

PRESS RELEASE

Financial Performance for the year ended 31 December
2025

National Development Bank PLC

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NDB reports all-time high earnings. Doubles PAT on a normalised basis.

Highlights

- Profit after taxes reach an all-time high of LKR 11.0 billion (2024: LKR 9.0 billion). Excluding the one-off impact of the ISB debt-restructure in 2024, which represents close to a two-fold growth on a comparable basis
- Net loans and deposits expand by 26.7% and 10.4% respectively on a normalised basis, outperforming industry averages on an all currency basis across both local currency and foreign currency
- Credit granted to Small and Medium Scale Enterprises expands by over 25.0% showcasing the Bank's continued commitment to support the country's economic revival
- Full year ROE and ROA (pre-tax) improves to 13.5% and 2.5%, respectively, supported by strong momentum in the second half of 2025, where ROE and ROA was at 16.4% and 2.8% respectively for the period
- Growth driven primarily by core banking operations

▪ FINANCIAL PERFORMANCE

National Development Bank PLC (hereinafter 'the Bank') announced its results for the financial year ended December 31, 2025 to the Colombo Stock Exchange recently. Full year results tabled by the Bank showcase a strong growth across all business lines with Net Banking Revenue increasing by a 45.2% on a comparable basis. Like most other peers, the Bank's 2024 financial performance was positively impacted following the successful conclusion of the ISB debt restructure with a one-off impact on interest income, fee income and net impairments amounting to LKR 1.4 billion, LKR 0.7 billion and LKR 9.4 billion, respectively for the said year.

▪ Fund based income

Net interest income (NII), which accounts for close to 75.0% of Bank's total operating income, grew by 6.5% on a normalised basis. Despite pressure on interest-earning assets arising from the lower interest rate environment, the Bank's disciplined margin management helped stabilise Net Interest Margin (NIM) at 4.0% for the year. On a comparable basis, excluding one-off exceptional items, NIM stood at 4.2%, compared to 4.3% for both scenarios in 2024. By the end of the year, the Bank had close to LKR 29.3 billion in Loans and Deposits under a special arrangement with its customer(s) with a netting-off feature (end 2024: LKR 19.6 billion).

- **Non-fund based income**

Net fee and commission income reached LKR 8.1 billion for the year - representing a growth of 14.3% from LKR 7.1 billion in 2024 excluding ISB restructuring related fees. Key growth drivers for the current year were trade finance, credit and lending, digital banking and credit and debit cards.

- **Credit and operating costs**

Credit costs for the year amounted to LKR 5.7 billion, reflecting a substantial reduction of 57.1% compared to LKR 13.2 billion in 2024, a testament to the Bank's strong credit underwriting practices and focused efforts on collections and recoveries. The Bank's success on account of the latter is best reflected in notably improved stage 2 and 3 loan stock which stood at 7.9% and 10.8% respectively at end 2025 as compared with 16.6% and 14.0% at end 2024. Stage 3 provision coverage also saw further improvement to 59.1% from 54.5% during 2024 showcasing the Bank's prudent management of credit risk.

Operating expenses closed at LKR 19.0 billion for the year, marking a 13.1% YoY increase. This increase was primarily driven by routine staff-related increments and necessary market realignments, along with higher investments in IT infrastructure and business development undertaken during the year.

- **Investor key performance indicators**

Return on average equity (ROE) was 13.5% - improved notably when compared with 12.2% in 2024 on an all-inclusive basis and 7.7% excluding the one-off income reported from the ISB debt restructure. Looking at the second half of 2025 alone, ROE was close to 16.4% indicating strong improvement from the first half of the year. Similarly, the Bank's pre-tax return on average assets was 2.5% for the full year and 2.8% for the second half of 2025 (2024: with and without ISB one-off gains 3.1% and 1.5%, respectively).

Earnings per share was LKR 25.90 for the full year 2025 as compared with LKR 21.25 in 2024 on as is basis and LKR 13.30 excluding the impact of the ISB debt restructure. Group level ROEs and EPS, respectively, were 13.6% (2024: 12.5%) and LKR 27.83 (2024: LKR 23.05). Net asset value per share was LKR 201.51 (2024: LKR 186.91) and compared with a closing share price of LKR 141.25, which posted a 24.7% appreciation since end 2024. Group Net asset value per share was LKR 215.45 (2024: LKR 199.13).

- **FINANCIAL POSITION**

By year-end, the Bank's total deposits increased to LKR 707.2 billion, reflecting an 11.9% growth from LKR 631.7 billion at end-2024. Meanwhile, net loans expanded more strongly to LKR 593.6 billion, marking a 28.8% increase from LKR 460.7 billion in the previous year.

However, excluding transactions of a one-off and special nature, this represented a normalised absolute net growth of 26.7% and 10.4% over end 2024, respectively. The Bank's CASA ratio on a normalised basis stood at 23.9% by year end 2025 having improved from 22.5% at end 2024 in line with the Bank's ongoing efforts to improve its low cost funding from current levels.

▪ LIQUIDITY AND SOLVENCY

Liquidity levels also remained strong with the Bank's Liquidity coverage ratios, across both Rupee and All currency, closing at 257.3% and 208.5%, respectively at end 2025 (end 2024: 358.1% and 308.3%) while the Net stable funding ratio was 129.7% (end 2024: 152.4%) - all of which were well above the minimum regulatory requirements of 100.0% and comparing well with industry averages. The Bank's solvency levels as measured by CET1/ Tier I and Total CAR were 12.4% and 15.9%, respectively representing more than adequate buffers over its regulatory minimums (2024: 13.7% and 19.1%).

Commenting on the financial results of the Bank for the financial year 2025, the Bank's Director/Chief Executive Officer, Mr. Kelum Edirisinghe, stated:

We are very pleased with the Bank's performance during the year. This achievement is not the end result of one-off gains but purely the outcome of focused execution in our fundamental banking businesses, disciplined credit growth, prudent risk management, a strong deposit franchise, sustained net interest margins, and the continuing efforts to improve our overall operating efficiencies on a consistent basis. Our core banking operations have performed exceptionally well, despite the pressure stemming from lower interest rates, reinforcing the sustainability and quality of our earnings.

Importantly, this performance also equally reflects the trust our customers place in us and the dedication of our employees who strive to deliver excellence every day. Their commitment has strengthened our franchise and deepened relationships across retail, SME, and corporate banking segments. Amongst others, one of our standout achievements during the year was the strong growth reported in the Small and Medium Enterprise (SME) loan book, which grew by over 25.0% year-on-year, clear evidence of our deep and ongoing commitment to advancing the SME sector, a critical engine of national economic growth. This performance is both a milestone and a reflection of the strength of our foundation and our trajectory, plans and ambitions going forward.

While we celebrate these results, we remain focused on our future. Our 2030 strategy aims to further strengthen our core banking operations, enhance digital capabilities, optimise cost efficiency, and grow responsibly. We are confident that the momentum generated this year positions us for sustained long-term value creation.

I take the opportunity to thank the Chairman and the Board of Directors for their unwavering guidance and strategic foresight, to my senior leadership team for their relentless drive and commitment and to our staff at all levels for their hard work and dedication - if not for which none of this is possible. I wish to also extend my gratitude to all our stakeholders including our Regulators, Customers, and Shareholders for their continued trust and confidence placed in us. Your collaboration and confidence will enable NDB to innovate, grow, and create long lasting value for the benefit of its stakeholders and the nation. We look forward to the future with a great degree of hope and optimism!