

UNLOCKING PROSPERITY

EMPOWERING A FUTURE OF SMART GROWTH



National Development Bank PLC
Synopsis of Annual Report 2024



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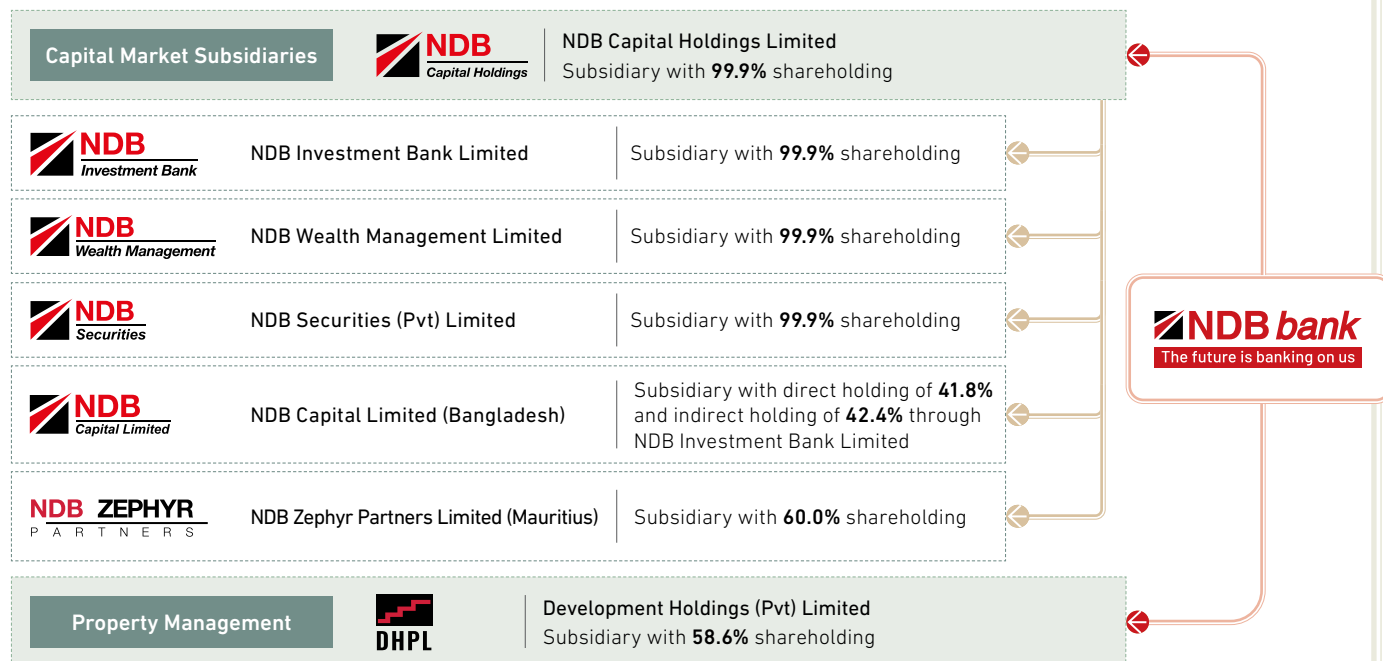




OVERVIEW

NDB AT A GLANCE

- ⦿ 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.
- ⦿ NDB Bank PLC (NDB) has an island wide presence with over 113 physical branches, 74 ATMs and 91 CRMs across 9 provinces and 22 districts.
- ⦿ The Bank caters to individuals, SMEs and Corporates across the island through five strategically structured business lines. (Retail, Business Banking, Wholesale Banking, Project & Infrastructure Financing and Treasury Operations.)

