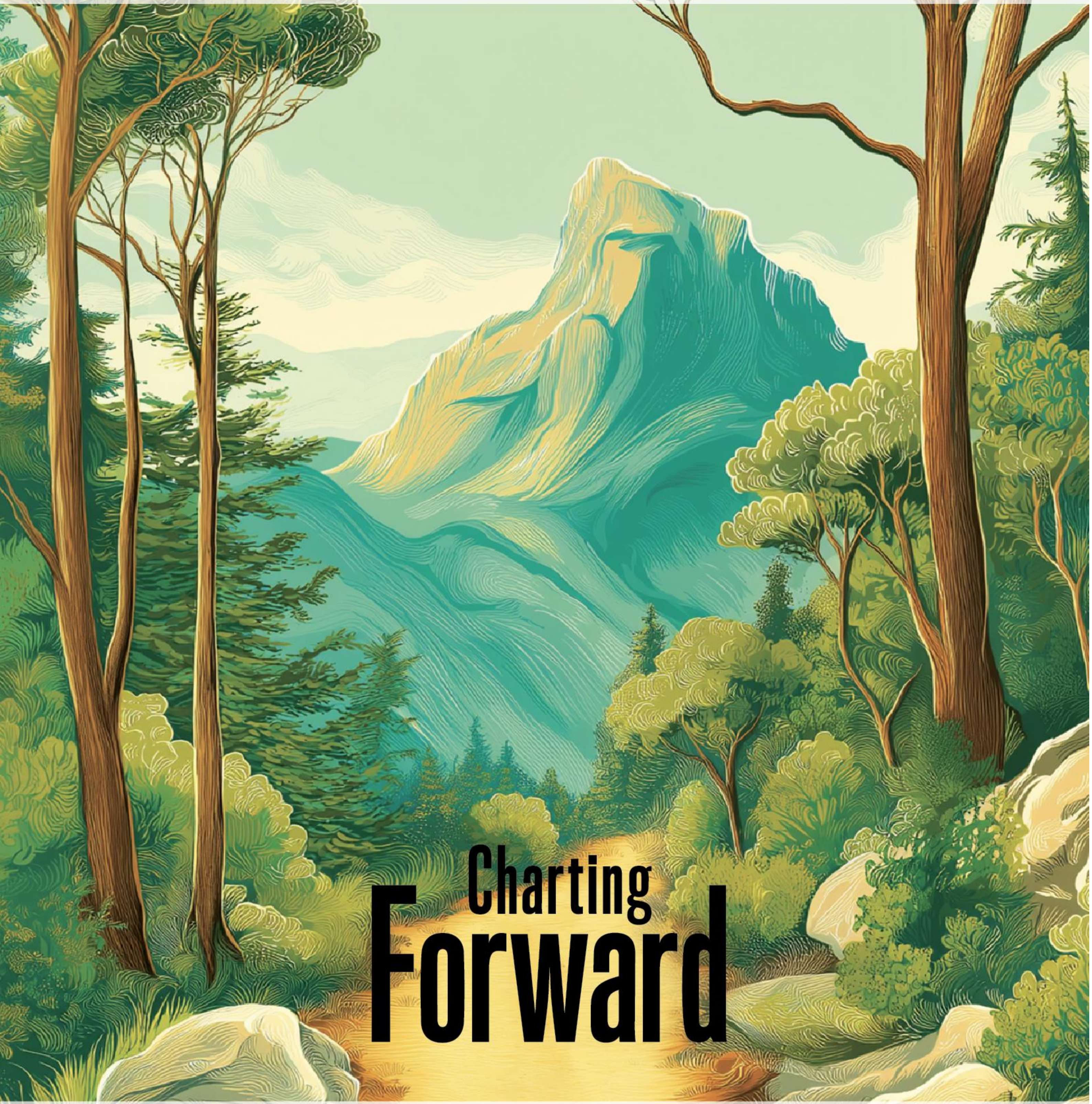
PRESS RELEASE

FINANCIAL PERFORMANCE FOR THE SIX MONTHS ENDED JUNE 30, 2026



National Development Bank PLC

CSE stock code: NDB.N0000 | Bloomberg: NDB SL | Reuters: NDB.CM

Released to Colombo Stock Exchange on: July 22, 2026

NDB bank
The future is banking on us

NDB posts a PAT of LKR 3.0 billion in Q2-2026 driven by core banking operations

- Gross income of LKR 53.82 billion posted for 1H 2026, with a 12.8% YoY growth
- Net interest income of LKR 17.42 billion with Net interest margin (NIM) stabilised at 3.8%
- Net fee and commission income of LKR 4.45 billion expanded by 22.4%
- Applicable fraud loss of LKR 2.55 billion for 1H 2026 out of the total revised fraud loss of LKR 13.58 billion recognized under other operating expenses
- Resultant profit before all taxes of LKR 9.50 billion
- Total assets, deposits and net loans expand to LKR 949.02 billion (restated), LKR 712.50 billion and LKR 595.28 billion respectively
- Loans extended to the SME sector amounts to LKR 133.47 billion, a LKR 8.81 billion growth over end 2025 position
- Loan book quality improves as reflected in Impaired Loans (Stage 3) to Total Loans Ratio - (Net) of 3.3% (2025: 3.8%)
- CET1/ Tier I and Total CAR continue to remain above the regulatory minimums
- Regulatory liquidity ratios continue to remain sound

