Financial liabilities at amortised cost - due to depositors	38.1	-	615,643,999	615,643,999
Financial liabilities at amortised cost - due to debt securities holders	38.2	-	15,632,569	15,632,569
Financial liabilities amortised cost - due to other borrowers	38.3	-	24,636,539	24,636,539
Debt securities issued	39	-	29,388,875	29,388,875
Other financial liabilities	43.1	-	2,391,221	2,391,221
Total financial liabilities		93,361	695,372,398	695,465,759

As at 31 December 2023		GROUP			
		Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total
		LKR '000	LKR '000	LKR '000	LKR '000
	Note				
Assets					
Cash and cash equivalents	22	-	28,580,676	-	28,580,676
Balances with the Central Bank of Sri Lanka	23	-	7,040,421	-	7,040,421
Placements with banks	24	-	33,743,602	-	33,743,602
Derivative financial instruments	25	3,083,815	-	-	3,083,815
Financial assets recognised through profit or loss - measured at fair value	26	26,040,046	-	-	26,040,046
Financial assets at amortised cost - loans and receivables to other customers	27	-	452,739,928	-	452,739,928
Financial assets at amortised cost - debt and other instruments	28	-	125,672,370	-	125,672,370
Financial assets measured at fair value through other comprehensive income	29	-	-	84,645,423	84,645,423
Other financial assets	36	-	1,965,544	-	1,965,544
Total financial assets		29,123,861	649,742,541	84,645,423	763,511,825

21 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD.)

As at 31 December 2023	Note	GROUP		
		Fair value through profit or loss	Amortised cost	Total
		LKR '000	LKR '000	LKR '000
Liabilities				
Due to banks	37	-	7,679,195	7,679,195
Derivative financial instruments	25	93,361	-	93,361
Financial liabilities at amortised cost - due to depositors	38.1	-	615,232,470	615,232,470
Financial liabilities at amortised cost - due to debt securities holders	38.2	-	15,632,569	15,632,569
Financial liabilities amortised cost - due to other borrowers	38.3	-	24,636,539	24,636,539
Debt securities issued	39	-	29,388,875	29,388,875
Other financial liabilities	43.1	-	2,592,786	2,592,786
Total financial liabilities		93,361	695,162,434	695,255,795

22 CASH AND CASH EQUIVALENTS**ACCOUNTING POLICY**

For the purpose of reporting in the Statement of Financial Position, cash and cash equivalents comprise of cash in hand and balances with banks. The cash in hand comprises of both local currency and foreign currency. Balances with banks represent local and foreign Nostro accounts. The balances of cash in hand are recorded at book value and the balances with banks are carried at amortised cost in the Statement of Financial Position.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Cash in hand				
Local currency	9,155,890	9,780,585	9,156,085	9,780,780
Foreign currency	314,126	321,145	314,170	321,180
Balances with banks				
Local currency	1,250,986	1,759,615	1,895,496	1,759,615
Foreign currency	7,319,967	16,243,070	7,319,967	16,723,001
Sub Total	18,040,969	28,104,415	18,685,718	28,584,576
Less : Impairment allowance (Note 22.1)	3,342	3,900	3,342	3,900
Total	18,037,627	28,100,515	18,682,376	28,580,676

22.1 Movement in Impairment Allowance During the year

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Stage 1				
Balance as at 01 January	3,900	7,979	3,900	7,979
Charges/(reversal)for the year	(558)	(4,079)	(558)	(4,079)
Balance as at 31 December	3,342	3,900	3,342	3,900

23 BALANCES WITH THE CENTRAL BANK OF SRI LANKA

Balances with the Central Bank of Sri Lanka include the cash balance that is required to be maintained with the Central Bank of Sri Lanka as per the provisions of the Monetary Law Act. The Monetary Law Act requires that all commercial banks operating in Sri Lanka to maintain a statutory reserve on all deposit liabilities denominated in Sri Lankan Rupees. There is no reserve requirement for foreign currency deposits liabilities of the Domestic Banking Unit (DBU) and the deposit liabilities of the Offshore Banking Unit (OBU) in Sri Lanka. Balances with the Central Bank of Sri Lanka is carried at amortised cost in the Statement of Financial Position.

The minimum cash reserve requirement to be maintained by the Bank during the year was as follows.

	Period	Reserve Requirement (SRR)	Period	Reserve Requirement (SRR)
	2024		2023	
All Rupee deposit liabilities	01.01.2024 - 31.12.2024	2.00%	01.01.2023 - 15.08.2023	4.00%
			16.08.2023 - 31.12.2023	2.00%

	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Statutory balances with the Central Bank of Sri Lanka	8,053,358	7,040,421	8,053,358	7,040,421
Total	8,053,358	7,040,421	8,053,358	7,040,421

24 PLACEMENTS WITH BANKS**ACCOUNTING POLICY**

Placements with Banks include short-term deposits placed in banks and are subjected to insignificant risk of changes in fair value, and are used by the Group in the management of its short-term commitments. These are recorded in the Financial Statements at the face values or the gross values, where appropriate, net of impairment charges.

	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Placements - in local banks				
Local Currency	125,028	450,334	125,028	450,334
Foreign Currency	10,051,125	3,936,674	10,051,125	3,936,674
Placements - in Foreign banks	11,959,669	29,405,862	11,959,669	29,405,862
Sub total	22,135,822	33,792,870	22,135,822	33,792,870
Less : Impairment allowance (Note 24.1)	36,990	49,268	36,990	49,268
Total	22,098,832	33,743,602	22,098,832	33,743,602

24.1 Movement in Impairment Allowance during the year

	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Stage 1				
Balance as at 01 January	49,268	238	49,268	238
Charges/(reversals) for the year	(12,278)	49,030	(12,278)	49,030
Balance as at 31 December	36,990	49,268	36,990	49,268

25 DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

A derivative is a financial instrument or other contract with all three of the following characteristics:

- ⦿ Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract.
- ⦿ It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- ⦿ It is settled at a future date.

The Group enters into derivative transactions with various counterparties. These include, cross-currency swaps, forward foreign exchange contracts and currency options. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The changes in the fair value of derivatives are included in Net gains/(losses) from trading except the currency SWAP entered with the Central Bank of Sri Lanka.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Bank only has hedges of highly probable future cash flows attributable to a recognised asset or liability or a forecast transaction (cash flow hedge).

Hedge Accounting

The Group elected to continue to apply hedge accounting in accordance with SLFRS 9 Financial Instruments.

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met. At the inception, the Group document the transaction, the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also document their assessment, both at the inception of the hedge and on an ongoing basis, if the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash Flow Hedge

The effective portion of the changes in the fair value of derivatives that are designated and qualify as cash flow hedging instruments is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Profit or Loss.

The amounts accumulated in Equity are reclassified to the Statement of Profit or Loss in the periods in which the hedged items, affect, profit or loss. When a hedging instrument is expired or is sold, or when a hedge no longer meets the criteria for hedge accounting. Any cumulative gain or loss existing in Equity at that time remains in Equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Profit or Loss. When a forecast transaction is no longer expected to occur, the cumulative gains or losses that were reported in Equity are immediately transferred to the Statement of Profit or Loss.

The changes in the fair value of any derivative instrument which do not qualify for hedge accounting are recognised immediately in the Statement of Profit or Loss.

The below table shows fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amounts indicate the volume of transactions outstanding as at December 2024 and are indicative of neither the market risk nor the credit risk.

	BANK & GROUP			
	Assets	Liabilities	Assets	Liabilities
	2024	2024	2023	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Forward foreign exchange contracts	261,699	344,586	344,343	93,361
Currency SWAP - Purchases [Note 25.1]	884,537	-	2,739,472	-
Total	1,146,236	344,586	3,083,815	93,361

	BANK & GROUP	
	Notional Amount	Notional Amount
	2024	2023
	LKR '000	LKR '000
Forward foreign exchange contracts		
- Sales	59,200,871	34,114,080
- Purchases	59,103,144	34,438,553
Currency SWAP - Purchases [Note 25.1]	7,917,615	10,692,000

25.1 Currency SWAP

The Bank entered in to a SWAP arrangement with the Central Bank of Sri Lanka effective from 18 March 2022 USD 36 Mn out of a total foreign borrowing value of USD 50 Mn which has a tenure of seven years with a grace period of 1 year for the repayment of capital.

The SWAP arrangement is with twelve cross currency SWAPS which are maturing semi annually over the tenure of the foreign borrowings.

A brief description of the cash flow hedge is given below:

25.1(a) SWAP agreement

Details	Description of the Hedge
Hedged instrument	SWAP contract - 12 cross currency swaps Counterparty - Central Bank of Sri Lanka Notional amount - USD 36 Mn which is 72% of the total amount of the foreign borrowings that is hedged.
Hedged item	USD denominated borrowing - USD 50 Mn with a tenure of 7 years and grace period of 1 year. Repayment periods commenced from April 2023 until 2029 which is paid once in three months.
The periods when the cash flows are expected to occur	As explained above
The amount recognised in other comprehensive income	LKR 543 Mn debit to the cash flow hedge reserve (net of tax)
Fair value of the hedged item	LKR 10.20 Bn
Fair value of the hedged instrument	LKR 884.5 Mn
Any forecast transaction for which hedge accounting had previously been used but which is no longer expected to occur	None
The amount that was reclassified from equity to profit or loss as a reclassification adjustment	None

25.1(b) Total amount recognised in the Statement of Comprehensive Income relating to the cash flow hedge

	BANK & GROUP	
	2024 LKR '000	2023 LKR '000
Cash flow hedge reserve-SWAP	(776,202)	(3,191,786)
Deferred Tax effect on gains/(losses) of cash flow hedge reserve	232,861	957,535
Total	(543,341)	(2,234,251)

25.1(c) Sensitivity analysis of effective interest rate of discounting factor on cash flow hedge

The fair value of derivative financial assets/liability discounted based on effective interest rate and sensitivity analysis presented below

Increase/(Decrease) in Discount rate %	BANK & GROUP	
	Sensitivity Effect on Other Comprehensive Income Increase/ (Decrease) in Comprehensive Income 2024 LKR 'Mn	Sensitivity Effect on Other Comprehensive Income Increase/ (Decrease) in Comprehensive Income 2023 LKR 'Mn
2.00	(45)	(159)
(2.00)	47	172
1.00	(23)	(81)
(1.00)	23	84

26 FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS - MEASURED AT FAIR VALUE**ACCOUNTING POLICY**

The Group classifies financial assets as financial assets recognised through profit or loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Financial assets recognised through profit or loss are recorded and measured in the Statement of Financial

Position at fair value. The changes in fair value are recognised in the Statement of Profit or Loss under Net gains/(losses) from financial assets at fair value through profit or loss.

Financial assets recognised through profit or loss include of quoted equity securities, Unit Trust Investments and Sri Lanka Government Debt Securities, that have been acquired principally for the purpose of selling or repurchasing in the near term, and are recorded at fair values using assumptions

that a market participant would make, when valuing such instruments. The quoted equity securities are valued using the market prices published by the Colombo Stock Exchange. Sri Lanka Government Securities are valued based on the market rates publish by the money brokers. Investment in private equity funds are measured at fair value based on the change in the net asset value of the funds and is recognised through profit or loss. The unit trust investments are valued at unit prices available in the market.

Accounting Judgments, Estimates and Assumptions

Judgment is required when applying the valuation techniques used to determine the fair value of trading securities not valued using quoted market prices.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Sri Lanka Government Securities - treasury bonds	1,179,469	3,964,209	1,179,469	3,964,209
Sri Lanka Government Securities - treasury bills	5,596,662	20,057,131	5,596,662	20,057,131
Quoted ordinary shares	-	-	751,908	430,552
Non-quoted ordinary shares	-	-	86,200	126,200
Investment in private equity fund	-	-	377,842	701,718
Investment in unit trusts	-	-	1,913,090	760,236
Total	6,776,131	24,021,340	9,905,171	26,040,046

26.1 Analysis of financial assets recognised through profit or loss measured at fair value

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
By collateralisation				
Pledged as collateral	7,244	421,499	7,244	421,499
Unencumbered	6,768,887	23,599,841	9,897,927	25,618,547
Total	6,776,131	24,021,340	9,905,171	26,040,046
By currency				
Sri Lanka Rupee	6,776,131	24,021,340	9,527,329	25,338,328
United States Dollar	-	-	377,842	701,718
Total	6,776,131	24,021,340	9,905,171	26,040,046

27 FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES TO OTHER CUSTOMERS

ACCOUNTING POLICY

The accounting policy applied by the Group for Financial assets at amortised cost - Loans and receivables to other customers, impairment, collateral valuations, write-off of loans and receivables to other customers and restructured/rescheduled loan facilities are described in Note 3.1, Financial instruments - SLFRS 9 and Note 11, Impairment charges.

Financial assets at amortised cost - Loans and receivables to other customers include, loans and receivables and lease receivables of the Group. As per SLFRS 9, "Loans and receivables to other customers" are assets that are held within a business model with

the objective of holding the assets in order to collect contractual cash flows and the contractual terms of the assets that give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

When the Group is the lessor in a lease agreement that transfers substantially all risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease. Amounts receivable under finance leases, net of initial rentals received, unearned lease income and impairment allowance are classified as leasing and are presented within "Loans and receivables to other customers" in the Statement of Financial Position.

After initial measurement, "Loans and receivables to other customers" are subsequently measured at amortised cost using the Effective Interest Rate (EIR), less impairment allowance, except when the Group designates loans and receivables at fair value through profit or loss. Amortised cost is calculated by considering any discount or premium on acquisition and fees and costs. The amortisation is included in "Interest Income" in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss as "Impairment charges for loans and receivables to other customers".

	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Gross loans and receivables to other customers	509,777,031	496,068,383	509,850,383	496,147,850
Less: Impairment allowance for loans and receivables to other customers (Note 27.1)	49,069,773	43,407,922	49,069,773	43,407,922
Net loans and receivables to other customers	460,707,258	452,660,461	460,780,610	452,739,928

27.1 Loans and Receivables to Other Customers - Stage wise Analysis

	BANK							
	2024				2023			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Individually impaired loans	-	12,874,547	47,695,584	60,570,131	-	17,478,525	52,017,957	69,496,482
Collectively impaired loans	353,814,199	71,661,633	23,731,068	449,206,900	310,214,726	85,826,186	30,530,989	426,571,901
Gross loans and receivables to other customers (a)	353,814,199	84,536,180	71,426,652	509,777,031	310,214,726	103,304,711	82,548,946	496,068,383
Individual impairment [Note 27.6.(a)]	-	2,915,096	29,561,332	32,476,428	-	2,897,936	23,103,845	26,001,781
Collective impairment [Note 27.6.(a)]	4,355,482	2,355,317	9,882,546	16,593,345	3,348,395	3,178,694	10,879,052	17,406,141
Total impairment allowance (b)	4,355,482	5,270,413	39,443,878	49,069,773	3,348,395	6,076,630	33,982,897	43,407,922
Net loans and receivables to other customers (a)-(b)	349,458,717	79,265,767	31,982,774	460,707,258	306,866,331	97,228,081	48,566,049	452,660,461

	GROUP							
	2024				2023			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Individually impaired loans	-	12,874,547	47,695,584	60,570,131	-	17,478,525	52,017,957	69,496,482
Collectively impaired loans	353,887,551	71,661,633	23,731,068	449,280,252	310,294,193	85,826,186	30,530,989	426,651,368
Gross loans and receivables to other customers (a)	353,887,551	84,536,180	71,426,652	509,850,383	310,294,193	103,304,711	82,548,946	496,147,850
Individual impairment [Note 27.6.(a)]	-	2,915,096	29,561,332	32,476,428	-	2,897,936	23,103,845	26,001,781
Collective impairment [Note 27.6.(a)]	4,355,482	2,355,317	9,882,546	16,593,345	3,348,395	3,178,694	10,879,052	17,406,141
Total impairment allowance (b)	4,355,482	5,270,413	39,443,878	49,069,773	3,348,395	6,076,630	33,982,897	43,407,922
Net loans and receivables to other customers (a)-(b)	349,532,069	79,265,767	31,982,774	460,780,610	306,945,798	97,228,081	48,566,049	452,739,928

27.2 Loan and receivables to other customers - By product

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Long-term loans	139,169,312	136,295,624	139,169,312	136,295,624
Medium and short-term loans	110,693,386	104,077,967	110,693,386	104,077,967
Micro finance loans	119,860	154,519	119,860	154,519
Overdrafts	67,302,778	67,132,135	67,302,778	67,132,135
Consumer loans	46,510,957	49,429,148	46,510,957	49,429,148
Trade finance loans	58,270,199	57,260,792	58,270,199	57,260,792
Leasing and hire purchases (Note 27.7)	22,666,898	22,021,922	22,666,898	22,021,922
Housing loans	16,928,645	17,815,976	16,928,645	17,815,976
Islamic loans	17,865,107	14,821,426	17,865,107	14,821,426
Credit cards	8,670,182	8,860,732	8,670,182	8,860,732
Auto finance loans	1,916,540	2,644,898	1,916,540	2,644,898
Pawning	16,370,797	12,996,626	16,370,797	12,996,626
Staff loans	3,292,370	2,556,618	3,365,722	2,636,085
Total	509,777,031	496,068,383	509,850,383	496,147,850

27.3 Loan and receivables to other customers - By Currency

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Sri Lanka Rupee	390,267,428	381,552,152	390,340,780	381,631,619
United States Dollar	118,368,364	113,390,503	118,368,364	113,390,503
Euro	866,580	956,248	866,580	956,248
Great Britain Pound	231,997	1,224	231,997	1,224
Others	42,662	168,256	42,662	168,256
Total	509,777,031	496,068,383	509,850,383	496,147,850

27.4 Loan and receivables to other customers - By Industry

	BANK			
	2024		2023	
	LKR '000	%	LKR '000	%
Agriculture, forestry and fishing	50,976,190	10	28,042,379	6
Manufacturing	99,238,517	19	94,265,828	19
Tourism	35,772,244	7	35,285,674	7
Transportation and storage	9,224,632	2	4,491,459	1
Construction	37,863,453	7	24,112,792	5
Infrastructure development	54,854,210	11	61,901,361	12
Wholesale and retail trade	66,745,764	14	73,148,126	15
Information technology and communication services	1,646,096	-	1,448,842	-
Financial services	29,804,820	6	34,012,452	7
Professional, scientific and technical activities	27,555,629	5	16,862,036	3
Arts, entertainment and recreation	124,237	-	10,749	-
Education	1,373,397	-	1,108,761	-
Health care, social services and support services	859,025	-	552,635	-
Consumption	93,738,817	19	120,825,289	25
Total	509,777,031	100	496,068,383	100

As per the Central Bank requirements, mandatory lending to the agriculture sector is minimum of 10% of the total loans and advances. The Bank is complied with the said requirement as at 31 December 2024 and 31 December 2023. The computation method used to derive the CBSL mandatory lending requirement to agriculture sector is different from the method used for the above note.

27.5 Loans and Receivables to Other Customers - By Province

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Western Province	436,819,974	421,835,158	436,893,326	421,914,625
Southern Province	15,950,239	15,336,582	15,950,239	15,336,582
North-Western Province	15,327,580	13,994,887	15,327,580	13,994,887
Central Province	14,251,373	14,989,823	14,251,373	14,989,823
Sabaragamuwa Province	8,330,410	8,775,455	8,330,410	8,775,455
North-Central Province	5,259,650	7,788,793	5,259,650	7,788,793
Eastern Province	4,885,140	4,693,019	4,885,140	4,693,019
Northern Province	4,361,679	4,216,417	4,361,679	4,216,417
Uva Province	4,590,986	4,438,249	4,590,986	4,438,249
Total	509,777,031	496,068,383	509,850,383	496,147,850

The province-wise disclosure is made based on the location of the branch from which the facilities have been disbursed.

27.6 Impairment Allowance for Loans and Receivables to Other Customers

27.6(a) Movement in impairment allowance during the year

	BANK & GROUP							
	COLLECTIVE				INDIVIDUAL			Total
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Sub total LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Sub total LKR '000	
Balance as at 01 January 2024	3,348,395	3,178,694	10,879,052	17,406,141	2,897,936	23,103,845	26,001,781	43,407,922
Charges/(reversals) for the year [Note 11.1]	1,007,087	(823,377)	(27,382)	156,328	17,160	12,908,143	12,925,303	13,081,631
Net amount written off	-	-	(969,124)	(969,124)	-	(6,450,656)	(6,450,656)	(7,419,780)
Other movement	-	-	-	-	-	-	-	-
Balance as at 31 December 2024	4,355,482	2,355,317	9,882,546	16,593,345	2,915,096	29,561,332	32,476,428	49,069,773

	BANK & GROUP							
	COLLECTIVE				INDIVIDUAL			Total
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Sub total LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Sub total LKR '000	
Balance as at 01 January 2023	3,688,573	3,019,038	5,243,667	11,951,278	2,336,073	19,400,586	21,736,659	33,687,937
Charges/(reversals) for the year [Note 11.1]	(340,178)	159,656	5,680,557	5,500,035	561,863	9,605,773	10,167,636	15,667,671
Net amount written off	-	-	(45,172)	(45,172)	-	(5,902,514)	(5,902,514)	(5,947,686)
Other movement	-	-	-	-	-	-	-	-
Balance as at 31 December 2023	3,348,395	3,178,694	10,879,052	17,406,141	2,897,936	23,103,845	26,001,781	43,407,922

Impairment allowance was not recognised for the credit facilities which are covered from cash liens and the Government Treasury guarantees amounting to LKR 72 Bn and LKR 75 Bn as at 31 December 2024 and 2023 respectively.

27.6(b) Impairment allowance for loans and receivables to other customers - by product

BANK & GROUP												
	Long-term Loans	Medium & Short-term Loans	Overdrafts	Trade Finance Loans	Consumer Loans	Leasing & Hire Purchase Rental Receivables	Housing Loans	Credit Cards	Pawning	Islamic Banking	Staff Loans	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 01 January 2024	10,240,733	15,975,128	4,879,202	3,839,300	3,280,101	1,684,236	1,176,576	1,490,902	1,368	839,558	818	43,407,922
Charges/(reversals) for the year	2,897,320	6,122,780	1,683,175	(60,955)	2,095,061	(528,962)	49,860	726,574	3,654	93,124	-	13,081,631
Amount (written off)/written back	(915,937)	(3,529,380)	(441,728)	(136,078)	(1,354,714)	(136,034)	1	(886,013)	-	(19,897)	-	(7,419,780)
As at 31 December 2024	12,222,116	18,568,528	6,120,649	3,642,267	4,020,448	1,019,240	1,226,437	1,331,463	5,022	912,785	818	49,069,773
Individual impairment	8,792,030	15,169,316	3,462,589	2,566,048	1,568,998	348,112	278,586	-	-	290,749	-	32,476,428
Collective impairment	3,430,086	3,399,212	2,658,060	1,076,219	2,451,450	671,128	947,851	1,331,463	5,022	622,036	818	16,593,345
As at 31 December 2024	12,222,116	18,568,528	6,120,649	3,642,267	4,020,448	1,019,240	1,226,437	1,331,463	5,022	912,785	818	49,069,773
Gross amount of loans individually determined to be impaired, before deduction of individually assessed impairment allowances	48,878,031	35,692,508	8,517,742	18,540,425	1,601,430	1,138,342	424,447	-	-	3,096,640	-	117,889,565
Gross amount of loans individually impaired, before deduction of individually assessed impairment allowances	18,887,055	29,236,331	5,381,893	3,992,640	1,568,998	493,248	404,932	-	-	605,033	-	60,570,130
Gross amount of loans individually impaired, after deduction of individually assessed impairment allowances	10,095,025	14,067,016	1,919,305	1,426,592	-	145,135	126,346	-	-	314,284	-	28,093,703

27.6(c) Impairment allowance for loans and receivables to other customers - by product

	BANK & GROUP											
	Long-term Loans	Medium & Short-term Loans	Overdrafts	Trade Finance Loans	Consumer Loans	Leasing & Hire Purchase Rental Receivables	Housing Loans	Credit Cards	Pawning	Islamic Banking	Staff Loans	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 01 January 2023	6,424,946	13,427,975	4,837,663	1,804,395	2,845,329	1,537,388	814,848	1,400,797	44,525	549,253	818	33,687,937
Charges/(reversals) for the year	3,915,629	7,022,849	536,751	2,102,280	572,754	285,417	371,105	613,738	(43,157)	290,305	-	15,667,671
Amount (written off)/written back	(99,842)	(4,475,696)	(495,212)	(67,375)	(137,982)	(138,569)	(9,377)	(523,633)	-	-	-	(5,947,686)
As at 31 December 2023	10,240,733	15,975,128	4,879,202	3,839,300	3,280,101	1,684,236	1,176,576	1,490,902	1,368	839,558	818	43,407,922
Individual impairment	7,267,357	13,143,635	1,909,703	2,531,280	414,046	391,677	22,988	-	-	321,095	-	26,001,781
Collective impairment	2,973,376	2,831,493	2,969,499	1,308,020	2,866,055	1,292,559	1,153,588	1,490,902	1,368	518,463	818	17,406,141
As at 31 December 2023	10,240,733	15,975,128	4,879,202	3,839,300	3,280,101	1,684,236	1,176,576	1,490,902	1,368	839,558	818	43,407,922
Gross amount of loans individually determined to be impaired, before deduction of individually assessed impairment allowances	61,713,800	44,255,954	8,244,345	12,276,250	414,046	1,998,248	584,793	-	-	3,263,812	-	132,751,248
Gross amount of loans individually impaired, before deduction of individually assessed impairment allowances	26,324,947	31,292,190	4,538,965	5,379,619	414,046	572,929	237,277	-	-	736,509	-	69,496,482
Gross amount of loans individually impaired, after deduction of individually assessed impairment allowances	19,057,590	18,148,556	2,629,347	2,848,339	-	181,252	214,289	-	-	415,328	-	43,494,701

27.7 Leasing and Hire Purchases

	BANK & GROUP	
	2024 LKR '000	2023 LKR '000
Gross lease and hire purchase rental receivables	27,894,356	26,963,013
Less: Unearned income	5,227,459	4,941,091
Total lease and hire purchase rental receivables (Note 27.2)	22,666,897	22,021,922
Less: Impairment allowance [Note 27.7.(a)]	1,019,240	1,684,236
Total	21,647,657	20,337,686

27.7 (a) Impairment allowance

	BANK & GROUP							Total
	COLLECTIVE				INDIVIDUAL			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Sub total LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Sub total LKR '000	
Balance as at 01 January 2024	207,507	303,520	781,532	1,292,559	15,856	375,821	391,677	1,684,236
Charges/(reversals) for the year	8,211	(141,566)	(488,076)	(621,431)	(15,856)	108,325	92,469	(528,962)
Amount (written off)/written back	-	-	-	-	-	(136,034)	(136,034)	(136,034)
Balance as at 31 December 2024	215,718	161,954	293,456	671,128	-	348,112	348,112	1,019,240
Gross amount of loans individually determined to be impaired, before deduction of the individually assessed impairment allowance								1,138,342
Gross amount of loans individually impaired, before deduction of the individually assessed impairment allowance								493,248
Gross amount of loans individually impaired, after deduction of the individually assessed impairment allowance								145,135

	BANK & GROUP							Total
	COLLECTIVE				INDIVIDUAL			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Sub total LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Sub total LKR '000	
Balance as at 01 January 2023	168,167	554,038	517,388	1,239,593	4,442	293,353	297,795	1,537,388
Charges/(reversals) for the year	39,340	(250,518)	264,144	52,966	11,414	221,037	232,451	285,417
Amount (written off)/written back	-	-	-	-	-	(138,569)	(138,569)	(138,569)
Balance as at 31 December 2023	207,507	303,520	781,532	1,292,559	15,856	375,821	391,677	1,684,236
Gross amount of loans individually determined to be impaired, before deduction of the individually assessed impairment allowance								1,998,248
Gross amount of loans individually impaired, before deduction of the individually assessed impairment allowance								572,929
Gross amount of loans individually impaired, after deduction of the individually assessed impairment allowance								181,252

27.8 Maturity of Leasing and Hire Purchases

	BANK & GROUP			
	2024			Total LKR '000
	Less than 1 Year LKR '000	1-5 Years LKR '000	More than 5 Years LKR '000	
Gross lease and hire purchase rentals receivables				
Total rental receivables	2,677,085	25,106,987	110,284	27,894,356
Less : Impairment allowance	632,206	386,201	833	1,019,240
Unearned income	80,657	5,105,438	41,364	5,227,459
Net rentals receivables	1,964,222	19,615,348	68,087	21,647,657

	BANK & GROUP			
	2023			
	Less than 1 Year	1-5 Years	More than 5 Years	Total
	LKR '000	LKR '000	LKR '000	LKR '000
Gross lease and hire purchase rentals receivables				
Total rental receivables	2,364,988	24,353,725	244,300	26,963,013
Less : Impairment allowance	525,441	1,121,338	37,457	1,684,236
Unearned income	66,646	4,783,559	90,886	4,941,091
Net rentals receivables	1,772,901	18,448,828	115,957	20,337,686

28 FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER INSTRUMENTS

ACCOUNTING POLICY

In line with the requirements of SLFRS 9, the Group applies the amortised cost method to measure financial instruments for which an entity has a business model to hold the financial asset to collect the contractual cash flows. The characteristics of the contractual cash flows are that of solely payments of the principal amount and interest (referred to as "SPPI").

- Principle is the fair value of the instrument at initial recognition.
- Interest is the return within a basic lending arrangement and typically consists of consideration for the time value of money, and credit risk. It may also include consideration for other basic lending risks such as liquidity risk as well as a profit margin.

The Group determines its business model at the level that best reflect how it manages the financial assets to achieve its business objective. The details of the accounting policy on financial assets at amortised cost - debt and other instruments and impairment are described in Notes 3.1 and 11.

Accounting Judgments Estimates and Assumptions

The Group assesses impairment of financial assets measured at amortised cost - debt and other instruments in line with the same principles used for assessment of impairment of loans and receivables as described in Note 11. The impairment loss on financial assets measured at amortised cost - debt and other instruments is disclosed in Note 28.1 (d) to the financial statements.

The new Instruments (Step-up Bonds and LKR Bonds) issued under the debt restructuring were recognised as new financial assets and initially measured at fair value. The details of the recognition and measurement of the new instruments including the stage classification and provision for Expected Credit Loss are described in Notes 12.

Reclassification of debt portfolio at Fair value through other comprehensive income (FVOCI) to Amortised cost (CA Sri Lanka SoAT issued in 2021)

From total debt investment portfolio, the Bank has reclassified the Debt portfolio amounting to LKR 37.7 Bn, consisting of Sri Lanka Government Treasury Bonds of LKR 32.6 Bn and Sri Lanka International Sovereign Bonds of USD 14 Mn held as "Fair Value through Other Comprehensive Income" to "Amortised cost" with effect from 01 April 2022. This reclassification is a one-time event in accordance with the Statement of Alternative Treatment (SoAT) on reclassification of debt portfolio issued by the Institute of Chartered Accountants of Sri Lanka and in line with the requirements of the SLFR 9-Financial Instruments paragraph 5.6.5. As Sovereign Bonds has been restructured, debt portfolio includes only the Sri Lanka Government Treasury Bonds and the cumulative losses from government treasury bonds previously recognised in Other Comprehensive Income has been removed from equity and adjusted against the fair value of the financial asset at the reclassification date. If these investments continued to be carried at fair value through other comprehensive income, the fair value of the remaining portfolio as at 31 December 2024 would have amounted to LKR 3.6 Bn and would have resulted in the recognition of fair value loss of LKR 392 Mn in the Statement of Other Comprehensive Income during the year.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Sri Lanka Government Securities - treasury bonds	112,578,136	53,940,949	112,578,136	53,940,949
Sri Lanka Government Securities - treasury bills	30,793,430	39,819,701	30,842,420	39,819,701
Sri Lanka International Sovereign bonds/Step up bonds	26,762,859	51,091,414	26,762,859	51,091,414
Quoted debentures	6,556,306	6,611,788	6,556,306	6,611,788
Securities purchased under resale agreements	-	-	116,041	-
Sub Total	176,690,731	151,463,852	176,855,762	151,463,852
Less: Impairment allowance [Note 28.1 (d)]	252,065	25,791,482	252,065	25,791,482
Less: Recognition of Day one loss	10,247,905	-	10,247,905	-
Total	166,190,761	125,672,370	166,355,792	125,672,370

28.1 (a) Analysis of financial assets at amortised cost - Debt and other instruments

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
By collateralisation				
Pledged as collateral	8,893,160	8,245,387	8,893,160	8,245,387
Unencumbered	167,797,571	143,218,465	167,962,602	143,218,465
Gross total	176,690,731	151,463,852	176,855,762	151,463,852
By currency				
Sri Lanka Rupee	149,927,872	100,372,438	150,092,903	100,372,438
United States Dollar	26,762,859	51,091,414	26,762,859	51,091,414
Gross total	176,690,731	151,463,852	176,855,762	151,463,852

28.1 (b) Financial assets at amortised cost - Debt and other instruments - stage wise analysis

	BANK							
	2024				2023			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Sri Lanka Government securities- treasury bonds	99,628,468	12,949,668	-	112,578,136	53,940,949	-	-	53,940,949
Sri Lanka Government Securities treasury bills	30,793,430	-	-	30,793,430	39,819,701	-	-	39,819,701
Sri Lanka International Sovereign bonds/Step up bonds	-	26,762,859	-	26,762,859	-	51,091,414	-	51,091,414
Quoted debentures	6,311,306	-	245,000	6,556,306	6,366,788	-	245,000	6,611,788
Securities purchased under resale agreements [Note 28.1 (c)]	-	-	-	-	-	-	-	-
Sub Total	136,733,204	39,712,527	245,000	176,690,731	100,127,438	51,091,414	245,000	151,463,852
Less: Impairment allowance for investments [Note 28.1 (d)]	7,065	-	245,000	252,065	775	25,545,707	245,000	25,791,482
Less: Recognition of Day one loss	-	10,247,905	-	10,247,905	-	-	-	-
Total	136,726,139	29,464,622	-	166,190,761	100,126,663	25,545,707	-	125,672,370

	GROUP							
	2024				2023			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Sri Lanka Government securities-treasury bonds	99,628,468	12,949,668	-	112,578,136	53,940,949	-	-	53,940,949
Sri Lanka Government Securities treasury bills	30,842,420	-	-	30,842,420	39,819,701	-	-	39,819,701
Sri Lanka International Sovereign bonds/Step up bonds	-	26,762,859	-	26,762,859	-	51,091,414	-	51,091,414
Quoted debentures	6,311,306	-	245,000	6,556,306	6,366,788	-	245,000	6,611,788
Securities purchased under resale agreements [Note 28.1 (c)]	116,041	-	-	116,041	-	-	-	-
Sub Total	136,898,235	39,712,527	245,000	176,855,762	100,127,438	51,091,414	245,000	151,463,852
Less: Impairment allowance for investments [Note 28.1 (d)]	7,065	-	245,000	252,065	775	25,545,707	245,000	25,791,482
Less: Recognition of Day one loss	-	10,247,905	-	10,247,905	-	-	-	-
Total	136,891,170	29,464,622	-	166,355,792	100,126,663	25,545,707	-	125,672,370

28.1 (c) Disclosure as per the direction No. 01 of 2019 dated 20 December 2019 on repurchase and reverse repurchase transactions of dealer direct participants in scripless treasury bonds and scripless treasury bills

Face value of Securities allocated for Repurchase Transactions

As at 31 December

	BANK			
	Face value of securities allocated for Repos	Market value of securities allocated for Repo	Face value of securities allocated for Repos	Market value of securities allocated for Repo
	2024 LKR '000	2024 LKR '000	2023 LKR '000	2023 LKR '000
Financial assets recognised through profit or loss measured at fair value (Note 26.1)	7,244	7,575	421,499	397,511
Financial assets at amortised cost - Debt and other instruments (28.1 (a))	8,893,160	9,040,243	8,245,387	8,432,799
Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI) (29.1 (a))	-	-	8,184,566	7,856,452
Total	8,900,404	9,047,818	16,851,452	16,686,762

Market value of Securities Received for Reverse Repurchase Transactions As at 31 December

As at 31 December

	BANK			
	Face Value of securities received for Reverse Repos	Market value of securities received for Reverse Repos	Face Value of securities received for Reverse Repos	Market value of securities received for Reverse Repos
	2024 LKR '000	2024 LKR '000	2023 LKR '000	2023 LKR '000
Reverse Repurchase Agreements	Nil	Nil	Nil	Nil

As at 31 December

	GROUP			
	Face Value of securities received for Reverse Repos	Market value of securities received for Reverse Repos	Face Value of securities received for Reverse Repos	Market value of securities received for Reverse Repos
	2024	2024	2023	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Reverse Repurchase Agreements	131,200	130,182	Nil	Nil

Bank's policy on haircuts for repurchase and reverse repo transactions are explained below.

The Bank's Board approved Policy Guideline outlines the allocation of securities and haircut rules for Repurchase and Reverse Re-purchase agreements and valuation process. The Policy has been formulated in line with Central Bank Direction No. 01 of 2019 and considering the market practice. Securities are allocated/obtained as per the set guidelines and the Bank was not exposed to any penalties due to non-compliance.

The Bank was not liable to any penalties imposed for the non compliance with the Direction No. 01 of 2019 on Registered Stock and Securities Ordinance and Local Treasury Bills Ordinance dated 20 December 2019 issued by the Monetary Board of the Central Bank of Sri Lanka.

28.1 (d) Movements in impairment allowance during the year

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Stage 1				
Balance as at 01 January	775	496	775	496
Transfer / Adjustment	-	-	-	-
Charges/(reversals) to Statement of Profit or Loss	6,290	279	6,290	279
Balance as at 31 December	7,065	775	7,065	775
Stage 2				
Balance as at 01 January	25,545,707	20,257,794	25,545,707	20,257,794
Transfer / Adjustment	(1,682,289)	155,600	(1,682,289)	155,600
Charges/(reversals) to Statement of Profit or Loss	(23,863,418)	5,132,313	(23,863,418)	5,132,313
Balance as at 31 December	-	25,545,707	-	25,545,707
Stage 3				
Balance as at 01 January	245,000	245,000	245,000	245,000
Charges/(reversals) to Statement of Profit or Loss	-	-	-	-
Balance as at 31 December	245,000	245,000	245,000	245,000
Total	252,065	25,791,482	252,065	25,791,482

29 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

ACCOUNTING POLICY

Debt Instruments at Fair Value through Other Comprehensive Income (FVOCI)

The Group categorised debt instruments measured at FVOCI under SLFRS 9 when both of the following conditions are met:

- ⊙ The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- ⊙ The contractual terms of the financial assets are solely payments of the principle amount and the interest (SPPI).

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in the Statement of Profit or Loss in the same manner as for financial assets measured at amortised cost as explained in Note 28. The ECL calculation for debt instruments at FVOCI is explained in Note 11, impairment charges. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to Statement of Profit or Loss.

The accounting policy applied by the Group for the Debt Instruments at Fair Value through Other Comprehensive Income (FVOCI) and impairment is described in Notes 3.1 and 11.

Equity Instruments at Fair Value through Other Comprehensive Income (FVOCI)

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under SLFRS 9, Financial Instruments and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in the Statement of Profit or Loss as other operating income when the right to receive the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

The new Instruments (PDI Bonds) issued under the debt restructuring were recognised as new financial assets and initially measured at fair value. The details of the recognition and measurement of the new instruments including the stage classification and provision for Expected Credit Loss are described in Notes 12.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Sri Lanka Government Securities - treasury bonds	56,926,507	38,890,209	57,133,356	39,264,956
Sri Lanka Government Securities - treasury bills	30,392,691	43,772,475	30,441,042	44,143,876
Sri Lanka International Sovereign bonds/PDI bonds	5,222,888	-	5,222,888	-
Quoted ordinary shares (Note 29.2)	2,074,593	1,136,489	2,074,593	1,136,489
Non-quoted ordinary shares (Note 29.3)	167,713	16,569	167,713	16,569
Quoted debentures	-	-	158,491	93,877
Sub total	94,784,392	83,815,742	95,198,083	84,655,767
Less: Impairment allowance - Non-quoted ordinary shares	10,344	10,344	10,344	10,344
Less: Impairment allowance - Sri Lanka International Sovereign bonds/PDI bonds	162,768	-	162,768	-
Less: Recognition of Day one loss	365,865	-	365,865	-
Total	94,245,415	83,805,398	94,659,106	84,645,423

29.1 (a) Analysis of financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
By collateralisation				
Pledged as collateral	-	8,184,566	-	8,184,566
Unencumbered	94,784,392	75,631,176	95,198,083	76,471,201
Total	94,784,392	83,815,742	95,198,083	84,655,767
By currency				
Sri Lanka Rupee	89,561,504	83,815,742	89,975,195	84,655,767
United States Dollar	5,222,888	-	5,222,888	-
Total	94,784,392	83,815,742	95,198,083	84,655,767

29.1(b) Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI) - stage wise analysis

	BANK							
	2024				2023			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Sri Lanka Government Securities - treasury bonds	56,926,507	-	-	56,926,507	38,890,209	-	-	38,890,209
Sri Lanka Government Securities - treasury bills	30,392,691	-	-	30,392,691	43,772,475	-	-	43,772,475
Sri Lanka International Sovereign bonds/PDI bonds	-	5,222,888	-	5,222,888	-	-	-	-
Quoted ordinary shares (Note 29.2)	2,074,593	-	-	2,074,593	1,136,489	-	-	1,136,489
Non-quoted ordinary shares (Note 29.3)	157,369	-	10,344	167,713	6,225	-	10,344	16,569
Sub Total	89,551,160	5,222,888	10,344	94,784,392	83,805,398	-	10,344	83,815,742
Less: Impairment allowance for investments - Non-quoted ordinary shares	-	-	10,344	10,344	-	-	10,344	10,344
Less: Impairment allowance for investments - Sri Lanka International Sovereign bonds/ PDI bonds	-	162,768	-	162,768	-	-	-	-
Less: Recognition of Day one loss	-	365,865	-	365,865	-	-	-	-
Total	89,551,160	4,694,255	-	94,245,415	83,805,398	-	-	83,805,398

	GROUP							
	2024				2023			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Sri Lanka Government Securities - treasury bonds	57,133,356	-	-	57,133,356	39,264,956	-	-	39,264,956
Sri Lanka Government Securities - treasury bills	30,441,042	-	-	30,441,042	44,143,876	-	-	44,143,876
Sri Lanka International Sovereign bonds/PDI bonds	-	5,222,888	-	5,222,888	-	-	-	-
Quoted ordinary shares (Note 29.2)	2,074,593	-	-	2,074,593	1,136,489	-	-	1,136,489
Non-quoted ordinary shares (Note 29.3)	157,369	-	10,344	167,713	6,225	-	10,344	16,569
Quoted debentures	158,491	-	-	158,491	93,877	-	-	93,877
Sub Total	89,964,851	5,222,888	10,344	95,198,083	84,645,423	-	10,344	84,655,767
Less: Impairment allowance for investments - Non-quoted ordinary shares	-	-	10,344	10,344	-	-	10,344	10,344
Less: Impairment allowance for investments - Sri Lanka International Sovereign bonds/PDI bonds	-	162,768	-	162,768	-	-	-	-
Less: Recognition of Day one loss	-	365,865	-	365,865	-	-	-	-
Total	89,964,851	4,694,255	-	94,659,106	84,645,423	-	-	84,645,423

29.1(c) Movement in impairment allowance during the year

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Stage 2				
Balance as at 01 January	-	-	-	-
Impairment charges	162,768	-	162,768	-
Balance as at 31 December	162,768	-	162,768	-
Stage 3				
Balance as at 01 January	10,344	10,344	10,344	10,344
Impairment charges	-	-	-	-
Balance as at 31 December	10,344	10,344	10,344	10,344
Total	173,112	10,344	173,112	10,344

29.2 Quoted ordinary shares

	BANK & GROUP			
	2024		2023	
	No of Ordinary Shares	LKR '000	No of Ordinary Shares	LKR '000
Cost of investments as at 01 January	25,888,089	2,122,299	24,665,596	2,080,367
Scrip dividend received during the year	743,407	33,005	1,222,493	41,932
Cost of the investments as at 31 December	26,631,496	2,155,304	25,888,089	2,122,299
Gains/(losses) from fair valuations as at 01 January		(985,810)		(1,300,933)
Unrealised gains/(losses) during the year		905,099		315,123
Gains/(losses) from fair valuations as at 31 December		(80,711)		(985,810)
Market value		2,074,593		1,136,489

29.2 (a) Quoted ordinary shares

Details of quoted ordinary shares -31 December 2024

Name of the Company	BANK & GROUP			
	No of Shares	Market price	Cost of Investments	Market value
		LKR	LKR '000	LKR '000
Seylan Bank PLC	26,631,495	77.9	2,155,304	2,074,593

Details of quoted ordinary shares -31 December 2023

Name of the Company	BANK & GROUP			
	No of Shares	Market price	Cost of Investments	Market value
		LKR	LKR '000	LKR '000
Seylan Bank PLC	25,888,089	43.9	2,122,299	1,136,489

29.3 Non-quoted ordinary shares

The majority of non-quoted ordinary shares held by the Bank comprise share investments that have been made primarily for regulatory purposes including share investment made to National Credit Guarantee Institution Limited of LKR 151 Mn. Such investments are recorded at cost due to unavailability of information to value such investments at fair value.

30 INVESTMENTS IN SUBSIDIARY COMPANIES

ACCOUNTING POLICY

Subsidiaries are investees that are controlled by the Group. The Group is presumed to control an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. At each reporting date, the Group reassesses whether it controls an investee, if facts and circumstances indicate that there are changes to one or more elements of control mentioned above.

The Financial Statements of subsidiaries are fully consolidated from the date on which control is transferred to the Bank and continue to be consolidated until the date when such control ceases. The Financial Statements of the Bank's subsidiaries are prepared for the same reporting year as per the Bank, using consistent accounting policies.

The cost of acquisition of a subsidiary is measured at fair value of the consideration, including contingent consideration. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition.

Subsequent to the initial measurement, investments in subsidiary companies are accounted at cost less impairment allowance in the Financial Statements of the Bank. The net assets of each subsidiary company are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its loss in net assets.

	Corporate Status	2024		2023	
		Percentage Holding (%)	Cost LKR '000	Percentage Holding (%)	Cost LKR '000
NDB Capital Holdings Limited	Non-quoted	99.9	802,888	99.9	802,888
Development Holdings (Pvt) Limited	Non-quoted	58.7	228,150	58.7	228,150
NDB Capital Limited (Bangladesh)	Non-quoted	41.8	180,552	41.8	180,552
Sub total			1,211,590		1,211,590
Less: Impairment allowance for investments (Note 30.1)			180,552		102,817
Total			1,031,037		1,108,772

30.1 Movement in impairment allowance for investments in subsidiary companies

	2024	2023
	LKR '000	LKR '000
As at 01 January	102,817	95,795
Charges/(reversals) to the Statement of Profit or Loss (Note 30.2)	77,735	7,022
As at 31 December	180,552	102,817

30.2 During the annual review of impairment allowance of investment in subsidiary companies, it was noted that the net assets position of NDB Capital Limited as at 31 December 2024 had decreased from LKR 234.8 Mn to LKR 131 Mn which is excluding the currency conversion impact on exchange rate movement. Further it was highlighted that, there is an continues decline in the net assets value of the company over last years. Therefore , it was decided to make an additional impairment allowance of LKR 77.7 Mn to cover the full investment value during the year. This adjustment is made to reflect the fair value of the investment as at 31 December 2024. The Bank assumed that the net book value of the company is the best approximate to the fair value less cost to sale.

30.3 Summarised Financial Information of the NDB Group's Investments in Subsidiaries

	Total	Development Holdings (Pvt) Limited	NDB Capital Limited (Bangladesh)	NDB Capital Holdings Limited (NCAP)	NDB Investment Bank Limited (Held through NCAP)	NDB Wealth Management Limited (Held through NCAP)	NDB Securities (Pvt) Limited (Held through NCAP)	NDB Zephyr Partners Limited (Group) (Held through NCAP)
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
2024								
Total assets	10,996,827	4,390,079	151,902	3,050,046	265,816	1,254,412	1,805,020	79,552
Total liabilities	2,884,559	975,976	20,862	272,752	83,733	405,066	1,102,271	23,899
Net assets	8,112,267	3,414,103	131,040	2,777,294	182,083	849,347	702,748	55,652
Gross income	3,143,388	478,143	27,587	522,831	122,184	1,548,557	394,334	49,752
Profits/(losses)	820,942	270,404	(64,772)	249,514	(190,329)	521,305	46,862	(12,042)
Cash Flow								
Cash flows from operating activities	1,016,667	65,774	(56,735)	(132,892)	(71,732)	627,704	579,544	5,004
Cash flows from investing activities	(1,037,310)	(163,014)	(12,393)	(165,904)	94,081	(627,373)	(165,904)	3,197
Cash flows from financing activities	(118,035)	(88,710)	-	-	-	-	-	(29,325)

	Total	Development Holdings (Pvt) Limited	NDB Capital Limited (Bangladesh)	NDB Capital Holdings Limited (NCAP)	NDB Investment Bank Limited (Held through NCAP)	NDB Wealth Management Limited (Held through NCAP)	NDB Securities (Pvt) Limited (Held through NCAP)	NDB Zephyr Partners Limited (Group) (Held through NCAP)
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
2023								
Total assets	9,418,790	4,183,569	244,508	2,813,757	475,918	586,432	974,514	140,092
Total liabilities	1,944,213	943,009	9,707	278,616	105,062	258,744	318,338	30,737
Net assets	7,474,578	3,240,560	234,800	2,535,141	370,856	327,688	656,177	109,356
Gross income	2,348,375	534,432	81,959	387,014	171,740	817,806	282,143	73,281
Profits/(losses)	653,833	314,763	(21,713)	137,294	(36,084)	213,475	55,229	(9,131)
Cash Flow								
Cash flows from operating activities	314,431	115,995	54,925	129,619	(130,176)	146,250	(862)	(1,320)
Cash flows from investing activities	(758,332)	(28,541)	(122,877)	(190,457)	22,178	(146,618)	(272,863)	(19,154)
Cash flows from financing activities	(143,097)	(97,310)	-	-	-	-	-	(45,787)

31 INVESTMENTS IN ASSOCIATE COMPANIES

ACCOUNTING POLICY

An associate is an entity in which the Group has significant influence, but not control, over the variable returns through its power over the investee. An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Group's investments in its associate companies are accounted for by using the equity method. Under the equity method, the investment in the associate is carried in the Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associate. The carrying value of the investment in associates is reviewed for impairment at each reporting period.

The Bank's investments in Associate companies represent Ayojana Fund (Pvt) Limited (a 50% share holding) at a cost of LKR 100,000 for which full impairment allowance has been made as the companies under liquidation.

32 INVESTMENT PROPERTY

ACCOUNTING POLICY

Basis of Recognition

An investment property is recognised, if it is probable that future economic benefits that are associated with the investment property will flow to the Group and cost of the investment property is reliably measured.

Distinction Between Investment Properties and Owner-Occupied Properties

The Group determines whether a property qualifies as an investment property by considering whether the property generates cash flows largely independently of the other assets held by the entity. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. The Group considers each property separately in making its judgment.

Measurement

The Land and Building of Development Holdings (Pvt) Limited, which is held to earn rental income and for capital appreciation has been classified as an 'investment property', and is reflected at fair value in accordance with LKAS 40, Investment Property. Investment properties are initially recognised at cost. Subsequent to the initial recognition, the investment properties are stated at fair values. In estimating the fair values, the Independent Valuer considers current market prices of similar assets, so as to reflect market conditions at the reporting date. Gains or losses arising from changes in the fair values are included in the Statement of Profit or Loss, in the year in which they arise. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self constructed investment property includes the cost of materials, direct labour and any other costs directly attributable to bringing the investment property to a working condition for their intended use. Owner-occupied portion of an investment property is recognised and measured in line with the accounting policy used for property, plant & equipment of the Group and are presented under property, plant & equipment in the Financial Statements.

De-Recognition

Investment properties are derecognised when disposed or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the Statement of Profit or Loss in the year of retirement or disposal.

Basis of Valuation

As at 31 December 2023, the fair value of the property was based on the valuation performed by an Independent Professional Valuer, A A M Fathihu, B.Sc. (Hons.) EMV, FIV Sri Lanka who is having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, to determine the fair value of land and buildings. The income approach using the current market rent including passing rents has been used as the methodology by the Valuer to value the investment property as recommended by SLFRS 13 - 'Fair Value Measurements'.

Significant Assumptions Used for the Valuation

- ⊕ Outgoing at 32.5% of estimated rent (2023 - 35%)
- ⊕ Capitalise YP at 16% (2023 - 16%)

	GROUP	
	2024 LKR '000	2023 LKR '000
As at 01 January	3,112,440	2,879,091
Additions during the year	5,355	24,400
Change in the fair value during the year	230,203	253,600
Less: Fair value of the owner-occupied portion	44,629	42,048
Net change in the fair value during the year (Note 10)	185,574	211,552
Less: Change in the owner occupied portion	195,698	2,603
As at 31 December	3,107,671	3,112,440

The maturity analysis of investment property is given in Note 51 - Maturity Analysis.

There were no capitalised borrowing cost related to the acquisition of investment property during the year 2024 (2023- Nil).

32.1 Statement of Income and Expenditure of the Investment Property

	GROUP	
	2024 LKR '000	2023 LKR '000
Rental income derived from investment property	198,150	225,484
Direct operating expenses (including repair and maintenance) in generating rental income	(47,423)	(42,329)
Direct operating expenses (including repair and maintenance) that did not generate rental income	(39,607)	(36,315)
Profit arising from investment property carried at fair value	111,120	146,840

32.2 Information on Investment Property of the Group - Extent and Locations

As required by Rule No 7.6 (viii) of the "Continuing Listing Requirements" of the Colombo Stock Exchange

	Business location of the premises	Number of Buildings	Land Extent (Perches)	Building (Square Feet)	Fair Value as at 31 December 2024 LKR '000	Fair Value as at 31 December 2023 LKR '000
Through the subsidiary company of Development Holdings (Pvt) Limited (DHPL)	No:42 Nawam Mawatha, Colombo 02	1	71.27	175,190	3,945,000	3,708,000

Valuation amounts include fair value of owner occupied portion of LKR 837 Mn (2023 - LKR 595 Mn).

The Group has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance and enhancement.

Fair value hierarchy disclosures for investment property are given in Note 56 (a), to these Financial Statements.

33 PROPERTY, PLANT & EQUIPMENT

ACCOUNTING POLICY

Basis of Recognition

Property, plant & equipment are recognised, if it is probable that future economic benefits associated with the asset will flow to the Group and the cost or the fair value of the asset can be reliably measured.

Basis of Measurement

An item of property, plant & equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the assets and subsequent cost as explained below. The cost of self constructed assets includes the cost of the materials and direct labour, any other cost directly attributable to bringing the assets to a working condition for its intended use and cost of dismantling and removing the old items and restoring the site on which they are located. Purchased software which is integral to the functionality of the related equipment is capitalised as part of computer equipment.

Cost Model

The Group applies the 'Cost Model' to all property, plant & equipment other than freehold land and buildings and record at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

Revaluation Model

The Group applies the revaluation model for the entire class of freehold land and buildings. Such properties are carried at revalued amounts, being their fair value at the reporting date, less any subsequent accumulated depreciation on land and buildings and any accumulated impairment losses charged subsequent to the date of the valuation.

Freehold land and buildings of the Group are revalued every three years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date.

A letter of confirmation is obtained from the Independent Professional Valuer annually, except the year in which full valuation is carried out by the Group, to ensure that the fair values of the freehold land and building at the reporting date do not significantly vary from their carrying amounts.

Subsequent Cost

These are costs that are recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within that part will flow to the Group and it can be reliably measured. Ongoing repairs and maintenance are expensed as incurred.

Capital Work-in-Progress

These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, which will be capitalised with the completion of the project and when the asset is ready to be used. These are stated in the Statement of Financial Position at cost. Capital working-progress is transferred to the relevant asset when it is completed and converted into a usable condition as expected by the Management of the Group.

Derecognition

An item of property, plant & equipment is derecognised upon disposal or when no future economic benefits are expected. Any gain or loss arising on derecognition of the asset (calculated as the difference

between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss in the year, in which the asset is derecognised.

Depreciation and amortisation

The accounting policy and the judgment and estimates used in the computation of depreciation and amortisation of property, plant & equipment are explained in detail in Note 14 on page 292.

Accounting Judgments, Estimates and Assumptions

Fair value of freehold land and buildings

The freehold land and buildings of the Group are reflected at fair value. The Group engaged an Independent Professional Valuer, A A M Fathihu, B.Sc. (Hons.) EMV, FIV Sri Lanka to determine the fair value of freehold land and buildings in terms of Sri Lanka Accounting Standard- SLFRS 13 on "Fair Value Measurement". In estimating the fair values, the Independent Valuer considered current market prices of similar assets.

The methods used to determine the fair value of the freehold land and buildings are further explained in Note 56 & 56(c) to the financial statements.

Useful Life Time of Property, Plant & Equipment

The Group reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Management exercises judgement in the estimation of these values, rates, methods and hence those are subject to uncertainty.

33.1 The Movement in Property, Plant & Equipment - Bank

	Freehold Land	Freehold Buildings	Leasehold Buildings	Computer Equipment	Motor Vehicles	Office Equipment & Furniture	Capital Work- in- Progress	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
(a) Cost or Valuation								
As at 1 January 2023	1,024,000	1,539,398	571,442	1,944,873	69,620	1,251,951	84,390	6,485,674
Additions during the year	-	6,433	18,159	151,238	-	96,604	9,527	281,961
Disposals during the year	-	(147)	(4,746)	(29,896)	(3,100)	(32,417)	-	(70,306)
Revaluation adjustment during the year	-	50,483	-	-	-	-	-	50,483
Transfers	-	-	-	(9,884)	-	-	(53,545)	(63,429)
As at 31 December 2023	1,024,000	1,596,167	584,855	2,056,331	66,520	1,316,138	40,372	6,684,383
Additions during the year	-	11,528	22,389	143,412	-	130,016	55,364	362,709
Disposals during the year	-	-	(1,381)	(19,027)	(24,200)	(14,824)	-	(59,432)
Transfer of accumulated depreciation on assets revalued	-	(510,429)	-	-	-	-	-	(510,429)
Revaluation adjustment during the year	-	51,735	-	-	-	-	-	51,735
Transfers	-	-	-	-	(1)	-	(4,918)	(4,919)
As at 31 December 2024	1,024,000	1,149,001	605,863	2,180,716	42,319	1,431,330	90,818	6,524,047
(b) Depreciation/Amortisation								
As at 1 January 2023	-	390,399	456,653	1,268,266	68,521	1,040,473	-	3,224,312
Charge for the year (Note 14)	-	56,866	50,402	191,446	326	94,296	-	393,336
On disposals	-	(98)	(4,678)	(29,702)	(2,328)	(31,920)	-	(68,726)
Transfers	-	-	-	(5,656)	-	-	-	(5,656)
As at 31 December 2023	-	447,167	502,377	1,424,354	66,519	1,102,849	-	3,543,266
Charge for the year (Note 14)	-	63,262	39,035	202,273	-	97,039	-	401,609
On disposals	-	-	(1,366)	(18,468)	(24,200)	(13,824)	-	(57,858)
Transfer of accumulated depreciation on assets revalued	-	(510,429)	-	-	-	-	-	(510,429)
Transfers	-	-	-	-	-	-	-	-
As at 31 December 2024	-	-	540,046	1,608,159	42,319	1,186,064	-	3,376,588
Net book value as at 31 December 2024	1,024,000	1,149,001	65,817	572,557	-	245,266	90,818	3,147,459
Net book value as at 31 December 2023	1,024,000	1,149,000	82,478	631,977	1	213,289	40,372	3,141,117

33.2 Details of Revalued Freehold Land and Buildings - Bank

As at 31 December 2024

The Bank obtained a certificate from the independent professional Valuer A A M Fathihu, B.Sc (Hons) EMV, FIV Sri Lanka, affirming the fair value reflected in these Financial Statements. Accordingly gains/(losses) on revaluation of land and building has been recognised during the year as given below.

Date of valuation - 31 December 2024

Freehold Land	Extent (Perches)	Revaluation of Land LKR '000	Net book value before revaluation LKR '000	Revaluation Gains/ (Losses) Recognised on Land LKR '000
Head Office No. 103A, Dharmapala Mawatha, Colombo 07	60	1,000,000	1,000,000	-
Head Office No. 40, Nawam Mawatha, Colombo 02	1.43	24,000	24,000	-
Sub Total (a)		1,024,000	1,024,000	-

Freehold building	Extent (Square Feet)	Revaluation of Buildings LKR '000	Net book value before revaluation LKR '000	Revaluation Gains/ (Losses) Recognised on Buildings LKR '000
Head Office No. 103A, Dharmapala Mawatha, Colombo 07	41,143	383,000	369,185	13,815
Head Office No. 40, Nawam Mawatha, Colombo 02	95,343	766,000	728,080	37,920
Sub Total (b)		1,149,000	1,097,265	51,735
Total (a)+(b)		2,173,000	2,121,265	51,735

33.3 Freehold Land and Buildings on Cost Basis - Bank

The carrying amount of the Bank's revalued freehold land and buildings that would have been included in the Financial Statements at cost less accumulated depreciation is as follows:

	2024			2023		
	Cost LKR '000	Accumulated Depreciation LKR '000	Net Book Value LKR '000	Cost LKR '000	Accumulated Depreciation LKR '000	Net Book Value LKR '000
Class of assets						
Freehold land	165,016	-	165,016	165,016	-	165,016
Freehold buildings	625,126	519,550	105,576	613,598	507,047	106,551
Total	790,142	519,550	270,592	778,614	507,047	271,567

33.4 The Movement in Property, Plant & Equipment - Group

	Freehold Land LKR '000	Freehold Buildings LKR '000	Leasehold Buildings LKR '000	Computer Equipment LKR '000	Motor Vehicles LKR '000	Office Equipment & Furniture LKR '000	Capital Work- in- Progress LKR '000	Total LKR '000
(a) Cost or Valuation								
As at 1 January 2023	1,024,000	2,117,738	592,670	2,043,957	94,003	1,657,382	84,390	7,614,140
Additions during the year	-	6,433	18,159	160,924	-	101,865	9,527	296,908
Disposals during the year	-	(147)	(4,746)	(30,255)	(3,100)	(144,584)	-	(182,832)
Revaluation adjustment during the year	-	92,531	-	-	-	-	-	92,531
Transfers/adjustments	-	-	-	(11,388)	(3,708)	(4,688)	(53,545)	(73,329)
As at 31 December 2023	1,024,000	2,216,555	606,083	2,163,238	87,195	1,609,975	40,372	7,747,418
Additions during the year	-	11,528	22,389	156,951	-	156,436	55,364	402,668
Disposals during the year	-	-	(1,381)	(19,027)	(24,200)	(15,292)	-	(59,900)
Transfer of accumulated depreciation on assets revalued	-	(510,429)	-	-	-	-	-	(510,429)
Revaluation adjustment during the year	-	96,364	-	(350)	(3,280)	(5,268)	-	87,466
Transfers/adjustments*	-	170,014	-	-	(1)	-	(4,918)	165,095
As at 31 December 2024	1,024,000	1,984,032	627,091	2,300,812	59,714	1,745,851	90,818	7,832,318
(b) Depreciation/Amortisation								
As at 1 January 2023	-	416,083	468,440	1,349,659	92,424	1,379,540	-	3,706,146
Charge for the year (Note 14)	-	56,866	51,936	201,714	450	109,871	-	420,837
On disposals	-	(98)	(4,678)	(30,061)	(2,328)	(143,183)	-	(180,348)
Transfers/adjustments	-	-	-	(7,110)	(3,679)	(5,525)	-	(16,314)
As at 31 December 2023	-	472,851	515,698	1,514,202	86,867	1,340,703	-	3,930,321
Charge for the year (Note 14)	-	63,262	41,046	214,547	124	115,157	-	434,136
On disposals	-	-	(1,366)	(18,468)	(24,668)	(13,824)	-	(58,326)
Transfer of accumulated depreciation on assets revalued	-	(510,429)	-	-	-	-	-	(510,429)
Transfers/adjustments	-	(25,684)	(1)	(293)	(3,253)	(4,893)	-	(34,124)
As at 31 December 2024	-	-	555,377	1,709,988	59,070	1,437,143	-	3,761,578
Net book value as at 31 December 2024	1,024,000	1,984,032	71,714	590,824	644	308,708	90,818	4,070,740
Net book value as at 31 December 2023	1,024,000	1,743,704	90,385	649,036	328	269,272	40,372	3,817,097

*Transfers/adjustments includes the change of owner occupied area of the investment property during the year.

33.5 Cost of Fully Depreciated Property, Plant & Equipment and Intangible Assets

The initial cost of fully depreciated property, plant & equipment and intangible assets which are still in use are as follows::

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Freehold buildings	48,060	44,619	48,060	44,619
Leasehold building	450,578	351,304	450,578	351,304
Motor vehicles	34,493	66,519	35,523	67,549
Office equipment and furniture	956,330	854,424	1,120,862	1,010,680
Computer equipment	935,806	773,583	1,015,347	840,152
Computer software	1,033,825	853,119	1,145,799	964,985
Total	3,459,092	2,943,568	3,816,169	3,279,289

33.6 Information on Freehold Land and Buildings of the Bank - Extent and Locations

As required by Rule No.7.6 (viii) of the "Continuing Listing Requirements" of the Colombo Stock Exchange.

Location	No of buildings	Extent (Perches)	Buildings (Square Feet)	Revalued land LKR '000	Revalued buildings LKR '000	Total revalued amount LKR '000	Net Book Value before Revaluation LKR '000	Revaluation Gains/ (Losses) Recognised on Land LKR '000
Head Office No. 103A, Dharmapala Mawatha, Colombo 07	1	60	41,143	1,000,000	383,000	1,383,000	1,369,185	13,815
Head Office No. 40, Nawam Mawatha, Colombo 02	1	1.43	95,343	24,000	766,000	790,000	752,080	37,920
Total				1,024,000	1,149,000	2,173,000	2,121,265	51,735

Title restriction on property, plant and equipment

There were no restrictions on the title of the property, plant and equipment of the Group as at the reporting date (2023 - Nil).

Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment of the Group that have been pledged as securities for liabilities as at the reporting date (2023 - Nil).

Borrowing costs

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2024 (2023 - Nil).

34 RIGHT OF USE ASSETS**ACCOUNTING POLICY****Basis of Recognition**

The Group applies Sri Lanka Accounting Standard SLFRS 16 "Leases" in accounting for all lease hold rights except for short term leases, which are held for use in the provision of services.

Basis of Measurement

The Group recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost less any accumulated amortisation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are

amortised on a straight line basis over the term of the lease.

Lease Liability

At the commencement date of the lease, the Group recognises lease liabilities, measured at present value of lease payments to be made over the lease term. The Group applied modified retrospective approach in accordance with SLFRS 16 when accounting for right-of-use assets and operating lease liabilities.

The interest expense on the lease liabilities and the depreciation expense on the right-of-use assets are recognised separately in the Statement of Profit or Loss in line with the requirements of SLFRS 16-Leases.

Further the lease liabilities will be remeasured upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The Group

will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Significant Accounting Judgments, Estimates and Assumptions

The Group use its judgment to determine whether an operating lease agreement qualifies as recognition of right-of-use assets. In estimating the borrowing cost of lease liabilities, the Group uses the interest rate applicable to loans given for housing purposes, based on a similar tenor, collateral and economic environment. The present value of operating lease commitments has been calculated using weighted average incremental borrowing rates at which the Group opts to borrow such assets.

There is no change in the incremental borrowing rates use for land and vehicles as there were no additions during the year 2024.

34. RIGHT OF USE ASSETS (CONTD.)

The incremental borrowing rates used for the year ended 31 December 2024 and 2023, are as follows:

Class of Assets	BANK & GROUP	
	2024 %	2023 %
Buildings	9.50-25	9.50-25
Land	14	14
Vehicles	13.50 - 16	15

	BANK			GROUP		
	Land and Building LKR '000	Vehicle LKR '000	Total LKR '000	Land and Building LKR '000	Vehicle LKR '000	Total LKR '000
Cost						
As at 01 January 2024	2,500,152	101,492	2,601,644	2,805,357	101,492	2,906,849
Additions during the year	299,501	191,349	490,850	299,501	191,349	490,850
Transfers/adjustments	263	-	263	262	-	262
As at 31 December 2024	2,799,916	292,841	3,092,757	3,105,120	292,841	3,397,961
Depreciation/Amortisation						
As at 01 January 2024	1,354,551	101,492	1,456,043	1,545,302	101,492	1,646,794
Charge for the year (Note 14)	346,281	29,693	375,974	384,432	29,693	414,125
As at 31 December 2024	1,700,832	131,185	1,832,017	1,929,734	131,185	2,060,919
Net book value as at 31 December 2024	1,099,084	161,656	1,260,740	1,175,386	161,656	1,337,042

	BANK			GROUP		
	Land and Building LKR '000	Vehicle LKR '000	Total LKR '000	Land and Building LKR '000	Vehicle LKR '000	Total LKR '000
Cost						
As at 01 January 2023	2,205,196	101,492	2,306,688	2,510,401	101,492	2,611,893
Additions during the year	297,801	-	297,801	297,801	-	297,801
Transfers/adjustments	(2,845)	-	(2,845)	(2,845)	-	(2,845)
As at 31 December 2023	2,500,152	101,492	2,601,644	2,805,357	101,492	2,906,849
Depreciation/Amortisation						
As at 01 January 2023	1,049,497	86,428	1,135,925	1,202,097	86,428	1,288,525
Charge for the year (Note 14)	305,054	15,064	320,118	343,205	15,064	358,269
As at 31 December 2023	1,354,551	101,492	1,456,043	1,545,302	101,492	1,646,794
Net book value as at 31 December 2023	1,145,601	-	1,145,601	1,260,055	-	1,260,055

35 INTANGIBLE ASSETS

ACCOUNTING POLICY

Intangible assets of the Group include the value of computer software and software under development.

Basis of Recognition

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. Intangible assets acquired separately are measured on initial recognition at cost. Following the initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relate. All other expenditure is expensed as incurred.

Computer Software and Software under Development

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected. Any gain or loss arising on derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is included in the Statement of Profit or Loss in the year in which the asset is derecognised.

Research and Development Costs

Research costs are expensed as incurred. Development costs on an individual project are recognised as an intangible asset when the Group can demonstrate:

- ☉ Its intention to complete and its ability to use or sell the asset.
- ☉ The asset will generate future economic benefits
- ☉ The availability of resources to complete the asset.
- ☉ The ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

As at the reporting date, the Group did not have development costs that were capitalised as an internally-generated intangible asset.

Accounting Judgments, Estimates and Assumptions**Useful Life Time of Intangible Assets**

The Group reviews the residual values, useful lives and methods of depreciation of intangible assets at each reporting date. Management exercises judgment in the estimation of these values, rates, methods and hence those are subject to uncertainty.

Assessment for Impairment

Irrespective of whether there is any indication of impairment, the Bank assesses an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amounts. However, if such an intangible asset was initially recognised during the current annual period, that intangible asset shall be tested for impairment before the end of the current annual period and recognised in the Statement of Profit or Loss if there is any impairment allowance.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Computer Software [Note 35.1]	1,731,927	1,869,547	1,780,297	1,884,370
Software Under Development [Note 35.2]	34,688	13,900	34,688	13,900
Total	1,766,615	1,883,447	1,814,985	1,898,270

35.1 Computer Software

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Cost				
As at 01 January	3,407,521	1,819,448	3,541,479	1,944,439
Additions during the year	175,381	1,590,383	215,922	1,599,426
Disposals during the year	-	(150)	-	(150)
Transfers/adjustments	-	(2,160)	1,094	(2,236)
As at 31 December	3,582,902	3,407,521	3,758,495	3,541,479
Depreciation/Amortisation				
As at 01 January	1,537,974	1,267,068	1,657,109	1,383,167
Charge for the year (Note 14)	313,001	271,056	319,728	275,353
Disposals during the year	-	(150)	-	(150)
Transfers/adjustments	-	-	1,361	(1,261)
As at 31 December	1,850,975	1,537,974	1,978,198	1,657,109
Net book value as at 31 December (a)	1,731,927	1,869,547	1,780,297	1,884,370

35.2 Software Under Development

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Cost				
As at 01 January	13,900	1,251,941	13,900	1,251,941
Additions during the year	33,035	38,450	33,035	38,450
Transfer to computer software during the year	(12,247)	(1,276,491)	(12,247)	(1,276,491)
As at 31 December (b)	34,688	13,900	34,688	13,900
Net book value of total intangible assets (a) + (b)	1,766,615	1,883,447	1,814,985	1,898,270

36 OTHER ASSETS

ACCOUNTING POLICY

The Group classifies other assets as 'other financial assets' and 'other non-financial assets'. Other assets mainly comprise of deposits and prepayments, unamortised staff costs and sundry receivables. Deposits are carried at historical cost less impairment allowance.

Prepayments are amortised during the period in which they are utilised and are carried at historical cost less impairment allowance.

As all staff loans granted at below market interest rates are recognised at fair value, the difference between the fair value and

the amount disbursed was treated as a Day one difference. The Day one difference is classified as 'unamortised staff cost' and is amortised over the loan period by using the Effective Interest Rate (EIR). The staff loans are subsequently measured at amortised costs.

Other financial assets and other non-financial assets included under other assets are summarised below:

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Other non-financial assets (Note 36.1)	6,020,309	3,416,887	6,196,684	3,598,283
Other financial assets (Note 36.3)	1,046,533	1,427,296	1,321,169	1,965,544
Total	7,066,842	4,844,183	7,517,853	5,563,827

36.1 Other Non- financial assets

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Sundry receivables	3,383,510	1,282,857	3,382,451	1,295,306
Deposits and prepayments	767,361	739,245	886,965	873,111
Unamortised staff cost (Note 36.2)	1,869,438	1,394,785	1,927,268	1,429,866
Total	6,020,309	3,416,887	6,196,684	3,598,283

36.2 Unamortised staff cost

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
As at 01 January	1,394,785	1,328,098	1,429,866	1,340,682
Add: Adjustment for new grants and settlements	679,580	281,165	718,796	320,129
Charged to personnel expenses	(204,927)	(214,478)	(221,394)	(230,945)
As at 31 December	1,869,438	1,394,785	1,927,268	1,429,866

36.3 Other financial assets

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Other financial assets - Gross	1,413,905	1,427,296	1,688,541	1,965,544
Less: Impairment allowance	(367,372)	-	(367,372)	-
As at 31 December	1,046,533	1,427,296	1,321,169	1,965,544

37 DUE TO BANK**ACCOUNTING POLICY**

Due to banks, include call money borrowings and credit balances in Nostro accounts. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Interest paid/payable on these dues are recognised in the Statement of Profit or Loss under 'Interest Expenses'.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Borrowing from local banks	4,809,605	7,123,403	4,809,605	7,123,403
Borrowing from foreign banks	31,737	555,792	31,737	555,792
Total	4,841,342	7,679,195	4,841,342	7,679,195

37.1 Due to Bank by currency

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Local currency	4,809,605	7,123,403	4,809,605	7,123,403
Foreign currency	31,737	555,792	31,737	555,792
Total	4,841,342	7,679,195	4,841,342	7,679,195

38 FINANCIAL LIABILITIES AT AMORTISED COST

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Due to depositors (Note 38.1)	631,682,926	615,643,999	631,081,461	615,232,470
Due to debt securities holders (Note 38.2)	8,002,850	15,632,569	8,002,850	15,632,569
Due to other borrowers (Note 38.3)	22,023,798	24,636,539	22,023,798	24,636,539
Total	661,709,574	655,913,107	661,108,109	655,501,578

38.1 Due to Depositors

ACCOUNTING POLICY

Due to depositors include non-interest bearing deposits, savings deposits, term deposits, margins and other deposits. Subsequent to initial recognition, deposits are measured at their amortised cost using the Effective Interest Rate (EIR) method. Interest paid/payable on deposits are recognised in the Statement of Profit or Loss under 'Interest Expenses'.

38.1 (a) Due to depositors - by product

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Savings deposits	103,488,340	95,292,997	103,105,661	95,167,612
Time deposits	473,619,708	475,907,790	473,450,599	475,626,572
Demand deposits	53,123,250	42,074,697	53,073,573	42,069,771
Margin deposits	746,762	1,787,476	746,762	1,787,476
Other deposits	704,866	581,039	704,866	581,039
Total	631,682,926	615,643,999	631,081,461	615,232,470

38.1 (b) Due to depositors - by deposit composition

	BANK				GROUP			
	2024		2023		2024		2023	
	LKR '000	%	LKR '000	%	LKR '000	%	LKR '000	%
Local currency deposits								
Savings deposits	81,378,640	13	67,889,639	11	81,016,288	13	67,771,213	11
Time deposits	346,074,563	55	335,388,665	55	345,910,656	55	335,143,112	55
Demand deposits	42,852,398	7	33,683,062	5	42,804,180	7	33,678,136	5
Margin deposits	684,416	-	1,704,276	-	684,416	-	1,704,276	-
Other deposits	313,441	-	201,691	-	313,441	-	201,691	-
Sub total	471,303,458	75	438,867,333	71	470,728,981	75	438,498,428	71
Foreign currency deposits								
Savings deposits	22,109,701	4	27,403,358	4	22,089,374	4	27,396,400	4
Time deposits	127,545,145	19	140,519,125	23	127,539,943	19	140,483,459	23
Demand deposits	10,270,852	2	8,391,635	2	10,269,393	2	8,391,635	2
Margin deposits	62,346	-	83,200	-	62,346	-	83,200	-
Other deposits	391,424	-	379,348	-	391,424	-	379,348	-
Sub total	160,379,468	25	176,776,666	29	160,352,480	25	176,734,042	29
Total	631,682,926	100	615,643,999	100	631,081,461	100	615,232,470	100

38.1 (c) Due to depositors - by currency

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Sri Lanka Rupee	471,303,458	438,867,335	470,728,981	438,498,430
United States Dollar	139,907,181	153,218,088	139,880,193	153,175,464
Australian Dollar	7,362,903	7,746,506	7,362,903	7,746,506
Great Britain Pound	6,819,366	8,539,778	6,819,366	8,539,778
Euro	4,676,944	5,419,961	4,676,944	5,419,961
Other currencies	1,613,074	1,852,331	1,613,074	1,852,331
Total	631,682,926	615,643,999	631,081,461	615,232,470

38.1 (d) Due to depositors - by institutions/customers

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Deposits from banks	7,712,804	10,338,442	7,712,804	10,338,442
Deposits from finance companies	8,037,480	8,480,366	8,037,480	8,480,366
Deposits from other customers	615,932,642	596,825,191	615,331,177	596,413,662
Total	631,682,926	615,643,999	631,081,461	615,232,470

38.1 (e) Due to depositors - by province

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Western Province	536,687,209	527,193,408	536,085,744	526,781,879
Central Province	20,241,394	19,197,166	20,241,394	19,197,166
North-Western Province	19,056,670	16,998,953	19,056,670	16,998,953
Southern Province	16,743,711	15,073,287	16,743,711	15,073,287
Sabaragamuwa Province	10,951,352	10,216,677	10,951,352	10,216,677
Northern Province	14,677,777	14,566,199	14,677,777	14,566,199
Eastern Province	4,937,363	4,751,970	4,937,363	4,751,970
North-Central Province	4,447,304	3,744,157	4,447,304	3,744,157
Uva Province	3,940,146	3,902,182	3,940,146	3,902,182
Total	631,682,926	615,643,999	631,081,461	615,232,470

38.2 Due to Debt Securities Holders

ACCOUNTING POLICY

Due to Debt Securities Holders consists of securities sold under repurchase agreements. The Group sells financial assets and simultaneously enter into an agreement to repurchase the asset (or similar asset) at a fixed price at a future date. Such an arrangement is accounted for as a financial liability and the underlying asset continues to be recognised in the Financial Statements of the Group, as the Group retain substantially all risks and rewards of ownership. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method with the corresponding interest paid/payable being recognised in the Statement of Profit or Loss, under 'Interest Expenses'.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
As at 01 January	15,632,569	130,541	15,632,569	130,541
Additions during the year	703,705,306	855,180,231	703,705,306	855,180,231
Redemptions	(711,335,025)	(839,678,203)	(711,335,025)	(839,678,203)
Net Movement during the year	(7,629,719)	15,502,028	(7,629,719)	15,502,028
Total	8,002,850	15,632,569	8,002,850	15,632,569

38.3 Due to other borrowers**ACCOUNTING POLICY**

Due to other borrowers represents the funds borrowed by the Group for long-term and short-term liquidity funding requirements and include borrowings from concessionary credit lines, institutional borrowings and funds received from the Central Bank of Sri Lanka. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Interest paid/payable on "Due to Other Borrowers" are recognised in the Statement of Profit or Loss, under 'Interest Expenses'.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Concessionary credit lines	8,863,831	7,508,062	8,863,831	7,508,062
Saubagya COVID-19 borrowings	-	336,879	-	336,879
Refinance borrowings	2,957,480	2,755,457	2,957,480	2,755,457
Institutional borrowings- Foreign	10,202,487	14,036,141	10,202,487	14,036,141
Total	22,023,798	24,636,539	22,023,798	24,636,539

38.4 Maturity Analysis of Due to Debt Securities Holders and Due to Other Borrowers - Based on the Contractual Maturity

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Payable within 12 Months				
Concessionary credit lines	717,711	877,490	717,711	877,490
Saubagya COVID-19 borrowings	-	336,879	-	336,879
Refinance borrowings	1,997,030	644,464	1,997,030	644,464
Institutional borrowings- Foreign	2,260,435	14,036,141	2,260,435	14,036,141
Securities sold under repurchase agreements	8,002,850	15,632,569	8,002,850	15,632,569
Sub total	12,978,026	31,527,543	12,978,026	31,527,543
Payable after 12 Months				
Concessionary credit lines	8,146,120	6,630,572	8,146,120	6,630,572
Saubagya COVID-19 borrowings	-	-	-	-
Refinance borrowings	960,450	2,110,993	960,450	2,110,993
Institutional borrowings- Foreign	7,942,052	-	7,942,052	-
Sub total	17,048,622	8,741,565	17,048,622	8,741,565
Total (Note 38.2 & Note 38.3)	30,026,648	40,269,108	30,026,648	40,269,108

39 DEBT SECURITIES ISSUED**ACCOUNTING POLICY**

Debt securities issued includes the funds borrowed by the Group for long-term and short-term funding requirements by way of quoted debentures. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Interest paid/payable on debt securities issued are recognised in the Statement of Profit or Loss. The direct costs attributable to these term debts are amortised over the term of the debt and are offset in the presentation of debt securities issued, in the Statement of Financial Position.