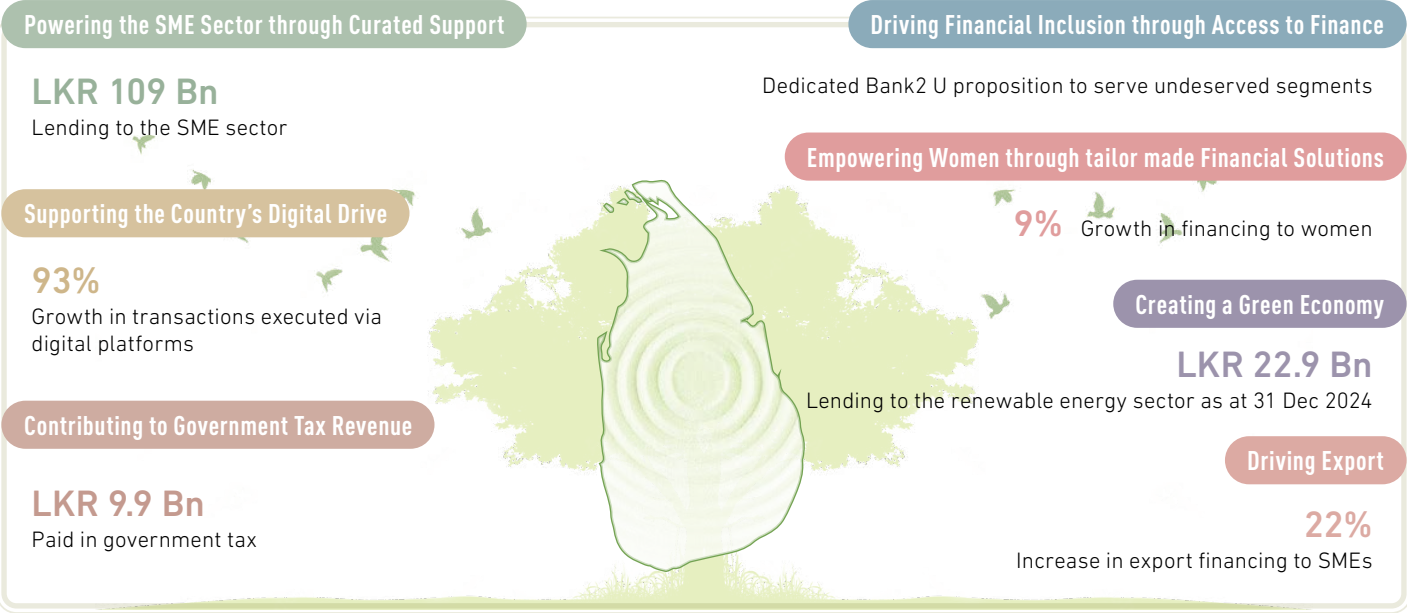


VALUE DELIVERED TO STAKEHOLDERS








				2024	2023	2022
Investors	Consistent returns and stable growth	ROE	%	12.46	8.11	4.62
Customers	Customer Centric innovative financial solutions	Gross Loans to Customers	LKR Bn	510	496	580
Employees	A dynamic, inspiring and purposeful place to work	Total Staff Strength	No.	2,920	2,756	2,929
Suppliers and Business Partners	Reliable partnerships that generate mutual value	Supplier Network	No.	> 300	> 300	> 300
Government and Regulators	Stability of the financial sector and support to national economic growth	Taxes Paid	LKR Bn	9.9	6.9	9.3
Community	Community empowerment through investment in corporate sustainability initiatives (CSI)	CSI Investment	LKR Mn	6.3	8.6	8.0

DRIVING SRI LANKA'S ECONOMIC REVIVAL

We continued to make meaningful contributions to Sri Lanka's recovery efforts throughout the year.



KEY MILESTONES ACHIEVED DURING THE YEAR

-  Achieved a **record-breaking Profit Before Tax** of LKR 25.7 Bn — the highest in the Group's history.
 -  Received **over 30 prestigious awards in 2024** spanning all areas of operations including corporate banking, project financing, retail banking products and services, digital financial services and empowering the women's market segment among others.
 -  **Joined the UN Global Compact Network Sri Lanka**, reinforcing our commitment to human rights, labour, environment, and anti-corruption, while aligning our operations with the UN Sustainable Development Goals (UNSDGs).
 -  Obtained the latest **ISO 27001:2022** for its Information Security Management System (ISMS) making NDB the first commercial bank in the country to achieve the three main globally recognised ISO certifications for IT operations and IT security viz., ISO 27001:2022, ISO 22301:2019 and ISO 20000:2018.
 -  Obtained **Economic Dividends for Gender Equity (EDGE) certification** for the third consecutive time in 2024.
 -  NDB's **Sustainable Bond Framework (SBF)** received a **"Good"** rating from Sustainable Fitch in 2024.
- 

OVERVIEW

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	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

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 Himbiliyakada 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	

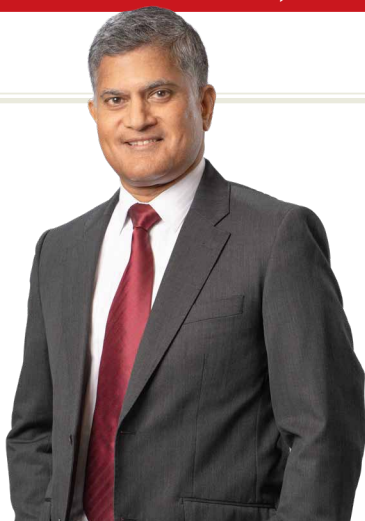
		Unit	2024	2023	2022
Social Responsibility	Diversity and inclusivity				
	The Bank has obtained and continues to comply with the EDGE Certification for gender equality at the workplace				
	Female representation at senior management levels	%	28	24	31
	Women empowerment				
	Through the Banking on Women 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	

		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	100
	Employees trained on ESMS	No.	985	453	650
	Employee training hours	Hours	534.5	1,043	786
	Risk management				
	Instances of non-compliance	No.	None	None	None

*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.

LEADING TRANSFORMATION

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



Macro-financial Developments

- ⦿ The recovery momentum that began in late 2023 continued throughout 2024 with key macro-economic indicators showing notable improvements. GDP recorded positive growth during the first three quarters of 2024 while headline inflation remained in the low single digits throughout the year. The Sri Lankan Rupee meanwhile maintained its stability, supported by improved external reserves
- ⦿ These developments positively impacted the Banking sector which witnessed a gradual increase in private sector credit growth, improved credit quality, and lower default risks. Capital and liquidity levels also strengthened, supported by the ISB restructuring

Financial Performance

- ⦿ NDB Group posted a record-breaking profit during the year. Group profit attributable to shareholders amounted to LKR 9.8 Bn, a 70% YoY growth compared to 2023 and the highest the Group has posted in its 45 year history
- ⦿ Bank level pre-tax profits inclusive of the one-off gain of LKR 11.5 Bn stemming from the ISB restructure amounted to LKR 24.3 Bn, a 141% increase over 2023. Pre-tax profit, excluding this gain, meanwhile grew by 28% affirming the resilience of our business model. Post tax profits at Bank level amounted to LKR 9.0 Bn
- ⦿ Return on Equity during the year amounted to 12.22% while Earnings Per Share was LKR 21.73
- ⦿ The strong performance during the year was supported by the Banks midterm strategy which focused on strengthening performance in three key areas; net interest margins (NIMs), transaction volumes and portfolio quality.
- ⦿ Net interest income (NII) grew by 7% YoY to Rs. 34.2 Bn while the Bank's Net Interest Margin (NIM) continued the growth trajectory, reaching 4.34% the highest-ever in NDB's history. Net fee and commission income, increased by 9% YoY to Rs. 7.8 Bn due to increased focus on transactions while the sustained focus on portfolio quality resulted in a 17% reduction in impairment charges compared to 2023