National Development Bank PLC (NDB/ the Bank) announced its financial results for the six-months ended June 30, 2026 (1H 2026/ period under review), as released to the Colombo Stock Exchange on July 22, 2026. Despite the challenges arising from the fraud uncovered in April 2026, the Bank delivered healthy results, driven by strong core banking operations, reflecting the resilience of its business model and the clarity of its strategic direction.

Performance for the Period Under Review

Profit Growth Remains Strong Despite Fraud-Related Impact

The Bank reported an operating profit before taxes on financial services of LKR 9.50 billion for 1H 2026, after recognising the gross financial impact of the fraud attributable to the period amounting to LKR 2.55 billion, which related entirely to the quarter ended March 31, 2026. This compares with an operating profit before taxes on financial services of LKR 4.38 billion for 1H 2025, which has been restated to reflect the applicable fraud impact of LKR 4.26 billion recognised for that period.

Post-tax profit for 1H 2026 amounted to LKR 4.83 billion, compared with a restated post-tax profit of LKR 1.93 billion for 1H 2025, with the net financial impact of the fraud reflected in both periods. Excluding the impact of the fraud, post-tax profit for 1H 2026 would have been LKR 6.21 billion, compared with LKR 4.22 billion in the corresponding period of 2025. Notably, the Bank recorded a standalone post-tax profit of LKR 3.01 billion during the second quarter of 2026 (April 1 to June 30, 2026), the first full quarter since the reporting of the fraud. These results underscore the strength of the Bank's underlying franchise, earnings resilience, and the continued momentum of its core banking operations.

Banking Revenue Expands 12.8% Driven by Core Banking Activities

The Bank continued to deliver a strong income performance during the period under review, generating total operating income of LKR 25.13 billion, representing a year-on-year (YoY) growth of 12.7% over 1H 2025. This growth was driven entirely by the Bank's core banking operations and is presented before taking into account any financial impact arising from the fraud incident.

Supporting this performance, total revenue increased by 12.8% YoY to LKR 53.82 billion. Net interest income (NII) grew by 2.8% YoY to LKR 17.42 billion, supported by prudent balance sheet management, disciplined pricing strategies, and effective asset and liability management. Interest income increased by 8.4% to LKR 45.86 billion, while interest expense rose by 12.1% to LKR 28.44 billion. Against the backdrop of the prevailing interest rate environment, the Bank's timely re-pricing of both loan and deposit portfolios helped sustain margin performance, resulting in a net interest margin (NIM) of 3.8%, compared with 4.1% for FY 2025.

Net fee and commission income continued to be a key contributor to revenue diversification, increasing by 22.4% YoY to LKR 4.45 billion, driven primarily by credit, cards, operations and trade-related activities. Other non-fund-based income, comprising gains from trading activities, financial assets measured at fair value through profit or loss, derecognition of financial assets, and other operating income, amounted to LKR 3.26 billion during 1H 2026. Within other operating income, foreign reserve revaluation gains netted LKR 1.21 billion, and compared with a LKR 362.37 million in 1H 2025.

Improving Asset Quality Drives Lower Impairment Charges

Impairment charges on loans and other investments declined to LKR 3.46 billion, representing a significant 22.9% YoY reduction. Loan impairment charges decreased by 18.7%, reflecting the benefits of the Bank's continued focus on asset quality management, enhanced credit underwriting standards, closer monitoring of asset quality and stage migration trends, and strengthened recovery efforts. The impaired loans (Stage 3) - Net ratio improved to 3.3% as at June 30, 2026 from 3.8% at end-2025, while Stage 3 provision coverage improved further to 62.9% from 59.1%.

Fraud Impact Fully Recognised and Transparently Reported

Total operating expenses amounted to LKR 12.18 billion for the period under review, including LKR 2.55 billion recognised under other operating expenses in relation to the fraud. The comparative operating expense for 1H 2025, adjusted for the fraud-related expense applicable to that period, was LKR 13.44 billion.

Following the discovery of the fraud within the Bank, several announcements were made to the Colombo Stock Exchange on April 2, 6 and 23, 2026 to keep stakeholders informed of developments. As per the latest update, issued on June 26, 2026, the Bank received the Interim Report from Deloitte Touche Tohmatsu India LLP (Deloitte), which had been commissioned by the Board of Directors to conduct an independent forensic review of the facts and circumstances surrounding the fraud. Based on Deloitte's examination conducted thus far, the value of the suspicious transactions identified amounts to LKR 13.58 billion, versus the initial estimate of LKR 13.20 billion.