	BANK & GROUP	
	2024 LKR '000	2023 LKR '000
As at 01 January	29,388,875	27,979,631
Additions during the year	10,000,000	5,000,000
Redemptions	(5,561,200)	(3,637,980)
Net effect on amortised interest payable	(262,967)	47,224
As at 31 December (Note 39.1)	33,564,708	29,388,875

39.1 Debenture

	Interest Payable Frequency	Issued Date	Maturity Date	Effective Annual Yield %	BANK & GROUP	
					2024 LKR '000	2023 LKR '000
Fixed Rate Debenture Issuance - December 2013						
Type D - 14.00% - (144 Months)	Annually	19-12-2013	19-12-2025	13.26	3,587,489	3,584,911
Total (a)					3,587,489	3,584,911
Fixed Rate Debenture Issuance - March 2019						
Type A - 13.50% - (60 Months)	Semi-annually	30-03-2019	30-03-2024	13.17	-	1,284,278
Type B - 13.95% - (60 Months)	Annually	30-03-2019	30-03-2024	13.16	-	4,765,170
Total (b)					-	6,049,448
Fixed Rate Debenture Issuance - September 2020						
9.50% - (60 Months)	Annually	24-09-2020	24-09-2025	9.16	6,656,408	6,650,716
Total (c)					6,656,408	6,650,716
Fixed Rate Debenture Issuance - November 2021						
Type A - 11.90% - (60 Months)	Semi-annually	23-11-2021	23-11-2026	11.66	7,966,091	7,960,520
Type B - 12.00% - (84 Months)	Semi-annually	23-11-2021	23-11-2028	11.73	117,131	117,081
Total (d)					8,083,222	8,077,601
Fixed Rate Debenture Issuance - December 2023						
Type A - 15.00% - (60 Months)	Annually	12-12-2023	11-12-2028	14.05	3,353,440	3,351,932
Type B - 14.22% - (60 Months)	Quarterly	12-12-2023	11-12-2028	14.05	1,675,031	1,674,267
Total (e)					5,028,471	5,026,199
Fixed Rate Debenture Issuance I - September 2024						
Type A - 13.25%- (60 Months)	Annually	12-09-2024	11-09-2029	12.52	4,055,957	-
Type B - 12.84%- (60 Months)	Semi Annually	12-09-2024	11-09-2029	12.52	847,741	-
Type C - 12.64% - (60 Months)	Quarterly	12-09-2024	11-09-2029	12.53	267,850	-
Total (f)					5,171,548	-
Fixed Rate Debenture Issuance II- December 2024						
Type A - 13%- (60 Months)	Annually	02-12-2024	01-12-2029	12.30	4,568,984	-
Type B - 12.41%- (60 Months)	Quarterly	02-12-2024	01-12-2029	12.31	468,586	-
Total (g)					5,037,570	-
Debt securities issued (a)+(b)+(c)+(d)+(e)+(f)+(g)					33,564,708	29,388,875
The contractual maturity of the debt securities issued are given below:						
Due within one year					10,564,708	6,354,630
Due after one year					23,000,000	23,034,245
Total					33,564,708	29,388,875

40 CURRENT TAX (RECEIVABLES)/LIABILITIES**ACCOUNTING POLICY**

The accounting policy on current tax (receivable)/liabilities for the group is included in note 18 on page 294.

As at 31 December	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
40.1 Summary of Net Current Tax Liabilities				
Current tax liabilities	5,204,643	7,265,070	5,473,755	7,430,773
Current tax receivables	-	-	(33,727)	(43,102)
Net current tax liability	5,204,643	7,265,070	5,440,028	7,387,671
40.2 Movement in Net Current Tax Liabilities				
As at 01 January	7,265,070	6,470,353	7,387,671	6,591,700
Current tax based on profit for the year	4,302,960	4,080,574	4,633,549	4,337,945
Under/(over) provision in respect of previous years	(639,529)	(913,704)	(537,248)	(867,626)
Payment of tax	(5,723,858)	(2,372,153)	(6,043,944)	(2,674,348)
As at 31 December	5,204,643	7,265,070	5,440,028	7,387,671

41 DEFERRED TAX (ASSETS)/LIABILITIES**ACCOUNTING POLICY**

The accounting policy on deferred tax (assets)/liabilities for the Group is included in Note 18 on page 294.

41.1 Summary of Net Deferred Tax (Assets)/Liabilities

As at 31 December	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Recognised under assets	(4,158,040)	(9,648,118)	(4,216,721)	(9,717,805)
Recognised under liabilities	-	-	976,244	921,189
Net deferred tax assets (Note 41.3 and 41.4)	(4,158,040)	(9,648,118)	(3,240,477)	(8,796,616)

41.2 Movement in Net Deferred Tax (Assets)/Liabilities

	BANK				GROUP			
	2024		2023		2024		2023	
	Temporary difference LKR '000	Tax effect LKR '000	Temporary difference LKR '000	Tax effect LKR '000	Temporary difference LKR '000	Tax effect LKR '000	Temporary difference LKR '000	Tax effect LKR '000
As at 01 January	(32,160,393)	(9,648,118)	(30,015,822)	(9,004,747)	(29,322,050)	(8,796,616)	(27,252,050)	(8,175,616)
Amount originating/(reversing) to Statement of Profit or Loss (Note 18.3)	20,417,123	6,125,137	(3,970,937)	(1,191,280)	20,595,303	6,178,591	(3,914,300)	(1,174,290)
Amount originating/(reversing) to Other Comprehensive Income	(2,116,863)	(635,059)	1,826,366	547,909	(2,074,840)	(622,452)	1,844,300	553,290
As at 31 December	(13,860,133)	(4,158,040)	(32,160,393)	(9,648,118)	(10,801,587)	(3,240,477)	(29,322,050)	(8,796,616)

The deferred tax assets/liabilities of the Group as at 31 December 2024 were computed using the income tax rate of 30% (2023-30%).

41.3 Reconciliation of Net Deferred Tax (Assets)/Liabilities

	BANK					
	Statement of Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Deferred tax liabilities						
Accelerated depreciation for tax purposes	125,760	102,621	23,139	45,645	-	-
Revaluation gains on freehold land and buildings	658,995	643,475	-	-	15,520	15,145
Finance leases	63,475	138,093	(74,618)	(144,636)	-	-
Gains on fair value adjustment of financial assets measured at fair value through other comprehensive income	1,273,934	1,688,561	-	-	(414,627)	1,577,905
Cash flow hedge reserve	125,175	358,036	-	-	(232,861)	(957,535)
Total	2,247,339	2,930,786	(51,479)	(98,991)	(631,968)	635,515
Deferred tax assets						
Defined benefit plans	424,162	389,973	(31,098)	(27,565)	(3,091)	(87,606)
Operating leases	84,708	78,868	(5,840)	(3,688)	-	-
Impairment allowances						
On loans and receivables to other customers	5,698,578	5,029,573	(669,005)	(37,169)	-	-
On other financial assets (Note 41.3 (a))	197,931	7,080,490	6,882,559	(1,023,867)	-	-
Total	6,405,379	12,578,904	6,176,616	(1,092,289)	(3,091)	(87,606)
Deferred tax effect on Statement of Profit or Loss and Other Comprehensive Income for the year	-	-	6,125,137	(1,191,280)	(635,059)	547,909
Net deferred tax (assets)/liabilities as at 31 December (Note 41.1)	(4,158,040)	(9,648,118)	-	-	-	-

41.3 (a) Bank has reversed the deferred tax asset recognised against the impairment allowance on previously held ISBs amounting to LKR 7Bn during the year.

41.4 Reconciliation of Net Deferred Tax (Assets)/Liabilities

	GROUP					
	Statement of Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Deferred tax liabilities						
Accelerated depreciation for tax purposes	136,765	113,498	23,267	39,870	-	-
Revaluation gains on freehold land and buildings	764,921	736,012	-	-	28,909	27,760
Revaluation gains on investment property	812,490	756,818	55,672	63,467	-	-
Finance leases	63,475	138,093	(74,618)	(144,636)	-	-
Gains on fair value adjustment of financial assets measured at fair value through other comprehensive income	1,303,890	1,735,281	(18,928)	(14,383)	(412,463)	1,577,918
Cash flow hedge reserve	125,175	358,036	-	-	(232,861)	(957,535)
Unrealised forex gain	39,546	39,546	-	-	-	-
Total	3,246,262	3,877,284	(14,607)	(55,682)	(616,415)	648,143
Deferred tax assets						
Defined benefit plans	464,973	429,567	(29,369)	(31,662)	(6,037)	(94,853)
Losses on other operations	15,155	15,125	(30)	(15,125)	-	-
Operating leases	101,970	105,001	3,031	(666)	-	-
Impairment allowances						
On loans and receivables to other customers	5,698,578	5,029,573	(669,005)	(37,169)	-	-
On other financial assets (Note 41.3 (a))	206,063	7,094,634	6,888,571	(1,033,986)	-	-
Total	6,486,739	12,673,900	6,193,198	(1,118,608)	(6,037)	(94,853)
Deferred tax effect on Statement of Profit or Loss and Other Comprehensive Income for the year	-	-	6,178,591	(1,174,290)	(622,452)	553,290
Net deferred tax (assets)/liabilities as at 31 December (Note 41.1)	(3,240,477)	(8,796,616)	-	-	-	-

42 RETIREMENT BENEFIT OBLIGATIONS

ACCOUNTING POLICY

Retirement benefit obligations include the provisions made for retirement gratuity and the pension fund.

Retirement Gratuity

In compliance with the Gratuity Act, No.12 of 1983, provisions are made on behalf of the employees from the first year of service for employees who joined the Bank on or after 1999, as they are not in pensionable service of the Bank and for employees of the group companies. The costs of retirement gratuities are determined by a qualified Actuary using the Projected Unit Credit method. Actuarial gains and losses are recognised as income or expense in the Statement of Comprehensive Income, during the financial year in which it arises.

Pension Fund

The Bank operates an approved employee non-contributory pension fund for the payment of pensions to members of its permanent staff, who qualify for such payments when retiring. Employees who joined after 1999, are not covered under the said pension scheme. These employees are entitled to retirement gratuity. Up to 31 December 2002, annual contributions to the pension fund was payable by the Bank, based on a percentage of gross salaries, as stipulated in the pension deed. However, following the formulation of a revised pension deed, which has been approved by the Department of Inland Revenue, the contributions in subsequent years are determined on the basis of an actuarial valuation carried out each year.

Basis of Measurement

The cost of the defined benefit plans (retirement gratuity and the pension fund) is determined using an actuarial valuation. The actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainties. All assumptions are reviewed at each reporting date. The assumptions used to arrive at the value of defined benefit obligation is given in Note 42.1 (b) and 42.2 (d).

ACCOUNTING POLICY

In determining the appropriate discount rate, the Management considers the interest rates of Sri Lanka Government Bonds with extrapolated maturities, corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Estimated future salary increases are based on expected future inflation rates and the policy on salary revisions of the Group.

42.1 Provision for retirement gratuity

As at 31 December	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
As at 01 January	1,299,909	916,007	1,439,374	1,019,294
Provision made during the year				
Statement of Profit or Loss [Note 42.1 (a)]	303,511	258,344	331,762	283,632
Other Comprehensive Income [Note 42.1 (a)]	10,303	292,019	20,126	316,174
Contribution made for retirement gratuity	313,814	550,363	351,888	599,806
Benefits paid by the plan	(199,851)	(166,461)	(234,325)	(179,726)
As at 31 December	1,413,872	1,299,909	1,556,937	1,439,374

42.1(a) Provision for retirement gratuity

As at 31 December	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Current service cost	134,523	93,463	149,971	101,876
Interest cost	168,988	164,881	181,791	181,756
Amount recognised in the Statement of Profit or Loss	303,511	258,344	331,762	283,632
Liability experience loss/(gain)	18,101	20,653	18,101	25,198
Liability loss/(gain) due to changes in;				
Financial assumptions	(7,798)	271,366	2,025	288,909
Demographic assumptions	-	-	-	2,067
Amount recognised in Other Comprehensive Income [Note 42.2 (g)]	10,303	292,019	20,126	316,174

42.1 (b) Assumptions and the Sensitivity of the Assumptions used for the Provision of Retirement Gratuity - Bank

The actuarial valuations of the retirement gratuity liability were carried out by a professional Actuary, Messers. Acturial and Management Consultants (Pvt) Ltd as at 31 December 2024 and 2023.

The valuation method used by the Actuary to value the liability is the 'Projected Unit Credit Actuarial Cost Method', recommended by LKAS 19 - 'Employee Benefits'.

Assumptions and the sensitivity of the assumptions used for the Gratuity plan

Type of assumption	Criteria	Description
Demographic	Mortality	UP 1984 Mortality Table
	Retirement age	Normal retirement age
Financial	Rate of discount	The discount rate of 11% p.a. (2023 - 13% p.a.) has been used to discount future liabilities
	Salary increases	Estimated long term salary increment of 10% p.a. (2023 - 12% p.a.) has been used in respect of the active employees

The above assumptions except salary increment rate have been used by the group companies, in arriving at the provision for retirement gratuity.

The group companies used the salary increment rate of 10% p.a (2023 - 8% to 12% p.a).

42.1 (b) Assumptions and the Sensitivity of the Assumptions used for the Provision of Retirement Gratuity - Bank (Contd.)**Sensitivity of Assumptions used in the Actuarial Valuation**

Reasonably possible changes at the reporting date to one of the significant actuarial assumptions, holding other assumptions constant, would have affected the provision for retirement gratuity and Other Comprehensive Income by the amounts shown below.

		BANK			
		2024		2023	
Increase/ (Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	Sensitivity Effect on the Other Comprehensive Income Increase/(Decrease) in Comprehensive Income for the Year LKR Mn	Sensitivity Effect on Provision for Retirement Gratuity Increase/(Decrease) in Liability LKR Mn	Sensitivity Effect on the Other Comprehensive Income Increase/(Decrease) in Comprehensive Income for the Year LKR Mn	Sensitivity Effect on Provision for Retirement Gratuity Increase/(Decrease) in Liability LKR Mn
%	%				
1		128.45	(128.45)	113.58	(113.58)
(1)		(150.09)	150.09	(131.99)	131.99
	1	(153.04)	153.04	(133.81)	133.81
	(1)	133.04	(133.04)	116.97	(116.97)

		GROUP			
		2024		2023	
Increase/ (Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	Sensitivity Effect on the Other Comprehensive Income Increase/(Decrease) in Comprehensive Income for the Year LKR Mn	Sensitivity Effect on Provision for Retirement Gratuity Increase/(Decrease) in Liability LKR Mn	Sensitivity Effect on the Other Comprehensive Income Increase/(Decrease) in Comprehensive Income for the Year LKR Mn	Sensitivity Effect on Provision for Retirement Gratuity Increase/(Decrease) in Liability LKR Mn
%	%				
1		138.41	(138.41)	122.33	(122.33)
(1)		(161.37)	161.37	(141.92)	141.92
	1	(164.69)	164.69	(144.17)	144.17
	(1)	143.48	(143.48)	126.24	(126.24)

42.1 (c) The expected benefit payout in the future years for retirement gratuity

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Within next 12 months	68,355	67,843	78,422	92,968
Between 2 and 5 years	284,067	235,895	336,237	280,632
Beyond 5 years	1,061,450	996,171	1,142,278	1,065,774

The expected benefits are estimated, based on the same assumptions used to measure the retirement benefit obligation of the Bank at the end of the year and include benefits attributable to estimated future employee service.

The average duration of the defined benefit obligation is 10.8 years (2023-10.6 years).

42.2 Pension Fund

The amount recognised in the Statement of Financial Position is as follows:

	BANK & GROUP	
	2024 LKR '000	2023 LKR '000
Present value of the funded obligation as at 31 December [Note 42.2 (b)]	1,070,872	970,979
Fair value of plan assets as at 31 December [Note 42.2 (c)]	(1,417,146)	(1,359,817)
Retirement Benefit (Asset)/Liability*	(346,274)	(388,838)

*The over payment is recognised as prepaid expenses in Other Assets.

42.2 (a) Contribution made to the pension fund

	BANK & GROUP	
	2024 LKR '000	2023 LKR '000
Current service cost	14,062	11,416
Net Interest on defined benefit obligation	(50,549)	(105,198)
Amount recognised in the Statement of Profit or Loss	(36,487)	(93,782)
Assets loss/(gain) from plan assets	11,071	4,857
Actuarial (gain)/loss due to experience adjustments	(37,084)	39,113
Actuarial (gain)/loss due to changes in;		
Financial assumptions	105,064	245,406
Demographic assumptions	-	-
Amount recognised in the Other Comprehensive Income [Note 42.2 (g)]	79,051	289,376

42.2(b) Present value of defined benefit obligation reconciliation

	BANK & GROUP	
	2024 LKR '000	2023 LKR '000
As at 01 January	970,979	656,258
Current service cost	14,062	11,416
Interest cost	126,227	118,127
Actual benefits paid from the plan	(108,376)	(99,341)
Actuarial (gain)/loss due to changes in assumptions	105,064	245,406
Actuarial (gain)/loss due to experience adjustments	(37,084)	39,113
As at 31 December	1,070,872	970,979

42.2(c) Fair value of plan assets reconciliation

	BANK & GROUP	
	2024 LKR '000	2023 LKR '000
As at 01 January	1,359,817	1,240,690
Expected return on plan assets	176,776	223,325
Actual employer contributions	-	-
Actual benefit paid from the plan	(108,376)	(99,341)
Actuarial (loss)/gain from plan assets	(11,071)	(4,857)
As at 31 December	1,417,146	1,359,817

42.2 (d) Assumptions and the sensitivity of the assumptions used for the pension fund

The actuarial valuations of the Pension Fund were carried out by a professional Actuary, Messers. Acturial and Management Consultants (Pvt) Ltd as at 31 December 2024 and 2023.

The valuation method used by the Actuary to value the Fund is the 'Projected Unit Credit Actuarial Cost Method', recommended by LKAS 19 - 'Employee Benefits'.

Assumptions and the sensitivity of the assumptions used for the Pension Fund

Type of assumption	Criteria	Description
Demographic	Mortality	UP 1984 Mortality Table
	Retirement age	Normal retirement age
Financial	Rate of discount	The discount rate of 11% p.a. (2023 - 13% p.a.) has been used to discount future liabilities
	Salary increases	Estimated long term salary increment of 10% p.a. (2023 - 12% p.a.) has been used

42.2 (d) Assumptions and the sensitivity of the assumptions used for the pension fund (Contd.)**Sensitivity of assumptions used in the actuarial valuation**

Reasonably possible changes at the reporting date to one of the significant actuarial assumptions, holding other assumptions constant, would have affected the pension liability and Other Comprehensive Income by the amounts shown below:

		BANK & GROUP			
		2024		2023	
Increase/ (Decrease) in Discount Rate	Increase / (Decrease) in Salary Increment rate	Sensitivity Effect on the Other Comprehensive Income Increase/(Decrease) in Comprehensive Income for the Year LKR Mn	Sensitivity Effect on Provision for Retirement Obligation Increase/(Decrease) in Liability LKR Mn	Sensitivity Effect on the Other Comprehensive Income Increase/(Decrease) in Comprehensive Income for the Year LKR Mn	Sensitivity Effect on Provision for Retirement Obligation Increase/(Decrease) in Liability LKR Mn
%	%				
1		76.71	(76.71)	68.96	(68.96)
(1)		(87.23)	87.23	(78.13)	78.13
	1	(23.49)	23.49	(27.41)	27.41
	(1)	22.40	(22.40)	25.96	(25.96)

		BANK & GROUP			
		2024		2023	
Increase/(Decrease) in Life expectancy		Sensitivity Effect on the Other Comprehensive Income Increase/(Decrease) in Comprehensive Income for the Year LKR Mn	Sensitivity Effect on Provision for Retirement Obligation Increase/(Decrease) in Liability LKR Mn	Sensitivity Effect on the Other Comprehensive Income Increase/(Decrease) in Comprehensive Income for the Year LKR Mn	Sensitivity Effect on Provision for Retirement Obligation Increase/(Decrease) in Liability LKR Mn
+1 Year		(21.99)	21.99	(11.34)	11.34
- 1 Year		22.88	(22.88)	11.86	(11.86)

42.2 (e) Fair value of total plan assets consists of the following

	BANK	
	2024 LKR '000	2023 LKR '000
Investments in Sri Lanka Government Securities	763,468	709,692
Investments in time deposits	635,954	638,248
Others	17,724	11,877
Total	1,417,146	1,359,817

42.2 (f) The expected benefit payout from the pension fund in future years

	BANK	
	2024 LKR '000	2023 LKR '000
Within next 12 months	79,497	72,076
Between 2 and 5 years	276,074	217,943
Beyond 5 years	715,301	680,960

The expected benefits are based on the same assumptions used to measure the Bank's retirement benefit obligation at the end of the year and include benefits attributable to estimated future employee service.

The average duration of the defined benefit obligation is 8.4 years as at 31 December 2024 (2023 -8.5 years).

42.2 (g) The total amount recognised in Other Comprehensive Income relating to retirement benefit obligations

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Retirement Gratuity [Note 42.1 (a)]	10,303	292,019	20,126	316,174
Pension Fund [Note 42.2 (a)]	79,051	289,376	79,051	289,376
Total	89,354	581,395	99,177	605,550

43 OTHER LIABILITIES

Other liabilities include other financial liabilities and other non-financial liabilities. Other non-financial liabilities include fees, expenses and amounts payable for deposit insurance, dividend payable and other provisions. These liabilities are recorded at amounts expected to be payable at the reporting date.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Dividends on ordinary shares are recognised as a liability and deducted from equity, when they are approved by the Board of Directors. Other financial liabilities and other non-financial liabilities included under other liabilities are summarised below:

	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Other financial liabilities (Note 43.1)	2,467,697	2,391,221	2,905,144	2,592,786
Other non-financial liabilities (Note 43.2)	8,475,174	5,720,545	8,807,172	6,015,423
Total	10,942,871	8,111,766	11,712,316	8,608,209

43.1 Other Financial Liabilities

	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Unpresented cheques/pay orders	963,853	1,053,026	974,192	1,053,026
Unpresented cheques - Dividend Payable (Note 43.1.1)	81,988	78,655	81,988	78,655
Lease liabilities (Note 43.1.2)	1,420,158	1,257,024	1,553,997	1,458,589
Others	1,698	2,516	294,967	2,516
Total	2,467,697	2,391,221	2,905,144	2,592,786

43.1.1 Unpresented cheques - dividend payable

	BANK & GROUP	
	2024	2023
	LKR '000	LKR '000
Balance as at 01 January	78,655	99,001
Cash dividend declared for the prior year	798,929	-
Reversal of dividends declared in prior years [Note 43.1.1 (a)]	(17,148)	(20,156)
Dividend cheques realised	(778,448)	(190)
Balance as at 31 December	81,988	78,655

43.1.1 (a) Reversal of dividends declared in prior years

Reversal of dividends declared in previous years represents unclaimed dividends which are written back to equity after six years.

43.1.2 Lease liabilities

Set out below are the carrying amount of lease liabilities recognised on adoption of SLFRS 16 - Leases.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Balance as at 01 January	1,257,024	1,246,341	1,458,589	1,496,130
Additions	483,222	259,842	483,222	259,842
Accretion of interest	215,937	186,677	223,815	214,057
Payments	(536,025)	(435,836)	(611,629)	(511,440)
Balance as at 31 December	1,420,158	1,257,024	1,553,997	1,458,589

43.1.2 (a) Undiscounted cash flow

The following table illustrates the maturity analysis of the lease liability of the Bank on the basis of undiscounted cash flows.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Less than 1 year	482,072	430,515	557,676	506,119
1 to 5 years	1,303,177	1,270,472	1,378,781	1,512,405
More than 5 years	298,731	184,011	298,731	184,011
Total	2,083,980	1,884,998	2,235,188	2,202,535

43.1.2 (b) Sensitivity analysis of lease liabilities

Asset Class	BANK			GROUP		
	2024					
	Increase/Decrease in interest rate %	Sensitivity effect on the Profit or Loss Increase/(Decrease) for the year LKR Mn	Sensitivity effect on the Financial Position Increase/(Decrease) in Lease Liabilities LKR Mn	Sensitivity effect on the Profit or Loss Increase/(Decrease) for the year LKR Mn	Sensitivity effect on the Financial Position Increase/(Decrease) in Lease Liabilities LKR Mn	
	%					
Building	1.00	(8.31)	(27.69)	(10.09)	(30.62)	
	(1.00)	8.71	26.69	10.55	29.68	
Land	1.00	-	(0.03)	-	(0.03)	
	(1.00)	-	0.02	-	0.02	
Vehicles	1.00	(0.95)	(3.31)	(0.95)	(3.31)	
	(1.00)	1.00	3.22	1.00	3.22	

Asset Class	BANK			GROUP		
	2023					
	Increase/Decrease in interest rate %	Sensitivity effect on the Profit or Loss Increase/(Decrease) for the year LKR Mn	Sensitivity effect on the Financial Position Increase/(Decrease) in Lease Liabilities LKR Mn	Sensitivity effect on the Profit or Loss Increase/(Decrease) for the year LKR Mn	Sensitivity effect on the Financial Position Increase/(Decrease) in Lease Liabilities LKR Mn	
	%					
Building	1.00	(8.31)	(27.10)	(10.15)	(30.09)	
	(1.00)	8.73	28.11	10.51	31.04	
Land	1.00	-	(0.02)	-	(0.02)	
	(1.00)	-	0.03	-	0.03	
Vehicles	1.00	(0.09)	-	(0.09)	-	
	(1.00)	0.09	-	0.09	-	

43.2 Other Non-Financial Liabilities

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Accrued expenses	1,734,236	1,267,945	1,960,613	1,283,857
Provision for deposit insurance	153,789	187,212	153,789	187,212
Impairment allowance for commitments and contingencies	1,864,280	1,660,688	1,864,280	1,660,688
Other liabilities	4,722,869	2,604,700	4,828,490	2,883,666
Total	8,475,174	5,720,545	8,807,172	6,015,423

44 STATED CAPITAL

	BANK & GROUP			
	2024 Number of Shares	2024 LKR '000	2023 Number of Shares	2023 LKR '000
Issued and fully paid	399,464,362	20,738,231	380,094,722	19,870,665
Shares issued due to scrip dividends (Note 44.1)	16,049,064	1,018,634	19,369,640	867,566
Total	415,513,426	21,756,865	399,464,362	20,738,231

44.1 Scrip Issue

On 19 April 2024, the Board of Directors approved and declared a final scrip Dividend of LKR 3.00 per share for the financial year ended 31 December 2023. Accordingly, 16,049,064 ordinary voting shares have been listed as scrip dividends on 15th April 2024. As a result, the stated capital of the Bank increased to LKR 21.76 Bn (31 December 2023 - LKR 20.74 Bn).

45 STATUTORY RESERVE FUND

The Statutory Reserve Fund is maintained as per the requirements under Section 20 (1) of the Banking Act No. 30 of 1988 and amendments thereto. Accordingly, the fund is built up by allocating a sum equivalent to not less than 5% of the profit after tax, but before declaring any dividend or any profits that are transferred to elsewhere until the reserve is equal to 50% of the Bank's stated capital and thereafter a further sum equivalent to 2% of such profit until the amount of the said reserve fund is equal to the stated capital of the Bank.

The balance in the Statutory Reserve Fund will be used only for the purposes specified in the Section 20 (2) of the Banking Act No. 30 of 1988.

	BANK & GROUP	
	2024 LKR '000	2023 LKR '000
As at 01 January	3,046,479	2,746,479
Transferred from retained earnings (Note 46)	475,000	300,000
As at 31 December	3,521,479	3,046,479

46 RETAINED EARNINGS

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
As at 01 January	41,027,500	37,381,043	45,079,167	41,116,154
Total comprehensive income for the year	8,943,958	4,876,538	9,666,719	5,193,094
Transferred to the statutory reserve fund (Note 45)	(475,000)	(300,000)	(475,000)	(300,000)
Transfer to the special reserve on SLISBs - Step-up bonds	(4,014,429)	-	(4,014,429)	-
Dividends paid to equity holders	(1,997,322)	(950,237)	(1,997,322)	(950,237)
Reversal of dividends paid in prior years	17,148	20,156	17,148	20,156
As at 31 December	43,501,855	41,027,500	48,276,283	45,079,167

47 OTHER RESERVES

Current year - 2024	BANK			GROUP		
	Opening Balance LKR '000	Movement/ Transfers LKR '000	Closing Balance LKR '000	Opening Balance LKR '000	Movement/ Transfers LKR '000	Closing Balance LKR '000
Revaluation reserve (Note 47.1)	1,501,603	36,215	1,537,818	1,747,711	67,455	1,815,166
Fair value through other comprehensive income reserve [Note 47.2]	2,954,169	(62,363)	2,891,806	2,979,910	(62,000)	2,917,910
Share based payment reserve (Note 47.3)	44,479	103,949	148,428	44,479	103,949	148,428
Cash flow hedge reserve	835,416	(543,341)	292,075	835,416	(543,341)	292,075
Special reserve on SLISBs - Step-up bonds (Note 47.5)	-	4,014,429	4,014,429	-	4,014,429	4,014,429
Total	5,335,667	3,548,889	8,884,556	5,607,516	3,580,492	9,188,008

Prior Year 2023	BANK			GROUP		
	Opening Balance LKR '000	Movement/ Transfers LKR '000	Closing Balance LKR '000	Opening Balance LKR '000	Movement/ Transfers LKR '000	Closing Balance LKR '000
Revaluation reserve (Note 47.1)	1,466,265	35,338	1,501,603	1,682,940	64,771	1,747,711
Fair value through other comprehensive income reserve [Note 47.2]	(1,042,735)	3,996,904	2,954,169	(1,025,487)	4,005,397	2,979,910
Share based payment reserve (Note 47.3)	44,479	-	44,479	44,479	-	44,479
Cash flow hedge reserve	3,069,667	(2,234,251)	835,416	3,069,667	(2,234,251)	835,416
Total	3,537,676	1,797,991	5,335,667	3,771,599	1,835,917	5,607,516

47.1 Revaluation Reserve

Revaluation reserve represents the fair value changes of freehold land and buildings net of deferred tax effect on revaluation surplus as at the date of revaluation.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
As at 01 January	1,501,603	1,466,265	1,747,711	1,682,940
Revaluation of freehold land and building	51,735	50,483	96,364	92,531
Deferred tax effect on revaluation gains/(losses)	(15,520)	(15,145)	(28,909)	(27,760)
Net impact during the year	36,215	35,338	67,455	64,771
As at 31 December	1,537,818	1,501,603	1,815,166	1,747,711

47.2 Fair Value through Other Comprehensive Income Reserve

The fair value through Other Comprehensive Income reserve comprises the cumulative net change in the fair value of financial assets measured at fair value through Other Comprehensive Income until they are derecognised or impaired.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
As at 01 January	2,954,169	(1,042,735)	2,979,910	(1,025,487)
Net change in fair value during the year in debt instruments	(1,382,089)	5,259,686	(1,379,562)	5,268,192
Net change in fair value during the year in equity instruments	905,099	315,123	905,099	315,123
Deferred tax effect on gains/(losses) in above financial instruments	414,627	(1,577,905)	412,463	(1,577,918)
Net impact during the year	(62,363)	3,996,904	(62,000)	4,005,397
As at 31 December	2,891,806	2,954,169	2,917,910	2,979,910

47.3 Share Based Payment Reserve**Accounting Policy**

The obligations arising from share-based payments are calculated using standard valuation methods based on option pricing models.

Equity-settled share-based payments are recognised at the grant date at the fair value of the equity instruments vested by that date. The fair value of the obligation is therefore recognised as personnel expenses proportionally over the vesting period and is offset directly against the capital reserves.

Employee Share Option Scheme (ESOS)

An Employee Share Option Scheme (ESOS 2016) was approved by the shareholders of the Bank at an Extraordinary General Meeting (EGM) held in March 2016 in order to, enable the management staff in the rank of Senior Manager and above of the Bank and the respective Chief Executive Officers of NDB Capital Holdings Limited, NDB Wealth Management Limited, NDB Investment Bank Limited and NDB Securities (Pvt) Limited to take part in the voting ordinary share capital of the Bank, subject to certain limits, terms and conditions.

As per the ESOS 2016, the Bank will offer share options relating to voting shares to the eligible employees up to a maximum of 5% of the total number of shares issued by the Bank. The shares under the said scheme shall be issued during a period of five years from the year 2017 (performance year 2016) subject to the performance criteria set out in the Circular to Shareholders dated 01 March 2016, and each year the share options will be limited to 1.25% of the total number of shares then issued by the Bank. The details of the currently applicable scheme (Tranche 5) is as given below.

Although the scheme commenced in the year 2017, the Bank did not meet the 'Qualifying Performance Criteria' set out in the Circular to Shareholders dated 01 March 2016 for the performance years 2016, 2017 and 2019.

ESOS tranche 3 (performance year 2018)

The Bank was able to meet the performance criteria for the performance year 2018 and the approved management staff are eligible to exercise their share options during the period from 01 July 2020 to 30 June 2023. However, as no share options were exercised by any eligible staff up to 30 June 2023, ESOS tranche 3 was expired as at 30 June 2023.

ESOS tranche 5 (performance year 2020)

In additions to the Tranche 3, the Bank was able to achieve the performance criteria under Tranche 5 for the performance year 2020 and the approved management staff are eligible to exercise their share options during the period from 01 July 2022 to 30 June 2025 as per the ESOS. The details of the Tranche 5 is as given below.

47.3 Share Based Payment Reserve (Contd.)

Tranche	Period of Performance Evaluation	Option grant date	Vesting Period (From -To)	Exercise Period (From -To)
5	2020	01 July 2021	01 July 2021 - 30 June 2022	01 July 2022 - 30 June 2025

The Employee Share Option scheme (ESOS) is currently in its exercise period, allowing eligible employees to purchase company shares at a predetermined exercise price.

The fair value of the share option is calculated as the difference between the year-end market price of the share and the exercise price.

However, no share options were exercised by any eligible staff up to 31 December 2024

At initial recognition, the Group recognised a Share Based Payment Reserve for the value of the share options under Tranche 5 based on a valuation carried out by an independent Valuer as required by SLFRS 2, "Share-based Payment" using the Binomial Valuation Model. The inputs used in measurement of fair value of the share option were : Exercise price of the share options, Market price of a share, Risk-free rate, Exercise period, Volatility of the share price. The share based payment reserve was LKR 44.5 Mn and corresponding charge of the same is represented in the Statement of Profit or Loss under Note 13-Personnel Expenses in year 2021.

Movement of the ESOS

The following table illustrates the number of, and movements in, performance shares during the year.

	BANK & GROUP			
	2024		2023	
	Number of Shares	LKR '000	Number of Shares	LKR '000
Opening Balance	4,464,046	44,479	4,464,046	44,479
Granted during the year	-	-	-	-
Change in the Fair value	-	103,949	-	-
Forfeited during the year	-	-	-	-
Closing Balance	4,464,046	148,428	4,464,046	44,479

Exercise price of option	LKR 80/-
Share price considered for the option valuation	LKR 113.25
Remaining contractual life	6 Months
Fair value of the options granted (per option)	LKR 33/-
Total Value of the Options (LKR'000)	LKR 148,428

It is assumed that all the eligible employees will exercise the option, as it is currently in the money.

The dilutive effect of outstanding equity-settled options is reflected as additional share dilution in the computation of earnings and headline earnings per share.

The change in the fair value of the Share option during the year represented in the Statement of Profit or Loss under Note 13-Personnel Expenses.

47.4 Cash Flow Hedge Reserve

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
As at 01 January	835,416	3,069,667	835,416	3,069,667
Additions during the year	(776,202)	(3,191,786)	(776,202)	(3,191,786)
Deferred tax effect on gains/(losses) of cashflow hedge reserve	232,861	957,535	232,861	957,535
As at 31 December	292,075	835,416	292,075	835,416

47.5 Special reserve on SLISBs - Step-up bonds

In accordance with the instructions of the Central Bank of Sri Lanka, the Banks established a special temporary reserve equivalent to 15% of the amortised cost of the USD Step-Up Bonds received in settlement of the restructured Sri Lanka International Sovereign bonds (SLISBs). This requirement is effective for a six-month period starting from 31st December 2024. The amortised cost of the USD Step-Up Bonds stood at LKR 26.7 Mn as of 31st December 2024, requiring the Bank to transfer LKR 4.0 Bn to this reserve. Notably, this new reserve shall not be included in the Bank's regulatory capital.

48 NON-CONTROLLING INTERESTS

ACCOUNTING POLICY

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned directly or indirectly by the Bank. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interests even if it is a deficit balance. Acquisitions of non-controlling interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of net assets acquired is recognised as equity. Therefore no goodwill is recognised as a result of such transactions.

	GROUP	
	2024 LKR '000	2023 LKR '000
Balance as at 01 January	1,424,930	1,391,259
Profit for the year	98,174	98,774
Other comprehensive income, net of tax	(11,558)	(11,820)
Dividends paid to equity holders	(51,958)	(53,283)
Balance as at 31 December	1,459,588	1,424,930

49 CONTINGENT LIABILITIES AND COMMITMENTS

ACCOUNTING POLICY

All discernible risks are accounted for in determining the amount of all known liabilities. Commitments and contingencies represent possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured, as defined in the Sri Lanka Accounting Standard - LKAS 37 on 'Provisions, Contingent Liabilities and Contingent Assets'.

To meet the financial needs of customers, the Group enter into various irrevocable commitments and contingent liabilities. These consist of the financial guarantees, letters of credit and forward foreign exchange contracts and other undrawn commitments to lend. The letters of credit and guarantees commit the Group to make payments on behalf of customers in the event of a specific act, generally related to import or export of goods. The guarantees and standby letters of credit carry a similar credit risk of that loans/contingent liabilities and are not recognised in the Statement of Financial Position but are disclosed unless they are remote

49.1 Business Commitments and contingencies

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Contingencies				
Guarantees	45,473,439	42,963,031	45,068,653	42,850,919
Performance Bonds	10,787,906	14,024,918	10,787,906	14,024,918
Documentary Credits	9,857,812	9,283,417	9,857,812	9,282,715
Other Contingencies [Note 49 .1 (a)]	75,533,078	49,121,387	75,533,078	49,121,387
Commitments				
Undrawn commitments	146,640,431	162,572,666	147,119,669	162,847,107
Total	288,292,666	277,965,419	288,367,118	278,127,046
Less: Impairment allowance [Note 49 .1 (b)]	1,864,280	1,660,687	1,864,280	1,660,687
Net of impairment	286,428,386	276,304,732	286,502,838	276,466,359

The maturity analysis of the commitments and contingencies is disclosed in Note 57.4.(f)

49.1 (a) Other contingencies

	BANK & GROUP	
	2024 LKR '000	2023 LKR '000
Forward Exchange Contracts	69,019,131	42,607,440
Acceptances	6,513,947	6,513,947
Total	75,533,078	49,121,387

49.1 (b) Impairment allowance for commitments and contingencies

	BANK & GROUP			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Balance as at 01 January 2024	1,402,726	231,272	26,689	1,660,687
Charges/(reversals) during the year	337,315	(107,034)	(26,688)	203,593
Balance as at 31 December 2024	1,740,041	124,238	1	1,864,280
Balance as at 01 January 2023	1,124,091	187,019	57,775	1,368,885
Charges/(reversals) during the year	278,635	44,253	(31,086)	291,802
Balance as at 31 December 2023	1,402,726	231,272	26,689	1,660,687

49.1 (c) Analysis of commitments and contingencies (before impairment allowance)

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Domestic Currency				
Guarantees	41,450,872	33,719,455	41,046,086	33,607,343
Performance Bonds	8,185,025	10,458,016	8,185,025	10,458,016
Documentary Credits	935,008	389,683	935,008	388,981
Currency Swap Agreement	-	-	-	-
Forward Exchange Contracts	35,661,515	7,071,544	35,661,515	7,071,544
Acceptances	391,671	211,343	391,671	211,343
Undrawn commitments	145,480,202	161,390,908	145,230,202	161,665,349
Sub Total	232,104,293	213,240,949	231,449,507	213,402,576
Foreign Currency				
Guarantees	4,022,566	9,243,575	4,022,566	9,243,575
Performance Bonds	2,602,881	3,566,902	2,602,881	3,566,902
Documentary Credits	8,922,803	8,893,734	8,922,803	8,893,734
Forward Exchange Contracts	23,539,356	27,042,536	23,539,356	27,042,536
Currency Swap Agreement	7,638,840	8,493,360	7,638,840	8,493,360
Acceptances	8,301,696	6,302,605	8,301,696	6,302,605
Undrawn commitments	1,160,231	1,181,758	1,889,469	1,181,758
Sub Total	56,188,373	64,724,470	56,917,611	64,724,470
Total	288,292,666	277,965,419	288,367,118	278,127,046

49.2 Capital Commitments

The Bank has no capital commitments over the next 12 months in relation to the capital expenditure of the bank and it was LKR 50 Mn in previous year.

49.3 Litigation Against the Bank

In the normal course of business, the bank is a party to various types of litigation, including litigation with borrowers who are in default in terms of their facility agreements. Based on the assessment carried out, the Bank is of the view that the legal cases filed against the Bank will not have a material impact on the reported financial results or the future operations of the Bank.

49.4 Tax Assessments Against the Bank and Group Companies

The following tax assessments are outstanding against which the Bank and Group companies have duly appealed.

1. The VAT on financial services assessments received by the Bank for the years 2012 and 2013 amounting to LKR 302.6 Mn, which were determined by the Commissioner General of Inland Revenue and Tax Appeal Commission as payable. The stated cases against the determination of Tax Appeal Commission were forwarded to the Court of Appeal for their opinion.
2. The assessment on income tax for the year of assessment 2019/2020 received by the Bank amounting to LKR 605 Mn is pending determination from the Commissioner General of Inland Revenue.
3. The assessment on VAT on financial services received by NDB Capital Holdings Limited for the years 2012 and 2013 amounting to LKR 183.7 Mn which were determined by the Commissioner General of Inland Revenue and Tax Appeal Commission as payable. The stated cases against the determination of Tax Appeal Commission were forwarded to the Court of Appeal for their opinion. Further the assessment on VAT on financial services for the year 2018 and 2020 received by the company amounting to LKR 104Mn is pending determination from the Commissioner General of Inland Revenue.

The company has taken up the position that the company does not carry on the business of provision of loans, as charged in the assessments/determinations.

4. The assessment on income tax for the year of assessment 2019/2020 received by NDB Investment Bank Limited amounting to LKR 19Mn, which was determined by the Commissioner General of Inland Revenue as payable, has been forwarded to the Tax Appeal Commission for their determination.

The Group is of the view that the above assessments will not have any material adverse impact on the Financial Statements.

50 NET ASSETS VALUE PER ORDINARY SHARE

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Amount used as the Numerator:				
Total equity attributable to equity holders of the Bank (LKR '000)	77,664,755	70,147,877	82,742,635	74,471,393
Number of Ordinary Shares used as the Denominator:				
Total number of shares	415,513,426	399,464,362	415,513,426	399,464,362
Net Assets value per share (LKR)	186.91	175.60	199.13	186.43

51 MATURITY ANALYSIS

An analysis of the assets and liabilities, based on the remaining period as at the date of the Statement of Financial Position to the respective contractual maturity dates, are as follows:

As at 31 December 2024	BANK		
	Within 12 Months	After 12 Months	Total
	LKR '000	LKR '000	LKR '000
Assets			
Cash and cash equivalents	18,037,627	-	18,037,627
Balances with the Central Bank of Sri Lanka	7,300,189	753,169	8,053,358
Placements with banks	22,098,832	-	22,098,832
Derivative financial instruments	1,146,236	-	1,146,236
Financial assets recognised through profit or loss - measured at fair value	6,776,131	-	6,776,131
Financial assets at amortised cost - loans and receivables to other customers	286,814,151	173,893,107	460,707,258
Financial assets at amortised cost - debt and other instruments	47,134,922	119,055,839	166,190,761
Financial assets measured at fair value through other comprehensive income	94,245,415	-	94,245,415
Investments in subsidiary companies	-	1,031,037	1,031,037
Property, plant & equipment	-	3,147,459	3,147,459
Right of use assets	334,860	925,880	1,260,740
Intangible assets	-	1,766,615	1,766,615
Deferred tax assets	-	4,158,040	4,158,040
Other assets	7,066,842	-	7,066,842
Total assets	490,955,205	304,731,146	795,686,351
Liabilities			
Due to banks	4,841,342	-	4,841,342
Derivative financial instruments	344,586	-	344,586
Financial Liabilities at amortised cost			
Due to depositors	572,606,413	59,076,513	631,682,926
Due to debt securities holders	8,002,850	-	8,002,850
Due to other borrowers	2,021,783	20,002,015	22,023,798
Debt securities issued	10,564,708	23,000,000	33,564,708
Current tax liabilities	2,975,564	2,229,079	5,204,643
Retirement benefit obligations	68,355	1,345,517	1,413,872
Other liabilities	9,340,963	1,601,908	10,942,871
Total liabilities	610,766,564	107,255,032	718,021,596
Maturity GAP	(119,811,359)	197,476,114	77,664,755

The Bank classified LKR 1.3 Bn of its other borrowed funds included under due to other borrowers, within 12 months in the maturity analysis as there were few financial covenants that were not met mainly due to the funds raised via the debenture issuances during the latter part of 2024 to serve the objectives of improving and further strengthening the capital adequacy ratio and facilitating future expansion of business activities of the Bank. It is expected that the waivers would be processed by the lenders in due course, understanding the growth in the debt structure of the Bank.

However, on a positive note earnings are expected to increase from 2025 onwards, driven by the returns generated from the deployment of long term debt. Furthermore, the Bank is favourably looking forward to meet its financial covenants without any deviations to the set standards.

As at 31 December 2023

	BANK		
	Within 12 Months	After 12 Months	Total
	LKR '000	LKR '000	LKR '000
Assets			
Cash and cash equivalents	28,100,515	-	28,100,515
Balances with the Central Bank of Sri Lanka	6,543,157	497,264	7,040,421
Placements with banks	33,743,602	-	33,743,602
Derivative financial instruments	3,083,815	-	3,083,815
Financial assets recognised through profit or loss - measured at fair value	24,021,340	-	24,021,340
Financial assets at amortised cost - loans and receivables to other customers	290,214,417	162,446,044	452,660,461
Financial assets at amortised cost - debt and other instruments	60,664,538	65,007,832	125,672,370
Financial assets measured at fair value through other comprehensive income	83,805,398	-	83,805,398
Investments in subsidiary companies	-	1,108,772	1,108,772
Property, plant & equipment	-	3,141,117	3,141,117
Right of use assets	33,665	1,111,936	1,145,601
Intangible assets	-	1,883,447	1,883,447
Deferred tax assets	-	9,648,118	9,648,118
Other assets	4,844,183	-	4,844,183
Total assets	535,054,630	244,844,530	779,899,160
Liabilities			
Due to banks	7,679,195	-	7,679,195
Derivative financial instruments	93,361	-	93,361
Financial Liabilities at amortised cost			
Due to depositors	572,161,180	43,482,819	615,643,999
Due to debt securities holders	15,628,569	4,000	15,632,569
Due to other borrowers	17,260,742	7,375,797	24,636,539
Debt securities issued	6,049,328	23,339,547	29,388,875
Current tax liabilities	3,557,410	3,707,660	7,265,070
Retirement benefit obligations	67,843	1,232,066	1,299,909
Other liabilities	6,657,283	1,454,483	8,111,766
Total liabilities	629,154,911	80,596,372	709,751,283
Maturity GAP	(94,100,281)	164,248,158	70,147,877

The Bank classified LKR 12.8 Bn of its other borrowed funds included under due to other borrowers, within 12 months in the maturity analysis as there were few financial covenants that were not met due to the economic conditions that prevailed with the emergence of the prolonged economic crisis during the year. The Bank has intimated the reasons for the covenant breaches to the lenders which are not entirely within the control of the Banking operations and is mainly due to subdued economic conditions prevailed during the year and the debt restructuring process. It is expected that the waivers would be processed by the lenders in due course, considering the current economic environment.

51 MATURITY ANALYSIS (CONTD.)

As at 31 December 2024

	GROUP		
	Within 12 Months LKR '000	After 12 Months LKR '000	Total LKR '000
Assets			
Cash and cash equivalents	18,682,376	-	18,682,376
Balances with the Central Bank of Sri Lanka	7,300,189	753,169	8,053,358
Placements with banks	22,098,832	-	22,098,832
Derivative financial instruments	1,146,236	-	1,146,236
Financial assets recognised through profit or loss- measured at fair value	9,905,171	-	9,905,171
Financial assets at amortised cost - loans and receivables to other customers	286,829,458	173,951,152	460,780,610
Financial assets at amortised cost - debt and other instruments	47,250,964	119,104,828	166,355,792
Financial assets measured at fair value through other comprehensive income	94,659,106	-	94,659,106
Investment property	-	3,107,671	3,107,671
Property, plant & equipment	-	4,070,740	4,070,740
Right of use assets	373,011	964,031	1,337,042
Intangible assets	-	1,814,985	1,814,985
Current tax receivables	33,727	-	33,727
Deferred tax assets	-	4,216,721	4,216,721
Other assets	7,517,853	-	7,517,853
Total assets	495,796,923	307,983,297	803,780,220
Liabilities			
Due to banks	4,841,342	-	4,841,342
Derivative financial instruments	344,586	-	344,586
Financial liabilities at amortised cost			
Due to depositors	572,004,948	59,076,513	631,081,461
Due to debt securities holders	8,002,850	-	8,002,850
Due to other borrowers	2,021,783	20,002,015	22,023,798
Debt securities issued	10,564,708	23,000,000	33,564,708
Current tax liabilities	3,128,640	2,345,115	5,473,755
Deferred tax liabilities	-	976,244	976,244
Retirement benefit obligations	78,422	1,478,515	1,556,937
Other liabilities	10,034,804	1,677,512	11,712,316
Total liabilities	611,022,083	108,555,914	719,577,997
Maturity GAP	(115,225,160)	199,427,383	84,202,223

The Bank classified LKR 1.3 Bn of its other borrowed funds included under due to other borrowers, within 12 months in the maturity analysis as there were few financial covenants that were not met mainly due to the funds raised via the debenture issuances during the latter part of 2024 to serve the objectives of improving and further strengthening the capital adequacy ratio and facilitating future expansion of business activities of the Bank. It is expected that the waivers would be processed by the lenders in due course, understanding the growth in the debt structure of the Bank.

However, on a positive note earnings are expected to increase from 2025 onwards, driven by the returns generated from the deployment of long term debt. Furthermore, the Bank is favourably looking forward to meet its financial covenants without any deviations to the set standards.

As at 31 December 2023

	GROUP		
	Within 12 Months LKR '000	After 12 Months LKR '000	Total LKR '000
Assets			
Cash and cash equivalents	28,580,676		28,580,676
Balances with the Central Bank of Sri Lanka	6,543,157	497,264	7,040,421
Placements with banks	33,743,602		33,743,602
Derivative financial instruments	3,083,815		3,083,815
Financial assets recognised through profit or loss- measured at fair value	26,040,046		26,040,046
Financial assets at amortised cost - loans and receivables to other customers	290,233,475	162,506,453	452,739,928
Financial assets at amortised cost - debt and other instruments	60,664,538	65,007,832	125,672,370
Financial assets measured at fair value through other comprehensive income	84,645,423		84,645,423
Investment property		3,112,440	3,112,440
Property, plant & equipment		3,817,097	3,817,097
Right of use assets	33,665	1,226,390	1,260,055
Intangible assets	-	1,898,270	1,898,270
Current tax receivables	43,102		43,102
Deferred tax assets		9,717,805	9,717,805
Other assets	5,563,827	-	5,563,827
Total assets	539,175,326	247,783,551	786,958,877
Liabilities			
Due to banks	7,679,195	-	7,679,195
Derivative financial instruments	93,361	-	93,361
Financial liabilities at amortised cost			
Due to depositors	571,749,650	43,482,820	615,232,470
Due to debt securities holders	15,628,569	4,000	15,632,569
Due to other borrowers	17,260,742	7,375,797	24,636,539
Debt securities issued	6,049,328	23,339,547	29,388,875
Current tax liabilities	3,681,236	3,749,537	7,430,773
Deferred tax liabilities	-	921,189	921,189
Retirement benefit obligations	25,125	1,414,249	1,439,374
Other liabilities	6,911,793	1,696,416	8,608,209
Total liabilities	629,078,999	81,983,555	711,062,554
Maturity GAP	(89,903,673)	165,799,996	75,896,323

The Bank classified LKR 12.8 Bn of its other borrowed funds included under due to other borrowers, within 12 months in the maturity analysis as there were few financial covenants that were not met due to the economic conditions that prevailed with the emergence of the prolonged economic crisis during the year. The Bank has intimated the reasons for the covenant breaches to the lenders which are not entirely within the control of the Banking operations and is mainly due to subdued economic conditions prevailed during the year and the debt restructuring process. It is expected that the waivers would be processed by the lenders in due course, considering the current economic environment.

52 SEGMENTAL ANALYSIS - GROUP

ACCOUNTING POLICY

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Senior Management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For management purposes, the Group has identified four operating segments based on products and services, as follows:

- Banking
- Capital Markets
- Property Investment
- Others

Income taxes are managed on a Group basis and are not allocated to operating segments. Interest income is reported net, as management primarily relies on net interest income as a performance measure, not the gross interest income and interest expense. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2024 or 2023.

For the year ended 31 December	Banking		Capital Markets		Property Investment		Others		Consolidated	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Revenue										
Interest income	88,059,931	119,372,564	163,416	267,534	-	-	-	-	88,223,347	119,640,098
Fee and commission income	7,823,528	7,164,891	1,719,514	1,061,062	152,972	180,114	46,008	66,161	9,742,022	8,472,228
Net gains/(losses) from trading	1,041,326	2,905,753	-	-	-	-	-	-	1,041,326	2,905,753
Net gain/(loss) from financial investments at fair value through Profit or Loss	(141,276)	632,279	277,069	201,304	-	-	-	-	135,793	833,583
Net gains/(losses) from derecognition of financial assets - Fair Value through Profit or Loss	881,748	1,113,703	96,415	-	-	-	-	-	978,163	1,113,703
Net gains/(losses) from derecognition of financial assets - Fair Value Through Other										
Comprehensive Income	3,050,319	4,057,348	18,108	50,984					3,068,427	4,108,332
Other operating income	(1,332,194)	(2,969,017)	20	(19,736)	185,574	211,552	-	-	(1,146,600)	(2,777,201)
Total revenue from external customers	99,383,382	132,277,521	2,274,542	1,561,148	338,546	391,666	46,008	66,161	102,042,478	134,296,496
Inter-segment revenue	-	-	84,889	75,377	76,367	100,720	-	-	161,256	176,097
Total Revenue	99,383,382	132,277,521	2,359,431	1,636,525	414,913	492,387	46,008	66,161	102,203,734	134,472,593
Impairment (charges)/reversals	-	-	-	-	-	-	-	-	-	-
Impact of the debt Restructuring	14,343,580	-	-	-	-	-	-	-	14,343,580	-
Loans and other losses	(10,054,600)	(21,137,016)	-	-	-	-	-	-	(10,054,600)	(21,137,016)
Depreciation and Amortisation expenses	(1,090,584)	(984,510)	(69,570)	(62,063)	(7,759)	(7,206)	(77)	(680)	(1,167,990)	(1,054,459)
Segment expenses	(78,088,114)	(100,004,709)	(1,476,507)	(1,194,658)	(10,175)	(63,964)	(58,497)	(113,707)	(79,633,293)	(101,377,040)
Total segment expenses	(74,889,718)	(122,126,235)	(1,546,077)	(1,256,721)	(17,934)	(71,170)	(58,574)	(114,387)	(76,512,303)	(123,568,515)
Segment results	24,493,664	10,151,286	813,354	379,804	396,979	421,216	(12,566)	(48,227)	25,691,431	10,904,079
Income tax expense/(reversal)	-	-	-	-	-	-	-	-	(10,274,892)	(2,296,029)
Taxes on financial services	-	-	-	-	-	-	-	-	(5,524,202)	(2,749,840)
Profit after taxation	24,493,664	10,151,286	813,354	379,804	396,979	421,216	(12,566)	(48,227)	9,892,337	5,858,210
Other information										
Segment assets	795,664,703	779,856,014	4,069,993	3,399,130	3,992,495	3,593,518	53,029	110,215	803,780,220	786,958,877
Segment liabilities	717,412,076	709,314,127	1,186,870	791,037	955,151	926,653	23,900	30,737	719,577,997	711,062,554
Segmental cash flows										
Cash flows from operating activities	(163,246)	51,685,142	689,876	298,558	65,774	115,995	5,004	(1,320)	597,408	52,098,374
Cash flows from investing activities	(21,738,189)	(26,760,237)	(381,094)	(729,391)	(163,014)	(28,541)	-	-	(22,282,297)	(27,518,169)
Cash flows from financing activities	234,109	(1,986,130)	66,076	89,813	(88,710)	(97,310)	(29,325)	(45,787)	182,150	(2,039,414)

53 RELATED PARTY DISCLOSURES**53.1 Parent and Ultimate Controlling Party**

The Bank does not have an identifiable Parent of its own.

53.2 Terms and Conditions

The Bank carries out transactions with Key Management Personnel and their related concerns and other related entities in the ordinary course of its business on an arms length basis at commercial rates as per the Sri Lanka Accounting Standard LKAS 24 - 'Related Party Disclosures' except, loans that the key management have availed under the loan schemes which are uniformly applicable to all the staff.

There are no preferential treatments given by the Group to related parties during the year.

53.3 Key Management Personnel (KMP) of the Group**KMP of the Bank**

Related parties include Key Management Personnel defined as persons having authority and responsibility for planning, directing and controlling the activities of the Bank. Key Management Personnel include the members of the Board of Directors of the Bank (including Executive and Non-Executive), Deputy Chief Executive Officer and Chief Operating Officer (resigned wef. 15 February 2024).

KMP of the Group

The Bank is the ultimate parent of the subsidiaries listed out on page 270. The KMP of the Bank has the authority and responsibility for planning directing and controlling the activities of the Group directly or indirectly. Accordingly, the Board of Directors of the Bank (including the Executive and Non-Executive), Deputy Chief Executive Officer and Chief Operating Officer (resigned wef. 15 February 2024) represent the KMP of the Group.

53.3 (a) Compensation to KMP

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Short-term employment benefits	156,892	127,066	161,332	130,739
Post-employment benefits	28,263	21,212	28,263	21,212
Total	185,155	148,278	189,595	151,951

The amounts disclosed above are the amounts recognised as expenses during the reporting period relating to KMP. In addition to the remuneration, the Bank has also provided non cash benefits to eligible KMP in line with the approved benefit plans of the Bank.

53.3 (b) KMP and their close family members had the following related party transactions during the year

For the year ended 31 December	Limit		Outstanding Balance		Average Balance	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Items in the Statement of Financial Position - Bank Assets						
Financial assets at amortised cost - loans and receivables to other customers	30,149	89,363	12,021	52,840	10,065	56,308
Total	30,149	89,363	12,021	52,840	10,065	56,308
Liabilities						
Financial liabilities at amortised cost						
Due to depositors			122,571	362,848	92,416	315,543
Due to debt securities holders			-	5,000	-	5,000
Total			122,571	367,848	92,416	320,543

53.3 (b) KMP and their close family members had the following related party transactions during the year (contd.)

	During the year	
	2024 LKR '000	2023 LKR '000
Items in the Statement of Profit or Loss excluding compensation to KMP - Bank		
Interest income	449	6,109
Interest expenses	11,211	53,202
Fee and commission income	251	551
Impairment charges/ (reversals)*	21	596

*Impairment charges/ (reversals) does not include any specific impairment.

Share investments in the Bank and dividends paid to the KMPs and their close family members are given below.

	2024	2023
Investments in ordinary shares as at 31 December (Number of shares)	71,879	208,911
Scrip dividends paid during the year (Number of shares)	2,776	10,128
Cash dividends paid during the year (LKR '000)	138	-

Employee Share Option Scheme (ESOS)

Eligible KMPs have not exercised the share options during the year 2024 and 2023.

53.3 (c) Transactions involving entities which are controlled/ jointly controlled by the KMP and their close family members

For the year ended 31 December	Limit		Outstanding Balance		Average Balance	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Items in the Statement of Financial Position - Bank						
Assets						
Financial assets at amortised cost - loans and receivables to other customers	-	-	-	-	1	14,311
Total	-	-	-	-	1	14,311
Liabilities						
Financial liabilities at amortised cost - Due to depositors	-	-	84,465	4,668,816	14,574	4,195,642
Due to debt securities holders	-	-	-	-	-	-
Total	-	-	84,465	4,668,816	14,574	4,195,642
Commitment & Contingencies						
Guarantees	-	400,000	-	-	-	-
Total	-	400,000	-	-	-	-

	During the year	
	2024	2023
	LKR '000	LKR '000
Items in the Statement of Profit or Loss - Bank		
Interest income	-	2,197
Interest expenses	52	469,213
Fee and commission income	138	8,069
Impairment charges/ (reversals)*	-	-

*Impairment charges/ (reversals) does not include any specific impairment.

No share investments or dividends paid to the entities which are controlled/ jointly controlled by the KMP and their close family members during the year 2024 and 2023.

53.4 Transactions with the Government of Sri Lanka and its Related Entities

The Group enter into transactions, arrangements and agreements with the Government of Sri Lanka and its related entities.

53.4(a) The transactions entered with the Government of Sri Lanka and its related entities on a collective basis is as follows

	Outstanding Balance		Average Balance	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Items in the Statement of Financial Position - Bank				
Assets				
Financial assets at amortised cost - loans and receivables to other customers	30,774,332	30,222,557	27,855,614	28,107,541
Financial assets at amortised cost - debt and other instruments	4,709,097	4,764,546	4,892,941	4,759,453
Financial assets measured at fair value through other comprehensive income	157,369	6,225	157,369	6,225
Total	35,640,798	34,993,328	32,905,924	32,873,219
Liabilities				
Financial liabilities at amortised cost				
Due to depositors	9,161,279	703,900	6,127,511	1,158,027
Due to debt securities holders	5,574,062	12,000,000	3,919,618	17,371,714
Due to other borrowers	11,821,311	10,600,399	11,187,621	11,998,053
Debt securities issued	4,365,940	6,632,940	4,811,940	7,348,190
Total	30,922,592	29,937,239	26,046,690	37,875,984
Contingent liabilities and commitments				
Forward exchange contracts	4,837,973	2,197,542	2,023,220	2,197,438
Other contingencies	606,233	643,941	615,252	640,312
Undrawn commitments	7,229,954	10,029,437	7,327,671	9,346,511
Total	12,674,160	12,870,920	9,966,143	12,184,261

53.4(a) The transactions entered with the Government of Sri Lanka and its related entities on a collective basis is as follows (contd.)

	During the year	
	2024 LKR '000	2023 LKR '000
Items in the Statement of Profit or Loss - Bank		
Interest income	4,632,691	7,731,684
Interest expenses	1,844,948	2,213,456
Fee and commission income	7,475	5,702
Net gains/(losses) from trading	1,540	26,825
Other operating income	35,416	27,817
Impairment charges/(reversals)*	89,516	(76,051)
Scrip dividends paid during the year (Number of shares)	5,170,937	6,232,177
Cash dividends paid during the year (LKR '000)	225,750	-

*Impairment charges/ (reversals) does not include any specific impairment.

53.4 (b) Further transactions detailed below, relating to the ordinary course of business, are entered into with the Government of Sri Lanka and its related entities;

- Statutory balances with the Central Bank of Sri Lanka
- Investments in Treasury bills, Treasury bonds and money market placements.
- Payment of statutory rates, taxes and deposit insurance premium
- Payment for utilities mainly comprising of telephone, electricity and water
- Payment for employment retirement benefits - ETF
- Currency SWAP arrangement with the Central Bank of Sri Lanka (Note 25.1)

53.4 (c) With the conclusion of the SLISB's restructuring in December 2024, previously held ISBs were fully removed from the Statement of Financial Position along with the associated impairment and have recognised the newly exchanged instruments at their fair value. For further details refer note 12.

53.4 (d) Individually significant transactions

The Bank uses an internal assessment methodology in order to identify significant transactions with the Government of Sri Lanka and Government related entities in accordance with the disclosure requirements of LKAS 24. Accordingly, there are no individually significant transactions that require disclosure during the year.

53.5 Transactions with Related Entities

53.5 (a) The transactions entered by the Bank with its Subsidiaries and Associates

	Limit		Outstanding Balance		Average Balance	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Items in the Statement of Financial Position - Bank						
Assets						
Financial assets at amortised cost - loans and receivables to other customers	250,000	350,000	16	6,306	9,488	13,022
Other assets	-	-	3,346	14,391	18,417	38,088
Investments in subsidiary companies	-	-	1,031,037	1,108,772	1,091,016	1,115,324
Liabilities						
Financial liabilities at amortised cost - Due to depositors	-	-	562,847	416,897	422,702	488,463
Due to debt securities holders	-	-	-	-	131,055	8,516
Other liabilities	-	-	-	4,000	-	333
Contingent liabilities and commitments						
Guarantees and LCs	405,000	300,000	404,786	112,814	192,713	153,079

	During the year	
	2024 LKR '000	2023 LKR '000
Items in the Statement of Profit or Loss in relation to transactions with subsidiaries of the Bank		
Interest income	980	1,462
Interest expenses	24,395	65,127
Fee and commission income	18,053	25,289
Impairment charges	80,068	5,530
Other expenses	86,092	48,119
Other operating income	48,482	48,482

Investments in subsidiary companies are stated net of allowance for impairment amounting to LKR 180.55 Mn for the year ended 31 December 2024 and LKR 102.8 Mn for the year ended 31 December 2023.

Refer Note 30 and Note 31 for details of subsidiary and associate companies.

53.5 (b) The contribution made by the Bank and the employees, for EPF is managed as a separate fund by the Bank.

The Bank had the under-mentioned financial dealings during the year with the NDB Provident Fund.

	2024 LKR '000	2023 LKR '000
Financial liabilities at amortised cost - Due to depositors	104,020	145,322
Interest expenses paid	21,872	17,856
Contribution by the Bank	1,065,074	825,641

53.5 (c) NDB Wealth Management Limited, a subsidiary of the Bank, had the under mentioned financial dealings with the NDB Provident Fund.

	2024 LKR '000	2023 LKR '000
Portfolio under management	256,785	2,360,566

53.5 (d) The Bank had the under-mentioned financial dealings with the NDB Pension Fund during the year.

	2024 LKR '000	2023 LKR '000
Financial liabilities at amortised cost - Due to depositors	465,000	565,000
Interest expenses	111,528	113,922
Contribution by the Bank	-	-

54 EVENTS OCCURRING AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements.

55 COMPARATIVE INFORMATION

The following line items in the Statement of Profit or Loss for the year ended 31 December 2023 were reclassified as presented below for the better presentation of the Financial Statement.

	Note	BANK			GROUP		
		Previous Presentation	Current Presentation	Adjustment	Previous Presentation	Current Presentation	Adjustment
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Statement of Profit or Loss							
Net gains/(losses) from financial assets at fair value through profit or loss	8	1,745,982	182,279	(1,563,703)	1,947,286	383,583	(1,563,703)
Net gains/(losses) from derecognition of financial assets	9	4,057,348	5,621,051	1,563,703	4,108,332	5,672,035	1,563,703

56 FAIR VALUE OF FINANCIAL INSTRUMENTS AND NON FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

The following is a description of how fair values are determined for financial instruments and non-financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing such instruments.

Significant Accounting Judgments, Estimates and Assumptions

Where the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from an active market, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values.

FINANCIAL INSTRUMENTS

Derivative Financial Instruments

Derivative products are foreign exchange contracts and foreign exchange options which are valued using market observable inputs.

Financial Assets Recognised through Profit or Loss - Measured at Fair Value

The quoted equity securities are valued using the market prices published by the Colombo Stock Exchange. Sri Lanka Government Securities are valued based on the market rates published by the money brokers. Investment in private equity funds are measured at fair value based on the change in the net asset value of the funds and is recognised through the Statement of Profit or Loss. Unit trust investments are valued at unit prices available in the market.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets measured at fair value through other comprehensive income, consist of quoted debentures, non-quoted ordinary shares, quoted ordinary shares and Sri Lanka Government Securities. The quoted equity securities are valued using the market prices published by the Colombo Stock Exchange. The Sri Lanka Government Securities are valued based on the market rates published by the money brokers as at the reporting date and quoted debentures and non-quoted ordinary shares are valued using Internal valuation techniques.

NON-FINANCIAL INSTRUMENTS

Property, Plant & Equipment/ Investment Property

Valuation Model

The fair value of the freehold land and buildings presented in the Financial Statements are provided by an independent valuer based on the valuations carried out at the reporting date.

Freehold land - valuations performed by the valuer are based on the market approach (direct comparison method), for similar properties in the same location and conditions (Note 33).

Freehold buildings - valuations are performed by an independent valuer based on the cost approach (current replacement cost - Note 33).

Investment Property - valuations are performed based on the income approach using the current market rent by an independent valuer to value the Investment Property (Income approach - Note 32).

Valuation Framework

Fair values of financial instruments and non-financial instruments are determined according to the following hierarchy:

Level 1 - quoted market price (unadjusted): financial instruments with quoted prices in active markets

Level 2 - valuation techniques using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets are valued using models where all significant inputs are observable.

Level 3 - valuation techniques with significant unobservable inputs: This category includes all instruments valued using valuation techniques where one or more significant inputs are unobservable.

The free hold land and buildings of the Group are valued every three years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from fair values at the reporting date.

Also a letter of confirmation is obtained from the Independent Professional Valuer annually except the year in which full valuation is carried out by the Group, to ensure that the fair values of the freehold land and buildings, does not significantly vary from their carrying amounts, at the reporting date.

The Sri Lanka International Sovereign bonds - PDI bonds amounting to LKR 5.2 Bn were the new bonds issued under the Government of Sri Lanka's debt restructuring. These bonds were initially recognised at fair value, as described under the Note 12 -Loss on Restructuring of SLISBs.

56 (a) Determination of fair value of financial instruments and non financial instruments by hierarchy

The following table shows the analysis of financial instruments and non financial instruments recorded at fair value in the Statement of Financial Position by the level of the fair value hierarchy in accordance with disclosure requirements as per LKAS 13, Fair Value Measurements. The valuation of the Sri Lanka International Sovereign bonds/PDI bonds are described in the Note 12.

		BANK			
		Fair Value Measurement Using			
		Quoted Prices in Active Markets Level 1 LKR '000	Significant Observable Inputs Level 2 LKR '000	Significant Unobservable Inputs Level 3 LKR '000	Total LKR '000
31 December 2024					
	Note				
Financial Assets					
Derivative Financial Instruments					
Forward foreign exchange contracts	25	-	261,699	-	261,699
Currency SWAP	25	-	884,537	-	884,537
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value					
Sri Lanka Government Securities - treasury bills	26	5,596,662	-	-	5,596,662
Sri Lanka Government Securities - treasury bonds	26	1,179,469	-	-	1,179,469
Financial Assets measured at Fair Value Through Other Comprehensive Income					
Sri Lanka Government Securities - treasury bills	29	30,392,691	-	-	30,392,691
Sri Lanka Government Securities - treasury bonds	29	56,926,507	-	-	56,926,507
Sri Lanka International Sovereign bonds/PDI bonds	29	-	5,222,888	-	5,222,888
Quoted ordinary shares	29	2,074,593	-	-	2,074,593
Non quoted ordinary shares	29	-	-	167,713	167,713
Total Financial Assets		96,169,922	6,369,124	167,713	102,706,759
Non-Financial Assets					
Freehold land	33.1	-	-	1,024,000	1,024,000
Freehold buildings	33.1	-	-	1,149,001	1,149,001
Total Non-Financial Assets		-	-	2,173,001	2,173,001
Financial Liabilities					
Derivative Financial Instruments					
Forward foreign exchange contracts	25	-	344,586	-	344,586
Total Financial Liabilities		-	344,586	-	344,586

56 (a) Determination of fair value of financial instruments and non financial instruments by hierarchy (Contd.)

31 December 2023		BANK			
		Fair Value Measurement Using			Total
		Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs	
		Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	
	Note				LKR '000
Financial Assets					
Derivative Financial Instruments					
Forward foreign exchange contracts	25	-	344,343	-	344,343
Currency SWAP	25	-	2,739,472	-	2,739,472
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value					
Sri Lanka Government Securities - treasury bills	26	20,057,131	-	-	20,057,131
Sri Lanka Government Securities - treasury bonds	26	3,964,209	-	-	3,964,209
Financial Assets measured at Fair Value Through Other Comprehensive Income					
Sri Lanka Government Securities - treasury bills	29	43,772,475	-	-	43,772,475
Sri Lanka Government Securities - treasury bonds	29	38,890,209	-	-	38,890,209
Quoted ordinary shares	29	1,136,489	-	-	1,136,489
Non quoted ordinary shares	29	-	-	16,569	16,569
Total Financial Assets		107,820,513	3,083,815	16,569	110,920,897
Non-Financial Assets					
Freehold land	33.1	-	-	1,024,000	1,024,000
Freehold buildings	33.1	-	-	1,149,000	1,149,000
Total Non-Financial Assets		-	-	2,173,000	2,173,000
Financial Liabilities					
Derivative Financial Instruments					
Forward foreign exchange contracts	25	-	93,361	-	93,361
Total Financial Liabilities		-	93,361	-	93,361

31 December 2024		GROUP			
		Fair Value Measurement Using			
		Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs	Total
		Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	LKR '000
Note					
Financial Assets					
Derivative Financial Instruments					
Forward foreign exchange contracts	25	-	261,699	-	261,699
Currency SWAP	25	-	884,537	-	884,537
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value					
Sri Lanka Government Securities - treasury bills	26	5,596,662	-	-	5,596,662
Sri Lanka Government Securities - treasury bonds	26	1,179,469	-	-	1,179,469
Quoted ordinary shares	26	751,908	-	-	751,908
Investment in private equity fund	26	-	-	377,842	377,842
Non-quoted ordinary shares	26	-	-	86,200	86,200
Investment in unit trusts	26	1,913,090	-	-	1,913,090
Financial Assets measured at Fair Value Through Other Comprehensive Income					
Sri Lanka Government Securities - treasury bills	29	30,441,042	-	-	30,441,042
Sri Lanka Government Securities - treasury bonds	29	57,133,356	-	-	57,133,356
Sri Lanka International Sovereign bonds/PDI bonds	29	-	5,222,888	-	5,222,888
Quoted ordinary shares	29	2,074,595	-	-	2,074,595
Non quoted ordinary shares	29	-	-	167,713	167,713
Quoted debentures	29	-	158,491	-	158,491
Total Financial Assets					
		99,090,122	6,527,615	631,755	106,249,492
Non-Financial Assets					
Freehold land	33.4	-	-	1,024,000	1,024,000
Freehold buildings	33.4	-	-	1,984,032	1,984,032
Investment property	32	-	-	3,107,671	3,107,671
Total Non-Financial Assets		-	-	6,115,703	6,115,703
Financial Liabilities					
Derivative Financial Instruments					
Forward foreign exchange contracts	25	-	344,586	-	344,586
Total Financial Liabilities		-	344,586	-	344,586

56 (a) Determination of fair value of financial instruments and non financial instruments by hierarchy (Contd.)

		GROUP			
		Fair Value Measurement Using			
		Quoted Prices in Active Markets Level 1 LKR '000	Significant Observable Inputs Level 2 LKR '000	Significant Unobservable Inputs Level 3 LKR '000	Total LKR '000
31 December 2023	Note				
Financial Assets					
Derivative Financial Instruments					
Forward foreign exchange contracts	25		344,343		344,343
Currency SWAP	25		2,739,472		2,739,472
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value					
Sri Lanka Government Securities - treasury bills	26	20,057,131			20,057,131
Sri Lanka Government Securities - treasury bonds	26	3,964,209			3,964,209
Quoted ordinary shares	26	430,552			430,552
Investment in private equity fund	26	-		701,718	701,718
Non-quoted ordinary shares	26	-		126,200	126,200
Investment in unit trusts	26	760,236			760,236
Financial Assets measured at Fair Value Through Other Comprehensive Income					
Sri Lanka Government Securities - treasury bills	29	44,143,876			44,143,876
Sri Lanka Government Securities - treasury bonds	29	39,264,956			39,264,956
Quoted ordinary shares	29	1,136,489			1,136,489
Non quoted ordinary shares	29	-		16,569	16,569
Quoted debentures	29		93,877		93,877
Total Financial Assets		109,757,449	3,177,692	844,487	113,779,628
Non-Financial Assets					
Freehold land	33.4	-	-	1,024,000	1,024,000
Freehold buildings	33.4	-	-	1,743,704	1,743,704
Investment property	32	-	-	3,112,440	3,112,440
Total Non-Financial Assets		-	-	5,880,144	5,880,144
Financial Liabilities					
Derivative Financial Instruments					
Forward foreign exchange contracts	25	-	93,361	-	93,361
Total Financial Liabilities		-	93,361	-	93,361

56 (b) Movements in level 3 financial instruments and non-financial instruments measured at fair value

The level of the fair value hierarchy of financial instruments and non-financial instruments is determined at the beginning of each reporting period. The following table shows the reconciliation of the opening and closing amounts of Level 3 financial instruments and non-financial instruments which are recorded at fair value.

Included in		BANK				
		As at 01 January 2024	Additions/ Disposals during the year	Total gains/ (losses) and charges recorded in Statement of Profit or Loss	Total gains/ (losses) recorded in Other Comprehensive Income	As at 31 December 2024
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets						
Non-quoted ordinary shares [Note 26]	Financial assets measured at Fair Value through Other Comprehensive Income	16,569	151,144	-	-	167,713
Non-Financial Assets						
Freehold land [Note 33.1]	Property, plant & equipment	1,024,000	-	-	-	1,024,000
Freehold buildings [Note 33.1]	Property, plant & equipment	1,149,000	(51,734)	-	51,735	1,149,001

Included in		GROUP				
		As at 01 January 2024	Additions/ Disposals during the year	Total gains/ (losses) and charges recorded in Statement of Profit or Loss	Total gains/ (losses) recorded in Other Comprehensive Income	As at 31 December 2024
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets						
Non-quoted ordinary shares [Note 26]	Financial assets measured at Fair Value through Other Comprehensive Income	16,569	151,144	-	-	167,713
Non-quoted ordinary shares [Note 26]	Financial assets recognised through Statement of Profit or Loss measured at fair value	86,200	-	-	-	86,200
Private equity fund [Note 26]	Financial assets recognised through Statement of Profit or Loss measured at fair value	701,718	(272,562)	(51,314)	-	377,842
Non-Financial Assets						
Freehold land [Note 33.4]	Property, plant & equipment	1,024,000	-	-	-	1,024,000
Freehold buildings [Note 33.4]	Property, plant & equipment	1,743,703	143,964		96,365	1,984,032
Investment property [Note 32]	Investment property	3,112,440	(190,343)	185,574		3,107,671

56 (b) Movements in level 3 financial instruments and non-financial instruments measured at fair value (Contd.)