Governance and Risk Management

- ⦿ NDB is fully compliant with the regulatory requirements of the Banking Act Directions No. 05 of 2024 on Corporate Governance for Licensed Banks
- ⦿ The Bank has also updated its policies and procedures to fully align with the Colombo Stock Exchange's (CSE) revised corporate governance requirements
- ⦿ Risk management practices were further strengthened during the year by clarifying roles across the three lines of defense, refining risk appetite, and enhancing accountability

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



Sustainability Integration and Reporting

- ◉ We continue to embed sustainability more deeply into our core business by prioritizing SME and women's empowerment, advancing financial inclusivity, and actively supporting Sri Lanka's transition to a low-carbon economy
- ◉ As part of our ongoing committed to 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
- ◉ Further strengthening our Green Lending Proposition, NDB's Sustainable Bond Framework (SBF) received a "Good" rating from Sustainable Fitch in 2024 which enables the Bank to issue sustainability bonds when conditions become conducive in 2025
- ◉ We are currently in the process of carrying out a thorough review of our ESG framework to ensure alignment with SLFRS S1 and SLFRS S2 and the Bank's long-term sustainability goals. This initiative will strengthen ESG governance, enhance focus on sustainability risks and opportunities, improve stakeholder engagement, and establish clear targets and KPIs to ensure organization-wide accountability for sustainability

OUTLOOK AND WAY FORWARD

- ◉ Indications of a resurgence in credit demand as well as developments such as the completion of domestic debt restructuring, and Sri Lanka's sovereign rating upgrade provide us with the confidence to pursue our growth objectives
- ◉ 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 to effectively capitalize on emerging opportunities.
- ◉ 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



RESPONDING TO A CHANGING LANDSCAPE

OPERATING ENVIRONMENT

Financial institutions experienced a relatively improved operating environment despite ongoing challenges. Key developments in the market and the Bank's response are discussed below.

Key Macro Financial Developments during 2024	Impact on Banking Sector	Bank's Response
➤ Rebound in global trade	Gradual resurgence in credit growth Lower market interest rates and renewed consumer confidence, gradually boosted credit demand, though it remained below pre-crisis levels.	Cautious approach to lending, prioritizing quality growth opportunities to support the national economy.
➤ Stabilisation of the Sri Lankan economy		
➤ Declining inflationary pressures	Improvement in credit quality The decline in inflation eased the strain on household and corporate finances, reducing the credit risk for financial institutions.	We continued to proactively identify portfolio stresses and support our customers through financial difficulties.
➤ Continuation of accommodative monetary policy		
➤ Improved foreign exchange earnings	Improved Industry Net Interest Margins (NIMs) The Banking sector's Net Interest Margin (NIM) increased in 2024 as deposit rates fell faster than lending rates, reducing interest expenses more than interest income.	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.
➤ Successful completion of debt restructuring process by GOSL		
➤ Upgrading of Sovereign Rating	Improved Rupee and foreign currency liquidity Rupee liquidity improved significantly due to higher investments in Rupee-denominated government securities, while prudent foreign currency liquidity management was reflected in funds held with overseas financial institutions.	We maintained a diverse borrowing portfolio across currencies, maturities, instruments, and investor types while closely monitoring liquidity metrics to uphold a strong liquidity position.
➤ Enactment of the Banking (Amendment) Act No. 24 of 2024	Stronger Banking sector capital Banking sector's capital adequacy improved due to higher profitability, new Tier II debenture issuances, and a shift towards risk-free government securities.	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.

OUR BLUEPRINT FOR SMART GROWTH – STRATEGY






Our carefully crafted time-bound strategy is aimed at fostering sustainable bottom-line growth while cultivating a more resilient and inclusive economic ecosystem in the long term.



RESPONDING TO A CHANGING LANDSCAPE

PROGRESS ON OUR STRATEGIC PRIORITIES

We achieved steady progress on each of our strategic priorities during the year as reflected in the performance of our key performance indicators (KPIs).

Business Focus 	Operational Excellence 	Empowered Stakeholders 
KEY ACTIONS IN 2024 		
<ul style="list-style-type: none"> ◉ 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 	<ul style="list-style-type: none"> ◉ Enhancements to digital value proposition ◉ Driving process automation and business re-engineering initiatives ◉ 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 	<ul style="list-style-type: none"> ◉ Entered into strategic partnerships with key stakeholders to support SMEs and women entrepreneurs ◉ Continued to enhance Banking on Women proposition ◉ Improvements to employee value proposition to empower employees ◉ Ongoing Corporate Sustainability Initiatives address prevailing social and environmental issues and contribute to United Nation's Sustainability Development Goals
KPI'S 		
<p>18% Total transaction growth</p> <p>20% Digital transaction growth</p> <p>7% NII Growth</p> <p>340 bps Enhancement in impaired loans (Stage 3 to total loans ratio to 5.18%)</p> <p>38 bps Improvement in NIM to 4.34%</p>	<p>4.5/5.0 Customer Satisfaction Rate</p> <p>24 Total RPAs in operation</p> <p>94% Increase in digitally active customer base</p> <p>8.04% GHG emissions reduction</p>	<p>LKR 109 Bn SME Loan Portfolio</p> <p>28% Female representation in senior management</p>

NURTURING LONG TERM VALUE

CAPITAL VALUE TRANSFORMATION

We continued to manage and enhance our capitals during the year through targeted value creating activities.