The Bank has restated its financial statements, including comparative information for prior periods, to reflect the impact of this revised amount of LKR 13.58 billion as follows: LKR 1.42 billion to periods prior to January 1, 2025, LKR 9.62 billion to the financial year ended December 31, 2025, and LKR 2.55 billion to the quarter ended March 31, 2026. Accordingly, the Statement of Profit or Loss for the comparative period ended June 30, 2025 and the Statements of Financial Position as at January 1, 2025 and December 31, 2025 have been restated.

These restatements have been made in accordance with applicable accounting standards to ensure that the financial statements present a true and fair view of the financial impact arising from the fraud. Following these adjustments, the previously reported post-tax profit of LKR 9.03 billion for FY 2024 has been restated to LKR 8.18 billion, while the previously reported post-tax profit of LKR 11.04 billion for FY 2025 has been restated to LKR 5.90 billion.

Balance Sheet Reflects the Franchise's Resilience

The Bank reported total assets of LKR 949.02 billion as at June 30, 2026, after recognising the financial impact of the fraud, compared with a restated asset base of LKR 926.14 billion as at December 31, 2025. On an unadjusted basis, total assets as at June 30, 2026 would have amounted to LKR 960.71 billion, compared with LKR 935.81 billion at end-2025.

Net loans increased to LKR 595.28 billion from LKR 593.60 billion as at December 31, 2025, while total deposits grew to LKR 712.50 billion from LKR 707.17 billion. The Bank's CASA ratio stood at 23.6% as at end-1H 2026, compared with 27.0% at end-2025. Total equity attributable to shareholders amounted to LKR 80.05 billion, while Group equity stood at LKR 87.55 billion as at June 30, 2026.

Liquidity and Solvency remain well above the minimum regulatory requirements

The Bank maintained a sound liquidity and capital position throughout the period under review. Liquidity Coverage Ratios (LCR) in both rupee and all-currency terms stood at 163.5% and 163.2%, respectively, while the Net Stable Funding Ratio (NSFR) was 129.5%. All ratios remained comfortably above the regulatory minimum requirement of 100.0%.

The Bank's solvency position also remained robust, with Common Equity Tier 1 (CET 1)/Tier I Capital and Total Capital Adequacy Ratios (CAR) of 9.7% and 15.3%, respectively, as at June 30, 2026, remaining above applicable regulatory minimum requirements. The corresponding restated ratios as at December 31, 2025 were 11.3% and 14.8%, respectively.

Investor Key Performance Indicators (KPIs)

All KPIs for 1H 2026 are presented after incorporating the financial impact of the fraud, with comparative figures similarly restated. Return on Average Equity (ROE) improved to 12.7% for 1H 2026, compared with a restated ROE of 7.5% for FY 2025. Pre-tax Return on Average Assets (ROA) was 2.2%, compared with a restated 1.4% for FY 2025.

Annualised Earnings per Share (EPS) increased to LKR 23.49 from a restated LKR 13.83 for FY 2025. At Group level, ROE and EPS stood at 11.8% and LKR 23.54, respectively, compared with restated FY 2025 figures of 8.4% and LKR 15.77. Net Asset Value (NAV) per share stood at LKR 185.21 as at June 30, 2026 compared with a restated LKR 187.67 as at December 31, 2025, while the closing share price was LKR 112.50 (FY 2025: LKR 141.25). Group NAV per share was LKR 199.00 compared with a restated LKR 201.61 at end-2025.

Commenting on the Bank's financial performance for the first half of 2026, the Bank's Director/ Chief Executive Officer, Mr. Kelum Edirisinghe, stated:

"The Bank continues to demonstrate resilience and stability, remaining firmly aligned with its strategic priorities despite the challenges encountered during the year. While dedicated teams remain fully engaged in addressing matters relating to the fraud incident, the broader organisation continues to execute its business strategy with focus, ensuring continuity in operations and service delivery to our customers.

Following the discovery of the fraud, the Bank acted swiftly and decisively to strengthen its governance and risk management framework. A comprehensive forensic review by Deloitte is ongoing, while a series of enhanced control measures have already been implemented across the organisation. Investigations by the relevant law enforcement authorities are also progressing independently.

Importantly, the Bank remains well-capitalised and liquid, with capital and liquidity buffers comfortably supporting our business operations and future growth ambitions. Our balance sheet strength, coupled with our prudent risk management practices, positions us well to navigate the evolving operating environment.

We remain focused on supporting Sri Lanka's economic recovery and growth, particularly through continued engagement with the SME and retail sectors, which are critical drivers of economic activity. The confidence and trust placed in us by our customers, depositors, investors and other stakeholders have been deeply encouraging, and we remain committed to honouring that trust through consistent execution and responsible stewardship".

.