Included in		BANK				
		As at 01 January 2023	Additions/ Disposals during the year	Total gains/ (losses) and charges recorded in Statement of Profit or Loss	Total gains/ (losses) recorded in Other Comprehensive Income	As at 31 December 2023
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets						
Non-quoted ordinary shares [Note 26]	Financial assets measured at Fair Value through Other Comprehensive Income	16,569	-	-	-	16,569
Non-Financial Assets						
Freehold land [Note 33.1]	Property, plant & equipment	1,024,000	-	-	-	1,024,000
Freehold buildings [Note 33.1]	Property, plant & equipment	1,149,000	(50,483)	-	50,483	1,149,000

Included in		GROUP				
		As at 01 January 2023	Additions/ Disposals during the year	Total gains/ (losses) and charges recorded in Statement of Profit or Loss	Total gains/ (losses) recorded in Other Comprehensive Income	As at 31 December 2023
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets						
Non-quoted ordinary shares [Note 26]	Financial assets measured at Fair Value through Other Comprehensive Income	16,569	-	-	-	16,569
Non-quoted ordinary shares [Note 26]	Financial assets recognised through Statement of Profit or Loss measured at fair value	126,200	-	-	-	126,200
Private equity fund [Note 26]	Financial assets recognised through Statement of Profit or Loss measured at fair value	749,668	-	(47,950)	-	701,718
Non-Financial Assets						
Freehold land [Note 33.4]	Property, plant & equipment	1,024,000	-	-	-	1,024,000
Freehold buildings [Note 33.4]	Property, plant & equipment	1,701,655	(8,435)	-	50,483	1,743,703
Investment property (Note 32)	Investment property	2,879,091	21,797	211,552	-	3,112,440

56 [C] Unobservable inputs used in measuring the fair value of financial and non financial instruments

The tables below sets out information about significant unobservable inputs used as at 31 December 2024 and as at 31 December 2023 in measuring financial and non-financial instruments categorised as Level 2 and Level 3 in the fair value hierarchy:

As at 31 December 2024**Financial Assets/Liabilities**

BANK					
Type of Instrument	Fair Values as at 31 December 2024 LKR Mn	Valuation Technique	Significant Unobservable Inputs	Range of Estimates (Weighted Average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Derivative Financial Instruments					
Derivative financial assets - Forward Exchange Contracts	262	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Positive impact to the fair value
Derivative financial assets - Currency SWAP	884	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Negative impact to the fair value
Derivative financial liabilities - Forward Exchange Contracts	344	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Positive impact to the fair value
Non-quoted Ordinary Shares	168	Net Assets Basis	Net Assets Value of the Company	-	Positive impact to the fair value
Sri Lanka International Sovereign bonds/PDI bonds	5,222	Discounted Cashflow	USD Long term Government bond risk free rate Country risk premium Sri Lanka Credit rating Liquidity risk premium	USD Long term Government bond risk free rate Country risk premium Sri Lanka Credit rating Liquidity risk premium	Positive impact to the fair value

Non Financial Assets

BANK					
Type of Instrument	Fair Values as at 31 December 2024 LKR Mn	Valuation Technique	Significant Unobservable Inputs	Range of Estimates (Weighted Average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Nawam Mawatha					
Land	24	Direct comparison method	Per perch value	Per perch - LKR 16.5 Mn	Positive impact to the fair value
Building	766	Current replacement cost	Replacement cost/ depreciation factor rate	LKR 20,000 per square feet and discount factor- 0.43	Positive impact to the fair value from both factors
Dharmapala Mawatha					
Land	1,000	Direct comparison method	Per perch value	Per perch - LKR 17.5 Mn	Positive impact to the fair value
Building	383	Current replacement cost	Replacement cost/ depreciation factor rate	LKR 17,500 per square feet and discount factor- 0.55	Positive impact to the fair value from both factors

56 (C) Unobservable inputs used in measuring the fair value of financial and non financial instruments (Contd.)

Financial Assets/Liabilities

GROUP					
Type of Instrument	Fair Values as at 31 December 2024 LKR Mn	Valuation Technique	Significant Unobservable Inputs	Range of Estimates (Weighted Average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Derivative Financial Instruments					
Derivative financial assets - Forward Exchange Contracts	262	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Positive impact to the fair value
Derivative financial assets - Currency SWAP	884	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Negative impact to the fair value
Derivative financial liabilities - Forward Exchange Contracts	344	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Positive impact to the fair value
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value					
Private equity fund	378	Net Assets Basis	Net Assets Value of the Fund	-	Positive impact to the fair value
Non-quoted Ordinary Shares	86	Net Assets Basis	Net Assets Value of the Fund	-	Positive impact to the fair value
Financial Assets measured at Fair Value Through Other Comprehensive Income					
Quoted debentures	158	Forecasted cash flow valuation method	Average yields of the debt market	Yields applicable for the bonds with same tenure	Positive impact to the fair value
Non-quoted Ordinary Shares	168	Net Assets Basis	Net Assets Value of the Company	-	Positive impact to the fair value
Sri Lanka International Sovereign bonds/PDI bonds	5,222	Discounted Cashflow	USD Long term Government bond risk free rate Country risk premium Sri Lanka Credit rating Liquidity risk premium	USD Long term Government bond risk free rate Country risk premium Sri Lanka Credit rating Liquidity risk premium	Positive impact to the fair value

Non Financial Assets

GROUP					
Type of Instrument	Fair Values as at 31 December 2024 LKR Mn	Valuation Technique	Significant Unobservable Inputs	Range of Estimates (Weighted Average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Nawam Mawatha					
Land	24	Direct comparison method	Per perch value	Per perch - LKR 16.5 Mn	Positive impact to the fair value
Building	766	Current replacement cost	Replacement cost/ depreciation factor rate	LKR 20,000 per square feet and discount factor- 0.43	Positive impact to the fair value from both factors
Dharmapala Mawatha					
Land	1,000	Direct comparison method	Per perch value	Per perch - LKR 17.5 Mn	Positive impact to the fair value
Building	383	Current replacement cost	Replacement cost/ depreciation factor rate	LKR 17,500 per square feet and discount factor- 0.55	Positive impact to the fair value from both factors
Nawam Mawatha					
Investment property	3,945 (Including the fair value of owner occupied portion of LKR 837 Mn)	Income Approach	Rent per square feet	Average Rate of LKR 265 per square feet	Positive impact to the fair value

As at 31 December 2023

Financial Assets/Liabilities

BANK					
Type of Instrument	Fair Values as at 31 December 2023 LKR Mn	Valuation Technique	Significant Unobservable Inputs	Range of Estimates (Weighted Average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Derivative Financial Instruments					
Derivative financial assets - Forward Exchange Contracts	344	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Positive impact to the fair value
Derivative financial assets -	2,739	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Negative impact to the fair value
Derivative financial liabilities - Forward Exchange Contracts	93	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Positive impact to the fair value
Non-quoted Ordinary Shares	17	Net Assets Basis	Net Assets Value of the Company	-	Positive impact to the fair value

Non Financial Assets

BANK					
Type of Instrument	Fair Values as at 31 December 2023 LKR Mn	Valuation Technique	Significant Unobservable Inputs	Range of Estimates (Weighted Average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Nawam Mawatha					
Land	24	Direct comparison method	Per perch value	Per perch - LKR 16.5 Mn	Positive impact to the fair value
Building	766	Current replacement cost	Replacement cost/ depreciation factor rate	LKR 20,000 per square feet and discount factor- 0.43	Positive impact to the fair value from both factors
Dharmapala Mawatha					
Land	1,000	Direct comparison method	Per perch value	Per perch - LKR 17.5 Mn	Positive impact to the fair value
Building	383	Current replacement cost	Replacement cost/ depreciation factor rate	LKR 17,500 per square feet and discount factor- 0.55	Positive impact to the fair value from both factors

Financial Assets/Liabilities

GROUP					
Type of Instrument	Fair Values as at 31 December 2023 LKR Mn	Valuation Technique	Significant Unobservable Inputs	Range of Estimates (Weighted Average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Derivative Financial Instruments					
Derivative financial assets - Forward Exchange Contracts	344	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Positive impact to the fair value
Derivative financial assets - Currency SWAP	2,739	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Negative impact to the fair value
Derivative financial liabilities - Forward Exchange Contracts	93	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Positive impact to the fair value
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value					
Private equity fund	701	Net Assets Basis	Net Assets Value of the Fund	-	Positive impact to the fair value
Non-quoted ordinary shares	126	Net Assets Basis	Net Assets Value of the Fund	-	Positive impact to the fair value
Financial Assets measured at Fair Value Through Other Comprehensive Income					
Quoted debentures	94	Forecasted cash flow valuation method	Average yields of the debt market	Yields applicable for the bonds with same tenure	Positive impact to the fair value
Non-quoted ordinary shares	17	Net Assets Basis	Net Assets Value of the Fund	-	Positive impact to the fair value

Non Financial Assets

GROUP					
Type of Instrument	Fair Values as at 31 December 2023 LKR Mn	Valuation Technique	Significant Unobservable Inputs	Range of Estimates (Weighted Average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Nawam Mawatha					
Land	24	Direct comparison method	Per perch value	Per perch - LKR 16.5 Mn	Positive impact to the fair value
Building	766	Current replacement cost	Replacement cost/ depreciation factor rate	LKR 20,000 per square feet and discount factor- 0.43	Positive impact to the fair value from both factors
Dharmapala Mawatha					
Land	1,000	Direct comparison method	Per perch value	Per perch - LKR 17.5 Mn	Positive impact to the fair value
Building	383	Current replacement cost	Replacement cost/ depreciation factor rate	LKR 17,500 per square feet and discount factor- 0.55	Positive impact to the fair value from both factors
Nawam Mawatha					
Investment property	3,708 (Including the fair value of owner occupied portion of LKR 596 Mn)	Income Approach	Rent per square feet	Average Rate of LKR 265 per square foot	Positive impact to the fair value

56 (d) Fair value of the financial assets and financial liabilities that are not carried at fair value in the financial statements

Set out below is a comparison, by class, of the carrying amounts and fair values of the financial assets and financial liabilities that are not carried at fair value in the Statement of Financial Position. The table does not include the fair values of non-financial assets and non-financial liabilities.

		BANK			
		2024		2023	
		Carrying Amount LKR '000	Fair Value LKR '000	Carrying Amount LKR '000	Fair Value LKR '000
Fair Value Classification					
Financial Assets					
Cash and cash equivalents	Note 56 (e)	18,037,627	18,037,627	28,100,515	28,100,515
Balances with the Central Bank of Sri Lanka	Note 56 (e)	8,053,358	8,053,358	7,040,421	7,040,421
Placements with banks	Note 56 (e)	22,098,832	22,098,832	33,743,602	33,743,602
Financial assets at amortised cost - loans and receivables to other customers	Level 2	460,707,258	458,378,045	452,660,461	429,554,660
Financial assets at amortised cost - debt and other instruments	Level 2	166,190,761	183,079,645	125,672,370	116,690,858
Other financial assets	Note 56 (e)	1,046,533	1,046,533	1,427,296	1,427,296
Total Financial Assets		676,134,369	690,694,040	648,644,665	616,557,352
Financial Liabilities					
Due to banks	Note 56 (e)	4,841,342	4,841,342	7,679,195	7,679,195
Financial liabilities at amortised cost					
- due to depositors	Level 2	631,682,926	635,482,591	615,643,999	622,877,578
- due to debt securities holders	Note 56 (e)	8,002,850	8,002,850	15,632,569	15,632,569
- due to other borrowers	Note 56 (e)	22,023,798	22,023,798	24,636,539	24,636,539
Debt securities issued	Level 2	33,564,708	34,434,686	29,388,875	30,519,168
Other financial liabilities	Note 56 (e)	2,467,697	2,467,698	2,391,221	2,391,221
Total Financial Liabilities		702,583,321	707,252,965	695,372,398	703,736,270

		GROUP			
		2024		2023	
		Carrying Amount LKR '000	Fair Value LKR '000	Carrying Amount LKR '000	Fair Value LKR '000
Fair Value Classification					
Financial Assets					
Cash and cash equivalents	Note 56 (e)	18,682,376	18,682,376	28,580,676	28,580,676
Balances with the Central Bank of Sri Lanka	Note 56 (e)	8,053,358	8,053,358	7,040,421	7,040,421
Placements with banks	Note 56 (e)	22,098,832	22,098,832	33,743,602	33,743,602
Financial assets at amortised cost - loans and receivables to other customers	Level 2	460,780,610	458,445,858	452,739,928	429,627,888
Financial assets at amortised cost - debt and other instruments	Level 2	166,355,792	183,247,549	125,672,370	116,690,858
Other financial assets	Note 56 (e)	1,321,169	1,321,169	1,965,544	1,965,544
Total Financial Assets		677,292,137	691,849,142	649,742,541	617,648,989
Financial Liabilities					
Due to banks	Note 56 (e)	4,841,342	4,841,342	7,679,195	7,679,195
Financial liabilities at amortised cost					
- due to depositors	Level 2	631,081,461	634,881,213	615,232,470	622,469,137
- due to debt securities holders	Note 56 (e)	8,002,850	8,002,850	15,632,569	15,632,569
- due to other borrowers	Note 56 (e)	22,023,798	22,023,798	24,636,539	24,636,539
Debt securities issued	Level 2	33,564,708	34,434,686	29,388,875	30,519,168
Other financial liabilities	Note 56 (e)	2,905,144	2,905,144	2,592,786	2,592,786
Total Financial Liabilities		702,419,303	707,089,033	695,162,434	703,529,394

56 (e) Basis of measurement for the fair value of Financial Assets and Financial Liabilities Not Carried at Fair Value

Given below are the methodologies and assumptions used to determine the fair values for financial instruments which are not already recorded at fair value in the Financial Statements:

Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Sri Lanka International Sovereign bonds -Step up bonds fair value approximate to carrying amount as prices for identical or similar assets in markets that are not active.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt instruments issued, the fair values are determined based on quoted market prices. For instruments issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable rate instruments, an adjustment is also made to reflect the change in the required credit spread since the instrument was first recognised.

57 RISK MANAGEMENT

57.1. Introduction

The Bank is exposed to various types of financial and operational risks in its day-to-day operations. Effective risk management is critical to the Bank's ability to deliver sustainable value to its shareholders and stakeholders, while maintaining financial stability and regulatory compliance. This section provides an overview of the Bank's approach to managing its key risks, including credit risk, market risk, liquidity risk, operational risk and other risks specific to its business activities.

57.2. Risk Management Framework

The Bank has a comprehensive risk management framework designed to identify, assess, monitor and mitigate risks. This framework is integrated into the Bank's overall governance structure, with senior management and the Board of Directors overseeing risk-related activities. The framework encompasses policies, procedures and systems that align with industry best practices and regulatory requirements. The Board has delegated its authority to the Integrated Risk Management Committee (IRMC) for the overall Risk Management approach and for approving the Risk Management strategies and principles. IRMC meets quarterly to review and assess the Bank's overall risks and to focus on policy recommendations and strategies in an integrated manner and the Board of Directors are duly updated of its activities.

Risk management is also supported by a dedicated risk management function, which works closely with business units to ensure risks are effectively managed within the risk appetite set by the Board. This ensures that the Bank operates within acceptable risk parameters while maintaining a competitive edge in the market.

The Bank's Assets and Liabilities Committee (ALCO) reviews all market and liquidity related exposures, excesses on a monthly basis and decisions are made to facilitate the business requirements. These decisions are further reviewed at IRMC and by the Board.

The Credit and Market Risk Policy Committee and Operational Risk Management Committee are in operation to formulate policies and to focus more clearly on defined risk areas. The membership of these committees comprises the CEO, the Heads of Business Units, Finance, Treasury and representatives of the Risk Management Department.

The Committees meet regularly to review the Bank's risk policy framework, overall performance and the potential risks faced by specific lines of business and support functions

The Bank's Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

57.2.1. Risk Measurement and Reporting

The Bank employs a range of quantitative and qualitative methods to measure and monitor risks across its operations. Key metrics are regularly assessed, including Value-at-Risk (VaR), stress testing results, credit exposure limits, liquidity ratios and operational risk indicators. These metrics are used to track the risk profile and ensure that risk-taking activities are aligned with the Bank's risk tolerance.

Risk reporting is conducted on a frequent basis, with comprehensive reports provided to the Board of Directors, senior management and relevant committees. These reports detail the Bank's risk exposures, risk management activities and adherence to risk limits. The Bank's risk reporting process ensures transparency, enabling effective decision-making and timely interventions when necessary to mitigate risk exposures.

57.2.2. Risk Mitigation

The Bank employs a variety of risk mitigation strategies to reduce the impact of identified risks. These strategies include diversifying the Bank's asset and liability portfolios, employing techniques to offset market fluctuations and maintaining robust internal controls to mitigate operational and fraud-related risks. In addition, the Bank implements comprehensive credit risk management practices, including setting prudent lending criteria and utilising collateral management to reduce exposure to defaults.

Liquidity management is also a key element of the Bank's risk mitigation strategy. The Bank ensures adequate liquidity buffers by maintaining high-quality liquid assets and by conducting regular stress tests to assess potential liquidity pressures under various adverse scenarios. For operational risks, the Bank employs contingency planning and disaster recovery procedures to ensure business continuity in the event of unforeseen disruptions.

Furthermore, the Bank works closely with regulators, auditors and other external parties to ensure compliance with relevant risk mitigation frameworks and regulatory guidelines. By continuously monitoring and adjusting its risk mitigation practices, the Bank ensures that it is well-positioned to respond to changing market conditions and protect its financial stability.

57.3. Credit Risk

Credit risk is the risk of financial loss to the Bank if a borrower or counterparty fails to meet its contractual obligations. This includes the risk of defaults on loans and other financial instruments, as well as the risk of deterioration in the creditworthiness of counterparties.

The Bank is exposed to credit risk primarily through its lending activities, investments in debt securities and transactions with financial institutions. To manage this risk, the Bank has implemented a robust credit risk management framework that includes the assessment of the creditworthiness of borrowers, the establishment of appropriate credit limits and the use of collateral to secure exposures where applicable.

The Bank applies a conservative approach to credit risk by employing a comprehensive credit approval process that involves evaluating the borrower's financial position, repayment capacity and overall risk profile. Credit exposures are regularly monitored and provisions for impaired loans are made in accordance with relevant accounting standards and regulatory requirements.

In addition, the Bank employs portfolio diversification strategies to reduce concentrations of credit risk and actively manages its counterparty exposures to ensure compliance with internal risk limits. The Bank also conducts regular stress testing to assess the impact of adverse market conditions on its credit exposures.

Counterparty limits are established by the use of an internally designed Credit Risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Credit Risk Management verifies and manages the credit process from origination to collection. The Bank has a Credit Policy approved by the Board of Directors. It defines the:

- ⊙ credit culture of the Bank
- ⊙ specifies prohibited lending which the Bank under no circumstances will entertain
- ⊙ sets acceptable risk parameters
- ⊙ sets remedial and recovery actions

57.3.1. Credit Related Commitments Risks

Credit-related commitments represent off-balance-sheet exposures that the Bank undertakes, including guarantees, letters of credit and undrawn loan commitments. These commitments expose the Bank to potential credit risk in the event that counterparties draw on these facilities or fail to meet their obligations.

The Bank actively manages credit-related commitments by assessing the likelihood of utilisation and evaluating the creditworthiness of the counterparties involved. Commitments are subject to the same rigorous credit approval processes as on-balance-sheet loans, and each facility is reviewed regularly to ensure it remains in line with the Bank's risk appetite.

To mitigate credit-related commitment risk, the Bank employs a combination of strategies, including maintaining appropriate collateral and setting usage limits.

57.3.2. Collateral and Other Credit Enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place in the Bank's Credit Policy Manual covering the accessibility and valuation of each type of collateral.

The main types of collateral obtained are as follow:

- ⊙ for commercial lending – mortgages over immovable and movable fixed assets, inventory, trade receivables, corporate and personal guarantees
- ⊙ for retail lending - mortgage over residential property, vehicles, gold stocks, personal guarantees

57.3.3. Impairment Assessment

At each reporting date, a loss allowance or Expected Credit Loss (ECL) will be recognised based on either 12-month ECLs or lifetime ECLs, depending on whether or not there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

57.3.3.1. Definition of Default and Cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit impaired) for ECL calculations in all cases when contractual payments

of a customer are past due for more than 90 days (the number of days past due shall be calculated starting from the contractual due date of the payment) or has remained in excess of the sanctioned limit for more than 90 days, and any other credit facilities classified as Stage 3 under SLFRS 9 (facilities classified as Non performing based on potential risk and impaired assets at origination). The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events (among others) include:

- ⊙ Contractual payments of a customer are more than 30 days past due, but not in NPL/ default
- ⊙ When reasonable and supportable forecasts of future economic conditions directly affect the performance of a customer/ group of customers, portfolios or instruments and the company has failed to take adequate mitigating factors to overcome negative factors
- ⊙ When the risk rating of a customer or an instrument has been downgraded to B+ by an external credit rating agency and/ or when there is a two notch downgrade in the banks internal rating system
- ⊙ When there is a significant change in the geographical locations or natural catastrophes that directly impact the performance of a customer/ group of customers or an instrument
- ⊙ When the value of collateral is significantly reduced and/ or realisability of collateral is doubtful (20% reduction from original LTV approved)
- ⊙ When a customer is subject to litigation, that significantly affects the performance of the credit facility
- ⊙ Frequent changes in the senior management of an institutional customer

- Delay in the commencement of business operations/ projects by more than two years from the originally agreed date
- Modification of terms resulting in concessions, including extensions, deferment of payments, waiver of covenants etc.
- A fall of 50% or more in the turnover and/ or profit before tax of the customer when compared to the previous year
- Erosion in net-worth by more than 25% when compared to the previous year
- The borrower continuously use the loan proceeds for a purpose other than the purpose specified in the loan agreement
- Availability of any other indicators that suggest a significant increase in Credit Risk

It is the Bank's policy to consider a financial instrument as 'cured' and therefore reclassified out of a higher stage to a lower stage (e.g. from stage 3 to stage 2) other than normal movement of a contract based on the change of DPD on an exceptional basis:

- Credit facilities in Stage 3 other than restructured credit facilities in Stage 3 and rescheduled credit facilities are upgraded if due payments are fully settled by the customer
- Rescheduled and restructured contracts are upgraded only upon satisfactory performance during the relevant monitoring period where customer complies with the applicable terms of repayment

57.3.3.2. PD Estimation Process

Probability of Default (PD) is the estimate of the likelihood of default over a given time horizon. A default may only happen at a time horizon if the facility has not been previously derecognised and is still in the portfolio.

12 Months PD

This is the estimated probability of default occurring within the next 12 months.

The 12 months PD is applied for the "Current" and "1-30 days" buckets since there is no significant deterioration in Credit Risk.

Ageing Bucket	Probability of Default
Current	12 Months PD
1- 30 Days	12 Months PD

Lifetime PD

This is the estimated probability of default occurring over the remaining life of the financial instrument.

The lifetime PD is applied for the 31-60 days and 61-90 days buckets since there is a significant deterioration in credit risk.

Ageing Bucket	Probability of Default
31 – 60 Days	Lifetime PD
61 – 90 Days	Lifetime PD

The PD for the above 90 days category is 100% since there is objective evidence of impairment as the default has occurred.

Ageing Bucket	Probability of Default
Above 90 Days	100% PD

57.3.3.3 Exposure at Default

The Exposure At Default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. EAD for credit cards and other revolving facilities is set out in Note 11.

To measure ECLs on revolving facilities, such as credit cards, it will be necessary to estimate several components that make up the EAD

- The contracts which have exceeded 90 days past due
- The Credit Utilisation Rate or Credit Conversion Factor

These components are estimated based on past experience, for sections of the portfolio that are segmented so that they have similar credit characteristics.

57.3.3.4. Loss Given Default

Loss Given Default (LGD) is the magnitude of likely loss on exposure, and is expressed as a percentage of exposure. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g. product type, wider range of collateral types) as well as borrower characteristics.

For each year, closed contracts which have crossed above 90 days at least once in their lifetime are considered. LGD will factor in all cash flows subsequent to the point of default until the full settlement of the loan.

Virtually closed contracts are also added to this data set. Virtually closed contracts are active loans which have been long outstanding. A contract is determined to be virtually closed at the point the Bank determines that the cash flows have dried up.

57.3.3.5. Significant increase in Credit Risk

The Bank continuously monitors all assets subject to Expected Credit Losses (ECL). In order to determine whether an instrument or a portfolio of instruments is subject to 12m ECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/ facility to the watch list, or the account having been restructured. In certain cases, the Bank may also consider that events explained in Note 57.3.3.1 are a significant increase in credit risk as opposed to a default.

When estimating ECLs on a collective basis for a group of similar assets, the Bank also applies the following in the categorisation of credit facilities/ exposures into stages for computation of expected credit losses.

Stage 1

All accounts which have not shown any sign of deterioration since origination. All accounts which have been identified as Low Credit Risk (LCR) (under low credit risk expedient) shall be classified as Stage 1. The Bank computes ECLs based on the delinquency method where all facilities which are less than or equal to 30 days past due are considered under Stage 1. 12 months ECL shall be calculated for stage 1 facilities.

Stage 2

All accounts which have shown a significant deterioration in credit quality since origination. Lifetime losses are computed for all accounts classified as Stage 2. The Bank computes ECLs based on the delinquency method where all facilities which are more than 30 days past due upto 90 days past due are considered under Stage 2.

Stage 3

All impaired assets (purchased impaired and originally credit impaired assets). Lifetime losses are computed for all accounts classified as Stage 3. The Bank computes ECLs based on the delinquency method.

57.3.3.6. Grouping financial assets measured on a collective basis

As explained in Note 11 dependent on the factors below, the Bank calculates ECLs either on a collective or an individual basis.

An individual impairment assessment is performed for exposures over the Individually Significant Threshold of LKR 200 Mn based on amortised cost amount for Corporate clients (Wholesale Banking and Project Finance) and LKR 100 Mn for others for which there is objective evidence of expected loss based on the current status of the customer, i.e. based on whether customer is performing, non performing, restructured, rescheduled or watch-listed.

Exposures that are assessed for individual impairment and for which an impairment provision has been recognised are not included in the collective assessment of impairment. If it is determined that no objective evidence of expected loss exists for an individually assessed exposure, or assessed for objective evidence and there is no requirement for individual impairment, whether significant or not, this is included in a group of exposures with similar credit risk characteristics that are collectively assessed for impairment under the relevant bucket.

A collective assessment is performed for exposures as follows:

- ⊙ Exposures that have not been individually assessed i.e. falling below the individually significant threshold
- ⊙ Exposures that have been assessed for Objective Evidence of Incurred Loss and indicators of increase in Credit Risk and were found to have no such evidence/ indicators
- ⊙ Exposures that have been individually assessed and were found not to be impaired on an individual basis based on the cash flow estimation

The Bank groups these exposures in to homogeneous portfolios to the extent possible so as to ensure that data points are available for meaningful calculations.

57.3.3.7 Analysis of inputs to the ECL model under multiple economic scenarios

The Bank obtains the data used from Central Bank of Sri Lanka/ Department of Census & Statistics. The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios (best case and worst case) as at 31 December 2024 and 31 December 2023.

The tables show the values of the key forward looking economic variables/ assumptions used in each of the economic scenarios for the ECL calculations.

57.3.3.7 Analysis of inputs to the ECL model under multiple economic scenarios

31 December 24 Key Drivers	ECL Scenarios	2025		2026		2027		2028		2029		2030		2031	
		Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value
GDP Growth	Best Case	30%	5.33%	40%	5.54%	50%	5.75%	60%	5.97%	60%	6.25%	60%	6.25%	60%	6.25%
	Base Case	10%	4.14%	10%	4.41%	10%	4.49%	10%	4.51%	10%	4.58%	10%	4.58%	10%	4.58%
	Worst Case	60%	2.48%	50%	2.21%	40%	1.96%	30%	1.72%	30%	1.65%	30%	1.65%	30%	1.65%
Inflation (YoY) (CCPI)	Best Case	30%	1.00%	40%	0.90%	50%	0.81%	60%	0.73%	60%	0.64%	60%	0.64%	60%	0.64%
	Base Case	10%	2.76%	10%	2.31%	10%	2.24%	10%	2.27%	10%	2.23%	10%	2.23%	10%	2.23%
	Worst Case	60%	5.51%	50%	6.59%	40%	7.87%	30%	9.38%	30%	10.69%	30%	10.69%	30%	10.69%
Interest Rate (AWPLR)	Best Case	30%	7.91%	40%	7.44%	50%	7.09%	60%	6.67%	60%	6.35%	60%	6.35%	60%	6.35%
	Base Case	10%	8.94%	10%	8.6%	10%	9.09%	10%	9.13%	10%	9.29%	10%	9.29%	10%	9.29%
	Worst Case	60%	13.35%	50%	14.19%	40%	15.96%	30%	16.96%	30%	19.02%	30%	19.02%	30%	19.02%
Exchange Rate (USD:LKR)	Best Case	30%	299.83	40%	308.20	50%	316.81	60%	325.66	60%	334.76	60%	344.11	60%	353.72
	Base Case	10%	307.88	10%	324.98	10%	343.03	10%	362.08	10%	382.19	10%	403.42	10%	425.83
	Worst Case	60%	315.93	50%	342.20	40%	370.66	30%	401.48	30%	434.86	30%	471.02	30%	500.00
Unemployment	Best Case	30%	4.80%	40%	4.78%	50%	4.72%	60%	4.70%	60%	4.64%	60%	4.64%	60%	4.64%
	Base Case	10%	4.98%	10%	4.98%	10%	4.98%	10%	4.98%	10%	4.98%	10%	4.98%	10%	4.98%
	Worst Case	60%	5.02%	50%	5.04%	40%	5.06%	30%	5.08%	30%	5.09%	30%	5.09%	30%	5.09%

31 December 23 Key Drivers	ECL Scenarios	2024		2025		2026		2027		2028		2029		2030	
		Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value
GDP Growth	Best Case	10%	2.41%	10%	2.92%	10%	3.11%	10%	3.26%	20%	3.38%	20%	3.38%	30%	3.38%
	Base Case	15%	1.64%	20%	1.99%	30%	2.25%	40%	2.36%	40%	2.39%	40%	2.39%	30%	2.39%
	Worst Case	75%	1.44%	70%	1.39%	60%	1.33%	50%	1.27%	40%	1.21%	40%	1.21%	40%	1.21%
Inflation (YoY) (CCPI)	Best Case	10%	3.37%	10%	2.89%	10%	2.48%	10%	2.18%	20%	1.98%	20%	1.98%	30%	1.98%
	Base Case	15%	4.35%	20%	4.26%	30%	4.20%	40%	4.28%	40%	4.51%	40%	4.51%	30%	4.51%
	Worst Case	75%	5.15%	70%	5.85%	60%	6.64%	50%	7.54%	40%	8.56%	40%	8.56%	40%	8.56%
Interest Rate (AWPLR)	Best Case	10%	11.40%	10%	10.59%	10%	9.84%	10%	9.26%	20%	8.82%	20%	8.82%	30%	8.82%
	Base Case	15%	12.87%	20%	12.73%	30%	12.61%	40%	12.67%	40%	12.90%	40%	12.90%	30%	12.90%
	Worst Case	75%	13.99%	70%	14.87%	60%	15.80%	50%	16.79%	40%	17.85%	40%	17.85%	40%	8.56%
Exchange Rate (USD:LKR)	Best Case	10%	339.07	10%	351.87	10%	365.14	10%	378.92	20%	393.22	20%	408.06	30%	423.46
	Base Case	15%	344.79	20%	363.84	30%	383.93	40%	405.14	40%	427.52	40%	451.13	30%	476.05
	Worst Case	75%	359.38	70%	395.28	60%	434.77	50%	478.20	40%	500.00	40%	500.00	40%	500.00
Unemployment	Best Case	10%	4.86%	10%	4.83%	10%	4.79%	10%	4.77%	20%	4.77%	20%	4.77%	30%	4.77%
	Base Case	15%	4.97%	20%	4.97%	30%	4.96%	40%	4.96%	40%	4.97%	40%	4.97%	30%	4.97%
	Worst Case	75%	5.01%	70%	5.03%	60%	5.04%	50%	5.06%	40%	5.09%	40%	5.09%	40%	5.09%

57.3.3.8 Analysis of net exposure on credit risk and impairment

The table below shows the credit quality by class of assets for all financial assets exposed to credit risk, based on the Bank's classification of assets.

	BANK			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
31 December 2024				
Cash and cash equivalents	18,037,627	-	-	18,037,627
Balances with the Central Bank of Sri Lanka	8,053,358	-	-	8,053,358
Placements with banks	22,098,832	-	-	22,098,832
Derivative Financial Instruments	1,146,236	-	-	1,146,236
Financial assets recognised through profit or loss - measured at fair value	6,776,131	-	-	6,776,131
Financial assets at amortised cost - loans and receivables to other customers	349,458,717	79,265,767	31,982,774	460,707,258
Financial assets at amortised cost - debt and other instruments	136,726,139	29,464,622	-	166,190,761
Financial assets measured at fair value through other comprehensive income	94,245,415	-	-	94,245,415

	BANK			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
31 December 2023				
Cash and cash equivalents	28,100,515	-	-	28,100,515
Balances with the Central Bank of Sri Lanka	7,040,421	-	-	7,040,421
Placements with banks	33,743,602	-	-	33,743,602
Derivative Financial Instruments	3,083,815	-	-	3,083,815
Financial assets recognised through profit or loss - measured at fair value	24,021,340	-	-	24,021,340
Financial assets at amortised cost - loans and receivables to other customers	306,866,330	97,228,082	48,566,049	452,660,461
Financial assets at amortised cost - debt and other instruments	100,126,663	25,545,707	-	125,672,370
Financial assets measured at fair value through other comprehensive income	83,805,398	-	-	83,805,398

	GROUP			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
31 December 2024				
Cash and cash equivalents	18,682,376	-	-	18,682,376
Balances with the Central Bank of Sri Lanka	8,053,358	-	-	8,053,358
Placements with banks	22,098,832	-	-	22,098,832
Derivative financial instruments	1,146,236	-	-	1,146,236
Financial assets recognised through profit or loss - measured at fair value	9,905,171	-	-	9,905,171
Financial assets at amortised cost - loans and receivables to other customers	349,532,069	79,265,767	31,982,774	460,780,610
Financial assets at amortised cost - debt and other instruments	136,891,170	29,464,622	-	166,355,792
Financial assets measured at fair value through other comprehensive income	94,659,106	-	-	94,659,106

	GROUP			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
31 December 2023				
Cash and cash equivalents	28,580,676	-	-	28,580,676
Balances with the Central Bank of Sri Lanka	7,040,421	-	-	7,040,421
Placements with banks	33,743,602	-	-	33,743,602
Derivative financial instruments	3,083,815	-	-	3,083,815
Financial assets recognised through profit or loss - measured at fair value	26,040,046	-	-	26,040,046
Financial assets at amortised cost - loans and receivables to other customers	306,945,798	97,228,081	48,566,049	452,739,928
Financial assets at amortised cost - debt and other instruments	100,126,663	25,545,707	-	125,672,370
Financial assets measured at fair value through other comprehensive income	84,645,423	-	-	84,645,423

57.3.3.9 Analysis of risk concentration

The Bank's concentrations of risk are managed by customer/ counterparty and industry sector.

The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

57.3.3.9.1 Industry analysis

BANK																
Agriculture, Forestry & Fishing	Manufacturing	Tourism	Transportation & Storage	Construction	Infrastructure Development	Wholesale and Retail Trade	Information Technology and Communication Services	Financial Services	Professional, Scientific & Technical Activities	Arts, Entertainment & Recreation	Education	Health Care, Social Services & Support Services	Consumption	Lending to Overseas Entities	Total	
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Cash and cash equivalents	-	-	-	-	-	-	-	18,037,627	-	-	-	-	-	-	-	18,037,627
Balances with the Central Bank of Sri Lanka	-	-	-	-	-	-	-	8,053,358	-	-	-	-	-	-	-	8,053,358
Placements with banks	-	-	-	-	-	-	-	22,098,832	-	-	-	-	-	-	-	22,098,832
Derivative financial instruments	-	-	-	-	-	-	-	1,146,236	-	-	-	-	-	-	-	1,146,236
Financial assets recognised through profit or loss-measured at fair value	-	-	-	-	-	-	-	6,776,131	-	-	-	-	-	-	-	6,776,131
Financial assets at amortised cost - loans and receivables to other customers																
- Corporate Lending	7,235,733	67,995,591	9,504,587	7,748,203	12,667,298	49,607,213	33,015,006	699,202	13,558,590	21,529,865	-	548,714	37	869,047	47,970,459	272,949,545
- Small Business Lending	10,253,226	15,045,329	7,520,844	1,023,328	5,147,953	1,615,611	31,418,027	783,843	2,227,184	1,689,374	117,858	382,067	759,764	7,529,044	1	85,513,452
- Consumer Lending	1,180,914	919,804	429,711	91,823	203,163	148,347	2,868,038	108,863	611,752	1,997,523	3,020	411,167	75,543	77,109,100	-	86,158,767
- Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	15,861,568	-	15,861,568
- Others	649	538	2,244	-	-	1,381	169,012	213	48,824	1,065	-	-	-	-	-	223,926
Net loans and receivables to other customers	18,670,522	83,961,262	17,457,386	8,863,354	18,018,414	51,372,551	67,470,083	1,592,121	16,446,350	25,217,827	120,878	1,341,948	835,344	101,368,759	47,970,460	460,707,258
Financial assets at amortised cost - debt and other instruments	-	-	-	-	-	1,500,000	-	-	164,690,761	-	-	-	-	-	-	166,190,761
Financial assets measured at fair value through Other comprehensive income	-	-	-	-	-	-	-	-	94,245,415	-	-	-	-	-	-	94,245,415

	BANK															Total	
	Agriculture, Forestry & Fishing	Manufacturing	Tourism	Transportation & Storage	Construction	Infrastructure Development	Wholesale and Retail Trade	Information Technology and Communication Services	Financial Services	Professional, Scientific & Technical Activities	Arts, Entertainment & Recreation	Education	Health Care, Social Services & Support Services	Consumption	Lending to overseas entities		
31 December 2023	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,100,515
Balances with the Central Bank of Sri Lanka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,040,421
Placements with banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,743,602
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,083,815
Financial assets recognised through profit or loss-measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets at amortised cost - loans and receivables to other customers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,021,340
- Corporate Lending	7,046,767	62,403,762	14,165,661	3,522,802	16,482,839	53,636,897	30,289,311	1,056,812	23,743,668	13,967,294	10,127	563,972	74,476	977,341	33,275,808	261,217,537	
- Small Business Lending	10,439,809	19,831,909	7,026,861	775,130	4,456,272	2,164,398	28,662,002	307,739	2,301,285	1,794,651	541	414,243	416,676	11,128,743	-	89,720,259	
- Consumer Lending	393,281	395,787	115,003	38,119	373,369	73,809	749,623	49,194	470,668	394,974	-	94,159	31,130	79,120,067	-	82,299,183	
- Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	16,696,735	-	16,696,735	
- Others	7,216	19,819	-	-	-	1,319	2,931	3	-	-	-	-	-	2,695,459	-	2,726,747	
Net loans and receivables to other customers	17,887,073	82,651,277	21,307,525	4,336,051	21,312,480	55,876,423	59,703,867	1,413,748	26,515,621	16,156,919	10,668	1,072,374	522,282	110,618,345	33,275,808	452,660,461	
Financial assets at amortised cost - debt and other instruments	-	-	-	-	-	1,500,000	-	-	124,172,370	-	-	-	-	-	-	-	125,672,370
Financial assets measured at fair value through Other comprehensive income	-	-	-	-	-	-	-	-	83,805,398	-	-	-	-	-	-	-	83,805,398

57.3.3.9 Analysis of risk concentration (Contd.)

	GROUP															Total
	Agriculture, Forestry & Fishing	Manufacturing	Tourism	Transportation & Storage	Construction	Infrastructure Development	Wholesale and Retail Trade	Information Technology and Communication Services	Financial Services	Professional, Scientific & Technical Activities	Arts, Entertainment & Recreation	Education	Health Care, Social Services & Support Services	Consumption	Lending to overseas entities	
31 December 2024	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	-	-	-	-	-	-	-	-	18,682,376	-	-	-	-	-	-	18,682,376
Balances with the Central Bank of Sri Lanka	-	-	-	-	-	-	-	-	8,053,358	-	-	-	-	-	-	8,053,358
Placements with banks	-	-	-	-	-	-	-	-	22,098,832	-	-	-	-	-	-	22,098,832
Derivative financial instruments	-	-	-	-	-	-	-	-	1,146,236	-	-	-	-	-	-	1,146,236
Financial assets recognised through profit or loss-measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets at amortised cost - loans and receivables to other customers	-	-	-	-	-	-	-	-	9,905,171	-	-	-	-	-	-	9,905,171
- Corporate Lending	7,235,733	68,058,161	9,504,587	7,748,203	12,667,298	49,607,213	33,015,006	699,202	13,558,647	21,529,865	-	548,714	37	849,562	47,970,459	272,992,687
- Small Business Lending	10,251,128	15,040,793	7,520,844	1,023,328	5,147,953	1,615,611	31,418,006	783,843	2,227,184	1,689,374	117,858	382,067	759,764	7,524,743	1	85,502,496
- Consumer Lending	1,180,914	862,307	429,711	91,823	203,162	148,347	2,868,038	108,863	611,752	1,997,523	3,020	411,167	75,543	77,206,238	-	86,198,408
- Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	15,861,568	-	15,861,568
- Others	2,747	-	2,244	-	-	1,381	169,033	213	48,767	1,065	-	-	-	-	-	225,451
Net loans and receivables to other customers	18,670,522	83,961,261	17,457,386	8,863,354	18,018,413	51,372,552	67,470,083	1,592,121	16,446,350	25,217,827	120,878	1,341,948	835,344	101,442,111	47,970,460	460,780,610
Financial assets at amortised cost - debt and other instruments	-	-	-	-	-	1,500,000	-	-	164,855,792	-	-	-	-	-	-	166,355,792
Financial assets measured at fair value through Other comprehensive income	-	-	-	-	-	-	33,837	-	94,625,269	-	-	-	-	-	-	94,659,106

	GROUP															Total
	Agriculture, Forestry & Fishing	Manufacturing	Tourism	Transportation & Storage	Construction	Infrastructure Development	Wholesale and Retail Trade	Information Technology and Communication Services	Financial Services	Professional, Scientific & Technical Activities	Arts, Entertainment & Recreation	Education	Health Care, Social Services & Support Services	Consumption	Lending to overseas entities	
31 December 2023	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	28,580,676	-	-	-	-	-	28,580,676
Balances with the Central Bank of Sri Lanka	-	-	-	-	-	-	-	-	-	7,040,421	-	-	-	-	-	7,040,421
Placements with banks	-	-	-	-	-	-	-	-	-	33,743,602	-	-	-	-	-	33,743,602
Derivative financial instruments	-	-	-	-	-	-	-	-	-	3,083,815	-	-	-	-	-	3,083,815
Financial assets recognised through profit or loss-measured at fair value	1,587	62,311	23,302	-	-	86,202	-	40,000	25,804,306	22,338	-	-	-	-	-	26,040,046
Financial assets at amortised cost - loans and receivables to other customers																
- Corporate Lending	7,046,767	62,403,762	14,165,661	3,522,802	16,482,839	53,636,897	30,289,311	1,056,812	23,743,668	13,967,294	10,127	563,972	74,476	977,341	33,275,808	261,217,537
- Small Business Lending	10,439,809	19,831,909	7,026,861	775,130	4,456,272	2,164,398	28,662,002	307,739	2,301,285	1,794,651	541	414,243	416,676	11,128,743	-	89,720,259
- Consumer Lending	393,281	395,787	115,003	38,119	373,369	73,809	749,623	49,194	470,668	394,974	-	94,159	31,130	79,199,534	-	82,378,650
- Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	16,696,735	-	16,696,735
- Others	7,216	19,819	-	-	-	1,319	2,931	3	-	-	-	-	-	2,695,459	-	2,726,747
Net loans and receivables to other customers	17,887,073	82,651,277	21,307,525	4,336,051	21,312,480	55,876,423	59,703,867	1,413,748	26,515,621	16,156,919	10,668	1,072,374	522,282	110,697,812	33,275,808	452,739,928
Financial assets at amortised cost - debt and other instruments	-	-	-	-	-	1,500,000	-	-	124,172,370	-	-	-	-	-	-	125,672,370
Financial assets measured at fair value through Other comprehensive income	-	-	-	-	-	-	33,837	-	84,611,586	-	-	-	-	-	-	84,645,423

57.3.3.10 Country risk

Country risk is the risk that an occurrence within a country could have an adverse effect on the Bank directly by impairing the value of the Bank or indirectly through an obligor's ability to meet its obligations to the Bank. Generally these occurrences relate but are not limited to: sovereign events such as defaults or restructuring, political events such as contested elections, restrictions on currency movements, non-market currency convertibility, regional conflicts, economic contagion from other events such as sovereign default issues or regional turmoil, banking and currency crisis and natural disasters.

	BANK							Total
	Sri Lanka	Europe	America	Asia	Middle East	Australia- New Zealand	Africa	
31 December 2024	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	10,721,001	4,008,655	2,493,749	476,103	69,498	268,621	-	18,037,627
Balances with the Central Bank of Sri Lanka	8,053,358	-	-	-	-	-	-	8,053,358
Placements with banks	22,098,832	-	-	-	-	-	-	22,098,832
Derivative financial instruments	1,146,236	-	-	-	-	-	-	1,146,236
Financial assets recognised through profit or loss - measured at fair value	6,776,131	-	-	-	-	-	-	6,776,131
Financial assets at amortised cost - loans and receivables to other customers	412,775,187	-	22	38,330,831	4,376,308	-	5,224,910	460,707,258
Financial assets at amortised cost - debt and other instruments	166,190,761	-	-	-	-	-	-	166,190,761
Financial assets measured at fair value through other comprehensive income	94,245,415	-	-	-	-	-	-	94,245,415
Other financial assets	1,046,533	-	-	-	-	-	-	1,046,533
Total Financial Assets	723,053,454	4,008,655	2,493,771	38,806,934	4,445,806	268,621	5,224,910	778,302,151

	BANK							Total
	Sri Lanka	Europe	America	Asia	Middle East	Australia- New Zealand	Africa	
31 December 2023	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	11,872,897	4,272,752	10,627,903	593,268	12,175	721,520	-	28,100,515
Balances with the Central Bank of Sri Lanka	7,040,421	-	-	-	-	-	-	7,040,421
Placements with banks	33,743,602	-	-	-	-	-	-	33,743,602
Derivative financial instruments	3,083,815	-	-	-	-	-	-	3,083,815
Financial assets recognised through profit or loss - measured at fair value	24,021,340	-	-	-	-	-	-	24,021,340
Financial assets at amortised cost - loans and receivables to other customers	419,384,652	-	48,308	24,119,009	3,439,323	-	5,669,169	452,660,461
Financial assets at amortised cost - debt and other instruments	125,672,370	-	-	-	-	-	-	125,672,370
Financial assets measured at fair value through other comprehensive income	83,805,398	-	-	-	-	-	-	83,805,398
Other financial assets	1,427,296	-	-	-	-	-	-	1,427,296
Total Financial Assets	710,051,791	4,272,752	10,676,211	24,712,277	3,451,498	721,520	5,669,169	759,555,218

57.3.3.10 Country risk (Contd.)

	GROUP							Total
	Sri Lanka	Europe	America	Asia	Middle East	Australia- New Zealand	Africa	
31 December 2024	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	11,365,750	4,008,655	2,493,749	476,103	69,498	268,621	-	18,682,376
Balances with the Central Bank of Sri Lanka	8,053,358	-	-	-	-	-	-	8,053,358
Placements with banks	22,098,832	-	-	-	-	-	-	22,098,832
Derivative financial instruments	1,146,236	-	-	-	-	-	-	1,146,236
Financial assets recognised through profit or loss - measured at fair value	9,905,171	-	-	-	-	-	-	9,905,171
Financial assets at amortised cost - loans and receivables to other customers	412,848,539	-	22	38,330,831	4,376,308	-	5,224,910	460,780,610
Financial assets at amortised cost - debt and other instruments	166,355,792	-	-	-	-	-	-	166,355,792
Financial assets measured at fair value through other comprehensive income	94,659,106	-	-	-	-	-	-	94,659,106
Other financial assets	1,321,169	-	-	-	-	-	-	1,321,169
Total Financial Assets	727,753,953	4,008,655	2,493,771	38,806,934	4,445,806	268,621	5,224,910	783,002,650

	GROUP							Total
	Sri Lanka	Europe	America	Asia	Middle East	Australia- New Zealand	Africa	
31 December 2023	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	12,353,058	4,272,752	10,627,903	593,268	12,175	721,520	-	28,580,676
Balances with the Central Bank of Sri Lanka	7,040,421	-	-	-	-	-	-	7,040,421
Placements with banks	33,743,602	-	-	-	-	-	-	33,743,602
Derivative financial instruments	3,083,815	-	-	-	-	-	-	3,083,815
Financial assets recognised through profit or loss - measured at fair value	26,040,046	-	-	-	-	-	-	26,040,046
Financial assets at amortised cost - loans and receivables to other customers	419,464,119	-	48,308	24,119,009	3,439,323	-	5,669,169	452,739,928
Financial assets at amortised cost - debt and other instruments	125,672,370	-	-	-	-	-	-	125,672,370
Financial assets measured at fair value through other comprehensive income	84,645,423	-	-	-	-	-	-	84,645,423
Other financial assets	1,965,544	-	-	-	-	-	-	1,965,544
Total Financial Assets	714,008,398	4,272,752	10,676,211	24,712,277	3,451,498	721,520	5,669,169	763,511,825

57.3.3.11 Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral

The main types of collateral obtained are as follows:

- ⊙ For securities lending and reverse repurchase transactions, cash or securities
- ⊙ For corporate and small business lending, charges over real estate properties, inventory and trade receivables and, in special circumstances, government guarantees
- ⊙ For retail lending, mortgages over residential properties, vehicles, gold stocks, personal guarantees

The Bank also obtains guarantees from parent companies for loans to their subsidiaries. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auctions, to settle outstanding debt. Any surplus funds are returned to the customers/ obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded in the Statement of Financial Position and not treated as non-current assets held for sale.

The Bank's Collateral policy is covered in the Bank's Credit Policy Manual and is reviewed annually. There have been no significant changes to the collateral policy.

For its derivative portfolio, the Bank also makes use of master netting agreements and other arrangements not eligible for netting under LKAS 32 Financial Instruments: Presentation with its counterparties. Such arrangements provide for single net settlement of all financial instruments covered by the agreements in the event of default on any one contract. Although, these master netting arrangements do not normally result in an offset of balance-sheet assets and liabilities (as the conditions for offsetting under LKAS 32 may not apply), they, nevertheless, reduce the Bank's exposure to credit risk, as shown in the table on page 387.

Although master netting arrangements may significantly reduce credit risk, it should be noted that the credit risk is eliminated only to the extent of amounts due to the same counterparty.

The tables on the following pages from 385 to 386 show the maximum exposure to credit risk by class of financial asset. They also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

The credit facilities for which impairment allowance was not recognised due to existence of cash liens and Government Treasury guarantees have been disclosed under Note 27.6(a).

57.3.3.11 Collateral and other credit enhancements (Contd.)

Type of collateral or credit enhancement

	BANK							
	Fair value of collateral and credit enhancements held							
	Maximum exposure to credit risk LKR '000	Cash LKR '000	Securities LKR '000	3rd party/ Government guarantees LKR '000	Property LKR '000	Other LKR '000	Surplus Collateral LKR '000	Total Collateral LKR '000
								Net Exposure LKR '000
								Associated ECLs LKR '000
31 December 2024								
Financial Assets								
Cash and cash equivalents	18,037,627	-	-	-	-	-	-	18,037,627
Balances with the Central Bank of Sri Lanka	8,053,358	-	-	-	-	-	-	8,053,358
Placements with banks	22,098,832	-	-	-	-	-	-	22,098,832
Derivative financial instruments	1,146,236	-	-	-	-	-	-	1,146,236
Financial assets recognised through profit or loss- measured at fair value	6,776,131	-	-	-	-	-	-	6,776,131
Financial assets at amortised cost - loans and receivables to other customers								
- Corporate Lending	272,949,545	17,466,441	6,774,350	190,426,812	113,631,979	131,124,155	(297,227,664)	162,196,072
								5,777,010
- Small Business Lending	85,513,452	21,133,878	616,141	86,643,931	97,354,542	32,631,060	(173,097,793)	65,281,760
- Consumer Lending	86,158,767	37,524,349	266,060	6,283,376	57,023,083	1,509,898	(82,986,638)	19,620,128
- Residential Mortgages	15,861,568	201,048	-	90,285	29,268,144	42,990	(20,422,646)	9,179,821
- Others	223,926	389,379	-	2,809,252	2,668,590	4,702,070	(10,501,919)	67,372
								156,554
								10,636,241
Net loans and receivables to other customers	460,707,258	76,715,095	7,656,551	286,253,656	299,946,338	170,010,173	(584,236,660)	256,345,153
Financial assets at amortised cost - debt and other instruments	166,190,761	-	-	-	-	-	-	166,190,761
Financial assets measured at fair value through other comprehensive income	94,245,415	-	-	-	-	-	-	94,245,415
31 December 2023								
Financial Assets								
Cash and cash equivalents	28,100,515	-	-	-	-	-	-	28,100,515
Balances with the Central Bank of Sri Lanka	7,040,421	-	-	-	-	-	-	7,040,421
Placements with banks	33,743,602	-	-	-	-	-	-	33,743,602
Derivative financial instruments	3,083,815	-	-	-	-	-	-	3,083,815
Financial assets recognised through profit or loss- measured at fair value	24,021,340	-	-	-	-	-	-	24,021,340
Financial assets at amortised cost - loans and receivables to other customers								
- Corporate Lending	261,217,538	24,653,111	7,077,800	207,361,284	117,324,327	141,967,341	(323,039,066)	175,344,798
- Small Business Lending	89,720,260	22,880,607	120,000	87,152,505	103,508,752	32,369,810	(174,845,450)	71,186,224
- Consumer Lending	82,299,181	34,428,260	34,170	7,806,772	51,556,596	1,585,978	(74,628,931)	20,782,845
- Residential Mortgages	16,696,735	168,637	-	87,285	30,285,671	41,085	(20,583,467)	9,999,210
- Others	2,726,748	-	-	28,770	52,330	15,000	(63,646)	32,454
								2,694,294
Net loans and receivables to other customers	452,660,462	82,130,615	7,231,970	302,436,616	302,727,676	175,979,214	(593,160,560)	277,345,531
Financial assets at amortised cost - debt and other instruments	125,672,370	-	-	-	-	-	-	125,672,370
Financial assets measured at fair value through other comprehensive income	83,805,398	-	-	-	-	-	-	83,805,398

57.3.3.11 Collateral and other credit enhancements (Contd.)
Type of collateral or credit enhancement

	GROUP									
	Fair value of collateral and credit enhancements held									
	Maximum exposure to credit risk LKR '000	Cash LKR '000	Securities LKR '000	3rd party/ Government guarantees LKR '000	Property LKR '000	Other LKR '000	Surplus Collateral LKR '000	Total Collateral LKR '000	Net Exposure LKR '000	Associated ECLs LKR '000
31 December 2024										
Financial Assets										
Cash and cash equivalents	18,682,376	-	-	-	-	-	-	-	18,682,376	-
Balances with the Central Bank of Sri Lanka	8,053,358	-	-	-	-	-	-	-	8,053,358	-
Placements with banks	22,098,832	-	-	-	-	-	-	-	22,098,832	-
Derivative financial instruments	1,146,236	-	-	-	-	-	-	-	1,146,236	-
Financial assets recognised through profit or loss- measured at fair value	9,905,171	-	-	-	-	-	-	-	9,905,171	-
- Corporate Lending	272,949,545	17,466,441	6,774,350	190,426,812	113,631,979	131,124,155	(297,227,664)	162,196,072	110,753,473	5,777,010
- Small Business Lending	85,513,452	21,133,878	616,141	86,643,931	97,354,542	32,631,060	(173,097,793)	65,281,760	20,231,692	29,312,655
- Consumer Lending	86,158,767	37,524,349	266,060	6,283,376	57,023,083	1,509,898	(82,986,638)	19,620,128	66,538,639	2,276,790
- Residential Mortgages	15,861,568	201,048	-	90,285	29,268,144	42,990	(20,422,646)	9,179,821	6,681,748	1,067,077
- Others	297,278	389,379	-	2,809,252	2,668,590	4,702,070	(10,501,919)	67,372	229,906	10,636,241
Net loans and receivables to other customers	460,780,610	76,715,095	7,656,551	286,253,656	299,946,338	170,010,173	(584,236,660)	256,345,153	204,435,458	49,069,773
Financial assets at amortised cost - debt and other instruments	166,355,792	-	-	-	-	-	-	-	166,355,792	-
Financial assets measured at fair value through other comprehensive income	94,659,106	-	-	-	-	-	-	-	94,659,106	-

	GROUP									
	Fair value of collateral and credit enhancements held									
	Maximum exposure to credit risk LKR '000	Cash LKR '000	Securities LKR '000	3rd party/ Government guarantees LKR '000	Property LKR '000	Other LKR '000	Surplus Collateral LKR '000	Total Collateral LKR '000	Net Exposure LKR '000	Associated ECLs LKR '000
31 December 2023										
Financial Assets										
Cash and cash equivalents	28,580,676	-	-	-	-	-	-	-	28,580,676	-
Balances with the Central Bank of Sri Lanka	7,040,421	-	-	-	-	-	-	-	7,040,421	-
Placements with banks	33,743,602	-	-	-	-	-	-	-	33,743,602	-
Derivative financial instruments	3,083,815	-	-	-	-	-	-	-	3,083,815	-
Financial assets recognised through profit or loss- measured at fair value	26,040,046	-	-	-	-	-	-	-	26,040,046	-
Financial assets at amortised cost - loans and receivables to other customers	261,217,538	24,653,111	7,077,800	207,361,284	117,324,327	141,967,341	(323,039,066)	175,344,798	85,872,740	21,739,472
- Corporate Lending	89,720,260	22,880,607	120,000	87,152,505	103,508,752	32,369,810	(174,845,450)	71,186,224	18,534,036	12,345,981
- Small Business Lending	82,299,181	34,428,260	34,170	7,806,772	51,556,596	1,585,978	(74,628,931)	20,782,845	61,516,336	5,289,741
- Consumer Lending	16,696,735	168,637	-	87,285	30,285,671	41,085	(20,583,467)	9,999,210	6,697,525	1,072,672
- Residential Mortgages	2,806,215	-	-	28,770	52,330	15,000	(63,646)	32,454	2,773,761	2,960,058
- Others	452,739,928	82,130,615	7,231,970	302,436,616	302,727,676	175,979,214	(593,160,560)	277,345,531	175,394,398	43,407,924
Net loans and receivables to other customers	125,672,370	-	-	-	-	-	-	-	125,672,370	-
Financial assets at amortised cost - debt and other instruments	84,645,423	-	-	-	-	-	-	-	84,645,423	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-

57.3.3.12 Commitments and contingencies

The table below shows maximum credit risk exposure of the Group on commitments and contingencies.

The maximum exposure to credit risk relating to financial commitments and contingencies is the maximum amount the Group has to pay if the commitments and contingencies are called upon.

	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Guarantees and bonds	44,533,485	45,929,326	44,128,699	45,817,214
Shipping guarantees	6,847,895	8,543,508	6,847,895	8,543,508
Advance documents endorsed	4,879,965	2,515,114	4,879,965	2,515,114
Letters of credit	9,857,811	9,283,417	9,857,812	9,282,715
Acceptances	8,693,367	6,513,947	8,693,367	6,513,947
Undrawn overdrafts and credit cards	43,672,863	47,073,246	43,672,863	46,541,747
Commitments	102,967,568	115,499,420	103,446,806	116,305,360
Forward exchange contracts	66,839,712	42,607,441	66,839,711	42,607,441
Total	288,292,666	277,965,419	288,367,118	278,127,046

57.3.3.13 Offsetting of financial assets & liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the Statement of Financial Position when the Group have a right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets & liabilities that are not subject to offsetting

Amounts that do not qualify for offsetting in the Statements of Financial Position include netting arrangements that only permit outstanding transactions with the same counterparty to be offset in an event of default or occurrence of the predetermined events. Such netting arrangements include repurchase agreements and other similar secured lending and borrowing arrangements.

The amount of the financial collateral received or pledged subject to netting arrangements but not qualified for offsetting are disclosed below.

	2024			2023		
	Gross Amounts LKR '000	Amount Subject to Netting but do not qualify for Offsetting LKR '000	Net Amount LKR '000	Gross Amounts LKR '000	Amount Subject to Netting but do not qualify for Offsetting LKR '000	Net Amount LKR '000
Financial Assets						
Financial assets at amortised cost						
- loans and receivables to other customers	97,051,589	76,715,096	20,336,493	108,044,080	82,130,615	25,913,465
Financial Liabilities						
Due to debt securities holders	8,002,850	9,047,817	(1,044,967)	15,632,569	16,851,452	(1,218,883)

57.3.3.14 Sensitivity analysis of impairment allowance

The following table depicts the sensitivity of the impairment allowance to feasible changes in various factors used in assessing the Expected Credit Losses including PDs, LGDs and forward looking macro economic information etc.

Changed criteria	Changed factor	BANK & GROUP	
		Sensitivity effect on impairment allowance increase	
		2024 LKR '000	2023 LKR '000
Property realisation timing of facilities under individual impairment assessment	Delay by 1 year	595,417	1,098,380
Loss given default (LGD)	Increase by 2%	313,250	322,232
	Virtually closed points: decrease by 1 year (where require)	1,069,687	2,201,417
Probability of default (PD) in each stage	Increase by 1%	84,459	75,946
Economic Factor Adjustment	Worst case increase of 5%	27,439	15,806
	Qualitative scores increase by 1	823,246	585,861
Credit conversion factor (CCF)	Increase of 5% (where applicable)	82,143	200,764

57.4 Market Risk

Market Risk management function is attached to the Risk Management Division and operates within a well-defined policy framework which ensures that the Bank operates within the pre-defined risk appetite of the Bank through portfolio analysis, stress testing and pro-active exposure monitoring. Guided by these policies and regulatory directions; Bank has set internal prudential limits, taking in to account the size of the statement of financial position, structure and the business model; thereby business units optimise the risk and reward relationship without exposing the Bank to unexpected losses. The responsibility to manage the Market Risk primarily rests with the Treasury Unit, which is responsible for ensuring that the Bank's exposures are managed within the Board approved risk appetite and necessary actions are taken in the event of exceptional market conditions.

Market Risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, equity and commodity prices. The Bank's Market Risk exposures are classified into trading and banking book and are managed separately. Sensitivity and Scenario analysis of portfolios are carried out together with mark-to-market valuations and duration analysis that reflects the portfolio sensitivity to the market volatility. Further the bank analyse the Value at Risk (VaR) measurements on the forex and fixed income securities to assess any potential loss which is discussed in detail in Market Risk section under the Risk Management. Whilst the financial assets measured at fair value through profit or loss (FVPL) are fair valued through the Statement of Profit or Loss; financial assets measured at fair value through other comprehensive income (FVOCI) are fair valued through equity where realised capital gains/losses are recognised in the Statement of Profit or Loss.

The key macroeconomic indicators improved in 2024, compared to alarming levels that prevailed in recent years. Inflationary pressures eased. This allowed the easing of monetary conditions further during the year. Market Interest rates continue the decreasing trend in 2024 resulted in response to the recent monetary policy stance. Overall reduction was observed in the T-Bill yield rates in both the primary and secondary markets, while T-Bond yields remained broadly stable. Central Bank of Sri Lanka moved to a single policy interest rate mechanism from its dual policy interest rate mechanism by introducing the Overnight Policy Rate (OPR) which further reduced the effective policy interest rates in 2024 to support credit expansion and economic activity.

In addition to the improvements on the macroeconomic front, the financial sector resilience also improved in 2024. The liquidity conditions in the domestic forex market improved during last year as buffers of foreign reserves were improved, supported by continuous forex purchases by the Central Bank. During the year ending December 2024, an appreciation of 10% against the USD was recorded.

The Bank closely monitored the behaviour of market sentiments and proactive re-pricing measures were adopted to mitigate any adverse impact to the Bank's Statement of Financial Position and were able to maintain the exposures within the risk appetite. Bank made every effort to optimally balance the need of mitigating the Market Risk elements with the level of risk that Bank is willing to accept in achieving its organisational goals.

57.4 (a) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates would affect future cash flows or the fair values of financial instruments. The Board has established limits on trading and banking books of the Bank. The Bank's policy is to monitor positions on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

57.4 (a) (i) Interest rate risk in the trading book

The following table demonstrates the sensitivity to a reasonably possible change in fixed income securities (Treasury Bills & Bonds), with all other variables held constant on the Bank's Statement of Profit or Loss in the year 2024.

Sensitivity of the financial assets measured at fair value through profit or loss - Sri Lanka Government Securities

	Portfolio size Bank LKR '000	Portfolio size Group LKR '000	Increase/ Decrease in basis Points	Sensitivity of Profit or Loss Bank LKR '000	Sensitivity of Profit or Loss Group LKR '000
31 December 2024					
Financial assets measured at fair value through profit or loss	6,850,934	6,850,934	+100/(100)	(44,337)/44,746	(44,337)/44,746
31 December 2023					
Financial assets measured at fair value through profit or loss	24,543,795	24,543,795	+100/(100)	(138,824)/141,296	(138,824)/141,296

Fair value of the financial assets measured at fair value through other comprehensive income is recognised in the other comprehensive income (OCI) until the asset is derecognised in which case the price sensitivity does not have a direct impact to the Bank's Statement of Profit or Loss.

Sensitivity of the financial assets measured at fair value through Other Comprehensive Income - Sri Lanka Government Securities

	Portfolio size Bank LKR '000	Portfolio size Group LKR '000	Increase/ Decrease in basis Points	Sensitivity on Bank LKR '000	Sensitivity on Group LKR '000
31 December 2024					
Financial assets measured at fair value through Other Comprehensive Income	89,098,045	89,348,045	+100/(100)	(1,555,633)/1,611,366	(1,562,965)/1,619,049
31 December 2023					
Financial assets measured at fair value through Other Comprehensive Income	80,541,120	81,202,146	+100/(100)	(858,326)/884,159	(869,732)/896,070

57.4 (a) (iii) Interest Rate risk in the banking book

The table below analyses the Bank's and the Group's interest rate risk exposure on financial assets and liabilities as at 31 December 2024.

The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the interest rate sensitive assets and liabilities as at 31.12.2024.

	BANK						
	On Demand	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non Interest Bearing	Carrying Amount
31 December 2024	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets							
Cash and cash equivalents	-	-	-	-	-	18,037,627	18,037,627
Balances with the Central Bank of Sri Lanka						8,053,358	8,053,358
Placements with banks	10,457,556	11,641,276	-	-	-	--	22,098,832
Financial assets recognised through profit or loss - measured at fair value	6,776,131	-	-	-	-	-	6,776,131
Financial assets at amortised cost - loans and receivables to other customers	76,340,413	129,313,552	81,160,186	140,589,316	33,303,791	-	460,707,258
Financial assets at amortised cost - Debt and other instruments	543,026	11,004,958	35,586,938	66,883,244	52,172,595	-	166,190,761
Financial assets measured at fair value through other comprehensive income	92,170,822	-	-	-	-	2,074,593	94,245,415
Other financial assets	1,046,533	-	-	-	-	-	1,046,533
Total Financial Assets	187,334,481	151,959,786	116,747,124	207,472,560	85,476,386	28,165,578	777,155,915
Financial Liabilities							
Due to Banks	41,342	4,800,000	-	-	-	-	4,841,342
Financial Liabilities at amortised cost							
Due to depositors	96,986,574	165,251,943	255,793,018	55,877,384	3,199,129	54,574,878	631,682,926
Due to debt securities holders	6,834,962	380,755	787,133	-	-	-	8,002,850
Due to other borrowers	1,688,733	21,970	311,080	16,893,768	3,108,248	-	22,023,798
Debt securities issued	321,127	-	10,243,581	23,000,000	-	-	33,564,708
Other financial liabilities	383,717	-	482,072	1,303,177	298,731	-	2,467,698
Total Financial Liabilities	106,256,455	170,454,668	267,616,884	97,074,329	6,606,108	54,574,878	702,583,322
Total Interest Sensitivity Gap	81,078,026	(18,494,882)	(150,869,760)	110,398,231	78,870,278	(26,409,300)	74,572,593

	BANK						
	On Demand	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non Interest Bearing	Carrying Amount
31 December 2023	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets							
Cash and cash equivalents	-	-	-	-	-	28,100,515	28,100,515
Balances with the Central Bank of Sri Lanka	-	-	-	-	-	7,040,421	7,040,421
Placements with banks	6,725,602	27,018,000	-	-	-	-	33,743,602
Financial assets recognised through profit or loss - measured at fair value	24,021,340	-	-	-	-	-	24,021,340
Financial assets at amortised cost							
- loans and receivables to other customers	99,235,296	112,571,102	78,408,020	128,757,218	33,688,826	-	452,660,461
Financial assets at amortised cost - Debt and other instruments	9,324,965	28,347,337	22,992,237	40,454,555	24,553,277	-	125,672,370
Financial assets measured at fair value through other comprehensive income	82,668,909	-	-	-	-	1,136,489	83,805,398
Other financial assets	1,427,296	-	-	-	-	-	1,427,296
Total Financial Assets	223,403,408	167,936,439	101,400,257	169,211,773	58,242,103	36,277,425	756,471,403
Financial Liabilities							
Due to Banks	579,195	7,100,000	-	-	-	-	7,679,195
Financial Liabilities at amortised cost							
Due to depositors	89,995,375	182,700,412	255,022,181	40,968,102	2,514,716	44,443,212	615,643,999
Due to debt securities holders	46,992	15,560,897	20,680	4,000	-	-	15,632,569
Due to other borrowers	16,579,302	23,622	657,819	4,398,066	2,977,732	-	24,636,539
Debt securities issued	-	6,049,327	-	23,339,547	-	-	29,388,875
Other financial liabilities	506,223	-	430,515	1,270,472	184,011	-	2,391,221
Total Financial Liabilities	107,707,087	211,434,258	256,131,195	69,980,187	5,676,459	44,443,212	695,372,398
Total Interest Sensitivity Gap	115,696,321	(43,497,819)	(154,730,938)	99,231,586	52,565,644	(8,165,787)	61,099,005

57.4 (a) (ii) Interest Rate risk in the banking book (Contd.)

	GROUP						
	On Demand	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non Interest Bearing	Carrying Amount
31 December 2024	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets							
Cash and cash equivalents	-	-	-	-	-	18,682,376	18,682,376
Balances with the Central Bank of Sri Lanka	-	-	-	-	-	8,053,358	8,053,358
Placements with banks	10,457,556	11,641,276	-	-	-	-	22,098,832
Financial assets recognised through profit or loss - measured at fair value	9,905,171	-	-	-	-	-	9,905,171
Financial assets at amortised cost - loans and receivables to other customers	76,330,905	129,319,932	81,178,621	140,635,619	33,315,533	-	460,780,610
Financial assets at amortised cost - debt and other instruments	543,026	11,090,918	35,617,019	66,932,233	52,172,595	-	166,355,792
Financial assets measured at fair value through other comprehensive income	92,584,511	-	-	-	-	2,074,595	94,659,106
Other financial assets	1,321,169	-	-	-	-	-	1,321,169
Total Financial Assets	191,142,338	152,052,126	116,795,640	207,567,852	85,488,128	28,810,329	781,856,414
Financial Liabilities							
Due to banks	41,342	4,800,000	-	-	-	-	4,841,342
Financial liabilities at amortised cost							-
due to depositors	96,434,786	165,251,943	255,793,018	55,877,384	3,199,129	54,525,201	631,081,461
due to debt securities holders	6,834,962	380,755	787,133	-	-	-	8,002,850
due to other borrowers	1,688,733	21,970	311,080	16,893,768	3,108,248	-	22,023,798
Debt securities issued	321,127	-	10,243,581	23,000,000	-	-	33,564,708
Other financial liabilities	669,956	-	557,676	1,378,781	298,731	-	2,905,144
Total Financial Liabilities	105,990,906	170,454,668	267,692,487	97,149,933	6,606,107	54,525,201	702,419,303
Total Interest Sensitivity Gap	85,151,432	(18,402,542)	(150,896,847)	110,417,919	78,882,021	(25,714,872)	79,437,111

	GROUP						
	On Demand	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non Interest Bearing	Carrying Amount
31 December 2023	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets							
Cash and cash equivalents	-	-	-	-	-	28,580,676	28,580,676
Balances with the Central Bank of Sri Lanka	-	-	-	-	-	7,040,421	7,040,421
Placements with banks	6,725,602	27,018,000	-	-	-	-	33,743,602
Financial assets recognised through profit or loss - measured at fair value	26,040,046	-	-	-	-	-	26,040,046
Financial assets at amortised cost - loans and receivables to other customers	99,234,006	112,576,522	78,422,948	128,802,601	33,703,852	-	452,739,929
Financial assets at amortised cost - debt and other instruments	9,324,965	28,347,337	22,992,237	40,454,555	24,553,277	-	125,672,370
Financial assets measured at fair value through other comprehensive income	83,508,934	-	-	-	-	1,136,489	84,645,423
Other financial assets	1,965,544	-	-	-	-	-	1,965,544
Total Financial Assets	226,799,097	167,941,859	101,415,185	169,257,156	58,257,129	36,757,586	760,428,011
Financial Liabilities							
Due to banks	579,195	7,100,000	-	-	-	-	7,679,195
Financial liabilities at amortised cost							
due to depositors	89,826,075	182,463,109	255,022,181	40,968,102	2,514,716	44,438,286	615,232,470
due to debt securities holders	46,992	15,560,897	20,680	4,000	-	-	15,632,569
due to other borrowers	16,579,302	23,622	657,819	4,398,066	2,977,732	-	24,636,539
Debt securities issued	-	6,049,327	-	23,339,547	-	-	29,388,875
Other financial liabilities	390,251	-	506,119	1,512,405	184,011	-	2,592,786
Total Financial Liabilities	107,421,815	211,196,955	256,206,799	70,222,120	5,676,459	44,438,286	695,162,434
Total Interest Sensitivity Gap	119,377,282	(43,255,096)	(154,791,614)	99,035,036	52,580,670	(7,680,700)	65,265,577

57.4 (b) Mark to market valuation

The Sri Lanka Government securities portfolio classified as financial assets recognised at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and the foreign exchange positions are subject to mark to market valuation on a daily basis to derive the economic value of positions.

Mark to Market results are being monitored against the Board approved stop-loss limits on a daily basis, reviewed by ALCO on a monthly basis and at IRMC on a quarterly basis to assess the portfolio performance and investment decisions.

57.4 (c) Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument denominated in foreign currency will fluctuate due to changes in exchange rates other than the functional currency in which they are measured. Board approved limits are in place on currency positions and are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Bank only has hedges of highly probable future cash flows attributable to recognised asset or liability or a forecast transaction (cash flow hedge). Refer note 25 - Derivative financial instrument.

The table below indicates the currencies to which the bank had significant exposure as at 31 December 2024 and 31 December 2023 on its currency exposures. The analysis calculates the sensitivity of each currency position to the increase in exchange rate against LKR (functional currency) with all other variables held constant in the Statement of Profit or Loss and equity. A negative amount in the table reflects a potential net reduction in the Statement of Profit or Loss and equity, while a positive amount reflects a net potential increase depending on the side of the currency position.

An equivalent decrease in below currencies against LKR would have resulted in an equivalent but opposite impact.

Currency	Spot rate shock %	2024		2023	
		Effect on profit LKR '000	Effect on equity LKR '000	Effect on profit LKR '000	Effect on equity LKR '000
USD	2.50	(14,573)	(14,573)	16,238	16,238
GBP	2.50	7	7	172	172
EUR	2.50	70	70	(12,321)	(12,321)
JPY	2.50	120	120	(1,541)	(1,541)
AUD	2.50	10	10	(131)	(131)

With regard to the Group companies, the investment in the Emerald Fund by NDB Capital Holdings Limited would result a potential net reduction or increase of LKR 9.4 Mn to a similar sensitivity depending on the movement of the future exchange rate.

57.4 (d) Price Risk**Equity price risk**

Equity price risk is the risk that the fair value of financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income, decreases as a result of changes in the level of equity indices and individual stocks. The following table demonstrates the sensitivity to a reasonably possible change in quoted equity indices, with all other variables held constant of the Bank's and the Group's Statement of Profit or Loss.

Entity	2024			
	Magnitude of shock and the fall in Value of Equity - LKR '000			
	Portfolio value	Mild 5%	Moderate 10%	Severe 15%
Bank	2,074,593	103,730	207,459	311,189
Group	2,826,501	141,592	283,184	424,776

Entity	2023			
	Magnitude of shock and the fall in Value of Equity - LKR '000			
	Portfolio value	Mild 5%	Moderate 10%	Severe 15%
Bank	1,136,487	56,824	113,649	170,473
Group	1,567,039	78,352	156,704	235,056

Sensitivity of the unit trust investments

The Bank did not carry Investments in unit trusts. However the Group could have the following sensitivity due to an adverse impact in the unit trust prices. The impact is monitored under three scenarios mild, moderate and severe conditions.

Entity	2024			
	Magnitude of shock and the fall in Value of Units - LKR '000			
	Portfolio value	Mild 5%	Moderate 10%	Severe 15%
Bank	-	-	-	-
Group	1,913,090	95,655	191,309	286,964

Entity	2023			
	Magnitude of shock and the fall in Value of Units - LKR '000			
	Portfolio value	Mild 5%	Moderate 10%	Severe 15%
Bank	-	-	-	-
Group	760,231	38,012	76,023	114,035

57.4 (e) Commodity price risk

The Bank did not hold a commodity trading position as at 31 December 2024, hence the Bank was insensitive for commodity price risk.

57.4 (f) Liquidity risk

Liquidity Risk is defined as the risk that the Bank would encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity Risk arises due to the Bank's inability to meet its payment obligations when they fall due under both normal and stress circumstances.

The Bank has set forth comprehensive approach in managing liquidity risk, incorporating policies, procedures, measurement methods, mitigation strategies, stress testing methodologies and contingency funding arrangements approved by the Board for effective management of liquidity. Bank's internal prudential limits framework ensures that the exposures are managed and monitored at prudent levels. A recovery plan was developed to map the process of recovering during a liquidity crisis assessing Bank's ability to recover during stressed situations.

In accordance with the Bank's risk management policy, the liquidity positions are assessed /stressed and managed under a variety of scenarios, giving due consideration to stress factors relating to both market and Bank. This ensures the maintenance of liquidity ratios at prudential levels. The Bank is in possession of a reciprocal liquidity contingency funding agreement signed up with an identified licensed commercial bank to deal in crisis situations.

Bank managed to continue the liquidity levels at prudent levels with lower economic activities and changing systemic implications. During the year, Bank continued to face the excess liquidity driven by relatively slow credit growth compared to deposit inflow. Bank made concerted efforts to safeguard the balance sheet on uncertainties to optimise the profits followed with risk & opportunities.

Bank opted for the local option of the ISB Re-structuring process by receiving 70% of the outstanding amount in USD-denominated step-up bonds, 30% in LKR-denominated SLFR-linked bonds, and the accrued interest in USD-denominated PDI bonds, whilst prudently managing the immediate day one loss impact, haircut implications and negative Net Open Position through proactive measures taken in building adequate provisions and reserves ensuring a minimum impact on the Bank's Statement of Financial Position.

Bank carried out appropriate deposit campaigns at accurate time intervals with right pricing in order to mobilise LKR and USD deposits for growth of Statement of Financial Position and NIMs addressing potential negative liquidity gaps to minimise the adverse impacts. Bank maintained healthy liquidity position where LCR & NSFR ratios stood well over the thresholds at 308.26% and 152.43% as at the year end indicating short term & long term stability of funding sources compared to Bank's obligations.

The table below summarises the maturity profile of the undiscounted cash flows of the financial assets and financial liabilities of the Bank and Group as at 31 December 2024 and 31 December 2023.

57.4 (f) (i) Contractual maturities of undiscounted cash flows of financial assets and liabilities

The Bank managed its net funding requirements effectively with deposit rollover rates above 80% in local currency, foreign currency and overall surplus liquidity position.

