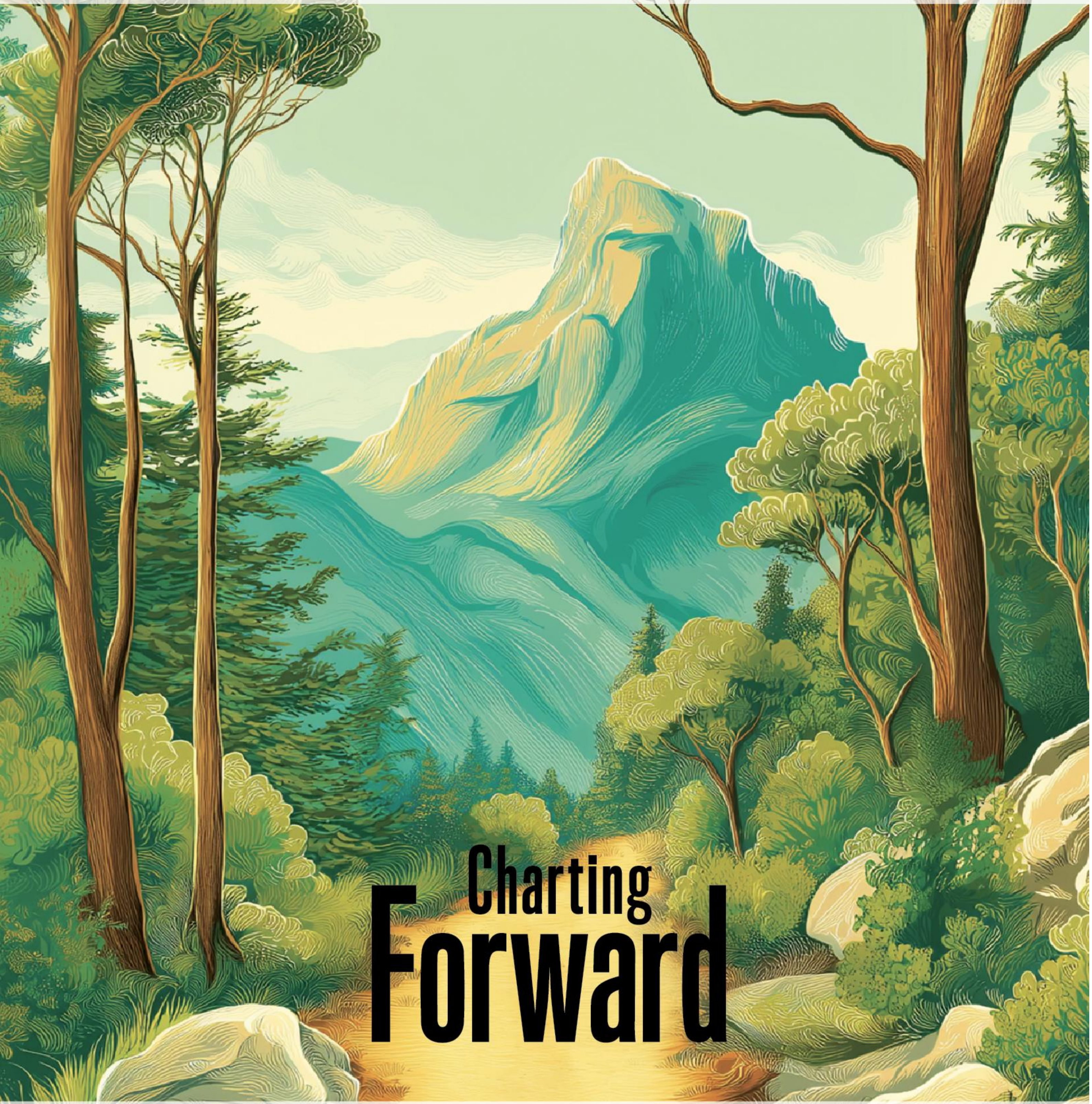
PRESS RELEASE

FINANCIAL PERFORMANCE FOR THE THREE MONTHS ENDED MARCH 31, 2026



National Development Bank PLC

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

Released to Colombo Stock Exchange on: April 30, 2026

NDB bank

The future is banking on us

NDB reports a PAT of LKR 1.75 billion for 1Q26, after adjusting for the financial impact of the fraud

- Financial impact of the fraud of LKR 13.20 billion fully recognised in FY 2024, FY 2025 and Q1 2026 financial periods
- LKR 2.67 billion financial impact arising from the fraud incurred in 1Q 2026 leading to a profit before all taxes of LKR 3.47 billion
- Gross income reaches LKR 26.50 billion during 1Q 2026, a year-on-year growth of 15.3%
- Net fee and commission income expands by 24.9%
- Net interest margin (NIM) stabilised at 3.9%
- Total assets, deposits and net loans expand to LKR 977.20 billion (restated), LKR 731.73 billion and LKR 623.11 billion, respectively.
- Loans extended to the SME sector amounts to LKR 131.74 billion, a LKR 7.09 billion growth over end 2025 position
- Loan book quality improves as reflected in Impaired Loans (Stage 3) to Total Loans Ratio of 3.2% (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 its first quarter ended March 31, 2026 (1Q 2026), as released to the Colombo Stock Exchange on April 30, 2026.