Capital Inputs

Value Creation Activities in 2024

Value Created

Financial Capital

- Shareholders' funds
- Customer deposits
- Borrowings

- Roll out of targeted mid-term strategy aimed at driving transactions, strengthening margins and preserving portfolio quality

- Healthy growth in core revenue streams including 7% growth in NII and 9% growth in non-fund based income
- NIM of 4.34% - the highest recorded
- 28% growth in profitability (excluding one off gains from ISB Reversal)
- Record high investor KPIs in including EPS of LKR 21.73 and ROE 12.22%

Manufactured Capital

- Branches
- Privilege centres
- ATMs
- CRMs
- Property, plant and equipment

- Branch network optimisation through relocations and renovations
- Conducted a branch work study

- Two Branches refurbished and relocated
- LKR 3.1 Bn Investment in PPE

Digital Capital

- Temenos R20 core banking system
- Integrated IT systems and digital services

- Continued investments in technology upgrades

- 15% Growth in digital users
- 20% Increase in digital transactions volume
- 24 RPAs and 69 Workflow Solutions
- New features on the NEOS app

Human Capital

- 2920 strong employee base

- Strengthened HR governance framework
- Introduction of a new rewards strategy
- Aligned individual career aspirations to organisational needs
- Targeted counselling services and emotional support through NDBPAL

- 87.44% Employee Retention rate
- LKR 3.1 Mn Value addition per Employee
- LKR 9.1 Bn as payments to Employees
- LKR 64.42 Mn investment in Training and Development

Intellectual Capital

- Brand equity
- Organisational tacit knowledge accumulated over 45 years

- Ongoing brand building initiatives on social media
- Training and development opportunities for staff
- Ongoing process automations and improvements

- 24 Robotic Process Automation in Place
- Positioned 11 in LMD Readers Most Loved Brand: Service Brands
- Launch of NDB WriztPay
- First Bank in Sri Lanka to reach 100,000 subscribers on YouTube

Social & Relationship Capital

- Customers
- Suppliers and business partners
- Community
- Other organisations

- Expansion of our product offering
- Identification of areas for customer service improvement through service audits
- 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

- 6% increase in customer base
- LKR 6.6 Bn as Payments to suppliers
- LKR 6.3 Mn Spend on sustainability initiatives
- 4.5/ 5.0 Overall average Customer Satisfaction Rating

Natural Capital

- Utilities including reliable electricity and water sources for day-to-day operations

- Solar power generation at three key locations of the Bank
- Paperless drive
- Continued lending to renewable energy sector

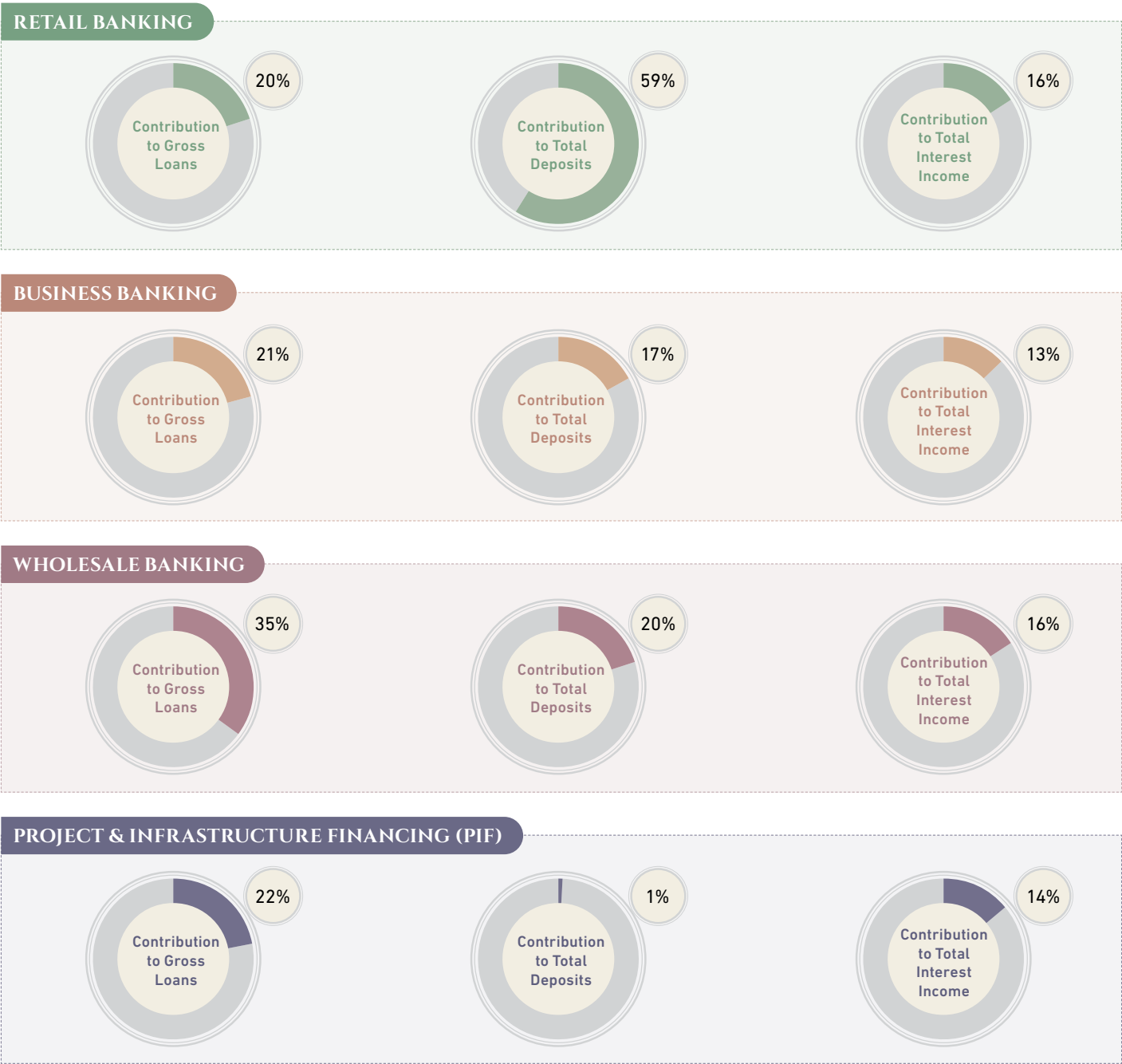
- LKR 6.3 Mn investment in corporate sustainability initiatives which include biodiversity conservation projects
- Reduction of Carbon Footprint by 8.04%
- 26,298 kg paper recycled
- Over 985 employees trained on ESG through capacity building programmes

NURTURING LONG TERM VALUE

BUISNESS LINE REVIEW

The Bank operates through five strategically structured business lines, catering to all our key customer segments.