	BANK						
	On Demand LKR '000	Trading Derivatives LKR '000	Less than 3 months LKR '000	3 - 12 months LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
31 December 2024							
Financial Assets							
Cash and cash equivalents	18,037,627	-	-	-	-	-	18,037,627
Balances with the Central Bank of Sri Lanka	8,053,358	-	-	-	-	-	8,053,358
Less: Restricted balance	(8,053,358)	-	-	-	-	-	(8,053,358)
Placements with banks	-	-	11,771,961	10,631,545	-	-	22,403,506
Derivative Financial Instruments	-	1,146,236	-	-	-	-	1,146,236
Financial assets recognised through profit or loss - measured at fair value	6,776,131	-	-	-	-	-	6,776,131
Financial assets at amortised cost - loans and receivables to other customers	75,814,575	-	132,748,198	90,445,312	187,957,125	58,181,149	545,146,360
Financial assets at amortised cost - debt and other instruments	-	-	11,670,982	43,719,317	102,735,433	76,123,451	234,249,183
Financial assets measured at fair value through other comprehensive income	94,245,415	-	-	-	-	-	94,245,415
Other financial assets	1,046,533	-	-	-	-	-	1,046,533
Total undiscounted financial assets	195,920,281	1,146,236	156,191,141	144,796,174	290,692,558	134,304,600	923,050,991
Financial Liabilities							
Due to Banks	555,792	-	4,824,363	-	-	-	5,380,155
Derivative Financial Instruments	-	344,586	-	-	-	-	344,586
Financial Liabilities at amortised cost							
due to depositors	151,561,558	-	174,079,437	276,787,762	58,678,700	4,045,780	665,153,236
due to debt securities holders	7,031,124	-	399,431	853,107	-	-	8,283,661
due to other borrowers	11,570,516	-	44,577	1,949,706	8,849,122	3,632,856	26,046,776
Debt securities issued	-	-	133,042	14,071,177	31,404,965	-	45,609,184
Other financial liabilities	383,718	-	-	482,072	1,303,177	298,731	2,467,698
Total undiscounted financial liabilities	171,102,707	344,586	179,480,849	294,143,823	100,235,965	7,977,366	753,285,297
Net undiscounted financial assets and liabilities	24,817,574	801,650	(23,289,708)	(149,347,649)	190,456,593	126,327,234	169,765,694

	BANK						
	On Demand LKR '000	Trading Derivatives LKR '000	Less than 3 months LKR '000	3 - 12 months LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
31 December 2023							
Financial Assets							
Cash and cash equivalents	28,100,515	-	-	-	-	-	28,100,515
Balances with the Central Bank of Sri Lanka	7,040,421	-	-	-	-	-	7,040,421
Less: Restricted balance	(7,040,421)	-	-	-	-	-	(7,040,421)
Placements with banks	-	-	27,421,729	6,681,780	-	-	34,103,508
Derivative Financial Instruments	-	3,083,815	-	-	-	-	3,083,815
Financial assets recognised through profit or loss - measured at fair value	24,021,340	-	-	-	-	-	24,021,340
Financial assets at amortised cost - loans and receivables to other customers	97,074,602	-	117,585,635	89,382,743	179,604,730	61,231,124	544,878,834
Financial assets at amortised cost - debt and other instruments	353,873	-	29,976,616	28,382,781	63,797,043	36,864,797	159,375,109
Financial assets measured at fair value through other comprehensive income	83,805,398	-	-	-	-	-	83,805,398
Other financial assets	1,427,296	-	-	-	-	-	1,427,296
Total undiscounted financial assets	234,783,024	3,083,815	174,983,980	124,447,304	243,401,773	98,095,921	878,795,815
Financial Liabilities							
Due to Banks	555,792	-	7,134,129	-	-	-	7,689,921
Derivative Financial Instruments	-	93,361	-	-	-	-	93,361
Financial Liabilities at amortised cost							
due to depositors	134,440,064	-	191,581,230	282,020,739	55,409,641	3,405,146	666,856,819
due to debt securities holders	-	-	15,609,283	23,231	5,600	-	15,638,113
due to other borrowers	16,151,349	-	421,397	1,952,192	6,996,625	3,181,805	28,703,369
Debt securities issued	-	-	6,307,311	2,250,189	29,593,091	-	38,150,590
Other financial liabilities	506,223	-	-	430,515	1,270,472	184,011	2,391,221
Total undiscounted financial liabilities	151,653,428	93,361	221,053,350	286,676,866	93,275,429	6,770,962	759,523,394
Net undiscounted financial assets and liabilities	83,129,596	2,990,454	(46,069,370)	(162,229,562)	150,126,344	91,324,959	119,272,421

57.4 (f) (i) Contractual maturities of undiscounted cash flows of financial assets and liabilities (Contd.)

31 December 2024	GROUP						
	On Demand LKR '000	Trading Derivatives LKR '000	Less than 3 months LKR '000	3 - 12 months LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Financial Assets							
Cash and cash equivalents	18,682,376	-	-	-	-	-	18,682,376
Balances with the Central Bank of Sri Lanka	8,053,358	-	-	-	-	-	8,053,358
Less: Restricted Balance	(8,053,358)	-	-	-	-	-	(8,053,358)
Placements with banks	-	-	11,771,961	10,631,545	-	-	22,403,506
Derivative Financial Instruments	-	1,146,236	-	-	-	-	1,146,236
Financial assets recognised through profit or loss - measured at fair value	9,905,171	-	-	-	-	-	9,905,171
Financial assets at amortised cost - loans and receivables to other customers	75,805,067	-	132,754,600	90,463,932	188,006,258	58,193,725	545,223,582
Financial assets at amortised cost - debt and other instruments	-	-	11,758,465	43,750,748	102,784,423	76,123,451	234,417,087
Financial assets measured at fair value through other comprehensive income	94,659,106	-	-	-	-	-	94,659,106
Other financial assets	1,321,169	-	-	-	-	-	1,321,169
Total undiscounted financial assets	200,372,889	1,146,236	156,285,026	144,846,225	290,790,681	134,317,176	927,758,233
Financial Liabilities							
Due to Banks	555,792	-	4,824,363	-	-	-	5,380,155
Derivative Financial Instruments	-	344,586	-	-	-	-	344,586
Financial Liabilities at amortised cost							
due to depositors	150,960,180	-	174,079,437	276,787,762	58,678,700	4,045,780	664,551,858
due to debt securities holders	7,031,124	-	399,431	853,107	-	-	8,283,661
due to other borrowers	11,570,516	-	44,577	1,949,706	8,849,122	3,632,856	26,046,776
Debt securities issued	-	-	133,042	14,071,177	31,404,965	-	45,609,184
Other financial liabilities	669,956	-	-	557,676	1,378,781	298,731	2,905,144
Total undiscounted financial liabilities	170,787,568	344,586	179,480,850	294,219,428	100,311,568	7,977,367	753,121,364
Net undiscounted financial assets and liabilities	29,585,321	801,650	(23,195,824)	(149,373,203)	190,479,113	126,339,809	174,636,869

31 December 2023	GROUP						
	On Demand LKR '000	Trading Derivatives LKR '000	Less than 3 months LKR '000	3 - 12 months LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Financial Assets							
Cash and cash equivalents	28,580,676	-	-	-	-	-	28,580,676
Balances with the Central Bank of Sri Lanka	7,040,421	-	-	-	-	-	7,040,421
Less: Restricted Balance	(7,040,421)	-	-	-	-	-	(7,040,421)
Placements with banks	-	-	27,421,729	6,681,780	-	-	34,103,508
Derivative Financial Instruments	-	3,083,815	-	-	-	-	3,083,815
Financial assets recognised through profit or loss - measured at fair value	26,040,046	-	-	-	-	-	26,040,046
Financial assets at amortised cost - loans and receivables to other customers	97,073,312	-	117,591,070	89,397,797	179,652,339	61,247,870	544,962,389
Financial assets at amortised cost - debt and other instruments	353,873	-	29,976,616	28,382,781	63,797,043	36,864,797	159,375,109
Financial assets measured at fair value through other comprehensive income	84,645,423	-	-	-	-	-	84,645,423
Other financial assets	1,965,544	-	-	-	-	-	1,965,544
Total undiscounted financial assets	238,658,874	3,083,815	174,989,415	124,462,358	243,449,382	98,112,667	882,756,510
Financial Liabilities							
Due to Banks	555,792	-	7,134,129	-	-	-	7,689,921
Derivative Financial Instruments	-	93,361	-	-	-	-	93,361
Financial Liabilities at amortised cost							
due to depositors	134,265,838	-	191,343,860	282,020,739	55,409,641	3,405,146	666,445,224
due to debt securities holders	-	-	15,609,283	23,231	5,600	-	15,638,113
due to other borrowers	16,151,349	-	421,397	1,952,192	6,996,625	3,181,805	28,703,369
Debt securities issued	-	-	6,307,311	2,250,189	29,593,091	-	38,150,590
Other financial liabilities	390,251	-	-	506,119	1,512,405	184,011	2,592,786
Total undiscounted financial liabilities	151,363,230	93,361	220,815,980	286,752,470	93,517,362	6,770,962	759,313,364
Net undiscounted financial assets and liabilities	87,295,644	2,990,454	(45,826,565)	(162,290,112)	149,932,020	91,341,705	123,443,146

57.4 (f) (ii) Contractual maturities for commitments and contingencies

The Bank's contingencies portfolio increased by 4% during 2024 and stood at LKR 288 Bn as at 31 December 2024.

The table below summarises the maturity profile of the commitments and contingencies for the Bank and Group as at 31 December 2024 and 31 December 2023.

	BANK					
	On Demand LKR '000	Less than 3 months LKR '000	3 - 12 months LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
31 December 2024						
Undisbursed financing commitments	146,640,431	-	-	-	-	146,640,431
Guarantees and performance bond	-	18,545,589	22,564,380	3,383,160	11,768,216	56,261,344
Documentary credits	-	8,894,034	963,778	-	-	9,857,812
Forward exchange contracts	-	53,607,335	7,270,057	5,962,320	-	66,839,712
Acceptance	-	8,143,484	549,883	-	-	8,693,367
Total	146,640,431	89,190,441	31,348,098	9,345,480	11,768,216	288,292,666

	BANK					
	On Demand LKR '000	Less than 3 months LKR '000	3 - 12 months LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
31 December 2023						
Undisbursed financing commitments	162,572,666	-	-	-	-	162,572,666
Guarantees and performance bond	-	14,703,544	25,504,133	5,682,178	11,098,094	56,987,949
Documentary credits	-	8,590,014	693,403	-	-	9,283,417
Forward exchange contracts	-	32,121,635	2,846,965	6,778,080	860,760	42,607,440
Acceptance	-	6,189,157	324,790	-	-	6,513,947
Total	162,572,666	61,604,350	29,369,291	12,460,258	11,958,854	277,965,419

	GROUP					
	On Demand LKR '000	Less than 3 months LKR '000	3 - 12 months LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
31 December 2024						
Undisbursed financing commitments	147,119,669	-	-	-	-	147,119,669
Guarantees and performance bond	-	18,245,590	22,559,592	3,283,160	11,768,217	55,856,559
Documentary credits	-	8,894,034	963,778	-	-	9,857,812
Forward exchange contracts	-	53,607,335	7,270,056	5,962,320	-	66,839,711
Acceptance	-	8,143,484	549,883	-	-	8,693,367
Total	147,119,669	88,890,443	31,343,309	9,245,480	11,768,217	288,367,118

	GROUP					
	On Demand LKR '000	Less than 3 months LKR '000	3 - 12 months LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
31 December 2023						
Undisbursed financing commitments	162,041,166	-	-	805,941	-	162,847,107
Guarantees and performance bond	-	14,591,432	25,504,133	5,682,178	11,098,094	56,875,837
Documentary credits	-	8,589,312	693,403	-	-	9,282,715
Forward exchange contracts	-	32,121,635	2,846,965	6,778,080	860,760	42,607,440
Acceptance	-	6,189,157	324,790	-	-	6,513,947
Total	162,041,166	61,491,536	29,369,291	13,266,199	11,958,854	278,127,046

57.5 Capital Management

Managing capital is a key focus area in the NDB Group's strategic plan. All large credit proposals are evaluated with the required capital charge and lending decisions are taken on the basis of sufficient return on capital. Even the expansion projects in terms of property expansions and software purchases are evaluated against sufficient return of capital. The Group always strives to maintain a relatively higher level of capital to support the growth in business operations, by maintaining an effective balance between dividend distributions and retention of profits.

57.5.1 Regulatory Capital

	BANK		GROUP	
	2024 LKR '000	2024 LKR '000	2023 LKR '000	2023 LKR '000
Common Equity Tier 1 Capital	62,094,115	54,699,450	66,298,084	58,524,995
Tier 1 Capital	62,094,115	54,699,450	66,298,084	58,524,995
Tier 2 Capital	24,571,521	19,824,152	24,478,735	19,788,246
Total Capital	86,665,636	74,523,602	90,776,819	78,313,241
Total Risk Weighted Assets	453,905,427	468,619,668	465,491,168	478,972,317
Common Equity Tier 1 Capital Ratio % (minimum requirement 7%)	13.68	11.67	14.24	12.22
Tier 1 Capital Ratio % (minimum requirement 8.5%)	13.68	11.67	14.24	12.22
Total Capital Ratio % (minimum requirement 12.5%)	19.09	15.90	19.50	16.35

The detailed capital adequacy computations are given under Risk Management on pages 443 to 483.

58 SELECTED PERFORMANCE INDICATORS / KEY FINANCIAL DATA

As per the requirements of Central Bank of Sri Lanka Circular No 05 of 2024 dated 31 December 2024

	BANK		GROUP	
	2024	2023	2024	2023
Basel III Leverage Ratio (Minimum Requirement - 3%)	7.46	6.74	7.89	7.15
Regulatory Liquidity				
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement 100%)	358.12	309.61	N/A	N/A
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement 100%)	308.26	228.58	N/A	N/A
Net stable Funding Ratio (%) (Minimum Requirement 100%)	152.43	142.26	N/A	N/A
Asset Quality (Quality of the Loan Portfolio)				
Impaired Loans (Stage 3) to Total Loans Ratio (%)*	5.18	8.58	5.18	8.58
Impairment (stage 3) to Stage 3 loans Ratio (%)*	54.48	41.11	54.48	41.11
Income and Profitability				
Net interest margin (%)	4.34	3.96	4.34	3.98
Return on Average Assets (before Tax (%))	3.09	1.25	3.23	1.34
Return on Equity (%)	12.22	8.03	12.46	8.11
Cost to Income Ratio (%)	36.91	30.41	38.04	32.01
Memorandum Information				
Credit Rating	A(lka) / Stable Outlook	A-(lka) / Stable Outlook	N/A	N/A
Number of Employees	2,920	2,756	3,088	2,915
Number of Branches	113	113	113	113

* Including undrawn portion of credit

CERTIFICATION:

We, the undersigned, being the Chief Executive Officer and the Vice President - Finance of National Development Bank jointly certify that:
(a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka;



Mr. Hasitha Athapattu
Vice President - Finance

20 February 2025



Mr. Kelum Edirisinghe
Director/Chief Executive Officer

COMPLIANCE WITH DISCLOSURE REQUIREMENTS OF THE CENTRAL BANK OF SRI LANKA

Compliance with the disclosure requirements under the prescribed format issued by the Central Bank of Sri Lanka for preparation, presentation and publication of annual audited financial statements of licensed commercial banks via the circular no 05 of 2024 dated 31 December 2024

1. INFORMATION ABOUT THE SIGNIFICANCE OF FINANCIAL INSTRUMENTS FOR FINANCIAL POSITION AND PERFORMANCE

1.1	Statement of Financial Position	Reference
1.1.1	Disclosures on categories of financial assets and financial liabilities	Note No 21 to the Financial Statements
1.1.2	Other disclosures	
	(i) Special disclosures about the financial assets and financial liabilities designated to be measured at fair value through profit or loss, including disclosures about credit risk and market risk, changes in fair values attributable to these risks and the methods of measurement.	Note No 56 - Fair value of financial instruments
	(ii) Reclassifications of financial instruments from one category to another.	Note No 29 to the Financial Statements
	(iii) Information about financial assets pledged as collateral and about financial or non-financial assets held as collateral.	Note No 57.3 to the Financial Statements
	(iv) Reconciliation of the impairment allowance for credit losses by class of financial assets.	Note No 22.1, 24.1, 27.6, 28.1(d) and 29.1(c) to the Financial Statements
	(v) Information about derivative financial instruments.	Note No 25 to the Financial Statements
	(vi) Information about compound financial instruments with multiple embedded derivatives.	Not Applicable
	(vii) Breaches of terms of loan agreements.	Note No. 51 to the Financial Statements
1.2	Statement of Comprehensive Income	
1.2.1	Disclosures on items of income, expense, gains or losses	Note No 4 to 15 of the Financial Statements
1.2.2	Other disclosures	
	(i) Total interest income and total interest expense for those financial instruments that are not measured at fair value through profit or loss.	Note 5.1 and 5.2 to the Financial Statements
	(ii) Fee income and expense.	Note No 6 to the Financial Statements
	(iii) Amount of impairment losses by class of financial assets	Note No 11 to the Financial Statements
	(iv) Interest income on impaired financial assets.	Note No 5.1 to the Financial Statements
1.3	Other Disclosures	
1.3.1	Accounting policies for financial instruments	Accounting Policies for each type of Financial Instrument presented in the Statement of Financial Position is disclosed under the respective Notes. Pages 270 to 396
1.3.2	Information on hedge accounting	Note No 25 to the Financial Statements
1.3.3	Information about the fair values of each class of financial asset and financial liability, along with:	
	(i) Comparable carrying amounts.	Note No 56 - Fair value of financial instruments
	(ii) Description of how fair value was determined.	Note No 56 - Fair value of financial instruments
	(iii) The level of inputs used in determining fair value.	Note No 56 - Fair value of financial instruments
	(iv) Reconciliations of movements between levels of fair value measurement hierarchy, additional disclosures for financial instruments which fair value is determined using level 3 inputs.	Note No 56(b) - Fair value of financial instruments
	(v) Information if fair value cannot be reliably measured.	Note No 29.3 to the Financial Statements

2. INFORMATION ABOUT THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

2.1	Qualitative Disclosures	Reference
2.1.1	Risk exposures for each type of financial instrument	Note 57 - Risk Management of the Financial Statements
2.1.2	Management's objectives, policies, and processes for managing those risks	Note 57 - Risk Management of the Financial Statements
2.1.3	Changes from the prior period	N/A
2.2	Quantitative Disclosures	
2.2.1	Summary of quantitative data about exposure to each risk at the reporting date.	Note 57 - Risk Management of the Financial Statements
2.2.2	Disclosures about credit risk, liquidity risk, market risk, operational risk, interest rate risk and how these risks are managed.	Note 57 - Risk Management of the Financial Statements
	(i) Credit Risk (a) Maximum amount of exposure (before deducting the value of collateral), description of collateral, information about credit quality of financial assets that are neither past due nor impaired and information about credit quality of financial assets. (b) For financial assets that are past due or impaired, disclosures on age, factors considered in determining as impaired and the description of collateral on each class of financial asset. (c) Information about collateral or other credit enhancements obtained or called. (d) Other disclosures, refer Basel III Minimum Disclosure Requirement under Pillar III as per the Banking Act Direction No. 1 of 2016 on Capital Requirements under Basel III for Licensed Banks.	 Note 57.3 - Risk Management of the Financial Statements and page 373 on Risk Management
	(ii) Liquidity Risk (a) A maturity analysis of financial assets and liabilities. (b) Description of approach to risk management. (c) Other disclosures, refer Basel III Minimum Disclosure Requirement under Pillar III as per the Banking Act Direction No. 1 of 2016 on Capital Requirements under Basel III for Licensed Banks.	 Note 57.4.(f) - Liquidity Risk of the Financial Statements and page 392 on Risk Management
	(iii) Market Risk (a) A sensitivity analysis of each type of market risk to which the entity is exposed. (b) Additional information, if the sensitivity analysis is not representative of the entity's risk exposure. (c) Other disclosures, refer Basel III Minimum Disclosure Requirement under Pillar III as per the Banking Act Direction No. 1 of 2016 on Capital Requirements under Basel III for Licensed Banks.	 Note 57.4 - Market Risk of the Financial Statements and page 388 on Risk Management
	(iv) Operational Risk Refer Basel III Minimum Disclosure Requirement under Pillar III as per the Banking Act Direction No. 1 of 2016 on Capital Requirements under Basel III for Licensed Banks.	Note 57.5 - Capital Management and page 396 on Risk Management
	(v) Equity risk in the Banking Book (a) Qualitative disclosures • Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons. • Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. (b) Quantitative disclosures • Value disclosed in the Statement of Financial Position of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value. • The types and nature of investments • The cumulative realised gains/ (losses) arising from sales and liquidations in the reporting period.	 Note 57.4.(d) - Equity Price Risk of the Financial Statements
	(vi) Interest rate risk in the Banking Book (a) Qualitative disclosures • Nature of interest rate risk in the banking book (IRRBB) and key assumptions (b) Quantitative disclosures • The increase/ (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant).	 Note 57.4(a) - Interest Rate Risk of the Financial Statements
2.2.3	Information on concentration of risk	Note 57.3.3.9 - Risk Management of the Financial Statements

3. OTHER DISCLOSURES

3.1	Capital	Reference
3.1.1	Capital structure (i) Qualitative disclosures Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of innovative, complex or hybrid capital instruments. (ii) Quantitative disclosures (a) The amount of Tier 1 capital, with separate disclosure of: Paid-up share capital/common stock • Reserves • Non-controlling interests in the equity of subsidiaries • Innovative instruments • Other capital instruments • Deductions from Tier 1 capital (b) The total amount of Tier 2 capital (c) Other deductions from capital (d) Total eligible capital	Pages from 443 on Risk Management
3.1.2	Capital adequacy (i) Qualitative disclosures A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities. (ii) Quantitative disclosures (a) Capital requirements for credit risk, market risk and operational risk (b) Total and Tier 1 capital ratio (iii) Disclosure requirement under Banking Act Direction No. 10 of 2019 on framework for dealing with Domestic Systemically Important Banks. (iv) Disclosure requirement under Banking Act Direction No. 8 of 2018 on Net Stable Funding Ratio under Basel III Liquidity Standards.	Pages from 443 on Risk Management

4. DISCLOSURES APPLICABLE FOR REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS OF DEALER DIRECT PARTICIPANTS IN SCRIPLESS TREASURY BONDS AND SCRIPLESS TREASURY BILLS

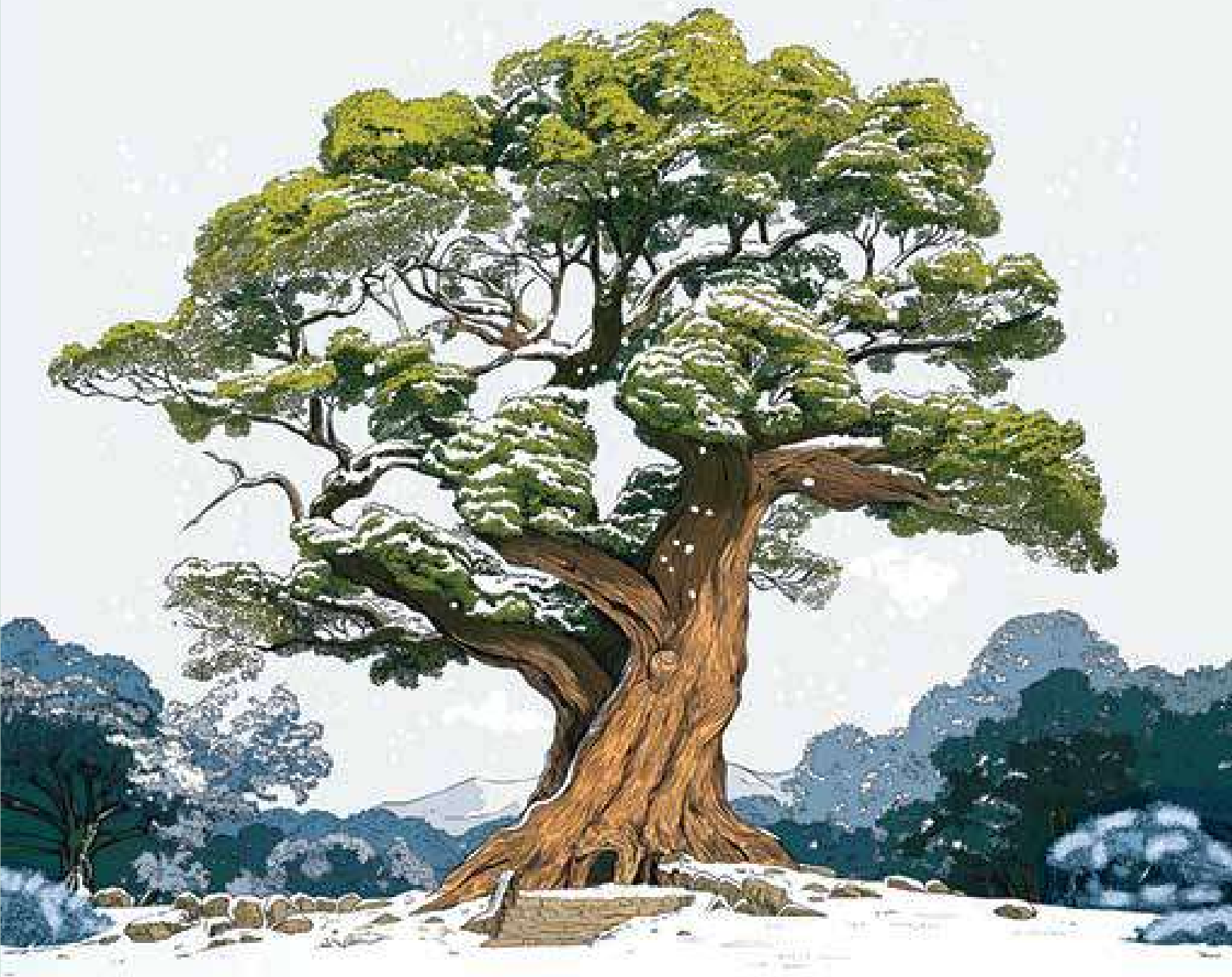
4.1	Registered Stock and Securities Ordinance and Local Treasury Bills Ordinance Directions No. 1 of 2019 dated 20th December 2019 issued by the Monetary Board	Reference
	(i) The carrying value of securities allocated for repurchase transactions as at the period end date. (ii) The market values of securities received for reverse repurchase transactions as at the period end date. (iii) The dealer direct participant policy on haircut for repurchase and reverse repurchase transactions. (iv) Any penalties imposed for non compliance with this Direction.	Note No 57.3.3.13 offsetting of Financial Assets and Liabilities and Note No 28.1(c)

5. DISCLOSURES APPLICABLE ON TREASURY OPERATIONS OF THE BANK

5.1	Banking Act Directions No 06 of 2019 dated 29 August 2019 issued by the Monetary Board on Market Conduct and Practices for Treasury Operations of Banks	Reference
	Disclose as a separate item in the Bank's audited Financial Statements, the profit generated through all interbank foreign exchange transactions including end user transactions where one leg is in the interbank market.	Note No 07

SUPPLEMENTARY INFORMATION

Attaining Enduring Growth



We're standing steadfast through changing times and seasons – delivering on the promise of prosperity both today, and for the generations to come.

In order to maintain a sense of permanence and continuity, Japanese gardens often cultivate evergreen trees that maintain their foliage and growth even amid significant shifts in the environment. The 'kusunoki' or camphor tree pictured here is renowned for its strength, vitality, and longevity, with the oldest known tree estimated to be approximately 1,500 years old.

KEY EVENTS

JANUARY

- ⦿ NDB launches AI Calendar for FY 2024, aligned to the Bank's commitment to digital advancements
- ⦿ NDB and CSE forge strategic alliance to facilitate foreign investments
- ⦿ NDB partners with the Mother Charitable Foundation for a noteworthy donation

FEBRUARY

- ⦿ NDB renews partnership with AICPA & CIMA for 2024
- ⦿ NDB partners with the 94th Battle of the Maroons as Official Banking Partner

MARCH

- ⦿ Sri Lanka Vanithabhimana Season 4 Grand Finale held on a high note
- ⦿ NDB elevates digital banking excellence with a double win at Lankapay Technovation Awards 2024
- ⦿ NDB hosts Exporter Forum to drive economic recovery and growth in Sri Lanka
- ⦿ NDB conducts Investor Earnings Call on its financial results for FY 2023

JUNE

- ⦿ NDB Staff Bhakthi Geetha Competition 2024
- ⦿ NDB supports future champions as the Official Team Sponsor of Trinity Rugby for the Third Time
- ⦿ NDB champions youth empowerment in partnership with Royal Rugby and the Bradby Shield 2024
- ⦿ NDB Toastmasters shines at Ovation 2024

MAY

- ⦿ NDB volunteers engage in restoration of mangroves in Anawilundawa
- ⦿ NDB's Leadership shines at the Great Manager Awards 2023
- ⦿ NDB advocates for sustainability at the Code Red Sri Lanka Climate Summit 2024

APRIL

- ⦿ Team NDB celebrates Avurudu 2024

JULY

- ⦿ NDB partners with Sri Lanka Inventors Commission to empower future innovators
- ⦿ NDB collaborates with the Suwaseriya Foundation to refurbish the Hikkaduwa Ambulance
- ⦿ NDB wins the Technology Resilient Company of the Year Award - Local Banks Category at the Digital Trust Awards 2024
- ⦿ NDB becomes the first Sri Lankan bank to be certified with the latest ISO 27001:2022

AUGUST

- ⦿ NDB collaborates with NEDA to empower SMEs and drive progress
- ⦿ NDB conducts Investor Earnings Call on its H1 Financial Results for 2024
- ⦿ NDB triumphs at the SLITAD People Development Awards with a Gold award
- ⦿ NDB honours its outstanding achievers at the Retail Banking Awards for 2022 and 2023

SEPTEMBER

- ⦿ NDB partners with the University of Sri Jayewardenepura to empower the next generation of leaders
- ⦿ NDB partners with MCA for the NDB-MCA C Division 50-Over League Tournament 2024
- ⦿ NDB Bank achieves historic milestone as the first Sri Lankan bank to reach 100,000 YouTube subscribers

DECEMBER

- ⦿ NDB achieves unprecedented milestone as the First Sri Lankan bank certified in three ISO certifications
- ⦿ NDB Leadership shines at inaugural Global CEO Awards Night 2024
- ⦿ NDB Shareek celebrates a decade of Islamic Banking excellence

NOVEMBER

- ⦿ NDB employees volunteer at the beach clean-up at Kapumgoda
- ⦿ NDB honoured at LMD's 30th Anniversary Awards Night for three decades of excellence
- ⦿ NDB's digital innovation triumphs at the 2024 Dragons of Sri Lanka Awards

OCTOBER

- ⦿ NDB honoured as the Banking Partner of the Year at Asia Trusted Life Agents & Advisors Awards 2024
- ⦿ NDB hosts thrilling Battle of the Brains Quiz Competition – Season 02
- ⦿ NDB joins hands with SLIM to empower SMEs through the SLIM SME Development Awards

AWARDS AND ACCOLADES 2024

Excellence in Digital Financial Services

- ⊙ Global Banking and Finance UK Awards 2024 - Excellence in Innovation Payments - NDB Wriztpay Sri Lanka
- ⊙ LankaPay Technnovation Awards 2024
 - Merit Award for Financial Institute of the Year for Adoption of LankaSign Digital Signatures
 - Merit Award for Bank of the Year Award - Excellence in Customer Convenience
- ⊙ Digital Trust Awards 2024, ISACA Sri Lanka Chapter - ISACA Digital Trust Awards 2024 - Technology Resilient Company of the Year (Local Banks Category)
- ⊙ The Global Economics Awards Program 2024 - Most Innovative Mobile Banking Application - NDB NEOS - Sri Lanka
- ⊙ International Finance Awards 2024 - Best Digital Transformation Bank - Sri Lanka

Excellence in Corporate Banking

- ⊙ Euromoney Awards for Excellence 2024 - Sri Lanka's Best Bank for Corporates
- ⊙ International Finance Awards 2024 - Most Innovative Corporate Bank - Sri Lanka

Excellence in Project Financing

- ⊙ Asian Banking and Finance Magazine (Singapore) Awards 2024
 - Syndicated Loan of the Year - Sri Lanka
 - Sri Lanka Domestic Project Finance Bank of the Year - Sri Lanka

Excellence in Retail Banking Products/Services

- ⊙ Asian Banking and Finance Magazine (Singapore) Awards 2024 - Domestic Retail Bank of the Year - Sri Lanka

Excellence in Empowering the Women's Market Segment

- ⊙ Global Banking and Finance UK Awards 2024 - Best Financial Institution for Empowering Women - Sri Lanka
- ⊙ Asian Banking and Finance Magazine (Singapore) Awards 2024 - Banking for Women Initiative of the Year - Sri Lanka
- ⊙ The Global Economics Awards Program 2024 - Best Initiative Towards Women Empowerment - NDB Araliya - Sri Lanka



Excellence in Best HR Practices

- ⊙ Euromoney Awards for Excellence 2024 - Sri Lanka's Best Bank for Diversity and Inclusion
- ⊙ Sri Lanka Institute of Training and Development Awards 2024 - SLITAD Peoples Development Award – Gold
- ⊙ Great Manager Awards 2023 by Colombo Leadership Academy - Company with Great Managers, seven senior management persons recognised as Great Managers

Excellence in Islamic Banking

- ⊙ Sri Lanka Islamic Banking & Finance Industry (SLIBFI) Awards 2023/24
 - Deal of the Year - Gold
 - Islamic Finance Unit of the Year - Silver
 - SDG Client - Silver
- ⊙ IFFSA Awards - Deal of the Year Gold Award

Excellence in Marketing, Branding & Sales

- ⊙ Dragons of Sri Lanka Awards 2024
 - Silver Dragon Award - Best Social Media/ Word of Mouth Campaign
 - Black Dragon Award - Best Small Budget Campaign

Excellence in Annual Reports Presentation

- ⊙ CMA Excellence in Integrated Reporting Awards 2024
 - Five Excellent Integrated Reports
 - Best Integrated Report - Banking Sector - Joint Winner
- ⊙ Best Presented Annual Report Awards, Integrated Reporting Awards and SAARC Anniversary Awards for Corporate Governance 2023 by SAFA - Merit Award for Private Sector Banks
- ⊙ CA Sri Lanka TAGS Awards 2024
 - Private Banking Sector - Bronze Award
 - Certificate of Recognition - Corporate Governance Disclosure - Financial Services
 - Certificate of Recognition - Sustainability Reporting
 - Certificate of Recognition - Integrated Reporting

Leadership Awards

- ⊙ Global CEO Awards 2024 - Seven top management leaders, including the CEO recognised for their outstanding contribution

Awards won by NDB Investment Bank Limited

⊙ Euromoney Magazine Awards for Excellence – 2024 - Sri Lanka's Best Investment Bank, (13th Consecutive Year) ⊙ Asian Banking & Finance Corporate & Investment Banking Awards 2024 - Corporate & Investment Bank of the Year - Sri Lanka (6th time) ⊙ World Economic Magazine Awards 2024 - Best Investment Bank Sri Lanka 2024 (2nd time)	⊙ Gazet International Annual Awards 2024 - Best Investment Bank Sri Lanka 2024 International Business Magazine Awards 2024 - Most Trusted Investment Banking Brand Sri Lanka 2024 ⊙ FinanceAsia Awards 2024 - Best Investment Bank in Sri Lanka

CORPORATE GOVERNANCE

(For further Compliance Disclosures please refer pages 216 - 224)

STATEMENT OF COMPLIANCE - DIRECTION NO. 11 OF 2007 (AS AMENDED) ON CORPORATE GOVERNANCE ISSUED BY THE MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA (THE CORPORATE GOVERNANCE DIRECTION 2007)

The Corporate Governance Direction 2007 provides processes and practices deemed to be the framework that facilitates the conduct of the banking business in a responsible and accountable manner so as to promote the safety and soundness of the Bank, thereby leading to the stability of the overall banking sector. The disclosures below reflect the Bank’s compliance with the Corporate Governance Direction 2007 under the following key principles:

- 1. The responsibilities of the Board;
- 2. The Board’s composition;
- 3. Criteria for the assessment of the fitness and propriety of Directors;
- 4. Management functions delegated by the Board;
- 5. The Board Chair and the Chief Executive Officer;
- 6. The Board appointed Sub committees;
- 7. Related Party Transactions; and
- 8. Disclosures;

Note: The Banking Act Directions on Corporate Governance, No. 05 of 2024 (“Corporate Governance Direction 2024”) issued by the Central Bank of Sri Lanka, repealed and replaced the Corporate Governance Direction No. 11 of 2007, with effect from 1 January 2025 (subject to extended timelines). While the Bank has taken steps to ensure compliance with the Directions No. 05 of 2024 well ahead of the timelines stipulated therefore, the Bank will fulfil its disclosure requirements in the 2024 Annual Report under the Corporate Governance Direction 2007. For more information on NDB’s proactive approach to Corporate Governance, refer the Corporate Governance Report on page 192-215.

Rule No.	Corporate Governance Principles	Compliance Status
3 (1) Responsibilities of the Board		
3 (1) (i)	The Board has strengthened the security and the soundness of the Bank in the following manner:	
a.	Setting and communicating strategic objectives and corporate values In response to the evolving market dynamics and in consideration of the potential the Bank possesses in making considerable progress in certain performance aspects that can drive the Bank’s profitability, the Bank focused on a curated strategy for the short term. The key focus areas of this strategy was driving transactions (thereby drive fee income, an integral component of the Bank’s overall revenue structure), enhancing the loan book quality and increasing the Bank’s interest margins. All these strategic focus areas were expected to drive related KPIs, and the advancements made are reflected in the Bank’s financial results for 2024. This strategy was duly approved by the Board of Directors. Teams comprising cross-functional representation led by senior management persons were appointed to drive each focus area and operationalise initiatives. All staff were well apprised of the strategy and developments through various knowledge sharing sessions and communications in making them all a part of the process. The corporate values of the Bank are embedded in the Bank’s Code of Conduct for Employees which is communicated to all employees via the Bank’s intranet, through the induction programmes, refresher trainings, Continuous reminders by way of e-flyers and staff engagement activities that drive these values.	Compliant
b.	Approving overall business strategy including risk policy and risk management The business strategy for the short-term focused on the three key strategic aspects as outlined above in 3 (1) (i) a, upon a review of the existing Strategic Plan The Bank has established an Integrated Risk Management Framework approved by the Board covering all risks. There are separate risk policies and risk management procedures with regard to credit risk, operational risk and market and liquidity risk. The strategic risk is embedded in each of these procedures based on applicability. Further, the Bank has a Board approved risk appetite statement which is monitored by the Integrated Risk Management Committee (IRMC) and the Board on a quarterly basis. The Bank has embarked on the evaluation of its strategy for the medium to long term with external advisory assistance where the current economic landscape and the Bank’s current position including its risk appetite is considered.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
c.	Risk management The Board is responsible for the overall risk framework of the Bank. The IRMC appointed by the Board, reviews and recommends to the Board, the Bank's risk policies and procedures defining the Bank's risk appetite, identifying principal risks, setting governance structures and implementing policies and systems in line with the Integrated Risk Management Framework to measure, monitor and manage the principal risks of the Bank. The Board has approved risk management policies and procedures as reviewed and recommended by the IRMC, based on these parameters and as required by this Direction. The following reports provide further insight in this regard: The Risk Management Report on pages 190 to 191. Integrated Risk Management Committee Report on pages 234 to 236.	Compliant
d.	Communication with all stakeholders The Bank has in place a Board approved Communication Policy aimed to encourage effective communication of corporate information relating to the Bank with stakeholders including employees, customers, creditors, general public and the regulators. This policy is regularly reviewed in order to reflect the best practices in communication. The Board approved Policy on Relations with Shareholders and Investors sets out the Bank's policy on effective communications and relations with the shareholders and investors of the Bank. Refer page 213 for more information on the Bank's Shareholder Engagement.	Compliant
e.	Internal control system and management information systems The Board is assisted by the Audit Committee (AC), which evaluates the adequacy and effectiveness of the internal control systems, and reviews internal control issues identified by the Bank's Internal Audit, External Auditor, regulatory authorities and the Management. The MIS process of the Bank is continuously being improved. The Board also reviews the adequacy of the Bank's Management Information Systems, based on the monthly MIS pack submitted to the Board each month.	Compliant
f.	Key Management Personnel (KMPs) KMPs of the Bank have been identified by the Board having considered the Banking Act Determination No. 1 of 2019 (as amended) on officers performing executive functions of the Bank, and presently are members of the Leadership Team whose names are detailed on pages 38 to 40 of this Report. The fitness of the KMPs are recommended by the Nominations and Governance Committee (NGC) and approved by the Board.	Compliant
g.	Define areas of authority and key responsibilities for Directors and KMPs The Bank's Policy on Corporate Governance and the Corporate Governance Process Manual sets out a clear division of authority and responsibilities between the Directors and the KMPs. The Directors have set goals and targets for the year 2024. The duties and responsibilities of KMPs are documented in their respective job descriptions and scorecards. The Board through the HRRC evaluated the performance of the KMPs against set goals and targets.	Compliant

CORPORATE GOVERNANCE

Rule No.	Corporate Governance Principles	Compliance Status
h.	Oversight of affairs of the Bank by KMPs To enable the Board to discharge its stewardship and fiduciary responsibilities effectively it delegates authority to the Board committees to oversee specific responsibilities based on clearly defined terms of reference. The Board has delegated its authority in operational areas to the Senior Management led by CEO within clearly defined limits. The Board regularly interacts with the Bank's KMPs through reports tabled at both Board, subcommittee meetings and at any special meetings convened on a needs basis. KMPs make regular presentations to the Board on matters under their purview and are also called in by the Board to explain matters relating to their areas. Banking operations carried out in line with the Bank's strategic objectives including any issues faced by the Bank are discussed on an ongoing basis at Board meetings and also at special meetings scheduled with Directors based on the exigencies of times through which Directors provide the required oversight and guidance to the KMPs. The CEO, at bi-monthly meetings held with the Leadership Team, updates them on key decision points taken by the Board.	Compliant
i.	Assess effectiveness of own governance practices The NGC has been tasked with new responsibilities in setting the governance standards and framework of the Bank. The Bank's Policy on Conflicts of Interest clearly provides guidance on avoiding, managing and disclosing conflicts of interests. The Directors provide declarations on a quarterly basis. The Directors' interests are disclosed to the Board and Directors and Directors who have a particular interest have stepped out from discussions and abstained from voting in such a situation and he/she is not counted in the quorum. Determination of weaknesses in the Board of Directors own governance practices and implementation of changes are primarily addressed through the annual self-evaluation process among the Board members. Self-evaluations for the year 2024 have been collected and summarised by the Company Secretary and submitted to the Board Chair for his review. The Board Chair then discusses areas of weaknesses and recommends changes where necessary at a Board meeting in order to ensure that governance practices are continuously improved throughout the year. Where necessary, the Board Chair may engage Directors on a one-on-one basis to discuss their feedback/address any concerns etc. In addition, the Board Chair and the Board being conscious of good governance principles, focuses on its practical implementation through its routine interaction with and oversight of the CEO and KMPs through the monthly Board meetings and as and when needed.	Compliant
j.	Succession plan for KMPs The Board, through the HRRC advised on talent identification, talent mapping, and a leadership competency development plan covering all key roles at the Bank. This exercise resulted in updating and improving succession planning at the Bank. Where the NGC advises and assesses the suitability of the identified successors.	Compliant
k.	Regular meetings with KMPs The KMPs make regular presentations or are called in for discussions at the meetings of the Board and its sub committees on policy and other matters relating to their areas. Board has access to CEO and KMPs of the Bank on a needs basis for matters relating to the business and operations of the Bank.	Compliant
l.	Regulatory environment and maintaining an effective relationship with the regulator CBSL Circulars, directions and guidelines issued by the regulators are circulated to the Directors on a quarterly basis for their information. Through the BoardPac together with explanatory notes which detailed the key areas of impact and a snapshot of key regulatory changes during each quarter with the status of compliance was provided to the Board. The CEO meets with the Central Bank officials at the monthly CEO's meeting. The Board Chair and the Chairpersons of the Board sub committees also meet with the CBSL officials. Further, the Directors, the CEO and KMPs of the Bank maintain dialogue with the regulators on an ongoing basis and attend the Director's forum arranged by the CBSL. In addition, the Board was updated and made aware of the several regulatory changes that took place in 2024, by internal and external experts in order to ensure Board's knowledge and understanding and possible impact to the Bank.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
m.	Hiring and oversight of External Auditors Audit Committee Charter includes the functions of hiring and overseeing of the External Auditor. The AC carries out the necessary due diligence regarding the hiring/evaluation of the External Auditor and makes recommendations to the Board. The appointment/re-appointment of the External Auditor is made at the Annual General Meeting. Oversight of the External Auditor is carried out by the AC and the Board is been briefed of any concerns in this regard if required. A formal evaluation of the External Auditors' Performance is assessed annually by the AC by also considering the evaluation done by VP - Finance and conclusions together with any recommendations are discussed at Board level.	Compliant
3 (1) (ii)	Appointment of Board Chair and CEO and defining and approving their functions and responsibilities In line with the Direction, the Bank's Board-approved Policy on Corporate Governance and the Corporate Governance Process Manual documents the functions and responsibilities of the Board Chair and the CEO. The Board has appointed the Board Chair and CEO and has approved their functions. There is a clear division of responsibilities between the Board Chair and the CEO, and this requirement is further explained on pages 200.	Compliant
3 (1) (iii)	Regular Board meetings Regular monthly Board meetings are held and special Board meetings are scheduled as and when the need arises. There have been 14 Board meetings during 2024 which included 02 special meetings. In addition, the sub committees of the Board meet as and when necessary. Each member of the Board brings different areas of expertise, skills and experience to the table which encourages a robust exchange of alternate views and ways of thinking. Circulation of Board papers to obtain Board's consent is minimised and resorted to only when absolutely necessary. These decisions are in any event later confirmed by the Board at the immediately succeeding Board meeting. 11 circular resolutions have been passed by circulation during 2024. Please refer page 207 and 208 for Board and Board Subcommittee meeting attendance respectively.	Compliant
3 (1) (iv)	Arrangements for Directors to include proposals in the agenda All Directors are entitled to include matters and proposals in the agenda for Board meetings and this right has been entrenched in the Bank's Policy on Corporate Governance and the Corporate Governance Process Manual. Monthly meetings are scheduled and informed to the Board at the end of the previous and this facilitate to submit proposals to the agenda for regular meetings. Additionally, a separate agenda item has been included in the monthly Board meeting agenda for Directors to raise any matters relating to the Bank's business and operations.	Compliant
3 (1) (v)	Notice of Meetings Monthly meetings for a calendar year are scheduled and informed to the Board at the end of the previous calendar year to provide Directors ample notice and an opportunity to participate. Formal notice of meetings, the agenda and Board papers related to each Board meeting are circulated at least 7 days in advance of the Board meeting. These documents are uploaded through a secure connection to the tablets of all Directors.	Compliant
3 (1) (vi)	Directors' attendance The Company Secretary monitors Directors attendance register to ensure compliance. All Directors have attended at least two thirds of the meetings held during the year 2024 and no Director has been absent for three consecutive meetings during 2024, if eligible to attend. Attendance of Directors at Board meetings is detailed on page 207.	Compliant

CORPORATE GOVERNANCE

Rule No.	Corporate Governance Principles	Compliance Status
3 (1) (vii)	Appointment and setting responsibilities of the Company Secretary The Policy on Corporate Governance and the Corporate Governance Process Manual includes the responsibilities of the Company Secretary as specified in the statutes and other regulations. The Company Secretary appointed by the Board is an Attorney at Law who satisfies the provision of Section 43 of the Banking Act, Companies Act and the Articles of Association of the Bank. Please refer page 37 for a detailed profile and page 200 for duties and responsibilities of the Company Secretary.	Compliant
3 (1) (viii)	Directors' access to advice and services of the Company Secretary The Policy on Corporate Governance and the Corporate Governance Process Manual of the Bank includes a provision to enable all Directors to have full access to the advice and services of the Company Secretary to ensure that proper Board procedures are followed and all applicable rules and regulations are complied with. For the year 2024, the Company Secretary has provided assistance to the Directors when requested.	Compliant
3 (1) (ix)	Maintenance of Board minutes The Company Secretary maintains detailed Board minutes and circulates minutes to all Directors for consideration after the approval of the Board Chair. The minutes are approved at the subsequent Board meetings. The Bank's Policy on Corporate Governance and the Corporate Governance Process Manual also provides that minutes are open for inspection at any reasonable time, upon reasonable notice given by any Director. Additionally, the Board has access to the past Board papers and Board minutes through a secure connection to the tablets of all Directors.	Compliant
3 (1) (x)	Maintaining minutes with sufficient details to serve as a reference for regulators and supervisory authorities A Board-approved procedure is in place for recording the Board minutes by the Company Secretary. The minutes contain adequate details appropriate to the matters dealt with. The minutes are read together with the corresponding Board papers, which supplement information in the minutes. All matters required to be minuted in terms of 3(1) (x) (a)–(f) of the Direction are recorded in the minutes. Please refer page 206 of the Corporate Governance report.	Compliant
3 (1) (xi)	Directors' ability to seek independent professional advice There is a process for Board members to obtain independent professional advice at the expense of the Bank. The Board has obtained professional advice during the year.	Compliant
3 (1) (xii)	Dealing with conflicts of interest The Directors are conscious of their obligations to deal with situations where there is a conflict of interest in accordance with the Articles of Association of the Bank, the Listing Rules and the Corporate Governance Directions. The Policy on Corporate Governance and the Corporate Governance Process Manual adopted by the Board, requires each Board member to determine whether he/ she has a potential or actual conflict of interest. If a Director of the Bank has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, such matters are disclosed and discussed at the Board meetings, where Non-Executive Independent Directors who have no material interest in the transaction, are present. Further, Directors abstain from participating in the discussion and voting on Board resolutions in relation to which such Directors or any of their close relation/s or a concern in which such Directors or any of their close relation/s have substantial interest, and/or are interested in. Further, their votes are not counted in the quorum for the relevant agenda item at the Board meeting.	Compliant
3 (1) (xiii)	Formal schedule of matters reserved for Board decision The Board has a formal schedule of matters specifically reserved to it for decision to ensure that direction and control of the Bank is firmly under its authority. See page 202 for a list of matters reserved for the Board of Directors.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
3 (1) (xiv)	Inform the Central Bank on probable solvency issues The Bank is aware of the requirement, but the situation has not arisen within the year. A Solvency Statement is prepared when the Bank declare the dividend payment to shareholders which is audited by the External Auditors.	Compliant
3 (1) (xv)	Capital adequacy Monthly and quarterly compliance reports have been submitted to the Board which contains the Capital Adequacy Ratio (CAR). The Bank is fully compliant with the Capital Adequacy requirements stipulated by the Central Bank of Sri Lanka. Also, the Internal Capital Adequacy Assessment Process (ICAAP) covers capital planning over the next 3 years. Refer pages 473 to 482 on Basel III Disclosures under Pillar III as per the Banking Act Direction No 01 of 2016 (as amended).	Compliant
3 (1) (xvi)	Publish Corporate Governance Report in this Annual Report This Report forms part of the Corporate Governance Report of the Bank which is set out on pages 192 to 215 and pages 404 to 419.	Compliant
3 (1) (xvii)	Self-assessment of Directors In accordance with the Direction, the Board annually assesses the effectiveness of the Director's own governance practices and therefore the Board has adopted a scheme of self-assessment to be undertaken by each Director annually. The evaluation covers a range of issues including the Board composition, timeliness and quality of information provided to the Board and their individual goals and responsibilities. The Board Chair reviews the responses based on the summarised responses for the previous year's self-assessment of the Directors to the self-assessment questionnaire and reports to the Board on any identified weaknesses and lapses and recommends an action plan for approval of the Board if necessary. The Board periodically reviews the progress made on the action plan. Where necessary, the Board Chair may engage Directors on a one-on-one basis to discuss their feedback/address any concerns etc.	Compliant
3 (2) Board Composition		
3 (2) (i)	Number of Directors The number of Board Directors during the year 2024 was in compliance with the thresholds detailed in this Direction and the Articles of Association of the Bank. As at 31 December 2024, the Board comprised nine (09) Directors.	Compliant
3 (2) (ii)	Period of service of a Director None of the Directors have exceeded 9 years of service during the year 2024. The Company Secretary monitors this requirement. Details of tenure of service is given on page 198.	Compliant
3 (2) (iii)	Board balance The CEO of the Bank is the only Executive Director and thus the Bank complies with this requirement	Compliant
3 (2) (iv)	Non-Executive Independent Directors The Board through Nominations and Governance Committee assesses the independence or non-independence of each Non-Executive Director based on declarations made by each Director to the Company Secretary. The frequency of obtaining declarations from the Directors was increased from annual basis to quarterly basis from Q4 2024 in line with the new Corporate Governance Direction. As at 31 December 2024 there were 6 Non-Executive Independent Directors on the Board which is above the regulatory requirement. The Non-Executive Independent Directors are detailed on page 197 of this report.	Compliant
3 (2) (v)	Alternate Independent Directors Directors appoint Alternate Directors in line with this Direction and the Articles of the Bank as and when required for a particular meeting. During the year 2024, Alternate Directors appointed by Independent Directors for a particular meeting met the criteria that apply to an Independent Director.	Compliant

CORPORATE GOVERNANCE

Rule No.	Corporate Governance Principles	Compliance Status
3 (2) (vi)	Criteria for Non-Executive Directors A Board-approved procedure to select and appoint Non-Executive Directors is in place. The Non-Executive Directors of the Bank are persons with credible track records and have necessary skills and experience to bring an independent judgment to bear on issues of strategy, performance, risks and resources. Please refer the profiles of Non-Executive Directors on pages 32 to 37 of this Report.	Compliant
3 (2) (vii)	More than half the quorum to comprise of Non-Executive Directors The CEO of the Bank is the only Executive Director. Hence all Board meetings have met this requirement.	Compliant
3 (2) (viii)	Identify Non-Executive Independent Directors in communications and disclose categories of Directors in this Annual Report The Non-Executive Independent Directors are expressly identified as such in all corporate communications that disclose the names of Directors of the Bank. The composition of the Board, by category of Directors, including the names of the Board Chair, Executive Director, Non-Executive Directors and Non-Executive Independent Directors are given on page 197 of the Corporate Governance Report.	Compliant
3 (2) (ix)	Formal and transparent procedure for appointments to the Board There is in place a formal, considered and transparent procedure for the appointment of new Directors to the Board. In practice, Directors are appointed based on recommendations made by the Nominations and Governance Committee. The Board has additionally evolved a succession plan collectively with the NGC to make certain the orderly succession of appointments to the Board.	Compliant
3 (2) (x)	Election of Directors filling casual vacancies Appointment to fill a casual vacancy is made by the Board on the recommendations of the Nominations and Governance Committee. A person so appointed would stand for re-election at the next Annual General Meeting in accordance with the Articles of Association. This requirement does not arise for the upcoming AGM.	Compliant
3 (2) (xi)	Communication of reasons for removal or resignation of Director There were two resignations during 2024 both of which complied with the disclosure requirements detailed in the Corporate Governance Directions and the CSE Listing Rules.	Compliant
3 (2) (xii)	Prohibition of Directors or employees of a Bank becoming a Director of another bank No Directors or employees of the Bank are a Director of another Bank. The Nominations and Governance Committee takes into account this requirement in their deliberations when considering the appointments of Directors. The Bank's "Code of Conduct" further incorporates this requirement for employees.	Compliant
3 (3) Criteria to assess fitness and propriety of Directors		
3 (3) (i)	Age of Director should not exceed 70 There are no Directors who are over 70 years of age.	Compliant
3 (3) (ii)	Directors should not be Directors of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the Bank. No Director holds Directorships of more than 20 companies. The Directorships of each of the Directors are disclosed on pages 32 to 37 of the Annual Report.	Compliant
3 (3) (iii)	Director or CEO of the Bank shall not be appointed before the expiry of a period of 6 months from the date of cessation of his/her office at another licensed bank (Cooling-off Period) The Company Secretary monitors this requirement.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
3 (4) Management functions delegated by the Board		
3 (4) (i)	Understand and study delegation arrangements	Compliant
3 (4) (ii)	Extent of delegation should not hinder the Board's ability to discharge its functions	Compliant
3 (4) (iii)	Review delegation arrangements periodically to ensure relevance to operations of the Bank The Board periodically reviews and approves the delegation arrangements in place to ensure they are relevant and addresses the needs of the Bank, including the risk appetite. Delegation papers are prepared in detail and recommended by the IRMC to the Board. Terms of Reference (TOR) of each of the Board Sub committees are approved by the Board. In addition it is to be noted that by delegating, the Board does not lose the authority to deal with matters that have been delegated when necessary.	Compliant
3 (5) The Board Chair and Chief Executive Officer		
3 (5) (i)	Separation of roles The roles of Board Chair and CEO of the Bank are held by separate individuals. In addition, there is a clear division of responsibilities between the Board Chair and the CEO thereby maintaining the balance of power between the two roles, as detailed in the Policy on Corporate Governance and the Corporate Governance Process Manual.	Compliant
3 (5) (ii)	A Non-Executive Independent Director as the Board Chair or if not independent, designation of an Independent Director as the Senior Director The Articles of Association of the Bank mandates that the Board Chair of the Bank must be an Independent Director. As such, a Non-Independent Director cannot be appointed as the Board Chair and hence the need to appoint a Senior Independent Director does not arise. Currently, Mr. Sriyan Cooray, Non-Executive Independent Director is the Board Chair of the Bank.	Compliant
3 (5) (iii)	Disclosure of identity of Board Chair and CEO and any relationships with the Board members In accordance with this Direction, the Company Secretary obtained declarations from each Director to identify the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Board Chair and the CEO and the relationships among members of the Board. Based on the said declarations there were no material relationships between the Board Chair and the CEO and among the Board members.	Compliant
3 (5) (iv)	Board Chair to provide leadership to the Board The Board Chair is responsible for the running of the Board, preserving order and ensuring that proceedings at meetings are conducted in a proper manner. Further, he ascertains the views of the Directors on the issues being discussed before decisions are taken. The self-evaluation process carried out by the members of the Board each year assists the Board Chair to effectively carry out his responsibilities by providing him the required feedback.	Compliant
3 (5) (v)	Responsibility for agenda lies with the Board Chair but may be delegated to the Company Secretary Whilst noting that the overall responsibility lies with the Board Chair, he has delegated the drawing up of the agenda to the Company Secretary who carries same out in consultation with the CEO and subject to the Board Chair's approval. The Bank's Policy on Corporate Governance and the Corporate Governance Process Manual also casts this responsibility with the Board Chair.	Compliant
3 (5) (vi)	Ensure that Directors are properly briefed and provided adequate information The Directors are adequately briefed in the course of discussions by the Board Chair, CEO and officers of senior management in respect of matters that are taken up by the Board. The following procedures are in place to ensure this: ⊙ Board papers are circulated in advance among the Directors. ⊙ Management information is provided on a regular basis to enable the Directors to assess the performance and stability of the Bank. ⊙ Relevant KMPs are on hand for explanations and clarifications. ⊙ The Directors are able to seek independent professional advice on a need basis at the Bank's expense.	Compliant

CORPORATE GOVERNANCE

Rule No.	Corporate Governance Principles	Compliance Status
3 (5) (vii)	Encourage active participation of all Directors and lead in acting in the interests of the Bank The Board Chair ensures that all members effectively participate as a team in Board deliberations and decisions, and act in the best interest of the Bank as a whole. Directors' concerns and comments are duly recorded in the minutes. A relationship of mutual trust exists between the Non-Executive Directors and the CEO being the only Executive Director.	Compliant
3 (5) (viii)	Encourage participation of Non-Executive Directors and relationships between Non-Executive and Executive Directors All Directors of the Board except the CEO are Non-Executive Directors and the Board Chair requests and encourages their active participation, as needed. Further, Non-Executive Directors participate in Board-appointed Sub committees providing further opportunity for active participation. In addition, the feedback received from the self-evaluation process carried out by the Board supports the Board Chair in improving contributions of Non-Executive Directors.	Compliant
3 (5) (ix)	Refrain from direct supervision of KMPs and executive duties The Board Chair is a Non-Executive Director and he does not directly get involved in the supervision of KMPs or any other executive duties.	Compliant
3 (5) (x)	Ensure effective communication with shareholders Shareholders are encouraged to provide their feedback to the Company Secretary using feedback forms made available with the Annual Report, and as and when needed throughout the year. In addition, there is an e-mail address dedicated for investor relations and the link is available on the Bank's website. The Bank also has a dedicated Investor Relations Team. The Board Chair together with the CEO ensures effective communication with shareholders through investor's forums or calls held each quarter/ as needed and through continuous engagement with our institutional investors. Members of the Board are apprised of the views of major investors and other key stakeholders pursuant to these meetings.	Compliant
3 (5) (xi)	CEO functions as the apex executive in charge of the day-to-day operations The CEO is responsible for providing the leadership, expertise and professional environment within the Bank for the implementation of the Board's policies and the achievement of the Bank's goals and objectives. The operations of the Bank are carried out in conformity to this requirement.	Compliant
3 (6) Board appointed committees		
3 (6) (i)	Establishing Board Committees, their functions and reporting The Board has established nine (9) Board Sub committees, of which 3 committees named Strategic Issues Committee, Credit Committee and Bank Digital Subcommittee were established to meet the business requirements of the Bank and 6 committees that are Audit Committee, Human Resources and Remuneration Committee, Nominations and Governance Committee, Integrated Risk Management Committee, Related Party Transactions Review Committee and Discretionary and Capital Expenditure Committee, are mandated by the CBSL and CSE regulations. Minutes of Board Subcommittee meetings are shared with the main Board and the Chairpersons of Board Sub committees update the Board on recommendations made and any matters of importance that are discussed at the respective Board Subcommittee. This Annual Report includes individual reports of each such Subcommittee on pages 227 to 248 which reports include a summary of duties, roles and performance of each Subcommittee.	Compliant
3 (6) (ii)	Audit Committee (AC) a. Chairperson of the committee shall be an Non-Executive Independent Director who possesses qualifications and experience in accountancy and/or audit Mr. Sujeewa Mudalige the Chairperson of the AC is an Non-Executive Independent Director and a Fellow Member of the Chartered Institute of Management Accountants, UK, Institute of Chartered Accountants of Sri Lanka, Association of Chartered Certified Accountants UK and CPA – Australia). Mr. Sujeewa Mudalige's profile is given on page 33.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
b.	Committee to comprise solely of Non-Executive Directors All members of the AC are Non-Executive Directors.	Compliant
c.	Audit Committee functions The following matters referred to in the Direction are reviewed and appropriate recommendations are made by the AC; (i) Re-appointment of the External Auditor for audit services has been recommended to the Board by the AC; The AC has discussed the audit plan and methodology with the External Auditor. (ii) - (iii) AC has discussed the implementation of the Central Bank guidelines issued to Auditors from time to time and the application of the relevant accounting standards; (iv) In order to ensure the independence of the Auditor to comply with the requirements of this Direction the External Audit Partner was rotated as per the five-year rotation requirement. The AC evaluates and makes recommendations to the Board with regard to the audit fee. Refer the 'Report of the Audit Committee' given on pages 237 to 239.	Compliant
d.	Review and monitor External Auditor's independence and objectivity and the effectiveness of the audit processes The AC reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices through the representations from the External Auditor.	Compliant
e.	Provision of non-audit services by External Auditor A Policy for 'Engaging the External Auditor for non-audit services' is in place which covers all aspects stated in this Direction. This Policy is reviewed and the relevant amendments are approved by the AC and the Board. Assigning such non-audit services to External Auditor is discussed at AC meetings and the required prior approval is obtained to that effect. Further, relevant information is obtained from the External Auditor to ensure that their independence is not impaired, as a result of providing any non-audit services.	Compliant
f.	Determines scope of audit The AC Charter requires the AC to discuss and finalise with the External Auditor the nature and scope of the audit. In order to comply, the External Auditor makes a presentation at the AC meeting detailing the proposed audit plan and scope. The Committee discussed and finalised the audit plan, methodology and scope with the External Auditor to ensure that it includes: An assessment of the Bank's compliance with the relevant Directions in relation to Corporate Governance and Internal Controls over Financial Reporting; The preparation of Financial Statements for external purposes in accordance with relevant accounting principles and reporting obligations. As all audits within the Group are carried out by the same External Auditor, there was no requirement to discuss arrangements for coordinating activities with other Auditors.	Compliant

CORPORATE GOVERNANCE

Rule No.	Corporate Governance Principles	Compliance Status
g.	Review financial information of the Bank The AC reviews the quarterly Financial Statements as well as year-end Financial Statements. The review focuses on the following: (i) major judgemental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) compliance with relevant Accounting Standards and other legal requirements. The AC makes their recommendations to the Board of Directors based on the above, on a quarterly basis.	Compliant
h.	Discussions with External Auditor on interim and final audits The Committee met the External Auditor twice during the year (i.e. in February and October 2024), without the presence of the Executive Management, to discuss issues, concerns and reservations arising from their audits.	Compliant
i.	Review of management letter and Bank's response The AC reviewed the External Auditor's Management Letter for the year ended 2023 and the Management's responses thereto.	Compliant
j.	Review of internal audit function The AC has oversight of the Internal Audit Department (IAD) of the Bank and carries out the following duties: (i) Reviews and discusses with the Head of Internal Audit (HIA) the annual Audit Plan covering the Group, the adequacy of the scope and functions and the resources of IAD. (ii) The Audit Plan for the year is approved by the AC and the progress is tabled at the AC meetings. The AC reviews the internal audit reports and discusses the Management Action Plans to resolve the issues raised by IAD. Further, AC Chairperson is kept informed of "Critical" and "Significant" issues arising from ongoing audits, as a "Heads up". All audit findings are sent to Operational Risk Department to identify any process improvements required and to follow up on implementing controls. (iii) Evaluates the performance of the HIA, based on the feedback given by the CEO and AC Chairperson. Further, HIA discusses the senior audit team members' performance with the AC. (iv) The AC is kept informed of senior staff member appointments /resignations. (v) Any outsourced internal audit services are done with the approval of AC. (vi) Ensures that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care. The IAD staff reports directly to the HIA who in turn reports directly to the AC.	Compliant
k.	Internal investigations Major findings of internal investigations are reviewed by the AC and Management responses are obtained. Also, the status of implementation of the recommendations made during investigations is discussed at Committee meetings.	Compliant
l.	Attendees at Audit Committee meetings Head of Internal Audit and VP Finance attended all meetings as a permanent invitee. The CEO attended meetings as well on invitation and other members of the Senior Management were invited to attend meetings on a need basis. Please refer pages 237 to 239 and 208 for "AC report" and AC attendance for 2024. On the invitation of the Committee, the Bank's External Auditor, Ernst & Young attended all meetings during the year. The AC met the External Auditor twice during the year (i.e. in February and October 2024) without the presence of KMPs.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
m.	Explicit authority, resources and access to information The Charter of the AC clearly defines the authority and terms of reference of the Committee, which is in compliance with this Direction.	Compliant
n.	Regular meetings The AC has scheduled regular quarterly meetings and additional meetings are scheduled when required. Accordingly, the Committee met eight times during the year. Members of the AC are served with due notice of issues to be discussed and the conclusions in discharging its duties and responsibilities are recorded in the minutes of the meetings maintained by HIA who functions as the Secretary to the AC.	Compliant
o.	Disclosure in Annual Report Please refer 'Audit Committee Report' on pages 237 to 239 for the details of the activities of the Audit Committee. Attendance of the Committee members at each of these meetings is given in the table on page 208 of the Annual Report.	Compliant
p.	Maintain minutes of meetings The Head of the Internal Audit functions as the Secretary to the AC and maintains detailed minutes of all meetings. Copies of these approved minutes have been tabled at Board Meetings.	Compliant
q.	Whistle blowing Policy and relationship with External Auditor The Bank has in place a Board-approved Whistle blowing Policy to make it easier for members of staff to be able to report irregularities in good faith, without having to fear that their actions may have adverse consequences on themselves. This Policy is reviewed and approved by the AC and the Board of Directors. Further strengthening the whistle blowing mechanism, the Bank introduced a feature of reporting through the staff intranet for added convenience and security. The employees of the Bank may, in confidence, raise concerns about possible improprieties in Financial Reporting, Internal Controls or other matters. A process has been established to track such whistle blowing and take necessary action. The Bank also has an established external informational mechanism, known as the "NDB Ombudsman", to whom confidentially matters can be whistle blown. The AC is the key representative body for overseeing the Bank's relations with the External Auditor.	Compliant
3 (6) (iii)	Human Resources and Remuneration Committee (HRRC) Composition & Responsibilities Please refer pages 231 to 233 for the composition and responsibilities of the Human Resources and Remuneration Committee (HRRC).	Compliant
a.	Determine the Remuneration policy relating to Directors, CEO and KMPs The HRRC reviews and where necessary makes recommendations on remuneration payable to Directors and KMPs of the Bank. A Board approved Remuneration Policy and process is in place for Directors, CEO and KMPs.	Compliant
b.	Set goals and targets for the Directors, CEO and KMPs The goals and targets set for the CEO and KMPs were reviewed and approved by the HRRC and noted/ approved by the Board. Further, the goals and targets of KMPs who head control functions were reviewed and approved by their respective Subcommittee. The goals and targets for the Directors for the year 2024 have been deliberated in detail and approved at HRRC and Board level.	Compliant

CORPORATE GOVERNANCE

Rule No.	Corporate Governance Principles	Compliance Status
c.	Evaluate the performance of the CEO and KMPs against the set goals and targets and determine remuneration benefits The performance of KMPs against set goals and targets are evaluated by the HRRC every year and recommendations are then discussed and approved by the full Board. Further, the performance of KMPs who head control functions are considered by their respective Sub committees/chairpersons of such Sub committees prior to being submitted to the HRRC and Board. The CEO's performance is evaluated by the full Board having been reviewed by the HRRC as needed/if so decided. The above process was complied with in 2024.	Compliant
d.	The CEO attendance at Committee meetings The CEO was present, if invited, at all meetings and stepped out when matters relating to the CEO were discussed	Compliant
3 (6) (iv)	Nomination and Governance Committee (NGC) Please refer pages 227 to 230 for the composition and responsibilities of the NGC.	Compliant
a.	Appointment of Directors, CEO and KMPs The NGC has in place a procedure to select new Directors, CEO and KMPs. A Board-approved procedure to select CEO and KMPs has been in place since December 2008 and has been reviewed last in 2024 and was followed when selecting the new CEO and several KMPs in 2024. No new Non-Executive Director appointments took place in 2024.	Compliant
b.	Re-election of Directors This is a requirement of the Nominations and Governance Committee Charter. The NGC determines the Directors who will be retiring and whether they are eligible to be re-elected every year pursuant to taking into account the performance and contribution made by the Director concerned towards the overall discharge of the Board's responsibilities. The Committee in February 2025 has considered and recommended the re-election of Mr. Kushan D'Alwis, PC and Mr. Bernard Sinniah. The Committee also considers the re-appointment of any directors who are appointed during the financial year to fill casual vacancies. No such appointments were made for 2024.	Compliant
c.	Eligibility criteria for appointments to key managerial positions including CEO The NGC has set a procedure to assess eligibility including criteria such as qualifications, experience and key attributes, for appointment or promotion to Key Management Positions including the position of the CEO. The committee is also guided by applicable statutes in considering the suitable criteria for each appointment/ promotion and followed the same in its recommendations in 2024.	Compliant
d.	Fit and proper persons The Company Secretary obtains the declarations for the year 2024 from the Directors. The said annual declarations are submitted to the NGC to ensure that they are fit and proper persons to hold office as specified in the criteria given in Direction 3(3) and as set out in the statutes. Thereafter the required affidavits of Directors are submitted to CBSL. The required affidavits are obtained from KMPs at the time of appointment, promotions, extensions, lateral moves as required by the regulation. The frequency of obtaining declarations from the Directors was increased from annual basis to quarterly basis from Q4 2024.	Compliant
e.	Succession plan and new expertise The NGC considers Board vacancies based on the expertise required by the Bank and recommends suitable candidates when necessary in accordance with the Board-approved procedure for selection and appointment of Directors and this procedure was followed in 2024. The NGC also recommended the Succession Plan for KMPs to the Board.	Compliant
f.	Committee to be chaired by an Independent Director The NGC is Chaired by Mr. Kushan D' Alwis, PC who is an Independent Director. The CEO is present only if invited.	Compliant
3 (6) (v)	Integrated Risk Management Committee (IRMC) Please refer pages 234 to 236 for the composition and responsibilities of the IRMC. The Terms of Reference of the IRMC was last reviewed and updated in February 2024.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
a.	Composition of IRMC The IRMC comprises of six Non- Executive Directors of which three are independent Directors including the Committee Chairperson. Please see detailed Report on pages 234 to 236 of this report.	Compliant
b.	Risk assessment The IRMC assesses all risks of the Bank and Group on a monthly basis through Key Risk Indicators, Risk Dashboards and through quarterly Risk Assessment reports done for the Bank and Group. The Bank has formed management committees to assess risks on a monthly/quarterly basis and their findings are submitted to the IRMC and a summary of the minutes of the IRMC and quarterly risk assessment reports are submitted to the main Board.	Compliant
c.	Review of management level committees on risk The adequacy and effectiveness of all management level Committees against the respective TORs based on an independent assessment was reviewed at an IRMC meeting and the result was satisfactory. Further, all members carried out self-assessments for the year 2024 and the findings were at a satisfactory level.	Compliant
d.	Corrective action to mitigate risks exceeding prudential levels The IRMC takes prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by IRMC on the basis of the Bank's policies and regulatory and supervisory requirements. The Risk Appetite of the Bank decided through the ICAAP was approved by the Board.	Compliant
e.	Frequency of meetings The Committee has met 06 times in the year 2024. Please refer page 208 for attendance.	Compliant
f.	Actions against officers responsible for failure to identify specific risks or implement corrective action If the need arises the IRMC shall take action appropriate to the relevance of the situation as per the Bank's Human Resources Policy.	Compliant
g.	Risk Assessment Report to the Board A detailed report is submitted to the Board subsequent to the IRMC meeting seeking the Board's views, concurrence and/or specific directions.	Compliant
h.	Compliance function The Bank has appointed a dedicated Compliance Officer who is a KMPs to head the compliance function of the Bank. The compliance function is an independent function of the Bank that supports the Board of Directors and Senior Management of the Bank to manage compliance risks by supporting the Bank to embed a culture of compliance within the Bank, disseminate new laws and regulations to business in a timely manner, provide guidance on the interpretation of regulatory requirements, support business with the creation and implementation of regulatory compliant policies and procedures, undertake independent compliance monitoring of business with relevant laws and regulations and all measures taken to mitigate compliance risks. The Compliance Officer submits to the IRMC and the Board a detailed report on the Compliance status of the Bank each quarter.	Compliant

CORPORATE GOVERNANCE

Rule No.	Corporate Governance Principles	Compliance Status						
3 (7) Related Party Transactions								
3 (7) (i)	Avoid conflict of interest The Bank has in place a Board-approved Related Party Transactions (RPT) Policy which has set out the procedure to be followed when transacting with related parties. The RPT Policy was adopted by the Bank to identify, report, approve, monitor, clarify and disclose transactions with related parties of the Bank. The Bank has in place a list of related parties which is updated as and when changes occur and reviewed on a quarterly basis to ensure all related parties are listed accurately. The list of related parties is circulated to front lines and business lines together with an internal circular which describes the regulations that would apply when dealing with related parties. Further, every quarter a sign off is obtained from the business lines confirming that they have complied with the related party policy when entering into a transaction with a related party. These processes are in place to remind business lines of the regulatory requirements in relation to related party transactions thereby ensuring that the Bank avoids conflicts of interests with related parties of the Bank. The Bank has obtained declarations in 2024 from the individual Directors confirming that they have avoided conflicts of interests. Steps have been taken by the Board to avoid any conflicts of interest that may arise, in transacting with related parties as per the definition of this direction. Please refer Section 3(1) (xii) on page 408 of this report for further information. Transactions carried out with related parties as defined by LKAS on 'Related party Disclosures' in the normal course of business are disclosed in Note 53 to the Financial Statements on 'Related Party Disclosures' on page 355 to 359. The net accommodation granted to each category of related parties as a percentage of the Bank's regulatory capital is given under Rule No 3 (8) (ii) (e) on page 218. Directors' interest in contracts (relating to banking transactions), which do not fall into the definition of related party transactions as per LKAS 24, are reported separately in the Annual Report on pages 225 to 226. Please see table below for such non-banking transactions: <table border="1"> <thead> <tr> <th>Relationship</th><th>Company</th><th>Nature of transaction</th></tr> </thead> <tbody> <tr> <td>Mr. Sujeewa Mudalige Chairperson/Director</td><td>MillenniumIT ESP</td><td>Engagement for Consultancy services Purchase of a Backup Recovery Solution and Maintenance services</td></tr> </tbody> </table>	Relationship	Company	Nature of transaction	Mr. Sujeewa Mudalige Chairperson/Director	MillenniumIT ESP	Engagement for Consultancy services Purchase of a Backup Recovery Solution and Maintenance services	Compliant
Relationship	Company	Nature of transaction						
Mr. Sujeewa Mudalige Chairperson/Director	MillenniumIT ESP	Engagement for Consultancy services Purchase of a Backup Recovery Solution and Maintenance services						
3 (7) (ii)	Types of Related party transactions covered by the direction The RPT Policy of the Bank covers all transactions that come within the scope of this Direction, and is currently being reviewed and revised to cover the expanded scope in the Corporate Governance Direction 2024.	Compliant						

Rule No.	Corporate Governance Principles	Compliance Status
3 (7) (iii)	No more favourable treatment to Related Parties of the Bank A list identifying Related Parties of the Bank in line with this Direction is shared with business lines on a quarterly basis. The regulations and process that needs to be complied with is explained in an internal circular which accompanies the related party list. Business/Front lines are requested to ensure compliance with the required regulation and to refrain from granting related parties of the Bank "more favourable treatment". Further, the Compliance Department reviews transactions with related parties on an ongoing basis to determine if "more favourable treatment" have been offered to them. Any deviations are required to be reported to the Related Party Transactions Review Committee, the Audit Committee and the Integrated Risk Management Committee.	Compliant
3 (7) (iv)	Granting accommodation to a Director or close relation of a Director This requirement has been included in the Bank's RPT Policy and all frontline staff/Business lines have been made aware of the procedures to be followed, approvals to be obtained etc. The Company Secretary upon being informed of a transaction with a related party and receiving the required proposal, shall ensure submission of the related papers/information to the Board for approval. With the Banking (Amendment) Act No. 24 of 2024, the scope of applicability of the requirement to obtain Board approval for accommodations expanded. The internal processes were duly enhanced in line with this change.	Compliant
3 (7) (v)	Accommodations granted to persons, concerns of persons, or close relations of persons, who subsequently are appointed as Directors of the Bank Prior to the appointment of a Director, the Director is required to submit an affidavit and declaration disclosing all their interests with the Bank. Accordingly, the Company Secretary will take steps to inform the relevant internal/control functions of these disclosures so that the frontline staff/Business lines are aware and can take the necessary regulatory/statutory steps. The Board is cognizant that this requirement now applies to a wide scope of people and has taken measures to ensure compliance.	Compliant
3 (7) (vi)	No favourable treatment or accommodation to Bank employees or their close relations No favourable treatment/accommodation is provided to Bank employees other than staff benefits and benefits granted in terms of a staff scheme. Employees of the Bank are informed through operational circulars to refrain from granting favourable treatment to other employees or their close relations or to any concern in which an employee or close relation has a substantial interest.	Compliant
3 (7) (vii)	Remittance of accommodation subject to Monetary Board approval Such a situation has not arisen in the Bank to date.	Compliant
3 (8) Disclosures		
3 (8) (i)	Publish annual and quarterly financial statements The Financial Statements for the year ended 31 December 2024 and quarterly Financial Statements are in conformity with all rules and regulations. These Statements have been published in the newspapers in all three languages.	Compliant
3 (8) (ii)	Disclosures in Annual Report Please see Compliance Disclosure Section on pages 216 to 224.	
3 (9) Transitional and other general provisions		
	The Bank has complied with the transitional provisions, wherever applicable.	Compliant

CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE - CODE OF BEST PRACTICES ON CORPORATE GOVERNANCE 2023 (THE CODE) ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA (ICASL).

The Bank has over the years been cognizant of the standards set forth in the Code of Best Practices of 2017, and has been fully compliant therewith. The revised Code of Best Practices on Corporate Governance 2023 (the "Code") was launched on 08 December 2023, building on the previous Code of Best Practices 2017. The Code is intended to provide a corporate governance framework that supports strong business ethics, sound policies and procedures and an effective monitoring system which is in line with international best practices.

