

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

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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.

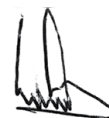
Strong indications of increased credit demand, coupled with developments such as the finalisation of the domestic debt restructuring process and the recent upgrade of Sri Lanka's sovereign rating,

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