Contribution to Group Performance



RETAIL BANKING

NDB's retail banking proposition includes a comprehensive range of financial solutions to cater to every stage of a customer's life journey.

Key Developments in 2024

- Introduced several new tech-enabled savings products targeting younger demographics, including NDB PIXEL, a savings product for teens, and Privilege Junior Savings
- Launch of NDB WriztPay Sri Lanka's first wearable payment solution
- NDB-AIA Bancassurance partnership was awarded the prestigious title of Bank Partner of the Year at the Asia Trusted Life Agents & Advisors Awards 2024

Strategic Focus in 2025

- Increase customer share of wallet by actively driving transaction volumes across segments
- Leverage advanced data analytic capabilities to deepen customer insights
- Increased focus on leasing, pawning, credit cards, NDB Achara while venturing into identified new segments

Performance Highlights

		2024	2023
Interest Income	LKR Mn	14,011	16,054
Interest Yield	%	13.45	15.05
Gross Loans	LKR Mn	104,341	104,729
Total Deposits	LKR Mn	371,715	368,985

Excellence in Retail Banking



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

BUSINESS BANKING

NDB Business Banking offers tailored financial solutions including working capital, trade finance solutions and project loans to SME's across the country.

Key Developments in 2024

- Launched of 'Re-Energizer' loan scheme in collaboration with the GOSL targeting export orientated, women led SMEs in key sectors
- Strengthening of Islamic banking proposition NDB Shareek
- LKR 875.0 Mn in concessionary working capital and technical assistance to over 98 SME projects through ADB SMELoC Emergency Response Scheme and the new ADB Working Capital loan
- A total of LKR 958.0 Mn was granted through existing refinancing schemes to over 73 projects across the country
- Capacity building programs in collaboration with National Enterprise Development Authority (NEDA) including "SME Connect" and 'B500 Project'

Strategic Focus in 2025

- Explore growth opportunities in value-chain financing
- Strengthen banking proposition to women entrepreneurs and Islamic banking
- Continued focus on portfolio quality and risk mitigation through partnerships with credit insurance agencies

Performance Highlights

		2024	2023
Interest Income	LKR Mn	11,667	15,444
Interest Yield	%	10.73	13.68
Gross Loans	LKR Mn	108,680	110,508
Total Deposits	LKR Mn	107,687	101,851

NURTURING LONG TERM VALUE

WHOLESALE BANKING

Wholesale Banking offers a comprehensive suite of services, including transactional banking, cash management, and supply chain financing to Corporates.

Key Developments in 2024

- Launch of "Tradelinc", our tailor-made digital solution for suppliers, distributors, and corporates
- Continued improvements to NEOS Corporate
- Commenced development of a host to host system that integrates customer ERP with Bank system

Strategic Focus in 2025

- Continued improvements to internal processes and monitoring mechanisms including automation to drive greater efficiency and service quality explore cross-border business opportunities

Performance Highlights

		2024	2023
Interest Income	LKR Mn	14,475	23,287
Interest Yield	%	8.54	14.00
Gross Loans	LKR Mn	180,562	164,650
Total Deposits	LKR Mn	124,741	113,616

Excellence in Wholesale Banking



Sri Lanka's Best Bank for Corporates Euromoney Awards 2024

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

PROJECT & INFRASTRUCTURE FINANCING (PIF)

PIF offers long-term lending solutions and advisory services, tailored to support complex, largescale projects.

Key Developments in 2024

- NDB's Sustainable Bond Framework obtained an independent assessment and "Good" rating from Sustainable Fitch
- Was part of a funding syndicate to finance a 350 MW liquid natural gas (LNG) based Combined Cycle Power Plant 'Sobhadhanavi'
- Strengthened our overseas presence, successfully pursuing offshore financing opportunities in India, Maldives and Indonesia

Strategic Focus in 2025

- Continued focus on expanding our regional footprint
- Pursue cross sell opportunities by offering bundled financial services for large scale projects
- Digitization of offering

Performance Highlights

		2024	2023
Interest Income	LKR Mn	12,326	19,888
Interest Yield	%	10.92	18.29
Gross Loans	LKR Mn	114,381	102,757
Total Deposits	LKR Mn	9,444	8,078

Excellence in Project Financing



Sri Lanka Domestic Project Finance Bank of the Year.

Asian Banking and Finance Magazine (Singapore) Awards 2024

TREASURY OPERATIONS

The Treasury continued to effectively manage the Bank's market risks by proactively aligning the balance sheet with market conditions.

Key Developments in 2024

- ⦿ The Foreign Exchange (FX) Desk generated a FX revenue of LKR 1.04 Bn during the year
- ⦿ Fixed Income Desk contributed to 37% of interest income

Strategic Focus in 2025

- ⦿ The Treasury will continue to optimise liquidity management, enhance funding strategies, and actively manage asset and liability management risk. Also continue to explore digitalisation of treasury operations

Performance Highlights

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

GROUP COMPANY PERFORMANCE

Reflecting positive investor sentiments and strong momentum in Sri Lanka's capital markets, NDB's Group companies engaged in capital market services performed well during the year.