The Code is broadly divided into three areas, namely the Company, Shareholders and other matters

I. The Company

Key principles are detailed under the following broad areas viz. Directors, Directors' Remuneration, Relations with shareholders, and Accountability and Audit.

II. Shareholders

Key principles are detailed under the following broad areas viz. Institutional Investors and Other Investors.

III. Other Matters

This section covers the areas Internet of Things and Cyber-security, Sustainability: Environmental, Social and Governance (ESG) Risk and Opportunities, and Special Considerations for listed entities.

The Bank's adherence with the Code is detailed below with explanatory comments as follows;

Rule No.	Corporate Governance Principles	Compliance Status
A.	Disclosures	
A.1	The Board As at 31 December 2024 the Board comprised nine (09) Directors, eight of whom, including the Board Chair, functioned in a non-executive capacity. The members of the Board consists of professionals in the fields of banking, finance, management, treasury, law, accounting, auditing, IT, economics, investments, private sector exposures and possess the skills, experience and leadership required to direct, lead and control the Bank. The Chief Executive Officer (CEO) is the only Executive Director. The Board has appointed several Board sub committees to assist in the discharge of their collective responsibilities. The Bank is mindful of the need to maintain an appropriate mix of skills and experience in the Board through a regular review of its composition in ensuring that the skill representation is in alignment with current and future needs of the Bank. Additionally, individual Directors are encouraged to seek expert opinion and/or professional advice on matters where they may not have full knowledge or expertise.	Compliant
A.1.1	Regular Board meetings The Board usually meets on monthly intervals, but meets more frequently whenever it is necessary. The Board met fourteen (14) times during the year which included two (02) special meetings. Scheduled Board and Board subcommittee meetings are arranged at the end of the previous calendar year. Attendance at Board and subcommittee meetings is provided on pages 207 to 208.	Compliant
A.1.2	Role and responsibilities of the Board Business Strategy In response to the evolving market dynamics and in consideration of the potential the Bank possesses in making considerable progress in certain performance aspects that can drive the Bank's profitability, the Bank focused on a curated strategy for the short term. The key focus areas of this strategy was divining transactions (thereby drive fee income, and integral component of the Bank's overall revenue structure), enhancing the loan book quality and increasing the Bank's interest margins. All these strategic focus areas were expected to drive related KPIs, and the advancements made are reflected in the Bank's financial results for 2024. This strategy was duly approved by the Board of Directors. Teams comprising cross-functional representation led by senior management persons were appointed to drive each focus area and operationalise initiatives. All staff were well apprised of the strategy and developments through various knowledge sharing sessions and communications in making them all a part of the process.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
	Senior Independent Director In terms of the Bank's Article of Association the Bank's Board Chair is mandatorily an Independent Director therefore the need to appoint a Senior Independent Director does not arise.	Compliant
	The CEO and Management Team skills, experience and knowledge to implement the strategy The Nominations and Governance Committee (NGC) and The Human Resources and Remuneration Committee (HRRC) ensure that the CEO and Key Management Personnel (KMPs) have the required skills, experience and knowledge to implement strategy. The CEO and The Leadership Team consist of senior bankers with substantial experience in the field of banking and finance. The profiles of The Leadership Team are available on the pages 38 to 40.	Compliant
	Succession strategy of CEO and KMPs The Board, through the HRRC advised on talent identification, talent mapping, and leadership competency development plan covering all key roles at the Bank, which resulted in the NGC updating and improving succession planning at the Bank. The HRRC deliberated in detail on the identified Talent pool, the details of the interventions etc. and has committed to regularly monitor the progress of this exercise.	Compliant
	Budgets and major capital expenditure Annual budget is approved before the commencement of the year. Major capital expenditure requires the approval of the Board.	Compliant
	Delegation of Authority To enable the Board to discharge its stewardship and fiduciary responsibilities effectively it delegates authority to the Board Subcommittees to oversee specific responsibilities based on clearly defined Terms of References which are also detailed under the respective subcommittee reports from page 227 to 248. For more information on the responsibilities of the Board, delegation to Management and the powers retained by the Board, please see page 202 of this report.	Compliant
	Integrity of information, internal controls, cyber security, business continuity and risk management The Board is responsible for the overall risk framework of the Bank. There is in place an adequate system of internal controls. In line with directions of Central Bank of Sri Lanka, Bank has established the Information Security Committee (ISC) as the apex management level body responsible for information security and technology resilience of the bank. The ISC has the responsibility for both strategic and operational aspects of information security and technology risk management. Policies relating to securing information, cyber security, business continuity and risk management have been approved by the Board. These policies have been reviewed by Information Security Committee and thereafter with ISC's recommendation either the Integrated Risk Management Committee (IRMC) or the Audit Committee (AC). The AC reviews Internal Audit reports submitted by the Internal Audit Department and monitors follow up action. Further, based on the assessment of Internal Control Over Financial Reporting (ICOFR), Directors concluded that the Bank's Internal Control Over Financial Reporting is effective. The IRMC appointed by the Board, reviews and recommends to the Board, the Bank's risk policies and procedures defining the Bank's risk appetite, identifying principal risks, setting governance structures and implementing policies and systems in line with the Integrated Risk Management Framework to measure, monitor and manage the principal risks of the Bank. The Board has approved risk management policies and procedures as reviewed and recommended by the IRMC, based on these parameters and as required by Regulation. The following reports provide further insight in this regard: The Risk Management Report (pages 443 to 483) The Integrated Risk Management Committee Report on (pages 234 236) The Directors' Statement on Internal Control (pages 251 to 252) The Audit Committee Report (pages 237 to 239)	Compliant

CORPORATE GOVERNANCE

Rule No.	Corporate Governance Principles	Compliance Status
	Availability of Information and Communications Technology (ICT) roadmap in line with business strategy The Bank has established an ICT roadmap in line with the Bank's business strategy. The Bank diligently monitors the implementation progress of the ICT roadmap through the ICT dashboard,	Compliant
	Compliance with laws, regulations and ethical standards The compliance function is an independent function of the Bank that supports the Board of Directors and Senior Management of the Bank to manage compliance risks by supporting the Bank to embed a culture of compliance within the Bank, disseminate new laws and regulations in a timely manner, provide guidance on the interpretation of regulatory requirements, support business with the creation and implementation of regulatory compliant policies and procedures, undertake independent compliance monitoring of business with relevant laws and regulations and take measures to mitigate compliance risks. The Compliance Officer submits to the IRMC and the Board a detailed report on the Compliance status of the Bank each quarter.	Compliant
	All stakeholder interests are considered in corporate decisions The Board of Directors considers the views/impact on all stakeholders of the Bank when decisions are made at Board meetings.	Compliant
	Sustainable business development and "integrated reporting" Sustainable business development is one of the key areas of focus considered by the Board when taking decisions. Please refer to the Bank's Sustainability Report on pages 173 to 179 for more details. The Bank's Annual Report is presented in line with the integrated reporting guidelines issued by the Institute of Chartered Accountants of Sri Lanka.	Compliant
	Accounting policies and fostering compliance with financial regulations The AC and the Board reviews accounting policies annually to ensure that the Financial Reporting Model of the Bank is in line with such policies, financial regulations, evolving international and local accounting standards and industry best practices. The Board ensures that the Financial Statements of the Bank are prepared in accordance with the approved accounting policies.	Compliant
	Monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks The Management monitors budgets on frequent intervals (daily/weekly/monthly) and is reviewed by the Board on a monthly basis. Strategy is approved by the Strategic Issues Committee and the Board. The Board also reviews the implementation progress regularly.	Compliant
	Corporate reporting relevant to the Bank The Bank is listed in the Colombo Stock Exchange and conforms to the Listing Rules issued by the Colombo Stock Exchange and also adheres to the regulations applicable to Licensed Commercial Banks. Therefore corporate reporting on an annual and quarterly basis is carried out in line with the regulations	Compliant
	Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned The Board makes every endeavour to fulfil its stewardship obligations on behalf of all stakeholders. The Board is committed to fulfilling their functions in line with laws, regulations and good governance practices adopted by the Bank.	Compliant
A.1.3	Act in accordance with laws There is significant emphasis across the Bank to ensure compliance with applicable laws and regulations. In order to preserve the independence of the Board and to strengthen the decision making, the Board seeks independent professional advice when deemed necessary. The Board-approved Corporate Governance Process Manual contains the procedure to be followed when a Director or the Board wishes to obtain independent professional advice on any matter.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
A.1.4	Access to advice and services of Company Secretary The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed. All Directors have access to the Company Secretary and she possesses the required qualifications as set out in the Companies Act and the Banking Act. For the year 2024 the Company Secretary has provided assistance to the Directors when requested. The Company Secretary exclusively serves in the capacity of Company Secretary and does not hold simultaneous employment in another capacity within the Bank. Please refer page 200 for more details on the role of the Company Secretary. The Bank has in place an insurance cover for the Directors and its Officers.	Compliant
A.1.5	Independent judgment The Board combines an appropriate and diverse balance of skills, industry experience and perspective to objectively discharge its responsibilities. All Directors bring their independent judgment to matters discussed at Board meetings. Details of Directors deliberations are contained in the minutes maintained by the Company Secretary.	Compliant
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company Every member of the Board has dedicated adequate time and effort for the affairs of the Bank by attending Board meetings, Board Subcommittee meetings and by making decisions via circular resolutions. In addition, the Board members have meetings and discussions with the Management when required. Board papers are circulated to the Board at least seven days prior to each Board meeting. Any request for additional information is made to the Company Secretary. The relevant member of staff is informed by the Company Secretary and the requisite information is forwarded. All matters that require follow up are discussed at the immediately succeeding Board meeting under 'Matters Arising'. Business heads regularly update the Board on the status and development in their respective fields. The CEO on a regular basis updates the Board on business changes, operational risks and controls relevant to the Bank. Please refer page 193 which illustrates how the Board spent its time in 2024.	Compliant
A.1.7	Call for a resolution to be presented to the Board All Directors are entitled to include matters and proposals in the agenda for Board meetings and this right has been entrenched in the Bank's Policy on Corporate Governance and the Corporate Governance Process Manual. Additionally a separate agenda item has been included in the monthly Board meeting agenda for Directors to raise any matters relating to the Bank's business and operations. Monthly meetings are scheduled and informed to the Board at the beginning of each calendar year to enable submission of proposals in the agenda for regular meetings. This process supports the requirement detailed in this Code and a Director may include a proposal (if required) in the agenda of a Board meeting.	Compliant
A.1.8	Board induction and training The Board Chair is responsible for ensuring that the Directors continually update their skills, knowledge and awareness of the Bank's policies and procedures as required to fulfill their roles both on the Board and on Committees appointed by the Board. Directors were extensively updated and awareness levels were improved throughout 2024. Please refer page 204 for details of same. New Directors are provided with a comprehensive induction pack on appointment to the Board and taken through an induction program by the Board and Chair. Please refer the section on "Induction and Training of Directors" on page 204 for more details. During their onboarding, new Directors are also made aware of internal policies and external laws regulating Directors' conduct, thus ensuring that the new Directors give due consideration to responsibilities of their role, their ability to dedicate time and possessing required competencies. Directors also submit a declaration when they are appointed (and thereafter on a quarterly basis) disclosing all potential conflicts of interest.	Compliant

CORPORATE GOVERNANCE

Rule No.	Corporate Governance Principles	Compliance Status
A.2	Separating the business of the Board from the executive responsibilities for management of the Bank	
A.2.1	Divisions of Responsibilities between the Board Chair and CEO	Compliant
A.5.7	The posts of Board Chair and CEO of the Bank are held by two separate persons and there is a clear division of responsibilities between them thereby maintaining the balance of power between the two roles as set out in the Banks Policy on Corporate Governance and the Corporate Governance Process Manual.	
A.5.8		
A.3	Board Chair's role in preserving good corporate governance	
A.3.1	Conducting Board proceedings in a proper manner The Board-approved Corporate Governance Process Manual formally details the role of the Board Chair. The Board Chair ensures that the affairs of the Board are conducted in an effective manner. He encourages Directors to share their views on matters discussed and ensures the participation of both Executive and Non-Executive Directors thereby maintaining a balance of power between Executive and Non-Executive Directors. The Board Chair approved the agenda for each meeting in consultation with the CEO and the Company Secretary and ensured that all Board proceedings were conducted in a proper manner. All Directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings. The views of Directors on issues under consideration are ascertained and records of such deliberations are reflected in the minutes.	Compliant
A.4	Availability of financial acumen and knowledge to offer guidance on matters of finance	
A.4.1	Financial Acumen and Knowledge The Chairperson of the AC who is an Non-Executive Independent Director is a Fellow Member of the ICASL ensuring a sufficiency of financial acumen within the Board on matters of finance. Further, 7 of the 9 Directors have a vast experience on matters of finance	Compliant
A.5	Board balance	
A.5.1	Board to have a balance of Executive and Non-Executive Directors 8 of the 9 Directors on the Board are Non-Executive Directors. The CEO is the only Executive Director. The Board Chair is a Non-Executive Independent Director.	Compliant
A.5.2 – A.5.5	Board Independence There were 8 Non-Executive Directors on the Board as at 31 December 2024. Of them 7 are (as per the criteria in the Code) independent of management and free of business dealings that may be perceived to interfere with the exercise of their unfettered and independent judgement. Each Non-Executive Director has submitted signed and dated declarations in 2024 of his/her independence and any developments bearing an impact on their status of independence are disclosed to the Company Secretary immediately. The details of Non-Executive Independent Directors are given on page 197 of this report. Accordingly, the number of Non-Executive Independent Directors exceeds two-thirds of the total number of Directors on the Board.	Compliant
A.5.6	Appointing an Alternate Director Directors appoint Alternate Directors in line with the Listing Rules, the Articles of the Bank and the Banking Act as and when required for a particular meeting. An Alternate Director of a Non-Executive Director will not be an Executive Director, and an Alternate Director appointed to act for an Independent Director in 2024 has been independent.	Compliant
A.5.9	Board Chair to meet only with Non-Executive Directors as necessary and at least once each year As and when needed the Board Chair meets with and discusses matters related to the Executive Director only in the presence of Non-Executive Directors and same takes place even several times an year.	Compliant
A.5.10	Recording of a dissenting view Dissenting views are recorded in the Board minutes in detail. Directors' concerns regarding matters which are not resolved unanimously are also recorded in the minutes and the Directors are provided ample opportunity to scrutinise minutes prior to adopting to ensure their views are adequately recorded.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
A.6	Supply of Information	
A.6.1 - A.6.2	Provision of providing appropriate and timely information to the Board The Management provides comprehensive information including both quantitative and qualitative information for the monthly Board meetings generally 7 days prior to the Board meetings. Urgent information is forwarded to the Directors through secure channels as and when needed without holding out for a Board meeting. Members of The Leadership Team make presentations to Directors on important issues relating to financial performance, strategy, risk management, investment proposals, systems and procedures, where necessary. The Directors also have access to the Management to obtain further information or clarify any concerns they may have. As described above, they also have the right to seek independent professional advice at the Bank's expense.	Compliant
A.7	Appointments to the Board	
A.7.1	Nominations and Governance Committee The Board has established a Nominations and Governance Committee in line with the Listing Rules of the Colombo Stock Exchange and the Banking Act which Committee makes recommendations to the Board on new Board appointments. The Committee comprises 4 Non-Executive Directors, with 3 of them serving as Independent Directors. The role of Committee Chairperson is held by a Non-Executive Independent Director, underscoring the Bank's commitment to impartial and diligent decision making in shaping the composition of the Board and selection of the CEO and KMPs of the Bank.	Compliant
A.7.2	Ensure Board appointees are fit and proper There is in place a Board-approved policy and process for appointments of Directors to the Board whilst being guided by applicable regulations as well. The Nominations and Governance Committee also assess the Board composition against pre-defined criteria of skills, diversity and knowledge to ensure that Board appointees are fit and proper. The Committee has actively prioritised diversity in Board composition, taking into account gender, age and any other factors that are relevant to the Banking industry. The Members of the Committee have not participated in decision making relating to their own appointment/reappointment. Please refer pages 227 to 230 for the report of the Nominations and Governance Committee.	Compliant
A.7.3	Succession plan for the Chief Executive Officer and KMPs The Nominations and Governance Committee has ensured that there is a succession plan for the Chief Executive Officer and Key Management Personnel. The Committee together with the HRRC has determined the training and development requirements for those identified for succession.	Compliant
A.7.4	Disclosure to shareholders on new appointments to the Board When there are new Director appointments or Alternate Director appointments, disclosures are made to shareholders in terms of the Listing Rules issued by the Colombo Stock Exchange.	Compliant
A.7.5	Nominations and Governance Committee Members to be disclosed in the Annual Report The Chairperson and Members of the Nominations and Governance Committee have been identified in the Annual Report. Please refer pages 227 to 230 for the report of the Nominations and Governance Committee for a description of its scope of work and processes.	Compliant

CORPORATE GOVERNANCE

Rule No.	Corporate Governance Principles	Compliance Status																					
A.8	Re-election	Compliant																					
A.8.1-	Re-election of Directors at regular intervals																						
A.8.2	Directors to retire at the Annual General Meeting (AGM): As per the Articles of the Bank, 1/3rd of the Directors (except the CEO, any Director appointed to fill a casual vacancy and the Nominee Director of the Ministry of Finance in terms of the Articles of Association of the Bank) should retire at each AGM and be subject to re-election. Such Directors who retire are those who held office for the longest time period since the election/re-appointment. In accordance with this provision, The Nominations and Governance Committee in January 2025 has considered and recommended the re-election of Mr. Bernard Sinniah and Mr. Kushan D'Alwis, PC and their re-election has been recommended at the AGM to be held in 2025. Prior to recommending the above re-election/re-appointments of Directors the Nominations and Governance Committee considered the fitness and propriety of each Director and made recommendations for re-election to the Board. This process and practice has been followed annually by the NGC and the Board.																						
A.8.3	Resignation of a Director	Compliant																					
	There were two resignations during 2024 and the relevant disclosures were made forthwith.																						
A.9	Appraisal of Board and Committee Performance	Compliant																					
A.9.1 -	Self-evaluation process of Board Members & Sub committees																						
A.9.4	The Board carried out its self-evaluation process in respect of the year 2024. The process is led by the Board Chair and all Directors were required to complete a detailed questionnaire. The Bank intends to review this process and make necessary revisions thereto, in line with the recent revisions to the Code. The feedback of the directors and any action plans and improvements/changes are deliberated in detail and carried forward by the Board. The processes adopted are detailed on page 205 of this report. All Sub committees also carried out a self-evaluation process in 2024 to determine the effectiveness of their performance in 2024 and to identify areas for improvement which are subsequently discussed at their respective meetings, the minutes of which are submitted to the Board.																						
A.10	Disclosure of Information in Respect of Directors	Compliant																					
A.10.1	Annual Report to disclose specified information regarding Directors																						
	<table><tr><th>Information Required</th><th>Page Reference</th></tr><tr><td>Name, qualification and brief profile</td><td>32 to 37</td></tr><tr><td>Nature of his/her expertise in the relevant functional areas</td><td>32 to 37</td></tr><tr><td>Immediate family and/or material business relationships with other Directors of the Bank</td><td>205</td></tr><tr><td>Whether Executive, Non-Executive and/or Independent Director</td><td>197</td></tr><tr><td>Names of listed companies in which the Director concerned serves as a Director</td><td>32 to 37</td></tr><tr><td>Names of other companies or companies in a group in Sri Lanka in which the Director concerned serves as a Director</td><td>32 to 37</td></tr><tr><td>Board meeting attendance</td><td>207</td></tr><tr><td>The total number of Board seats held by each Director</td><td>32 to 37</td></tr><tr><td>Board committee served as the Chairperson/member</td><td>208</td></tr><tr><td>Committee meeting attendance</td><td>208</td></tr></table>		Information Required	Page Reference	Name, qualification and brief profile	32 to 37	Nature of his/her expertise in the relevant functional areas	32 to 37	Immediate family and/or material business relationships with other Directors of the Bank	205	Whether Executive, Non-Executive and/or Independent Director	197	Names of listed companies in which the Director concerned serves as a Director	32 to 37	Names of other companies or companies in a group in Sri Lanka in which the Director concerned serves as a Director	32 to 37	Board meeting attendance	207	The total number of Board seats held by each Director	32 to 37	Board committee served as the Chairperson/member	208	Committee meeting attendance
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A.11	Appraisal of the CEO	Compliant																					
A.11.1 -	Setting annual targets and the appraisal of the CEO																						
A.11.2	The Board discussed and set financial and non-financial targets to be achieved during the year by the CEO with reference to the short, medium and long term objectives of the Bank at the beginning of 2024. The HRRC/Board has evaluated the performance of the CEO against the said goals and targets.																						

Rule No.	Corporate Governance Principles	Compliance Status
B	Directors' remuneration	
B.1	Remuneration procedure The Bank has a formal and transparent Remuneration Policy for Directors, CEO and KMPs. No Director is involved in fixing his/her own remuneration.	Compliant
B.2	Level and make-up of remuneration Level and make-up of remuneration of Non-Executive Directors are sufficient to attract and retain the Directors in order to run the Bank successfully. The CEO being the only Executive Director is not remunerated separately on account of this ex-officio role. As is the case with all staff, the CEO's remuneration is structured to link rewards to corporate and individual performance ensuring the balance between short, medium and long-term perspectives of the performance outcomes.	Compliant
B.2.1	Establishment of a Remuneration Committee The Board has established a Human Resources and Remuneration Committee (HRRC) which Committee has developed the Remuneration Policy based on which, remuneration for the Directors and KMPs are determined. No Director was involved in deciding his/her own remuneration.	Compliant
B.2.2 B.2.15	Composition of the Remuneration Committee The HRRC consists of 4 Non-Executive Directors out of which 3 are independent. The Chairperson Kasturi Chellaraja is an Non-Executive Independent Director. Please refer pages 231 to 233 for the report of the HRRC for more details on the composition and activities carried out by the HRRC for the year 2024.	Compliant
B.2.3	Seek professional advice The HRRC has access to professional advice from within and from external consultants. During the year, HRRC reviewed the information provided by the Bank's Human Resources Department as well as outcomes of a comprehensive market survey to determine market and industry trends with remuneration and perquisites for its Senior Management team.	Compliant
B.2.4 B.2.5	Remuneration for Executive Directors The Executive Director is an ex-officio Director on account of being the CEO of the Bank and as such is not paid any additional remuneration or benefits by virtue of him being an Executive Director. The CEO's remuneration is linked to the Bank's performance as well as his individual performance and is designed to promote the short medium and long-term performance of the Bank. The Executive Director participates in the HRRC only by invitation and does not participate when matters pertaining to his remuneration are discussed.	Compliant
B.2.6	Positioning the Bank's remuneration levels relative to other companies in the industry The HRRC reviews information relating to remuneration and perquisites of CEO and Senior Management of the Bank and due care is taken to ensure that remuneration is commensurate with industry standards, the Bank's risk culture, risk appetite and both the Bank's and individual performance. A comprehensive salary survey was carried out in 2024 and the HRRC considered same in its deliberations and recommendations in 2024.	Compliant
B.2.7	Comparison of remuneration levels with other Companies in the Group Size, scale and business of the Bank are not comparable with Group Companies and hence the remuneration too is not comparable.	Compliant
B.2.8	Performance related remuneration of CEO & Executive Directors The goals and targets of the CEO are set at the beginning of the year and cascaded to the rest of the Bank. The CEO's (being the only Executive Director) remuneration and performance bonus is decided based on achievement of the goals and targets agreed upon. The Committee reviews annually the performance of the CEO against the set targets and goals, which have been approved by the Board, and recommends the basis for revising remuneration, benefits and other payments of performance-based incentives. The Committee has ensured that the guidelines for fair and transparent procedures recommended by the Committee and approved by the Board when evaluating senior management's performance and revising their remuneration, benefits and other payments of performance-based incentives have been followed.	Compliant
B.2.9	Employee Share Options An employee share scheme was established in 2016 which was approved by the shareholders in line with the listing rules of the CSE. However no shares were issued under this scheme in 2024. Details are given in the Financial Statements on pages 345 to 346.	Compliant

CORPORATE GOVERNANCE

Rule No.	Corporate Governance Principles	Compliance Status
B.2.10	Designing schemes of performance related remuneration No remuneration or benefits are paid to the only Executive Director who is the CEO on account of his Executive Directorship. Please refer pages 231 to 233 for the report of the HRRC for more details on remuneration.	Compliant
B.2.11 – B.2.12	Early termination of Executive Director Termination of service of the Executive Director will be in accordance with his contract of employment as he is an ex-officio Director.	Compliant
B.2.13	Determining the remuneration of the Non-Executive Directors including the members of the Remuneration Committee The HRRC determines the remuneration of the Non-Executive Directors in line with the Board approved Remuneration Policy and approvals for the remuneration are obtained from shareholders at the AGM.	Compliant
B.2.14	Levels of remuneration of Non-Executive Directors Non-Executive Directors are remunerated in line with the prevailing regulations and market practices as stated in the Remuneration Policy and this has been reviewed periodically. However they are not entitled to receive any performance-based remuneration which includes shares under the existing Share Option Scheme of the Bank.	Compliant
B.3	Disclosure of remuneration	
B.3.1	Disclosures related to remuneration in Annual Report Please refer pages 231 to 233 of the Annual Report for the Report of the HRRC. Also refer Note 15 on page 293 of the Financial Statements for aggregate remuneration paid to Executive and Non- Executive Directors.	Compliant
B.3.2	Annual Report to disclose the number and aggregate remuneration of the Senior Management personnel reporting directly to the CEO The aggregate values of remuneration to the KMPs of the Bank are disclosed on page 215.	Compliant
C	Relations with shareholders	
C.1	Constructive use of the AGM and conduct of General Meetings	
C.1.1	Notice of the AGM The AGM provides a forum for all shareholders to participate in decision making matters reserved for the shareholders. Notice of the AGM is circulated 15 working days in advance with the Annual Report and Accounts. A summary of the procedures governing voting at General Meetings is included on page 524 of this Annual Report.	Compliant
C.1.2	Separate resolutions for substantially separate issues Separate resolutions are obtained for substantially separate matters to provide shareholders with an opportunity to deal with each significant matter separately. The Annual Report of the Board of Directors and Accounts are laid before the shareholders of the Bank for their consideration as a separate item on the agenda at the AGM.	Compliant
C.1.3	Valid proxy appointments The Bank has in place an effective mechanism to record all proxy votes to indicate to the Board Chair the level of proxies lodged on each resolution and the number of votes for and against each resolution. As a matter of practice, proxy votes together with the votes of shareholders present at the AGM are considered for each resolution and duly recorded in the minutes.	Compliant
C.1.4	Board subcommittee Chairpersons available at AGM The Board Chair ensures that the Chairpersons of Board Sub committees participate at the AGM to answer all queries that may be raised. The Chairpersons of the Board Sub committees participated at the AGM held in 2024.	Compliant
C.1.5	Adequate notice of all meetings to shareholders The notice of meeting and related documents are circulated to the shareholders 15 working days prior to the AGM. Summary of the procedures governing voting at the AGM is provided in the proxy form, which is circulated to shareholders together with the notice of meeting 15 working days prior to the AGM. The Board encourages all shareholders to actively participate in the AGM. The shareholders may raise any queries they have on the annual accounts and the annual report with the Directors.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
C.2	Communication with shareholders	
C.2.1	Effective communication with shareholders	Compliant
C.2.2 - C.2.3 - C.2.4 - C.2.7	The Board approved Policy on Relations with Shareholders and Investors sets out the Bank's policy on effective communications and relations with the shareholders and investors of the Bank and it was available for perusal upon request by shareholders, from 1st October 2024. The principal forum for shareholders is the AGM, while matters can also be raised through the Company Secretary. The Company Secretary keeps the Board apprised of major issues and concerns raised by the shareholders to ensure that they are addressed in an appropriate manner keeping in line with the corporate values of the Bank. Matters raised in writing are responded by the Company Secretary in writing. Shareholder correspondences on major issues are handled by the Board Chair with the concurrence of the Board/the CEO as appropriate and the Board Chair communicates them to the Board of Directors as and when necessary. Refer page 213 for more information on the Bank's Shareholder Engagement. Details of the contact personnel are provided in the "Corporate Information" section on page 525 of this Report. In addition, shareholders are encouraged to provide their feedback to the Board Chair and/or the Company Secretary. The Bank's website's Investor Relations page also carries contact details of the Company Secretary and a dedicated e-mail for investor relations is also provided.	
C.3	Major and material transactions	
C.3.1 - C.3.2	Disclosure of major and material transactions During 2024 there were no major transactions as defined by Section 185 of the Companies Act No. 7 of 2007 which materially affected the Bank's net asset base.	
C.3.3	Disclosure requirements and shareholder approval by special resolution The Bank being a public listed company complies with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulation of the Securities Exchange Commission and by the Colombo Stock Exchange as well as the Companies Act and the Bank's Articles of Association.	
D	Accountability and audit	
D.1	Financial and business reporting	
D.1.1	True, fair, balanced and understandable presentation of Annual Report including Financial Statements with the relevant laws and regulations Declarations by the Directors as required by the Code of Best Practice on Corporate Governance are provided on page 249 to 250 in the 'Statement of Directors' Responsibilities for Financial Reporting.	Compliant
D.1.2	Balanced and understandable assessment of interim and other price-sensitive public reports to regulators The Board is aware of its responsibility to present regulatory and statutory reports in a balanced and understandable manner. A statement to this effect is provided on page 253 of this Report. The Interim Accounts and Annual Financial Statements were published on a timely basis in 2024. Regulatory reports were filed by the Bank on or before the due dates in 2024. Price sensitive information was disclosed to the Colombo Stock Exchange on a timely basis in accordance with the Bank's Board-approved Disclosure Policy. The Bank makes every effort to provide a detailed and transparent analysis of strategies, performance and future strategies to support investors in making an informed decision. In addition to the information provided in the reports mentioned above, a summary of the Interim Accounts and a section on understanding our financials in Financial Capital are provided in the Annual Report. Please refer pages 459 to 500 and 113 to 122 of this Report.	Compliant
D.1.3	Declarations by the CEO, CFO and the Board on Financial Statements Please refer the Responsibility Statement of Chief Executive Officer and Vice President Finance- on page 253 and the Directors' Statement on Internal Control over Financial Reporting on pages 249 to 250.	Compliant
D.1.4	Declarations by the Directors in the Directors' Report Declarations by the Directors as required by the Code are provided on page 223 in the Compliance Disclosures section.	Compliant

CORPORATE GOVERNANCE

Rule No.	Corporate Governance Principles	Compliance Status
D.1.5	Preparation of Financial Statements and reporting responsibilities of auditors The Statement of Directors' Responsibility, Statement on Internal Controls and Report of the Auditors are provided on pages 251 to 252 and 254 respectively in the Annual Report.	Compliant
D.1.6	See page 113 onwards for the "Management Discussion and Analysis"	Compliant
D.1.7	Notify serious loss in Net Assets In the unlikely event of the net assets of the Company falling below 50% of Shareholders' Funds, the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken. This situation has not arisen during 2024.	
D.1.8	Disclosure of Related Party Transactions A detailed Board-approved documented process is available and has been circulated to all staff through the NDB Cloud for compliance. Same is currently being reviewed and revised to cover the expanded scope in the Corporate Governance Direction 2024. Accordingly, each Related Party (or the respective connected party) has submitted signed and dated quarterly declarations in 2024 mentioning whether they have related party transactions with the Bank as required under regulations applicable to the Bank to comply with the disclosure requirements; The Company Secretary keeps a record of related party disclosures and makes necessary disclosures of transactions as and when same is reported. A record on Related Party and Related Party Transactions are maintained by the Bank to capture information to comply with the respective related party disclosure requirements imposed by CBSL/SEC/Accounting Standards/Auditing Standards and similar regulations. Please refer Section 3(7) (i) - 3(7) (vii) of the CBSL table on pages 418 to 419 for more details on the process adopted.	Compliant
D.2	Risk management and internal control	
D.2.1	Adoption of a framework for risk management The Board has adopted a framework for risk management and the processes to identify, assess, monitor and manage risks with clear delegation of responsibilities to ensure its effectiveness in supporting achievement of the strategic, operational, and financial objectives of the Bank.	Compliant
D.2.1.1	Robust assessment of the principal risks The Bank has carried out a robust assessment of the top risks faced by the Bank and an overview of the same is given on pages 183 to 185.	Compliant
D.2.1.2	Description of the risk management framework in the Annual Report Please see the Risk Management Overview on pages 443 to 483 for a description of the risk management framework, and how identified risks are being managed or mitigated.	Compliant
D.2.2	Establishment of a process to ensure internal control have been designed, implemented and monitored The Board has established a process to ensure that internal controls are designed, implemented and monitored in order to provide reasonable assurance of the achievement of the Bank's objectives on reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.	Compliant
D.2.2.1	Establishment of internal controls in respect of financial, operational and compliance system The Board has established an effective system of internal controls in respect of financial, operational and compliance system. The processes and practices have been monitored regularly. The Board annually reviews the effectiveness of the internal control systems and has provided a report in the Annual Report.	Compliant
D.2.2.2	Internal audit function The Bank has a fully-fledged Audit Department over which the AC has oversight. The AC reviews the Internal Audit function at regular intervals.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
D.2.2.3	The Audit Committee to review the process and effectiveness of risk management and internal controls, and document to the Board The AC reviewed the internal controls and procedures at eight (08) meetings held during 2024. The minutes of the AC meetings are tabled at the meetings of the Board. The Internal Audit Department carries out regular reviews on the internal control system including internal control over financial reporting. The AC reviews and evaluates the effectiveness of the internal control system including the internal controls over financial reporting. The IRMC reviews processes relating to the risk management framework of the Bank. The AC Report and the IRMC Report are detailed on pages 237 to 239 and 234 to 236 of this Annual Report.	Compliant
D.2.2.4	Maintaining a sound system of internal control and the contents of the Statement of Internal Control Please refer pages 237 to 259 for the AC Report and refer pages 251 to 252 for Directors' Statement of Compliance on Internal Controls in the manner in which the Board complied with this requirement.	Compliant
D.3	Audit Committee	
D.3.1	Composition of Audit Committee	Compliant
D.2.1.5 D.2.1.7	The Audit Committee consists of three Non-Executive Independent Directors. The Chairperson is an Non-Executive Independent Director who has relevant experience in financial reporting and control. Members are selected to provide a broad set of financial, commercial and other relevant experience to meet the Committee's objectives. Other Members also have financial, commercial and other relevant experience to meet the Committee's objectives.	
D.3.2	Terms of reference of the Audit Committee	Compliant
D.2.1.6	Terms of Reference of the AC is clearly defined in the Charter of the Audit Committee approved by the Board of Directors, which was last revised and updated in August 2024. This clearly explains the purpose of the Committee, its duties and responsibilities together with the scope and functions of the Committee. The Committee mainly deals with matters pertaining to statutory and regulatory compliance in financial reporting and matters with regard to the External Auditors and Internal Audit.	
D.3.3	Disclosures regarding Audit Committee. Please refer pages 237 to 239 of the AC report	Compliant
D.4	Risk Committee	
D.2.1.3	Establishment of a Risk Committee	Compliant
D.2.1.4	Considering regulatory requirements and the industry specific business risks, the Board has established an Integrated Risk Management Committee to oversee risk management.	
D.2.1.8		
D.4.1	Composition of the Risk Committee Demonstrating the Bank's commitment to preserving the independence of the control functions, the composition of Integrated Risk Management Committee (IRMC) was revised by 31 December 2024 and the Committee comprised 6 Non-Executive Independent Directors. The Chairperson is an Non-Executive Independent Director. Please refer pages 234 to 236 for the report of the Integrated Risk Management Committee for more details on the composition and activities carried out by the Integrated Risk Management Committee for the year 2024.	Compliant
D.4.2	Risk Committee to have written TOR Terms of Reference of the IRMC is clearly defined in the Charter of the IRMC approved by the Board of Directors, which was last revised and updated in February 2024. This clearly explains the purpose of the Committee, its duties and responsibilities together with the scope and functions of the Committee.	Compliant
D.4.3	Regular Risk Meetings The Committee held 6 meetings, during the year under review to discuss the normal scope of work. The quorum for a meeting is four members of which two shall be Non-Executive Directors. The proceedings of the Committee meetings have been regularly reported to the Board of Directors.	Compliant
D.4.4	External Professional Advice The Committee has the authority to seek external professional advice in connection with the performance of its duties.	Compliant

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Rule No.	Corporate Governance Principles	Compliance Status
D.4.5	Disclosure on the roles and responsibilities The Committee has disclosed in the Annual Report the roles and how the committee has discharged its responsibilities.	Compliant
D.5	Related Party Transactions Review Committee	
D.5.1	The Bank has in place a Board-approved Related Party Transactions Policy which ensures that necessary processes are implemented by the Bank to identify, clarify, approve, monitor and disclose related party transactions as required under Corporate Governance Direction 2024, Section 9 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance and identification and disclosure requirements in accordance with LKAS 24.	Compliant
D.5.2	Composition of the Related Party Transactions Review Committee The Related Party Transactions Review Committee consists exclusively of Non-Executive Independent Directors.	Compliant
D.5.3	Terms of Reference of the Related Party Transactions Review Committee The Bank has a Board-approved TOR and a Board-approved Related Party Transactions Policy in place which addresses requirements under this Code.	Compliant
D.6	Code of business conduct and ethics	
D.6.1	Code of Conduct for Directors and Senior Management	Compliant
D.6.5	The employees of the Bank are governed by a number of robust policies, including the Code of Business Conduct and Ethics for employees, Anti-Bribery and Corruption Policy and the Securities Trading Policy. The Board of Directors and KMPs follow the Corporate Governance Policy and Corporate Governance Process Manual which broadly addresses inter alia share dealing, confidentiality, conflict of interest and bribery and corruption.	
D.6.6		
D.6.7		
D.6.2	Identification and reporting of material and price sensitive information The Bank has in place a Board-approved Disclosure Policy which ensures that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.	Compliant
D.6.3	Monitoring and disclosure of shares purchased by any Director, KMPs or any other employee involved in financial reporting The Bank has in place a Board-approved Securities Trading Policy which restricts Directors and employees from trading in the NDB share during certain specified blackout periods to ensure that they do not trade based on price sensitive information. Further, this policy ensures that there is no speculative trading on the NDB share as a minimum holding requirement is in place. All share trades carried out by the Directors and employees of the Bank are monitored to ensure compliance.	Compliant
D.6.4	Establishment of a Whistleblower Policy The Bank has implemented a comprehensive procedure to address concerns raised by Whistleblower Policy, under the Bank's Whistleblower Policy. The Bank additionally has an independent ombudsman for staff complaints which enable employees to raise concerns and complaints.	Compliant
D.7	Corporate Governance disclosures	
	Disclosure of Corporate Governance The Bank's Corporate Governance practices are in accordance with the Corporate Governance Directions issued by CBSL, the Code, as well as the Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange. The requirement is met with the presentation of this Corporate Governance Report from pages 192 to 254 of the Annual Report and its relevant annexures on pages 404 to 442.	Compliant
Section 2	Shareholders	
E	Institutional investors	
E.1	Shareholder voting	
	Encourage voting at AGM All shareholders are encouraged to participate at General Meetings and cast their votes. The AGM is used as an effective channel to create a dialogue between the shareholders and the Board of Directors. Also, the Board Chair and CEO have regular structured meetings with institutional shareholders. Board members are briefed about the matters discussed at such meetings. Please refer the Investor Relations section on pages 484 to 503 and the shareholder engagement section on page 213 to 214.	Compliant
E.2	Evaluating the corporate governance initiatives of the Bank Institutional investors are encouraged to give due weight to all relevant factors in Board structure and composition.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
F.	Other investors	
F.1	Independent advice for decision making when investing or divesting directly in shares of the Bank The Annual Report contains sufficient information for a potential investor to carry out his/her own analysis. The following reports aim to provide a balanced overall assessment of the Bank's activities, performance and prospects. Reflections from the Board Chair on pages 23 to 26. CEO's Review on pages 27 to 30. Management Discussion and Analysis on page 113 onwards. Annual Financial Statements on pages 257 to 396. Further, Interim Financial Statements published each quarter, provide sufficient information to enable the retail investors to make informed judgments regarding the performance of the Bank. Additionally, there is a separate part of the Bank's website dedicated to Investor Relations which provides this information online to all investors/shareholders.	Compliant
F.2	Encourage voting by individual shareholders in General Meetings Individual shareholders are encouraged to participate at the General Meetings of the Bank and exercise their voting rights.	Compliant
G.	Internet of Things and Cyber Security	
G.1	Process to identify how in the organisation's business model will mitigate the Cyber Security risks As per the Bank's Information Security Governance structure, the Information Security Unit defines the policies required to control Bank-wide information security. IT Department is responsible in implementing required security standards and monitoring the same while escalating any anomalies to the Information Security Committee which comprises members of the Bank's Senior Management. which are then escalated to the IRMC and towards regulatory authorities as defined. As per the Information Security Policy in the Bank, access via external devices to the Bank's network has been restricted where any exceptional requirement will be approved by the higher management following industry standard security measures.	Compliant
G.2	Appointment of Chief Information Security Officer (CISO) and Policies for Cyber Security risk management The Bank's Information Security Unit has implemented Board approved information security policies and performs periodic reviews in line with regulatory requirements and industry best practices. A designated officer is appointed overlook the functions of CISO. The policies adopted by the Bank include a robust cyber security risk management process, an incident reporting system, vendor management system, disaster recovery plan and a governance structure to monitor effective implementation, reporting process, scope, regularity of an Information and Communications Technology (ICT) audit. Technology Risk Management unit was instilled as part of Regulatory Framework on Technology Risk Resilience for licensed banks which is applicable to the entire operations of the Bank including operations carried out through agents and third party service providers.	Compliant
G.3	Allocate regular and adequate time on the Board meeting agenda for discussions about cyber risk management Cyber security risks are discussed at Information Security Committee as the apex management level body responsible for information technology resilience of the Bank and IT Steering Committee as relevant and when required. On a quarterly basis at the IRMC, the Information Security Function will present the status of cyber security risk and developments.	Compliant

CORPORATE GOVERNANCE

Rule No.	Corporate Governance Principles	Compliance Status
G.4	Independent periodic review and assurance on effectiveness of the Cyber Security risk management To ensure the robustness of our cybersecurity risk management framework, independent periodic reviews and assurance activities were undertaken during the year. KPMG conducted comprehensive security assessments and Vulnerability Assessment & Penetration Testing (VAPT) for all mobile payment applications and other public-facing delivery channels, including the corporate website. Additionally, effectiveness testing of the Web Application Firewall (WAF) was carried out to validate the functionality of this critical security layer, which safeguards all public web applications from potential threats. These assessments confirmed that the required security controls are effectively implemented and aligned with industry standards, reaffirming our commitment to maintaining a secure and resilient operating environment.	Compliant
G.5	Disclosure of the process to identify and manage Cyber Security risks Please refer page 23 of the Board of Directors report on the affairs of the Bank and pages 210 to 211 of the Corporate Governance Report which details the process to identify and manage cyber-security risks.	Compliant
H	Sustainability: ESG Risk and Opportunities	
H.1	ESG risk and opportunities The Board has taken into consideration the ESG risk and opportunities in the Bank's business model, operations, short and medium-term planning, and its long-term strategy to ensure that the Bank has remained resilient and is able to deliver durable and sustainable value over the short, medium and long-term in order to maintain the confidence and continued engagement of shareholders and all significant stakeholders.	Compliant
H.1.1	Impact of ESG risks and opportunities The Bank has included the impact of ESG risks and opportunities in its business plans, strategic plans and these plans are submitted to the Board on a regular basis.	Compliant
H.2	Views of Stakeholders The Board and Key Management Personnel have engaged with and have considered the views of its stakeholders in order to understand and manage the Bank's ESG risk and opportunities since stakeholder expectations have heightened across various issues relating to the protection of environment and other ESG issues.	Compliant
H.2.1	Process to recognise significant stakeholders The Bank has a system in place to recognise significant stakeholders and material matters relating to significant stakeholders and a method of engagement relevant to their level of interest and influence.	Compliant
H.3	Governance Framework The Board has established a governance framework and structure which includes conformance, performance and ESG factors.	Compliant
H.3.1	Sustainability factors The Board has addressed sustainability factors through an environmental, social and governance framework.	Compliant
H.3.1.1	Environmental Governance The Bank has adopted an integrated approach in relation to Environmental Governance which takes into account the direct and indirect economic, social, health and environmental implications on business strategies, plans, decisions and operations.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
H.3.1.2	Social Governance The Bank has adopted an integrated approach in relation to Social Governance in order to be able to engage with representative groups of the community, customers, employees, suppliers, outsourced providers and any other party that could influence the Bank's business model in relation to aspects material to the Bank's sustainable growth. Relationship with community The Bank has adopted an integrated approach to building relationships with the community for sustainable development. Relationship with Customers The Bank has adopted an integrated approach to building relations with the customers. The Bank has a policy in place for customer feedback through engagement, efficient service deliver, standards for product responsibility and product recall and other matters that are material and relevant to the Bank's business model and customer experience. Labour Practice Governance The Bank's labour practice related governance encompasses all policies and practices in relation to work performed by or on behalf of the Bank. The governance also contains policies and practices such as health and safety, equal opportunity, gender balance, career development and training, reward and recognition, conditions of work, work-life balance and industrial relations.	Compliant
	Suppliers and Outsourced Providers The Bank has policies and procedures in place to ensure that suppliers and outsourced providers comply with social and governance norms of the Bank.	Compliant
H.4	Establishment of a governance structure to support ESG factors The Board has established a governance structure to support ESG factors.	Compliant
H.4.1	Recognition of key resources/capital The Board has recognised its key resources/capital deployed in its business and stakeholders.	Compliant
H.4.2	Process in ascertaining, assessing and managing ESG factors The Board has implemented a process to ascertain, assess and manage ESG factors which has an impact on the sustainability of the Bank.	Compliant
H.4.3	Establishment of financial and non-financial measures The Board has established financial and non-financial measures in respect of all material matters relating to significant stakeholders, environmental and social factors.	Compliant
H.5	Disclose ESG risks and opportunities The Board has disclosed how all its ESG risks and opportunities are recognised, managed, measured and reported in the annual report.	Compliant
H.5.1 - H.5.4	ESG Reporting The Board has implemented ESG policies and practices into the Bank's strategy, business model, governance and risk management and reports on its likely impacts and implications. The Board has disclosed on how the Bank has complied with the mandatory and voluntary codes of corporate governance. The Bank's leadership structure, organisational culture, code of conduct and business model supports the sustainability of the Bank in the short, medium and long term. Please refer pages 210, 80 to 83 and 172 to 185 for more information on the Bank's Commitment to Sustainability.	Compliant
I	Special Considerations For Listed Entities	
I.1	Establishment and maintenance of policies and other requirements	Compliant
I.1.1 - I.1.4	The Bank has established and maintains 12 mandatory policies which the shareholders can peruse upon request. Details are available on the Bank's website below; https://www.ndbbank.com/investor-relations/governance-and-shareholding-structure	
I.2	Policy on Matters Relating to the Board of Directors	
I.2.1 - I.2.2	Establishing policies relating to the Board of Directors The Bank has a comprehensive policy framework for Corporate Governance. The Policy on Matters Relating to Board of Directors forms part of this framework and aligns with the requirements in the Code as well.	Compliant

CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE - SECTION 9 - THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE ON CORPORATE GOVERNANCE

In September 2023, the Colombo Stock Exchange introduced a new section to its Listing Rules entitled "Section 9 - Corporate Governance" which specifies the minimum standards of corporate governance to be followed by listed entities. These Rules were required to be complied with on a staggered basis during the period 01 October 2023 to 01 October 2024.

The Rules broadly cover areas such as Policies, Board Committees (specifically Nominations and Governance Committee, Remuneration Committee, Audit Committee and Related Party Transactions Review Committee), Shareholder relations, Chairperson and CEO, Fitness and Propriety of Directors, Board Composition, Alternate Directors and Director related disclosures.

The Bank's adherence with Section 9 of the Listing Rules is detailed below with explanatory comments as follows;

(Compliance with the specific disclosure requirements of Section 9 of the Listing Rules is detailed on pages 219 - 222)

Rule No.	Corporate Governance Requirement/Explanatory comments	Compliance Status/Page reference in Annual Report
9.1	Applicability	
9.1.3	Bank to publish a statement confirming the extent of compliance with the Corporate Governance Rules set out herein, in the Annual Report of the Entity. This detailed statement along with the statement outlining the Bank's compliance with the specific disclosure requirements from page 436 to 442 covers this requirement.	Compliant
9.2	Policies	
9.2.1	Requirement to establish, maintain and disclose policies The Bank has established and maintains the following policies, and has disclosed its existence and details of implementation on the website, as listed below; Policy on matters relating to the Board of Directors Policy on Board Committees Policy on Corporate Governance, Nominations and Re-election Policy on Remuneration Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Bank's listed securities Policy on Risk Management and Internal controls Policy on Relations with Shareholders and Investors Policy on Environmental, Social and Governance Sustainability Policy on Control and Management of Company Assets and Shareholder Investments Policy on Corporate Disclosures Policy on Whistle blowing Policy on Anti-Bribery and Corruption	Compliant
9.2.2	Waivers from compliance Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted.	None
9.2.4	Availability upon request to shareholders The Bank has a process in place to make available policies referred in Section 9.2.1 above, to shareholders upon a written request being made for any such Policy.	Compliant

Rule No.	Corporate Governance Requirement/Explanatory comments	Compliance Status/Page reference in Annual Report
9.3	Board Committees	
9.3.1/9.3.2	Following Board Committees to be established and Bank to be compliant with the composition, responsibilities and disclosure requirements set out in the Rules; ☉ Nominations and Governance Committee ☉ Remuneration Committee ☉ Audit Committee ☉ Related Party Transactions Review Committee Accordingly, the Board has established nine (09) sub committees including the five (05) mandatory sub committees of which two separate committees have been established to perform risk and audit functions. Refer page 199 to 200 for "A fit for purpose structure" and pages 227 to 241 for the reports of the respective sub committees.	Compliant
9.3.3	Chairpersons of above committees cannot be board chair The Bank ensured compliance with this requirement well in advance of the stipulated timelines for compliance.	Compliant
9.4	Principles of democracy in shareholder dealings	
9.4.1	Bank to maintain records of all resolutions and the requisite information of shareholder resolutions and provide copies to the SEC or CSE if requested. The Company Secretary maintains records of all shareholder resolutions and requisite information and is able to provide extracts of such resolutions to the SEC and CSE if required.	Compliant
9.4.2	A shareholder communications and relations policy to be established and its existence to be disclosed in Annual Report and website and the policy shall include a process to make all directors aware of major issues and concerns of shareholders and this process to be disclosed in Annual Report and website. The Bank to have and disclose a contact person for communication with shareholders The Board approved Policy on Relations with Shareholders and Investors sets out the Bank's policy on effective communications and relations with the shareholders and investors of the Bank and it was available for perusal upon request to shareholders, from 1st October 2024. The Company Secretary keeps the Board apprised of major issues and concerns raised by the shareholders to ensure that they are addressed in an appropriate manner keeping in line with the corporate values of the Bank. Shareholder correspondences on major issues are handled by the Board Chair with the concurrence of the Board/the CEO as appropriate. Refer page 213 to 214 for more information on the Bank's Shareholder Engagement. Details of the contact personnel are provided in the "Corporate Information" section on page 525 of this Report. In addition, shareholders are encouraged to provide their feedback to the Board Chair and/or the Company Secretary. The bank website's Investor Relations page also carries contact details of the Company Secretary and a dedicated e-mail for investor relations has also been provided.	Compliant
	Shareholder meetings conducted virtually/in hybrid mode to comply with the Guidelines issued by CSE. The Bank ensures that virtual/hybrid shareholder meetings if any are conducted in compliance with the Guidelines issued by the CSE as incorporated in the Articles of Association of the Bank.	Compliant
9.5	Policy on Board related matters	
9.5.1	Bank has established a Policy on Matters relating to Board of Directors covering the requisites in 9.5.1 and it was available for perusal upon request to shareholders, from 1st October 2024.	Compliant

CORPORATE GOVERNANCE

Rule No.	Corporate Governance Requirement/Explanatory comments	Compliance Status/Page reference in Annual Report
9.6	Chairperson and CEO	
9.6	Chairperson of the Bank should be a Non-Executive Director and the position of Chairperson and CEO shall not be held by the same person. The Articles of Association of the Bank requires that the Chairperson of the Bank should be an Independent Director. As such, the positions of Chairperson and CEO are not held by the same person.	Compliant
9.6.3	If Chairperson and CEO are the same person; or if the Chairperson and CEO are close family members or related parties, Bank to appoint a Senior Independent Director (SID) and comply with the requirements in 9.6.3 Same as above.	Compliant
9.7	Fitness of Directors and CEO	
9.7.1/9.7.2/9.7.3/9.7.4	Bank to ensure that the Directors and CEO and the persons recommended by the Nominations and Governance Committee are at all times, fit and proper persons as per the criteria in 9.7.3. Bank to obtain declarations from all directors and CEO on an annual basis confirming their fitness and propriety. The Company Secretary obtains declarations from the Directors on an annual basis. In view of these Rules, a declaration in the form of an affidavit confirming each Director's fitness and propriety in line with the Listing Rules has been included in these annual declarations from 2023 onwards. The said annual declarations are submitted to the Nominations and Governance Committee to assess and ensure that the Directors are fit and proper persons to hold office as specified in the criteria given in laws applicable to the Bank. The frequency of obtaining declarations increased to a quarterly basis from Q4 2024.	Compliant
9.8	Board Composition	
9.8.1	Minimum number of Directors shall be 5. The number of Directors during the year 2024 was in compliance with the thresholds detailed in these Rules. As at 31 December 2024, the Board comprised nine (09) Directors.	Compliant
9.8.2 9.8.3 9.8.5	Minimum number of Independent Directors shall be 2 or 1/3rd of the total number of Directors (whichever is higher). Any change to be rectified within 90 days. The Bank diligently monitors the composition of its Board. The frequency of obtaining declarations from the Directors was increased from annual basis to quarterly basis from Q4 2024. Additionally, a declaration confirming each Director's independence in the format prescribed by the Listing Rules is also obtained at the end of each year. The declarations obtained are submitted to the Nominations and Governance Committee to assess and ensure that the standards of Board composition stipulated in laws applicable to the Bank are met. As at 31 December 2024 there were 8 Non-Executive Independent Directors on the Board as per the criteria in the CSE Listing Rules which is above the regulatory requirement. The Non-Executive Independent Directors are detailed on page 197 of this report.	Compliant
9.9	Alternate Directors	
9.9	Bank to follow the requirements laid down in 9.9 when appointing Alternate Directors and incorporate such requirements in the Bank's Articles of Association. Directors appointed Alternate Directors in line with the Articles of Association of the Bank and the Banking Act as and when required for a particular meeting. Alternate Directors appointed by an Independent Director have also been independent. The Bank's Articles of Association are in conformity with these Rules and immediate Market Announcements are made when an Alternate Directors is appointed.	Compliant

Rule No.	Corporate Governance Requirement/Explanatory comments	Compliance Status/Page reference in Annual Report
9.10	Director Disclosures	
9.10.1	Bank to disclose policy on the maximum number of directorships allowed to be held by a Director. If such number is exceeded, an explanation to be provided in the Annual Report. As required by the Banking Act Directions, no Director holds Directorships of more than 20 companies. The Directorships of each of the Directors are disclosed on pages 32 to 37 of the Annual Report.	Compliant
9.10.3	Bank shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof. The Bank makes the required announcements as and when necessary.	Compliant
9.11	Nominations and Governance Committee	
9.11.1 9.11.3	Bank shall have a Nominations and Governance Committee (NGC). NGC to have written Terms of Reference. The Bank has a comprehensive TOR for the NGC. Please refer pages 227 to 230 for the Report of the NGC.	Compliant
9.11.2	Establish and maintain a formal procedure for appointment and re-election of Directors through the NGC The NGC considers Board vacancies and recommends suitable candidates when necessary in accordance with the Board-approved procedure for selection and appointment of Directors and in line with applicable laws and regulations.	Compliant
9.11.4 9.11.5	Functions and Composition of the NGC The NGC shall comprise at least three directors, with a minimum of two being independent, exclude executive directors, and have an independent director as the chairperson. Please see detailed report on pages 227 to 230 for the functions and composition of the NGC. The Committee complied with the composition requirements well in advance of the stipulated timeline.	Compliant
9.12	Remuneration Committee	
9.12.2 9.12.5	Bank shall have a Remuneration Committee and the Committee to have written Terms of Reference. The Bank has a Human Resources and Remuneration Committee (HRRC) with a comprehensive TOR consistent with the Listing Rules. Please refer page 231 to 233 for the Report of the HRRC.	Compliant
9.12.3 9.12.4	HRRC shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual directors. Remuneration of Directors to be based on policy which adopts non-discriminatory pay practices. The Bank has a comprehensive Board-approved Remuneration Policy addressing the above areas, for Directors, CEO and KMPs.	Compliant

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Rule No.	Corporate Governance Requirement/Explanatory comments	Compliance Status/Page reference in Annual Report
9.12.6	Functions and Composition of the HRRC The HRRC shall comprise a minimum 3 Directors, out of which minimum 2 shall be independent, and shall not consist of Executive Directors. The Chairperson shall be an Independent Director. Please see detailed report on pages 231 to 233 for the functions and composition of the HRRC. The Committee complied with the composition requirements well in advance of the stipulated timeline. Where parent and subsidiary are both listed the HRRC of the parent may be permitted to function as the HRRC of the subsidiary. Not applicable since none of the subsidiaries are listed.	Compliant
9.13	Audit Committee and IRMC	
9.13.1	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13. Audit Committee to have written Terms of Reference. The Bank has a separate Audit Committee (AC) and an Integrated Risk Management Committee (IRMC) with written Terms of Reference. See detailed reports on pages 237 to 239 and 234 to 236.	Compliant
9.13.2		
9.13.3	Functions and Composition of the AC The Committee shall comprise a minimum 3 Directors out of which minimum 2 or a majority (whichever higher) shall be independent and shall not consist of Executive Directors. Chairperson to be an independent Director. Please see detailed report on pages 237 to 239 for the functions and composition of the AC. The Committee complied with the composition requirements well in advance of the stipulated timeline.	Compliant
9.13.4	The AC shall have compulsory meetings on a quarterly basis prior to recommending the financials to be released to the market. Quorum- majority of those in attendance shall be independent. CEO and CFO to attend meetings by invitation. Provided however where there is a separate Risk Committee, the CEO shall attend the Risk Committee meetings by invitation. The AC had eight (08) meetings in 2024 with at least 1 meeting per quarter and the Rule was complied with during all those meetings. Further, the IRMC has had 6 meetings in 2024 and the CEO attended all IRMC meetings by invitation, except for one meeting which was held prior to his appointment.	Compliant
	Where parent and subsidiary are both listed the AC of the parent may be permitted to function as the AC of the subsidiary. Not applicable since none of the subsidiaries are listed.	Compliant
	The Chairperson of the AC shall be a Member of a recognised professional accounting body. Provided however, this Rule shall not be applicable in respect of Risk Committees where there is a separate Risk Committee and Audit Committee. The Chairperson of the AC, Mr. Sujeewa Mudalige has over 35 years of experience as a Chartered Accountant. His qualifications are FCA (ICA - SL), FCMA (CIMA - UK), FCCA (ACCA - UK) and FCPA (CPA - Australia).	Compliant

Rule No.	Corporate Governance Requirement/Explanatory comments	Compliance Status/Page reference in Annual Report
9.14	Related Party Transactions Review Committee	
9.14.1	Bank shall have a Related Party Transactions Review Committee (RPTRC) The RPTRC of the Bank conforms to the requirements stipulated in Section 9.14 of the Listing Rules.	Compliant
9.14.2	Functions and Composition of the RPTRC	Compliant
9.14.3	RPTRC comprises of Non Executive Independent Directors. The Chairperson is an independent director. The Terms of Reference of the Bank's Related Party Transactions Review Committee is amended from time to time to keep the RPTRC abreast of any regulatory changes to the scope and composition of the committee. Please see detailed report on pages 240 to 241	
	Where parent and subsidiary are both listed the RPTRC of the parent may be permitted to function as the RPTRC of the subsidiary. Not applicable since none of the subsidiaries are listed.	Not applicable
9.14.4	General Requirements	
	Frequency of meetings shall be at least quarterly In 2024, the RPTRC had 4 meetings, with 1 meeting per quarter.	Compliant
	Minutes of meetings are properly documented and communicated to the Board of Directors and the minutes of the RPTRC are tabled at the meetings of the Board of Directors on a periodic basis. Please see detailed report on pages 240 to 241.	Compliant
	Members of the RPTRC to ensure they have or have access to adequate knowledge expertise and advice. The RPTRC ensures this through this being enshrined in the Terms of Reference of the RPTRC, the members being aware of the same exercises this right as and when needed.	Compliant
	Where necessary, the RPTRC shall request the Board of Directors to approve the Related Party Transactions which are under review by the RPTRC. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction. When necessary, Related Party Transactions were submitted to the Board in 2024.	Compliant
	Interested directors shall not vote on or be present during the deliberations on the specific matter. Interested directors did not vote on or participate in any discussions during deliberations on the interested matters in 2024.	Compliant
9.14.5	Subject to the exemptions, RPTRC shall review in advance all proposed RPTs The RPTRC reviews all transactions falling within the scope of its Terms of Reference. For details of activities of the RPTRC, please see the report of the RPTRC on pages 240 to 241.	Compliant
	In the event of any material changes to a previously reviewed Related Party Transaction in terms of Rule 9.14.5 (1) such proposed material changes shall also be reviewed by the RPTRC prior to the completion of the transaction. This requirement has been incorporated into the Terms of Reference and is followed in the Bank.	Compliant

CORPORATE GOVERNANCE

Rule No.	Corporate Governance Requirement/Explanatory comments	Compliance Status/Page reference in Annual Report
	The RPTRC shall be provided with all the facts and circumstances of the proposed RPT by the senior management to facilitate the review of a RPT. This requirement has been incorporated into the Terms of Reference and is followed in the Bank.	Compliant
	Directors shall not participate in discussions where there is conflict except for the express purpose of providing information. Where necessary, a special committee to be created to review a proposed RPT. Interested directors did not vote on or participate in any discussions during deliberations on the interested matters in 2024.	Compliant
	For recurrent RPTs, the RPTRC may establish guidelines for the senior management to follow in its ongoing dealings with the Related Party. Thereafter, the RPTRC on an annual basis, shall review and assess ongoing relationships with the Related Party to determine whether they are in compliance with the Committee's guidelines and that the RPT remains appropriate. This requirement has been incorporated into the Terms of Reference of the RPTRC and is followed by the Bank.	Compliant
9.14.6	Bank to obtain shareholder approval by Special Resolution for the RPTs specified in 9.14.6 The RPT Policy of the Bank provides for obtaining shareholder approval for non-recurrent. No such transactions took place in 2024.	Not Applicable
9.14.7	The Bank shall make an immediate Market Announcement to the Exchange for RPTs as set out in Section 9.14.7 (a) and (b). The RPTs policy of the Bank provides for making an immediate Market Announcement to the Exchange for RPTs identified in this Section. There were no RPTs during the year which required immediate Market Announcement as set out in Section 9.14.7.	Compliant
9.14.9	Acquisition and Disposal of substantial assets from/to related parties to be done with shareholder approval as per Rule 9.14.9. No such transactions took place in 2024.	Nil

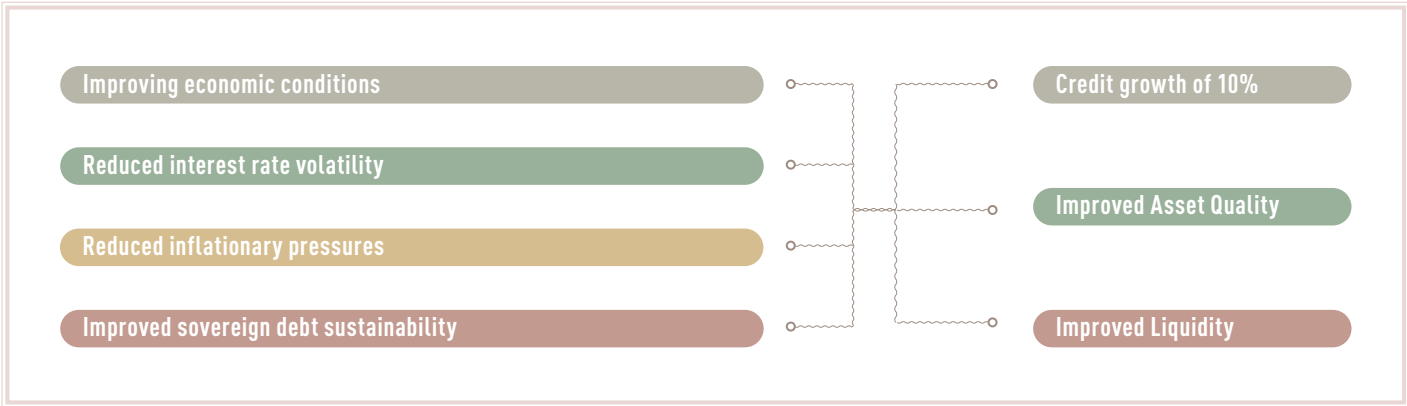
RISK MANAGEMENT

THE RISK LANDSCAPE IN 2024

Sri Lanka recorded positive growth in 2024 after 2 years of negative growth. The positive sentiments buoyed by two quarters of growth in 2023 was tempered by the uncertainty of scheduled presidential and parliamentary elections as well as the foreign debt restructuring for most of the year. The strong mandate received by the President and the government restored political stability while the agreement in principle reached with bondholders paved the way for economic stability.

Inflation remained low during the year, even moving into negative territory for a few months, supporting consumption and stimulating growth. The rupee appreciated against major currencies primarily due to increase in FX inflows and strengthened reserve position. Steady growth in worker remittances and a surge in earnings from tourism strengthened foreign exchange liquidity in financial markets while boosting the country's foreign exchange reserves. Structural reforms implemented to strengthen governance and progress made in meeting key milestones resulted in a positive review by the IMF on its Extended Fund Facility programme and the approval of a further USD 333 Mn in November 2024. This in turn served to bolster Sri Lanka's sovereign ratings supporting the country's ability to access debt. Importantly, the economic stability enabled revision of tax thresholds to provide much needed relief to lower income bands. It is noteworthy that the foreign exchange restriction imposed on motor vehicles has also been withdrawn although with higher border tariffs, boosting tax revenue and import activity.

The banking sector maintained strong liquidity in both rupees and dollars, targeting growth in specific areas at a moderate pace. Private sector credit grew with increased economic activity, and asset quality improved by the third quarter, supporting future credit expansion. Profitability increased due to stable Net Interest Margins and lower impairment charges. Digital transactions continued to maintain a healthy growth trajectory, supporting cost management in financial institutions. Reversals of previous provisions on International Sovereign Bonds are expected to boost the fourth quarter performance of banks, strengthening the sector. Post-election, most private sector bank shares saw strong gains, allowing investors to realise significant capital gains.



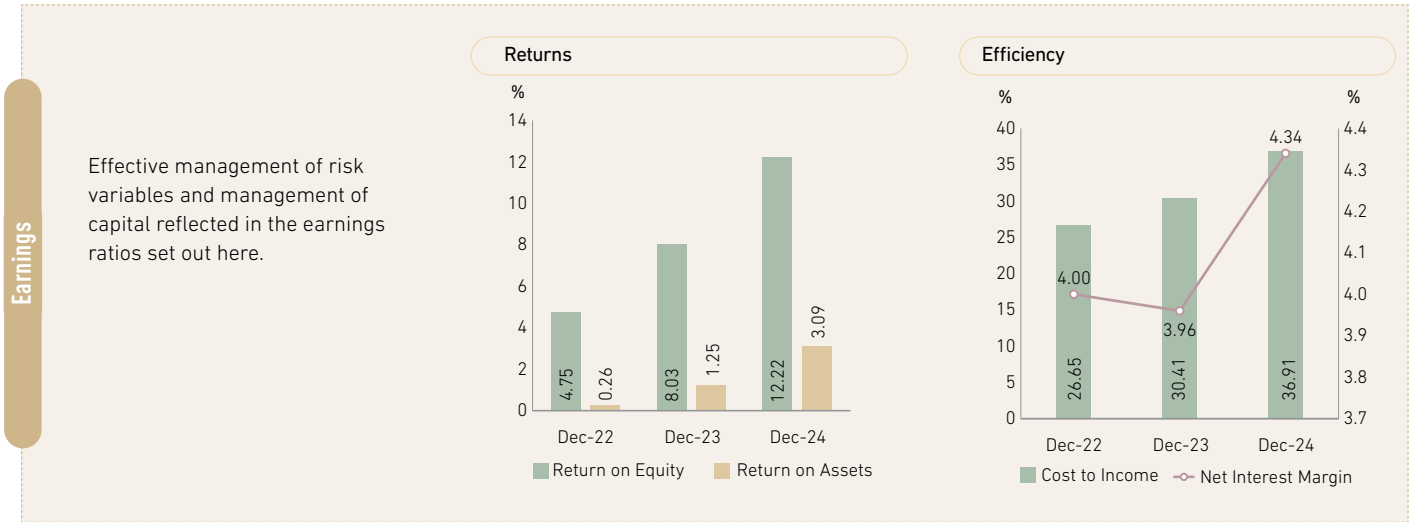
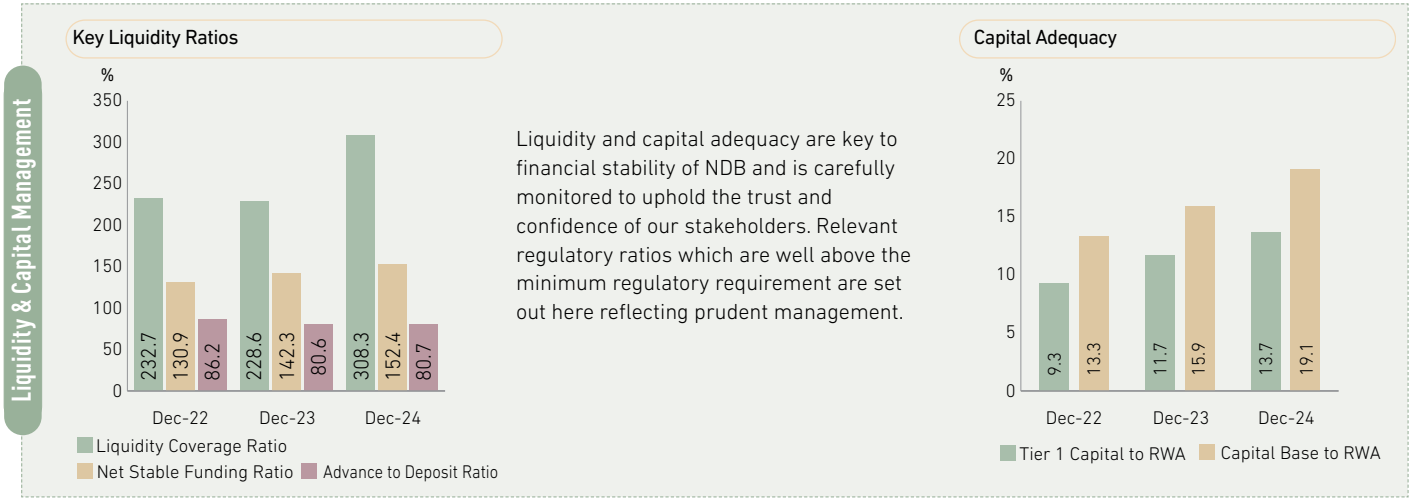
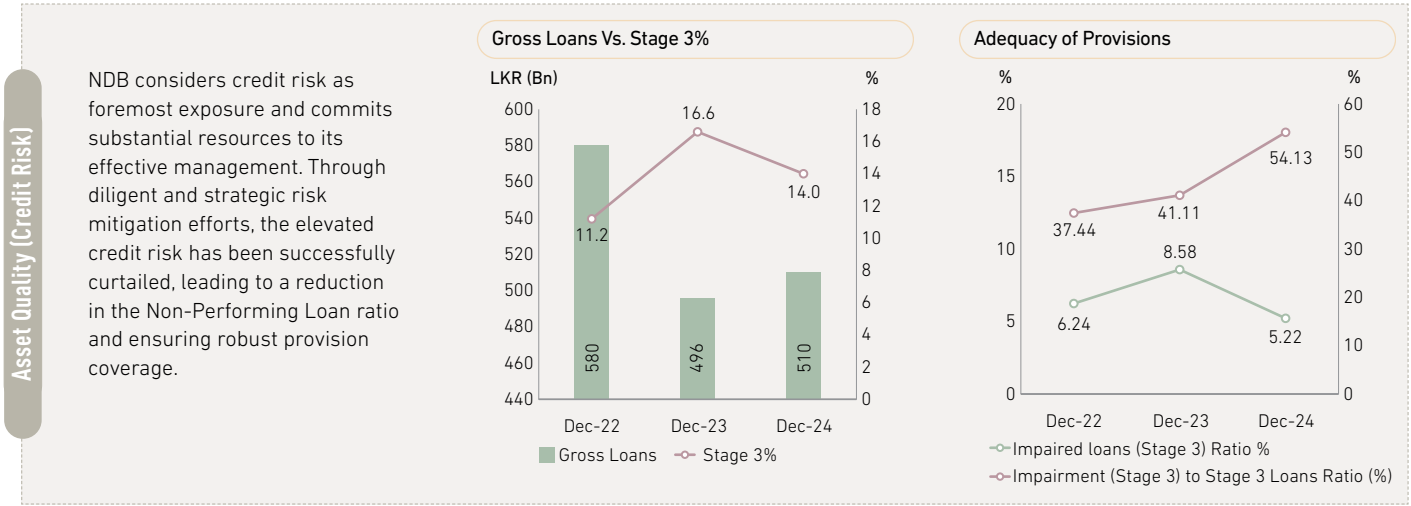
The easing of structural pressures supported credit growth in the latter half of the year. Acknowledging the easing of pressures, the Bank continues to remain vigilant and build resilience while embracing a higher level of risk against the backdrop of restored stability in the business landscape and outlook recognising the catalytic role the Bank plays in growth of the economy. Key aspects of our risk management process in 2024 are summarised below and detailed in subsequent sections of the Report.

RISK MANAGEMENT

RISK MANAGEMENT HIGHLIGHTS 2024

NDB seeks to balance profitability, growth, and financial stability through effective risk management. This report outlines how the Board manages these risks.

Risk Profile and Highlights 2023/24



BANK'S RISK MANAGEMENT APPROACH

The economic crisis and its aftermath have brought forth unprecedented challenges, demanding a more robust and forward-thinking approach to risk management. The Bank's approach to risk management is underpinned by a comprehensive Integrated Risk Management (IRM) Framework, which is regularly reviewed and strengthened to remain relevant in an increasingly dynamic operating landscape. The Board-approved framework clearly defines governance structures and the process for identifying, measuring, monitoring, and controlling the Bank's risk exposures. The framework was reviewed and revised during the year, in view of the rapid changes in the operating environment.

STRENGTHENING RISK MANAGEMENT IN 2024**Credit Risk Management**

- ⦿ Strengthened Credit Policies to reflect changing market conditions and regulatory requirements
- ⦿ Underwriting standards were developed to cater for the challenging economic environment
- ⦿ Enhanced Risk Assessment Framework through implementation of advanced data analytics, Risk Models and stress tests
- ⦿ Supporting clients in need of remediation support through the remedial management unit
- ⦿ Expanded independent evaluation of credit facilities by Credit Review Department and greater engagement in Individual Impairment process
- ⦿ Close monitoring of Stage 2 portfolio with monthly reviews
- ⦿ Granular level monitoring of Key Risk Indicators and frequent portfolio reviews in view of emerging conditions

Technology & Cyber Risk

- ⦿ Established technology risk appetite with clearly delineated and measurable technology risk indicators with approved risk tolerance levels
- ⦿ Conducting of root-cause analysis on discrepancies identified through user access privilege reviews and other technology driven risks
- ⦿ Established quarterly risk and control self-assessment(RCSA) for technology driven banking products and services and third-party risk assessment
- ⦿ Strengthening perimeter defences and establishment of SOC & SIEM.
- ⦿ Upgrade digital defences and collaborations with financial sector threat intelligence providers

Operational Risk Management

- ⦿ Operational Loss was within Bank's Risk Appetite
- ⦿ Majority of losses during the year were categorised as high frequency/low impact events

Information Security Risk Management

- ⦿ Stringent security measures and raised staff and customer awareness on avoiding cyber-attacks/security threats
- ⦿ Deployment of technical controls to mitigate cyber risks such as multi-layer firewalls, network separation and intrusion prevention systems
- ⦿ Continuous monitoring and security hardening of online channels and related infrastructure as per industry best practices
- ⦿ Subscribes to threat intelligent services to defend against emerging threats
- ⦿ Internal and external penetration tests by employing external service providers
- ⦿ Aligned with ISO 27001 standard, demonstrating steadfast commitment to robust information security practices

Market Risk Management

- ⦿ The Board of Directors defines the Market Risk Management Framework and overall policies for the market risk exposures. The limits on market risk are defined giving due consideration to Bank's strategic goals
- ⦿ Proactive monitoring of interest rate risk and exchange rate risk continuously to ensure positions are maintained within the Bank's risk appetite
- ⦿ Bank carried out stress tests using multiple scenarios measuring the impact on capital and liquidity on plausible debt restructuring in 2024
- ⦿ Timely pricing strategies of asset and liabilities carried out for the growth of Balance Sheet and NIMs addressing potential negative liquidity gaps to minimise the adverse impacts

Liquidity Risk Management

- ⦿ A strong Liquidity Risk Management Framework is in place which is approved by the Board of Directors
- ⦿ Bank's Liquidity Risk Management Framework comprise of policies, procedures, measurements, mitigation strategies, stress testing and Contingency Funding Plans to address liquidity risk concerns
- ⦿ Cautious management of Net Open Positions and foreign currency liquidity levels amidst debt restructuring process
- ⦿ Strengthening of key liquidity ratios to optimise liquidity levels
- ⦿ Pricing liquidity risk via transfer pricing mechanism within the Bank
- ⦿ Enhanced engagement through ALCO to manage liquidity constraints
- ⦿ Strengthen stress testing and reviewing related parameters and economic triggers

Risk Appetite Framework

- ⦿ Re-aligning the Bank's risk appetite objectives to recent market developments
- ⦿ Expanding the limit framework for key areas
- ⦿ Risk appetite defined and monitored at more granular level for KRI reporting
- ⦿ Stringent limits for Credit Risk, and Market Risk

RISK MANAGEMENT



MAIN OBJECTIVES

- To establish common principles and standards for the management and control of all risks
- To provide a shared framework and language to improve awareness of risk management processes among all stakeholders
- To provide clear accountability and responsibility for risk management
- To ensure consistency throughout the Bank in risk management

RISK UNIVERSE

In addition to the main risks (viz. Credit Risk, Market Risk and Operational Risk) the Bank considers several other material risks such as Liquidity Risk, Sovereign Risk, Cyber Risk, Technology Risk, Underestimation of Credit Risk in Standardised Approach, Residual Credit Risk, Concentration Risk, Compliance Risk, Legal Risk, Strategic Risk, Governance Risk, Cross-border Risk, Settlement Risk, Reputational Risk, Model Risk, Risk in Off Balance Sheet items, Environmental and Social Responsibility Risk and Group Risk. The Risk framework permeates all levels of the organisation and has underpinned the creation of a risk-conscious culture.

The Risk Management narrative set out in the subsequent pages has been structured in accordance with the key elements of the Bank's Integrated Risk Management Framework.

RISK APPETITE & STRATEGY

Risk appetite is defined as the quantum of risk the Bank is willing to assume in achieving its strategic objectives and ensuring maintenance of the desired risk profile. The Bank's risk appetite is twofold. The top level risk appetite statement indicates the objectives that the Bank is trying to achieve, which is followed by the sum of mechanisms linking this top level statement to the firm's day-to-day risk management operations. The risk appetite framework and risk tolerance limits are defined by the Board in consultation with the management and are articulated through limits or qualitative checkpoints.

The top level statement which is set to guide management and to inform investors about the Bank's risk appetite is given below.

RISK APPETITE STATEMENT OF NDB

NDB Bank's risk appetite statement defines the amount of risk we are willing to assume in pursuit of our strategic and financial objectives. We recognise the challenges in the current operating environment in our risk approach and capital planning and strive to maintain resilience.