Financial impact of the fraud in the Bank, and reflection of the same in the financial statements

This financial results announcement represents the first following the Bank's earlier corporate disclosures as released to the Colombo Stock Exchange on April 2, 2026, April 6, 2026 and April 23, 2026.

The financial impact of the fraud, as internally estimated, has been appropriately recognised in the Bank's financial statements. Accordingly, based on the internally assessed impact, the Bank has restated its financial statements, including the comparative information for the prior periods. The breakdown of the estimated financial impact of the fraud of LKR 13.20 billion as allocated between the current financial year and the prior periods is as follows; LKR 0.91 billion for the period prior to January 1, 2025, LKR 9.62 billion for the financial year ended December 31, 2025 and LKR 2.67 billion for the first quarter ended March 31, 2026. Accordingly, the results reported in the Statement of Profit or Loss for the comparative quarter ended 31 March 2025 and the Statement of Financial Position as at January 1, 2025 and December 31, 2025 have been restated.

These restatements have been effected 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 said fraud.

The gross financial impact of the fraud has been recognised under other expenses within operating expenses. After adjusting such financial impact of the fraud, the reported post-tax profit for the financial year ended December 31, 2024 of LKR 9.03 billion has been restated to LKR 8.54 billion and the reported post-tax profit for the financial year ended December 31, 2025 of LKR 11.04 billion has been restated to LKR 5.90 billion.

Performance for the quarter

Income and profitability

Operating profit before taxes on financial services for 1Q 2026 of the Bank was LKR 3.47 billion. This is after adjusting the gross financial impact arising from the fraud applicable to 1Q 2026 of LKR 2.67 billion. This profit figure compares with a LKR 482.18 million operating profit before taxes on financial services for the comparative quarter of 1Q 2025, which has been restated with an applicable financial impact of the fraud of LKR 3.50 billion for that period.

Post-tax profit for 1Q 2026 was LKR 1.75 billion and compared with a post-tax profit of LKR 37.58 million for 1Q 2025 – with the financial impact of the fraud included for both periods. Post-tax profit for 1Q 2026, unadjusted for the financial impact of the fraud would have been LKR 3.20 billion versus a comparative post-tax profit of LKR 1.93 billion in 1Q 2025.

The Bank delivered healthy income performance for the quarter, recording total operating income of LKR 12.77 billion, representing a robust 20.8% year-on-year (YoY) growth compared with the first quarter of 2025. The performance was generated entirely from core banking activities, prior to any adjustment for financial impact arising from the fraud, underscoring the strength and sustainability of the Bank's underlying business.

This outcome was supported by a healthy expansion in topline income, which increased by 15.3% YoY to LKR 26.50 billion. Net interest income (NII) rose to LKR 9.05 billion, reflecting a marked YoY growth of 13.5%, driven by effective balance sheet management and disciplined pricing strategies. Interest income increased by an impressive 11.3% to LKR 22.66 billion**,** while the growth in interest expenses was contained at 9.9% to LKR 13.61 billion, demonstrating sound asset and liability management, together with timely repricing of both the loan and deposit portfolios amidst a relatively low interest rate environment.

As a result, the Bank sustained a stable net interest margin (NIM) of 3.9%, which compared with 4.1% recorded for the financial year ended December 31, 2025, demonstrating earnings resilience amid evolving market conditions.

Further strengthening the Bank's income profile, net fee and commission income recorded a growth of 24.9% YoY to LKR 2.19 billion, predominantly driven by trade, cards and credit related activities. Other non-fund-based income, comprising net gains from trading activities, net gains from financial assets at fair value through profit or loss, net gains on de-recognition of financial assets, and other operating income, amounted to LKR 1.52 billion for 1Q 2026.

Impairment charges on loans and other investments declined to LKR 1.75 billion in 1Q 2026**,** representing a notable reduction of 33.4% YoY**.** Within this, impairment charges on loans alone decreased by 27.9%**,** highlighting the tangible and consistent outcomes of the Bank's focused asset-quality initiatives. These improvements were driven by a multi-pronged approach**,** including strengthened credit underwriting standards, proactive and granular monitoring of asset quality migration across stages, and more effective and timely recovery actions**.**

Improvements were recorded in staging movements where stage 2 and stage 3 loan stock stood at 6.7% and 10.0% at the end of 1Q 2026 compared with 7.9% and 10.8% respectively at the end-2025. Impaired loans (Stage 3) to total loans ratio for 1Q 2026 was 3.2%, though marginal, an improvement from 3.8% in end-2025. Stage 3 provision coverage also saw further improvement to 62.1% from 59.1% as of end-2025.