Company	Performance Highlights	Way forward
NDB Capital Holdings Limited	<ul style="list-style-type: none"> ⦿ 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 	<ul style="list-style-type: none"> ⦿ Optimising investment portfolio returns while providing strategic support to subsidiaries.
NDB Investment Bank Limited	<ul style="list-style-type: none"> ⦿ 'Best Investment Bank in Sri Lanka' by the Euromoney Magazine for the thirteenth consecutive year in 2024 ⦿ Raised over LKR 27 Bn worth of funds 	<ul style="list-style-type: none"> ⦿ Pursue opportunities in domestic and overseas markets
NDB Wealth Management Limited	<ul style="list-style-type: none"> ⦿ Total assets under management of LKR 346 Bn and total Unit Trust assets under management of LKR 217 Bn as at 31 December 2024 (40% market share) ⦿ Record-high revenue of LKR 1.5 Bn, a 83% increase compared to 2023 ⦿ ROE exceeded 88% 	<ul style="list-style-type: none"> ⦿ Diversification of offering through new products and diverse asset classes to reach a wider investor base
NDB Securities (Pvt) Limited	<ul style="list-style-type: none"> ⦿ Recorded a brokerage income of LKR 299 million ⦿ Market share increased from 3.81% (2023) to 4.89% (2024) 	<ul style="list-style-type: none"> ⦿ Deepen engagement with its existing clientele while strengthening synergies within the Group to leverage its position as an integrated financial solutions provider.
NDB Zephyr Partners Limited (Mauritius)	<ul style="list-style-type: none"> ⦿ 22% decline in revenue in USD terms, following a successful exit of portfolio companies last year 	<ul style="list-style-type: none"> ⦿ Strengthen portfolio companies in preparation for exits within the next 1-2 years and establish the second fund as part of its investment strategy
NDB Capital Limited (Bangladesh)	<ul style="list-style-type: none"> ⦿ Consolidated market leadership position by facilitating high profile debt and equity transactions 	<ul style="list-style-type: none"> ⦿ Work in close collaboration with Group companies while exploring non-traditional corporate advisory areas, such as mergers and acquisitions (M&As) and Transaction Advisory (TA) services in Bangladesh market

RESPONSIBLE STEWARDSHIP

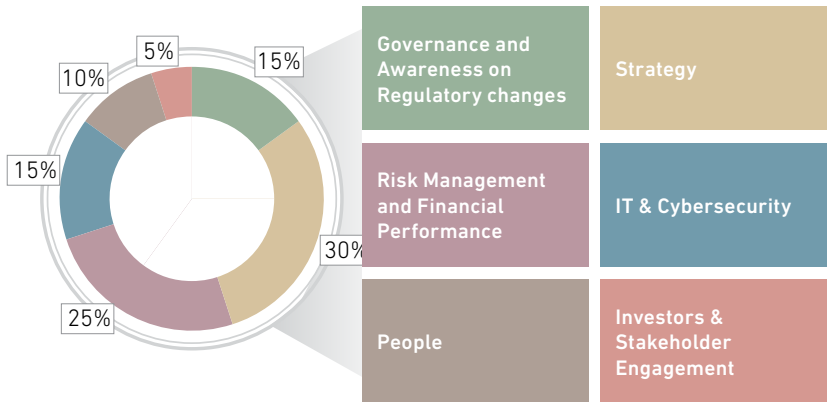
CORPORATE GOVERNANCE HIGHLIGHTS



“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.



Sriyan Cooray
Chair, Board of Directors on Corporate Governance



Board Focus Area	Way forward
Governance and Awareness on Regulatory Changes	<ul style="list-style-type: none">Appointment and transition of Mr. Kelum Edirisinghe who took over as Chief Executive Officer w.e.f 01 February 2024Over 13 hours of awareness and training sessions were conducted to update Directors on regulatory changes which took place in 2024Remodelling of Bank sustainability framework to align with SLFRS S1 and S2
Strategy	<ul style="list-style-type: none">Implementation of Banks three pronged short term strategyCommenced deliberation on an in-depth review of the medium to long-term strategy with external advisory support
Risk Management and Financial Performance	<ul style="list-style-type: none">The Board worked closely with the Integrated Risk Management Committee (IRMC) in strengthening risk management processesIncreasing provisioning for Stage III loansStrengthened Credit Policies, Delegated Lending Authority and Under Writing Standards to reflect changing market conditions and regulatory requirementsReviewed Internal Capital Adequacy assessment Process to ensure sufficient capital reservesMade two Basel III compliant debenture issuances during the year in September 2024 and November 2024 respectively
IT and Cyber Security	<ul style="list-style-type: none">Conducted a review of the existing IT structure, systems, and infrastructure, providing insights to align them with the Bank’s strategic objectives
People	<ul style="list-style-type: none">Reviewed the Bank’s rewards strategy in 2024 amid the challenging economic landscape and high attrition rates in 2023 and revised benefits, salary increments, and performance-linked payUpdating and improving succession planning at the Bank
Investors and Stakeholder Engagement	<ul style="list-style-type: none">Conducted a comprehensive review of its Investor Relations approach to enhance communication, build stronger stakeholder relationships, and reinforce trust in the Bank’s strategic direction







RISK MANAGEMENT HIGHLIGHTS

Key Developments in Risk Governance 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 by strengthening of delegated lending authorities and underwriting standards
- Cashflow projections to mitigate liquidity risk
- Carried out a detailed mapping of Climate-related Risks and Opportunities in line with SLFRS S2 Climate-related Disclosures. Accordingly qualitative information on Climate-related risks and opportunities identified through a thorough analysis of our business model is disclosed in our detailed Annual Report

INCORPORATING ESG

We continue to make a meaningful contribution to several of the United National Sustainability Development Goals (SDG's) through our strong commitment to environmental sustainability, social responsibility and ethical governance. In 2024, NDB joined the UN Global Compact Network Sri Lanka. This milestone further strengthens NDB's efforts to align its operations and strategies with the United Nations Sustainability Development Goals (UNSDGs).