Our guiding principle is to practice sound risk management, supported by optimal capital and funding positions, as we pursue our client focused strategy. In defining our risk appetite, we take into consideration our vision, values, strategy and Corporate Social Responsibility along with our risk capacity (defined by regulatory framework).

Our risk appetite defines how we conduct business in a manner that is consistent with the objectives specified under each risk category.

- ⊙ Credit Risk
- ⊙ Concentration Risk
- ⊙ Market Risk
- ⊙ Liquidity Risk
- ⊙ Interest Rate Risk in the Banking Book (IRRBB)
- ⊙ Operational Risk
- ⊙ Compliance Risk
- ⊙ Environmental and Social Risk

The risk appetite framework is aligned to the Bank's overall business strategy and reviewed and updated based on emerging developments thereby, providing clear direction for on-going operations and risk management. In the event of a breach of a risk appetite threshold, risk management strategies and controls are implemented to normalise the exposures to the accepted range.

During the year, the risk appetite of the Bank was reviewed considering the challenges in operating environment and further strengthened by expanding and fortifying the limit framework in order to achieve risk appetite objectives.

CAPITAL MANAGEMENT

Effective capital management through proactively managing the Bank's capital position, capital mix and capital allocation is crucial in protecting the Bank against insolvency while safeguarding the financial position and reputation of the Bank. Bank's approach to capital management is driven by strategic objectives and guided by the Basel principles.

BASEL III FRAMEWORK

Basel III capital standards endeavour to strengthen the quantity and quality of capital in Banks.

PILLAR I – MINIMUM CAPITAL REQUIREMENT

The objective of minimum capital requirements under Pillar I of the Basel III framework is to ensure that banks hold sufficient capital for Credit, Market and Operational Risks.

Credit Risk	⊙ Currently using Standardised Approach for Credit Risk minimum capital computation purposes ⊙ Bank uses an inventory of Credit Rating and Scoring models
Market Risk	⊙ Use of Standardised Measurement Approach to compute minimum capital requirement ⊙ Use of Advanced Measurement Approach such as VaR models in measuring Market Risk
Operational Risk	⊙ Use of the Basic Indicator Approach (BIA) to compute the capital charge

PILLAR II – SUPERVISORY REVIEW PROCESS

The Pillar II (Supervisory Review Process - SRP) requires banks to implement an internal process, called the Internal Capital Adequacy Assessment Process (ICAAP), for assessing capital adequacy in relation to the risk profiles as well as a strategy for maintaining capital levels. The Pillar II also requires the supervisory authorities to subject all banks to an evaluation process/ SRP. The Bank has in place an ICAAP since January 2013 which has strengthened its risk management practices and capital planning process.

The Bank's capital management objectives can be summarised as follows:

- ⊙ Maintain sufficient capital to meet minimum regulatory capital requirements
- ⊙ Hold sufficient capital to support the Bank's risk appetite
- ⊙ Allocate capital to businesses to support the Group's strategic objectives
- ⊙ Ensure that the Bank maintains capital in order to withstand the impact of potential stress events

The Bank identified twenty one material risks based on directions given by CBSL and self-assessment of most important risk categories which require a separate mention from an ICAAP perspective. These risks are Credit Risk, Market Risk, Operational Risk, Concentration Risk, Liquidity Risk, Sovereign Risk, Cyber Risk, Technology Risk, Under-estimation of Credit Risk, Residual Risk, Strategic Risk, Reputational Risk, Legal Risk, Compliance Risk, Governance Risk, Model Risk, Settlement Risk, Environmental and Social Responsibility Risk, Group Risk, Cross-border Risk and Risks in Off Balance Sheet exposures.

RISK MANAGEMENT

The annual capital planning process involves detailed planning of the strategic capital plan over at least a three-year horizon. The plan highlights the capital projections, capital requirements, levels of capital and capital mix to support the Bank's business plan and strategic objectives. The projected capital also takes into consideration the Bank's organic growth. NDB Group also has the option to raise capital under normal and stressed scenarios by way of equity/capital infusion, issue of innovative perpetual debt instrument, issue of sub-ordinate bonds or hybrid capital instruments.

Efficient capital and balance sheet management will remain a key priority of the Bank's strategy as it focuses on strengthening resilience. Capital retention would happen through profit capitalisation and based on the Bank's dividend policy. The Bank made two debenture issuances during

the year, first in September 2024 and the second in November 2024. Accordingly, the Bank issued Basel III compliant, Tier 2 listed, rated, unsecured subordinated redeemable debentures with a non-viability conversion, at the par value of LKR 100 each, aiming to raise five billion rupees through each issuance. Both the issues of fifty million debentures were oversubscribed.

Stress Testing

The Bank's comprehensive stress testing policy has been formulated in line with regulatory guidelines and global best practices. Stress tests are conducted at various frequencies in line with the Board-approved framework and results are reported to the Board. Considering the changes in the operating environment, the Bank carried out a comprehensive review of its stress testing policy and framework where the adequacy

of stress tests, frequency, shock levels and assumptions were critically reviewed and changes were incorporated to policy and framework as required. Reverse stress testing is also included in stress testing policy and framework to overcome the possibility of a false sense of security that might arise from regular stress testing in which the Bank may identify manageable impacts. The outcome of stress testing process is proactively monitored and remedial actions taken in case of breaches. The Bank also carried out certain adhoc stress tests to understand the impact of specific scenarios on capital adequacy/liquidity given the challenges.

The Stress Tests carried out as at 31 December 2024 are given below;

Credit Risk

- Impact of increase in the Non-Performing Assets on Capital Adequacy Ratio (CAR)
- Impact of default of large borrowers on CAR

Credit Concentration Risk

- Impact of default by the largest group on CAR
- Impact of default in specific sector/region on CAR

Interest Rate Risk

- Impact of change of market interest rates at Trading Book on profit and CAR
- Impact of change of market interest rates at fair value through OCI Book on profit and CAR
- Impact of change of market interest rates at fair value through OCI Book (Sovereign Bonds) on CAR
- Impact of changes in Economic value of equity in the Banking Book on the Balance Sheet
- Impact of Earnings at Risk for LCY and FCY Interest Sensitive Assets/Liabilities on CAR

Liquidity Risk

- Impact on CAR due to higher interest paid in a deposit run off scenario
- Impact of funding cost on Balance Sheet mismatches on CAR
- Impact of LCR stress scenarios - All Currency

Exchange Rate Risk

- Impact of exchange rate movements of Bank's (DBU and FCBU) Net Open Position on CAR
- Impact of exchange rate movements of Domestic Banking Unit (DBU) Net Open Position on profits
- Impact of forex trading - Value at Risk measurement on CAR
- Impact of exchange rate movement on CAR due to USD assets revaluation

Adhoc Stress Tests

- Impact of additional Impairment on International Sovereign Bonds and Sri Lanka Development Bonds on CAR

Reverse Stress Tests

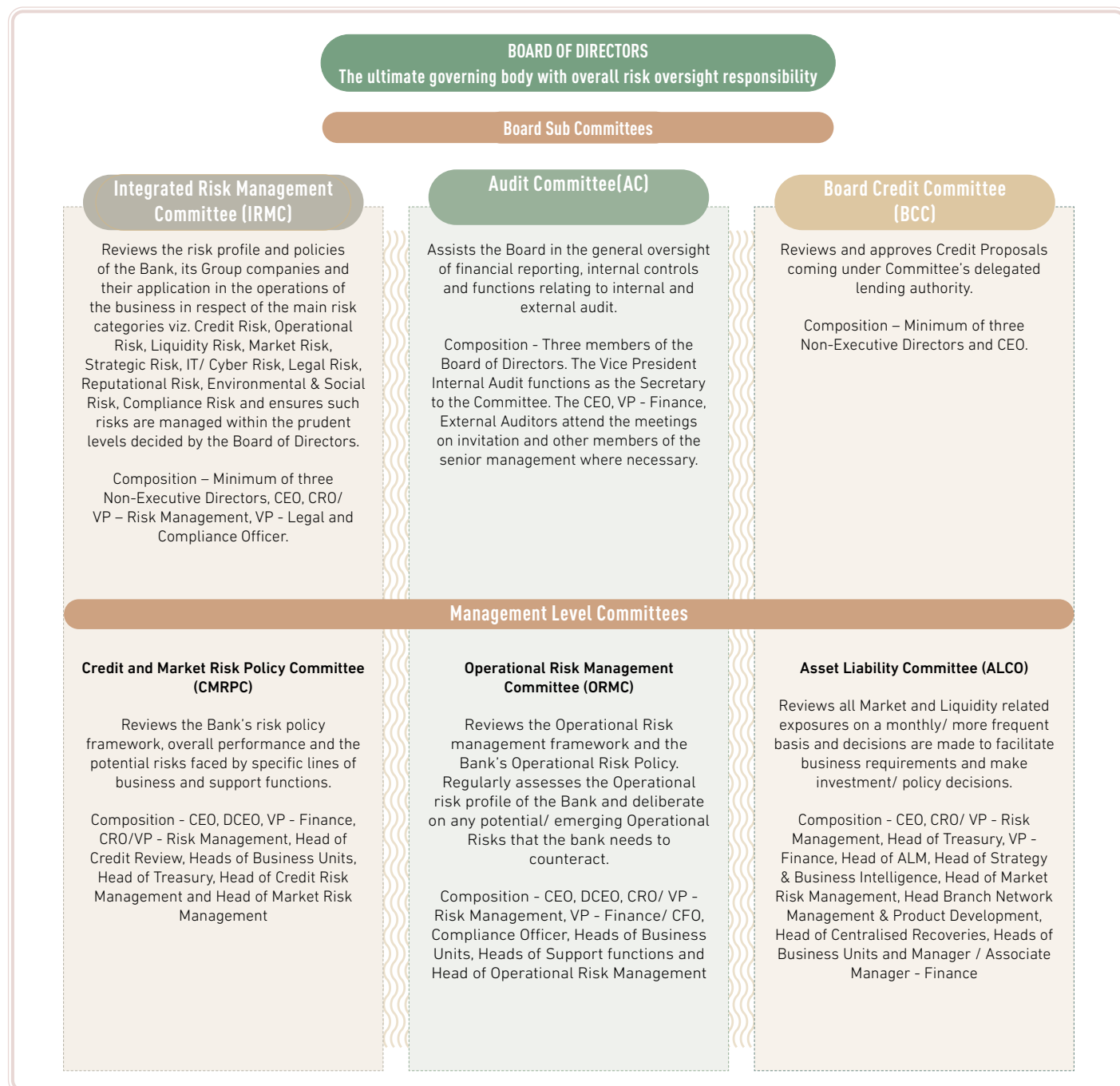
- Reverse Stress Testing on CAR

PILLAR III – DISCLOSURES

The Bank provides enhanced quantitative and qualitative disclosures in line with the Basel III requirements in Annual Report, website and press to provide a meaningful assessment of the extent and nature of various risks that the Bank is exposed to and the efficiency of Bank's risk management practices.

GOVERNANCE AND OVERSIGHT

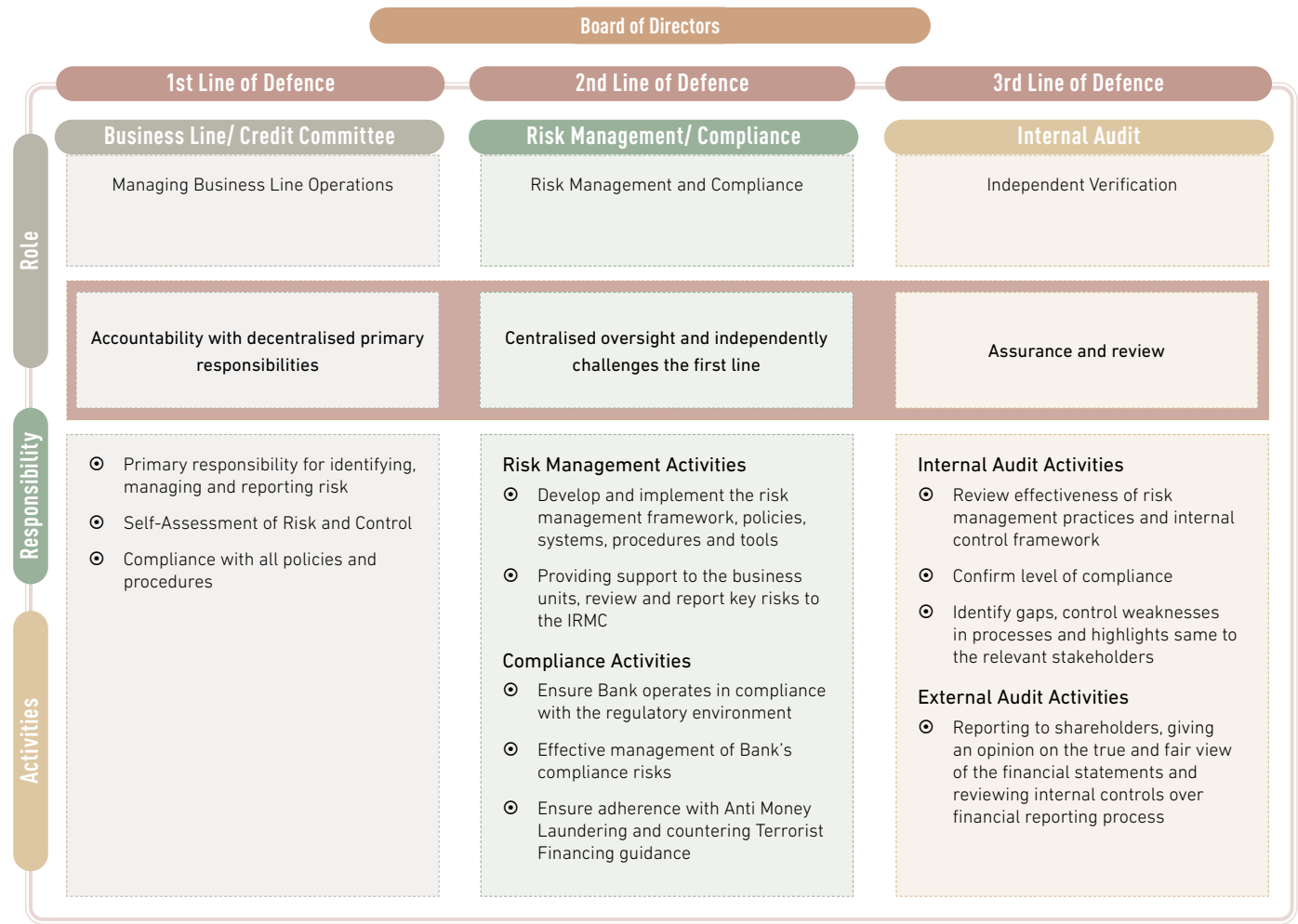
The Bank's Board of Directors holds apex responsibility for risk management and sets the tone at the top for the effective management of risks. In discharging its risk-related responsibilities, it is supported by two key committees, namely the Integrated Risk Management Committee (IRMC) and the Audit Committee (AC) which have been formed in compliance with the CBSL Direction No. 11 of 2007 on Corporate Governance.



RISK MANAGEMENT

GOVERNANCE STRUCTURE

The risk governance structure ensures accountability and ownership, whilst facilitating an appropriate level of independence and segregation of duties. The structure is based on the three lines of defence and defines the lines of authority, roles and responsibilities to efficiently manage risk across the Bank. The activities carried out during the year by the above mentioned Board Sub-committees is covered in detail in the Board Sub-committee Reports.



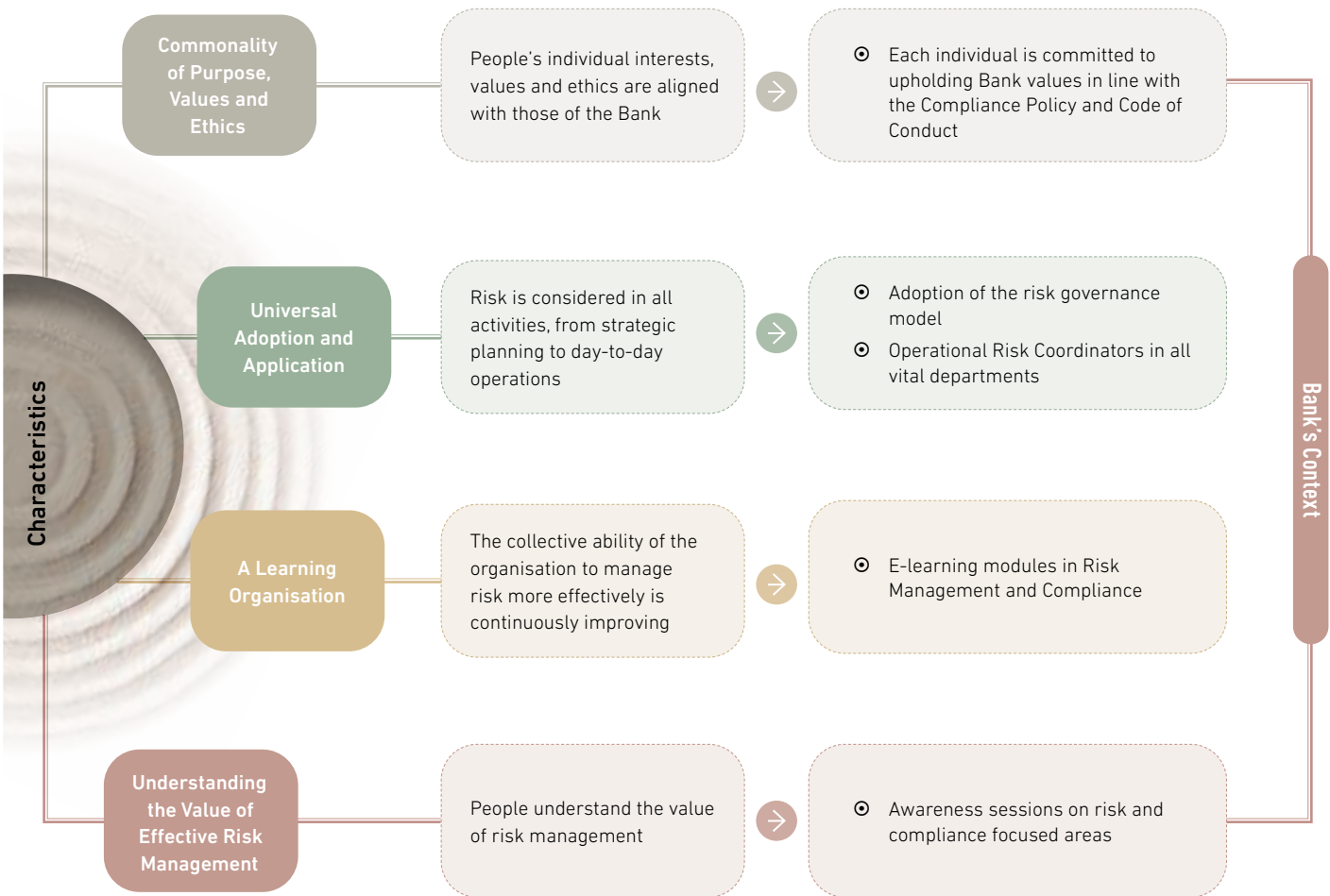
RISK MANAGEMENT DIVISION

The Bank's Risk Management Division is independent of the business units and profit targets and reports directly to the Integrated Risk Management Committee. Each unit within the Risk Division contributes to the management of risk and co-ordinates with business functions to ensure that risk considerations are proactively integrated into the Bank's culture.

Further, the Loan Review unit within the Risk Management Division carries out Loan Review Mechanism (LRM) activities as prescribed by the regulator. Its responsibilities extend to identifying potential problematic loans/ facilities (post approval/ granting) and providing rational, objective and professional recommendations for remedial action for implementation by line management. In order to ensure the independence and to strengthen the credit approval process the Credit Review Division which handles the pre credit review/approvals was taken under the Risk Management Division.

RISK CULTURE

A culture of risk awareness is fundamental to the effective management of risks within the Bank and serves as the foundation upon which a strong risk management structure is built. The Bank's commitment is clearly demonstrated through the establishment of strong policies and guidelines and ensuring that non-compliance risks are effectively managed. The key characteristics of a strong risk culture are identified as follows:



RISK MANAGEMENT

RISK POLICIES & PROCESSES

CREDIT RISK

Credit Risk is inherent in the Bank's lending and investment activities. Credit Risk is the risk of financial loss if a customer or counterparty fails to meet a payment obligation under a contract. It arises principally from direct lending, trade finance and leasing business, and from off balance sheet products such as letters of credit and guarantees. As the Bank's most significant risk exposure, Credit Risk generates the largest regulatory capital requirement.

Objectives of Credit Risk Management

- ☉ Ensure optimal risk-reward pay-off for the Bank to maximise returns.
- ☉ Maintain the quality of the portfolio by minimising the non-performing loans and probable losses.
- ☉ Maintain a well-diversified portfolio by prudently managing the risk asset portfolio to ensure that the risk of excessive concentration to any industry, sector or individual customer is minimised.
- ☉ Ensure that exposures to any industry or customer are determined by the regulatory guidelines, clearly defined internal policies, debt service capability and balance sheet management guidelines.
- ☉ Avoid all situations of conflict of interest and report all insider-related credits to appropriate bodies.

The risk of financial loss to the Bank if a customer or a counterparty to a financial instrument fails to meet its contractual obligations

Credit Risk Components

- ☉ Credit Default Risk
- ☉ Credit Concentration Risk
- ☉ Cross-border Risk
- ☉ Residual Risk (Collateral Risk)
- ☉ Underestimation of Credit Risk in Standardised Approach
- ☉ Risk in Off-Balance Sheet Exposures

	2024	2023	%
	Maximum Exposure LKR '000	Maximum Exposure LKR '000	
Maximum Credit Exposures			
-Total Assets subject to Credit Risk	577,734,542	603,754,358	-4.3%
-Off Balance Sheet Commitment subject to Credit Risk	221,452,953	235,357,979	-5.9%
-Maximum Exposure to Credit Risk Gross Loans & Receivables to Customers	460,707,258	452,660,461	1.8%
-Net Exposure to Credit Risk of Loans & Receivables to Customers	204,362,106	175,314,931	16.6%
Provisions for Impairment	50,934,053	45,068,610	13.0%
-Individual Impairment	32,476,427	26,001,781	24.9%
-Collective Impairment	18,457,626	19,066,829	-3.2%
Stage 3 Loans	71,426,653	82,548,946	-13.5%

CREDIT PROCESS

1

A Well-Defined Credit Policy Approved by the Board of Directors

- Set the credit culture of the Bank
- Specify target markets for lending
- Specify prohibited lending
- Set acceptable risk parameters
- Set remedial and recovery actions

2

Structured and Standardised Credit Approval

- Credit is extended only to suitable and well-identified customers
- The primary source of repayment for each credit is from an identifiable cash flow from the counterparty's normal business operations or other financial arrangements
- Adopt a pricing mechanism that reflects variation in the risk profile of various exposures to ensure that higher risks are compensated by higher returns
- The financial performance of borrowers is to be continuously monitored and frequently reviewed

3

Delegation of Authority

- Three Credit Committees representing the Business Lines
- The delegated authority limits are reviewed periodically and the Bank follows the four-eye principle
- Lending decisions are based on detailed credit evaluation

4

Risk Rating

- System driven obligor risk rating, facility risk rating and retail score cards to suit the diverse client portfolios of the Bank
- Incorporating both quantitative and qualitative parameters

5

Risk Pricing

- Price the credit risk using scientific methods

6

Post Sanction Review and Monitoring

- Warning signals are identified
- Watch listing process
- Non-performing assets are identified at an early stage

7

Prudential Limits

Maximum exposure limits on;

- Single Borrower/ Group Exposures
- Prudential Group Exposure Limits
- Substantial Exposures
- Industry/ Economic Sector Limits
- Cross-border/ Country Exposure Limits

8

Portfolio Management

- Evaluates exposures on the basis of industry concentration, rating quality, internally established pre specified early warning indicators
- Regular portfolio reviews, stress tests and scenario analysis
- The exposures in off balance sheet products are treated with utmost care
- Rapid portfolio reviews in case of any geopolitical or natural disaster events

9

Credit Risk Mitigation

- Ways-out analysis
- Comprehensive and legally enforceable documentation of credit transactions
- Obtaining of collateral in line with the Bank's policy and ensuring enforceability

10

Impairment

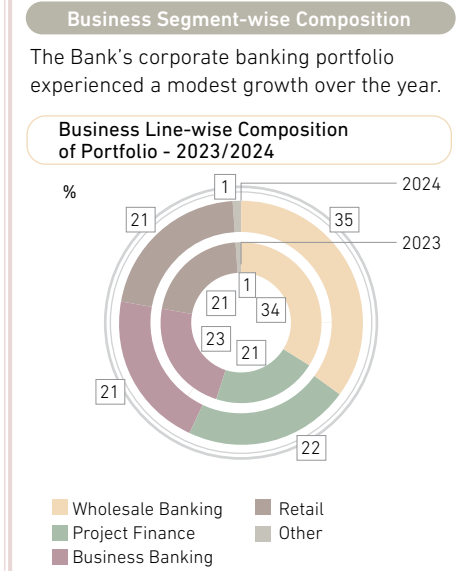
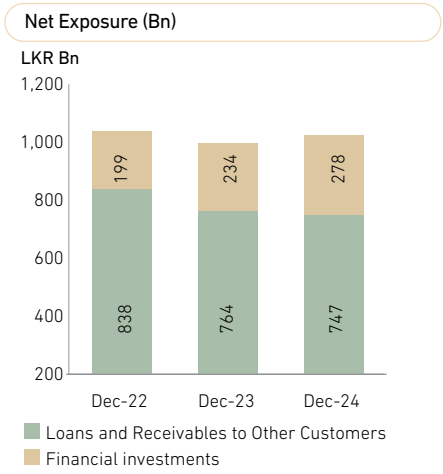
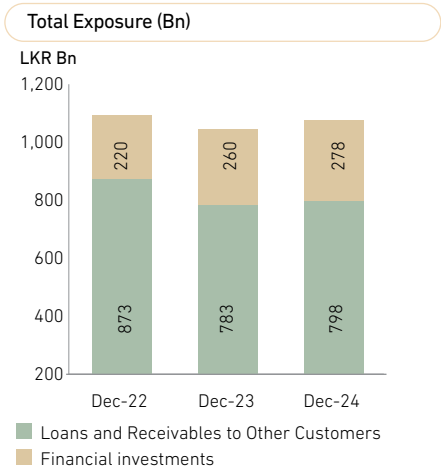
- Board approved policy
- Clearly defined process
- Impairment based on Expected Credit Loss

PORTFOLIO AT A GLANCE

Credit Risk Exposure – 31 December 2024

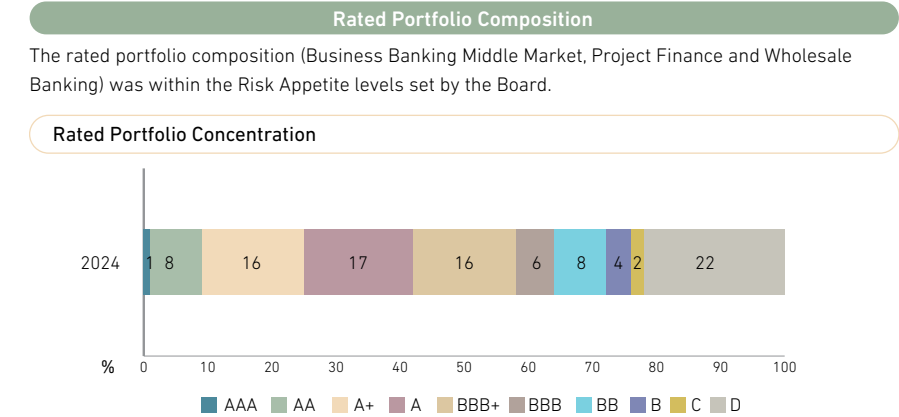
	On-Balance Sheet Exposure LKR '000	Off-Balance Sheet Exposure LKR '000	Total Exposure LKR '000	Individual Impairment LKR '000	Collective Impairment LKR '000	Net Exposure LKR '000
Financial Investments	278,251,254	-	278,251,254	245,000	180,177	277,826,077
Loans and Receivables to Other Customers	509,777,031	288,292,666	798,069,697	32,476,427	18,457,626	747,135,644

RISK MANAGEMENT

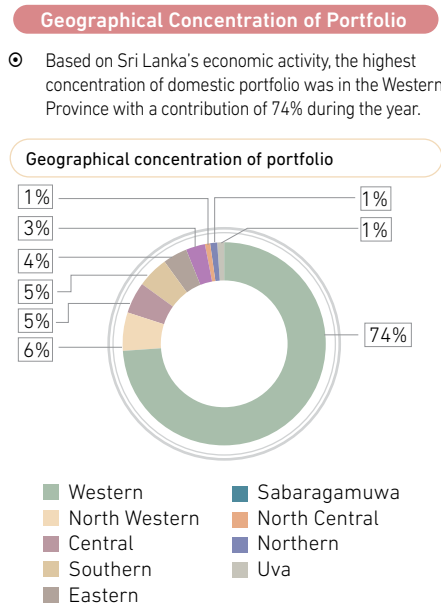
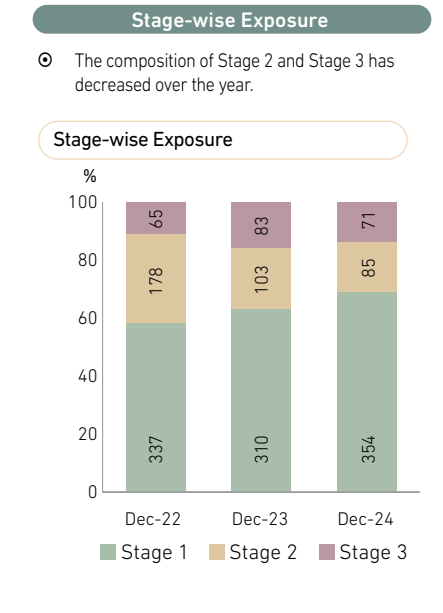


- Group/ Single Borrower Concentration**
- The Bank was in compliance with regulatory limits and internal limits set by the Board on Group/ Single Borrower concentrations which are more stringent than those prescribed by the regulator.
 - The aggregate of the substantial exposures of the Bank accounted for only 39.88% of the capital base and was well within the internal limit.

- Sector Concentration**
- Bank maintained a well-diversified portfolio with no over concentration to any particular sector. Sector concentrations were managed carefully during the year considering the stresses seen in certain sectors. The Bank was also in compliance with the minimum lending requirement of 10% to Agricultural sector.



- NPL and Impairment**
- The Bank's Impairment (Stage 3) to Stage 3 Loans Ratio rose to 54.13% (compared to 41.11% in 2023), while the Impaired Loans (Stage 3) Ratio stood at 5.22% compared to 8.58% in 2023.



STRATEGIC FOCUS FOR 2025

- Strengthen credit risk frameworks with robust early warning systems
- Invest in data analytics and digital technologies to enhance risk assessment
- Align with regulatory reforms while exploring new growth opportunities in sustainable finance and underserved markets

MARKET RISK

Management of market risk is key to managing earnings and growth through management of market risk exposures. Many factors that affect market risk are macro in nature and beyond the control of any single entity. As most transactions involve at least one element of market risk, exposures are aggregated, categorised and reviewed frequently to balance risk and rewards within the risk appetite set by the Board.

Definition

Market Risk is the risk to earnings or capital due to changes in market driven variables that affect the value of trading and accrual positions. The Bank's portfolios are exposed to these variables and correlations in varying magnitudes.

Components of Market Risk

- Interest Rate Risk
- Foreign Exchange Risk
- Equity Price Risk
- Commodity Price Risk

NDB is exposed to Market Risk arising mainly through interest rate risk and foreign exchange risk, where non-trading portfolio (Banking Book) which accounted for 95% of the total assets and 90% of total liabilities excluding shareholder funds. The Bank had a negligible exposure to equity risk and was insensitive to commodity related price risk.

Key Risk Indicator

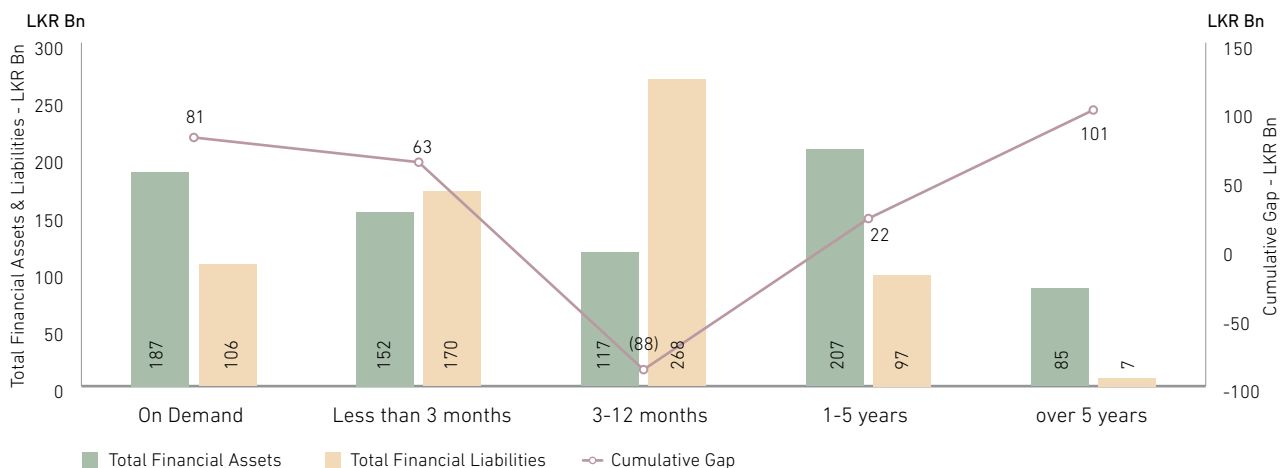
	31.12.2024	31.12.2023	31.12.2022
Net Interest Margin (%)	4.34	3.96	4.00
Exchange Rate sensitivity of Net Open Position (NOP) – negative impact in LKR Mn.	21.47	8.87	121.95

Interest Rate Risk 2024

The market interest rates declined in response to the monetary policy measures taken during the year.

The Bank monitors the interest rate sensitivity of assets and liabilities using gap between the rate sensitive assets & rate sensitive liabilities.

Interest Rate Sensitivity of Assets & Liabilities



RISK MANAGEMENT

FOREIGN EXCHANGE RISK

- ⦿ The Rupee strengthened against the USD, recording a 10% appreciation during the year in a reversal of movement in previous year.
- ⦿ The Bank’s major foreign currency net open positions (NOP) are subject to daily sensitivity analysis for different exchange rate shocks to determine the impact of exchange rate movements by way of profit or loss to the Bank’s Income Statement.

MARKET RISK CATEGORIES

Key Market risk category	Risk component	Description	Measurement tools	Severity	Impact	Probability
Interest rate		Risk of loss arising from movements or volatility in interest rates				
	Re-pricing	Holding assets and liabilities and off-balance sheet positions with different principal amounts, maturity dates or re-pricing dates, which creates exposure to interest rate changes	Re-pricing gaps and interest rate sensitivity limits	Moderate	Major	Likely
	Yield curve	Arises when unanticipated shifts occur in the slope and the shape of the yield curves	Rate shocks, VaR (Value at Risk) analysis, Duration, holding period limit, PVBP analysis, Price sensitivity and MIS reports	Moderate	Major	Possible
	Basis	Differences in the relative movement of rate indices that are used to price instruments with similar characteristics	Rate shocks, VaR analysis and MIS reports	Moderate	Major	Possible
Foreign exchange		Risk of losses arising from the movements in foreign exchange rates by holding foreign currency denominated assets and liabilities with different currencies and maturities	Regulatory Net Open Position (NOP) limit, individual and aggregate currency exposure limits, VaR analysis, gap limits, scenario analysis, stress testing and stop loss limits	Moderate	Major	Likely
Equity		Possible losses arising out of prices or volatilities in individual equities	Mark to Market calculations	Low	Minor	Possible
Commodity		Exposure to changes in prices and volatilities of individual commodities		Low	Minor	Possible

OBJECTIVES OF MARKET RISK MANAGEMENT

Ensure that business units optimise the risk-reward relationship within the Bank’s pre-defined risk appetite and avoid exposing the Bank to unacceptable losses. Identify, assess, control and report Market Risks to ensure that the Bank operates within the allocated risk appetite levels.

Market and Liquidity Risk Governance Structure

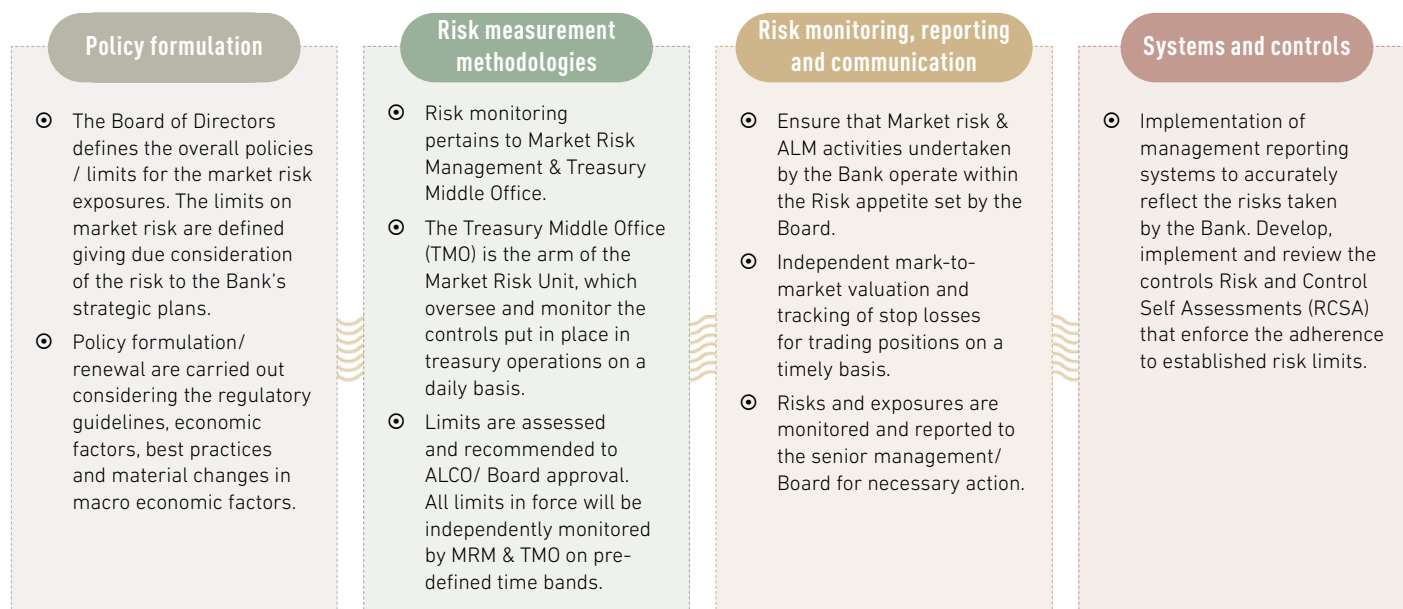


POLICY FRAMEWORK

Risk monitoring is guided by a well-defined policy framework and limit structure, covering Market, Liquidity, Asset and Liability risk management aligned to the Bank's business model, balance sheet and risk appetite. The Board supported by IRMC approves the risk parameters as recommended by ALCO and MRMU.

PROCESSES

The Market Risk management process (as set out below) provides guidance on the procedure for Market Risk management within the overall risk appetite of the Bank. The implementation of the Bank's risk management policies, procedures and systems are delegated to the Head of Market Risk Management & Treasury Middle Office who reports to the Chief Risk Officer.



Managing Foreign Exchange Risk

To mitigate the potential losses arising from fluctuations of foreign exchange (FX) rates, The Bank adhere to stringent risk tolerance limits on currency positions for regulatory & internal limits. Below shows the Bank's consolidated foreign exchange position and the exposure held against the Bank's capital base which is managed well within the regulatory limit of 30%.

Currency	Overall exposure in respective foreign currency '000	Overall exposure in LKR '000
USD	(1,986)	582,415
GBP	1	263
EUR	9	2,831
JPY	2,569	4,809
AUD	2	419
CAD	13	2,589
Other currencies (in USD)	2,147	144,354
Total exposure (in LKR)		737,680
Total capital funds as at 31 December 2024		77,664,755
Total exposure as a % of total capital funds		0.95%

RISK MANAGEMENT

Value at Risk (VaR)

In accordance with the BASEL guidelines the Bank's foreign exchange trading portfolio is subject to VaR measurement on historical simulation on a daily basis, with the objective of measuring the maximum potential loss due to holding of an investment/ position in the Bank's trading book and the exposures are maintained within the set limits.

Stress testing on DBU net open position (NOP)

Stress testing on DBU- NOP under different magnitudes of shocks to the exchange rate are performed to assess the impact on profitability as given below.

	Bank's Foreign Currency DBU Net Open Position and Stress Test results as at 31 December 2024				
					USD/LKR
	Net open position	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Magnitude of shock (adverse)		5%	10%	15%	25%
Spot rate movement	293.50	308.18	322.85	337.53	366.88
Net open position-DBU (USD)/ Stress P&L (LKR)	(1,463,098)	(21,470,968)	(42,941,935)	(64,412,903)	(107,354,838)

Managing Interest rate risk

Assets in the Bank's trading book are held primarily for generating profit through short term differences in prices/yields while the banking book comprises interest earning assets and interest-bearing liabilities and off-balance sheet items, which are contracted basically for steady income generation and are generally held till maturity. Bank assesses the price risk in the trading book through managing the mark to market gains/losses and the duration of the portfolios.

The Bank's fixed income securities portfolio is subject to VaR measurement under historical simulation method on a daily basis and the portfolios are managed at prudent levels.

Interest Rate Risk in the Banking Book (IRRBB)

The IRRBB arises mainly through non-trading assets and liabilities such as loans and advances, which are measured and managed through price sensitivity /EVE (Economic Value of Equity), NII (Net Interest Income) and interest rate sensitivity gap analysis. (Detail report under Disclosure Note No 57.4 (a) (ii))

The price sensitivity/ duration analysis (Economic value perspective) on the Statement of Financial Position is managed within the risk parameters whilst maximising the market potential on interest sensitive assets and liabilities. During the year, the Bank's net interest margin improved to 4.34% from 3.96% in 2023 with the right decisions taken in reprising the balance sheet mismatches.

Price Sensitivity of Assets and Liabilities	As at 31 December 2024 LKR Mn	As at 31 December 2023 LKR Mn
Average for the year	-406	137
Maximum for the year	987	657
Minimum for the year	-966	-394
Price Sensitivity - sum of value change in portfolio due to a 1% change in interest rate		

Equity Price Risk

The Equity price risk arises due to adverse movement in the value of the individual stock price or equity index. The Bank does not engage in equity trading at present. However, the investments held in the fair value through other comprehensive income portfolio is subject to mark to market valuation.

Type	Carrying value LKR '000	Fair value LKR '000	Realised gains/ losses LKR '000	Unrealised gains / losses LKR '000	Amount included in capital adequacy calculation	
					Amount adjusted from CET 1 capital LKR '000	Amount considered for market risk LKR '000
Financial Assets measured at fair value through profit or loss*	-	-	-	-	-	-
Financial Assets measured at fair value through other comprehensive income	2,312,672	2,231,962	-	(80,710)	1,439,261	-

*No outstanding portfolio as at 31 December 2024

Commodity Risk

Commodity price risk arises due to volatilities in the commodity exposure of the Bank. The commodity exposures are limited to gold loan and pawning portfolio as no commodity trading activities are performed by the Bank.

Liquidity Risk

Sound liquidity risk management ensures that the Bank has the appropriate amount, diversification and tenor of funding and liquidity to support its business needs.

Definition

Liquidity Risk is the risk that the Bank is unable to meet its financial obligations in a timely manner without incurring unacceptable losses. Financial obligations include liabilities to depositors, payments due under derivative contracts, settlement of borrowings under securities and repurchase transactions, lending and investment commitments. Further the Banks are exposed to Liquidity Risk by the mismatches on maturities of assets and liabilities.

Liquidity Ratios	2024	2023
Liquidity Coverage Ratio – local currency	358.12	309.61
Liquidity Coverage Ratio – all currency	308.26	228.58
Net Stable Funding Ratio	152.43	142.26
Advances to Deposit	80.70	80.58
Net Loans to Total Assets	57.90	58.04
Liquid Assets to Short Term Liabilities	43.80	44.97
Commitments to Liquid Assets	54.84	57.96

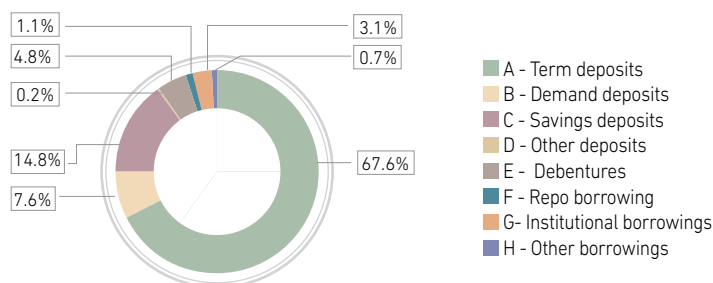
Diverse funding profile

The Bank's funding profile is monitored to ensure that it depends on diverse sources with cost efficiencies to manage the liquidity and profitability at optimum levels.

The Bank benefits from a diverse funding profile, which includes low cost CASA deposits and funding lines.

Bank recorded a increase in deposit base by 2.6%, while the CASA ratio improved to 24.91%. Further the Bank successfully raised LKR.10 Bn Debentures to build long term funding.

Funding Diversification by Product



RISK MANAGEMENT

OBJECTIVES OF LIQUIDITY RISK MANAGEMENT

The objective of our liquidity framework is to ensure that all anticipated funding commitments can be met as and when due whilst maintaining the business profile. It is designed to be adaptable to changing business models, market dynamics and regulations.

POLICY FRAMEWORK

The Bank's well-articulated Liquidity Risk management policies and procedures provide guidance on Liquidity Risk exposures which ensures that it has sufficient liquidity to meet its financial obligations at a fair market price. The policies were reviewed to address the internal/ external economic factors with more clarity on the process and mitigates for Liquidity Risk management.

The Bank also monitors key liquidity metrics on a regular basis by measurement approaches through prudent limits, stress testing methodologies and a contingency funding arrangement.

PROCESS

Liquidity Risk governance structure:

The responsibility for Liquidity Risk management rests with the ALCO while Treasury/ALM units are responsible for executing the day-to-day liquidity management.

The Bank is also equipped with a comprehensive Liquidity Contingency Funding Plan (LCFP) linked to the business continuity plan in line with the regulatory guidelines. The LCFP clearly defines the responsibilities of the liquidity management team, internal/external Liquidity Risk trigger points, stage for plan invocation/ de-activation and the action plans to be exercised to ensure that all stakeholders of the Bank are safeguarded. Further the Bank developed a recovery plan that defines a wide range of stress scenarios and recovery options to safeguard the Bank from Market & Liquidity Risk aspects which were aligned to the LCFP. In addition, the Bank has entered into a reciprocal liquidity funding agreement with an identified counterpart Bank to ensure stability.

LIQUIDITY RISK ANALYTICS

Liquidity is measured through stock approach or flow approach. The stock approach utilises key ratios which portray the liquidity levels in the balance sheet while the flow approach is based on a statement of maturities of assets and liabilities in time bands according to the residual time to maturity. Separate gap limits are set for the local currency and foreign currency maturity mismatches based on the size and the nature of the Bank's Statement of Financial Position.

Limits are set for key liquidity measures which give an early warning signal of tightened liquidity positions of the Bank. Factors such as market liquidity, exposure to interbank market, movement on loans and advances and deposit mix are regularly monitored to ensure that asset and liability portfolios of the Bank are geared to maintain a healthy liquidity position.

Managing Liquidity through Flow approach

A statement of maturity analysis on assets and liabilities (MAL) is presented placing all cash inflows and outflows in the time bands according to the residual time to maturity and non-maturity items as per CBSL recommended and Bank specific behavioural assumptions. Net exposure gaps were managed with customer deposits which are considered to be stable source of funds based on historical behavioural patterns and a healthy deposit roll-over rate for each time band.

Maturity Gap Analysis for Local Currency denominated Assets and Liabilities - as at 31 December 2024

LKR Bn

Local Currency Gap	1-3M	3-6M	6-9M	9M-1Y	1-3Y	3-5Y	Over 5Y	Total
Total Assets LCY	156.13	58.32	39.63	23.05	117.80	100.05	132.28	627.26
Total Liabilities LCY	161.65	103.69	60.53	47.38	58.75	55.19	140.07	627.26
Period Gap	(5.52)	(45.37)	(20.90)	(24.33)	59.05	44.86	(7.80)	0.00
Cumulative Gap	(5.52)	(50.89)	(71.79)	(96.12)	(37.06)	7.80	0.00	0.00

Maturity Gap Analysis for Foreign Currency denominated Assets and Liabilities - as at 31 December 2024

USD Mn

Foreign Currency Gap	1-3M	3-6M	6-9M	9M-1Y	1-3Y	3-5Y	Over 5Y	Total
Total Assets FCY	289.61	81.68	8.78	11.44	59.20	40.74	82.56	574.01
Total Liabilities FCY	171.99	135.96	107.03	54.65	41.40	34.23	28.74	574.01
Period Gap	117.62	(54.28)	(98.24)	(43.21)	17.80	6.51	53.81	0.00
Cumulative Gap	117.62	63.34	(34.90)	(78.12)	(60.32)	(53.81)	0.00	0.00

Key developments in 2024 for Market Risk & Liquidity Risk

Bank reflect resilience to market in 2024, looks forward for 2025 with the same strong focus on continue to safeguard the balance sheet on uncertainties to optimise the profits followed with risk & opportunities in future.

- ⦿ Bank's mandate to achieve Bank's financial goals, whilst maintaining market & liquidity risk at desired levels and maintaining healthy capital buffers at all times.
- ⦿ Further strengthen the strategies for the management of liquidity risk, interest rate risk, foreign exchange risk & investment risk through extensive discussions at Board and Management level committees including ALCO.
- ⦿ More frequent review of market risk limits, liquidity ratios & Treasury limit structures to accommodate the macroeconomic changes along the recovery path of the Sri Lankan economy in 2025 focusing on caps, loss limits, and measurement of volatility of Forex and Government securities.
- ⦿ Investment limits to be set considering performance benchmarks for different portfolios, proper asset allocation based on potential returns.
- ⦿ Carrying out appropriate deposit campaigns at accurate time intervals with right pricing in order to mobilise LKR and USD deposits for growth of balance sheet & NIMs addressing potential negative liquidity gaps to minimise the adverse impacts
- ⦿ Improve system capabilities in monitoring Market Risk/Liquidity Risk, ALM function & Treasury activities to enhance the efficiency of risk control mechanisms.
- ⦿ Comprehensive validation the Market risk & Liquidity risk models used for measurement of risk for more accuracy and acceptability.
- ⦿ The Bank to use different in depth stress levels/scenarios for continuous monitoring of Market & Liquidity Risk parameters as per the ICAAP to maintain CAR at healthy levels.
- ⦿ Implementation of the FX Global Code that sets global principles of good practice in the foreign exchange market that provides a common set of guidelines to promote the integrity and effective functioning of the wholesale foreign exchange market

OPERATIONAL RISK

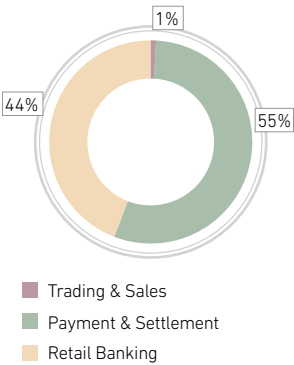
Operational Risk is present across all banking activities and significant resources are allocated to managing this key risk. A key highlight is in the process of transition to the advanced Alternative Standardised Approach for measurement of operational risk capital charge which is expected to optimise capital utilisation and ROI. Technology & Cyber Risk is handled as a separate pillar due to its significance although it is defined within Operational Risk by the CBSL and Basel III Regulatory Management Framework for Banks.

As the second line of defence, Operational Risk Management Unit (ORMU) is guided by the operational risk management framework which supports the identification, measurement, management, monitoring and reporting of material operational risks. ORMU reviews all banking products, Operation processes and procedures periodically and provides recommendations for improvements/ strengthening of controls inform a risk perspective.

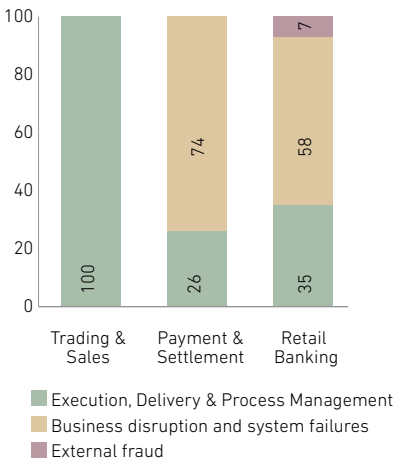
The past, current and future Potential Operational risks are assessed using the Operational Risk Matrix which portrays the aggregate expected exposure towards the specific risk. Thus actions are prioritised according to the criticality of risks.

RISK MANAGEMENT

Operational Risk Losses - 2023
(Basel Business Lines)



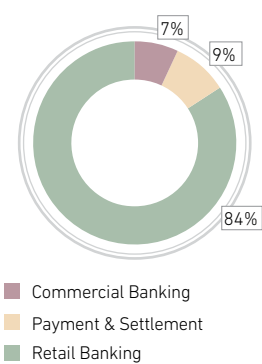
Basel Loss Event Types - 2023



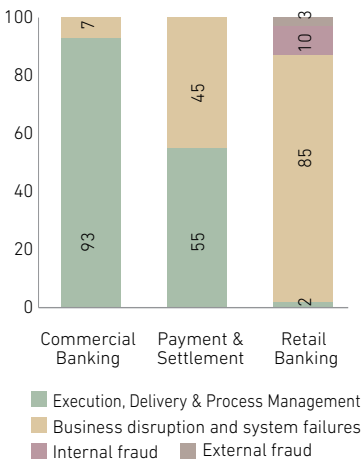
Definition

The risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

Operational Risk Losses - 2024
(Basel Business Lines)



Basel Loss Event Types - 2024



Operational Risk Components

- ⦿ Compliance Risk
- ⦿ Legal Risk
- ⦿ Financial Crimes Risk
- ⦿ Technology Risk
- ⦿ Information & Cyber Risk
- ⦿ Business Continuity Management

Consistent with typical operational risk patterns, the majority of losses incurred by the bank in 2024 contained high frequency, low impact events under the “Execution, Delivery & Process Management” Basel loss category. Moreover, Majority of Operational Risk losses were under the retail banking business line. The Bank was able to recover 90% of the total gross loss through insurance and other sources. During the year 2024, there were no fines imposed on the Bank by the Government or any regulatory authority.

The trend demonstrates the Bank’s consistency in maintaining losses at minimal levels over the past few years. It reflects the effectiveness of the governance structure, policies, internal control structures, processes and procedures in place to manage operational risk. The frequency and the severity of the events were managed within the tolerance limits.

Key initiatives implemented in 2024

- Appointed Business Assurance Staff (BAS) for all departments/units of the Bank and explained responsibilities for same through an awareness session. The BAS are responsible to identify and report risks by themselves.
- Improved process controls through Risk and Control Self-Assessment (RCSA) review on a quarterly basis for technology driven products in the Bank. This ensures a standard for risk and control that facilitates management oversight, optimises resource utilisation and meets the regulatory requirements.
- Formulated stringent security measures to avoid cyber-attacks/security threats including creating employee and customer awareness to be cautious when transacting online.
- Strengthened security solutions for the: prevention of data leakage, prevention of insecure device connectivity to corporate network, and application specific attacks against public web services.

- Identified the impact on Bank’s profitability, liquidity and changed the business model to reduce the exposure.
- Provided a risk perspective when introducing a new product/process and review existing products/ processes.

Plans for 2025

Operational Risk Management Unit is planning to implement The Alternative Standardized Approach (ASA) methodology for calculating capital charge for Operational Risk .

Operational Risk Governance

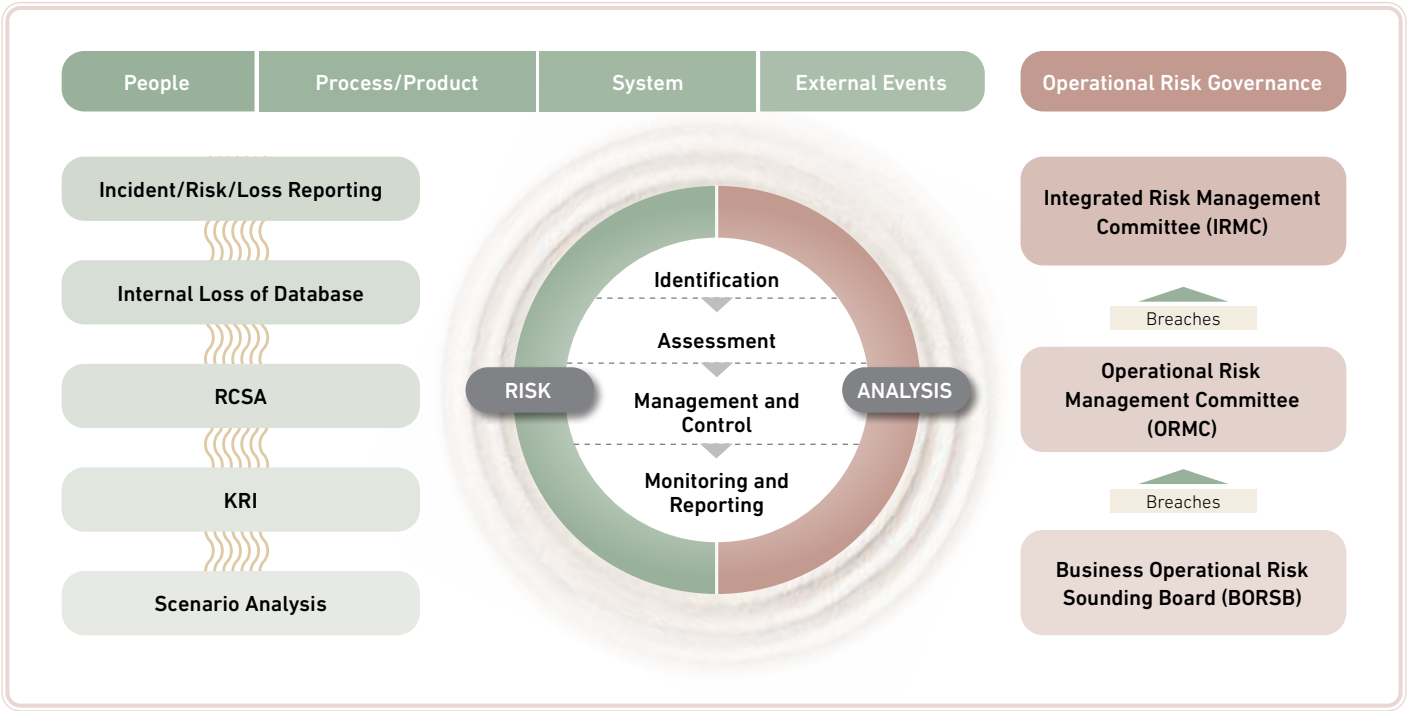
The bank has a well-established Operational Risk Management Policy developed in line with the regulatory guidelines. The roles and responsibilities for operational risk have been defined from Board level towards the first line of Defence. The Risk Management committees closely oversee and ensure to take corrective actions/ rectifications on a timely basis to avoid/reduce risks.

Business Operational Risk Sounding Board (BORSB) consisting business, support function units and ORMU staff, discuss the progress on rectification of Operational Risk events at regular intervals. Risks that require the attention of senior management are escalated to the Operational Risk Management Committee (ORMC), Integrated Risk Management Committee (IRMC) and Board accordingly.

Key Elements of the Operational Risk Management Framework:

Effective assignment of roles and responsibilities to monitor and evaluate risk exposures and the implementation of an enterprise-wide approach to Operational Risk.

- Enables the maintenance of an adequate capital buffer required for Operational Risk losses, instituting mechanisms to mitigate or control the risks. Mitigating actions are prioritised based on the criticality of the risk exposures and escalation mechanisms are set to ensure that the management of the Bank is fully aware of the sources of potential or emerging Operational Risks.



RISK MANAGEMENT

- Disciplinary action is taken on significant Operational Risk events arising due to human factors and lessons learnt are discussed at Operational Risk awareness sessions. A mandatory eLearning module was implemented bank-wide to enhance the knowledge on Operational Risk amongst all staff.
- Global Operational Risk events are being monitored and distributed to respective stakeholders to identify any implications within the Bank and actions required to mitigate similar risks
- Establishment of several operational risk related policies/guidelines i.e Fraud risk management policy, Business Continuity Management Policy, Outsourcing Policy, Technology risk appetite to manage operational risk effectively.

Tools and Methodologies

Operational Risk Management System (NORMS) - Facilitate the automation and consistent application of Operational Risk management methodologies across the organisation.

Collection and analysis of operational risk events/near misses/ loss event data to ascertain the criticality of risk/ losses and the causes.

Bank's external Operational risk events capture published information through newflash.

Appointment of Business Assurance Staff (BAS) for main business lines help to identify risks on their own.

The Bank considers the analysis of customer complaints as free feedback on customer experience with the Bank. Analysis of customer complaints and results are used to improve processes and reduce operational risk vulnerabilities.

Operational Risk Management

Operational risk management aims to manage and control operational risk according to the Bank's risk appetite in a cost-effective manner in accordance with Basel Committee, on Banking Supervision (BCBS) and the regulations issued by the Central Bank of Sri Lanka and international best practices. Operational risk management is an ongoing process that includes the identification, measurement, and control of operational risks in order to minimise or avoid them through

timely reporting and taking corrective and preventive measures in a prudent manner. The Bank's Operational Risk Management Policy approved by the Board of Directors, defines the framework for operational risk management.

Operational Risk Management unit uses several techniques and processes to identify and assess operational risks and appropriate mitigation within the Operational Risk Management Framework.

- Key Risk Indicators (KRIs) – A KRI is a quantitative indicator of a potential future operational risk event. It is an early signal of increasing risk exposures in various areas of the Bank. Tolerance levels are established boundaries to alert the organisation on a potentially significant change in risk exposure. The appropriate action plans are directed to mitigate the risks based on those thresholds.
- Risk and Control Self - Assessment (RCSA) - Risk & Control Self-Assessment (RCSA) is a structured mechanism for a Business Line/ Support function (BL/SF) Unit to identify and assess key/emerging risks pertaining to their respective BL/ SF. Findings from the RCSA exercise are used to manage the residual risks through implementation of proper action plans and control improvements.
- Collection and Analysis of Operational Risk Events/ Loss Event Data – It is a key component of the Bank's Operational Risk Management Framework. Consistent gathering of data improves the integrity of data analysis to derive more meaningful and effective decisions. Bank has a documented procedure for identification and collection of operational risk events/ internal loss data from all geographic locations to facilitate timely regulatory reporting and recognition.
- Scenario Analysis - Scenario analysis is a process of obtaining expert opinion of business line and risk managers to identify the impact from operational risk vulnerabilities to take proactive risk mitigating actions. Scenario analysis is an effective tool to consider potential sources of significant operational risk and the need for additional risk management controls or mitigation solutions. Given the subjectivity of the scenario process, a robust governance framework is essential to ensure the integrity and consistency of the process.

In addition, the Bank manages operational risk across policies/ procedures, risk assessment and risk mitigations including outsourcing of business activities, insurance coverage, managing of cyber and technology risk, formulating Business Continuity Plan and a Disaster Recovery Plan; As well as Creating a culture of risk awareness by providing continuous training to staff.

Outsourcing

With the intent of focusing on the core banking functions, the Bank has outsourced certain non-core functions to external vendors who are specialised in their respective fields. The management of outsourcing arrangements is strictly in accordance with the CBSL Outsourcing Direction 02 of 2012 and the Outsourcing Policy of the Bank. Outsourcing is an effective cost-saving and risk transfer strategy for the Bank. The Bank is committed to ensuring that the outsourced parties uphold and extend high standards of customer care and service excellence. All outsourcing arrangements of the Bank are evaluated by the Outsourcing Committee to be in line with the regulatory provisions. Due diligence tests on outsourced vendors are carried out prior to executing new agreements/renewal of existing agreements to ensure the capabilities of service providers to perform the outsourced activities as per the requirements of the Bank.

Insurance

The Bank has a comprehensive insurance program as a key measure to mitigate transfer key insurable risks (of the loss) in operational risks. The adequacy of insurance program is reviewed periodically and continuously refined on an on-going basis. The Bank has engaged an insurance broker to source terms, evaluate them and add value using their expertise. Operational losses which are insurable are covered by a spectrum of insurance policies on a system wide basis. ORMU monitors and reports the progress of insurance recovery for the operational losses. Insurance function is centralised within the Administration Division.

Risk	Insurance framework
General	
Buildings and their contents including IT equipment are insured at replacement value. The limits of indemnity are decided upon assessing the likely exposure of risks to the Bank.	Fire Insurance Policy and other insurance policies covering plate glass, machinery breakdowns and all electronics and computers.
Theft/Fraud	
Fraudulent actions by an employee or by a third party acting on its own or with the aid of an employee with the intent to obtain illicit personal gain or through malice.	Banker's Indemnity Insurance Policy.
Professional Liability	
The consequences of any legal action against staff or managers as a result of their professional errors or omissions.	Professional Indemnity Policy, Directors & Officers Liability and Public Liability.
Computer Crime	
Fraudulent input and modification via computer systems, electronic computer programmes, electronic data and media, computer viruses, electronic and telefacsimile communications, electronic transmissions, electronic securities and voice incinerated transfers.	Computer Crime Insurance Policy.

During the year 2024, there were no fines imposed on the Bank by the Government or any regulatory authority.

TECHNOLOGY RISK		
Governance		
With the evolving technological and digital transformation, the banking industry grapples with a multitude of technological challenges and technology risk management provides diligent and adaptable approach to fortify systems and to protect sensitive data. IT and related risks are stemming from potential losses owing to system interruptions & failures, cyber-attacks, service disruptions, frauds through system manipulations, data privacy and leakages, system errors, obsolescence of IT infrastructure etc. The Technology Risk Management function of the Bank has instituted a series of measures to strengthen its technological defences by defining technological risk appetite for the Bank with continuous improvements to combat emerging technological threats through Integrated risk management framework.	The Bank has demonstrated its commitment to international standards by obtaining ISO 27001:2022 for Information Security, ISO 22301:2019 for Business Continuity Management and ISO 20000:2018 for IT Service Management which signifies the implementation and maintenance of controls, processes, and measures to safeguard sensitive information while ensuring the confidentiality, integrity, and availability of data to enhance compliance and resilience. The CISO function plays a pivotal role in formulating, implementing, and enforcing security policies to protect critical data with stakeholder engagement and support the security posture of the bank. Bank has established the Information Security Committee as the apex management level body responsible for Information Security and Technology resilience of the Bank.	Self-Assessment (RCSA), risk heat maps, scorecards and dashboards to identify and proactively mitigate potential Technological risks.
Technology Risk Management	Technology Risk Management within the Bank's Risk Management department ensures prudent management of Technology risks and has oversight on the Technology driven products and services. Further the Technology Risk is assessed as a part of the comprehensive assessment of risks in the Bank's Internal Capital Adequacy Assessment Process (ICAAP) to ensure an adequate level of capital is held.	A significant emphasis is placed on user training and mandatory awareness programs by InfoSec function, recognising the pivotal role of employees in maintaining a secure Information Security culture with heightened sense of awareness and understanding on Technological risks exposed by the Bank.
	Continuous monitoring of the Bank's technology risk profile is carried out independently through range of tools and techniques including IT Key Risk Indicators(KRI), Risk and Control	By combining strategic leadership, ongoing evaluation, and a holistic approach to Technological Risk management, the Bank ensures that its technological assets remain secure and resilient in the face of evolving technological challenges.

RISK MANAGEMENT

Key initiatives implemented in 2024

- ⊙ Established Board approved Technology Risk appetite with measurable technology risk indicators with approved tolerance levels.
- ⊙ Established Risk and Control Self-Assessment (RCSA) on quarterly basis for technology driven banking products and services including information technology and information security related service delivery functions.
- ⊙ Strengthened third-party risk assessment through quarterly RCSA process along with the support of IT vendor management unit.
- ⊙ Established conducting of root-cause analysis on discrepancies identified through user access privilege reviews and other technology driven risks.
- ⊙ Provided review input for the periodic review exercise for Information Security policies
- ⊙ Board approved Computer Security and User Activity Log Management policy was established by the CISO function to support SOC/SIEM operation with prevention, monitoring, detection, incident response, forensics, incident reporting, and knowledge sharing on information security threats and incidents.

New disclosures for 2025

- ⊙ Align computer security and user activity log monitoring and reporting mechanism through Security Operations Centre with SIEM.
- ⊙ Align Technology driven RCSA's with underline IT and Operational procedures and ensure adequacy and strength of the controls.
- ⊙ Identification of new technology risk scenarios, KRI's and RCSA's in order to strengthen the IT/IS risk posture within the Bank.

Cyber Risk

In an increasingly complex digital society where interconnected systems and innovative digital services define the operating standards for organisations, effectively managing cyber risks is increasingly challenging. The rapid pace of technology change and increased threats from financially motivated cyber adversaries has led to further challenges. Having understood these dynamics, the Bank strives to invest in updating its digital defences to meet the challenges of the evolving cyber threat landscape and continue to collaborate with financial sector threat intelligence providers.

Key Developments in 2024

- ⊙ Strengthened technical controls: Firewalls with advanced threat protection at multiple layers of defence, network segregation, intrusion prevention systems, gateway level content filtering, anti-malware solutions, centralised patch updates, vulnerability remediation and monitoring of privileged accounts activities to mitigate Cyber Risk.
- ⊙ Increased monitoring of online channels and the use of strict controls to protect against unauthorised access, data leakages and virus/ malware attacks
- ⊙ Ongoing investments to upgrade digital defences and collaborations with financial sector threat intelligence providers
- ⊙ Strong policy framework complying with the Baseline Security Standards Guidelines issued by the Central Bank of Sri Lanka
- ⊙ Internal and external penetration tests by employing external service providers from time to time to ensure the systems are resilient to such attacks.
- ⊙ Further strengthening perimeter defences to ensure internal information assets are more resilient against evolving cyber threats.

New disclosures for 2025

- ⊙ Implementation of an AI-driven SIEM (Security Information and Event Management) solution for security monitoring enhancing visibility on activities within the network infrastructure by collecting, aggregating, and analysing log data collected from IT systems helping to identify potential security threats, generate alerts, and support incident response.
- ⊙ Engage with industry expert MSSP (Managed Security Service Provider) having global exposure for SOC(Security Operations Center) operations.

Definition

Risk of financial loss, operational disruption, or damage, from the failure of the digital technologies employed for informational and/or operational functions via electronic means from the unauthorised access, use, disclosure, disruption, modification, or destruction of systems, services or data.

Components of Technology Risk

- ⊙ Cyber security Risk
- ⊙ Operational Risk
- ⊙ Compliance and Regulatory Risk
- ⊙ Data/Information Risk
- ⊙ Financial Crime Risk
- ⊙ Third Party Risk

Key trends impacting Bank's Technology and Cyber Risk in 2024

- ⊙ Increase in sophisticated malware, ransomware and phishing attacks
- ⊙ Cloud and third party dependency - New cyber threats in the form of supply chain attacks have changed the risk landscape
- ⊙ Unprecedented levels of online activity have made systems vulnerable to attacks.
- ⊙ Regulatory and Compliance changes
- ⊙ Digital Transformation

Mitigation Measures:

- ⊙ Stringent cyber-security measures to avoid cyber -attacks/security threats
- ⊙ Continuous Vulnerability assessments and penetration testing
- ⊙ Frequent awareness programs on social engineering and other on-going scams for customers and employees
- ⊙ Quarterly Risk assessment on Technology driven products and services through RCSA.
- ⊙ Monitoring Technology Risk related Key Risk Indicators(KRI)

BUSINESS CONTINUITY MANAGEMENT

The Bank's Business Continuity Management (BCM) Policy requires comprehensive and timely plans to be in place encompassing a minimum of a Business Continuity Plan (BCP) and IT Disaster Recovery Plan (IT DRP). This BCM Framework is designed to comply with the requirements of the Central Bank of Sri Lanka and is approved by the Board of Directors. These plans are formulated following the Integrated Risk Management Framework with effective Business Impact Analysis (BIA) processes and methodologies which anticipate all forms of threats, crisis and disasters that are inherent in the ever-changing business environment.

The Bank has a fully equipped Disaster Recovery (DR) Site and BCP facility to ensure resilience to business disruption. The Governance of Business Continuity management is steered through the Leadership Team (TLT) comprising of senior management and coordinated by the Bank's Business Continuity Manager. The staff is allowed to operate from split locations, on roster/shift basis and work from home. The DR site ensures business continuity and operational readiness.

During the year the Bank achieved a historic milestone by becoming the first commercial bank in Sri Lanka to attain the ISO 22301 certification for Business Continuity Management.

OTHER RISKS

STRATEGIC RISK

Strategic Risk can be defined as the current and prospective risk to earnings and viability arising from,

- ⊙ Adverse changes in business environment with respect to the economy, political landscape, regulations, technology, actions of competitors
- ⊙ Adverse business decisions
- ⊙ Improper implementation of decisions
- ⊙ Lack of responsiveness to changes in the business environment

Strategic Risk for a bank can manifest itself through lack of well-defined, long-term strategy but more importantly because of failure to appropriately communicate and implement the strategy or due to unforeseen changes in the external environment. Formulating appropriate response plans to refine the strategy to suit the changes in the business environment is essential to management of Strategic Risk.

To align the bank with its strategic objectives; broadly, Business Focus, Operational Excellence and Empowered Stakeholders, a series of strategy awareness sessions were led by top leadership and cascaded this knowledge to all levels of employees. Regular compliance and regulatory check-ups are carried out to assess the regulatory fit and ensure adherence to standards. Periodic internal reviews are conducted to strengthen the financial fit of the Bank's portfolios, while reviewing and streamlining bank processes and systems with all stakeholders to enhance overall efficiency. By adopting these measures, bank could adeptly navigate the ever-evolving financial landscape and maintain a competitive edge.

RISK MANAGEMENT

Navigating strategic risk is paramount for banks in today's dynamic financial landscape. Strengthening risk management and monitoring processes enhances asset quality and mitigates potential financial losses. Exploring new customer and market segments can drive growth; however, careful analysis is carried out to align with Bank's risk appetite and effectively manage margins.

Strengthening ESG governance and integrating sustainable banking practices are critical for long-term viability. Managing these multifaceted risks through comprehensive and proactive strategies ensures banks can achieve sustainable growth while navigating the complexities of the financial environment.

CROSS BORDER RISK

Cross-border Risk arises when the Bank is unable to obtain payments from customers or third parties on their contractual obligations as a result of actions taken by foreign governments, mainly relating to convertibility and transferability of foreign currency & geo-political factors.

Correspondent Banking Unit and Risk Management Department are responsible for the Bank's cross-border exposures and management of exposure limits. Cross-border assets comprise of loans and advances, interest-bearing deposits with other banks, trade and other bills, acceptances, foreign exchange contracts, certificates of deposit and other negotiable paper, investment securities and formal commitments where the counterparty is resident in a country other than where the assets are recorded. Cross-border exposure also includes the assets owned by the Bank/ Group that are held in a given country.

To effectively control the risk associated with Cross-border Risk, cross-border exposure/ country exposure limits are set based on the Sovereign Ratings issued by International Rating agencies such as Fitch, Standard & Poor's and Moody's Corporation and also linked to the Bank's capital base. Exposures are captured based on the country in which the counterpart/ counterparty bank's main Head Office is domiciled. If a branch of the counterpart/ counterparty bank has been incorporated in a particular country, then exposures are to be captured in that country.

The Bank will also undertake a detailed due diligence covering the economic indicators & outlook, country rating, political risk, exchange rate risk (convertibility & transferability), banking & financial sector etc. The business lines need to manage the exposures within the Board approved limits. These limits are reviewed at least annually and approved by the Board, thus mitigating the Cross-border Risk.

LEGAL RISK

Legal Risk may vary from institution to institution depending on the manner in which it conducts its business and the documentation it follows and is closely related to Compliance and Regulatory Risk.

Legal Risk is understood more from its consequences, which is incurrence of liquidated damages, penalties, fines, the imposition of certain conditions and sometimes a loss of reputation.

Legal Risk in the Bank can manifest itself through;

- ⦿ Deficiencies in the security, property, defects in title and the related documentation
- ⦿ Deficiencies in the documentation of the product or a transaction with an underlying contract
- ⦿ Mis-selling of products, services
- ⦿ Deficiencies in employee contracts
- ⦿ Act of the counterparty (Customers, Shareholders, Consortium Bankers, Service Providers, and Regulators etc.)
- ⦿ Change in domestic and international legal environment due to legislative changes and acquisitions
- ⦿ Non-adherence to laws and regulations
- ⦿ Procedural failures in parate actions and litigation

Specific risks relating to Legal Risk are reported on a quarterly basis to the IRMC.

REGULATORY AND COMPLIANCE RISK

Compliance and Regulatory Risk refers to the potential risk of legal or regulatory sanctions/ enforcements, material financial losses, or reputational damage, that the Bank may face due to non-compliance with applicable laws, regulations, rules, related self-regulatory organisational standards, and codes of conduct applicable to its business activities.

To effectively assess and mitigate these risks, the Bank has established a dedicated Compliance function, that ensures robust governance by proactively identifying, assessing and mitigating compliance risks through structured framework and ensures continuous adherence to both external and internal regulations in order to minimise the Compliance Risk. The Compliance department reports directly to the Board of Directors to maintain independence and authority.

The Bank operates under a well-defined, Board approved Compliance Charter, which outlines the fundamental principles, roles and responsibilities of the compliance function. It also defines relationship between the Compliance function, senior management, the Board of Directors and the business and operational functions. A series of measures and stringent internal controls have been implemented which includes continuous enhancement of internal policies, implement advanced transaction monitoring and conduct regular compliance monitoring/audits to strengthen the Bank's Governance framework. A strong compliance culture is reinforced through ongoing staff training and awareness programs, promoting ethical business conduct across all operations.

MODEL RISK

A model is a quantitative method, system, or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process input data into quantitative estimates. Since models are a simplified depiction of the complex real world phenomenon which describes the relationship among observed variables based on assumptions, the use of models comes along with Model Risk. The Board has in place a risk model validation policy and a governance framework to mitigate Model Risk. The risk models are validated in line with policy.

SETTLEMENT RISK

Settlement Risk refers to the risk arising on account of failed trades with counterparty banks in the foreign currency transactions. Settlement Risk arises from possible losses when the Bank is in a foreign exchange transaction pays the currency it sold but does not receive the currency it bought. Forward contract settlement failures can arise from counterparty default, operational problems, and other factors. Settlement Risk exists for any traded product. Currently, the Bank has a procedure for monitoring limit utilisation, failed trades and excess monitoring. Settlement Risk is currently controlled by way of prudent allocation and monitoring of counterparty limits including Maximum Daily Delivery Risks (MDDR) limits for counterparties. Due to the current foreign currency liquidity stresses faced by the banking sector the Bank cautiously monitor and manage the counterparty settlements.

GOVERNANCE RISK

The Board of Directors is responsible for the overall governance of the Bank which includes formulating the strategic direction, providing leadership/oversight to operationalise same, supervising the management of the business and reporting to shareholders on their stewardship. Bank's Corporate Governance framework has been developed with the objective of balancing the attainment of corporate objectives while ensuring the highest standards of corporate conduct and transparency.

Several policies and codes have been developed and implemented to manage Governance Risk at the Bank. The Corporate Governance Policy and the Corporate Governance Process Manual which applies to all Directors and Key Management Personnel of the Bank sets out policies and processes for implementing the Corporate Governance Directions issued by the Central Bank of Sri Lanka, Section 9 of the Listing Rules of the Colombo Stock Exchange, the Companies Act No. 07 of 2007 and the Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, to the extent adopted. The Bank has in place a Code of Conduct for Employees governing all employees which outlines standards of professional and ethical conduct that all employees of the Bank are expected to conform to including areas such as general conduct and competence, confidentiality and misuse of material confidential information, managing conflicts of interest situations, gifts and inducements and insider dealing provisions.

The Bank recognises the importance of sound management of Governance Risk.