Total operating expenses for the quarter under review amounted to LKR 7.54 billion. This includes LKR 2.67 billion recognised as an expense arising from the fraud, recorded under other expenses as previously mentioned. The comparative period of 1Q 2025 was restated by an adjustment of LKR 3.50 billion, resulting in restated total operating expenses of LKR 7.92 billion.

Financial position

The Bank's total assets if unadjusted for the financial impact of the fraud, as at end 1Q 2026 would have been LKR 988.83 billion, versus a similar asset base as at end-2025 of LKR 935.81 billion. With the financial impact of the fraud adjusted, total assets reported for 1Q 2026 was LKR 977.20 billion and compared with a restated total asset base of 926.17 billion as at end-2025.

Within total assets, net loans expanded to LKR 623.11 billion, recording a 5.0% increase from LKR 593.60 billion in the previous year. Total deposits increased to LKR 731.73 billion, reflecting 3.5% growth from the end-2025 level of LKR 707.17 billion. The Bank's CASA ratio stood at 25.6% as at end-1Q 2026, against 27.0% at end-2025. Total equity of the Bank stood at LKR 78.46 billion as at the end of 1Q 2026, and compared with a restated total equity base for 31 December 2025 of LKR 80.38 billion. Total equity at the Group level was LKR 85.78 billion.

Liquidity and solvency

Liquidity levels also remained sound with the Bank's liquidity coverage ratios, across both rupee and all currency, closing at 177.5% and 153.3%, respectively at the end of the quarter (2025: 257.3% and 208.5%) while the net stable funding ratio was 127.6% (2025 Restated: 131.2%) - all of which were well above the minimum regulatory requirements of 100.0%. The Bank's solvency levels as measured by CET1/ Tier I and Total CAR were 9.5% and 15.4%, respectively representing buffers of 102 bps over Tier I and 291 bps over total CAR regulatory minimums (2025 Restated: 11.3% and 14.9%).

Investor key performance indicators (KPIs)

All KPIs stated for 1Q 2026 are as derived from results with the financial impact of the fraud included, whilst the comparative figures from the prior period are also restated for the financial impact of the fraud applicable to that period. Accordingly, return on average equity (ROE) for 1Q 2026 was 12.6% - and compared with a restated ROE of 7.5% for FY 2025. The Bank's pre-tax return on average assets (ROA) for 1Q 2026 was 2.1% which compared with a restated ROA of 1.4% for FY 2025. Annualised earnings per share (EPS) for 1Q 2026 was LKR 23.17 compared with a restated EPS of LKR 13.64 for FY 2025. Group level ROE and annualised EPS, for 1Q 2026 respectively, were 11.0% (FY 2025-restated: 8.0%) and LKR 21.75 (FY 2025-restated: LKR 15.55). Net asset value per share was LKR 183.78 (FY 2025-restated: LKR 188.30) and closing share price was LKR 130.00 (end 2025: LKR 141.25). Group net asset value per share was LKR 197.37 (FY 2025-restated: LKR 202.25).

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

"Amidst highly limiting circumstances, the Bank's performance for the quarter reflects sound performance of our core banking operations. We are encouraged by the continued improvement in the quality of our loan book, which is the result of disciplined underwriting and enhanced portfolio monitoring.

Following the detection of the act of fraud, the Bank acted promptly and decisively, with all relevant controls reviewed and further strengthened across all areas of the Bank to mitigate the risk of recurrence.

The Bank is working closely with all relevant regulatory and law enforcement authorities, including the Central Bank of Sri Lanka, and continues to extend its fullest assistance to facilitate ongoing investigations and statutory processes including the pursuance of recovering the sums. Additionally, the Board of Directors of the Bank has commissioned Deloitte Touche Tohmatsu India LLP ("Deloitte") to conduct a Forensic Review of the facts and circumstances relating to the fraud. The commissioning of the Forensic Review has been carried out in consultation with, and in line with recommendations provided by the Director of Bank Supervision of the Central Bank of Sri Lanka. The Board expects that this Forensic Review will examine and evaluate the circumstances surrounding the fraudulent transactions, including any lapses in controls, oversight, accountability and governance. Its findings, including any interim updates and the final report, will be submitted directly by Deloitte to the Central Bank of Sri Lanka and the Bank.

While dedicated internal teams continue to support the investigation process, the rest of the organisation remains fully focused on business-as-usual operations, ensuring uninterrupted service delivery to our customers across all segments and products. The Bank remains committed to its strategic priorities, with growth targets recalibrated where appropriate, as we continue to focus on balance sheet resilience, sustainable growth, and the delivery of sound long-term returns to all stakeholders."