 <h3>Environmental Sustainability</h3> <ul style="list-style-type: none"> Key lender to renewable energy sector Measuring Bank's Annual GHG emissions in accordance with ISO 14064-1:2018 Investments in climate positive project as "Life to our Mangroves" 	 <h3>Social Responsibility</h3> <ul style="list-style-type: none"> Women empowerment through NDB's Banking on Women proposition Supporting SMEs with tailor made financial and non financial support Driving financial inclusion through NDB NEOS Community upliftment through corporate sustainability initiatives (CSI) 	 <h3>Ethical Governance</h3> <ul style="list-style-type: none"> Comprehensive Environmental and Social Risk Management Policy and Environmental and Social Management system to ensure responsible Lending Practices Robust ESG Governance with Board Oversight Strategic Partnerships to enhance impact 
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Our ESG Roadmap

- 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
- We will continue with our ongoing sustainability initiatives while continuing to advance and refine our impact

RESPONSIBLE STEWARDSHIP

OUTLOOK AND WAY FORWARD



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
- Challenges in attracting low cost funds amidst low deposit rates
- Government securities, which led to significant returns to investing financial institutions in the recent past, may gradually subside
- 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
- Continued downward pressure on lending rates could narrow the net interest income of financial institutions thereby affecting profitability
- 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
- Adapting to new legislation affecting banking operations and compliance may pose challenges

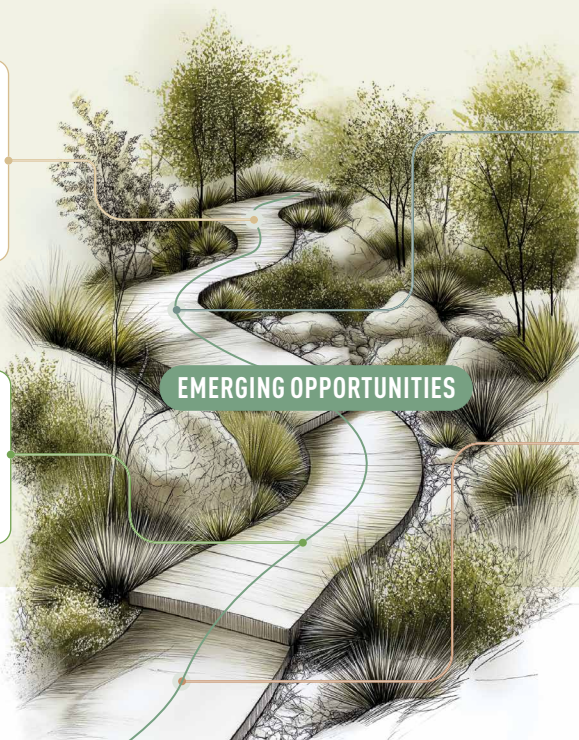
We will continue exploring opportunities in renewable energy while strengthening our ESMS to integrate environmental and social considerations into credit evaluations.

We will expand financial services access for underserved communities, focusing on women entrepreneurs and small businesses.

EMERGING OPPORTUNITIES

We will continue to enhance our digital value proposition by investing in cost-effective, high-impact technology upgrades.

We will foster continuous learning and mentoring, equipping employees with future-ready skills while advancing our diversity agenda to expand the talent pool.

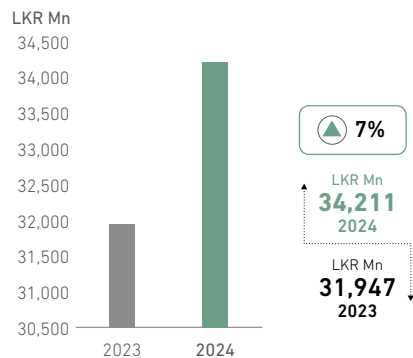


FINANCIALS

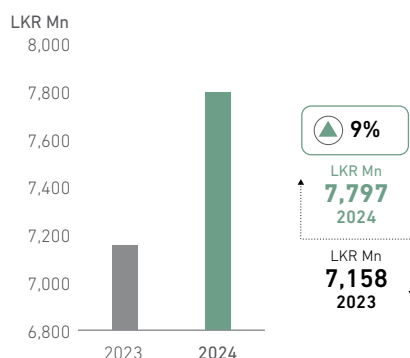
FINANCIAL PERFORMANCE

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.

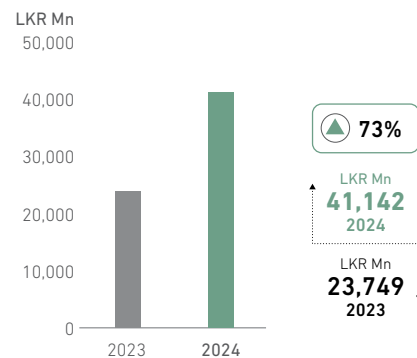
Net Interest Income



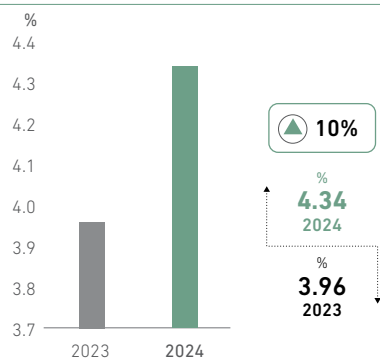
Net fee and Commission Income



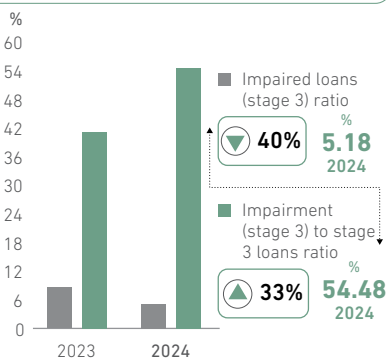
Net Operating Income



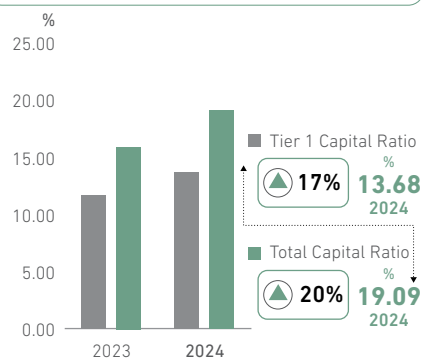
Net Interest Margins (NIM)