Following is a summary of activities undertaken by the Bank for management of Governance Risk:

- ⦿ Quarterly declarations obtained from Directors
- ⦿ Implementation of the Corporate Governance Policy and the Corporate Governance Process Manual and training Directors in the areas of Governance
- ⦿ Code of Conduct for Employees which incorporates several policies of the Bank including the Confidentiality policy, Insider Trading prohibitions, Securities Trading policy, Gift Policy, Anti-bribery and Corruption policy, Information Security policy, conflicts of interest provisions etc.
- ⦿ Monitoring of transactions carried out by the Bank with related parties in terms of the Bank's Related Party Transactions Policy

- ⦿ Handling complaints of customers of the Bank as per agreed service standards in accordance with the Complaint Handling Procedure
- ⦿ Robust framework of communication related policies including Whistleblowing, Disclosure and Communications Policy
- ⦿ Document Retention and Destruction Policy, Staff Transaction Policy

RISK MANAGEMENT

REPUTATIONAL RISK

Reputational Risk is risk of indirect loss (current or prospective) arising from stakeholders' negative experience while dealing with the institution or negative publicity regarding the Bank's business practices which could lead to implications on market share, costly litigation expenses and revenue impacts over the long term. Reputational Risk can be triggered by a risk event in any or all of the above risk categories hitherto described.

Reputational Risk management and mitigation aspects are embedded in the Bank's policies and procedures, training programs, the Business Continuity Plan and through the Audit and Board Risk Management Committees.

The Bank monitors its Reputational Risk profile through a set of early warning indicators based on the Reputational Risk drivers within the Reputational Risk scorecard. The risk mitigation and control processes for Reputational Risk are designed to consider appropriate response actions to address the risks identified. Based on Customer Charter and FCPR of CBSL, the Bank has facilitated the following channels for customers to raise their expression of dissatisfaction and complaints to the Bank. Complaints could be made, verbally or in any form of written options, such as through the island-wide branch network by contacting the Branch Manager or the QR option at branches, Relationship Managers, 24/7 Contact Centre, Bank's general email box (contact@ndbbank.com), write to Customer Experience Officer via Post, NEOS online/ mobile banking inbox message service, NDB Facebook page, Twitter, Instagram, LinkedIn or Google Business Reviews. All complaints received through these channels are directly entered into the "Customer Service Request Management (CSRM)" workflow for immediate processing. The Customer Experience team investigates the issues and liaise with the responsible units for resolution and revert to the customers in a timely manner.

The Customer Experience team follows up with the customers to ensure satisfaction and gather feedback for improvement.

Awards and accolades given by independent, external third parties serve as a main source in driving the Bank's reputation and brand image. The Bank selectively takes part in awards programmes that are known for their

independence, transparency and impact, and also which align with the ethos of the Bank and brand identity. During 2024 the Bank together with its subsidiary company NDB Investment Bank Limited won 35 prestigious awards. These accolades span key performance areas, including Corporate Banking, Project Financing, Retail Banking Products and Services, Digital Financial Services, and Empowering the Women's Market Segment. We were also honoured for our achievements in Islamic banking, Marketing and Branding, Best HR Practices, and Excellence in Annual Report Presentation. Some key awards won in 2024 are Sri Lanka's Best Bank for Corporates and Sri Lanka's Best Bank for Diversity and Inclusion awarded by Euromoney Awards for Excellence 2024.

ENVIRONMENT & SOCIAL RISK MANAGEMENT (ESRM)

The Environmental and Social Risk Management plays a vital role in effectively managing the environmental and social risks stemming from debt and equity financing and strategic investments in businesses, which in turn will strengthen the Bank's resilience. Environmental and Social (E&S) risks of the Bank's customers are inherent and dynamic, given increasing complexities in the operating landscape. Accordingly, the Risk Management Department and the Finance Department proactively sought to strengthen the Bank's E&S risk assessments by revising the Environmental and Social Management System (ESMS) in 2024 to align with international best ESG practices.

Key Developments in 2024

- ① The 2024 revision introduced new processes around credit facilities appraisal and approval which further strengthened the scrutiny on environmental and social aspects linked to Bank's lending
- ① The function continued to cover the operations of the Bank as well as the Group Companies
- ① Increased internal stakeholder engagement by introducing added ESG responsibilities to encourage dynamic contribution towards E&S function
- ① The IRMC was updated on a quarterly basis on ESMS related matters
- ① Conducted several capacity building programs to the staff members involved in lending, credit process and ESRM related process of the Bank with the

external resource contribution of eminent professionals in the field and internal resources contributors

- ① Continued allocation of a dedicated resource at the Associate Manager grade to oversee the processes related to ESMS covering the Bank and the group
- ① Depending on the E&S risk rating and the exposure, the credit facility, investment/ transaction escalation process implemented according to the relevant approving authority for approval as per the approval escalation matrix given in the ESRM Framework
- ① Scope of client visits by the ESMS Manager and the coordinator has been introduced as an improvement process of Institutional support/ responsibilities for ESMS
- ① NDB's Largest shareholder, Norfund, facilitated an audit on the ESMS function of the Bank. The recommendations are being implemented accordingly in order to strengthen the ESMS process

The Bank is consistent and conscious in its approach to mitigate and/ or manage adverse impacts to the environment and the community through its ESRM Framework/ ESMS and continues to set an example of responsible corporate behaviour in an increasingly ESG conscious business environment.

Key aspects of the ESRM Framework

1. ESRM Framework, Policy and Manual has been developed in line with the international best practices
2. Dedicated coordinator to monitor and administer the ESMS/ ESRM operations of the network and the group of companies
3. A specific learning and development curriculum is in place in order to effectively develop the capacities of the relevant staff members
4. Ongoing capacity building on ESMS/ ESRM including the addition of a special session in to the Bank's orientation programme

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GROUP RISK

The NDB Group Companies are engaged in Unit Trust Management, fee and fund based Investment Banking, Private equity fund management and property management activities. Based on these activities, the Group Companies are confronted with an array of financial and non-financial risks such as credit, interest rate, foreign exchange rate, liquidity, equity price, commodity price, legal, regulatory, reputational, operational, etc. These risks are highly interdependent and events that affect one area of risk can have consequences on a range of other risk categories. Considering the diverse nature of business models and risk profiles each group company remains responsible for the management of their risks, including associated controls and on-going monitoring processes.

The following measures ensure that Group Risk is proactively monitored and mitigated;

- ⦿ Bank's capital at risk is limited to the amount of equity invested in these companies at the time the companies were incorporated
- ⦿ There is representation by the Bank's Directors/ Key Management Personnel on the Boards of Directors/ Board Audit, Risk and Compliance Committee of its subsidiaries, thereby ensuring full and sufficient knowledge of subsidiaries' operations and risk profiles
- ⦿ Due to the governance structure mandated by the laws governing banking and limited liability companies, all inter-company transactions are at arms-length and full disclosure of such transactions is made

- ⦿ Natural mitigation from the fact that the Bank is the ultimate parent company and owns the largest balance sheet in the Group
- ⦿ NDB Securities is licensed as a Stock Broker and NDB Wealth Management is licensed as a managing company and investment manager and NDB Investment Bank is licensed as a Corporate Finance Advisor respectively and are regulated by the SEC
- ⦿ Risk Reporting framework by the Group Companies includes reviews by the Risk Management Department of the Bank/ IRMC and Board

Risks identified by Group Companies are reported to Risk Management department periodically, through appropriate risk indicators (using a risk dashboard) and management information for review and escalation. Top risks and associated mitigants are also highlighted. The main risk categories being reviewed are as follows:

- ⦿ Investment/ Credit Risk
- ⦿ Operational Risk
- ⦿ Market Risk
- ⦿ Liquidity Risk
- ⦿ Interest Rate Risk
- ⦿ Concentration Risk
- ⦿ Regulatory/ Compliance Risk
- ⦿ Legal/ Reputational Risk
- ⦿ Strategic Risk
- ⦿ Any other risks relevant to the specific line of business of the Group Company

All Group Companies are required to have relevant policies and limits for monitoring purposes and to ensure that risks are within acceptable levels in line with internal policies and risk appetite. All risk related policies and risk appetite statements of the Group Companies are vetted by Risk Management department.

SOVEREIGN RISK

Sovereign Risk is the potential that the Government will default on its sovereign debt by failing to meet its interest and/ or principal payments.

The consequences of a default by sovereign include:

- ⦿ A rating downgrade
- ⦿ A loss of reputation along with an increased difficulty in raising funds for several years
- ⦿ A lack of investors willing to buy the debt and equity of corporations based on the country
- ⦿ An economic downturn
- ⦿ Political instability

A default negatively affects GDP growth, the country's credit rating for many years, can hurt exports, and can make the defaulting country's banking systems more fragile. It can seriously impede the economic development and growth of the country.

The Bank is exposed to Sovereign Risk through investments and Credit exposures. Compared to 2023, the Sovereign Risk decreased due to country rating upgrade to CCC+ after successful implementation of External Debt Restructuring, lower inflation expectations and excess liquidity in the market provides positive insights on the improvement of systemic factors.

RISK MANAGEMENT

Number of high impact downside risk factors stabilised positively during 2024, GDP growth momentum persists as the economy registers a robust 5.5% expansion in 2024. Inflation which was 6.4%(CCPI) at the beginning of the year, was stabilised to deflation of 1.7% by December 2024. Inflation is expected to turn positive from mid-2025 and gradually converge towards the targeted level of 5% over the medium term. Market liquidity remained at surplus levels during 2024 and market interest rates have commenced adjusting downward further in response to a notable reduction in yields on government securities. Gross official reserves remained healthy at USD 6.1Bn supported by large net forex purchases of the CBSL and multilateral fund inflows.

The Rupee strengthened by 10% during the year against the US dollar, strongly supported by worker remittances and tourism.

Banks hold a reasonable amount in government securities due its excess liquidity at optimum by investing them in LKR government securities due to limited credit growth in the country.

Bank opted for the local option of the ISB Restructuring process by receiving 70% of the outstanding amount in USD denominated step-up bonds, 30% in LKR denominated SLFR linked bonds, and the accrued interest in USD denominated PDI bonds, whilst prudently managing the immediate day one loss impact and haircut implications and negative Net Open Position through proactive measures taken in building adequate provisions and reserves ensuring a minimum impact on the Bank's Balance Sheet.

The Bank continues to closely monitor the Sovereign Risk through ratio analysis, portfolio limits, duration analysis, stop loss limits, Mark to Market exercises etc. and is guided by the Board approved limit framework and the Investment policy. Investment decisions and portfolio exposures are discussed at ALCO/ Treasury Committee in line with the market vulnerabilities for prudential action.

FUTURE OF RISK MANAGEMENT

The dynamic nature of the operating environment has prompted banks to continuously monitor emerging trends and enhance risk management frameworks to align with strategic goals effectively. Our commitment lies in surpassing mere compliance standards by adopting global best practices in risk management and actively addressing emerging risks to navigate the intricate risk landscape ahead.

BASEL III - PILLAR III MARKET DISCIPLINE DISCLOSURES

Pillar III Market Discipline disclosures of the Bank and the Group for the year ended 31 December as required by the Banking Act Direction No. 01 of 2016 on capital requirements under Basel III for Licensed Commercial Banks and Licensed Specialised Banks are given below.

1. REGULATORY REQUIREMENTS ON CAPITAL & LIQUIDITY**TEMPLATE I - Key Regulatory Ratios - Capital and Liquidity**

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
Regulatory Capital (LKR '000)				
Common Equity Tier 1 Capital	62,094,115	54,699,450	66,298,084	58,524,995
Tier 1 Capital	62,094,115	54,699,450	66,298,084	58,524,995
Total Capital	86,665,636	74,523,602	90,776,819	78,313,241
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7%)	13.68	11.67	14.24	12.22
Tier 1 Capital Ratio (Minimum Requirement - 8.5%)	13.68	11.67	14.24	12.22
Total Capital Ratio (Minimum Requirement - 12.5%)	19.09	15.90	19.50	16.35
Leverage Ratio (Minimum Requirement - 3%)	7.46	6.74	7.89	7.15
Regulatory Liquidity				
Total stock of high quality liquid assets (LKR ' 000) - Rupee	248,244,913	199,940,490	NA	NA
Total stock of high quality liquid assets (LKR ' 000) - All currency	267,384,555	223,342,569	NA	NA
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement -100%)	358.12	309.61	NA	NA
Liquidity Coverage Ratio (%) – All currency (Minimum Requirement -100%)	308.26	228.58	NA	NA
Net Stable Funding Ratio (%) – (Minimum Requirement - 100%)	152.43	142.26	NA	NA

RISK MANAGEMENT

TEMPLATE II - Basel III Computation of Capital Ratios

As at 31 December	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Common Equity Tier 1 (CET1) Capital after Adjustments	62,094,115	54,699,450	66,298,084	58,524,995
Common Equity Tier 1 (CET1) Capital	70,187,273	67,626,138	74,771,446	71,498,744
Equity Capital (Stated Capital/Assigned Capital)	21,756,865	20,738,231	21,756,865	20,738,231
Reserve Fund	3,521,479	3,046,479	3,521,479	3,046,479
Published Retained Earnings/(Accumulated Retained Losses)	42,822,179	40,243,875	47,349,783	44,014,416
Published Accumulated Other Comprehensive Income (OCI)	2,086,750	3,597,553	2,143,319	3,699,618
General and other Disclosed Reserves	-	-	-	-
Total Adjustments to CET1 Capital	8,093,158	12,926,688	8,473,362	12,973,749
Intangible Assets (net)	1,766,615	1,883,447	1,814,985	1,898,270
Deferred tax assets (net)	4,158,040	9,648,118	4,216,721	9,717,805
Defined benefit pension fund assets	346,273	388,838	346,273	388,838
Shortfall of the cumulative impairment to specific provisions	-	-	-	-
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	1,439,262	583,656	1,892,559	847,371
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	180,144	330,324	-	-
Shortfall of capital in financial subsidiaries	202,824	92,305	202,824	121,465
Additional Tier 1 (AT1) Capital after Adjustments	-	-	-	-
Additional Tier 1 (AT1) Capital	-	-	-	-
Total Adjustments to AT1 Capital	-	-	-	-
Tier 2 Capital after Adjustments	24,571,521	19,824,152	24,478,735	19,788,246
Tier 2 Capital	24,571,521	19,824,152	24,571,521	19,824,152
Qualifying Tier 2 Capital Instruments	18,689,486	13,835,632	18,689,486	13,835,632
Revaluation Gains	876,672	876,672	876,672	876,672
Loan Loss Provisions	5,005,363	5,111,848	5,005,363	5,111,848
Total Adjustments to Tier 2	-	-	92,786	35,906
Others- 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	-	-	92,786	35,906
CET1 Capital	62,094,115	54,699,450	66,298,084	58,524,995
Total Tier 1 Capital	62,094,115	54,699,450	66,298,084	58,524,995
Total Capital	86,665,636	74,523,602	90,776,819	78,313,241
Total Risk Weighted Assets (RWA)	453,905,427	468,619,668	465,491,168	478,972,317
RWAs for Credit Risk	400,429,044	408,947,802	403,721,624	413,186,455
RWAs for Market Risk	1,334,362	12,186,245	6,896,161	15,920,717
RWAs for Operational Risk	52,142,021	47,485,621	54,873,384	49,865,145
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	13.68	11.67	14.24	12.22
of which: Capital Conservation Buffer (%)	2.50	2.50	2.50	2.50
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-	-	-
Total Tier 1 Capital Ratio (%)	13.68	11.67	14.24	12.22
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	19.09	15.90	19.50	16.35
of which: Capital Conservation Buffer (%)	2.50	2.50	2.50	2.50
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-	-	-

Note:

The Bank has created a special reserve named "Special reserve on SLISBs - Step-up bonds" imposing a capital charge of 15% for USD Bonds which carry the LKR option, issued in connection with restructured SLISBs, as per the CBSL letter dated 13 February 2025 and the said reserve was excluded in the Regulatory Capital computation. Accordingly, this special reserve amounting to LKR 4.0 Bn has not been considered in computing the Tier 1 and Total Capital ratios as at 31 December 2024.

TEMPLATE III (a) - Basel III Computation of Leverage Ratios

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Tier 1 Capital	62,094,115	54,699,450	66,298,084	58,524,995
Total Exposures	832,315,033	811,015,116	839,988,532	818,318,629
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	786,397,264	763,792,802	794,110,929	770,805,457
Derivative Exposures	2,994,187	6,171,115	2,994,187	6,171,115
Securities Financing Transactions Exposures	1,094,659	1,150,029	1,094,659	1,150,029
Other Off-Balance Sheet Exposures	41,828,924	39,901,170	41,788,757	40,192,028
Basel III Leverage Ratio (%) (Minimum Requirement - 3%)	7.46%	6.74%	7.89%	7.15%

TEMPLATE III (b) - Basel III Computation of Net Stable Funding Ratios (NSFR)

As at 31 December	BANK	
	2024	2023
	LKR '000	LKR '000
Total Available Stable Funding	574,129,684	560,209,208
Required Stable Funding - On Balance Sheet Assets	375,140,501	392,505,607
Required Stable Funding - Off Balance Sheet Items	1,503,663	1,279,714
Total Required Stable Funding	376,644,164	393,785,321
Net Stable Funding Ratio (%) (Minimum Requirement - 100%)	152.43%	142.26%

TEMPLATE IV - Basel III Computation of Liquidity Coverage Ratio - All Currency Liquidity Requirement

As at 31 December	BANK			
	2024		2023	
	Total Un-weighted Value LKR '000	Total Weighted Value LKR '000	Total Un-weighted Value LKR '000	Total Weighted Value LKR '000
Total Stock of High-Quality Liquid Assets (HQLA)	270,706,705	267,384,555	227,415,675	223,342,569
Total Adjusted Level 1A Assets	248,941,430	248,941,430	201,193,563	201,193,563
Level 1 Assets	248,559,039	248,559,039	200,261,635	200,261,635
Total Adjusted Level 2A Assets	22,147,666	18,825,516	27,154,040	23,080,934
Level 2A Assets	22,147,666	18,825,516	27,154,040	23,080,934
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	806,962,747	158,279,946	807,000,935	155,236,158
Deposits	441,814,920	36,457,551	429,317,334	33,320,324
Unsecured Wholesale Funding	195,579,581	115,162,784	191,879,789	109,217,641
Secured Funding Transactions	3,284,635	-	8,533,639	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	165,291,314	5,667,313	176,247,557	11,675,577
Additional Requirements	992,298	992,298	1,022,616	1,022,616
Total Cash Inflows	119,882,139	71,539,078	107,428,680	57,527,332
Maturing Secured Lending Transactions Backed by Collateral	53,748,086	37,802,390	46,347,880	30,179,481
Other Inflows by Counterparty which are maturing within 30 days	57,549,311	33,719,557	43,023,992	27,290,037
Operational Deposits	8,567,611	-	17,998,994	-
Other Cash Inflows	17,131	17,131	57,813	57,813
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		308.26%		228.58%

RISK MANAGEMENT

TEMPLATE V - Main Features of Regulatory Capital Instruments - Bank and Group

Description of the Capital Instrument	CET 1 Capital		
	Stated Capital	Debenture Issue - December 2013	Debenture Issue - September 2020
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 D - LK0207D21053	ISIN - LK0207D24529
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	25-Sep-2020
Par Value of Instrument	NA	LKR 100/-	LKR 100/-
Perpetual or Dated	Perpetual	Dated	Dated
Original Maturity Date, if Applicable	NA	Type D - 19 Dec 2025	24-Sep-25
Amount Recognised in Regulatory Capital (in LKR '000 as at 31 Dec 2024)	21,756,865	718,086	975,000
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 D - 14.0% p.a	9.5% p.a
Non-Cumulative or Cumulative	NA	Non-Cumulative	Non-Cumulative
Convertible or Non-Convertible			
If Convertible, Conversion Trigger (s)	NA	Non-Convertible	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.

Tier 2 Instruments			
Debenture Issue - November 2021	Debenture Issue - December 2023	Debenture Issue - September 2024 - Tranch 1	Debenture Issue - December 2024 - Tranch 2
National Development Bank PLC	National Development Bank PLC	National Development Bank PLC	National Development Bank PLC
Type A - LK0207D24941 Type B - LK0207D24958	Type A - LK0207D25146 Type B - LKJ0207D25153	Type A - LK0207D25484 Type B - LK0207D25468 Type C - LK0207D25476	Type A - LK0207D25534 Type B - LK0207D25542
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
24-Nov-2021	12-Dec-2023	12-Sep-2024	2-Dec-2024
LKR 100/-	LKR 100/-	LKR 100/-	LKR 100/-
Dated	Dated	Dated	Dated
Type A - 23 Nov 2026 Type B - 23 Nov 2028	Type A - 11 Dec 2028 Type B - 11 Dec 2028	Type A - 11 Sep 2029 Type B - 11 Sep 2029 Type C - 11 Sep 2029	Type A - 1 Dec 2029 Type B - 1 Dec 2029
3,246,400	4,000,000	4,750,000	5,000,000
Liability	Liability	Liability	Liability
NA	NA	NA	NA
NA	NA	NA	NA
Fixed coupon	Fixed coupon	Fixed coupon	Fixed coupon
Type A - 11.90% p.a Type B - 12.00% p.a	Type A - 15.00% p.a Type B - 14.22% p.a	Type A - 13.25% p.a Type B - 12.84% p.a Type C - 12.64% p.a	Type A - 13.00% p.a Type B - 12.41% p.a
Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative
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	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	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	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
Fully	Fully	Fully	Fully
Mandatory	Mandatory	Mandatory	Mandatory
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.	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.	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.	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.

RISK MANAGEMENT

2. RISK WEIGHTED ASSETS (RWA)

TEMPLATE VI - Summary discussion on adequacy/meeting current and future capital requirements.

Please refer page 447 for the Capital Management section.

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

Asset Class	BANK					
	Amount (LKR'000) as at 31 December 2024					
	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	254,180,078	7,917,615	254,180,078	1,978,595	4,241,842	1.66%
Claims on Public Sector Entities	26,023,184	1,845,826	1,593,883	-	1,593,883	100.00%
Claims on Bank's Exposures	34,848,257	58,265,706	34,848,257	2,082,816	17,236,146	46.67%
Claims on Financial Institutions	26,963,705	8,279,256	26,126,820	284,936	20,708,340	78.41%
Claims on Corporates	203,277,111	172,118,581	173,140,414	26,372,494	185,818,735	93.14%
Retail Claims	169,198,702	32,801,555	143,646,719	12,604,796	114,152,434	73.06%
Claims Secured by Residential Property	15,969,255	727,159	15,969,255	284,802	8,438,697	51.92%
Non-Performing Assets (NPAs)(i)	31,982,787	-	31,982,787	-	35,255,660	110.23%
Higher-risk Categories	622,743	-	622,743	-	1,556,858	250.00%
Cash Items and Other Assets	20,882,991	-	20,882,991	-	11,426,449	54.72%
Total	783,948,813	281,955,698	702,993,947	43,608,439	400,429,044	

Asset Class	GROUP					
	Amount (LKR'000) as at 31 December 2024					
	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	254,600,309	7,917,615	254,600,309	1,978,595	4,241,842	1.65%
Claims on Public Sector Entities	26,023,184	1,845,826	1,593,883	-	1,593,883	100.00%
Claims on Bank's Exposures	35,261,770	58,265,706	35,261,770	2,082,816	17,380,184	46.54%
Claims on Financial Institutions	26,963,705	8,279,256	26,126,820	284,936	20,708,340	78.41%
Claims on Corporates	203,248,366	171,463,794	173,111,667	25,967,707	185,385,204	93.12%
Retail Claims	169,198,702	32,801,555	143,646,719	12,604,796	114,152,434	73.06%
Claims Secured by Residential Property	15,969,255	727,159	15,969,255	284,802	8,438,697	51.92%
Non-Performing Assets (NPAs)(i)	31,982,787	-	31,982,787	-	35,255,660	110.23%
Higher-risk Categories	-	729,238	-	364,618	546,928	150.00%
Cash Items and Other Assets	25,475,218	-	25,475,218	-	16,018,452	62.88%
Total	788,723,296	282,030,149	707,768,428	43,568,270	403,721,624	

Note:

- (i) NPAs – As per Banking Act Direction on classification of loans and advances, income recognition and provisioning.
- (ii) RWA Density – Total RWA/Exposures post CCF and CRM.

TEMPLATE VIII - Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights

Risk Weight Asset Classes	BANK									
	Amount (LKR'000) as at 31 December 2024 (Post CCF & CRM)									
	0%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka	234,949,465	21,209,209	-	-	-	-	-	-	-	256,158,674
Claims on Public Sector Entities	-	-	-	-	-	-	1,593,883	-	-	1,593,883
Claims on Bank's Exposures	-	10,696,599	-	22,279,694	-	-	3,950,381	4,399	-	36,931,073
Claims on Financial Institutions	-	-	-	11,406,833	-	-	15,004,923	-	-	26,411,756
Claims on Corporates	-	7,181,292	-	15,898,274	-	-	176,433,340	-	-	199,512,906
Retail Claims	8,668,850	7,660,387	-	-	13,562,736	87,507,309	38,852,233	-	-	156,251,515
Claims Secured by Residential Property	-	-	12,023,630	-	-	-	4,230,426	-	-	16,254,056
Non-Performing Assets (NPAs)	-	-	-	1,480,482	-	-	22,476,078	8,026,228	-	31,982,788
Higher-risk Categories	-	-	-	-	-	-	-	-	622,743	622,743
Cash Items and Other Assets	9,155,890	375,815	-	-	-	-	11,351,286	-	-	20,882,991
Total	252,774,205	47,123,302	12,023,630	51,065,283	13,562,736	87,507,309	273,892,550	8,030,627	622,743	746,602,385

Risk Weight Asset Classes	GROUP									
	Amount (LKR'000) as at 31 Dec 2024 (Post CCF & CRM)									
	0%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka	235,369,695	21,209,209	-	-	-	-	-	-	-	256,578,904
Claims on Public Sector Entities	-	-	-	-	-	-	1,593,883	-	-	1,593,883
Claims on Bank's Exposures	-	11,099,034	-	22,174,749	-	-	4,066,404	4,399	-	37,344,586
Claims on Financial Institutions	-	-	-	11,406,833	-	-	15,004,923	-	-	26,411,756
Claims on Corporates	-	7,181,292	-	15,898,274	-	-	175,999,809	-	-	199,079,375
Retail Claims	8,668,850	7,660,387	-	-	13,562,736	87,507,309	38,852,233	-	-	156,251,515
Claims Secured by Residential Property	-	-	12,023,630	-	-	-	4,230,426	-	-	16,254,056
Non-Performing Assets (NPAs)	-	-	-	1,480,482	-	-	22,476,078	8,026,228	-	31,982,788
Higher-risk Categories	-	-	-	-	-	-	-	364,619	-	364,619
Cash Items and Other Assets	9,156,054	375,888	-	-	-	-	15,943,274	-	-	25,475,216
Total	253,194,599	47,525,810	12,023,630	50,960,338	13,562,736	87,507,309	278,167,030	8,395,246	-	751,336,698

RISK MANAGEMENT

TEMPLATE IX - Market Risk under Standardised Measurement Method

Item	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
(a) Capital Charge for Interest Rate Risk	107,722	1,354,567	116,443	1,362,576
General Interest Rate Risk	107,722	1,354,567	109,872	1,356,779
(i) Net Long or Short Position	107,722	1,354,567	109,872	1,356,779
(ii) Horizontal Disallowance	-	-	-	-
(iii) Vertical Disallowance	-	-	-	-
(iv) Options	-	-	-	-
Specific Interest Rate Risk	-	-	6,571	5,797
(b) Capital Charge for Equity	-	-	686,504	458,800
(i) General Equity Risk	-	-	347,586	231,372
(ii) Specific Equity Risk	-	-	338,918	227,429
(c) Capital charge for Foreign Exchange & Gold	59,073	168,713	59,073	168,713
Total Risk Weighted Amount for Market Risk [(a) + (b) + (c)] * CAR	1,334,362	12,186,245	6,896,161	15,920,717

TEMPLATE X - Operational Risk under Basic Indicator Approach

Business Lines	BANK				
	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31 December 2024		
			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		43,009,895	44,889,995	42,455,162
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	6,517,753				
The Standardised Approach	-				
The Alternative Standardised Approach	-				
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach	52,142,021				
The Standardised Approach	-				
The Alternative Standardised Approach	-				

TEMPLATE X - Operational Risk under Basic Indicator Approach

Business Lines	GROUP				
	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31 December 2024		
			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		44,746,152	47,120,270	45,317,036
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	6,859,173				
The Standardised Approach	-				
The Alternative Standardised Approach	-				
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach	54,873,384				
The Standardised Approach	-				
The Alternative Standardised Approach	-				

RISK MANAGEMENT

TEMPLATE XI & XII - Differences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories – BANK

As at 31 December 2024	a	b	c	d	e
LKR '000	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	795,686,351	795,686,351	702,993,947	13,473,098	79,219,306
Cash and cash equivalents	18,037,627	18,037,627	18,037,627	-	-
Balances with the Central Banks of Sri Lanka	8,053,358	8,053,358	8,053,358	-	-
Placements with banks	22,098,832	22,098,832	22,098,832	-	-
Derivative financial instruments	1,146,236	1,146,236	1,146,236	-	-
Financial assets recognised through profit or loss measured at fair value	6,776,131	6,776,131	-	6,776,131	-
Financial assets at amortised cost - loans and receivables to other customers	460,707,258	460,707,258	389,378,286	-	71,328,972
Financial assets at amortised cost - debt and other instruments	166,190,761	166,190,761	166,190,761	-	-
Financial assets measured at fair value through other comprehensive income	94,245,415	94,245,415	86,109,186	6,696,967	1,439,262
Investments in subsidiary companies	1,031,037	1,031,037	850,893	-	180,144
Intangible assets	1,766,615	1,766,615	-	-	1,766,615
Property, plant and equipment	3,147,459	3,147,459	3,147,459	-	-
Right of Use Assets	1,260,740	1,260,740	1,260,740	-	-
Deferred tax assets	4,158,040	4,158,040	-	-	4,158,040
Other assets	7,066,842	7,066,842	6,720,569	-	346,273
Liabilities	718,021,596	718,021,596	-	-	-
Due to banks	4,841,342	4,841,342	-	-	-
Derivative financial instruments	344,586	344,586	-	-	-
Financial liabilities at amortised cost - due to depositors	631,682,926	631,682,926	-	-	-
Financial Liabilities at amortised cost - due to debt securities holders	8,002,850	8,002,850	-	-	-
Financial Liabilities at amortised cost - due to other borrowers	22,023,798	22,023,798	-	-	-
Debt securities issued	33,564,708	33,564,708	-	-	-
Current tax liabilities	5,204,643	5,204,643	-	-	-
Retirement benefit obligations	1,413,872	1,413,872	-	-	-
Other liabilities	10,942,871	10,942,871	-	-	-
Off-Balance Sheet Liabilities	288,292,666	288,292,666	282,394,434	-	448,366
Guarantees	45,473,439	45,473,439	40,526,020	-	382,155
Performance Bonds	10,787,906	10,787,906	10,743,493	-	44,413
Letters of Credit	9,857,812	9,857,812	9,836,013	-	21,798
Other Contingent Items	8,693,367	8,693,367	8,693,367	-	-
Undrawn Commitments	146,640,431	146,640,431	146,640,431	-	-
Other Commitments	66,839,711	66,839,711	65,955,110	-	-
Shareholders' Equity					
Equity capital (Stated capital /Assigned capital)	21,756,865	21,756,865	-	-	-
of which Amount eligible for CET1	21,756,865	21,756,865	-	-	-
of which Amount eligible for AT1	-	-	-	-	-
Retained earnings	43,501,855	43,501,855	-	-	-
Accumulated Other comprehensive income	8,884,556	8,884,556	-	-	-
Other reserves	3,521,479	3,521,479	-	-	-
Total Shareholders' Equity	77,664,755	77,664,755	-	-	-

*Carrying Values under the Scope of Regulatory Reporting is same as the Carrying Values as Reported in Published Financial Statements according to the Banking Act Direction No. 13 of 2021 & No. 14 of 2021 issued on 14th September 2021.

DSIB ASSESSMENT AS PER THE BANKING ACT DIRECTION No. 10 OF 2019 ON FRAMEWORK FOR DEALING WITH DOMESTIC SYSTEMATICALLY IMPORTANT BANKS

As at 31 December	GROUP	
	2024 LKR Mn	2023 LKR Mn
Size Indicator		
Section 1 - Total Exposures		
Total exposures measure	839,989	818,319
Interconnectedness Indicators		
Section 2 - Intra-Financial System Assets		
a. Funds deposited with or lent to other financial institutions (including unused portion of committed lines extended)		
(i) Funds deposited	30,646	18,208
(ii) Lending	32,345	40,558
b. Holdings of securities issued by other financial institutions	8,603	5,963
c. Net positive current exposure of securities financing transactions (SFTs) with other financial institutions	540	14
d. Over-the-counter (OTC) derivatives with other financial institutions that have a net positive mark to market value	545	591
Intra-financial system assets	72,679	65,334
Section 3 - Intra-Financial System Liabilities		
a. Funds deposited by or borrowed from other financial institutions (including unused portion of committed lines obtained)		
(i) Funds deposited	15,245	24,215
(ii) Borrowings	20,977	25,071
b. Net negative current exposure of securities financing transactions with other financial institutions	-	-
c. Over-the-counter derivatives with other financial institutions that have a net negative mark to market value	156	13
Intra-financial system liabilities	36,378	49,299
Section 4 - Securities Outstanding		
Securities outstanding	33,090	28,652
Substitutability/Financial Institution Infrastructure Indicators		
Section 5 - Payments made in the reporting year (excluding intragroup payments)		
Payments activity	7,002,974	7,701,592
Section 6 - Assets Under Custody		
Assets under custody	37,142	31,049
Section 7 - Underwritten Transactions in Debt and Equity Markets		
Underwriting activity	-	-
Section 8 - Trading Volume		
Trading volume (Number Mn)	115,026	27,043
Complexity indicators		
Section 9 - Notional Amount of Over-the-Counter (OTC) Derivatives		
OTC derivatives	66,840	42,607
Section 10 - Level 2 Assets		
Level 2 assets	22,148	27,154
Section 11 - Trading and available for sale (AFS) securities		
Trading and AFS securities	105,711	113,769
Section 12 - Cross-Jurisdictional Liabilities		
Cross-jurisdictional liabilities (excluding derivatives and intragroup liabilities)	30,220	14,265
Section 13 - Cross-Jurisdictional Claims		
Cross-jurisdictional claims (excluding derivatives and intragroup claims)	68,563	50,093

INVESTOR RELATIONS

The Bank has a dedicated function for maintaining investor relations, with the objective of fostering robust relationships with investors. Recognised as a crucial stakeholder group, investors significantly contribute to the Bank's success.

CORPORATE MILESTONES

CONSTITUENTS OF THE INVESTOR RELATIONS ECOSYSTEM OF THE BANK

- ⊙ Shareholders
- ⊙ Debenture holders
- ⊙ Potential investors including development financing institutions
- ⊙ Investment analysts
- ⊙ Stock brokers
- ⊙ Credit rating agencies
- ⊙ Financial press

UNDERLYING PRINCIPLES OF OUR INVESTOR RELATIONS

- ⊙ Quality and timeliness of disclosures
- ⊙ Transparency
- ⊙ Fairness in disclosures
- ⊙ Avoidance of selective disclosures
- ⊙ Maintaining same levels of engagements at all times consistently, irrespective of the Group's performance

INVESTOR SUPPORT

Investor support is extended via a wide range of engagement activities as listed below.

- ⊙ Annual General Meeting
- ⊙ One-to-one investor meetings
- ⊙ Financial statements released to the CSE
- ⊙ Press releases
- ⊙ Investor presentations
- ⊙ Investor transcripts
- ⊙ Email notifications
- ⊙ Local and foreign investor fora
- ⊙ Online investor webinars
- ⊙ Earnings calls
- ⊙ Road shows
- ⊙ Investor relations web page within the Bank's corporate website
- ⊙ Dedicated communication methods to reach us



Established under the National Development Bank of Sri Lanka Act No. 2 of 1979, the Bank commenced operations with an authorised capital of LKR 2,000 Million, consisting of 20 Million ordinary shares valued at LKR 100 each. This was subsequently subdivided into 200 Million ordinary shares of LKR 10 each.



61% of the share capital of the National Development Bank of Sri Lanka (NDBSL) was transferred to private ownership through an IPO at LKR 50.00 per share.



NDBSL was further privatized through the early conversion of its convertible debentures, reducing the Government's direct shareholding to 12.2%. Additionally, 2.56% of the issued shares were acquired by NDBSL for an Employees Share Ownership Plan.



As a part of its long term plans, NDBSL incorporated a commercial bank under the Companies Act No. 17 of 1982 under the name 'NDB Bank Limited' (NBL) to take over the business and operations of ABN Amro NV Colombo Branch.



Pursuant to the National Development Bank of Sri Lanka (Consequential Provisions) Act No. 1 of 2005, National Development Bank Limited (NDBL) was incorporated under the Companies Act No. 17 of 1982 (Registration No. N (PBS) 1252) to take over the business of NDBSL on 15 June 2005. Consequently, the National Development Bank of Sri Lanka Act No. 2 of 1979 was repealed, except for certain provisions therein.

NDBL acquired the business and operations of NBL. Consequently, NBL shareholders received NDBL shares at a ratio of 1 NDBL share for every 5.6 NBL shares held, increasing NDBL's issued capital to 54,570,257 shares. To facilitate this transition, the Central Bank of Sri Lanka granted NDBL a commercial banking license and simultaneously withdrew its specialised banking license.



NDBL was re-registered as National Development Bank PLC ('Bank') in terms of the new Companies Act No. 7 of 2007 and accorded with the Registration No. PQ 27.



The successful completion of a Rights Issue and a Private Placement with Norfund, the Norwegian Investment Fund for Developing Countries, resulted in Norfund acquiring a 9.99% shareholding in the Bank, becoming NDB's anchor Shareholder

SECURITIES IN ISSUE - NDB

Ordinary shares

Debentures

- Basel II compliant listed rated unsecured subordinated redeemable debentures issued in 2013
- Basel III compliant listed rated unsecured subordinated redeemable debentures with a non-viability conversion issued in 2019, 2020, 2021, 2023 and 2024

New securities issued during 2024

- Ordinary shares by way of scrip dividends – please refer page 343
- Basel III compliant debentures – please refer page 492

ORDINARY SHARES

1. FEATURES OF ORDINARY SHARES

Security type	Quoted Ordinary Shares
Listed exchange	Colombo Stock Exchange (CSE) – Main Board
Featured stock indices	All Share Price Index (ASPI) Standard & Poor's Sri Lanka 20 (S&P SL20)
GICS Sector Classification	Banks (SPCSEBP)
CSE stock symbol	NDB.N0000
ISIN	LK0207N00007
Bloomberg newswire code	NDB SL
Reuters newswire code	NDB.CM

2. ANALYSIS OF EQUITY MARKET PERFORMANCE AND NDB SHARE PERFORMANCE - 2024

2.1 Performance of global equity markets

Global equity markets surged in 2024, driven by AI hardware -led growth, anticipated Federal Reserve rate cuts, easing inflation, and a resilient U.S. economy. Despite uncertainties from global elections and market volatility, equities remained strong.

The U.S. outperformed, with the Nasdaq soaring 29.6%-its second consecutive strong year-fueled by AI-driven demand, particularly from Nvidia. Tech giants like Alphabet, Meta, and Tesla also saw significant gains. The S&P 500 hit record highs, posting a 53.2% two-year gain and marking its fifth annual increase in six years. In Europe, performance was mixed. The STOXX 600 gained 6.0%, while the FTSE 100 rose 5.7%, losing momentum after early-year gains. Germany's DAX climbed 18.9% despite political and economic headwinds. Asian markets rebounded. China's CSI 300 rose 14.7%, and the Shanghai Composite gained 12.8%, marking their first annual increase in four years. Japan's Nikkei 225 reached record highs, driven by AI, governance reforms, and a weak yen.

Overall, global equities posted strong gains, with the MSCI World Index up 19.2%, the MSCI All Country World Index rising 18.0%, and the MSCI Emerging Markets Index advancing 8.1%.

2.2 Performance of the Colombo Stock Exchange

The Sri Lankan equity market recorded exceptional performance in 2024, with the stabilisation of the economy, which saw a 49.7% gain. The total number of trades during the year were however stagnant, with 3.5 Mn trades reported in 2024. The market saw positive momentum from the latter part of the year, where the ASPI reached 15,944.61 by the end of the year. The market returns were primarily driven by the political and economic stability, where investor confidence

increased with the election of the new government. Other economic developments such as the successful completion of the External Debt Restructuring, reaching the staff level agreement on the third review under the IMF Extended Fund Facility arrangement, reduction of inflation, interest rates and other macro variables normalising further contributed positively to the market returns. Additionally, in the latter part of the year, the major rating agencies issued rating upgrades on Sri Lanka, which increased investor confidence. The tourism sector also saw significant improvements where the total number of tourist arrivals surpassed the 2 Mn mark. Foreigners ended the year as net sellers during the year (a net foreign outflow of LKR 10.5 Bn in 2024 vs net foreign inflow of LKR 4.4 Bn in 2023), with a foreign participation of 9.9% in 2024 compared to 9.6% in 2023. The average daily turnover increased by 32% to LKR 2.2 Bn in 2024 compared to LKR 1.7 Bn in 2023. The transportation and banking sectors emerged as the sectors with the highest gain in 2024.

2.3 Performance of the NDB share

The banking sector outperformed the broader market index in 2024 (67.9% return vs 49.7% ASPI return). The Bank's share closed the year 81.5% higher (based on the adjusted stock price for scrip dividends) compared to 2023, at LKR 113.25. During the year the adjusted stock price reached a high of LKR 114.00 in December and a low of LKR 57.49 in March. The stock recorded a total turnover of LKR 8.3 Bn during the year and the total number of trades was 41,168. A total of 106 Mn NDB shares were traded during the year.

During the year the Bank raised a total of LKR 10.0 Bn Tier 2 capital from the capital market to improve and further strengthen the Capital Adequacy Ratio in line with the Basel III guidelines and to facilitate future expansion of business activities of the Bank.

INVESTOR RELATIONS

3 ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31 DECEMBER 2024 AS PER RULE 7.6(X) OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

3.1 Distribution of Shareholders

Shareholding Range	As at 31 December 2024				As at 31 December 2023			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
1-1,000	7,020	60.95	1,943,487	0.47	6,808	60.13	1,921,860	0.48
1,001-10,000	3,373	29.28	11,252,806	2.71	3,490	30.82	11,566,508	2.90
10,001-100,000	959	8.33	27,860,864	6.70	881	7.78	25,061,759	6.27
100,001-1,000,000	132	1.15	34,782,067	8.37	107	0.95	30,873,308	7.73
Over 1,000,000	34	0.29	339,674,202	81.75	36	0.32	330,040,927	82.62
Total	11,518	100.00	415,513,426	100.00	11,322	100.00	399,464,362*	100.00

3.2 Resident/Non-Resident Shareholding

Shareholding Range	As at 31 December 2024				As at 31 December 2023			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Resident	11,393	98.91	333,808,029	80.34	11,191	98.84	320,284,422	80.18
Non-resident	125	1.09	81,705,397	19.66	131	1.16	79,179,940	19.82
Total	11,518	100.00	415,513,426	100.00	11,322	100.00	399,464,362*	100.00

3.3 Individual/Institutional Shareholding

Shareholding Range	As at 31 December 2024				As at 31 December 2023			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Individual	10,898	94.62	64,816,211	15.60	10,737	94.83	67,399,913	16.87
Institutional	620	5.38	350,697,215	84.40	585	5.17	332,064,449	83.13
Total	11,518	100.00	415,513,426	100.00	11,322	100.00	399,464,362*	100.00

*Out of the 399,464,362 shares in issue, 179,755 shares amounting to 0.04% held by two shareholders were not registered in the shareholder register of NDB/held in suspense pending registration, in line with the provisions of the Banking Act No. 30 of 1988.

4 20 LARGEST REGISTERED SHAREHOLDERS OF THE BANK AS AT 31 DECEMBER 2024 AS PER RULE NO 7.6(III) OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Name	2024		Name	2023	
	Number of shares	%		Number of shares	%
1 Standard Chartered Bank Mauritius S/A Norfund	41,509,789	9.99	Standard Chartered Bank Mauritius S/A Norfund	39,906,488	9.99
2 Employee's Provident Fund	39,491,696	9.50	Employee's Provident Fund	37,966,343	9.50
3 Bank of Ceylon No. 1 Account	33,025,123	7.95	Bank of Ceylon No. 1 Account	31,749,539	7.95
4 Richard Pieris and Co Ltd - A/C No.01	25,779,312	6.20	Richard Pieris and Co Ltd - A/C No.01	24,745,230	6.19
5 Sri Lanka Insurance Corporation Ltd-General Fund	25,252,338	6.08	Sri Lanka Insurance Corporation Ltd-General Fund	24,276,976	6.08
6 Sri Lanka Insurance Corporation Ltd-Life Fund	20,994,352	5.05	Sri Lanka Insurance Corporation Ltd-Life Fund	20,183,453	5.05
7 Softlogic Life Insurance PLC Account Number 03/Life Shareholders Fund	20,151,741	4.85	Softlogic Life Insurance PLC Account Number 03/Life Shareholders Fund	15,834,583	3.96
8 Employees Trust Fund Board	14,093,993	3.39	Employees Trust Fund Board	13,549,618	3.39
9 BNYM Re-Terra Global Opportunity Fund, L.P	13,314,258	3.20	BNYM Re-Terra Global Opportunity Fund, L.P	12,800,000	3.20
10 Dr. S. Yaddhegige	11,709,518	2.82	Dr. S. Yaddhegige	11,257,242	2.82
11 Hatton National Bank PLC A/C No 1	11,517,884	2.77	Hatton National Bank PLC A/C No 1	11,073,010	2.77
12 Perpetual Treasuries Limited	10,165,367	2.45	Perpetual Treasuries Limited	9,772,734	2.45
13 SBI Ven Holdings Pte Ltd	10,086,418	2.43	SBI Ven Holdings Pte Ltd	9,696,834	2.43
14 Commercial Bank of Ceylon PLC/ Metrocorp (Pvt) Ltd	8,836,939	2.13	Commercial Bank of Ceylon PLC/ Metrocorp (Pvt) Ltd	8,369,676	2.10
15 Softlogic Life Insurance PLC-A/C No. 05 (Non -Participating Fund)	7,326,771	1.76	Mr. A.K. Pathirage	5,759,918	1.44
16 Akbar Brothers Pvt Ltd A/C No 1	5,789,261	1.39	Asiri Surgical Hospital PLC	5,663,666	1.42
17 Arpico Insurance PLC-Share Holders	3,950,082	0.95	Akbar Brothers Pvt Ltd A/C No 1	5,565,653	1.39
18 DFCC Bank PLC A/C 1	3,687,019	0.89	Arpico Insurance PLC-Share Holders	3,797,512	0.95
19 Softlogic Life Insurance PLC-A/C No. 04 (Participating Fund)	3,531,146	0.85	DFCC Bank PLC A/C 1	3,628,595	0.91
20 People's Leasing & Finance PLC/Mr. D. Schaffter	3,353,269	0.81	Softlogic Life Insurance PLC-A/C No. 04 (Participating Fund)	3,394,757	0.85
	313,566,276	75.46		298,991,827	74.85
Others - registered	101,947,150	24.54	Others - registered	100,292,780	25.11
- unregistered	-	-	- unregistered	179,755	0.04
Total	415,513,426	100.00	Total	399,464,362*	100.00

*Out of the 399,464,362 shares in issue, 179,755 shares amounting to 0.04% held by two shareholders were not registered in the shareholder register of NDB/held in suspense pending registration, in line with the provisions of the Banking Act No. 30 of 1988.

All shares issued by the Bank are denominated only in LKR as at 31 December 2024.

INVESTOR RELATIONS

5 PERCENTAGE OF THE SHARES HELD BY THE PUBLIC

	As at 31 December 2024	As at 31 December 2023
Float adjusted Market Capitalisation (LKR Mn)	38,408	21,103
Parentage of the shares held by the public	81.65%	81.40%
Number of public shareholders	11,504	11,304
Option under which the Bank complies with the minimum Public Holding requirement	1*	1*

*As set out in the Listing Rules of the Colombo Stock Exchange

6 DIRECTORS' INTEREST IN SHARES OF THE BANK

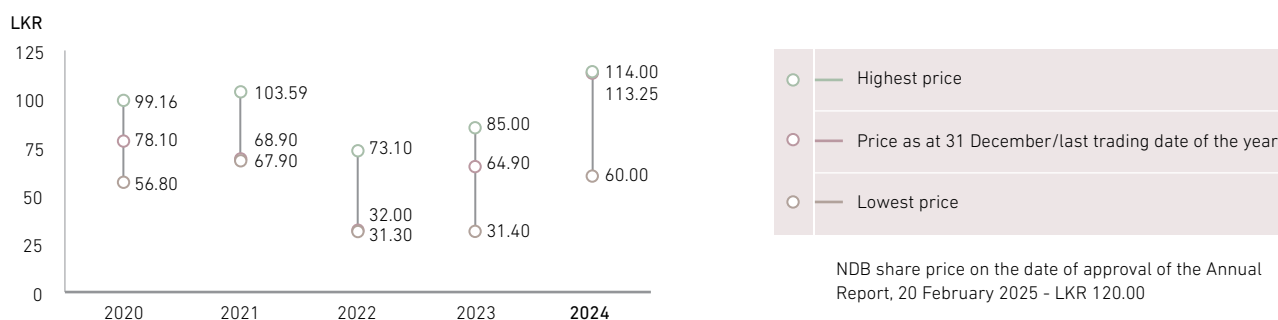
	As at 31 December 2024	As at 31 December 2023
	Number of shares	Number of shares
Mr. Sriyan Cooray – Chair, Board of Directors	Nil	Nil
Mr. Kelum Edirisinghe (Appointed w.e.f. 01 February 2024)	Nil	Nil
Mr. Bernard Sinniah	Nil	Nil
Mr. Sujeewa Mudalige	Nil	Nil
Mr. Kushan D'Alwis, PC	Nil	Nil
Ms. (Fay) Piyachatr Chetnakarnkul	Nil	Nil
Ms. Kasturi Chellaraja	Nil	Nil
Ms. Shweta Pandey	Nil	Nil
Mr. Hasitha Premaratne	Nil	Nil
Ms. Chandima Dilrukshi (Resigned w.e.f. 04 December 2024)	Nil	Nil

7 INFORMATION ON SHARE TRADING

7.1 Share price movement trend over the past five years

	As at 31 December 2024	As at 31 December 2023	As at 31 December 2022	As at 31 December 2021	As at 31 December 2020
Highest price (LKR)	114.00	85.00	73.10	103.59	99.16
Highest price adjusted for scrip dividends (LKR)	114.00	81.72	62.83	89.04	83.48
Date/s highest price was recorded	31 December 2024	10 August 2023	11 January 2022	29 January 2021	02 January 2020
Lowest price (LKR)	60.00	31.40	31.30	67.90	56.80
Lowest price adjusted for scrip dividends (LKR)	57.49	28.72	28.63	58.36	47.82
Date/s lowest price was recorded	04 March 2024	05 January 2023	22 November 2022	21,28 and 29 December 2021	15 May 2020
Price as at 31 December/last trading date of the year (LKR)	113.25	64.90	32.00	68.90	78.10
Price as at 31 December adjusted for scrip dividends (LKR)	113.25	62.39	29.27	59.22	65.76
Total number of shares in issue	415,513,426	399,464,362	380,094,722	357,123,647	232,637,231

Share Price Movement



7.1.1 Share price movement over the year

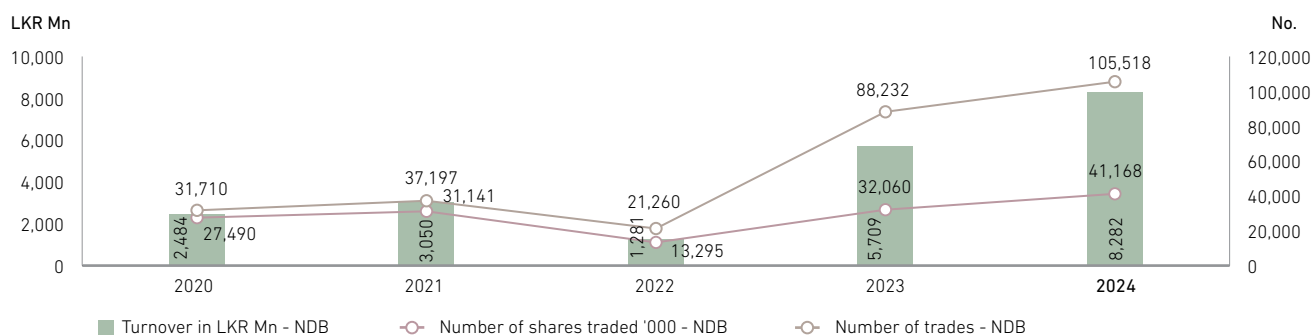
Month	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Highest price (LKR)	63.74	63.93	68.70	78.90	84.00	83.40	81.00	73.00	78.90	89.20	88.30	114.00
Lowest price (LKR)	57.88	57.59	57.49	67.20	75.00	77.20	70.00	64.50	77.00	76.00	80.20	82.60
Price as at month end (LKR)	58.64	58.36	68.00	77.80	78.80	80.20	70.10	64.80	78.30	87.60	83.90	113.25

*All above share price in section 7.1.1 are prices adjusted for scrip dividends

7.2 Share trading details

Year	2024	2024				2023	2022	2021	2020
		Q4	Q3	Q2	Q1				
Number of trades - NDB	41,168	17,072	5,566	12,056	6,474	32,060	13,295	31,141	27,490
Percentage of total market trades	1.17%	1.15%	0.97%	1.41%	1.05%	0.89%	0.22%	0.38%	0.90%
Number of NDB shares traded ('000)	105,518	44,240	8,820	29,059	23,399	88,232	21,260	37,197	31,710
Percentage of total shares traded in the market	0.45%	0.40%	0.31%	0.52%	0.63%	0.52%	0.07%	0.06%	0.15%
Turnover - NDB (LKR Mn)	8,282	3,911	628	2,241	1,503	5,709	1,281	3,050	2,484
Average daily turnover (LKR Mn)	35	63	10	39	26	24	6	13	12
Percentage of total market turnover	1.5%	1.5%	0.9%	1.8%	1.8%	1.39%	0.19%	0.26%	0.63%

Share trading details

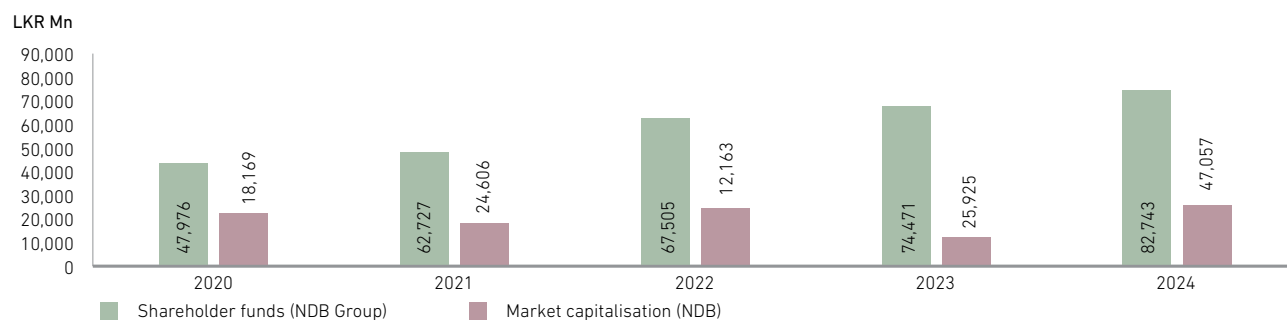


INVESTOR RELATIONS

7.3 Shareholder funds and market capitalisation

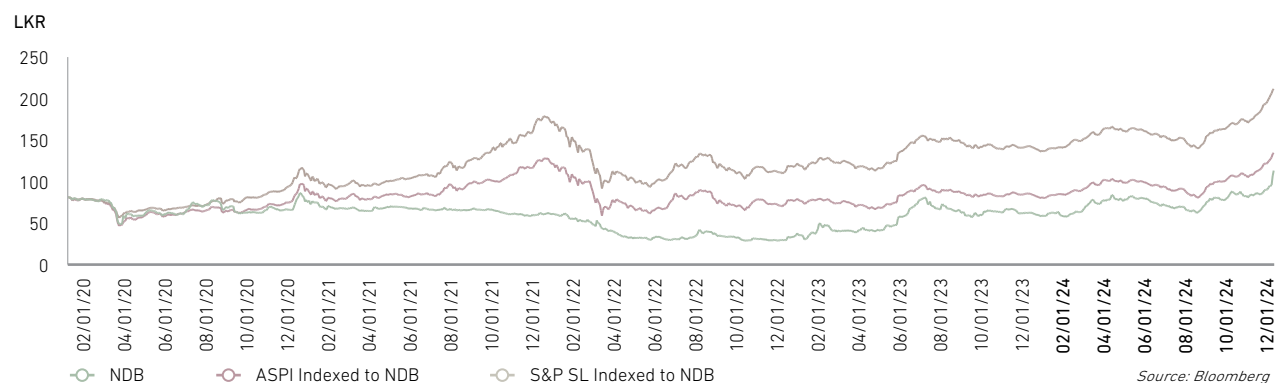
Year	2024	2023	2022	2021	2020
Shareholder funds (NDB Group) - LKR Mn	82,743	74,471	67,505	62,727	47,976
Percentage increase/decrease in shareholder funds over the prior year	11%	10%	8%	31%	11%
Market capitalisation (NDB) - LKR Mn	47,057	25,925	12,163	24,606	18,169
Percentage increase/decrease in NDB market capitalisation over the prior year	82%	113%	-51%	35%	-18%
Market capitalisation (CSE) - LKR Mn	5,695,560	4,248,935	3,847,150	5,489,168	2,960,648
Percentage increase/decrease in CSE market capitalisation over the prior year	34%	10%	-30%	85%	4%
NDB's market capitalisation as a percentage of CSE market capitalisation	0.8%	0.6%	0.3%	0.4%	0.6%
Market capitalisation rank of NDB in the CSE	33	41	63	44	42
Market capitalisation (Banks sector within CSE) - LKR Mn	805,912	455,380	219,848	343,541	318,887
NDB's market capitalisation as a percentage of Banks sector capitalisation	5.8%	5.7%	5.5%	7.2%	5.7%

Shareholder funds and market capitalisation



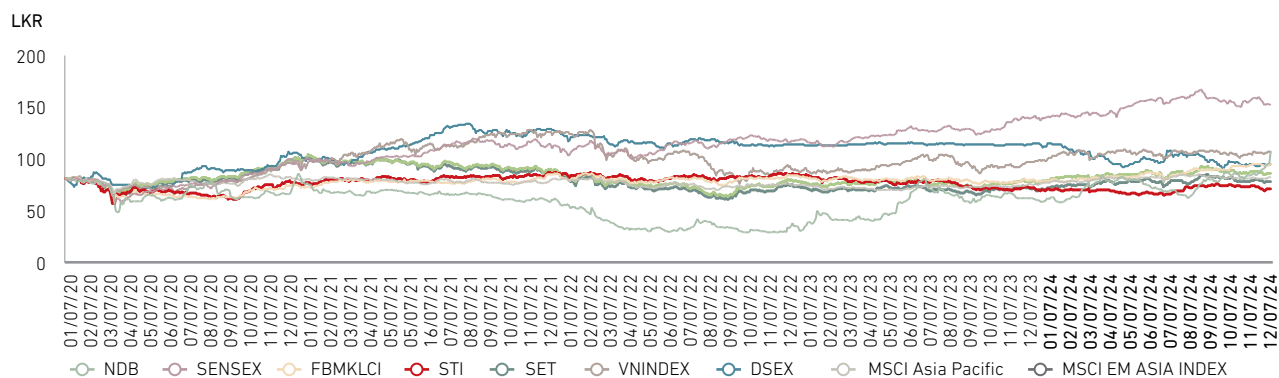
7.4 NDB share performance in comparison to selected local indices

NDB Group Vs. Indices



7.5 NDB share performance in comparison to key regional indices

NDB Group Vs. Indices



Source: Bloomberg

8 KEY SHAREHOLDER RETURN INDICATORS - NDB GROUP

Year	2024	2023	2022	2021	2020
Return on equity (%)	12.46	8.11	4.62	12.47	11.20
Gross dividends paid during the year (LKR Mn)*	1,997	950	1,964	349	1,553
Dividend per share (DPS) (LKR)**	-	5.00	2.50	5.50	1.50
Dividend yield (%)**	-	7.70	7.81	7.98	1.92
Dividend payout ratio (%)**	-	37.19	32.66	30.87	6.31
Earnings per share (EPS) (LKR)	23.57	13.86	7.53	20.88	21.99
Dividend cover (Times)**	-	-2.7	3.1	3.24	15.85
Total shareholder return ratio (TSR) (%)	82.20	110.63	-45.57	-9.86	-14.90
Price earnings ratio (PE ratio) (Times)	5.11	4.50	4.25	3.30	3.55
Net asset value per share (LKR)	199.13	186.43	177.60	175.65	206.23
Price to book value (Times)	0.61	0.35	0.18	0.39	0.38

* Gross dividends declared and paid during the year with respect to the prior year

** The Board of Directors will consider the declaration of dividends for the year 2024 in due course. The Bank paid a total dividend of LKR 5.00 per share for the year 2023

9. EMPLOYEE SHARE OWNERSHIP SCHEMES

Please refer Note Number 47.3 Employee Share Option Scheme (ESOS) under Notes to the Financial Statements (page 345).

10. CAPITAL RAISING INITIATIVES 2024

Please refer Note Number 57.5 Capital Management under Notes to the Financial Statements (page 396).

11. NDB HAS ISSUED SIX LISTED DEBENTURES AS FOLLOWS;

- Rated unsecured subordinated redeemable debentures – December 2024 (2nd Tranche)
- Rated unsecured subordinated redeemable debentures – September 2024 (1st Tranche)
- Rated unsecured subordinated redeemable debentures – December 2023
- Rated unsecured subordinated redeemable debentures – November 2021
- Rated unsecured subordinated redeemable debentures – September 2020
- Rated unsecured subordinated redeemable debentures – December 2013

INVESTOR RELATIONS

11 NDB HAS ISSUED FIVE DEBENTURES AS FOLLOWS (CONTD.)

11 (I) Key features and trading details of the debentures

Key features of the debentures		2024 December (2nd Tranche)		2024 September (1st Tranche)		
Types of Debentur		Type A	Type B	Type A	Type B	Type C
Debenture Code		NDB-BD-01/12/29-C2553-13	NDB-BD-01/12/29-C2554-12.41	NDB-BD-11/09/29-C2548-13.25	NDB-BD-11/09/29-C2546-12.84	NDB-BD-11/09/29-C2547-12.64
ISIN		LK0207D25534	LK0207D25542	LK0207D25484	LK0207D25468	LK0207D25476
Issue price LKR		100	100	100	100	100
Tenor		5 years	5 years	5 years	5 years	5 years
Par value LKR		100	100	100	100	100
Interest rate per annum		13.00%	12.41%	13.25%	12.84%	12.64%
Interest payment frequency		Annually	Quarterly	Annually	Semi Annually	Quarterly
Annual Effective Rate per annum		13.00%	13.00%	13.25%	13.25%	13.25%
Date of allotment		02 December 2024	02 December 2024	12 September 2024	12 September 2024	12 September 2024
Date of redemption		01 December 2029	01 December 2029	11 September 2029	11 September 2029	11 September 2029
Interest payment dates		01 December	01 March, 01 June, 01 September, 01 December	11 September	11 March, 11 September	11 December, 11 March, 11 June, 11 September
Trading Details for the year ended 31 December 2024						
CSE Listing		Listed	Listed	Listed	Listed	Listed
Balance as at 31 December 2024 (LKR Mn)		4,569	469	4,056	848	268
	Highest	N/A	N/A	N/A	N/A	N/A
	Lowest					
	Year end					
	Coupon Rate	13.00%	12.41%	13.25%	12.84%	12.64%
	Effective Annual Yield	13.00%	13.00%	12.51%	12.50%	12.52%
Interest Rate of comparable Government security		10.75%	10.75%	13.98%	13.98%	13.98%
Other Ratios as at last trade	Interest Yield	N/A	N/A	N/A	N/A	N/A
	Yield To Maturity	N/A	N/A	N/A	N/A	N/A

*Type A & B of the Debentures Issued in 2019 carrying a capital value of Rs. 5,561,200,000 was redeemed on 30 March 2024.

2023 December		2021 November		2020 September	2019 March		2013 December
Type A	Type B	Type A	Type B	One Type	Type A	Type B	Type D
NDB/BD/11/ 12/28- C2514-15	NDB-BD-1 1/12/28- C2515-14.22	NDB-BD- 23/11/26- C2494-11.9	NDB-BD- 23/11/28- C2495-12	NDB-BD- 24/09/25- C2452-9.5	NDB-BD- 30/03/24- C2419-13.5	NDB-BD-3 0/03/24- C2420-13.95	NDB/BC/ 19/12/ 25D14
LK0207D25146	LKJ0207D25153	LK0207D24941	LK0207D24958	LK0207D24529	LK0207D24198	LK0207D24206	LK0207D21053
100	100	100	100	100	100	100	100
5 years	5 years	5 years	7 years	5 years	5 years	5 years	12 years
100	100	100	100	100	100	100	100
15.00%	14.22%	11.90%	12.00%	9.50%	13.50%	13.95%	14.00%
Annually	Quarterly	Semi-Annually	Semi-Annually	Annually	Semi-Annually	Annually	Annually
15.00%	15.00%	12.25%	12.36%	9.50%	13.96%	13.95%	14.00%
12 December 2023	12 December 2023	24 November 2021	24 November 2021	25 September 2020	31 March 2019	31 March 2019	19 December 2013
11 December 2028	11 December 2028	23 November 2026	23 November 2028	24 September 2025	30 March 2024	30 March 2024	18 December 2025
11 December	11 March, 11 June, 11 September, 11 December	23 May, 23 November	23 May, 23 November	24 September	30 September, 30 March	30 March	31 December
Listed	Listed	Listed	Listed	Listed	Listed	Listed	Listed
3,353	1,675	7,966	117	6,656	-	-	3,587
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
15.00%	14.22%	11.90%	12.00%	9.50%	13.50%	13.95%	14.00%
14.05%	14.05%	11.66%	11.73%	9.16%	-	-	13.26%
14.52%	14.52%	11.14%	11.61%	6.57%	-	-	12.09%
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

INVESTOR RELATIONS

11 (II) Disclosures regarding the utilisation of funds as per the objectives stated in the Debenture Prospectus for rated unsecured subordinated redeemable debentures - December 2024

(Tranche I) - Issued in September 2024

Objective number	Objective as per Prospectus	Amount allocated as per Prospectus in LKR	Proposed date of utilisation as per Prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilised in LKR (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including where the funds are invested
1	Improve and further strengthen the Capital Adequacy Ratio (CAR) in line with the Basel III guidelines	5,000,000,000	Within 24 months from the date of allotment (i.e. by 12 September 2026)	5,000,000,000	100%	5,000,000,000	100%	-
2	Facilitate future expansion of business activities of the Bank	5,000,000,000	Within 24 months from the date of allotment (i.e. by 12 September 2026)	5,000,000,000	100%	< 5,000,000,000	<100%	Unutilised funds were invested in Government securities at available market rate.

(Tranche II) - Issued in December 2024

Objective number	Objective as per Prospectus	Amount allocated as per Prospectus in LKR	Proposed date of utilisation as per Prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilised in LKR (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including where the funds are invested
1	Improve and further strengthen the Capital Adequacy Ratio (CAR) in line with the Basel III guidelines	5,000,000,000	Within 24 months from the date of allotment (i.e. by 2 December 2026)	5,000,000,000	100%	5,000,000,000	100%	-
2	Facilitate future expansion of business activities of the Bank	5,000,000,000	Within 24 months from the date of allotment (i.e. by 2 December 2026)	5,000,000,000	100%	< 5,000,000,000	<100%	Unutilised funds were invested in Government securities at available market rate.

12 INFORMATION ON DEBENTURES OF THE BANK (AS PER RULE NO. 7.6 X (I) OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE) - BANK

	2024	2023
Debt Equity Ratio (%)	9.01	9.88
Interest cover (Times)	1.64	1.37
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement - 100%)	358.12	309.61
Liquidity Coverage Ratio (%) - All Currency (Minimum Requirement - 100%)	308.26	228.58

13 OTHER INFORMATION ON DEBENTURES OF THE BANK

- ⦿ Registrar to the rated unsecured subordinated redeemable debentures issued - For all issuances of the Bank (2013, 2020, 2021, 2023 and 2024) - S S P Corporate Services (Pvt) Limited, No. 101 Inner Flower Road, Colombo 03
- ⦿ Trustees to the rated unsecured subordinated redeemable debentures issued:
For issuances in 2013, 2020, 2021 and 2024 - Bank of Ceylon, Investment Banking Division No.1, BOC Square, Bank of Ceylon Mawatha, Colombo 01

For issuance in 2023 - Treasury Operations, Treasury Back Office, 13th Floor, People's Bank - Head Office, No.75, Sri Chittampalam A.Gardiner Mawatha, Colombo 02

14 DIRECTORS' INTEREST IN LISTED DEBENTURES AS AT 31 DECEMBER 2024

None of the Directors of the Bank had any interest in any listed debentures of the Bank as at 31 December 2024 as issued in December & September 2024, December 2023, November, 2021, September 2020, March 2019 and December 2013.

15 CREDIT RATINGS SUMMARY

NDB at present engages the services of Fitch Ratings Lanka Limited for local credit ratings and the Bank's ratings are as follows.

As per rating action in January 2025;

- ⦿ National long term rating: A(lka)/ Stable Outlook
- ⦿ Basel III compliant subordinated term debt: BBB+ (lka)
- ⦿ Basel II compliant subordinated term debt: BBB+ (lka)

Please refer our Investor Relations web page within the NDB corporate website on <http://www.ndbbank.com/> to read the full rating reports.

INVESTOR RELATIONS

16 FINANCIAL STATEMENTS IN USD - BANK & GROUP

16.1 Statement of Profit or Loss

For the year ended 31 December	BANK			GROUP		
	2024 USD '000	2023 USD '000	%	2024 USD '000	2023 USD '000	%
Gross income	330,622	405,433	(18)	340,006	412,011	(17)
Interest income	292,952	365,745	(20)	293,695	366,817	(20)
Less: Interest expenses	179,141	267,863	(33)	178,943	267,606	(33)
Net interest income	113,811	97,882	16	114,752	99,211	16
Fee and commission income	26,027	21,952	19	32,747	26,246	25
Less: Fee and commission expenses	87	22	295	87	22	295
Net fee and commission income	25,940	21,930	18	32,660	26,224	25
Net gains/(losses) from trading	3,464	8,903	(61)	3,464	8,903	(61)
Net gains/(losses) from financial assets at fair value through profit or loss	(470)	558	(184)	452	1,175	(62)
Net gains/(losses) from derecognition of financial assets	13,081	17,223	(24)	13,462	17,379	(23)
Other operating income	(4,432)	(8,948)	50	(3,814)	(8,509)	55
Total operating income	151,394	137,548	10	160,976	144,383	11
Less: Impairment charges	(33,190)	64,783	(151)	(33,449)	64,762	(152)
Less: Loss on restructuring of SLISBs	47,717	-	100	47,717	-	100
Net operating income	136,867	72,765	88	146,708	79,621	84
Less: Operating expenses						
Personnel expenses	30,125	20,324	48	32,966	22,609	46
Depreciation and amortisation expenses	3,628	3,016	20	3,886	3,231	20
Other expenses	22,131	18,493	20	24,386	20,372	20
Total operating expenses	55,884	41,833	34	61,238	46,212	33
Operating profit before tax on financial services	80,983	30,932	162	85,470	33,409	156
Less: Tax on financial services	18,378	8,425	118	18,378	8,425	118
Operating profit after tax on financial services	62,605	22,507	178	67,092	24,984	169
Share of associate companies' profits/(losses)	-	-	-	-	-	-
Profit before taxation	62,605	22,507	178	67,092	24,984	169
Less: Income tax expenses/(reversals)	32,564	6,053	438	34,182	7,035	386
Profit for the year	30,041	16,454	83	32,910	17,949	83
Profit attributable to equity holders of the parent	30,041	16,454	83	32,583	17,646	85
Non-controlling interests	-	-	-	327	303	8
Profit for the year	30,041	16,454	83	32,910	17,949	83
Basic Earnings per share (USD)	0.07	0.04	83	0.08	0.04	85
Diluted Earnings per share (USD)	0.07	0.04	82	0.08	0.04	84
Dividend per share (USD)	0.00	0.02				

16.2 Statement of Comprehensive Income

	BANK			GROUP		
	2024 USD '000	2023 USD '000	%	2024 USD '000	2023 USD '000	%
Profit for the year	30,041	16,454	83	32,910	17,949	83
Other comprehensive income						
Items that will be reclassified to the Statement of Profit or Loss						
Exchange differences on translation of foreign operations	-	-	-	(153)	(207)	26
Gains/(losses) on investments in debt instruments - fair value through other comprehensive income						
Net change in fair value during the year	(4,598)	16,115	(129)	(4,589)	16,141	(128)
Changes in impairment allowances	-	-	-	-	-	-
Deferred tax effect on gains/ (losses) in above financial instruments	1,379	(4,835)	129	1,372	(4,835)	128
Net gains/(losses) on investments	(3,219)	11,280	(129)	(3,217)	11,306	(128)
Gains/(losses) on cash flow hedge reserve	(2,582)	(9,779)	74	(2,582)	(9,779)	74
Deferred tax effect on gains/ (losses) of cash flow hedge reserve	775	2,934	(74)	775	2,934	(74)
Net gains/(losses) on cash flow hedge reserve	(1,807)	(6,845)	74	(1,807)	(6,845)	74
Net other comprehensive income that will be reclassified to the Statement of Profit or Loss (a)	(5,026)	4,435	(213)	(5,177)	4,254	(222)
Items that will not be reclassified to the Statement of Profit or Loss						
Net gains/(losses) on investments in equity instruments - fair value through other comprehensive income	3,011	966	212	3,011	966	212
Revaluation of freehold land and buildings	172	155	11	321	284	13
Deferred tax effect on revaluation gains/(losses)	(52)	(46)	(13)	(96)	(85)	(13)
Net gains/(losses) on revaluation of freehold land and buildings	120	109	10	225	199	13
Actuarial gains/(losses) on defined benefit plans	(297)	(1,781)	83	(330)	(1,855)	82
Deferred tax effect on actuarial gains/(losses)	10	268	(96)	20	291	(93)
Net actuarial gains/(losses) on defined benefit plans	(287)	(1,513)	81	(310)	(1,564)	80
Net other comprehensive income that will not be reclassified to the Statement of Profit or Loss (b)	2,844	(438)	749	2,926	(399)	833
Total other comprehensive income for the year, net of taxes (a+b)	(2,182)	3,997	(155)	(2,251)	3,855	(158)
Total comprehensive income for the year	27,859	20,451	36	30,659	21,804	41
Attributable to:						
Equity holders of the parent	27,859	20,451	36	30,371	21,538	41
Non-controlling interests	-	-	-	288	266	8
Total comprehensive income for the year	27,859	20,451	36	30,659	21,804	41

INVESTOR RELATIONS

16.3 Statement of Financial Position

As at 31 December	BANK			GROUP		
	2024 USD '000	2023 USD '000	%	2024 USD '000	2023 USD '000	%
Assets						
Cash and cash equivalents	61,510	86,730	(29)	63,709	88,212	(28)
Balances with the Central Bank of Sri Lanka	27,463	21,730	26	27,463	21,730	26
Placements with banks	75,360	104,147	(28)	75,360	104,147	(28)
Derivative financial instruments	3,909	9,518	(59)	3,909	9,518	(59)
Financial assets recognised through profit or loss - measured at fair value	23,107	74,140	(69)	33,778	80,371	(58)
Financial assets at amortised cost - loans and receivables to other customers	1,571,066	1,397,100	12	1,571,316	1,397,345	12
Financial assets at amortised cost - debt and other instruments	566,730	387,878	46	567,293	387,878	46
Financial assets measured at fair value through other comprehensive income	321,388	258,659	24	322,799	261,251	24
Investments in subsidiary companies	3,516	3,422	3	-	-	-
Investments in associate companies	-	-	-	-	-	-
Investment property	-	-	-	10,598	9,606	10
Property, plant & equipment	10,733	9,695	11	13,882	11,781	18
Right of use assets	4,299	3,536	22	4,559	3,889	17
Intangible assets	6,024	5,813	4	6,189	5,859	6
Current tax receivables	-	-	-	115	133	(14)
Deferred tax assets	14,179	29,778	(52)	14,380	29,993	(52)
Other assets	24,099	14,951	61	25,637	17,172	49
Total assets	2,713,383	2,407,097	13	2,740,987	2,428,885	13
Liabilities						
Due to banks	16,510	23,701	(30)	16,510	23,701	(30)
Derivative financial instruments	1,175	288	308	1,175	288	308
Financial liabilities at amortised cost						
Due to depositors	2,154,113	1,900,136	13	2,152,062	1,898,866	13
Due to debt securities holders	27,291	48,249	(43)	27,291	48,249	(43)
Due to other borrowers	75,104	76,039	(1)	75,104	76,039	(1)
Debt securities issued	114,460	90,706	26	114,460	90,706	26
Current tax liabilities	17,748	22,423	(21)	18,666	22,934	(19)
Deferred tax liabilities	-	-	-	3,329	2,843	17
Retirement benefit obligations	4,821	4,012	20	5,309	4,443	19
Other liabilities	37,316	25,037	49	39,942	26,568	50
Total liabilities	2,448,538	2,190,591	12	2,453,848	2,194,637	12
Equity						
Stated capital	74,193	64,007	16	74,193	64,007	16
Statutory reserve fund	12,009	9,403	28	12,009	9,403	28
Retained earnings	148,346	126,628	17	164,628	139,133	18
Other reserves	30,297	16,468	84	31,332	17,307	81
Total equity to equity holders of the Bank	264,845	216,506	22	282,162	229,850	23
Non-controlling interests	-	-	-	4,977	4,398	13
Total equity	264,845	216,506	22	287,139	234,248	23
Total liabilities and equity	2,713,383	2,407,097	13	2,740,987	2,428,885	13
Contingent liabilities and commitments	983,112	857,918	15	983,366	858,417	15
Net asset value per share (USD)	0.64	0.54	18	0.68	0.58	18

17. INTERIM FINANCIAL PERFORMANCE - BANK & GROUP

17.1 Statement of Profit or Loss

BANK	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
LKR '000	31/12/2024	30/09/2024	30/06/2024	31/03/2024	31/12/2023	30/09/2023	30/06/2023	31/03/2023
Net interest income	9,822,523	7,892,148	8,420,367	8,076,029	7,543,215	9,375,614	6,483,594	8,544,706
Other operating income	3,158,951	1,694,850	4,438,061	2,005,379	3,734,282	5,699,478	2,752,097	760,498
Total operating income	12,981,474	9,586,998	12,858,428	10,081,408	11,277,497	15,075,093	9,235,691	9,305,204
Impairment charges	-6,682,862	2,652,286	4,040,812	4,356,479	7,218,255	6,054,987	3,520,612	4,810,712
Net operating income	19,664,336	6,934,712	8,817,616	5,724,929	4,059,242	9,020,105	3,060,085	4,494,492
Total operating expenses	4,720,623	4,081,789	4,100,378	3,895,812	3,510,494	3,626,516	3,421,823	3,094,858
Profit from operations	14,943,713	2,852,923	4,717,238	1,829,117	548,748	5,393,590	2,753,783	1,399,634
Profit before taxation	14,943,713	2,852,923	4,717,238	1,829,117	548,748	5,393,590	2,753,783	1,399,634
Taxation	10,450,500	1,524,302	2,228,453	1,109,515	391,049	2,517,822	1,222,220	594,339
Profit for the period	4,493,213	1,328,621	2,488,785	719,602	157,699	2,875,768	1,531,563	805,295
Profit attributable to:								
Equity holders of the parent	4,493,213	1,328,621	2,488,785	719,602	157,700	2,875,768	1,531,563	805,295
Basic earnings per share (LKR)	10.81	3.20	5.99	1.80	0.39	7.2	3.83	2.02

GROUP	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
LKR '000	31/12/2024	30/09/2024	30/06/2024	31/03/2024	31/12/2023	30/09/2023	30/06/2023	31/03/2023
Net interest income	9,881,949	7,968,286	8,495,469	8,148,041	7,546,727	9,500,880	6,637,703	8,695,172
Other operating income	4,097,822	2,252,352	5,012,554	2,531,817	4,491,739	6,192,538	3,004,458	1,054,542
Total operating income	13,979,771	10,220,638	13,508,023	10,679,858	12,038,466	15,693,418	9,642,161	9,749,714
Impairment charges	(6,746,848)	2,647,585	4,031,764	4,356,479	7,181,912	6,062,195	3,062,413	4,830,496
Net operating income	20,726,619	7,573,053	9,476,259	6,323,379	4,856,554	9,631,223	6,579,748	4,919,218
Total operating expenses	5,158,887	4,465,405	4,509,488	4,274,101	3,934,038	3,993,120	3,737,402	3,418,104
Profit from operations	15,567,732	3,107,648	4,966,771	2,049,278	922,517	5,638,104	2,842,345	1,501,113
Share of associate companies' profit	-	-	-	-	-	-	-	-
Profit before taxation	15,567,732	3,107,648	4,966,771	2,049,278	922,517	5,638,104	2,842,345	1,501,113
Taxation	10,614,872	1,629,014	2,348,916	1,206,292	499,490	2,599,622	1,290,481	656,276
Profit for the period	4,952,860	1,478,634	2,617,855	842,986	423,027	3,038,482	1,551,864	844,837
Profit attributable to:								
Equity holders of the parent	4,876,082	1,472,093	2,608,335	837,651	338,540	3,029,940	1,536,880	854,076
Non-controlling interests	76,778	6,541	9,520	5,335	84,487	8,542	14,984	-9,239
					423,027	3,038,482	1,551,864	844,837
Basic earnings per share (LKR)	11.74	3.54	6.28	2.10	0.85	7.59	3.85	2.14

17.2 Statement of Financial Position

BANK	As at				As at			
LKR '000	31/12/2024	30/09/2024	30/06/2024	31/03/2024	31/12/2023	30/09/2023	30/06/2023	31/03/2023
Cash and cash equivalents	48,189,817	60,286,849	56,497,899	45,887,415	68,884,538	68,876,859	54,296,152	44,972,729
Net loans and receivables	460,707,258	453,869,144	459,029,394	439,638,046	452,660,461	473,205,473	469,659,202	496,658,580
Investments	267,212,307	224,059,824	224,186,794	248,250,255	233,499,108	221,263,963	241,206,547	210,278,357
Other assets	19,576,969	24,988,881	24,769,922	23,595,382	24,855,053	25,892,912	28,029,037	29,964,956
Total assets	795,686,351	763,204,698	764,484,009	757,371,098	779,899,160	789,239,207	793,190,938	781,874,622
Customer deposits	631,682,926	611,533,701	619,165,933	614,395,787	615,643,999	627,688,289	627,800,141	628,744,373
Borrowings	68,432,698	64,692,820	60,107,640	56,150,012	77,337,178	72,827,012	79,480,267	71,513,285
Other liabilities	17,905,972	15,244,683	14,344,466	16,643,710	16,770,106	16,839,901	18,525,134	16,231,702
Shareholders' funds	77,664,755	71,733,494	70,865,970	70,181,589	70,147,877	71,884,006	67,385,395	65,385,262
Total liabilities and equity	795,686,351	763,204,698	764,484,009	757,371,098	779,899,160	789,239,207	793,190,938	781,874,622
Net asset value per share (LKR)	186.91	172.64	170.55	175.69	175.6	179.95	168.69	172.02

INVESTOR RELATIONS

17.2 Statement of Financial Position

GROUP LKR '000	As at				As at			
	31/12/2024	30/09/2024	30/06/2024	31/03/2024	31/12/2023	30/09/2023	30/06/2023	31/03/2023
Cash and cash equivalents	48,834,566	60,871,317	57,238,072	46,664,903	69,364,699	69,497,558	55,077,669	45,581,596
Net loans and receivables	460,780,610	453,958,503	459,120,472	439,727,116	452,739,928	473,299,159	469,746,333	496,721,284
Investments	270,920,069	227,490,401	227,206,912	251,135,341	236,357,839	224,062,880	243,651,741	212,837,880
Other assets	23,244,975	28,344,893	28,281,620	27,051,971	28,496,411	29,187,183	31,274,998	33,307,041
Total assets	803,780,220	770,665,114	771,847,076	764,579,331	786,958,877	796,046,780	799,750,741	788,447,801
Customer deposits	631,081,461	611,062,967	618,716,756	613,940,806	615,232,470	627,260,491	627,345,458	628,257,477
Borrowings	68,432,698	64,692,820	60,107,640	56,150,012	77,337,178	72,827,289	79,501,483	71,554,217
Other liabilities	20,063,838	17,095,912	16,199,587	18,420,039	18,492,906	18,544,128	20,227,943	17,896,767
Shareholders' funds	82,742,635	76,400,625	75,431,982	74,642,517	74,471,394	76,073,906	71,344,888	69,366,648
Non-controlling interests	1,459,588	1,382,790	1,391,111	1,425,957	1,424,929	1,340,966	1,330,969	1,372,692
Total liabilities and equity	803,780,220	770,635,114	771,847,076	764,579,331	786,958,877	796,046,780	799,750,741	788,447,801
Net asset value per share (LKR)	199.13	183.87	181.54	186.86	186.43	190.44	178.6	182.5

18. TEN YEARS AT A GLANCE (GROUP PERFORMANCE)

18.1 Statement of Profit or Loss - Group

LKR Mn	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Income										
Net interest income	7,807	8,861	11,086	15,103	17,971	17,925	21,741	31,130	32,381	34,494
Other operating income	5,484	4,816	5,597	7,450	6,835	8,479	11,255	13,318	14,743	13,895
Total operating income	13,291	13,677	16,683	22,553	24,806	26,404	32,996	44,448	47,124	48,388
Impairment charges	746	1,425	1,290	3,764	4,405	6,794	10,253	29,277	21,137	4,289
Net operating income	12,545	12,252	15,393	18,789	20,401	19,610	22,743	15,171	25,987	44,099
Less operating expenses										
Personnel costs	3,634	3,793	4,025	4,899	5,460	5,748	6,323	6,277	7,379	9,909
Other operating costs	3,196	3,366	4,176	4,468	4,949	4,653	5,192	6,222	7,704	8,498
Total operating expenses	6,830	7,159	8,201	9,367	10,409	10,401	11,515	12,499	15,083	18,408
Operating profit before share of Associate co's profit before tax	5,715	5,094	7,192	9,422	9,992	9,209	11,228	2,672	10,904	25,691
Share of Associate co's profit	78	-	-	-	-	-	-	-	-	-
Profit before taxation	5,793	5,094	7,192	9,422	9,992	9,209	11,228	2,672	10,904	25,691
Taxation	2,123	2,279	3,797	4,146	5,107	3,992	4,166	-404	5,046	15,799
Profit after taxation	3,670	2,815	3,395	5,276	4,885	5,217	7,062	3,076	5,858	9,892
Minority interest	128	124	57	140	109	101	158	67	99	98
Profit attributable to Group	3,542	2,691	3,453	5,136	4,776	5,117	6,904	3,009	5,758	9,794

18.2 Statement of Financial Position - Group

LKR Mn	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Assets										
Liquid assets	20,002	20,252	21,549	37,855	26,259	29,993	38,468	58,024	69,365	48,835
Investments	77,257	84,437	83,062	82,715	99,405	161,188	148,744	201,291	236,358	270,920
Loans & receivables	209,768	227,717	274,079	344,276	396,672	425,682	504,374	545,920	452,740	460,781
Investments in associate companies	-	-	-	-	-	-	-	-	-	-
Property, plant & equipment	2,730	2,913	3,314	3,541	4,266	4,603	4,952	5,721	5,715	4,071
Investment property	1,672	1,776	1,895	2,111	2,273	2,362	2,528	2,879	3,112	3,108
Other assets	3,925	3,637	4,747	7,930	6,725	8,305	11,765	25,363	19,669	16,067
Total assets	315,354	340,732	388,645	478,428	535,600	632,132	710,832	839,198	786,959	803,780
Liabilities										
Borrowings	92,331	96,279	68,617	78,189	72,958	79,837	79,350	80,781	77,338	68,433
Deposits with customers	184,152	203,516	273,041	347,170	404,668	489,659	551,257	671,713	615,233	631,081
Taxation	1,237	1,597	3,372	3,618	2,909	3,159	3,155	7,508	8,351	6,450
Other liabilities	8,233	8,326	9,637	9,340	10,527	10,273	13,003	10,300	10,141	13,614
Total liabilities	285,953	309,718	354,667	438,317	491,062	582,928	646,765	770,302	711,063	719,578
Shareholders' funds										
Stated capital	1,163	1,246	2,209	6,469	7,685	8,794	18,264	19,871	20,738	21,757
Statutory reserves	1,243	1,246	1,336	1,636	1,896	2,196	2,571	2,746	3,046	3,521
Other reserves	1,000	497	923	239	579	842	-839	3,772	5,608	9,188
Retained earnings	24,976	26,946	28,544	30,668	33,233	36,143	42,731	41,116	45,079	48,276
Total shareholders' funds	28,382	29,937	33,012	39,012	43,383	47,976	62,727	67,505	74,471	82,743
Minority interest	1,019	1,077	966	1,099	1,155	1,227	1,339	1,391	1,425	1,460
Total equity	29,401	31,013	33,978	40,111	44,538	49,203	64,066	68,896	75,896	84,202
Total liabilities and equity	315,354	340,732	388,645	478,428	535,600	632,132	710,832	839,198	786,959	803,780

18.3 Share Information - Group

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Market price per share (LKR)	194.1	156	136.4	106.8	100	78.1	68.9	32	64.9	113.25
Basic earnings per share (LKR)	21.51	15.69	19.66	26.33	20.53	21.99	20.88	7.53	14.42	21.73
Interim dividends per share (LKR)*	7	-	2	-	-	1.5	-	-	-	-
Final dividends per share (LKR)*	4	8	7	8	7	-	5.5	2.5	-	-
Total dividends per share (LKR)*	11	8	9	8	7	1.5	5.5	2.5	-	-
Dividend cover (Times)*	1.96	1.96	2.18	3.29	2.93	14.66	3.8	3.01	-	-
Price earnings ratio (Times)	9.02	9.94	6.94	4.06	4.87	3.55	3.3	4.25	4.5	5.20
Net asset value per share (LKR)	172.35	181.23	192.51	185.49	195.6	206.23	175.65	177.6	186.43	186.91

* The Board of Directors will consider a declaration of dividends for the year 2023 in due course. The Bank paid a total scrip dividend of LKR 2.50 per share for the year 2022.