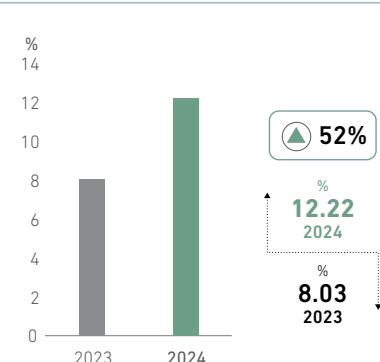
Asset Quality Ratios



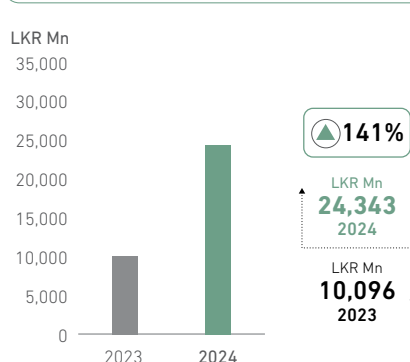
Capital Adequacy Ratios



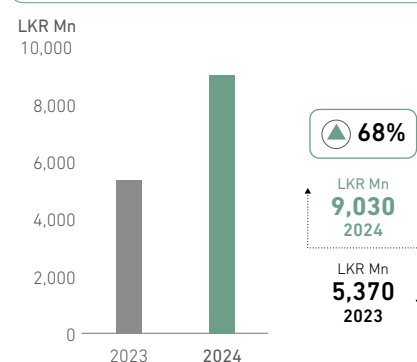
Return on equity (ROE)



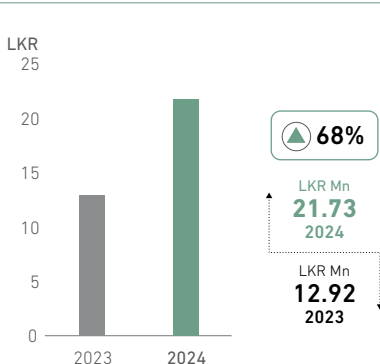
Operating Profit Before Tax on Financial Services



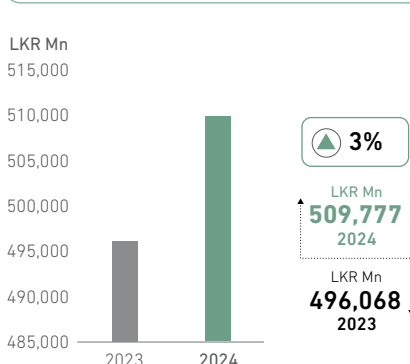
Profit for the Year



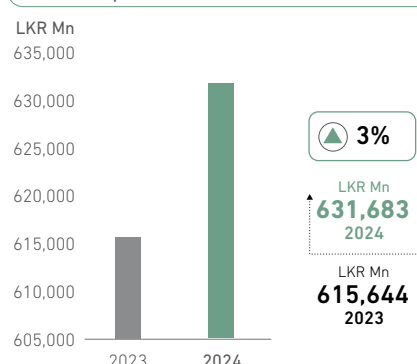
Earning Per Share



Loans and Receivables to other customers



Due to depositors



INDEPENDENT AUDITORS' REPORT



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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
<p>Expected Credit Losses of Loans and Advances measured at amortised cost</p> <p>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.</p> <p>This was a key audit matter due to</p> <ul style="list-style-type: none">the involvement of significant management judgements, assumptions and level of uncertainty associated with estimating future cash flows to recover such loans and advances; andthe materiality of the reported amount of expected credit losses. <p>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.</p> <p>Information of such key estimates, assumptions and judgements are disclosed in Notes 11 and 57.3.</p>	<p>In addressing the adequacy of expected credit losses of loan and advances, our audit procedures included the following key procedures:</p> <ul style="list-style-type: none">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 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 Sajeewani 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 FCA FCMA MBA (USJ-SL), G B Goudian 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

Key audit matter	How our audit addressed the key audit matter
	<p>The following procedures were also performed:</p> <ul style="list-style-type: none"> ⦿ For loans and advances assessed on an individual basis for impairment: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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. <p>Assessed the adequacy of the related financial statement disclosures set out in Notes 11,27.6 and 57.3.</p>
<p>Accounting for the debt restructuring of Sri Lanka International Sovereign Bonds (SLISBs)</p> <p>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.</p> <p>This was a key audit matter due to</p> <ul style="list-style-type: none"> ⦿ 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. <p>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.</p>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> ⦿ 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: <ul style="list-style-type: none"> • 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. <p>Assessed the adequacy of the related disclosures set out in Notes 12 to the financial statements.</p>
<p>Information Technology (IT) systems related internal controls over financial reporting</p> <p>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.</p> <p>Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.</p>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> ⦿ 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; <ul style="list-style-type: none"> • 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.

INDEPENDENT AUDITORS' REPORT

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.

Ernst & Young

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	2023	%	2024	2023	%
			LKR '000	LKR '000		LKR '000	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



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