INVESTOR RELATIONS

19 COMPLIANCE REPORT IN TERMS OF SECTION 7.6 - CONTENTS OF THE ANNUAL REPORT IN TERMS OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Tabulated below is how we complied with the contents of the Annual Report as specified in Section 7.6 of the Listing Rules issued by the Colombo Stock Exchange. The table provides the disclosure requirements of Section 7.6, the compliance level of the Bank and where you will find the respective disclosures within this Annual Report.

Rule No:	Disclosure Requirement	Cross Reference/ within the Report (page/s)																		
7.6 (i)	Names of persons who during the financial year were Directors of the Entity	525																		
7.6 (ii)	Principal activities of the Entity and its subsidiaries during the year and any changes therein	15																		
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares denominated in LKR or any other class of shares denominated in Foreign Currency and the percentage of such shares held.	487																		
7.6 (iv)	(a) In respect of a Local Entity which has its LKR denominated shares listed on the Exchange, such Entity shall disclose the float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement, in respect of voting ordinary shares. The public holding percentage (%) in respect of non-voting ordinary shares (where applicable). Provided however, this Rule shall not be applicable to Entities whose Securities are listed on the Empower Board in the Alternate Market Segment. (b) In respect of a Local Entity which has its Foreign Currency denominated shares listed on the Exchange, such Entity shall disclose the public holding percentage (%) and the number of public shareholders."	Not applicable Not applicable 488																		
7.6 (v)	A statement of each director's holding and Chief Executive Officer's holding in each class of shares of the Entity denominated in LKR and in Foreign Currency (as applicable).	488																		
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	443																		
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	145																		
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	321																		
7.6 (ix)	Number of shares representing the Entity's stated capital	343																		
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings in the following categories: <table> <tr> <th>Number of Holders </th><th>Holdings</th><th> Total Holdings %</th></tr> <tr> <td></td><td>1-1,000 shares</td><td></td></tr> <tr> <td></td><td>1,001-10,000 shares</td><td></td></tr> <tr> <td></td><td>10,001-100,000 shares</td><td></td></tr> <tr> <td></td><td>100,001-1,000,000 shares</td><td></td></tr> <tr> <td></td><td>Over 1,000,000 shares</td><td></td></tr> </table>	Number of Holders	Holdings	Total Holdings %		1-1,000 shares			1,001-10,000 shares			10,001-100,000 shares			100,001-1,000,000 shares			Over 1,000,000 shares		486
Number of Holders	Holdings	Total Holdings %																		
	1-1,000 shares																			
	1,001-10,000 shares																			
	10,001-100,000 shares																			
	100,001-1,000,000 shares																			
	Over 1,000,000 shares																			
7.6 (xi)	The following ratios and market price information: EQUITY 1. Dividend per share 2. Dividend pay out 3. Net asset value per share 4. Market value per share (highest and lowest values recorded during the financial year, value as at the end of financial year) DEBT (only if listed) 1. Interest rate of comparable government security 2. Debt/equity ratio 3. Interest cover 4. Quick asset ratio 5. Debt Service Coverage Ratio (where applicable) 6. The market prices and yield during the year (ex interest) (Highest Price, Lowest price, Last traded price (as at dd/mm/yy) 7. Any changes in credit rating (for the Entity or any other instrument issued by the Entity), if applicable	20, 488, 491, 492-493																		
7.6 (xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value;	Not applicable																		

Rule No:	Disclosure Requirement	Cross Reference/ within the Report (page/s)
7.6 (xiii)	If during the financial year the Entity has raised funds through an Initial Public Offering and/or a further issue of Securities (as applicable); a. the manner in which the funds of such issue/s have been utilised in conformity with the format provided by the Exchange from time to time; b. if any shares or debentures have been issued, the number, class and consideration received and the reason for the issue; and c. any material change in the use of funds raised through an issue of Securities In the event the funds raised through the Initial Public Offering and/or the further issue of Securities (as applicable) have been fully utilised by the Listed Entity as disclosed in the Prospectus and/or Circular to shareholders between two financial periods, the Entity shall disclose such fact in the immediate succeeding Annual Report or the Interim Financial Statement, whichever is published first	343, 492-494
7.6 (xiv)	a. Employee share option schemes	345
	b. Employee share purchase schemes	Not applicable
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Rules	219-222, 436-441
7.6 (xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower. Details of investments in a Related Party and/or amounts due from a Related Party to be set out separately. The details shall include, as a minimum: i. The date of the transaction; ii. The name of the Related Party; iii. The relationship between the Entity and the Related Party; iv. The amount of the transaction and terms of the transaction; v. The rationale for entering into the transaction. For the purpose of Rule 7.6 (xvi): 'Equity' shall mean net assets of the Listed Entity excluding Preference Shares issued by the Entity; 'Related Party' shall have the same meaning as defined in Sri Lanka Accounting Standard 30 (Revised 2005) - Related Party Disclosures.	240-241
7.6(xvii)	In the event a Listed Entity has its Foreign Currency denominated Securities listed on the Exchange, the Entity shall disclose as per the requirements stated in Rule 7.6 (xvii)	All shares issued by the Bank are denominated only in LKR. Hence, this is not applicable to the Bank
7.6 (xviii) - (xxii)	In the event a Listed Entity has listed sustainable bonds on the Exchange and other disclosures as stated therein	The Bank has not issued any bonds/ debt securities that are listed in Rule (xviii) - (xxii). Hence, this is not applicable to the Bank.

20. SHAREHOLDER ENQUIRIES AND COMMUNICATIONS

Please refer Corporate Information (page 525).

BRANCH NETWORK

No	Branch Code	Branch Name	Contact No	Address	Region	District	Province
1	94	Akkaraipattu	067 7448000/1	No. 487, Main Street, Akkaraipattu	North East Region	Ampara	Eastern
2	65	Akuressa	041 7448000/1	No. 21, Main Street, Akuressa	Southern Region	Matara	Southern
3	59	Aluthgama	0347448010/1	No. 267, Galle Road, Aluthgama	Southern Region	Kalutara	Western
4	47	Ambalangoda	0917448000/1	No. 333, Galle Road, Ambalangoda	Southern Region	Galle	Southern
5	48	Ambalantota	047 7448000/1	No. 127, Main Street, Ambalantota	Southern Region	Hambanthota	Southern
6	40	Ampara	063 7448000/1	No. 75, D S Sennanayake Street, Ampara	Uva- Sabaragamuwa Region	Ampara	Eastern
7	19	Anuradhapura	025 7448000/1	No. 522/C, Maithreepala Senanayake Mw, New Town, Anuradhapura	North Central Region	Anuradhapura	North Central
8	71	Athurugiriya	011 7448060/1	No. 70/15A, Borella Road, Athurugiriya	Greater Colombo Region	Colombo	Western
9	34	Avissawella	036 7448000/1	No. 93, Ratnapura Road, Avissawella	Uva- Sabaragamuwa Region	Colombo	Western
10	18	Badulla	055 7448000/1	No. 242, Lower Street, Badulla	Central Region	Badulla	Uva
11	77	Balangoda	0457448000/1	No. 24 A, Barns Ratwatte Mawatha, Balangoda	Uva- Sabaragamuwa Region	Ratnapura	Sabaragamuwa
12	51	Bandarawela	057 7448000/1	No. 317, Main Street, Bandarawela	Central Region	Badulla	Uva
13	90	Battaramulla	011 7448090/1	No. 245, Main Street, Battaramulla	Greater Colombo Region	Colombo	Western
14	39	Batticaloa	065 7448000/1	No. 16, Liyods Avenue, Batticaloa	North East Region	Batticaloa	Eastern
15	72	Boralesgamuwa	0117448063/4	No. 39, Kesbawa Road, Boralesgamuwa	Greater Colombo Region	Colombo	Western
16	52	Borella	0117 448078/9	No. 31/5, Dr. N M Perera Mawatha, Borella	Colombo Region	Colombo	Western
17	99	Chavakachcheri	0217448013/4	No. 1,3,5, Kandy Road, Chavakachcheri	North East Region	Jaffna	Northern
18	93	Chenkalady	065 7448003/4	Trincomalee Road,Chenkalady	North East Region	Batticaloa	Eastern
19	10	Chilaw	032 7448000/1	No. 50-52, Skyline Building, Colombo Road, Chilaw	North Western Region	Puttalam	North Western
20	62	Chunnakam	021 7448018/9	No. 30, K.K.S. road, Chunnakam	North East Region	Jaffna	Northern
21	100	Colombo 7	011 7448004/5	No. 103A, Dharmapala Mawatha, Colombo 7	Colombo Region	Colombo	Western
22	64	Dambulla	066 7448000/1	No. 42, Kurunegala road, Dambulla	North Central Region	Matale	Central
23	114	Digana	081 7448003/4	No. 59/6 , Gonawala Road, Digana	Central Region	Kandy	Central
24	78	Eheliyagoda	036 7448003/4	No. 302, Main street, Ehaliyagoda	Uva- Sabaragamuwa Region	Ratnapura	Sabaragamuwa
25	67	Elpitiya	091 7448003/4	No. 23, Ambalangoda Road, Elpitiya	Southern Region	Galle	Southern
26	58	Embilipitiya	047 7448003/4	No. 67, Pallegama, Embilipitiya	Uva- Sabaragamuwa Region	Ratnapura	Sabaragamuwa
27	113	Fort	011 7448111/2	No. 39, Canal Row, Colombo 01	Colombo Region	Colombo	Western
28	21	Galle	091 7448006/7	No. 1/A,Abeysekara Building,Wakwella Road, Galle	Southern Region	Galle	Southern
29	29	Gampaha	033 7448000/1	No. 03, Yakkala Road, Gampaha	North Western Region	Gampaha	Western
30	50	Gampola	081 7448000/1	No. 11 B & 11 C, Nawalapitiya Road, Gampola	Central Region	Kandy	Central
31	86	Giriulla	037 7558010/1	No. 86, Negombo Road Giriulla	North Central Region	Kurunegala	North Western
32	57	Hambanthota	047 7448006/7	No. 34, Wilmot street, Hambantota	Southern Region	Hambanthota	Southern
33	96	Hanwella	036 7448006/7	No. 130/C, Pahala Hanwella, Hanwella	Uva- Sabaragamuwa Region	Colombo	Western
34	3	Havelock Town	0117 448006/7	No. 117, Havelock Road, Colombo 05	Colombo Region	Colombo	Western
35	88	Hendala	011 7448094/3	No. 46A Hendala Road, Hendala	North Western Region	Gampaha	Western

No	Branch Code	Branch Name	Contact No	Address	Region	District	Province
36	106	Hikkaduwa	091 7448009/10	No. 245, Galle Road, Hikkaduwa	Southern Region	Galle	Southern
37	102	Hingurakgoda	027 7558010/1	No. 10, Airport Road, Hingurakgoda	North Central Region	Polonnaruwa	North Central
38	30	Homagama	011 7448045/6	No. 64A, Highlevel Road, Homagama	Greater Colombo Region	Colombo	Western
39	27	Horana	034 7448013/5	No. 85, Sri Somananda Mawatha, Horana	Colombo Region	Kalutara	Western
40	44	Ja-Ela	011 7448075/6	No. 121, Colombo Road, Ja-Ela	North Western Region	Gampaha	Western
41	37	Jaffna	021 7448011/24	No. 62/6, Stanley Road, Jaffna	North East Region	Jaffna	Northern
42	26	Kadawatha	011 7448036/7	No. 147, Kandy Road, Kadawatha	North Western Region	Gampaha	Western
43	60	Kaduruwela	027 7558003/4	No. 25, Batticaloa Road, Polonnaruwa	North Central Region	Polonnaruwa	North Central
44	55	Kaduwela	011 7448081/2	No: 501/2, Awissawella Road, Kaduwela	Greater Colombo Region	Colombo	Western
45	84	Kahawatte	045 7448003/4	No. 149, Main Street, Kahawatte	Uva- Sabaragamuwa Region	Ratnapura	Sabaragamuwa
46	53	Kalmunai	067 7448003/4	No. 165, Batticaloa Road, Kalmunai	North East Region	Ampara	Eastern
47	16	Kalutara	034 7448016/7	No. 290, Galle Road, Kalutara South	Southern Region	Kalutara	Western
48	28	Kandana	011 7448039/40	No. 677, Negombo Road, Kandana	North Western Region	Gampaha	Western
49	2	Kandy	081 7448015/6	No. 133, Kotugodella Veediya, Kandy	Central Region	Kandy	Central
50	80	Kandy City Centre	081 7448006/7	No. L 1 - 3, Level 1, Kandy City Center, No. 05, Dalada weediya, Kandy	Central Region	Kandy	Central
51	109	Katana	031 7448000/1	No. 05, Koongashandiya, Katana	North Western Region	Gampaha	Western
52	110	Katugastota	081 7448009/10	No. 111, Kurunegala Road, Katugastota	Central Region	Kandy	Central
53	82	Katunayake	011 7448096/7	No. 745, Baseline Road, Aweriwatta, Katunayaka	North Western Region	Gampaha	Western
54	17	Kegalle	035 7448003/4	No. 261/1, Kandy Road, Kegalle	Central Region	Kegalle	Sabaragamuwa
55	83	Kekirawa	0257448003/4	No. 61, Opposite Government Hospital, Main Street, Kekirawa	North Central Region	Anuradhapura	North Central
56	25	Kiribathgoda	011 7448033/4	No. 540, New Hunupitiya Road, Dalugama, Kelaniya	North Western Region	Gampaha	Western
57	89	Kochchikade	031 7448003/4	No. 96, Chilaw Road, Kochchikade	North Western Region	Gampaha	Western
58	32	Kohuwela	0117 448051/2	No. 143, S De S Jayasinghe Mawatha, Nugegoda	Greater Colombo Region	Colombo	Western
59	14	Kollupitiya	011 7448018/9	No. 321, Galle Road, Colombo 3	Colombo Region	Colombo	Western
60	024	Kotahena	0117 448030/1	No. 295, George R De Silva Mw, Co -13	Colombo Region	Colombo	Western
61	111	Kottawa	011 7448099/100	No. 365/1 A, High Level Road, Kottawa	Greater Colombo Region	Colombo	Western
62	42	Kuliapitiya	037 7558003/4	No. 133, Main Street, Kuliapitiya	North Central Region	Kurunegala	North Western
63	7	Kurunegala	037 7558006/7	No. 6, Rajapihilla Mw, K'Gala	North Central Region	Kurunegala	North Western
64	12	Maharagama	011 7448015/6	No. 108 A, Highlevel Road, Maharagama	Greater Colombo Region	Colombo	Western
65	105	Mahawewa	032 7448003/4	Chilaw Road, Mahawewa	North Western Region	Puttalam	North Western
66	75	Mahiyanganaya	055 7448003/4	No. 02, New Town, Mahiyanganaya	Central Region	Badulla	Uva

BRANCH NETWORK

No	Branch Code	Branch Name	Contact No	Address	Region	District	Province
67	31	Malabe	0117448049/8	No. 760, New Kandy Road, Malabe	Greater Colombo Region	Colombo	Western
68	097	Manipay	021 7448021/2	No. 260, Manipay Road, Manipay	North East Region	Jaffna	Northern
69	103	Marine Drive	011 7448102/3	No. 42, Sagara Road, Marine Drive, Colombo 4	Colombo Region	Colombo	Western
70	46	Matale	066 7448003/4	No. 144, Main Street, Matale	Central Region	Matale	Central
71	6	Matara	041 7448003/4	No. 60, Uyanwatte Rd, Matara	Southern Region	Matara	Southern
72	45	Mathugama	034 7448022/3	No. 98, Agalawatta Road, Mathugama	Southern Region	Kalutara	Western
73	63	Minuwangoda	011 7448084/5	No. 49, Negombo Road, Minuwangoda	North Western Region	Gampaha	Western
74	70	Monaragala	055 7448006/7	No. 29, Pothuwil Road, Monaragala	Uva- Sabaragamuwa Region	Monaragala	Uva
75	15	Moratuwa	011 7448021/2	No. 255, Galle Road, Idama, Moratuwa	Colombo Region	Colombo	Western
76	20	Mount Lavinia	011 7448024/5	No. 431/433, Galle Road, Mount Lavinia	Colombo Region	Colombo	Western
77	74	Narahenpita	011 7448105/6	No. 92, Kirula Road, Narahenpita, Colombo 5	Colombo Region	Colombo	Western
78	091	Narammala	037 7558013/4	No. 144, Kurunegala Road, Narammala	North Central Region	Kurunegala	North Western
79	95	Nattandiya	032 7448006/7	No. 82, Marawila Road, Nattandiya	North Western Region	Puttalam	North Western
80	61	Nawalapitiya	054 7448000/1	No. 70B, Gampola Road, Nawalapitiya	Central Region	Kandy	Central
81	1	Nawam Mawatha	011 7448000/1	No. 40, Nawam Mw, Colombo 02	Colombo Region	Colombo	Western
82	9	Negombo	031 7448006/7	No. 121, St. Joseph Street, Negombo	North Western Region	Gampaha	Western
83	66	Nelliady	021 7448012/27	No. 109, Jaffna Road, Nelliady	North East Region	Jaffna	Northern
84	69	Nikaweratiya	037 7558016/7	No. 65, Puttalam Road, Nikaweratiya	North Central Region	Kurunegala	North Western
85	54	Nittambuwa	033 7448003/4	No. 496, Kandy Road, Nittambuwa	North Western Region	Gampaha	Western
86	4	Nugegoda	011 7448009/10	No. 152, Nawala Rd, Nugegoda	Greater Colombo Region	Colombo	Western
87	76	Nuwara Eliya	052 7448000/1	No. 50/1, New Bazaar Street, Nuwara Eliya	Central Region	Nuwara Eliya	Central
88	79	Old Moor Street	011 7448108/9	No. 311, Old Moor Street, Colombo 12	Colombo Region	Colombo	Western
89	35	Panadura	038 7448000/1	No. 319, Galle Road, Panadura	Colombo Region	Kalutara	Western
90	22	Pelawatte	011 7448027/8	No. 301, Pannipitiya Road, Battaramulla	Greater Colombo Region	Colombo	Western
91	43	Pettah	011 7448072/3	No. 137,133/1, Main Street, Colombo 11	Colombo Region	Colombo	Western
92	49	Pilimathalawa	081 7448012/3	No. 240, Colombo Road, Pilimathalawa	Central Region	Kandy	Central
93	23	Piliyandala	011 7448057/8	No. 120 , Horana Road, Piliyandala	Greater Colombo Region	Colombo	Western
94	87	Pitakotte	011 7448114/5	No. 322B, Kotte Road, Pitakotte	Greater Colombo Region	Colombo	Western
95	112	Private Wealth Centre	011 7448087/8	No. 135, Rainbow Business Centre, Bauddhaloka Mawatha, Colombo 04	Colombo Region	Colombo	Western
96	33	Puttalam	032 7448009/10	No. 104, Kurunegala Road, Puttalam	North Central Region	Puttalam	North Western
97	5	Rajagiriya	011 7448012/3	No. 505, Sriyawardanapura Ethul Kotte, Kotte	Greater Colombo Region	Colombo	Western
98	73	Ratmalana	011 7448066/7	No. 151, Galle Road, Ratmalana	Colombo Region	Colombo	Western
99	13	Ratnapura	045 7448006/7	No. 211, Main Street, Rathnapura	Uva- Sabaragamuwa Region	Ratnapura	Sabaragamuwa

No	Branch Code	Branch Name	Contact No	Address	Region	District	Province
100	115	Shangri-la	011 7448117/8	One Galle Face Mall, Premises no L 1 - 77, No 1 A, Colombo 02	Colombo Region	Colombo	Western
101	116	Tangalle	047 7448009/10	No. 90A, Matara Road, Tangalle	Southern Region	Hambanthota	Southern
102	104	Thambuttegama	025 7448006/7	No. 255A, Main Street, Thambuttegama	North Central Region	Anuradhapura	North Central
103	098	Thirunelveli	021 7448016/17	No. M102, Palaly Road, Jaffna	North East Region	Jaffna	Northern
104	92	Tissamaharama	047 7448012/3	No. 133 E, New Town, Tissamaharama	Southern Region	Hambanthota	Southern
105	38	Trincomalee	026 7448000/1	No. 91& 93, North Coast Road, Trincomalee	North East Region	Trincomalee	Eastern
106	81	Uragasmanhandiya	091 7448012/3	No. 131, Main Street, Uragasmanhandiya	Southern Region	Galle	Southern
107	41	Vauniya	024 7448000/1	No. 188, 190, 192 & 190/1, Kandy Road, Vavuniya	North East Region	Vavuniya	Northern
108	101	Warakapola	035 7448000/1	No. 96 & 98, Main Street, Warakapola	Central Region	Kegalle	Sabaragamuwa
109	56	Wariyapola	037 7558019/20	Navinna Bldg, Puttlam Road, Wariyapola	North Central Region	Kurunegala	North Western
110	11	Wattala	011 7448042/3	No. 378A, Negombo Road, Wattala	North Western Region	Gampaha	Western
111	8	Wellawatte	011 7448120/1	No. 302, Galle Road, Colombo 6	Colombo Region	Colombo	Western
112	36	Wennappuwa	031 7448009/10	No. 204, Chilaw Road, Wennappuwa	North Western Region	Puttalam	North Western
113	68	Yakkala	033 7448006/7	No. 65/5 B, Kandy Road, Yakkala	North Western Region	Gampaha	Western

REGIONAL OFFICES NETWORK

Region	Regional Office Address	Contact No	Regional Manager	Number of branches in Region
Colombo Region	No. 31/5, Dr. N M Perera Mawatha, Borella	011 2 685 711 / 2	Sydney Downall	19
Greater Colombo Region	No. 143, S De S Jayasinghe Mawatha, Nugegoda	011 2 812 564	Chandima Alwis	14
Southern Region	No. 60, Uyanwatte Rd, Matara	041 2 227 161 / 3	Sisira Herath	14
North Western Region	No.677, Negombo Road,Kandana	011 2 071 493	Chaminda Jayasingharachchi	18
North Central Region	No. 6, Rajapihilla Mw, Kurunegala	037 4 692 421	Nalin Abeyratne	13
Central Region	No. 133, Kotugodella Veediya, Kandy	081 2 238 786	Thilina Hewage	14
Uva - Sabaragamuwa Region	No. 211, Main Street, Rathnapura	045 2 223 839	Devapriya De Silva	9
North East Region	No. 62/6, Stanley Road, Jaffna	021 2 217 395	Brinthapan Selvanayakam	12

NETWORK OF GROUP COMPANIES

Company	Postal address	Address of registered office	Contact person	Telephone	Fax	Email
NDB Capital Holdings Limited	Level 01, NDB Capital Building, No: 135, Bauddhaloka Mawatha, Colombo 04	No: 40, Nawam Mawatha, Colombo 02	Mr. Senaka Kakiriwaragodage	011 2 300 385	011 2 300 393	senaka@ndbch.com
NDB Investment Bank Limited	Level 01, NDB Capital Building, No: 135, Bauddhaloka Mawatha, Colombo 04	No: 40, Nawam Mawatha, Colombo 02	Mr. Harshana Jayaweera	011 2 300 385	011 2 300 393	harshana@ndbib.com
NDB Wealth Management Limited	NDB Capital Building, Level G, 135 Bauddhaloka Mawatha, Colombo 04	No 40, Nawam Mawatha, Colombo 02	Mr. Ruwan Perera	011 2 303 232	0112 303 237	ruwan@ndbinvestors.com
NDB Securities (Pvt) Limited	Level 02, NDB Capital Building, No: 135, Bauddhaloka Mawatha, Colombo 04	No: 40, Nawam Mawatha, Colombo 02	Mr. Gihan Cooray	011 2 131 000	011 2 314 181	gihan@ndbs.lk
NDB Capital Limited [Bangladesh]	Udaya Tower, 6th Floor, (South - West Side) 57 & 57/A, Gulshan Avenue, Circle 1 Dhaka 1212, Bangladesh	Udaya Tower, 6th Floor, (South - West Side) 57 & 57/A, Gulshan Avenue, Circle 1 Dhaka 1212, Bangladesh	Mr. Md Maroof Ur Rahman Mazumder	8802222288626		maroof@ndbcapital.com
NDB Zephyr Partners Lanka (Pvt) Limited	Level 01, NDB Capital Building, No.135, Bauddhaloka Mawatha, Colombo 4.	No.40, Nawam Mawatha, Colombo 02	Mr. Senaka Kakiriwaragodage	011 2 303 810	011 2 307 155	senaka@ndbch.com
NDB Zephyr Partners Limited	6th Floor, Two Tribeca, Tribeca Central, Trianon 72261, MAURITIUS	6th Floor, Two Tribeca, Tribeca Central Trianon 72261, MAURITIUS	Mr. Senaka Kakiriwaragodage	+230 467 3000	+230 467 4000	senaka@ndbch.com

CORRESPONDENT RELATIONSHIPS

ASIA

- Bahrain
- Bangladesh
- Cambodia
- China
- Hong Kong
- India
- Indonesia
- Israel
- Japan
- Jordan
- Kazakhstan
- Kuwait
- Lebanon
- Macao
- Malaysia
- Maldives
- Nepal
- Oman
- Pakistan
- Philippines
- Qatar
- Republic of Korea
- Russian Federation
- Saudi Arabia
- Singapore
- South Korea
- Sri Lanka
- Taiwan
- Thailand
- Turkey
- United Arab Emirates
- Vietnam

EUROPE

- Austria
- Belgium
- Bulgaria
- Cyprus
- Czech Republic
- Denmark
- Finland
- France
- Germany
- Greece
- Guernsey Ci
- Ireland
- Hungary
- Italy
- Latvia
- Luxembourg
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- Ukraine
- United Kingdom

AFRICA

- Algeria
- Cameroon
- Congo
- Côte d'Ivoire
- Egypt
- Gabon
- Kenya
- Mauritius
- Morocco
- Nigeria
- Senegal
- Seychelles
- South Africa
- Tanzania
- Tunisia
- Zambia

OCEANIA

- New Zealand
- Australia

SOUTH AMERICA

- Brazil
- Chile
- Peru

NORTH AMERICA

- Canada
- Mexico
- United States



GRI CONTENT INDEX

Statement of use	National Development Bank PLC has reported in accordance with the GRI Standards for the period from 1st January 2024 to 31st December 2024				
GRI 1 used	GRI 1: Foundation 2021				
Applicable GRI Sector Standard(s)	Not applicable				

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement (s) omitted	Reason	Explanation

General disclosures					
GRI 2: General Disclosures 2021	2-1 Organisational details	14,15,525	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.		
7.6 (xiv)	2-2 Entities included in the organisation's sustainability reporting	6,15			
	2-3 Reporting period, frequency and contact point	6,525			
	2-4 Restatements of information	6			
	2-5 External assurance	6,7,187,188			
	2-6 Activities, value chain and other business relationships	14-15,76-77, 46-105, 134,162			
	2-7 Employees	140			
	2-8 Workers who are not employees	140	2-8 a, b, c	Not applicable	Workers who are not employees of the Bank comprise of those providing auxiliary services such as security and janitorial, engaged based on contracts. As these do not form core operations of the Bank, information pertaining to this indicators is not tracked.
	2-9 Governance structure and composition	197			
	2-10 Nomination and selection of the highest governance body	206			
	2-11 Chair of the highest governance body	200			
	2-12 Role of the highest governance body in overseeing the management of impacts	210			
	2-13 Delegation of responsibility for managing impacts	210			
	2-14 Role of the highest governance body in sustainability reporting	210			
	2-15 Conflicts of interest	205			
	2-16 Communication of critical concerns	210			
	2-17 Collective knowledge of the highest governance body	198			
	2-18 Evaluation of the performance of the highest governance body	205			
	2-19 Remuneration policies	214			
	2-20 Process to determine remuneration	215			
	2-21 Annual total compensation ratio		2-21 a,b,c	Confidentiality constraints	Constraints in disclosing total compensation ratio
	2-22 Statement on sustainable development strategy	24-26			
	2-23 Policy commitments	213			

GRI CONTENT INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement (s) omitted	Reason	Explanation
	2-24 Embedding policy commitments	213			
	2-25 Processes to remediate negative impacts	213			
	2-26 Mechanisms for seeking advice and raising concerns	210			
	2-27 Compliance with laws and regulations	157			
	2-28 Membership associations	163			
	2-29 Approach to stakeholder engagement	62-70			
	2-30 Collective bargaining agreements		2-30 a,b	Not applicable	The Bank does not have collective agreements with its employees
Material topics					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	71	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.		
	3-2 List of material topics	74-75			
Economic performance					
GRI 3: Material Topics 2021	3-3 Management of material topics	71-73			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	83			
	201-2 Financial implications and other risks and opportunities due to climate change	180-185			
	201-3 Defined benefit plan obligations and other retirement plans	336-338			
	201-4 Financial assistance received from government		201-4 a,b,c	Not applicable	NDB does not receive any financial assistance from the government
Tax					
GRI 3: Material Topics 2021	3-3 Management of material topics	119,293, 294-296, 334-336,349			
GRI 207: Tax 2019	207-1 Approach to tax	119,293, 294-296, 334-336,349			
	207-2 Tax governance, control, and risk management	119,293, 294-296, 334-336,349			
	207-3 Stakeholder engagement and management of concerns related to tax	119,293, 294-296, 334-336,349			
	207-4 Country-by-country reporting		207-4 a,b,c	Not applicable	The Bank has a subsidiary in Bangladesh - NDB Capital Limited, the financial performance of which is presented in the consolidated financial statements of the Group prepared in accordance with SLFRSs and other applicable mandatory guidelines for the preparation and presentation of financial statements.

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement (s) omitted	Reason	Explanation
Materials					
GRI 3: Material Topics 2021	3-3 Management of material topics	179			
GRI 301: Materials 2016	301-1 Materials used by weight or volume	179			
	301-2 Recycled input materials used		301-2 a	Not applicable	NDB does not use recycled input materials in its processes
	301-3 Reclaimed products and their packaging materials		301-3 a,b	Not applicable	NDB does not use packaging material
Energy					
GRI 3: Material Topics 2021	3-3 Management of material topics	175,176			
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	175,176			
	302-2 Energy consumption outside of the organisation		302-2,a,b,c	Not available	The Bank does not track this
	302-3 Energy intensity		302-2,a,b,c	Not available	The Bank does not track this
	302-4 Reduction of energy consumption	175,176			
	302-5 Reductions in energy requirements of products and services		302-5,a,b,c	Not applicable	Our products and services do not consume energy
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics	175,176			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	175,176			
	305-2 Energy indirect (Scope 2) GHG emissions	175,176			
	305-3 Other indirect (Scope 3) GHG emissions	175,176			
	305-4 GHG emissions intensity	82			
	305-5 Reduction of GHG emissions	175,176			
	305-6 Emissions of ozone-depleting substances (ODS)		305-6 a,b,c,d	Not applicable	The Bank’s operations do not generate ODS
	305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions		305-7 a,b,c	Not available	The Bank does not currently track NOx and SOx emissions
Employment					
GRI 3: Material Topics 2021	3-3 Management of material topics	139			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	141			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	142			
	401-3 Parental leave	146			
Labour/management relations					
GRI 3: Material Topics 2021	3-3 Management of material topics	145			
GRI 402: Labour/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	145			

GRI CONTENT INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement (s) omitted	Reason	Explanation
Training and education					
GRI 3: Material Topics 2021	3-3 Management of material topics	143			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	143			
	404-2 Programmes for upgrading employee skills and transition assistance Programmes	143-144			
	404-3 Percentage of employees receiving regular performance and career development reviews	142			
Diversity and equal opportunity					
GRI 3: Material Topics 2021	3-3 Management of material topics	146			
GRI 405: Diversity and Equal Opportunity (2016)	Disclosure 405-1 Diversity of governance bodies and employees	140,146,198			
	Disclosure 405-2 Ratio of basic salary and remuneration of women to men	148			
Local communities					
GRI 3: Material Topics 2021	3-3 Management of material topics	167			
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development Programmes	167-169			
	413-2 Operations with significant actual and potential negative impacts on local communities	167			
Marketing and labelling					
GRI 3: Material Topics 2021	3-3 Management of material topics	157			
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	157			
	417-2 Incidents of non-compliance concerning product and service information and labelling	157			
	417-3 Incidents of non-compliance concerning marketing communications	157			
Customer privacy					
GRI 3: Material Topics 2021	3-3 Management of material topics	129-130			
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	129			

SASB INDICES

SASB Standards - Commercial Banks

Topic	Accounting Metric	Category	Unit of Measure	Code	Page No.
Data Security	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	Quantitative	Number, Percentage (%)	FN-CB-230a.1	The Bank did not have any data breaches, there was no incident on PII and there were no account holders affected during the year.
	Description of approach to identifying and addressing data security risks	Discussion and Analysis	n/a	FN-CB-230a.2	129-130
Financial Inclusion & Capacity Building	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development	Quantitative	Number, Reporting currency	FN-CB-240a.1	82
	(1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development	Quantitative	Number, Reporting currency	FN-CB-240a.2	This information is not disclosed
	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	Quantitative	Number	FN-CB-240a.3	This information is not tracked
	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers ⁴	Quantitative	Number	FN-CB-240a.4	94
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Commercial and industrial credit exposure, by industry	Quantitative	Reporting currency	FN-CB-410a.1	306
	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	Discussion and Analysis	n/a	FN-CB-410a.2	174
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	Quantitative	Reporting currency	FN-CB-510a.1	465
	Description of whistleblower policies and procedures	Discussion and Analysis	n/a	FN-CB-510a.2	210
Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category	Quantitative	Basis points (bps)	FN-CB-550a.1	Not applicable
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Discussion and Analysis	n/a	FN-CB-550a.2	443-472

Accounting Metric	Category	Unit of Measure	Code	Page No.
(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	Quantitative	Number, Presentation currency	FN-CB-000.A	This information is not tracked
(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	Quantitative	Number, Presentation currency	FN-CB-000.B	87,92,98,101

SASB INDICES

SASB Standards - Investment Banking & Brokerage NDB Investment Bank Limited (NDBIB)

Topic	Topic Accounting	Category	Unit of Measure	Code	Related Disclosure
Employee, Diversity Inclusion	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	Quantitative	Percentage (%)	FN-IB-330a.1	Refer Note 1 below
Incorporation of Environmental, Social, and Governance Factors in Investment Banking & Brokerage Activities	Revenue from (1) underwriting, (2) advisory and (3) securitisation transactions incorporating integration of environmental, social and governance (ESG) factors, by industry	Quantitative	Presentation currency	FN-IB-410a.1	(1) Not a licensed underwriter therefore there has been no revenue gained from underwriting (2) and (3) - There have been no advisory and securitisation transactions incorporating integration of ESG factors as these are outside the scope of Environment and Social Risk Management (ESRM) Policy for NDBIB
	(1) Number and (2) total value of investments and loans incorporating integration of environmental, social and governance (ESG) factors, by industry	Discussion and Analysis	Number, Presentation currency	FN-IB-410a.2	There has been no investments and loans incorporating integration of ESG factors.
	Description of approach to incorporation of environmental, social and governance (ESG) factors in investment banking and brokerage activities	Discussion and Analysis	Not Applicable	FN-IB-410a.3	This is outside the scope of ESRM Policy for NDBIB
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	Quantitative	Presentation currency	FN-IB-510a.1	No monetary losses incurred as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations
	Description of whistleblower policies and procedures	Discussion and Analysis	Not Applicable	FN-IB-510a.2	The Group Whistleblowing Policy of NDB Capital Holdings Limited provides for employees as defined therein including employees within one year of resignation to report malpractices, unethical behaviour, corruption, bribery and blackmail to designated individuals for investigation and necessary action. The policy assures confidentiality of identity and protection from adverse personal action against the whistleblower for disclosures made in good faith

Topic	Topic Accounting	Category	Unit of Measure	Code	Related Disclosure
Professional Integrity	(1) Number and (2) percentage of covered employees with a record of investment related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings	Quantitative	Number, Percentage (%)	FN-IB-510b.1	No covered employees with a record of investment related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings
	Number of mediation and arbitration cases associated with professional integrity, including duty of care, by party	Quantitative	Number	FN-IB-510b.2	No mediation and arbitration cases associated with professional integrity, including duty of care, by party
	Total amount of monetary losses as a result of legal proceedings associated with professional integrity, including duty of care	Quantitative	Presentation currency	FN-IB-510b.3	No monetary losses as a result of legal proceedings associated with professional integrity, including duty of care
	Description of approach to ensuring professional integrity, including duty of care	Discussion and Analysis	Not Applicable	FN-IB-510b.4	As an entity licensed as a Corporate Finance Advisor by Securities and Exchange Commission of Sri Lanka (SEC), NDBIB has policies and procedures in place to ensure professional integrity, including duty of care
Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category	Quantitative	Basis points (bps)	FN-IB-550a.1	Global Systemically Important Bank (G-SIB) score is not applicable to NDBIB.
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Discussion and Analysis	Not Applicable	FN-IB-550a.2	NDBIB does not adopt such an approach.
Employee Incentives & Risk Taking	Percentage of total remuneration that is variable for Material Risk Takers (MRTs)	Quantitative	Percentage (%)	FN-IB-550b.1	No portion of remuneration is variable for MRTs.
	Percentage of variable remuneration of Material Risk Takers (MRTs) to which malus or clawback provisions were applied	Quantitative	Percentage (%)	FN-IB-550b.2	No portion of remuneration is variable for MRTs to which malus or clawback provisions were applied.
	Discussion of policies around supervision, control, and validation of traders' pricing of Level 3 assets and liabilities	Discussion and Analysis	Not Applicable	ble FN-IB-550b.3	This does not apply to NDBIB.

Note 01**Representation by Grade and Gender**

	Male	Female
Executive Management	5%	5%
Professional	53%	22%
Other	5%	10%

	Sinhala	Muslim	Tamil
Representation by Race	95%	0	5%

SASB INDICES

SASB Standards - Investment Banking & Brokerage NDB Securities (Private) Limited

Topic	Topic Accounting	Category	Unit of Measure	Code	Related Disclosure
Employee Diversity & Inclusion"	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	Quantitative	Percentage (%)	FN-IB-330a.1	Refer Note 1 below.
Incorporation of Environmental, Social, and Governance Factors in Investment Banking & Brokerage Activities	Revenue from (1) underwriting, (2) advisory and (3) securitisation transactions incorporating integration of environmental, social and governance (ESG) factors, by industry	Quantitative	Presentation currency	FN-IB-410a.1	(1) There has been no revenue gained from underwriting (2) LKR 297 Mn (3) There has been no revenue gained from securitisation transactions as explained under Topic Accounting.
	(1) Number and (2) total value of investments and loans incorporating integration of environmental, social and governance (ESG) factors, by industry	Quantitative	Number, Presentation currency	FN-IB-410a.2	Value of investment - Money Fund LKR 397 Mn Value of loans taken - None.
	Description of approach to incorporation of environmental, social and governance (ESG) factors in investment banking and brokerage activities	Discussion and Analysis	Not Applicable	FN-IB-410a.3	Not applicable. In terms of the NDB Group Environment and Social Risk Management (ESRM) Policy, ESG compliance is carried out in respect of investments in own funds of the Group Companies and it does not extend to client funds.
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	Quantitative	Presentation currency"	FN-IB-510a.1	No monetary losses.
	Description of whistleblower policies and procedures	Discussion and Analysis	Not Applicable	FN-IB-510a.2	The Group Whistleblowing Policy of NDB Capital Holdings Limited provides for employees as defined therein including employees within one year of resignation to report malpractices, unethical behaviour, corruption, bribery and blackmail to designated individuals for investigation and necessary action. The policy assures confidentiality of identity and protection from adverse personal action against the whistleblower for disclosures made in good faith.
Professional Integrity	(1) Number and (2) percentage of covered employees with a record of investment related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings	Quantitative	Number, Percentage (%)	FN-IB-510b.1	No covered employees with a record of investment related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings
	Number of mediation and arbitration cases associated with professional integrity, including duty of care, by party	Quantitative	Number	FN-IB-510b.2	No mediation and arbitration cases associated with professional integrity, including duty of care, by party

Topic	Topic Accounting	Category	Unit of Measure	Code	Related Disclosure
	Total amount of monetary losses as a result of legal proceedings associated with professional integrity, including duty of care	Quantitative	Presentation currency	FN-IB-510b.3	No monetary losses incurred as a result of legal proceedings associated with professional integrity, including duty of care
	Description of approach to ensuring professional integrity, including duty of care	Discussion and Analysis	Not Applicable	FN-IB-510b.4	NDBS ensure strict compliance with applicable laws, rules and regulations governing professional integrity and duty of care. There is close monitoring and monthly reporting of any violations to the relevant regulatory authority. Further, internal policies and procedures such as the Compliance Manual encompassing professional integrity and duty of care are in place to guide employees on the same.
Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category	Quantitative	Basis points (bps)	FN-IB-550a.1	Global Systemically Important Bank (G-SIB) score is not applicable to NDBS.
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Discussion and Analysis	Not Applicable	FN-IB-550a.2	NDBS does not adopt such an approach.
Employee Incentives & Risk Taking	Percentage of total remuneration that is variable for Material Risk Takers (MRTs)	Quantitative	Percentage (%)	FN-IB-550b.1	No portion of remuneration is variable for MRTs.
	Percentage of variable remuneration of Material Risk Takers (MRTs) to which malus or clawback provisions were applied	Quantitative	Percentage (%)	FN-IB-550b.2	No portion of remuneration is variable for MRTs to which malus or clawback provisions were applied.
	Discussion of policies around supervision, control, and validation of traders' pricing of Level 3 assets and liabilities	Discussion and Analysis	Not Applicable	FN-IB-550b.3	This does not apply to NDBS.

Note 01**Representation by Grade and Gender**

	Male	Female
Executive Management	100%	0%
Non-Executive Management	0%	0%
Professionals	67%	33%
All other employees	100%	0%
	69%	31%

Representation by Grade and Gender

	Sinhala	Muslim	Tamil
Executive Management	100%	0%	0%
Non-Executive Management	0%	0%	0%
Professionals	72%	15%	13%
All other employees	50%	0%	50%
	72%	14%	14%

GLOSSARY OF FINANCIAL AND BANKING TERMS



Acceptances

Promise to pay, created when the drawee of a time draft, stamps or writes the word 'accepted' above his signature and a designated payment date.

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis

Recognising the effects of transaction and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Actuarial Gain/Loss

Gains or losses arising from the difference between estimates and actual experience in the entity's pension plan and retirement gratuity.

Actuarial Assumptions

An entity's unbiased and mutually compatible best estimates of the demographic and financial variable that will determine the ultimate cost of providing post-employment benefits.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised Cost

The amount at which the financial asset or financial liability is measured at initial recognition minus principal prepayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Asset and Liability Committee (ALCO)

A risk-management committee in a bank that generally comprises the Senior Management of the institution. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. Among the factors considered are liquidity risk, interest rate risk, operational risk and external events that may affect the Bank's forecast and strategic balance sheet allocations.

Associate

An entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Average Weighted Deposit Rate (AWDR)

AWDR is calculated by the Central Bank weekly, based on Commercial bank's deposit rates offered to their prime customers during the week.

Average Weighted PRIME Lending Rate (AWPLR) AWPLR is calculated by the Central Bank weekly based on commercial banks' lending rates offered to their prime customers during the week.



Basel III

The Basel Committee on Banking Supervision's details of strengthened global regulatory standards on Bank capital adequacy and liquidity.

Basis point (BP)

One hundredth of a percentage point, i.e. 100bp equals 1%, used in quoting movements in interest rates, security yields, etc.



Capital Adequacy Ratios

The relationship between capital and risk weighted assets as defined in the framework developed by the Bank for International Settlements (BIS) and as modified by the Central Bank of Sri Lanka to suit local requirements.

Capitals

Refer to any stock of value such as customer base, staff strength, relationships with the community, etc. that will increase, decrease or transform through the activities of an organisation and that will help it generate earnings in the future.

Cash Equivalents

Short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows

Cash flows are inflows and outflows of cash and cash equivalents.

Cash Generating Unit (CGU)

The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Collectively Assessed Impairment Allowance Provisions Also known as portfolio impairment provisions. Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that has been incurred but has not yet been identified at the reporting date. Typically assets within the Retail Banking business (housing, personal, leasing, credit cards etc.) are assessed on a portfolio basis.

Climate-related risks and opportunities (CRRO)

Risks and opportunities that arise from climate-related events that could reasonably be expected to affect the entity's financial performance, position and prospects

Commitments

Credit facilities approved but not yet utilised by the clients at the date of the Statement of Financial Position.

Contract

An agreement between two or more parties that creates enforceable rights and obligations.

Consolidated Financial Statements

Consolidated Financial Statements are the Financial Statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic activity.

Contingencies

A condition or situation existing at the date of the Statement of Financial Position where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Contractual Maturity

Contractual Maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.

Control

Control is the power over an investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its powers over the investee to affect the amount of the investor's returns.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Correspondent Bank

A bank in a foreign country that offers banking facilities to the customers of a bank in another country.

Cost to Income Ratio

Operating expenses excluding impairment for loans and receivables and other losses as a percentage of total operating income.

Country Risk

The risk that a foreign government will not fulfil its obligations or obstructs the remittance of funds by debtors, either for financial reasons (transfer risk) or for other reasons (political risk).

Credit Ratings

An evaluation of a corporates ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Currency Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Credit Risk Mitigation

A technique to reduce the credit risk associated with an exposure by application of credit risk mitigates such as collateral, guarantee and credit protection.

Credit Risk

Credit risk or default risk is most simply defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions.

Currency swaps

The simultaneous purchase of an amount of currency for spot settlement and the sale of the same amount of the same currency for forward settlement.

Customers Deposits

Money deposited by account holders. Such funds are recorded as liabilities.

**Debt Restructuring/Rescheduling**

This is when the terms and provisions of outstanding debt agreements are changed. This is often done in order to improve cash flow and the ability of the borrower to repay the debt. It can involve altering the repayment schedules as well as debt or interest charge reduction.

Deferred Taxation

Sum set aside for tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year.

Delinquency

A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and receivables are considered to be delinquent when consecutive payments are missed. Also known as 'Arrears'.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition

Removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.

Derivatives

A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g., an interest rate).

Discount Rate

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

Dividend Cover

Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by current year's distributable profits.

Dividend Yield

Dividend earned per share as a percentage of its market value.

Documentary Credits

Commercial letters of credit provided for payment by a bank to the named beneficiary usually the seller of merchandise, against delivery of documents specified in the credit.

Domestic Debt Optimisation (DDO)

The extension of the maturity period of the debt instruments, which would help the government to reduce the annual repayment obligation and to spread it over a longer period.

**Earnings per Ordinary Share (EPS)**

Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

Economic Value Added (EVA)

A measure of productivity which takes into consideration cost of total invested equity

Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate a shorter period to the net carrying amount of the financial asset or financial liability.

Effective Tax Rate

Provision for taxation including deferred tax divided by the operating profit before tax on financial services.

Embedded Derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Employee Share Option Scheme (ESOS)

A method of giving employees shares in the business for which they work.

Equity Method

This is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Equity risk

The risk arising from positions, either long or short, in equities or equity-based instruments, which create exposure to a change in the market price of the equities or equity instruments.

GLOSSARY OF FINANCIAL AND BANKING TERMS

Equity Instrument

Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Events after the Reporting Period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue.

Ex-Dividend

Date A classification of trading shares when a declared dividend belongs to the seller rather than the buyer. A stock will be give ex-dividend status if a person has been confirmed by the company to receive the dividend payment. The date on or after which a security is traded without a previously declared dividend or distribution.

Expected Credit Loss

The amount expected to be lost on an exposure over the life of the asset. ECL is calculated by multiplying the Probability of Default (a percentage) by the Exposure at Default (an amount) and Loss Given Default (a percentage).

Exposure

A claim, contingent or position which carries a risk of financial loss.



Fair Value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair Value Adjustment

An adjustment to the fair value of a financial instrument which is determined using a valuation technique (level 2 and level 3) to include additional factors that would be considered by a market participant that are not incorporated within the valuation model.

Fair Value Through Profit or Loss

A financial asset/liability: Acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of a short-term profit taking, or a derivative (except for a derivative that is a financial guarantee contract).

Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

Financial Assets

Any assets that is cash, equity instrument of another entity, a contractual right to receive cash or contractual right to receive another financial asset from another entity.

Financial Instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial Liabilities

A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial Risk

The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates or credit rating or credit index or other variable that the variable is not specific to the party to the contract.

Foreign Exchange Income

The realised gains recorded when assets or liabilities denominated in foreign currencies are translated into Sri Lankan rates which differ from those rates in force at inception or on the previous reporting date. Foreign exchange income also arises from trading in foreign currencies.

Forward Exchange Contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today



Global Reporting Initiative (GRI)

GRI is a leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

Going Concern

The Financial Statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially or the scale of its operations.

Goodwill

An asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.

Gross Dividend

The portion of profits distributed to the shareholders.

Group

A Group is a parent and all its subsidiaries and associates.

Guarantees

Three party agreement involving a promise by one party (the guarantor) to fulfil the obligations of a person owing a debt if that person fails to perform.



Hedging

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (Interest rate, Prices and Commodities, etc.).

Held-for-Trading

Debt and equity investments that are purchased with the intent of selling them within a short period of time (usually less than one year).

Held-to-Maturity

Investments and debt securities that a Company has the ability and intent to hold until maturity.

High Quality Liquid Assets

(HQLA) HQLA are assets that can be easily and immediately converted into cash at little or no loss of value that can be readily sold or used as collateral to obtain funds in a range of stress scenarios and are unencumbered, i.e. without legal, regulatory or operational impediments.

Historical Cost

Historical cost is the original nominal value of an economic item.

**Impaired Loans**

Loans where identified impairment allowances have been raised and also include loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.

Impairment charges for Loans and Receivables

Amounts set aside against possible losses on loans, receivables and other credit facilities as a result of such facilities becoming partly or wholly uncollectible.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Impairment Allowances

Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred (under LKAS 39)/expected (under SLFRS 9) loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).

Individually Significant Loans

Exposures which are above a certain threshold decided by the Bank's management which should be assessed for objective evidence, measurement, and recognition of impairment on an individual basis.

Intangible Asset

An intangible asset is an identifiable non monetary asset without physical substance.

Integrated Reporting

A methodology of reporting an organisation's strategy, governance, financial performance and prospects in relation to the creation of value over the short, medium and long term in its economic, social and environmental context.

Interest Cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Interest Margin

Net interest income expressed as a percentage of average interest earning assets.

Interest Rate Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest Rate SWAP

An agreement between two parties where one stream of future interest payments is exchanged for another stream of future interest payments based on a specified principal amount.

Interest Spread

This represents the difference between the average interest rate earned and the average interest rate paid on funds.

Investment banking

A specific division of banking related to the creation of capital for other companies. Investment banks underwrite new debt and equity securities for all types of corporations. Investment banks also provide guidance to issuers regarding the issue and placement of stock.

Investment Property

A real estate property that has been purchased with the intention of earning a return on the investment (purchase), either through rent (income), the future resale of the property, or both.

**Key Management Personnel**

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity and key employees who are holding directorships in subsidiary companies and other key employees who meet the criteria mentioned above.

**Liquid Assets**

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, Bills of Exchange, Treasury Bills and Bonds.

Liquidity coverage ratio (LCR)

Ratio of stock of high quality liquid assets available to total net cash outflows over next 30 calendar days. LCR is expected to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus, reducing the risk of spillover from the financial sector to the real economy.

Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loan-to-Value Ratio

The loan-to-value (LTV) ratio is a financial term used by lenders to express the ratio of a loan to the value of an asset purchased. The term is commonly used to represent the ratio of the first mortgage lien as a percentage of the total appraised value of real property.

Loss Given Default (LGD)

The estimated ratio (percentage) of the loss on an exposure to the amount outstanding at default (EAD) upon default of counterparty.

**Market Capitalisation**

Number of ordinary shares in issue multiplied by the market value of a share as at a date.

Market Risk

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

**Net Assets Value per Ordinary Share**

Shareholders' funds excluding preference shares, if any, divided by the number of ordinary shares in issue.

Net Assets Value per Share

Shareholders' funds divided by the number of ordinary shares in issue.

GLOSSARY OF FINANCIAL AND BANKING TERMS

Net Interest Income (NII)

The difference between the amounts a bank earns on assets such as loans and securities and the amount it pays on liabilities such as deposits, refinance funds and inter-bank borrowings.

Net Interest Margins (NIM)

Net interest income expressed as a percentage of average Total Assets.

Net stable funding ratio (NSFR)

The ratio of available stable funding to required stable funding over a one year time horizon, assuming a stressed scenario. Available stable funding would include items such as equity capital, preferred stock with a maturity of over one year and liabilities with an assessed maturity of over one year. The Basel III rules require this ratio to be over 90% with effect from 01 January 2019. The NSFR is still subject to an observation period and review to address any unintended consequences.

Non-Controlling Interest/Minority Interest

Equity in a subsidiary not attributable, directly or indirectly, to a Parent.

Non-Performing Loans (NPLs)

A loan or a receivable placed on cash basis (i.e. Interest income is only recognised when cash is received) because, in the opinion of management, there is reasonable doubt regarding the collectability of principal or interest.

Nostro Account

A bank account held in a foreign country by a domestic bank, denominated in the currency of that country. Nostro accounts are used to facilitate the settlement of foreign exchange trade transactions.

NPL Ratio

Total non-performing loans and receivables (net of interest in suspense) divided by total loans and receivables portfolio (net of interest in suspense).



Open Credit Exposure Ratio

Total net non-performing loans and receivables expressed as a percentage of shareholders' fund.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.



Parent

A parent is an entity that has one or more subsidiaries.

Past Due

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Power

The power is the existing rights that give the current ability to direct the relevant activities.

Price Earnings Ratio (P/E Ratio)

Market price of a share divided by earnings per share.

Probability of default (PD)

The probability that an obligor will default on an obligation within a given period of time.

Projected Unit Credit Method (PUC)

An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method). Prudence Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

Prudence

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.



Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related Party Transactions (RTP)

RPT is a transfer of resources, services or obligations between a reporting entity and a related party, regardless whether a price is charged.

Remittances

A remittance is a transfer of money by a foreign worker to an individual in his or her home country.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Retained Earnings

Reserves that are set aside for future distribution and investments.

Return on Average Assets (ROA)

Profit after tax divided by the average assets.

Return on Average Equity (ROE)

Net profit for the year, less preference share dividends, if any, expressed as a percentage of average ordinary shareholders' equity.

Revaluation Reserve

Part of the shareholders' equity that arises from changes in the current value of property, plant and equipment.

Revenue Reserve

Reserves set aside for future distribution and investment.

Risk-Weighted Assets

The sum total of assets as per the Statement of Financial Position and the credit equivalent of assets that are not on the Statement of Financial Position multiplied by the relevant risk weighting factors.

Rights Issue

Issue of shares to the existing shareholders at an agreed price, generally lower than market price.



Segment Reporting

Segment reporting indicates the contribution to the revenue derived from business segments such as banking operations, leasing operations, stock broking and securities dealing, property and insurance.

Segmental Analysis

Analysis of financial information by segments of an entity specifically, the different industries and the different geographical areas in which it operates.

Shareholders' Funds

Total of stated capital and revenue reserves.

Significant influence

If an entity holds, directly or indirectly (e.g. through subsidiaries), 20 percent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated otherwise.

Single Borrower Limit (SBL)

33% of the regulatory capital base.

Statutory Reserve Fund

A capital reserve created as per the provisions of the Banking Act, No. 30 of 1988.

Subsidiary

An entity, including an unincorporated entity such as a partnership, which is controlled by another entity (known as the Parent).

Substance Over Form

The consideration that the accounting treatment and the presentation in Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

Sustainability-related risks and opportunities (SRRO)

Risks and opportunities that arise from sustainability-related events that could reasonably be expected to affect the entity's financial performance, position and prospects

Swaps

The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement.

**Tier I Capital**

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital

Supplementary capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

Total Capital

Capital base is summation of the core capital (Tier I) and the supplementary capital (Tier II).

Transaction Costs

Incremental costs that is directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Transfer Pricing Arrangement

Transfer pricing involves the terms and prices at which related parties sell (or should sell) goods or services to each other. When the parties are located in different taxing jurisdictions, opportunities exist for the movement of income to a lower-taxing jurisdiction. A transfer pricing arrangement is developed to combat potential losses of income tax revenue.

**Unit Trust**

An undertaking formed to invest in securities under the terms of a trust deed.

Useful Life

Useful life is the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

**Value Added**

Value of wealth created by providing banking and other related services less the cost of providing such services.

Value-at-risk (VaR)

A measure of the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence.

Vostro Account

A local currency account maintained by a local bank for a foreign (correspondent) bank. For the foreign bank, it is a nostro account. The domestic bank acts as custodian or manages the account of a foreign counterpart.

Yield-to-Maturity

The discount rate at which a security's present value of future cash flows will be equal to the security's current price.

NOTICE OF MEETING

Notice is hereby given that the Twentieth (20) Annual General Meeting (AGM) of National Development Bank PLC (the Bank) will be held at the DHPL Training Room, 3rd Floor, NDB – EDB Tower, No. 42, Nawam Mawatha, Colombo 02 at 02.30 p.m. on Friday, the Twenty Eighth (28) day of March, Two Thousand and Twenty Five (2025) and the business to be brought before the meeting will be:

1. To lay before the Shareholders for consideration, the Annual Report for the year ended 31 December 2024.
2. To re-elect Mr. Bernard Sinniah, as a Director in terms of Article 42 of the Articles of Association of the Bank.
3. To re-elect Mr. Kushan D'Alwis, PC, as a Director in terms of Article 42 of the Articles of Association of the Bank.
4. To reappoint Messrs. Ernst & Young, Chartered Accountants, as Auditors of the Bank as set out in Section 154 of the Companies Act No. 07 of 2007 and Section 39 of the Banking Act No. 30 of 1988 (as amended) and to fix the fees and expenses of such Auditors.
5. To determine the aggregate remuneration payable to Non-Executive Directors including the Chair, Board of Directors in terms of Article 58 of the Articles of Association of the Bank and to authorise the Board of Directors to approve other remuneration and benefits to the Directors (including the remuneration of the Executive Director/s) in terms of Section 216 of the Companies Act No. 07 of 2007.
6. To authorise the Board of Directors to determine donations for the financial year 2025 (in accordance with the provisions of the Companies Donations Act No. 26 of 1951) through which the corporate social activities of the Bank in 2025 will be carried out (similar to the activities carried out in 2024 as detailed in the Annual Report).

By Order of the Board,



Ms. Shehani Ranasinghe
Company Secretary

20 February 2025
Colombo

Notes:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy holder to attend and vote in his/her stead. Please read the reverse of the Form of Proxy for further details.
2. Shareholders/proxy holders attending the meeting are requested to bring their National Identity Cards.
3. Voting shall be by any one of the following methods as determined by the Chair, Board of Directors unless a poll is demanded;
 - a) voting by voice
 - b) voting by show of hands (every member who is present in person or is represented by a proxy or attorney or an authorised representative shall have one (01) vote).
4. A declaration by the Chair, Board of Directors that a resolution is carried by the requisite majority or lost is conclusive evidence of that fact.
5. At a meeting of shareholders, a poll may be demanded on a particular question as provided for in the Companies Act No. 07 of 2007. If a poll is taken, votes must be counted according to the votes attached to the shares of each shareholder present and voting. In the case of an equality of votes, whether on a show of hands or on a poll, the Chair, Board of Directors shall be entitled to a second or casting vote.

CORPORATE INFORMATION

NAME

National Development Bank PLC

COMPANY REGISTRATION NUMBER

PQ 27

LEGAL FORM

Established under the National Development Bank of Sri Lanka Act No. 02 of 1979 and incorporated as a company under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007 and also licensed as a Licensed Commercial Bank in terms of the Banking Act No. 30 of 1988 as amended from time to time.

STOCK EXCHANGE LISTING

The shares, and the rated unsecured subordinated redeemable debentures issued in December 2013, March 2019, September 2020, November 2021, December 2023, September 2024 and December 2024 are listed on the Colombo Stock Exchange.

HEAD OFFICE/REGISTERED OFFICE

Address – No. 40, Nawam Mawatha, Colombo 02, Sri Lanka

Tel: +94 11 2448448

Fax: +94 11 2305031

Swift Code: NDBSLKLX

E-mail: contact@ndbbank.com

Web: www.ndbbank.com

Accounting Year-end

31 December

Tax Payer Identification Number (TIN)

409000266

VAT Registration Number

409000266-7000

Credit Ratings

National long-term ratings: A(lka)

Basel II compliant & Basel III compliant subordinated debentures ratings: BBB+ (lka)

BOARD OF DIRECTORS AND BOARD SUB COMMITTEES AS AT 31 DECEMBER 2024

Board of Directors

Mr. Sriyan Cooray – Chair, Board of Directors – Independent

Mr. Kelum Edirisinghe – Chief Executive Officer – Non-Independent (Appointed w.e.f. 01 February 2024)

Mr. Bernard Sinniah – Non-Independent

Mr. Sujeewa Mudalige – Independent

Mr. Kushan D'Alwis, PC – Independent

Ms. (Fay) Piyachatr Chetnakarnkul – Non-Independent

Ms. Kasturi Chellaraja – Independent

Ms. Shweta Pandey – Independent

Mr. Hasitha Premaratne – Independent

Ms. Chandima Dilrukshi – Non-Independent (Resigned w.e.f. 04 December 2024)

Board Sub committees

Nominations and Governance Committee

Human Resources & Remuneration Committee

Integrated Risk Management Committee

Audit Committee

Related Party Transactions Review Committee

Strategic Issues Committee

Credit Committee

Bank Digital Subcommittee

Discretionary and Capital Expenditure Committee

Please refer pages 227 to 248 for Board

Subcommittee Reports

BOARD OF DIRECTORS OF SUBSIDIARY COMPANIES AS AT 31 DECEMBER 2024

NDB Capital Holdings Limited - 99.9%

Mr. Bernard Sinniah – Chairperson (Appointed as Chairperson w.e.f. 01 January 2025)

Mr. Ashok Pathirige – Chairperson

(Resigned w.e.f. 31 December 2024)

Mr. Sarath Wikramanayake

Mr. Arjun Fernando

Mr. Senaka Kakiriwaragodage

Mr. Kelum Edirisinghe

Mr. K V Vinoj

Mr. Ananda Atukorala

(Resigned w.e.f. 31 December 2024)

NDB Wealth Management Limited - 99.9%

Mr. Sarath Wikramanayake – Chairperson

Mr. Bernard Sinniah

Mr. Senaka Kakiriwaragodage

Ms. Surekha Alles

Mr. Kelum Edirisinghe

Mr. K V Vinoj

NDB Investment Bank Limited - 99.9%

Mr. Sarath Wikramanayake – Chairperson

Mr. Bernard Sinniah

Mr. Jehan Peruma

Mr. Senaka Kakiriwaragodage

Mr. Kelum Edirisinghe

Mr. K V Vinoj

Mr. Darshan Perera

(Resigned w.e.f. 31 December 2024)

NDB Securities (Private) Limited - 99.9%

Mr. Arjun Fernando – Chairperson

Mr. Bernard Sinniah

Mr. Senaka Kakiriwaragodage

Mr. Kelum Edirisinghe

Mr. K V Vinoj

Mr. Indrajit Wickramasinghe

Mr. Ananda Atukorala

(Resigned w.e.f. 31 December 2024)

NDB Capital Limited (Bangladesh) - 84.2%

Mr. Sarath Wikramanayake – Chairperson

Mr. Mohammed Al Maruf Khan

Mr. Hafiz Firoz Chowdhury

Mr. Darshan Perera

(Resigned w.e.f. 31 December 2024)

Mr. C M Alam

Mr. Bernard Sinniah

Ms. Zakia Chowdhury

Mr. Maroof Ur Rahman Mazumder

Mr. Kelum Edirisinghe (Pending regulatory filings)

NDB Zephyr Partners Limited (Mauritius) - 60%

Ms. Dilshaad Rajabalee

Mr. Thomas Barry

Mr. Mukul Gulati

Mr. Arjun Fernando

Ms. Wendy Ramakrishnan

Mr. Kelum Edirisinghe

NDB Zephyr Partners Lanka (Private) Limited - 60%

Mr. Sarath Wikramanayake – Chairperson

Mr. Thomas Barry

Mr. Mukul Gulati

Mr. Bernard Sinniah

Mr. K V Vinoj

Development Holdings (Private) Limited - 58.6%

Mr. Kelum Edirisinghe – Chairperson

Mr. K V Vinoj

Mr. Sanjaya Perera

Ms. Melody Wickramanayake

(Resigned w.e.f. 15 January 2025)

Mr. Hasitha Athapattu

(Appointed w.e.f. 16 January 2025)

Mr. Mangala Wijesinghe

Ms. Champika Dilrukshi

Ms. Thakshila Wijayarathne

Mr. Kusal Perera

OTHER INFORMATION

Company Secretary:

Ms. Shehani Ranasinghe (Attorney-at-Law)

Compliance Officer:

Ms. Vidisha Jayawardena (Attorney-at-Law)

Auditors:

Ernst & Young, Rotunda Towers, No. 109, Galle Road, Colombo 03

Registrar to the Rated Unsecured Subordinated

Redeemable Debentures issued:

S S P Corporate Services (Pvt) Ltd, No. 101 Inner Flower Road, Colombo 03

Trustees to the Rated Unsecured Subordinated Redeemable Debentures

● Issued in 2013, 2019, 2020, 2021 and 2024 – Bank of Ceylon, Investment Banking Division No.1, BOC Square, Bank of Ceylon Mawatha, Colombo 01

● Issued in 2023 – People's Bank, Treasury Operations, Treasury Back Office, 13th Floor, People's Bank – Head Office, No.75, Sri Chittampalam A. Gardiner Mawatha, Colombo 02

DUNS NUMBER

659412840

QUERIES

On the 2024 NDB Annual Report

Ms. Himali Nandika

Chief Manager – Finance

National Development Bank PLC

No. 40, Nawam Mawatha, Colombo 02

Email: himali.nandika@ndbbank.com

Tel: + 94 11 2448448 (Extn: 35304)

ON INVESTOR RELATIONS

Company Secretarial Department

Ms. Shehani Ranasinghe

Company Secretary/ Vice President

National Development Bank PLC

No. 40, Nawam Mawatha, Colombo 02

Email: shehani.ranasinghe@ndbbank.com

Tel: + 94 11 2448448 (Extn: 35013)

Investor Relations Team

Ms. Himali Nandika

Chief Manager – Finance

(See above)

NOTES

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

FORM OF PROXY

I/We _____

(holder/s of NIC/s _____) of _____

_____being a shareholder / shareholders of National Development Bank PLC (the Bank) hereby appoint;

1. _____ (holder of NIC No. _____)

of _____

_____ or failing him/her

2. Mr. Sriyan Cooray (Chair, Board of Directors) or failing him,
Mr. Bernard Sinniah or failing him,
Mr. Sujeewa Mudalige or failing him,
Mr. Kushan D'Alwis, PC or failing him,
Ms. (Fay) Piyachat Chetnakarnkul or failing her,
Ms. Kasturi Chellaraja or failing her,
Ms. Shweta Pandey or failing her,
Mr. Hasitha Premaratne or failing him,
Mr. Kelum Edirisinghe (Director/ CEO of the Bank)

as my/our proxy to represent me/us and to vote for me/us and on my/our behalf at the Twentieth (20) Annual General Meeting of the Bank to be held on Friday, the Twenty Eighth(28) day of March, 2025 and at any adjournment thereof and at every poll which may be taken in consequence thereof. I/We the undersigned hereby authorise my/our proxy to vote on my/our behalf in accordance with the preferences indicated below:

	For	Against	Abstained
1. To re-elect Mr. Bernard Sinniah, as a Director in terms of Article 42 of the Articles of Association of the Bank.	☐	☐	☐
2. To re-elect Mr. Kushan D'Alwis, PC, as a Director in terms of Article 42 of the Articles of Association of the Bank.	☐	☐	☐
3. To reappoint Messrs. Ernst & Young, Chartered Accountants, as Auditors of the Bank as set out in Section 154 of the Companies Act No. 07 of 2007 and Section 39 of the Banking Act No. 30 of 1988 (as amended) and to fix the fees and expenses of such Auditors.	☐	☐	☐
4. To determine the aggregate remuneration payable to Non-Executive Directors including the Chair, Board of Directors in terms of Article 58 of the Articles of Association of the Bank and to authorise the Board of Directors to approve other remuneration and benefits to the Directors (including the remuneration of the Executive Director/s) in terms of Section 216 of the Companies Act No. 07 of 2007	☐	☐	☐
5. To authorise the Board of Directors to determine donations for the financial year 2025 (in accordance with the provisions of the Companies Donations Act No. 26 of 1951) through which the corporate social activities of the Bank in 2025 will be carried out (similar to the activities carried out in 2024 as detailed in the Annual Report).	☐	☐	☐

As witness I/We have set my/our hand/s hereunto this _____ day of _____

_____ Two Thousand and Twenty Five (2025).

Signature of the Shareholder / Shareholders

Instructions for Completion of Form of Proxy

1. In order to appoint a proxy holder, kindly complete the Form of Proxy. The full name and the registered address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy and should be signed and dated by the shareholder. The duly completed Form of Proxy must be deposited at the Registered Office of the Bank, at No. 40, Nawam Mawatha, Colombo 02 or via email to the Company Secretary (companysecretary@ndbbank.com) or by facsimile No. +94 1123 41050, not less than twenty four (24) hours before the time appointed for the meeting.

Shareholders should duly complete the Form of Proxy clearly setting out their preference of vote in the Form of Proxy.

Please indicate an "X" in the cage provided on how your proxy should vote for each resolution. If no indication is given, or if there is, in the view of the proxy holder, any doubt (by reason of the manner in which the instructions contained in the proxy have been completed) as to the way in which the proxy holder should vote, the proxy holder in his/her discretion may vote as he/she thinks fit.

2. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney, if executed before 25 October 2022 should be registered at the Registrar General's Office (RGO) in terms of the Power of Attorney (Amendment) Act No. 03 of 2024 and if executed after 25 October 2022, should be duly executed and attested as per the Power of Attorney (Amendment) Act No. 28 of 2022 and registered at the RGO. A certified copy thereof duly certified by an Attorney-At-Law, should also accompany the completed Form of Proxy.
3. If you wish to appoint a person other than the Chair, Board of Directors or a Director of the Bank as your proxy, please insert the relevant information in the Form of Proxy
4. The proxy holder appointed need not be a shareholder of the Bank.
5. In case of a corporate member, the proxy must be executed under its Common Seal (if applicable) or in such other manner prescribed by its Articles of Association or other constitutional documents.
6. The first joint holder shall have the power to sign the Form of Proxy without the concurrence of the other joint holder/s.

Designed & produced by

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